

EXHIBIT 4 – UNDERWRITING GUIDELINES FOR HOME-FUNDED HOMEOWNERSHIP PROJECTS

- Discount and Origination points cannot exceed 2% when combined.
- Closing costs should not exceed 4% (including the 2% combined Discount and Origination points) of sales price of the home, excluding PMI, prepaids and title insurance.
- First mortgage interest rate must be within 1% of the current FHA rate
- Loan-to-value of first mortgage does not exceed 100%.
- First mortgage is an FHA, THDA (*Great Choice*), VA or conforming conventional fixed rate loan offered by an FHA TN-approved lender and broker.
- There may be no 60 or 90 day delinquencies, judgments, collections or charge-offs within the past 12 months; and, no more than two 30-day delinquencies in the past 12 months.
- All non-medical collections, charge offs, and judgments must be paid in full.
- Medical collections must have a repayment history established for 6 months or must be paid in full.
- A Chapter 7 bankruptcy cannot have been filed in the past 3 years. Any prior bankruptcy must be discharged.
- If Chapter 13 has been filed in the past five years, the bankruptcy plan has been paid as agreed for at least two years or ½ the repayment period, whichever is shorter.
- Applicant has been on present job 120 days or more and outside of any probationary period. Periods of unemployment exceeding 30 days are explained in writing.
- Minimum front end ratio of 20% - maximum front end ratio does not exceed 33%.
- Back end ratio does not exceed 45%.
- Borrower must contribute 1% of the purchase price from their own funds. The Borrower's contribution can go towards down payment or closing costs or prepaid expense.
- Borrower and spouse if not a co-borrower must attend and Home Buyer Pre-Purchase Education course through a THDA approved provider or HUD-Approved Housing Counseling Agency.
- MDHA considers residual income in our underwriting process. There must be positive income when all borrowers' debts plus a standard amount of living expenses is subtracted from the gross income.