

## UPDATED FORMS

[Note/Mortgage Modification Agreement, Form 40](#); [Form 5](#); [Appendix I](#)

## GENERAL INFORMATION

- 1. Federal Government Shutdown.** As the Federal Government Shutdown continues lending partners are reminded to provide the two most recent years of completed tax returns signed by the borrower in the PreClosing submission. If missing those signed tax returns must be included in the Purchase Package submission in order to be eligible for funding, and a post-purchase condition will remain on the file for the transcripts as soon as they are available. Lenders must still obtain a 4506(T) at closing. Transcripts required for self-employed borrowers would still need to be provided with PreClosing package. Also, any files specifically requiring verification/validation of social security numbers from the Social Security Administration would need to be put on hold. In addition to those files for borrowers employed by the federal government and in need of a verbal VOE 10 days prior to closing will need to wait as well.
- 2. Rural Development Loans.** As the Federal Government Shutdown continues, Rural Development Offices remain closed. During this time, Rural Development loans will be placed on hold until the offices reopen and normal operations resume.

## LOAN ORIGATION & UNDERWRITING

- 1. Limited Cash-Out Refinance Transactions.** For conventional limited cash-out refinance transactions, the amount of cash back the borrower may receive has been increased to the greater of 1% of the unpaid balance of the new mortgage or \$2,000. This applies to the HFA Preferred and Conventional KFLEX Refinance programs.
- 2. Supplemental Counseling Information Form (Form 1103).** Effective immediately, we will require this form for all Conventional loans (KHL Conventional, KFLEX Conventional and HFA Preferred) only, with or without homebuyer education. Please note if homebuyer education is not required to be completed for the transaction, the 'Homebuyer Education and Housing Counseling' section of the form must be completed appropriately. For the 'Language Preference' section, the borrower is not required to select any of the language options and may leave this section blank. This form may be included in the Pre-Closing submission package. If omitted, this document will be required with the purchase package submission to be eligible for loan purchase.
- 3. K-FIT Assistance Loans.** As a reminder, borrowers with a K-FIT assistance loan seeking to refinance will be required to payoff the unforgiven portion of the K-FIT loan. This forgivable loan cannot be resubordinated when refinancing.
- 4. Affordable Housing Assistance Program Checklist, Form 5.** [Form 5](#) has been updated to request additional documentation for non-PHFA administered affordable housing assistance programs used in conjunction with a PHFA first mortgage. This update will allow us to review program requirements and determine eligibility for use with PHFA financing. Please pay special attention to question #2 on the form. If the answer is no, all program documentation must be included with your PreClosing submission package for review.

5. **Dampness or Standing water.** [Appendix I – Appraisal Review Sheet](#) was updated to the following for all loans types: if the appraisal indicates evidence of dampness or standing water, a professional prepared report, based on an inspection of the property, that the condition does not post any threat of structural damage to the improvements or evidence that the condition was corrected, is required.

## CLOSING & POST CLOSING

1. **Minimum Contribution.** We continue to receive a high number of loans where the borrower's minimum contribution is not being maintained in the transaction. Please remember for FHA or Conventional loans with an LTV greater than 80%, the borrower must contribute the lesser of \$1,000 or 1% of the loan amount from their own funds. Gift funds and assistance program funds cannot be counted towards the borrower's minimum contribution. The Closing Disclosure will be reviewed to ensure the required minimum contribution from the borrower remains in the transaction. If there is an excess of funds, amounts from other sources must be reduced accordingly.

2. **Borrower Payments.** All loans are service released as of the date of closing and all borrower payments are to be made directly to PHFA. Please ensure that your organization does not board PHFA loans onto your servicing system, generate monthly mortgage statements and/or collect payments on any PHFA loan. This requirement applies even if the loan has not yet been purchased by PHFA. We have recently experienced an increased number of borrower inquiries related to payments sent to originating lenders. When this occurs, PHFA must coordinate with the lender to retrieve the misdirected funds which can delay proper posting of the borrower's payment. Your attention to this matter helps ensure a smoother experience for borrowers and accurate servicing from the start.

3. **Servicing Files.** We have observed an increased volume of purchase packages where the Servicing section includes duplicate documents that were already provided during the loan setup document review. Please ensure that duplicates of previously submitted documents are not included in the Servicing portion of the package. Please refer to [Purchase Submission Checklist Form 58 page 4](#) for the required Servicing Release Documents.

4. **Subordinate Loans.** Recent reviews have identified an increase in loans utilizing incorrect subordinate notes and subordinate mortgages. Please review your Pre-Closing Eligibility Notification prior to loan closing to confirm that the appropriate documents are being used for the approved downpayment and closing cost programs.

5. **Final Documents.** At the beginning of the year, we announced that all Final Documents will need to be submitted together with [Form 31](#) in order to be reviewed. The VirPack portal will open once the loan has been purchased. Please ensure that you are reviewing this form and submitting all applicable documents within VirPack at the **same time**. All recorded documents must be submitted with your Final Document submission, not with the Purchasing Package submission. Failure to provide these Final Documents in a timely manner will result in a reduced final SRP.

6. **Corrective Documents.** Final documents require a separate acknowledgement page signed by the borrower and notarized by a notarial officer for corrective or re-recorded mortgages. The corrective document must list the reason for the correction and reference the initial mortgage recording information.

7. **Scrivener's Affidavits.** Scrivener's Affidavits cannot be used to correct errors on documents pertaining to notary errors or errors within the notary section. The Affidavit can be used for simple grammatical errors but must be approved by PHFA before completion of the document.

8. **Modification Agreement.** The [Mortgage Modification Agreement, Form 40](#) has been updated to include the cost of the processing fee for recording the document electronically with the appropriate county. The Modification Agreement has been updated to include a space under the signature lines for the borrower(s) name(s) on page 3 to be typed in.

9. **Property Taxes:** Many counties are experiencing property reassessments after the home is purchased and some may receive interim tax bills during that time. PHFA is not responsible to pay those interim tax bills, borrowers should pay any interim tax bills received. The property taxes may increase after the reassessment occurs and will be reflected in the upcoming tax cycle which may increase their monthly mortgage payment.

10. **Unpaid taxes reflected as paid by Seller:** We've recently encountered instances where the Closing Disclosure (CD) indicates the unpaid taxes were paid by the Seller, however, it was later determined that these taxes were not actually paid. To help prevent delays or tax payment issues, please provide a receipt or other proof of payment for any past-due that are paid at or prior to settlement, if available.

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