Presentation for Financial Education Network of Southeastern Pennsylvania

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

www.phfa.org
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
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!

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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

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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

Pennsylvania Housing Finance Agency
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.

Pennsylvania Housing Finance Agency
Contacts and More Info

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