

THDA LENDER NOTICE: #2025-6

March 26, 2025

SUBJECT: Layered Risks

THDA's purpose is to promote safe, sound affordable housing that is sustainable by the borrower(s). One tool that THDA utilizes to promote sustainability is the requirement of homebuyer education. We encourage our Originating Agents (OA) to provide this information early on during the transaction. In addition to preparing the borrowers for homeownership it provides a connection to a counselor in case the need arises due to a hardship occurring after closing on their home.

THDA monitors and encourages our OAs to monitor First Payment Defaults (FPD) and Early Payment Defaults (EPD). THDA considers EPD to be any loan delinquent 60 days within the first 6 months or 90 days within the first 12 months. EPD loans are subject to a quality control audit and FPD are an automatic repurchase.

When preparing a borrower for sustainable homeownership, THDA must consider the overall risk level of a loan. When a borrow has multiple risk factors (layered risk), our servicing data indicates the results lead to non-performing loans. Although an Automated Underwriting System (AUS) may provide an approval, the file may contain multiple risk factors (layered risk) to be considered by the underwriter prior to submission. Common layered risks include but are not limited to the combination of two or more of the following:

- High Housing Ratio (>36%)
- High Debt Ratio (>44%)
- Credit Scores Below 660
- Lack of Reserves
- Job Gaps/Multiple Jobs in the Past 2 Years
- Payment Shock, No Prior Verified Rental History
- Slim Credit and/or Scores Based on Authorized User Accounts

THDA reserves the right to request additional documentation or deny a file when a file contains layered risk. When layered risk is observed by the Originating Agent, supporting documentation including compensating factors should be provided to mitigate the risk. It is also the Originating Agent's responsibility to ensure effective income is being calculated according to the Agency's guidelines. THDA will require additional documentation if the qualifying income is not supported by the documentation in the file.

Thank you for your continued support and participation in THDA mortgage loan programs.