

STEP THREE

MORTGAGE AMOUNT INCREASE

If you discover that you would like to spend more on a home than you have been approved for in Step Two, you can seek to increase your Maximum Mortgage Payment. This will require a length of time, but you should not feel pressured to purchase a home that you will not be happy with over the long-term. NACA will work with you for as long as it takes, whether months or years.

You must demonstrate your ability to make larger payments by documenting a pattern of increased available funds that you can sustain. It is very important that you determine whether you can be comfortable with your new savings pattern, the combination of all of your accounts, and have the flexibility and lifestyle you desire. Remember that you should not rely on future raises or higher income.

You can improve your available funds by increasing income, decreasing debts or decreasing expenses. The process will likely take at least three to six months, although obtaining a permanent raise at your job can accelerate this. You can also quickly increase your Maximum Mortgage Amount by using a lump sum amount to buy down the interest rate, as discussed in the previous section.

Increasing Income

You can pursue a raise at your current job, look for a better paying job, or take an additional job. An additional job must be permanent and income must be documented for one year. You need to show that any increase in income will be permanent as well.

Decreasing Debts

You can pay off credit card debts and other loans, which will reduce your expenses and interest charges. You will need proof of payment. This should allow you to document increased available funds over time.

Reducing Expenses

Although it may be difficult to increase income or decrease debts, you may be able to reduce your expenses. Changing spending habits often requires considerable effort on your part and assistance and guidance from your Housing Consultant. One of the unique aspects of the NACA Program is that it offers this kind of personalized service.

A properly completed Budget Form will provide the basis for you and your Housing Consultant to work on your expenses. It will highlight categories where changes are possible. You will likely need several months to determine if you can change your spending habits and meet your targeted increased available funds. You should use this period to determine if you are comfortable with the sacrifices and planning that are required to afford a more expensive home.

Available Funds Evaluation

If you are increasing your funds, this will be reflected in checking and savings accounts, credit card balances, stocks, and other assets. Increases in your savings account(s) with corresponding increases in credit card balances indicates that your savings were borrowed or you have poor money management. Your Housing Consultant will review your statements and documents to determine if you are meeting your goals. If you have consistent increased funds over a period of months, you can be approved for a higher Maximum Mortgage Payment. Remember that your monthly mortgage payment will be payable every month for 30 years (unless you sell your house).

Example:

You are NACA Approved and are currently paying \$800 in rent. You want to purchase a single-family home that costs \$125,000 (interest rate of 7%, taxes, insurance and NSF \$200 per month), which will require a monthly mortgage payment of \$1,032 per month. The NACA Minimum Required Funds for the region is \$3,000. Because the payment shock is \$232 (mortgage payment of \$1,032 minus rent payment of \$800), you would need to show that you can save an additional \$232 per month. Thus, if you started with savings of \$3,000, you would need to document a total savings of \$4,392 six months later.