

GENERAL ANNOUNCEMENTS

PHFA is actively monitoring the spread of COVID-19 across the Commonwealth and is committed to maintaining service to our lending partners. PHFA staff continues to work remotely from home in an effort to help limit the spread of and exposure to the virus while serving our lending partners and customers. The purpose of this update is to provide guidance to our partners as your staff continues to originate, underwrite and close PHFA loans.

1. **Lock Rate.** A new construction lock rate of 180 days under the Keystone Home Loan program for all loan types (Conventional, FHA, RD and VA) will soon be available. Stay tuned for effective date.
2. **Lender Recertification Reminder.** The 2020 annual Participating Lender Recertification is due April 30. The [recertification checklist](#) must be submitted via VirPack. Please refer to [Appendix E](#) for uploading instructions.

LOAN ORIGINATIONS & UNDERWRITING

Effective immediately:

1. **Verification of Employment.** For the HFA PreferredTM Program and Keystone Home Loan – Conventional, PHFA will implement the recent guidance from Fannie Mae's [Lender Letter \(LL-2020-03\)](#) announcement regarding verbal verification of employment. The age of documentation requirements from the updated Lender Letter ([LL-2020-03](#)) dated March 31, 2020 must be met for HFA PreferredTM and Keystone Home Loan Conventional programs.

For government loans (FHA, VA & RD financing) under the Keystone Home Loan and Keystone Government (K-Gov) Loan programs, PHFA will temporarily implement the recent guidance from FHA [Mortgagee Letter \(ML\) 2020-05](#) announcement regarding VOE protocols. For VA loans, please follow [VA's guidance](#) recently released and for Rural Development (RD) Loans, [RD's requirements](#) should be followed.

2. **Appraisals.** The temporary appraisal requirement flexibilities announced in the [Lender Letter \(LL-2020-04\)](#) may also be implemented for the HFA PreferredTM Program.

For the Keystone Home Loan and Keystone Government (K-Gov) Loan programs, PHFA will accept the following appraisal types listed in the preference order below for loan applications dated on or before May 17, 2020:

- **Full Appraisals (Form 1004):** Traditional appraisal. This form of appraisal must be used for vacant properties; exterior appraisals are not acceptable for vacant properties.

- **Exterior-Only Appraisals (Form 2055)** must include multiple listing service (MLS) from the listing agent with all interior photos of the subject property. Lenders must provide a hold harmless letter signed by all borrowers releasing PHFA from all risks, liability and defects of the subject property. Lenders must also provide PHFA with the seller's property disclosure statement. This document must be included in the Pre-Closing package to be reviewed.

Desktop appraisals are not permitted at this time.

For the HOMEstead program, full appraisals must be provided.

3. **Tax Transcripts:** PHFA will temporarily fund eligible mortgages without two years of tax transcripts from the IRS, as long as the file contains the two most recent years of completed tax returns signed by the borrower (or three years if using the MCC Program). The returns should be included with the pre-closing package submitted to PHFA and a post-purchase condition will be placed on the file for the transcripts as soon as they are available. If the returns are missing, the loan will be approved with a condition to provide the returns and the transcripts. The returns must be included with the purchase package in order to be eligible for funding, and a post-purchase condition will remain on the file for the transcripts. The lender must therefore still obtain a 4506(T) at closing. This policy is in effect immediately and will remain in place until further notice.

We anticipate keeping this policy in place for some time after the IRS processing center is up and running, as we anticipate the IRS will be backlogged. All other policies remain in place; this change is only pertaining to the procedure for obtaining federal tax transcripts from the IRS.

Transcripts required for self-employed borrowers would still need to be provided with the Pre-Closing package.

CLOSING & POST CLOSING

1. **E-signatures.** Electronic signatures (e-sign) and electronic notarization of mortgage closing documents are permissible for the following products: HFA PreferredTM and the Keystone Home Loan- Conventional loan programs. Please note: the lender must follow the respective government agency's guidance and all applicable state and federal laws, including the E-SIGN Act and Uniform Electronic Transaction Act (UETA). Lenders must provide PHFA with sufficient documentation that all applicable consumer disclosures have been delivered. Failure to properly document all requisite disclosures shall entitle PHFA to exercise its rights to recourse under the MOSA for loan defects.

Electronic signatures are **not** acceptable under the Keystone Home Loan –government financing (FHA, VA & RD loans); Keystone Government (K-Gov) Loan or the FHA Streamline and VA Streamline refinance programs. Closing documents for these programs must be signed with "wet ink". These programs are or could be funded by Ginnie Mae and in prior notices they have indicated electronic signatures are not permitted.

2. **Final Documents.** During this period of limited building access, please email final documents to sffinaldocs@phfa.org. The original documents should be mailed to PHFA.
3. **Title Insurance Policies.** As a reminder, for Title Insurance Policies, PHFA accepts submission of the following alternatives in lieu of the original Title Insurance Policy in the purchase package:
 - An emailed copy of the title policy is acceptable **ONLY** with a copy of the email from the title agent to the lender. The email and the title policy must be included in the final document portion of the purchase package.
 - A certified copy or computer generated title policy is acceptable as long as it includes a signed certification by the title agent. It must be clear that the title agent certified it by including the company's name.

Please note: we will not purchase loans with Title Commitments, Pro Forma Policies or copies of title policies without the above mentioned criteria added to the policy.

4. **Wood Destroying Insect Certifications.** The lender is to provide a copy of a clear wood-destroying insect certification dated within four months of closing in the Purchase Submission. During the COVID-19 closure, lenders that are not able to provide insect certifications, proof of treatment, or damage assessment to the certifications are allowed to escrow for these items to be completed. The amount escrowed is one and one half times the cost of the items to be completed. A copy of the escrow agreement must be included in the purchase package. If the escrow agreement indicates that PHFA is holding the funds, PHFA will withhold these funds at the time of purchase

An escrow agreement is **NOT** required if the LTV ratio is 80 percent or below and the cost to complete the items is three percent (3%) or less of the total acquisition cost or the appraised value, whichever is less. Or the LTV ratio is above 80 percent and the cost to complete the items is one percent (1%) or less of the total acquisition cost or the appraised value, whichever is less.

PHFA will purchase these loans with intent that they will be provided post-purchase. The lender is still required to follow-up with the borrower to ensure completion.

5. **Water-Potability Test.** The lender is to provide a copy of a clear potability test dated within four months of closing in the Purchase Submission. During the COVID-19 closure, lenders that are not able to provide clear water tests are allowed to escrow for the test to be completed. Please note: this test is required for private water systems such as wells. The same escrow process mentioned above should be followed.
6. **Final Inspection Report (Form 1004D).** Required for any repairs that are unable to be completed prior to closing due to the COVID-19 closure. Lenders must follow the escrows for incomplete weather-related items guidance provided on page 85 of the Seller's Guide during this time.

Please [contact us](#) with any questions.