TDHCA
HOMEBUYER PROGRAM

Texas Department of Housing and Community Affairs

Lender Guide

Equal Housing Opportunity

My First Texas Home
Texas Department of Housing & Community Affairs

My Choice Texas Home
Texas Department of Housing & Community Affairs

Texas Mortgage Credit Certificate
Texas Department of Housing & Community Affairs

Effective: August 26, 2026

TABLE OF CONTENTS

Table of Contents **2**
Contacts **4**
The TDHCA Partnership Team **5**
Available Program Options **6**
Section 1 – Borrower Eligibility **7**
1.1 Qualify and Disclose 7
1.2 Recapture Tax 7
1.3 First Time Homebuyer Requirement 7, 8
1.4 U.S. Residency Requirement 9
1.5 Primary Residency Requirement 9
1.6 Homebuyer Education 9
1.7 Maximum Program Income 9, 10
1.8 Credit Score and DTI Requirements 10, 11
Section 2 – Property Eligibility **11**
2.1 Location 11
2.2 Eligible Property Type 11
2.3 Acreage and Property Standards 12
2.4 Ineligible Properties 12
2.5 Usage of Residence in a Trade of Business 12
2.6 Acquisition Cost 12
2.7 Targeted Areas 12,13
2.8 Insurance Requirements 13
2.9 Mechanic Liens or Claims for Work 13
2.10 Escrow Holdbacks 13
Section 3 – Loan Eligibility and Underwriting **14**
3.1 Loan types 14
3.2 Desktop Underwriting 15
3.3 Cash Back to Borrower 15
3.4 First Payment Date 15
3.5 First Lien Mortgage Loan Payments and Terms 15
3.6 First Lien No DPA Un-Assisted Loan Terms 15
3.7 Second Lien Down Payment Assistance Loan Terms 16
2ND loan Disclosure Requirements 16
3.8 Gift Funds 16,17
3.9 Assumption 17
3.10 Refinance 17
3.11 Prepayment 17
3.12 Payoff Requests 17
3.13 Penalties for Borrower Misrepresentation 18
Section 4 – Title Requirements **18**
4.1 My First Texas Home/My Choice Texas Home 18
4.2 Co-Signers and Guarantors 19

Co-Signer Income

Section 5 – Available Funds and Rates 19

5.1 Rates and Offerings 19

Section 6 – Program Fees and Charges 20

6.1 Program Fees 20

6.2 Lender Compensation 20

6.3 Loan Origination / Closing Cost 21

6.4 Buydown / Discount Points 21, 22

6.5 Extension Cost 22, 23

Section 7 – TDHCA Lender Portal 23

7.1 TDHCA Lender Portal 23

7.2 Lender Training 24

7.3 Reserving TDHCA Funds 24,25

7.4 Rules Related to Reservation of Funds 25

7.5 Loan Reservation Expiration and Cancellation 27

7.6 Modifications to Loan Reservation 27

Section 8 – Closing and Funding 28

8.1 Program Forms and Affidavits 28

8.2 Submitting Electronic Compliance Documents 29

8.3 Compliance Checklist 29

Section 9 – Applicable Signatures 30

9.1 Applicable Party Signature Chart 30

Section 10 – Post Closing 31

10.1 Compliance File Delivery to Program Administrator - Hilltop Securities 31

10.2 Post Closing Delivery to Master Servicer - The Money Source (TMS) 32

10.3 Post Closing Delivery to Master Servicer - Idaho HFA (IHFA) 32

Contact Us

Texas Department of Housing and Community Affairs (TDHCA), Issuer

For guideline questions or assistance, please contact the Texas Homebuyer Team below:

For fastest response, please email: txhomebuyer@tdhca.texas.gov

Toll Free: (800) 792-1119 **Website: welcomehome.tdhca.texas.gov**

Contact	Title	Email	Phone
Lisa Johnson	Director	lisa.johnson@tdhca.texas.gov	(512) 475-3993
Diana Velez	Program Manager	diana.velez@tdhca.texas.gov	(512) 475-3962
Rosa Liscano	Marketing & Development Officer	rosa.liscano@tdhca.texas.gov	(512) 475-2222
Candace Christiansen	Homeownership Loan Servicing	candace.christiansen@tdhca.texas.gov	(512) 475-3961

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Hilltop Securities, Program & Compliance Administrator

For all loan reservation system questions or assistance, please see contact points below:

TDHCA Loan Specific Updates & Questions	**TDHCA Lender Support**
Hilltop Pay	**Hotline: 214-953-4176**
Lender Portal: www. TDHCALenderPortal.com	

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The Money Source (TMS) – Master Servicer

Phone: (866) 867-0330 **www.TheMoneySource.com**

Contact	Title	Email
The Money Source	TMS Scenario Desk	scenarios@themoneysource.com
The Money Source	Files in Process	support@themoneysource.com
The Money Source	Delivery and Purchase	postpurchase@themoneysource.com
The Money Source	New Lender Inquiries/Credentials	hfaprograms@theMoneySource.com

Equal Housing Opportunity

TDHCA

The Texas Department of Housing and Community Affairs (TDHCA), also referred to as "the Department" is the official Housing Financing State Agency (HFA) responsible for affordable housing, community and energy assistance programs, Colonia activities, and regulation of the state's manufactured housing industry. The Department currently administers $2 billion through for-profit, nonprofit, and local government partnerships to deliver local housing and community-based opportunities and assistance to Texans in need. The overwhelming majority of the Department's resources are derived from mortgage revenue bond financing and refinancing, federal grants, and federal tax credits.

The TDHCA Homebuyer Program is primarily responsible for the creation, oversight, and administration of the Department's homeownership programs, which are designed to assist low-to- moderate-income homebuyers. The program does this through both bond proceeds and a TBA program in which funds are generated through private investors. Program options are made available to Texas consumers through the Department's network of approved participating lender partners.

Participating Lenders play a very important role in the TDHCA homeownership programs. Lenders assist homebuyers to qualify for more home using programs offered by TDHCA, including our low-rate First mortgage, down payment assistance, and mortgage credit certificates. TDHCA homeownership programs can help lenders increase loan production serving more customers and their community.

As a participating lender, you will handle the process of reserving the mortgage loan and/or mortgage credit certificate in the TDHCA Lender Portal; and process, underwrite, approve, fund, close and sell qualified loans to the program's Master Servicer (as applicable). Lenders are responsible for servicing first and second program loans in accordance with Agency requirements until they are purchased by the Master Servicer.

The Money Source (TMS), TDHCA's master servicer for first mortgage loans and second loans with down payment assistance. All loans originated through the TDHCA My First Texas Home and My Choice Texas Home option(s), whether with or without an MCC, will be sold to and serviced by TMS. As master servicer, TMS provides information and training concerning the mortgage loan file, including the following functions:

1. Receives all mortgage (loan purchase) files;
2. Reviews mortgage files and notifies lenders of mortgage file - exceptions;
3. Approves mortgage files for purchase;
4. Funds the Lender upon purchase; and
5. Services First and Second mortgage loans.

Hilltop Securities, Program Compliance Administrator

Hilltop Securities serves as the Program & Compliance Administrator for the TDHCA Homeownership programs. As program administrator, Hilltop Securities performs the following functions:

1. Provides Post-Closing compliance file review;
2. Maintains the program reservation system website (Lender Portal*) and auto-populated program documents;
3. Provides assistance with compliance questions and any program/loan changes as necessary;
4. Provides training and assistance with the Lender Portal*;
5. Notifies the lender of conditions/approvals via the Lender Portal and email as required;
6. Maintains guidelines, bulletins and other important Lender resources in the Lender Portal*; and
7. Circulates announcements and the daily interest rate sheet electronically.

*Training is required for all users before access is granted to reserve funds, see Section 7.2, Lender Training.

TDHCA Homebuyer Program Options

My First Texas Home (MFTH) is exclusive to First Time Homebuyers (FTHB). My First Texas Home has a 30-year deferred repayable second lien; a 3-year deferred forgivable second lien option both of which include down payment and closing cost assistance in an amount up to 5% of the mortgage loan. MFTH also offers an Un-Assisted Rate Option (No DPA). See daily Rate Notice for current assistance availability.

The homebuyer must meet IRS Tax-Exempt Mortgage Revenue Bond income eligibility requirements, which include the income of a Non- Purchasing Spouse and anyone else who will have ownership interest in the property (sign the Deed of Trust), to meet Income Limits per the applicable, Texas County. Please refer to Section 4, Title Requirements for more information on who may sign the Deed of Trust and be vested on title.

My Choice Texas Home (MCTH) provides homebuyer(s) a 30-year deferred repayable second lien and a 3-year deferred forgivable second lien option both of which include down payment and closing cost assistance in an amount up to 5% of the mortgage loan. There is no First-Time Homebuyer Requirement on the My Choice Texas Home option but must meet Income Limits per the applicable, Texas County. Please refer to Section 4, Title Requirements for more information on who may sign the Deed of Trust and be vested on title. See Rate Notice for specific terms and availability.

Texas Mortgage Credit Certificate (TXMCC) provides both Stand Alone Only MCC or a DPA/Combo (which combines a MCC together with down payment) Options., *all subject to funding availability*.

***** See Rate Notice for Daily availability and applicable Credit Rates *****

PLEASE NOTE: Stand Alone MCCs, may not be combined with any First Lien in conjunction with an outside DPA Program or otherwise subsidized loan (or grant) from a source other than TDHCA. Temporary buy-downs are NOT permitted.

What is a Texas Mortgage Credit Certificate?

An MCC is a non-refundable federal income tax credit certificate, designed to assist persons of low to moderate income to better afford home ownership. The MCC holder is eligible to claim a portion of the annual interest paid on the mortgage as a tax credit, during each year that they owe amounts on their mortgage loan and occupy the home as their Primary Residence. The portion or amount of the tax credit is equal to the mortgage credit rate on the MCC multiplied by the annual interest paid. This credit reduces the federal income taxes of the buyer, resulting in an increase in the buyer's net earnings, dependent on how and if the buyer utilizes the tax credit. Increased buyer income results in increased buyer capacity to qualify for the mortgage loan. The MCC has the potential of saving the MCC holder thousands of dollars over the life of the loan. The MCC holder must have a tax liability to benefit from the annual credit in any given year to claim the benefit. The MCC borrower is not required to have an existing tax liability to qualify, however it is recommended to consult with borrowers to determine, if, in the future, they expect to earn more income or a different type of income that would result in a future tax liability. This will help determine if the borrower would be able to claim the MCC tax credit in future years and help them, determine, the value of a MCC, for the life of their loan.

Texas MCC Tax Credit Rate

Check Daily Rate Notice for current MCC Credit Rates for both Combo with MCC or Standalone MCC Options. The reservation confirmation will show the correct credit rate, ensure you use what is reflected for underwriting to avoid MCC issuance delays.

Section 1 – Borrower Eligibility

All TDHCA guidelines as demonstrated in this manual are subject to any additional Master Servicer Overlays and interpretation of published Agency guidelines. Every TDHCA loan must meet all TDHCA and Master Servicer guidelines to be eligible for purchase. Please Note: The Department reserves the right to revise these guideline procedures at any time. It is the lenders responsibility to reference and adhere to currently published guidelines and seek clarification from TDHCA or TMS as applicable, prior to loan reservation.

1.1 Qualify and Disclose

Lenders will qualify borrowers for the program, according to agency guidelines and TDHCA Homebuyer Program overlays, within this title. It is the originating Lender's responsibility to fully verify that the borrowers' loan scenario meets all guidelines prior to reserving a loan in the lender portal. Failure to do so may result in a closed loan that cannot be cured or purchased. Due diligence is required for a successful loan commitment to purchase.

Lenders will provide and discuss the Notice to Buyer(s) Disclosure prior to reserving a loan in the system, downloadable from within the Lender Portal, located under Program Documents in the top navigation bar.

1.2 Recapture Tax

All My First Texas Loans and Mortgage Credit Certificates may under certain circumstances, be subject to federal income tax recapture provisions. Note: Recapture Tax does not apply to My Choice Texas Home.

At the time of loan application and before making a reservation in the Lender Portal, the Lender should provide:

1. The Recapture Tax Brochure regarding recapture to the Eligible Borrower and
2. The Notice to Buyer(s) Disclosure.
    - The Lender should discuss these documents with the borrower(s) and answer any questions at application and will be executed at closing.
    - After loan closing and compliance approval by Program Administrator - Hilltop Securities, the borrower will receive via mail, the completed Notice of Potential Recapture Tax on Sale of Home, specific to their loan. Borrowers utilizing the MCC Program will receive their Mortgage Credit Certificate. The Notice and the Mortgage Credit Certificate will also be available in the Lender Portal.

1.3 First Time Homebuyer Requirement

My First Texas Home (MFTH) and Texas Mortgage Credit Certificates (TXMCC)

Borrower(s) and non-purchasing spouses using this option are eligible as First Time Homebuyers (FTHB) only if they **have not owned and occupied** a primary residence during the last three years. All borrowers and Non-Purchasing Spouses shall be vested on title and listed on the Deed of Trust.

- All first-time homebuyer(s) (FTHB), utilizing My First Texas Program, must reside within the State of Texas to qualify as a FTHB. TDHCA will verify Texas residency for FTHBuyers at the time of compliance review, post-closing with the executed Affidavit of Residence and Applicant Affidavit that's available, along with all other regular closing documents. FTHB attesting to a valid Texas Address on the Residency Affidavit meet the requirement.
    - Address is not required to match the original loan application or other loan documents. The Texas Residency requirement for FTHB does not apply to Homebuyer(s) who may be exempt from the First-Time Homebuyer Requirement, listed below.

1.3 First Time Homebuyer Req, Cont.

- The homebuyer(s) may be exempt from the First-Time Homebuyer requirement if:
    - Homebuyer or spouse is a qualified veteran, honorably discharged as evidenced by DD-214 discharge papers, and has not previously qualified for and received a mortgage financed through a mortgage revenue bond program by reason of the qualified veterans exception to the first-time homebuyer program; or

- Subject property is in a Qualified Targeted Census Tract (Targeted Area).

Verification of First-time Homebuyer Status

The following evidence is required to determine First-Time homebuyer status and must be included with each **My First Texas** Loan compliance file for each borrower:

- Signed and dated copies of federal income tax returns from borrower(s) and NSP– OR - IRS tax transcripts or IRS Record of Account obtained through the Internal Revenue Service (IRS) for the past three (3) years with all schedules that show no deductions for mortgage interest or real estate taxes for a Primary Residence Copies of tax documentation is to verify first time homebuyer status, NOT to verify income, unless required by AUS Findings.

  Note: IRS Tax Code requires the previous year tax return or tax transcript on any mortgage loan closing with a Mortgage Credit Certificate (MCC) after **February 15th**. Lenders may proceed with loan closing; however, the MCC will not be issued by TDHCA until the required tax information is provided by the borrower, co- borrower and spouse (including Non- Purchasing Spouse).

  - In the event the borrower(s) or NSP were not obligated to file federal income tax returns for any of the preceding three (3) years, it is required that the borrower state so on the Applicant Affidavit, at closing.
  - A borrower who cannot provide tax returns because they did not file them when required to do so per Internal Revenue Service requirements, are not eligible for the option(s) under the My First Texas Home or Texas Mortgage Credit Certificate.
  - If one or more of the borrower's tax returns reflect that the borrower took a deduction for a mortgage interest or real estate taxes on property claimed not to be the primary residence, documentation is required to demonstrate the rental status for that property during the relevant period (for example, rent receipts or canceled checks). Documentation of the rental history may be required for the period from the last tax return filed to the program application date. Any other references on tax returns for tax deductions typical of homeownership of a primary residence such as for Solar panels or Home improvement will also require review by TDHCA.

- An ownership interest in a mobile home will be considered a prior ownership interest in a primary residence if the mobile home was permanently attached or anchored to land and has had the wheels and other components used in transportation removed; and taxed as real property. Mobile homes in a mobile home park or taxed as chattel are not considered toward prior homeownership.

My Choice Texas Home: Homebuyer(s) using this option are not required to be First-time homebuyers. Borrowers may have previously owned or may currently own a home, provided that, the home being purchased becomes the borrower's primary residence upon loan closing. Please note that if an existing home was purchased with TDHCA DPA, any remaining balances are due and payable on or before closing on the new My Choice Texas Loan.

1.4 U.S. Citizen Residency Requirement

Mortgage loans must conform to the requirements of FHA, VA, USDA, Fannie Mae or Freddie Mac and any additional Master Servicer Overlays as it relates to non- U.S. citizen borrowers, including DACA recipients.

1.5 Primary Residence Requirement

The subject property must be owner occupied and become the primary residence within 60 days of loan closing for all borrowers, subject to the terms of the Note and Deed of Trust. Non-occupying co-borrowers are NOT allowed.

1.6 Homebuyer Education

All TDHCA Programs require each Homebuyer to complete a pre-purchase HUD Certified homebuyer training. **Courses that provide only financial literacy or financial basics training—even if HUD-certified—do not fulfill the Homebuyer Education requirement for this program.**

The following courses are acceptable:

- Finally Home HUD Certified Homebuyer Education: Finally Home!
- Freddie Mac CreditSmart® Homebuyer U: Freddie Mac CreditSmart
- HomeView Homebuyer Education | Fannie Mae
- TDHCA will also accept **any HUD certified** Homebuyer Education Course

A Certificate of Completion will be required for each borrower, Non-Purchasing Spouses are exempt. TDHCA will accept one completion certificate with both spouses on the same certificate if the Homebuyer Education Provider system allows for that. TDHCA does not have the capacity to edit issued Education certificates for errors or omissions. Non-Occupying Co-Signers are not required to complete a Homebuyer Education Course.

1.7 Maximum Program Income

TDHCA relies on the Lenders and borrowers to provide accurate and verified income data. This reliance is based upon the Lender certifications through reasonable investigation of the borrower's credit profile and includes statements by the borrower that facts, are true and correct. Each Lender and borrowers will provide signed certifications, which are specific about the information provided and its accuracy.

In the event of false statements or fraud, there are substantial penalties, which may be levied. Including termination of the Master Mortgage Origination Agreement with TDHCA. Therefore, TDHCA encourages the Lenders and the borrowers to provide accurate information and assure that calculations are within the limits and guidelines.

My First Texas Home and Texas Mortgage Credit Certificates Income Limit Qualification

For the purposes of meeting the program eligibility criteria (Income Limits), the borrower(s) annual income may not exceed the most recent maximum income limits as published by TDHCA. The maximum income limits are calculated based on median family income data published by the Department of Housing and Urban Development (HUD) and the IRS. The income limit applicable to the household is based on the verified county where the property is being purchased and the number of qualified residents of the subject property. Co-signers shall not be counted toward the household resident totals and are not permitted to reside in the subject property.

Income totals for the purpose of Income Limit qualification includes the borrower's current gross income, as well as that of anyone else who is expected to live in the Residence **and** become liable on the Deed of Trust or Mortgage, which includes Income of a Non - Purchasing Spouse for My First Texas Income Limit qualification. Do not include

1.7 Maximum Income, Cont.

any unmarried occupant income for Income Limit qualification if they are not party to the Note of the subject property.

- Current total income for Income Limit qualification, is not required to be the same income amount used to credit qualify for underwriting purposes. However, in no case may current annual Income Limit qualifying income be less than the income used to credit qualify borrowers (excluding co-signors income, if applicable). Current Income/Purchase Price Limits can be found on the TDHCA website: Limits
- Lenders should use their due diligence to calculate inconsistent income such as one-time bonuses, commissions without sufficient history, child support awarded but not received, as some examples, by reviewing adequate documentation and making the best determination on Income that is consistent and expected to continue. TDHCA considers program income that will be consistent and continue forward.
- For Loan UW Qualification, Lender must follow applicable Agency Guidelines and Master Servicer, TMS Overlays.

My Choice Texas Home Income Limit Qualification

For the purposes of meeting the program eligibility criteria (Income Limits), **only the income of the borrower(s), as shown on the 1003 Residential Loan Application will be considered.** The income of a Non-Purchasing Spouse (NPS) will not be included in the calculation.

- For example, only the income used to qualify the mortgagor for repayment of the mortgage loan (from the 1003 loan application and/or the applicable underwriting worksheet) will be compared against the program limits. **Co-signers Income is included for My Choice- Conventional Loans only for the purposes of Income Limit qualification.** See Section 4.2, Co-signers and Guarantors.
- For Loan UW Qualification, Lender must follow applicable Agency Guidelines and Master Servicer, TMS Overlays..

1.8 Credit Score* and DTI Requirements

For all program options, the following apply EXCEPT for Manual UW:

Product	Minimum Determining Credit Score	Maximum DTI
All Government Loans	620	Follow AUS Findings for DTI and Reserve Requirements
Fannie Mae HFA Preferred/Freddie Mac HFA Advantage	620	Follow AUS Findings for DTI and Reserve Requirements

For Manual Underwriting ONLY, the following apply: Conventional Manual UW is not accepted

Product	Minimum Determining Credit Score	Manual UW Requirements
FHA	620	45% Max DTI **and .25 LLPA** will be assessed at settlement
VA and USDA	620	45% Max DTI

Exceptions will not be granted per investor restrictions

*** Zero Score Borrowers**

- Zero Score loan files are not eligible for Sole Borrowers.

- If a loan has multiple borrowers and at least one borrower lacks a credit score, you will determine the loan's representative credit score by using the scores of the remaining borrowers, in accordance with the applicable agency guidelines: Fannie Mae B3-5.1-02, Freddie Mac 5203, FHA 4000.1, the VA Lender's Handbook, or the USDA Handbook. Please Note: The determining score must be a 620 Minimum.

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Section 2 – Property Eligibility

2.1 Location

The subject purchase property must be located within the State of Texas.

2.2 Eligible Property Types

Eligible properties include new or existing -single family homes; condominiums; Planned Unit Developments ("PUD"); manufactured homes and duplexes as long as one unit is occupied by the eligible homebuyer as their primary residence. Duplex must be occupied as residential property at least 5 years prior to the closing date for the mortgage loan unless the duplex is in a qualified targeted census tract. Non-traditional Single-Family Homes will need to be reviewed in depth with Master Servicer prior to purchase.

Manufactured Housing Units (MHU) are allowed in both, Government and Conventional loan products, and will only be purchase eligible if titled as real property. Single and Double Wide Manufactured Homes are acceptable. Manufactured Home loans are subject to a LLPA of .50 applied to the total loan amount and will automatically be settled at purchase of the loan. TDHCA approved lenders have the option to disclose and charge to the borrower, up to .50 and show on final CD as MHU Funding Fee. The MHU Funding Fee max of .50 is separate from a possible max additional .50 Origination fee. Both are optional fees at the lender's discretion to charge to the borrower up to the maximums posted.

Additional time should be factored in for Manufactured Home purchases when making a loan reservation.

The TDHCA Manufactured Housing Division is a separate Division that helps administer MHUs conversions to real property, where applicable, in addition to other MHU Title issues. It is important to work with your closing team, Title Company and the TDHCA MHU Division to complete all requirements for purchase.

For full list of MHU Division Contacts, go here: www.tdhca.texas.gov/contact-manufactured-housing-division

Mailing Address: P.O. Box 12489 Austin, Texas 78711-2489	**Physical Location:** George H.W. Bush State Office Building 1801 Congress Ave., Suite 11.400 Austin, Texas 78701
Title Companies, Attorney's Offices, Lenders, and Retailers:	**Customer Service:**
Direct Dial - (512) 463-3693 Email: processing@tdhca.texas.gov	Direct Dial - (512) 475-2200 Toll Free - (800) 500-7074 SO Processing Fax - (512) 475-1109
Specialized Email Addresses	
Submit a copy of the Statement of Ownership recorded with the county clerk's office, in order to perfect the election of real property.	mhelectionperfection@tdhca.texas.gov
Submit responses to the Request for Additional Information (RAI) letter you received that does not include the request for money.	mhrairesponse@tdhca.texas.gov
Tax Office to Submit Tax Liens & Releases	taxlien@tdhca.texas.gov

2.3 Acreage and Property Standards

The land appurtenant to the residence shall be considered as part of such residence only if such land does not exceed 1 acre, reasonably maintains structural integrity, safety the basic livability of the residence and does not provide, a source of income to the mortgagor, see Section 2.5, Usage of Residence in a Trade or Business, for more information.

- TDHCA *may* consider an exception to the 1-acre maximum restriction if the lot size is commensurate with other lots in the area; is not being used to generate any income for the mortgagor and with;
- Consideration for total value vs. land/site value will be part of the review and may result in the determination to deny acreage exceptions. See agency guidelines (loan product) for additional property restrictions.
    - Site value and value of any ancillary buildings on the subject property lot, must be called out on the final appraisal by the licensed appraiser.

Requests for Acreage exceptions must be emailed with a copy of the appraisal to: txhomebuyer@tdhca.texas.gov, please allow 48-72 hours for review and determination.

2.4 Ineligible Properties

Rental homes; triplexes; fourplexes; cooperative housing; investment homes; recreational; vacation or "second homes"; motor homes; campers and similar vehicles. Single Family Homes that are non-traditional will need to be reviewed in depth with Master Servicer prior to purchase.

Note: all TDHCA Programs are intended to be held as Owner Occupants throughout the term of the indebtedness. Renting, refinancing, paying off the first lien or otherwise transferring title to the subject property after closing, may trigger repayment. If you are refinancing a home or providing financing for an additional home for borrowers who have been assisted with TDHCA funds, please do your due diligence to research if the borrower is beyond any affordability periods indicated in their original closing documents. TDHCA will not re-subordinate or authorize any revisions to the Department's lien position for any TDHCA closed loans.

2.5 Usage of Residence in a Trade or Business

The land appurtenant to a residence will be considered a part of the residence only if such land reasonably maintains structural integrity, safety the basic livability of the residence and does not provide, other than incidentally, a source of income to the mortgagor.

Except for a unit rented in a duplex, where one unit is owner-occupied, the borrower cannot use more than 15% of the Residence in a trade or business. The lender will review the borrower(s) tax returns to verify if the borrower(s) deducted any portion of the cost of the Residence as a home business expense and determine whether more than 15% of the residence was used. Borrowers providing childcare in the home are assumed to be using more than 15% of the residence for business purposes and, therefore, do not qualify for the program.

2.6 Acquisition Cost

Each property financed by a mortgage loan under the program must have an acquisition cost (sales price) not exceeding the maximum purchase price limits applicable to the county in which the property is located. For current maximum purchase limits, see the program website at Income and Purchase Price Limits

2.7 Targeted Areas

Other governmental agencies, including TDHCA, may have specific areas **considered targeted**, for expanded program offerings. As it relates to TDHCA, only the tracts listed in the **Revenue Procedure 2024-08** are applicable to the TDHCA

2.7 Targeted Areas, Cont.

Homebuyer Program as it relates to first-time homebuyer requirement, higher income and purchase price limits and special rate offerings.

Revenue Procedure 2024-08 defines a "qualified census tract ", according to § 143(j)(2)(A), is a census tract in which 70 percent or more of the families have income that is 80 percent or less of the statewide median family income. Section 143(j)(2)(B) of the Code provides that the determination that a census tract is a "qualified census tract" must be based on the most recent decennial census for which data are available. To read the Revenue Procedure, click here.

To verify that a property is located within a Qualified Targeted Census Tract visit the program website: Targeted Areas

2.8 Insurance Requirements

Minimum Coverage amount: Equal to replacement cost as determined by the licensed Texas Insurance Company issuing the policy.

Homeowners Hazard Insurance Coverage: 2% Maximum Deductible

Other Perils - Hurricane, Wind, Hail and other: 5% Maximum Deductible

Flood Insurance: As required on the flood certificate

Mortgagee Clause: Servbank, ISAOA/ATIMA PO Box 2828 Daytona Beach, FL 32120-2828

2.9 Mechanic Liens or Claims for Work

At settlement of the mortgage loan, and to the Seller's knowledge as of the transaction date, there were no mechanic liens or claims for work, labor or material affecting the mortgage property, which are or may be a lien prior to the lien of such mortgage except those which are insured against by the title policy.

The mortgage is a valid, existing, and enforceable first lien on the mortgaged property, including all improvements on the mortgaged property subject only to (i) the lien of current real property taxes and assessments not yet due and payable, (ii) covenants, conditions and restrictions, rights of way, easements, and other matters of the public record as of the date of recording being acceptable to mortgage lending institutions generally and specially referred to in the owner's title policy delivered to the originator of the mortgage loan and which do not adversely affect the appraised value of the mortgaged property, (iii) other matters to which like properties are commonly subject to which do not materially interfere with the benefits of the security intended to be provided by the mortgage or the use, enjoyment, value, or marketability of the related mortgaged property. Any security agreement, chattel mortgage, or equivalent document related to and delivered in connected with the mortgage loan establishes and creates a valid, existing, and enforceable first lien and first priority security interest on the property described therein, and the Seller as the full right to sell and assign the same to the Master Servicer.

2.10 Escrow Holdbacks

Submit Scenario to the Master Servicer for review: Scenarios@TheMoneySource.com

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Section 3 – Loan Eligibility and Underwriting

3.1 Loan types

FHA: Originated and guaranteed in accordance with FHA guidelines or any other acceptable FHA program as determined by TDHCA from time to time. FHA 203k loans are NOT allowed for any TDHCA Program, this includes MCC Standalones. FHA Manual Underwrites Max DTI is 45% with cost of .25% LLP Charge

VA: Originated and guaranteed in accordance with VA guidelines 1810 and 1810A or other acceptable VA program as determined by TDHCA from time to time. VA Manual Underwrites Max DTI is 45%.

USDA: Originated and guaranteed in accordance with USDA guidelines. USDA Manual Underwrites Max DTI is 45%.

Freddie MAC HFA Advantage: The Freddie Mac HFA Advantage® mortgage offers outstanding flexibility for maximum financing. This offering adopts the responsible and affordable requirements of the Freddie Mac Home Possible® mortgage but with added features for housing finance agencies (HFAs). Conventional Manual Underwrites not allowed and will not be eligible for purchase by the TDHCA Master Servicer.

Freddie Mac HFA Advantage is only available through My Choice Texas Home with two different options:

- Borrowers with incomes of 80% AMI or below and Borrower with incomes of over 80% AMI, please do your extra due diligence when qualifying borrowers on the 80% and Over product.

Additional Requirements

a. All loans are subject to TDHCA and Master Servicer overlays.
b. Non-occupant cosigner income must be included in the 80% AMI limit.

FNMA HFA Preferred: Fannie Mae's FHA Preferred product enables eligible state Housing Finance Agencies (HFAs) to deliver loans up to 97% loan-to- value (LTV) ratio with flexible mortgage insurance (MI) coverage requirements. HFA Preferred is ideal for borrowers with limited funds for down payment and closing costs and for those needing extra flexibilities on credit and income sources. It does not require a minimum contribution from the borrower's own funds for one-unit properties. FNMA HFA Preferred mortgage loans must be run through Fannie Mae's DU (Approve Eligible) FNMA HFA Preferred Guidelines. Conventional Manual Underwrites are not allowed and will not be eligible for purchase by the TDHCA Master Servicer.

Fannie Mae HFA Preferred is only Available through My Choice Texas Home with two different options:

- Borrowers with incomes of 80% AMI or below and Borrower with incomes of over 80% AMI, please do your extra due diligence when qualifying borrowers on the 80% and Over product.

Additional Requirements:

a. All loans are subject to TDHCA and Master Servicer overlays
b. Per FNMA guidelines: Non-occupant cosigner income must be included in the 80% AMI limit.

3.2 Desktop Underwriting

TDHCA EIN: 74-2610542
TDHCA allows DU or LP for FHA loans. Loans originated under Fannie Mae HFA Preferred option are required to be processed through Desktop Underwriter (DU), using the HFA Preferred loan product only – Loan Product Advisor (LPA) is not allowed on HFA Preferred. Freddie Mac HFA Advantage Loans are required to be processed through Loan Prospect Advisor (LPA).

3.3 Cash Back to Borrower

No portion or the equivalent of the TDHCA DPA and/or Participating Housing Finance Corporation (HFC) Partner Gift Funds can be paid to the borrower at closing, except up to the amount, the borrower is being reimbursed for an overage of deposits for earnest money and/or items paid outside of closing; to the extent, the minimum borrower contribution has been satisfied. Follow agency guidelines for family gift funds cash back at closing.

TDHCA recommends that any remaining excess cash to the borrower including Gift Funds, should be applied as additional down payment or a principal reduction to the First Mortgage Loan.

Caution: Loan may not be eligible for purchase if the loan exceeds excess cash back guidelines, as stated above.

3.4 First Payment Date

Except for mortgage loans with interest credit up to seven (7) days, the first payment date on the Promissory Note must be due one (1) full month after the last day of the month in which the loan is closed. Loans with first payment dates greater than 61 days form the Promissory Note date are not eligible for purchase by the Master Servicer, TMS.

3.5 First Lien Mortgage Loan Payments and Terms

All first lien mortgage loans must be a 30-year loan, fully amortized with a fixed rate. All loans must be originated in accordance with agency guidelines.

3.6 First Lien - No DPA Un-Assisted Loan Terms

My First Texas Home – "Un-assisted" option provides a low interest rate for borrowers who can leverage down-payment and closing cost assistance (DPA) from another source or from the borrowers' own funds. The assistance is provided in the form of a competitive first lien rate and does not require a second lien.

Terms of 1st Lien Un-Assisted (No DPA Loan)

- Only applicable to My First Texas and all guidelines apply for FTHB status including Income and Purchase Price Limits
- 30 Year Term, no affordability period and no borrower prepay penalty. Seek guidance for Early Payoff Policies with Master Servicer, TMS.
- Standard Fees Apply - posted on Rate Notice
- Bond Only. Cannot be combined with MCC.

3.7 Second Lien - Down Payment Assistance Loan Term

My First Texas Home - My Choice Texas Home – DPA "assisted" option(s) provide down-payment and closing cost assistance (DPA) to the borrower in the form of a 30-year deferred, repayable second lien or a 3-year deferred forgivable second lien with 0% interest. The assistance funds may be used to fund the borrower's cash requirement to close, including the down payment, closing cost, pre-paid items, principal reduction and other related mortgage loan fees and expenses. See Section 3.3, Cash Back to Borrower for additional details.

Terms of 2ND Lien 30-Year Deferred Repayable (DPA loan)

- Due upon sale, refinance, transfer, payoff of 1st lien mortgage or no longer the primary residence.
- 0% interest
- No required monthly payments. Borrowers have the flexibility to make voluntary payments to reduce the balance owed.
- No borrower prepay penalty. Seek guidance for Early Payoff Policies with Master Servicer, TMS
- No costs other than recording fees associated with the 2nd Lien
- Standard Fees Apply - posted on Rate Sheet

Terms of 2ND Lien 3-Year Deferred Forgivable (DPA loan)

- Forgiven **if** at the 3-year anniversary of the note date, borrower is current on their first lien mortgage loan and the subject property remains borrower's primary residence.
- Due upon sale, refinance, transfer or payoff of 1st lien mortgage
- 0% interest
- No required monthly payments.
- No borrower prepay penalty. Seek guidance for Early Payoff Policies with Master Servicer, TMS
- No costs other than recording fees associated with the 2nd Lien
- Standard Fees Apply - posted on Rate Sheet

2ND Lien Disclosure Requirements

TDHCA's second lien meets the TRID partial exemption. **The Disclosure of 2ND Mortgage Loan Terms** was created (per 12 CFR 1026.18) to further clarify the terms of the 2ND mortgage to the borrower. This disclosure must be generated from the Lender Portal with all other applicable program forms and is required on all mortgage loans using TDHCA "assisted" funds. No additional disclosures are required. Alternate Forms are not acceptable. 2nd Lien may be disclosed on the first lien Loan Estimate and first lien Closing Disclosure and are not required to be on separate disclosures.

3.8 Gift Funds

Gift Funds - Available for Specific Designated Areas provide limited assistance to be used in conjunction with certain TDHCA Program Options, limitations apply. Capital Area Housing Finance Corporation, Harris County Finance Corporation and City of McKinney are TDHCA Partners in providing these funds. For limitations and details, please see: Additional Gift Funds. Gift funds are a literal one-time gift and may be used toward usual and customary down payment and closing costs for specified eligible counties only. See Section 3.3, Cash Back to Borrower, for additional guidelines. Gift Funds are tabled funded by the originating lender and reimbursed at settlement upon loan purchase.

Funds are available until further notice. Available funding balances can be viewed in the Lender Portal.

Terms of Gift Funds:

- Cash back to borrower at closing is not allowed for any portion of the gift funds.
- Can only be used in conjunction with a TDHCA Program option
- Limited to specific counties and cities, for more detailed information on counties and gift amounts visit: Additional Gift Funds

Loan Example for a total of $16,000 DPA Assistance

$200,000	Base Loan Amount
- $6,000	3% TDHCA DPA
- $10,000	Bastrop County – Capital Area Housing Partnership Gift Funds
$184,000	not factoring any additional closing costs or funding fees

3.9 Assumption

A qualified Borrower meeting the income requirements in place at the time of the assumption may assume all First Mortgage Loans originated under the Program. Such Mortgage Loans must be continued to be insured or guaranteed by FHA, VA or USDA.
If an Assisted Mortgage Loan (TDHCA First mortgage with down payment assistance) is assumed, the related DPA Loan will be accelerated and become due and payable in full. Releases of Liability are not permitted.

3.10 Refinance

Refinances of 1st lien loans trigger repayment of any TDHCA Homebuyer Program Option provided assistance and is due on or before closing. Payoff requests should be emailed to: candace.christiansen@tdhca.texas.gov

- **Re-subordination of existing TDHCA Homebuyer Program assistance is prohibited.**

- TDHCA Programs can be used to refinance a Temporary, Construction or Bridge loan with an original term of 2 years or less. Refinancing into a permanent 30-year mortgage.

- Refinances of loans originally issued with MCCs are allowed, triggering repayment of DPA assistance as applicable. TDHCA offers the reissuance of MCC's after a refinance. Please email: txhomebuyer@tdhca.texas.gov for additional details on a MCC Refinance/Issuance Application.

3.11 Prepayment

Each Mortgage Loan and TDHCA DPA Loan will allow prepayment, in whole or in part, at any time without penalty. Borrowers may make payment arrangements with TDHCA Loan Servicing on a voluntary basis during the term of their loans by contacting: candace.christiansen@tdhca.texas.gov

3.12 Payoff Requests

Email TDHCA 2nd Lien payoff requests to Candace Christiansen at: candace.christiansen@tdhca.texas.gov

3.13 Penalties for Borrower Misrepresentation

a. Penalties may be imposed on any borrower making a material misstatement, misrepresentation or fraudulent act on an application or other document submitted to obtain a mortgage loan, assistance and/or mortgage credit certificate from TDHCA. Further, any person making a material misstatement or misrepresentation in any affidavit or certification made in connection with the application shall be subject to all applicable fines and penalties. See Applicant Affidavit for additional information.
b. Penalties may be imposed on any Lender and Lender representatives making a material misstatement, misrepresentation or fraudulent act on an application or other document submitted to obtain a mortgage loan, assistance and/or mortgage credit certificate from TDHCA on behalf of a borrower. Further, any person making a material misstatement or misrepresentation in any affidavit or certification made in connection with the application shall be subject to all applicable fines and penalties, including debarment from the TDHCA Homebuyer program. See Master Mortgage Origination Agreement for additional information.

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Section 4 - Title Requirements

TDHCA has specific title requirements for the 2nd lien loan documents. Lender must follow the below requirements and the Applicable Party Signature Guide.

4.1 My First Texas Home /My Choice Texas Home

FHA, USDA, VA

- Borrower(s) and non-purchasing spouses **shall be** vested on title and listed on the Deed of Trust.
- Un-married Occupants, not party to the note, **shall not** be vested on title.
- Co-signers **shall not** be vested on title, see Section 4.2, Co-signers and Guarantors.

Conventional - My Choice Texas Home only

- Borrower(s) and non-purchasing spouses **shall be** vested on title and listed on the Deed of Trust.
- Un-married Occupants, not party to the note, **shall not** be vested on title.
- Co-signers **shall not** be vested on title, see Section 4.2, Co-signers and Guarantors.

4.2 Co-signers and Guarantors

TDHCA defines Co-signers as **non-occupying loan guarantors** and are allowed per TDHCA guidelines. Co-signers are also referred to as non-occupant co-signers within this document.

- Co-signers may not reside in the subject property or be vested on title.
- All Co-signers will be required to execute the Affidavit of Co-signer/Guarantor and will be required to sign the Note, see Section 9, Applicable Signatures for required execution.

For further clarification TDHCA does not consider a Co-signer to be a Borrower, only a loan guarantor, largely due to the distinction that Co-signers may not reside in the subject property or be vested on title. Please note that important distinction.

Co-signer Income
The income of the Co-signer is not considered when determining income limit eligibility for TDHCA assistance Programs with the exception of the FNMA HFA Preferred Option and the Freddie Mac HFA Advantage Option - **Co-signer income must be included when comparing FNMA HFA Preferred Option and the Freddie Mac HFA Advantage income vs AMI limits.**

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Section 5 – Available Funds and Rates

5.1 Rates / Offerings

Bond program options are subject to funding availability, on a first come – first serve basis. TDHCA commits to continuous funding that is subject to market. Interest rates and program offerings are available as Rate Notices posted on TDHCA's The TDHCA Homebuyer Program website: Rate Notice and in the Lender Portal, found under the "Bulletins": https://www.TDHCALenderPortal.com

TDHCA sends out a Daily Rate Notice* via email, to sign up to receive the daily rates in your inbox use the following link: https://cloud.herd.hilltopsecurities.com/TDHCA

* TDHCA highly recommends signing up for Rate Notices, there are instances where the market fluctuates and there is a need for intra-day rate changes.

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Section 6 – Program Fees and Charges

6.1 Program Fees

Program	My First Bond	My First Combo	My Choice	MCC	Remitted To
Funding Fee	$319	$319	$319	NA	Lender Fee to TMS * (Master Servicer)
Tax Service Fee	$80	$80	$80	NA	Lender Fee to TMS * (Master Servicer)
Fraud Prevention (If not incl w File Submission)	$20	$20	$20	NA	Lender Fee to TMS * (Master Servicer)
Flood Life-of-Loan (If not ServiceLink or CoreLogic Flood Cert)	$15	$15	$15	NA	Lender Fee to TMS * (Master Servicer)
MHU Funding Fee	.5	.5	.5	NA	Lender Fee to TMS * (Master Servicer)
Compliance Review Fee	$225	$225	$225	$225	Lender Fee to Hilltop Securities**
MCC Combo Issuance Fee (Fee Waived when reserved under Military Combo Option)	NA	$400	NA	NA	Lender Fee to Hilltop Securities** MCC subject to availability, refer to Rate Notice
MCC Stand Alone Issuance Fee (Fee Waived when reserved under Military MCC Stand Alone Option)	NA	NA	NA	$1,000	Lender Fee to Hilltop Securities** MCC subject to availability, refer to Rate Notice

* Netted out at loan purchase

** Via HilltopPay ACH only

6.2 Lender Compensation

Lenders will be compensated at settlement with the Master Servicer upon loan purchase for all TDHCA loans at the **compensation rate of 2 points Servicing Release Premium (SRP) and allow lenders to charge up to and never to exceed .50% Loan Origination** for all TDHCA Loan products.

6.3 Loan Origination / Closing Costs

Lenders may charge Origination up to and never to exceed .50% of total loan amount, for all TDHCA Loan products. Any Loan Origination charges shall be demonstrated on the final CD (Closing Disclosure) sourced from the borrower's own funds, seller concessions, lender credits or realtor credits and not from TDHCA DPA or TDHCA HFC Partner Gift Funds.

Manufactured Housing Units have a cost of .50 as a MHU funding fee. Please note: MHU funding fee will be part of a Lenders settlement whether or not the fee is charged to the borrower(s) on the CD as a closing cost. Cost can be charged to borrower.

Manual Underwrites have a cost of .25 of LLPA. Please Note: FHA Manual UW fee will be part of Lenders settlement whether or not the fee is charged to the borrower(s) on the CD as closing cost.

Fees and Charges on the Closing Disclosure: Lenders may collect all reasonable / customary fees and closing costs, provided all fees are fully disclosed and listed on the Closing Disclosure in accordance with federal, state and local regulations.

6.4 Permanent Buydown / Discount Points

Program Eligibility

- My Choice: Permanent interest rate buydowns are allowed only under the My Choice program.
- My First Home: Buydowns are **not** allowed on My First Home options.

Source Funds: TDHCA DPA funds and TDHCA HFC gift funds cannot be used to pay any buydown costs or fees. (Seller concessions, borrower funds, etc., are allowed)

Disclosure: Buydown Costs should be shown as a separate line item on the Closing Disclosure sourcing where funds are drawn from (ie**:** Seller Concessions, Builder Concessions, Gift Funds outside of any TDHCA HFC Partnership Gift Funds.)

Pricing: Pricing is available evert day in the Lender Portal (Lender Portal --> Program Documents-> Click on Tab or Pricing). An Excel sheet will be generated with pricing for the day and a pricing calculator for your convenience.

Requesting a Permanent Buydown: Immediately after reservation of the loan in the TDHCA Lender Portal and using the Pricing Sheet, you must complete the Buydown Request Form (Lender Portal -->Search Borrower->Click on PDF Docs Icon) and email it to TDHCABuydown@HilltopSecurities.com. A confirmation email will be sent to the requesting party. ****Deadline:** The buydown **must be requested and accepted by 3:00 p.m. CST on the second business day after the loan reservation date to avoid late fees.** (Business days; excluding weekends and federal holidays.)

Timing Expectations

- Buy Down Processing Window is 9:00 a.m. - 3:00 p.m. CST, Monday–Friday (excluding federal holidays).
- Confirmations are emailed to the address listed on the request form and are time sensitive.
- Pricing is based on the date/time the loan was reserved/locked in the TDHCA Lender Portal

Late Fees (more on next page)

- **Late = 1.00% fee:** Requesting/Accepting the buydown or cancelling an accepted buydown **after 3:00 p.m. CST on Day 2 triggers a 1.00% fee** of the total first-lien loan **amount, in** addition to buydown costs. No exceptions.

6.4 Buydown / Discount Points, Cont.

- Requesting another buydown for the same loan after a buydown has been accepted restarts the process and may result in an additional 1% late fee if the two-day requirement is not met.

Buydown Cancellations

- **No Fee:** Lender can cancel the accepted buydown by 3:00 p.m. CST on the second business day of loan reservation date without incurring a 1% fee.
- **1.00% Late Fee:** If a an accepted buydown is cancelled after the two-day window, a late fee of 1.00% of the total loan amount in addition to applicable buydown costs for additional quotes. There are no exceptions.

Program Changes After a Buydown Is Accepted: Original buydown becomes invalid when the lender changes the program after accepting/requesting a buydown.

- **New 2-day window:** A new two-business day window (respond by 3:00 p.m. CST on Day 2) applies only if the loan previously requested/accepted a buydown. Any prior 1.00% late fee still applies.
  If the lender misses the new window, an additional 1.00% late fee applies.
- **No prior buydown on original program:** There is no new window. Any first-time buydown requested after the program change is measured against the original reservation date for late-fee purposes (i.e., 1.00% fee if more than two business days have passed).

Collection of Buydown Fees

All buydown costs and applicable fees (including 1.00% late fees) are netted out by the Master Servicer at loan purchase.

How Buydown Costs Are Calculated

- Quotes are provided as a buydown percentage related to the requested interest rate. As a courtesy, Hilltop will provide a range of buydown rate options (multiple rate/percentage combinations).
- Pricing quotes are based on the date the loan was reserved/locked in the TDHCA Lender Portal.
- A courtesy estimated dollar amount will be provided for each option based on the original loan amount; however, this estimate will change when the loan amount changes.
- The final buydown cost is the lender's responsibility and must be calculated using the buydown percentage applied to the final total first-lien loan amount at purchase.

6.5 Extension Policies

Important: **If the loan file is not purchased within the 60-day deadline and a pre-closing extension was not requested prior to closing, the loan file is subject to cancelation or additional Mark to Market (MTM)** fees which will be deducted from the SRP and total proceeds upon loan purchase by the Master Servicer prior to purchase. Extension fees are not intended to be charged to the borrower.

My First Texas Home / My Choice Texas Home:

Mortgage loans are eligible for a **one-time formal written extension**, requested in advance, by the originating lender. The following extension fee schedule will apply:

Rate Lock Extension Fees	
7 Days	0.0625%
15 Days	0.125%

22 Days	0.1875%
30 Days	0.250%

Pre- Closing Extension Request Process:

- Locks due to expire REQUIRE a formal written extension request, prior to closing.
- Lender can locate the Pre-Closing Extension Request Form in the TDHCA Lender Portal found within the applicable loan, under PDF documents.
- Lender completes the required fields and indicates the number of days requested. The loan information will be auto populated within the form.
- Select the number of days from the above chart to allow enough time to deliver the closing documents, including the review timeframe for Program Administrator and the Master Servicer.
- Lender signs the form (electronic signatures are acceptable) and emails the completed form to: tdhcalendersupport@hilltopsecurities.com
- Program Administrator completes the extension and emails a signed copy to the lender. A copy will also be available in the eDocs section of the Lender Portal.
- The Lender Portal will reflect the change to the commitment expiration date for the loan record.
- The pre-closing lock extension fee will be deducted at loan purchase.

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Section 7 – TDHCA Lender Portal

7.1 TDHCA Lender Portal

The Lender Portal is the web-based application that Lenders use to reserve funds, check the status of loans in their pipeline, upload compliance documents for review, view compliance conditions, print loan confirmation and program related forms, and run reports. A username and password are required to enter the Lender Portal.

Lender Portal User Credentials

Mandatory Program and Lender Portal training is required prior to issuing credentials to lender portal users. See Section 7.3, Lender Training.

Each Lender will choose one or more staff members to manage the company's access to the Lender Portal.
This "Access Administrator" will determine who, within the company, will have access to the Lender Portal and who will
Designate, which level of access each employee will have and be responsible for setting-up and managing user access. Access levels range from "read only" to "Administrator" with other levels in-between.

All Access Administrators are required to monitor that training requirements have been met prior to issuing credentials to anyone with access to the Lender portal. Lenders will be notified of any staff that has credentials and does not have a record of completed required training. Access will be terminated until training completion is delivered, see section 7.2, Lender Training.

The TDHCA Lender Portal can be accessed at the following link: https://www.TDHCALenderPortal.com

Assistance with user credentials, reservation updates, program forms, deficiencies and compliance approvals please email us for the fastest response: TDHCALenderSupport@hilltopsecurities.com or by calling (214) 953-4176.

7.2 Lender Training

Mandatory Program and Lender Portal Training is required for Participating Lenders staff, in order to utilize TDHCA's Texas Home Buyer Program options and the Lender Portal, details below:

The Program and Lender Portal training is offered online and available 24/7 in a 2-step process, one for Program specifics and the other on how to use the Lender Portal. To take the two mandatory classes, Program Training and Lender Portal Training, visit TDHCA Lender Video Library: Lender Video Library each will be marked with an asterisk.

- Each attendee will be required to take a short quiz after each training module and receive a score of 80% or better in order to receive a Certificate of Completion.
- Those designated as Lender Portal Access Administrators will forward their certificates to TDHCA for activation in the Lender Portal.
- Additional users created by the Lender Portal Access Administrators, will forward their certificates to their Access Administrator for credentials to access to the Lender Portal.
- Upon confirmation of TDHCA and Master Servicer - TMS approvals, Program Administrator - Hilltop Securities will forward the username and password to the Access Administrators, along with a short training on setting up credentials.

Monthly Lender Trainings will be held virtually via webinar – the purpose of these trainings will be to discuss any program updates, FAQ's, common conditions, or anything else we feel may be helpful to our lenders to promote successful originations.

Lenders may request in-person/live training or a one-on-one webinar training. Contact us for additional information on other training options. **See Contacts, Page 6**.

7.3 Reserving TDHCA Funds

Important Note: Delivery benchmarks start the date of reservation. All loans are due to be purchased within 60 days of reservation confirmation.

Reservation locks are available on business days between 9:00 a.m. and 6:00 p.m. Central Time. All other system features are available 24/7.

When the Lender reserves a mortgage loan, Combo or Stand Alone MCC in the Lender Portal, the Lender must:

1. Have a complete mortgage loan application from a borrower,
2. Have possession of a fully executed property sales contract/agreement or construction contract executed by the borrower and the seller or builder of the property.
3. Qualify borrowers for the exact loan program you intend to reserve under, especially for FTHB status, including the ability to produce 3 years tax returns and verifying borrowers are truly FTHB. Factor in total delivery time to purchase when deciding on when to lock your loan with the reservation. Extension fees may apply and can be avoided in many cases with adequate timing.

7.3 Reserving TDHCA Funds, Cont.

Best practice is to reserve funds no sooner than 15 days prior to closing in order to comfortably deliver your loan and have it purchased within the 60-day purchase deadline. Remember to submit a formal extension via tdhcalendersupport@hilltopsecurities.com if an extension is needed. Fees are applied as a reduction to SRP at settlement with the Master Servicer for loans not purchased within 60 days of reservation. See Section 6.4, Extension Policies.

Reservation Process

1. Login to The Lender Portal at https://TDHCALenderPortal.com
2. Select the "New Reservation" tab in the upper left corner.
3. Select the appropriate Program from the list and complete the reservation form.

NOTE: Changing programs after reservation may not be possible and can be costly. Please take a moment to ensure you are choosing the correct program that meets your Borrower needs as there are many options.

   a. Additional assistance grants, in the form of Gift Funds, are available from the Capital Area HFC, The City of McKinney HFC and the Harris County HFC in specific cities and counties. Select the option for the applicable grant based on the property location. If you don't see the option you want, it may not be available in that program at that time. These funds are very popular and limited on a first come first serve basis.

4. Complete the entire reservation form and click "Submit" at the bottom of the form.

   - Required fields are designated with a red asterisk.
   - Error message prompts will appear if any required fields were overlooked or if the system cannot validate certain criteria.
   - Return to the indicated field(s) to correct the information and "Submit" again.
   - Once the loan is reserved, you will have the option to view or print your reservation confirmation. ("Reprint" Icon). This is the interest rate that the first lien note must close with.
   - The reservation confirmation will also include The Issuer's Loan Number, the date reserved and the Commitment Expiration Date.

5. To check status on the reservation updates such as compliance approvals and/or file deficiencies
   - You must log in to the Lender Portal,
   - Search for the borrower via name, loan number or social security number
   - Click the "view" icon and scroll to the bottom of the page for updates and status

7.4 Rules Related to Reservation of Funds

The Lender may accept loan applications in all of its lending offices for any Eligible property type within the State of Texas. Funds will be issued on a first-come, first-served basis, irrespective of the Borrower's race, color, religion, national origin, age, or gender. There will be no restrictions as to the total number of reservations issued to any particular Lender. Eligible Lenders are approved in advance with TDHCA and the Master Servicer must be licensed to originate Mortgage loans for The State of Texas and are not required to have a physical brick and mortar office, located in Texas.

- **Underwriter Pre-Close Verification**: For all TDHCA Loans an Underwriting Pre-Close review is required before closing documents will be available for download. Please allow 48 hours after UW Certification document submission for review by HTS. We are unable to accommodate rush review request, please plan closings accordingly. UW Certification Documents to Upload: 92900 LT/1008, Full Appraisal, Final AUS (DU/LPA/GUS) Approval and UW Certification Form.
- **A Loan Reservation is Tied to Specific Borrowers**: TDHCA will not allow a transfer of a reservation from one eligible Borrower to another.
- **Changes in Property Address**: A subject property address may be updated, by request, to the Program Administrator by uploading, to the lender portal, a new executed sales contract for the same borrower(s) and submit an email request to: tdhcalendersupport@hilltopsecurities.com to update the subject property address. All address changes are subject to the original reservation timeline including any potential extension fees. A loan cannot be cancelled and re-reserved before the 60 day wait period to avoid extension fees. Extension fees caused by borrower choosing a different property may be charged to the borrower upon approval of TDHCA. **Please Note:** Cancellation due to change of address, if under contract, should be a last choice unless the lender does not intend to reserve again for the same borrower for at least 60 days.
- **Changing an Existing Loan to A Different Program** Changing from one Program to another Program under limited circumstances, may only be possible with cancellation and with pricing adjustments that must be cured by the originating lender prior to approval. For that reason, it is imperative that every loan scenario is thoroughly qualified prior to loan reservation. Failure to do so may result in the loan being in-eligible for purchase, ineligible to close or a pricing cost that was unexpected.
- **Change Requests for a higher or lower assistance level are allowed only** by using the exact Rate Notice available day of original reservation and moving up or down within the published Program Grid. It is the Lenders responsibility to notify compliance team to adjust the lower or higher rate and assistance amounts. Note: Newly published rates are not available for loan change requests for reserved loans due to investor restrictions and lock guidelines.
- **Borrower with a Current Reservation Requesting to Change Lenders:** The original lender may voluntarily cancel the existing loan and TDHCA may allow a new reservation to be made by the new Lender, subject to review. If TDHCA receives written notice from a borrower that they want to be released from their current lender, TDHCA will attempt to contact the existing lender to coordinate the termination of the reservation.

  Note: TDHCA will not allow a new reservation for a Borrower with a new lender for the purpose of obtaining a lower rate.
- TDHCA will not allow a cancellation and a new reservation for a Borrower, that results in a lower interest rate, with the exception of a 60 day waiting period.
- Rates are set factoring in TDHCA investor requirements at the time of reservation and available funds come from different sources, which determine any loan change options available.
- Loans under other specific parameters may be eligible to change program options. Please email txhomebuyer@tdhca.texas.gov with your specific loan scenario.

7.5 Loan Reservation Expiration and Cancellation

The TDHCA Homebuyer Program requires a formal extension form to be submitted and approved. Rate lock extensions are extended via written request in the Lender Portal and subject to the cost adjustments, as indicated in Section 6.4 Extension Cost.

- **Should the Lender cancel a reservation, the Lender <u>may be</u> prohibited from making another reservation for the same borrower for a period of 60 days, subject to investor restrictions.**

- For a mortgage loan that will not be delivered to TDHCA, the Lender is responsible for cancelling the loan reservation immediately.

- If a Lender is unresponsive to loan status requests or if the loan is not UW Certified and is passed the 60-day loan purchase requirement by Master Servicer, automatic cancellations may occur without further notice.

  Please note:
  - Reinstatement requests may be considered only for extraordinary circumstances beyond the borrower's control and can be costly.

7.6 Modifications to Loan Reservation

Lenders may edit certain areas of the Loan Reservation without TDHCA or Hilltop Securities approval **prior to Underwriter Certification:**

- Wages
- Loan Amount
- House Number
- Street Address, City, Zip, County
- Census Tract
- Property Acquisition
- Purchase Price
- Appraised Value
- Household Size
- DTI Back Ratio
- Loan Officer
- Borrower, Co-borrower Names
- Credit Score

After Underwriter Certification, any change to the mortgage loan amount at closing, not reflected in the Lender Portal, must be reported to Hilltop Securities immediately.

Keep in mind that the down payment / closing cost assisted available through the program is based on the total loan amount. Changes to the First mortgage loan amount will result in a change to the 2ND loan amount.

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Section 8 – Closing and Funding

TDHCA does not require a full pre-close compliance check prior to closing, however, an Underwriting Pre-Close is required, please see Section 7.4, Rules to Related to Reservation of Funds. By submitting an UW Certification, TDHCA trusts that the lender has met all published requirements and guidelines for Agency guidelines, TDHCA and Master Servicer requirements and is clear to close once documents are released and available in PDF Docs section of the Lender Portal.

TDHCA makes every effort to be fully transparent of all guidelines required, through this Lender Guide, regularly scheduled trainings available to all lenders and staff email and phone inquiries, as does the Program Administrator and Master Servicer to answer any guideline questions prior to closing. Please use our resources to double check any guideline questions you may have in advance to assure your loans are eligible for purchase. The final responsibility is the participating lenders to meet guidelines.

Lenders will ensure that all of the documents on the Compliance Checklist are provided to Title company or authorized closer, for execution, including the Title Company Instruction Letter, along with all other Program related forms to be executed at closing and will be required as part of the Post-Closing compliance file sent to Hilltop Securities via the Lender Portal.

Borrower, Co-Borrower, Spouse (including Non-Purchasing Spouse) must sign all applicable program documents, unless specifically noted in program description, see Section 9, Applicable Signatures for clarification. Any missing required documents will delay review and purchase.

All TDHCA Second Lien Documents and Disclosures that require borrower notarized signatures must be original wet signatures. Seller closing documents that may be executed via commissioned remote online notarization, so long as they comply with state law safeguards as laid out by the Texas Secretary of State: www.sos.state.tx.us/statdoc/1-87.pdf. All other pages may be executed electronically.

> **NOTE:** Lenders table fund the first and second liens and any applicable gift funds from the TDHCA HFC Partners. Lenders will be reimbursed the amount of the funds advanced when the Master Servicer, purchases the Mortgage Loan, subject to any applicable extension fees or other earned fees due. Because of this, TDHCA strongly encourages Lenders to implement a quality assurance process for program requirements. Any loan closing outside of Agency, TDHCA and Master Servicer guidelines WILL NOT be purchased.

8.1 Program Forms and Affidavits

For reference, all applicable Forms and Affidavits are found in the Lender Portal at www.TDHCALenderPortal.com and are only available after securely logging into the Lender Portal Auto-filled Program Forms and Affidavits are generated directly from the system. Please complete the documents accurately and in their entirety. Only the Notice to Buyers Disclosure is required to be delivered to the borrower(s) at the time of first disclosure in conjunction with your Loan Estimate. Notice to Buyers form is available in the lender portal at reservation. All other disclosures and closing documents will be populated in the Lender Portal after Underwriter Certification approval which clears for doc drawing and closing.

8.2 Submitting Electronic Compliance Documents

All documents listed on the Compliance Checklist must be uploaded electronically through the TDHCA Lender Portal, paper documents will not be accepted.

Once the reservation has been made, the Underwriter's Certification Form is immediately available in the Lender Portal.

- Select the Underwriter's Certification Form. **Fully complete and submit the form and any required supporting documents into the Lender Portal** using the "eDocs" icon to the left of the borrower's name. Please coordinate with your Closing Departments to make sure that the details of the UW Certification match the closing documents and what is shown in the Lender Portal Reservation System. Because the lender is generating its own first lien documents, TDHCA has no mechanism or per view to confirm the lender is closing at the reserved rate. Failure to do so can result in a loan not being eligible for purchase.

8.3 Compliance File Checklist

Required Compliance Program Documents to be Submitted into the Lender Portal found at www.TDHCALenderPortal.com

Stage	Required Forms and Documents * *All Applicable executed versions	My First Texas Home - Bond	My First Texas 0% DPA	My First Texas Targeted	My First Texas Home - Combo	Stand-Alone MCC	Stand-Alone MCC Targeted	My Choice Texas Home - TBA
Prior to Closing	Underwriter's Certification	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Final URLA	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Final CD	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Warranty Deed	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Purchase Contract	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Notice to Buyers	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Notice of Potential Recapture	✓	✓	✓	✓	✓	✓	N/A
Post-Closing	Applicant Affidavit - Tax Exempt	✓	✓	✓	✓	✓	✓	N/A
Post-Closing	Applicant Affidavit - Taxable/TBA	N/A	N/A	N/A	N/A	N/A	N/A	✓
Post-Closing	Affidavit of Co-signer (if applicable)	✓	✓	✓	✓	✓	✓	✓
Post-Closing	Tax-Exempt Rider	✓	✓	✓	✓	✓	✓	N/A
Post-Closing	Affidavit of Seller	✓	✓	✓	✓	✓	✓	N/A
Post-Closing	Certificate of Lender	✓	✓	✓	✓	✓	✓	N/A
Post-Closing	Disclosure of 2nd Mortgage Loan Terms	✓	N/A	✓	✓	N/A	N/A	✓
Post-Closing	Final 2nd Lien DPA Note	✓	N/A	✓	✓	N/A	N/A	✓
Post-Closing	Final 2nd Lien DPA Deed of Trust	✓	N/A	✓	✓	N/A	N/A	✓
Post-Closing	Affidavit of Residence	✓	✓	N/A	✓	✓	N/A	N/A
Post-Closing	Legally Enforceable Obligation Letter (FHA Only)	✓	N/A	✓	✓	N/A	N/A	✓
Post-Closing	3 yrs IRS Transcripts or Signed Tax Returns	✓	✓	N/A	✓	✓	N/A	N/A
Post-Closing	Homebuyer Education Certificate (ALL Borrowers)	✓	✓	✓	✓	✓	✓	✓
Post-Closing	DD214 Discharge Papers (Only Veteran Waiving FTHB Status)	✓	✓	N/A	✓	✓	N/A	N/A
Post-Closing	Gift Funds Letter (If applicable)	✓	✓	✓	✓	N/A	N/A	✓

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Section 9 – Applicable Signatures

9.1 Applicable Party Signature Guide

All TDHCA Second Lien Documents and Disclosures that require borrower notarized signatures must be original wet signatures. Seller closing documents that may be executed via commissioned remote online notarization, so long as they comply with state law safeguards as laid out by the Texas Secretary of State: www.sos.state.tx.us/statdoc/1-87.pdf.

All other documents are eligible for secure electronic execution and delivery. Power of Attorneys are acceptable, provided they conform to agency/loan product guidelines, and are accompanied by a copy of the Power of Attorney in the Compliance File submitted to Hilltop Securities, check with your title company for additional guidance on Power of Attorney.

GUIDE FOR APPLICABLE PARTY SIGNATURES							
Required Form	**My First Texas Home Bond**	**My First Texas 0% DPA**	**My First Texas Targeted**	**My First Texas Home Combo**	**My Choice Texas Home TBA**	**Stand-Alone MCC**	**Stand-Alone MCC Targeted**
Warranty Deed	S	S	S	S	S	S	S
Notice to Buyers	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS
Notice of Potential Recapture	NO SIGNATURE REQUIRED				N/A	NO SIGNATURE REQUIRED	
Applicant Affidavit - Tax Exempt	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	N/A	B, CB, NPS	B, CB, NPS
Applicant Affidavit -Taxable/TBA	N/A	N/A	N/A	N/A	B, CB, CS, LENDER	N/A	N/A
Affidavit of Co-signer (if applicable)	CS	CS	CS	CS	CS	CS	CS
Tax-Exempt Rider	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	N/A	B, CB, NPS	B, CB, NPS
Affidavit of Seller	S	S	S	S	N/A	S	S
Certificate of Lender	L	L	L	L	N/A	L	L
Disclosure of 2nd Mortgage Loan Terms	B, CB, NPS	N/A	B, CB, NPS	B, CB, NPS	B, CB, NPS	N/A	N/A
Final 2nd Lien DPA Note	B, CB, CS	N/A	B, CB, CS	B, CB, CS	B, CB, CS	N/A	N/A
Final 2nd Lien DPA Deed of Trust	B, CB, NPS	N/A	B, CB, NPS	B, CB, NPS	B, CB, NPS	N/A	N/A
Affidavit of Residence	B, CB	B, CB	N/A	B, CB	N/A	N/A	N/A
Legally Enforceable Obligation Letter (FHA Only)	B, CB, NPS	N/A	B, CB, NPS	B, CB, NPS	B, CB, NPS	N/A	N/A
Gift Funds Letter (if applicable)	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	B, CB, NPS	N/A	N/A

Signature Legend	
Borrower	B
Co-Borrower	CB
Non-Purchasing Spouse	NPS
Co-Signer	CS
Seller	S
Lender	L

Section 10- Post Closing

10.1 Compliance File Delivery to Program Administrator - Hilltop Securities

Once a Mortgage Loan has been reserved on the Lender Portal, the Lender has sixty (60) calendar days to close, fund the Mortgage Loan, obtain compliance approval from the Program Administrator and have the Mortgage Loan purchased by the Servicer.

- Please factor in time from reservation to final settlement to avoid extension fees.
- Submit Post Closing packages electronically to the Program Administrator - Hilltop Securities via the Lender Portal within three to five (3-5) calendar days of Loan Closing, but in no event after the Commitment Expiration Date. Required documents are found in each program specific post-closing checklist found in the Lender Portal, "PDF docs" icon.
- The file will be reviewed for accuracy and will either be cleared to be released to the Master Servicer or conditional stipulations will be listed in the lender portal. It is the lender's responsibility to timely address any outstanding stipulations. Keep in mind extension fees may be applicable for any delays in clearing conditions.
- **Pay for Fees via HilltopPay** - After the Post-Closing package is uploaded and submitted in the Lender Portal, designated contacts at your organization will receive an email link the day following the post-close package upload to securely log in (using their Lender Portal Credentials) and approve the ACH compliance fees through **HilltopPay ACH**.

  NOTE: Please do NOT have Title remit the compliance fee to Hilltop or TDHCA

  - Access to run reports of payments made or pending payments is available.
  - Once approved for payment, the payment status will appear in the borrower's loan reservation in the lender portal.

- **Please follow up in the Lender Portal 24-48 hours after submission for any Post-Closing conditions in the Loan Status tab, "View" icon. Any deficiencies should be resubmitted following the same process until you receive approval and "Commitment" in the portal.**
- Upon approval by the Program Administrator, the Mortgage Loan will reflect a "Close Pkg. Rev." stage and a status of "Approved" in the Lender Portal and the Mortgage Loan will be eligible for purchase review by the Servicer, provided all Servicer conditions have been met. Compliance file must be approved by Hilltop Securities before a loan can be purchased by Master Servicer.
- Any loans purchased past the Commitment Expiration Date will be assessed an extension fee per the Extension Fee Table found in, Section 6.4 and posted on the TDHCA Daily Rate Notice. This fee will be deducted from the Lender's wire at the time the loan is purchased by the Master Servicer

10.2 Post-Closing: Delivery to Master Servicer The Money Source (TMS)

Upon closing, the Lender will deliver the separate required closing package to the Master Servicer (TMS) for purchase review. If the loan is not eligible for purchase within the 60-day purchase period, the Lender may incur an extension cost based on the additional days for purchase, see Section 6.4, Extension Request

In the event a loan was closed under the program but not eligible for purchase, the Lender must notify TDHCA immediately for instructions on the 2NDlien release. See Quick_Reference_Guide.pdf for additional information.

FILE SUBMISSIONS

All loans must be delivered via KISS. You may reference TMS's How to Navigate KISS tutorial for step-by-step instructions. Please note that full/complete packages are required for review. You may reference our Stacking Order for more details. Upload complete packages through KISS at https://Correspondent.TheMoneySource.com.

UPLOADING CONDITIONS/SUSPENSE ITEMS

All suspense items should be uploaded through KISS at https://Correspondent.TheMoneySource.com.
Select "Upload Conditions" under the "Options" field.

1st and 2nd LIEN NOTE INTRUMENT DELIVERY

Original lien docs must be delivered to:

The Money Source Inc.
Attn: Corresponding Lending
1800 Walk Whitman Rd.
Suite 130
Melville, NY 11747

Recorded DOT, Final Title Policy, Mortgages DELIVERY

Indecomm Global Services
Mail Stop Code: FD-MS-7200
1427 Energy Park Drive
St. Paul, MN 55108

10.3 Post-Closing: Delivery to Master Servicer Idaho Housing Finance Association (IHFA)

For loans reserved on or before February 2, 2025, Idaho Housing Finance Association (IHFA) will continue to handle purchase review, settlement, and ongoing servicing. This applies to all My First Texas and My Choice Program loans.

For more information on how to deliver to IHFA, click: IHFA-Delivery Instructions