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Terms of New NACA Loan Program Unbelievably Good



JOHN ADAMS

Let's try to design the perfect home purchase .

First it would involve a mortgage that requires no down payment. Not even a penny of your own money would have to go into the purchase. Then it would really be nice if there were no closing costs and no application fees. Furthermore, it would be just too good if we could get extended debt ratios for those of us who don't fit conventional guidelines. And to top it all off, could somebody offer this *type* of loan not just for the purchase of homes in good shape, but also for acquisition and rehabilitation projects!

This loan may sound impossibly good to you. It did to me, until I heard about the new program being offered by Neighborhood Assistance Corporation of America (NACA) in Atlanta.

This loan program is designed to help those who have reasonably good credit and are working but simply have not saved up the down payment. The theory is that if loan applicants will educate themselves on the budgeting process and submit to post-purchase counseling, they are less likely to default on their loan obligation. Therefore, while the lender is Nations Bank, NACA administers the loan program from beginning to end.

To get the type of loan described above, you must pass a home buying class and obtain one-on-one counseling about the responsibilities of homeownership. In addition, if you fall behind in your payments, NACA representatives will meet with you and try to get you back on track. Such post-purchase counseling has proven effective before in Atlanta, but most lenders aren't set up to react quickly to late payments from borrowers. As a result, it may be six months before a lender actually talks with a delinquent homeowner. By then, the financial hole may already be too deep.

These loans are intended primarily for first-time home buyers, although refinancing for debt consolidation and home improvement are allowed. You may not own other property, and you must live in the home you finance as long as you own it.

Also, you must make enough to qualify for the loan you seek, but household income is limited depending on the number of people living with you. Single-applicant income cannot exceed \$29,100, while a family of six can earn up to \$48,250. However, if your home falls within the "priority area," no household income limits apply. Some of the targeted areas are parts of Fulton County south of Pence de Leon Avenue; most of DeKalb County south of College Avenue and inside I-285; Forest Park; East Point; and Hapeville. Maps of target and service areas are available from NACA.

We know that there is a direct relationship between home

ownership and wealth accumulation in this country. Yet one in three Americans continues to live in a home that the head of household does not own. The rest of us live in owned homes. We call that percentage the homeownership rate, and it has hovered around 66% for several years. The principal factor affecting the rate in the past has been interest rates. When rates drop, homeownership raises, but only slightly.

Studies have shown that the No. 1 barrier to homeownership among Americans of low to moderate income is lack of funds for a down payment. Another major barrier is lack of information about the home buying process. This loan program addresses these barriers head-on and seeks to make it easier for anyone to own his own home. In addition the loans are being offered at or below current market rates.

One interesting feature of this program is that NACA controls the entire home buying process. It provides buyer education and individual counseling and even offers a buyer brokerage service to help purchasers find a home and negotiate a good deal. In addition NACA offers rehab management services and post ownership assistance if a borrower falls behind in mortgage payments.

Programs such as this one have been tried in the past, but never on such a scale. NationsBank has agreed to offer \$500 million in home loans nationwide.