

CHAPTER 4 - DOWNPAYMENT & CLOSING COST ASSISTANCE PROGRAMS

KEYSTONE ADVANTAGE ASSISTANCE LOAN PROGRAM

General Program Description

The Advantage assistance loan is available to buyers eligible for a PHFA government-insured first mortgage (FHA, RD, VA) under either the Keystone Home Loan or Keystone Government Loan programs. Through Advantage, qualified homebuyers are able to borrow a portion of the funds needed to cover their downpayment requirement and/or closing costs associated with the purchase of their home.

Note regarding conventional financing: The Advantage assistance loan is not currently available in conjunction with conventional first mortgage financing since those buyers must have 20% down, effective January 1, 2012 with the elimination of PHIF (Pennsylvania Housing Insurance Fund). PHFA is planning to roll out a new 97% conventional product in the spring of 2012 that will also allow for the use of the Advantage assistance loan.

Loan Terms and Usage

The maximum amount of assistance to eligible homebuyers will be the lesser of two percent of the purchase price or \$4,000. The minimum loan amount is \$500. The funds must be used to help cover the borrower's downpayment requirement and/or closing costs.

The Advantage loan carries the same fixed interest rate as the first mortgage but a term of 10 years. There is no prepayment penalty for paying off the Advantage loan early.

Borrowers must require maximum PHFA financing. Any Advantage funds exceeding the borrower's minimum downpayment requirement may be used to cover closing costs. Advantage funds may not be used to fund down money in excess of the minimum required depending on the loan type. PHFA guidelines as detailed in this Sellers' Guide, as well as all applicable FHA, VA, or RD guidelines apply, including loan to value and downpayment requirements.

The Advantage program may not be combined with any other PHFA assistance programs, with the exception of the Access Modification Loan Program.

Eligibility Requirements

Buyers must meet the requirements of the applicable PHFA first mortgage program, as well as the criteria below. Being a first time homebuyer is only required if it is applicable to the first mortgage program.

Liquid Asset Limitation

Household liquid assets may not be greater than \$5,000 after deducting the funds needed to close on the loan. This includes cash and funds in checking and savings accounts, stocks, bonds, certificates of deposit and similar liquid accounts. Funds from retirement accounts, such as 401(k)'s, IRAs, and

pension funds, will only be considered if they can be withdrawn without a penalty due to the borrower meeting the age requirement and/or being retired.

Participating lenders are to determine the amount of assistance a borrower needs by completing a Needs Assessment Form (Form 56ADV) and submitting it to PHFA with the compliance/underwriting package. Directions to complete the form can be found on the second page of the form.

Downpayment Requirement

All conventional borrowers with a middle credit score at or above 660 must contribute a minimum downpayment of \$1,000 from their own funds towards the purchase of their home. Conventional borrowers with middle credit scores below 660 must contribute at least 3% of their own funds. Government insured/guaranteed loans follow the downpayment requirement of the respective federal agency.

Lender Instructions and Procedures

The lender is responsible for determining the borrower's eligibility for the program. The lender must ensure that the borrower meets the program requirements and that the borrower is not currently in default on any other PHFA loan. The lender must also ensure that the borrower is not currently in default on any other federal loan. The lender must also ensure that the borrower is not currently in default on any other state loan. The lender must also ensure that the borrower is not currently in default on any other local loan. The lender must also ensure that the borrower is not currently in default on any other private loan. The lender must also ensure that the borrower is not currently in default on any other debt. The lender must also ensure that the borrower is not currently in default on any other obligation. The lender must also ensure that the borrower is not currently in default on any other liability. The lender must also ensure that the borrower is not currently in default on any other responsibility. The lender must also ensure that the borrower is not currently in default on any other duty. The lender must also ensure that the borrower is not currently in default on any other obligation. The lender must also ensure that the borrower is not currently in default on any other liability. The lender must also ensure that the borrower is not currently in default on any other responsibility. The lender must also ensure that the borrower is not currently in default on any other duty.

**Keystone Advantage Loan Program – Needs Assessment Form
Keystone Government Loan**

Date: _____ LTV: _____

Borrower: _____ SS#: _____

Co-Borrower: _____ SS#: _____

Purchase Price: _____

ASSET VERIFICATION

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

Total Borrower Assets (excluding gifts, grants, retirement accounts)	1.	\$	_____
Asset Allowance	(-)	2.	\$ 5,000.00
Additional Assets Available (Enter -0- if negative)	(=)	3.	\$ _____

CASH REQUIRED FOR TRANSACTION

Total Funds Needed from Borrower for Closing (Total amount required from line "P" on Page 3 of the Mortgage Application under Details of Transaction section including Advantage Assistance Loan.) (1) \$ _____

Gifts, Grants and/or other, not included in Details of Transaction (-) (2) \$ _____

Additional Assets Available (from Line 3 above) (-) (3) \$ _____

Total Amount of Assistance Needed: (=) (4) \$ _____
(If negative, borrower not eligible for CCA from PHFA)

Total Amount of Assistance Loan: (5) \$ _____
May not be less than \$500; or exceed the 2% of the purchase price or \$4,000, whichever is less.

*** PLEASE NOTE:** No Assistance will be granted on less than maximum financed loans. Any additional dollars the borrower has must go towards closing costs before additional downpayment. For FHA, RD and VA loans; PHFA assistance may be considered part of the borrower's investment. Note: Funds from a matching assistance program such as the FHLB's First Front Door program or the Family Saving Accounts can be considered as borrowers own funds.

If PHFA's assistance does not cover the total amount needed, borrower(s) are required to document additional sources of funds needed to cover the difference. 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 Advantage Loan must be reduced accordingly. The HUD1 Settlement Sheet will be used to verify the actual amount of assistance disbursed at loan closing in order to determine the amount of reimbursement due to the lender at the time of purchase.

Instructions for Completing the Needs Assessment Form

ASSET VERIFICATION

1. Enter the Borrower(s) liquid assets including:
 - Funds in Borrower(s) (and any additional household members) bank accounts. Include any Earnest or Hand Money deposits that have not cleared the Borrower's accounts. (Do not include any gifts in this section or the assets of a non-occupying co-borrower).
 - CD's regardless of maturity dates.
 - Profit Sharing if funds can be withdrawn without a penalty.
 - Prepayment of the Participation Fee, Qualifying Fee, and any other closing costs (POC's) not deducted in Line "P" of the Details of Transaction section on page 3 of the Mortgage Application.
2. Deduct the \$5,000 Asset Allowance.
3. PHFA's Advantage Assistance Loan can be considered as part of the borrower's required investment; therefore, this line may be less than -0-. **In all cases, we will require verification that the borrower(s) have sufficient funds to cover their minimum required investment and closing costs from an acceptable source.**

CASH REQUIRED FOR TRANSACTION

These costs must come from the Good Faith Estimate of Closing Costs issued to the Borrower by the Lender. This estimate is NOT to include any monthly PITI reserves. **Please Note: The VA Funding Fee, the RD Guarantee Fee and the FHA Upfront MIP are NOT eligible closing costs because they can be financed in the Mortgage.**

Eligible closing costs include the following:

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Origination Fee • Application Fee or Credit/Appraisal Fees • Interest for First of the month • First Year Mortgage Insurance Premium | <ul style="list-style-type: none"> • First Year Hazard Insurance Premium • Title Insurance • Administrative Fee • Notary Fees • Recording Fees • Transfer Tax | <ul style="list-style-type: none"> • Survey • Realtor Fees • Tax Escrow • Insurance Escrow • Mortgage Insurance Escrow • Pro-rata Tax Reimbursement |
|---|---|---|
1. Enter the total cash required from Page 3 of the Mortgage Application; Line "P" under the Details of Transaction section. Any costs other than those listed above must be approved by the Agency prior to inclusion.
 2. Subtract any gifts, grants or other assistance the Borrower(s) is/are going to receive that was not included in the Details of Transaction total.
 3. List the Additional Assets Available from Line B above. (Only required when this amount is greater than 0.)
 4. Enter the Total Amount of Assistance needed. If this is a negative number, the borrower(s) will not need any assistance from PHFA.
 5. Enter the actual amount of the Advantage Assistance being requested. The maximum loan is 2% of the purchase price or \$4000 whichever is less, and it cannot be less than \$500.