

Arizona is Home Mortgage Assistance Program

Arizona Department of Housing
Homeownership: Empowering New Buyers

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INTRODUCTION

Owning a home has always been an integral part of the American Dream. Arizona made that dream a reality for many in 2024, and increased homeownership across the state, with a new mortgage assistance program for first-time homebuyers called ‘Arizona is Home.’ This initiative was a collaboration between the Arizona Department of Housing (ADOH) and the Arizona Industrial Development Authority (AzIDA), the state’s two agencies responsible for expanding homeownership opportunities. Arizona is Home (AIH) consists of enhanced down payment assistance and mortgage interest rate relief to qualifying low-, moderate-, and middle-income first-time homebuyers.

Governor Katie Hobbs and the Arizona Department of Housing (ADOH) announced the statewide rollout of the \$13 million program on April 11, 2024. The funding was projected to assist approximately 500 homebuyers across the state. ADOH awarded grants to two home lending organizations (Chicanos Por La Causa and Trellis) to deliver the program across the state, including Maricopa and Pima Counties. In addition, the Arizona Industrial Development Authority (AZIDA) created a new loan product specifically targeted at first-time homebuyers in rural counties. The funds awarded to all entities could be used for a down payment, interest rate buy-down, and closing costs related to the purchase of a home. First-time homebuyers who were at 80% or below Area Median Income (AMI) were eligible to receive up to \$30,000, while first-time homebuyers between 81-120% of AMI were eligible to receive up to \$20,000.

The purpose of the program was to make homeownership available to the largest number of Arizonans possible and ensure no one was priced out of our state.

INNOVATIVE

Arizona is Home was offered through two options:

- Statewide mortgage assistance through Chicanos Por La Causa (CPLC) and Trellis. These state housing partners and non-profits are U.S. Department of Housing and Urban Development-affiliated housing counseling organizations with statewide home lending capacity. ADOH awarded funding to these two organizations, and they provided the enhanced down payment assistance and mortgage interest rate relief to low- and moderate-income first-time homebuyers.
- A new home loan product through AzIDA’s HOME Plus network targeted for homebuyers in Arizona’s 13 smaller counties (outside Maricopa and Pima). ADOH awarded funding to AzIDA, and they provided the enhanced down payment assistance and mortgage interest rate relief to low- and moderate-income first-time homebuyers.

REPLICABLE

Down payment assistance programs are generally replicable, but their success and structure depend on a few key factors. In Arizona, our use of multiple funding sources, utilization of both federal and state financing, and strategic partnerships through public and private collaboration have been our key to success.

- **Funding Source:** Many programs are funded by local/state governments, nonprofits, or private lenders. If a community can secure similar funding, the program model can often be adapted. ADOH deployed both Federal American Rescue Plan dollars, and State Housing Trust funds to bolster this initiative.
- **Target Population:** Programs can be tailored to first-time homebuyers, low-to-moderate income households, or specific professions (like teachers or veterans). ADOH targeted those individuals earning between 80% AMI to 120% AMI.
- **Policy Support:** Municipal or state-level support (like affordable housing initiatives) makes implementation smoother. Arizona's Governor was fully supportive and advocated within her Executive Budget to fund this initiative.
- **Partnerships:** Collaborations with lenders, housing counseling agencies, and realtors help with outreach and support. ADOH's partnership with a government sister-agency and two nonprofits, in both rural and urban communities allowed us to effectuate a statewide impact.
- **Program Design:** Models that include deferred payment, forgivable loans, or grants can be structured to fit a new locale's needs. ADOH required a 5-year due on sale clause in its underwriting terms, with an allowance for adjustments due to market conditions.

RESPOND TO AN IMPORTANT STATE HOUSING NEED

Like many other parts of the country, the cost of housing in Arizona has skyrocketed in recent years. Many Arizonans have been priced out of the ability to own a home. The Arizona is Home program gives first-time, low-to-middle income, homebuyers a competitive advantage against other homebuyers by providing down payment assistance and mortgage interest rate relief.

Additionally, potential homeowners are paired with housing counselors to assist them on their path to homeownership. These HUD-approved Housing Counselors help potential homeowners evaluate their income, credit, and savings to determine if they're ready to buy a home and how much the new homeowner can afford. They can explain the home-buying process and help avoid mistakes and negotiate better terms with lenders and real estate professionals.

MEASURABLE BENEFITS

The total number of homebuyers assisted to date is 524. Of the homebuyers served, 387 earned 80% or less of AMI and 137 homebuyers earned between 81-120% of AMI.

PROVEN TRACK RECORD OF SUCCESS

The Arizona is Home program was administered through three state housing partners with many years of experience offering financial assistance to homebuyers. These partners were able to quickly establish the eligibility criteria for the program. Homebuyers must meet income eligibility criteria (below), meet the U.S. Department of Housing and Urban Development definition of first-time homebuyer, and meet other lender requirements, such as credit score.

- Income eligibility details:
 - CPLC and Trellis (statewide) - up to 120% of AMI, scaled for household size
 - AzIDA / HOME Plus (13 smaller counties) - up to 80% of AMI

BENEFITS OUTWEIGH COSTS

For CPLC and Trellis, down payment assistance and mortgage interest rate buydown was offered as a deferred payment loan with no monthly principal payments. The principal would only be repayable if the home was sold or refinanced. Eligible first-time homebuyers up to 80% AMI could receive up to \$30,000, and those between 81% and 120% AMI could receive up to \$20,000. CPLC and Trellis worked with homebuyers to combine Arizona is Home assistance with other available mortgage assistance programs, like the Federal Home Loan Bank's WISH Program, further reducing the cost of homeownership.

For AzIDA/Home Plus, eligible homebuyers received a competitive, below-market, 30-year fixed rate mortgage, combined with down payment assistance in the form of a deferred payment loan with zero interest and no monthly principal payments, forgivable after 5 years, or due at sale or refinance within 5 years. AzIDA worked with homebuyers to combine AIH with other mortgage assistance programs. All first time-buyers were required to complete housing counseling and homebuyer education as a condition for the assistance.

EFFECTIVE USE OF RESOURCES

Arizona is Home was funded thanks to the historic investments in the 2024 bipartisan Arizona state budget, including \$10 million from the State Housing Trust Fund. The initiative was also supported by a \$3 million Executive allocation of American Rescue Plan Act funds. To date, the program has assisted 524 homebuyers statewide and another 60 homebuyers are anticipated by the end of August 2025.

EFFECTIVELY EMPLOY PARTNERSHIPS

Arizona is Home was a partnership between ADOH and AzIDA. ADOH funded our sister state agency to deliver crucial assistance in rural Arizona and two HUD-approved, highly-experienced, non-profit housing counseling organizations to deliver crucial assistance throughout the entire state.

ACHIEVE STRATEGIC OBJECTIVES

One of our main strategic objectives was to increase the amount of affordable housing statewide. The Arizona is Home program played an important role because home prices across Arizona had skyrocketed in recent years, and remain elevated. ADOH acted quickly and decisively to help first-time homebuyers who for too long were priced out of owning a home. Homeownership was, and is, an essential foundation for long-term financial well-being. We were proud to expand economic opportunity through first-time homeownership initiatives like Arizona is Home.

CONCLUSION

Arizonans love our state and want to build their lives here. The Arizona is Home' program brought homeownership to more people, and provided assistance at a time when high home prices were, and are, keeping the American Dream from too many.