Introduction

The Pennsylvania Housing Finance Agency, a public corporation of the Commonwealth created in 1972, began its Homeownership Program in 1982. To date, more than 166,500 families have successfully used Agency-financed mortgage loans to buy their homes.

Not only does the Homeownership Program help qualified buyers purchase homes, it also stimulates the economy by creating thousands of jobs, thereby contributing millions of dollars in wages and enhancing local tax bases.

This Homebuyer Workbook will introduce you to the Agency and guide you in selecting a home and applying for a mortgage loan. You may also wish to make an appointment with a homeownership counseling agency. PHFA will pay for you to attend a workshop or up to four hours of one-on-one counseling. Visit the ‘Homebuyers’ section at www.phfa.org or call 1.855.827.3466 for the name of an agency in your area or for more information about PHFA's programs.

Budgeting

Budgeting is planning, which entails setting aside specific amounts of your earnings, usually on a monthly basis. These funds are used to pay bills, to buy food and other items, and to build up reserves for future events and unexpected expenses. A budget is necessary if you are to control your finances. A well-planned budget can tell you quickly if there is a problem, thus preventing future troubles with your creditors.

Your mortgage payment will be a small budget in itself since you will be paying for property taxes and insurance in your total monthly mortgage payment. Your mortgage payment is only one of the many expenses included in your overall budget. Some of the other expenses you are budgeting for include: food, electricity, heat, telephone, transportation, daycare, clothing, water, sewer, trash, car payments, bank/finance company loans, credit cards, lines of credit, and life and auto insurance.

The difficult part of budgeting is setting aside sufficient income to cover expenses for items such as unexpected doctor and dentist visits, entertainment, and other miscellaneous expenditures.

After you add up the amounts for all these items and subtract the total from your monthly income, there should be money left over to put away for property maintenance, repairs, and improvements.

Since you cannot know in advance what problems will occur or when, how much should you budget?

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A reasonable figure may be $30 to $50 per month. It is your budget; you make the decision that is correct based on your monthly income. What is saved can be used to pay a contractor or supplier when repairs to your home are needed. You should also consider setting aside money for the future—weddings, college, vacation, and retirement.

If your anticipated expenses are close to or exceed your total monthly income, you may be concerned that it might not be possible for you to become a homeowner. We suggest you talk to your banker, real estate agent, counselor, or someone else you have confidence in and who understands budgets. It is better to find out now rather than later.

Budgeting is a continuous process. The principal and interest portion of your monthly payment will remain the same throughout the term of your mortgage. Due to increases or decreases in real estate taxes and homeowners insurance premiums, your total monthly payment could change.

A budget is a good tool to help you fulfill your dream. Homeownership is demanding, but the rewards are worthwhile.

**What it Means to be a Homeowner**

The responsibilities you will have as a homeowner are a major consideration for you. As a renter, if the roof in your apartment leaked or there was an electrical or a plumbing problem, you called the landlord who arranged to have the problem fixed. There will be no landlord to call if problems arise in your home. You must make the repairs or pay a contractor to do the repairs for you.

As a condition of your mortgage, you are required to keep your home well maintained and in good repair. Its value may decrease if you are negligent in doing this. If the property needs painting, paint it. Keep the outside appearance acceptable to the public. Keep all plumbing, heating, and electrical systems in proper working order.

There are financial advantages homeowners have that are not available to renters. You may deduct mortgage interest paid and real estate taxes on your federal income tax return each year. Plus, as your home appreciates in value and you pay down the amount owed on your mortgage, you will accumulate equity in your home (the amount you would profit upon selling your home).

**Basic Eligibility**

PHFA offers several mortgage options with different guidelines for each. In some cases, these may be a “first time homebuyer” requirement which means that the applicants have not had an ownership interest in their principal residence within the last three years.

The home you are purchasing must be your principal residence. This means you intend to make the house your permanent home rather than a second home or a property to be used for investment of commercial use.

Closing cost and/or downpayment assistance loans may be available to eligible borrowers.

For additional guidelines specific to the different PHFA mortgage programs, please contact a participating housing counselor or visit PHFA on the web at www.PHFA.org (a full list of participating counselors are on our website as well).

**Credit Considerations**

You should have a satisfactory history of paying your loans and charge accounts on time. Your credit report, issued by local credit bureaus, shows the current status of your installment loans, mortgages, and revolving charge accounts, the record of payment for open and paid off accounts (credit history) and a
public records check.

Regardless of where a credit account was opened, your name and the account information should appear in the credit bureau report. If you have no credit history, this does not mean you will be turned down for a mortgage. A combination of other factors in your application may compensate for your lack of a traditional credit history.

If you have an unsatisfactory credit history because of a catastrophic life event but wish to be considered for a loan, you will be required to submit a detailed written explanation of why you have had credit problems and what has been done or is being done to correct them. This does not assure you that your mortgage will be approved; however, the explanation will be considered in the credit decision.

**Affordability**

You must qualify for the loan in terms of your income as it relates to your outstanding monthly obligations. Your lender will calculate the percentage of gross monthly income required for monthly mortgage payments (housing expense ratio) and the percentage of gross monthly income required for the payment of all debts (total expense ratio). These calculations are called “underwriting ratios.”

**HOUSING EXPENSE RATIO**—includes the monthly mortgage principal and interest payment, one-twelfth of the annual payment for the property taxes, one-twelfth of the annual payment for the homeowner's insurance and, if applicable, one-twelfth of the annual payment for private mortgage insurance (for further explanation of private mortgage insurance, see “Mortgage Categories” section on page 10). The total of these items divided by your gross monthly income may not exceed 33 percent for a conventional loan, 31 percent for an FHA-insured or a loan guaranteed by Rural Development (RD), or 41 percent for a VA-guaranteed loan.

**TOTAL EXPENSE RATIO**—includes the housing expense as detailed above, plus the monthly payments of any obligations you may have such as installment loans, revolving charges (VISA, MasterCard, etc.), child support payments, etc. The total of these divided by your gross monthly income may not exceed 38 percent for a conventional loan, 43 percent for an FHA-insured or RD-guaranteed loan, or 41 percent for a VA-guaranteed loan.

Your lender will be able to tell you at the mortgage interview exactly which debts must be included in the calculation of the underwriting ratios.

There is a way in which you can approximate the maximum price you can afford. You must first calculate your gross monthly income as follows: (1) if you are paid by the hour, take your hourly rate times 40 hours per week (or the actual number of hours you work if it differs from 40 hours) times 52 weeks in a year divided by 12; (2) if you are paid weekly, take your weekly gross pay times 52 divided by 12; (3) if you are paid bi-weekly (every two weeks), take your biweekly gross pay times 26 divided by 12; (4) if you are paid semi-monthly (two times a month), take your semi-monthly gross pay times 2; (5) if you are paid a monthly wage, simply use the gross pay from any current month; (6) if you are paid an annual salary, simply divide by 12.

For example, let's use a family earning $48,000 per year or $4,000 per month.

Total Monthly Expense Limit is 38 percent (maximum) of $4,000 = $1,520.

From this “Total Monthly Expense” Limit of $1,520, deduct the family's monthly obligations, the average monthly property tax escrow for the area where they plan to buy their home, the estimated monthly escrow for the homeowner's insurance, and an estimated monthly escrow for payment of private mortgage insurance (required if the downpayment is less than 20 percent of the purchase price).
Total expense limit     $1,520
Less monthly obligations     (500)
Less property tax escrow      (200)
Less homeowner’s insurance escrow (50)
Less monthly private mortgage insurance premium (if required) (65)
Available for mortgage loan payment     $705

If you divide the $705 available for the mortgage loan payment by an interest rate factor (for example, seven percent = .00666, see page 9), you have the approximate maximum mortgage they can afford. By dividing the mortgage amount by .95, you will have an approximate maximum affordable purchase price with a minimum five percent downpayment.

$705 ÷ .00666 = $105,855 (Maximum mortgage amount)
$105,855 ÷ .95 = $111,426 (Maximum affordable purchase price)

This means that a home priced beyond $111,426 will probably be beyond their ability to purchase (considering this family’s debts, income, and percentage of downpayment).

A larger downpayment will yield a higher maximum affordable purchase price. For example, if this family makes a ten percent downpayment, the maximum-priced home they could afford would be determined by dividing as follows:

$105,855 ÷ .90 = $117,616 (Maximum affordable purchase price)

Your Worksheet

A worksheet follows which you can use to compute the maximum mortgage amount and maximum purchase price you can afford. You might want to have your real estate agent, home counselor, or lender check this worksheet for accuracy.

This worksheet provides some guidelines for determining affordability by taking into account the expenses of homeownership plus other debt obligations in relation to your income. If you need help with the calculations, see someone familiar with finances or someone you have confidence or make an appointment with a homeownership counseling agency.

The maximum purchase price of the home you could afford (maximum affordable purchase price) could be higher or lower, depending upon the interest rate, any changes in income, the amount, type and duration of your debt, or the amount of the downpayment. However, this can serve as a guide so that you do not waste time looking at homes that are obviously out of your price range.

1. Income Eligibility (to determine if you’re eligible for a PHFA loan)

Current annual household income is the total monthly income, multiplied by 12, of all persons who will live in the property within 12 months from loan closing, regardless of whether they will be on the loan or not. This calculation is based on income as of the date of application and does not include any income received by full-time high school or undergraduate students.

See if your current annual household income is equal to or below the income limit for the county in which the house is located by checking the program brochure.
Fill in the form below and multiply the gross total monthly income by 12.

<table>
<thead>
<tr>
<th></th>
<th>Borrower</th>
<th>Co-Borrower</th>
<th>Other*</th>
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<tbody>
<tr>
<td>Gross pay</td>
<td>$ _______</td>
<td>$ _______</td>
<td>$ _______</td>
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<tr>
<td>Overtime/part-time commissions</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>Bonuses/tips</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>Dividends/interest</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>Business or investment earnings**</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>Company car ($200 per month)</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>Car allowance</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
<tr>
<td>Income from rental property</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>(net income plus depreciation)</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
<tr>
<td>Pension or Social Security benefits</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
<tr>
<td>Veterans Administration benefits</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
<tr>
<td>Unemployment compensation</td>
<td>_______</td>
<td>_______</td>
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<tr>
<td>Public assistance</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
<tr>
<td>Any other income</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
<tr>
<td>Alimony/child support or separate maintenance income***</td>
<td>_______</td>
<td>_______</td>
<td>+ _______</td>
</tr>
<tr>
<td>Gross monthly income</td>
<td>$ _______</td>
<td>$ _______</td>
<td>$ _______</td>
</tr>
<tr>
<td>Gross total monthly income</td>
<td>$ _______</td>
<td>$ _______</td>
<td>$ _______</td>
</tr>
</tbody>
</table>

* This column is for all other working members of the household who are not full-time high school or undergraduate students.

** A self-employed borrower is to calculate income by adding the net income/loss plus the depreciation from the Schedule Cs of the last two years’ federal income tax returns and then dividing the total by 24.

*** It is mandatory for the borrowers to include this type of income in the calculation of the current annual household income to determine their eligibility under the federal income limit.

Now compare your current annual household income to the program income limit for the county in which you intend to purchase the home. Fill in the appropriate program income limit and county name:

$ __________________ County name __________________

If your current annual household income calculated in #1 is over this limit, you may not be eligible for the program. You may want to check with your lender or counselor to be sure your income is over the income limit. If it is, they can help determine other mortgage programs for which you may be eligible.

2. Gross Monthly Income

Add all current regular monthly income for household members who will reside in the property and also be borrowers on the mortgage loan. Consider all sources during the most recent 12 months. Add the gross monthly income you calculated in #1 for the borrower and co-borrower only. Do not include income from other household members that will not be on the loan. You may have to reduce the gross monthly income if you included alimony/child support or separate maintenance income and you do not want it to be used in the underwriting process. This type of income is optional for the borrowers to re-
veal when the lender is determining underwriting ratios for total monthly payment and total expenses.

Certain types of income (such as overtime, that the borrower does not have a history of receiving for a period of two years or more) that must be used in calculating income for income limit purposes may not be considered when underwriting the loan.

Borrower $ _______ + Co-Borrower $_______ = $_______

Gross monthly income

3. Monthly Personal Debt
List below all the monthly debt obligations of your household (other than your current housing costs).

Debts
- Car loans $ ______________
- Installment loans
- Credit card accounts
- Student loans
- Alimony and/or child support payments

Average monthly amount

= $ ______________

Monthly personal debt TOTAL $ ______________

4. Total Expense Limit

Gross monthly income (from #2) x .38 = $ ______________

Total expense limit

5. Available for mortgage payment

Total expense limit (from #4) $ ______________
Less estimated monthly property tax escrow* $ ______________
Less estimated monthly insurance escrow* $ ______________
Less monthly personal debt (from #3) $ ______________
Less estimated monthly private mortgage insurance premium* $ ______________
Available for mortgage loan payment $ ______________

*Your lender, real estate agent, or home counselor can help you determine these amounts. You can use the estimates from page 4, but keep in mind that these amounts can vary greatly depending on the loan amount and location of the home.

6. Maximum Mortgage Amount

(Available for mortgage loan payment from #5 above) ÷ (Rate factor see below) = $ ______________

(Maximum mortgage amount)

Some of the mortgage interest rate factors that may be used in number 6 are listed at the top of the next page:
RATE FACTORS

Select the mortgage interest rate closest to the current program interest rate and use the factor next to it.

<table>
<thead>
<tr>
<th>Mortgage interest rate</th>
<th>Factor</th>
<th>Mortgage interest rate</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>.00470</td>
<td>5 3/4%</td>
<td>.00584</td>
</tr>
<tr>
<td>4 1/4%</td>
<td>.00492</td>
<td>6%</td>
<td>.00600</td>
</tr>
<tr>
<td>4 1/2%</td>
<td>.00507</td>
<td>6 1/4%</td>
<td>.00616</td>
</tr>
<tr>
<td>4 3/4%</td>
<td>.00522</td>
<td>6 1/2%</td>
<td>.00633</td>
</tr>
<tr>
<td>5%</td>
<td>.00537</td>
<td>6 3/4%</td>
<td>.00649</td>
</tr>
<tr>
<td>5 1/4%</td>
<td>.00552</td>
<td>7%</td>
<td>.00666</td>
</tr>
<tr>
<td>5 1/2%</td>
<td>.00568</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Maximum Purchase Price

\[
\frac{(\text{Maximum mortgage amount from #6})}{.95} = \$ \quad (\text{Maximum affordable purchase price})
\]

Fees and Charges (Closing Costs)

Fees

At the initial interview, you may be required to pay a fee for a credit bureau report, appraisal, etc. (these lender fees typically range from $250 to $350, and they are usually labeled the “application fee.”)

Charges

Settlement on the property occurs when all legal documents are signed, the title transfers to you as the new owner, the money is paid to the seller or builder of the house, and all costs relating to the purchase of the property are paid.

Settlement charges consist of two categories: closing costs and prepaid items. Settlement charges will be estimated for you in a “loan estimate” which the lender is required to provide at or shortly after you complete the mortgage application. Closing costs include the costs for title insurance, legal fees, document preparation, recording fees, transfer tax, etc.

The prepaid items are the interest on the mortgage loan from the settlement date to the end of that month and the required lump-sum amounts to be escrowed for real estate taxes and insurances. Amounts are set aside each month from your total monthly mortgage payment to pay property taxes and insurance when they become due and payable (generally, taxes are paid early to take advantage of a discount). You will pay the lender enough money at settlement so that this lump-sum payment, in addition to your monthly escrow payments, will allow real estate taxes and insurance to be paid in full when future bills are due and payable. It is your responsibility to send real estate tax bills (not personal income tax or head tax bills) you receive from your tax collector to the lender to whom you pay your mortgage payment. These usually include the school tax and a county or other local property tax. The insurance payments required are: homeowner’s insurance, private mortgage insurance (if your downpayment is less than 20 percent on a conventional loan) and flood insurance if the home is located in a flood hazard zone that requires flood insurance as determined by the appraiser.
Mortgage Categories

There are many loan types available in today’s mortgage market. Listed below are some of the more common ones. PHFA Homeownership Programs feature four categories of loans: Conventional, FHA-insured, VA-Guaranteed, and RD-Guaranteed. Not all of these are offered by every participating lender. Check with the local lender you choose to be sure the type of mortgage you want is offered or see the participating lenders list in the 'Homebuyers Section' at www.phfa.org. All PHFA home purchase loans are fixed-rate and have a term of 30 years.

Adjustable rate mortgages, often referred to as an ARM, permit the lender to adjust interest rates periodically on the basis of changes in a specified index. Be aware that although ARMs may start off with a lower interest rate (also known as a teaser rate) than fixed mortgages, the rate can increase over time (the first 2-10 years). After that, the interest rate becomes adjustable increasing the monthly payment amount. Borrowers should be careful to fully understand the terms.

Conventional mortgages financed by PHFA generally require a minimum of three to five percent down. Borrowers must contribute the lesser of $1,000 or 1 percent of the loan amount, from their own verified funds and the remainder can be from a gift or approved community second. Borrowers are required to have a minimum middle FICO credit score of 620. This means, if you qualify, you can finance up to 95 to 97 percent of the purchase price or the appraised value of the home, whichever is less. Conventional loans are required to be insured by a private mortgage insurer if the downpayment is less than 20 percent of the purchase price or the appraised value, whichever is less. Private mortgage insurance (not to be confused with mortgage life insurance) insures the lender against loses that it may incur if you default on your mortgage loan and your home would be taken away from you through a foreclosure sale.

FHA-insured mortgages are insured by the Federal Housing Administration (FHA) and require a downpayment of three and one-half percent. Ideally they are for borrowers who want to purchase a home but have little or no money saved for a downpayment - including those graduating college, newly married couples, and also borrowers who have had credit problems in the past. FHA mortgages typically have lower downpayments, lower closing costs, and may have easier qualifying criteria than conventional loans. Maximum loan amounts are determined by the median prices of homes in the area.

Fixed-rate mortgages are loans in which the principal and interest portion of the payment do not change during the term of the loan. The most common type of residential home loan, it is repaid through equal monthly payments over a specific period of time - usually 15 or 30 years. In most cases, payments made early in the life of the loan go mostly toward interest while later payments are applied mostly to principal. All PHFA mortgages loans are fixed-rate loans.

VA-guaranteed mortgages are guaranteed by the Department of Veterans Affairs (VA). VA loans are for U S military veterans only and provide 100 percent financing (no downpayment required). An upfront VA funding fee is required but can be financed in the mortgage. The amount of the fee may change from time-to-time. Check with your lender for the amount of the current fee.

RD-guaranteed mortgages are guaranteed by the Rural Development division of the U S Department of Agriculture. These loans help low- and moderate-income applicants purchase adequate housing in eligible rural areas. Loans may be for up to 100 percent of the appraised value of the property, plus the guarantee fee. If the appraised value supports it, certain closing costs may be included in the mortgage amount.

Subprime mortgages are normally made if you have a lower credit rating. As a result of the lowered
credit rating, a conventional mortgage is not offered because the lender views the borrower as having a larger-than-average risk of defaulting on the loan. Borrowers with credit ratings below 600 may only qualify for subprime mortgages and the higher interest rates that go with them. Making late payments or declaring personal bankruptcy could land borrowers in situations where they can only qualify for subprime mortgages. Therefore, it is often useful for those with low credit scores to wait for a period of time and build up their scores before applying for mortgages to ensure they are eligible for the best rates. Borrowers with scores in the upper 500’s may still be eligible for an FHA-insured or RD- or VA-guaranteed loan if they can satisfactorily explain and document their credit blemishes. PHFA provides free credit counseling through a network of approved agencies. Please view the Homebuyer Resources section on page 11.

**Homebuyer Resources**

To learn more about these products and to find out which program is right for you, PHFA strongly recommends that you visit a counseling agency.

The PHFA network of approved counseling agencies provides free homebuyer counseling and education that can include credit counseling. Buyers with a minimum middle FICO credit score lower than 680 are required to attend a course prior to closing on their PHFA loan. PHFA also has a number of counseling initiatives that cover topics such as homeownership, predatory lending, rural development, and credit repair.

To find an approved Counseling Agency near you, visit www.phfa.org or call the Mortgage hotline at 1.855.827.3466.

**How to Apply**

1. Visit the ‘Homebuyers’ section at www.phfa.org or call 1.855.827.3466 for a list of participating lenders in your area. Call a lender to schedule an appointment to get pre-approved or to complete a mortgage application if you already have a signed sales agreement for a specific property. (It is best to get pre-approved first, before signing a sales agreement.) At the time of application, the lender will reserve the funds needed for your transaction and will lock in your interest rate for a period of time—usually 60 or 90 days. Interest rates may vary. Applicants are to contact a local participating lender for interest rate information and to schedule an interview for a mortgage application. Interviews are scheduled on a first-come, first-served basis.

2. Mortgage interviews run smoothly when the necessary information and documents are with you when you apply. Bring this workbook to use as a reference, following the check list on page 17.

3. From the date of your mortgage application, you should allow at least six to eight weeks for processing the loan. Full disclosure of the pertinent information is an absolute necessity. You should provide additional information requested by your lender or real estate agent as promptly as possible.

4. Closings are not to be scheduled prior to PHFA approval of the mortgage loan.

**Home Considerations**

There is a House Evaluation Worksheet on pages 15 and 16 of this guide. Have copies of this form made so that you can keep separate information for each home. Use them when you look at houses. The more information you have about the houses you consider for purchase the better selection you may make.

The home that you select must be a single family dwelling, whether detached (free standing), semi-de-
tached (connected), a row (townhouse), or a unit in a condominium or planned unit development (PUD). Manufactured housing is eligible for PHFA financing but must also meet other specific criteria. Check with your lender to be certain the manufactured home you select is acceptable.

You may also consider two-unit properties, as long as you will occupy one of the units; the home is at least five years old and is typical for homes in the area; and, your loan will be conventional FHA-insured or VA-guaranteed. The purchase price of a two-unit property can exceed the applicable PHFA purchase price limit by ten percent.

The lot size of the property you are purchasing may not exceed four acres (exceptions may be considered due to building restrictions or township or county regulations). The purchase price listed in the agreement of sale may not include items which are not built into the home, such as washers, dryers, window air conditioners, portable dishwashers, area rugs, etc. However, a stove, refrigerator, and any built-in appliances may be included. As stated earlier, the purchase price of the home may not exceed the maximum purchase price for the county in which the home is located.

Here are a few tips to keep in mind when selecting a home:

1. Compare at least three homes. Don’t fall in love with the first house you see.
2. Use the House Evaluation Worksheet to thoroughly inspect the home and survey the neighborhood. Remember: “Buyer Beware” is the rule.
3. If you do not understand something in the agreement of sale, you should not sign it until that item has been clarified. If you have questions, you may want to seek the assistance of your real estate agent, housing counselor, or attorney depending upon the complexity of the issue.
4. Make sure provisions are in the agreement of sale to get your deposit refunded to you if you cannot obtain financing. For example: “This transaction is contingent upon receiving financing through PHFA.”
5. It is a good idea to also make the agreement contingent on a satisfactory professional home inspection. If there are repairs to be completed, the sales agreement should specify who will pay for them and when they will be completed.
6. A reasonable deposit is $1,000.

**New Homes**

The Agency does not provide temporary construction financing. If you are planning to build a new home, please note that Agency loans are for permanent financing only. If the lender with whom you are making application does not provide construction financing, be sure you have a commitment for construction loan financing from another lender or that your builder is providing the construction financing. You may be charged additional fees for the construction loan. Also, building a home may take a lot longer and involve more complications than purchasing an existing home. See the participating lenders list in the ‘Homebuyers’ section at www.phfa.org or call 855.827.3466 to find a PHFA lender that also provides construction financing.

**Protect Your Investment**

Make your monthly mortgage payment to PHFA on time. At the loan closing, you will receive instructions on how and when to make your payments.

You will receive a monthly billing statement. It is your responsibility to make payments.
Your mortgage payment includes principal, interest, taxes, and insurance (PITI). The principal portion of your payment reduces the amount borrowed. Interest is the cost of borrowing the money. The tax and insurance portion of your payment is held each month in a separate account called an escrow account to accumulate the money needed to pay your annual property tax, annual homeowner’s insurance, and annual mortgage insurance. PHFA makes these annual payments for you using the funds in your escrow account.

It is a good idea to be prepared for the money-lending offers you receive as a homeowner. These may come by phone, from personal contact, or by the Internet. Recently, a growing number of people are being victimized by predatory lending practices.

Examples of predatory lending practices include:

- Loans to homeowners based on the value of the home, not their ability to repay.
- Unusually high interest rates.
- Excessive borrowing costs without lowering the interest rate.

Here’s how it might happen: Homeowners need money for an unexpected emergency, often a small amount. However, because of a current financial situation, they aren’t able to borrow from a bank and end up at a lender where credit history is “no problem.” Needing extra money in times of emergencies can become a reality for anyone, but the details of the borrowing arrangement should be looked at carefully before signing.

Offers suggesting that “slow pay” or “bad credit” are not a problem are often signs of predatory lending.

Don’t sign any forms before they’ve been reviewed and, if questions arise, ask an attorney or housing counselor. Don’t rush into a loan that might be predatory or not in your best interest.

Remember, buying a house is likely the biggest investment you will ever make. Take your time, use sound judgment, and seek advice. The PHFA Homeownership Program is designed to help you make the difficult business of owning a home a little easier. If you use the program the way it is intended, you will be able to save thousands of dollars over the life of the mortgage.

There is a lot of satisfaction and comfort in owning your own home. There is also a great deal of responsibility, including paying the mortgage, taxes and insurances, and maintaining the property. Routine and preventative maintenance can help reduce repair costs and keep your property value increasing.
PHFA House Evaluation Worksheet

Borrower(s) ___________________________________  _____________________________________
Date __________________________________________
Property Address __________________________________________________

Listed Sales Price $ ___________________________  County _____________________________
PHFA Maximum Purchase Price $ ____________________________
Type of Housing (single, twin, row) ________________________________

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<thead>
<tr>
<th>ESCROWS (Monthly)</th>
<th>HOUSE COSTS (Monthly)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazard Insurance</td>
<td>Heating $ ___________</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>Electrical $ __________</td>
</tr>
<tr>
<td>Condominium/PUD Fees</td>
<td>Water/Sewer $ __________</td>
</tr>
<tr>
<td>Flood Insurance (if required)</td>
<td>Other $ __________</td>
</tr>
</tbody>
</table>

LOCATION
Type of Neighborhood ____________________________________________________________
Schools, how far _____________________________  Day Care, how far __________________
Shopping, how far _____________________________  Medical Services, how far ____________
Community Services (fire, police, ambulance) ____________  Distance from Work __________
Public Transportation, how far ____________________________

DIMENSIONS
Lot Size _____________________________  House Size _____________________________

EXTERIOR
Style/Age/General Condition ____________________________________________________
Yard/Landscaping ____________________________
Garage, # cars ________ built-in ________ attached ________ detached ________ carport ______
Siding, type _____________________________ condition _____________________________
Driveway, type _____________________________ condition _____________________________
Windows/Doors, condition ____________________________
Roof, type _____________________________ condition _____________________________

INTERIOR
Floor plan (# of rooms) ____________________________
Kitchen ____________________________________________
Appliances ______________________________________________________________
Bedrooms ______________________________________________________________
Bathrooms ______________________________________________________________
Living room ____________________________________________________________
Dining room ____________________________________________________________
Basement/attic storage __________________________________________________
Other ________________________________________________________________

EQUIPMENT/MECHANICALS

Heating system, type ______________________________ condition _______________________________
Water supply, type ______________________________ condition _______________________________
Hot water heater, type ______ size ______ condition _______________________________
Sewerage, type ______________________________ condition _______________________________
Drainage ______________________________________________________________
Plumbing ______________________________________________________________
Electrical, # amps ______________________________ condition _______________________________
Insulation, type ______________________________ # of inches _______________________________
Attic, roof ____________________________________________________________
Walls ________________________________________________________________
Storm windows/doors __________________________________________________

The materials presented in this workbook are for informational use only.
Worksheet materials do not constitute qualification for a mortgage or any other financing.
**Information Needed at Mortgage Interview**

**Check List**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>______________________________________________________________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Number</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Co-Borrower</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Social Security Number</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Mailing address</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Phone number</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Property address</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Property contact</td>
<td>______________________________________________________________________</td>
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<tr>
<td>Phone number</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Real estate broker</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Phone number</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Attorney</td>
<td>______________________________________________________________________</td>
</tr>
<tr>
<td>Phone number</td>
<td>______________________________________________________________________</td>
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</tbody>
</table>

**EMPLOYMENT (Past Two Years)**

*List most recent employment first.*

<table>
<thead>
<tr>
<th>Name of Employer</th>
<th>Address</th>
<th>Dates Employed</th>
<th>Current or Ending Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower</strong></td>
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<tr>
<td><strong>Co-Borrower</strong></td>
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</tbody>
</table>
Information Needed at Mortgage Interview, continued

**BANK ACCOUNTS (Savings, checking, etc.)**

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Address</th>
<th>Account No.</th>
<th>Type of Account</th>
<th>Estimated Balance</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

**LANDLORDS (Past three years)**

<table>
<thead>
<tr>
<th>Name of Landlord</th>
<th>Address</th>
<th>Dates You Rented</th>
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<tbody>
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</table>

**CREDIT CARDS (Department stores, banks, etc.)**

<table>
<thead>
<tr>
<th>Name of Creditor</th>
<th>Address</th>
<th>Account No.</th>
<th>Estimated Balance Due</th>
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</thead>
<tbody>
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</tbody>
</table>

**LOAN INFORMATION (Car, education, etc.)**

<table>
<thead>
<tr>
<th>Name of Lender</th>
<th>Address</th>
<th>Account No.</th>
<th>Monthly Payment</th>
<th>Estimated Balance Due</th>
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</thead>
<tbody>
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</table>

**CREDIT REFERENCES (Paid-off loans and other credit)**

<table>
<thead>
<tr>
<th>Name of Lender</th>
<th>Address</th>
<th>Account No.</th>
<th>Type of Loan</th>
<th>Date Paid</th>
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</table>
Remember to bring the following with you to the mortgage interview:

1. Completed agreement of sale, signed and dated by you and the sellers.

2. Payroll stub(s) from each employer of each applicant for the previous 30 days or, if self-employed, signed and dated profit/loss statement along with two years signed and dated federal income tax returns with all schedules. Also, bring copies of court orders for child and/or spousal support, as well as award letters or statements for any public assistance received such as social security benefits.*

3. Copies of bank account statements for each account for the previous 90 days.

4. Separation or divorce agreement, divorce decree, support order.

5. Most recent two years’ W2 statements from all employers.*

6. Personal check for application fee and the PHFA program fees.

7. Social Security card and photo ID.

* Required for all adult members of household, excluding full-time undergraduate students.
The Pennsylvania Housing Finance Agency is committed to the policy that all people shall have equal access to its housing programs and employment without regard to age, disability, family status, gender, national origin, political affiliation, race, or religion.