

PHFA Helps Homebuyers Become DPA Ready with K-FIT

Pennsylvania Housing Finance Agency
Homeownership: Empowering New Buyers

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State Housing Need

For decades, the housing industry has demonstrated the number one obstacle for many home buyers has been finding an adequate source of downpayment and closing cost assistance to help with purchasing a home. As an HFA, we've made it our mission to develop different, competitive and attractive assistance options to be utilized in conjunction with PHFA's first mortgage financing. Philadelphia County is one of the largest counties in Pennsylvania and the Pennsylvania Association of Realtors® reports, it takes an average of 3.8 years for potential buyers to save for a down payment in the City of Philadelphia. In 2017 this study reported an average income of \$38,253 and average home price of \$145,300 may result in a longer period of time when saving funds to cover downpayment and closing costs¹.

PHFA recognized the need to construct a new downpayment and closing cost assistance program to increase accessibility to homeownership for low to moderate income buyers seeking downpayment and closing cost funds. To ensure the need of a new assistance program, a product survey was developed and shared amongst our approved lending network of 80 lenders in January 2020. The product survey results confirmed the demand for a more viable and attractive downpayment and closing cost assistance product to help potential homebuyers in Pennsylvania.

Keystone Forgivable In Years (K-FIT) Loan Program

On March 1, 2021, we launched the Keystone Forgivable In Ten Years (K-FIT) Loan Program. The new forgivable subordinate mortgage product may be paired with Conventional and Government Insured/Guaranteed first mortgages funded with Mortgage Revenue Bonds (MRB). K-FIT provides 5% of the lesser of purchase price or appraised value with no maximum dollar amount. Funds are forgiven 10% a year over ten years. Some program criteria requirements include the following:

- Borrowers must have a minimum FICO score of 660
- Maximum financing required (loan-to-value- of 95% - 97% for Conventional loans; FHA – 96.5%; for RD and VA loans K-FIT funds may be used towards closing cost since these loan types are 100% financing. No maximum combined loan-to-value limit.)
- Completion of homebuyer education through an approved PHFA counseling agency

K-FIT's Funding Source

K-FIT loans are funded through the sale of Mortgage Revenue Bonds. The financing of the bonds is structured in a way that lines up with the expected payments to be received from the underlying 1st mortgage associated with the K-FIT loan. We build in an additional interest rate margin to the first mortgage rate for loans paired with K-FIT assistance. This additional interest margin is usually about 58bps on average. The additional interest margin earned on the 1st mortgage provides for the excess funds needed to forgive the K-FIT loan balance over its 10-year loan term. This funding model appears to be a viable way for PHFA to fund a forgivable loan product used in conjunction with a first mortgage.

¹ [Pennsylvania Association of Realtors- Affording a downpayment in Philadelphia](#)

K-FIT's Results

Within nine months of the program roll out, March 1 to December 31, 2021, PHFA assisted 2,217 families with K-FIT funds, a total value of \$21MM, for an average loan amount of \$9,498. K-FIT loans accounted for 47% of the total purchased loans for 2021. In addition to K-FIT's assistance offered, our standard DPA assistance program accounted for 18% of the total purchased loans for 2021. Due to the success of the new K-FIT assistance loan program, 65% of the loans purchased in 2021 were paired with some form of downpayment and closing costs assistance loan offered through PHFA. When evaluating year-over-year figures, in 2020 our standard DPA assistance loan program only accounted for 33% of total purchased loans; in less than one-year downpayment and closing cost assistance production doubled (Visual Aid #1). These results demonstrate the need for K-FIT, the forgivable loan and illustrates how quickly K-FIT was adapted by housing professionals assisting potential homebuyers.

The Commonwealth of Pennsylvania is made up of six regions with 67 counties, K-FIT was utilized in 55 of those counties as illustrated in the PHFA product heat map (Visual Aid #2). Region 1 which includes Philadelphia County assisted 829 families with an average K-FIT loan of \$10,832, a total value of \$8.9MM provided. Buyers seeking homeownership in Philadelphia County were able to benefit from K-FIT assistance reducing the number of years needed to save for downpayment and closing cost funds to purchase a home.

Marketing Outreach and Partnerships

PHFA hosted over 25 webinar sessions to prepare Pennsylvania housing professionals for the launch of K-FIT. Combined there were over 1,500 attendees in those sessions, which included housing counselors, PA Realtors® and lending partners to learn about the new forgivable loan product that may help potential homebuyers obtain homeownership. There were combinations of lunch & learn webinar sessions held by Realtors® and PHFA lenders in which PHFA Business Development Officers participated in to market the new DPA product. PHFA's annual sponsorship with the Pennsylvania Association of Realtors® also contributed to promoting the forgivable loan, which allowed PHFA to benefit from exclusive Realtor® training sessions, consistent website marketing posts, business meetings and teaching continuing education courses for Realtors® to earn annual credits. PHFA also partnered with the National Association of Real Estate Brokers (NAREB) take part in housing seminars and online housing events. PHFA also developed marketing ads in English and Spanish for all housing professionals to utilize and co-brand to assist with their marketing efforts.

Empowering New Homebuyers

Pennsylvania Housing has developed a new forgivable downpayment and closing cost assistance product designed to increase the possibility of homeownership for buyers, and eliminate pressures of saving for downpayment and closing costs for multiple years. Hence, with the acronym K-FIT, PHFA wants to ensure borrowers in the Keystone State are financially fit and remain on track when obtaining a PHFA forgivable loan. Qualified borrowers are required to complete homebuyer education through one of PHFA's approved counseling agencies and our HUD approved counselors ensure each borrower receives educational resources to help remain a successful homeowner. The ten-year forgivable loan term and

the no maximum dollar amount features make the program attractive and competitive. The no maximum dollar amount feature allows borrowers to receive the full 5% of the lesser of the appraised value or purchase price without a capped amount like most DPA programs offered. The full 5% received for K-FIT assistance covers additional costs buyers would have to cover on their own if the DPA loan terms were different. PHFA was able to assist 2,217 more families with obtaining homeownership in 2021 because of the K-FIT loan program.

PHFA's top mortgage originator, Patrick Lopez, who's organization originated the most K-FIT loans in 2021 shared, "The most gratifying part of my job is to help a family buy a home when they never thought it would be possible. I recall a single mom tear up at the closing table when she was given the keys to her new home and her saying I never thought this would be possible. I could never save enough money to buy, but with the K-Fit loan it became possible. I had another buyer over sixty years old hug me at closing saying that it took them over 30 years to finally own their own home. This K-FIT loan is a god send. One of the most difficult things for a first-time home buyer is the save enough money to buy a home and the K-FIT program makes it possible."

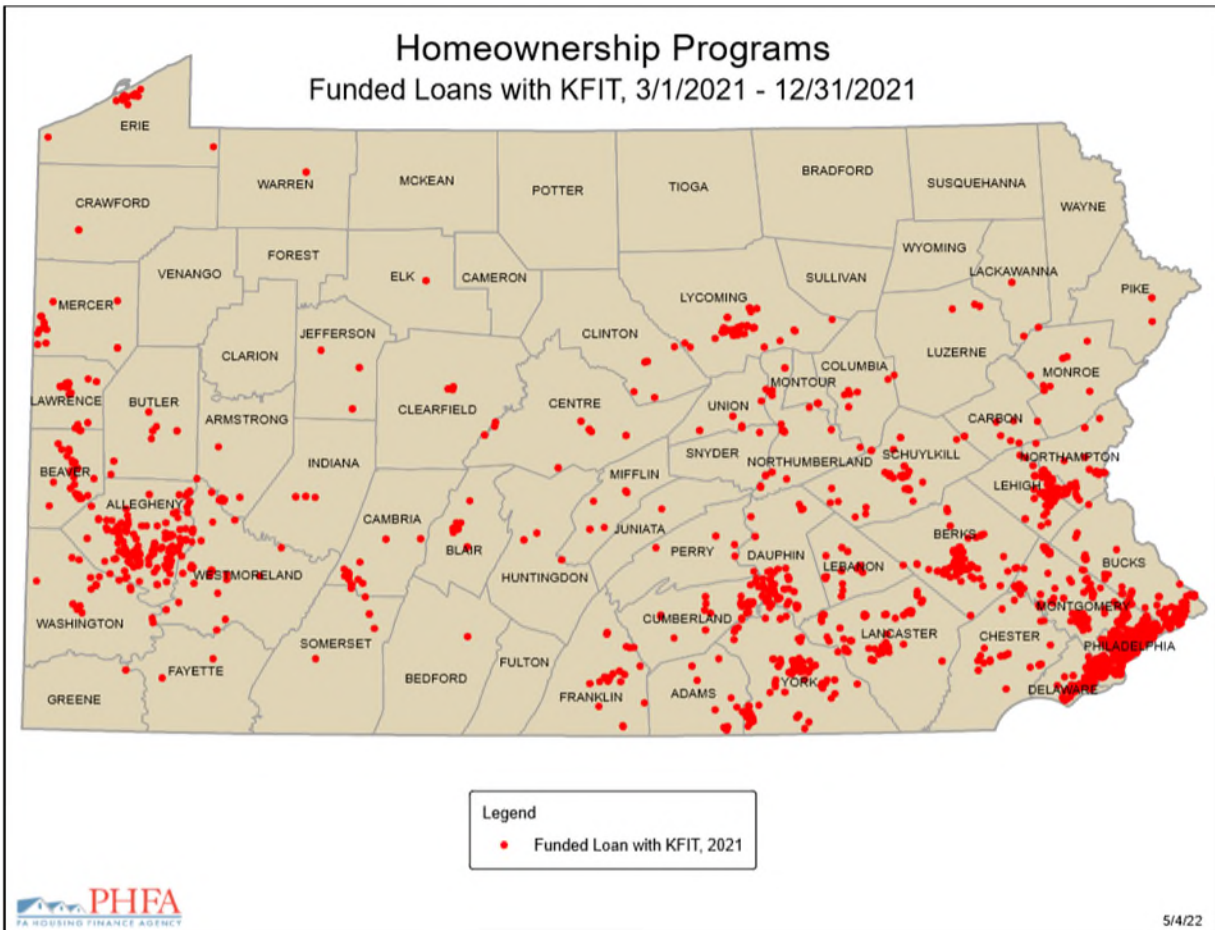
Conclusion

In 2021, K-FIT, the Keystone Forgivable In Ten Years Loan Program has assisted over 2,200 families become homeowners in the Commonwealth of Pennsylvania within a nine month period. The forgivable loan model for a downpayment and closing cost program is attractive for buyers and may help families consider homeownership sooner, since borrowed funds are forgiven 10% per year over ten years; and the home they intend to purchase is their "forever home" or one intended to be occupied for a longer period of time. This funding model may be suitable for other Housing Finance Agencies if MRBs are a current funding source for first mortgages offered. Ultimately, with the launch of K-FIT, PHFA assisted more homebuyers to become homeowners while getting their financial fitness on track with K-FIT.

Visual Aid #1: PHFA’s DPA Results

PHFA’s DPA Products	2020 Total #	2020 Total \$	% of Total Production	2021 Total #	2021 Total \$	% of Total Production
Standard DPA	1,089	5,476,776	33%	856	4,501,847	18%
K-FIT	N/A	N/A	N/A	2,217	21,056,958	47%

Visual Aid #2: K-FIT Product Heat Map



Visual Aid #3

Geographic Distribution of K-FIT Assistance March- Dec. 2021					
County Name	Total #	Total \$	% of Total	% of State	% of Total # to State Population
BUCKS	94	1,237,163	4.24	4.87	87.06
CHESTER	21	242,775	0.95	3.53	26.83
DELAWARE	146	1,368,774	6.59	4.49	146.67
MONTGOMERY	119	1,434,739	5.37	6.11	87.85
PHILADELPHIA	829	8,980,103	37.39	12.36	302.53
Region 1	1,209	\$13,263,554	54.53	31.36	173.89
BERKS	112	855,908	5.05	3.04	166.18
CARBON	9	80,525	0.41	0.48	84.57
LACKAWANNA	1	5,000	0.05	1.74	2.59
LEHIGH	88	801,717	3.97	2.54	156.27
LUZERNE	4	32,575	0.18	2.60	6.94
MONROE	8	77,363	0.36	1.13	31.93
NORTHAMPTON	29	262,040	1.31	2.17	60.28
PIKE	2	17,245	0.09	0.38	23.74
SCHUYLKILL	33	180,611	1.49	1.22	122.01
WAYNE	1	9,300	0.05	0.39	11.57
Region 2	287	\$2,322,284	12.95	15.69	82.51
ADAMS	11	81,950	0.50	0.74	67.05
CUMBERLAND	36	305,903	1.62	1.74	93.32
DAUPHIN	51	394,095	2.30	2.05	112.21
FRANKLIN	22	179,015	0.99	1.05	94.51
LANCASTER	63	595,690	2.84	3.83	74.20
LEBANON	16	118,921	0.72	0.98	73.64
PERRY	5	39,815	0.23	0.36	62.65
YORK	90	742,696	4.06	3.11	130.53
Region 3	294	\$2,458,085	13.26	13.86	95.68
BEDFORD	1	6,450	0.05	0.41	11.00
BLAIR	9	52,445	0.41	1.05	38.66
CAMBRIA	13	67,412	0.59	1.24	47.29
CENTRE	8	76,146	0.36	1.11	32.51
CLINTON	5	37,644	0.23	0.31	72.75



PA Housing Finance Agency

Entry: PHFA helps homebuyers become DPA ready with K-FIT

Category: Homeownership – Empowering New Buyers

COLUMBIA	6	51,088	0.27	0.52	52.05
HUNTINGDON	3	17,140	0.14	0.37	36.57
JUNIATA	1	9,250	0.05	0.19	23.74
LYCOMING	49	380,828	2.21	0.98	225.53
MIFFLIN	5	29,220	0.23	0.38	59.35
MONTOUR	6	45,195	0.27	0.15	180.42
NORTHUMBERLAND	13	75,890	0.59	0.77	76.15
SNYDER	3	16,050	0.14	0.31	43.65
SOMERSET	5	18,479	0.23	0.65	34.70
UNION	6	45,520	0.27	0.34	79.60
Region 4	133	\$928,757	6.00	8.78	68.33
ALLEGHENY	132	1,020,292	5.95	10.44	57.03
ARMSTRONG	6	51,625	0.27	0.59	45.87
BEAVER	28	205,922	1.26	1.48	85.34
BUTLER	7	58,453	0.32	1.42	22.24
FAYETTE	2	16,275	0.09	1.21	7.46
GREENE	1	7,800	0.05	0.33	13.67
INDIANA	4	23,745	0.18	0.73	24.72
WASHINGTON	17	129,826	0.77	1.65	46.47
WESTMORELAND	33	217,151	1.49	3.01	49.45
Region 5	230	\$1,731,089	10.37	20.86	49.73
CLEARFIELD	5	21,755	0.23	0.68	33.17
CRAWFORD	1	5,600	0.05	0.74	6.10
ELK	1	3,450	0.05	0.29	15.55
ERIE	16	94,092	0.72	2.29	31.52
JEFFERSON	3	20,355	0.14	0.37	36.57
LAWRENCE	23	122,521	1.04	0.77	134.73
MERCER	14	78,416	0.63	0.98	64.44
WARREN	1	7,000	0.05	0.36	12.53
Region 6	64	\$353,189	2.89	6.48	44.55
State Total	2,217	\$21,056,958			

New PHFA Loan Available to Help Buyers with Down Payment, Closing Costs

by [Kelly Leighton](#) on March 10, 2021

Homebuyers who need assistance with their down payment and closing costs may be eligible for a new home purchase assistance loan from the Pennsylvania Housing Finance Agency, [Keystone Forgivable in Ten Years Loan Program or K-FIT](#).

The K-FIT loan is a forgivable second loan, with 10% forgiven each year over the next decade, requiring no monthly payment. The goal of the loan is to assist low- and moderate-income renters who are striving to become homeowners but struggling with the cost.

“Experience shows that down payment and closing costs are two of the biggest barriers to homeownership that buyers face,” said PHFA Executive Director and CEO Robin Wiessmann. “For those homebuyers who qualify, our new K-FIT loan eliminates or reduces those hurdles and will help make homeownership achievable for many families.”

A K-FIT loan provides 5% of the lesser of the purchase price or appraised value with no maximum dollar amount. For example, if the price of a home is \$215,000, the buyer may receive \$10,750 in K-FIT loan assistance to be used toward

funds to close on the loan. The minimum amount for the loan is \$500.

To be eligible for a K-FIT loan, borrowers must have a minimum FICO score of 660 and must complete homebuyer education counseling, which may be done remotely during the pandemic.

The loan may only be paired with PHFA's Keystone Home Loan program. Conventional, Federal Housing Administration, Rural Development and Veterans Affairs financing options are available. (For RD and VA financing, a K-FIT loan may only be used to cover closing costs.)

To be approved for a K-FIT loan, all borrowers must be eligible for the KHL program and meet the K-FIT loan program eligibility requirements.

The PHFA is offering free education for Realtors®. Please click here for a schedule of events. For more information, visit www.phfa.org, email bizdevelopment@phfa.org or call 717-780-3800.

A photograph of a runner in a grey tank top and black shorts running on a blue track. The runner is in the foreground, moving away from the camera. The track has white lane markings. The background shows a green field under a bright sky.

GET YOUR FINANCIAL FITNESS ON TRACK WITH **K-FIT** KEYSTONE FORGIVABLE IN TEN YEARS LOAN PROGRAM

K-FIT provides downpayment and closing cost assistance for homebuyers utilizing PHFA's home purchase loan programs.

Eligible borrowers may receive:

- A forgivable second loan of 5% of the lesser of the purchase price or appraised value with no maximum dollar limit.
- Forgiven 10% a year over a 10-year period.

Some program requirements include:

- Borrowers must meet qualifying requirements of a PHFA mortgage loan.
- Borrowers must have a minimum FICO score of 660.
- Maximum financing is required.
- Funds may be used toward downpayment and/or closing costs.
- Homebuyer education must be completed through one of PHFA's approved counseling agencies.

TO LEARN MORE, VISIT WWW.PHFA.ORG OR CALL 855-827-3466.



www.PHFA.org • 855-827-3466





REENCAMINE SU BIENESTAR FINANCIERO CON K-FIT PROGRAMA DE PRÉSTAMOS CONDONABLES EN DIEZ AÑOS DE KEYSTONE

K-FIT proporciona ayuda para el pago inicial y los costos de cierre a los compradores de viviendas que utilizan el programas de préstamos para la compra de vivienda de PHFA.

Los prestatarios elegibles pueden recibir:

- Un segundo préstamo condonable del 5% del precio de compra o el valor de tasación sin límite máximo en dólares.
- Una condonación del 10% anual durante un período de 10 años.

Algunos de los requisitos del programa son:

- Los prestatarios deben cumplir con los requisitos de calificación de un préstamo hipotecario PHFA.
- Los prestatarios deben tener un puntaje FICO mínimo de 660.
- Se requiere la máxima financiación.
- Los fondos pueden utilizarse para el pago inicial o los gastos de cierre.
- La formación de los compradores de vivienda debe realizarse a través de uno de los programas de las agencias de asesoramiento autorizadas.

PARA OBTENER MÁS INFORMACIÓN, VISITE WWW.PHFA.ORG O LLAME AL 855-827-3466.



www.PHFA.org • 855-827-3466

LinkedIn Post- [Successful Closing using K-FIT funds with Univest Bank](#)

 **Mary Cay Okeefe** (She/Her) • 1st
Loan Officer
1yr • 

Congratulations Jabrell on the purchase of your new home. With a PHFA Fit and the First Front Door grant Jabrell was able purchase his new home with \$2000. Of his own funds. What a great day!



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4 comments

LinkedIn Post- [Successful Closing using K-FIT funds with Univest Bank](#)



Christopher Carter • 1st

Appropriate Mortgage Financing combined with Competitive Pricing, Dynam...

11mo • 🌐

Closing Day is a Happy Day!!!

Congratulations to Tyler Hetrick who settled on his first home and took advantage of the much coveted PHFA KFit program through Univest Home Loans. This specialized financing allows for low down payments, competitive fixed-term interest rates, and even features potential down payment/closing cost assistance to qualified applicants.

Russ Palmer of Coldwell Banker deftly facilitated the purchase in today's incredibly tight seller's market.

Univest offers an expansive menu of First-time Homebuyer products and Grants along with many other customizable financing vehicles to meet your needs. Contact us today to see how we can help you, and you too may hold the "key" to your next home!

Best wishes, Tyler, and thank you, Russ!



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4 comments