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**HOME PROGRAM  
HOME OWNERSHIP ASSISTANCE (HOA)  
PROGRAM GUIDELINES**



**City of Mesa**

**Department of Housing and Community Development**

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<http://www.Mesaaz.gov/residents/housing-community-development>

**The City of Mesa Housing and Community Development's (HCD) Homeownership Assistance Program (HOA) provides down-payment, closing costs, and (with exceptions) soft second loans for City of Mesa residents. The Program's primary purpose is to expand the opportunity for affordable homeownership for low- and moderate-income households within the City of Mesa.**

*Updated 11/13/18*



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## **PROGRAM OVERVIEW**

### **Introduction and Purpose**

The City of Mesa’s Department of Housing and Community Development (HCD) announces funding available under the HOME Investment Partnership Act (HOME Program) to assist homebuyers with the purchase of a home by providing assistance for down payment and closing costs.

The purpose of the Homeownership Assistance Program (HOA) is to increase affordable home-ownership opportunities for low- to moderate-income households and as a result, increase the benefits and pride of homeownership in neighborhoods within the City of Mesa.

The HOA program assists HOME Program eligible households with home purchases by leveraging HOME program funds with private first mortgage financing and owner equity. It is the goal of the HOA program to serve the maximum number of people who dream of buying a home and need financial assistance with their down payment and/or closing costs.

Applicants seeking financial assistance must meet program guidelines and have a property under contract to be considered.

**Program Category**  
Affordable Housing Development

**Eligibility Area**  
City of Mesa, Arizona (City Limits)

**Eligibility**  
Homeownership  
[§92.205](#) and  
[§92.254](#)

**Program-Eligible Participants**  
Individuals, Families & Households  
with income @ 80% AMI or below

### **Interested Parties**

Participating non-profit and for-profit developers, sub-recipient agencies, contractors, and low- and moderate-income families and households.

### **Authority for Program/Administration of Program Funding**

The U.S. Department of Housing and Urban Development (HUD) determines funding availability for grants and loans provided under the HOME Investment Partnership Program (HOME). The Homeownership Assistance Program, as an eligible HOME program activity, is a part of the total federal grant funds awarded to the City of Mesa.

The Program is designed to assist low- to moderate-income home buyers in purchasing a modest single-family home within the City of Mesa City limits by offering deferred loans available to qualifying households whose incomes, as determined by the lender and HCD, do not exceed levels set by the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnership Program (HOME). The loan/amount of assistance will be the minimum amount required to make the purchase/transaction feasible.

This is a first-come, first-served program. Funds are not reserved until the applicant has been certified eligible and the appropriate paperwork has been received from the lender. This program is contingent on availability of funds.

### **Minimum Subsidy**

The minimum HOME subsidy for any project is \$1,000 per unit, in accordance with HOME regulations at 24 CFR 92.

### **Types of Housing**

HOME funds may be used for the construction or purchase of single-family (one unit) homes, duplex (two units sharing a common wall but owned individually), townhomes, cooperatives, and land trust properties.

All housing units assisted with HOME funds must be affordable to buyer households earning 80% of Area Median Income (AMI) or below.

### **Deferred Loans Program**

The HOA Program, administered by the City of Mesa's Housing and Community Development Division (HCD), offers low-interest deferred payment loans of up to \$30,000, or 16% of the purchase price, whichever is less, for low-to moderate-income homebuyers. The loan funds may be used for down payment and closing costs and/or a second mortgage on the purchase of a new or re-sale home.

### **Down Payment and Closing Cost Program**

The Program will cover up to 50%, or approximately \$2,500, of the required down payment from the homebuyer subsidy. The homebuyer would need to provide the other 50% from their own funds.

## **Program Administration**

The HOA Program is currently administered by HCD and typically receives applications via HUD-certified housing counseling agencies, whose staff processes loan applications from interested households; determines eligibility and minimum amount of assistance needed from the City of Mesa; and submits requests for funding to the HCD Homeowner Assistance Program.

For more information, contact Maurice Brundidge, Program Specialist, (480) 644-2967 [maurice.brundidge@Mesaaz.gov](mailto:maurice.brundidge@Mesaaz.gov), or Ra'Chel'Ni Mar'Na, HOME Program Manager, (480) 644-3020 [rachelni.marna@Mesaaz.gov](mailto:rachelni.marna@Mesaaz.gov)

## HOA PROGRAM ELIGIBILITY REQUIREMENTS

### Program Eligibility

- A. The buyer must own and reside in the home as his/her primary residence during the period of affordability but no less than a minimum affordability period of 5 years. If the property is sold or rented within the initial affordability period, the assistance shall be repaid on a prorated basis that includes the balance of any unforgiven amount, less the monthly average amount forgiven for each month the home is occupied by the participant within the year the home is sold.
- B. If the property is owned by more than one individual, all owners must sign required legal documents relating to the purchase.
- C. The property to be purchased must be a single-family dwelling within the City of Mesa City limits.
- D. Properties not permanently affixed to a permanent foundation in accordance with local or other applicable building codes and regulations are ineligible.
- E. Properties not in compliance with state, local, or Uniform Physical Condition Standards (UPCS), or other applicable codes, and cannot be brought into compliance with such codes for less than the maximum home HOA program funding allowed are **ineligible**.
- F. Homeowners must complete a minimum of 8-hours pre-purchase counseling and homebuyer education through our HUD approved counseling agency as evidenced by a certificate/letter of completion.
- G. Homebuyers may find a list of HUD-approved housing counseling agencies who offer the pre-purchase homebuyer education: [HUD Approved Housing Counseling Agencies](#)  
Online courses and/or videotapes for individual viewing cannot be substituted for class attendance.
- H. Annual household gross income cannot exceed 80% of the area median income limit for the Maricopa County (as defined by HUD) at the time their application is processed. Total household gross income will be based on 3 months of documentation. [HUD Income Limits Documentation](#)
- I. Applicants with liquid assets (or easily-convertible capital assets) of more than \$15,000 of identifiable resources readily available for the purchase of a home **must use these assets** (or the applicant is ineligible).

- J. Dependent students are eligible if they are over age 23, a veteran, a ward of the court, or a graduate student with a B.A. or B.S. degree. If none of these apply, the entire family's income would be used to determine eligibility, whether or not the parent(s) will reside in the home to be purchased.
- K. The property must meet City of Mesa minimum property maintenance standards and HUD standards.
- L. The property owner must have hazard insurance on the property in a sufficient amount to cover existing liens. Home program funds will only subordinate as the 2<sup>nd</sup> loan to the 1<sup>st</sup> principle mortgage only.
- M. The City will provide up to \$30,000 as a homebuyer subsidy. A portion for this subsidy can be used for 50% of the required down payment, but no more than \$2,500. However, at the City's discretion, the City may pay up to 70% of the required down payment. Closing costs assistance shall be limited to \$1,000.
- N. The City may provide a second deed in situations when HCD staff determines that other sources of financing are insufficient to meet the underwriting criteria developed by the lender or the homeownership assistance program.
- O. Subsidy is a deferred loan. The period of affordability is based upon the amount of subsidy to the property.
- P. An additional grant subsidy may be available through the City to offset costs for lead hazard reduction.
- Q. The applicant must sign a Promissory Note, a Deed of Trust, and a Declarative Restrictive Land Use Covenant for the loan amount.
- R. The buyer is required to provide a minimum of \$1,000 towards the purchase from the buyer's own funds. Inspection, appraisal, or other similar costs paid by the applicant are eligible when accompanied by a copy of original paid receipts.
- S. The buyer is required to obtain a home inspection from a certified home inspection firm prior to being approved for assistance. The printed report must include, at a minimum, inspection of the structural, mechanical, electrical, and plumbing components of the dwelling, as well as an inspection for the presence of termites. Buyer must submit a copy of the home inspection report to the City within 24 hours of completion by the inspector. The home inspection must be performed within ten (10) days of the executed contract.

- T. All repairs required by the City must be completed within 15 days of close of escrow. Buyer/seller realtor must notify the City repairs have been completed before the City will conduct a final inspection. The City must pass the home inspection prior to closing.
- U. The buyer must meet the front-end (housing costs [PITI] to gross income) and back-end (total debt-to-gross income) ratios established for the program (31% and 43%; back end exception of up to and not exceeding 45%, respectively). Ratios will be determined by the first mortgage lender underwriting criteria and definition of income. The buyer(s) must have an average combined credit score within 20 points of the current minimum Fannie Mae and Freddie Mac credit requirements or demonstrate they have completed a City-approved financial education course (such as “Money Smart”).
- V. The City’s assistance is to be used only for closing costs and down payment assistance. Assistance cannot be used for items such as prepaid taxes, insurance, or lease payments under lease-to-own contracts. The buyer may not receive any cash back at closing; any cash back available is to be used towards reducing the City’s loan.
- W. The sales price shall not exceed the appraised value.
- X. Maximum property values may not exceed 95% of the median purchase price for the type of single-family housing for the area, as published by HUD. Lenders or potential homebuyers may contact the City of Mesa Housing and Community Development Division for more information on the maximum purchase price: \$208,000 existing home and \$232,000 new construction. [HOME Homeownership Value Limits](#)
- Y. Applications must be received 45 days prior to the scheduled closing. Applications received that have closing dates scheduled in less than 45 days may be subject to disqualification, unless the sale closing date is adjusted to meet the 45-day requirement.
- Z. The homebuyer shall authorize the City of Mesa to collect and receive any information needed from the lender or other sources necessary to ensure eligibility and funding amount. Buyers shall authorize the City to be provided the final HUD settlement statement and warranty deed 24 hours in advance of closing and shall be provided the buyer’s signed copy of both documents immediately after closing (but no later than the next business day).
- AA. Should a home or applicant be determined infeasible for homeownership assistance due to a lack of funding or not meeting the eligibility criteria, the City reserves the right to reject the application.
- BB. Standard loan guidelines exist for qualification (i.e., adequate income, acceptable credit, and down payment requirement) but may be adjusted depending on the *type* of first mortgage loan and lender.

- CC. Buyer must receive the maximum first mortgage loan for which they qualify, but not more than ninety-five percent (95%) of the total sale price of the home.
- DD. The buyer and buyer's team (realtor, title company, nonprofit/for-profit assistance provider(s), certified counselors, etc.) must submit the City's signed program Declaration for Participation.
- EE. All sales contracts between the buyer and seller must include the following language:

*Notwithstanding any provision of this agreement, the buyer and seller hereto agree and acknowledge that this agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the City of release of funds from HUD under 24 CFR Part 58.*

*Buyer and seller shall agree **no construction-related activities to, on, or in the project or the site will commence until the City of Mesa has received environmental clearance** (pursuant to 24 CFR part 58).*

*City of Mesa will also perform a housing quality standards inspection (HQS). If the home fails to pass and seller does not agree to corrective action, the buyer may cancel and receive their earnest money.*

## **Financing Commitment Letter**

Every application must have an acceptable commitment letter from the bank providing the financing, terms and conditions. If more than one letter is provided for any reason, applicant must specify in writing their priority of those lenders.

## **Lender's Procedure**

Families must be pre-qualified and have secured funding approval in the form of a firm funding commitment letter by a participating lending institution with a Uniform Underwriting Transmittal & Summary (1008), Uniform Residential Loan Application (1003), underwriting decision, closing disclosure, appraisal, and credit report. The lender will be the primary contact with the City of Mesa and will forward copies of required documents to staff of the Housing and Community Development Division. Lenders must be willing to provide a copy of the buyer's loan application, underwriting file, including, but not limited to, signed and completed underwriter's worksheet and summary, good faith estimate (GFE), and all collected information necessary to review and approve mortgage application.

All lender underwriting must comply with 24 CFR 3500 Real Estate Settlement Procedures Act (RESPA). The City only accepts official Department of Housing and Urban Development (HUD) documents approved under RESPA, including a Good Faith Estimate and Final Settlement Statement (HUD-1). Failure to adhere to this requirement shall disqualify the applicant.

Interest rates for participating buyers can be no more than three (3) points above prime rate. If an adjustable rate mortgage (ARM) is proposed for a participating buyer, lenders must provide information on the maximum loan rates for the buyer's application to be considered. ARMs will be approved as long as the maximum capped rates do not cause applicants to exceed the maximum allowed program "front-end" and "back-end" ratios (31% and 43%; back-end exception of up to but not exceeding 45%). The total costs to close the mortgage loan shall not exceed 3 points. City staff will provide all applicants with a HUD brochure on predatory lending. [Predatory Lending AZ](#)

Costs directly or indirectly related to sales price increases to cover the buyer's closing costs **must have the prior approval of HCD.**

### **Property Standards**

- A. Upon determining that an applicant meets eligibility criteria and there is an executed purchase contract, a request for an HQS inspection will be submitted to the Program's inspector, who will have up to three (3) business days to schedule an inspection of the property.
- B. This inspection must be completed prior to closing to determine if the property meets requirements of the City's property building code. Any defects found must be corrected prior to the release of HOA funds. A re-inspection of the subject property will be completed to ensure compliance with this requirement. Any code compliance issue that the inspector determines to be a significant health and/or safety risk must be corrected.
- C. Houses built prior to January 1, 1978, must have an inspection to determine if deteriorated paint exists. Should the amount of deteriorated paint be greater than HUD's *de minimis* standards (10 square feet of exterior surface, one square foot of interior surface, or 10% of any building component, e.g., window and door trim), samples will be sent to a lab for analysis. If the paint is determined to contain lead above HUD's level of concern, paint stabilization of deteriorated surfaces is required before assistance can be provided.
- D. The stabilization must be completed by an individual or company trained and certified in lead safe work practices. No assistance will be provided until the house successfully passes a clearance test performed by a certified lead risk assessor.
- E. The City will cover the cost of two clearance tests. The cost of subsequent tests will be the responsibility of the buyer or seller.

## Due Diligence for Disbursement of Funds

Prior to the disbursement of any funds under the City of Mesa’s HOA Program, the following action items shall be performed:

- A. HCD must receive the complete file from the lender (including title company’s closing file and the HUD-1) and buyer within 10 business days of close of escrow.
- B. HCD shall review all required program documents (qualitative and quantitative review).  
**(3 business days)**
- C. Any file documentation deficiencies shall be identified and submitted to the applicant for correction. **(1 business day)**
- D. Once all file deficiencies corrected, HCD shall perform a final program underwriting review.  
**(3 business days)**

Upon HCD’s final program underwriting review, HOA funds shall be ordered, and final legal documents prepared for applicant’s signature. Typically, the sales closing at the title company is scheduled at this time. **(3 business days)**

- E. A meeting shall be scheduled at the City of Mesa with the applicant for HOME Program pre-closing conference including a review the Long-Term Affordability requirements, signing of all program documents and to answer any questions the applicants may have.
- F. Applicant closes on the HOME Program-funded home.

## QUALIFYING INCOME

### Income Calculation

HCD uses the following Department of HUD websites for income calculation:

Program Qualifiers: [CPD Income Eligibility Calculator](#)

Additional sources of information for determining asset income:

[Technical Guide for Determining Income and Allowances for the HOME Program](#)

[HUD 4350.3 - Determining Income and Calculating Rent - Chapter 5](#)

### Income Certification Checklist

This checklist should be completed by whichever entity is providing the income qualification for the purchasers of the HOME Program property. This package of information **MUST** be sent to the HCD HOME Program staff before closing. The documentation is intended to provide HCD with enough information to verify that the purchaser is income eligible. Calculations will be verified and a confirmation of purchaser acceptability will be provided by HCD. Once income has been certified and a HOME pre-approval letter has been issued to purchasers, **it becomes the purchaser's responsibility to notify HCD of any changes in household income**. A final income certification will be performed prior to close of escrow.

Certification of Assets: An **Income Calculation Worksheet** and the **Certification of Assets** will be generated. These checklists must be signed by the person performing the calculations.

The total gross annual income of the entire household must not exceed 80% of the City of Mesa Annual Median Income.

Applicant income is calculated for program eligibility utilizing the standards and methods required by HUD ([Income Determinations 24 CFR §92.203](#)). HCD staff must collect all applicable source information as prescribed by HUD rules. Gross annual household income may not exceed 80% of the HUD-provided Area Median Income, adjusted for family size. Income that is calculated for program eligibility is separate and different from income amounts calculated for home affordability, as calculated by the Housing and Community Development (HCD) staff and/or for any lender pre-qualification. Eligibility approval is valid for **60 days** following receipt of program approval. Updated documentation must be provided for each semi-annual renewal of eligibility, and such documentation is subject to review by the HCD staff for continued program participation.

## FY 2018-2019 INCOME LIMITS

### HUD AREA MEDIAN MAXIMUM GROSS INCOME LIMITS

#### CITY OF MESA, AZ

<u>Median Income</u>	<u>1 person household</u>	<u>2 person household</u>	<u>3 person household</u>	<u>4 person household</u>	<u>5 person household</u>	<u>6 person household</u>	<u>7 person household</u>	<u>8 person household</u>
30%	\$14,550	\$16,600	\$18,700	\$20,750	\$22,450	\$24,100	\$25,750	\$27,400
50%	\$24,200	\$27,650	\$31,100	\$34,550	\$37,350	\$40,100	\$42,850	\$45,650
60%	\$29,040	\$33,180	\$37,320	\$41,460	\$44,820	\$48,120	\$51,420	\$54,780
80%	\$38,750	\$44,250	\$49,800	\$55,300	\$59,750	\$64,150	\$68,600	\$73,000
								Updated 6/1/18

HOME Program guidelines: Household income does not exceed 80% of the current HUD Income Guidelines. **Source: FY 2018 Income Limits Documentation System** [HOME Income Limits](#)

Annual, household gross income does not exceed 80% of the Area Median Income limit for the Phoenix-Mesa-Glendale, AZ MSA. (Total household gross income will be based on 3 months of documentation.)

## **Purchase Price Maximum**

In compliance with the HOME Program Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, any home to be purchased under the City of Mesa HOME Program cannot have a sales price exceeding **\$208,000** (existing home) and **\$232,000** (new construction).

Properties eligible for assistance include single-family homes, condominiums, townhomes, and manufactured homes on a permanent foundation.

## **Buyer Contribution**

Participants must contribute a minimum of \$1,000 from their personal funds.

## ELIGIBLE COSTS ITEMS

For Homeownership and Down Payment Assistance Program, eligible expenses will provide the buyer(s) with purchase assistance funds - down payment, closing costs, and gap financing assistance necessary to make the home affordable for the buyer(s), with the following limitations:

### Closing Costs and Prepaid Items (Not to exceed 4% of loan amount)

HOME funds can be used to pay for the buyer's customary closing costs. All of the following closing costs are eligible for financing, in some degree, through the HOA Program:

- application fee
- loan origination fee
- title insurance
- title search
- credit report fee
- courier fees
- appraisal fee
- home inspection fees\*
- survey fee
- recording fees
- attorney's fees
- Extended home warranty – residential service contract
- document preparation fee
- discount points
- settlement or closing fee hazard insurance
- property tax (current only)
- interest
- pest inspection (wood destroying insects)
- lead paint inspection
- \*limitation on closing costs and prepaid items - **maximum 4% of loan amount**
- 30 days interest
- 14 months hazard insurance
- Three (3) months property taxes
- Market rate for independent home inspection and one re-inspection fee
- Any other eligible costs deemed appropriate and necessary to complete the transaction

## Ineligible Cost Items

HOME funds may **not** be used for:

- Broker fees
- Broker commission
- Delinquent taxes levied on a property
- Delinquent property taxes
- Construction liens
- Encumbrances incurred by the property owner prior to the purchase or rehabilitation of the property with HOME funds
- Eligible costs above RESPA tolerance (above industry standard costs for goods or services)
- Any other ineligible costs deemed inappropriate and/or unnecessary to complete the transaction

In an acquisition, the seller may use the proceeds of a HOME-assisted purchase to satisfy the liens and deliver clear title to the purchaser. However, **the purchase price may not be artificially inflated** (i.e., above fair market value) so that proceeds will be available to pay these costs.

## Period of Affordability

The homebuyer must be willing to agree to the period of affordability requirements based on the amount of assistance they are provided.

The period of affordability will be based on the minimum HOME requirements:

<b>Amount of HOME Program Funds Invested</b>	<b>Period of Affordability</b>
\$1,000 - \$15,000	5 years
\$15,001 - \$40,000	10 years
\$40,001 and Higher	15 years
New Construction / Re-Finance*	20 years

\*Re-financing shall only be eligible if part of a project development activity (*i.e., major rehab with restructuring the existing debt as a reasonable and necessary part of completing the project*).

## Ensuring Long-Term Affordability

The City will exercise one of two options (recapture or resale) to ensure the HOME period of affordability. Compliance with the period of affordability will be secured with a Promissory Note, Deed of Trust, and/or Declaration of Restrictive Land Use Covenants.

The down payment assistance loan is forgivable over the period of affordability, but the terms of the forgiveness vary depending on the option that is used and amount of HOME Program funds.

**(24 CFR, Subpart F §92.254 (5)(i): Resale)**

**(24 CFR, Subpart F §92.254 (5)(ii) Recapture)**

[§92.254](#)

## **Approved Homebuyer Education/Counseling**

Buyer must complete an 8-hour HUD-approved homebuyer education class.

Homebuyer Education/Counseling is required for Homeownership programs. Counseling providers can be found at: [HUD Approved Housing Counseling Agencies](#) or through a mortgage insurance (MI) provider, or contact Department of HUD at [Housing.counseling@HUD.gov](mailto:Housing.counseling@HUD.gov).

The homebuyer education courses typically total 8-12 hours and cover the entire homebuying and homeownership process: mortgage programs, predatory lending, mortgage applications, qualifying for a mortgage, types of ownership, deed restrictions, credit issues and reports, property inspections, lead paint, home appraisals, working with real estate agents, the closing process, energy conservation, and successful homeownership. The sub-recipient will conduct individual homebuyer counseling for HOA applicants to review the purpose of the Program and the eligibility requirements.

## **Eligible Properties and Inspections**

Eligible properties include pre-existing single-family homes and City-sponsored newly-constructed homes. Purchase prices may not exceed HUD's 203b mortgage limits for single-family homes and must be within the applicant affordability amounts. Properties located in the 100-year floodplain or floodway are not eligible for assistance.

An eligible property must meet the City of Mesa's minimum standards for "decent, safe, and sanitary" conditions, as certified by an inspection conducted by HCF staff prior to closing. Any property being considered for purchase is required to have a private third-party inspection conducted by a State-licensed home inspection company, funded by the potential home buyer. Costs incurred by the applicant for this purpose can be used toward the applicant's minimum required investment.

Notifications will be given at the appropriate times to the homebuyer about the prohibition of the use of lead-based paint, and all legal documents will contain language prohibiting the use of lead-based paint. All exposed surfaces (walls, ceilings, floors, etc.) in homes to be potentially purchased will be inspected for the presence of previously-applied lead-based paint.

If evidence of lead-based paint is found, coverage, removal, or other corrective action shall be taken in accordance with 24 CFR, Part 35, and will be conducted in a manner that avoids further diffusion of lead particles throughout the residence. Required inspection or testing will be conducted for all potentially-assisted properties built prior to 1978. Lead-based paint removal and/or coverage will be the responsibility of the seller. [Lead-Based Paint](#)

## Other Program Guidelines and Subrecipient Requirements

### Conflict of Interest

HOME conflict-of-interest regulations prohibit those who administer or who are in a decision-making role for City of Mesa HOME activities, or their immediate family members, from receiving a financial benefit from a HOME-assisted activity. Immediate family includes (whether by blood, marriage, or adoption) a spouse, parent (including a step-parent), child (including a step-child), brother, sister (including a step-brother or step-sister), grandparent, grandchild, and in-laws. Thus, employees or immediate family members of employees of the sub-recipient are ineligible to receive HOA loans unless the HCD requests an exception to the HUD Regional Office on the basis that the household was otherwise eligible for the Program and that the household had absolutely no decision-making role for the Program.

**In addition, all parties to the homebuying transaction must disclose any “non-arms-length transactions” at time of application. Failure to comply with this requirement will disqualify the application or constitute a loan default.**

### Homebuyer Education and Counseling

HOA participants must complete a pre-purchase homebuyer education course at an agency certified by the Department of Housing and Urban Development as a certified Housing Counseling Agency.

The homebuyer education courses typically total 8-12 hours and cover the entire homebuying and homeownership process: mortgage programs, predatory lending, mortgage applications, qualifying for a mortgage, types of ownership, deed restrictions, credit issues and reports, property inspections, lead paint, home appraisals, working with real estate agents, the closing process, energy conservation, and successful homeownership. The subrecipient will conduct individual homebuyer counseling for HOA applicants to review the purpose of the Program, along with the eligibility requirements.

All homebuyer education and counseling agencies seeking to be under contract with the City of Mesa as a subrecipient must have their counseling and education courses formally approved by the HCD staff. For approval, the course descriptions, class schedule, and syllabus must be submitted to HCD.

## **Single Family Home**

Eligible homes for the Program include a single-family home, a condominium unit, a 2-4 unit property, a cooperative unit, a unit in a mutual housing project, a unit with a 99-year leasehold, or a manufactured home on land that the owner either owns or has a lease with a term at least equal to the applicable affordability period.

## **Principal Residence**

The Program requires that the household occupy the home/unit as their principal residence until they sell or transfer the property. This requirement will be monitored annually by the sub-recipient.

## **Pre-1978 Housing**

Units built before 1978 will require a valid Letter of Lead Compliance or a lead inspection by a licensed lead inspector and evidence of compliance with federal and state requirements.

## **Property Standards**

Each property acquired with HOME down payment and closing cost assistance is subject to the HOME property standards in 24 CFR 92.251. These properties must meet all applicable State and local housing quality standards and code requirements. If there are no such standards or code requirements, the housing must meet the Housing Quality Standards in 24 Code of Federal Regulations (CFR) 982.401.

Uniform Physical Condition Standards (UPCS) are uniform national standards established by HUD for housing that is decent, safe, sanitary, and in good repair, pursuant to 24 CFR 5.703. These standards are newly adopted for HOME rehabilitation, acquisition, and tenant-based rental assistance projects in accordance with revisions made to the property standards requirements at §92.251. In the near future, HUD will issue guidance on the specific inspectable elements of UPCS that will apply to HOME. These new requirements became effective on January 24, 2015 (18 months after the publication date of the Final Rule).

## **Lead-Based Paint**

The HOME lead-based paint (LBP) requirements apply to all activities including acquisition not involving rehabilitation (e.g., down payment assistance programs.) In each unit receiving HOME assistance, all intact and non-intact interior and exterior surfaces in HOME-assisted projects must

be inspected for presence of defective paint, e.g., cracking, scaling, chipping, peeling, or loose paint. Where defective paint is found, it must be treated to eliminate immediate hazards. At a minimum, treatment is removal of the defective paint and repainting of the surface. More details on HOME-project LBP requirements are contained in [HOMEfires Volume 1, No. 7, April, 1998]. [Lead-Based Paint Requirements](#)

## **Relocation**

HCD must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of a project assisted with HOME funds. For down payment and closing cost programs, HCD must inform the seller of property, in writing, that the prospective homebuyer does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement. The seller must also be informed, in writing by the HCD, of the estimate of the fair market value of the property.

If the property being considered by the prospective homebuyer is tenant-occupied, the tenant must be provided relocation assistance. That assistance includes advisory services, certain notices, moving expenses, and replacement housing assistance. Replacement housing assistance consists of either rental assistance or down payment assistance if the tenant wishes to become a homeowner.

[24 CFR 92.353](#)

[49 CFR 24.101](#)

## Underwriting Criteria for HOA Borrowers

### Front and Back Ratios

The front and back ratios are industry standard financial analysis calculations that serve as indicators of the maximum relationship and impact the mortgage has on the household income and the households' total debt load (*all debt obligations including mortgage, household and other debt obligations*) against the household income. Affordability is calculated utilizing a front-end ratio and a back-end ratio. The front-end ratio is expressed as a percentage which may not exceed 31%, per City of Mesa requirements and as recommended by the U.S. Department of Housing and Urban Development. The back-end ratio may not exceed 43%, per City of Mesa requirements and as recommended by the U.S. Department of Housing and Urban Development.

### Front-end Ratio

A ratio that indicates what portion of an individual's income is used to make mortgage payments. It is calculated as an individual's monthly housing expenses divided by his or her monthly gross income and is expressed as a percentage. Monthly gross income is simply annual income divided by 12 (months). Lenders use the front-end ratio in conjunction with the back-end ratio to approve mortgages.

Calculated as:

$$\text{Front - End Ratio} = \frac{\text{Monthly Housing Expenses}}{\text{Monthly Income}}$$

Typical monthly housing expenses include the mortgage principal, interest, taxes and insurance payments - collectively known as PITI.

### Back-end Ratio:

The back-end ratio is a ratio that calculates what portion of a person's monthly income goes toward paying debts. Back end ratio is calculated as the applicant's total monthly debt expenses divided by the applicant's total monthly gross income and is expressed as a percentage. Total monthly debt includes expenses such as mortgage payments (made up of principal, interest, taxes, and insurance), credit card payments, child support, and other loan payments. Lenders use this ratio, in conjunction with the front-end ratio, to approve mortgages.

Calculated as:

$$\text{Back - endRatio} = \frac{\text{Total Monthly Debt Expense}}{\text{Gross Monthly Income}} \times 100$$

This is commonly known as "*debt-to-income ratio*."

## **Minimum Down Payment - Own Funds**

The borrower must invest at least \$1,000 of the acquisition price from their own seasoned funds (in an account for at least 3 months prior to HOA application) in the transaction. The borrower's funds may be applied to the down payment and/or closing costs and/or prepaid expenses related to the transaction, e.g., home inspection. In those cases of 100% financing (eg, a USDA loan), the Borrower's funds will be applied to closing costs and/or prepaid transaction expenses.

## **Minimum Credit Score**

Borrowers must have a minimum average credit score of 620.

## **Housing Costs and Debt-to-Income Ratio**

Borrower's total obligations (housing costs plus other debts) to income ratio should not exceed 43%.

## **Loan-to-Value (LTV)**

The maximum LTV of all loans to the appraised value should not exceed 95%. Allowable equity cushion shall be no more than 10%.

## **Amount of HOA Assistance**

The HOME standard is that the loan/amount of assistance will be the minimum amount required to make the purchase feasible. In recognition that there are costs, in addition to loan closing costs associated with a home purchase, the Borrower will be allowed to retain up to \$15,000 of their funds when the HOA Program Administrator makes the determination of the minimum amount of HOA assistance needed to make the purchase feasible.

In exceptional circumstances and upon request to the HOA Program Administrator, a waiver may be granted to any of these criteria upon receipt of satisfactory evidence that such a waiver will not place an undue burden on the borrower and will not result in an undue risk to the recapture of the HOME loan upon sale or refinancing.

## Assets

- A. Household assets (checking and savings accounts) may not exceed \$15,000. Any amount over \$15,000 will be used toward the purchase and subtracted from the City's contribution (will be reviewed on a case-by-case basis). If the applicant is participating in the IDA/WISH program, they will be required to use these funds before other assets. All members of an applicant household must provide documentation of assets and income, including but not limited to:
1. Three full months of paycheck stubs for each working member of the household, age 18 or older
  2. Verification of any other sources of income for all family members (Social Security, SSI, Medicaid, child support [12-mo. history], alimony [12-mo. history], retirement, etc.).
  3. Prior two years' tax returns (three years if self-employed), including all addendums and W-2 forms, for every working member of the household age 18 or older.
  4. Complete, most recent three months (90 days) of bank statements for savings accounts.
  5. Complete, most recent three months (90 days) of bank statements for checking accounts.
  6. Documentation of retirement accounts, 401k accounts, IRAs, or other financial assets.
  7. Verifiable documentation for any other sources of income and/or assets.
  8. A letter of explanation, along with documentation supporting the explanation, is required to be included for all unusual deposits and large cash withdrawals reflected in bank statements. All pages of any bank statement will be required, and computer screen printouts will not meet this requirement. Upon review of income and asset documentation, staff may request additional information to be used to explain or further document income and asset eligibility.
- B. While an applicant is not required to live in the City Mesa at the time of application, any home purchased through the HOA program must be located in the City of Mesa, and all applicants must be U.S. citizens or permanent legal residents. Documentation of residency and citizenship for all household members will be required as part of the application, including current government-issued photo identification from the applicant and the co-applicant.

- C. Prior to application, the prospective applicant must have attended a program orientation session and be pre-approved by a preferred lender. Documentation of lender pre-approval will be required as part of the application submittal documents. If an applicant has received written pre-approval from a lender prior to application, the lender must be willing to follow the processes and requirements of the preferred lender program (covered later in this document). *HCD staff reserves the right to disallow a lender who is not a City-preferred lender.* An applicant who is below 80 percent of the area median income but who does not qualify for a lender pre-approval due to low credit score will be required to complete a credit repair counseling course from a HUD-approved counseling agency.

## Underwriting Criteria for First Mortgage(s)

The following underwriting criteria are required for any mortgage(s) ahead of the HOA loan:

- A. The mortgage shall be from an institutional investor, i.e. a state or national bank, state or federal savings and loan association or credit union, cooperative bank, Mortgage Company, trust company, insurance company or other governmental lender.
- B. Term of loan for various property types:
  - 1. Single family homes: Fixed rate loan with a term of at least 15years.
  - 2. Deed-restricted condominiums: Fixed rate loan with a term of at least 15years. ARMs (with fixed rate for at least first five years; maximum of 2% rate increase in any one year; and maximum of 6% rate increase over the life of the loan) are permitted, if necessary, to reserve the affordability of the unit.
- C. A first mortgage rate of no more than 3 percentage points above the current LIBOR interest rate for households at 80% of area median income or below.
- D. Housing cost and debt/income ratio of no more than (43%).
- E. No pre-payment penalty is allowed.
- F. The payment shock factor (the increase in payment from rent to mortgage) should be no more than 50%. If applicable, borrower must provide letter stating how they will handle the payment shock. The letter must be endorsed by the HUD-approved credit counselor.
- G. Balloon mortgages shall generally be excluded but will be reviewed on a case-by-case basis upon formal support from the HUD certified housing counseling agency.
- H. **“Sub-prime” loans will not be approved.**

In exceptional circumstances and upon request from the HOA program administrator, the Loan and Grant Committee may grant a waiver to any of these criteria upon receipt of satisfactory evidence that such a waiver will not place an undue burden on the borrower and will not result in an undue risk to the recapture of the HOME loan upon sale or refinancing.

## **Property Purchase Requirements**

Purchase price cannot exceed 95% of the HUD Median Value Limits established for the Phoenix/Mesa-Scottsdale, AZ Metropolitan Statistical Area. The current value of the home purchased cannot exceed 95% area median sales price as established by HUD.

The property must pass UPCS inspection as defined by the U.S. Department of Housing and Urban Development Office of Public and Indian Housing authorized under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f).

If the property was built before January 1, 1978, the seller must provide a signed “Lead Disclosure Form.” A certified housing inspector must have access to the property to conduct the appropriate inspections to assess the paint condition of the home. Lead paint repairs must comply with requirements in the Lead Disclosure Rule (24 CFR part 35, subpart K). Property location must be within the City of Mesa city limits.

## Express Warranties and Disclaimer of Implied Warranties

Depending on warranty offered to the buyer, the HCD or its agent(s) will:

- A. facilitate the availability of a limited home warranty program as a service to homebuyers;
- B. assist the buyer in obtaining warranties covering materials and major equipment installed in the home that are assigned to purchaser at closing; and
- C. assist the buyer in obtaining a limited construction warranty for materials and workmanship for one (1) year from the date of substantial completion and will repair any material defect arising during such period without charge to purchaser following written notice by purchaser to seller delivered within forty-five (45) days after such defect arises.

The warranty may not cover cracking, peeling or pitting of cement work; damage to concrete or asphalt due to ground settling; frost heave; road salts; conditions beyond seller's control; cracking of drywall due to wood shrinkage or ground settling; painting; nail pops due to settling of materials; labor supplied by purchaser; or any damage caused by buyer through misuse or abuse.

## **Equal Opportunity and Affirmative Marketing**

Equal Opportunity and Affirmative Marketing are a part of the City's HOA Program. All marketing materials should use the Fair Housing logo. It is the policy of the City of Mesa to provide services without regard to race, color, religion, national origin, ancestry, age, sex, sexual orientation, familial status, physical handicap or disability. Marketing will be accomplished in compliance with Section 109 of the Civil Rights Act.

In order to accomplish this, the HCD will place notices on the City's website and through its listserv that includes agencies and organizations that represent minorities and disadvantaged groups whenever a property comes up for sale.

## Preferred Lenders

### Mortgage Companies, Banks, and Other Financial Institutions

A “preferred lender/loan officer” is defined as a mortgage lender partnering with the City of Mesa to promote and support the down payment assistance program, which has been selected by an applicant from a list provided by the Housing and Community Development Advisory Board (HCDAB) staff. The list of City of Mesa preferred lenders will be provided to potential applicants at the program orientation meeting. An applicant must apply for and be pre-approved for mortgage financing with one of the lenders from the City of Mesa preferred lender list prior to application. The applicant must keep his or her pre-approval active and in place during the HOA process. An applicant may, in some cases, select a lender that is not listed as a City of Mesa preferred lender. However, this choice of lender must be approved by the Housing and Community Development Advisory Board (HCDAB) staff (evaluated on a case-by-case basis), and the lender must agree to the City of Mesa’s commitment to minimize the client’s out-of- pocket costs.

The Housing and Community Development Advisory Board (HCDAB) staff will select preferred lenders through an open application process, held annually. All loan officers are recertified annually through this application process. Lenders must comply with program rules and regulations regarding participation to be considered for recertification. The Housing and Community Development Advisory Board (HCDAB) staff will host application training sessions and necessary training and technical assistance. Information related to the application process will be made available on the City of Mesa website.

To participate as a preferred lender, the lender must meet the following criteria:

- A. The lender agrees to waive 10% of the standard loan origination fees.
- B. “Sub-prime” loans will not be approved.**
- C. Lenders must agree to lend to low and/or moderate-income families.
- D. Lenders must agree to compliance terms under RESPA, including but not limited to, using HUD-approved Good Faith Estimate (GFE) and Final Settlement Statement (HUD-1) forms.
- E. The lender must agree to participate in the marketing of City of Mesa programs.
- F. The lender must agree to pre-qualify potential applicants and supply the potential applicants and the City of Mesa with pre-qualification letters and Good Faith Estimates.
- G. The lender must agree to schedule closing no earlier than five business days after the receipt and approval of a final HUD-1 document.

- H. The lender must agree contact the Housing and Community Development Program staff as soon as an applicant becomes delinquent to the extent of becoming a possible foreclosure.
- I. The lender must agree to cap the lender's fee at 3% of the loan amount.
- J. The lender must provide a copy of the appraisal report to the Housing and Community Development Division as soon as this is available.
- K. The lender must agree to conduct business in an ethical and professional manner at all times. Lenders are subject to the overview and guidance of the Secure and Fair Mortgage Licensing Act of 2008, the Nationwide Mortgage Licensing System and Registry, and RESPA.

## Real Estate Agents

Real Estate agents educate applicants about the role of a real estate agent in a purchase transaction and act in the best interest of the applicant, but it is not necessary to utilize the services of a realtor to receive HOA assistance. Real estate agents representing HOA program participants should explain to the applicant the Buyer Representation Agreement and send an executed copy to the City of Mesa as soon as it is executed, **including the City of Mesa Environmental language** which is made a part of the purchase contract (see p. 11, Section EE).

A real estate agent representing a City of Mesa HOA applicant has the responsibility to contact the Housing and Community Development Division to learn all aspects of the HOA program, to advise applicants of program guidelines, and to operate in an ethical and professional manner at all times. All real estate licensees are expected to meet the membership and certification eligibility standards of the Arizona Real Estate Commission.

## **Non-Arms-Length Transactions Are Not Allowed**

All parties involved must act independently and have no relation to one another, with exception of real estate agents working with a community housing development organization and/or its builder. It is assumed that, with no personal interest in the relationships between parties, the transaction will be fair and equitable to all parties. This also applies to real estate agents working in the same office. Any non-arms-length transactions between any party to the sales and application (for City funding) not disclosed at time of application shall disqualify the applicant.

## Dual Agents

The agent's fee shall be capped at a maximum of 3% in all cases, including cases where the same agent and/or office represents the buyer and the seller.

## Title Companies

Title companies work with the lender, client, and City of Mesa to provide the closing documents. The title company must provide a preliminary and final approved certified and true copy of the HUD-1 Settlement Statement (**see Appendix A**), a copy of the title commitment (including the legal description of the property) to the Housing and Community Development Department program staff seven (7) business days prior to a scheduled closing to ensure funding. The City of Mesa requires a combined HUD-1 Settlement Statement in addition to the ALTA Settlement Statement.

**If the title company does not provide the HUD-1 Settlement Statement, the City of Mesa will not fund the loan.**

## **Subordination Requests**

Upon a written request from the homeowner, the City shall notify the title company of the required documents needed to review the subordination request. Upon approval by the City of the request and supporting documentation, the title company will file the subordination agreement on behalf of the City of Mesa and will provide the final deed, note, and amortization schedule to the City of Mesa within five days of closing.

Representatives of the title company are expected to conduct business in an ethical and professional manner. The title company must meet the membership and certification eligibility standards of the Arizona Department of Insurance and the Real Estate Settlement Procedures Act.

## **Responsibilities of Housing and Community Development Staff**

The City of Mesa's Housing and Community Development staff (HCD) is responsible for administering the HOA program in a professional manner that ensures maximum effectiveness, efficiency, compliance with City and HUD guidelines, and customer satisfaction.

The Housing and Community Development (HCD) staff will:

- A. Communicate with the applicant, title company, realtor, and lender regarding all administrative procedures that affect completion of the purchase on behalf of the applicant.
- B. Make reasonable accommodation with all parties regarding scheduling of inspections.
- C. Document applicant files in compliance with all applicable HUD regulations.
- D. Review or oversee the review of applicant credit and income information to determine program eligibility.
- E. Provide resources to applicants and potential applicants who need credit counseling.
- F. Provide guidance to the applicant regarding mortgage requirements.
- G. Clarify with the applicant the suitability and eligibility of certain fees and/or charges.

## **Program Administration**

The City of Mesa Department of Housing & Community Development (HCD) administers the HOME Down Payment Assistance and Closing Cost Program. HCD contracts with subrecipient partners to assist with program delivery.

The contracted subrecipient agencies perform the following under HCD oversight to work with the homebuyer and the representative from the counseling agency to:

- A. Request from the homebuyer copies of:
  - 1. Homebuyer Education Certificate
  - 2. Homebuyer Certificate of Eligibility
  - 3. Bank Pre-approval
  - 4. Sales Contract (*with all attachments and addendums*)
  
- B. Receive the Home Program Down Payment and Closing Cost application:
  - 1. Review signed contract
  - 2. Verify eligibility of property based on location and type of property
  - 3. Verify income of mortgage applicants
  - 4. Verify assets of mortgage applicants
  - 5. Verify eligibility of applicants
  - 6. Review pre-approval and verify lender is a participating lender
  
- C. Reserve funds for closing
  
- D. Receive copy of lender commitment letter
  
- E. Receive confirmation of closing date
  
- F. Release funds for closing

## Applicant/Homebuyer Responsibilities and Obligations

The applicant must adhere to the following policies regarding the fulfillment of their lien agreement:

- A. The applicant must, for a minimum of the affordability period following his or her purchase of property, continuously use the residence located on the property as the applicant's principal residence. The applicant will, on an annual basis, execute such certifications as the City of Mesa may require confirming the applicant's compliance with this requirement.
- B. The applicant must agree that if: (1) the property is sold within the affordability period and such purchaser does not meet the requirements of 24 C.F.R. §92.254; or (2) the applicant fails to continuously use the residence located on the property as his or her principal residence for the entire affordability period; or (3) the applicant fails to honor any of his or her other obligations to the City of Mesa; collectively, "Defaults"; that the applicant, at the City of Mesa's option, is required to repay the Down Payment Loan Amount, either immediately or in monthly installments in an amount necessary to fully amortize the outstanding down payment loan amount. In the event of default, the down payment loan amount that is to be repaid will be the difference between the down payment loan amount and any forgiven portion of the loan.

## Complaints

It is the goal of the City of Mesa to address all grievances and complaints as fairly and efficiently as possible. Any applicant who expresses a concern with the City's HOA program or personnel should request an appointment with the HCD Homeowner Assistance Program Manager to present and discuss the complaint. The HCD Homeowner Assistance Program Manager shall try to the greatest extent possible, mitigate the complaint (informally). However, should the matter not be resolved to the satisfaction of the complainant, the City of Mesa's formal process to address the complaint issues shall be initiated and referred to the Title VI Fair Housing Officer.

It is the City's intent to respond to and resolve the complaint as quickly as possible and practical, and as such, the HOME Program Manager will schedule a meeting, whether in person or via telephone, within five days of the receipt of a complaint, notwithstanding vacations, travel, or other instances in which the HOME Program Manager and/or Title VI Fair Housing Officers are out of the office for longer than five days.

## Grievance Procedure

- A. Should any applicant for or recipient of services under the City's HOA program not be able to reach satisfaction through the actions of the housing supervisor, the applicant has the right to file a formal complaint, or grievance. The following procedure shall be followed to address the grievance or complaint when staff has been unable to achieve solution in the field.
- B. Should the response by the HCD Home Program manager not be satisfactory to the complainant, the complainant may request a meeting with the Title VI Fair Housing Officer. The complaint should describe the nature of the problem and provide all pertinent information necessary to complete a thorough review of the situation. The City of Mesa's Title VI Fair Housing Officer will provide a response to the complainant within 10 working days from date of the meeting/discussion. In some instances, the response time may be extended. Should that occur, the city will notify the complainant the reason for the delay and advise the client of the new response date.
- C. If the response by the City of Mesa Title VI Fair Housing Officer is not satisfactory to the complainant, a written request of an appeal may be directly sent to the City of Mesa HCD Executive Director. The appeal provided should include the complainant's name, address, and daytime telephone number. A copy of the appeal will be given to an ombudsman assigned by the City Manager's office. The ombudsman will act as the advocate for the complainant and will accompany the complainant at all subsequent levels of appeal and review. If a complainant refuses ombudsman services, he or she must waive these services in writing. A written response to the complainant should be made by the Executive Director within 20 working days of the meeting.
- D. If the complainant has availed himself or herself of the avenues listed above and has not been provided with a satisfactory outcome, the complainant has the right to request a formal hearing with the Housing and Community Development Advisory Board (HCDAB). Hearing requests must be received by the HCD staff at least 10 days prior to a monthly meeting of the HCDAB. A request received after the 10-day prior deadline will be considered at a subsequent monthly meeting of the Board. The complainant will be accompanied by his or her designated ombudsman, unless the complainant expressly, in writing, waives ombudsman services.
- E. The determination of the Housing and Community Development Advisory Board (HCDAB) is final and binding on all parties. The determination of the HCDAB will be provided in writing to the complainant within 15 days of the hearing. If the Housing and Community Development Advisory Board requires further review time, the complainant will receive written notification of the delay.

## Mesa Housing and Community Development Contacts

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Housing & Community Development  
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Jenni Hale  
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Ra'Chel'Ni Mar'Na, MA  
Homeowner Assistance Program Manager  
Housing & Community Development  
City of Mesa  
20 E. Main Street, Suite 250  
Mesa, Arizona 85201  
Office (480) 644-4521

## Homeownership Assistance Checklist

### Documents Required for Preliminary Approval (within 10 days from application)

- A. **Signed** HOA application (must be original signatures; do not fax or email)
- B. Proof of citizenship (Photo ID and social security cards for applicant and co-applicant; birth certificates for other members of the household)
- C. Pay stubs: 3 months (most recent, consecutive)
- D. Verification of other sources of income (SSI, disability, alimony, retirement, etc.)
- E. Verification of child support (12-month payment history from Office of the Attorney General)
- F. Tax documents: W-2s, Tax returns and any schedules: 2 years most recent
- G. Bank statements: checking and savings (3 months most recent, consecutive)
- H. Verification of other assets (401K, IRA, Roth IRA, and other investment and/or retirement accounts)
- I. Recorded Divorce Decree (if applicable)

### Documents Required for Commitment of Funds (within 40 days from application)

- A. Homebuyer Education Certificate
- B. Confirm attendance to program orientation class
- C. Confirm attendance to one-on-one interview
- D. Verification of Employment – standard Fannie Mae VOE

### Documents Required for Final Approval

- A. Sales Contract (must include Notice to Seller, Inspection Declaration, and Lead Disclosure Forms, City's Environmental Language) Notice to Seller (original signatures)
- B. City Inspection Declaration Form (original signatures, please mail)
- C. Lead-based Paint Seller Disclosure Addendum (*homes built prior to 1978*) (**HUD Form 9545-Z or HUD Form 9545-Y**)
- D. Appraisal
- E. General Home Inspection
- F. Home Quality Standard (HQS) evaluation (City's visual evaluation of the property in compliance with the City of Mesa Property Code)
- G. Termite Inspection Report and Termite Treatment Report, if needed
- H. Evidence of homeowner's insurance

- I. Final signed loan application
- J. Title report
- K. Title company wiring instructions
- L. Legal property description
- M. Copies of buyer receipts for POCB's
- N. Final HUD-1 (required 3 business days prior to closing)

**Note: Submitting preliminary HUDs will delay the approval/funding process.**

## §92.2 Definitions

The terms *1937 Act*, *ALJ*, *Fair Housing Act*, *HUD*, *Indian Housing Authority (IHA)*, *Public housing*, *Public Housing Agency (PHA)*, and *Secretary* are defined in 24 CFR 5.100.

*Act* means the HOME Investment Partnerships Act at title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, 42 U.S.C. 12701 *et seq.*

*ADDI funds* means funds made available under subpart M through allocations and reallocations.

*Adjusted income.* See §92.203.

*Annual income.* See §92.203.

*CDBG program* means the Community Development Block Grant program under 24 CFR part 570.

*Certification* shall have the meaning provided in section 104(21) of the Cranston-Gonzalez National Affordable Housing Act, as amended, 42 U.S.C. 12704.

*Commitment* means:

(1) The participating jurisdiction has executed a legally binding written agreement (that includes the date of the signature of each person signing the agreement) with a State recipient, a subrecipient, or a contractor to use a specific amount of HOME funds to produce affordable housing, provide down payment assistance, or provide tenant-based rental assistance; or has met the requirements to commit to a specific local project, as defined in paragraph (2) of this definition. (See §92.504(c) for minimum requirements for a written agreement.) An agreement between the participating jurisdiction and a subrecipient that is controlled by the participating jurisdiction (e.g., an agency whose officials or employees are official or employees of the participating jurisdiction) does not constitute a commitment. An agreement between the representative unit and a member unit of general local government of a consortium does not constitute a commitment.

(2) *Commit to a specific local project* means:

(i) If the project consists of rehabilitation or new construction (with or without acquisition) the participating jurisdiction (or State recipient or sub recipient) and project owner have executed a written legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date. If the project is owned by the

participating jurisdiction or State recipient, the project has been set up in the disbursement and information system established by HUD, and construction can reasonably be expected to start within twelve months of the project set-up date.

(ii)(A) If the project consists of acquisition of standard housing and the participating jurisdiction (or State recipient or subrecipient) is acquiring the property with HOME funds, the participating jurisdiction (or State recipient or subrecipient) and the property owner have executed a legally binding contract for sale of an identifiable property and the property title will be transferred to the participating jurisdiction (or State recipient or subrecipient) within six months of the date of the contract.

(B) If the project consists of acquisition of standard housing and the participating jurisdiction (or State recipient or subrecipient) is providing HOME funds to a family to acquire single family housing for homeownership or to a purchaser to acquire rental housing, the participating jurisdiction (or State recipient or subrecipient) and the family or purchaser have executed a written agreement under which HOME assistance will be provided for the purchase of the single family housing or rental housing and the property title will be transferred to the family or purchaser within six months of the agreement date.

(iii) If the project consists of tenant-based rental assistance, the participating jurisdiction (or State recipient, or subrecipient) has entered into a rental assistance contract with the owner or the tenant in accordance with the provisions of §92.209.

*Community housing development organization* means a private nonprofit organization that:

- (1) Is organized under State or local laws;
- (2) Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
- (3) Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:
  - (i) The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.
  - (ii) The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
  - (iii) The community housing development organization must be free to contract for goods and services from vendors of its own choosing; and

- (iv) The officers and employees of the for-profit entity may not be officers or employees of the community housing development organization.
  
- (4) Has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 (26 CFR 1.501(c)(3)-1 or 1.501(c)(4)-1)), is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code of 1986, or if the private nonprofit organization is an wholly owned entity that is disregarded as an entity separate from its owner for tax purposes (e.g., a single member limited liability company that is wholly owned by an organization that qualifies as tax-exempt), the owner organization has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 and meets the definition of “community housing development organization;”
  
- (5) Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a community housing development organization; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of governmental entity. Board members appointed by a governmental entity may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers or employees of a community housing development organization;
  
- (6) Has standards of financial accountability that conform to 24 CFR 84.21, “Standards for Financial Management Systems;”
  
- (7) Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws;
  
- (8) Maintains accountability to low-income community residents by:
  - (i) Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representative of low-income neighborhood organizations. For urban areas, “community” may be a neighborhood or neighborhoods, City, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and

- (ii) Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;

(9) Has a demonstrated capacity for carrying out housing projects assisted with HOME funds. A designated organization undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. For its first year of funding as a community housing development organization, an organization may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key staff of the organization. An organization that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of §92.300(a)(2).

A nonprofit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization; and

(10) Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created organization formed by local churches, service organizations or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

*Consolidated plan* means the plan submitted and approved in accordance with 24 CFR part 91.

*Displaced homemaker* means an individual who:

- (1) Is an adult;
- (2) Has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and
- (3) Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

*Family* has the same meaning given that term in 24 CFR 5.403.

*First-time homebuyer* means an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with assistance under the American Dream Down Payment Initiative (ADDI) described in subpart M of this part. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as those terms are defined in this section. An individual shall not be excluded from consideration as a first-

time homebuyer on the basis that the individual owns or owned, as a principal residence during the three-year period, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or is not in compliance with State, local, or model building codes, or other applicable codes, and cannot be brought into compliance with the codes for less than the cost of constructing a permanent structure.

*HOME funds* means funds made available under this part through allocations and reallocations, plus program income.

*Homeownership* means ownership in fee simple title in a 1- to 4-unit dwelling or in a condominium unit, or equivalent form of ownership approved by HUD.

(1) The land may be owned in fee simple or the homeowner may have a 99-year ground lease.

(i) For housing located in the insular areas, the ground lease must be 40 years or more.

(ii) For housing located on Indian trust or restricted Indian lands or a Community Land Trust, the ground lease must be 50 years or more.

(iii) For manufactured housing, the ground lease must be for a period at least equal to the applicable period of affordability in §92.254.

(2) Right to possession under a contract for deed, installment contract, or land contract (pursuant to which the deed is not given until the final payment is made) is not an equivalent form of ownership.

(3) The ownership interest may be subject only to the restrictions on resale required under §92.254(a); mortgages, deeds of trust, or other liens or instruments securing debt on the property as approved by the participating jurisdiction; or any other restrictions or encumbrances that do not impair the good and marketable nature of title to the ownership interest.

(4) The participating jurisdiction must determine whether or not ownership or membership in a cooperative or mutual housing project constitutes homeownership under State law; however, if the cooperative or mutual housing project receives Low Income Housing Tax Credits, the ownership or membership does not constitute homeownership.

*Household* means one or more persons occupying a housing unit.

*Housing* includes manufactured housing and manufactured housing lots, permanent housing for disabled homeless persons, transitional housing, single-room occupancy housing, and group homes. Housing also includes elder cottage housing opportunity (ECHO) units that are small, free-standing, barrier-free, energy-efficient, removable, and designed to be installed adjacent to existing single-family dwellings. Housing does not include emergency shelters (including shelters for disaster

victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students, or dormitories (including farmworker dormitories).

*Insular areas* means Guam, the Northern Mariana Islands, the United States Virgin Islands, and American Samoa.

*Jurisdiction* means a State or unit of general local government.

*Low-income families* means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

*Metropolitan City* has the meaning given the term in 24 CFR 570.3.

*Neighborhood* means a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

*Participating jurisdiction* means a jurisdiction (as defined in this section) that has been so designated by HUD in accordance with §92.105.

*Person with disabilities* means a household composed of one or more persons, at least one of whom is an adult, who has a disability.

(1) A person is considered to have a disability if the person has a physical, mental, or emotional impairment that:

- (i) Is expected to be of long-continued and indefinite duration;
- (ii) Substantially impedes his or her ability to live independently; and
- (iii) Is of such a nature that such ability could be improved by more suitable housing conditions.

- (2) A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that:
- (i) Is attributable to a mental or physical impairment or combination of mental and physical impairments;
  - (ii) Is manifested before the person attains age 22;
  - (iii) Is likely to continue indefinitely;
  - (iv) Results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and
  - (v) Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated. Notwithstanding the preceding provisions of this definition, the term "person with disabilities" includes two or more persons with disabilities living together, one or more such persons living with another person who is determined to be important to their care or well-being, and the surviving member or members of any household described in the first sentence of this definition who were living, in a unit assisted with HOME funds, with the deceased member of the household at the time of his or her death.

*Program income* means gross income received by the participating jurisdiction, State recipient, or a subrecipient directly generated from the use of HOME funds or matching contributions. When program income is generated by housing that is only partially assisted with HOME funds or matching funds, the income shall be prorated to reflect the percentage of HOME funds used. Program income includes, but is not limited to, the following:

- (1) Proceeds from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds or matching contributions;
- (2) Gross income from the use or rental of real property, owned by the participating jurisdiction, State recipient, or a subrecipient, that was acquired, rehabilitated, or constructed, with HOME funds or matching contributions, less costs incidental to generation of the income (*Program income* does not include gross income from the use, rental or sale of real property received by the project owner, developer, or sponsor, unless the funds are paid by the project owner, developer, or sponsor to the participating jurisdiction, subrecipient or State recipient);
- (3) Payments of principal and interest on loans made using HOME funds or matching contributions;
- (4) Proceeds from the sale of loans made with HOME funds or matching contributions;

- (5) Proceeds from the sale of obligations secured by loans made with HOME funds or matching contributions;
- (6) Interest earned on program income pending its disposition; and
- (7) Any other interest or return on the investment permitted under §92.205(b) of HOME funds or matching contributions.

*Project* means a site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking under this part. The project includes all the activities associated with the site and building. For tenant-based rental assistance, project means assistance to one or more families.

*Project completion* means that all necessary title transfer requirements and construction work have been performed; the project complies with the requirements of this part (including the property standards under §92.251); the final drawdown of HOME funds has been disbursed for the project; and the project completion information has been entered into the disbursement and information system established by HUD, except that with respect to rental housing project completion, for the purposes of §92.502(d) of this part, project completion occurs upon completion of construction and before occupancy. For tenant-based rental assistance, project completion means the final drawdown has been disbursed for the project.

*Reconstruction* means the rebuilding, on the same lot, of housing standing on a site at the time of project commitment, except that housing that was destroyed may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project, but the number of rooms per unit may be increased or decreased. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing. Reconstruction is rehabilitation for purposes of this part.

*Single family housing* means a one-to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.

*Single parent* means an individual who:

- (1) Is unmarried or legally separated from a spouse; and
- (2) Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

*Single room occupancy (SRO) housing* means housing (consisting of single- room dwelling

units) that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both) if the project consists of new construction, conversion of nonresidential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure or hotel, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants. A project's designation as an SRO cannot be inconsistent with the building's zoning and building code classification.

*State* means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive officer to act on behalf of the state with regard to the provisions of this part; however, for purposes of the American Dream Down Payment Initiative (ADDI) described in subpart M of this part, the term "state" does not include the Commonwealth of Puerto Rico (except for FY2003 ADDI funds).

*State recipient.* See §92.201(b)(2).

*Subrecipient* means a public agency or nonprofit organization selected by the participating jurisdiction to administer all or some of the participating jurisdiction's HOME programs to produce affordable housing, provide down payment assistance, or provide tenant-based rental assistance. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of a housing project is not a subrecipient. The participating jurisdiction's selection of a subrecipient is not subject to the procurement procedures and requirements.

*Tenant-based rental assistance* is a form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant-based rental assistance under this part also includes security deposits for rental of dwelling units.

*Transitional housing* means housing that:

(1) Is designed to provide housing and appropriate supportive services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children; and

(2) Has as its purpose facilitating the movement of individuals and families to independent living within a time period that is set by the participating jurisdiction or project owner before occupancy.

*Uniform Physical Condition Standards (UPCS)* means uniform national standards established by HUD pursuant to 24 CFR 5.703 for housing that is decent, safe, sanitary, and in good repair. Standards are established for inspectable items for each of the following areas: site, building exterior, building systems, dwelling units, and common areas.

*Unit of general local government* means a City, town, township, county, parish, village, or other general purpose political subdivision of a State; a consortium of such political subdivisions recognized by HUD in accordance with §92.101; and any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive to act on behalf of the jurisdiction with regard to provisions of this part. When a county is an urban county, the urban county is the unit of general local government for purposes of the HOME Investment Partnerships Program.

*Urban County* has the meaning given the term in 24 CFR 570.3.

*Very low-income families* means low-income families whose annual incomes do not exceed 50 percent of the median family income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a very low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

*End Definitions*

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<sup>i</sup> Department of HUD has suspended the implementation of this new standard. PJs have the option of adoption of the UPCS standard or continuing with existing standard. However, the PJs guidelines must identify which standard it will follow until further guidance from HUD.

## **Appendix A**

HUD-1 Settlement Statement (next 3 pages)



# A. Settlement Statement (HUD-1)

B. Type of Loan							
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:		
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.						
<b>C. Note:</b> This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.*)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.							
D. Name & Address of Borrower:			E. Name & Address of Seller:		F. Name & Address of Lender:		
G. Property Location:			H. Settlement Agent: Place of Settlement:		I. Settlement Date:		

J. Summary of Borrower's Transaction	
<b>100. Gross Amount Due from Borrower</b>	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower (line 1400)	
104.	
105.	
<b>Adjustment for items paid by seller in advance</b>	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
<b>120. Gross Amount Due from Borrower</b>	
<b>200. Amount Paid by or in Behalf of Borrower</b>	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
<b>Adjustments for items unpaid by seller</b>	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
<b>220. Total Paid by/for Borrower</b>	
<b>300. Cash at Settlement from/to Borrower</b>	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220)	( )
<b>303. Cash</b> <input type="checkbox"/> From <input type="checkbox"/> To Borrower	

K. Summary of Seller's Transaction	
<b>400. Gross Amount Due to Seller</b>	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
<b>Adjustment for items paid by seller in advance</b>	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
<b>420. Gross Amount Due to Seller</b>	
<b>500. Reductions in Amount Due to seller</b>	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
<b>Adjustments for items unpaid by seller</b>	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
<b>520. Total Reduction Amount Due Seller</b>	
<b>600. Cash at Settlement to/from Seller</b>	
601. Gross amount due to seller (line 420)	
602. Less reductions in amounts due seller (line 520)	( )
<b>603. Cash</b> <input type="checkbox"/> To <input type="checkbox"/> From Seller	

The Public Reporting Burden for this collection of information is estimated to average 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured, this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Homeownership Assistance Program Guidelines  
 City of Mesa Housing and Community Development 20 East Main Street, Mesa, Arizona 85201

<b>L. Settlement Charges</b>					
<b>700. Total Real Estate Broker Fees</b>				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :					
701. \$	to				
702. \$	to				
703. Commission paid at settlement					
704.					
<b>800. Items Payable In Connection with Loan</b>					
801. Our origination charge	\$	(from GFE #1)			
802. Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)			
803. Your adjusted origination charges		(from GFE #A)			
804. Appraisal fee to		(from GFE #3)			
805. Credit report to		(from GFE #3)			
806. Tax service to		(from GFE #3)			
807. Flood certification to		(from GFE #3)			
808.					
809.					
810.					
811.					
<b>900. Items Required by Lender to be Paid In Advance</b>					
901. Daily interest charges from	to	@ \$	/day	(from GFE #10)	
902. Mortgage insurance premium for	months to			(from GFE #3)	
903. Homeowner's insurance for	years to			(from GFE #11)	
904.					
<b>1000. Reserves Deposited with Lender</b>					
1001. Initial deposit for your escrow account				(from GFE #9)	
1002. Homeowner's insurance	months @ \$		per month \$		
1003. Mortgage insurance	months @ \$		per month \$		
1004. Property Taxes	months @ \$		per month \$		
1005.	months @ \$		per month \$		
1006.	months @ \$		per month \$		
1007. Aggregate Adjustment					-\$
<b>1100. Title Charges</b>					
1101. Title services and lender's title insurance				(from GFE #4)	
1102. Settlement or closing fee	\$				
1103. Owner's title insurance				(from GFE #5)	
1104. Lender's title insurance	\$				
1105. Lender's title policy limit \$					
1106. Owner's title policy limit \$					
1107. Agent's portion of the total title insurance premium to	\$				
1108. Underwriter's portion of the total title insurance premium to	\$				
1109.					
1110.					
1111.					
<b>1200. Government Recording and Transfer Charges</b>					
1201. Government recording charges				(from GFE #7)	
1202. Deed \$	Mortgage \$		Release \$		
1203. Transfer taxes				(from GFE #8)	
1204. City/County tax/stamps	Deed \$		Mortgage \$		
1205. State tax/stamps	Deed \$		Mortgage \$		
1206.					
<b>1300. Additional Settlement Charges</b>					
1301. Required services that you can shop for				(from GFE #6)	
1302.	\$				
1303.	\$				
1304.					
1305.					
<b>1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)</b>					

**Homeownership Assistance Program Guidelines**  
**City of Mesa Housing and Community Development 20 East Main Street, Mesa, Arizona 85201**

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
<b>Charges That Cannot Increase</b>			
	<b>HUD-1 Line Number</b>		
Our origination charge	# 801		
Your credit or charge (points) for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803		
Transfer taxes	# 1203		

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	<b>Total</b>		
<b>Increase between GFE and HUD-1 Charges</b>		\$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001		
Daily interest charges \$ /day	# 901		
Homeowner's insurance	# 903		
	#		
	#		

**Loan Terms**

Your initial loan amount is	\$
Your loan term is	years
Your initial interest rate is	%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ Includes <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % after . The first change will be on and can change again every . Every change date, your interest rate can increase or decrease by % Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than %.
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be on and the monthly amount owed can rise to \$ . The maximum it can ever rise to is \$ .
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input type="checkbox"/> You have an additional monthly escrow payment of \$ that results in a total initial monthly amount owed of \$ . This includes principal, interest, any mortgage insurance and any items checked below: <input type="checkbox"/> Property taxes <input type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.