

## 1<sup>st</sup> QUARTER HOMEOWNERSHIP PROGRAMS UPDATE

### QUICK LINKS TO UPDATED FORMS

[1 Preliminary Determination](#)

[3 Mortgagor's Affidavit](#)

[45 Lock Extension](#)

[51 Compliance Pkg Checklist](#)

[53 Closing Instructions](#)

[54 ADV Note](#)

[55 ADV Mortgage](#)

[56 ADV Needs Assessment](#)

[58 Purchase Pkg Checklist](#)

### GENERAL ANNOUNCEMENTS

**GET SET TO LAUNCH ON JANUARY 30<sup>th</sup>!!!** In our 4<sup>th</sup> Quarter Update, we announced that we were working on the following improvements, which will go live on Monday, January 30<sup>th</sup>.

- **A new downpayment and closing cost assistance program, the Keystone Advantage Assistance Loan.** This will replace the Agency's current Keystone Assistance and Keystone Government Assistance Loan programs. It will provide an amortized subordinate loan of up to 2% of the sales price (maximum of \$4,000) to qualified borrowers obtaining a PHFA first mortgage. See the most current program guidelines following this memo.
- **More competitive Keystone Government interest rates and a 60-day rate lock option.** See the most current Lock Policy following this memo, along with a sample of the new rate sheet.
- Numerous forms have been updated as a result of these enhancements. See links above. The Seller's Guide will be updated on January 30<sup>th</sup>.
- **A new and improved online lender interface, the *PHFA Pipeline Plus*.** See '*Pipeline Plus—Important Information!*' following this memo for instructions and pointers to help for a smooth transition on January 30<sup>th</sup>.

Congratulations to Jessica Potteiger, a mortgage closer from VIST Mortgage in Reading, PA, who won our "Name That Pipeline" contest by recommending the chosen name of our new Pipeline Plus! Thank you, Jessica, and thanks to all the PHFA partners who participated!

- If you missed out on the recent regional [training sessions](#), or if you just want a refresher, stay tuned for details on webinars to be held in early February.
- We are hoping to roll out a new conventional product this spring using the Fannie Mae HFA Preferred Risk Sharing™ product, which you may have noticed as a program option within DU. See the Fact Sheet following this memo.

### LOAN ORIGINATIONS & UNDERWRITING

1. The following new underwriting documentation and conditions are effective January 30<sup>th</sup>:

- **The initial and interim Good Faith Estimate(s) and Truth in Lending disclosures** must be included with the compliance package to PHFA. This information has been added to [Form 51, the Compliance Package Checklist](#). Files will be conditioned for the final and any interim GFE's and TIL's (along with the change of circumstance documentation, if applicable) to be included with the purchase package.

- **A completed and signed 4506-T** from the time of application must be included with the compliance package to PHFA. In addition, PHFA will now require lenders to process the initial 4506-T for all borrowers for a period of two years. Therefore, files not containing these documents will be conditioned for receipt of the most recent two years of transcripts, along with a 4506-T that was completed and signed at closing (to be included in the purchase package).
- **Subordinate mortgage documents for other assistance programs.** When applicable, lenders will be required to include with the purchase package to PHFA a copy of the Note(s) and subordinate Mortgage(s)—along with any deed covenants, if applicable—with evidence it was sent for recording. Please note that the new PHFA Advantage Assistance Loan will need to be recorded in second lien position. Also, as a reminder, all non-PHFA assistance programs must be preapproved by PHFA. See the [list](#) on the website for programs already approved and [Appendix D](#) for the criteria for any new programs to be added.

## CLOSING & POST CLOSING

1. The ‘Loans Overdue for Purchase’ report has been discontinued due to changes in the lock policy (see Lock Policy which follows this memo). Please refer to the ‘Expiration of Reservation’ report which will serve the same function once the 21-day component of the delivery time frame is removed on January 30<sup>th</sup>.
2. The [Purchase Submission Checklist, Form 58](#) has been revised as follows:
  - A copy of the subordinate Note(s) and certified true copy of the Mortgage(s) will be needed if other local or county assistance programs are used in the loan transaction.
  - For the servicing release portion of the package we no longer require Form 27 to be completed. We now require a tax certification to be completed.
  - Item # 11 has been added to Page 2 to list the requirement for a copy of the closing instruction letter.
  - Please note that we require true certified copies of the documents that were sent for recording. If the certification of recording is not present on each document that was sent for recording, the file will ineligible for purchase.
3. [The Addendum to Closing Instructions, Form 53](#), has been updated to include the request for the true certified copy of the subordinate Mortgage when other local or county programs are used, and the tax certification requirement has been added to the form.
4. The delinquent final document delivery report will be eliminated on January 30<sup>th</sup>. The loans that are due to be delivered to PHFA will be added to the monthly deficient loan tracking report. The loans will be added within 60 days after it has been purchased. Effective January 30<sup>th</sup>, the Deficient Loan Tracking Report will be updated daily and will be available via the Pipeline Plus.

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# KEYSTONE ADVANTAGE ASSISTANCE LOAN PROGRAM GUIDELINES

*Available for loans locked on or after January 30, 2012.*

## ***General Program Description***

The Keystone Advantage Assistance Loan is available to buyers eligible for a PHFA Keystone Home Loan or Keystone Government Loan. Through Advantage, qualified homebuyers are able to borrow a portion of the funds needed to cover their downpayment requirement and/or closing costs associated with the purchase of their home.

## ***Loan Terms and Usage***

The maximum amount of assistance to eligible homebuyers will be the lesser of two percent of the purchase price or \$4,000. The minimum loan amount is \$500. The funds must be used to help cover the borrower's downpayment requirement and/or closing costs.

The Advantage loan carries the same fixed interest rate as the first mortgage but a term of 10 years. There is no prepayment penalty for paying off the Advantage loan early.

Borrowers must require maximum PHFA financing (no more than five percent down on conventional loans). Any Advantage funds exceeding the borrower's minimum downpayment requirement may be used to cover closing costs. Advantage funds may not be used to fund down money in excess of the minimum required depending on the loan type (five percent for conventional loans). Conventional borrowers with a credit score of 660 or higher are not limited to three percent down; they may use the Advantage program to achieve a 95 percent LTV. Advantage loans may be used on Conventional, FHA, VA or RD loans. All applicable FHA, VA, or RD loan underwriting requirements apply, including loan to value and downpayment requirements. Please note, however, Advantage loans are not available on FHA loans with a non-occupying co-borrower.

The Advantage program may not be combined with any other PHFA assistance programs, with the exception of the Access Modification Loan Program.

## ***Eligibility Requirements***

Buyers must meet the requirements of the Keystone Home Loan or Keystone Government Loan program, as well as the criteria below. Being a first-time homebuyer is only required if it is applicable to the first mortgage program.

### **Liquid Asset Limitation**

Household liquid assets may not be greater than \$5,000 after deducting the funds needed to close on the loan. This includes cash and funds in checking and savings accounts, stocks, bonds, certificates of deposit and similar liquid accounts. Funds from retirement accounts, such as 401(k)'s, IRAs, and pension funds, will only be considered if they can be withdrawn without a penalty due to the borrower meeting the age requirement and/or being retired.

Participating lenders are to determine the amount of assistance a borrower needs by completing a Needs Assessment Form (Form 56A) and submitting it to PHFA with the compliance/underwriting package. Directions to complete the form can be found on the second page of the form.

### *Downpayment Requirement*

All conventional borrowers with a middle credit score at or above 660 must contribute a minimum downpayment of \$1,000 from their own funds towards the purchase of their home. Conventional borrowers with middle credit scores below 660 must contribute at least 3% of their own funds. Government insured/guaranteed loans follow the downpayment requirement of the respective federal agency.

### ***Lender Instructions and Procedures***

#### *Reservation of Funds*

The Advantage loan is locked simultaneously with the first mortgage by choosing the appropriate loan product based on the loan type (conventional/government), lock period, and specific PHFA program (Keystone Home Loan or Keystone Government Loan).

#### *Underwriting Procedures*

The PHFA delegated underwriting system is not currently available on Advantage loans for those lenders that have that authority. In other words, the underwriting package must be submitted to PHFA (using [Form 51](#)) for approval prior to closing.

For underwriting purposes, the lender must include the Advantage loan payment in the borrower's housing to income (front end) ratio. The payment is calculated using the full amount of the Advantage loan at the same interest rate as the first mortgage and with a ten year term. The findings report from a PHFA approved Automated Underwriting System (AUS) must include the Advantage loan payment in the PITI.

The Advantage loan amount being requested must be indicated in the "Details of Transaction" section of the mortgage application. The PHFA Credit/Pre-Compliance Approval Notification will indicate whether the Advantage loan was approved and if so, for how much.

#### *Closing Procedures*

The first mortgage closes in the lender's name, but the subordinate Advantage loan closes in PHFA's name. Lenders are responsible for completing the GFE, TIL and HUD1 for the subordinate Advantage loan using industry-standard and compliant forms.

The Advantage loan shall be recorded in second lien position.

The lender also prepares the Subordinate Mortgage and Note but uses PHFA's forms for those documents (Forms 54 ADV and 55 ADV, respectively). The amount must be the actual assistance being disbursed at closing and listed on the HUD1, rounded to the nearest dollar. The Subordinate Mortgage Instrument shall be recorded directly behind the first mortgage

instrument as a second lien. No assignment of the subordinate mortgage is required since it closes in PHFA's name.

Also, the lender must complete and provide a separate Notification of Servicing Transfer (PHFA [Form 28](#)) for the Advantage loan, including the temporary coupon section.

At closing, the lender is to disburse only the actual amount of assistance needed, rounded off to the nearest dollar, up to the amount initially approved by PHFA to pay for the minimum required downpayment and/or closing costs. Cash back to the borrower is limited to \$100 in excess of reimbursement of POC items.

### *Post-Closing*

When the Agency purchases the first mortgage, it will also reimburse the lender for the actual amount of funds used by the borrower under the Advantage loan as listed on the HUD1.

The lender is to forward to the Agency the following executed subordinate mortgage documents in the purchase package:

- Original and final Truth-in-Lending and GFE disclosures
- Subordinate Mortgage Note (Form 54 ADV)
- Certified copy of the subordinate Mortgage (Form 55 ADV) with evidence it was sent for recording.
- A copy of any other subordinate Mortgage(s) with evidence it was sent for recording (for any other downpayment/closing cost/rehab funds received for which a mortgage is recorded). Please note that the Advantage loan must be recorded in second lien position.

The HUD 1 settlement sheet submitted with the SRP portion of the file (Page 4, Form 58) will be used to verify the amount of funds that were used by the borrower. The lender is to forward the original recorded mortgage document (Form 55 ADV) to the Agency within sixty days from the date of purchase. The lender is also responsible to forward a copy of the recorded mortgage that was used for any other downpayment/closing cost/rehab programs, if applicable. This will confirm that the PHFA Advantage Mortgage was recorded in second lien position. The mortgages are to be attached to a properly completed Form 30 and submitted to the Agency at the address referenced on the form.

**Sample January 30, 2012 Rate Sheet for  
PHFA Home Purchase Mortgage Programs**

<b>Product</b>	<b>Points</b>	<b>Government Insured</b>			<b>Conventional</b>		
<b>Delivery Period</b>	<b>-----</b>	<b>60</b>	<b>90</b>	<b>240 CP*</b>	<b>60</b>	<b>90</b>	<b>240 CP*</b>
Keystone Government	0	%	%	N/A	N/A	N/A	N/A
Keystone Government	1	%	%	N/A	N/A	N/A	N/A
Keystone Government Advantage	0	%	%	N/A	N/A	N/A	N/A
Keystone Home Loan	0	N/A	N/A	%	N/A	%	%
Keystone Home Loan	1	N/A	N/A	%	N/A	%	%
Keystone Home Loan Advantage	0	N/A	N/A	%	N/A	%	%
Keystone Purchase & Improvement	0	N/A	N/A	N/A	N/A	%	N/A
Keystone P&I Advantage	0	N/A	N/A	N/A	N/A	%	N/A
HOMEstead	1	N/A	N/A	N/A	N/A	%	%

PHFA's current interest rates are posted daily at [www.phfa.org](http://www.phfa.org).

Employer Assisted Housing (EAH) Loans are priced .25% lower than the applicable rate above.

\*Construction/Permanent.

## **PHFA Lock Policy, Effective January 30, 2012**

### ***NEW LOCK SUBMISSION***

Lenders can lock each loan with PHFA once it is determined that the borrower is eligible for the respective program and the property address has been determined. All loans must be locked prior to submitting to PHFA for approval. The lock confirmation will be valid for the term of the lock-in and counted in consecutive calendar days, including weekends and holidays.

The lock-in will establish the rate, lock period, and terms of the loan, subject to the terms and conditions of the Master Origination and Sale Agreement and Seller's Guide.

Having executed a best effort rate lock, the lender commits to using its best effort to deliver the loan regardless of market conditions.

All new locks must be made through the PHFA secure lender website, *PHFA Pipeline Plus*.

### ***Rate Publication and Lock Options***

Rates will be posted each business day at approximately 10:00 AM on PHFA's website. New locks will be accepted once daily rates are published, and up until 8:00 AM the following day. However, the lock window will close at 10:00 PM each Friday and on the weekday prior to any PHFA holiday. Therefore, new locks will not be accepted over the weekend or on holidays. The PHFA holiday schedule is posted on the PHFA Pipeline Plus website.

Rates are subject to change at any time, at the discretion of the Agency. Once rates are published each day, and in the event of an intraday rate change, an email notification will be distributed to all participating lender staff who have a Pipeline Plus user account.

Lock-in terms may vary by product. PHFA currently offers lock-in terms of 60, 90 and 240 days. The 240 day option is available only for construction-to-permanent loans within the Keystone Home Loan program.

A complete loan package eligible for purchase by the Agency must be received by the lock expiration date. A daily late fee of two basis points will begin to accrue on files that cannot be purchased within seven calendar days from the expiration date. Please note the Agency requires four business days to process loans for funding. For additional delivery information, refer to Chapter 10 of the Seller's Guide.

### ***Revisions to an Active Lock***

#### ***Extension Policy***

A request to extend the lock period of an active lock must be received by PHFA on or before the lock expiration date. Extension fees are as follows and are subject to change at any time:

<b>Calendar Days</b>	<b>Cost (% of loan amount)</b>
3	No cost (limited to once per loan)
7	0.125
15	0.250
30	0.375

A maximum of 30 days worth of extensions are allowable. Extension requests and payment must be submitted and sent via Form 45 (Request for Extension Form) to [secondary@phfa.org](mailto:secondary@phfa.org). The lock will be extended upon receipt of the appropriate fee. Extension fees are non-refundable.

### *Relocks or Changes*

A request to reactivate an expired or canceled rate lock will be subject to a relock. Relock requests made within 60 days of lock expiration or cancellation will be subject to a worse-case relock. Relock requests made after 60 days of lock expiration or cancellation will be subject to current market rates. All relock and change requests should be submitted to [secondary@phfa.org](mailto:secondary@phfa.org) with the loan number, borrower name, and explanation.

In the event of a change of products or loan types (i.e. Keystone Home Loan to Keystone Government Loan), the original lock will be revised subject to current market rates and applicable new lock periods.

In the event of a change of interest rate structure within the same product (i.e. Keystone Government 0 point option to Keystone Government 1 point option), the rate quote will be based on the day of the original lock, and the current lock expiration period will continue to be active.

The Agency's rate guarantee is made on the basis of a loan application and specific property. If a change of property occurs, the subsequent application would be treated as a new loan for application and rate lock purposes. Therefore, it would be subject to current market rates and applicable new lock periods.

### *Lock Cancellation*

Lenders are required to deliver a cancellation notice to the Agency as soon as it is determined that the borrower will not qualify for the program or has withdrawn their application for consideration. The lender should notify the Agency of cancellation immediately after making such determination or having knowledge of such circumstances by emailing [secondary@phfa.org](mailto:secondary@phfa.org) and notating the loan number, borrower name, and reason for the cancellation.

On loans not yet closed, the Agency will automatically cancel the lock on the day immediately following the expiration date if an extension request has not been submitted by the lender. Lenders should use extreme caution when monitoring their rate expiration pipeline, as a closed loan with an expired lock will incur fees and ultimately may not be purchasable. Keep in mind this also applies to files that have been submitted to PHFA for purchase but are ineligible for purchase.

# **Pipeline Plus—Important Information!**

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## **New Loan Reservations**

New & improved rate grid for mortgage program selection. All loans will need to be locked using the Pipeline Plus starting January 30<sup>th</sup> (no more faxes unless the site is down).

## **Reports & Notices**

- The reports and notices that have historically been sent via secure email or faxed will be discontinued. The new manner to retrieve your information will be through the Pipeline Plus—no more need to dig through and sign into individual secure emails!

## **Logging-In and ‘My Account’**

- Changing to e-mail & password (with ‘Forgot Password’ and ‘Request Account’ links).
- **Existing users:** If you already have an existing account, log in and click on ‘Administrative Tasks’ to verify that the e-mail address listed there is correct. When the new site goes live on January 30<sup>th</sup>, you will use that e-mail address and your current password to log in.
- **New Users:** A user ID and password is required to access the system. To obtain these visit the lender login page at [www.PHFA.org](http://www.PHFA.org) on or after January 30<sup>th</sup>. Provide your email address and select your lending institution. These steps will generate an email to your account administrator requesting that he or she provide you with access.
- Users will be able to see what reports/notices they are set up to view, as well as who their site administrators are (‘My Administrator’).

## **User Accounts Admin**

- Administrators will be able to assign individual users to get reports/notices without contacting PHFA to make changes.

## **General Improvements**

- Modern look and flow
- Menu options in dropdown boxes
- Users will be able to use their web browser’s Back button to navigate the site.
- Users will be able to sort by any of the columns displayed under pipeline categories.
- More FAQs and messages specific to each area of the site.

## HFA Preferred Risk Sharing™ Fact Sheet

*Coming spring of 2012! Stay tuned for details.*

**Overview:** HFA Preferred Risk Sharing™ will enable eligible state Housing Finance Agencies (HFAs) to deliver loans with up to 97% loan-to-value (LTV) ratios without mortgage insurance coverage. PHFA plans to launch it in the spring of 2012.

PARAMETER	REQUIREMENT (bold text = specific to PHFA)
Eligible Products	Fully Amortized (FA) MyCommunityMortgage® with fixed-rate and 30 year term
Eligible Occupancy	Owner occupied
Eligible Purpose	Purchase only
Desktop Underwriter® (DU®)	HFA Preferred Risk Sharing is available through DU using the “Additional Data” screen, select “HFA Preferred Risk Sharing.” DU recommendations of Approve/Eligible and EA-1/Eligible only. Qualifying income, ratios, reserves, and credit score determined by DU.
Manual Underwriting	<b>Not permitted by PHFA at this time.</b>
Maximum LTV/CLTV	97% / 105% ( <b>LTV capped at 95 for FICO’s &lt; 660</b> )
Minimum Borrower Contribution	<b>\$1,000 if FICO 660+; 3% if FICO &lt; 660</b> Additional funds may come from PHFA Advantage loan and/or Community Seconds®
Subordinate Financing	<ul style="list-style-type: none"> <li>- Keystone Advantage Assistance Loan</li> <li>- Access Modification Loan</li> <li>- Access Downpayment and Closing Cost Assistance Loan</li> <li>- Community Seconds®</li> </ul>
Eligible Property Types	<ul style="list-style-type: none"> <li>- <b>1 unit properties only</b></li> <li>- PUDs acceptable (per Fannie Mae’s guidelines)</li> <li>- No manufactured housing</li> <li>- <b>No condos</b></li> </ul>
Income Requirements	<b>PHFA Keystone Home Loan income limits (even in FannieNeighbors® eligible census tracts)</b>
First-time homebuyer requirement	N/A
Mortgage Insurance	N/A
Homebuyer Education	<b>All borrowers with FICO’s below 660 must complete face to face counseling.</b> Required of at least one borrower regardless of score.
Special Feature Codes (SFC)	<ul style="list-style-type: none"> <li>- SFC 820 (HFA Preferred Risk Sharing Mortgages)</li> <li>- SFC 001 (Repurchase/Recourse)</li> <li>- SFC 214 (Underwritten using DU)</li> <li>- SCF 118 (Mortgages with Community Seconds®)</li> </ul>