

PENNSYLVANIA HOUSING FINANCE AGENCY

Purchase & Improvement / Access Home Modification Program Acknowledgement

I/We acknowledge and agree to the following:

1. I/We received Form 50 Borrower Guidance for PHFA Home Improvement Loans.
2. I am/we are responsible for the selection of the contractor(s) and the work performed by him/her/them. Neither the Lender nor PHFA, its successors and/or assigns, shall be responsible for ensuring the work is completed in a satisfactory manner. Any disputes arising with regard to workmanship shall be settled between the homeowner and the contractor(s).
3. Funds to pay for the improvements will be held in escrow by the lender or PHFA and disbursed in accordance with the program guidelines. Interim disbursements will be released if necessary when I/we provide the escrow holder with a fully completed and signed PHFA Form 49 stating that a specified portion of the improvements/modifications have been completed satisfactorily. Final disbursement will be released when I/we provide the escrow holder with a fully completed and signed PHFA Form 49 stating that the improvements/modifications have been fully completed satisfactorily.
4. I/We are responsible for ensuring that all improvements are satisfactorily completed within 90 days of the loan closing.
5. Unused loan funds remaining after completion will be credited toward reduction of principal balance of the mortgage loan. The face amount of the Note will not change.
6. Failure to complete the improvements in a workmanlike manner within 90 days, misapplication of the loan proceeds, or failure to comply with instructions are additional terms of default and will subject the Borrower to all rights and remedies of the Lender contained in the Mortgage Instrument.
7. I/We shall allow reasonable access to the property so that the Escrow holder or its agents may conduct inspections of the improvements. Upon request, borrower shall provide Escrow Holder with documentation related to the costs of the improvements.

Purchase & Improvement Program Only

- 1) The improvements and contract(s) must be approved by the Lender & PHFA. (Note: The original construction contract should be written as contingent upon approval of all needed mortgage financing for the home).
- 2) Any changes in work, cost or contractors made thereafter must be pre-approved in writing by the lender and/or PHFA. The purchase price of the home being financed plus the cost of the improvements to said home must be equal to or less than the "as improved" appraised value. Improvement costs which exceed the appraised value shall be the sole responsibility of the borrower.
- 3) The amount of loan proceeds being used to finance these improvements cannot exceed \$_____.
- 4) The improvements must substantially protect or improve the basic livability, energy efficiency, or safety of the residence. Items which are not considered to substantially protect or improve the basic livability of the residence include: swimming pools, tennis courts, hot tubs/jacuzzis, saunas, or other recreational or entertainment facilities.
- 5) Principal and interest on the Note shall be due and payable on the full mortgage amount which includes the cost of the repairs/improvements.

Access Home Modification Loan Only

- 1) The modifications must be those approved by the Lender & PHFA. (Note: The original construction contract should be written as contingent upon approval of all needed mortgage financing for the home).
- 2) Any changes in work, cost or contractors must be approved in writing by the lender and/or PHFA.
- 3) The amount of the loan proceeds being used to finance these modifications cannot exceed \$_____.
- 4) The improvements must be specifically completed to meet the individual needs of the person(s) with the disability.
- 5) The proceeds for the modifications are provided in the form of a no-interest subordinate loan that does not require repayment as long as the borrower does not sell the property and continues to occupy the home as a principal residence.

(Borrower) (Date)

(Co-borrower) (Date)

Request for Payments and Completion Certification

This form is to be used to request all payments to contractors due to Weather-delayed improvements, and in the Purchase & Improvement, Access Home Modification, Homestyle Loan Programs. It is also used to inform PHFA that jobs paid for with these programs are complete. For questions and delivery information, please Call 717-780-3871; Fax 717-780-3872; or Email SFPurchasing@phfa.org

Borrower Name: _____

Borrower Address: _____

Total Cost of Repairs/Access Modifications: \$ _____

INITIAL PAYMENT	FINAL PAYMENT
Amount Requested: \$ _____	Amount Requested: \$ _____
Percentage of Total Contract: _____ (Either 25% for materials OR 50% for a mid-job payment—of total cost)	Percentage of Total Contract: _____ (Either 50% OR 75% based on Payment 1)
Date of Request:	Date of Request:
Description of Work Completed: <i>If this request is for a first payment prior to work, write "Materials Payment" in this box. The requested amount must be less than or equal to 25% of the Access Home Modification Loan amount and borrowers must indicate their approval by signing this form.</i> <i>For a 50% "mid-job" payment attach the contractor's invoice describing work completed to date or a description of work completed to date from an inspector. Indicate here the number of attached pages.</i>	Description of Work Completed: <i>(Job must be 100% complete to make Final Payment Request)</i>
Estimated Percentage of Work Completed: _____%	Estimated Percentage of Work Completed: <i>Must be 100% to request Final Payment</i> _____%

<p>Signature Statement: <i>Check appropriate statement</i></p> <p><input type="checkbox"/> <i>My signature below indicates approval for a Materials Payment to be made in the amount requested.</i></p> <p><input type="checkbox"/> By signing this form in the appropriate box below I agree that all work specified above or in attachments is finished and satisfactory. I authorize PHFA to release the payment requested.</p>	<p>Signature Statement:</p> <p>By signing this form in the appropriate box below I agree that all work specified in the contract, and described on this form as completed, is finished and is satisfactory. I authorize PHFA to release the payment requested.</p>
<p>Contractor Signature & Date:</p>	<p>Contractor Signature & Date:</p>
<p>Borrower Signature & Date:</p>	<p>Borrower Signature & Date:</p>
<p>Co-Borrower Signature & Date:</p>	<p>Co-Borrower Signature & Date:</p>
<p>Inspector/Appraiser Statement:</p> <p><i>Signature required here <u>only</u> to request a mid-job payment.</i></p> <p>I certify that I have re-inspected the subject property and the requirements or conditions set forth in the contract, and the appraisal report if this is a Purchase & Improvement Loan or HomeStyle Loan, have been met. Any required repairs or completion items have been done in a workmanlike manner.</p>	<p>Inspector/Appraiser Statement:</p> <p>I certify that I have re-inspected the subject property and the requirements or conditions set forth in the contract, and the appraisal report if this is a Purchase & Improvement Loan or Homestyle Loan, have been met. Any required repairs or completion items have been done in a workmanlike manner.</p>
<p>Inspector/Appraiser Signature & Date:</p>	<p>Inspector/Appraiser Signature & Date:</p>

Please include the final invoice with this form when submitting the documentation to PHFA.

Borrower Requirements and Guidance for PHFA Home Improvement Loans

The following information is intended to help you successfully use the home improvement funds you have borrowed through PHFA's Purchase & Improvement, Access Home Modification, Renovate & Repair Loan Program, Homeowner Energy Efficiency Loan Program, PENNVEST or funds that you have escrowed with PHFA to complete Weather-delayed Repairs.

The first item describes the content that MUST be included in any contracts for work to be paid for with these programs. Items 2-10 are guidance materials to help you make your construction project go smoothly.

1. HOME IMPROVEMENT CONTRACTS

PHFA REQUIRES borrowers to look for the following items in the home improvement contract that they will sign to spend their loan funds. Many of these items are specified in the Pennsylvania Home Improvement Consumer Protection Act, but not all. For your own protection, please review information about the Act (or the Act itself) at <https://www.attorneygeneral.gov/protect-yourself/home-improvement/>

- The company's registration number on all advertisements, contracts and proposals.
- A written contract that includes space for the homeowner and contractor's signatures and the date that they sign it.
- The contract includes a detailed description of the work to be done, including separate totals for labor and materials; approximate start and completion dates; total price; any down payment requests or charges for special order items; and the notice of the consumer's right to cancel the contract.
- The names and contact information for all subcontractors who will work on the job.
- Guarantees that all work will be completed within 90 days of loan closing; receive a one year warranty on workmanship (contractor's labor); that the contractor will complete the work in compliance with all applicable building codes and zoning restrictions, and obtain the necessary permits.
- The contractor and homeowner must also determine who will get the certificate of completion or occupancy, if applicable. For the R&R program, form A10b Construction Completion is used to indicate that the job is finished. For Purchase & Improvement and Access Home Modification Loans Form 49 must be executed. A completed H18- Construction Completion Form is required for HEELP loans. PENNVEST loans require a HUD-56002 to document work completion.
- Be aware that limitations on down payments are governed by the Pennsylvania Home Improvement Consumer Protection Act, section 517.9 and other actions are also defined as fraudulent and not allowed, too.

2. CONTRACTOR SELECTION

PHFA requires borrowers to select their own contractors to do work on their home or the home that they are purchasing with PHFA funding. The Agency strongly encourages borrowers to take the following steps to ensure that they find a good contractor:

- Get insurance certificates indicating that your contractor carries general liability insurance and, if applicable, workers' compensation insurance; PA's Home Improvement Consumer Protection Act (effective July 1, 2009) specifies at least \$50,000 in General Liability insurance but many contractors carry \$500,000 or more. Pennsylvania also permits "self-insured" contractors, which includes many Amish contractors, to register with the Attorney General's Office as long as they provide specified information regarding their insurance and insurance provider. Self-insured contractors may be used

on PHFA home improvement loan-funded work as long as they are registered with the AG and their contracts contain the required notice of self-insurance and insurer contact information.

- Ask if they will provide at least a 1 year written warranty on workmanship and materials (many roofers will provide 5 year or longer warranties);
- Insist on a verifiable physical address and phone number (and check that they are real);
- Talk to other homeowners, friends, and relatives in your area that have had similar work completed (not just “in progress”) to get contractor recommendations.
- Find out if the contractor is a member of the local builders association or has a good reputation with the local housing and/or redevelopment authority in your municipality or county.
- Call the contractors’ references, look at online resources, and check the Better Business Bureau to ensure that the company is in good standing.
- Get several estimates. Compare prices & contractors’ solutions to your home’s issues. You may want to ask for to-scale drawings to help make their work proposal clear.

3. MECHANICS’ LIENS

A Mechanics’ Lien is a lien recorded against a homeowners’ house at the County Recorder of Deeds Office for failure to pay a subcontractor, or someone who delivers supplies and materials for the home improvement project. These liens are bad for homeowners because when you sell or refinance your home they have to be paid off first – even before the mortgage that you used to buy your home! Worse, this type of lien can be placed against your home even though you paid the General Contractor in full, and it is the General Contractor who failed to pay the subcontractors or supply companies.

The Agency encourages borrowers to ask their General Contractors to sign and record a “Stipulation Against Liens” document before work starts or materials are delivered. PHFA cannot prevent affected parties from filing Mechanics’ Liens against your home. If you don’t know whether your contractor uses subs, ask! It should also be disclosed on the company’s estimate and contract.

4. LEAD HAZARDS

As of December 2008, federal law requires remodeling and painting contractors to provide homeowners with the US Environmental Protection Agency’s pamphlet titled, “Renovate Right: Important Lead Hazard Information for Families, Child Care Providers and Schools.” As of April 2010, contractors must be certified through an accepted Lead Safe Work Practices program and use the techniques taught to minimize lead dust. The Environmental Protection Agency’s website can provide more information at <http://www.epa.gov/lead>

5. ENERGY EFFICIENCY

Making your home more energy efficient may save you money and also make your home more comfortable. Learn more about what “building science research” shows is worth buying for or doing to your home and how much you may be able to save.

See http://www.dep.pa.gov/Citizens/Go_Green_PA/Pages/default.aspx to learn more.

6. ACCESSIBILITY

Making your home accessible if you or a family member has a permanent disability is important. It can also be complicated. There are many different ways to overcome a barrier like the front door being at the top of a few stairs or to make a bathroom safer and easier to use. There are also many “Assistive

Technology” devices that can increase an individual’s independence, and they range in cost from a few dollars to thousands of dollars.

PHFA strongly encourages borrowers to use accessibility design professionals to help them decide how to make their home work for their needs. Unfortunately, there is not a single professional certification or license for these individuals. Good resources to use to find people with the needed skills are the Pennsylvania Occupational Therapy Association (<https://pota.site-ym.com/page/WhatIsOT>), support groups for specific disabilities, Centers for Independent Living (<http://pasilc.org>), and your own medical services providers.

7. TAX CREDITS

Federal tax credits may be available for energy efficiency work, depending on the type of work and the year it is completed. PHFA does not provide tax guidance to borrowers but encourages them to determine whether or not the work they are having done to their home qualifies for these credits. See www.energystar.gov for more information. As of publication of this form PHFA is not aware of state tax credits but again encourages borrowers to research their availability on their own. The Commonwealth’s Department of Revenue website is <https://www.revenue.pa.gov/Pages/default.aspx> or you can contact your local representative’s office.

PA does have loan and rebate programs for many energy efficiency home improvements. Read more about these programs at <http://programs.dsireusa.org/system/program?state=PA>

You may be able to claim home modifications as medical expenses on an itemized federal tax return. Learn more at <https://www.irs.gov/credits-deductions-for-individuals>

8. UNDERSTANDING DEBT SECURED BY YOUR HOME

In order to help borrowers make their homes more energy efficient, safer and/or more accessible, PHFA makes the Purchase & Improvement, Access Home Modification, Renovate & Repair Loans, HEELP, and PENNVEST loans available. These are debts secured by the homebuyer or owner’s house and may encumber the home with more debt than it is currently worth. There is also no guarantee that the future value of the home will be greater than the amount of all debts placed against it. You have to decide if taking on debts to improve your home makes the home better for you – even if it doesn’t improve or possibly even maintain its resale value. PHFA retains the servicing for the life of these loans.

Due to the nature of these loans you may begin repayment of your loan before construction work has begun. The repayment start date of your loan is given on your loan Note.

9. ISSUE RESOLUTION

The best issue resolution process starts before the contractor starts work on your home. You need to have a clear and detailed, written contract that specifies exactly what you expect to have done in your home, an estimated work schedule, and how any “unexpected” construction issues will be handled. An example of an “unexpected” issue might include rotted plywood under the roof shingles. You need to understand whether the contractor has considered these types of items in his or her bid or whether repairing such underlying damage would be in addition to the estimated price he or she is providing to you. Any changes, additions or deletions to the original contract should be provided to you in writing and both you and the contractor should sign the “change order.”

One good way to be prepared for unknowns is to have the contractor include a contingency bid as a separate part of their estimate, indicating what items it would cover. The contractor can earn this additional payment(s) by demonstrating with invoices and/or receipts that the construction has exceeded the scope of work in the initial bid and become work covered by the contingency funding.

Next, you and the contractor need to agree on how to communicate with each other – in person, by phone/text/email, what times of day, weekends? You'll both need to be available to each other to keep the job moving along. Lastly, do your best not to let concerns develop into issues. Ask questions, share concerns, and be clear and realistic about expectations.

Unfortunately, you may need additional resources to deal with a contractor that isn't willing to work with you to resolve issues and problems. Some helpful resources for this situation may include: the PA Attorney General's Consumer Protection Bureau at 800-441-2555, the Better Business Bureaus in Pennsylvania, located in Philadelphia, Scranton, Pittsburgh, Harrisburg, and Bethlehem (you can find local contact information by starting at the website: <http://www.bbb.org>). Hiring your own attorney may ultimately be needed as well. Borrowers select vendors and contractors to perform work at their homes, and contracts between the borrower, and these vendors and contractors contain the only warranties for work being performed. PHFA, Local Program Administrators, and Pennvest Participants are not parties to these contracts and do not warranty the work that is performed with borrowed funds. Borrowers are responsible for repayment of their loan regardless of their satisfaction with the work performed.

10. SEPTIC AND SEWER CONNECTION GUIDANCE

All repairs related to public sewer lateral connections must be made in accordance with the Pennsylvania Domestic Wastewater Facilities Manual, found at <https://www.dep.pa.gov/Business/Water/CleanWater/WastewaterMgmt/Act537/Pages/PublicandPrivateSewerSystems.aspx>. Your sewage authority's operator or consulting engineer must sign that work is complete on Pennvest Homeowner Septic Loans.

Your local Sewage Enforcement Officer, SEO, is responsible for authorizing the on lot septic repair/replacement and signing that work is complete.

**ACCESS DOWNPAYMENT AND CLOSING
COST ASSISTANCE PROGRAM
Needs Assessment Form**

Date: _____ Series: _____

Borrower: _____ SS#: _____

Co-Borrower: _____ SS#: _____

****Round All Amounts Off To The Nearest Dollar****

Purchase Price \$ _____ Mortgage Amount \$ _____

ASSETS				ELIGIBLE DOWN PAYMENT AND CLOSING COST FOR ASSISTANCE		
		<u>Lender</u>	<u>PHFA</u>		<u>Lender</u>	<u>PHFA</u>
Cash Deposit Paid	(*1)	\$ _____	\$ _____	Total Closing Costs From *Loan Estimate (*) (exclude FHA Upfront MIP, VA Funding & RD Guarantee Fee (B))		
Checking/Savings Gifts, CD's, etc.	(*2)	\$ _____	\$ _____		\$ _____	\$ _____
Profit Sharing	(*3)	\$ _____	\$ _____	Deduct Closing Costs Paid by Seller or other Entity (C)	\$ _____	\$ _____
Other	(*4)	\$ _____	\$ _____	Total Cash Requirement (* (D))	\$ _____	\$ _____
SUBTOTAL		\$ _____	\$ _____			
Deduct required Downpayment	(*5)	\$ (_____)	\$ (_____)			
TOTAL ASSETS	(A)	\$ _____	\$ _____			

*Refer to numbered or lettered instructions on back of form.
"PHFA" for PHFA use only.

CALCULATION OF TOTAL AMOUNT OF ASSISTANCE NEEDED

	<u>Lender</u>	<u>PHFA</u>
1) - Total Assets (From Line "A" Above)	\$ _____	\$ _____
2) - <u>Less</u> Asset Allowance	\$ (5,000.00)	\$ (5,000.00)
3) - Total Assets Available	\$ _____	\$ _____
4) - Total Eligible Costs for Assistance-(From Line "D" above)	\$ _____	\$ _____
5) - Additional Amount for Affordability/Downpayment	\$ _____	\$ _____
6) - Subtotal	\$ _____	\$ _____
7) - Less Total Assets Available (Line 3)	\$ _____	\$ _____
8) - Total Amount of Assistance Needed (May not exceed \$15,000 or be less than \$1,000)	\$ _____	\$ _____

PLEASE NOTE: (If line 8 is less than \$1,000, NO ASSISTANCE SHALL BE GRANTED.)

Preliminary Lender Certification	
I certify that the "Total Amount Of Assistance Needed" for the above referenced borrower(s) is \$ _____	
_____ Name of Originating Lender	_____ Signature of Officer

Agency Set-Aside	For PHFA Use Only	B.A. <input type="checkbox"/>
_____ Approved \$ _____ or _____ Rejected because _____		

Date: _____	By: _____	LSAMS#: _____

If PHFA's Assistance does not cover the total amount needed, borrower(s) are required to document additional sources of funds needed to cover their required investment and closing costs.

The Closing Disclosure will be used to verify the actual amount of Down payment and Closing Cost Assistance disbursed at loan closing. When submitting the loan for Purchase, please include a check made payable to PHFA for any unused portion of assistance provided.

**ACCESS DOWNPAYMENT/AND CLOSING COST ASSISTANCE PROGRAM
ASSETS**

Enter all liquid assets (see *Seller's Guide* for definition) of the Borrower(s) according to categories listed on the form.

1. Refers to earnest deposit or hand money paid by the Borrower apart from funds shown on VOD.'s or gift letters in file.
2. Defined as funds in checking and savings accounts, gifts, CD's, money market, stock and bonds (regardless of maturity dates).
3. These accounts are included only if they can be withdrawn without a penalty.
4. Include prepayment of the Participation Fee, Qualifying Fee, and any other closing costs.
5. Assets necessary for the minimum downpayment must be deducted from the total assets to determine the balance of assets available for closing costs.
 - *For Conventional and FHA loans, show the amount equal to the required investment (borrowers need to contribute the lesser of \$1000 or 1% of the loan amount).*
 - *For VA, and RD Loans, -0- is to be listed on this line.*

A) Total Assets are used to determine the total amount of assistance needed. (Assets exceeding \$5,000.00 must be used toward the purchase of the home). In all cases, we will require verification that the borrower(s) have sufficient funds to cover their minimum required investment.

Eligible down Payment and Closing Cost Assistance

B) Enter the total closing costs from the "Loan Estimate".

Eligible closing costs include the following:

Origination Fee	Notary Fees	Recording Fees
Application Fee or Credit/Appraisal Fees	Transfer Tax	Survey
Interest to First of the month	Realtor Fees	Tax Escrow
First Year Mortgage Insurance Premium	Insurance Escrow	Document Preparation
First Year Hazard Insurance Premium	Title Insurance	Mortgage Insurance Escrow
Pro-rata Tax Reimbursement		

Any other costs other than those listed above must be approved by the Agency prior to inclusion.

*** Please note: The VA Funding Fee, the RD Guarantee Fee and the FHA Upfront MIP are NOT eligible closing cost because they can be financed in the Mortgage.**

C) Deduct closing costs paid by seller or other entity.

D) Subtract C (if applicable) from B for the "Total Cash Requirement".

DETERMINATION

The steps to determine estimated assistance are

- 1) - List Total Assets from Line A.
- 2) - Borrower's Asset Allowance is \$5,000.
- 3) - Total Assets Available - (Line 1 minus Line 2)
- 4) - Enter the total Cash Requirement amount from line "D" above.
- *5) - Enter additional amount to make the loan affordable for the borrower.
- 6) - Subtotal.
- 7) - Deduct Assets Available (from Line 3).
- 8) - Enter total Amount of Assistance Needed. (May not exceed \$15,000 nor be less than \$1,000)

If assistance needed is less than \$1,000, no assistance will be granted.

Preliminary Lender Certification

Enter the amount of assistance needed (if the amount exceeds the maximum only enter the maximum amount) on the appropriate line. Please properly complete all other sections as designated.

* This program is designed to make the home purchase more affordable for homebuyers. Borrowers may experience payment shock; Line 5 is to be used to determine an amount that will help make the first mortgage more affordable for the homebuyer. The amount on line 5 will depend on the factors in the balance of the file. This amount represents the difference between the affordable loan amount and the loan amount based on 97% of the sales price.

Access Modification Funds Request

Date: _____

Borrower: _____ Co-Borrower: _____

Property Address:

We are requesting an Access Modification loan in the amount of \$_____. The funds are needed to cover the cost of the accessibility features.

Lenders: Please select one of the following three options regarding holding the Access Home Modification Loan Escrow and the need for funds for Initial Payments to Contractors at Closing:

<input type="checkbox"/> Lender will hold the escrow funds. PHFA will mail the full escrow amount to the lender within 7 days of loan approval	<input type="checkbox"/> PHFA will hold the escrow funds and will transfer them to an internal account. (The lender is not requesting an Initial Payment for the contractor at closing.)	<input type="checkbox"/> PHFA will hold the escrow funds and will transfer them to an internal account. The lender is requesting an Initial Payment for the contractor at closing, in the amount of \$_____ <small>(amount may not exceed 25% of the Access Home Mod. Loan)</small>
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Name of Originating Lender

Signature of Officer

For PHFA use only		B.A. _____
Approved \$ _____ or _____ Rejected because _____		
Date: _____	By: _____	LSAMS#: _____
AGENCY Set-Aside		

**PENNSYLVANIA HOUSING FINANCE AGENCY
SUBORDINATE MORTGAGE NOTE**

Amount \$ _____
_____, _____. 20____
(month) (day) (year)

FOR VALUE RECEIVED, the undersigned _____,
jointly, separately and severally (herein collectively "Borrower"), promise(s) to pay to the
PENNSYLVANIA HOUSING FINANCE AGENCY, a public corporation and government
instrumentality having its principal office at 211 North Front Street, P.O. Box 8029, Harrisburg, PA
17105 (herein "PHFA" or "Agency") or its order, at such other place as PHFA may from time to time
designate in writing, the principal sum of
_____ (\$ _____)
Dollars.

This Subordinate Mortgage Note (hereinafter "Note") is accompanied by a Subordinate Mortgage
dated this date on real property owned by the Borrower located at
_____.

1. **INTEREST.** Interest shall not accrue on the sums advanced in connection with this Note.
2. **REPAYMENT.** Borrower must repay this loan according to the following provisions:
 - A. Upon the occurrence of one of the following Borrower must repay this loan in full:
 - (1) the property is being sold or transferred (unless this subordinate mortgage debt is being assumed along with the first mortgage debt by a qualified and eligible buyer at PHFA's discretion), or
 - (2) the first mortgage debt is refinanced by the Borrower (does not apply to the Access Modification or the Access Down Payment/Closing Cost Assistance programs)
 - (3) Borrower ceases to occupy the real property which is secured by this loan as Borrower's primary residence; or
 - (4) Borrower's first mortgage obligation is paid in full (does not apply to the Access Modification or the Access Down Payment/Closing Cost Assistance programs); or
 - (5) Borrower defaults under the terms of this Note or its accompanying Subordinate Mortgage or defaults under the first mortgage obligation; or
 - (6) it is discovered that Borrower has submitted incomplete, false or misleading information to PHFA in connection with this loan or Borrower's First Mortgage loan, or fails to comply with any applicable federal or state laws.
3. **PREPAYMENT.** Borrower may prepay the loan in whole or in part at any time without penalty.
4. **PRIMARY RESIDENCE.** The Borrower hereby agrees that the real property secured by the Subordinate Mortgage accompanying this Note shall at all times be the primary residence of the Borrower.
5. **DISCLOSURE STATEMENT BY BORROWER.** Borrower hereby affirms that he/she has submitted full, complete and accurate financial information as requested by PHFA. Borrower further agrees to submit full and complete financial information to PHFA as requested by the Agency. In addition, Borrower promises to give PHFA immediate written notification of (1) any change of address, or (2) if and when the property is to be sold or transferred.
6. **ACCOMPANYING DOCUMENTS.** This Note is secured by a Subordinate Mortgage on the residence of the Borrower and by other loan documents (collectively the "loan documents"). All the

terms, covenants, agreements, conditions, warranties and provisions contained in the loan documents are hereby incorporated in this Note. A breach by the Borrower of any terms of the loan documents shall also constitute a breach of the terms of this Note.

7. **REMEDIES.** In the event that the Borrower violates any term of this Note, then PHFA may immediately declare the entire principal remaining due to the Agency to be immediately due and payable in its entirety, by giving written notice to Borrower.

If such sums are not promptly paid, PHFA may then institute appropriate legal action in any court of competent jurisdiction, including the Court of Common Pleas of Dauphin County, Pennsylvania. In the event that it is necessary to institute such legal action, Borrower agrees to pay reasonable attorney's fees and costs, actually incurred, by PHFA in enforcement of such a remedy.

The remedies provided to PHFA in this Note are in addition to any remedies provided in the other loan documents.

8. **NOTICES.** Any notices required to be given pursuant to this Note may be given by either first class or registered or certified mail. Notices shall be sent to the addresses indicated in this Note, unless either party notifies the other in writing of a change of address.

9. **TIME OF ESSENCE.** Time is of the essence of each and every provision of this Note.

10. **DISBURSEMENT REQUESTS.** Borrower agrees that funds for this loan cannot be disbursed until actually needed.

IN WITNESS WHEREOF, intending to be legally bound, the Borrower has executed this Note on the date written above.

WITNESS:

(SEAL)

Borrower

(SEAL)

Borrower

Mortgage Loan Officer's Name:

NMLS Number:

Loan Origination Organization

NMLS Number:

Prepared by & Return to:

(Contact and Department Name)

(Address of Lender)

PIN/ID Number: _____

Above space is intentionally left blank for recording data.

**PENNSYLVANIA HOUSING FINANCE AGENCY
SUBORDINATE MORTGAGE**

THIS MORTGAGE, entered into this _____ day of _____,
20____, by _____ and _____ between

_____ ("Borrower(s)"),

AND

the PENNSYLVANIA HOUSING FINANCE AGENCY, ("PHFA" or "AGENCY"), a public corporation and government instrumentality, created by and existing pursuant to the Housing Finance Agency Law (35 P.S. § 1680.101 et seq., as amended, hereinafter referred to as "Act"), having its principal office at 211 North Front Street, City of Harrisburg, County of Dauphin, Commonwealth of Pennsylvania.

WHEREAS, Borrower is indebted to PHFA in the principal amount of _____ (\$ _____) Dollars, which indebtedness is evidenced by a Subordinate Mortgage Note dated this date, providing for the payment of principal and interest when required pursuant to its terms.

This Mortgage is given by the Borrower to PHFA to secure any and all sums loaned by PHFA to the Borrower pursuant to _____ the _____ Agency's _____ Program. The sums secured by this Mortgage are evidenced by a Subordinate Mortgage Note (hereinafter "Note") between the parties and includes sums advanced by PHFA to the Borrower or on behalf of the Borrower in connection with closing costs, fees and expenses associated with the purchase of the real property described below.

To secure the repayment of such sums, Borrower does hereby mortgage, grant and convey to PHFA the following described real property, located in the County of _____, Commonwealth of Pennsylvania, which real property has the address of _____, and is described as follows:

See Appendix "A" attached hereto and incorporated herein.

TOGETHER with all the improvements now or hereafter erected in the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and water stock, and all fixtures now or hereafter attached to the property, all of which including replacements and additions

thereto, shall be deemed to be and remain a part of the property covered by this Mortgage (herein the "Property").

BORROWER COVENANTS AND AGREES AS FOLLOWS:

1. **BORROWER'S COVENANT.** Borrower covenants and warrants that Borrower lawfully owns the Property hereby conveyed and has the right to mortgage, grant and convey the Property to PHFA.

2. **REPAYMENT.** Borrower shall repay the sums advanced in connection with this Subordinate Mortgage in accordance with the terms contained in the Note of even date, which is incorporated herein in its entirety. In the event there is more than one Borrower, the obligation of each shall be joint and several.

3. **INTEREST.** Interest shall not accrue on the sums advanced pursuant to this mortgage.

4. **PREPAYMENT PERMITTED.** The Borrower may repay the sums loaned pursuant to this Mortgage, in whole or in part, at any time without penalty.

5. **PRIMARY RESIDENCE.** At all times this loan is outstanding Borrower must occupy the property as a primary residence. This requirement shall automatically terminate following a transfer pursuant to a foreclosure sale to the first mortgagee, a deed-in lieu of foreclosure to the first mortgagee or an assignment of the first mortgage to the Secretary of the Department of Housing and Urban Development.

6. **DEFAULT.** If Borrower fails to make timely payments of principal and interest, or discontinues use of the property as a primary residence, as required by this Mortgage or the Note, or if Borrower violates any other term of this Mortgage or the Note or any other loan document, PHFA may declare this Mortgage to be in default, and PHFA may accelerate all outstanding indebtedness, by declaring all sums remaining due under this Mortgage to be immediately due and payable in their entirety. In such event, PHFA may institute an action of mortgage foreclosure against Borrower, or such other form of civil action as is determined appropriate by PHFA. If it is necessary for PHFA to institute such legal action, Borrower agrees that Borrower will pay all costs and reasonable attorney's fees actually incurred by PHFA.

7. **PRESERVATION AND MAINTENANCE OF PROPERTY.** Borrower shall maintain the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property.

8. **INSPECTION.** PHFA may make or cause to be made reasonable entries upon and inspection of the Property, provided that PHFA shall give Borrower notice prior to any such inspection specifying reasonable cause therefor related to PHFA's interest in the Property.

9. **TAXES AND INSURANCE.** Borrower agrees that all real estate taxes, water and sewage charges, and other charges that are levied against the Property will be paid in a timely manner. Borrower further agrees that he/she will maintain adequate liability and hazard insurance to protect the Property against risk of loss, and that PHFA will be named as a Mortgagee on any such policy.

In the event that Borrower fails to maintain adequate liability and hazard insurance, PHFA may obtain such coverage and add its cost to the amount owed to PHFA by Borrower.

10. **CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to PHFA in an amount sufficient to satisfy any outstanding indebtedness owed to PHFA.

11. **REMEDIES CUMULATIVE.** All remedies provided in this Mortgage are distinct and cumulative to any other right or remedy under this Mortgage, the Note or the other loan documents, or afforded by law or in equity, and may be exercised concurrently, independently or successively.

12. **FORBEARANCE BY PHFA NOT A WAIVER.** Any forbearance by PHFA in exercising any right or remedy hereunder, or otherwise afforded by applicable law shall not be a waiver or preclude the exercise of any such right or remedy at any time.

13. **GOVERNING LAW: SEVERABILITY.** This Mortgage shall be governed by the laws of the Commonwealth of Pennsylvania. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note

which can be given effect without the conflicting provision, and to this end, the provisions of the Mortgage and Note are declared to be severable.

14. **SUCCESSORS AND ASSIGNS BOUND.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors, administrators, executors and/or assigns of PHFA and Borrower.

15. **NOTICE.** Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Mortgage shall be given by mailing such notice by first class or registered or certified mail addressed to Borrower at the Property address or at such other address as Borrower may designate by notice to PHFA as provided herein, and (b) any notice to PHFA shall be given by first class or registered or certified mail, return receipt requested, to PHFA's address stated herein or to such other address as PHFA may designate by notice to Borrower as provided herein. Any notice provided for in this Mortgage shall be deemed to have been given to Borrower or PHFA when given in the manner designated herein.

16. **RIGHT OF FIRST REFUSAL (HOMESTEAD LOANS ONLY).** If this is a HOMESTEAD Loan, the Agency shall have a right of first refusal to purchase the property before foreclosure pursuant to 24 C.F.R. § 92.254.

IN WITNESS WHEREOF, and intending to be legally bound hereby, Borrower has executed this Mortgage on the day and year first above written.

WITNESS:

Borrower

Borrower

Commonwealth of Pennsylvania

County of _____

This record was acknowledged before me on _____, 20____, by _____, who

represents he/she executed the record for the purposes stated in the record.

Signature of Notarial Officer

I hereby certify that principal place of business and complete address of PHFA (Mortgagee) is Pennsylvania Housing Finance Agency, 211 North Front Street, Harrisburg, PA 17101.

AFTER RECORDATION, THIS MORTGAGE IS TO BE MAILED TO:
(Participating Lender's name and address)

By:

Closing Agent for Mortgagee

Mortgage Loan Officer's Name:

NMLS Number:

Lender:

NMLS Number:

Pennsylvania Housing Finance Agency

Homeownership Programs Division

P.O. Box 8029, Harrisburg, PA 17105-8029

Phone (717) 780-3871

FAX (717) 780-3872

ESCROW AGREEMENT FOR IMPROVEMENTS

PHFA LOAN # _____

Property Address _____

CONTACT INFORMATION:

Lender Name: _____

Address _____

Contact Name _____

Contact Phone _____ Email _____

Borrower(s) Name(s): _____

Phone _____ Email _____

Seller(s) (applicable if a Party to this Agreement): _____

Address (after closing) _____

Phone _____ Email _____

Appraiser/Inspector: _____

Company _____

Address _____

Phone # _____ Tax ID # _____ Email _____

Contractor Name _____

Company _____ License # _____

Address _____

Phone # _____ Tax ID # _____ Email _____

(List additional contractor on separate page if needed, no more than 2 contractors are permitted)

This Escrow Agreement is made as of this _____ day of _____, 20__ by and between the borrower(s) named above and the Escrow Administrator, who is either PHFA OR Lender listed above.

Please Note: on Purchase Improvement Loans PHFA must be the escrow Administrator.

Whereas, Borrower is financing a loan secured by certain real property which needs improvements; and

Whereas for weather-related items, PHFA requires funds equal to one and one-half times the estimated costs to complete said improvements to be deposited into an escrow account; and for Purchase Improvement or Access Modification Program items, PHFA requires only the actual dollar amount of the improvements to be held in escrow;

Now, therefore, in consideration of the covenants and conditions contained herein and for other good and valuable consideration, the parties agree as follows:

1. The sum of \$_____ (“Deposited Funds”) has been deposited into an escrow account and is to be used for estimated inspection cost, and the cost of completing the following improvements to the Property:

	ITEM (List additional items on separate page.)	**COST	AMOUNT ESCROWED
1		\$	\$
2			
3			
4			
5			
6			
	Sub Total		
	Estimated inspection fee(s) - max of 2 (normal & customary amount to be charged)		
	Grand Total		

** Use 1 ½ times the estimated cost for minor weather-related items only that are not part of a purchase & improvement loan.

2. The parties acknowledge that for the period of time the deposited funds are held, no party shall be entitled to any interest on the deposited funds. PHFA/Lender shall have no liability to borrower for disputes arising from disbursements of the deposited funds.
3. This Escrow Agreement may not be amended or changed except by an agreement in writing signed by Borrower and the Escrow Administrator.

4. Borrower’s responsibilities:

- Borrower agrees to have the said improvements completed on or before _____ (the “Completion Date”), and in accordance with the contract(s) previously approved by Lender and PHFA. A contractor who holds all required licenses and registration shall complete all such Improvements.
- Borrower agrees to provide access to the property in order to complete the improvements and for the inspections.
- Borrower agrees to be responsible for funding any cost overruns, unforeseen expenses, work not approved by the Lender and/or PHFA, and the cost of any work that exceeds the “as approved”

appraised value. If additional funds are required in order to complete the improvements, borrower agrees to deposit them within ten business days of the request.

- Borrower agrees to provide PHFA will all receipts and documentation for the work that was completed.
- Upon completion of the Improvements, Borrower shall forward to the escrow holder a fully completed and signed PHFA Form 49 (Acknowledgment of Completion of Repairs/Improvements). Borrower agrees that PHFA/Lender shall be entitled to rely on the report of the inspector as conclusive proof that the improvements have been satisfactorily completed.
- Borrower and Seller agree to cooperate fully (if Seller is a party to this Agreement).

5. Escrow Administrator responsibilities:

- The Escrow Administrator shall employ an independent appraiser or inspector to determine whether the Improvements have been satisfactorily completed. All fees for the Inspections shall be paid out of the Deposited Funds. If the Inspector determines that the Improvements have been satisfactorily completed, the funds will be promptly disbursed to pay all invoices that have been presented for the Improvements. If there are funds remaining, that portion, if any, shall be reimbursed to the BUYER OR SELLER depending upon who deposited the funds. If the seller or another party is to receive the refund please list the name, address and phone number below. However, if this is a Purchase Improvement Loan or an Access Modification Loan, any remaining funds, must be applied to the principal balance of the loan.

(Name) _____

(Address) _____

(Phone #) _____

- If the Inspector determines that the Improvements have not been satisfactorily completed, the funds will not be disbursed. With written consent from PHFA the Borrower may be granted additional time to have the Improvements properly completed. Thereafter, the Escrow Administrator shall have the Inspector re-inspect the property. If the Improvements have not been completed by the completion date or within the permitted additional period, the Escrow Administrator shall have the right to cause the improvements to be made, and to pay for the completion of said improvements out of the deposited funds. The Escrow Administrator also reserves the right to apply the money to the principal loan balance or continue to hold it in escrow if the repairs are not completed.

Please sign below to indicate your understanding and acceptance of the terms of this Escrow Agreement.

Borrower (sign and date)

Borrower (sign and date)

Seller (sign and date)

Seller (sign and date)

Lender (sign and date)