

House Housing & Community Development Committee

Informational Meeting on PHFA

By way of background, the Pennsylvania Housing Finance Agency is the Commonwealth's leading finance organization for affordable homeownership and rental housing development. The Agency was created by the legislature in 1972, with a core mission of financing affordable housing opportunities for older adults, low- and moderate-income families and people with special housing needs. The agency achieves this goal by utilizing the authority granted to it by both state and federal law, and primarily raises revenue for its programs through the sale of taxable and tax-exempt securities.

The agency has historically operated within three key areas, financing of affordable rental housing development, financing homeownership through a variety of affordable mortgage products, and foreclosure prevention.

Homeownership Opportunities and Programs:

- PHFA offers a number of home purchase mortgage products tailored to both first-time homebuyers and those with moderate incomes. All PHFA mortgages are serviced in-house here in our Harrisburg office which allows us to ensure that borrowers remain our first priority.
 - We currently service over 73,000 loans with a combined principal balance of \$5.4 billion.
- We utilize a network of participating lenders that interested homebuyers work directly with from determining the best product fit to loan origination and closing. Upon closing, PHFA purchases qualifying loans and holds them in-house throughout the duration of the loan.
- We understand the need for down payment and closing cost assistance and over the past two years we've made it a priority to develop additional home loan programs to help more families obtain homeownership.

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Financing of Affordable Rental Housing Development and Preservation:

- PHFA is the state's administrator of the federal Low-Income Housing Tax Credit (known as LIHTC) which is credited as being the primary tool to create and preserve affordable rental housing. The program was designed to encourage private-sector investment to affordable rental housing development and preservation/rehab.
 - Annually, PHFA receives approximately \$32 million in 9% LIHTC authority which it administers through a highly competitive application round.
- In conjunction with LIHTC, PHFA also has available several supplemental resources to assist with developing and preserving affordable rental housing. Those resources include the newly established Pennsylvania Housing Tax Credit, National Housing Trust Fund dollars and a portion of the state's allocation of the federal HOME Investment Partnership (HOME) dollars that DCED suballocates to the agency annually specifically for pairing with LIHTC.
- **PHTC:** The 2022 LIHTC cycle incorporated the first round of the Pennsylvania Housing Tax Credits. As part of the funding cycle, PHFA received approximately \$60 million in requests and conditionally awarded just under \$20 million in state tax credits.

Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) Program:

- PHARE, or commonly referred to as the state housing trust fund, is the agency's most flexible funding source and assists with a broad range of affordable housing related activities. Since its creation over ten years ago, PHARE has touched programs or projects in every county of the Commonwealth through its two state funded lines, the Marcellus Shale Impact Fees (MS) and Realty Transfer Tax funds (RTT).
- 1,287 programs or projects have been awarded funding.
- \$239 million has been awarded (\$71 million/MS and \$168 million/RTT) with anticipated leveraging of over \$1 billion.
- Combined, 1,780 applications have been received under both funding streams with requests in excess of \$660 million.

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- In July of this year the cap under the Realty Transfer Tax funding stream will increase from \$40 million to \$60 million but retains the formula for determining what amount is transferred on an annual basis.

Mixed Use Development Tax Credit and the Community Revitalization Fund Program:

- Established as part of the Commonwealth's FY 2016/17 budget, the Mixed Use Development Tax Credit provides the agency with an annual allocation of state tax credits which it then sells to the highest eligible bidders, and subsequently administers the fund through the Community Revitalization Fund Program.
 - The program has increased from its initial allocation of \$2 million to the current \$4.5 million.
- Funding is awarded to financially viable, mixed-use projects containing both a commercial and residential component, that are consistent with a well-defined community development or revitalization plan.
- Grant recipients are required to maintain the commercial and residential components for at least 10 years and rental housing created under this program must remain affordable to households at or below 80% of the area median income. Preference is given to projects that commit to longer periods of mixed-use in scope and residential affordability.

Foreclosure Prevention:

- **HEMAP:** For almost 40 years PHFA has administered the Homeowners Emergency Mortgage Assistance Program (or HEMAP as it's generally referred to) to assist homeowners with foreclosure prevention stemming from defaults resulting from no fault of their own. In most cases applicants have experienced a job loss, reduction in hours or medical emergencies but there is a reasonable expectation that they will be able to resume their full mortgage payments in the near future.

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- HEMAP is a loan program, however monthly repayments are based off of annual recertifications and can be as low as \$25/month when instances dictate that the homeowner would benefit from such.
- HEMAP has assisted over 50,300 homeowners with loans totaling over \$578 million, a large portion of those funds being available thanks to loan repayments.

Counseling Initiatives:

- PHFA maintains partnerships with HUD certified counseling agencies across the Commonwealth to assist residents with a variety of needs. Programs ranging from pre-purchase counseling to financial education or foreclosure prevention are available free of charge to PA residents, through funding that PHFA makes available both from federal grants and agency resources.
- Live and recorded webinars and online courses are available directly from PHFA's website and in-person/virtual counseling is available by contacting a local participating agency directly.

Pandemic Response:

The agency was called upon during the pandemic to administer a number of specialized housing focused programs. The agency's comprehensive knowledge in multiple areas of the housing industry and unique ability to quickly refocus our staff resources allowed us to work through complex program designs governed by both state and federal regulations.

- **Construction Cost Relief Program (CCRP) /Development Cost Relief Program (DCRP):**
 - In July of 2021 and 2022, PHFA received a combined \$200 million from the Commonwealth's allocation of ARPA funds to assist in filling budget gaps caused by construction cost increases resulting from the pandemic, in LIHTC developments.
 - To date, PHFA has closed on over \$78.5 million in funding, committed another \$39.3 million, and is pending review on an additional \$16 million in requests.

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- The agency anticipates fully committing all \$150 million of DCRP funds by the end of this year.
- **Housing Options Program Grant:** Included in the Commonwealth's fiscal year 2022-23 budget was an appropriation of \$100 million of ARPA funds and establishing a new program to assist with increasing the supply of affordable rental housing.
 - The agency issued final guidelines in January and completed applications are due today (June 6th).
 - The program contains three subcategories for applicants to apply under:
 - Emergency Repair to existing affordable rental housing
 - Preservation (more extensive rehab) of existing affordable rental housing
 - New construction of affordable rental housing
 - Applicants are required to have a 25% match to be eligible for a grant under this program.

PAHAF: The Pennsylvania Homeowner Assistance Fund program is a temporary program established in conformance with the guidelines set by the U. S. Department of Treasury, to assist homeowners negatively impacted by the pandemic. Under the program, the Commonwealth received \$350 million to administer a program to assist with mortgage and other housing related expenses. As part of the Commonwealth's Fiscal Year 2021-2022 Budget, PHFA was identified as the state administrator for the program. My following comments reflect the program timeline and current statistics.

- PHFA began accepting applications for mortgage reinstatement as part of a pilot program as allowed under U.S. Treasury's program guidelines, in late 2021.
- On February 1, 2022 the full program was launched by the third party vendor hired to administer the program.
- PHFA announced in January of this year that it was bringing program administration in-house. This transition allowed the agency to leverage our housing expertise, and our relationships with stakeholders, to process the

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applications on hand. The agency formally took over the program on March 9, 2023 and began processing applications late in the month.

- The data migration process occurred throughout February and March of this year allowing us to bring application information in-house from the prior vendor's system.
- PHFA paused acceptance of new applications in February of this year to allow time for processing of applications in the pipeline and to assess what funding is likely to remain upon completion of the review of those applications.
- As the migrated information was verified in the new system (Neighborly), applicants were sent invitations to register in the portal so that we could verify accuracy of information and obtain permission to communicate with servicers and providers on the applicant's behalf.
- Applications are being processed in the following order of prioritization:
 - Applicants facing Imminent Adverse Action (Act 91, Sheriff sale, shut off notice);
 - Followed by date order of application submission.
- With the transition to the new Neighborly system, servicers and providers must also be registered so that we can communicate regarding debt verification as well as release assistance payments. We continue to do outreach to vendors so that we can get them into our new system.
- A call out campaign is underway where call center representatives are reaching out to homeowners who have not registered in the new system.
- We are also planning a traveling registration effort to kickoff at the end of June. Staff will travel to counties with high counts of applicants who are not registered in the new system to provide in-person assistance with registration and submission of the application update.
- A partnership with housing counselor and legal service providers will also offer a one stop shop making sure that the application updates are completed in the