



R&R 1st Quarter Loan Program Update February 2010

Quick Link to Updated Documents/Forms: [Form A5](#); [Form A13](#); [Form A26](#)

General Announcements:

1. **Coming Soon!** The ability to add additional contacts to our data base. What this means to you is that the “main” contact person no longer be the only person that receives all the letters, calls and reports. We are setting up two additional contact fields. The first one is a “Loan Package Contact”. This would be the person who should receive the confirmations of reservation, extension confirmations, the 10 day letters and the package deficiency letters. The second contact is a “Final Document Contact” person. This should be someone whose primary responsibility is handling the final documents such as the recorded mortgages, assignments, etc. We have created [Form A26](#) in order to make it easy to provide this new contact information to us. Please complete the form and fax it to us at 717-780-3872 attention Monica Williams. In addition to the contact information, please indicate whether you would prefer these to be emailed OR emailed and faxed in the future. We will begin using the system by faxing them until we are instructed to change it to email.

Compliance/Closing:

2. **Property guidelines** – Please note we have updated the Property Guidelines in Chapter 4 to reference that the property needs to be zoned “residential”. For our up-to-date guidelines, visit us at: <http://www.phfa.org/lenders/lpa/default.aspx>
3. **Request for Loan Funding (A13)** -- has been updated to help clarify when certain costs should be listed. As a reminder, if a borrower’s income is at or below 50% of the R&R income limit, PHFA has agreed to pay for the following costs: Title search, Valuation determination, Flood determination and Recording Fees. Therefore, when completing this form, you are to show the costs for these items on the form in the spaces designated. All other borrower’s have two choices; they may either pay out of pocket for these four items, or they may include them in the R&R loan amount. Either way, you are not to reference these costs separately on the form. If the HUD 1 does not indicate that they were paid outside of closing, we will know that they have been included in the R&R loan.

4. **Property Taxes** – We have been seeing a variety of different references pertaining to property taxes on the Lien searches. It is not always clear if the taxes are current. Considering that it can take up to two years for delinquent property taxes to show on these searches, we are asking for additional documentation. Effective immediately, we will begin requiring at the time of reservation one of the following:
- A. A copy of the homeowner's mortgage statement showing that their taxes are escrowed.
 - B. A copy of the most recent 2 years of tax receipts stamped "paid in full."
 - C. Documentation from tax collector evidencing that their last 2 years of taxes were paid. We cannot accept a statement from the borrower regarding the paid taxes.

The Reservation Form [\(A5\)](#) has been updated to reflect this requirement.

5. **Lien Searches** – Please remember that the lien searches cannot be more than 30 days old at the time of loan reservation. By the time the loan closes no more than 90 days can pass (date of lien search to closing date), if it exceeds 90 days, then we need a bring down to cover the period from the date of the lien search to the date the documents are recorded. We need to be sure there are no intervening liens.
6. **Good Faith Estimates** – HUD has developed a new Good Faith Estimate form. Attached to the email transmitting this Quarterly Update you will find two samples – one for borrowers who pay their own settlement fees at closing and one for borrowers for whom PHFA pays the 4 settlement fees. See the Income Limits chart for guidance in your perspective counties. All borrowers must pay the cost of their own credit report. These samples do not replace the guidance of your LPA counsel or compliance office.

In the samples, the loan amount is \$35,000 for a ten year term at 6.375% interest. The payment is \$395.20. The administrative payment that PHFA pays regardless of borrower income (\$1,300) is reflected as the origination charge and is always credited, indicating that it is never paid by the borrower. When PHFA is paying the settlement charges for the borrower, you will also see an additional credit of \$475 (for a total credit of \$1775), leaving the borrower paying only their \$25 credit report in the "Summary of your settlement charges" section of the form. For borrowers who will pay their own fees, their credit is \$1300, leaving them to pay the full \$500 in fees.

In the examples, the settlement charges are Flood Determination - \$50; Appraisal - \$350; Credit Report - \$25; Title/Lien Search - \$25; Government recording \$50. When an LPA is filling out this form it is to use the actual charges for each of these items.

GFEs are to be sent within 3 days of receiving a complete application (or the final information to complete the application) and must be updated and reissued when a borrower locks in their rate (i.e., the LPA reserves their loan). The updates include providing the date when the locked in rate will expire in line 1 and marking line 4 as “N/A.”

Compliance/Closing & Final Documents:

7. **New Reports** – We are also in the process of developing two loan tracking reports and hope to begin faxing them to the appropriate contact people soon. A cover letter will accompany the reports to explain what we need to complete the files.
 - a. The first one will be called the “Deficient Loan/Closing Tracking report”. This report is designed to reference all R&R loans with outstanding conditions that have exceeded 90 days past closing. The report will show the loan closing date, the interest rate, the loan amount, the county, the borrowers name and what documents remain outstanding. The purpose of the report is to help track and clear the outstanding loans.
 - b. The second one will be called the “Final Document Deficient Loan Tracking report”. This report will list all outstanding loans with incomplete and/or missing final documents. This report will help to monitor any and all outstanding Final document issues.

Program Contacts

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