



Community Development Financing in Rural Pennsylvania

*Hosted by the Federal Reserve Bank of Philadelphia
and Rural LISC*

October 26 and November 14 and 16, 2006

Edward G. Rendell, Governor • Victoria A. Reider, Chairperson • Brian A. Hudson, Sr., Executive Director

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PHFA Overview

- **State instrumentality created by legislation in 1972 to help enhance the quality and supply of affordable homes and apartments for older adults, persons of modest means, and persons with disabilities**
- **Pennsylvania's leading provider of capital for affordable homes and apartments**
- **Three Main Operational Divisions**
 - **Homeownership Programs**
 - **Multi-Family**
 - **HEMAP**



Homeownership Programs

Advantages:

- Lower-than-market rates and fees
- Down payment and closing cost assistance
- 30-year, fixed rate terms
- Conventional, FHA, VA and RD
- Special programs
- Free homebuyer education
- Enhance CRA performance (without the risk!)
- Funds available year-round
- Buyer advocacy is guiding principle
- 25% discount on Title Policy if requested
- Assumable to qualified borrowers
- 8 month lock on new construction (with no extra fee or rate hike!)



Homeownership Programs: Home Purchase Loans

- Keystone Home Loan
 - Higher income and purchase price limits than low-income program
 - Fewest eligibility requirements
 - Can be a previous homeowner if purchasing a home in 1 of 39 Target counties or in a Targeted census tract in 13 additional counties
- Keystone Home Loan PLUS
 - Lower interest rate than KHL Program
 - First-time homeowner
 - Family or disabled household member
 - Liquid assets no greater than \$5,000 after closing
 - Potential for up to \$2,000 in assistance (0% subordinate loan)



Homeownership Programs: Special Home Loan Products

- Purchase Improvement
 - Can include up to \$15,000 in repair costs with first mortgage
 - Must be supported by “as complete” appraised value
- Access Modification
 - Up to \$10,000 for access modifications for a disabled family member
 - 0% subordinate loan with no repayment as long as home is owner-occupied
- HOMEstead
 - Up to \$15,000 to help pay closing costs and downpayment
 - 0% subordinate loan repaid upon payoff or refi of first mortgage, sale or transfer
 - Property must meet HUD’s Housing Quality Standards (HQS)
 - Income limit is 80% of Area Median Income (AMI)
 - Available in non-participating jurisdictions
 - May be combined with additional ADDI funds in certain areas
- Employer Assisted Housing (EAH)
 - Employers who offer a housing benefit can partner with PHFA to receive additional benefits for their employees
 - Lower interest rate, fewer eligibility requirements, more assistance



Homeownership Programs: The Newest Addition!

- Renovate & Repair Program
 - Provide homeowners with household incomes up to 150 percent of the median income with an alternative to home equity loan products.
 - Curb predatory lending practices rampant in the home improvement market.
 - Provide a flexible funding source to help bolster community development efforts. Achieve greater impact and leveraging by combining or using in tandem with other locally-run home repair programs.
 - Create a unique home repair product in Pennsylvania. Current models are lender-based or government-based. This program will combine pieces of both models. Consumers will benefit by receiving attractive loan terms and guidance regarding the repairs to be done (contractor selection, estimates, etc.).
 - R&R loans will be provided to eligible homeowners by PHFA-approved Local Program Administrators (LPA). Eligible LPA's include county housing authorities, housing redevelopment authorities, community action agencies and other non-profit organizations, municipal entities, and lenders.



Homeownership Programs: R&R

- Renovate & Repair Program: summary of guidelines
 - Funds will be provided in the form of below-market, fixed rate, loans up to \$35,000; borrowers may choose term of 10, 15, or 20 years.
 - Loan funds may be used to repair items affecting the home's basic livability, health, safety, and accessibility, or to correct code violations. Funds may also be used to convert a multi-unit property back to a single-family residence, for which it was originally intended.
 - The owner applicant must reside in the home as a principal residence and must also meet certain credit criteria associated with obtaining a loan.
 - The borrower must have a credit score of at least 620 and must not owe any back due property taxes, except for those that have been satisfactorily paid through a repayment plan for at least 12 months.
 - The R&R loan, in combination with all other loans against the property, can not exceed 120 percent of the home's value.



Homeownership Choice Programs (HCP)

- **Homeownership Construction Initiative (HCI)**
 - Targets disinvested urban neighborhoods
 - Requires a sponsoring partnership of a municipal entity, a for profit builder/developer and a non-profit builder developer.
 - Funding must be matched by the sponsoring entity on at least a one to one basis, with 50% of the matching requirement being provided by the municipality.
- **Neighborhood Revitalization Initiative (NRI)**
 - Intended to help reconstruct urban neighborhoods and those residential neighborhoods abutting a core community's urban center.
 - Allows and encourages in-fill housing and the renovation of vacant structures to create for-sale housing in these neighborhoods.
- **Mixed Use Facility Financing Initiative (MUFFI)**
 - To help provide financing (for the housing portion; can be rental or owner-occupied) of mixed use building in an urban neighborhood or core community's commercial corridor.
- ADDI funds are available to PHFA home buyers of HCP properties in certain jurisdictions that did not receive an ADDI allocation. These funds can be used in combination with PHFA's HOMEstead Program. Talk to Bob Bobincheck or Kate Newton for details.



Multifamily Finance Programs

- **Conventional Loan Programs**
 - Construction Loan Program
 - Equity Bridge Loan Program
 - Permanent Financing - Taxable & Tax-Exempt Bonds
- **PennHOMES Loan Program**
 - “Soft Loan” – repaid annually from excess income
 - Used for both construction and permanent financing
- **Low-Income Housing Tax Credit Program**
 - Tax incentive (a dollar for dollar reduction in the tax payer’s federal taxes) to owners of affordable rental housing
 - A developer markets or “syndicates” the credits allocated to the development to investors whose contributions are used as equity in the development’s financing plan.



HEMAP

- Homeowners' Emergency Mortgage Assistance Program
- Act 91 of 1983
- Assistance for homeowners with non-FHA loans facing foreclosure due to no fault of their own.
- Maximum of 24 months from the date of the mortgage delinquency, or to a maximum of \$60,000, whichever comes first.
- Funded by periodic State appropriations and repayment of existing HEMAP loans



Program Contacts

(In order of appearance in presentation)

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