



REAL ESTATE FINANCE · LOAN TYPES · LENDING STRATEGY

The Complete Real Estate Lending Guide.

From conventional 30-year mortgages to DSCR investor loans, hard money, and private lending — every financing option explained for buyers, homeowners, and real estate investors in Southwestern Pennsylvania.

Conventional Loans

Conforming, jumbo, fixed, ARM, 3% down, renovation

Government Loans

FHA (203b, 203k), VA, USDA, and their variations

Investor & Alt Lending

DSCR, hard money, private, bridge, construction, HELOC

WHAT THIS GUIDE COVERS

- Conventional 30yr, 15yr, ARM, Jumbo, 3% & 5% down
- FHA 203(b), 203(k) Standard & Limited
- USDA Guaranteed & Direct Loans
- Hard Money & Fix-and-Flip Financing
- Bridge Loans & Construction-to-Perm
- Portfolio Loans & Bank Statement Loans
- Conventional renovation (Fannie HomeStyle)
- VA Purchase & IRRRL Streamline Refinance
- DSCR (Debt Service Coverage Ratio) Loans
- Private Lending & Seller Financing
- HELOC, Home Equity Loans, Cash-Out Refinance
- Pennsylvania-specific programs & PHFA



Conventional Loans

The backbone of residential real estate finance. Not government-insured — backed by private lenders and sold to Fannie Mae or Freddie Mac on the secondary market.

WHAT MAKES A LOAN "CONVENTIONAL"

Conventional loans are not insured or guaranteed by a federal agency. They must conform to Fannie Mae/Freddie Mac guidelines (conforming) or exceed them (jumbo/non-conforming). Conforming loan limits for 2024 in most SWPA counties: **\$766,550** for single-family. Because there's no government backing, lenders rely heavily on borrower credit score, debt-to-income ratio, and down payment size to price risk.

30-Year Fixed Conventional

MOST COMMON
DOWN PAYMENT
3–20%+
CREDIT SCORE
620+ (700+ ideal)
DTI MAX
~45–50%
PMI REQUIRED
If < 20% down
✓ STRENGTHS

- Predictable fixed payment for life of loan
- Widest lender availability, most competitive rates
- PMI drops off at 80% LTV — no lifetime premium
- Usable for primary, second home, and investment

✗ LIMITATIONS

- Stricter credit/income documentation than FHA
- PMI adds cost until 20% equity is reached
- Higher rate than shorter-term options
- Investment property requires 15–25% down

SWPA CONTEXT: The most common loan type in SWPA. With median home prices well below national averages, most Pittsburgh-area buyers stay well under conforming limits and qualify at solid rates. Competitive for buyers with 620+ credit and stable income.

15-Year Fixed Conventional

EQUITY BUILDER
DOWN PAYMENT
3–20%+
RATE VS. 30YR
0.5–0.75% lower
PAYMENT
~25–30% higher
INTEREST SAVED
Significant
✓ STRENGTHS

- Lower interest rate than 30-year
- Builds equity at roughly 2x the rate
- Interest savings over life of loan are substantial
- Strong choice for refinancers with existing equity

✗ LIMITATIONS

- Higher monthly payment limits purchase power
- Less cash flow flexibility month-to-month
- Not ideal for investment properties (cash flow impact)
- Fewer buyers can qualify at the higher payment

SWPA CONTEXT: Popular with move-up buyers in SWPA who are purchasing their second or third home and can afford the higher payment. Also a strong refinance option for homeowners who bought in 2020–2021 at low rates and have significant equity.

Adjustable Rate Mortgage (ARM)

RATE RISK
COMMON TERMS
5/1, 7/1, 10/1
INITIAL RATE
Lower than fixed
ADJUSTMENT CAPS
2/2/5 typical
BEST FOR
Short hold (<7yr)
✓ STRENGTHS

- Lower initial rate vs. comparable fixed loan
- Monthly savings during fixed period can be significant
- Good for buyers with defined short-term plans
- Useful when rates are high and plan to refinance

✗ LIMITATIONS

- Rate uncertainty after initial fixed period
- Payment can increase meaningfully at first adjustment
- Requires active monitoring and refinance planning
- Can be difficult to budget long-term

SWPA CONTEXT: Less common in SWPA due to the region's value-oriented buyers who tend to favor certainty. However, in a high-rate environment, 7/1 ARMs are gaining traction for buyers who plan to sell or refinance within the fixed window.

NOTE: Cap structure matters: a 2/2/5 ARM adjusts max 2% at first reset, 2% annually thereafter, and 5% total lifetime. Know your caps before committing.

Conventional 97 (3% Down)

LOW DOWN
DOWN PAYMENT
3%
CREDIT SCORE
620+
INCOME LIMIT
None (standard)
PMI
Required
✓ STRENGTHS

- Lowest down payment in conventional category
- No income limits (unlike USDA/HomeReady in some areas)
- Avoids FHA's upfront MIP and lifetime premium
- Available for first-time and repeat buyers

✗ LIMITATIONS

- PMI required until 80% LTV
- Higher credit score expectation than FHA
- Limited to primary residence only
- Rate may be slightly higher than 5–10% down scenarios

SWPA CONTEXT: Excellent fit for SWPA buyers who have strong income/credit but limited liquid savings. Given low median prices, 3% down on \$220,000 is \$6,600 — achievable. Pair with PHFA assistance programs for closing cost coverage.

Jumbo Loan (Non-Conforming)

HIGH BALANCE
LOAN MINIMUM
> \$766,550 (2024)
DOWN PAYMENT
10–20%+
CREDIT SCORE
700–720+ typical
RESERVES
6–12 months required
✓ STRENGTHS

- Enables purchase of high-value properties
- Competitive rates (sometimes near conforming)
- No PMI at 20%+ down
- Available in fixed and ARM variants

✗ LIMITATIONS

- Stricter underwriting — higher reserves, DTI scrutiny
- Larger down payment typically required
- Fewer lenders participate in jumbo market
- More documentation intensive

SWPA CONTEXT: Rare in most SWPA markets where median prices sit well below \$400K. However, Sewickley, Fox Chapel, Upper St. Clair, and Mt. Lebanon transactions occasionally reach jumbo territory. Portfolio lenders and larger banks are the primary source.

Conventional Renovation (Fannie Mae HomeStyle)

REHAB OPTION
DOWN PAYMENT
3–5%+
RENOVATION LIMIT
75% of ARV
DRAWN
Held in escrow
PROPERTY TYPES
1–4 unit, condo
✓ STRENGTHS

- Finance purchase + renovation in one loan
- Lower rate than hard money/construction
- Usable on investment properties (20% down)
- No upfront MIP like FHA 203(k)

✗ LIMITATIONS

- Complex process — requires approved contractor bids
- Lender oversight of renovation draws
- Fewer lenders offer it vs. standard conventional
- Longer closing timeline (45–60 days typical)

SWPA CONTEXT: Strong option for SWPA's significant stock of older, dated housing. Buyers who find a well-located home needing \$30K–\$100K in updates can finance it all at a single mortgage rate. Ask your lender specifically about HomeStyle — not all originate it.

Government-Backed Loans

FHA, VA, and USDA loans are insured or guaranteed by federal agencies, allowing lenders to offer lower rates and relaxed credit standards — at the cost of specific fees and eligibility requirements.

Federal Housing Administration (FHA) Loans

FHA loans require mortgage insurance regardless of down payment. Two premiums apply: an upfront MIP of 1.75% of the loan amount (financed into the loan) and an annual MIP of 0.55%–0.85% paid monthly. On a 30-year loan with less than 10% down, annual MIP is paid for the life of the loan — this is the key structural difference from conventional PMI, which can be removed.

FHA 203(b) — Standard Purchase Loan

MOST USED FHA

DOWN PAYMENT 3.5% (580+ credit)	CREDIT SCORE 500 min / 580 ideal	UPFRONT MIP 1.75% of loan	ANNUAL MIP 0.55–0.85% /yr
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✓ STRENGTHS

- Lowest credit score threshold of any major loan type
- 3.5% down at 580+ credit score
- Gift funds fully accepted for down payment
- More flexible DTI allowances than conventional

✗ LIMITATIONS

- MIP for life of loan if < 10% down (vs. removable PMI)
- Upfront MIP of 1.75% adds to loan balance
- FHA appraisals have condition requirements — can kill deals on older homes
- Loan limits apply (~\$498,257 in most SWPA counties 2024)

SWPA CONTEXT: Widely used in SWPA by first-time buyers with credit scores in the 580–650 range. FHA's condition requirements can be challenging with SWPA's older housing stock — chipping paint, missing handrails, and other deferred maintenance items will flag on FHA appraisals. Sellers in lower price ranges should be aware.

FHA 203(k) Standard — Full Renovation Loan

MAJOR REHAB

DOWN PAYMENT 3.5%	MIN RENO \$ \$5,000	REQUIRES HUD Consultant	TIMELINE Up to 6–12 months
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✓ STRENGTHS

- Finance purchase + major renovation in one FHA loan
- Structural repairs, additions, full rehabs eligible
- Low down payment with government backing
- Can be used by owner-occupants on 1–4 unit properties

✗ LIMITATIONS

- Requires HUD-approved 203(k) consultant (\$400–\$1,000+)
- Longer, more complex closing process
- Contractor must be approved; no DIY work
- Not usable on investment-only properties

SWPA CONTEXT: Excellent tool for SWPA's significant inventory of distressed 1–4 unit properties. A buyer who wants to purchase a \$95,000 Braddock duplex needing \$80,000 in repairs can finance \$175,000 at FHA rates. The process is complex — work with a lender who has done multiple 203(k)s.

NOTE: The 203(k) Standard allows structural changes. The Limited (below) does not. Know which you need before starting.

FHA 203(k) Limited — Minor Renovation Loan

LIGHT REHAB

DOWN PAYMENT 3.5%	RENO MAX \$35,000	NO CONSULTANT Required	STRUCTURAL? No
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✓ STRENGTHS

- Simpler than Standard 203(k) — no HUD consultant
- Covers kitchens, baths, flooring, HVAC, paint
- Faster to close than full 203(k)
- Low down payment retained

✗ LIMITATIONS

- \$35,000 renovation cap limits scope
- No structural work permitted
- Still requires FHA-approved contractor
- Two draws maximum during construction

SWPA CONTEXT: Strong fit for SWPA buyers finding cosmetically dated homes in solid condition. A \$150,000 home needing \$30,000 in kitchen/bath/paint updates can be acquired and renovated at 3.5% down. Quicker and less burdensome than the full 203(k).

Department of Veterans Affairs (VA) Loans

Available to eligible veterans, active-duty service members, and surviving spouses. VA loans are guaranteed by the VA — no private mortgage insurance ever. The VA Funding Fee (0.5%–3.3%) replaces MIP/PMI and can be financed into the loan. Disabled veterans with a service-connected disability rating may have the funding fee waived entirely.

VA Purchase Loan

BEST DEAL IN LENDING

DOWN PAYMENT 0%	CREDIT SCORE 620+ typical	PMI/MIP None, ever	VA FUNDING FEE 1.25–3.3%
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✓ STRENGTHS

- Zero down payment — no exceptions needed
- No PMI or MIP — significant monthly savings
- Competitive rates (often below conventional)
- No prepayment penalties
- Funding fee waived for disabled veterans

✗ LIMITATIONS

- Eligibility limited to qualifying service members/veterans
- VA appraisal (MPRs) can be strict on property condition
- Funding fee adds to loan balance (unless waived)
- Sellers sometimes unfamiliar/resistant — education helps

SWPA CONTEXT: Highly advantageous in SWPA where many veterans choose to stay near military installations and family. With median prices well below VA conforming limits, a veteran can buy a \$250,000 home with \$0 down at a strong rate. A veteran using VA benefits is not a weak buyer — they're often the strongest in the room.

VA IRRRL — Interest Rate Reduction Refinance Loan

VA STREAMLINE REFI

APPRAISAL Not required	INCOME DOCS Often waived	FUNDING FEE 0.5%	PURPOSE Rate reduction only
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✓ STRENGTHS

- Streamlined refinance — minimal documentation
- No appraisal required in most cases
- Lower funding fee (0.5%) than purchase
- Can roll closing costs into loan balance

✗ LIMITATIONS

- Must already have a VA loan to use IRRRL
- Cannot take cash out (different product for that)
- Must lower rate OR move from ARM to fixed
- Occupancy requirements apply

SWPA CONTEXT: Highly relevant for SWPA veterans who purchased in 2022–2023 at higher rates. If/when rates decline, the IRRRL is the fastest and cheapest way to refinance an existing VA loan. No income docs, no appraisal — often closable in 2–3 weeks.

USDA Rural Development Loans

USDA loans support homeownership in designated rural and suburban areas. They require zero down payment but carry income limits (typically 115% of area median income) and are limited to USDA-eligible geographic areas. Two programs exist: the Guaranteed Loan (issued by approved lenders) and the Direct Loan (issued directly by USDA for very low income borrowers).

USDA Guaranteed Loan

0% DOWN — RURAL

DOWN PAYMENT 0%	CREDIT SCORE 640+ preferred	UPFRONT FEE 1% of loan	ANNUAL FEE 0.35% /yr
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✓ STRENGTHS

- Zero down payment, no PMI structure
- Annual fee (0.35%) significantly lower than FHA MIP
- Competitive rates with government backing
- Eligible in more areas than most buyers expect

✗ LIMITATIONS

- Geographic eligibility required — not all SWPA areas qualify
- Income limits apply — varies by county and household size
- Property must be modest in size/value
- Slower process than conventional — USDA approval layer

SWPA CONTEXT: More applicable in outer SWPA counties — parts of Washington, Westmoreland, Butler, and Lawrence Counties have USDA-eligible zones. Not available in Allegheny County's urban/suburban core. Check USDA's eligibility map — buyers are often surprised which areas qualify.

USDA Direct Loan

VERY LOW INCOME

DOWN PAYMENT 0%	ISSUED BY USDA directly	INCOME LIMIT Very low threshold	RATE Subsidized / below market
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✓ STRENGTHS

- Subsidized interest rate — can be dramatically below market
- Payment assistance available for qualifying borrowers
- No private lender involvement
- Designed for borrowers who cannot qualify elsewhere

✗ LIMITATIONS

- Very strict income limits (50–80% of area median)
- Limited funding — waitlists can occur
- Slower process than guaranteed program
- Geographic and property eligibility same as guaranteed

SWPA CONTEXT: Rare in practice but meaningful for very low income buyers in outer SWPA counties. Contact the local USDA Rural Development office in Harrisburg/Reading for eligibility screening. Not typically handled through conventional lenders.

NOTE: USDA Direct and Guaranteed are separate programs with different lenders, income thresholds, and processes. Most mortgage brokers handle Guaranteed only. Direct requires going to USDA directly.

Investor & Alternative Lending

When conventional and government loans don't fit the deal — because of the property type, borrower profile, or speed requirements — investors turn to these specialized financing structures.

DSCR Loan (Debt Service Coverage Ratio)

INVESTOR STAPLE

DOWN PAYMENT

20–25%

DSCR MIN

1.0–1.25x

CREDIT SCORE

660–700+

INCOME DOCS

None required

BEST FOR: Buy-and-hold investors who own multiple properties and can't qualify via traditional income documentation due to depreciation write-offs, self-employment, or portfolio complexity.

✓ STRENGTHS

- Qualifies based on property income — not personal W-2
- No income verification, tax returns, or employment docs
- Scales well for investors with multiple properties
- 30-year fixed, 5/1 ARM, and interest-only options available
- LLC/entity ownership typically allowed

✗ LIMITATIONS

- Higher interest rate than conventional (typically 1–2% premium)
- 20–25% down payment required
- Property must pencil at DSCR ≥ 1.0 (rent \geq debt service)
- Not available for primary residences
- Fees can be higher than agency loans

SWPA CONTEXT: Growing rapidly in SWPA as out-of-state investors and local portfolio builders discover the market.

Pittsburgh's strong rent-to-price ratios often produce DSCR ratios well above 1.25x — making the math work cleanly. A

\$180,000 SFR renting for \$1,600/month with a \$1,050/month payment is a 1.52x DSCR. That's investable.

STRATEGY NOTE: DSCR = Monthly Gross Rent ÷ Monthly PITIA (Principal, Interest, Taxes, Insurance, HOA). Most lenders require 1.0–1.25x minimum. Some will approve 0.75–0.99x with compensating factors at a rate premium.

Hard Money Loan

FAST CAPITAL

DOWN PAYMENT

20–30% of purchase

INTEREST RATE

9–14% typical

TERM

6–24 months

CLOSE SPEED

7–14 days

BEST FOR: Fix-and-flip investors, distressed property acquisitions, time-sensitive opportunities where conventional financing timeline is prohibitive, and properties that don't meet conventional habitability standards.

✓ STRENGTHS

- Speed: can close in 7–14 days — critical for auctions and distressed deals
- Asset-based underwriting — property value drives approval, not income
- Will lend on properties conventional lenders won't touch
- Short-term tool — not designed to hold long
- Renovation draws available during rehab period

✗ LIMITATIONS

- Expensive: 9–14% interest + 2–4 origination points
- Short term — must refinance or sell before maturity
- Typically requires experienced investor track record
- Personal guarantee often required
- Appraisal-light doesn't mean risk-free — values matter

SWPA CONTEXT: Active hard money lender market in SWPA — several local and regional lenders operate specifically in the

Pittsburgh market. Fix-and-flip activity is strong in neighborhoods like Braddock, Wilkinsburg, Duquesne, McKeesport, and

McKees Rocks where ARV spreads justify the cost of capital. Know your exit before you borrow.

STRATEGY NOTE: A hard money loan is a business tool, not a mortgage. The exit strategy (refinance or sale) must be underwritten before you borrow. The cost of capital (12% + 3 points on a \$100K loan = \$15K+ in year one) must be built into the deal pro forma.

Private Lending

RELATIONSHIP CAPITAL

SOURCE

Individuals / IRA

RATE

7–12% negotiated

TERM

Flexible

STRUCTURE

Fully negotiable

BEST FOR: Experienced investors with a network of private lenders, self-directed IRA investors seeking higher yield than market alternatives, and joint venture structures between active operators and passive capital providers.

✓ STRENGTHS

- Fully negotiable terms — rate, term, amortization, draw schedule
- Faster than institutional hard money if lender is known
- Can structure interest-only or deferred payments
- Private IRA money is abundant and seeking yield
- No origination fees, points negotiable

✗ LIMITATIONS

- Requires cultivated relationships — not available on demand
- No regulatory structure — must use proper legal documentation
- Lender is often unsophisticated — requires education and trust-building
- Personal liability to individual lenders creates reputational risk
- Promissory note and mortgage must be properly drafted by an attorney

SWPA CONTEXT: Significant private capital is available in the SWPA investor community through REI networks, meetup

groups, and established operators. Self-directed IRA funds from investors seeking 8–10% annual returns secured by real

estate are a major source. Connect through Pittsburgh-area real estate investor associations.

STRATEGY NOTE: All private lending must be documented with a properly executed promissory note and recorded mortgage/deed of trust. The lender holds a lien on the property. Use a real estate attorney — not a handshake — to structure any private loan.

Bridge Loan

GAP FINANCING

TERM

3–24 months

RATE

7–12%

LTV

Up to 75–80%

PURPOSE

Transition financing

BEST FOR: Homeowners buying a new home before their current one sells, investors acquiring properties before arranging permanent financing, and developers bridging the gap between land acquisition and construction loan closing.

✓ STRENGTHS

- Enables buying before selling — eliminates contingency weakness
- Fast close — competitive with cash in multi-offer scenarios
- Flexible structure — interest only common
- Can use equity in current home as collateral

✗ LIMITATIONS

- Expensive short-term capital (7–12% + fees)
- Carrying two debt obligations simultaneously
- Risk if the sale or refinance takes longer than expected
- Not widely available through retail banks — specialty lenders

SWPA CONTEXT: Used by move-up buyers and downsizing homeowners in SWPA who want to purchase without a home

sale contingency. Also used by commercial/mixed-use developers bridging between land close and construction financing.

SWPA's shorter market times (45–90 days) make bridge loans more manageable.

Construction-to-Permanent Loan

BUILD & HOLD

PHASES

Construction + Perm

DOWN PAYMENT

15–25% of total

RATE DURING BUILD

Higher / interest only

ONE CLOSE?

Yes — some lenders

BEST FOR: Owner-occupants building a custom home on purchased land, developers building 1–4 unit properties to hold as rentals, and investors combining land acquisition with new construction in a single financing package.

✓ STRENGTHS

- One loan, one closing (in 'one-time close' format)
- Converts to permanent 30-year mortgage at completion
- Draw schedule tied to construction milestones
- No need to refinance out of construction loan at completion

✗ LIMITATIONS

- More complex underwriting — builder approval, plans, permits required
- If current rate is low, cash-out refi can significantly raise payment
- Rate typically locked at application — may not reflect market at completion
- Slower process than separate land + construction loans
- Requires experienced lender in construction lending

SWPA CONTEXT: Relevant for land buyers in SWPA's outer townships where new construction is occurring. Butler,

Cranberry, North Allegheny, and South Hills areas see active residential construction lending activity. Fewer lenders offer

true construction-to-perm products — ask specifically before assuming availability.

HELOC & Home Equity Loan

EQUITY ACCESS

LTV MAX

85–90% CLTV

HELOC RATE

Variable (Prime \pm)

HE LOAN RATE

Fixed

USE

Unrestricted

BEST FOR: Homeowners with significant equity who want to access capital for renovations, investment property down payments, business investments, or debt consolidation without selling or refinancing their primary mortgage.

✓ STRENGTHS

- Access equity without disrupting primary mortgage rate
- HELOC: draw as needed — only pay interest on drawn amount
- Home Equity Loan: fixed rate, predictable payment
- Interest may be tax-deductible if used for property improvements (consult CPA)

✗ LIMITATIONS

- HELOC rate is variable — rises with prime rate
- Increases total debt secured by home — risk if values decline
- Combined LTV limits vary by lender (typically 85–90%)
- HELOC can be frozen by lender in market downturns

SWPA CONTEXT: Particularly valuable for SWPA homeowners who bought in 2015–2021 and have seen significant appreciation. A homeowner who bought in Mt. Lebanon for \$280,000 in 2018 who is now at \$400,000+ has \$100K+ in accessible equity. Using a HELOC to fund an investment property down payment is a common portfolio-building strategy.

STRATEGY NOTE: HELOC vs. Cash-Out Refi: If your primary mortgage is at 3–4%, a HELOC at 8% is often better than refinancing your entire balance at a higher rate. Run both scenarios.

Cash-Out Refinance

EQUITY RECAPTURE

MAX LTV

80% (conventional)

CASH AVAILABLE

Equity minus 20%

RATE

Full refi rate

CLOSES NEW LOAN

Replaces existing

BEST FOR: Investors completing the BRRRR strategy (recapturing renovation capital), homeowners funding major renovations, and borrowers consolidating high-interest debt when equity is substantial and current mortgage rate is already high.

✓ STRENGTHS

- Converts equity to liquid capital at mortgage rates
- Single loan — no second lien
- Fixed rate available
- Can consolidate debt into tax-advantaged structure

✗ LIMITATIONS

- Replaces primary mortgage — rate applies to full balance
- If current rate is low, cash-out refi can significantly raise payment
- 80% LTV max limits available cash
- Closing costs (2–4%) reduce net proceeds

SWPA CONTEXT: The BRRRR exit vehicle in SWPA's investor market. After a forced-equity renovation, a cash-out refi at the

new appraised value returns capital for the next acquisition. The math works best when acquisition + renovation costs are

below 80% of ARV — a scenario that's achievable in many SWPA submarkets.

Portfolio Loan

BANK HELD

LENDER TYPE

Community banks

NOT SOLD TO

Fannie/Freddie

FLEXIBILITY

High

RATE

Slightly higher

BEST FOR: Borrowers who don't fit conventional agency guidelines: self-employed with complex tax returns, investors with more than 10 financed properties (Fannie/Freddie cap), LLC borrowers, or buyers of non-warrantable condos and unique property types.

✓ STRENGTHS

- Lender sets their own guidelines — more flexibility
- Can lend to LLCs, trusts, and unusual borrowers
- No Fannie/Freddie 10-property cap
- Good for non-warrantable condos and unique properties

✗ LIMITATIONS

- Rates typically slightly above conforming market
- Product availability limited to lenders who hold their own paper
- Underwriting standards vary significantly by institution
- Less standardized — negotiation required

SWPA CONTEXT: Several Pittsburgh-area community banks and credit unions offer portfolio products. First Keystone,

Standard Financial, and similar regional institutions often work with local investors who have established relationships. The

10-property conventional limit makes portfolio loans essential for active SWPA investors building larger portfolios.

Bank Statement Loan

SELF-EMPLOYED

INCOME DOCS

12–24 months bank stmts

DOWN PAYMENT

10–20%+

CREDIT SCORE

660–700+

RATE PREMIUM

0.5–1.5% vs. conv.

BEST FOR: Self-employed borrowers, business owners, and entrepreneurs whose tax returns show significantly less income than actual cash flow due to business deductions, depreciation, and pass-through structures.

✓ STRENGTHS

- Qualifies on actual cash flow vs. tax return income
- Available for primary, second home, and investment
- No employment verification for W-2 income
- 12 or 24 month averaging available

✗ LIMITATIONS

- Rate premium over conventional loans
- Higher down payment typically required
- Lender underwriting of deposits for business vs. personal
- Business account statements may require additional documentation

SWPA CONTEXT: Increasingly important in SWPA's entrepreneurial investor community. Business owners who run their own

companies and deploy profits into real estate often look poor on paper (tax returns) while having substantial cash flow. Bank

statement loans unlock financing that traditional underwriting denies.

STRATEGY NOTE: Lenders use 50–100% of business deposits (depending on business type) and 100% of personal deposits to calculate qualifying income. Work with a lender experienced in this product — underwriting methodology varies significantly.

Seller Financing

CREATIVE DEAL

LENDER

The seller

TERMS

100% negotiable

RATE

Market or below

DUE DILIGENCE

Deed of Trust / Note

BEST FOR: Buyers who can't qualify conventionally, investors buying from motivated sellers who want income over time, estate sales where heirs want installment income, and land transactions where traditional financing is limited.

✓ STRENGTHS

- Fully customizable terms — rate, amortization, balloon, interest-only
- No bank underwriting — closes faster with less bureaucracy
- Win-win when seller wants income stream vs. lump sum
- No points, origin fees, or conventional closing costs

✗ LIMITATIONS

- Seller must own property free-and-clear or get lender consent
- Balloon payment risk if buyer can't refinance at maturity
- Seller retains credit risk — buyer default creates complications
- Requires attorney to draft proper promissory note and mortgage

SWPA CONTEXT: Particularly common in SWPA land transactions, rural properties, and estate sales where institutional

financing is difficult. Sellers holding paid-off properties who want installment income (vs. a lump sum tax event) are strong

seller-financing candidates. Always use a real estate attorney and record the mortgage.

PA Programs, Comparison & Strategy

Pennsylvania-specific assistance programs, a side-by-side loan comparison matrix, and strategic guidance on how to match the right financing to the right deal.

Pennsylvania Housing Finance Agency (PHFA)

PHFA offers first-time homebuyer and non-first-time buyer programs through approved lenders statewide. These are not standalone loans — they're overlays on top of FHA, VA, USDA, or conventional loans that add down payment and closing cost assistance. PHFA programs are income- and purchase-price-limited.

HFA Preferred (Conventional)	3% down, no MI if income-eligible; paired with PHFA assistance
Keystone Home Loan (FHA/VA/USDA/Conv)	Below-market rates for eligible buyers; income & price limits apply
Keystone Advantage (DPA)	\$6,000 in down payment/closing cost assistance as 2nd mortgage; 0% interest, amortized 10yr
PHFA Grant (select lenders)	\$500–\$1,000 grant (not repaid) for eligible buyers in certain areas
K-FIT Loan Program	5% of purchase price as DPA (forgivable at \$500/year over 10 years)
Mortgage Credit Certificate (MCC)	Federal tax credit (20–50% of mortgage interest) for first-time buyers in eligible areas

HOW TO ACCESS: PHFA loans must be originated through an approved PHFA lender — not all banks participate. Ask specifically. Income limits and purchase price limits change annually. As of 2024, Allegheny County purchase price limits are approximately \$349,500 (1-2 unit), \$447,542 (3 unit).

Allegheny County & City of Pittsburgh Programs

Local assistance programs layer on top of PHFA or standalone financing. Availability, funding, and terms change frequently — always verify directly with the administering agency.

Pittsburgh Home Ownership Program (PHOP)	Up to \$7,500 in forgivable down payment assistance for City of Pittsburgh buyers; income limits apply
Allegheny County DPA	Down payment assistance for buyers in Allegheny County (outside Pittsburgh city limits); verify current availability
Pittsburgh Homeowner Assistance Fund (PHAF)	Assistance for existing homeowners with mortgage delinquency, property taxes, utilities
Urban Redevelopment Authority (URA)	Renovation loans and homebuyer incentive programs in targeted Pittsburgh neighborhoods
Neighborhood Assistance Programs (NAP)	Various programs by CDFIs (Community Development Financial Institutions) operating in SWPA

NOTE: Local program funding is often limited and depleted quickly. Buyers should apply early in the transaction timeline. These programs can cover \$3,000–\$15,000 in acquisition costs for income-eligible buyers.

LOAN COMPARISON MATRIX — PRIMARY RESIDENCE BUYERS

Factor	Conventional	FHA	VA	USDA
Min Down Payment	3%	3.5%	0%	0%
Min Credit Score	620	500 (580 for 3.5%)	620 typical	640 preferred
Mortgage Insurance	PMI until 20% equity	MIP for life of loan	None (funding fee)	0.35%/yr annual fee
Upfront Fee	None	1.75% MIP	1.25–3.3% funding fee	1% guarantee fee
Loan Limit (SWPA)	\$766,550 conforming	~\$498,257	None (no limit)	Varies by county
Investment Property?	Yes (15–25% down)	No (owner-occ only)	No (owner-occ only)	No (owner-occ only)
Property Condition	Standard appraisal	Strict MPR requirements	VA MPR requirements	Must meet USDA standards
Geographic Limits	None	None	None	Rural/suburban areas only
Income Limits	None	None	None	115% of area median
Best For	Strong credit, 620+ score	Lower credit / first-time	Eligible veterans	Rural buyers, income limits

STRATEGIC DECISION FRAMEWORK — HOW TO CHOOSE

Veteran or active duty?

VA loan first. No PMI, no down payment, competitive rates. Start here and work backward only if property condition fails VA appraisal.

First-time buyer, 580–650 credit?

FHA 203(b) with PHFA assistance. Stack the DPA program on top of FHA to minimize cash to close. Watch MIP implications long-term.

Strong income/credit, limited savings?

Conventional 97 or HomeReady 3% down. Better long-term than FHA due to removable PMI. Explore PHFA Keystone Advantage for DPA.

Rural/suburban buyer, income-eligible?

USDA Guaranteed first. Zero down, lower annual fee than FHA, geographic eligibility often broader than expected. Check the map.

Self-employed / complex income?

Bank statement loan or portfolio loan. Don't let a tax return designed to minimize taxable income also minimize your loan options. Specialist lenders required.

Buying a distressed/unrenovated property?

FHA 203(k) or Conventional HomeStyle. Finance acquisition and renovation in one loan. Hard money as a bridge if speed is critical.

Investment property — buy and hold?

Conventional (1–10 properties at 15–25% down) or DSCR (income-based, no limit on portfolio size). DSCR wins for landlords who've crossed the 10-property threshold.

Fix and flip?

Hard money or private lending. Speed and flexibility beat rate. Know your ARV, know your rehab budget, know your exit. Don't start without all three.

A Note on Rates — What the Market Controls and What You Control

Mortgage rates are set by the bond market, not the Federal Reserve directly. The 30-year fixed rate moves with the 10-year Treasury yield plus a spread. When rates are high, the game shifts — loan type selection, rate buydowns, ARM structures, and seller concessions become more important than when rates are at historic lows.

What you control: credit score (a 40-point improvement can move your rate materially), down payment size (LTV affects pricing), loan type selection, whether you pay points, and whether you negotiate seller concessions toward a rate buydown.

What you don't control: the Fed, the bond market, inflation, and geopolitical uncertainty. Focus your energy on what you can change. Lock when the rate works for your payment. Refinance when the math makes sense.

Know Your Options. Execute the Strategy.

The loan type you choose has as much impact on your long-term financial outcome as the property you buy. The right financing structure can mean the difference between a deal that builds wealth and one that just occupies capital. I work with buyers, sellers, and investors across every financing scenario — and I maintain relationships with lenders who specialize in each.

First-Time Buyers

Pre-approval strategy, PHFA programs, down payment assistance stacking, FHA vs. conventional comparison

Move-Up Buyers

Bridge loan options, buy-before-sell strategy, equity access for down payment, rate optimization

Investors (1-10 units)

Conventional investment financing, DSCR loan introductions, renovation financing strategy

Investors (Portfolio Scale)

DSCR scaling, portfolio lender relationships, hard money sourcing, BRRRR execution

WHAT I BRING TO THE FINANCING CONVERSATION

- Lender introductions across all loan types
- Seller concession negotiation strategy
- Bridge loan scenario planning
- DSCR and investor-specific lender network
- Rate buydown structuring in offers
- Investment property pro forma analysis
- PHFA-approved lender coordination
- Renovation loan process guidance
- Local market comps for DSCR qualification



Amanda Tihey

REALTOR® | The Steel City Agent | Keller Williams Exclusive
Licensed in Pennsylvania · Southwestern PA Market Specialist

REACH AMANDA



CELL / TEXT
412-852-7776



OFFICE
412-682-0120



EMAIL
thesteelcityagent@gmail.com



WEBSITE
TheSteelCityAgent.Com



FACEBOOK
Amanda Tihey



INSTAGRAM
@thesteelcityagent



The Steel City Agent

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