



Presentation for Financial Education Network of Southeastern Pennsylvania

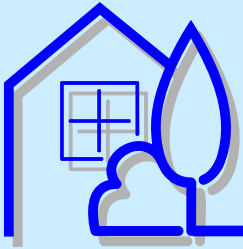
Kate Newton
Director of Homeownership Programs, PHFA

September 19, 2007

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

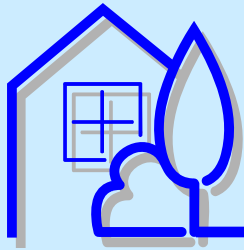
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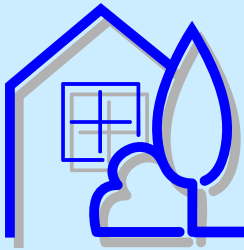
PHFA Overview

- 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
- Provider of capital for affordable homes and apartments
- Three Main Operational Divisions
 - Homeownership
 - Previously, for home purchases only
 - Repair program rolled out last summer
 - Now doing refi's
 - Multi-Family
 - HEMAP
- Homeownership preservation sometimes involves blending of homeownership and HEMAP resources



Homeowners Emergency Mortgage Assistance Program (HEMAP)

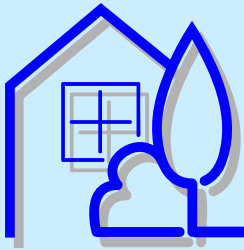
- ❖ Pennsylvania Foreclosure Prevention Act 91 of 1983
- ❖ Objective: to protect Pennsylvanians who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure
- ❖ No fault of their own = Medical issues, Disability, Job loss, Death of spouse, etc.
- ❖ Must have reasonable prospect of resuming mortgage payments
- ❖ Relief = loan to bring mortgage current and make partial payments for up to 24 months or \$60k max.
- ❖ Repayment based on affordability; \$25 min.



REfinance to an Affordable Loan Program (REAL)

- ❖ Objective: to help homeowners trapped in an “exotic” mortgage *before* they sink!
- ❖ “Exotic” = predatory terms, adjustable rate, interest-only, option ARM, stated income/assets, etc.
- ❖ Trapped = Can’t afford current payments and can’t refi because . . .
 - Lack of equity
 - Credit issues; mortgage and/or other debt
 - Delinquent property taxes because they weren’t escrowed
 - Inflated appraisal
 - Depreciation/lack of or slowed appreciation
 - Negative amortization
 - Previous HEMAP loan
 - Not a seller’s market anymore!

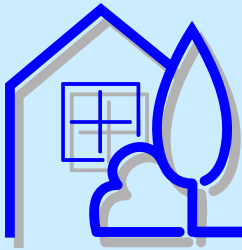




REfinance to an Affordable Loan Program (REAL)

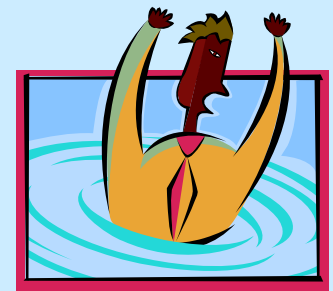
REAL relief =

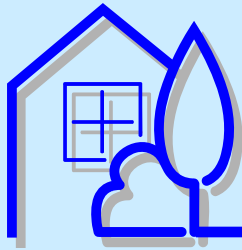
- ❖ 30 year affordable fixed rate
- ❖ No prepayment penalty
- ❖ 100% LTV
- ❖ Flexible credit underwriting terms
- ❖ Free counseling
- ❖ PHFA services
- ❖ Payoff of other subordinate loans, past due property taxes, prepayment penalties, closing costs
- ❖ Network of reputable PHFA lenders



Possible Workout Program

- ❖ Objective: to help homeowners trapped in an “exotic” mortgage after they have already experienced consequences (bankruptcy, pending sheriff's sale, extensive credit issues, etc.)
- ❖ Consequences would have to be due to terms of mortgage, not overall debt mismanagement
 - ❖ Evidenced by credit history
- ❖ Homeowner would have to be able to afford a “fair” mortgage payment amount
 - ❖ May be difficult for some who received “stated income” loans
- ❖ Seeking funding for such a program
 - State appropriation
 - Lender investments
 - Foundation money

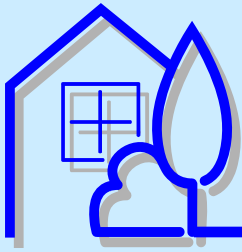




Possible Workout Program

Relief = Same as REAL plus

- ❖ VERY flexible credit underwriting terms
- ❖ Free counseling would be required
- ❖ Fewer fees
- ❖ Negotiation for discounted loan sale to PHFA
 - Also in tandem with other partners (Banking, AG, Legal Aid)
 - Many of these homeowners will have mismatch of loan amount to appraised value due to loan terms, inflated appraisal, arrearages, etc.
- ❖ Option for current HEMAP applicants
- ❖ The more funding we get, the more and better relief we can provide!



Renovate & Repair Program (R&R)

Objective = curb predatory lending by providing an affordable loan and help with the repair process

Also, provide flexible funding that can be used in tandem with other community development efforts

Advantages:

- ❖ Attractive fixed rates
- ❖ No prepayment penalty
- ❖ PHFA services
- ❖ No fees to borrower except credit report
- ❖ Can borrow up to 120% of home's value or \$35k max
- ❖ 10, 15 or 20 year term
- ❖ Repair process managed by Local Program Administrator; help with repair prioritization, obtaining bids, working with contractors, etc.



Contacts and More Info

HEMAP

Daryl Rotz, Director

1-800-342-2397

REAL and Potential Workout Program

Kate Newton

1-800-822-1174

R&R

Roberta Schwalm

1-800-822-1174

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