

124634
PHA: City of Phoenix

Project: AZ001000008

PIC Application: DDA00001328 Unit: 50

SECTION 32 IMPLEMENTING AGREEMENT

PART I

This Agreement is made and entered into on this 17 day of OCTOBER 2008 between the Phoenix Housing Authority/Housing Agency (HA) and the United States of America, acting by and through the Department of Housing and Urban Development (HUD).

WHEREAS, the HA has requested approval of a homeownership plan under its Section 32 Homeownership Program for public housing, as authorized by Section 32 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.), and implemented in accordance with the regulations contained in 24 CFR Part 906, and

WHEREAS, HUD has notified the HA that the homeownership plan attached hereto as Part II is approvable; and

WHEREAS, HUD and the HA have agreed to enter into this Agreement to evidence HUD's approval of said homeownership plan and the HA's agreement to implement said plan, without modification, in accordance with its terms and the regulations implementing the Section 32 Homeownership Program.

NOW THEREFORE, in consideration of the covenants and agreements set forth herein, HUD and the HA hereby agree as follows:

Section 1. Definitions.

1.1. As used in this Agreement, the following terms shall have the meanings herein below ascribed thereto:

- (a) Act - United States Housing Act of 1937, as amended, 42 U.S.C. 1437 et seq.
- (b) Agreement - This Implementing Agreement, executed by HUD and the HA, establishing the rights and responsibilities of the HA with respect to the program and the use of sale proceeds thereunder.
- (c) ACC - The Annual Contributions Contract entered into by HUD and the HA, which contains the terms and conditions under which HUD assists the HA in providing decent, safe, and sanitary housing for low-income families under the Act.
- (d) Low-income families - This term has the meaning ascribed to it in Section 3 of the Act.

(e) Plan - The HA's homeownership plan, under its Section 32 Homeownership Program, for the sale of, or of a portion of, a public housing development or developments to eligible residents and the use of sale proceeds therefrom for housing assistance to low-income families (after provision for sale and administrative costs necessary and reasonable for carrying out the approved homeownership plan), as set forth in Part II of this Agreement.

(f) Purchase and Resale Entity (PRE) – An entity that acquires units from a public housing authority for resale to low-income families in accordance with 24 CFR part 906.

(g) Regulations - The regulations contained in 24 CFR Part 906, and as the same may be modified and amended.

(h) Sale proceeds - Includes all payments made by purchasers for credit to the purchase price (including, without limitation, earnest money, down payments, payments out of the proceeds of mortgage loans, payments made under a lease-purchase arrangement, and principal and interest payments under purchase-money mortgages), together with any amounts payable upon resale under the Regulations, and interest earned on all such receipts.

(i) Secretary - The Secretary of the U.S. Department of Housing and Urban Development.

(j) Section 32 Homeownership Program - The homeownership program for public housing, as authorized by Section 32, and implemented in accordance with the Regulations.

Section 2. Scope of Agreement.

2.1. This Agreement governs the implementation of the Plan and use of sale proceeds thereunder.

2.2. Upon conveyance of title to any public housing property or other eligible property by the HA to a public housing tenant or eligible family, or to a PRE operating the units as non-public housing, in accordance with the homeownership program, HUD shall release any title restrictions thereon prescribed by the ACC. Thereafter, the property shall no longer be subject to the ACC and shall cease to be eligible for further HUD funding for operating subsidies or modernization. Notwithstanding the foregoing, if the development, of which the property is a part, is subject to indebtedness under the ACC, HUD shall continue to make any debt service contributions for which it is obligated under the ACC.

2.3. This Agreement shall not govern or apply to any income generated by any local program or activity established pursuant to the Plan, so long as such income is not commingled with the sale proceeds under the Plan.

Section 3. Uses of Sale Proceeds.

3.1. The HA agrees that sale proceeds shall be used only in accordance with the Plan, and the requirements and provisions of this Agreement, and certifies that the Plan complies with 24 CFR 906.31, governing the use of sale proceeds.

3.2. Sale proceeds shall be used in an economical and efficient manner (without excessive administrative overhead costs), so as to provide the maximum housing assistance at a reasonable cost to low-income families.

3.3. The HA shall obligate sale proceeds in a timely fashion, in accordance with the project implementation schedule set forth in the Plan.

3.4. The HA shall comply with such other requirements, as from time to time by statute, regulation or contractual amendment governing the Section 32 Homeownership Program, the Plan or the use of sale proceeds thereunder.

3.5. The HA's Board of Commissioners shall be responsible for implementing the Plan and ensuring that sale proceeds are used in accordance with the requirements of this Agreement. The Board of Commissioners also shall be responsible for all phases of any program developed under the Plan.

3.6. The HA must obtain HUD approval to modify any of the provisions of the Plan.

Section 4. Establishment of separate account.

4.1 The HA shall establish and maintain a separate account for any project or program administered by the HA to be funded with sale proceeds under this Agreement. Such sale proceeds may be commingled with funds contributed to the project or program from other sources, so long as the HA maintains the separate identity of the sale proceeds covered by this Agreement.

Section 5. Certification of Performance of Conditions Precedent.

5.1 The HA certifies that it has complied with all conditions and requirements on its part precedent to HUD's approval of the Plan, including, without limitation, compliance with all applicable provisions of the Regulations. The HA further certifies that all things necessary to make this a valid, binding agreement of the terms and conditions, and for the purposes herein set forth, have been done or have occurred; and that the execution and delivery of this Agreement on its part is in all respects duly authorized in accordance with law.

Section 6. HA Covenants Effective Subsequent to the Execution and Delivery of this Agreement.

6.1. The HA covenants and agrees that, subsequent to the execution of this Agreement, it shall comply with all applicable provisions of the Regulations, including, without limitation, those provisions with respect to; the physical condition of the property to be sold and compliance with local code requirements and requirements for elimination of lead-based paint hazards, under 24 CFR 906.7(a); non-purchasing residents, under 24 CFR 906.23 and limitations on resale profits under 24 CFR 906.27.

6.2. The HA shall comply with the implementing Agreement and enforce all provisions of the Plan.

- 6.3. The HA agrees, to the maximum extent feasible, to provide opportunities employment for public housing residents in carrying out its Plan.

Section 7. Maintenance of Records; Right to Inspect and Copy

7.1 The HA shall be responsible for the maintenance, in good condition, of books, accounts, reports, files, records and other documents (including, without limitation, sales and financial records) relating to all activities incident to the implementation of the Plan in accordance with 24 CFR 906.33, which shall be separate from the HA's books of account and records for the ACC. Any duly authorized representative of HUD, the Comptroller General of the United States or any other appropriate agencies of the Federal, State or local government, at all reasonable times, shall have access to and the right to inspect, examine, audit and copy all such books, records and other documents. Where a PRE is responsible for the sale of units, the HA must ensure that the PRE's responsibilities include proper record keeping and accountability to the HA, sufficient to enable the HA to monitor compliance with the approved homeownership program and to meet its audit responsibilities.

Section 8. Audit and Administrative Requirements

8.1. The financial statements of the HA shall be audited annually by a licensed independent public accountant designated by the HA in accordance with the Single Audit Act. A written report of each audit must be forwarded to HUD in accordance with the Single Audit Act so that HUD may assess HA compliance with this Agreement. The audit report shall contain a complete set of financial statements, including a balance sheet statement and a statement of receipts and expenditures. Copies of the report also shall be furnished to the resident organization (if any) that represents the HA's project residents. The HA shall submit, and/or permit HUD access to, such other information or sites as HUD may require in order to monitor and assess the HA's compliance with this Agreement. Upon reasonable notice provided to the HA, HUD also may conduct such other audits as are necessary or appropriate.

8.2. The HA shall comply with all applicable State and local laws pertaining to the matters contained in the homeownership program, including all relevant building code, and contracting and procurement requirements.

Section 9. Applicability of Federal laws; Conflicts of Interest.

9.1. The HA shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) and implementing regulations at 24 CFR Part I, and the authorities cited in 24 CFR 5.105(a); the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations at 24 CFR Part 100 or, as applicable, the Indian Civil Rights Act; the Age Discrimination Act of 1975 (42 U.S.C. 6101-07); Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8, and all other applicable civil rights laws and executive orders.

9.2 The HA shall comply with all other Federal laws, as are applicable.

9.3. No person or entity in the following classes shall have an interest, direct or indirect, in this Agreement or in any proceeds or benefits arising from it, during his or her tenure, or for one year thereafter:

(a) Any board member or officer of the HA;

(b) Any employee of the HA who formulates policy or influences decisions with respect to the development, acquisition, rehabilitation, or any other use of the sale proceeds provided for in the Plan;

(c) Any member of the governing body or the executive director of the locality (city, county, or reservation) in which the HA, the property to be conveyed under the Plan, or any project to be acquired, developed, rehabilitated, or otherwise assisted under the Plan is (or will be) situated;

(d) Any other State, or other local public officials (including State legislators), who exercise any functions or responsibilities with respect to the property to be conveyed under the Plan, any project to be acquired, developed, rehabilitated or otherwise assisted under the Plan.

9.4. No member or Delegate to the Congress of the United States of America or the Executive Director of the HA shall be admitted to share any part of this Agreement or to receive any benefits that arise therefrom. No board member, officer or employee of the HA, no member of a state or tribal legislature, no member of the governing body locality or localities, nor any other public official of such locality or localities that exercise any function or responsibility with respect to the developments covered by this Agreement, during their tenure, or one year thereafter, shall have any interest which produces or is intended to produce a personal financial benefit, direct or indirect, in this Agreement or the sale proceeds.

9.5. If any such persons acquire, or acquired, any such interest, prior to appointment or employment as such member, officer, or employee, he or she shall not participate in any action of the HA relating to the property described in this Agreement in which they may have any interest.

9.6. The HA shall include, or cause to be included in all its contracts with contractors, subcontractors, or any party involving the use of the sale proceeds, conflict of interest provisions in accordance with this section.

Section 10. Default.

10.1. Any one of the following acts, singularly or in conjunction with any other of such acts, shall constitute a default by the HA: (1) the HA has used, or is using, sale proceeds for purposes not permitted by, or inconsistent with, the provisions of this Agreement; (2) the HA has failed to comply with any other covenant, agreement, provision or warranty made in this Agreement; (3) an audit conducted in accordance with Section 8.1 reveals evidence of mismanagement of funds; or (4) the HA has demonstrated an intention not to perform any or all of its obligations under this Agreement.

10.2. If HUD determines that a default under Section 10.1 has occurred, it shall notify the HA in writing of its determination. Such notice of default shall include a brief statement of the reasons for HUD's determination and shall provide the HA with an opportunity, within a prescribed period of time, to cure the specified default or otherwise respond to the determination, unless immediate action is required to protect the Federal government's interests.

Section 11. Sanctions and remedies

11.1. Upon occurrence of a default, as specified in Section 10.1, HUD may take one or more of the following actions:

- (a) Issue a warning letter to the HA advising it of the default and establishing a date by which corrective actions must be completed, and informing the HA that more serious actions may be taken if the deficiency is not corrected or is repeated;
- (b) Order the HA not to incur any additional financial obligations, or to suspend payments, for one or more activities undertaken pursuant to this Agreement;
- (c) Direct the HA to reimburse one or more program accounts, from non-HUD sources, for any amounts improperly expended;
- (d) Recapture for good cause, any funds made available to the HA pursuant to this Agreement;
- (e) Take all other necessary or appropriate corrective actions, as determined in the sole discretion of the Secretary, to remedy the HA's default or protect the Federal government's interests.

11.2. HUD's failure to exercise any right or remedy (either before or after its issuance of a notice of default under Section 10.2) shall not constitute a waiver of any of the rights or remedies available to HUD, either as provided by Section 11.1 of this Agreement, or as otherwise provided by law. Furthermore, the availability or exercise of any remedy under this Agreement shall not preclude the exercise by HUD of any other remedy available under this Agreement, or as otherwise provided by law, or be considered a waiver of any other rights or remedies.

11.3. HUD may consider the HA's default under this Agreement as a factor in deciding whether to award or to renew the award of assistance to the HA under other HUD programs.

Section 12. Duration of Agreement.

12.1. The term of this Agreement shall commence upon its execution by HUD and the HA, and shall remain in effect until all sale proceeds under this Agreement have been expended by the HA and the HA has fully complied with, or caused the compliance with, all terms, conditions and requirements of the Plan.

12.2. If the term of this Agreement expires in accordance with subsection (a) above, and provided that there remains no uncured default (or any uncured defaults have been waived, in writing, by the Assistant Secretary for Public and Indian Housing, or their designee), then the HA shall have no further responsibility to HUD under this Agreement.

Section 13. Termination

13.1. This Agreement may be terminated if both HUD and the HA agree that continuation of the Agreement is infeasible. Provisions governing the termination of this Agreement, including the date of termination, shall be mutually agreed upon by HUD and the HA.

Section 14. Rights of Third Parties.

14.1. Nothing contained in this Agreement shall be construed to create or justify any claim by a third party against HUD.

14.2. HUD does not assume any responsibility for, or liability to, any person injured as a result of the HA's action, or its failure to act, in connection with the implementation of this Agreement, or as a result of any other action or failure to act by the HA.

14.3. The HA is not the agent of HUD, and this Agreement does not create or affect any relationship between HUD and any lender to the HA, or any suppliers, employees, contractors or subcontractors used by the HA in the implementation of this Agreement.

Section 15. Entire Agreement.

15.1. This Agreement, which consists of Part I, the program incorporated as Part II and any exhibits attached hereto, constitutes the entire agreement between HUD and the HA with respect to the subject matter hereof. This Agreement may be amended or modified only by a written instrument duly authorized and executed by the parties hereto. This Agreement shall be binding on and inure to the benefit of the parties and to their respective successors-in-interest and assigns.

15.2. The following exhibits, which are attached hereto, are incorporated into this Agreement and expressly made a part hereof:

Exhibit A: Listing of Approved Units
Exhibit B: _____ N/A
Exhibit C: _____ N/A

15.3. Part II of this Agreement contains the HA's Plan and shall discuss, as applicable to the particular fact situation, each of the matters set forth in 24 CFR 906, as applicable.

Section 16. Waiver or Amendment.

16.1. HUD reserves the exclusive right to waive, at the sole discretion of the Secretary and to the extent permitted by law, any requirement or provision under this Agreement. No act by or on behalf of HUD shall be deemed to be a waiver of any such requirement or provision, unless the same be in writing, signed by the Secretary, and expressly stating that it constitutes a waiver.

16.2. This Agreement, or any part hereof, may be amended only in writing, duly authorized and executed by HUD and the HA. The HA must obtain HUD approval under this section to modify any provision of this Agreement, including, without limitation, any provision of the Plan under Part II. Any amendment to this Agreement executed by HUD and the HA shall have the same force and effect as this Agreement.

Section 17. Severability.

The invalidity of any section, subsection, clause or provision of this Agreement shall not affect the validity of the remaining sections, subsections, clauses or provisions hereof.

Section 18. Approvals and Notices.

18.1. Any notice or demand under this Agreement shall be in writing, and signed by a duly authorized officer of the party giving such notice or demand. Notice shall be deemed to have been given, at the time received, at the principal office or address of the party to whom it is directed.

18.2. Any notices sent to HUD shall be mailed, postage prepaid, or delivered to the appropriate HUD Field Office at the following address (or at such other address as established by notice):

**Barbara Gallegos
Director
Office of Public Housing
One North Central Avenue, Suite 600
PHOENIX, AZ 85004**

Any notice sent to the HA shall be mailed, postage prepaid, or delivered to (or at such other address as established by notice):

**Kim Dorney, Housing Director
City of Phoenix Housing Department
200 W. Washington, 4th Floor
Phoenix, AZ 85003**

HUD and the HA have caused this Agreement to be executed in their respective names and have caused their respective seals to be hereunto affixed and attested to as of the date(s) shown below.

(SEAL)

ATTEST:

PUBLIC HOUSING AUTHORITY:

Assisted Housing Governing Board of the City of Phoenix

By: [Signature]
Hon. Phil Gordon
Chairman

Date: 10-3-2008

City of Phoenix, Arizona, a municipal corporation
FRANK FAIRBANKS, City Manager

By: [Signature]
Kim Dorney
Director, Housing Department

Date: October 1, 2008

ATTEST:

[Signature]
City Clerk



APPROVED AS TO FORM:

[Signature]
Acting City Attorney mg

UNITED STATES OF AMERICA
Secretary, Department of Housing
and Urban Development

[Signature]
By:

17 OCT 08
Date

[Signature]
CITY CLERK DEPT.
OCT -3 PM 4:29

EXHIBIT - A

Listing of Approved Units (DDA0001328)

Development Number	Building Number	Entrance Number	Address
AZ001000008	029	1	1876 W Lynne Ln
AZ001000008	075	1	8662 W Earll Dr
AZ001000008	085	1	3608 N 87th Ave
AZ001000008	110	1	8727 N 29th Ave
AZ001000008	135	1	3312 W Pershing Ave
AZ001000008	138	1	2220 W Charter Oak Rd
AZ001000008	141	1	811 E Ironwood Dr
AZ001000008	143	1	19211 N 17th Dr
AZ001000008	156	1	13645 N 20th Ln
AZ001000008	158	1	2812 W Lawrence Rd
AZ001000008	166	1	3231 E Monte Vista Rd
AZ001000008	167	1	1725 N 33rd Pl
AZ001000008	174	1	1134 E Echo Ln
AZ001000008	176	1	4010 W Sweetwater Ave
AZ001000008	187	1	2102 W Northview Ave
AZ001000008	194	1	3701 W Dailey St
AZ001000008	205	1	4325 E Everett Dr
AZ001000008	218	1	2731 E Almeria Rd
AZ001000008	237	1	3907 E Captain Dreyfus Ave
AZ001000008	240	1	18229 N 33rd Dr
AZ001000008	243	1	2339 E Larkspur Dr
AZ001000008	244	1	19402 N 3rd Dr
AZ001000008	246	1	3146 E Weldon Ave
AZ001000008	252	1	10624 N 33rd Ave
AZ001000008	253	1	3335 E Monte Vista Rd
AZ001000008	270	1	3242 E Andora Dr
AZ001000008	307	1	6408 S 42nd St
AZ001000008	312	1	6432 S 47th St
AZ001000008	358	1	1910 W Wescott Dr
AZ001000008	382	1	15856 N 19th Pl
AZ001000008	387	1	2639 W Hearn Rd
AZ001000008	390	1	6807 S 41st St
AZ001000008	408	1	5901 W Verde Ln
AZ001000008	419	1	15214 N 38th Ave
AZ001000008	422	1	11610 N 41st Ave
AZ001000008	440	1	5930 W Roanoke Ave
AZ001000008	446	1	4720 N 14th Ave
AZ001000008	450	1	2211 W Myrtle Ave
AZ001000008	451	1	1142 E Griswold Rd
AZ001000008	457	1	1037 E Alice Ave
AZ001000008	461	1	4122 W Orangewood Ave
AZ001000008	472	1	2309 W Osborn Rd
AZ001000008	473	1	2424 W Marlette Ave
AZ001000008	483	1	2270 W Monona Dr
AZ001000008	488	1	2936 E Grovers Ave
AZ001000008	492	1	2901 N 44th Ln
AZ001000008	494	1	8912 W Fairmount Ave
AZ001000008	497	1	5526 W Lewis Ave
AZ001000008	510	1	5937 W Garfield St
AZ001000008	513	1	4725 N 13th Ave

PART II

TERM SHEET

Phoenix Housing Department

Section 32 Homeownership Plan Modified and Restated as of July 2, 2008

The Quality Housing and Work Responsibility Act (QHWRA) permits the City of Phoenix Housing Department ("COPHD"), through Section 32 of the U.S. Housing Act of 1937, to make public housing dwelling units available for purchase by low- to moderate-income families for use as their principal residences. Under Section 32, the COPHD may sell all or a portion of a public housing development to eligible persons who may or may not be residents of the public housing development.

Based on the priority placed on first-time homeownership by HUD, and by the current administration, as demonstrated by the President's signing into law the American Dream Downpayment Act of 2003, the COPHD plans to offer 50 single family homes to eligible families who wish to become homeowners. Pursuant to 24 CFR Part 906 the Housing Department plans to offer a menu of assistance options to prospective homeowners, including down payment and closing costs assistance and counseling services.

There have been numerous articles in the media about the need for affordable housing in our community, and both HUD and President Bush have made first-time homeownership a national priority. In furtherance of those goals COPHD developed a program to continue providing first-time homeownership opportunities to participants in its public housing and section 8 assisted housing programs and other eligible low income persons. The COPHD is a recognized leader in providing affordable housing and homeownership opportunities to needy families throughout the City of Phoenix.

Components of the Homeownership Plan

A. METHOD OF SALE

Overall Unit Count and Description:

The COPHD plans to sell 50 single-family homes ("Units") from its existing inventory of scattered site public housing units. The Units are detached homes located in various neighborhoods in the City of Phoenix.

The houses date from the 1950's to 1980's. The units range in size from approximately 900 square feet to approximately 2000 square feet. Typically the medium-sized units have three bedrooms and the larger units have four

bedrooms. All of the houses are wood frame with brick, concrete block, wood, or stucco exteriors.

Method of sale:

Units will be sold directly by COPHD to existing COPHD public housing residents, COPHD Housing Choice Voucher (HCV) participants, and to other eligible low-income persons who are not receiving assistance from COPHD. The principal method of sale will be a direct sale fee simple transaction. COPHD, in its discretion, also may offer tenants a lease with an option to purchase.

Eligibility for this program is restricted to persons with family incomes not more than 80% of AMI corresponding to an applicant's household size. The existing resident of a Unit will be offered the first right of refusal to purchase that Unit, and would be eligible to purchase that Unit whether or not the resident meets the 80% AMI income restriction. If an existing resident chooses to purchase a Unit other than the Unit in which that person resides, the person would only be eligible if their family income does not exceed 80% of AMI. Participation is also contingent upon the resident meeting the other eligibility requirements set forth below, including the requirement that monthly mortgage payments including taxes, insurance, utilities, maintenance, and other fees associated with homeownership (e.g., association dues) must not exceed 35% of the purchaser's adjusted gross income.

Sale and financing:

Units will be sold for their appraised value, which will vary depending on house size and location. Purchasers must qualify for and obtain private mortgage financing, and the balance of purchase price will be paid as follows:

(1) The purchaser must make a down payment of at least three percent (3%) of the purchase price, of which at least one percent (1%) of the purchase price must come from the purchaser's personal resources;

(2) COPHD will finance 20% of the purchase price through a no-interest, forgivable loan (the A-Loan) evidenced by a promissory note and secured by a second priority deed of trust on the Unit;

(3) Eligible purchasers may receive a grant of program funds, as available, not to exceed \$6,000 per family, to pay closing costs (including the cost of a one year home owner's warranty policy) and a portion of the down payment;

(4) The purchaser may use any other grants and subsidies that may be available from time to time through any applicable state, federal or local program; and

(5) COPHD will provide "gap financing" for the balance of the purchase price, in the form of a loan (the B-Loan) that does not accrue interest until the Unit is sold or is no longer the principal residence of the purchaser, at which time it becomes due and payable in full. If the Unit is sold the loan will be repaid from the net proceeds of sale. If the Unit is transferred by other means or is leased, the COPHD may collect the loan in its entirety by enforcing its lien or any other means legally available.

Funding:

Funding for the HOP will come from the proceeds of sale of Scattered Sites properties, COPHD Equity, deposits to COPHD's Homebuyer's Reserve Fund, and such other grants and funding as may become available from time to time.

B. PROPERTY DESCRIPTION

The COPHD will use 50 single-family ACC units from its existing public housing stock for this Homeownership Opportunity Program (HOP). The table attached as Exhibit A identifies the properties by development number per unit, street address, and bedroom distribution by size, and the Maricopa County Assessor's full cash value. Exhibit B is a map showing the general concentration of the Units in the City of Phoenix.

C. PHA PERFORMANCE IN HOMEOWNERSHIP

The COPHD has a successful record of providing homeownership opportunities for residents of Phoenix. Over the last thirty years, COPHD has collaborated with neighborhood residents, various non-profits, and the U.S. Department of Housing and Urban Development to acquire single family homes for use as public housing units.

During the late 1980's HUD approved the purchase of 500 single-family homes for the COPHD's Scattered Sites Housing Program ("Scattered Sites Program"). Homes selected for inclusion in the Scattered Sites Program were not limited to one specific area. Homes were acquired in areas that would be desirable to the residents. Areas with severe crime, slum and blight conditions were avoided.

COPHD also administered the Section 5(h) Homeownership Program, a lease-purchase program in which the homes were a part of COPHD's public housing inventory until sold. The 5(h) Homeownership Program made homeownership available to COPHD residents.

Currently, the Scattered Sites Program has 433 single-family two-, three-, four-, and five-bedroom homes in the program. COPHD has previously sold 92

homes to its residents through its Upward Bound and Scattered Sites Home Ownership Program. Ten replacement properties were purchased using proceeds from the sale of those 92 units.

COPHD has experienced housing staff and contractors to assist in every aspect of the home purchasing process. COPHD also collaborates with local and state governments and non-profits to accomplish its homeownership objectives. COPHD homeownership programs provide homebuyer education and counseling to improve the home purchase experience.

D. REPAIR OR REHABILITATION

Because the Units are part of COPHD's Scattered Sites rental program they are regularly inspected to assess health, safety, and livability issues. All 50 Units have participated in annual Preventive Maintenance Inspections, and any deficiencies discovered during those inspections have been corrected. HUD completed a REAC Physical Conditions inspection on June 30, 2003, and any deficiencies found were subsequently corrected. In addition, some of the Units have been or will be updated as part of COPHD's Modernization Program.

In anticipation of sale, COPHD staff visits each Unit and conducts an assessment using a Housing Quality Standard ("HQS") Inspection Worksheet. Before sale all Units must meet applicable HQS standards. COPHD then assesses livability and marketability issues, estimates the useful life of all major systems, and takes appropriate action as needed to correct identified deficiencies at COPHD expense, using available COPHD program funds.

At the time of sale all Units must be in good repair with major components having an estimated useful life of at least five (5) years. COPHD will assess and inspect the Units again when a purchase offer is received. Prior to sale of a Unit a licensed independent home inspector will inspect the Unit and prepare a written report identifying perceived deficiencies in the condition of the Unit. COPHD will correct any deficiencies identified in the report that affect health or safety or as necessary to comply with applicable building codes and HUD regulations. Once the condition of the Unit is determined to be acceptable for sale according to the foregoing process the Unit will be sold in "as is" condition, with a one year home owner's warranty policy. At the option of COPHD as part of the sales contract the purchaser may be given an allowance to make agreed-upon improvements. If an allowance is negotiated COPHD will require that HQS deficiencies be corrected before the close of escrow, but may permit livability deficiencies to be corrected by the purchaser after the close of escrow. Any allowance may be conditioned upon other requirements established in COPHD's discretion.

Lead-based paint

At the time of sale each Unit will have been tested for lead-based paint and COPHD will either establish that no lead based paint is present in the Unit or

will take remedial action as may be required to comply with applicable requirements of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821–4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851–4856), and the implementing regulations at 24 CFR part 35, subparts A, B, L, and R.

504 compliance

Any family that purchases a Unit will have the option of making the Unit compliant with the Americans with Disabilities Act. When a prospective purchaser with known disabilities, or who has a family member with known disabilities, requires accessibility features, the features will be added as a reasonable accommodation.

Finances

Funding of any needed rehabilitation work will be from a variety of sources including COPHD equity, proceeds from sales of houses, federal, state, and local grants and other sources as they become available.

The Units will be sold in accordance with the Method of Sale Section in this plan.

E. PURCHASER ELIGIBILITY AND SELECTION (24 CFR 906.11)

Process for Purchaser Eligibility Determination

Selection Criteria – Application Process

COPHD will continue to distribute Pre-Applications for the Scattered Sites Housing Program to ensure that we have a pool of eligible applicants as vacancies occur. The pre-application is a self-declaration of meeting minimal eligibility criteria. COPHD will continue to use the following criteria established for its previous homeownership plan (5(h) Implementing Agreement).

- Annual Income (40% - 80% of median and 75% from an earned source)
- Family composition (one family per household)
- Assets
- Allowable deductions
- Landlord history for the last two years
- Police / Gang Affiliation check of household members 12 years of age or older
- Credit Background / History Check

If and when the applicant pool is exhausted, COPHD will reach out to the general public, and will place public notices in the local papers informing potential applicants of its HOP about the type of units for sale, and program criteria.

If prospective purchasers do not have steady employment, and demonstrate good debt management, it is difficult for them to qualify for mortgages. To complete a purchase the purchaser will have to qualify for a first mortgage with a private lender. To make the Units affordable COPHD will provide a subsidy in the form of a forgivable loan for 20% of the purchase price (the A-Loan) and gap financing to cover some purchase costs (the B-Loan), both secured by a "soft second mortgage."

For unfavorable information with respect to a prospective purchaser, consideration will be given to the time, nature, and extent of the prospective purchaser's conduct and to other factors which might indicate a reasonable probability of favorable future conduct or financial prospects.

Final determination of eligibility for the first (private) mortgage loan shall rest with the private lender that provides permanent financing to the prospective purchasers. The prospective purchaser will have to meet the credit and income requirements of the lender. Before a contract is entered into the prospective purchaser must have completed the required homebuyer education classes and pre-purchase counseling for credit analysis and repair.

Application Form. All prospective purchasers must complete a COPHD Application for Section 32 Homeownership Program to determine their qualifications and eligibility.

1. **Income Eligibility.** Prospective purchasers of a Unit must be income eligible. The prospective purchaser's income must be at or below 80% of Area Median Income as defined by HUD ("AMI") based on household size. If the resident currently living in the Unit who will purchase the Unit is currently over 80% AMI, the maximum income requirement of 80% AMI is waived. The family income of a prospective purchaser who is not currently residing in the Unit may not exceed 80% of AMI.

2. **Credit History.** A prospective purchaser must have an acceptable credit history. A credit report will be obtained and an action plan created that identifies the steps the prospective purchaser must take to qualify for a mortgage. In lieu of credit history, prospective purchasers must provide evidence of past performance in meeting financial obligations over the past twelve months. This includes but not limited to:

- (a) letters from alternative credit source for one year, and/or
- (b) six to twelve month history of timely payments with utility bills, and rent payments.

Prospective purchasers with poor credit history or other issues will be referred to a certified housing counseling agency for credit analysis and repair.

3. **First Time Homeowner.** Prospective purchasers must be a first time homeowner. For the purposes of this plan, a "first time homeowner" is a family of which no member owned any present ownership interest in a residence of any family member during the three years before the date of purchase of the Unit. The term "first time homeowner" includes a single parent or displaced homemaker (as those terms are defined in 12 U.S.C. § 12713) who, while married, owned a home with his or her spouse, or resided in a home owned by his or her spouse.

4. **Regular Income.** The prospective purchaser must have a reliable source of income, evidenced for at least 12 months.

5. **Underwriting Requirements.** The prospective purchaser must meet the underwriting standards set by the private lender in accordance with the ratio requirements pertaining to income and debt. Income and recurring debts will be reviewed to determine if the prospective purchaser meet these ratios.

6. **Down Payment.** Prospective purchasers must provide a down payment of not less than three percent (3%) of the purchase price, and must contribute no less than one percent (1%) of the purchase price in cash from their own funds. Prospective purchasers are permitted to use grants, gifts from relatives, contributions from private sources, and other similar sources for the remainder of the down payment *COPHD will retain records verifying the source(s) of this one percent contribution.*

7. **Payment History.** All homeownership participants must be working and paying a tenant rent of \$475 or more per month, and must have a history of consistent payment of rent for a period of one year.

8. **Affordability.** Prospective purchasers must be able to afford the Unit. Monthly homeownership expenses must not exceed the sum of 35% of adjusted gross income plus any subsidy that will be available for such payments. Monthly homeownership expenses include: principal and interest on the initial mortgage debt, any refinancing of such debt, and any mortgage insurance premium incurred to finance the purchase of the home; real estate taxes and public assessments on the Unit; home insurance; COPHD's allowance for maintenance expenses, utilities, the costs of major repairs and replacements; principal and interest on mortgage debt incurred to finance costs for major repairs, replacements or improvements for the Unit; and, if the Unit is a condominium unit, may also include homeowner association fees and charges.

9. **Counseling and Education.** The prospective purchasers must have completed the required homeownership classes and pre-purchase counseling in order to purchase a home, and must provide the Homeownership Program Coordinator with a copy of the Certificate of Completion for all required classes.

10. **Principal Residence.** Each prospective purchaser must agree that the Unit will be the purchasers' principal residence, and the family must reside in the home for a minimum of five (5) years after closing. The contract of sale will provide that the Unit must be the principal residence of the assisted family and will provide for recapture of assistance provided by COPHD in connection with the sale, as stated in Section M below.

11. **Background Check.** Each prospective purchaser must secure a favorable recommendation from the authorized COPHD staff familiar with the family (or, if not a currently assisted by COPHD the functional equivalent from a landlord familiar with the family) concerning his or her suitability for homeownership. Prospective purchasers must establish their ability to get along well with neighbors and landlord, and to maintain a clean, stable, and healthy home, and must pass a criminal background check.

12. **Participation Agreement.** All prospective purchasers must execute a Section 32 Program Participation Agreement, which will detail the exact requirements of the homeownership plan.

Application Review Criteria

COPHD and its contract agents will conduct the screening of all applicants and determine basic eligibility according to the HOP. The following are the recommended steps for the program:

1. Eligible participants will be informed about the HOP through the COPHD website and through various other means as appropriate.

2. An intake and pre-screening system will be established for interested prospective purchasers.

3. A homeownership coordinator will meet with the prospective purchaser to review their application and answer questions. The homeownership coordinator will inform the prospective purchaser about the program, qualification guidelines, proposed timelines, documents required, services to be provided, and expectations. The housing counselor will perform a preliminary assessment based on income and employment to determine whether prospective purchaser qualifies to purchase a Unit.

4. A file will be created for each prospective purchaser and will be continually updated as necessary.
5. Prospective purchasers will complete the required homebuyer education classes and pre-purchase counseling for credit analysis and repair.
6. The prospective purchaser will meet with credit counselors for credit and income analysis to determine eligibility and mortgage qualification. A savings and or credit repair plan will be created with input from the prospective purchaser.
7. COPHD will establish a follow-up system with credit counselors to receive status reports on each existing prospective purchaser
8. When the prospective purchaser is ready for loan and subsidy applications, he or she will be referred to lenders and subsidy sources that are providing mortgages and homebuyer subsidies for the project.
9. The Unit will be appraised and inspected.

Priorities for Selection of Purchasers

COPHD plans to sell the Units according to the following order of preferences for potential homebuyers:

1. The Scattered Sites Program resident currently occupying the home;
2. Public Housing Residents currently leasing another home in the Scattered Sites Program;
3. Public Housing Residents currently leasing Public Housing through a public housing program administered by COPHD other than the Scattered Sites Program, or low-income families receiving tenant-based assistance through other low-income housing programs that are administered by the Housing Department, such as Section 8, or low-income families residing in the Phoenix Metropolitan area whose income does not exceed 80% of AMI adjusted for family size.

Fair Housing Marketing Plan:

The City of Phoenix maintains an extensive and well-maintained web-site that is its primary vehicle for communicating information to the public. COPHD maintains a web-site that is part of that system. COPHD makes free internet access and computers available to participants in COPHD programs at various locations. The City of Phoenix also makes free internet access available to residents at public libraries and certain other locations. COPHD will rely primarily

on its web-site to communicate information about the HOP to prospective purchasers. From time to time COPHD also may use flyers, announcements posted t its offices, public presentations, and other means of communication to publicize information about the HOP.

All of COPHD's marketing strategies will adhere to all fair housing laws and incorporate the regulations into the homeownership program. COPHD will not discriminate according to race, color, creed, gender, disability, national origin, or any other state or federally protected class in the administration of the homeownership program.

Documentation of Outreach:

Notification of purchase opportunities directing prospective purchasers to the COPHD website will be mailed or distributed to COPHD public housing residents.

Documentation regarding COPHD's marketing efforts will be collected as evidence of COPHD's outreach efforts. Information posted to COPHD's web-site will be archived. Occasionally COPHD will hold orientation meetings or make other presentations, and COPHD will collect and maintain sign-in sheets, agendas, and copies of any power-point presentation made at such meetings.

Applications from existing public housing residents interested in purchasing a Unit will be handled separately from applications for other COPHD programs. Application for homeownership will not affect an applicant's place on any other COPHD waiting list for rental units.

Replacement Reserve:

The HOP does not include a replacement reserve component.

F. CONSULTATION WITH RESIDENTS AND PURCHASERS

In the development of this HOP COPHD has worked closely with the Public Housing residents through the planning and implementation phases of this program. COPHD notified the Scattered Sites Program residents by mail that the guidelines governing the sale of public housing units had changed. That letter explained that COPHD was updating its existing homeownership program [5(h) Implementing Agreement] to comply with the new Federal Regulations, Section 32. A second letter informed residents of the significant changes in the HOP and requested that residents notify COPHD if they planned to purchase their home within the next five years. The letters were very well received and at least fifty residents indicated that they would like to purchase their home within the next five years. Those homes were included in the list attached as Exhibit A.

G. COUNSELING

COPHD maintains an agreement with a HUD-approved counseling agency to provide first-time homeownership counseling and/or training. Sessions are held three times a year. Services will include one-on-one pre- and post-purchase counseling services, pre-qualifying a family for a mortgage, and matching the families with the lenders who offer the best incentives (i.e. portfolios loans, reduced interest rates, etc.) for low- to moderate-income families. Their services also include screening for predatory lenders.

Curriculum and Scope of Services For the Agency:

The HUD-approved counseling agency will provide education and counseling on a variety of topics related to homeownership.

Post Homeownership Counseling:

COPHD will provide for one-on-one counseling on an as-needed basis if a homeowner is having trouble making their mortgage payments and is at risk of losing their home. COPHD may provide counseling directly or contract with a HUD-approved housing counseling agency to provide counseling. Counseling sessions will focus on: early delinquency intervention and counseling, budget counseling, lender negotiations, and/or answers to foreclosure questions.

Strategy to Assist Prospective Homebuyers in Accumulating Their Initial Downpayment:

COPHD will provide grants of up to \$6,000 to eligible purchasers to be used to pay closing costs and a portion of the down payment for the Unit.

Strategy to Ensure That All Prospective Homebuyers Have Steady Employment And Adequate Income to Support Homeownership Costs:

The Role of Housing Choice Vouchers:

Eligible families participating in COPHD's Section 8(y) Housing Choice Voucher Plan may elect to purchase one of the Units. With respect to any such purchaser, COPHD will comply with the requirements of both this Section 32 Plan and applicable provisions of COPHD's Section 8 Administrative Plan. In general terms, the combined effect of the two plans is to permit eligible Section 8(y) Housing Choice participants to use the Section 8(y) subsidy to make the Unit more affordable.

H. SALE VIA PURCHASE AND RESALE ENTITY (PRE)

COPHD does not intend to utilize a Purchase and Resale Entity for the purpose of selling the 50 units to first-time homebuyers.

I. NON-PURCHASING RESIDENTS

In accordance with 24 CFR 906.23, if a home that is on the Homes For Sale List is occupied by a resident who is not interested in the opportunity of homeownership, or does not qualify for a mortgage, COPHD will do the following:

- Notify the resident in writing 90 days in advance;
- Counsel the resident regarding their rights;
- Offer the resident a right of first refusal to purchase the Unit;
- If necessary, relocate the resident in accordance to 24 CFR, Section 906.23. The COPHD will provide for the payment of the actual costs and reasonable relocation expenses of the resident to be displaced;
- Relocation costs will be paid from the existing Sales Proceeds Account;
- Relocation will be complete prior to transferring ownership to the buyer.

J. SALES PROCEEDS

Distribution of Sales Proceeds:

In accordance with the provisions of 24 CFR 906.31 the proceeds of the sales will be placed in the COPHD's existing Sales Proceeds Account. This account was established for sales proceeds from the COPHD's 5(h) Implementing Agreement.

The COPHD will continue to use Sales Proceeds to promote and/or create other affordable housing opportunities.

Expected Sources and Planned Uses of Project Income:

Project income will be used to pay various administrative costs, including: program and management services staff time which can be attributed to the sale of the Units to first-time homeowners; costs of rehabilitation or repair of Units; soft second loans; gap loans; counseling and education; down payment and closing cost assistance; home owner warranty policies; relocation assistance; and grants. COPHD will absorb these costs or fund them through other sources,

rather than pass them on to the new homeowners. Other fees, such as, moving costs for displaced families, pre-purchase counseling, appraisal (to determine current value of a property), the funding of "gap loans," and the cost of advertising or promoting the HOP, will be paid from COPHD's existing Sales Proceeds Account.

K. RECORDS, ACCOUNTS AND REPORTS

The COPHD uses a networked computer system in order to keep track of all applications for assistance, families receiving assistance, our public housing stock and to electronically report to HUD. Personal computers with Microsoft Office are also used for record keeping and report writing.

The COPHD utilizes standard record keeping practices in accordance with HUD guidelines and applicable local standards. In addition, the City of Phoenix Finance Department maintains an Accounting Section that will maintain records relating to financial aspects of the HOP.

COPHD will keep the Phoenix Local Field Office up to date with the progress of this plan by sending a copy of this application as well as any additional information they may request as it pertain to COPHD's Section 32 HOP. As each unit is sold, the PIC system will also be updated to reflect the progress towards the ultimate plan goal of transitioning 50 units to first-time homebuyers.

L. TIMETABLE

The COPHD began its screening process in April 2005. The first participants have already notified the Housing Department of their desire of becoming a first-time homebuyer. Fifty (50) residents have already expressed an interest in buying their scattered sites home. Should this pool not produce enough qualified buyers, the COPHD will seek other eligible low income persons interested in home ownership. The COPHD will continue to refer qualified prospective purchasers to the homeownership classes and pre-purchase counseling.

COPHD hired a home ownership coordinator in 2006 to promote and coordinate the HOP. Since 2006 COPHD has enrolled eligible prospective purchasers in classes, performed screening of prospective purchasers, performed inspections of the Units, performed work on rehabilitation of some Units, and held open houses.

COPHD's current pool of potential first-time homebuyers is made up of public housing residents who have already completed the mandatory first-time homebuyer's training classes, and pre-purchasing counseling. Several of these families are ready to obtain mortgage financing. The first closing could take

place as early as July 1, 2008, upon approval of this amended and restated plan, and it may be possible to close at least 4 sales in 2008.

M. DESCRIPTION OF THE DEED OR TITLE RESTRICTIONS.

Recapture Policy – Appreciation/Anti-Speculation:

In accordance with 24 CFR 906.27 (a) (3-4), (c) the COPHD will retain all or a portion of the gains from appreciation generated by the resale of Units to the extent that there are net proceeds if the house is resold by the purchaser within five years. The COPHD has elected to recapture a percentage of the **gains from appreciation** that declines at the rate of 10% per year. Thus, during the first year after the purchase COPHD would recapture 100% of gain from appreciation; during the second year after the purchase COPHD would recapture 90% of the gain from appreciation; during the third year after the purchase COPHD would recapture 80% of the gain from appreciation; during the fourth year after the purchase COPHD would recapture 70% of the gain from appreciation; during the fifth year after the purchase COPHD would recapture 60% of the gain from appreciation; and COPHD would not recapture **gains from appreciation** if the home is resold more than five years after the date of purchase.

Gain from appreciation is defined as financial gain solely attributable to the home's appreciation over time and not attributable to below-market financing or government-provided assistance (recapture of that subsidy is discussed in recapture below). The anti-speculation provision will be incorporated in the loan agreement and recorded as a deed restriction or a restrictive covenant.

Table I

Illustration of Recapture of Gains from Appreciation

Fair Market Value (appraised value)	\$100,000
Resale Price	<u>180,000</u>
Gains from Appreciation	\$80,000

<u>Year of Resale</u>	<u>Rate of Recapture</u>	<u>Recapture</u>
Within 1 year	100%	\$80,000
Within year 2	90%	\$72,000
Within year 3	80%	\$64,000
Within year 4	70%	\$56,000
Within year 5	60%	\$48,000
After year 5	0%	\$0

Table I is merely an example. The actual dollar amount of gains from appreciation that is subject to recapture will be determined if and when a home is resold within five years after the date of purchase.

Recapture Policy – Subsidy:

In accordance with 24 CFR 906.27 (a) (4), the COPHD has implemented a stated policy to recapture, upon resale, some of the government-provided assistance and/or below-market financing that will be provided to the purchaser to the extent that there are net proceeds of sale available to fund such payments.

The COPHD will subsidize the purchase by providing a forgivable loan (the A-Loan) in an amount equal to 20% of the purchase price. The COPHD will recapture a declining percentage of the "A" Loan for a period of ten years after the sale as illustrated by Table II below. This provision will be incorporated in the loan documents and will be a lien on the title to the property.

The COPHD also may subsidize the purchase by providing a "gap loan" (the "B" Loan) to finance obligations of the purchaser that are not covered by the proceeds of the private mortgage loan, the "A" Loan, and the other grant funds available to the purchaser. The amount of this gap loan will vary based upon the specific circumstances of each transaction. The gap loan will be payable (recaptured) in full upon resale of the property by the purchaser, to the extent that there are net proceeds of sale available to fund such payments.

Finally, the COPHD may subsidize the purchase by providing up to \$6,000 per purchase in granted funds to be used to pay a portion of the down payment, closing costs and to obtain a one-year home owner warranty. Other grant funds may be available from time to time to assist first time homebuyers. These grants and subsidies will vary in amount and COPHD will not recapture any portion of such grants.

Table II

Illustration of Recapture of Subsidy

Fair Market Value (appraised value)	\$100,000
Resale Price (after 8 years)	<u>\$150,000</u>
Net proceeds of sale	\$ 50,000
Soft Second mortgage loan	\$ 20,000
Amount forgiven (60% x \$20,000)	\$ 12,000
Amount recaptured (40% x \$20,000)	\$ 8,000
Net Proceeds of Sale	\$ 50,000
Less amount recaptured	<u>(\$ 8,000)</u>
Net proceeds to seller	\$ 42,000

<u>Year of Resale</u>	<u>Forgiveness Rate</u>	<u>Recapture Rate</u>	<u>Recapture Amount</u>
Within 1 st – 5 th years	0%	100%	\$10,000
After 6 years	20%	80%	\$8,000
After 7 years	40%	60%	\$6,000
After 8 years	60%	40%	\$4,000
After 9 years	80%	20%	\$2,000
After 10 years	100%	0%	\$0

Table II is merely an example. Subsidy amounts will vary depending on the specific circumstances of the sale, including the appraised value of the property, the amount of the private mortgage loan, the amount available from the Homebuyer's Reserve Fund and other grants (when available) which will be calculated at the point of sale.

Resale Restrictions:

The terms of the sale contract will provide that COPHD will retain the right of first refusal to buy back a Unit at market value if the Unit is sold within ten (10) years after it is purchased from COPHD.

Financing Terms:

The principal financing of the Units will be through the private mortgage market. The COPHD partners with HUD-approved counseling agencies that will screen potential lenders. A HUD-approved counseling agency will match the potential homeowner with the lender(s) that have the best loan product to meet the purchaser's goal of home ownership. In addition, COPHD will provide certain subsidies and below-market financing as described below.

Most sales of the Units will be financed through the following sources:

1. A conventional first mortgage from a private lender for up to 80% of the purchase price;
2. A cash down payment of not less than 3% of the purchase price, of which not less than 1% of the purchase price must be from the purchaser's cash resources and the remainder may be from the purchaser's Homebuyer's Reserve Fund credits, grants, and other forms of assistance that may be available;

3. A no-interest, forgivable loan (the "A" Loan) from COPHD for 20% of the purchase price;

4. Other grants and subsidies that may be available to the individual purchaser from time to time; and

4. "Gap financing" in the form of a loan from COPHD (the "B" Loan) for the balance of the purchase price, which will not accrue interest until the Unit is sold or is no longer the principal residence of the purchaser, and will be repaid from and to the extent of the net proceeds available upon resale of the Unit.

The program coordinator will help each family determine when they are ready to buy their home and apply for a loan. Before the sales contract is executed, each family will know the purchase price of their home, the approximate down payment and closing costs, the amount and types of subsidies and other assistance available, and their approximate monthly mortgage payment for the first mortgage loan.

Purchase Prices

Units will be sold at their fair market value as determined by a licensed appraiser, based upon a written appraisal dated not more than six (6) months prior to the date of sale. The recent trend of rapid changes in the price of homes in the Phoenix area makes it difficult to anticipate the actual sales price of the Units. According to the Arizona State University W.P. Carey School of Business, the median price of a resale home in Phoenix was \$100,375 in 2000, \$112,000 in 2001, \$119,500 in 2002, \$126,000 in 2003, \$139,500 in 2004, \$189,500 in 2005, \$220,000 in 2006, and \$220,000 in 2007.

Down Payment, Closing Costs

Prospective purchasers are responsible for payment of a down payment of at least 3% of the purchase price, and closing costs. Closing costs typically average from three to five percent of the purchase price. The prospective purchasers must provide at least one percent of the down payment from their own funds.

Other assistance for first-time homebuyers in Phoenix is often available in the form of affordable home mortgage programs financed by tax-exempt bonds. The City of Phoenix and Maricopa County have separately administered several of the programs in the past fifteen years. These FHA insured loans are targeted to first-time homebuyers and typically reduce interest rates by 1.5 to 2 percent. If this assistance is available, the City would make these loans available to HOP families who are able to meet the criteria and qualify at the time such programs are in effect.

Subsidy Financing –“Soft Second” Mortgage and Other Homebuyer Assistance

Subsidy financing may be available from multiple sources. Prospective purchasers may be eligible to receive down payment assistance, closing costs assistance, individual development account matching grants and gap financing if they meet the programs' various guidelines, complete counseling and education requirements, and are mortgage ready. COPHD will collaborate with private lenders and home counseling agencies that receive these types of subsidies to help purchasers afford the Units.

Soft Second Subsidy Loan

To close the gap between the selling price of a Unit and the amount the purchaser can borrow from private conventional lending sources, COPHD will utilize its equity position as a source of below-market financing to make the Units affordable. This equity will be made available in the form of a “soft second” forgivable loan (the “A” Loan) in an amount equal to twenty percent (20%) of the purchase price, evidenced by a promissory note and secured by a second priority deed of trust on the Unit. This loan will be at zero percent (0%) interest. A typical transaction involving an “A” Loan is illustrated in Table III below.

During the first five (5) years the family owns the Unit, the “soft second” loan would be repayable in full upon sale or transfer of the house. During the next five (5) years the loan would be forgiven at a rate of 20% for each additional year each year that the purchaser maintains the Unit as their primary residence. If the purchaser sells, transfers, or rents the Unit prior to the end of the ten year period, the remaining unreleased portion of the “A” Loan will be immediately due and payable upon sale, rental or other transfer of the Unit. In the event of a sale the loan will be payable to the COPHD from the proceeds of the sale; if the Unit is no longer the principal residence of the purchaser for any other reason, the COPHD may collect the loan by enforcing its lien or by other lawful means. If the purchaser continues to own and occupy the Unit as their principal residence for ten years, the “A” Loan will be considered paid in full at the end of the tenth (10th) year. The subsidy recapture/forgiveness process is illustrated in Table II above. Money repaid to the City through this provision will be returned to the Sales Proceeds Account.

Other Subsidy Programs

Subsidies and special programs, regardless of their source, have income eligibility limits, and restrictions. The income requirements differ from source to source but typically favor very low, low and moderate-income households according to family size as determined by federal and state annual guidelines. It

is COPHD's intention to use these sources of funding to create homeownership opportunities for residents of Phoenix. Prospective purchasers in need of such assistance would have to demonstrate eligibility in accordance with the requirements of the applicable program.

Gap Financing Loan

Where necessary and appropriate COPHD also will provide gap financing in an amount that will not exceed twenty percent (20%) of the purchase price of the Unit or the amount required to make the Unit affordable for the purchaser within the limits prescribed by 24 CFR § 913, whichever is less. This loan will be in the form of a zero-interest promissory note secured by the second priority deed of trust on the Unit (the "B" Loan) in an amount equal to: (A) the Purchase Price, plus any closing costs or expenses of sale that are not paid by COPHD grant funds or other sources, less (B) the amount of the Purchaser's down payment (which shall be not less than one percent (1%) of the Purchase Price), plus the proceeds of a conventional mortgage loan, plus the amount of the "A" Loan. The operation of the Gap Financing Loan is illustrated in Table III.

Table III

Illustration of Transaction Involving Gap Loan

Appraised Value/Sale Price of Unit	\$100,000
Closing costs	\$ 6,000
Other sale expenses	<u>\$ 1,000</u>
Total Acquisition Costs	\$107,000
Sources of Financing	
"Soft Second" Subsidy Loan ("A" Loan) (20% of \$100,000)	\$ 20,000
Minimum Down Payment from Purchaser's Funds (1% of \$100,000)	\$ 1,000
Minimum Down Payment from COPHD Grant (2% of \$100,000)	\$ 2,000
Balance of COPHD Grant for closing costs (\$6,000 - \$2,000)	\$ 4,000
Other grant funds	\$ 1,000
Conventional mortgage	<u>\$ 75,000</u>
Total financing sources before "Gap Loan" ("B" Loan)	\$103,000
Gap loan (\$107,000 - \$103,000)	\$ 4,000



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
77 W. Jackson Blvd., Room 2401
Chicago, Illinois 60604-3507
Phone: (312) 886-9754 Fax: (312) 886-6413

OFFICE OF PUBLIC HOUSING

OCT 17 2008

Kim Dorney
Housing Director
City of Phoenix Housing Department
200 W. Washington, 4th Floor
Phoenix, AZ 85003

Dear Ms. Dorney:

Your request to implement the City of Phoenix Housing Department's (COPHD) Section 32 Homeownership Program for the sale of 50 units at Scattered Sites AZ1-40, AZ001000008, is approved under the PIC application DDA0001328. Enclosed is your copy of the executed Implementing Agreement (Part I) for your homeownership plan. A copy of this letter has also been mailed to the HUD Phoenix Field Office.

The COPHD must enter the "actual" data directly into the Public and Indian Housing Information Center (PIC), for Field Office approval so that the status of the units in PIC is changed to "removed from inventory" and the application can be closed out in the system.

The Department wishes you continued success in implementing your Homeownership Program. Should you have any questions regarding this matter, please contact Surendra Patel, General Engineer at (312) 886-9754, Extension 2340.

Sincerely,

A handwritten signature in cursive script that reads "Ainars Rodins".

Ainars Rodins, P.E.
Director

Enclosures