

**RULES
OF
TENNESSEE HOUSING DEVELOPMENT AGENCY
GENERAL PROVISIONS AND HOMEOWNERSHIP LOAN PROGRAM**

**CHAPTER 0770—1—2
HOMEOWNERSHIP LOAN PROGRAM**

TABLE OF CONTENTS

0770—1—2—.01	General	0770—1—2—.12	Loan Approval or Disapproval
0770—1—2—.02	Objectives	0770—1—2—.13	Loan Closing
0770—1—2—.03	Definitions	0770—1—2—.14	Transfer of Property
0770—1—2—.04	Eligible Mortgagors	0770—1—2—.15	Default under Mortgage
0770—1—2—.05	Eligible Properties	0770—1—2—.16	Subsequent Loans
0770—1—2—.06	Loan Purposes	0770—1—2—.17	Advance Conditional Loan Commitments
0770—1—2—.07	Mortgages	0770—1—2—.18	Federal Programs
0770—1—2—.08	Mortgagor's Minimum Investment	0770—1—2—.19	Servicing Agreements
0770—1—2—.09	Mortgage Terms	0770—1—2—.20	Apportionment of Funds
0770—1—2—.10	Application	0770—1—2—.21	Amendments
0770—1—2—.11	Appraisal		

0770—1—2—.01 GENERAL. These regulations prescribe the policies, procedures and authorization for making direct insured home loans under T.C.A. §13—23—117.

Authority: T.C.A. 13—23—115 (18). Administrative History: Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974.

0770—1—2—.02 OBJECTIVES. One of the basic objectives of the Agency is to make loans to low and moderate income citizens of Tennessee to be used to finance the purchase of homes at a preferred rate of interest. The program is designed to help those citizens who are unable to obtain home loans from private lending institutions necessary for the purchase of decent, safe and sanitary homes.

Authority: T.C.A. §13—23—115 (18). Administrative History: Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974.

0770—1—2—.03 DEFINITIONS.

- (1) As used in Rules 0770—1—2—.01 through .21 of these regulations, the following terms shall have the meanings indicated:
- (a) *Home.* A fee simple or eligible leasehold interest in an owner occupied dwelling as defined in T.C.A. §13—23—117 which is located in the State of Tennessee and used as the mortgagor's residence. It shall include a one family unit in a condominium multi-family project together with an undivided interest in the common elements and limited common elements in such condominium project.
 - (b) *Existing Building.* A newly-constructed or previously occupied home.
 - (c) *Leasehold Interest.* A leasehold under a lease the original term of which is for a period longer than 15 years and has a remaining term at least 17 years longer than the repayment period of the loan.
 - (d) *Common Elements.* Those common elements described in the Master Deed of a condominium project duly constituted pursuant to the Horizontal Property Act of the State of Tennessee.

(Rule 0770-1-2-.03, continued)

- (e) *Limited Common Elements.* Those limited common elements described in the Master Deed of a condominium project duly constituted pursuant to the Horizontal Property Act of the State of Tennessee.
- (f) *Maturity.* The date on which the mortgage indebtedness would be liquidated if paid in accordance with periodic payments provided for in the loan documents.
- (g) *Insured Mortgage.* Security for a loan, which constitutes a first lien on a fee interest or eligible leasehold interest in a home, the sufficiency of which security is insured by a policy of insurance or guaranty written by a qualified insurer. The term mortgage shall include a deed of trust. For the purposes of this program and these regulations an insured mortgage shall also mean security for a loan, which security constitutes a first lien on a fee interest or eligible leasehold interest on a home in which the borrower owns, or is “prepared to own by use of a cash down payment”, at least 25% equity in the property based on its appraisal value or the sale price, whichever is the lesser amount.
- (h) *Qualified Insurer.* Any public or private entity qualified to insure the sufficiency of or to guarantee mortgages in Tennessee and approved by the Agency. The Executive Director will review and certify from time to time those entities who meet the requirements of being a “qualified insurer”.
- (i) *Mortgagor.* The original borrower under a mortgage and the heirs, executors, administrators and assigns.
- (j) *Owner.* The owner of a fully marketable title. Also, the holder of a life estate having the usual rights of present possession, control and beneficial use of the property. A remainderman is not an owner.
- (k) *Originating Agent.* A qualified lender, as defined in T.C.A. §13—23—103 (4), which either is an FHA or VA approved mortgagee or supervised by a state or federal regulatory body, and which has entered into a Working Agreement to originate and process Homeownership Loans for the Agency.
- (l) *Eligible Servicer.* An Eligible Servicer is any financial institution which is an FHA or VA approved mortgagee, or an approved Seller-Servicer of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and which is located and authorized to do business in the State of Tennessee and which is approved by the Agency.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974.

0770—1—2—.04 ELIGIBLE MORTGAGORS.

(1) To be eligible for a home mortgage from the Agency, each applicant must meet all of the following requirements:

- (a) Be a resident of the State on the date of application and be a low and moderate income citizen as defined in Rule 0770—1—1—.01 (15);
- (b) Be a purchaser who will use the home to be purchased for a personal or family residence;
- (c) Have had no ownership interest in any residential real property during the three (3) year period prior to making the application. This condition applies to any person who will be

(Rule 0770-1-2-.04, continued)

obligated on the Deed of Trust or the Note who either has an ownership interest in, or intends to reside in, the residence financed by a mortgage loan, except that if the property to be financed is in a targeted area this condition does not apply. The Agency does not consider an ownership interest in a mobile home that is situated on land that was leased or rented by a potential borrower to have been a present ownership interest in a principal residence;

- (d) Have a gross annual household income of such amount that applicant cannot reasonably secure a mortgage at existing private lending rates;
- (e) Have gross assets of such amount that the applicant may reasonably be considered a person of low and moderate income as contemplated in the Act;
- (f) Possess the legal capacity to incur the obligations of the loan;
- (g) Have a general credit standing acceptable to the Agency or a qualified insurer when applicable;
- (h) Be able in the opinion of the Agency to pay all obligations as they become due, including the principals, interest and escrow payments on the mortgage applied for.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974. Amendment filed April 7, 1976; effective May 7, 1976. Amendment filed January 28, 1977; effective February 28, 1977. Amendment filed August 15, 1979; effective September 28, 1979. Amendment filed September 29, 1981; effective December 29, 1981.

0770—1—2—.05 ELIGIBLE PROPERTIES.

- (1) In order to be subject to a mortgage made to secure a loan under this program, a home must meet the following requirements:
 - (a) Be located in the State of Tennessee.
 - (b) Be situated on real estate held or to be held by the mortgagor in fee simple or under an eligible leasehold interest.
 - (c) Sale prices will be established by the Board subject to the approval of the Bond of Finance Committee and shall be set so that at the current Agency mortgage rate, monthly mortgage principal, interest, taxes and insurance will not exceed 25% of the maximum income limit for a given area, up to the limits established by the federal sales price maximums allowed.
 - (d) Be structurally sound and functionally adequate and comply with the property standards established by the Agency and when applicable, the qualified insurer, and meet all controlling minimum building and housing codes.
 - (e) Be designed principally for residential use and located in an area consistent with such use.
 - (f) Be appraised pursuant to Rule 0770—1—2—.11 of these regulations.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed March 17, 1978; effective April 16, 1978. Amendment filed August 15, 1979; effective September 28, 1979. Amendment filed February 20, 1980; effective April 5, 1980. Amendment filed December 7, 1980; effective February 11, 1981. Amendment filed April 29, 1981; effective July 29, 1981. Amendment filed October 8, 1982; effective November 8, 1982. Amendment filed September 25, 1992; effective November 9, 1992.

0770—1—2—.06 LOAN PURPOSES. A loan may be made to any eligible applicant for the purposes of:

- (1) Financing a home constructed for use as the personal or family permanent residence of the applicant.
- (2) Purchasing an existing building to be used as the personal or family permanent residence of the applicant.

Authority: T.C.A. §13—23—115 (18). Administrative History: Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.07 MORTGAGES.

- (1) Mortgage Form. The mortgage shall be executed on a form approved by the Agency. It shall be a first lien on the property, be consistent with Tennessee Law, and conform with the standards prescribed by the Agency, and qualified insurer when applicable.
- (2) Mortgage Provisions. The approved mortgage form shall provide for the following:
 - (a) Late Charge. The mortgage may provide for the collection by the Agency or its servicing agent of a late charge, not to exceed 4 cents for each dollar of each monthly payment more than 15 days in arrears, to cover the extra expenses involved in handling delinquent payment.
 - (b) Application of Payment. All monthly payments to be made by the mortgagor to the Agency or its servicing agent shall be added together and the entire aggregate amount thereof shall be paid by the mortgagor each month in a single payment. The Agency or its servicing agent shall apply the aggregate payment to the following items in the order set forth:
 1. Taxes, special assessments, and property insurance premiums
 2. Interest on the mortgage loan
 3. Amortization of the principal of the loan

Any deficiency in the amount of any aggregate monthly payment shall, unless made good by the mortgagor prior to, or on, the due date of the next aggregate payment, constitute a default under the mortgage.
 - (c) Escrow Payments. In addition to the payment of the principal and interest, the borrower shall pay a one-twelfth (1/12) pro rata share of the annual real estate taxes, hazard insurance, and any other items the Agency deems appropriate. These payments shall be deposited in federally-insured depositories or in such other depositories insured by a deposit insurer approved by the Tennessee Commissioner of Insurance.
 - (d) Prepayment Penalty. The Agency may establish a prepayment penalty which it deems satisfactory to protect the Agency's financial obligations with respect to such principal prepayments pursuant to the Agency's contractual arrangements with the purchasers and holders of its notes or bonds; provided, however, that any such prepayment penalty shall not be greater than the maximum amount provided therefor in the Agency's mortgage loan commitment as to such housing unit issued to the person or family of low or moderate income intending to effect transfer of ownership of such housing unit.
 - (e) Mortgage Insurance. Each mortgage shall provide that the mortgagor will furnish and continually maintain and pay for insurance or other guaranty on the mortgage. Such insurance or guaranty shall

(Rule 0770-1-2-.07 continued)

be written by qualified insurers as defined under Rule 0770—1—2—.03 (h) of these regulations, in amounts and on terms and conditions satisfactory to the Agency and must be maintained until the loan is repaid, or until such other time stipulated by the Agency. This requirement shall not apply to those qualified mortgagors who make a cash down payment of 25% or more in equity of the property based on its appraisal value or the sale price, whichever is the lesser amount.

- (f) **Property Insurance.** Each mortgage shall provide that the mortgagor will furnish and continually maintain and pay for property insurance on the home. Such insurance shall be written by companies, in amounts and on terms and conditions satisfactory to the Agency and the applicable insurer, and must be maintained until the loan is repaid. [See 0770—1—2—.13 (10).] Pro rata payments to keep the property insurance in force will be paid into an escrow account as provided for in 0770—1—2—.07 (1) (c).
 - (g) The Agency may require an acceleration clause in the mortgage to become effective if the mortgagor ceases to use the residence as his or her principal residence as provided in Rule 0770—1—2—.04 (b). For purposes of this rule if the owner leases the residence it shall no longer be deemed to be used as a principal residence, except where the owner is still residing therein.
 - (h) **Additional Provisions.** Such additional provisions necessary to protect the interest of the Agency may be included in its Rule of Practice by the Agency from time to time.
- (3) **Maximum Mortgage Amount.** No mortgage loan shall exceed 95% of the appraised value of the property or its sales price, whichever is lower; plus an amount equal to initial payments for taxes, property insurance, closing costs, other prepaid expenses and such other charges and fees as are approved by the Agency. The Executive Director shall determine and approve the amount of each mortgage loan on a case-by-case basis. The amount shall be based on the applicant's ability to make the prescribed down payment and monthly payments, the applicant's ability to receive mortgage insurance when applicable, and the value and condition of the home. The provisions of this subparagraph are further limited by the provisions of Rule 0770—1—2—.08 (1) (Mortgagor's Minimum Investment).

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974. Amendment filed May 15, 1977; effective June 14, 1977. Amendment filed September 29, 1981; effective December 29, 1981.

0770—1—2—.08 MORTGAGOR'S MINIMUM INVESTMENT.

- (1) At the time the mortgage loan is made, mortgagor shall have paid on the account of the home, the difference between the total cost of acquisition and the amount of the mortgage loan in cash or its equivalent. The amount of such payment shall not be less than five percent of the total cost of acquisition. Exceptions shall be made when appropriate on mortgages to be insured or guaranteed under certain federal programs.
- (2) The total cost of acquisition shall include the purchase price of the home, all settlement costs, including initial payments for taxes, property insurance, closing costs and other prepaid expenses and such other charges and fees as are approved by the Agency.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.09 MORTGAGE TERMS.

- (1) Interest Rate. The interest rate to be paid on all mortgage loans shall be a rate that is established by the Agency from time to time on the basis of its costs of borrowing, expenses of operation and reserves against losses due to defaults.
- (2) Maturity. Each mortgage will be scheduled for repayment within the shortest period consistent with the ability of the borrower to pay the required principal and interest on the mortgage and other attendant expenses, but in no case shall it have a maturity which is greater than 40 years. In addition, no mortgage shall have a maturity in excess of ninety percent of the estimated remaining economic life of the property.
- (3) Payments. The mortgage shall provide that payments will be due on the first of each month. Payments to principal shall commence on the first day of the second month following the date of settlement of the mortgage loan.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974.

0770—1—2—.10 APPLICATION.

- (1) Form of Application. All loan applications shall be made upon a standard form prescribed by the Agency, and shall be submitted to an eligible Agent. If no eligible Agent exists in the applicant's county of residence, or no eligible Agent is willing to submit the applicant's application, the applicant may submit the application directly to the Agency.
- (2) Application Fee. The applicant shall pay an application fee of \$10.00 at the time of application.
- (3) Required Documentation
 - (a) Each application must be accompanied by a statement verifying employment, a statement of gross earnings for the past calendar year from each employer, and a statement of the applicant's total assets. Where the applicant head of a household is retired, a sworn statement of gross annual income for the preceding year along with a statement of the applicant's total assets shall be included. These statements will be made and sworn to upon a standard form prescribed by the Agency.
 - (b) The originating agency shall obtain a copy of the contract of Sale, specifying the property to be financed, and make inspections of the property and credit reviews which will indicate such things as the applicant's place of employment, banking relationships and trade credit. The originating agent shall also verify the information contained in Rule 0770—1—2—.04 (g) and obtain an affidavit which the originating agent shall also verify and which shall contain the following:
 1. that such mortgagor will use the residence financed by the mortgage loan of the agency as his permanent and principal residence as soon as possible following delivery of the mortgage loan,
 2. that such mortgagor agrees not to rent the residence so purchased, and
 3. that the residence is located within the State of Tennessee.

All persons executing the affidavit must list the various addresses where he or she has resided during the three (3) years prior to execution of the mortgage loan, whether residing there as a tenant or as a member of a family without an ownership interest, or through some other arrangement.

(Rule 0770-1-2-.10 continued)

The applicant shall also indicate whether he or she had any ownership interest in a principal residence pursuant to any trust, divorce decree, separation agreement or life estate under a will.

- (c) Additional Documents. The Agency or a qualified insurer may require the applicant to provide such other documentation needed to establish the eligibility and credit worthiness of the applicant.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974. Amendment filed April 7, 1976; effective May 7, 1976. Amendment filed September 29, 1981; effective December 29, 1981.

0770—1—2—.11 APPRAISAL.

- (1) Appraisal Fee. The applicant shall pay to the Agency or its agent, an appraisal fee in an amount equal to the anticipated cost of the appraisal. The fee shall be paid upon requesting the appraisal.
- (2) Form. All appraisals shall be submitted in a form and manner acceptable to the Agency and an applicable qualified insurer.
- (3) Appraisal Standards. The Agency shall provide appraisal standards to be followed in the determination of the acceptability and value of the property. The standards shall reflect minimum property standards established by the Agency pursuant to Rule 0770—1—2—.05 (d) of these regulations and shall be consistent with those standards generally acceptable to the various qualified insurers.
- (4) Approved Appraisers. All homes will be appraised prior to loan approval by an approved appraiser. The Agency may designate as an approved appraiser any individual who is an employee of the Agency authorized to appraise homes, or an independent contract appraiser, and who has appraisal experience and background acceptable to the Agency. An appraiser shall be designated APPROVED prior to the submission of the appraisal.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.12 LOAN APPROVAL OR DISAPPROVAL.

- (1) The Agency shall establish operating procedures for evaluation of applicants and mortgages pursuant to the standards set forth in these regulations.
- (2) The Executive Director is authorized to approve or disapprove mortgages in accordance with these regulations, existing rules of practice and processing instructions.
- (3) Upon approval of an application, acceptance shall be evidenced by the issuance of a commitment setting forth the terms and conditions of the mortgage.
- (4) If a mortgage is disapproved, the reasons for such action shall be stated in a letter to the applicant from the Executive Director.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.13 LOAN CLOSING.

- (1) Manner, Time and Place. The loan closing shall be conducted in accordance with these regulations and such subsequent procedures established by the Agency and shall be scheduled at a time and settlement

(Rule 0770-1-2-.13 continued)

office acceptable to the applicant and the Agency. When a loan is made through a qualified servicing agent, closing will normally occur at the office of the servicing agent originating the mortgage loan.

- (2) Closing Officer. All loans shall be closed by loan closing officers approved by the Agency.
- (3) Charges and Fees. The Agency or servicing agent may collect from the mortgagor, reasonable and customary amounts not in excess of those set from time to time by the Agency for the following terms:
 - (a) Recording fees, transfer taxes or other charges incident to recordation of title or deed of trust;
 - (b) Credit report;
 - (c) Real Property Survey if required by the Agency or applicable qualified insurer;
 - (d) Title examination and title insurance if required by the Executive Director or applicable qualified insurer;
 - (e) Such other reasonable and customary charges or fees as may be established by the Executive Director; provided, however, that no originating service fee or so called "points" may be charged to either the buyer or seller of any loan under this program unless specifically authorized by the Agency. For the purpose of these regulations, "points" shall mean any charge or discount for originating and closing a loan other than the application fee under Rule 0770—1—2—.10 (2) and those fees established under Rule 0770—1—2—.13 (3).
- (4) Escrows. Upon closing the mortgage loan, the mortgagor shall pay to the Agency or its agent to be held in escrow, as provided in Rule 0770—1—2—.07 (2) (c) a sum sufficient to pay the estimated real property taxes, special assessments, and insurance premiums for the period beginning on the date such taxes, assessments and insurance premiums were each last due and payable through the date of the first monthly payment under the mortgage.
- (5) Taxes and Assessments. The Agency, or its agent, shall determine that all prior taxes and assessments against the property which are due and payable are paid at or before the time of loan closing.
- (6) Promissory Note. The Agency, or its agent, will determine that the promissory note is properly completed and executed. The note and mortgage deed of trust shall be signed by all persons required to perfect a valid mortgage lien. The note will be dated no later than the date the mortgage is filed of record; provided it may be executed and dated earlier, if execution of that date is impossible and the mortgagor is advised that interest will accrue on the loan from the date of executing the promissory note.
- (7) Mortgage. The Agency, or its agent, will determine that the mortgage deed of trust is properly completed, executed, sealed and witnessed, acknowledged and filed of record. The mortgage will be executed and dated the same date as the note, except that if it is impossible for one or more of the required signatories of the mortgage, it may be executed on a different date, but not prior to the date of the note.
- (8) Mortgage Title Policy. Prior to loan closing evidence of title satisfactory to the Executive Director shall have been received by the Agency. A Mortgage Title Insurance policy shall be on the ALTA Standard Form Policy and paid-up in an amount at least equal to the outstanding principal balance of the mortgage loan. On single family mortgages on existing homes or on one of not more than fifty (50) loans from a subdivision, if title insurance coverage is not commonly required by private institutional mortgage investors in the area in which the mortgage premises is located, the Agency will accept an Attorney's opinion letter, or such other evidence of title commonly required by such private institutional mortgage investors; provided, the Attorney carries malpractice insurance in an amount and with coverage satisfactory to the Agency; and further provided that said evidence of title, or opinion is not subject to exceptions other than those exceptions acceptable to the Agency.

(Rule 0770-1-2-.13 continued)

- (9) Mortgage Insurance. Mortgage insurance policies or guaranties on mortgage deeds of trust securing loans made by the Agency, shall comply with the following requirements:
- (a) All policies or guaranties shall be issued by qualified insurers as defined in Rule 0770—1—2—.03 (g).
 - (b) A firm commitment to issue said policy shall be in effect at the time of loan closing.
 - (c) The Agency shall be named as the mortgagee insured or guaranteed in the policy or guaranty.
 - (d) The insurance or guaranty shall be in an amount at least equal to the top twenty percent (20%) of the existing principal balance of the mortgage loan.
 - (e) The terms and extent of coverage of the mortgage insurance policies or guaranties shall be satisfactory to the Executive Director.
- (10) Property Insurance. Hazard Insurance against fire, extended coverage, etc., on homes subject to mortgages securing loans by the Agency shall, as a minimum, comply with the following requirements:
- (a) All policies shall be written by companies authorized to transact business within the State of Tennessee.
 - (b) The company shall be reputable and financially sound as determined by the Executive Director.
 - (c) All policies shall be in force at the time of loan closing and a binder presented to the Agency or its agent.
 - (d) The Agency shall be named as the mortgagee in a standard mortgage clause attached to or printed in the policy.
 - (e) The insurance shall be in an amount at least equal to ninety percent (90%) of the insurable value of the improvements of the mortgaged real property.
 - (f) The terms and extent of coverage of all insurance policies must be satisfactory to the Executive Director.
- (11) Mortgage Lien. A mortgagor must represent and determine that after the mortgage deed of trust has been recorded, the mortgaged property will be free and clear of all prior liens (other than such mortgage) and that there will not be outstanding any other unpaid obligation contracted in connection with the mortgage transaction or the purchase of the mortgage property.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974.

0770—1—2—.14 TRANSFER OF PROPERTY. Any property mortgaged to the Agency may be transferred. However, except when prohibited by law or regulation of the mortgage insurer or guarantor, if the transferee is not a person of low or moderate income, otherwise fails to qualify under the requirements set forth in these regulations, upon the transfer of the property, the rate of interest on the mortgage loan will be adjusted to the maximum interest rate

permitted on Veteran's Administration or F.H.A. §203 (b) mortgage loans at the time the original promissory note was executed, whichever rate is lower.

(Rule 0770-1-2-.14 continued)

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed March 4, 1975; effective April 3, 1975.

0770—1—2—.15 DEFAULT UNDER MORTGAGE. Mortgages held as security for loans made under these regulations which are in default may be foreclosed by the Agency according to the terms of the deed of trust by advertisement and public sale as for foreclosures in private transactions or in the manner as provided by law. The Agency is authorized to take title in its name upon foreclosure and to subsequently convey title to such property to bona fide purchasers thereof.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1975; effective August 23, 1974.

0770—1—2—.16 SUBSEQUENT LOANS. A “Subsequent loan” under these regulations is a loan made to a person who is currently an Agency mortgagor for the purpose of acquiring a subsequent home. A subsequent loan may be made for the same purposes and under the same conditions as an initial loan.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.17 ADVANCE CONDITIONAL LOAN COMMITMENTS. To stimulate the development, construction, and sale of low and moderate income housing, the Executive Director may issue advance conditional commitments to make mortgage loans to qualified mortgagors upon completion by a qualified sponsor, developer, or builder of homes which meet the criteria of Rule 0770—1—2—.05 and the accompanying Rules of Practice, whether or not

construction costs are financed by an Agency mortgage loan; provided that individual mortgage applicants for the commitments herein reserved meet the requirements of Rule 0770—1—2—.04 and associated underwriting criteria.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1974; effective December 12, 1974.

0770—1—2—.18 FEDERAL PROGRAMS. Whenever possible, the Agency will cooperate with federal agencies to utilize all existing resources available for the production of housing in the state.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.19 SERVICING AGREEMENTS. In the case of each loan submitted to the Agency by an Originating Agency and approved by the Executive Director, the Executive Director will offer a contract for servicing the loan (Servicing Agreement) to such firm, provided the Originating Agent is an Eligible Servicer, on terms and conditions satisfactory to the Agency. Should the Originating Agent decline to enter into such servicing agreement, the Executive Director will have the option to either enter into a servicing agreement with another Eligible Servicer or perform the servicing of the loan by the Agency.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974. Amendment filed November 12, 1984; effective December 12, 1974.

0770—1—2—.20 APPORTIONMENT OF FUNDS. The Executive Director shall periodically re-examine the loan volume and exercise every effort to insure that all areas of the State are being adequately served by the program. The Executive Director shall adopt and enforce policies to avoid creating or aggravating low-income economic concentrations which adversely affect communities.

Authority: T.C.A. §13—23—115 (18). **Administrative History:** Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.21 AMENDMENTS. These regulations may be amended by the Agency at any time and from time to time, in whole or in part as provided by law, but such amendments shall not adversely affect the interest of mortgagors under existing mortgages.

Authority: T.C.A. §13—23—115 (18). *Administrative History:* Original rule filed July 24, 1974; effective August 23, 1974.

0770—1—2—.22 VETERANS WITH TOTAL DISABILITY. The Agency will make Homeownership Loans to veterans with 100 % disability to enable them to purchase specially adapted housing. Such loans shall be made in accordance with the regulations contained in Chapters 0770—1—1 and 0770—1—2 except that the following terms shall have the following meanings for the purpose of these loans:

- (1) *Eligible Mortgagor* shall mean an applicant who meets the requirements of Rule 0770—1—2—.04, who is 100% disabled, and who is eligible for a Veterans Administration grant for Specially Adapted Housing for Disabled Veterans.
- (2) *Gross Annual Income* means the income described in Rule 0770—1—1—.01 (13) but does not include compensation received from the Veterans Administration due to disability.
- (3) *Eligible Property* means a property which meets the requirements of Rule 0770—1—2—.05 except that the sales price of such property may exceed the amount stated in Rule 0770—1—2—.05 by the amount of the grant which the veteran will receive from the Veterans Administration for Specially Adapted Housing for Disabled Veterans.

Authority: T.C.A. §13—23—115 (18). *Administrative History:* Original rule filed October 31, 1979; effective January 29, 1980.