

**RULES
OF
TENNESSEE HOUSING REHABILITATION CORPORATION**

**CHAPTER 0775-1
RULES AND REGULATIONS**

TABLE OF CONTENTS

0775-1-.01	Purpose of the Corporation	0775-1-.08	Separability
0775-1-.02	Definitions	0775-1-.09	Eligibility Requirements
0775-1-.03	Rules of Practice	0775-1-.10	Temporary Vacation of Premises
0775-1-.04	Forms	0775-1-.11	Nondiscrimination
0775-1-.05	Waiver	0775-1-.12	Mortgage Insurance Programs
0775-1-.06	Misrepresentation, Violation	0775-1-.13	Defaults and Claims
0775-1-.07	Amendments		

0775-1-.01 PURPOSE OF THE CORPORATION:

- (1) It is the purpose of the Tennessee Housing Rehabilitation Corporation (THRC) to utilize its authority to insure mortgage loans so as to increase the housing opportunities of the residents of the State of Tennessee. In exercising its mortgage insuring authority, the Corporation shall give priority consideration to the enhancement of community stability within the State. To achieve this end, the Corporation shall be administered so as to establish economical, flexible and expeditious mortgage insurance programs, supplemental to existing federal and private mortgage insurance programs.
- (2) In carrying out the purpose and intent of the Act and of these Rules and Regulations, the Corporation may, from time to time, alter the plans for insurance herein described and implement demonstration programs or additional insurance plans as it may deem necessary or appropriate.

Authority: T.C.A. Section 13-2204(4). **Administrative History.** Rule filed October 10, 1975; Effective November 10, 1975.

0775-1-.02 DEFINITIONS:

- (1) "Act" means the Tennessee Housing Rehabilitation Corporation Act, T.C.A. 13-2201-2214, as amended;
- (2) "Board of Directors" means the Board of Directors of the Tennessee Housing Rehabilitation Corporation pursuant to T.C.A. 13-2203(a);
- (3) "Certificate of Insurance" means the document issued to the approved mortgagee by the Corporation, subsequent to the satisfaction of all conditions of the commitment to insure for a subject mortgage loan and upon payment of the required premium, which shall bind the mortgagee and the Corporation according to the terms and conditions of the master policy;
- (4) "Commitment to Insure" means the document issued approving a subject mortgage loan for THRC mortgage insurance contingent upon satisfaction of, or compliance with, all terms and conditions contained therein and the payment of the required premium;
- (5) "Contract of THRC Mortgage Insurance" means the agreement between the approved mortgagee and the Corporation insuring a mortgage loan approved for said insurance as evidenced by the "Certificate of Insurance" issued for the subject mortgage loan according to the terms and conditions of the "Master Policy";
- (6) "Corporation" means the Tennessee Housing Rehabilitation Corporation created and established pursuant to T.C.A. Section 13-2203;

(Rule 0775-1-.02, continued)

- (7) "Cost of Rehabilitation" means the sum total of the costs incurred by an owner and approved by the Corporation as reasonable and necessary for carrying out the rehabilitation of housing accommodations. These costs may include property acquisition, interim financing, refinancing, plans and specifications, architectural, legal and engineering services, labor, materials, supplies and all other services;
- (8) "Default" means the failure of a mortgagor to make any required payment, in full, or to perform any other obligation under the insured mortgage where such failure has continued for a period of thirty (30) consecutive days. Sixty (60) days in default means the failure of a mortgagor to make two (2) such required payments or to perform any other obligation pursuant to the insured mortgage where such failure has continued for sixty (60) consecutive days.
- (9) "President" means the chief executive officer of the Corporation as provided in T.C.A. 13-2203(d);
- (10) "Financial Institution" or "Mortgage Lender" means any commercial bank, trust company, national banking association, savings and loan association, federal savings and loan association, credit union, federal credit union, insurance company, pension fund or retirement system, or any other individual, partnership, trust, association or corporation which is authorized to transact business in this State and which is approved by the Corporation as eligible for mortgage insurance hereunder; "Financial Institution" or "Mortgage Lender" includes the Tennessee Housing Development Agency, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.
- (11) "Housing Accommodation" means any building or structure, or portion thereof, and facilities incidental thereto, which is occupied or used, or is intended to be occupied or used, as the residence or home of one or more persons or families;
- (12) "Master Policy" means the document issued subsequent to the approval of an eligible mortgage lender to participate in the THRC mortgage insurance programs, stating the terms and conditions under which approved mortgage loans may be insured by the Corporation;
- (13) "Mortgage" or "Insurable Mortgage" means a mortgage loan and deed of trust, or other instrument, securing a loan for the "cost of rehabilitation", which constitutes a first lien on improvements and real property in this State at the time a mortgage insurance certificate is issued, held in fee simple or on a leasehold under a lease having a remaining term of at least twenty percent (20%) greater duration than the remaining term of the loan obligation secured by such mortgage deed of trust. Such lease shall have a minimum remaining term of five (5) years and shall otherwise conform to the provisions of T.C.A. 64-701;
- (14) "Mortgage Insurance Fund" means the mortgage insurance fund established pursuant to T.C.A. 13-2205;
- (15) "Mortgage Insurance Fund Requirement" means the mortgage insurance fund requirement established pursuant to T.C.A. 13-2201(7). The Board of Directors may, at its discretion, vary the mortgage insurance fund requirement from time to time, consistent with the provisions of the Act;
- (16) "Mortgagee" means the original approved mortgage lender under an insurable mortgage, and its successors and assigns, as approved by the Corporation;
- (17) "Mortgagor" means the original borrower under an insurable mortgage, and his successors and assigns, as approved by the Corporation;
- (18) "Owner" means any person, firm, partnership, or corporation, either public or private, having the legal or beneficial ownership of a housing accommodation or of a building, structure, or property containing one or more housing accommodations;
- (19) "Property" means the land and the housing accommodation or accommodations constructed thereon, including the rights and benefits of its ownership, securing - the subject mortgage loan;

(Rule 0775-1-.02, continued)

- (20) "Rehabilitation" means the alteration, improvement or repair of one or more housing accommodations and facilities incidental thereto, intended to raise said housing accommodation to the design and condition required for use;
- (21) "Rehabilitation Loan" means a loan made by a financial institution for the purpose of undertaking rehabilitation of a housing accommodation and which otherwise complies with the conditions established pursuant to the Act;
- (22) "State" means the State of Tennessee;
- (23) "THRC Mortgage Insurance" means mortgage insurance issued by the Tennessee Housing Rehabilitation Corporation as evidenced by a contract of THRC mortgage insurance pursuant to the provisions of the Act, these Rules and Regulations, and the Rules of Practice of the Corporation;
- (24) "Date of Mortgage Loan Consummation" is defined as the date on which all conditions of a Commitment to Insure have been satisfied, including completion of all rehabilitation required under such Commitment, and on which all documents pertinent to the closing of the mortgage loan have been properly executed and recorded; and
- (25) "Declared Percentage" means the percentage of the outstanding mortgage balance which is insured in accordance with the mortgage insurance plan selected by the mortgagee and as set forth on the Application for Mortgage Insurance, the Commitment to Insure, and the Certificate of Insurance relating to said insured loan.

Authority: T.C.A. Section 13-2204(4). **Administrative History.** Rule filed October 10, 1975, effective November 10, 1975. Amended; filed April 30, 1976, effective July 14, 1976.

0775-1-.03 RULES OF PRACTICE: Rules of Practice (Handbook for Mortgage Lenders), including instruction, forms, and guidelines for the receipt and processing of applications for THRC mortgage insurance, the issuance of THRC mortgage insurance and commitments to insure mortgage loans, the enforcement of all rights and obligations under such commitment to insure or contracts of insurance, and the taking of any other actions as may be necessary or desirable for the implementation and administration of all aspects of the Corporation's programs. may be established and modified from time to time by the Corporation, provided the ' v are at all times consistent with the provisions of the Act, the Corporation bylaws, and these Rules and Regulations.

Authority: T.C.A. Section 13-2204(4). **Administrative History.** Rule filed October 10, 1975. effective November 10, 1975. Amended; filed April 30, 1976, effective July 14, 1976.

0775-1-.04 FORMS: Appropriate THRC forms are to be used for the making and processing of applications for THRC mortgage insurance, issuing a commitment to insure, the insurance certificate, a notice of default, a default report, or a claim for loss, and for the administration of all other matters related to the operations of the Corporation where such forms are provided. The forms shall be prepared, and may be revised and amended from time to time, by the Corporation, and shall specify the information to be included therein and the supporting materials to be submitted therewith.

Authority: T.C.A. Section 13-2204(4). **Administrative History.** Rule filed October 10, 1975. effective November 10, 1975.

0775-1-.05 WAIVER: The Board of Directors, by Resolution, may waive or vary particular provisions of these Rules and Regulations (a) to conform to the requirements of the Federal government in connection with any housing development or housing unit with respect to which Federal Assistance is sought, or, (b) due to exceptional circumstances if, in the determination of the board of Directors, the application thereof to a specific case or under an emergency situation may, result in undue hardship. No variance in these Rules and Regulations may be more restrictive in application to outstanding contracts of THRC mortgage insurance than the in question in effect at the time such insurance contract became effective.

(Rule 0775-1-.05, continued)

Authority T.C.A. Section 1:3-2204(4). **Administrative History.** Rule filed October 10, 1975 , effective November 10, 1975.

0775-1-.06 MISREPRESENTATION, VIOLATION: The Corporation reserves the right to put-tie all remedies prescribed by law, including, those provided in T.C.A. 13-2204, for violation of any provision of, or misrepresentation of any information or certification required by any THRC form or other specified document.

Authority T.C.A. Section 1:3-2204(4). **Administrative History.** Rule filed October D). 197), effective November 10, 1975.

0775-1-.07 AMENDMENTS These Rules and Regulations maybe amended or supplemented by the Corporation at such times and in such a manner as it may determine, to the extent not inconsistent with the Act or with other applicable provisions of law.

Authority T.C.A. Section 1:3-2204(4). **Administrative History.** Rule filed October 10, 1975, effective November 10, 1975.

0775-1-.08 SEPARABILITY: If any clause, sentence, paragraph, section or part of these Rules and Regulations shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Authority: T.C.A. Section 13-2204(4). **Administrative History.** Rule filed October 10, 1975, effective November 10, 1975.

0775-1-.09 ELIGIBILITY REQUIREMENTS:

- (1) **MORTGAGES:** Mortgages and mortgage loans must conform to the following requirements to be considered eligible for THRC mortgage insurance:
 - (a) Application for THRC mortgage insurance must be submitted to the Corporation by an approved mortgagee holding or proposing to hold, an "insurable mortgage" on the housing accommodation;
 - (b) The mortgage loan and deed of trust must constitute a first lien on improvements and real property in this State held in fee simple or on a leasehold under a lease having a remaining term, at the time the THRC mortgage insurance is issued of at least twenty (20%) percent greater duration than the remaining mortgage term. Said lease shall have a minimum remaining term of five (5) years and shall otherwise conform to the provisions of T.C.A. 64-701;
 - (c) Mortgage loan proceeds shall be limited to the "cost of rehabilitation" as provided in Rule .02(7) hereof;
 - (d) Mortgage loans are eligible only if the housing accommodation securing the insurable mortgage is occupied or used by the "mortgagor" as his or her permanent residence or home as of the date the insurance certificate is issued;
 - (e) The mortgage has a remaining term of not more than thirty (30) years from the date the THRC mortgage insurance certificate is issued;
 - (f) The mortgage bears interest, exclusive of premium charges fixed by the Corporation, at a rate not in excess of the legal rate for such mortgages in the State and agreed upon by the mortgagor, the mortgagee, and the Corporation;
 - (g) The mortgage must contain provisions for the complete amortization of the loan in monthly installments satisfactory to the Corporation. Generally, the principal and interest payment

(Rule 0775-01-.09, continued)

shall be substantially the same from month to month and not in excess of the mortgagor's reasonable ability to pay as approved by the Corporation.

- (h) The mortgage is in such form and contains such terms and provisions with respect to maturity, hazard and title insurance, repairs, alterations, maintenance, payment of taxes and assessments, default remedies, anticipation of maturity, additional and secondary liens, prepayment, late charges, waiver of equitable and legal redemption rights and other matters as the Corporation may prescribe;
- (i) Mortgage loans submitted to the Corporation for consideration must conform to the exhibits, documentation, and eligibility criteria as required by these Rules and Regulations and the Rules of Practice for the THRC mortgage insurance program for which approval is being requested; and
- (j) Mortgage loans may be for any amount up to and including one-hundred percent (100%) of the "cost of rehabilitation" of the housing accommodation, but subject to limitations as specified by the Rules of Practice of the Corporation on the loan-to-value ratio, maximum loan amount, mortgagor's minimum investment, and the cost of the improvements, alterations, or repairs as a percent of the property value or cost prior to such improvements, alterations, or repairs.

(2) MORTGAGEES:

- (a) Financial institutions or mortgage lenders eligible to apply for approval as mortgagees are:
 - 1. Financial institutions or mortgage lenders which have accounts insured by an agency of the United States;
 - 2. Financial institutions or mortgage lenders who are approved mortgagees by any existing Federal mortgage insurance agencies;
 - 3. Any financial institution or mortgage lender which is a Federal National Mortgage Association or Federal Home Loan Mortgage Corporation approved institutional seller; and
 - 4. Other financial institutions or mortgage lenders, including agencies of the State of Tennessee and its political subdivisions, which have as a primary or substantial function or operation the making of long term residential mortgage loans. Said mortgagees, to be eligible, must present evidence of responsibility, permanency, financial adequacy, and administrative capabilities as required by the Corporation in its Rules of Practice.
- (b) An eligible mortgagee must seek qualification as an approved mortgagee by submitting such application and supporting documentation as the Corporation shall require. Upon approval, the Corporation shall forward to the approved mortgagee a "Master Policy" effecting such approval. The Corporation shall remain liable under this policy with respect to such Commitments or Certificates issued to the Insured, provided there is full compliance with the applicable terms and conditions. However, the Corporation reserves the right to terminate this policy at any time, upon ten (10) days written notice, subject to its remaining liable on such Commitments and Certificates already issued hereunder to the Insured.

(3) MORTGAGORS: Mortgagors must meet the following eligibility requirements as of the date the insurance certificate is issued:

- (a) Be legally able to enter into such contractual obligations under the laws of the State;
- (b) Will use or occupy the housing accommodation securing the mortgage as his or her permanent residence or home;

(Rule 0775-01-.09, continued)

- (c) Have no previous residential mortgage in effect at the time of application except a mortgage outstanding on the mortgagor's present housing accommodation, where applicable. At closing, the mortgagor must not be obligated as the primary obligor on any other mortgage secured by a housing accommodation except as approved in writing by the Corporation;
 - (d) Has been unsuccessful in obtaining the mortgage loan upon reasonable and affordable terms and conditions without such mortgage insurance;
 - (e) Can demonstrate to the satisfaction of the Corporation reasonable ability to provide the financial resources required to meet the ordinary and necessary expenses of homeownership for the subject property, as they become due, including the principal, interest and escrow payments of the mortgage loan for which application is being made;
 - (f) Has maintained an acceptable general credit standing and history of personal financial management satisfactory to the Corporation; and
 - (g) Where the mortgagor contemplates performing part or all of the rehabilitation work, can demonstrate to the satisfaction of the Corporation, the availability of adequate skills, time, and other resources necessary to complete the proposed rehabilitation.
- (4) PROPERTIES:
- (a) Properties which are the subject of THRC mortgage insurance applications must, as of the date of application, meet the following requirements:
 - 1. Be located in the State;
 - 2. The application for THRC mortgage insurance must include a plan, satisfactory to the Corporation, to render the property in conformance with Rule 0775-1-.09(4) (b) hereof. If the application is approved, a "Commitment to insure" will be issued with the plan attached. Said plan must be completed in accordance with the commitment to insure prior to the issuance of the insurance certificate;
 - 3. If a part of a subdivision development, including townhouse or condominium project, be subject to approval by the Corporation of the overall development plan and the owners' association or condominium documents; and
 - 4. For the purposes of compliance with Rules 0775-1-09 (1)(j) and 0775-1-.12(l) hereof, have appraised value established prior to and after any alterations, improvements, and repairs in accordance with appraisal methods and practices approved by the Corporation.
 - (b) Properties which are the subject of THRC mortgage insurance applications must, as of the date the insurance certificate is issued, meet the following requirements:
 - 1. The remaining useful life of said housing accommodation is no less than one hundred-twenty percent (120%) of the term of the mortgage to be insured, as determined by the Corporation;
 - 2. The housing accommodation contains no substantial violation of any applicable building or housing codes, fire ordinances, or health regulations, and is not otherwise considered substandard or in a deteriorating or dilapidated condition as determined by the appropriate enforcing jurisdiction or by the Corporation where such codes, ordinances, or other regulations have not been adopted or are not being enforced;
 - 3. Mortgagee must certify to the Corporation that all "costs of rehabilitation" which could result in a lien against the mortgagor, mortgagee, or the subject property have been paid in full or will be so paid from the mortgage loan proceeds upon the Date of Mortgage Loan Consummation;

(Rule 0775-01-.09, continued)

4. Be accessible over public rights-of-way or recorded easements;
 5. Prior to mortgage loan consummation evidence of title satisfactory to the Corporation shall have been received by the Corporation. 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, if title insurance coverage is not commonly required by private institutional mortgage investors in the area in which the mortgage premises is located, the Corporation 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 Corporation; and further provided that said evidence of title, or opinion is not subject to exceptions other than those exceptions acceptable to the Corporation.
- (c) Properties which are the subject of THRC mortgage insurance applications shall be located in areas which meet the following requirements:
1. Are free from effects or encroachment of adverse uses, activities, or conditions, as determined by the Corporation;
 2. Are likely to benefit from such property rehabilitation; and
 3. Provide adequate and customary supporting community services.

Authority: T.C.A. Section 13-2204(4). Administrative History. Rule filed October 10, 1975; effective November 10, 1975. Amended: filed April 30, 1976, effective July 14, 1976.

0775-1-10 TEMPORARY VACATION OF PREMISES: As provided in T.C.A. 13-2213, the Corporation may require, during the course of rehabilitation, temporary vacation of the premises which is, or is proposed to be, the subject of THRC mortgage insurance, if such vacation is found to be necessary in order to complete the rehabilitation. Any persons required to vacate shall have the right to reinstatement therein after the rehabilitation has been completed.

Authority: T.C.A. Section 13-2204(4). Administrative History. Rule filed October 10, 1975, effective November 10, 1975.

0775-1-11 NONDISCRIMINATION: THRC mortgage insurance is subject to and contingent upon the mortgagor and the mortgagee complying with the non-discriminatory equal housing opportunity requirements of the Federal Government, the State, and any political subdivision of the State in which the subject property is located.

Authority: T.C.A. Section 13-2204(4). Administrative History. Ruled filed October 10, 1975, effective November 10, 1975.

0775-1-.12 MORTGAGE INSURANCE PROGRAMS:

- (1) **INSURANCE PLANS:** The Corporation will offer mortgage insurance plans based on the loan-to-value ratio of properties eligible for mortgage insurance hereunder. As provided in Rule .09 (1)(j), a mortgage loan of up to, and including one-hundred percent (100%) of the "11 cost of rehabilitation" is eligible for mortgage insurance hereunder. However, the mortgage loan shall in no event exceed a specified percentage of the appraised value of the property as of the date the insurance certificate is issued or a maximum mortgage loan balance as established in the Rules of Practice. Insurance coverage shall be restricted to a portion or declared percentage of the outstanding mortgage balance and other approved costs as provided in Rule .13(4)(b) hereof.
- (2) **APPLICATION:** Application for THRC mortgage insurance may be made to the Corporation by forwarding a copy of the approved lender's processing file containing the appropriate exhibits together

(Rule 0775-01-.12, continued)

with the appropriate THRC application form and fee and such other documentation or information as the Corporation may specify from time to time in the Rules of Practice. The application fee is non-refundable.

- (3) **PROCESSING:** The Corporation will underwrite the subject application upon receipt of the fully completed application file. Should there be need for additional information, or if the application is not approved, the lender will be so notified. If the application is approved for THRC mortgage insurance, a commitment to insure will be forwarded to the lender. Pursuant to T.C.A. 13-2205 (2)(b) the Corporation shall regulate all fees and charges which are to be paid by or charged to the mortgagor.
- (4) **COMMITMENT TO INSURE:** A "commitment to insure" will be issued upon completion of processing and approval, contingent upon satisfaction of all terms and conditions contained therein, for THRC mortgage insurance. Such commitment will remain in force for a minimum period of forty-five (45) days from the date it is issued. If all terms and conditions under which the commitment to insure has been issued are satisfied and the certificate of THRC mortgage insurance issued prior to termination of the forty-five (45) day minimum commitment period, no additional application or commitment fee will be required. If the certificate of THRC mortgage insurance is not issued prior to the expiration of said forty-five (45) day minimum commitment period, the commitment to insure is terminated. However, a "commitment to insure" may initially be for a period greater than the forty-five (45) day minimum and/or may be extended upon request by the mortgage and the payment of the commitment fee: in the case of an extension, prior to the expiration of the forty-five (45) day period. Such commitment fee shall be based upon the commitment period applied for, the mortgage balance to be insured and, where applicable, insurance of interim financing pursuant to Rule .12(5) hereof. The Corporation may require periodic verification of the factual circumstances of the approved application and upon closing of the mortgage loan. A commitment to insure may be terminated by the Corporation where the factual circumstances under which the application was approved have substantially changed. Commitment fees are non-refundable.
- (5) **INSURANCE OF INTERIM FINANCING:** In accordance with T.C.A. 13-2202(2) a commitment to insure a mortgage loan for a housing accommodation wherein code violations or substandard conditions exist may include provisions for the insuring of work progress payments or draws paid out for the "cost of rehabilitation" as the work progresses in such manner as to protect the interests of the mortgagor and mortgagee. The mortgagee shall retain a specified percentage of each certified payment request approved by the Corporation. Insurance so provided by the Corporation during the commitment period will cover a portion of each payment made by the mortgagee. The percentage of each payment to be retained by the mortgagee and the portion or declared percentage of said payment to insured shall be set forth in the subject commitment to insure with other terms and conditions of said commitment in accordance with the Rules of Practice of the Corporation.
- (6) **PREMIUMS AND RENEWAL:** The THRC mortgage insurance coverage shall be for a minimum term of one (1) year and may be renewed annually for the remaining term of the subject mortgage. Premiums charged shall be based on the insurance program selected as set forth in the Rules of Practice and the outstanding mortgage balance as of the date the insurance certificate is issued (effective date of coverage) for the initial one (1) year policy period or each annual anniversary date thereafter so long as the insurance is in force.
- (7) **EFFECTIVE DATE OF COVERAGE:** "THRC mortgage insurance" shall become effective as of the date the "THRC mortgage insurance" certificate is issued, the Date of Mortgage Loan Consummation. Renewal premiums, return of premiums, cancellation and all other matters regarding a subject insurance Certificate shall refer to the "effective date of coverage" for computation. The Certificate of Insurance will not be issued prior to conformance with all terms and conditions of the subject Commitment to Insure, the return of the executed Commitment to Insure form and payment of the required premium.
- (8) **RISK DISTRIBUTION:** To avoid risk concentration, the Corporation shall have the right to regulate the aggregate outstanding insured mortgage balance, or commitments to insure, held by any one

(Rule 0775-01-.12, continued)

mortgagee or concentrated in any specific geographic area, as determined by the Corporation. Such regulation may be based on the number of insured mortgage loans, and/or the aggregate insured balance, or commitments to insure, as a percent of the Corporation's total aggregate insured balance or commitments to insure.

- (9) **CHANGE OF MORTGAGOR:** In the event the property securing an insured mortgage is transferred, sold, or assigned, coverage will continue on the insured mortgage provided:
- (a) The original mortgagor is not released from the mortgage liability by the lender or the new owner is approved, in writing, by the Corporation; and
 - (b) The existing mortgage loan balance at the time of assumption is not increased without prior written approval of the Corporation.
- (10) **CHANGE OF MORTGAGEE (assignment and sale of mortgages):** Assignment or sale of an insured mortgage does not impair coverage, but the Corporation must be promptly advised on the appropriate THRC form of the sale, the assignee and address, date of sale, Certificate and Master Policy number of the mortgage sold, and name of mortgagor. Servicing shall be retained by the originating/selling mortgagee unless the subject mortgage is assigned or sold to another approved mortgagee which will provide mortgage servicing,
- (11) **INTERIM CHANGES:** Any loan modification, "add-on" or "open-end" advance, or refinance of existing mortgages will require prior review and written approval by the Corporation for continued coverage.
- (12) **TERMINATION OF COVERAGE:**
- (a) During the initial one (1) year policy period coverage may be terminated by the mortgagee only if the subject mortgage loan is paid in full;
 - (b) During any subsequent annual renewal period coverage shall be terminated specified premium is not paid as required, if the terms and conditions of the Master Policy, the Commitment to Insure, and the Certificate are not fully complied with, or if the mortgagee requests cancellation; and
 - (c) Where coverage is terminated or cancelled and the mortgagor is not released from the mortgage obligation the Corporation shall notify the mortgagor and the mortgagee that the THRC mortgage insurance is no longer in force for the mortgage.
- (13) **RETURN OF PREMIUM:** Any premium to be refunded will be calculated upon a "short-rate" basis according to the schedule set forth in the Rules of Practice of the Corporation which shall also specify the "minimum retained premiums" where applicable. Where a claim is pending or satisfied, or during the Initial Policy Period, if termination is due to any cause other than payment of the mortgage loan in full, the premium is earned in full and no refund of premium will be made. Refunds will be forwarded to the mortgagor unless the mortgagee specifically states, in writing, that the premium was not paid by the mortgagor and such refund should be made to another party.
- (14) **MAXIMUM AGGREGATE INSURANCE LIMIT:** The Corporation shall not exceed the limit established in T.C.A. 13-2210 in issuing commitments to insure mortgage loans or certificates of mortgage insurance. The Board of Directors may, in its discretion, vary the maximum aggregate insurance limit from time to time, consistent with the provisions of the Act.

Authority: T.C.A. Section 13-2204(4). **Administrative History.** Rule filed October 10, 1975; Effective November 10, 1975. Amended: filed April 30, 1976, effective July 14, 1976.

0775-1-.13 DEFAULTS AND CLAIMS:

- (1) **DEFAULTS:** A notice of default must be submitted to the Corporation on the appropriate THRC form within ten (10) days after the account is sixty (60) days in default as defined in Rule 0775-1-.02(8) hereof. Each thirty (30) days thereafter, the mortgagee shall submit a monthly default status report while the loan continues in default or until proceedings to acquire title have been initiated.
- (2) **FORBEARANCE:** The mortgagee shall advise the Corporation as to the possibility of loan modification agreements, recasting, or other methods of forbearance which may be appropriate. All efforts to rehabilitate a delinquent account shall be exhausted prior to commencing foreclosure action or accepting a voluntary conveyance of the deed in lieu of foreclosure. The Corporation shall be kept advised of such efforts and the results thereof and may, as its own discretion and after consultation with the mortgagee and mortgagor, provide interest assistance pursuant with T.C.A. 13-2211 and 13-2212 to assist in the reinstatement of the delinquent account. Generally, the Corporation will follow the mortgagee's recommendation. The Corporation may require the institution of foreclosure proceedings pursuant to T.C.A. 13-2204(15) at any time the account is a total of three (3) months in default.
- (3) **FORECLOSURE:** If all efforts to cure the default or to establish forbearance by means of loan modification, recasting, etc., fail, the mortgagee shall attempt to obtain a voluntary conveyance of the deed in lieu of foreclosure. "If such conveyance is not practicable, or where foreclosure action is recommended by the Corporation, the mortgagee may proceed with foreclosure action." The following requirements shall be complied with as conditions for submitting a claim to the Corporation:
 - (a) The mortgagee shall conduct a title search prior to accepting a deed in lieu of foreclosure.
 - (b) Prior to instituting foreclosure, the mortgagee shall notify the Corporation, in writing, that the alternative remedies to reinstate the account have been exhausted.
 - (c) Once foreclosure proceedings have been instituted, the mortgagee shall be diligently pursue such actions as are necessary to minimize costs and expenses.
 - (d) Copies of all documents pertaining to the foreclosure proceedings, including pleadings and decrees, shall be forwarded to the Corporation.
 - (e) The property shall be sold free from dower, homestead, and the equity of redemption.
 - (f) Pursuant to T.C.A. Section 13-2204(14),(15),(16), the Corporation shall be kept advised of all other matters with regard to obtaining a clear and unencumbered title including settlement with mortgagor, the form of deed, grantee in deed, appointment of receiver, and third party bidders.
 - (g) When a clear and unencumbered title has been acquired, written notice shall be given to the Corporation.
- (4) **CLAIMS:**
 - (a) **Claim period:** The insured mortgagee is required to file a claim for loss on the appropriate THRC form within a sixty (60) day period. If title is acquired by voluntary conveyance, the sixty (60) day period begins when mortgagor executes deed in lieu of foreclosure. If foreclosure is used the sixty (60) day period begins upon expiration of any redemption rights or, if none, as of the date of trustee's sale. Failure to file a claim for loss within the sixty (60) day period constitutes a waiver of any right to claim payment under the pertinent contract of THRC mortgage insurance.

(Rule 0775-01-.13, continued)

- (b) Computation of loss: For purposes of computing the loss of the insured mortgagee pursuant to the subject insured mortgage and thereby establishing the basis for a claim, the mortgagee shall certify to the following:
 - 1. The unpaid principal balance due.
 - 2. Mortgage interest due (i.e., in arrears) as of the date of title acquisition.
 - 3. Attorney's fees charged in acquisition of title. Such fees shall not exceed a percentage of the total principal balance due. Said percentage shall be established in the Rules of Practice.
 - 4. Property taxes actually due and payable or paid by the mortgagee since the of the initial notice of default.
 - 5. Hazard insurance premium necessarily advanced by the mortgagee.
 - 6. Expenses ordinary and necessary to the preservation and maintenance of the subject property, as approved by the Corporation.
 - 7. Other expenses ordinary and necessary to acquisition of title, including costs, as approved by the Corporation.
 - 8. All amounts received by the mortgagee on account of the mortgage after the institution of foreclosure proceedings or the acquisition of the mortgaged property by direct conveyance or otherwise by default.
 - 9. All amounts received by the mortgagee from any source relating to the mortgaged property on account of rent or other income after deducting reasonable expenses incurred in handling the mortgaged property.
 - 10. All cash retained by the mortgagee, including amounts held or deposited for the account of the mortgagor or to which he is entitled under the mortgage transaction that have not been applied in reduction of the mortgage indebtedness.
- (c) Exhibits: The Corporation shall require, as set forth in its Rules of Practice, exhibits to be submitted as a part of any claim. Such exhibits may include evidence of title, mortgage transaction history, receipts for all disbursements and income, most recently paid tax bills, and receivers account if a receiver was appointed during foreclosure proceedings.
- (5) EXCLUDED HAZARDS OR RISKS: THRC mortgage insurance coverage does not protect from loss due to casualty or title risk. Expenses incurred for property repair resulting from such causes, accidental or otherwise, as negligence, flood, fire, termites, vandalism, defective or incomplete construction, etc. are not eligible for claim computation as distinguished from expenses incurred in the preservation and normal maintenance of the property.
- (6) METHODS OF SETTLEMENT: At the sole option of the Corporation, settlement of claims will be made through one of the following three (3) methods:
 - (a) Acquisition settlement: Pay the claim as approved by the Corporation and in return, take merchantable title to the property in the name of the Corporation.
 - (b) Direct loss settlement: The amount of reimbursement to the insured mortgagee will be determined by subtracting the net proceeds of the sale of the subject property from the approved claim, (prior approval by the Corporation is required before property resale for reimbursement under direct loss settlement).

(Rule 0775-01-.13, continued)

- (c) Declared percentage settlement: Pay the percentage of the approved claim declared in the subject THRC mortgage insurance certificate covering the subject mortgage with the title being vested in the mortgagee.
- (7) **PAYMENT OF CLAIM:** The Corporation shall pay the claim on the basis of the optional settlement method chosen by the Corporation, within sixty (60) days after the claim has been properly filed and all conditions of the claim procedure complied with. In no event shall a claim paid under options .13(6)(b) and (c) exceed the declared percentage of the insured mortgage balance as of the date said insurance certificate was issued. insurance premiums paid shall be fully earned upon settlement of a claim and no refund shall be made.
- (8) **SUBROGATION:** If the Corporation, pursuant to the terms and conditions of a contract of mortgage insurance, or of a commitment to insure, makes any payment upon a defaulted loan to the mortgagee thereof, the Corporation shall be subrogated to all rights of the mortgagee.

Authority: T.C.A. Section 13-2204(4). Administrative History. Rule filed October 10, 1975; effective November 10, 1975. Amended: filed April 30, 1976, effective July 14, 1976.