

Procedures for PHFA – With DPA Product

Z - PHFA Bond – Govt - Conv

In combination WITH

Z - PHFA Bond Second (10 Year, 0% Interest) – Known as Keystone Advantage Assistance
OR KFIT

IMPORTANT INFORMATION ON PHFA PRIOR TO ORGINATION:

*Note, sometimes these loans may originate after they were originally disclosed as a regular FHA. In these cases, that original loan must be denied, and a new loan must be started.

- 1) FSB is ONLY offering Keystone Advantage Assistance or KFIT DPA Assistance programs in combination with Keystone Home Loan or Keystone Flex Loans. No other PHFA programs are currently available.
- 2) Additional assistance (gift or secondary financing) is allowed, however PHFA must be in first and second mortgage positions.
- 3) All borrowers must have a 660 Mid Fico Score.
- 4) The URLA (1003) must reference at least three years of residency due to the first-time homebuyer requirements, AND the declarations must state the borrowers have NOT had any previous homeownership.
- 5) Non-Purchasing Spouses should NOT be on the Purchase Agreement! Non-Purchasing Spouses should NOT sign any PHFA documents other than spousal income forms! They MUST sign the Deed of Trust and cannot be on title!

***NOTE – All Non-Purchasing Spouses MUST still meet the first-time homebuyer requirement!**

- 6) PHFA Funds Forgiveness Policy:
Full forgiveness occurs once the borrower owns the property for 10 years. The payoff of the second mortgage will start to diminish in year 1 and will be reduced 10% each year. If the borrowers sell the property prior to the end of the first 10 years, the entire second mortgage remaining balance must be repaid or paid off.
- 7) **Borrower's Minimum Contribution.** Borrowers are required to invest the minimum of 1% or \$1,000 of their own funds into the transaction for Conventional and FHA loans. The minimum investment from the borrower may not be refunded. Those funds must remain in the transaction for the file to be eligible for loan purchase.

- 8) PHFA WILL NOT SUBORDINATE TO ANOTHER FIRST MORTGAGE AT A LATER DATE!**
- 9) Please NOTE – FSB Will NOT allow this product to be used when the seller is HUD!**
- 10) Only Loan Officers residing within the state of PA are allowed to originate this product!**

PRODUCTS AVAILABLE WITH PHFA:

Keystone Home Loan with Keystone Advantage Assistance Program

This product will usually be used with First Time borrowers that have less than 125% HUD Income limits and require DPA, or Non-First Time Homebuyers that are purchasing in targeted areas in PA that want a lower rate.

11) All household income is limited to 125% of the HUD County Limits! There are also Purchase Price Limits as well for PHFA.

Link to Limits: [Appendix A - Keystone Home Loan Purchase Price and Income Limits](#)

12) There is a 4% OR \$6,000 (whichever is less) DPA 10 year amortized, 0% second mortgage.

13) This can be used with either Conventional or FHA loan programs.

14) All Borrowers must be a first-time homebuyer.

*All Adults in the home must not have had any ownership interest in any home within the last three years! This includes those that were not on a previous mortgage but were a spouse that had ownership interest due to homestead.

*Some exceptions apply for veterans and targeted area loans.

15) No 2-4 Units are allowed!

16) Borrower(s) liquid assets may not be greater than \$50,000 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 borrower meeting age requirement and/or being retired.

17) Credit Scores and Ratios:

Minimum Mid Fico Score required on all loans is 660 for all borrowers!

18) Borrower's Minimum Contribution. Borrowers are required to invest the minimum of 1% or \$1,000 of their own funds into the transaction for Conventional and FHA loans. The minimum investment from the borrower may not be refunded. Those funds must remain in the transaction for the file to be eligible for loan purchase.

19) Please check Interest Rates on this product offering.

Here is a link to the PHFA Rate Sheet:

[PHFA Interest Rates - PHFA Homeownership Dept](#)

This product is priced in combination with just the Keystone Home Loan. This allows for lower rates due to the smaller amount of DPA Assistance offered.

Please see the below as to find the rates for this offering:

Keystone Home Loan		
Note Rate	60 Days	Loan Type
5.500	102.375	FHA, VA, RHS
5.875	102.375	Conventional *Up to 97% LTV with PHIF

Keystone Home Loan with K-FIT

This product will usually be used with First Time borrowers that have less than 100% HUD Income limits and require DPA, or Non-First Time Homebuyers that are purchasing in targeted areas in PA that need more than \$6,000 in DPA funds. The rates are a little bit worse than Keystone Home Loan with Keystone Assistance.

20) All household income is limited to 125% of the HUD County Limits! There are also Purchase Price Limits as well for PHFA.

Link to Limits: [Appendix A - Keystone Home Loan Purchase Price and Income Limits](#)

21) There is a 5% DPA second mortgage available on this product.

22) This can be used with either Conventional or FHA loan programs.

23) All Borrowers must be a first-time homebuyer.

*All Adults in the home must not have had any ownership interest in any home within the last three years! This includes those that were not on a previous mortgage but were a spouse that had ownership interest due to homestead.

*Some exceptions apply for veterans and targeted area loans.

24) No 2-4 Units are allowed!

25) Borrower(s) liquid assets may not be greater than \$50,000 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 borrower meeting age requirement and/or being retired.

26) Borrower's Minimum Contribution. Borrowers are required to invest the minimum of 1% or \$1,000 of their own funds into the transaction for Conventional and FHA loans. The minimum investment from the borrower may not be refunded. Those funds must remain in the transaction for the file to be eligible for loan purchase.

27) Credit Scores and Ratios:

Minimum Mid Fico Score required on all loans is 660 for all borrowers!

28) Please check Interest Rates on this product offering.

Here is a link to the PHFA Rate Sheet:

[PHFA Interest Rates - PHFA Homeownership Dept](#)

Please see the below as to find the rates for this offering:

Keystone Home Loan w/K-FIT		
Note Rate	60 Days	Loan Type
6.250	102.375	FHA, VA, RHS
6.500	102.375	Conventional *Up to 97% LTV with PHIF
6.500	102.375	Purchase Improvement

Keystone Flex with KFIT

This product will usually be used with Non-First-Time borrowers or Borrowers that are over the 125% HUD Income limits and require DPA.

29) All household income is limited to these Flex limits! Link to Limits: [Appendix F - Keystone FLEX Income Limits](#)

30) There are also Purchase Price Limits as well for PHFA Flex Products.
Link: [Appendix F - Keystone FLEX Income Limits](#)

31) There is a 5% DPA second mortgage available on this product.

32) This can be used with either Conventional or FHA loan programs.

33) No 2-4 Units are allowed!

34) Borrower(s) liquid assets may not be greater than \$50,000 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 borrower meeting age requirement and/or being retired.

35) Credit Scores and Ratios:
Minimum Mid Fico Score required on all loans is 660 for all borrowers!

36) Borrower's Minimum Contribution. Borrowers are required to invest the minimum of 1% or \$1,000 of their own funds into the transaction for Conventional and FHA loans. The minimum investment from the borrower may not be refunded. Those funds must remain in the transaction for the file to be eligible for loan purchase.

37) Please check Interest Rates on this product offering.

Here is a link to the PHFA Rate Sheet:

[PHFA Interest Rates - PHFA Homeownership Dept](#)

Please see the below as to find the rates for this offering:

Keystone Flex Loan w/K-FIT		
Note Rate	60 Days	Loan Type
7.375	102.375	FHA, VA, RHS
7.500	102.375	Conventional *Up to 97% LTV with PHIF
7.500	102.375	Purchase Improvement

HOW LOAN OFFICERS ARE TO SET UP EACH PHFA LOAN:

38) Set-up a purchase money second mortgage with a 120 Amortization (10 Year) and Zero (0%) Interest. **The amount of the second mortgage will vary based on if either the “Keystone Assistance DPA” is used or the “KFIT DPA” is used.**

***The only fees allowed on each second mortgage disclosure is a \$20 Recording Fee, and NO other fees are allowed!**

Please click on this link to help you setup your second mortgage file in MBOT:

[c39de5_9d82032fb2ce43bda12ed092819b22ed.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_9d82032fb2ce43bda12ed092819b22ed.pdf)

You will always select the following product code in MBOT:

Z - PHFA Bond – Second

YOU WILL NOT DISCLOSE THIS PRODUCT, OUR CORPORATE LOA TEAM WILL DISCLOSE EACH LOAN REQUEST!

39) Setup your first mortgage loan with a Purchase Money Second. Setup the loan like a regular FHA loan with a second mortgage. There will be no payment on the second mortgage.

Please click on this link to help you setup your loan with a second mortgage:

[c39de5_d32c7b9fb68c44eaa27c73218c948055.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_d32c7b9fb68c44eaa27c73218c948055.pdf)

*There will always be a \$1000 Underwriting Fee and a \$500 Processing fee on each PHFA loan.

*The rest of the LE Should be set up like a normal loan in the LO's area.

You will always select One of the following product codes in MBOT:

Z - PHFA Gov – KHL W/ KeyAssist

Z - PHFA Con – KHL W/KeyAssist

Z - PHFA Gov – KHL W/ KFIT

Z - PHFA Conv – KHL W/KFIT

Z - PHFA Gov – FLEX W/ KFIT

Z - PHFA Con – FLEX W/KFIT

YOU WILL NOT DISCLOSE THIS PRODUCT, YOUR ASSIGNED APT LOAN OFFICER WILL DISCLOSE EACH LOAN REQUEST!

- 40) Please make sure to upload your purchase agreement and any other financial information into your MBOT file along with a BIP form or normal “Notes” for ordering.
- 41) Review to make sure that the services have been run on all loan first loans, but **NOT** the Second Mortgages on this product. (Credit, DV, Flood, DU).
***Regular FHA and Conventional Guidelines apply other than the product guidelines mentioned above. Please pay special attention to Allowable Fico Scores and Ratios!**
- 42) Review loan for approvability on the PHFA website:
[Home Purchase Loans | PHFA Homebuying Loans and Assistance](#)
OR
[Assistance Loans for Home Purchase | PHFA Homebuying Assistance](#)
- 43) To prepare your initial disclosures properly we MUST have notes added to MBOT OR you must state the answers in your initial submission email below about:
- The name of ANY non-purchasing spouses or adults over 18 years of age at time of loan submission AND the annualized income each receives (If any).
 - If any borrower(s) are Veterans that are NOT first time homebuyers. They are exempt and qualify for DPA’s but we must know that at the time of disclosure request.
- 44) AFTER YOUR REVIEW AND LOAN SETUP PLEASE SEND AN EMAIL TO:
Bond@flanaganstatebank.com AND ADVISE YOU HAVE An PHFA loan to disclose! Within this email, please advise the product code above on each loan.

***Please note that we require a 48-hour notice to prepare both “Required PHFA Forms”, and PHFA Disclosures for this product!**

BOND LOAN UNIT DISCLOSURE PROCESS:

45) Please answer back within 1 hour of any disclosure request on the product to advise you are working on the submission.

46) The Bond team Member will locate each first and second mortgage in MBOT. *Make sure the second mortgage was set up with a 10-year amortization AND is at 0% interest rate.*

47) Please change the loan numbers to reflect the two-digit branch ID code on both loans.

48) The Bond loan team member will upload the program guidelines to MBOT under “Bond Guidelines” with the first mortgage only. Please print all the loan guidelines:

Link: c39de5_45f1133dbdb043c2b3aaa52a0b9b8e29.pdf

49) NOTE – For this product the first must be in FSB’s name and second in PHFA’s name.

50) Bond team will review the work of the Loan Officer for:

*Proper loan setup for processing (I.e. Vendor / Employment information, etc.)

*Guideline on the product is uploaded to Image Flow

*There is an AUS approval in the file. Make sure that DU AUS findings were run with a Purchase Money Second and the proper CLTV. Manual UWs are allowed on FHA loans, but please check programs ratios.

***There are no lender or other vendor fees present on the second mortgage loan other than a recording fee (\$20).**

*Note – make sure the questions on the URLA Counseling page are answered!

51) Please send out the first mortgages in the normal process like other first mortgages.

52) Please create the second mortgage disclosures, and the Specific PHFA disclosures. You will NOT create these forms WITHIN the PHFA site. Note the following:

Create your Second Mortgage LE, click on the specific link that would apply:

A) Please click on this link for KHL/ KFlex loans With Keystone Advantage Assistance:

Link: [Form 56 ADV LE](#)

B) Please click on this link for either KHL/ KFlex loans With KFIT:

Link: [Microsoft Word - Form 56 KFIT LE](#)

*** Make sure to create the following PHFA Disclosure Documents ALWAYS:**

A) PHFA Form 3 - Borrowers Conv FHA VA

Link: [Form 03 - Mortgagor's Affidavit](#)

*** Make sure to create the following PHFA Disclosure Documents when APPLICABLE:**

B) PHFA Form 3 Page 8 - Only Required for Pregnant Borrowers and Veterans

Link: [Form 03 - Mortgagor's Affidavit](#)

*Send out the Second Mortgage LE and other program disclosures for signature as a custom document request in Doc Magic.

*Once the LE is received back please upload these in MBOT under:

+ Files to Upload		Clear All	Submit
File to upload	<input type="text"/>		
Color Handler	Black and White		
Render Quality	Normal		
Document Type	Bond Second LEs		

**Once the program disclosures are signed and back please upload these in MBOT under:

+ Files to Upload		Clear All	Submit
File to upload	<input type="text"/>		
Color Handler	Black and White		
Render Quality	Normal		
Document Type	Bond Application Disclosures		

YOU DO NOT HAVE TO WAIT FOR THESE DOCUMENTS TO BE SENT BACK PRIOR TO PERFORMING THE REST OF THE DISCLOSURE PROCESS. MAKE SURE TO UPLOAD WHEN YOU RECEIVE THEM.

Please download the following documents from our Retail Website and Upload to MBOT under “Bond Processing Forms”. You will not fill these out:

- A) PHFA Processing Form 3 - Seller

Link: [Form 03 - Mortgagor's Affidavit](#)

Please download the following documents from our Retail Website and Upload to MBOT under “Bond Underwriting Forms”. You will not fill these out:

- A) PHFA Underwriting Form 1 - Prior Exception Form

Link: [Form 01 - Preliminary Package Cover Sheet](#)

- B) PHFA Underwriting Form 51 – Pre-Closing Checklist

Link: [Form 51 - Pre-Closing Package Checklist - PURCHASE](#)

- C) PHFA Form 05 - Only Required with additional Assistance

Link: [Form 05 - Affordable Housing Assistance Program Checklist](#)

Please download the following documents from the PHFA Site and Upload to MBOT under “Bond Closing Forms”. You will not fill these out:

- A) Please click on this link for KHL/ KFlex loans With Keystone Advantage Assistance:

Link: [c39de5_531e14383bc24696ac8e87debf77742a.pdf](#)

- B) Please click on this link for KHL/ KFlex loans With KFIT:

Link: [c39de5_a225104832fb41e6bffe937a0e711905.pdf](#)

Please download the following documents from the PHFA Site and Upload to MBOT under “Bond Delivery Forms”:

- A) PHFA Post Closing Submission Checklist:

Link: [Form 58 - Purchase Submission Checklist](#)

- B) PHFA Post Closing Possible Forms:

Link: [c39de5_e4915fad0704d589a4afe13aaa585bd.pdf](#)

53) After Disclosures are sent and other program documents are uploaded, send the following email to mortgage support:

“Please note, we have disclosed this _____ (first only) PHFA Loan. Please make sure to assign this loan to Betsy Reyes or Steve Depalantino. In addition, please make sure to CC Bond@flanaganstatebank.com on the email back to the loan officer at time of processing assignment. In addition, please add a processing condition to state, “Processor to Check that the second mortgage LE and PHFA Program Disclosures are signed and uploaded in MBOT. Lastly, please remember to add PHFA as the DPA for this loan in FHA Connections later during the insuring process.”

BOND LOAN UNIT POST DISCLOSURE RECEIPT PROCESS:

This process starts once the bond loan unit receives the email from mtg support that the loan has been assigned to either Betsy Reyes or Steve Depalantino:

54) Please send an email to the assigned processor stating the following:

“The _____ PHFA Loan is ready for processing. This program DOES require specific closing documents. You are required fill those out and upload to our “Sign at closing” folder prior to your final resubmission to underwriting. In addition, the loan will be locked at the same time. Please remember to contact Opshelp at the time of ICD preparation before your first PHFA ICD is complete for us to review the documents. Thank you.”

BOND UNIT PROCESSING AND UNDERWRITING:

55) The loan will be processed in a normal fashion by our Reading PA Branch.

56) There is one Processing Form that is required from the sellers on this product. Make sure you have this in all PHFA loans prior to final underwriting submission:

Link: [Form 03 - Mortgagor's Affidavit](#)

57) Please make sure that the title company order for coverage reflects the total amount of both the first and second mortgage loan amounts!

58) PLEASE NOTE THAT THIS STATE BOND PRODUCT REQUIRES PRIOR APPROVAL PRIOR TO ICD AND CLOSING SCHEDULING!!!

59) AT TIME OF FINAL UNDERWRITING SUBMISSION, PLEASE EMAIL THE LOCK DESK THE LOAN NUMBER AND NAME OF THE FIRST MORTGAGE WITHIN MBOT AND ASK THEM TO "LOCK AND RESERVE" THE PHFA FIRST MORTGAGE LOAN. PLEASE ALSO REFERENCE THE PRODUCT CODE IN THE EMAIL.

******YOU MUST WAIT FOR THE FIRST MORTGAGE LOAN TO BE CONFIRMED IN MBOT BEFORE PROCEEDING FURTHER TO FINAL UNDEWRITING RESUBMISSION.**

60) THE FSB UNDERWRITING DEPARTMENT WILL SUBMIT EACH LOAN FOR PHFA PRECLOSE APPROVAL AFTER EACH LOAN IS COMPLETELY APPROVED. PLEASE REMEMBER TO FILL OUT THE PRE-CLOSING CHECKLIST.

Link to Checklist:

EACH UNDERWRITER WILL MOVE THE LOAN TO AN UW-PREAPPROVAL STATUS IN MBOT WHILE WE ARE WAITING FOR PHFA.

Please click on this link for uploading to PHFA's loan portal to start the pre-approval process.

Link: [PowerPoint Presentation](#)

FSB UNDERWRITER WILL MOVE THE LOAN TO A FINAL APPROVAL CLEARED TO CLOSE STATUS IN MBOT AFTER PHFA'S APPROVAL.

61) AFTER PHFA PRE CLOSE APPROVAL WE MUST CLOSE AND DELIEVER EACH LOAN WITHIN 7 DAYS.

62) The loan must be Cleared to close - Prior to ICD Creation, please contact opshelp@flanaganstatebank.com

Note the following for that discussion:

Please click on the links below for the ICD to Prepare for the second Mortgage:

A) Please click on this link for KHL/ KFlex loans With Keystone Advantage Assistance:

Link: [Form 57 ADV](#)

B) Please click on this link for KHL/ KFlex loans With KFIT:

Link: [Form 57 KFIT](#)

On the first CD, the total closing costs associated with the second mortgage may be reflected in "Section H" (of the first CD), "Other Costs," and identified as "Closing Costs for Secondary Financing" if those fees are not being paid by the borrower or "netted" from the second mortgage proceeds.

Either net proceeds or the principal balance from the second lien (from CBC Mortgage Agency) may be shown in the "Amount" Column; however, if net proceeds are shown, the principal balance must also be shown in parentheses in the description field.

Note: if net proceeds are shown in the "Amount" column in Section L, or under "Other Credits" on the first CD, the closing costs associated with the second mortgage CD will not be reflected in Section H of the first CD and it will be critical for the lender to confirm that the borrower has sufficient funds invested.

63) Follow normal closing scheduling procedures. Please make sure you have filled out your second mortgage loan closing package and it is uploaded to the "Sign and Closing" AND "Bond Closing Forms" prior to sending each loan into our scheduling que.

Here is a link to these forms if you were to need them:

A) Please click on this link for KHL/ KFlex loans With Keystone Advantage Assistance:

Link: [c39de5_531e14383bc24696ac8e87debf77742a.pdf](#)

B) Please click on this link for KHL/ KFlex loans With KFIT:

Link: [c39de5_a225104832fb41e6bffe937a0e711905.pdf](#)

64) The rest of the loan is processed, underwritten, and closed in normal FSB procedures.

BOND UNIT POST CLOSING PROCEDURES:

Will be built out in the future!