

Chapter 10

KEYSTONE ASSISTANCE LOAN PROGRAM

All Keystone Assistance loans, must be underwritten to current PHFA requirements, must meet current Federal National Mortgage Association (FNMA) requirements and must meet Federal Tax Law Eligibility. In this chapter additional eligibility requirements of the Assistance Programs are outlined.

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| 1001 | Availability of Funds | This Program offers year-round availability on a first come, first serve basis. Since Assistance is granted in conjunction with a first mortgage from one of our programs, a Reservation of Funds Request form is required to lock the first mortgage. |
| 1002 | Eligibility Requirements | Borrowers must meet the eligibility requirements of the Keystone Home Loan or Keystone Home Loan PLUS program as well as the criteria listed herein. |
| 1002.1 | First-Time Homeowner | Only first-time homeowners will be considered. A first-time homeowner is defined as someone who has not had a present ownership interest in his principal residence within the last three (3) years. |
| 1002.2 | Asset Limitations | Borrowers receiving Assistance may not have liquid assets in excess of \$5,000 after closing. Liquid assets are defined as assets that can be readily converted to cash and include such assets as checking and savings accounts, certificates of deposit, money market accounts, stocks, bonds and profit sharing accounts (if the funds can be withdrawn without penalty). Liquid assets are to include assets from all adult members intending to occupy the property. |
| 1002.3 | No Other Real Estate/
Business Interests | In addition, all adult occupants may not have a present ownership interest in any other real estate, except for a business property if the business is his/her primary source of income. |
| 1003 | Acknowledgment of
Asset Limitations | All borrowers will be required to execute the Mortgagor's Affidavit setting forth that they fully understand the asset limitations for eligibility under this Program and furthermore, that all the information to be provided during the application process will be true and correct to the best of their knowledge. This form <u>must</u> be executed by all Borrowers <u>BEFORE</u> the Participant begins taking the application. |
| 1004 | Income Limits | The Income Limits of the first mortgage program shall apply. |
| 1005 | Maximum Purchase Prices | The Purchase Price limits for the first mortgage program shall apply. |

- 1006 Maximum Assistance The amount of assistance disbursed shall be determined by need, as calculated on the Needs Assessment Form. Assistance is limited to a maximum of 3,000 if applying under the Keystone Home Loan PLUS program and \$1500 if applying under the Keystone Home Loan program.
- 1007 Limitations of Assistance For Conventional and VA-guaranteed loans, all Closing Costs and prepaid items shall be included in the calculation of assistance, except the VA Funding Fee which can be financed in the mortgage on a VA-guaranteed loan. For FHA-insured loans, assistance shall be limited to the items not eligible for financing under FHA guidelines.
- Note:** Assistance will be limited to those loans that require maximum mortgage financing.
- 1008 Needs Assessment Procedures Participating lenders are to determine the amount of assistance a borrower needs by completing a Needs Assessment Form (Form 56). Directions to complete the form can be found on its second page.
- In order for the Agency to consider Assistance, the Needs Assessment Form #56 must be included in the credit/pre-compliance package when submitted to the Agency for underwriting. You the lender must:
- a) Complete all information at the top of the form.
 - b) Complete all appropriate items under the “Asset Verification” and “Cash required for Transaction” sections.
 - c) Complete the “Total Amount of Assistance Granted” section.
 - d) A PHFA representative will complete a review of the request. If denied the lender will be notified immediately. At closing, the lender is to disburse only the actual amount of assistance needed, rounded off to the nearest dollar, up to the amount initially approved by PHFA. Cash back to the borrower is limited to \$100 in excess of reimbursement for POC items. Any additional funds must be reimbursed to the lender, and the PHFA Keystone Assistance Loan must be reduced accordingly (or the first mortgage when there is no PHFA second).
 - e) At the time of purchase, the Agency will reimburse the lender for the actual amount of funds needed by the borrower for Assistance.
- The Lender is to forward to the Agency the following subordinate mortgage documents in the purchase package:

- 1) Original Subordinate Mortgage Note/Truth-in-Lending disclosure (Form 54).
- 2) Certified copy of the Subordinate Mortgage (Form 55) with evidence it was sent for recording.
- 3) The HUD-1 settlement sheet that discloses the actual amount of closing cost assistance used by the borrower.

The Lender is to forward the original recorded mortgage document (Form 55) to the Agency within sixty days from the date of purchase. The mortgage is to be attached to a properly completed Form 30 and submitted to the Agency at the address referenced on Appendix K.

1009 Security Instruments

A subordinate mortgage note/truth-in-lending disclosure (Form 54) and subordinate mortgage instrument (Form 55) payable to the Pennsylvania Housing Finance Agency shall be executed for each Mortgage Loan for the amount of the actual Assistance, rounded off to the nearest dollar, (original amount of the check from PHFA minus the amount of the check from the Lender refunding any excess assistance).

The "Annual Percentage Rate" in the subordinate mortgage truth-in-lending disclosure statement at the top of Form 54, shall be at zero percent (0%) interest with no finance charge. The "amount financed" and the "total of payments" will be the amount rounded off to the nearest dollar that was issued to the borrower for Assistance.

The subordinate mortgage instrument shall be recorded directly behind the first mortgage instrument as a second lien. No assignment of the subordinate mortgage is required.

No "Right of Rescission" notice is required as the right to rescind does not apply to State Agency Mortgage Loans per Section 226.23(f) (3) of Regulation Z

1010 Repayment of Assistance

Assistance will be made available in the form of a zero interest (0%) unamortized subordinate mortgage. However, this will be due upon sale, payoff of first mortgage, refinance or transfer of the property except for transfers by inheritance or the transfer between husband and wife to wife or husband.

1011 Homebuyer Education

All Borrower(s) with credit scores below 660 applying under the Keystone Home Loan PLUS Program with Assistance must provide a "Certificate of Completion" issued by one of PHFA's approved credit counseling agencies in the Purchase Submission.

Note: For loans on two (2) unit properties (duplex's), the borrowers must complete page 14 of the PHFA "Two Unit Information Guide".