

# TEN STEPS TO OWNING YOUR OWN HOME

## 1 Homebuyer Workshop

Attend a Homebuyer Workshop. There are a number of workshops each month. You will learn all about the home buying process and NACA's Best in America Mortgage Program.

## 2 NACA Approval

The Housing Consultant will help you prepare financially for owning a home by reviewing your situation and guiding you through Credit, Income, Asset, Payment, and Program Qualification.

## 3 Qualification Increase

If you want to increase the maximum payment you were qualified for, you will have to work with your Housing Consultant to show that you can afford a higher payment. This process is likely to take 3 to 6 months.

## 4 House Hunting with NACA's Buyer's Agent

NACA's Buyer Agent is a real estate professional who represents your interests. He or she will help you find a house you want and will assist you in negotiations with the seller.

## 5 Purchase & Sale Contract

Obtain good advice and prepare carefully before negotiating this binding contract for the purchase of a home. Check with your Housing Consultant before signing it. The P&S must be contingent upon a satisfactory home inspection and other conditions.

## 6 Property Condition and Renovation

Hire a qualified home inspector to evaluate the property. NACA may require repairs, which can be made by the seller. You may also be able to finance improvements through the renovation program.

## 7 NACA Credit Access

This step provides you access to a Participating Lender with NACA's incredible mortgage terms. You will need to show that your finances have been on track since you were NACA Qualified. Update documents.

## 8 Mortgage Application & Processing

Your Housing Consultant will help you complete a mortgage application. The Lender will usually approve you within ten days. You will need to find a homeowner's insurance policy.

## 9 Mortgage Closing

Examine the property to make sure all arrangements involving repairs, tenants, cleaning, etc. have been followed. You will then conclude the purchase at the NACA office. Get the keys and MOVE IN!

## 10 Post-Ownership Assistance

NACA provides post-ownership counseling and financial assistance through the NSF. The NSF provides emergency assistance to prevent foreclosure as well as budgeting, landlord counseling, and other assistance.

WITH NACA  
YOUR DREAM OF HOMEOWNERSHIP  
COMES TRUE

# TEN STEPS TO OWNING YOUR OWN HOME

This section describes the steps for purchasing a home through NACA. If you follow these steps, you will become a homeowner. The more preparation you do, the sooner you will be able to purchase your home. The overview below is followed by a detailed description of each step.

## **STEP ONE:**

### Homebuyer Workshop

Attend a Homebuyer Workshop. There are a number of workshops each month. The Homebuyer Workshop will provide you with an overview of the home buying process and NACA's Best in America Mortgage Program. Upon completion of the Homebuyer Workshop you are now considered a NACA Member and can schedule an appointment to meet with a NACA Housing Consultant. There are several forms at the back of this workbook you must complete and turn in before your appointment can be given.

## **STEP TWO:**

### NACA Approval

To become NACA Approved, you must work with the Housing Consultant to obtain the necessary documents and information, and to address any roadblocks to the home purchase. It is important that you bring the documents identified in "Items Required for NACA Approval," which appears on page 28 of the workbook. At your first meeting, the Housing Consultant will answer your questions concerning NACA, discuss the issues related to homeownership and begin the approval process. This is likely to be the most time consuming process, where future issues and potential problems need to be addressed. Patience and diligence at this stage will help prevent future delays and potentially devastating problems.

To become NACA Approved, your Housing Consultant will work with you to become NACA Qualified in the following areas:

- **Information Qualification:** Do we have complete information on all the people who would be on the mortgage application and who would live in the house? We need information on everyone who will be living in the home purchased through NACA.
- **Payment History Qualification:** Do you have a history of meeting your financial obligations? We look at your current payment history and your written explanations for late payments.
- **Debt Qualification:** What are your current debt obligations, and which additional ones may you become obligated to pay? We review your current debts, charge-offs and collections and determine your total debts and monthly payments.
- **Income Qualification:** Do you have documented income for the purchase of a property? Income can include employment, self-employment and other documented income.
- **Funds Qualification:** Do you have adequate cash or cash equivalents to pay for the earnest money deposit, home inspections, and pre-paid closing expenses? Your pre-paid

expenses consist of one year pre-paid homeowner's insurance, pre-paid property taxes and pre-paid interest. NACA also requires that you have one to two months' mortgage reserves to cover moving expenses and emergencies.

- **Budget Qualification:** How much can you save each month or apply to a mortgage payment after you account for your monthly income and regular expenses? Do you have the ability to save your payment shock? We work with you to identify your net income and expenses to determine your affordable monthly mortgage payment and develop a savings plan.
- **Rental Qualification:** What is your current housing expense? Your rent forms the basis of what you are likely to be able to afford for a mortgage. We need to verify that you are paying your rent on time and that you could afford this payment over the long-term.
- **Maximum PITI/Payment Shock Approval:** How much can you afford to pay for a mortgage? NACA does not want you to purchase a home that you cannot afford. This will be based on your current rent, savings pattern and living expenses.
- **Maximum Mortgage Approval:** Once you are approved for a Maximum PITI (monthly mortgage payment) a maximum mortgage amount can be established. This amount would be based on the current interest rate, the average taxes and insurance, the property type and applicable buy down funds available from additional savings or grants.
- **Eligibility and Program Approval:** Have you followed NACA's policies and procedures and met all of NACA's eligibility criteria? These are required to obtain a mortgage through NACA.

You will remain NACA Approved as long as your financial circumstances do not change. If you do not submit a mortgage application within three months of being NACA Approved, you will need to re-certify your approval by working with your Housing Consultant to update your information and documents.

### **STEP THREE:**

#### Payment Qualification Increase

You will be qualified for a maximum monthly payment in Step Two (usually similar to your current rent). If you would like to purchase a house that requires a larger payment, you will need to demonstrate that you can afford it. The Housing Consultant will evaluate your expenses and savings pattern, and may request that you increase your savings for three to six months. He or she can help you chart a plan to prepare for a higher payment. Remember that the romance of the new home will wear thin if you have to struggle each month to make the mortgage payment. While you work on increasing your qualification amount, you may want to begin searching for a home.

### **STEP FOUR:**

#### House Hunting with Buyer's Agent

Once you are NACA Approved and meet your desired maximum payment goal, you will need to attend a Purchase Workshop or meet individually with a Housing Consultant. You will receive your NACA Approval Letter and Form and can begin searching for the home of your dreams. It is at this time you will be assigned to your referring agent or be given access to the NACA Buyer's Agent.

Whereas most real estate agents represent the interests of sellers, NACA's real estate agents work for you. If you choose to have a NACA Buyer's Agent or Referral Agent assist you in your search, you will meet to discuss where you wish to live, what type of house you want, the price range you are considering and other issues of concern to you. He or she will then locate suitable properties and research properties that you identify on your own. He or she can also help you determine what renovations might be necessary and whether it can be rolled into your NACA rehab loan.

#### **STEP FIVE:**

##### The Offer and/or Purchase and Sale Contract

When you identify the house you want to purchase, your NACA Buyer's Agent or Referral Agent will negotiate on your behalf. They can advise you on the amount to offer, but you must decide if the property is right for you at that price. Before proceeding, you need to verify with your Housing Consultant that the brokers/agents, sellers and others involved in the transaction are eligible to work with NACA. You also need to check whether your maximum purchase price has changed due to interest rate shifts. Finally, the purchase must be conditioned on a satisfactory inspection by a NACA approved home inspector.

The Purchase and Sale Agreement (P&S) is the most important contract—it binds you and the seller to execute the transfer of ownership at an agreed price with specific terms. Although your NACA Buyer's Agent or Referral Agent will assist you in negotiating it, you must carefully consider whether to go forward with the agreement and sign it. The P&S should provide you at least four weeks to obtain a mortgage commitment (more time than is usually needed).

#### **STEP SIX:**

##### Property Condition and Renovation

You need to hire a NACA approved home inspector to inspect the property and provide you with a written report, which contains valuable information such as necessary or future repairs, utilities and energy efficiency. This will help you avoid a house with serious problems or unpleasant surprises. The inspection could affect the amount you wish to pay for the house. If repairs are needed, they must either be made by the seller or included in the mortgage. NACA also provides financing for desired renovation. If renovations prevent you from moving into the property, the mortgage payments for the first six months will be deferred (incorporated into your loan) and your monthly payment will not increase.

#### **STEP SEVEN:**

##### NACA Credit Access

After you and the seller negotiate and sign the Purchase and Sale Contract, give a copy to your Housing Consultant along with a complete real estate package and any required updated financial information. You will need to apply for NACA Credit Access before submitting a mortgage application to a Participating Lender. NACA will review your updated documents and the P&S to determine whether you meet NACA's requirements and procedures.

#### **STEP EIGHT:**

##### Mortgage Application and Processing

Your Housing Consultant can often complete a mortgage application with you at the same session as your application for NACA Credit Access. There is a wait while the lender considers your loan application, but the process is usually expeditious because of all the work done at the NACA Approval stage. In addition, NACA's state-of-the-art paperless mortgage software expedites the process. The lender may request additional information or explanations and will appraise the

property. You will receive a number of documents from the lender, including the Truth-In-Lending Statement and Good Faith Estimate, which you need to sign and return.

If all goes well, you will receive an approval letter from the lender, which may include conditions that must be met before you can close on the loan (this may vary by lender). Your Housing Consultant can help you respond to these requests and/or conditions. While you wait for the approval letter, you should begin looking for homeowner's insurance.

At least three days before the closing, you must buy one year of homeowner's insurance, proof of which is required at closing. You must also do a "walk-through" of the property just prior to closing to make sure that there is no new damage, that the property is vacant and clean, and that the owner has made any agreed upon repairs.

### **STEP NINE:**

#### Mortgage Closing and Moving Into Your New Home

NACA and the Closing Agent will coordinate your closing at the NACA office. You should be told prior to the closing how much your pre-paid expenses will be. You will need to bring a certified check, made out to the settlement agent, for the pre-paid expenses and escrows.

Your closing at the NACA Office will involve you and any co-borrowers, as well as the seller, the lender's attorney or settlement agent, your attorney (if applicable), your real estate agent, and the listing broker. You will have to sign a mortgage, a promissory note, and many other papers. If you have any questions, your real estate agent, Housing Consultant or another NACA Staff person can help to answer them. At the end of the closing, you will own the property and receive the keys.

### **CONGRATULATIONS!**

### **STEP TEN:**

#### Post-Purchase Assistance

NACA provides comprehensive post-purchase counseling and financial assistance via the Neighborhood Stabilization Fund (NSF). The NSF provides emergency assistance to prevent foreclosure as well as financial counseling, landlord training and other assistance.

Making the transition from renting to owning may require significant sacrifices and changes in your spending habits. You will probably incur higher utility costs than in an apartment. You will no longer be able to rely on a landlord to arrange necessary repairs. You will need to make your mortgage payments on time—if you miss a payment the lender will expect two payments the next month. Although your NACA Housing Consultant will discuss these issues with you throughout the NACA Approval process, post-purchase counseling may be needed to help you adjust to the financial responsibilities of being a homeowner.

# *REMEMBER TO PARTICIPATE*

# ITEMS REQUIRED FOR NACA APPROVAL

All members of your household who will be on the mortgage application must bring the following applicable items to the counseling session before NACA Approval can be determined. Please bring the original document for review. In addition, begin saving all future statements and documents of your income, savings and debt (as identified below) so you will have current documents when you apply for a mortgage.

## EMPLOYMENT/INCOME

### Given Needed (Check off)

- |       |       |  |
|-------|-------|--|
| _____ | _____ | Employer's name, address and phone number (last two years)   |
| _____ | _____ | Pay stubs (most recent thirty days)  |
| _____ | _____ | Federal tax returns and W2s for all adults in household (previous two years)   |
| _____ | _____ | Benefits awards letter or documentation of other income (i.e. social security, etc.)   |
| _____ | _____ | Daily Expense Diary (one month completed)  |
| _____ | _____ | Budget Form in workbook (one month completed)  |
| _____ | _____ | Alimony or child support (acceptable documentation: canceled checks for last 12 months, court records, or separation and divorce papers) |

## SELF-EMPLOYED

- |       |       |  |
|-------|-------|--|
| _____ | _____ | Federal income tax returns with schedules (signed, last two years) |
| _____ | _____ | Profit-and-Loss Statement (year-to-date, prepared by accountant)   |

## ASSETS

- |       |       |   |
|-------|-------|---|
| _____ | _____ | Bank statements on all accounts, all pgs (most recent three months) |
| _____ | _____ | Gift letter, verification of gift money and proof of transfer       |

## LIABILITIES

- |       |       |  |
|-------|-------|--|
| _____ | _____ | Credit card statements (most recent)                                       |
| _____ | _____ | Loan statements, including loans where you are the co-signer (most recent) |
| _____ | _____ | Child support or alimony documentation                                     |
| _____ | _____ | Bankruptcy papers  |
| _____ | _____ | Divorce documents  |

## REFERENCE LETTERS

- |       |       |  |
|-------|-------|--|
| _____ | _____ | Landlord(s) name, address, and telephone number (last 12 months or landlord reference stating period you rented, the rent and payment history) |
| _____ | _____ | Credit references (letter, statements, canceled checks) from: electric, phone and/or gas companies   |
| _____ | _____ | Proof of payment(s) that address credit issues   |

## NACA & OTHER DOCUMENTS

- |       |       |  |
|-------|-------|--|
| _____ | _____ | Credit report money and photo ID each time a report is accessed (\$10 each time) |
| _____ | _____ | NACA Disclosure Statement (signed)   |
| _____ | _____ | Neighborhood Stabilization Fund Disclosure and Application (signed)              |
| _____ | _____ | Neighborhood Stabilization Questionnaire   |
| _____ | _____ | Completed Voter Registration Application(s) for all eligible family members      |

## INFORMATION NEEDED PRIOR TO MORTGAGE APPLICATION

- |       |       |  |
|-------|-------|--|
| _____ | _____ | Inspection Report on the property (completed by NACA authorized inspector) |
| _____ | _____ | Original Purchase and Sale Agreement signed by all parties                 |
| _____ | _____ | MLS listing  |
| _____ | _____ | Earnest money deposit check copy   |

# STEP ONE

## THE HOMEBUYER WORKSHOP

The Homebuyer Workshop provides an overview of NACA's comprehensive home buying program. NACA's staff will provide you ongoing education and guidance.

The Homebuyer Workshop and this workbook will provide you with reference points, suggest important topics and questions, and show you where to find answers. Although many people in real estate attempt to take advantage of a well-intentioned first time homebuyer, your Housing Consultant, Buyer's Agent and the NACA staff will assist you in avoiding their traps.

We encourage you to listen carefully at the workshop and ask questions at the sessions with your Housing Consultant. Although you should be alert throughout the process for things that sound too good to be true, NACA is one of the few exceptions to the rule. If you have ever applied for a mortgage with other lenders, you will understand how extraordinary NACA's program is.

After the Workshop you should begin preparing for NACA Approval. You can speed up the NACA Approval process significantly if you begin improving your financial situation and gathering all the necessary documents.

### **DOCUMENTS**

*A list of documents that you will need at the counseling session appears on preceding page.* It is very important that you have these documents at your first session, so you should begin saving and organizing them if you have not done so already. The primary documents are the following: pay stubs, bank statements for all accounts, tax returns and W-2s for most two years, and recent 30-day credit card and loan statements. These documents and others may need to be continually updated. You should be able to obtain copies from your employer, bank, and the IRS. If you intend to use your 401(k) or other retirement funds, you should obtain a letter authorizing you to withdraw funds from the account. Save all credit card and personal loan statements. The more documentation you have, the better.

### **FINANCES**

You can improve your credit immediately by paying all of your bills on time. You may need to show that you can afford a higher housing payment than your current rent, so set aside more money in savings each month and reduce your debt by pre-paying installment loans. Get a handle on your expenses. Your Housing Consultant can help you address previous credit issues. *You should also begin gathering the information for the Budget Form, so that you can complete as much as possible prior to your counseling session.* See Payment Qualification under Step Two.

# STEP TWO

## NACA APPROVAL

NACA's Approval process has one basic goal: ensuring that you will be able to enjoy your home for years to come. Owning a home involves new responsibilities such as maintaining the property, saving for repairs and improvements, and making a mortgage payment each month. NACA's mission is to invest people in their neighborhoods—no one benefits if poor planning leaves you unable to maintain your house or keep your home.

The Housing Consultant will guide you through an extensive review of your financial situation and the expenses of home purchase and ownership. *You will need to have all of the appropriate documents, so check the list on page 28 of the workbook.*

NACA Approval is divided into the following major areas:

- Information Qualification
- Payment History Qualification
- Debt Qualification
- Income Qualification
- Funds Qualification
- Budget Qualification
- Rental Qualification
- Maximum PITI/ Payment Shock
- Maximum Mortgage Approval
- Eligibility and Program Approval

After all of these areas have been addressed, you can be NACA Approved. Depending on your situation, this process can take one session, several months or longer. Every person in your household that intends to be on the mortgage must participate in all the NACA Approval steps; the requirements below apply to each person on the mortgage and many also apply to household members who do not intend to be on the mortgage. Household members can affect your ability to afford a house based on their debt and income. Your maximum payment will be determined by your current rent and savings pattern, but would be impacted by a household member's debt and their income to afford such debt. If you wish, you may pursue a higher payment qualification in Step Three.

### **INFORMATION QUALIFICATION**

Purchasing a home is the largest investment most of us will ever make. Before proceeding, you should decide if you truly want to make the commitment. Consider whether you will be comfortable making the mortgage payment for years to come, especially if it is greater than your current rent.

Ask yourself these questions:

- Do you anticipate remaining in the area?

- Can you be a prudent manager of your income and debts in order to meet the needs of homeownership?
- Do you have a steady income and stable employment?
- Have you been able to save money?
- Can you make the necessary changes to meet your payments?

If you are buying a rental property, do you understand landlord/tenant laws and do you know how to find good tenants?

Do not be pressured. Buying a house can be an excellent investment, but your personal situation or other factors may militate against it. NACA will assist whenever you are ready to be a homeowner.

You should discuss these issues with your NACA Housing Consultant. If you decide that you are ready for homeownership, NACA requires basic information on all the household members who will be living in the home you purchase. This includes information on people who may not be on the mortgage application. Because all the household members affect what the mortgage applicants can afford and their ability to make the mortgage payments, NACA requires information on all household members and their dependents. For Information Qualification, the information includes demographic information for the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act, such as race, marital status, religion, source of primary income and other information. Since residency is not a condition for participation in the NACA program we require either your social security number or tax I.D. number.

As part of the Information Qualification we require other information that is crucial to NACA's mission of neighborhood stabilization. All NACA participants are required to register to vote through NACA. Voter registration and participation is crucial in stabilizing neighborhoods, which has even greater significance for homeowners who will live in the community for many years. You will need to identify how you will participate in NACA as part of your commitment to partake in at least five actions or activities a year in support of NACA's mission. This commitment begins immediately following your attendance at a NACA Homebuyers Workshop.

For you to be Information Qualified, we will record all of the information for the household members, scan in voter registration forms for all household members eligible to vote and input your specific commitment to participate with NACA. At this stage, your Housing Consultant will also be asking you questions related to your home purchase to best accommodate your homeownership dream.

## **PAYMENT HISTORY QUALIFICATION**

This section only pertains to your payment history, since NACA distinguishes between your payments to creditors and the amount you owe or may owe. Late or non-payment to creditors are a major roadblock to obtaining affordable mortgages through traditional lenders. NACA, however, believes that everyone should have access to a good mortgage product. Therefore, everyone who participates in NACA's program gets the same great terms. Moreover, NACA believes so strongly in its mission that it pledges to work with you until you can be Payment History Qualified and purchase a home. All credit issues must be addressed, though not necessarily resolved, before you can be Payment History Qualified.

Your Housing Consultant needs to determine whether you will be able to responsibly manage your debt after purchasing a home. Past payment issues might have resulted from unforeseen problems or a failure to plan your finances reliably, but you will need to demonstrate that you can overcome these obstacles and avoid future difficulties.

Your Housing Consultant will closely review the payment histories of the people intending to be on the mortgage. Your credit report shows the payment history of both the debts you currently owe and those you paid-off. It might also contain debts that you were unaware of—such as medical bills that you thought were covered by insurance or a credit card payment owed by your ex-spouse. There may also be legitimate collections, charge-offs, delinquent payments, liens and judgments on your credit report. NACA believes that working people seldom walk away from paying a bill without a reason, so the Housing Consultant will consider each case individually. You should write a narrative explaining the circumstances of each payment problem for all debts, current debt and those paid-off, and why these circumstances would not recur. Statements from you indicating that you “will correct a payment problem” or “will pay a bill” are not acceptable. You will need to document the corrective actions you have taken. Even in cases where you have legitimate grievances, you may need to make payment arrangements in order to avoid future actions by the creditor.

Even if you have previous bankruptcies or foreclosures, NACA can help you get a mortgage. The time period necessary to overcome these are determined by whether it was a result of factors outside of your control, or a way to eliminate significant debt. The former would allow you to be Payment History Qualified in a more timely manner. Depending on the circumstances, additional counseling and time may be necessary for you to establish an acceptable payment history and consistent savings over a period of time. NACA does not consider a lack of payment history shown on the credit to be a problem. Your Housing Consultant will request evidence of timely payment of other bills such as car insurance, utilities, telephone, etc. Even if you have had past payment problems or did not pay some bills, NACA will look beyond your payment history to see whether you have demonstrated job stability, paid rent on time, and learned to manage your finances. NACA will make a determination as to whether your payment history is reflective of your future commitment to make your mortgage payments and what future steps may be necessary to support such a determination.

## **DEBT QUALIFICATION**

Your Housing Consultant will determine what you owe or may owe and the balances and monthly payments. For Debt Qualification it does not matter if you made or did not make on-time payments, only what your on-going debts are; timeliness of payments was already addressed under Payment History Qualification. If debts are incorrectly stated as unpaid or the balance or payment is incorrect, you will need to provide documentation so the Housing Consultant can make the appropriate adjustments. These debts may include charge-offs and collections that occurred a number of years ago. It is very common that previous debts are purchased by collection agencies that use very aggressive collection tactics. They purchase these old debts at much less than their outstanding balance, but are often able to renew these debts and put a lien on your new home. Your Housing Consultant can advise you on each debt issue and will make a determination whether you need to pay-off or do a payment arrangement for an unpaid bill, charge-off or collection. NACA will also work with you to negotiate a lower payoff since often creditors will accept 40% or less of the total amount due. You do not want old debts to come back and add additional burden to you as a homeowner.

Other accounts or debts such as new car loans, student loans, tax liens or child support may not appear on your credit report. It is very important that you bring all financial obligations to the attention of the Housing Consultant, as they will appear later when the lender processes the mortgage application. This information is necessary for determining what you can afford and in preparing a successful application. Misleading NACA staff is considered grounds for denying Credit Access and terminating participation in the NACA Program.

### **CREDIT REPORT:**

Prior to beginning your NACA Approval process, NACA will retrieve a credit report for you and for all members of your household over age 21. A photo ID is needed before the report is retrieved for identification purposes. You will need to pay the ten dollar cost for each report and will receive a copy of the credit report when it is pulled.

A credit report contains consumers' identification information; payment history with different creditors; consumer debts; information on the public record, such as foreclosures or bankruptcies; and a list of inquiries made by various institutions. Specifically, the credit report has the following information:

- Auto loans, student loans, other loans and mortgages (Installment Debt)
- Credit Cards (Revolving Debt)
- On-time payments, delinquent payments and inquiries about your credit
- Collections, charge-offs, child support defaults, and repossessions
- Court judgments, tax liens, foreclosures and bankruptcies
- Identification discrepancies such as multiple social security numbers

There are three nationwide consumer reporting companies: Experian, TransUnion and Equifax. They serve as clearinghouses for credit history information from credit providers who submit information to at least one of the consumer reporting companies every month. The reporting companies focus on different regions of the country and often do not have the same information for each creditor. Most payment information, as well as Chapter 13 bankruptcies, stay on the report for seven years. Chapter 7 bankruptcies, where all debt is discharged, stay for ten years. Inquiries stay on the report for two years. Court judgments and liens can remain indefinitely if they are unpaid and the creditor continues to renew the information.

These national consumer reporting agencies sell this information to lenders and other businesses that have a permissible purpose to obtain it. The reports are sometimes different, so the report NACA obtains may be different than the lender's report. NACA obtains the consumer credit information from a national vendor and downloads the information into our state-of-the-art software system – NACA Lynx. We separate the information from each creditor into two categories: payments issues and debt issues. Your Housing Consultant then reviews your payments to creditors to evaluate your history of being responsible for credit payments as a reflection of your readiness and ability to take on your largest debt – the mortgage payment. Your Housing Consultant would also determine the debts you currently owe, which can include current debts and possibly charge-offs and collections, depending on when they occurred and the circumstances.

Studies have shown that more than 40% of the information contained on a credit report may be incorrect. You should identify any errors to your Housing Consultant, who can help you prepare a dispute letter to the reporting credit agency (see example on Page 101). The credit-reporting agencies must correct errors, but it takes time for this to happen. You will need proof that the item was resolved, either through an updated credit report, receipt, cancelled check, letter directly from the creditor or other documentation.

Disputing Information:

You have a right to dispute and correct erroneous information contained in your credit report. After receiving the report, you should make the corrections on the report, write a brief explanation of the dispute and return the corrected report to the agency. The reporting agency is responsible for investigating, verifying and correcting errors. Always keep a copy for your own records.

Consumers can begin obtaining a free annual credit report, beginning December 1, 2004, which can be accessed on-line at [www.annualcreditreport.com](http://www.annualcreditreport.com) (free reports will be phased in across the country from west to east over a nine-month period). The Fair and Accurate Credit Transactions Act of 2003 (FACTA, or Fact Act) amends the Fair Credit Reporting Act (FCRA) and requires the nationwide credit bureaus to provide consumers, upon request, a free copy of their credit report once every 12 months. The Federal Trade Commission believes that “this new legal right gives consumers an important tool for protecting their identity and keeping track of their credit.” Consumers also may request a copy of their credit report by mail by completing the standardized form (included on page 100).

Consumers may choose to order free reports from all three nationwide consumer reporting companies at the same time, or stagger their requests over the course of the year. The law allows consumers to order one free copy from each company every 12 months. The FTC has issued a new consumer education brochure, “Your Access to Free Credit Reports,” that explains why it is important for consumers to monitor their credit history, how to request a report, and how to dispute any errors. The FTC’s brochure is available at <http://www.ftc.gov/bcp/online/pubs/credit/freereports.htm>. For more information, visit [www.ftc.gov/credit](http://www.ftc.gov/credit). To get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357).

To obtain information directly from the credit bureaus, contact:

- Experian                            P.O. Box 2104, Allen TX 75013                            (888) 397-3742
- Equifax                            P.O. Box 105496, Atlanta GA 30348                            (800) 997-2493
- Trans Union                            P.O. Box 1000, Chester PA 19022                            (800) 888-4213

# CREDIT REPORT SAMPLE

## National Mortgage Reporting

PREPARED FOR:

### NACA - NATIONAL, MA

3607 WASHINGTON STREET, JAMAICA PLAIN, MA 02130-

Attention: ADMINISTRATOR Prepared By: Report Type: MISMO INTERFACE  
Reference #: XCFUK-2800069 Request Date: 6/21/2002 Sources: TU, EFX and XPN  
Password: Eg0JQ5diSM Completed Date: 6/21/2002 Loan Type:  
Client Loan #: Client #: 7935MAE ECOA Type: JOINT  
Fannie Mae #: Price: \$0.00 Tax: \$0.00 Total: \$0.00  
Loan Officer:

### Applicant/Co-Applicant Information

Applicant: DTESTFILE, CHARLES D DOB: SSN#: 777-77-7777  
Co-Applicant DTESTFILE, ANNETTE DOB: SSN#: 677-77-7777  
Street Address: 4444 W MAIN Marital Status:  
City, State, Zip: L TESTCITY, CA 99000 Own/Rent:  
Length of Time: Dependents:  
Property

### Score Information

EFX BEACON 96 SCORE 629 FOR: DTESTFILE, CHARLES R  
38 SERIOUS DELINQUENCY, AND DEROGATORY PUBLIC RECORD OR COLLECTION FILED  
14 LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED  
10 PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING  
ACCOUNTS  
02 LEVEL OF DELINQUENCY ON ACCOUNTS

TU EMPIRICA SCORE 547 FOR: DTESTFILE, CHARLES R  
38 SERIOUS DELINQUENCY, AND PUBLIC RECORD OR COLLECTION FILED  
13 TIME SINCE DELINQUENCY IS TOO RECENT OR UNKNOWN  
2 LEVEL OF DELINQUENCY ON ACCOUNTS  
10 PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING  
ACCOUNTS  
DEROGATORY INFORMATION WAS FOUND ON THIS FILE

XPN/FAIR, ISAAC MODEL II +566 FOR: DTESTFILE, CHARLES R  
38 SERIOUS DELINQUENCY AND PUBLIC RECORD OR COLLECTION FILED  
13 LENGTH OF TIME (OR UNKNOWN TIME) SINCE ACCOUNT DELINQUENT  
10 PROPORTION OF BALANCE TO HIGH CREDIT ON BANK REVOLVING OR ALL REVOLVING ACCOUNTS  
14 LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED

## Trade Information

Creditor Name	Date Reported	Date Opened	High Credit	Balance Owing	Terms	Current Status	Historical Status			Past Due
							# Mo	Times Past Due		Last Past Due
Account Number	DLA				Acct. Type	ECOA		30	60	

AMER GEN FIN	06/00	12/99	13471	11444	320	01	07	0	0	0
92990127032569999	05/00				INST	C				

Loan Term: 60M  
 AMOUNT IS ORIGINAL LOAN AMOUNT  
 OPEN ACCOUNT  
 THIS IS AN ACCOUNT IN GOOD STANDING  
 SECURED BY HOUSEHOLD GOODS & OTHER COLLATERAL

AMER GEN FIN	12/99	04/99	3151	2774	109	01	09	0	0	0
99901270292999999	10/99				INST	C				

Loan Term: 36M  
 REFINANCED  
 AUTO

AMER GEN FIN	06/00	12/99	2784	2507	104	01	07	0	0	0
92990127029299999	05/00				INST	C				

Loan Term: 36M  
 AMOUNT IS ORIGINAL LOAN AMOUNT  
 OPEN ACCOUNT  
 THIS IS AN ACCOUNT IN GOOD STANDING  
 SECURED BY HOUSEHOLD GOODS & OTHER COLLATERAL

ATTWSLOSAN	07/00	03/99		0		01	03	0	0	0
97000000349999999	06/00				OPEN	I				

BALLYS	07/00	08/99	1172	1079	32	05	10	0	0	3	239
94290219999	03/00				INST	I					07/00

Loan Term: 36M  
 Late Dates: 05-7/2000 04-6/2000 04-3/2000  
 AMOUNT IS ORIGINAL LOAN AMOUNT  
 OPEN ACCOUNT  
 ACCOUNT DELINQUENT 120 DAYS PAST DUE DATE  
 INSTALLMENT SALES CONTRACT

BALLYS	02/95	02/93	420	0	0	01	25	0	0	0	0
90344569999	02/95				INST	I					

INSTALLMENT SALES CONTRACT  
 CLOSED

BENEFCL-HFC	07/00	10/99	21605	21538	272	01	09	0	0	0
910177159999	06/00				INST	C				

Loan Term: 360M  
 AMOUNT IS ORIGINAL LOAN AMOUNT  
 OPEN ACCOUNT  
 THIS IS AN ACCOUNT IN GOOD STANDING  
 REAL ESTATE MORTGAGE - WITH OR WITHOUT OTHER COLLATERAL. USUALLY A SECOND MORGAGE

CAPITAL 1 BK	07/00	11/98	256	174	20	01	20	0	0	0	0
9121741515059999	06/00				REV	I					

Loan Term: MIN  
 CREDIT CARD



## Inquiries

DEARDENS	8/2/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION RETAIL, NOT ELSEWHERE CLASSIFIED	
GECC MACYS WEST	8/2/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION COMPLETE DEPARTMENT STORE	
NORDSTROM CREDIT PROM	7/29/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION COMPLETE DEPARTMENT STORE	
AMERICAN GENERAL FINAN	7/27/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION PERSONAL LOAN COMPANIES	
AMERICAN GENERAL FINAN	7/23/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION PERSONAL LOAN COMPANIES	
MONTGOMERY WARD/MBGA	7/18/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION RETAIL, NOT ELSEWHERE CLASSIFIED	
AMERICAN GENERAL FINAN	7/16/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION PERSONAL LOAN COMPANIES	
HRSUSA/BEST BUY	7/16/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION RETAIL, NOT ELSEWHERE CLASSIFIED	
LA CURACAO	7/3/1998
UNKNOWN - CREDIT EXTENSION, REVIEW, OR COLLECTION RETAIL, NOT ELSEWHERE CLASSIFIED	

## Alerts and Validation

RECORDED INQUIRIES ALERT  
 TU EMPIRICA SCORE  
 EMPIRICA SCORE PRODUCT WAS DELIVERED  
 SSN ALERT  
 MISMATCH - INPUT DOES NOT MATCH FILE

### The Following AKA(s) Were Reported

AKA Name	AKA SSN#
DTESTFILE, ANNETTE A	
DTESTFILE, ANNETTE A	
DTESTFILE, ANNETTE A	
DTESTFILE, CHARLES R	
DTESTFILE, CHARLES R	
DTESTFILE, CHARLES R	
STESTFILE, ALEXIS A **	
STESTFILE, ANNETTE	
STESTFILE, ANNETTE A **	
STESTFILE, ANNETTE A **	

\*\* Indicates Additional Information May Exist

## **INCOME QUALIFICATION**

While your current rent and savings largely determine how much you can spend on a mortgage, NACA also looks at your income. You need a reliable source of income before committing to long-term mortgage payments. You will have to document this income and demonstrate that it will continue in the future.

NACA will look at your employment history for evidence that your income will continue. Sources of income include salary, wages, overtime, bonuses, social security benefits, pensions, annuities, commissions, alimony, child support, etc. You will need to have worked for at least two years, unless you can show that you have spent the time advancing your career or improving your skills. Although it is preferable if you have worked at the same job, it is not required because NACA recognizes that many low- and moderate-income workers change jobs due to the nature of their work or their attempts to better their situations.

If you are self-employed, you may need to demonstrate two years of consistent income. Many new businesses fail, so a longer history is required to demonstrate the stability of your income. There are some businesses, such as day care providers, who receive agency referrals that can demonstrate stability in a shorter period of time. Your Housing Consultant can discuss this issue with you.

If you are employed by a company, you'll need pay stubs for at least a 30-day period. If you are paid bonuses or commissions, you must make sure that those items are included on your pay stub or in another document. If you wish to include overtime compensation, you will have to provide documentation that the overtime is consistent and likely to continue. You will need tax returns and W-2 forms for the past two years.

If you are self-employed, you will need to have a year-to-date profit and loss statement prepared by a certified public accountant. You will need to include a Schedule C with your past two years of tax returns. If you work as a day care or other provider and receive payments from a state or non-profit agency, you are considered self-employed if the agency does not deduct money for taxes.

If you receive benefits, you must provide a current benefits letter stating that you are entitled to the benefit and how much that benefit is. This includes benefits received for being the guardian or parent to a minor. If you receive child support from a child's other parent, you will need to show that the parent is obligated to make the payment, has done so consistently and is likely to continue. The documentation can include a court order and evidence of receipt of payments or 12 months of cancelled checks from the ex-spouse. You may also be required to provide the child's birth certificate to show proof of their age, evidencing the length of time the support will continue. If the other parent is an ex-spouse or you are receiving alimony, you will also need to provide documentation that you are legally separated or divorced.

## **FUNDS QUALIFICATION**

Although NACA requires no down payment or closing costs, there is a minimum level of funds required to purchase a home. **Minimum Required Funds** (“MRF”) vary between NACA offices and by property type. They cover the costs of property acquisition and inspection, such as pre-pays and reserves. Pre-pays are funds paid at closing for costs you incur as a homeowner. These costs include the first year’s homeowner’s insurance, mortgage interest from the day you close until the end of the month, property taxes and homeowner’s insurance escrows. In addition, you will need one or two months of mortgage payments as reserves. The MRF is also impacted by the purchase price of your future home. If you need to buy-down the interest rate to qualify for the Maximum Mortgage Amount, then the buy-down funds need to be included as part of your overall Minimum Required Funds. The interest rate may be further reduced by applying additional funds towards the buy-down of the NACA below market interest rate. Your Housing Consultant will provide you with a personalized MRF requirement based on the variables mentioned above.

The property acquisition costs consist of earnest money and inspection fees. Earnest money is often required by the seller as a deposit to hold the property until inspections can be completed and the loan application is approved. Upon closing, the earnest money will be applied towards the required pre-pays. Inspection fees, such as property and termite inspections, are often paid up front so the overall property condition can be determined and evaluated. Once the inspections are complete, NACA can establish a NACA Repair List which may require some or all repairs to be completed. Required repairs can be rolled into a rehabilitation loan. A rehab work write-up fee may be required if renovations are extensive.

The purpose of reserve payments is to ensure you have some funds in the bank after you close. Many homebuyers have additional expenses such as moving expenses, utility deposits and other miscellaneous expenditures. Since you do not want to move into your home without money to put up blinds or purchase new furniture, you will need to save reserve funds to protect yourself from unexpected expenses or temporary loss of income. The required reserves will vary based on the difference between what you currently pay in rent and your future projected monthly mortgage payment (Payment Shock). If needed, saved reserves can later assist you with your mortgage payments and allow you to keep your home if you suffer a setback or other unexpected expenses.

For example, you may encounter:

- Major home repairs
- Loss of tenant/rent
- Family crisis
- Federal or state tax (that was not deducted from paycheck)
- Major medical expenses
- Loss of employment
- Separation or divorce
- Disability

NACA requires minimum reserves as follows:

Payment Shock less than \$300 requires one reserved mortgage payment as part of the MRF, and Payment Shock greater than \$300 requires two or more reserved mortgage payments. Most experts agree that your available funds should total at least three months, and preferably

six months, of mortgage payments. You should save more if you purchase a multi-family. Saving money requires a financial plan that contains specific, measurable and achievable goals. The work you will do on the Budget Form will be helpful in your savings goal.

You must have the Minimum Required Funds to be Funds Qualified. Remember, if you intend to buy-down your interest rate, you will need more available funds. Funds are usually found in bank accounts: for example checking, savings, CDs or money market accounts. NACA requires at least the last three months of your bank statements for all accounts. The funds can be gifts or one-time deposits, but they cannot be borrowed. You may need to provide documentation that the funds were not borrowed. If you have cash that is not in a bank account or have access to other forms of cash such as savings clubs, you will need to document that you have the funds and can access them. The chart on the following page shows estimated savings you will need to purchase a home. However, you should contact your local NACA office for more precise information.

# HOW MUCH MONEY WILL YOU NEED TO BUY A HOME?

	<b>Traditional Mortgage</b> (assume 5% down)	<b>NACA Mortgage</b> (no down payment)
<b>I. Pre-Mortgage Application</b>		
Offer (earnest money deposit)*	\$500 - \$5,000	\$500 - \$5,000
Home inspection	\$125 - \$400	\$125 - \$400
Your attorney	\$0	\$0
P&S deposit (\$150,000 price)*	\$2,000	\$0
Credit report (average \$10 per credit report)**	\$45	\$30 - \$70
Rehab specialist fee (for Rehabs only)		\$200 - \$600
<b>II. Mortgage Application</b>		
Application fee	\$250	\$0
<b>III. Hazard Insurance</b>		
Homeowner's insurance premium for the first year	\$400 - \$1,200	\$400 - \$1,200
<b>IV. Closing Costs</b>		
Appraisal	\$250	\$0
Balance of down payment (\$100,000 price)	\$3,000	\$0
Points	\$2,000	\$0
Document prep fee	\$175	\$0
Title insurance	\$225	\$0
Private mortgage insurance for first year	\$800	\$0
Lender's attorney	\$600	\$0
Other fees	\$350	\$0
<b>V. Pre-pays (Escrows)</b>		
Private mortgage insurance (two months)	\$250	\$0
Homeowners insurance (two months)	\$70 - \$200	\$70 - \$200
Real estate taxes (two-twelve months)	\$100 - \$1,200	\$100 - \$1,200
Pre-paid mortgage interest (settlement day to the end of the first month: 1-30 days)	\$10 - \$1,000	\$10 - \$1,000
Neighborhood Stabilization Fund	\$0	\$50
Interest rate buy down (optional)		
Mortgage reserve (depends on qualification issues)		

**TOTAL COSTS** (Minimum Required Funds) **\$11,150 - \$19,000** **\$1,500 - \$9,700**

\* The amount is based on the office location and number of units. The earnest and purchase deposit are applied to the pre-pays.

\*\* The credit report is to be used for both yourself and NACA. NACA receives a discounted rate for accessing your credit report. You need to pay NACA for each credit report accessed through NACA.

The total costs (i.e. amount of required savings) will vary depending on whether you purchase a single or multi-family home, the area's property taxes and homeowner's insurance, and the day of the month you close. You will also need money to move into your new house and to buy necessary household goods such as additional furniture, curtains, and other items. You may also have to pay deposits to start the utilities in your new house and to fill your oil tank before winter.

## **BUDGET QUALIFICATION**

Better money management can increase the resources you have available for housing payments and other needs. A money management plan helps you handle your finances and avoid the stress of worrying about how to pay your bills. There are five main reasons that people experience financial difficulties:

- Over-extension of debt
- Unexpected life events such as illness
- Loss of employment
- Separation or divorce
- Failure to plan ahead for emergencies

*Remember:*

*People do not plan to fail; they fail to plan.*

The Budget is essential in your preparation for homeownership and will help both you and your Housing Consultant develop a plan to get you in a position to purchase a home you can afford. Each month you receive money in income and pay out money in expenses. When your income is greater, you grow your savings; when your expenses are greater, you spend your savings or must borrow through credit. Since experts state that about 80% of people do not know where 20% of their money goes, NACA has prepared the following two forms to help clear up the mystery. These exercises may seem like a burden, but NACA believes that you should be prepared for mortgage payments before you purchase a house. If you are dedicated to filling out these forms accurately and completely, the time spent can be of tremendous value to you. By using the knowledge gained from these forms, you can determine how changes in your expenses and casual spending will affect your finances.

The Budget Form (with the Daily Expense Diary) serves two major purposes:

- Evaluation of how you spend your money. This is necessary for determining your Maximum Housing Payment – Payment Qualification.
- Reducing your expenses and saving additional money. This is necessary for increasing your Maximum Housing Payment in Step Three – Qualification Increase.

The Daily Expense Diary and an abbreviated version of the Budget Form are combined on the following page (there are full versions you can tear out beginning on Page 94 so that you can use them effectively). Together, these forms will be used to capture your entire pattern of income and expenses for a month. You should read through them completely prior to beginning your diary or tabulating your expenses to ensure that you are using them correctly. Do not include the same expenses on both forms—the costs from your Diary are added into the Budget Form as a separate item. Please take about a month to complete the full version of these forms on Page 94 accurately, though you may attend your counseling session before finishing them.

When you complete the Budget Form, you will have a projection of your Monthly Savings or Monthly Deficit based on only one month's income and expenses. Because NACA will use this analysis to determine your long-term affordable housing payment, you should not include any windfalls or unreliable income. Remember, the goal is to avoid any unpleasant surprises when your mortgage payment is due, so please be conservative with your estimates.

# BUDGET FORM

**INCOME:**            **Total Net Income For The Month:**

\$ _____
----------

**EXPENSES:**

**Monthly Total**

- |  |          |
|--|----------|
| I. Rent – Monthly Housing Payments:                                  | \$ _____ |
| II. Utilities:   | \$ _____ |
| III. Food and Related Expenses:                                      | \$ _____ |
| IV. Transportation:  | \$ _____ |
| V. Child Care:   | \$ _____ |
| VI. Clothing:  | \$ _____ |
| VII. Medical/Health:   | \$ _____ |
| VIII. Education:   | \$ _____ |
| IX. Installment Debt:  | \$ _____ |
| X. Credit Cards:   | \$ _____ |
| XI. Church Tithes & Charity Donations:                               | \$ _____ |
| <b>XII. Monthly Walking Around Money:</b> (from Daily Expense Diary) |          |
| a. Gas   | \$ _____ |
| b. Meals – eating out:   | \$ _____ |
| c. Movies – theaters & rentals:                                      | \$ _____ |
| d. Sports & Entertainment:   | \$ _____ |
| e. Alcohol:  | \$ _____ |
| f. Parking:  | \$ _____ |
| g. Dry Cleaning & Laundromat:  | \$ _____ |
| h. Newspapers & Magazines:   | \$ _____ |
| i. Coffee/Tea/Soft Drinks:   | \$ _____ |
| j. Children’s Lessons:   | \$ _____ |
| k. School Lunches:   | \$ _____ |
| l. Children’s Allowance:   | \$ _____ |

**Total Monthly Walking Around Money:**            \$ \_\_\_\_\_

**Total Expenses for the Month** (Sum of items I through XII):

\$ _____
----------

**Available Savings:**

\$ _____
----------

## **RENTAL QUALIFICATION**

One of the most important indications of your ability to pay future mortgage payments is your ability to make current rental payments. The basis of the NACA program is that you should be able to transfer your rent into your mortgage payment (for a higher mortgage payment you would need to show the ability to afford it). Your Housing Consultant will need documentation that you pay your rent on time. Your current landlord can verify payments by completing a NACA Rental Verification Form (obtained from NACA), or you can provide NACA with twelve months of cancelled checks or other documentation. When you apply for NACA Credit Access, you will need to update your Rental Verification Form, cancelled checks or other documents. If you are related to your landlord, you will need to provide copies of cancelled checks over the past 12 months.

NACA recognizes that there are situations where you may not be obligated to pay rent because of a legitimate dispute with the landlord. If this is the case, you will have to explain how the rent payments were used and provide documentation of the dispute and the steps you have taken to resolve it.

## **MAXIMUM PITI/PAYMENT SHOCK**

You and your Housing Consultant need to determine an affordable monthly mortgage payment that will let you sustain the standard of living you desire. NACA does not want to put you in a situation where your standard of living is reduced or you must forego necessities because of your mortgage payment. Owning your home should not be a burden.

Although there are responsibilities inherent to homeownership, there are also tremendous benefits. NACA believes that those benefits should be available to everyone, so it has designed its program to ensure affordability and access. A basic premise of the program is that people who pay rent each month should be able to spend the same money on owning their own home. Therefore, NACA uses your current rent as a good indication of what you could afford to spend on a mortgage each month.

NACA calls this the “Maximum PITI,” which covers one month’s worth of principal and interest on your mortgage, plus the monthly property taxes, hazard insurance, and NSF payment (P.I.T.I.). NACA uses rent to estimate your Maximum Housing Payment because it reflects the balance you have already reached between housing and other needs.

The Housing Consultant also uses the Budget Form to determine how much money you have available for housing. If you and the Housing Consultant determine that your expenses exceed your income and you are utilizing credit or savings to afford your rent, the payment you can afford would be lower. Alternatively, if you are saving money each month, your Maximum PITI could be higher than your current rent. In either case, after you are NACA Approved, you could begin searching for a home appropriate to your NACA Approval while working with your Housing Consultant to increase your Maximum PITI in Step Three.

If your future mortgage payment exceeds your rent, you may experience the difference as “Payment Shock.” For example, if your rent is \$500 and your mortgage payment is \$800, you will need to find an extra \$300 in your finances every month. It would be like your landlord increasing your rent by \$300 per month. There are other costs of homeownership, including

utilities, water, sewer, and maintenance, that tend to increase Payment Shock, but they may be offset by the tax benefits.

### PAYMENT SHOCK CALCULATION:

Mortgage Payment (Future PITI): \$ \_\_\_\_\_

Less:

Rent (verified by Rental Verification Form or cancelled checks): \$ \_\_\_\_\_

Required Monthly Savings (each month for a minimum of 3 to 6 months): \$ \_\_\_\_\_

The above monthly savings must be saved every month until you close since the monthly savings will be a part of your mortgage payment for the next 30 years.

### **MAXIMUM MORTGAGE APPROVAL**

The Maximum Mortgage is based on the Maximum Mortgage Payment as determined above with the current interest rate. Your Maximum Mortgage is your Maximum Purchase Price, unless you desire to put down funds as a down-payment (i.e. principal reduction). When you first start paying on your mortgage, most of your payment goes towards the interest. Later, the interest owed will decrease as you pay off the principal. The amount due for taxes and insurance varies depending on where you purchase your home and your home's value.

### **Interest Rate Buy-down**

The Interest Rate Buy-down is a tremendous opportunity to increase the Maximum Purchase Price without increasing your Maximum Mortgage Payment. If you do not want to purchase a more expensive home, you can also use the buy-down to reduce your monthly mortgage payment. For each one percent (1%) of the mortgage amount—or “point”—you pay up front, the interest rate is reduced by one-quarter of a percent (.25%) for the life of the mortgage.

This unique option in the NACA program will increase the Maximum Purchase Price much more than using the same amount as a downpayment. You can use any source of funds to pay for the buy-down, including seller contributions, city grants and government programs, employers, unions, other programs, or your own savings.

**One Buy Down Point will cost 1% of the Loan Amount**  
**One Buy Down Point will reduce the Interest Rate .25%**

Example:

You are currently paying \$800 in rent and have \$7,000 in savings. The Minimum Required Funds is \$3,000. Because you have not been able to show a regular pattern of savings, your maximum monthly mortgage payment is \$800 (\$600 for principal and interest and \$200 for taxes, insurance and NSF fee) resulting in a maximum purchase price of \$90,000 (interest rate of 7%). By using \$4,000 of your savings (4% of the mortgage amount, or 4 points) to buy down the interest rate one percent to 6%, the Maximum Mortgage for the same mortgage payment would increase to \$100,000 (it would be \$94,000 using the same \$4,000 for a downpayment/principal reduction).

**Maximum Mortgage Calculation:**

To determine your Maximum Mortgage you need to obtain the current interest rate and approximate taxes and insurance from your Housing Consultant. Then you will be able to use the "Payment Schedule" on the following page. Note that interest rates can change daily. Subtract the monthly tax, insurance and \$50 (NSF fee) from your Maximum Mortgage Payment to obtain the amount that you have available for principal and interest. The schedule computes the loan amount for a given interest rate and principal and interest payment, so you now have the necessary figures.

**Calculations for Payment Schedule**

- 1. Maximum Mortgage Payment \$ \_\_\_\_\_
- 2. Estimated Taxes + Insurance + \$50 \$ \_\_\_\_\_ (Escrows)  
(20% to 35% of line #1 depending on area)

Principal and Interest = (1) - (2) \$ \_\_\_\_\_

# PAYMENT SCHEDULE

Please refer to instructions on the previous page before attempting this exercise. To determine the loan amount you can afford, find the Interest Rate for your mortgage at the top of the table. Next go down that column until you get to your Principal and Interest. Finally, go to the left until you get to the column for Loan Amount.

Loan Amt.

	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
\$60,000	222	237	253	269	286	304	322	341	359	379	399
\$70,000	259	277	295	314	334	355	376	397	420	442	466
\$80,000	296	316	337	359	382	405	429	454	480	506	532
\$90,000	332	356	379	404	430	456	483	511	540	569	599
\$100,000	370	395	422	449	477	507	537	568	600	732	665
\$110,000	407	435	464	494	525	557	591	625	660	695	732
\$120,000	444	474	506	539	573	608	644	681	719	758	798
\$130,000	481	514	548	584	621	659	698	738	779	822	865
\$140,000	517	553	590	629	668	709	752	795	839	885	931
\$150,000	554	593	632	674	716	760	805	852	899	948	998
\$160,000	591	632	675	718	764	811	859	908	959	1011	1064
\$170,000	628	672	717	763	812	861	913	965	1019	1075	1131
\$180,000	665	711	759	808	859	912	966	1022	1079	1138	1198
\$190,000	702	751	801	853	907	963	1020	1079	1139	1201	1264
\$200,000	739	790	843	898	955	1013	1074	1136	1199	1264	1331
\$210,000	776	830	885	943	1003	1064	1127	1192	1259	1327	1397
\$220,000	813	869	928	988	1050	1115	1181	1249	1319	1391	1464
\$230,000	850	901	970	1033	1098	1165	1235	1306	1379	1454	1530
\$240,000	887	948	1012	1078	1146	1216	1288	1363	1439	1517	1597
\$250,000	924	988	1054	1123	1194	1267	1342	1419	1499	1580	1663
\$260,000	961	1027	1096	1168	1241	1317	1396	1476	1559	1643	1730
\$270,000	998	1067	1138	1212	1289	1368	1449	1533	1619	1707	1796
\$280,000	1035	1106	1181	1257	1337	1419	1503	1590	1679	1770	1863
\$290,000	1072	1146	1223	1302	1385	1469	1557	1647	1739	1833	1929
\$300,000	1109	1185	1265	1347	1432	1520	1610	1703	1799	1896	1996
\$310,000	1146	1225	1307	1392	1480	1571	1664	1760	1859	1959	2062
\$320,000	1183	1264	1349	1437	1528	1621	1718	1817	1919	2023	2129
\$330,000	1220	1304	1391	1482	1575	1672	1772	1874	1979	2086	2196
\$340,000	1257	1343	1433	1527	1623	1723	1825	1930	2038	2149	2262
\$350,000	1294	1383	1476	1572	1671	1773	1879	1987	2098	2212	2329
\$360,000	1331	1422	1518	1617	1719	1824	1933	2044	2158	2275	2395
\$370,000	1368	1462	1560	1661	1766	1875	1986	2101	2218	2339	2462
\$380,000	1405	1501	1602	1706	1814	1925	2040	2158	2278	2402	2528
\$390,000	1142	1541	1644	1751	1862	1976	2094	2214	2338	2465	2595
\$400,000	1478	1580	1686	1796	1910	2027	2147	2271	2398	2528	2661

## **ELIGIBILITY and PROGRAM APPROVAL**

Eligibility Qualification signifies that you have abided by NACA's terms of eligibility and participation. These requirements are not burdensome, but are necessary to ensure the success of NACA's mission and your homeownership experience. All members on the mortgage must adhere to NACA's Policies and Procedures, provide truthful and complete information, produce all the necessary documents, work only with individuals and entities authorized to participate in the NACA program and participate in NACA activities.

These commitments are ongoing—you will be evaluated for Eligibility Qualification in the initial NACA Approval stage and later when applying for NACA Credit Access. A list of major qualification requirements is below. A summary of required documents is stated on the back of the workbook. You should also save all future documents concerning your income, savings and debt, since you will have to update your information at the NACA Credit Access stage.

NACA may revise these criteria and the required documents at its sole discretion.

### **Policies and Procedures** (applies to everyone who will be on the mortgage):

- You have attended a NACA Homebuyer Workshop.
- You have met with a NACA Housing Consultant.
- You have provided all of the documents that your Housing Consultant requires.
- You have provided NACA with complete and truthful information.
- You have read, understood, and signed the NACA Disclosure. Purchasing a home is an involved process, and NACA does not warrant or guarantee that it will work well for you.
- You have signed the NSF Disclosures and Application.
- You have completed a Voter Registration Application for each eligible family member.
- You have committed to adhere to the NACA Participation Pledge. A good indication of future participation is that you have already volunteered or participated in NACA activities.
- No person in your household will own another property at the time of your closing.
- No person in the household has purchased a home through NACA in the last three years.
- You have committed to live in the property purchased through NACA for as long as you have a mortgage through NACA.
- You have not violated the Representation Agreement with a NACA Buyer's Agent.
- You have not paid any fees for NACA services or accepted referrals to real estate agents or other vendors that have not been approved by NACA.
- You have notified NACA if you paid a fee to be referred to NACA's Program.
- You have not worked with a real estate broker/agent or purchased a property from a seller or developer that NACA has determined does not represent the community fairly and/or work effectively with NACA.

# **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.

# **STEP FOUR**

## **HOUSING SEARCH**

Once you are NACA Approved, you are almost ready to begin searching for a home. You should not begin this step until you receive your NACA Approval Letter and Form at the Purchase Workshop or directly from a designated NACA staff person. In each office, NACA has a designated person to coordinate the Purchase Workshop or to provide one-on-one counseling concerning the home buying process. Since NACA wants you to find a home appropriate to your needs, it is important that you have not already committed to a particular property.

While the main Homebuyer Workshop provides you with an immense amount of information, you may not be NACA Approved until months later. Therefore, NACA provides either a weekly Purchase Workshop or individual sessions where you receive important information on the housing search. This session will help prepare you to deal with the many real estate professionals, some of whom will attempt to exploit your lack of experience. Once you receive this information, you will be much better prepared for one of the most important decisions of your life. You can now begin the housing search to find a good home at a fair price.

At the Purchase Workshop or Purchase Session, you should identify the real estate agent you want to work with throughout the housing search. If you were referred to NACA by a real estate agent prior to your involvement with NACA, NACA will notify the agent once you are NACA Approved with the expectation that you will work with the agent. If that is not the case, NACA can refer you to a NACA Buyer's Agent or an agent who is familiar with the NACA program. You always have the option to work with a real estate agent of your preference and are under no obligation to work with any particular agent or continue to work with an agent even if he or she referred you to the NACA program. You will need to provide written notice of your desire to discontinue your working relationship with a real estate agent. There are a few real estate agents who are prohibited from working with the NACA program due to their unprofessional practices or actions that are counter to NACA's mission. You may want to verify if your buyer's agent of choice is approved to work with the NACA program.

In the previous step, you were qualified for a Maximum Mortgage Payment. The Maximum Mortgage Amount that you can afford is determined by the Maximum Payment in conjunction with the current interest rate, local taxes and insurance, and funds available for interest rate buy-downs. As you conduct your search, you may decide that you would be more comfortable spending less than your maximum. Remember, you will be making the mortgage payments for years to come.

### **NACA BUYER'S AGENT or REFERRAL AGENT**

One of the best ways to ensure you are getting a good deal on your home is to work with a NACA Buyer's Agent or an agent referred by NACA. Unlike other real estate agents or brokers, NACA Buyer's Agents are compensated by a flat fee, regardless of purchase price. Therefore, they have no incentive not to negotiate the lowest possible price. NACA Buyer's Agents are

required to represent you—almost all other realtors work for the seller. Moreover, you will not be charged for this service.

If a NACA agent is not available, NACA could refer you to an outside agent who is intimately acquainted with both the real estate market and the NACA Program. They can help you locate a suitable property and negotiate a deal that best utilizes the NACA Program. For example, the NACA Buyer's Agent or Referral Agent may obtain buy-down funds from the seller or suggest government assistance funds. They will provide invaluable assistance in the housing search and purchase process.

They will use their expertise to:

- Promote and protect your interests.
- Research the market to identify properties.
- Arrange property showings with all other brokers and sellers.
- Assist in writing the offer with your best interests in mind.
- Provide you information that may enhance your bargaining position.
- Keep your bargaining and financial positions confidential.
- Negotiate the price and terms on your behalf.
- Coordinate and assist you with the inspection.
- Attempt to negotiate with the seller to make all required repairs.
- Communicate with and provide required documents to your NACA housing consultant.
- Assist you through the mortgage process.
- Coordinate the closing and address last minute issues.
- Give you general advice and counsel.

If you wish to take advantage of the tremendous services offered by NACA Buyer's Agents, you will need to sign the Representation Agreement, wherein you agree to work exclusively with that agent for the time period specified. You must refer any leads on properties to your Buyer's Agent and should not see a property before contacting him or her. Working around your agent violates the terms of the agreement that allows NACA to provide this great service at no cost to you. You may, however, terminate the Representation Agreement at any time, by submitting written notice.

NACA Buyer's Agents have an extensive knowledge of the housing market and the NACA program, but like other real estate agents, they cannot provide you with legal advice. If you use a NACA Buyer's Agent, NACA will often be able to provide you with free legal representation for the purchase contract. If you work without a NACA Buyer's Agent, you may be required to obtain and pay for such legal review yourself.

## **THE PROPERTY SEARCH**

When you first meet with your real estate agent, you will discuss what type of house you want to buy (single-family, multi-family, condo, etc.), how many rooms you want, where you want to look and how much you want to pay. The agent can also advise you on neighborhoods that best

meet your needs. The agent can then access traditional listing services and some may also be able to access listings of lender-owned and foreclosed properties.

Once you have a list of properties, you and your agent will visit the homes. After you have narrowed down the selection, the agent can retrieve Multiple Listing Service (MLS) printouts for you, conduct further research on those homes and neighborhoods, and arrange a second showing. Together, you should prepare a list of questions for the seller or listing broker. If you are interested, your agent will assist you in making the offer, negotiating the Purchase and Sale contract, arranging the inspection and completing the mortgage process. *Remember: If you have identified a property on your own, do not contact another broker/agent. Please notify your agent who will work with you. NACA Buyer's Agents are obligated to represent your interests.*

## **EVALUATING A HOME**

When you look at a property, you will have many important questions that need to be answered. To avoid forgetting anything, you should bring a list with you. If the house seems like a potential buy, you should record the answers because you will need to review them later when comparing different options. The information you collect can affect the price you are willing to pay. Take as much time as you need to consider a property—the biggest tragedy would be buying a home that had serious unanticipated problems.

Questions you might ask about the neighborhood include:

- What is the condition of the nearby homes?
- What do neighbors think about the area?
- Is there a neighborhood association? What are their restrictions?
- Is there on-street or off-street parking, and is it safe?
- Are there bus or train stops nearby?
- Are there parks or playgrounds?
- Are there grocery stores, restaurants and other shops nearby?
- Where are the local schools and how good are they?
- Do you have other local needs?

As you turn your attention to the property itself, consider whether you will be content living there for a long period of time. Are there enough rooms, closets, and storage? Do you like the layout? Examine the condition of the property thoroughly and ask about the life expectancies of existing systems. While you may not be an expert, you may discover enough problems to prevent you from making an offer and having to spend money on a home inspector. Keep in mind, however, that if you like the property there are remedies for problems. You can ask the seller to make repairs or you can finance repairs through the NACA Rehab Program.

**Structure/Exterior:** Walk around the outside of the house scanning the chimney, roofing, gutters, siding, driveways, retaining walls and landscaping. Look for deterioration or recent repairs that might indicate problems. See if the rainwater is channeled away from the house foundation via the gutters, downspouts and leader pipes. Observe whether yard runoff is also drained away from the house. Water collecting around the foundation can cause flooding in the basement or structural problems with the foundation. Look for signs of cracking or movement in the foundation. Look for signs of spoiling masonry, flaking and peeling paint, or paint cover-ups.

Look for cracks in tiles and retaining walls and note any large trees where falling branches could damage roofing or where roots could push against foundations.

Electrical: Look for extension cords and other signs of inadequate circuitry. Ask what kind of circuitry the house has. Knob and tube circuitry in pre-1920 homes may have to be completely replaced if you do any electrical upgrades. Find out if the circuit breakers, wiring and receptacles will support the modern appliances you intend to have.

Mechanical: Make sure that comfortable amounts of heat and/or air conditioning are delivered to all living spaces. Compare the approximate age of all systems to their average life; systems like the furnace, air conditioning and hot water heater can be expensive to replace. Look for and ask about buried oil tanks, asbestos and other environmental concerns.

Plumbing: Ask whether the house is serviced by municipal water and sewer systems. Ask whether the incoming pipes are made of lead, since you may want to replace them. Make sure that all areas receive water and the drains work. Turn on the faucets and flush the toilets. Look for evidence of leaks around the tubs, showers, sinks and toilets, and ask if there is any history of such leaks. Look at the tiles and caulking around the shower and tub to see if they are firm or if they have been repaired.

Basement: Ask if there is any history of water seepage in underground areas and look for any sign of water stains or other damage. Water seepage and dampness could indicate problems with the foundation.

Kitchen: Ask how old the appliances are and make sure they all work. Look under sinks and around dishwashers and refrigerators for problems in the flooring due to water seepage. Look for adequate electrical outlets above the counter top to run your smaller kitchen appliances.

Interior: If the walls and floors are not straight, ask if there has been any recent settling. Check the operation of windows. Look for clouded double-pane windows, which could indicate that the walls are damp. Ask about the flooring beneath any carpeting. If the attic is floored and accessible, go up and look for signs of roof leakage. Ask about levels of insulation and utility bills. Ask about lead paint (expect it in houses built prior to 1978) and urea formaldehyde foam insulation.

After you have examined the house you may:

- Decide there are too many problems to merit an offer.
- Decide that despite the problems, you like the house and either want to make an offer conditioned on seller repairs or utilize the Rehab Program (get info from your Housing Consultant).
- Decide that you like the house but still have questions about the condition; you may want to make an offer and ask your inspector to investigate your concerns.

### **ADDITIONAL QUESTIONS TO CONSIDER**

These points may aid you in assessing the property and negotiating an offer. Your agent can help you get this information:

- What fixtures and appliances are included in the price of the house, such as the refrigerator, dishwasher, chandeliers, etc.?
- Has the current owner had any trouble with the property during the last year?
- What were heating and utility expenses during the last year?
- How much are the taxes and hazard/homeowner's insurance? (This information is often contained in the listing your agent gives you.)
- Has the seller de-lead-ed the property, and if so, is there a de-leading certificate from a government entity?
- What improvements, if any, have been made on the property?
- What did the current owner pay for the property?
- How long has the house been on the market?
- How long has the current owner owned the property?
- What have other homes in the neighborhood sold for?
- Get a Multiple Listing Services (MLS) printout of the home.
- If you have children, you may want to visit the schools.

## **MULTIFAMILY HOMES**

If you purchase a multifamily home, you will become a landlord and the owner of a small business. You will have expenses (mortgage, repairs, taxes, etc.) and income (rent and amenities, e.g. coin-operated washer and dryer). The expenses will always be present, but the income may be inconsistent. You will need savings to cover unexpected expenses such as the vacancy of one or more of your units, or repairs to heating, hot water, sewer, etc.

Because you will live in close proximity to your tenants and depend on their rent payments, you need to determine if you are satisfied with the current tenants. You should obtain documentation of their rent payments and determine if their landlord has had any other problems with them. You may need to stipulate in the Purchase and Sale Contract that the units are vacant at the time of closing.

You also need to understand and follow local landlord/tenant laws. There may be rent control/limitations and/or eviction procedures. You should buy a book or go to your local or state government office to get a pamphlet that explains the laws in your area. Failing to abide by the law could make it difficult to collect rent or evict problem tenants. Indeed, some violations could lead to claims against you. The more prepared you are, the more peace of mind you will have. You may want to consider a property management firm to manage your property.

## **CONDOMINIUMS**

A condominium is usually a unit in an apartment building where units have been sold to separate owners. When you purchase a condominium, you will own the unit from the walls in. You alone are responsible for repairs, changes and utilities for your unit. In addition, you will share in the ownership of all common areas, including the roof, hallways, exterior, landscaping, parking lot, etc. As a result, you are *also* responsible for a share of all expenses pertaining to these common areas. For example, if the roof leaks on someone else's condominium, you will have to contribute to the repairs.

These arrangements are formalized through a “condominium association”, which you will become a member of. You pay dues to the association ranging from \$100 to more than \$1,000 per month to cover repairs, common utilities, insurance, amenities, etc. The association will set bylaws for the condominium and may elect officers or contract a management company to handle operations. You have votes in the association, which sometimes depend on the size of your unit. You are bound by the association’s decisions. If you do not pay your dues or other funds, the association can place a lien on your unit or even foreclose. Consider how the votes are divided because you may have to contribute funds for improvements that you do not want. You also share the financial obligations of the association, including unpaid utilities, etc.

Because of the joint ownership structure, you have to pay attention to the building and the association when you look at a condominium. You should meet some of the other owners, especially in a small building where they will live close to you and make decisions that affect you financially and personally. Before purchasing, you must do the following:

- Obtain an inspection of the unit and the building
- Have the association complete the Trustee Certification provided by NACA
- Obtain financial documents from the association
- Obtain the Master Deed and Bylaws from the association

If the association does not have reserves for repairs, has trouble collecting fees, and has less than 50% of the units sold to owner occupants, you may want to consider a different property. These issues may also prevent your loan from being approved. Thus, prior to signing a purchase contract for a condo, you should request this information from your real estate agent.

# STEP FIVE

## PURCHASE AND SALE CONTRACT

Once you have found a property that you would like to own, you must negotiate the terms of the purchase with the seller. You will then sign a binding contract called the Purchase and Sale Agreement (“P&S”). This document usually binds you to purchasing the property and prevents the seller from selling the property to another buyer. Because this document is the most important one you will sign, your agent will assist you throughout the process. You may also want to obtain legal representation to help negotiate the terms of the contract. If you use a NACA Buyer’s Agent, this may be provided to you at no cost.

*Remember to check with your Housing Consultant prior to completing the P&S to determine whether you and the other parties to the agreement are eligible to participate in the NACA program. You also need to verify that you qualify for the amount you are offering. You will need to inform your Housing Consultant of the taxes and insurance on the property. The listing broker should be able to provide these to you.*

The listing broker/agent representing the seller will require a deposit before agreeing to hold the property for you. Depending on the contract, your deposit may be forfeited and you may be liable for any damages to the seller if you fail to perform the obligations specified in the P&S. To protect your rights, the P&S must allow you to void the agreement or renegotiate the terms if the home inspection is unsatisfactory or you fail to obtain a mortgage commitment. You should also add other requirements and conditions that you deem necessary.

In some states, you must first make a written offer which specifies the price, deposit amount, length of time provided to inspect the property (NACA requires ten days) and terms that allow you to back out of the purchase. The offer, at minimum, must be contingent on a satisfactory inspection and a mortgage commitment. While an offer is also a binding agreement, you will need to sign a P&S that contains the complete terms of the sale.

The initial draft of the P&S is usually provided by the listing broker, who represents the seller. Most of its terms will therefore favor the seller. You need to ensure that any changes inserted to protect your rights are actually written into the contract. If the seller has agreed to repairs or renovations, these items must be attached and signed by the seller as an amendment to the P&S. Most P&S agreements limit your options to back out of the deal. At a minimum, you must make sure that you can void the contract for the following reasons:

- An unsatisfactory inspection
- Failure to obtain a mortgage commitment by the date specified (you must alert the seller if this happens)
- Damage or vandalism to the property after the P&S is signed
- Property must appraise (the seller can reduce the price)

You may negotiate almost all the terms of the Offer and P&S, including:

- **The purchase price.**
- **The amount of the earnest money or deposit.** Most NACA buyers only put \$500 down as earnest money. In areas where there is high demand for housing, you may need to deposit \$1,000 or more. Because NACA does not require downpayments or closing costs, these funds will be applied to the pre-paid expenses due at closing.
- **Option period to complete a property inspection.** The option period allows you time (5 to 10 days on average) to complete a property inspection and review the report to see if there are any hidden or undisclosed defects. During the option period you can determine whether or not you want to continue with the P&S contract, negotiate repairs, seek estimates for repair work or cancel the contract and look for a more suitable property with less repair requirements. Earnest money is generally refunded if you cancel the P&S contract before the option period expires.
- **The time until the commitment date.** NACA requires a minimum of four weeks from the mortgage application date. Loans are often closed within two to three weeks of the mortgage application.
- **The time until closing.** NACA suggests six weeks from the mortgage application date, although most closings happen much more quickly, as previously stated. You may have to agree to a shorter time frame initially and then, if necessary, request an extension. Sellers will usually provide an extension if the sale seems likely, since it would take far longer to re-market the property.
- **The repairs you want the seller to make.** Most contracts specify the sale of property “as is.” You have to make sure that repairs or work you want the seller to do are actually *written into the contract*. A verbal agreement is not sufficient. In some instances, the seller will not do the repairs but will provide funds at closing for the buyer to make the repairs. Those funds would be escrowed by the closing agent at closing and dispersed once the repairs have been completed.
- **The units you want vacant, if any.** Of course, NACA requires that at least one unit is vacant for you to live in. If you are uncomfortable with the current tenants, you should require that the units are vacant at closing. Most standard contracts do not require this. If you will be doing substantial rehab work on several units, you may want them to be empty at closing. It can be difficult for contractors to complete work when units are occupied with tenants.
- **The items that will remain with the property.** Which items will remain (such as the washer and dryer or refrigerator) and which will be removed (such as the trash in the basement or backyard) need to be specified in the P&S or amendment to the P&S.
- **Who pays which costs associated with the closing?** The lender pays the buyer’s closing costs and the seller is responsible for closing costs that are customarily paid by the seller. In cases where the seller would pay the buyer’s closing costs, the seller should instead allocate the money towards the interest rate buy-down.

# STEP SIX

## PROPERTY CONDITION & RENOVATION

Apart from NACA and its agents, most parties you will deal with in the purchase process are only interested in closing the sale. Even the lender's main concern is for the equity in the home and not the potential financial strain and difficulties you may face due to unexpected repairs. NACA, however, is determined that you find a house that is affordable and sustainable over the long-term. To facilitate this, NACA requires a professional home inspection and provides an unprecedented renovation program.

### HOME INSPECTIONS

The home inspection must be done by an inspector who is independent of the seller and listing broker, and who utilizes a state-of-the-art software program called HomeGauge-NACA. NACA strongly recommends that you use an inspector identified by NACA on the NACA vendor list. Otherwise, if an adequate report is not provided, a second inspection may be required at your expense.

The HomeGauge-NACA report ensures that all aspects of the property have been inspected and describes, in a clear and concise manner, the condition of each part of the property and systems (inspectors will provide pictures of problem areas). It also requires that all items requiring repair or renovation are fully described. While the cost of this software is over \$1,200, NACA provides it to inspectors doing NACA mortgages for free. The home inspector will upload their completed inspection report directly into the NACA-Lynx network. Your Housing Consultant will have immediate access to the report and begin to address any items needing repair or renovation. Such items are categorized as either a Maintenance Item or Trade Item. A Maintenance Item is often not required to be repaired as a condition of the mortgage, but should be addressed by the buyer as soon as possible. A Trade Item is often a code, safety or major system that must be addressed as a condition for Credit Access and mortgage approval. A sample home inspection report may be found online at [www.naca.com](http://www.naca.com).

**What is a Home Inspection?** A home inspection is a visual examination of the physical structure and systems of a home, from the foundation to the roof. The standard report includes an evaluation of the following:

- Heating system and central air conditioning system (temperature permitting)
- Interior plumbing and electrical system
- Roof, attic and visible insulation
- Walls, ceilings, floors, windows and doors
- Foundation, basement and visible structure

**Why do you need a home inspection?** Purchasing a home is the largest investment you will ever make. You should learn as much as you can about the property and the need for any major repairs before you buy, so that you know what you are paying for and what costs may lie ahead. A home inspection also points out the positive features of a home and the routine maintenance that will be necessary.

**What will it cost?** Inspection fees vary by region, usually ranging from \$150 to \$400. Within a given area the cost will depend on the size of the house, the features of the house, and additional services such as septic, mold, well or radon testing. It is usually more expensive to inspect a multi-family house.

**Can you do it yourself?** No! Even the most experienced homeowner lacks the knowledge and expertise of a professional home inspector. However, NACA requires that you and the agent attend the inspection so that you can become familiar with the home you intend to buy.

**How do you find a home inspector?** NACA provides a Vendor List of approved home inspectors in your area. You can use any licensed property inspector as long as he or she was not referred to you by the seller or listing broker and has no ties to either. He or she must use the HomeGauge-NACA software (provided free to all inspectors from NACA). Home inspectors must register online at [www.naca.com](http://www.naca.com) in order to receive a password from NACA that will allow the inspection to be uploaded directly into the NACA network. The software is available for download from the same registration area.

**When do you call in the home inspector?** An inspector is typically hired immediately after the Offer or Purchase and Sale Agreement is signed and executed. Always make your purchase obligations contingent upon a home inspection that you deem satisfactory.

**Additional inspections:** A home inspector has general knowledge of house construction and will base the report on visual inspections of accessible areas of the house. It is often necessary to have a specialist inspect and test specific areas of concern that are listed in the home inspection report. Consider additional costs for inspections, including roof certification, structural engineering inspection, licensed HVAC inspection, mold inspection, and home warranty.

## **REHAB - HOME AND NEIGHBORHOOD DEVELOPMENT (HAND)**

NACA's mortgage product includes a Purchase/Rehab option that allows you to buy a home and fix it up at the same time. While it may be difficult to find a home that is just right, this program provides a unique opportunity to make necessary improvements to your home. Because NACA does not want you to be financially burdened by unanticipated lump-sum costs for future repairs, NACA may also require renovation if the Home Inspection indicates existing or potential problems. In either case, *the costs of renovation will be added into your mortgage*. The only up-front expense to you may be an evaluation and scope of work, called the work write-up.

This may be your only opportunity to get financing for home improvement work in the near future, so it is important to carefully consider making improvements at this time. In addition to making your home more comfortable, renovation can increase the rental value of your other units and the future sale price as well. It is important to consider the long term operating costs of maintenance and energy use for your home. Improvements such as insulation, window replacement and upgraded HVAC equipment will often reduce a home's monthly operating costs by reducing energy consumption and service calls.

If you are making substantial repairs and cannot live in the property during the renovation, you may be able to defer your mortgage payments for six months. This prevents the overwhelming burden of paying both the mortgage payment and rent, but also prevents the mortgage payments from increasing once the renovation is completed. NACA's incredible financing permanently reduces the interest rate by an additional 3/8% and the deferred mortgage

payments are added to the loan. This keeps the mortgage payments the same as they were before the deferred payments. At the mortgage closing, the money for the rehab work will be escrowed by the closing agent or held by the lender. This insures that the agreed upon renovations are completed.

Renovations and repairs can be difficult and stressful. Factors such as age, neglect and hidden conditions often complicate a renovation. NACA's Home and Neighborhood Development (**HAND**) department provides assistance, review, monitoring and oversight of the renovation process to ensure that it adheres to NACA's procedures. For this work, and for access to the **HAND** program, NACA receives a fee. The fee is based on the cost of the renovation and may be included in the mortgage (the member pays directly for the home inspection and any costs for a work write-up). You may contact your Housing Consultant for the specific fee. *You should never pay the Rehab Specialist yourself*, even for work not directly related to the NACA project. You will be responsible for the cost of the work write-up and home inspection regardless of whether you actually close on your loan and complete the renovation.

### **REHAB PROCESS:**

A NACA-approved home inspector will create a detailed report of the condition of the home you intend to purchase. The summary section of the inspection report identifies items that need to be addressed. These items are divided into two categories: (1) Maintenance items which are ongoing issues that often can be addressed by the buyer at a later date and which are not necessary to the basic performance of the house; and (2) Trade items that are required by building code, energy code, structural considerations, major systems problems, and items that are functional but not likely to last more than five years.

### **NACA REPAIR LIST**

The list of all Maintenance and Trade items is generated by the Housing Consultant and given to the Member. The Member and their agent should request that the seller repair or renovate as many of the items as possible. With seller repairs, an inspection is often required to assure that the repairs were properly completed. When a seller refuses to complete repairs, the **HAND** staff will review the repair items to determine which ones are required ("Repair/Rehab List"). In most instances, few of the Maintenance items and most of the Trade items have to be addressed as a condition for the Member to be Credit Access and mortgage approved. At this time, the member can choose to increase their loan amount to include the required repairs, or the member may choose to pay for repairs out of pocket.

The Member should review the NACA repair list with his or her housing consultant and real estate agent. The agent may attempt to negotiate for the seller to do all repairs. If the seller refuses to do some or all required repairs, the Member would then be responsible for having the repairs done once they close. The NACA Repair List must be signed and returned to the Housing Consultant.

Members can add additional items to the Repair/Rehab List if there are sufficient funds to complete such work. Provided the Member does not exceed the maximum approved loan amount, the following repair items can be included on a NACA Rehab loan. Allowable repair items generally fall under three categories, Code, Home Improvement & Wish List. An exception will be required from the **HAND** Department for any repairs not listed below.

Code	Home Improvement	Wish List
Safety/structure compliance	Windows	Additions
Termites/ants	Doors	Kitchen cabinets
Roof condition	Ventilation	Additional bath
Heating	Interior finishes	Landscape
Plumbing	Exterior finishes	Decks
Electrical	Masonry	Skylights
Asbestos removal	Paint	Ceramic tiles
Lead paint	Insulation	Optional finishes
Energy efficiency	Kitchen remodel	Upgrades
	Bathroom remodel	Improvements

In some instances, the **HAND** department may require a Work Write-up to provide the detail of the work to be done in order to obtain more accurate and definitive bids from contractors. A Rehab Specialist would develop the scope of work from the home inspection report, site visit and discussions with you. The Work Write-up is then submitted to NACA-approved building contractors to bid.

If the Member wishes to enter into a NACA Rehab Loan, he or she should request a one-on-one rehab meeting with the NACA Housing Consultant. The Housing Consultant will discuss the detailed requirements for a rehabilitation loan and go over all the necessary rehab forms and documents required throughout the rehab process.

### Bids

The next step for the Member is to obtain bids for all necessary repairs. There may be an approved NACA Vendor List with contractors available in each NACA office to assist Members with this process. The Member and agent should attempt to obtain bids from contractors as quickly as possible on the items on the Repair/Rehab List, including additional items requested by the Member. Time is of the essence since the mortgage application needs to be submitted within ten business days of the executed P&S (extensions are possible and must be approved in advance by the seller). Included on the Vendor List may be names of contractors who have satisfactorily completed work for NACA Members. A Member may use any professional contractor that meets all state and local requirements for the work to be performed, and has been approved by NACA prior to accepting a bid. All contractors must complete the online NACA contractor application form at [www.naca.com](http://www.naca.com) under the "Partners" section, or submit a written application to the local NACA office. The contractor(s) must provide a copy of his or her license and insurance along with the application. The local NACA office can work directly with the contractor to answer any questions as they process the contractor's application.

A contractor can submit a bid, but he or she will need to be approved by **HAND** staff prior to acceptance of the bid. Relatives or close family friends are not allowed to bid on your project. When bids cannot be obtained within a reasonable amount of time, the costs estimate from the **HAND** Department will be used to complete the loan application. Members should request a "Guide to Hiring Contractors" which contains details on how to choose the right contractor for your project. Forms and agreements required for a rehab can be obtained from the local NACA office or national office.

All cost for completing the Repair/Rehab List and program management fees (**HAND** Fee) are included in your total loan amount. This includes funds for the construction to be paid to the contractor(s), contingency (usually ten percent to cover unforeseen conditions), inspection fees paid by the Member (Draw Inspections are usually paid by the lender), and a fee to **HAND** of three percent of the construction costs for the management and administration of the rehab program.

The total amount available for repair/rehab is the difference between the Maximum Mortgage Amount and the purchase price on the P&S ("Rehab Budget"). This is a final calculation of your full loan amount and a complete breakdown of all expenses for the Rehab loan. The total cost of the contractor bid plus **HAND** management fees must be less than the Rehab Budget. The Final Rehab Budget must be signed by you prior to closing on the mortgage. You must sign this Final Budget stating that you agree with the allocation of funds for your renovation. You should keep a copy for your records. It is important that the rehab budget line item costs match what is stated on your settlement statement to ensure all rehab funds were properly allocated.

Once the loan application is submitted, an appraisal of the property will be ordered. The property must appraise high enough to cover the total mortgage amount (i.e. purchase price and total rehab costs), which must be no more than the appraised value of the as-improved property (exceptions can be made for up to 110% of value). If the costs for renovations exceed the Final Rehab Budget, you will have three options: (1) You can renegotiate with the seller to lower the price for the home; (2) You can eliminate some non-essential renovations/repairs; or (3) You may back out of the deal. When the home inspection reveals necessary repairs that you are unable to finance, you may back out of the contract on the basis that the home did not pass a satisfactory inspection. If, however, you are unable to finance voluntary renovations (i.e. building a patio, or replacing cabinets, etc.), you may have more difficulty voiding the contract. Therefore, you may wish to negotiate a clause into the P&S that makes the sale contingent upon your ability to complete certain renovations.

### **Contractor Selection**

All bids are to be carefully reviewed by you and the **HAND** Department in order to be sure all items on the Repair/Rehab List have been included in the contractor bids. Remember that the lowest bid is not always the best; high-quality and timely work are crucial to a successful rehab. It is more important to choose the contractor best qualified to perform the work than to choose the lowest bidder. Accepted contractors must complete an agreement between you and the contractor that specifies the terms and conditions of the work, including that all work meets construction standards as determined by NACA ("Contractor Agreement"). The agreement must clearly itemize each individual work item and its corresponding value which will be used to determine draw payments. The agreement covers the contract cost, scope of work, start and end date of job, permit requirements, quality of work and liabilities for both parties involved, number of Draws required by the contractor and penalty for not meeting the completion date. It is very important that the scope of work is itemized and specified in detail. Both you and the Contractor must sign the agreement prior to close. Contractors with small contracts, as determined by NACA, may be permitted to submit a proposal instead of completing the Contractor Agreement.

**HAND** can assist you with managing the rehab; however, you are ultimately responsible for selecting the contractor and managing the project. [See the section on Rehab Management.](#)

# STEP SEVEN

## NACA CREDIT ACCESS

The application for NACA Credit Access is the gateway to accessing credit through NACA. Once your application has been approved, you will be able to submit a mortgage application to a Participating Lender through the NACA program—NACA itself does not provide financing.

The application for NACA Credit Access must be approved before you can apply for a mortgage through the NACA program. NACA's approval of your application does not constitute an assurance that Participating Lenders will approve your mortgage, and NACA's denial of your application does not constitute rejection by any of the Participating Lenders. *At any time, including before, during, and after you have applied for NACA Credit Access, you may directly apply for credit to any lender, including Participating Lenders, independently of NACA.* Thus, if the Purchase and Sale Agreement or other matters create deadlines or obstacles that NACA cannot resolve, you can apply to a lender outside of the NACA Program, but you would not be able to access the NACA mortgage.

To apply for NACA Credit Access, you must be NACA Approved and have a signed and executed Purchase and Sale Agreement. Once your application for NACA Credit Access has been approved, it is very likely that a Participating Lender will approve your mortgage application. Your application for NACA Credit Access is done automatically when you submit a mortgage application through NACA. If you are not notified to the contrary, your application for NACA Credit Access is approved upon your satisfactory submission of a mortgage application to a Participating Lender.

### **APPLICATION FOR NACA CREDIT ACCESS**

The application for NACA Credit Access requires that you satisfy NACA's requirements and procedures. Most of the issues and requirements that may result in denial of your application were already addressed when you were NACA Approved. The additional requirements primarily relate to the purchase transaction. Assuming that you have abided by NACA's policies and procedures, have provided updated documents and have had no negative changes in your financial situation, the application for NACA Credit Access should be straightforward and you should be able to immediately complete a mortgage application. Each Member who wishes to be included on the mortgage application must apply for NACA Credit Access and must meet NACA's requirements.

If you do not satisfy NACA's requirements, you can take steps to remedy those issues or choose to apply for NACA Credit Access anyway. If you pursue the latter option, the local office will not be able to go ahead with your mortgage application, and your application for NACA Credit Access will be forwarded to the national office for review, where it may be accepted or rejected at NACA's sole discretion.

Identified below are many of the items that NACA will consider when you apply for NACA Credit Access. Before signing a Purchase and Sale Agreement, you should review the following in order to meet NACA's requirements.

## **FINANCIAL INFORMATION**

### Updated Documents

Review the documents required for NACA Approval (see page 28). You must provide current documents to your Housing Consultant. Many of the documents you provided when you were NACA Approved will be outdated and will not be acceptable when you apply for NACA Credit Access. You will need the most recent pay stubs and bank statements. If you are self-employed, you may need to update your profit and loss. If another tax year has passed, you will need to bring in new tax returns and W-2s or 1099s. If you receive third-party payments, such as Disability or Child Support, you must bring in the most recent documents that show you are continuing to receive the payments.

### Payment History

NACA will probably pull another credit report when you apply for NACA Credit Access. Any corrections made in the Payment History Qualification step should now be reflected in your credit report. If your credit balances have increased since you were qualified, or if you have any new adverse lines of credit, NACA might not approve your application for Credit Access. If an adverse credit line appears, you will need to provide documentation to explain it.

### Rental Records

NACA will require evidence that you have continued to pay your rent on time. You need to provide cancelled checks, an updated Rental Verification Form or other documents. If you have a legitimate dispute with your landlord, you must document it.

### Income

NACA will require documentation that your income has not decreased. This could reduce the mortgage amount that you are qualified for.

### Funds

You must have maintained the minimum required funds. If you committed to buy down the interest rate, you will also need to have the additional funds in your account. Failure to have these funds in your bank account(s) may lead to a denial of your application for NACA Credit Access.

### Other Funds

You must bring in the most recent statements for any other funds you intend to use for the purchase process. This includes 401(k) statements (including documents stating that you are entitled to use the funds to purchase a home), gift letters and stock portfolios.

### Debts

You should bring in all your current credit card bills and installment loan statements if you intend to claim that the balances are lower than those on the credit report. If you do not have credit card bills, NACA will have to rely on the balance on the report even if you dispute it.

### Savings History

If you were NACA Approved for more than your current rent payments (i.e. you will experience payment shock), NACA will continue to monitor your savings pattern. If you have not continued your savings practices, you may not be approved for Credit Access.

### Mortgage Amount not Greater than approved Maximum Mortgage

You cannot purchase a property for more than the maximum mortgage amount you were approved for by your Housing Consultant. Because interest rates change and taxes or insurance may be higher than anticipated, you may not be able to afford a mortgage equal to the Maximum Mortgage Amount you were provided at the time you were NACA Approved. It is important that you contact your Housing Consultant to confirm your approval amount once you determine the taxes and insurance for the home you have selected.

### Grants or Other Financial Assistance

You will need to provide all documents demonstrating that you have been approved for any financial assistance, grants, or subsidies from third parties such as a city government, state government or non-profit organizations.

## **PROGRAM REQUIREMENTS**

### Completing the Process

All persons applying for NACA Credit Access must have been counseled by NACA and been NACA Approved by a NACA Housing Consultant.

### Timeliness

You must be re-certified if you do not have an executed Purchase and Sale contract within three months of the time you were last NACA Approved. If more than three months have passed since the date on your NACA Approval letter or your last re-certification, NACA may not approve your application for NACA Credit Access.

### Disclosures Document

All persons applying for NACA Credit Access must have read and signed the NACA Disclosure. If you wish to apply for NACA Credit Access, you must understand that NACA is not responsible for any problems or issues that may arise during your home buying process. Because the process is complex and full of unknowns, NACA cannot and does not warrant or guarantee any outcome. All participants in the NACA Program must have signed the NACA Disclosure to agree to hold NACA harmless for any damage they may suffer or think they have suffered as a participant in the NACA Program.

### Participation Pledge

All persons applying for NACA Credit Access must agree to participate in at least five activities a year in support of NACA's mission and sign the participation pledge stating that they will do so.

### NSF Disclosure and Application

All persons applying for NACA Credit Access must have signed the Neighborhood Stabilization Fund Disclosure and Application.

### Commit to Live in the Home

You must commit to live in the home for as long as you have a mortgage through NACA. If it does not appear that you intend to live in the property, NACA will not approve your application for NACA Credit Access.

### Do Not Own Other Property

If you or any member of your household own other property at the time you apply for NACA Credit Access, NACA will not approve your application for Credit Access unless you or the member of your household have committed to sell the property prior to your closing.

## **NACA POLICIES**

### Payment for Services

Members cannot pay any money to NACA except for credit reports. If you have paid a NACA employee any money for anything else, NACA may not approve your application for NACA Credit Access. You should immediately contact the Member Services Director at 888-297-5568 if any NACA employee is charging you a fee other than for your credit report.

### Prohibited Referrals

NACA employees and agents are prohibited from referring Members to non-approved real estate agents or other vendors. If you have accepted such a referral, NACA may not approve your application for NACA Credit Access. You should immediately contact the Member Services Director at 888-297-5568 if any NACA employee or agent is referring you to an outside agent or vendor that has not been approved by NACA.

### Real Estate Agents

If you present a property you identified through another broker/agent while you were working with a NACA Buyer's Agent or Referral Agent, NACA may not approve your application for Credit Access.

### Prohibited Agents, Sellers and Developers

There are real estate agents, sellers and developers that do not serve their communities, have not or will not adhere to NACA's policies and procedures, and/or have a history of selling homes that are overpriced, in poor condition or are not acceptable for NACA Members. If you use one of these agents or purchase a home from one of these developers or sellers, NACA may not approve your application for NACA Credit Access. You should ask your Housing Consultant to identify the prohibited agents, sellers or developers in your area.

## **PROPERTY REQUIREMENTS**

### Property Location

The property must be in the Priority Area unless you were advised that you are eligible to purchase in the Service Area.

### Purchase and Sale Agreement

You will need to provide a fully executed Purchase and Sale Agreement (signed by all persons intending to apply for NACA Credit Access and the seller) that contains stipulations that at a minimum require a satisfactory inspection (unless one has been completed), provides at least ten business days to submit a mortgage application and provides thirty days to close.

### Multiple Listing

If the property was listed on the MLS, you must provide a copy of the listing.

### Vacant Units

The Contract must state that the property—or if it is a multi-family property, at least one unit—will be vacant at the time of the closing. If the property is a multi-family property, you must provide documentation that all tenants who will remain in the property are paying their rent on time.

### Inspection

You must provide an inspection report that meets NACA requirements for quality and impartiality and that uses the HomeGauge software. You must also provide NACA with a Termite Inspection Report from a certified Termite Inspector.

### Property Condition

If the inspection report lists any items that need repair/rehab or are not fully operational, the Purchase and Sale Agreement must require the seller to make those repairs, or you must demonstrate that you will make those repairs with a rehab loan or an escrow of funds at closing. The NACA Repair List and any attached addenda will state repair responsibility. If the seller is doing repairs, they must be completed and inspected before closing can occur and state as such on the contract or addendum to the contract. You will need to provide bid proposals for all “buyer” repairs, or appropriate rehab documents if the repairs are substantial and being rolled into a rehab loan (Step 6). Open communication with your Housing Consultant and buyer’s agent is vital at this stage.

### Closing Location

The Purchase and Sale Agreement must stipulate that the closing will occur at the NACA office, and that a NACA-approved settlement agent will conduct the closing (the lender pays the cost of the settlement agent and all buyer closing costs). This applies to both pre-owned and new home construction.

# STEP EIGHT

## MORTGAGE APPLICATION & PROCESSING

If you have followed NACA's comprehensive program, by the time you submit your Purchase and Sale Agreement and inspection report you will have completed almost everything necessary to apply for a mortgage. Since NACA has engineered state-of-the-art software that provides for a paperless mortgage process, your mortgage application and process should be streamlined and done in a short time period. The Housing Consultant will electronically submit your application to a Participating Lender, and you should receive approval within days. Loans can close in another one to two weeks. This short approval process will be a strong selling point to sellers and their real estate brokers/agents. The intensive preparation you completed with your Housing Consultant can give you leverage to negotiate a lower price and a better agreement.

If you have additional savings, you will have to decide whether to utilize the interest rate buy-down before you start your mortgage application. Buying the rate down will allow you to save a considerable amount on each monthly payment. For each one percent of the mortgage you pay up front, you will receive a 0.25% reduction in the interest rate, which would reduce your monthly mortgage payment, but not change the amount of your equity. On a \$100,000 mortgage, if you invest \$4,000 in funds to buy-down the rate, you will save approximately \$720 a year on your mortgage payments. After approximately five years you will have recouped your money and will be saving \$720 a year for as long as you have your mortgage.

When you receive your mortgage application, you should verify all the information to make sure that it is accurate before signing. Check your address, your phone numbers, your income, asset and liability information, property address, price and other information. If there is inaccurate or outdated information, your Housing Consultant can correct it.

After NACA submits your application to a Participating Lender, the lender will send you several documents, including the Good Faith Estimate (which shows you an estimate of how much money, if any, will be due at the closing) and the Truth In Lending statement (which shows you the lifetime cost of the loan). The lender may also request additional information and explanations for adverse items on your credit report.

It is important that you notify your Housing Consultant of all such correspondence, since the lender may request documents that are unnecessary in the NACA program. The Housing Consultant can also help you resolve any problems that arise.

The mortgage approval will be subject to an appraisal and may contain other conditions, such as the requirement that repairs be completed prior to closing or funds escrowed for repairs to be completed after closing. You will also need to find homeowner's insurance, since you need to buy a one-year policy before you close. You should shop around since NACA does not guarantee the service or prices of any insurers on its vendor list. If you have concerns, you can check with your Housing Consultant to see if NACA has any vendor-approved insurance agents.

## **TYPES OF INSURANCE ON MORTGAGE LOANS**

The following types of insurance are available for mortgage loans. You should decide whether or not they are appropriate for you. The only required insurance is hazard/homeowner's insurance and flood insurance (if your home is in a flood plain).

### **Homeowner's or Hazard Insurance**

This protects your property against loss due to fire and other hazards. The lender requires that coverage be maintained for the loan amount. It is advisable, however, that you obtain enough coverage to replace your property and its contents as well. Except for the first year, which you pay for prior to closing, your homeowner's insurance will be paid from an escrow account maintained by the lender. Although the insurance costs are included in your monthly mortgage payments, you are responsible for obtaining the insurance and making sure that the coverage is adequate. You can change your insurance company and coverage as long as you are insured, at minimum, for the loan amount. Most participating lenders require that your deductible not exceed 1%. If you have questions, you should speak with your housing consultant.

### **Flood Insurance**

This protects your property against floods (rising water), but is only required in flood plains. However, you may want it if you are purchasing in a community with a history of flooding.

### **Warranty Insurance**

This protects you against defects in the property that may arise after the closing. If the property is a new construction, the builder will usually carry a one-year policy that would fully insure you against defects. You can purchase policies that extend this warranty for up to ten years. This insurance usually applies to new constructions only. There are Home Protection Plans available when purchasing pre-owned property. The protection period is generally for one year and warrants items like water heaters, air conditioning and heating systems, appliances and other miscellaneous items that can be costly to repair and/or replace. You may want to ask your Housing Consultant if the insurance is available in your area. It is often a good policy to have and in some cases can be negotiated into the contract as a seller concession.

### **Mortgage Life Insurance**

This will pay off the remaining debt or a portion of the remaining debt on the property in the event of your death. You would likely get a better deal through standard life insurance.

### **Disability Insurance**

This will cover scheduled mortgage payments in the event of your inability to make payments due to illness or injury. You should fully understand the terms of these policies before purchasing them. Many policies last only for a limited time period.

### **Accidental Death and Dismemberment**

This will pay your mortgage if your death is the result of an accident, or you lose a limb or your sight as a result of an accident.

### **Title Insurance**

Title insurance protects against claims made by people who think they have an ownership right to the property. While these claims are usually discovered by the lender's attorney during the title search, there is no guarantee that all claims were uncovered. The lender will purchase this insurance to protect its interest in the property. You would have to purchase separate insurance to cover your interest.

# STEP NINE

## MORTGAGE CLOSING & ISSUES FOR NEW HOMEOWNERS

The closing occurs at the NACA office, where you conduct the formal transactions concerning the mortgage and the purchase of the house. The seller, the listing broker/agent, the NACA Buyer's Agent or selling agent, and the settlement agent will usually be present at the closing. Other NACA staff will be available to answer any questions or address any concerns.

### Preparation for the Closing

- Prior to the closing, you will have to buy one year of hazard/homeowner's insurance. The insurance binder must be given to the Housing Consultant soon after receiving loan approval. The lender must be designated as the recipient (loss payee) of the insurance policy.
- You should contact the NACA Office to determine how much money, if any, you will have to bring to the closing to cover the escrows and pre-paid items (taxes, insurance and interest), as well as voluntary interest rate buy-downs. Sometimes the earnest money deposit will cover these items.
- You need to bring a certified check or bank check to the closing to pay for escrows, pre-pays and/or other costs.

### Walk Through

One of the most important tasks you will perform in the whole purchase process is the pre-closing walk-through. One of the worst nightmares you can have is to unlock the door to your new home and discover that the property is a mess, promised repairs were not made, or that a tenant who was supposed to move out has not. While you may be in the middle of moving and may have given notice to your landlord, you need to immediately address any problems with your new home. A problem that may have taken a short time to resolve can ruin your home buying experience and cause long-term problems.

If you determine that there is damage to the property, that repairs were not completed or that tenants have not vacated, *you must address these issues before closing*. Once you close and own the property, it will be extremely difficult to fix the problems. If the seller does not cooperate, you will have to sue them, which may cost more than the repairs. If there are tenants, it may be both expensive and difficult to evict them. You must notify your Housing Consultant of any violations of the Purchase and Sale Agreement. If you have retained an attorney, you should inform him or her of your concerns. If you are using a NACA Buyer's Agent or Referral Agent, he or she should be able to assist you.

Your options may be limited. If the repair problems are serious, NACA or the lender may stop the closing. Other options include demanding that the seller put money in escrow to make repairs or clean up the property. If the seller agrees, the settlement agent can hold the money and pay it either to the seller when the conditions are met, or to you once you provide them with receipts for the work (you cannot collect cash at the closing).

Again, no matter how much you are working on your move, you do not want to start your homeowner experience with a nightmare of repairs and problems that you would not have the time or resources to fix.

### **The Closing**

While most closings go smoothly, many buyers use attorneys to make sure that everything they negotiated in the Purchase and Sale Agreement has been satisfied and to help protect their interests in case there is a dispute. If you did not retain an attorney, you should make sure that you understand what the seller agreed to do and that all conditions have been met. Your NACA Buyer's Agent or Referral Agent can assist you with these issues.

If you are purchasing a property with tenants, make sure that if the seller has collected last month's rent or security deposits from the tenants, they have transferred the funds to you. You will be responsible for both when the tenant asks for them. Make sure that the utility bills are paid and any adjustments needed are made. This is true for taxes also—you may actually owe the seller for taxes already paid. The settlement agent should be able to confirm these issues, but the settlement agent may represent the bank, so you should protect your own interests.

You and the seller will need to sign a number of documents in order to transfer the title of the property. One of the important documents is the HUD-1 Settlement Statement, which summarizes all the financial aspects of the purchase and the loan you have obtained. Each of these costs, charges and adjustments are itemized separately and should be explained to you by the attorney or settlement agent. The statement serves as your receipt for all sums that you pay in connection with the purchase.

Documents you will sign include the following:

- **Deed:** The legal instrument that is signed by the seller(s) that transfers title to the property from the seller(s) to you.
- **Note:** The instrument that constitutes your written promise to repay the money loaned to you by the lender. It creates a personal obligation to repay and sets forth the terms (i.e. interest rate, monthly payment) for repayment.
- **Deed of Trust or Mortgage:** The instrument by which you grant a lien upon the purchased real estate to the mortgage lender to secure your promise to repay the note. It also authorizes the lender to institute a foreclosure sale of the property if you fail to repay the loan as agreed.
- **Truth-in-Lending Disclosure:** Summarizes the actual costs associated with the loan you have obtained.

You will have the opportunity to purchase various insurance policies at the closing. All are optional except the homeowner's insurance and, where appropriate, flood insurance.

Please take your time with this process and get all your questions answered by the attorney or settlement agent or NACA staff. Once you sign all the papers, you will be the new owner of the property. Generally the loan will fund the same day you close. Funding allows the seller to be paid, at which time they will turn the keys over to you. You can move in immediately. You should contact the utility companies a day or two before you close to schedule hook up of electricity and water. Oh, and remember to change the locks. ☺

*Congratulations  
on a dream come true!*

### **DEALING WITH INITIAL PROBLEMS**

You should be prepared for the possibility that some problems were not detected during the home inspection. While you may have recourse, it can be problematic to address these issues once you own the house. These may include:

- Appliances that don't work properly (refrigerator, dishwasher, disposal, etc.).
- Minor annoyances such as sticking doors or windows, peeling paint, leaky faucets.
- More serious hidden defects including problems with structural integrity, plumbing, heating/cooling and electrical systems, the roof, etc.

#### **Older Homes:**

- Unless you acquire an extended home warranty from the seller in writing (for example in your purchase agreement), you are *not* protected in cases of defects.
- You are probably protected if you buy a newly renovated house from HUD/FHA (this warranty against major defects usually extends for one year after purchase).

#### **Newly Constructed Homes:** (You are the first owner)

- You have an "implied warranty" from the builder that the house does not have major defects and that all systems will work properly. Be prepared to argue with them about fixing major and minor problems. You should not close on a new home if there are still repairs to be done, even minor issues. There's less incentive once they have their money.
- You may get a written warranty from the builder as part of your Purchase Agreement or under the Homeowner's Warranty Program sponsored by the National Association of Home Builders.

- Homes subsidized by HUD/FHA under Section 235 are warranted for a period of one year from the date of purchase.

*Remember: The appraisal by the lender, FHA or Title Insurance Company does not mean that the house is approved or warranted against any defects. You are ultimately the only responsible party. Don't let anyone tell you differently.*

## **KEEPING GOOD RECORDS**

You must keep good records for your house. This is your insurance against lenders or creditors who claim that you did not make a payment and contractors with whom you may have a dispute. NACA recommends that you have at least the following and keep them in your NACA briefcase:

### **Records of your purchase and ownership of the house:**

- Receipts for the money paid at or before the closing (loan disclosure statement)
- Copy of the Mortgage or Deed of Trust
- Copy of the Note
- Copy of the Truth-In-Lending Disclosure
- Copy of the HUD-1
- Your warranties on the house (if any)
- FHA- or VA-related documents

### **Insurance records:**

- Copy of hazard or homeowner's insurance policy
- Mortgage, life or flood insurance policies
- A list of your personal property in the home and its value (photographs of each room are helpful)

### **Maintenance, Repairs and Home Improvement records:**

- Utility bills and receipts
- Receipts for any repairs (including labor and materials)
- Warranties on any items in the house (equipment and appliances)
- Description of any improvements you have made to the house and documents or receipts showing the cost of the work

### **Tax and Mortgage Payment records:**

- Receipts of all payments made to your mortgage lender (real estate taxes and mortgage interest payments are deductible from your income for tax purposes)
- Annual statements from the lender showing how much principal and interest you've paid
- Other receipts for local taxes or assessments you have paid

### **Other records:**

- Homeowner's association dues paid
- Other payments you may have made for your home, such as condominium or cooperative association dues and maintenance expenses

*Remember: Save your cancelled checks as they may be your only receipt.*

## **MAKING YOUR MORTGAGE PAYMENTS**

Mortgage payments are due the first day of each month and cover the previous month's principal and interest. It is very important for you to make your payments on time. Lenders will not accept partial payments; therefore, it is important that you stay on track and make your full mortgage payment each month.

Each month you should receive a statement of the amount you owe the lender. The statement usually includes:

- Total payments in the current year for interest and principal, real estate taxes and hazard insurance.
- How much is due for interest and principal payments on the loan, real estate taxes, hazard insurance and the NSF.
- The balance of the loan.
- Late payment charges you will incur if you do not pay on time.

Alternatively, you may receive a year's supply of coupons or payment cards to mail to the lender each month with your check.

### **Late Payment Charges:**

- Whenever you make a late payment, you may be charged a fee.
- Late payment charges usually range from 1% to 5% of the amount you owe the lender for the month. They can be higher.
- *Some* lenders may allow you a "grace period" (for example to the 15th of the month), during which they will not charge you a fee.
- Whenever you do not pay the lender on time, you are delinquent on the loan.

### **Delinquency is Serious:**

- If you know you will not be able to make your payment, you should contact NACA so that we may assist you and prevent you from losing your home.
- Late payments hurt your credit.
- Late payments hurt the NACA program and may affect our ability to continue to provide this opportunity to others.
- Excessive late payments could prohibit future use of the NACA program.
- The lender may advise you that you are in default on the loan.
- The lender may add substantial attorney's fees
- The lender will probably be more accommodating if you have a good history of on-time payments.

*Remember: Late payments hurt not only you but NACA and the other working people who want to purchase their first home!*

## **OWNING A MULTI-FAMILY HOME AND BECOMING A LANDLORD**

### **Getting Tenants:**

- Interview several applicants before choosing. In most cases, you can obtain rental applications from local real estate offices.
- Always ask for prior landlord references. Did they pay rent on time? Did they respect the property? Would the landlord rent to them again?
- Ask for current and past employers. If they aren't employed consistently, they may not make consistent rent payments.
- Obtain the first month's rent and security deposit prior to your tenant moving in. Some states require you to put the security deposit in a separate escrow account, which is a good idea even where not required.
- If they are paying by check, remember that it takes approximately three days for a local check to clear and up to ten days for an out-of-state check to clear.
- If you want a tenant to commit for a fixed period of time, have them sign a lease. You may be able to get a sample lease from your real estate board.

### **Protecting Your Cash Flow:**

- Save enough money to cover your entire mortgage payment for at least three months.
- Develop a savings account for emergencies. Replacing the furnace costs approximately \$4,000. Repairing a leak could cost from \$100 to \$2,000 or more. Roof replacement is approximately \$4,000 to \$7,000.
- Set up an escrow account for security deposits; your bank will help you. Security deposits can be used to make necessary repairs if your tenant damages the property.

### **Make and Enforce Rules:**

- Develop, write down and provide copies of rules for the units to the tenants. These include when the tenant owes rent, whether they can have pets or clothes washers and what they can do to the units. You have the right to set almost any rules you want as long as they do not discriminate against people.
- Make sure you enforce the rules. Check with your local courts to find out what actions you should take if a tenant does not pay rent on time. You do not want your tenant to get into the habit of not paying rent.

### **Maintenance and Repair:**

- Develop a checklist of all the parts of your rental units. It should identify the condition of the walls, ceiling, floors and windows in all the rooms, the kitchen appliances and fixtures, the bathroom fixtures and any other items in the unit. Use this checklist every time a tenant moves in and at least once a year.
- You must keep your apartments in compliance with your state or city housing code. This means you must fix problems when they occur and make sure the plumbing, heat, electricity and appliances are working.
- Unless you do repairs yourself, keep a list of good trades-people. You may need to call a plumber or other repair person on a moment's notice. Your NACA office can give you leads or you can ask your friends and neighbors for referrals.
- Before any trades-people perform work, you should get a written contract stating what they will do and how much it will cost.

Only *you* can protect your investment. Owning a multi-family home has many rewards and responsibilities. The more prepared you are, the more rewarding it will be.

### **WARNING – DO NOT OVER EXTEND YOUR CREDIT**

Moving into your home is exciting and you will want to fix it up to be just as you dreamed. Be careful, however; this is not the time to charge up your credit cards and add additional debt payments. If you saved prior to purchasing your home, you should be able to afford the basics that you will need, such as curtains and lawn care items. Unless you have saved a considerable amount, do not expect to refurnish your home in the first few months. Take your time and try to save money before purchasing expensive items. You do not want to get into a situation where you have creditors calling you or you cannot make your mortgage payment on time.

Once you have purchased a home, you will receive many offers for credit cards and home equity loans. Predatory lenders and loan sharks, who may be in the guise of major corporations, are waiting to offer you high-interest loans and steal your home if you cannot make payments. You will probably even receive checks in the mail that can be cashed with just your signature. However, cashing these checks, taking out equity loans or charging on these credit cards only puts your home at risk.

### **Bankruptcy**

Once you are in debt, you will have few options. You may see television advertisements or hear advice telling you that the best way to solve debt problems is by filing for bankruptcy. Bankruptcy, however, will cost you additional money and may not discharge all of your debt. If you are late on your mortgage payment, it will not save your home.

In bankruptcy, there is an important distinction between secured debts and unsecured debts. Unsecured debts, such as a credit card, are dischargeable in bankruptcy, while secured debts are not. Because a mortgage is secured by your home, it is not dischargeable. Neither your current mortgage payment nor your past due payments will be discharged if you declare bankruptcy. In fact, your mortgage payments will increase to cover unpaid amounts and the Bankruptcy Trustee's fee.

Many lawyers and accountants make their money by preparing bankruptcy papers. They may encourage you to file even if it is not in your best interest. The best way to avoid this tough decision is to avoid getting in debt. If you do find yourself in trouble, it is best to consult NACA. NACA can provide extensive assistance, including financial assistance, if you are at risk of losing your home. *NACA cannot assist you if you are in bankruptcy.*

# STEP TEN

## POST-OWNERSHIP PROGRAM

NACA, in conjunction with the Neighborhood Stabilization Fund (NSF), provides it's Members with an unprecedented post-ownership program, which includes continued assistance from NACA, the opportunity for active involvement in your neighborhood and the ability to impact national issues. NACA truly is a neighborhood stabilization organization.

There are two major components to NACA's Post Ownership Program: First, the NSF, through its Foreclosure Prevention Program, provides comprehensive individual assistance – including financial assistance – to NACA homeowners who are at risk of losing their home; second, the NSF's Neighborhood Stabilization Committees (NSCs) help Members keep their neighborhood safe from drugs, violence, predatory lenders and other destabilizing influences, and facilitate the continued involvement of NACA homeowners in their communities and in nationwide activities.

### **Neighborhood Stabilization Fund vs. Mortgage Insurance**

The services provided by the NSF take the place of Mortgage Insurance (MI), which a borrower with less than a 20% downpayment is required to purchase. MI costs substantially more than the NSF, while the borrower receives none of the benefits: It is insurance that protects a lender or investor against loss if a borrower does not make their mortgage payments. In fact, if a borrower is in foreclosure, an MI policy creates an incentive for lenders to sell the property as quickly as possible in order to keep their losses from exceeding the total amount they can collect on the policy—approximately 33% of the loan amount.

The Neighborhood Stabilization Fund (NSF) was established to protect NACA Members from foreclosure. The NSF provides comprehensive counseling, payment agreements, financial assistance and other benefits for Members and their communities, which are available for as long as the Member has a mortgage through NACA. The NSF is much more comprehensive than Mortgage Insurance, provides a substantial benefit to the borrower and is must less expensive. See the chart below for a comparison between MI fees and the NSF fees (which are included in the monthly mortgage payment).

Mortgage Amount	Mortgage Insurance <sup>1</sup>			The NSF		
	Fee <sup>2</sup>	Term	Cost	Fee	Term	Cost
\$99,999 or less	\$75 month \$910 year	12 years	\$10,920	\$50 month \$600 year	5 years	\$3,000
\$100,000 and \$199,999	\$150 month \$1,820 year	12 years	\$21,600	\$50 month \$600 year	7.5 years	\$4,500
\$200,000 or more	\$227 month \$2,730 year	12 years	\$32,688	\$50 month \$600 year	10 years	\$6,000

(1) Based on a \$100,000, \$200,000 and \$300,000 no down payment mortgage for buyers with very good credit.

(2)The MI cost is .91% of the loan amount per year (if MI was required on the NACA product, it would be greater than 1.00% per year). MI must be paid until the mortgage balance is reduced to 78% of the original loan amount, which typically takes approximately 12 years.

## **FORECLOSURE PREVENTION PROGRAM**

Despite all the preparation you will complete through this program, unforeseen emergencies can disrupt the best-prepared financial plan—even one prepared with NACA's assistance. In these situations, the NSF Foreclosure Prevention Program combines free comprehensive counseling, including financial and credit advice, with short-term financial assistance to help you meet your mortgage obligations. It is designed to ensure that if you ever actually require financial assistance, you will be well-positioned to use the funds to avoid foreclosure. The NSF staff can also answer your questions about your mortgage payments, escrow accounts and more.

If you encounter serious difficulties, the NSF provides you with access to funds to make up to three months of mortgage payments. Each month's payment requires a separate application to the NSF. Requests for financial assistance need to be approved by a Peer Lending Committee, which is made up of your fellow NACA homeowners. These committees are responsible for ensuring that the funds will be used as a part of your determined effort to keep your home. The funds for financial assistance come from the monthly fee Members pay to the NSF. Members have access to the assistance for as long as they have a mortgage through NACA. If you are interested in serving on the Peer Lending Committee, please contact the NSF department in NACA's national office, or your local NACA office.

The funds provided by the NSF must be used to make your mortgage payment. Although no interest accrues on the funds provided, you will need to sign a recapture agreement with the NSF which will create a lien on your property until the amount provided is repaid; if it has not been repaid by the time you resell or refinance your home, that amount will be deducted from the proceeds of the sale or the new mortgage amount. Except in extraordinary circumstances, to receive assistance you must also provide a matching mortgage payment. If the assistance and matching payment do not bring your mortgage current, you must agree to a forbearance agreement and a payment plan to become current. If you are unable to become current with additional payments, you may be able to modify your loan by adding the arrears to the loan and re-amortizing it. This would marginally increase your mortgage payment, but you would now be current. Once you have received three monthly payments' worth of assistance, you are not eligible for any further funds until you repay at least one monthly payment's worth of assistance. You should repay the total amount of assistance provided as soon as possible to restore the assistance safety net and to release the liens on your home.

You must meet the following conditions before you can apply for financial assistance:

- Reside in the house from the date of purchase.
- Be at least 30 days late on the mortgage payment.
- Not be in bankruptcy.
- Meet with a NACA Housing Consultant.
- Complete an application for financial assistance.

If you have refinanced the mortgage obtained through NACA, you are no longer eligible for financial assistance. If your mortgage was transferred or sold by the lender, however, you remain eligible.

## **PROCEDURES**

Should you require assistance from the NSF, please follow the procedure outlined below:

### Step 1: Contact NACA

Contact the NSF national department at 1-888-297-5568 or your local office as soon as you know that you may have a problem making a mortgage payment. If you are late making a mortgage payment, you should contact NACA immediately. You may also be contacted by a NACA staff person to determine the cause of the delinquency. If the issue arises from administrative problems with the lender, NACA will work to correct them and prevent your credit from being adversely affected. If the issue is an oversight, you will be encouraged to make timely payments because late payments can seriously damage your credit. If the problem has to do with poor financial planning, job loss, an emergency or other issues, then NACA will work with you to develop and implement a plan to protect your home from foreclosure.

### Step 2: Counseling Session(s)

All borrowers on the mortgage application should attend the counseling sessions. The Housing Consultant will help you develop a financial plan to get you back on track with your payments. If you are having problems with income, the Housing Consultant could, for instance, help you arrange rent collection from delinquent tenants. If you have unaffordable expenses, the consultant will provide you with a Budget Form which, once completed, he or she can use to help you develop a realistic budget.

In cases where you are unable to immediately become current on your mortgage, the lender will require a Forbearance Agreement which specifies an increased payment plan that would bring you up to date. In it, you agree to make certain payments on specific dates. You should establish an automatic withdrawal from a checking or savings account to make sure your mortgage payments are made on time. In certain circumstance, a loan modification may be possible.

After your counseling session, you can request financial assistance from the NSF. The Housing Consultant will help you prepare an application for NSF funds. When all the necessary information has been gathered, you must submit the application to the Peer Lending Committee. You should also continue to receive counseling, including ongoing financial planning.

### Step 3: Peer Lending Committee Meeting

Committee meetings take place on the second Tuesday of each month. Only Members who are current on their mortgage can actively participate on a Peer Lending Committee. Applications for assistance must be submitted to the committee by the first Thursday of the month. All borrowers and co-borrowers, when possible, must attend the Peer Lending Committee meeting. If you cannot attend and must reschedule for the following month, make every effort to keep up with your mortgage payments until you are able to apply for assistance.

When making their decision, the Peer Lending Committee considers your current financial situation, financial history, spending habits, plans to rectify your situation, plans to prevent future problems and other relevant factors. The Committee may also review your Budget

Form, credit report, forbearance agreements and other documents. They will ask you questions about why your difficulties occurred and what you are doing to remedy your situation. NSF funds will usually not be approved when mortgage payments can be made from other available funds, or when existing expenses can be reduced. Unless explicitly waived, approvals are always conditioned on the applicant making a payment to match the NSF assistance.

The Peer Lending Committee can approve an application, approve the application with conditions, or deny the application. You can only be approved for one month of assistance at a time. This allows the Lending Committee to review your situation to determine the effectiveness of the assistance and whether you require further assistance. Decisions by the Committee become void if you provide false or misleading information or material. All decisions by the Committee are subject to review and approval by NACA's National office.

#### Step 4: Disbursement of Funds

If the Committee approves your application, you must fulfill all the conditions of the approval before receiving the financial assistance. The National office will then make a payment directly to the lender. Before the funds are disbursed, you will first need to provide the following:

- Signed Forbearance Agreement, if necessary.
- Signed Recapture Agreement and lien.
- Matching funds (in the form of money order or equivalent).

The NSF is not responsible for late penalties on payments made after the 15th of the month or attorney's fees for loans in foreclosure. Members who want to avoid these fees should meet any conditions as soon as possible to reduce the chances that these fees will be imposed.

### **NEIGHBORHOOD STABILIZATION COMMITTEES (NSCs)**

The Neighborhood Stabilization Committees offer Members a vehicle for organizing their communities to address issues such as financial exploitation and economic injustice. Many neighborhoods have large numbers of NACA Members who share the goals of keeping their community safe and improving the services available to it. NACA organizes its NSCs into groups of ten to twenty NACA homeowners, who meet at least once every three months. NACA assists in organizing and coordinating the committees, and provides a network between committees around the country to give them national grassroots influence.

Some of the issues which the committees might address include the quality of the school system, violence in the community, drug activity, gangs, lack of government services and abandoned housing and lots. The NSCs encourage you to become actively involved in your own community; as a NACA Member, you should become a pro-active force for change by raising in the NSC issues that you feel need addressing. NACA can also connect your NSC with other NSCs, churches, non-profits, and other organizations that are engaging with those issues.

The NSC is a valuable homeownership resource. The Committee, with NACA's assistance, is able to identify and build relationships with quality contractors and craftspeople for when you

need repairs or maintenance. Members of the NSC may also be able to help locate a tenant for a vacant apartment or provide other assistance and advice. If your fellow Members in the NSC sense that you are having financial difficulty, they can help by referring you to the Neighborhood Stabilization Fund for financial counseling or other assistance.

Revitalizing a community requires a critical mass of people to organize their neighbors, make improvements, and provide encouragement for other families to move in. New NACA homeowners can provide the necessary infusion of energy, enthusiasm and resources through the local NSC. If you are interested in hosting an NSC meeting—which usually takes place at a Member's home—please contact NACA's National Office at 1-888-297-5568.