



## Home Improvement Program Real Estate Agent and Lender Guide

NSP eligible homebuyers receive **\$15,000** to use for closing costs and partial down payment to purchase their own foreclosed home that needs repair and **up to \$40,000**, in addition to the \$15,000, to use toward eligible repairs to the home. The rehabilitation work is done by approved program partners.

The following information will help you navigate the process to open your customer’s window to homeownership and become eligible for the NSP assistance funds. For help, please contact Phoenix NSP Customer Advisory Services at **602-262-6602** (711 for TDD/TYY service) or e-mail [nsphome@phoenix.gov](mailto:nsphome@phoenix.gov).

### Homebuyer Eligibility Requirements

- Homebuyer(s) annual household income cannot exceed the amounts below, based on household size (anyone living in the house). In determining income, all wages and other sources of income for all household members age 18 and older are considered. *Program income requirements are different than Lender income requirements.*

Household Size	1	2	3	4	5	6	7	8
<b>Maximum Household Income (120% of Median)</b>	55,800	63,750	71,700	79,700	86,050	92,450	98,800	105,200

- Must have a good credit history and able to qualify for a 15- or 30-year fixed rate mortgage loan
- First mortgage debt to income ratios must be at or below 31 percent/43 percent
- Cannot be on the title of any residential property.
- Contributes half of the required cash down payment or a minimum of \$1,000 of **own** funds, whichever is greater. Gifted funds are not allowable.
- Homebuyer(s) must be a permanent legal resident of the U.S.
- Funds will be secured by a promissory note and recorded subordinate deed of trust.
- Funds will be paid directly to the title company. Excess funds will be applied to the principle of the first mortgage.
- First mortgage loan must be an FHA 203K loan or other loan product that allows for rehabilitation dollars in the first mortgage and utilizes a holdback account. See page 6 for lender options.
- Purchase price cannot exceed 99 percent of the “as is” appraised value of the property as determined by an appraisal conducted within 60 days prior to closing.
- Home must fail a Housing Quality Standards (HQS) inspection by the city and require at least \$5,000 in rehabilitation, but not exceed a maximum of \$40,000. We recommend using \$35,000 as a maximum to allow for a cushion on unforeseen costs.

**STEP 1:** Homebuyer contacts a lender for a home mortgage.

- Refer to the HIP Lender List on page 6 of this Guide for contact info.
- Homebuyer and lender ensure the loan meets city program parameters.
- Lender forwards the loan pre-qualification letter, Loan Application and Loan Transmittal Summary to the homebuyer’s housing counseling agency.
- Refer to the attached list of documents needed from the lender and homebuyer for Neighborhood Stabilization Program eligibility.

**STEP 2:** Homebuyer contacts one of the HUD certified housing counseling agencies below to schedule a one-on-one session with a housing counselor.

- A. The following documentation is required for everyone 18 years and older in the household that has some form of income:
1. Most recent three years of tax returns. Not required of family members who are dependents.
  2. Previous 30 days of paycheck stubs.
  3. Most recent two months of bank statements and all other asset statements.
  4. Other sources of income (i.e. child support, social security, disability, etc.)

Chicanos Por La Causa	1402 S. Central Ave., Phoenix 85004	<b>602-253-0838</b>	<a href="http://www.cplc.org">www.cplc.org</a>
Desert Mission Nbrhd Renewal	9229 N. Fourth St., Phoenix 85020	<b>602-331-5833</b>	<a href="http://www.jcl.com/desert-mission/neighborhood-renewal">http://www.jcl.com/desert-mission/neighborhood-renewal</a>
Greater Phoenix Urban League	1402 S. Seventh Ave., Phoenix 85007	<b>602-254-5611</b>	<a href="http://www.gphxul.org">www.gphxul.org</a>
Neighborhood Housing Services	1405 E. McDowell Road, #100, Phoenix 85006	<b>602-258-1659</b>	<a href="http://www.nhsphoenix.org">www.nhsphoenix.org</a>
Community Housing Resources of AZ	4020 N. 20 <sup>th</sup> St., #100, Phoenix AZ 85016	<b>602-631-9780</b>	<a href="http://www.communityhousingresources.org">www.communityhousingresources.org</a>

**Tip:** Homebuyers **must** receive program eligibility from Community Housing Resources of Arizona (Step 4) before submitting an offer on a home. If the homebuyer enters into a contract before eligibility, close of escrow will need to be extended.

**STEP 3:** If the homebuyer is deemed ready to become a homeowner, the housing counselor forwards the homebuyer’s pre-qualification packet to Community Housing Resources of Arizona (CHRA).

**STEP 4:** Community Housing Resources of Arizona (CHRA) contacts the homebuyer to schedule an appointment to determine homebuyer’s eligibility, once they receive a complete pre-qualification package from the housing counseling agency. See contact info below.

- A. CHRA reviews the pre-qualification packet and, if eligible, issues an eligibility letter within three days of the homebuyer’s appointment. The buyer has **NOT** been deemed eligible for the program until they receive an eligibility letter from CHRA.

**Tip:** In order to avoid extra costs and delays, the homebuyer must receive their eligibility letter from CHRA before submitting an offer on a home.

**STEP 5:** Homebuyer contacts their HUD certified housing counseling agency to schedule an 8 hour Homebuyer Education class. This step must be completed before closing escrow on a home and is required through the Neighborhood Stabilization Program.

**STEP 6:** Homebuyer and their real estate agent are contacted by a Home Improvement Program Specialist and provided technical assistance regarding property eligibility requirements and purchase offers.

- A. Homebuyer provides price and monthly payment expectations, in addition to a copy of their loan pre-qualification letter to their agent.

**STEP 7:** Homebuyer works with their real estate agent to find a property and enter into a contract with the seller. See the [Home Improvement Program Area Map](#) for eligible areas.

- A. Refer to “How to Find a Foreclosed Home” on page 10 for websites, and First Look tips to help with the home search.
- B. Include the completed [Home Improvement Program Contract Addendum](#), with the purchase contract.
- C. Homebuyer must contribute fifty percent (50%) or a minimum of \$1,000 of own funds toward the down payment.
- D. The assistance funds are first applied to closing costs and the balance used to reduce the principal loan balance. No cash funds will be returned to homebuyer.
- E. Homebuyer will be required to purchase a home warranty policy with a two year coverage period, paid from the assistance loan balance.

**Tip:** Fannie Mae and Freddie Mac offer a 15 day “first look” and HUD offers a 30 day “first look” advantage to owner occupants before the agencies look at investor offers. Real estate brokers must register to work with HUD.

**STEP 8:** Homebuyer’s agent must forward a copy of the complete, executed purchase contract, the MLS listings and a CMA of closed comps to Community Housing Resources of Arizona, 4020 20th St., Suite 220, Phoenix, AZ 85016. Phone: 602-631-9780 and Fax: 602-631-9757.

- A. Note that an appraisal will not be ordered until the home has been fully renovated to avoid unnecessary expense for the homebuyer.

**Tip:** Close of escrow will take approximately 75 days from accepted contract, but is dependent on the time it takes the lender to submit the appraisal and final underwriting on the first mortgage, to CHRA.

**STEP 9:** NSPAZ, the construction manager overseeing the rehabilitation work, contacts the real estate agent to request a comparable market analysis, so NSPAZ can perform their due diligence, as follows:

- A. Assess the rehabilitation needed and prepare a preliminary Scope of Work.
- B. Review the preliminary Scope of Work and cost with the homebuyer and real estate agent.
- C. Finalize the Scope of Work, Cost Estimate and LOU and deliver to the homebuyer for final authorization.
- D. Submit the authorized documentation to the city, for approval.
- E. Notify CHRA that the rehabilitation is approved, so CHRA can perform the city's due diligence, as follows:
  1. Collects all relevant data and documents.
  2. Ensures the property meets Neighborhood Stabilization Program requirements.
  3. Prepares escrow instructions for the title company.
  4. Reviews the HUD Settlement Statement and prepares the Neighborhood Stabilization Program assistance loan documents.
- F. Contact the lender to review the Scope of Work and Cost Estimate for the 203K loan.

**Tip:** *An incomplete purchase contract and mortgage lender delays are the most common causes for delays.*

**STEP 10:** Homebuyer needs to ensure the lender has sent all the loan documents to the title company. CHRA will coordinate with the title company to complete the sale.

- A. Refer to the attached list of documents needed from the lender and homebuyer for Neighborhood Stabilization Program eligibility.

**STEP 11:** CHRA will contact the homebuyer to schedule a pre-close meeting once the lender provides a final CLA, Loan Application and Loan Transmittal Summary to CHRA, and a HUD-1 is received from the escrow officer. The meeting includes:

- A. Review of the HUD-1 Settlement Statement that is an itemized list of funds paid at closing, including real estate commissions, fees, and initial escrow (impound) amounts.
- B. Review and signing the city of Phoenix loan documents, which CHRA forwards to the city for approval before sending to the title company.
- C. Verify the homebuyer has identified a home warranty policy.

**Tip:** *Allow 10 business days for the city to approve and the title company to receive the NSP loan documents. Lender loan docs might need to be re-drawn if the closing falls into the next month.*

**STEP 12:** Homebuyer arranges an appointment with the title company to sign the closing documents for the first mortgage of their new home.

**STEP 13:** NSPAZ begins the rehabilitation work and keeps the homebuyer updated on the progress. Once the rehabilitation work is complete and a Certificate of Occupancy is issued, the homebuyer moves into their new home.

## **CONGRATULATIONS! YOUR CUSTOMER HAS JUST BECOME A HOMEOWNER!**

\*Please note that this Guide and hyperlinked documents referenced within can be found at [www.phoenix.gov/nsphome](http://www.phoenix.gov/nsphome)



\* This program, offered through the City of Phoenix, provide eligible buyers with a \$15,000 loan to use toward the purchase of eligible foreclosed homes. The remaining balance may be applied to reduce the principal of the first mortgage loan. The rehabilitation loan of up to \$40,000 in the Home Improvement Program is used for eligible repairs to the purchased home. Both loans are 0% interest with deferred payments that decline and are forgivable over 15 years.

# Phoenix Neighborhood Stabilization Program

## HUD Certified Housing Counseling Agencies

<p><b>Chicanos Por La Causa</b> 1402 S. Central Ave. Phoenix, AZ 85004 <a href="http://www.cplc.org">www.cplc.org</a></p>	<p><b>602-253-0838</b></p>	<p>Hours: 8 a.m. to 6 p.m. Mon.-Fri. <b>Monthly Classes:</b> 2<sup>nd</sup> Saturday 8 a.m. – 5 p.m. 4<sup>th</sup> Saturday 8 a.m. – 5 p.m. (Spanish)</p>
<p><b>Desert Mission Neighborhood Renewal</b> 9229 N. Fourth St. Phoenix, AZ 85020 <a href="http://www.jcl.com/content/neighborhoodrenewal">www.jcl.com/content/neighborhoodrenewal</a></p>	<p><b>602-331-5833</b></p>	<p>Hours: 8 a.m. to 5 p.m. Mon.-Fri. <b>Monthly Classes are usually:</b> 2<sup>nd</sup> Tues. &amp; Thurs. 3 – 7 p.m.* 3<sup>rd</sup> Saturday 8 a.m. – 4 p.m. Check website for schedule</p>
<p><b>Greater Phoenix Urban League</b> 1402 S. Seventh Ave. Phoenix, AZ 85007 <a href="http://www.gphxul.org">www.gphxul.org</a></p>	<p><b>602-254-5611</b></p>	<p>Hours: 8 a.m. to 5 p.m. Mon.-Fri. <b>Monthly Classes:</b> 1<sup>st</sup> Tues &amp; Wed 5:30 – 9:30 p.m. * 3<sup>rd</sup> Saturday 8 a.m. – 5 p.m.</p>
<p><b>Neighborhood Housing Services of Phoenix</b> 1405 E. McDowell Road, Suite 100 Phoenix, AZ 85006 <a href="http://www.nhsphoenix.org">www.nhsphoenix.org</a></p>	<p><b>602-258-1659</b></p>	<p>Hours: 8 a.m. to 5 p.m. Mon.-Fri. <b>Monthly Classes:</b> Orientation: 2<sup>nd</sup> &amp; 4<sup>th</sup> Monday, 6-7 p.m. 8 Hr Class: 1<sup>st</sup> &amp; 3<sup>rd</sup> Saturday, 8 a.m.-5 p.m. Classes held in Spanish once each quarter Check web site or call for schedule</p>
<p><b>Community Housing Resources of Arizona</b> 4020 N. 20th St., Suite 220 Phoenix, AZ 85016 <a href="http://www.communityhousingresources.org">www.communityhousingresources.org</a></p>	<p><b>602- 631-9780</b></p>	<p>Hours: 8:30 a.m. to 5 p.m. Mon.-Fri.  <b>Offers One-on One credit counseling but does not offer Homebuyer Education Classes</b></p>
<p><b>*must attend both Sessions</b></p>		
<p><b>Schedules might vary, so call for current dates and times</b></p>		

## NSP Eligibility and Loan Administrator

<p><b>Community Housing Resources of Arizona</b> 4020 N. 20th St., Suite 220 Phoenix, AZ 85016 <a href="http://www.communityhousingresources.org">www.communityhousingresources.org</a></p>	<p><b>602- 631-9780</b></p>
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## Home Improvement Program *Lender Partner*

NSP customers can contact either of the loan officers below to schedule an appointment, in person or by phone, to obtain an FHA 203k first mortgage loan:

### Wells Fargo Contacts:

**Tina M. Clark**, Renovation Specialist  
Wells Fargo Home Mortgage  
Office: 623-445-2286  
[Tina.m.clark@wellsfargo.com](mailto:Tina.m.clark@wellsfargo.com)

**Rick Bodine**, Mortgage Consultant  
Wells Fargo Home Mortgage  
Office: 623-445-2286  
[Richard.l.bodine@wellsfargo.com](mailto:Richard.l.bodine@wellsfargo.com)

Homebuyers need to provide the following information to the lender for a loan pre-qualification:

1. Most recent 30 days of paycheck stubs.
2. Most recent two months of bank statements and all asset statements.
3. Most recent three years of tax returns. Not required of family members who are dependents.
4. Other sources of income (i.e. child support, social security, disability, etc.) that need to be included when determining the homebuyer meets program income requirements.

# Neighborhood Stabilization Program (NSP) Rehabilitation Standards

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The following is a condensed version of the Rehabilitation Standards for the Home Improvement Program. This overview is for conducting a preliminary assessment to determine the feasibility of a property to meet the Rehabilitation Standards and costs associated with the Standards. All Rehabilitation Standards and other repairs required to be performed on a property cannot exceed \$35,000.

## NSP Rehab Standards – Program Priorities

These standards set forth the desired outcomes that will be addressed in priority order for all NSP-assisted units by:

- Improving health and safety (Section I),
- Enhancing aesthetics or “curb appeal” of the property (Section II), and
- Increasing energy efficiency (Section III).

## SECTION I: IMPROVING HEALTH AND SAFETY:

### A. Housing Quality Standards (HQS) and Health and Safety

- Based on HUD’s Nationally Applicable Recommended Rehabilitation Provisions (NARRP). See attached.

### B. Pool Standards – (\$6,000 - \$7,000)

As feasible, the city’s NSP may offer up to demolition amount in rehabilitation funds to repair or replace certain parts of the pool to bring it up to proper functioning order. If the pool or any of its parts cannot be repaired or replaced for that amount, then demolition of the pool will be deemed necessary.

### C. Pool Barriers

- Per 2006 IRC-AG105.2 codes.
- 5 foot minimum height fence with maximum opening size of 1-3/4 inch horizontal spacing between vertical bars.
- Gates must swing outward and be self-closing.

## SECTION II: ENHANCING AESTHETICS OF THE PROPERTY:

### A. Curb Appeal (Front Yard) Includes: (\$2,000 - \$4,000)

- Landscaping = Low water use plants to enhance image of Sonoran Desert.
- Elevations = Meshing curb appeal and greening principles.
- Exterior Designs and Paint = Muted and blend with surrounding Sonoran Desert environment.

### B. City of Phoenix Neighborhood Preservation Ordinance

- Vegetation = Free of dead or dried vegetation.
- Junk, Litter, and Debris = Cannot be left on property including inoperable vehicles.
- Fences = Must be structurally sound and free from deterioration and blight.
- Parking = Must be in designated parking only.
- Graffiti = To be removed from all surfaces visible from beyond the bounds of the property.

## **SECTION III: INCREASING ENERGY EFFICIENCY:**

### **A. Rehab Energy Standard(s) – (\$650 - \$ 1,300)**

- Weatherization Program = Energy Audit.
- Energy Audit = Pressure diagnostic site audit on building performance.
- Cost Effectiveness Procedure = Energy audit procedure must determine cost effective ensuring savings-to-investment ratio.

#### **1. Green Building Rehabilitation Practices**

- Incorporate green building rehabilitation standards to maintain a healthy environment.

#### **2. HVAC Equipment**

- Replacement = If existing heat pump unit is equal to or older than 6 years, replacement should be done. (\$5,000 - \$6,000).
- OR
- If existing A/C unit (split system unit with furnace) is equal to or older than 10 years, replacement should be done. (\$5,000 - \$6,000).
- Repair / Replacement Determination Guidelines = Determine repair costs to higher seer savings.

#### **3. Evaporative Coolers**

- Replacing an existing evaporative cooler with a new evaporative on a forced air heating or cooling system is NOT allowed.

#### **4. Duct Work**

- Seal with mastic or replace. (\$800 - \$2,000).

#### **5. Windows (broken or missing)**

- Replacement = must meet U-factor of 0.60, solar heat gain coefficient of 0.40, visible transmittance of 0.57. (\$200 - \$300 per unit).

#### **6. Insulation**

- Minimum bring attic up to R-30. (\$800 - \$1,200).

#### **7. Shade Screens**

- All sunscreens material shall have a minimum 90% blockage. (\$500 - \$900).

# Home Improvement Program Addendum

To the Residential Purchase/Sale Contract dated \_\_\_\_\_

Buyer: \_\_\_\_\_ Seller: \_\_\_\_\_

Property address: \_\_\_\_\_ Phoenix, AZ \_\_\_\_\_

## NEIGHBORHOOD STABILIZATION PROGRAM (NSP) CONTINGENCY CLAUSES Required for NSP HOMEOWNERSHIP ASSISTANCE PROGRAM (Program 1 and Program 2)

If the Buyer desires to apply for or has applied for *Neighborhood Stabilization Program Homeownership Down payment Assistance (City Program 1)* OR the *Neighborhood Stabilization Program Homebuyer Assistance and Rehab Loan Assistance (City Program 2)*, this Addendum must be added to the Purchase/Sale Agreement between the REO Seller and the Buyer.

The items listed below are necessary in order to comply with the federal and *City of Phoenix Neighborhood Stabilization Program (NSP)* requirements.

**NOTE:** If the conditions below are not met, the Buyer will not be eligible for any of the *NSP Assistance Programs*.

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### **This Purchase Contract is contingent upon the following:**

1. The purchase price shall not exceed 99% of the "as is" appraised value of the Property as determined by an appraisal conducted by a qualified appraiser within 60 days prior to closing and in accordance with 49 C.F.R. 24.2(a)(3) and 49 C.F.R.24.103 (URA Appraisal) and pursuant to the Uniform Standards of Professional Appraisal Practice (USPAP). The lender's appraisal will be used.

2. If the property is built before January 1, 1978, the seller must provide a signed "Lead Disclosure Form." A Housing Quality Standards (HQS) Inspector must have access to the property to conduct the appropriate inspection(s) 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).

3. The Property shall be in compliance with the City of Phoenix Neighborhood Preservation Codes (also described in a City brochure at [phoenix.gov/CLEANPHX/topseng](http://phoenix.gov/CLEANPHX/topseng)).

The City Code sections of the NPO that are cited in the brochure are: **39-6B** – Unsound fence; **39-7A** – Trash, litter or debris; **39-7B** – Litter or Vegetation in the right-of-way; **39-7D** – Vegetation; **39-7G** – Non-Dustproof Parking; **39-7H** – Outside storage (building, landscaping materials, machinery, appliances, inoperable vehicles, storage of personal property visible beyond the bounds of the property and does not include that portion of the yard behind the primary structure); **39-8B** – Nuisance of vacant and unsecured buildings; **39-10B** – Graffiti.

4. The Property must pass a Housing Quality Standards 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).

5. All items in Paragraphs 1 through 4 above must be completed prior to close of escrow unless the remediation is required to be completed after close of escrow as part of Buyer's FHA 203(k) loan provisions (under City of Phoenix Program 1), or required as part of Buyer's FHA 203(k) loan provisions (under City of Phoenix Program 2), or required as part of the City of Phoenix Rehab Loan provisions (under City of Phoenix Program 2).

REO Seller's initials \_\_\_\_\_

Buyer's initials. \_\_\_\_\_

# Your Window to Homeownership

Dear Asset Manager:

The homebuyer(s) identified in the attached purchase contract represents an owner occupant eligible to participate in the Home Improvement Program through the Phoenix Neighborhood Stabilization Program. The program is a federally funded initiative to address communities hardest hit by foreclosures with the goal of putting vacant properties back into productive use.

The homebuyer(s) is eligible to receive assistance funds of \$15,000 to use toward closing costs and down payment, along with up to \$40,000 for eligible repairs to the home necessary to obtain buyer financing. The repairs will be performed by licensed contractors in coordination with a city of Phoenix program partner.

The homebuyer's NSP eligibility letter and lender pre-qualification letter are attached, for your review. This is a solid offer by a committed homebuyer. If you have any questions regarding the city's assistance loan or the homebuyer's eligibility, please contact Community Housing Resources of Arizona at 602-631-9780.

We appreciate your cooperation and consideration to help [insert homebuyer name] become homeowners and stabilize Phoenix neighborhoods.

Sincerely,



Neighborhood Stabilization Program





City of Phoenix



Neighborhood Stabilization Program  
phoenix.gov/nsphome

# Home Improvement Program Boundaries

## Neighborhood Stabilization Program (602) 262-6602

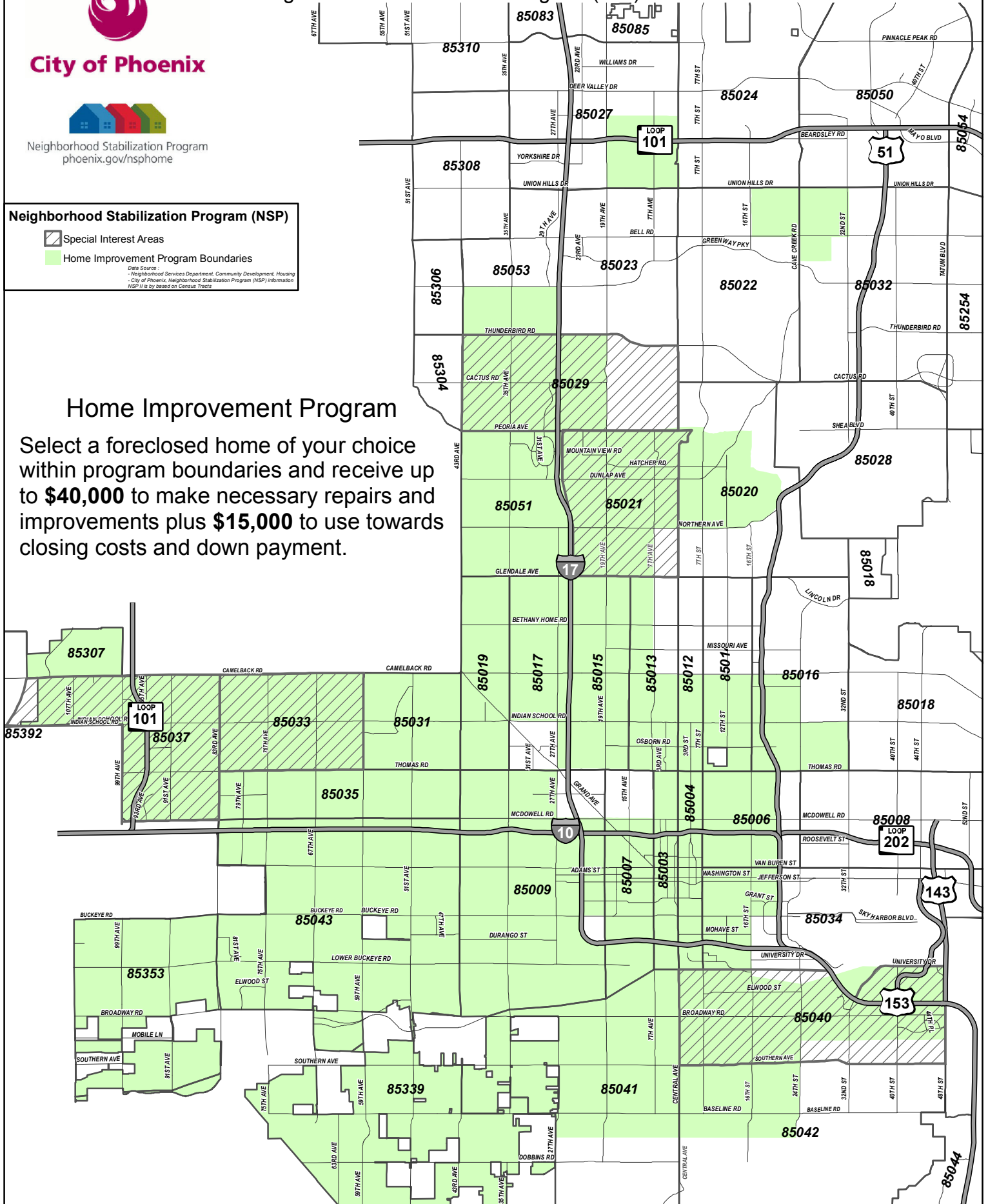
**Neighborhood Stabilization Program (NSP)**

- Special Interest Areas
- Home Improvement Program Boundaries

Data Source:  
- Neighborhood Services Department, Community Development, Housing  
- City of Phoenix, Neighborhood Stabilization Program (NSP) Information  
NSP is a by based on Census Tracts

### Home Improvement Program

Select a foreclosed home of your choice within program boundaries and receive up to **\$40,000** to make necessary repairs and improvements plus **\$15,000** to use towards closing costs and down payment.



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MARCH 2011

Neighborhood Services Department  
Information Systems

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