



R&R Program Update April 2012

Quick Link to Updated Documents/Forms: [R&R Program Guidelines](#), [Program Income Limits](#), [Form A22- Loan Documentation Checklist](#), [Form A27- Partial Payment Form](#), [Form A05- Loan Reservation Form](#)

General Announcements:

1. The R&R Guidelines have been updated and are on the R&R portion of the PHFA website at:
http://www.phfa.org/forms/renovate_and_repair/documents/guidelines.pdf
2. The PHFA Board approved the sale of the R&R loan portfolio to TriState Capital Bank at its March meeting. The loan portfolio contains over 1,000 loans with an unpaid principal balance of \$17,600,000.00. PHFA will continue to service the loans. The sale will provide the funds necessary to continue this program.

Compliance/Closing:

1. The R&R Program income limits have increased. Please use the [current limits](#) to qualify borrowers.

LPA activity must comply with the changes listed below for all loans reserved on or after Monday May 14, 2012.

2. Property Guidelines- Chapter 4 of the [R&R Guidelines](#): Based on PA law the maximum amount of Homeowners Insurance PHFA may require is the lesser of the total amount of loans secured against the property or the replacement value of the home. In the case of Flood Insurance the maximum amount PHFA may require is the least of (a) The outstanding principal balance of all loans secured by the property; (b) The maximum insurance available under the National Flood Insurance Program (NFIP); or 100 percent of the replacement cost of the dwelling.

3. [Form A05 Loan Reservation Form](#)- The loan reservation form now requires that you provide the lien position of the R&R loan. The loan must still be in 1st, 2nd, or 3rd lien position. PHFA may approve a fourth lien position loan only after review of a detailed written exception request. You must still provide a copy of the Title/Lien Search dated within one month of the reservation, with each A05 form.
4. Contract Compliance with HICPA- [HICPA Information Sheet](#): The Home Improvement Consumer Protection Act (HICPA) requires certain items; see HICPA Information Sheet, to be covered in home improvement contracts. Please provide homeowners a copy of this checklist for them to retain, and get their signature indicating receipt on a copy that is then incorporated into their PHFA borrower file. If, upon review of the contract, you notice any HICPA violations please point them out to the homeowner. It is not the responsibility of PHFA or its LPAs to ensure HICPA compliance.
5. Change Orders- HICPA requires that any deviations from the original contract, be they materials or monetary, must be documented by a written and signed change order between the contractor and the borrower. The Loan Documentation Checklist ([Form A22](#)) has been updated to include change orders be submitted with the file. Please make sure your homeowners know to get these change orders and that they must give a copy of them to you for the file. Again, if the homeowner fails to get these change orders it is not the responsibility of PHFA or its LPAs to do so.
6. Before and After Photos- Before and after photos are required for all areas that are part of construction. Photos need to be clear and easily identifiable. (I.e.- A plain white ceiling- We understand this is acceptable work in the program but a photo can be taken from an angle to show more than what looks like a blank sheet of paper when printed for the file.) Also, it is a good idea to take photos of areas where borrowers refused work that could lead to potential issues in the future. (I.e.- Cracked sidewalks- They may opt to not repair now but in a few months that crack turns into a tripping hazard.)
7. Payments to Contractors- [Form A16b- Draft Escrow Agreement](#): An escrow agreement with each contractor is required in every file. LPAs need to update their process to ensure that homeowners written consent is obtained for all interim payments in addition to final payments. [Form A27- Partial Payment Form](#) was created for the specific use of interim payments to contractors. The final payment to the contractor would be released with the signing of the [Construction Completion Form- Form A10b](#).

8. **Contract Details-** All contracts should provide detailed specifications such as “Install a new (Item #/description) cast iron boiler” rather than “install new boiler”. This could eliminate a lot of issues should there be any disputes. PHFA strongly recommends that at least 50% of the contract total be held until the homeowner signs off on the job.

Program Contacts

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