

Attachment B: Standard Underwriting Assumptions for Homeownership Project Loans

Underwriting Assumptions for Buyers of Affordable Single-Family Homes

All Borrower Applicants must meet the following criteria:

- Be a first-time homebuyer (Borrower cannot currently own or have owned a home for at least the last three years).
- Willing to occupy the home as their principal residence for the entire period of affordability.
- Complete pre-purchase counseling through a HUD-certified counseling agency and HUD-Certified Housing Counselor as evidenced by a certificate/letter of completion.
- Annual, household income cannot exceed 80% of the Area Median Income limit for the Phoenix-Mesa-Scottsdale MSA. Total Household Income must be calculated according to [CFR 24 Part 5](#). HUD has created an excellent [calculator](#) for determining income eligibility according to this regulation. In determining eligibility, Asset Income must also be evaluated.
- The prospective homebuyer's front-end debt ratio must be between 28%-31% of household income. Back-end debt ratio must be equal to or less than 45% of household income.
- Borrower must pay a minimum cash contribution of \$1,000 towards the down payment.
- Qualify for a loan term no greater than 30 years.
- Loan terms must be fixed and amortizing.
- Loan terms cannot include the following:
 - Adjustable-rate mortgages (ARMs); Negative amortization; Balloon payments; Interest-only payments; Rates exceeding double the industry standard; Prepayment penalties; Closing costs exceeding 3% of the loan amount; cash out.
 - Fees cannot be charged to the homebuyer for any processing/collaboration for the DPA assistance.
- Borrower may keep funds equaling a maximum of 6 months reserve to cover mortgage payments and other housing expenses/utilities. In such a case, the contracting agency must document this in the borrower's file.

All proposed single-family purchases must meet the following criteria:

- Purchase Price cannot exceed 95% of the HUD Median Sales Price established by the [HOME Homeownership Value Limits](#) for the Phoenix-Mesa-Scottsdale MSA.
- The property must pass the Uniform Physical Condition Standards (UPCS) inspection.
- If the property is built before January 1, 1978, the seller must provide a signed "Lead Disclosure Form". A UPCS 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 \(24 C.F.R. part 35, subpart K\)](#)

- Must be a single-family house, town home or condominium unit (condo conversions are not allowed), a cooperative unit or a unit in a mutual housing project, or a manufactured home.
- Property must be located within the City of Phoenix.

Underwriting Requirements for Developers of Affordable Homeownership Projects

Applicants must provide a detailed development budget with full sources and uses.

Need: A market study will be required to determine feasibility of the proposed housing development project based on need in the proposed area.

Quality: Project amenities and construction quality must be at least comparable to good quality market rate units in the surrounding areas, as determined by a market study and comply with the [Housing Department's Minimum Property Standards](#).