

City of Tempe

Community Assisted Mortgage Program



City of Tempe
Housing Services Division
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City of Tempe

Nondiscrimination and Equal Access Policy

The City of Tempe prohibits discrimination in all of its housing or related programs, and activities on the basis of race, national origin, color, creed, religion, sex, age, disability, veteran status, or sexual orientation.

Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact the City of Tempe at 480-350-8950 (TDD: 480-350-8913).



TEMPE HOUSING SERVICES DIVISION
COMMUNITY ASSISTED MORTGAGE PROGRAM DESCRIPTION

1. GENERAL PROVISIONS

The Community Assisted Mortgage Program (CAMP) was developed to address a number of needs within the City of Tempe. First, the City lacked an affordable homebuyer program for low-income first time households. Secondly, the City seeks to increase the rate of owner-occupancy. Lastly, providing financial incentives to homebuyers encourages reinvestment in Tempe's neighborhoods.

CAMP will provide deferred loans to eligible households that wish to purchase a primary residence within the City of Tempe. Loans are available for down payment assistance and reasonable closing costs. These loans

2. AMOUNT OF ASSISTANCE BY TARGET AREA

The City uses two sources of funding to finance CAMP purchases:

A. HOME Funds

Up to thirty five thousand dollars (\$35,000.00) is available to households purchasing a home in a city-designated Neighborhood Enhancement Area¹. Households purchasing homes outside of a Neighborhood Enhancement Area are eligible for up to thirty thousand dollars (\$30,000.00).

B. CDBG Funds

Up to 50% of the downpayment amount, but not more than twenty thousand dollars (\$20,000) is available to households purchasing a home in a designated Neighborhood Enhancement Area.

Purchases outside of a Neighborhood Enhancement Area are eligible for up to 50% of the downpayment amount but not more than fifteen thousand dollars (\$15,000).

NOTE: Participants are not eligible for CDBG funds until all HOME funds set aside for the Program are exhausted. Additionally, the City will not combine HOME and CDBG funds for any home purchase.

3. ELIGIBLE USE OF FUNDS

¹ Neighborhood Enhancement Areas are defined in General Plan 2020 (currently all neighborhoods north of Alameda Drive in Tempe).

Within the funding limits described above, the City’s contributions may be used for a number of eligible expenses, depending on the source of funds.

- A. HOME funds – within the limits described in Section 2, these funds may be used in any unrestricted combination toward reasonable closing costs and/or the downpayment up to the funding limits described above (depending on applicants’ needs).
- B. CDBG funds – up to \$7,500 in funds for closing costs, and \$20,000 (within Redevelopment Areas) or \$15,000 (outside Redevelopment Areas) for downpayment costs. Regardless of location, the City’s contribution toward the downpayment cannot exceed 50% of the required downpayment amount.

The following table summarizes the subsidy structure described in the previous two sections:

Funding Source	Financing Terms			
	Max subsidy within an RA	Eligible Uses	Max subsidy outside an RA	Eligible Uses
HOME	\$35,000	Closing costs and downpayment – any combination based on need	\$30,000	Closing costs and downpayment – any combination based on need
CDBG	\$27,500	\$7,500 Closing costs	\$22,500	\$7,500 closing costs
		\$20,000 downpayment		\$15,000 downpayment

* RA – ‘Redevelopment Area’ as defined in the City of Tempe General Plan 2020 – currently all areas north of Alameda Dr.

4. APPLICANT ELIGIBILITY

Participation in the Community Assisted Mortgage Program is voluntary. The eligibility requirements for participation in the program include:

- A. Gross Annual Household Income – HOME and CDBG: regardless of funding source, all applicants’ incomes must be at or below 80% of the area median income (adjusted for household size) for the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA). These figures are established by the US Department of Housing and Urban Development (HUD), and are updated on a yearly basis.
- B. Completion of a Homebuyer Education Class

Currently, the City has an agreement with one agency to provide this service:

Newtown CDC

511 W. University Dr., Suite 4
Tempe, AZ 85281
Phone: 480-517-1589
www.newtowncdc.org

C. First Time Homebuyer (as defined by Federal Housing Administration)

The FHA defines a first-time homebuyer as an individual who has had no ownership in a principal residence during the three year period ending on the date of purchase of the property. This three year period excludes;

- a. A single parent who has only owned a primary residence with a former spouse while married; or
- b. An individual who is a displaced homemaker and has only owned a primary residence with a spouse.

5. ELIGIBLE PROPERTIES

A. Type of Home

The following types of homes are eligible for purchase through CAMP: single family homes, patio homes, town homes, condominiums or manufactured homes attached to a permanent foundation on land owned by the purchaser.

B. Vacancy

The property must be vacant or owner-occupied at the time of purchase offer.

- (1) Properties that have been rented to tenants within 30 days prior to the time of purchase offer are not eligible, unless the applicant is the current tenant.
- (2) Vacancy or owner-occupancy must be confirmed by a certificate signed by the seller.
- (3) All sellers must be provided with a letter explaining the Uniform Relocation Act and must confirm that the transaction is a voluntary sale. Sellers are not eligible for relocation assistance.

C. Housing Quality Standards Inspection(s)

- (1) The City will perform an HQS (Housing Quality Standards) inspection and report all deficiencies to the buyer's realtor; all deficiencies must be corrected prior to closing.
- (2) The applicant must order an independent inspection from a licensed residential home inspector. The applicant or the seller must pay for this inspection.

D. Maximum Purchase Price

For all applicants, the purchase price cannot exceed 95% of the area median sales price. These limits are published periodically by HUD, and subject to market fluctuations.

6. TERMS AND CONDITIONS

A. Security Instrument

Whether financed with HOME or CDBG funds, the City will secure the deferred loan with a Deed of Trust or other approved lien instrument. All liens will be recorded at the Maricopa County Recorder's Office.

B. Type of Assistance

The assistance will be provided as a zero percent, deferred loan due in full upon transfer of title, refinancing for other than a change in rate and/or term, or when the borrower discontinues use of the property as his/her primary residence.

- (1) Any refinancing that allows for cash/equity to be taken out of the property, regardless of the purpose, requires full repayment of the assistance.
- (2) The City will only subordinate its second position for a favorable change in rate and/or term.
- (3) Upon transfer of title, the assistance is due immediately in full (usually from sale proceeds).
- (4) Upon disclosure to or discovery by the City that the property is no longer the primary residence of the borrower, the assistance is due in full within 30 days of notification by the City to the borrower; primary residence is defined as occupation of the residence by the homeowner for a minimum of ten months per calendar year.

C. Property Succession

The lien may be assumed by income-eligible heirs (<80% of area median) if using the property as a primary residence; heirs need not be first-time homebuyers or graduates of a homebuyer education class.

D. Waiting List

As CAMP will be administered using limited resources, the assistance will be provided on a first-come, first-served basis. The point of time that the applicant is deemed “eligible” by THS staff will be used at the starting point for the waiting list, should the need arrive. “Eligible” is defined as the point in time when the applicant has returned the Program Application and all supporting documentation necessary to process the file. The Housing Services Division date and time stamps all documentation submitted to its office.

7. REQUIREMENTS OF THE BUYER

A. Downpayment – HOME funds

Borrower must contribute the greater of \$1,000 or 1% of the purchase price.

- (1) If the first mortgage product requires more than \$1,000 or 1% of the purchase price, it satisfies this requirement.
- (2) Borrower’s funds may be used for downpayment assistance or closing costs.
- (3) Funds must come from borrower’s personal accounts, they may not be gifted or from other sources.

B. Downpayment – CDBG funds

- (1) Borrower must contribute at least 50% of funds required for downpayment from non-federal sources.
- (2) Borrower’s funds may be used for downpayment assistance or closing costs.
- (3) Funds must come from borrower’s personal accounts, they may not be gifted or from other sources.

C. Financing Terms

The borrower is responsible for securing a fixed rate or variable rate mortgage. In either case, the points and lender fees cannot exceed 5% of the mortgage amount.

- (1) Fixed Rate Mortgage: If the borrower secures a fixed interest rate mortgage, the annual percentage rate cannot exceed 8%.
- (2) Variable Interest Rate: Adjustable rate mortgages where the initial interest rate is fixed for a minimum of 5 years may be approved by the Housing Services Division if the applicant can satisfactorily demonstrate to the City that the family's income is expected to increase and the family's Principal, Interest, Taxes and Insurance payment will not exceed 40% of the family's gross monthly income should the interest rate increase by the maximum allotted amount as specified in the mortgage loan documents.

D. Amount of Assistance.

In addition to the other limitations on the amount of HOME and CDBG assistance that may be provided, the amount of assistance will not exceed the difference between the maximum mortgage sustainable by the household and the purchase price of the property.

E. Calculation of Assistance

Purchase price, including closing costs – <i>Acquisition cost</i>	\$
Maximum sustainable mortgage – <i>Loan approval amount</i>	– \$
The greater of 1% of purchase price or \$1,000 – <i>Buyer's contribution</i>	– \$
Required HOME or CDBG assistance (up to maximum allowable subsidy)– <i>City's contribution</i>	= \$

F. Funding Examples

a. Property within a Redevelopment Area financed with HOME funds

A. Purchase Price	\$175,000
B. Closing Costs (A X 0.03)	\$5,250
C. Total Acquisition Cost (A+B)	\$180,250
D. Maximum Sustainable Mortgage (Qualifying ratios as determined by lender)*	\$143,500
E. Buyer downpayment or 1% of purchase price	\$1,750
F. Total buyer contribution (D+E)	\$145,250
G. Maximum HOME contribution (C-F)	\$35,000**

* Figures A through D are examples, and will depend on the debt to income ratios, minimum downpayment amounts and other factors required by the applicant's lender. As these factors are determined by the applicants' lenders, and vary on a case by case basis, figures used in this example cannot provide a true representation of these costs.

** Maximum amount of HOME assistance used in this example

- b. Same property located within a Redevelopment Area financed with CDBG funds

A. Purchase Price	\$175,000
B. Closing Costs (A x 0.03)	\$5,250
C. Total Acquisition Cost (A+B)	\$180,250
D. Maximum Sustainable Mortgage (Qualifying Ratios as determined by lender)	\$140,000
E. Total downpayment required (A x 0.20)*	\$35,000
F. Buyer downpayment (E x 0.50)	\$17,500
G. City contribution to downpayment (E x 0.50)	\$17,500
H. City contribution to closing costs (B)	\$5,250
I. Total buyer contribution (D+F)	\$157,500
J. Maximum CDBG contribution (G+H)	\$22,750**

* Figures A through E are examples, and will depend on the debt to income ratios, minimum downpayment amounts and other factors required by the applicant's lender. As these factors are determined by the lenders, and vary on a case by case basis, figures used in this example cannot provide a true representation of these costs.

** Maximum amount of CDBG assistance not achieved in this example.

- c. Similar property (same purchase price) located outside a Redevelopment Area financed with HOME funds:

A. Purchase Price	\$175,000
B. Closing Costs (A X 0.03)	\$5,250
C. Total Acquisition Cost (A+B)	\$180,250
D. Maximum Sustainable Mortgage (Qualifying ratios as determined by lender)*	\$148,500
E. Buyer downpayment or 1% of purchase price	\$1,750
F. Total buyer contribution (D+E)	\$150,250
G. Maximum HOME contribution (C-F)	\$30,000**

* Figures A through D are examples, and will depend on the debt to income ratios, minimum downpayment amounts and other factors required by the applicant's lender. As these factors are determined by the applicants' lenders, and vary on a case by case basis, figures used in this example cannot provide a true representation of these costs.

** Maximum amount of HOME assistance used in this example

- d. Same property as previous example located outside a Redevelopment Area financed with CDBG funds:

A. Purchase Price	\$175,000
B. Closing Costs (A x 0.03)	\$5,250
C. Total Acquisition Cost (A+B)	\$180,250
D. Maximum Sustainable Mortgage (Qualifying Ratios as determined by lender)	\$140,000
E. Total downpayment required (A x 0.20)*	\$35,000
F. Buyer downpayment (E x 0.50)	\$17,500
G. City contribution to downpayment (E x 0.50)	\$17,500
H. City contribution to closing costs (B)	\$5,250
I. Total buyer contribution (D+F)	\$157,500
J. Maximum CDBG contribution (G+H)	\$22,750**

* Figures A through E are examples, and will depend on the debt to income ratios, minimum downpayment amounts and other factors required by the applicant's lender. As these factors are determined by the lenders, and vary on a case by case basis, figures used in this example cannot provide a true representation of these costs.

** Maximum amount of CDBG assistance not achieved in this example.

City of Tempe Housing Services Division

Community Assisted Mortgage Program

Steps to Homeownership

Thank you for your interest in the City of Tempe's Community Assisted Mortgage Program (CAMP). This program is designed to assist low and moderate income households purchase a home in the City of Tempe while assisting in the revitalization of neighborhood housing. The enclosed policy manual explains the objectives, eligibility requirements, and terms and conditions of participating in CAMP.

Applications are accepted on a first-come, first-served basis. A waiting list may be established due to funding limitations and/or administrative capacity. Submission of an application or placement on a waiting list is not a guarantee that an applicant will obtain assistance.

There are several steps that you, the potential homebuyer, must complete in order to apply for CAMP assistance. These steps are outlined below:

Step 1: Attend CAMP Application and Information Briefing

You must contact our office to schedule a CAMP Application and Information Briefing with us. At this briefing you will receive a CAMP Application and Information Packet with instructions and eligibility requirements for the CAMP/ program. To schedule this briefing, please contact Matt Hess at 480-350-8961, AZ Relay 7-1-1.

Step 2: Complete Homebuyer Education Course

To be eligible to apply for CAMP, you must graduate from a homebuyer education program approved by the U.S. Department of Housing & Urban Development (HUD) and the City of Tempe. Therefore, after attending and completing a CAMP Application and Information Briefing with our office, you should register for a homebuyer education class as soon as possible using the approved agency listed below. The certification is valid for a period of one (1) year. Your certification of completion must be submitted with your application.

The following agency has contracted with the City of Tempe to provide homebuyer education classes to CAMP applicants:

NewTown CDC

511 W. University Dr., Suite 4
Tempe, AZ 85281
Phone: 480-517-1589
www.newtowncdc.org

This agency offers classes at a variety of times and dates. Space is usually limited, so contact them early to ensure your place.

Step 3: Contact A Lender

CAMP provides only down payment assistance and closing cost assistance. You will still need to secure a mortgage for the purchase of your home. Upon completion of your CAMP application briefing and homebuyer education class, you must contact a lender. You are encouraged to select the lender and mortgage product that best suits your needs. You must request a pre-qualification letter from your lender. This letter must also be submitted with your application.

Step 4: Submit an Application

Bring both your homebuyer education completion certificate and mortgage pre-qualification letter to our office and submit your **completed application** for assistance. Applications are accepted during normal business hours; 7:00 a.m. to 5:00 p.m., Monday through Friday.

Once your application, your certificate of completion and pre-qualification letter are submitted, they will be reviewed for preliminary eligibility. If it is determined that you appear to qualify for assistance, you will then be contacted via mail, by a Housing Services Division staff person to begin the process of qualifying for assistance. However, **depending on funding and current administrative capacity, you may be placed on a waiting list.**

Step 5: Eligibility Verification

Once your application packet is received in this office, you will be contacted via mail by a Housing Services Division staff member requesting that you contact our office and schedule an eligibility appointment. During this appointment, you will provide documentation of your income and assets. Upon completion of this process and if you are determined to be eligible for assistance, you will receive a “Reservation” letter stating the type and amount of assistance for which you qualify.

Step 6: Finding a Home

Once you receive your “Reservation” letter, you should begin looking for a home immediately. The reservation is only valid for 90 days. When you locate a home and enter into a Sales Agreement, you must provide our office with a copy of this agreement as soon as possible. After receipt of the agreement, our staff will complete the necessary paperwork for the funds to be disbursed.

*Please Note: The time it takes from application to approval is dependent upon a number of factors (verification process, waiting list, funding availability, etc.); therefore, **you are encouraged not to select a home until you have received a funding reservation from this office.***

Again, thank you for your interest in the Community Assisted Mortgage Program. If you have any questions, please don't hesitate to contact our office at 480-858-2154, (TDD 480-350-8913).