

**Memphis (TN) Business Journal**

April 6, 1998

# 'Banking Terrorist' Out to Make Loans Easier

**Nicky Robertshaw**

A Boston-based housing advocacy group has opened an office in Memphis, with plans to make homeowners of Memphians who otherwise couldn't accomplish that goal.

Neighborhood Assistance Corporation of America, working out of its offices on Elvis Presley Blvd., is hiring staff and laying the groundwork to parlay some \$75 million that NationsBank has committed to this market into low-cost mortgages for those who agree to extensive homeowner education and other requirements.

In this role NACA is an umbrella organization that handles everything from conducting consumer workshops, cleaning up credit problems and setting up meetings with NationsBank loan officers, to finding renovation specialists and arranging closings, says Pam Brooks, the senior housing counselor that's heading up the Memphis office.

The non-profit organization chose Memphis for its 11th office because, even though there's high employment in the city, income levels aren't very high, says NACA executive director Bruce Marks. As a result, many residents aren't able to save money, and therefore can't come up with the down payment and funds to cover closing costs.

"That's the fundamental issue we deal with," Marks says, noting that the home buyers they work with pay no closing costs, down payment or other major expenses usually associated with purchasing a home.

NACA is able to eliminate these costs for the home owner because the participating banks absorb them. The organization gets its own income not from homeowners, but through the fees it gets for its administration services.

A critical element of NACA's mortgage area is a post-ownership program, complete with counseling and some financial assistance, to help participating homeowners get back on track in the event that they fall behind in their payments. Participants pay into this fund and agree to volunteer some of their time to NACA activities in exchange for the favorable mortgage terms.

For that reason, even though NACA has done more than 2,000 mortgages valued at \$200 million-\$250 million for individuals generally regarded as high-risk, there have been few defaults, according to the group's executives.

The Neighborhood Assistance Corp. is less known for its mortgage program and much more notorious for its executive director, who has described himself as a "banking terrorist."

Marks and his group, for example, have made national headlines in recent years by taking on the mortgage lending arm of Ford Motor Co., now called Associates Home Equity Services, Inc., accusing it of predatory lending practices.

Marks has been a vocal critic of other large financial institutions, including First Union Corp. and Fleet Financial Group, accusing them a few years back of refusing to lend money in low-income and minority neighborhoods.

In 1994 financial institutions started agreeing to improve their records by pledging millions of dollars for NACA to funnel into loans targeted in these areas.

So far, NACA has bank pledges for about \$1.3 billion, including \$750 million from NationsBank of which \$75 million is earmarked for Memphis.

With many of these pledges in hand, NACA started in 1995 to expand its mortgage program by opening offices in Washington, D.C., Charlotte, N.C., Atlanta and other cities. Now, NACA's goal is 22 cities, so it will continue entering new markets, including Dallas.

As for his plans for Memphis, Marks says that at some point he plans to look into the lending records of local banks.

"The job that NationsBank does is to set a standard. They can't be the only player doing this," he adds.

He stops short of pointing a finger at any specific Memphis bank, despite his history of not being shy about accusing banks.

Those familiar with the city's banks and housing programs say that NationsBank and NACA certainly are not the only players doing something to make home ownership available to Memphians with low incomes and credit problems.

First Tennessee, for example, has participated in all sorts of programs to improve the availability of housing, from developing credit and budgeting workbooks for the city's Housing Resource Center to helping to build housing under the federal government's Nehemiah program, says Herbert Hilliard, executive vice president, government affairs, for First Tennessee Bank.

He notes that other banks in the city also have participated in such programs.

As for NACA, he says, "if they can bring something new into the market, that's great. But there already is a great deal here."

The city has a number of programs, including its downpayment assistance program and the Housing Resource Center. Started a few years ago, this office does extensive education of would-be homeowners with trouble getting mortgages and helps them through the process - an approach not unlike what NACA does.

The local office of NACA, which opened its doors March 24, held its first workshop for potential homeowners on March 28, Brooks says. About 65 people attended, including the curious, and of that total, 35 people have applied to become homeowners or to refinance their current mortgages.

Brooks plans to start by processing 10 loans a month, but hopes to increase that to 30-40 a month as she adds staff.

The next workshop is set for April 28.

Too often, people put an offer on a house without even knowing what all they need to do, Brooks says.

"We reverse that. We don't send you out to look at a house until you have had some counseling," she says. That includes being realistic about the monthly housing note the candidate can afford, and cleaning up any problems with credit history.

The job is a natural for Brooks, who not only has worked as a loan originator, but also feels strongly about reaching out to the community. She has volunteered by helping teach adults to read and to fill out job applications, and sees NACA as a vital missing link between the mortgage industry and people who need homes.

The program isn't limited to low-income individuals or to minorities, she points out. However, anyone who's income is at least 80% of the city's median income must buy in a designated area. Currently, that area is Memphis proper, but NACA may narrow that area as it learns more about the city, she says.