

REAL ESTATE

City, Local Banks Lend Helping Hand to Homeowners

BY ALAN NOCHUMSON

Special to the Legal

After a long and cold winter idly watching home improvements shows on TLC and HGTV, many Philadelphians are gearing up this spring to renovate their homes. Before taking out that second mortgage, though, these homeowners would be shocked to discover that they are actually eligible for the following governmental programs relating to home improvements, repairs and ownership.

• The Philadelphia Home Improvement Loan Program

Under the Philadelphia Home Improvement Loan (PHIL) program, homeowners may obtain financing to make home improvements and repairs. This program is partially funded by the city's Neighborhood Transformation Initiative (NTI). PNC Bank, Bank of America, Wachovia Mortgage and Citizens Bank are the participating lenders for the program.

In order to be eligible, the property must be an owner-occupied residence located in the city. While single-family residences of between one and four residential units are eligible, the loan program excludes condominium structures.

Under the program, the homeowner may borrow up to \$25,000 at the low fixed annual percentage rates of 3 or 5 percent, depending



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on the homeowner's annual household income. The term of the loan may not exceed 20 years. There are no application fees, recording fees or points associated with the loan. The homeowner will also not be charged a prepayment penalty if the loan is paid back early. Since these loans are credit-based and not equity-based, an appraisal of the home is not required.

In order to apply, the homeowner should first call the participating lender of his choice. The lender will then identify the address and telephone numbers of the branches that are located in the section of the city where the homeowner would like to make the application, documentation the homeowner must bring with him at the time of application, and any special requirements of the lender.

Each lender in the program has established its own underwriting guidelines to determine if the homeowner is an acceptable credit risk.

The homeowner must use the proceeds of

the loan solely for home improvements. The lender determines whether the improvement is eligible under the program based on the description of the improvement in the contractor's estimate and a review of the HUD's Title I current List of Eligible/Ineligible Improvements.

The program differentiates between improvements made to the residence and purchases of personal property. For example, although carpeting would be an eligible improvement, an area rug would be ineligible because the rug could be moved by the homeowner to another location.

Interest rates on the loan vary depending on the household size and corresponding income, as shown in Table 1.

To illustrate, if the homeowner has four individuals in his household, the combined household income may not exceed \$79,120 for him to qualify for the 3 percent loan. Even if the household income exceeds that amount, the homeowner would still be eligible for the 5 percent loan.

• Mini-PHIL & PHIL-Plus Home Improvement Loan Programs

The Mini-PHIL and PHIL-Plus Home Improvement Loan programs help Philadelphia homeowners with "less-than-perfect" credit history secure financing to make improvements and repairs to their property. Beneficial Savings Bank, Citizens Bank, Commerce Bank, Bank of America,

National Penn Bank, PNC Bank, Sovereign Bank and United Bank serve as participating lenders to these loan programs and the programs are funded by NTI and the management services of the Greater Philadelphia Urban Affairs Coalition.

Similar to the PHIL program, these loan programs only apply to owner-occupied residences located in the city. These programs also define "residence" as real estate containing up to four units and excludes condominiums.

Under the PHIL-Plus program, the homeowner can borrow up to \$25,000 at a term not to exceed 20 years. The homeowner may apply for a 1 percent rate reduction after 24 consecutive, on-time monthly payments. In contrast, under the Mini-PHIL program, the

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Household Size	3% loan	5% loan
1	\$55,430	Unlimited
2	\$63,250	Unlimited
3	\$71,185	Unlimited
4	\$79,120	Unlimited
5	\$85,445	Unlimited
6	\$91,770	Unlimited
7	\$98,095	Unlimited
8	\$104,420	Unlimited

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homeowner may borrow up to \$10,000 for a term not to exceed 10 years.

The income guidelines for these loan programs are as shown in Table 2.

With both loan programs, there are no associated bank fees, no equity in the property is required, and there is free inspection of the completed work. Unlike the PHIL program, the homeowner may use leftover funds to pay off existing debt.

Household Size	Minimum Annual Household Income
1	\$55,430
2	\$63,250
3	\$71,185
4	\$79,120
5	\$85,445
6	\$91,770
7	\$98,095
8+	\$104,420

Household Size	Maximum Monthly Household Income
1	\$1,164
2	\$1,561
3	\$1,959
4	\$2,356
5	\$2,754
6	\$3,151
7	\$3,549
8	\$3,946

For households larger than eight individuals, add \$398 for each member.

Household Size	Maximum Annual Household Income
1	\$38,550
2	\$44,050
3	\$49,550
4	\$55,050
5	\$59,450
6	\$63,850
7	\$68,250
8	\$72,650

For households larger than eight individuals, add \$4,404 for each member.

Moreover, unlike the PHIL program, homeowners do not apply directly with the participating lenders. Instead, the homeowner should either call the Don't Borrow Trouble hotline at 215-523-9520 or one of the designated housing counseling agencies.

- The Weatherization Assistance Program The Philadelphia Housing Development Corp. (PHDC) administers the Weatherization Assistance Program and the Basic Systems Repair Program for low-income residents.

The Weatherization Assistance Program, funded by a grant from the Commonwealth of Pennsylvania Department of Community and Economic Development, provides for free weatherization and energy-efficiency improvements to owner-occupied houses and tenant-occupied rental units located in the city. To apply, the homeowner must call PHDC at 215-448-2161 weekdays between the hours of 8:30 a.m. and 4:30 p.m.

Under the program, the homeowner receives a free energy audit. Depending on the results of the audit, the property may receive a combination of the following improvements: "air-sealing measures such as weather-stripping, caulking and repair of primary windows and doors; wrapping of hot water heaters, heating pipes and ducts; sealing of basement openings, crawlspaces and chaseways; insulating and air-sealing of the roof areas; repair and efficiency modifications to central heating systems; clock thermostat; and in-home energy education." The program, however, does not provide or install storm windows and doors.

- The Basic Systems Repair Program The Basic Systems Repair Program (BSRP), funded by the city's Office of Housing and Community Development (OHCD) and NTI, provides for free repairs to the electrical, plumbing and heating systems of owner-occupied, single-family homes located in the city. Under BSRP, a homeowner may also be eligible for the free replacement of the property's roof if the property sustains major interior damage such as a collapsing ceiling. To apply, the homeowner must call the BSRP Hotline at 215-448-2160 weekdays between the hours of 8:30 a.m. and 4:30 p.m.

The homeowner can apply for free major systems repairs if the property's problems include: exposed wires; blinking lights; dangerous electrical conditions; leaking or broken sewer line; leaking or broken water service line; and violation notice from the Water Department.

If the homeowner requires heater repairs,

he should contact the Heater Hotline at 215-568-7190. If the representative from the Heater Hotline determines that the heater needs to be replaced, he will transfer the homeowner to BSRP.

To be eligible for the Weatherization Assistance Program or BSRP, the monthly household income cannot exceed the amount listed below for the number of people living on the property. This is illustrated in Table 3.

- Settlement Assistance Program The Settlement Assistance Grant, administered by OHCD and funded by NTI, provides for up to \$800 per household to help first-time Philadelphia homebuyers pay for closing costs associated with the purchase of a single-family home or duplex. The grant cannot be used toward a down payment or other home buying expenses. To apply, the homeowner must contact one of the designated OHCD-funded housing counseling agencies.

To be eligible, the homeowner must be a first-time buyer; apply before signing an agreement of sale; complete pre-purchase counseling through a OHCD-funded housing

counseling agency; meet a lender's credit-worthiness requirements; and qualify for a mortgage.

The income guidelines for these loan programs are illustrated in Table 4.

LESSONS LEARNED

Over the past several years, the city has entered into cooperative arrangements with local banks and financial institutions to spur real estate development in our neighborhoods. No longer are these programs limited to the proverbial "working poor." Instead, resources are now being pumped into both transitional and vibrant neighborhoods.

The city, however, has not lost sight on those residents who fall between the cracks. Realizing that these residents are most vulnerable during the winter months due to harsh weather conditions, the city protects their properties from disrepair.

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AREA MORTGAGE RATES

Lender	Fixed Rates		Adjustable Rates	Jumbo Rates*	Commercial
	30 yr.	15 yr.	1 yr.	30 yr. fixed	Yes/No**
Price Financial Services 800-401-9091	5.25/0	4.88/0	N/A	5.63/0	No
Home Finance of America 800-358-5626	5.38/0	5.00/0	3.25/0	5.75/0	No
Madison Mortgage Services 888-897-0200	5.38/0	4.88/0	3.75/0	5.63/0	No
AA E Mortgage 877-793-1400	5.25/0	4.88/0	N/A	5.63/0	No
Madison First Financial 888-516-4666	5.38/0	4.88/0	N/A	5.63/0	No
American Family Mtg. 610-358-5324	4.88/1.5	4.38/3	2.63/3	4.88/3	No
Lighthouse Mortgage 800-784-1331	5.25/0	4.88/0	N/A	5.63/0	No
Wilmington Mortgage 610-558-3099	5.50/0	5.00/0	N/A	5.63/0	No
East Coast Financial 800-353-9440	5.50/0	5.00/0	N/A	5.88/0	No
Turnstone Mortgages 800-757-7514	5.50/0	5.13/0	3.50/0	5.75/0	No
Absolute Mortgage Co. 888-904-6637	5.25/1.3	4.75/3.8	3.50/0	5.50/2.5	No
Century Mortgage Corp. 800-224-7006	4.88/2.5	4.25/3	3.00/2	5.25/3	No

* A "Jumbo" or non-conforming mortgage is a loan amount in excess of \$360,000.

** Indicates if a lender offers mortgage loans for commercial properties. Call to discuss rates and terms.

Rates compiled by the National Financial News Services, a mortgage information and financial clearing house in West Chester, Pa. Rates may be for new applicants only; information on terms and other available programs may be obtained by calling the lender directly. Consumers wishing additional rate information call (610) 344-9953. Rates valid February 25, 2005. For additional information on mortgages go to: www.PhillyMortgageRates.com