

# Pennsylvania Housing Finance Agency

## *Important Information for PHFA Mortgage Documents*

### **THE NOTE**

- Conventional and RHS Guaranty loans: The note must be prepared on the Multi-state Fixed Rate Note/Form 3200. \*
- FHA loans: The note must be prepared on the FHA Multi-state
- Fixed Rate Note. \*
- VA loans: The note must be prepared on the Multi-state Fixed Rate Note/Form 3200. Amended for Veteran Affairs. \*

\* Please be sure to use the most current revised forms.

The following requirements apply to all Notes:

- Must be dated the same date as the Mortgage;
- Must be in favor of the originating lender;
- The interest rate must agree with the rate on the PHFA Approval Notification;
- Address of property, if given, must conform with the address on all other documents;
- Must be signed by all mortgagor(s) and co-signer(s), if applicable;
- Loan Amount and P&I payment must be correct;
- First Payment Date: First day of the second month following the date of closing (existing home) or the first day of the month following the last interest-only payment (construction loans without using new papers at conversion closing, from the addendum to the Note, Form 19). PHFA allows loans to close on an “Interest Credit” or “Short Interest” basis as long as the loan is closed by the 5th calendar day of the month. When closing this type of loans, the first payment date will be the first day of the following month.
- Maturity Date: One month preceding the first payment date plus 30 years;
- Late Charge: Due 15 days after payment due date;
  - FHA = 4%
  - Conventional Loans = 5%
  - RHS Guaranty Loans = 4 or 5%
- Legible Endorsement: “Pay without recourse to Pennsylvania Housing Finance Agency”. Must be signed and dated by an authorized officer of the lender. Lender name to appear above signature of officer. Officer Name and title to appear below the signature.

### **ADDENDUM TO NOTE/CONSTRUCTION LOAN: (FORM 19)**

This form is applicable on new construction loans, with a one time closing, and discloses the terms and conditions of the interim financing and conversion of the construction loan to a permanent mortgage.

### **MORTGAGE INSTRUMENT**

- The following requirements must be met:
  - All first mortgages must close in the lender’s name. The mortgage is to be assigned to Pennsylvania Housing Finance Agency. The mortgagor(s) signature(s) must be notarized.
  - The principal and monthly payment, when provided, must be stated correctly and agree with the note. The maturity date on the mortgage must also agree with the note.

- The legal description must be the same as in the title policy and the deed.
- Any corrections made to an **unrecorded** mortgage must be initialed by the mortgagor(s). See section 1217 of the Sellers' Guide, Mortgage Modification Agreement, for instructions on correcting a **recorded** mortgage.
- A certified copy of the complete mortgage with evidence the document was sent for recording must be included in the **purchase submission package** as follows:
  - a) Individual receipt stapled to a copy of the Mortgage that has been signed and certified a true and exact copy of the original

**OR**

- b) The following statement typed or stamped on a copy of the Mortgage: "I hereby certify that this is a true and correct copy of the original which was submitted for recordation".

By: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Title Insurance Company or Lender Authorized Officer

**CONDO/PUD RIDERS**

A Condominium and Planned Unit Development property must have the appropriate rider attached to the mortgage, with the exception of VA loans. Also an "X" must be typed in the corresponding box to indicate that the rider has been added to the mortgage. The following lists the appropriate riders:

- A) Condominium Rider - FNMA Form 3140
- B) Planned Unit Development Rider - FNMA Form 3150

**MORTGAGE MODIFICATION AGREEMENT: (FORM 40)**

- A Mortgage Modification Agreement is required to correct an error or omission on the note or **recorded** mortgage **OR** for new construction loans when new security documents *are not* executed at the conversion closing *and* the actual first mortgage payment date *is different than* the date disclosed on the Note. If the new payment schedule exceeds the original date disclosed, the mortgage modification will need to be recorded.
- The steps to complete the mortgage modification agreement are as follows:
  1. Lender to complete all information on page 1 including the date of the note plus the mortgage and assignment recording information. If any document has been recorded more than once, all information must be listed.
  2. Lender to complete all applicable information on page 2. This page indicates the addition, correction or change being made. If the change requires that a document must be added, please be sure to add it.
  3. Lender completes the top half of page 3. The top half of page 3 is signed by the mortgagor. The signature must be notarized. PHFA completes the bottom half of page 3.
  4. Lender to complete the information on the principal place of business and address on page 4 as follows: c/o your lending institution, your address.
- When the Mortgage Modification Agreement is completed, signed by the mortgagor(s), and notarized, send the original agreement to PHFA to the attention of Purchase or Final Document Department, whichever department required the Mortgage Modification Agreement.
- The original Mortgage Modification Agreement will be executed by PHFA and returned to your office to be recorded. After recordation, the agreement is returned to the lender. You are to forward the document to PHFA to the address listed in Section 1209 of the Sellers' Guide, Final Document Delivery.
- If the County Recorders Office, where this document is to be recorded, requires a legal description to be part of the modification form add it to the form before sending it to PHFA for signature. PHFA will not

process a mortgage modification form if (a) it is not on the most current Form 40 and/or (b) the document is not properly completed.

- If PHFA determines there is an excessive use of mortgage modification agreements due to careless problems, we will require a \$25.00 processing fee for each modification agreement.

#### **ASSIGNMENT: (FORM 20)**

- All PHFA **first** mortgage loans must be assigned to “Pennsylvania Housing Finance Agency”.
- A certified copy of the assignment with evidence the document was sent for recording must be included in the **purchase Submission package** as follows:
  - a) Individual receipt stapled to a copy of the Assignment of Mortgage that has been signed and certified a true and exact copy of the original,

**OR**

  - b) The following statement typed or stamped on a copy of the Assignment of Mortgage: “I hereby certify that this is a true and correct copy of the original which was submitted for recordation”.  
By: \_\_\_\_\_ Date: \_\_\_\_\_  
Name of Title Insurance Company or Lender Authorized Officer
- The assignment cannot be dated prior to the date of the mortgage.
- The assignment must be properly attested and signed by an authorized officer of the lending institution. The authorized officer’s signature must be notarized.
- The **recorded** assignment must reference the mortgage book and page numbers or instrument number within the body of the assignment **OR** it must be recorded in the same book as the mortgage and recorded after the last page of the mortgage.

#### **TITLE POLICY, INSTANT TITLE POLICY, SHORT FORM RESIDENTIAL TITLE INSURANCE POLICY**

Note: The Mortgage and Title Policy must have a legal description of the mortgaged property which is exactly the same.

PHFA loans must close with either an original Instant Short Form Residential Title Insurance Policy, **OR** an Instant Title Policy. The original policy must be submitted in the **purchase submission package** as outlined on Form 58 of the Purchase Submission Checklist.

#### **Short Form Residential Title Insurance Policy (preferred):**

- The Short Form Residential Title Insurance Policy is a one page policy. Schedule A is on side one and Schedule B is on side two.
- Schedule A must indicate that the environmental endorsement is included. The 100 and 300 endorsements are included without being referenced.
- This policy must also contain the constructive notice phrase as referenced in the subsequent section on “Section B.”

**\*\* The Agency strongly suggests that you use these title policies on all loans submitted to PHFA. \*\***

#### **Instant Title Policy:**

- This type of policy does not contain the recording information of the mortgage or assignment. The Instant Title Policy is dated the date of settlement and contains the following phrase “or date of constructive notice whichever date is later” if a form is used that was not revised 6/06 or later.
- The Agency does not require a follow up endorsement reflecting the recording information. However, if a recording endorsement is provided the information must be accurate.

### **Title Policy Errors or Omissions:**

- It is the lender's responsibility to review the Short Form Residential Title Insurance Policy, or Instant Title Policy before a loan is submitted for purchase to ensure the Policy is free from errors or omissions.
- If you discover an error or omission, and are unable to correct the deficiency prior to submitting the Policy to the Agency in the Purchase Submission, the Policy must be accompanied by your written request to your closing agent for correction. A copy of the request for correction to the Title Company will indicate to PHFA that you have recognized the error or omission and that you have ordered an endorsement. Title Policies with errors and omissions may only be submitted on an occasional basis, not as your normal business practice.

\*\*\* PHFA strongly encourages that you use title companies that issue the Residential Short Form Title Policies, as there is minimum information, which reduces the margin of error. \*\*\*

### **Schedule A:**

Schedule A must be checked for the following:

1. Date of Policy: The policy date must be the date of closing with the phrase added: "or the date of constructive notice, whichever date is later" if the Title Policy form was revised 6/06 or later it is acceptable without the phrase **OR** the policy must be dated the same date the mortgage was recorded. The constructive notice phrase eliminates many potential problems in the date, and it should also appear on the Mortgagee Residential Short Form and Instant Title Policies.
2. Amount of Loan Policy or amount of insurance: Must be at least the amount of our Mortgage.
3. Name Insured: First choice - Participating Lender's name, its successors and assigns. Second choice - "Pennsylvania Housing Finance Agency, its successors and assigns".
4. Mortgagor(s) Name: Name(s) the title is vested in.
5. Mortgage: Must refer specifically to our mortgage document including the name(s) of the mortgagor(s), mortgage amount, mortgagee (your lending institution), and date of the mortgage.
6. Assignment: Must be to Pennsylvania Housing Finance Agency, if the assignment information appears in Schedule A.
7. Property description: If your Title Policy refers to the property as any of the following, it is acceptable as long as it agrees with the Mortgage:
  - a) 123 Main Street, Anyplace, PA ZZZZZ;
  - b) R.D. or R.R. 3, Box 123, Yourtown, PA ZZZZZ;
  - c) The legal description is attached as a schedule or exhibit to the Title Policy and the description in the Title Policy matches the legal description in the Deed and Mortgage.
  - d) The same as described in a mortgage from John Doe & Mary, H/W to any lender dated MM/DD/YY and recorded MM/DD/YY in Wonderland County in book \_\_\_\_\_, page \_\_\_\_\_." (If this phrase is present, it must contain the recording information.)
  - e) The same as described in a Deed from John Smith and Alice, H/W to John Doe and Mary, H/W dated MM/DD/YY and recorded MM/DD/YY in Wonderland County in Deed Book \_\_\_\_\_, Page \_\_\_\_" or "to be recorded". A copy of the signed Deed must accompany the Title Policy.

### **Schedule B**

- The exceptions on Schedule B must be reviewed by your staff in order to determine if they have to be removed. When you use the Mortgagee Residential Short Form Title Policy, you will spend **minimal** amount of time reviewing Schedule B, because the exceptions are standard and preprinted on the form.
- Standard **acceptable** exceptions:
  - a) Taxes and assessments not yet due and payable;

- b) Utility easements which provide utility service to the residence and/or the development in which it is located (beware of large easements for pipelines and high tension wires and the like that may overly restrict the use to the property);
  - c) Other matters that are subsequent or subordinate to our mortgage.
  - d) Water and sewer rents that are due and payable after settlement. This is determined by the language in the exception referencing the paid to date.
- Standard ***unacceptable*** exceptions. These exceptions must be removed by a signed endorsement:
    - a) Encroachments (depending upon the extent of the violation and how it may affect marketability);
    - b) Lack of access to property;
    - c) Taxes and assessments for prior years (i.e. which would have been due and payable). **NOTE:** A policy may show taxes for the current year where a portion is not yet payable. The title company may add “not yet due and payable” with an endorsement and the unacceptable exception becomes acceptable.
    - d) Water and sewer charges that were not paid, or may not have been paid, prior to the date of settlement. Rents prior to settlement with the “not yet due and payable” phrase **must be removed**. This includes the exceptions that usually appear in Title Policies on Philadelphia properties;
    - e) Rights or claims of parties in possession not shown in the public records;
    - f) Mechanics liens;
    - g) A recorded lease or agreement on mining, coal, oil - the title company must add, “the company will insure against future surface mining” by endorsement to make this exception acceptable.
  - From time to time Schedule B in an Instant Title Policy will be overloaded with exceptions that seem to relate to the project or development and not the unit being mortgaged. These exceptions should be removed, or we should be “insured against loss by reason thereof” in an endorsement. Please note: You will not encounter this situation with a Mortgagee Residential Short Form Title Policy.
  - When exceptions are removed by a footnote on Schedule B the title agent must sign the footnote **OR** they must provide a separate signed endorsement to remove the item(s) appearing at the bottom of Schedule B.

#### **Endorsements:**

- Every Instant Title Policy must include the 100, 300 and environmental (8.1) endorsements. The Agency accepts the Residential endorsement in lieu of issuing separate endorsements. If the 100 endorsement does not apply, an original “letter in lieu of” is required and must be signed by the title agent. All original endorsements sent to PHFA **MUST BE** countersigned.
- An 801 endorsement or the equivalent is required on PUD units and an 800 endorsement or the equivalent is required on condominium units. When the property is a PUD or CONDO we do not require the endorsement 300. This is the only exception where the 300 is not required.

#### **SUBORDINATE MORTGAGE DOCUMENTS**

- Note/Truth in Lending (Form 54)
- Homestead (Form 54A)
- Mortgage (Form 55)
- Needs Assessment Form (Form 56)
- HUD-1 Settlement Statement
- A copy of the deed that was sent for recording

Refer to Chapter 10 for instructions on completing and processing the Subordinate Mortgage Documents for the Closing Cost Assistance Program. These documents must be submitted in the **purchase submission package** as folder #3 outlined on Form 58, the Purchase Submission Checklist. If a modification agreement is necessary to correct or add information on the Subordinate Mortgage Note or Subordinate Mortgage Instrument, use Form 40.

**BUYDOWN ESCROW AGREEMENT: (FORM 52)**

This form is applicable only on RHS Guaranty loans with a buydown.

Form 52 is a sample form. You may use another buydown form if it incorporates similar language. A *copy* of the buydown form must be included in the **service release package** AND the *original and a copy* of the buydown form must be included in the **purchase submission package**.

**NOTICE TO MORTGAGOR ON MAXIMUM RECAPTURE TAX AND OF METHOD TO COMPUTE RECAPTURE TAX ON SALE OF HOME: (FORM 4)**

- The lender is to complete the maximum recapture tax amount, 6.25% of the highest principal amount.
- Enclose both pages of the document with the file.

**MORTGAGOR'S REAFFIRMATION AT CLOSING: (FORM 3, PAGE 4)**

- The Mortgagor's Reaffirmation must be completed by the lender and signed and dated by the Mortgagor(s) the day of the closing.
- The form must be notarized and have a notary seal.
- The form must be included in the **purchase submission package** as outlined on Form 58, the Purchase Submission Checklist.

**MORTGAGE REVENUE BOND LOAN CLOSING INSTRUCTION ADDENDUM: (FORM 53)**

- The Agency urges you to use the Closing Instruction Addendum as a tool to clarify to your closing agents the proper language on the Instant Title Policy, Title Policy, or Short Form Residential Title Insurance Policy, and the Homeowners Insurance Policy and Flood Insurance Policy (if applicable) for PHFA closings.
- The addendum also lists closing documents and forms specific to a PHFA loan.