

PENNSYLVANIA HOUSING FINANCE AGENCY

Chapter 16, Sellers' Guide

REfinance to an Affordable Loan Program (REAL)

Table of Contents

MORTGAGE TERMS	1
INCOME/LOAN AMOUNT LIMITS	2
ELIGIBLE LOAN USAGE.....	2
LTV / CLTV	2
MORTGAGE INSURANCE.....	3
PROPERTY / APPRAISAL REQUIREMENTS.....	3
CREDIT AND DEBT TO INCOME RATIOS.....	3
GOVERNMENT INSURED / GUARANTEED LOANS.....	4
PROGRAM PROCESS / LENDER INSTRUCTIONS.....	5

This document specifies the guidelines that shall be followed for loans refinanced by PHFA-participating lenders and sold to PHFA under the REfinance to an Affordable Loan Program (REAL). The REAL program is targeted to consumers who must refinance into a more affordable loan or risk losing their home through the foreclosure process. It is geared to those homeowners who initially obtained an adjustable rate mortgage, an interest-only loan, or some other exotic mortgage product, and they are no longer able to afford the adjusted mortgage payments. Because the REAL program offers 100% financing and flexible credit underwriting criteria, it may offer relief to these homeowners who otherwise may not qualify for typical mortgage refinance products.

Mortgage Terms

- 30 year fixed rate with no prepayment penalty.
- The REAL loan must be in first lien position. Exceptions may be requested by submitting a preliminary determination request using PHFA [Form 1](#) for cases where another lien statutorily supersedes the mortgage debt and it can not be included in the REAL loan.
- Real estate taxes and insurances (mortgage, homeowners, flood) must be escrowed regardless of the LTV.
- All borrowers must agree to make their monthly mortgage payments by ACH directly from a bank account.

Income/Loan Amount Limits

- The borrower's gross annual income may not exceed \$120,000, which represents 200 percent of the Pennsylvania median household income. This limit may be waived based upon individual circumstances for individuals not served by a loan product available in the general marketplace, and only upon PHFA written approval prior to loan closing.
- Only the income of the borrower(s) on the Note will be used for income limits and for qualifying purposes. The income used to qualify for the loan is the same amount used to determine compliance with the income limit.
- The loan amount may not exceed that of Fannie Mae and Freddie Mac, which is \$417,000.

The remaining guidelines below are applicable to conventional loan types. See the section titled "Government Insured/Guaranteed Loans" at the end of this document for specific information on FHA, RHS and VA loan types.

Eligible Loan Usage

Proceeds from the new mortgage may be used to pay off:

- The existing first mortgage loan for the homeowner's principal residence.
- Any subordinate mortgages used to purchase the home.
- A non-purchase second mortgage, subject to the following:
 1. Second lien must be seasoned at least 6 months.
 2. If second is a HELOC, there must be no draws within the past 6 months.
- Closing costs and prepayment penalties (efforts should be made to have the current lender/servicer waive any prepayment penalties). Borrowers will need to obtain a "Detailed Payoff Statement" from their current lender/servicer. A copy of this statement is to be submitted in the underwriting package.
- Delinquent property taxes.
- Arrearages that have occurred within the past 12 months after the loan reset to a higher monthly payment amount.
- The borrower may receive up to \$500 cash back at closing. Any additional funds must be applied to the principal balance on the new loan.

LTV / CLTV

- The Loan to Value ratio (LTV) may not exceed 100 percent. For borrowers with no credit score or a credit score below 620, the maximum LTV is 95 percent.
- The Combined Loan to Value ratio (CLTV) may not exceed 105 percent. For borrowers with no credit score or a credit score below 620, the maximum CLTV is 100 percent.
- An existing second mortgage can be maintained as long as the lender/servicer agrees to

subordinate it, and it falls within the CLTV limits as specified above.

Mortgage Insurance

- LTV's above 80% require mortgage insurance under a new policy for the new loan. Risk retention coverage will be provided by PHFA utilizing the following plan. The appropriate amount must be included in the borrower's monthly PITI payment.

Zero Up-Front Monthly Non-refundable

LTV	Coverage	Initial Fee to Year 10	Renewal Years 11 to Term
95.01-100.00	35%	.70%	.20%
90.01-95.00	30%	.56%	.20%
85.01-90.00	25%	.41%	.20%
80.01-85.00	20%	.35%	.20%

- Fees are paid on a monthly basis rather than annually. To calculate the monthly fee, multiply the applicable fee rate by the loan amount and divide by 12 months.
- It remains the lender's responsibility to underwrite the loan according to the program guidelines. However, when submitting the underwriting package to PHFA using Form 51, the MI certificate is no longer needed for REAL loans, as one will be provided by PHFA when applicable.
- Reduced MI coverage is not permissible under this program regardless of any AUS findings.

Property / Appraisal Requirements

- Acceptable properties are owner-occupied single family, one-unit residences. Condo's and PUD's are acceptable.
- A full appraisal including photographs and both an interior and exterior inspection using the standard Uniform Residential Appraisal Report is required.

Credit and Debt to Income Ratios

- PHFA Delegated Underwriting Authority may not be used.
- All borrowers with a credit score (middle FICO) below 660 must attend in-person counseling at a PHFA-approved agency. PHFA will pay for up to 2 hours of one-on-one counseling services.
- The borrower does not have to be current on their existing mortgage at the time of application; however, they cannot be more than 59 days past due.
- The following guidelines apply on loans for borrowers with a middle credit score below 620:
 1. The mortgage payment must have adjusted in the last 12 months to a higher interest rate or a fully amortized payment.

2. The mortgage payment shows no more than 2 x 30 days late pay history that has occurred *after* the mortgage payment increase.
 3. The borrowers' payment history twelve months *prior to* the adjustment must show no history of mortgage delinquency.
 4. The borrowers' credit history shows no more than 3 x 30 day late payments to other mortgage trade lines *prior to* the mortgage payment increase.
 5. Total debt to income ratio may not exceed 45 percent.
 6. LTV may not exceed 95 percent. CLTV may not exceed 100 percent.
- PHFA will accept DU/LP decisions of Approve/Eligible and Accept regardless of the credit score up to a total debt to income ratio of 50 percent, an LTV of 100 percent, and a CLTV of 105 percent.
 - Likewise, credit scores of 620 and above, regardless of any automated system underwriting findings, are also acceptable up to a total debt ratio of 50 percent, an LTV of 100 percent, and a CLTV of 105 percent.

Government Insured / Guaranteed Loans

PHFA will also purchase loans refinanced and insured by FHA (under their regular refinance and their FHA/Secure refinance program) or guaranteed by RHS or VA. The applicable agency's guidelines and documentation requirements shall be followed with regard to underwriting the loan and ensuring it meets the respective agency's criteria for insurance/guaranty including those listed below. Borrowers must still comply with the PHFA income limit of \$120,000 (see section titled "Income/Loan Amount Limits"), and any borrower with no credit score or a score below 660 must attend a counseling session at a PHFA-participating agency.

FHA Insured Loans

- FHA-insured loans must adhere to the guidelines as set forth under the FHA 203(b) or FHA Secure programs.
- The Direct Endorsement Underwriter must complete and sign off on the Conditional Commitment.
- The loan amount must not exceed the applicable FHA loan limit based on the county in which the property is located.
- For FHA-insured loans, the FHA delegated underwriter must sign off on the MCAW or the MCAW must list their ZFHA number for loans underwritten with DU or LP.

RHS Guaranteed Loans

- RHS guidelines apply to loans guaranteed under the USDA RD single family guaranteed program, and the existing loan must already be an RHS-guaranteed loan.
- Applicants under the RHS-guaranteed program must be eligible under the income limits established for that program.
- For RHS-guaranteed loans, a signed Conditional Commitment is required.

VA Guaranteed Loans

- VA-guaranteed loans must meet the requirements of either the Interest Rate Reduction Refinancing Loan (IRRRL) or the Cash Out refinance program as set forth by the VA.
- VA cash out loans require a Loan Analysis form (this is not required for the IRRRL).
- For VA Cash Out loans, the Notice of Value is required (It is not required for the IRRRL).

Program Process / Lender Instructions

REAL loans are originated, processed, underwritten, closed and sold to the Agency by its network of approved mortgage lending organizations according to the guidelines specified herein and in the Master Origination and Sale Agreement that each lender has executed. Each PHFA-participating lender who wishes to participate in the REAL program must sign an addendum to the Master Origination and Sale Agreement.

PHFA must review each REAL underwriting package prior to loan closing; in other words, lenders who have delegated underwriting authority may not use that authority for this product.

The following forms have been updated to reflect the different documents required and those not required for this program:

- [Form 51](#), the underwriting package checklist
- [Form 58](#), the purchase package checklist
- [Form 18](#), the loan reservation sheet used for faxed reservations (Please note that online reservation is preferred.)
- [Form 53](#), the addendum to the closing instructions for PHFA loans
- [Form 67](#), the automatic withdrawal form for the customers mortgage payments

Since this program uses taxable bonds as the funding source, the compliance documents such as the Mortgagor's Affidavit (Form 3), the Recapture Tax Notice (Form 4), and the Mortgage Rider (Form 59), are not required for this program.

The online loan reservation system has been updated to incorporate zero and one-point options for loan refinances. The same lender compensation schedule applies to REAL as to the Keystone Home Loan Programs, according to whether the zero-point or one-point rate option was utilized. As with the home purchase loans, lenders may charge up to \$325 in an administrative fee to cover overhead expenses. All other closing costs may be charged as normal and customary amounts, except for the tax service fee.

For Title Insurance borrowers have a choice of getting a new title policy or reissuing their current title policy, when applicable. If they choose to get a new title policy and as long as the loan amount is \$200,000 or less, they are entitled to a charge of 75% of the basic rate. If they choose to have the policy reissued, the discount does not apply. In some cases, a new policy with the discount may be cheaper; therefore, we recommend the cost be evaluated before a final

decision is made.

Except for the guidelines and procedures stated herein that apply expressly to the REAL program, all other policies and procedures as set forth in the Sellers' Guide and Master Origination and Sale Agreement shall apply.