



FIGHTING FINANCIAL EXPLOITATION WITH AMERICA'S BEST MORTGAGE

Housing Counseling & NACA Qualification

- Taking down the barriers to Homeownership
- Homeownership through advocacy



NO Downpayment
NO Closing Costs
NO Mortgage Insurance
NO Consideration of Credit Score
NO Perfect Credit
Below Market Interest Rate



NACA's BEST IN AMERICA MORTGAGE

Everyone That Obtains a NACA Mortgage Gets These Outstanding Terms:

- PURCHASE:** Owner Occupied Home Loans for a Wide Range of Eligible Property Types
Single family, Condos, Coops or Multi-family (two, three, or four units). Properties may be existing, in need of renovation, modular or new construction.
- REFINANCE:** Funds for Repairs & Renovation
Refinance existing mortgage, or properties without a mortgage to fund the cost for renovations to address primarily code, structural, and safety issues.
- DOWN PAYMENT:** None - 100% Financing
Not required
- CLOSING COSTS:** None
Lender pays for all lender required closing costs; not added to the loan.
- INTEREST RATE:** Below Market Fixed Rate
Always below market fixed rate with an additional one-percent reduction for low to moderate income Members and those purchasing in a low to moderate income area.
- TERM:** Fixed Term - Fully Amortizing
30-year, 20-year or 15-year.
- BUY-DOWN:** Permanently Reduce Interest Rate with Additional Funds (option)
One and a half percent of mortgage amount permanently reduces interest rate by 0.25% for the 30-year and 20-years mortgages and by 0.375% for the 15-year mortgages. This is a great added benefit to further reduce the interest rate to achieve an affordable monthly mortgage payment, or to purchase a more expensive house.
- POINTS & FEES:** None
Lender does not charge any points or fees.
- CREDIT HISTORY:** Credit Score Not Considered
Member's personal payment history is evaluated without the need for perfect credit or a minimum credit score.
- MORTGAGE INSURANCE:** None
No Mortgage Insurance ("MI") which only protects the lender. Members have access to NACA's comprehensive free post-purchase program for as long as they have a NACA mortgage.
- RENOVATIONS/REPAIRS:** Funds Set-Aside After Closing for Repairs
Add funds for necessary repairs or renovations, which can be rolled into the mortgage, paid by the seller, contributed by the Member, or with approved grant funds. NACA provides support throughout the renovation process.

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HomeSave: 425-602-6222, Option 3; HomeSave@naca.com

Real Estate: 425-602-6222, Option 6; RED@naca.com

THE BATTLE IS OVER BUT THE WAR GOES ON

Non-profit advocacy
HUD certified counseling agency



NACA

Neighborhood Assistance Corporation of America

Dear NACA Member,

The tremendous benefits you receive through NACA are the result of a tireless and ongoing struggle by thousands of NACA Members, employees, and volunteers to end predatory and discriminatory lending. As the national leader in fighting for and providing affordable homeownership, NACA has been on the forefront of this fight for over thirty years. We were the first organization to take on unscrupulous lending in our campaign against Fleet Bank, and we were the first to coin the phrase "Predatory Lending." Our efforts continue every day with our advocacy against predatory lending institutions and their discriminatory, abusive lending practices. NACA continues to expand homeownership opportunities for working people with the 15-year Wealth Builder Mortgage, 20-year Rapid Payoff Mortgage, and NACA's HOT-PHA program, which uses the Section 8/Housing Choice voucher for the mortgage payment.

NACA's success in achieving its overall mission of economic justice for working class people depends on you. As one of more than three million NACA Members, you are an essential part of an extraordinary organization. With your help, we can continue to provide and expand NACA's best in America homeownership programs and stay on the forefront of providing economic opportunity for primarily low to moderate income and people of color.

Your involvement is crucial. Apathy is the deadliest cancer of democracy – each of us must become advocates and accept responsibility for improving our society. As stated in the NACA Participation Pledge, we need your involvement with NACA in whatever way you feel comfortable. You must also be a registered voter, unless ineligible, and pay nominal annual Membership Dues, which are used to support NACA's homeownership programs and our advocacy campaigns.

NACA's success is built on the many people who struggled for civil rights and economic justice. Some of those people paid with their lives. You now benefit from NACA's success and from those who fought to move NACA forward. I sincerely hope that you understand the importance of your active participation. Regard it not as a requirement, but a privilege.

Welcome to NACA!

The Fight Continues,

A handwritten signature in black ink, appearing to read "Bruce Marks". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Bruce Marks
NACA Founder and CEO

NACA OVERVIEW

The Neighborhood Assistance Corporation of America (“NACA”), through its counseling subsidiary the Neighborhood Stabilization Corporation (“NSC”), is the largest non-profit, HUD-approved community advocacy and homeownership organization. NACA’s mission is to fight for economic justice through comprehensive counseling with access to NACA’s Best in America mortgage. NACA primarily serves low and moderate income and minority people who, without NACA, would likely be subjected to predatory terms or locked out of affordable homeownership altogether.

For over thirty years, NACA has established itself by providing the most effective homeownership programs in the country for both current homeowners with an unaffordable mortgage as well as prospective homebuyers. NACA’s CEO, Bruce Marks, accurately forecasted the mortgage crisis in his testimony before Congress on September 12, 2000. Today, NACA remains at the forefront in addressing predatory and discriminatory lending practices through its aggressive and relentless tactics confronting predatory lenders.

Purchase Program

NACA offers the best home purchase program in America, which includes free comprehensive counseling for individuals to evaluate their overall finances and determine if they’re ready for homeownership. NACA Counselors work with homebuyers for as long as it takes to become pre-approved for a mortgage and assist them throughout the home purchase and mortgage process. The vast majority of NACA homebuyers are people of color or are low to moderate income individuals who may not have perfect credit or substantial savings.

NACA has secured over \$20 billion in commitments from major lenders for the NACA mortgage, including \$15 billion from Bank of America. While NACA provides information about a range of mortgage options, homebuyers come to NACA to access NACA’s Best in America Mortgage. This one of a kind mortgage program offers every homebuyer the same incredible terms, making homeownership affordable without the need for perfect credit, large savings, or high income. The NACA Mortgage terms are:

- No down payment
- No closing costs or fees
- No Mortgage Insurance
- Character-Based lending with no consideration of credit score
- Below Market fixed rate 30, 20 and 15 year terms

Home Save Program

NACA has negotiated legally binding agreements with major lenders, servicers, and investors, making it America’s largest and most effective organization in providing affordable solutions for current homeowners with an existing unaffordable mortgage payment. Homeowners save hundreds if not thousands of dollars on their monthly mortgage payment by permanently reducing interest rates to as low as two percent and under certain circumstances, reducing the outstanding principal to achieve an affordable mortgage payment. NACA’s 144 American Dream Events nationwide set the standard in providing same-day affordable solutions for many homeowners at risk of losing their homes.

Advocacy

NACA coined the phrase “Predatory Lending” and continues to be on the forefront in fighting predatory lenders and advocating for economic justice. NACA has won long campaigns against the largest and toughest lenders, corporations, politicians, and government entities (see NACA’s History).

NACA is both feared and respected by lenders and decision makers nationwide, due to the active participation of its extremely large and expanding membership. Most importantly, NACA is beloved by the people for whom NACA fights and provides unprecedented outcomes. NACA is a major community force, fully committed to continue its aggressive advocacy campaigns and confrontational tactics, with a determination to pursue each campaign for as long as it takes (see NACA’s History). NACA’s homeownership programs will only survive and expand if we adhere to the premise that, while many battles have been won, the war for economic justice goes on.

National Results

**NACA Members: Over 3,000,000 • NACA Offices – 47 and rapidly expanding
NACA Mortgage: Over 75,000 • Home Save Affordable Solutions: Over 500,000**

NACA History

NACA's comprehensive homeownership programs, extraordinary mortgage products, and confrontational community advocacy approach have set the national standard for effective neighborhood stabilization programs. It's important to understand NACA's development over more than thirty years to be able to appreciate NACA's tremendous achievements.

BRIEF HISTORY: NACA began in 1988 in Boston as the Union Neighborhood Assistance Corporation (UNAC). Its roots go back to the Hotel Workers Union - Local 26, an activist union that established the country's first housing trust fund for union members. Learning from that experience, NACA employed the union's activist tactics to confront lenders engaged in discriminatory and predatory lending practices.

NACA was the first organization to take on the pervasive problem of *Predatory Lending*. In 1990, NACA initiated a campaign against second mortgage scams by financial institutions in Boston, who targeted long-term, elderly, and lower-income homeowners. Through refinancing combined with other products, the institutions sought to take the homeowner's equity and home in this predatory scheme. NACA focused on Fleet Finance, who surrendered after a four-and-a-half-year war. They committed \$8 billion to low-and-moderate income lending, and paid hundreds of millions of dollars in settlements to those they had victimized. Fleet also agreed to fund NACA's revolutionary mortgage product.

NACA's advocacy did not stop with Fleet; NACA continued to wage multi-year campaigns against some of the largest and most powerful financial institutions. NACA targeted First Union for its discriminatory lending practices, focusing on its CEO, Eddy Crutchfield (also known as "Fast Eddy"). NACA won after a multi-year campaign, and First Union agreed to change its lending practices for working people. Next, NACA targeted The Associates, the country's largest finance company called, and a subsidiary of Ford Motor Company. As a result of NACA's campaign, Ford ended their ownership of The Associates, and NACA subsequently forced them to reduce the interest rates for hundreds of thousands of its borrowers. NACA also won victories against Barnett Bank, Bank of Boston, Riggs, and others, prompting these institutions to make significant reforms to move away from their predatory lending practices as a direct result of NACA's efforts.

On September 12, 2000, NACA's CEO Bruce Marks testified before Congress and became the first to publicly predict the mortgage crisis. NACA targeted Countrywide, the nation's largest and most aggressive predatory lender. NACA was the first organization to expose Countrywide's predatory practices, and NACA's successful campaign established the most effective solution for restructuring unaffordable mortgages and saving homes. This was achieved through agreements with the major lenders/servicers and the major investors Fannie Mae and Freddie Mac, setting the national standard for assisting at-risk homeowners. NACA's accomplishments were unprecedented: 144 Home Save/American Dream events nationwide created the most successful model for assisting at-risk homeowners, with hundreds of thousands of individuals participating in these events, and many thousands were provided same-day affordable solutions.

NACA continues to organize massive events called Achieve the Dream to help homebuyers become homeowners with NACA's Best in America mortgage. These three, four or five day one-stop homeownership events attract thousands of interested homebuyers. At these free events, a homebuyer can attend a workshop, upload their documents, and meet with both a NACA Counselor and a NACA Mortgage Specialist to become NACA Qualified for the NACA Mortgage, all in one day. Many homebuyers are qualified the same day, while others receive an action plan with the next steps for NACA Qualification. NACA has completed over fifty of these Achieve the Dream Events nationwide, with many more to come.

NACA – REINVENTING MORTGAGE LENDING!



NACA's Timeline of Accomplishments

The NACA Timeline below shows how the NACA program, which may sound too good to be true, has been made into reality through aggressive advocacy and the provision of the most effective affordable homeownership programs in the country. NACA continues to advocate and set the national standard. You can read extensive media coverage and up-to-date information on NACA at www.naca.com.

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| 1988 | The Hotel Workers – Local 26 negotiates first ever Housing Trust Fund. After a three-year public campaign, the Hotel Workers Union in Boston negotiates the first ever housing trust fund with hotel management. This provides hotel workers with down-payment and other assistance in fulfilling the dream of homeownership. The contract requires an amendment to the federal Taft-Hartley Act. The Union Neighborhood Assistance Corporation is founded and later transitioned into NACA. |
| 1990 | President Signs Housing Trust Fund into Law. On April 18, 1990, President George Bush signs an amendment to Taft-Hartley into law after Local 26's national campaign, which includes sending hundreds of workers to Capitol Hill. This allows housing assistance as part of union and management negotiations. It is the first change to the Taft-Hartley Act in over 30-years, and the first time a local union got the Act changed. |
| 1991 | NACA Coins the term "Predatory Lending." NACA initiates the Second Mortgage Scam Campaign against the financial institutions which targeted minority homeowners with high equity through unscrupulous "home improvement". |
| 1992 | NACA Exposes Predatory Lenders and Second Mortgage Scams. NACA conducts a two-and-a-half -year research and advocacy campaign against second mortgage scams, which leads to an investigation by the Massachusetts Attorney General. Over 400 newspaper articles and many more TV news reports document these unscrupulous practices against working people. |
| 1993 | NACA Organizes Senate Banking Committee Hearings on Fleet. NACA organizes over 500 people from around the country to participate in the Senate Banking Committee hearings on second mortgage scams, which focuses on Fleet. NACA's CEO, Bruce Marks, testifies before the Senate and House Banking Committees. Over 100 Fleet victims meet at the Federal Reserve with the Board of Governors to document Fleet's predatory lending practices. <i>60 Minutes</i> does a scathing expose on Fleet's loan sharking. |
| 1994 | NACA Defeats Fleet. NACA confronts Fleet CEO Terrence Murray at a Harvard Business School event. After a four-and-a-half year war, Fleet gives in to NACA's demands and agrees to an \$8 billion community reinvestment program, settles lawsuits and state attorney general investigations for over \$350 million, and funds \$140 million of a revolutionary mortgage program administered by NACA. This becomes the foundation for NACA's Best in America homeownership program. |
| 1995 | NationsBank's CEO Hugh McColl pledges \$500 million to the NACA Program. McColl says that if NACA is as good as everyone says, NationsBank will be NACA's biggest lending partner. McColl's prediction proves to be accurate. |
| 1996 | NACA Defeats First Union, Signet, and Riggs. First Union agrees to provide \$150 million for the NACA program. Signet and Riggs Banks negotiate agreements with NACA. Over ten thousand people in Atlanta attend the largest homeownership event in America at the First Iconium Baptist Church. |
| 1998 | NACA Stops Settlement of Class Action by Associates/Ford. NACA contacts over 100,000 Associates/Ford borrowers, organizes demonstrations where Ford does business, and fills federal court hearings to overcapacity. NACA convinces the presiding federal judge to throw out an Associates/Ford settlement, which would have provided them with immunity while enriching the lawyers and leaving the victims with only \$50 each. NACA begins organizing statewide class action lawsuits against The Associates/Ford. |
| 1999 | NACA Defeats the Associates/Ford. After NACA's four-year campaign of organizing, media exposés on programs like ABC Prime Time Live, and disrupting Ford's annual meeting, The Associates settles. They agree to a mortgage reduction program that automatically reduces interest rates for customers who make timely payments. This provides billions in savings for The Associate's customers and revolutionizes the sub-prime market. Also, the Associates commits \$100 million to the NACA program. Bank of America Commits \$3 Billion to the NACA Program after review of NACA's impressive results. |
| 2002 | NACA is Instrumental in Passing Georgia's Predatory Lending Protection Legislation. NACA mobilizes thousands of Members to work with Georgia Governor Roy Barnes to pass the nation's strongest protections against predatory lending. As a result of the legislation, borrowers find relief from exorbitant fees and interest rates, prepayment penalties, and balloon payments. |
| 2003 | Bank of America and Citigroup Commit \$6 Billion in New Funds to the NACA Program. Citigroup begins a new partnership with a commitment of \$3 billion to the NACA program and initiatives to improve the lending practices of CitiFinancial. Bank of America provides another \$3 billion to the program, bringing its total commitment to \$6 billion. |
| 2004 | NACA introduces NACA-Lynx. Years in the making, NACA unveils its state-of-the-art, web-based counseling and mortgage application processing software called NACA-Lynx. |
| 2006 | NACA Continues to Enhance NACA-Lynx and Expand the Program. Lenders Contact NACA about using NACA-Lynx. Citigroup's CEO Chuck Prince visits NACA's national office to get a first-hand demonstration of the NACA program and NACA-Lynx. |
| 2007 | NACA's CEO Bruce Marks is Named by the Boston Globe as the 2007 Bostonian of the Year. NACA Launches a Massive Program to Assist Homeowners with Unaffordable Mortgages. NACA's Home Save Program includes a one-billion-dollar commitment to refinance people out of their unaffordable loans and works with lenders to modify or restructure loans on terms that the homeowners can afford over the long-term. |
| 2008 | NACA Establishes National Standard for Assisting At-Risk Homeowners Restructure their Mortgages. NACA sponsors the first historic Save the Dream Event with over 300 NACA Counselors providing affordable solutions over five days at the Capital Hilton Hotel in Washington D.C. from July 19th to 23rd. Over 20,000 people participate and NACA is able to restructure thousands of homeowners' loans during the event and afterwards. |

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| 2009 | <p>NACA Initiates the Accountability Campaign Against Mortgage Executives. NACA holds the financial executives personally responsible for the mortgage crisis and their refusal to provide long-term affordable solutions. The Predators Tour in the Greenwich CT. area on Sunday February 8th is the first action. Over 350 homeowners protest at the homes of John Mack, the CEO of Morgan Stanley, and Bill Frye, the CEO of the hedge fund Greenwich Capital. The impact is dramatic and sets the standard for holding these executives personally responsible by bringing the consequences of their actions to their doorsteps and community in a confrontational but non-violent manner.</p> <p>The Home Save tour is an Incredible Success with Hundreds of Thousands of Participants. Thousands of homeowners receive same day solutions to get their interest rates permanently reduced to as low as 2%, and in some cases, having the outstanding principal reduced based on what the homeowner can afford. Homeowners save hundreds of dollars, even thousands of dollars on their monthly mortgage payment. NACA provides the most effective long-term solutions establishing the national standard in providing long-term affordable solutions for at-risk homeowners - All of NACA's services are FREE.</p> |
| 2010 | <p>The Save-the-Dream Tours continue with Events Throughout the Country. NACA's Home Save program and the Save the Dream events are the most successful solutions for large numbers of homeowners with an unaffordable mortgage. NACA achieves this through legally binding agreements with all the major servicers, lenders, and investors covering the vast majority of at-risk homeowners, including Bank of America, Wells Fargo, Citigroup, Chase, American Homes Servicing, Litton, GMAC, OneWest/IndyMac, IBM, Saxon, HSBC, Ocwen and the two major investors Fannie Mae and Freddie Mac. NACA is so successful that virtually all the servicers and investors cooperate with NACA.</p> <p>NACA Continues its Advocacy Campaign Against Chase. Chase is the one servicer refusing to provide long-term affordable solutions. NACA stormed Chase's corporate offices on Wall Street with thousands of homeowners. NACA works with Chase's regulator, the OCC, in addressing thousands of complaints against Chase and continues to assist the Chase borrowers.</p> |
| 2011 | <p>Bank of America adds \$3 Billion to its Commitment to NACA's Best in America Mortgage.</p> <p>NACA Sues and Defeats HUD and NeighborWorks. HUD's political retaliation and the mismanagement of the one-billion-dollar Emergency Homeowner Loan Program (EHL) by NeighborWorks resulted in \$750 million being returned to the government and many thousands of homeowners losing their homes.</p> <p>NACA Defeats Chase. Chase signs a new agreement with NACA and now offers some of the best restructuring solutions to NACA Members as a result of NACA's advocacy.</p> |
| 2012 | <p>NACA Includes the Purchase Program in the American Dream Tour. NACA assists homeowners to obtain an affordable payment and homebuyers to purchase homes with NACA's Best in America mortgage. NACA does over 100 Save-the-Dream/American Dream events in four-and-a-half years with 43 events in 2012, setting the national standard in providing affordable solutions for hundreds of thousands of at-risk homeowners.</p> |
| 2013 | <p>NACA Demonstrates at the Consumer Financial Protection Bureau ("CFPB") with Over 1,000 People. The demonstration shuts down CFPB operations to highlight their refusal to assist the many thousands of homeowners who have been denied modifications from their lenders. NACA staff and Members visited every member of Congress to inform them of NACA's programs and mission. NACA does another 24 American Dream events.</p> |
| 2014 | <p>NACA Returns to Washington D.C. with Hundreds of NACA Staff and Members. NACA visits every member of Congress to remind them of NACA's programs and mission. CFPB addresses NACA's concerns and is supportive of NACA's homeownership programs. NACA continues the American Dream events nationwide and negotiates new agreements with CitiMortgage and Bank of America to make additional buy-down funds available for low to moderate income borrowers. NACA introduces the revolutionary fifteen-year Wealth Builder Mortgage.</p> |
| 2015 | <p>NACA initiates the Neighborhood Stabilization Program in Detroit. NACA is the first to provide 150% loan-to-value ("LTV") mortgages. The Detroit Free Press writes an editorial about the NACA mortgage titled "Mortgage Program is Key to Detroit's Future". NACA works with the OCC to provide a standard for high LTV mortgages in markets cut-off from conventional credit.</p> |
| 2016 | <p>NACA has the Highest Number of Purchase Program Closings. NACA streamlines the process, closing loans within 28 days from the executed Purchase & Sale Agreement.</p> |
| 2017 | <p>NACA Expands Homeownership Opportunities for Working People. NACA makes homeownership for Section 8 Housing Choice Voucher recipients possible and affordable through NACA's new HOT-PHA program.</p> |
| 2018 | <p>NACA implements five-day "Achieve the Dream" events. NACA provides one stop mortgage operation for low and moderate income homebuyers to be approved for NACA's Best in America mortgage.</p> |
| 2019 | <p>NACA organizes thirteen Achieve the Dream events nationwide resulting in the largest increase in mortgage closings.</p> <p>NACA through its training department, NACA Economic Justice Advocacy Center ("NEJAC"), provides HUD approved comprehensive training to Housing Counseling Agencies.</p> |
| 2020 | <p>NACA continues to provide comprehensive housing remote counseling during the pandemic. NACA provides over 30% of the housing counseling in the country with the largest number of HUD Certified Housing Counselors.</p> |
| 2021 | <p>Bank of America commits an additional \$5 billion to the NACA program for a total of \$15 Billion. NACA reaches over \$20 Billion in commitments to its Best in America Mortgage.</p> <p>NACA expands its training programs to 12 HBCUs to train their students and alumni for jobs in the housing and mortgage industries as well as provide access to NACA's homeownership programs.</p> |
| 2022 | <p>NACA releases its state-of-the-art Member Portal. NACA Members can navigate the homebuying process with unprecedented effectiveness by putting much of the control in the Member's hands. NACA also integrates the efficiency of accessing bank data directly from financial institutions, eliminating the Member's need to manually upload credit and bank statements. NACA offers a 20-year mortgage product with an unprecedented below market interest rate.</p> |
| 2023 | <p>NACA kicks off the year with 19 simultaneous Achieve the Dream events in rural communities in Alabama and the black belt during the four-day Dr. Martin Luther King Jr holiday Weekend.</p> <p>NACA is implementing an innovative solution to address the unaffordable housing market via large-scale construction of factory-assembled, modular homes.</p> |

NACA Program Overview

NACA's mission of economic justice makes homeownership available with the best terms for Members who otherwise would be prevented from obtaining an affordable mortgage. NACA is open to everyone, regardless of their income, provided they adhere to NACA's eligibility requirements, policies, and procedures. NACA is the alternative to the many bad actors in the real estate and mortgage industries who not only contribute to the destabilization of communities, but also exploit low to moderate income and minority individuals. NACA will work with you for as long as it takes for you to purchase a home, and NACA will continue to support you as a homeowner for as long as you have your NACA Mortgage.

NACA has developed a comprehensive housing counseling program to prepare Members for homeownership and become qualified to obtain affordable mortgage financing. This includes access to NACA's extraordinary mortgage product, which enables affordable homeownership – with no down payment, no closing costs, no fees, no mortgage insurance, and a below-market fixed interest rate (“NACA Mortgage”). NACA's Member Portal puts the Member in the driver's seat while providing Members updates on their file, their status, next steps, and much more to facilitate this process, as described in this Qualification Workbook.

Purchasing a home is the largest investment most people will ever make. NACA is committed to providing you with comprehensive education and assistance throughout the homebuying process, including information about different mortgage options. Neither the NACA program nor homeownership is right for everyone. The NACA program is a full-disclosure process with extensive document verification. If you are not willing to discuss your finances, personal situation, household budget or provide all the required documents, this is not the program for you.

The cornerstone of the NACA program is the comprehensive one-on-one counseling offered by NACA's Counselors. You will be assigned a NACA Counselor after attending a homebuyer workshop where you will be able to create your NACA ID and access the Member Portal. Once you upload necessary documents and complete the required sections of the Member Portal you can schedule a counseling appointment. Your NACA Counselor will work with you to become a homeowner and/or to improve your financial management. NACA's counseling is based on a thorough analysis of your financial situation to determine whether you are ready for homeownership, and what you need to do to get there if you are not. Your NACA Counselor will also work with you to determine the monthly mortgage payment you can afford over the long term while maintaining a comfortable standard of living. Options to increase your affordable mortgage payment will be provided by your NACA Counselor. You must complete the housing counseling program and become NACA Qualified before you are eligible to apply for the NACA Mortgage.

NACA does not consider your credit score, but evaluates your individual circumstances, including your explanations of late payments, sources of income, monthly payment obligations and savings pattern to determine your readiness for homeownership and affordable monthly mortgage payment. While NACA recognizes that many Members come to NACA with credit issues, no one is turned away because of bad credit or no credit— as long as Members are committed to overcoming these roadblocks. Your NACA Counselor will help you determine which items need to be resolved to become NACA Qualified and will work with you throughout the homebuying process.

The timeframe to become NACA Qualified is often dependent on your participation and time commitment to the NACA process. NACA Qualification will take approximately three months for most Members who actively participate in the program. It may take less time for Members who fully utilize the Member Portal and address Action Items quickly, while it may take more time for those Members with significant financial issues, or Members who are not ready to commit to purchasing a home right away. Whatever your pace, NACA is here to support you. Virtually every applicant is approved by the lender once a NACA Qualified Member submits a mortgage application to a participating lender in the NACA program. NACA homeowners are able to improve and manage their finances and make on-time monthly mortgage payments due to NACA's thorough financial management education and counseling. NACA Members will also be able to commit themselves to improving and stabilizing their communities as a result.

Use the information in this workbook as your guide to become NACA Qualified. Your NACA Counselor is always able to assist if necessary. You can be NACA Qualified upon completion of the following: tracking your existing expenses and creating a budget that accurately reflects your financial situation; addressing any late payments issues; demonstrating stable and sufficient income, assets; and monthly savings to support a mortgage payment greater than your rent. This information is used by you and your NACA

Counselor to determine readiness for NACA Qualification and an affordable monthly mortgage payment. It requires providing supporting documents; and meeting NACA's eligibility requirements. Being NACA Qualified is equivalent to being pre-approved for the NACA Mortgage. Moreover, you will likely be qualified for other mortgage products, which you should compare to the NACA Mortgage.

NACA Membership

Members are all independent adults who will be living in the future home or accessing any of NACA's programs and services ("Members"). As required, all Members must agree to the terms of the NACA Agreement. This agreement governs membership and participation in NACA's programs, services, the NACA Mortgage, participation requirements, advocacy, and curricula which NACA offers or may offer in the future. The NACA Agreement also includes authorization to access your credit report and other information, disclosures, releases, responsibilities, obligations, and privacy matters. By agreeing to the terms of the NACA Agreement, you become a NACA Member and acknowledge your consent to these terms to participate in NACA. The NACA Agreement will be available in the Member Portal for you to read and accept prior to your Intake counseling appointment.

Annual Membership Dues for the household will be required before your Intake Session and every anniversary year thereafter for as long as you participate in the NACA Purchase Program and/or have a NACA Mortgage. NACA's Membership Dues support NACA's homeownership programs, neighborhood stabilization initiatives, advocacy, and other programs. You will have access to NACA's comprehensive post-purchase program through NACA's Home Save Department after the purchase of your home with a NACA Mortgage. They offer significant and unique benefits at no cost to you. These include additional counseling services, foreclosure prevention assistance including mortgage modification and payment plans, access to financial assistance, and additional services.

Members in good standing can access all aspects of NACA's Programs. For a Member to be in good standing, they must have signed the NACA Agreement, be current on their Membership Dues, and adhere to NACA's requirements, conditions, and program guidelines. Anyone has the option to opt-out of the NACA membership, but this restricts their NACA services to general counseling with no access to the NACA mortgage. To opt-out of membership, you must send an email to services@naca.com with the subject stating "Member Opt-out." Members who opt-out and still want to receive limited NACA counseling must still pay their Membership Dues and adhere to all the provisions of the NACA Agreement.

NACA Membership requires participation in whatever way you feel comfortable. NACA will regularly announce ongoing actions and activities, ensuring you have the opportunity to volunteer even if you are uncertain about how or when to get involved. NACA's success has been the result of the active participation and advocacy of many thousands of Members over the years. Therefore, it is essential that all Members are committed to our mission. We want you, your family, and those close to you to be active NACA Members who promote neighborhood stabilization and economic justice for many years. We hope that NACA's history and success from which you are now benefiting is inspirational. We look forward to your active involvement and becoming a NACA homeowner with the best mortgage in America.

NACA'S Departments

NACA has established teams of professionals covering every stage of the home buying process. They will help guide, coach, and assist you with trusted advice and direction as you pursue your home purchase or refinance process for what is likely to be the largest investment in your life. Meet the members of your homebuying team by Department:

Purchase Operations Department

The Purchase Operations Department consists of NACA Counselors, Office Directors, Regional Directors, and office administrative staff. They work in NACA's many offices nationwide and are knowledgeable in housing counseling, housing availability, regional market trends and mortgage loan origination. They work with community leaders, the real estate community and grant programs to best serve NACA Members. Their focus is to NACA Qualify Members through an initial Homebuyer Workshop and one-on-one counseling. The Purchase Operations Department also provides free live webinars throughout the week on various topics which you are encouraged to attend. Go to www.naca.com to see the topics and sign up.

Mortgage Department

The Mortgage Department consists of Mortgage Specialists, Closing Coordinators and Closers. They

are NACA's quality control and compliance team to review and approve NACA Counselor's submissions for NACA Qualification, Credit Access, and bank applications as well as providing mortgage processing assistance. Their efforts provide a streamlined and timely closing process ensuring that lender conditions are addressed timely. Other outstanding issues are addressed by the NACA Closer to ensure the closing occurs no later than as stated in the Purchase & Sales contract.

Real Estate Department

The Real Estate Department consists of NACA In-House -Agents ("IHA"), Referral Agents, and NACA Real Estate Brokers. NACA's In-House Agents work exclusively for NACA and its Members and represent your interest in finding a home you can afford which qualifies for the NACA Mortgage. They are experts on the NACA program and process and skilled negotiators. They are the local housing experts who educate the local real estate community about NACA's extraordinary homeownership program thereby increasing the likelihood of your offer being accepted. If you are not currently working with a real estate agent and would like to be referred to a NACA Real Estate In-House Agent, contact NACA's Real Estate Department at (425)-602-6222 option 6 or by sending an email to RED@naca.com.

Home and Neighborhood Development ("HAND") Department

The HAND Department consists of HAND Repair/Rehab Coordinators (HRC), Rehab Specialists (RS) and Escrow Coordinators (EC). The role of HAND is to identify if the property you are purchasing has any code, safety or health defects that would impact your household affordability, and to help facilitate the completion of repairs if you add a Rehab Escrow to your transaction. HAND works with you to provide options on how to clear pre-existing property with repair conditions for both purchase and refinance (i.e., HAND Clear). HAND helps you collaborate with licensed professionals to conduct inspections, evaluations, supply work write ups and bids if a Rehab Escrow is applicable. The property you buy must be safe and habitable to be eligible for purchase, and the cost of repairs cannot exceed what you can afford to take on a loan. The HAND team will help navigate the complexities of property condition types and offer guidance on making the best decision with the options available to you. It is important that you work directly with HAND and learn as much as you can about how the condition of the home you are buying could impact on your budget, and final loan approval. To learn more about HAND and property condition requirements and options, HAND offers weekly educational webinars, which you should attend before you go house shopping. Visit www.naca.com and go to Live Webinars to register for the next workshop dates. The HAND team is available Monday through Friday, from 8:30 a.m. to 5:30 p.m. central standard time and can be reached by calling (425) 602-6222, selecting option 5, or by emailing HAND@naca.com.

Member Services Department

The Member Services Department consists of National Service Representatives ("NSRs") who provide assistance and information related to all aspects of the NACA program. NSRs provide the highest standard of customer services in supporting you, or anyone contacting NACA by answering general questions, or by addressing individual circumstances about your NACA Qualification, mortgage process or other inquiries. They can also assist you with the Member Portal, schedule or cancel appointments, communicate with your NACA Counselor, or address other NACA related issues or concerns for a prompt resolution. Member Services is available Monday through Friday, from 8:30 a.m. to 5:30 p.m. and Saturdays between 8:30 a.m. to 12:00 p.m. Eastern time. You can contact Member Services at (425) 602-6222 or by sending an email to Services@naca.com.

Home Save Department

The Home Save Department assists NACA homeowners in need of assistance as well as non-NACA homeowners with an unaffordable mortgage. Members are assigned to a Home Save Advocate who provides counseling, assists in arranging mortgage modifications and payment plans with the Member's servicer/investor, and provides other assistance. NACA homeowners are eligible for on-going counseling, assistance, and other solutions unavailable with other servicers or lenders including financial assistance. The Advocates also work with Members to continue their participation in NACA and to access other services. You can contact the Home Save Department at (425) 602-6222, option 3, or by sending an email to Homesave@naca.com.

Advocacy Department

The Advocacy Department consists of organizers nationwide who work to involve the many thousands of Members and other advocates in economic justice issues and campaigns as well as neighborhood issues affecting NACA Members. This includes working with NACA's neighborhood communities called NACA

Action Committees (“NACs”). Members participate in their local NAC to address both local and national issues. Members can also participate in a group called a NACA Action Group (“NAG”) to address particular issues. The organizers also work with Members to help them register to vote and meet their participation requirements. You can contact the Advocacy Department by sending an email to advocacy@naca.com.

NACA Career Opportunities

NACA has amazing career opportunities around the country for several positions. NACA is a high-profile organization that is frequently featured in the national media for its extraordinary affordable homeownership programs and its confrontational community actions against predatory and discriminatory lenders. NACA is also the largest and most effective non-profit HUD approved counseling organization in the country through its counseling subsidiary called the Neighborhood Stabilization Corporation. NACA is an equal opportunity employer and strongly encourages minority individuals as well as those fluent in Spanish and other languages to apply. NACA also encourages candidates who have had a previous non-financial criminal conviction to apply for a second chance opportunity.

NACA’s extensive training provides a unique opportunity to those who are looking to change careers build on their experience or just starting out. If you are a highly motivated individual, with the skills necessary to perform the duties of the desired position, a strong work ethic, ability learn in a fast-paced environment, and with a desire to do well by doing good, we invite you to apply with NACA’s growing team and become part of the most exciting and effective housing and advocacy organization in the country.

For job descriptions, requirements, compensation, and to apply online, visit www.naca.com or Email questions to jobs@naca.com

Member Participation

NACA’s success is a direct result of the active participation of our Members. Your involvement in whatever way you feel comfortable is essential for NACA to continue to provide free comprehensive housing services, access to NACA’s Best in America Mortgage, and, most importantly, to achieve NACA’s overall mission of promoting economic justice. You must agree to the Participation Pledge in the Member Portal. The pledge requires you to participate in at least five identified voluntary activities each year in support of NACA’s mission in whatever way you feel comfortable. This takes effect immediately and continues for as long as you have a mortgage through NACA. At least one participation activity is required prior to your NACA Qualification. You are committing to this participation pledge by signing the NACA Agreement.

NACA Participation is an essential eligibility requirement and expresses the fundamental principle of what NACA stands for: **communities where we work together for the betterment of all the residents, are the communities in which we should want to live.** The most successful programs and campaigns are those through which people come together and speak with one strong voice. President Carter made this a fundamental element of Habitat for Humanity with the “sweat equity” requirement.

We need to build on the foundation built through the struggle and advocacy of those in the civil rights movement. NACA’s mission of neighborhood stabilization and economic justice is not only based on the individual ownership of a house, but also on strong communities. NACA has established NACA Action Committees (“NACs”) for community residents to get to know each other and come together as a community to achieve this. The NACs consist of the NACA Members who live in the area and others who support our mission. They meet on a regular basis, usually at least once every three months, to address local issues. NACA’s organizers assist in establishing and working with the NACs, which allows NACA to involve its many Members and other community residents in advocating for issues that impact them on the local level. It also involves the NAC in issues that impact NACA or that NACA engages in regionally or nationally.

You are required to give back in whatever way you feel comfortable by simply giving some of your time to help others. Every Member is encouraged to contribute their unique skills to NACA and its mission. While many people say the NACA program sounds too good to be true, it is the active participation of NACA’s huge membership which makes the program a reality and sounds too good not to be true. There are numerous activities for you to take part in, including: advocacy campaigns; protests and demonstrations; voter registration activities; actions against persons or companies that discriminate against or victimize others; political activities; ballot initiatives; assisting at a NACA event or a Homebuyer Workshop; increasing participation in NACA; or other activities requested by NACA.

- In addition to your NACA participation, the following are examples of activities that you can do on your own:
- Spread the word about NACA by distributing NACA flyers in your workplace, church, or another place or organization of which you are a part, and/or placing a NACA yard sign on your property.
 - Be a contact in NACA's Skills Directory to provide services and assistance to NACA Members.
 - Like NACA's social media pages or share about NACA on your own social media.
 - Provide a testimony at a NACA Homebuyer Workshop.
 - Call and write to politicians and decision-makers in support of NACA's programs and mission.

We need you to take the initiative and contact your NACA office, your NACA Counselor, or local NACA Organizer to volunteer and participate. You can also go to www.naca.com and sign-up on the volunteer link. Please pay attention if you receive a live or pre-recorded phone call, e-mail or text to participate in an event or action and do your best to attend. If you are unable to participate, it is important to find others who can. Remember that participation and direct action have made NACA successful and will continue to strengthen our neighborhoods and NACA.

Participation Pledge

I pledge to participate with NACA in future community outreach and advocacy campaigns. I understand that community advocacy is the major reason that NACA can provide America's Best Homeownership Program including free individualized comprehensive housing services. I embrace NACA's mission to revitalize communities, advocate against financial exploitation, promote economic justice, and eliminate predatory and discriminatory lending practices.

I therefore pledge to stand with NACA in pursuit of this mission. I will participate in at least five actions and activities a year, such as neighborhood outreach, distributing information about NACA, informing people about NACA's Purchase and Home Save programs, participating in rallies, demonstrations and providing public education, or in whatever way I feel comfortable in support of NACA's mission. Participation begins from the time I begin the NACA process and for as long as I have the home NACA has helped me purchase or save.

Participation Commitment

Below are some examples of the types of participation you can be a part of:

- Set up an introductory meeting or organize a Homebuyer Workshop at your church, community organization, employer, union, or other organizations to increase participation in the NACA programs.
- Register at least ten people to vote through www.NACA.com.
- Active participation in a NACA Action Committee ("NAC").
- Participate in advocacy campaigns and demonstrations.
- Assist at a NACA event or Homebuyer Workshop.

Skills Directory

The NACA Skills Directory contains information and contacts for people who can provide quality services and products that Members can access. This could be at no cost, reduced cost, or bartering. Please identify such skills that you would provide Members. We will contact you for details as we put together this Skills Directory.

At-Home Services:

Painter • Plumber • Electrician • Handyman • General Home Repair • Gardening
Childcare • Senior Care • Transportation Assistance • Tutoring

Professional Services:

Accounting • Tax Prep • Legal • Insurance • Social Work

Health Care Services:

Doctor • Nurse • Physician's Assistant • Physical Therapy • Speech Pathology

Technical Services:

Software Development • Computer Repair • Tech Support • Graphic Design
Social Media • Photo/Video

Voter Registration

One of NACA's eligibility requirements is for all Members to be registered voters, if they are legally eligible. Members must be identified on the voter roll or registered through NACA in order to be NACA Qualified. The easiest way to determine if you are on the voter rolls or to register to vote is through the Member Portal. It is important to verify your voter status since many people have been purged from the voter rolls and need to register again. In addition, registering a number of non-registered people, including family, friends, neighbors, co-workers, and others, accomplishes a participation activity requirement.

MEMBER PORTAL

NACA has created a Member Portal as your go-to place while you progress through NACA's home buying process. You can use the Member Portal for getting updates on your status, identifying your next steps in the purchase process, providing information, submitting documents, and much more. You can also schedule counseling appointments and review any information or documents you have provided. The Member Portal will keep you up to date on what you must do to become NACA Qualified, complete the homebuying process, and any post purchase rehab work.

Customized to your circumstances, the Member Portal is an easy, effective, and secure way for all Members to provide their personal information and understand their next steps towards homeownership with NACA's Best in America Mortgage.

The Member Portal shows an updated NACA status and the requirements for each stage as you progress through the homebuying process:

1. Counseling/NACA Qualification,
2. Housing Search,
3. Credit Access,
4. Bank Application,
5. Mortgage Process, and
6. Post-Purchase.

You can navigate the Member Portal accessing your Member Dashboard which provides current tasks, appointments information, resources and documents relevant to your NACA process. Each Stage has sections and sub-sections on the left side that must be completed to move forward, unless identified as "Optional." A green check mark ✓ will appear next to a section or sub-section once you have completed it. You do not need to complete the sections in any specific order. You must make your best efforts to provide complete and accurate information. If you knowingly provide false information, you will be excluded from NACA counseling and removed from the program.

You can make an Intake counseling appointment once you complete all the required pre-counseling sections, and they are marked with a green check mark. You can add your name on the waiting list for an earlier appointment if there is no suitable time available or you desire an earlier appointment. You may request an exception for the requirements through the Appointment Section if you are unable to complete all the sections due to unavailable documents or information, have limited english proficiency, do not have the technology or access to it, or need assistance after making your best efforts. You may still add, change, or delete your information prior to your Intake counseling session, even if the section is marked as completed.

The Member Portal provides a step-by-step process for you to electronically sign the NACA Agreement and E-Consent Agreement (electronic consent), provide your information, upload your documents, access your financial information through linked accounts, and pay for your Membership Fee and credit report. All Members, regardless of whether or not they will be a borrower on the bank application, must complete their information, upload documents, and electronically sign the NACA Agreement and E-Consent. Each Member receives an email in their inbox with instructions to activate their Member Portal Account, allowing them to log in with their individual email address, password, and the household's unique NACA ID.

You can access the Member Portal using your computer, tablet, or mobile device. You can also use the computers in a local NACA office (Kiosks) where NACA staff can assist you. You can check your progress in the Member Portal by reviewing the menu on the left side of the screen to see what items have been completed and what is still pending. This is also summarized when you book an appointment and not all sections are completed yet.

When you upload your documents from your desktop or mobile device ensure you:

1. Identify the correct type of document to be uploaded based on your circumstances.
2. Make sure the document you want to upload is on the device being used. You may also use your device's camera or a scanning app to take a photo of the document you want to upload.
3. Review the document before uploading. You should delete the file and scan the document again if it is illegible, blurry, or otherwise unclear. Please remember, if you cannot see it, neither can your NACA Counselor or the lender.
4. Complete the necessary data entry, which may be different for each document.
5. Click the Submit button when all required form fields are completed to submit the document and information.

Obtain Your NACA ID & Access the Member Portal

You will obtain your NACA ID to access the Member Portal after you complete the Homebuyer Workshop and register as a NACA Member. You should start your NACA homebuying process by entering your information and documents as soon as possible.

To access the Member Portal, navigate to www.naca.com and click on Sign-in and then Member Portal login in the top right corner, or go directly to portal.naca.com. Each Member in the household needs a dedicated email address, which you can obtain for free from many different email providers. If you have difficulty in obtaining your NACA ID or accessing the Member Portal, contact Member Services at 425-602-6222 or email Services@naca.com.

Receiving support with the Member Portal

Using the Member Portal is a required part of participating in the NACA Program. It has been designed to be used effectively by every participant in our programs. We are committed to helping everyone who requires assistance by offering several support tools for navigating the Member Portal, should you experience technical difficulties or have any questions. To receive support, you can:

1. Register and attend the Member Portal webinar presented every Monday and Wednesday, from 6:00 - 7:00 p.m. EST and Saturday 1:00 – 2:00 p.m. at www.naca.com/homebuyer/livewebinars.
2. Email NACA at Services@naca.com
3. Call the national call queue at 425-602-6222 option 8 for Escalations Mon - Fri 8:30 am – 5:30 pm EST, CST, MST, and PST.
4. Go to a NACA office to work on the Member Portal from a NACA kiosk with assistance from a NACA staff person.
5. Scan the QR code below to Access the Member Portal Tutorial:



Member Portal Tutorial

The screenshot below shows Stage 1 of the Member Portal and how to use it to upload a government-issued photo.

The screenshot displays the NACA Member Portal Dashboard. On the left is a dark sidebar with the NACA logo and navigation menu. The main content area is titled 'Dashboard' and features a 'Current tasks' section with a lightning bolt icon. Below this is a message: 'All your current tasks must be completed before you may book a counseling appointment.' A list of tasks follows: Member Information, Financial Accounts, Rental History, Debts, and Income. A '4 more current tasks...' link is also present. At the bottom of the tasks section is a 'See all current tasks' link with a right arrow. Below the tasks section is a 'Your Counselor' section with a counselor icon, showing 'Counselor Scottie Nguyen'. On the far right, a vertical grey bar contains the text 'MEMBER PORTAL'.

NACA

Dashboard

Dashboard
Savings Pattern
Get Assistance
Member Profile

MEMBER SUMMARY

Household Information

CURRENT TASKS

- ✓ Member Information
- ✓ Financial Accounts
- × Rental History
- × Debts
- × Income
- ✓ Funds
- ✓ Tax Returns
- × Member Payment

UPCOMING TASKS

- × Transaction Type
- ✓ Budget
- × Tax Transcripts

Current tasks

All your current tasks must be completed before you may book a counseling appointment.

Member Information

Financial Accounts

Rental History

Debts

4 more current tasks...

See all current tasks →

Your Counselor

Counselor Scottie Nguyen

MEMBER PORTAL

NACA MORTGAGE

NACA IS REINVENTING MORTGAGE LENDING BY ELIMINATING BARRIERS TO AFFORDABLE HOMEOWNERSHIP

The NACA mortgage is considered the *Best Mortgage in America*. NACA's Purchase Program offers a solution to address the major barriers in the housing market for low to moderate income people and for people of color, which have resulted in historically low homeownership rates. NACA's transformative mortgage product, counseling services, and underwriting provide a model as the most effective way to provide affordable long-term homeownership on a large scale for those who have been prevented from accumulating wealth and achieving personal security through homeownership.

NACA's Purchase Program provides comprehensive counseling with access to NACA's Best in America Mortgage. NACA is the largest HUD approved non-profit housing counseling organization, providing between 20% and 30% of all the housing counseling in the country. All NACA Members receive the outstanding terms of the NACA Mortgage, including no down payment, no closing costs, no private mortgage insurance, no fees, character-based underwriting with no consideration of one's credit score, and at a below market fixed rate. To date, lenders have committed over \$20 Billion, including \$15 Billion from Bank of America, to fund NACA's mortgages.

NACA has built an unprecedented successful track record, having helped over 75,000 homebuyers achieve their dreams of homeownership, over 90% of whom are people of color, with an extremely low foreclosure rate of 0.00012 (i.e., about one-hundredth of one percent). This proves that low to moderate income and people of color make their monthly mortgage payments and become prime borrowers when they get the benefit of a prime rate loan and counseling. NACA's extensive experience in helping homebuyers with credit issues realize their dream of owning a home counters the justification the lending industry uses to impose high rates and fees to compensate for their perceived "credit risk."

Barriers to Homeownership

NACA is a bright light in reversing the history of racism and exclusion in providing affordable homeownership for people of color. NACA's purchase program offers a solution to address the major barriers in the housing market that have resulted in historically low homeownership rates for African Americans and other minority groups:

1. Limited savings;
2. Unaffordable terms;
3. Restrictive underwriting; and
4. Racism and Biases.

1. Barrier: Limited Savings

NACA Solution: No Down Payment & No Closing Costs

The NACA Mortgage addresses the lack of savings barrier by offering no down payment, no closing costs, and no fees (which are paid by the lender), as well as no required PMI. This allows working people who struggle to save money for a down payment but can still meet their monthly living expenses to become homeowners through NACA, often with a monthly mortgage payment that is lower than their rent. The VA mortgage with no down payment provided the primary financing tool in building America's suburbs after World War II, but racist government and bank policies prevalent at that time excluded African American borrowers.

2. Barrier: Unaffordable Terms

NACA Solution: Below Market Fixed Rate & Aggressive Buy-Down

Standard lending practices favor those who are better off or come from a tradition of homeownership by providing them with better access to affordable financing. As a result, many hardworking low to moderate income individuals are either excluded from homeownership or subject to predatory terms. NACA addresses this disparity by providing a below market fixed rate for a 30-year, 20-year or 15-year term. While other lenders charge different interest rates, Forbes magazine noted that "there is one exception, NACA, which charges the same rate regardless of the credit score." In addition, NACA offers a unique option to permanently buy down the interest rate to an even lower rate, which is not available with any other lender.

3. Barrier: Restrictive Underwriting based on Credit Score

NACA Solution: Character Based Lending without Consideration of Credit Score

NACA utilizes an alternative underwriting approach that does not rely on credit scores. Every homebuyer goes through the same process and receives not only a below-market fixed interest rate, but also does not have to make a down payment, and the lender pays all the closing costs. NACA Qualification involves comprehensive counseling and full documented underwriting to determine whether a Member is ready for homeownership and can afford the approved monthly mortgage payment over the long term. Members complete realistic, verified budgets to determine how they spend their money. This financial learning experience is important, as it lays the foundation for improved personal financial management and stable homeownership.

NACA's purchase program eliminates underwriting based on the standard risk-based pricing model used by the mortgage industry, which does not account for homebuyers' personal circumstances and their ability to make a mortgage payment. The industry-standard lending model considers only three factors: down payment, credit score, and debt ratio. These criteria are put into an algorithm that determines whether the Member is approved and provides the corresponding interest rate and terms. NACA's underwriting process uses "character-based lending" and compensating factors instead. NACA Counselors and Mortgage Specialists consider the life realities, and overall circumstances of Members who do not neatly fit into the "standard" underwriting criteria.

NACA's underwriting approach requires complete financial documentation of income and payments. This type of underwriting does not consider the Member's credit score, but instead, it evaluates the Member's payment history as reflected in their comprehensive credit report (i.e., tri-merge report). NACA only looks at the payments that the Member controls. Sometimes, unforeseen medical expenses and other debts beyond their control keep people from owning homes. NACA's underwriting overcomes these obstacles since inability to pay off these debts does not demonstrate a lack of readiness for homeownership.

NACA uses the Member's current rent as a realistic benchmark to determine an affordable monthly mortgage payment. If Members wish to qualify for a mortgage payment higher than their current rent, they must save the difference for a period of three to six months while adhering to a realistic budget and twelve months for those who are self-employed. This "Payment Shock Savings" demonstrates their ability to afford the new monthly payment over the long term. Additionally, NACA assists Members who are unable to meet their desired payment with counseling for as long as it takes to get them financially ready for homeownership.

4. Barrier: Racism & Biases

NACA Solution: Pre-Approval & Advocacy

The legacy of slavery is pervasive throughout the homebuying process, with continued racism and biases. For African Americans and other people of color, this creates a significant obstacle to affordable homeownership. Although NACA's purchase program is available to all, the vast majority of NACA homebuyers are people of color who have historically been excluded from this essential wealth-building opportunity. The impact of this exclusion has reached a crisis point, particularly after the recent mortgage crisis that saw millions of African American homeowners lose their homes as well as billions of dollars in wealth.

While the NACA mortgage is outstanding, a crucial step towards eradicating embedded racism is changing the sequence of the home buying process. The standard process for purchasing a home – beginning with a real estate agent before progressing to the seller and, finally, the lender – creates substantial obstacles for people of color and low- to middle-income homebuyers due to racism and bias. Real estate agents frequently refuse to work with buyers who have lower credit scores, incomes, or are people of color. In addition, sellers will often reject offers from these borrowers or only regard them as a last resort. Lastly, lenders reject about half of the applications from people of color and low- to middle-income borrowers.

NACA revolutionizes the traditional home buying process by prioritizing mortgage qualification as the first step. In order to overcome the common obstacles with traditional home buying, NACA qualifies

Members for its “Best in America Mortgage” through counseling and budgeting. This process requires full documentation, such as paystubs, bank statements, tax returns, and other documents. Once a Member is NACA Qualified (i.e., pre-approved), virtually all applications submitted to the lender successfully close their mortgage, while other lenders reject half the submitted bank applications. With this rigorous, documentation-based approval in hand, the Members become the equivalent of a cash buyer, making them a desired customer for real estate agents, sellers, and lenders.

The relationships of NACA Counselors, Mortgage Specialists, and real estate agents to the communities they serve, most of whom come from the same backgrounds and circumstances, are a significant advantage of NACA. Their commitment and personal connection to their Members, make purchasing a home a positively life-changing experience. These professionals ensure Members are treated with respect and fairness throughout the process.

Although NACA’s qualification process and staff may not be able to combat every instance of racism, the organization is committed to mobilizing its membership and taking aggressive actions against discriminatory and predatory entities and practices. NACA has been a pioneer in this fight, coining the term “Predatory Lending” during its first campaign in 1991 against lenders targeting Boston’s African American homeowners. With more than three million Members nationwide and the resources to back up our campaigns, NACA is both a recognized leader in promoting responsible homeownership and a formidable foe to unethical lenders who engage in discriminatory practices. Thus, NACA is a force that is both respected in the homeownership arena and feared by predatory and discriminatory lenders.

NACA’s Mortgage & Homeownership Programs

Homebuyers can access NACA’s Best in America Mortgage. Individuals whose income falls at or below the median income of their desired purchase area can purchase anywhere, while those with higher income must purchase a property located in a census tract that is at or below the area median income. All property types listed below are available for the purchase program, including the option for a repair escrow to make renovations after closing as well as new construction. The below programs provide additional options including reduced terms with a lower fixed interest rate, unprecedented homeownership opportunity for people with a Section 8/Housing Choice Voucher, accessing city owned properties to address the lack of affordable inventory, and NACA’s newest initiative in building affordable homes.

The NACA Mortgage can be used for a wide range of property types and transactions which are described in detail in the Purchase Workbook and at www.naca.com in the Resource section.

| <u>Property Types:</u> | <u>Condition</u> | <u>Transaction Types:</u> |
|---|--|--|
| <ul style="list-style-type: none"> • Residential • Mixed-Use Properties | <ul style="list-style-type: none"> • Pre-Existing • New Construction • Rehab properties | <ul style="list-style-type: none"> • Single-Family • Condominium • Multi-Family • Modular Home • Manufactured Home • Mobile Home |

NACA’s Best in America Mortgage

The standard NACA Mortgage is the 30-fixed rate below market interest on the following extraordinary terms without consideration of one’s credit score:

- No Down Payment
- No Closing Costs
- No Fees
- No Mortgage Insurance
- Below Market Fixed Rate

15-Year Wealth Builder Purchase Mortgage

The 15-year Wealth Builder Mortgage empowers Members to become free from debt and quickly build wealth through the equity in their home. The 15-year fixed interest rate starts at a lower rate than the NACA below market 30-year fixed rate, usually around one-half percent to three-quarters of a percent lower.

It also offers the most aggressive permanent interest rate buy-down, with one percent of the mortgage permanently reducing the interest rate by 0.25%.

The 15-year term does have a higher monthly mortgage payment due to the significant reduction in the mortgage term. However, this also means that a larger portion of your payment will go towards the principal, reducing the total interest paid to the lender. In addition, you can allocate a greater amount of your gross income towards your monthly mortgage payment, allowing for a higher housing ratio of up to 35%. Opting for a 15-year term is the quickest way to build wealth, which can be used later for your next home purchase, children's education, retirement, or other expenses if your budget permits. You will also eliminate your mortgage debt sooner and leave the next generation with valuable real estate.

20-Year Rapid Payoff Mortgage

ACA's 20-year Rapid Payoff Mortgage offers similar advantages as the 15-year Wealth Builder Mortgage, but with an extraordinary interest rate always 0.50% below the NACA 30-year mortgage. It is an ideal option for Members who want to pay off their mortgage much sooner than the thirty-year option while having a higher mortgage amount than the 15-year Wealth Builder mortgage. The interest rate buy-down is not as aggressive as the 15-year mortgage, but it is still much better than available elsewhere.

Purchase & Rehab Mortgage

Homebuyers can purchase a home and have funds available in a rehab escrow to revitalize properties and make necessary repairs after closing. Homeowners unable to live in the property during the renovation do not have to make a mortgage payment for the first six months. NACA's HAND department provides the homeowner with ongoing assistance and coordination throughout their renovation or new construction. This includes property inspections, repair cost estimates, creating a project budget, identifying contractors, reviewing contractors, contractor disbursements, and more. This allows homebuyers to compete with cash buyers and investors who would either flip the property at a much higher sales price or turn it into a rental property.

HOT-PHA (Section 8/Housing Choice Voucher)

The Homeownership Through Public Housing Assistance ("HOT-PHA") program is a transformative opportunity for public housing authority Section 8 or Housing Choice Voucher ("HCV") recipients who aspire to become first-time homeowners. Through this innovative initiative, participants can combine their HCV with all the benefits of NACA's Best in America Mortgage, including a below market 30- or 20-year term mortgage to purchase a home. This is an ideal program for families to transition out of long-term public assistance into affordable homeownership and build significant generational wealth.

The Payment Standard approved by the PHA, which is currently paid to the landlord, goes to the lender to pay the participant's monthly mortgage payment. This enables participants to own their home mortgage debt free in 20 years or less, ensuring long-term financial independence. It is a groundbreaking program that incurs no additional cost to the housing authority or government and enables families to transition from housing assistance to homeownership. For more information, visit: <https://www.naca.com/the-naca-hot-pha-program/>

One-Dollar Purchase Program

NACA partners with cities and towns across the nation to offer residents the opportunity to purchase a vacant house or lot for only one dollar with NACA providing financing for the renovation or new construction through its Best in America Mortgage. The One-Dollar Purchase Program aims to transfer government owned properties, including quasi-government entities, taken for tax delinquency, code violations, or other circumstances to community residents who wish to revitalize neighborhoods through affordable owner-occupied homeownership. This program eliminates the overhead associated with developers as the finished properties are directly transferred to the homebuyer.

All properties are affordable for low- to moderate-income homebuyers. A deed restriction for ten years prevents the property from being flipped, or a land trust to preserve affordability and provide funds for maintaining the community. Both would enable homeowners to generate reasonable equity over time. Increased homeowner occupancy elevates the tax base for the city to provide additional services to these communities and neighborhoods, reduce crime, ensure well-maintained properties, encourage active participation in the community and school system, and provide neighborhood stability through long-term homeownership. To take advantage of this program, contact your local NACA office and advocate for it in your community.

NACA Homes

NACA is developing new construction affordable beautifully designed high-quality factory-built homes. The NACA Homes will be low cost, high-quality homes with the best terms in this country. These will be modular homes built in a controlled factory environment to higher state code requirements which far exceeds the HUD Code. The purchase price would range from \$110,000 to \$150,000 with a mortgage payment from \$750 to \$1,100 depending on the property structure and location.

The variety of NACA home designs would blend in with the existing communities including porches, multi-story, garages, etc. These affordable homes utilize innovative materials and building techniques, such as modular, panelized, and other building types that are tornado and hurricane resistant, far exceeding the HUD and applicable state code. The NACA Home can be built on a lot purchased through the One-Dollar Program or a lot owned or purchased by a Member.

Example of how this is possible:

Purchase price: \$130,000 for a three bedroom and two bath 1,200 square foot including building cost, foundation and site preparation.

- Low-Cost High-Quality Modular Built Housing:
1,200 x \$85/sq. ft. = \$102,000
Savings: 10% - 20% of the building cost
- Transportation:
\$4,000
- Foundation, Site Work and Utility Hookup:
\$20,000
- Installation:
\$4,000
- No land cost:
The city sells the vacant property to the homebuyer for \$1
Savings: \$5,000 to \$50,000+
- No developer overhead:
Savings: 25% - 50%+ of the property cost
- No profit:
Savings: 100% - 200%+ of the property cost
- Reduced utility costs using structured insulated panel construction:
Savings: 75% of monthly utility costs
- Reduced utility costs using structured insulated panel construction:
Savings: 75% of monthly utility costs

The mortgage payment is likely lower than their rent and even more affordable with government assistance.

Homeowners – Refinance & Renovation

Existing low to moderate homeowners can access NACA's Best in America mortgage to refinance their property, with or without an existing mortgage, to access funds for important repairs and necessary renovations. The repairs must address significant issues, such as code, safety, health, and structural concerns. Email HAND@naca.com to request more information about NACA's Refinance Renovation product.

NACA's HAND department offers Members continuous assistance and coordination throughout the mortgage and renovation process including:

- Property inspection review,
- Repair cost estimates,
- Project budget creation,
- New contractor on-boarding and education,
- Bid approval,
- Project disbursement facilitation as work is completed.

NACA program eligibility criteria are the same for the Purchase Program with the following enhancements:

- Loan to Value - Based on the appraised value of the subject property.
 - The final loan amount cannot exceed 110% of appraisal value; or
 - It can go up to 125% if the new mortgage payment is less than the current payment.
- Ownership - Owned and occupied the subject property for at least the past five years and currently do not have ownership interest in another property (i.e., not for investors).

- Eligibility - Priority Members where the combined gross income of everyone on the loan application is at or below average median income for the “MSA” where the property is located. Find this information by going to <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>, select the previous year, enter your property address, and select “Census Demographic Data” for your property. A Member’s combined annual gross income may not exceed the FFIEC Estimated MSA Median Family Income for where their home is located.
- Document mortgage payoff and estimated cost of all anticipated repairs to support requested loan amount.
- Underwriting - Must support the Member’s effective budgeting and history of on-time payments including:
 - Explanations of refinances or Home Equity Lines of Credit (HELOC) obtained within the past five years to determine if the Member is funding an unaffordable lifestyle.
 - On-time mortgage payments within the last 24 months, or If delinquent due to an unaffordable mortgage payment, the new mortgage payment must be less than current, and Member must document where the unaffordable portion of their payment went.
 - Must be current on property taxes and homeowner’s insurance.
 - Debt to Income ratio can go up to 50% if 1) most recent 24 months mortgage payments were on time and 2) mortgage payment stays the same or lower; otherwise, the DTI cannot exceed 43%.

FHA & Mortgage Options

As one of the largest HUD-approved counseling intermediaries, NACA works closely with HUD through its Neighborhood Stabilization Corporation subsidiary, including education on home buying and homebuyer programs. NACA strongly encourages researching various mortgage programs and products to identify the one that best meets your needs. In addition to the NACA Mortgage and HUD programs, there are mortgages provided through state housing financing agencies and other lenders. Your NACA Counselor can provide information on these programs. It is essential to note that HUD programs change over time, so it’s best to consult HUD’s guidelines and materials for details.

HUD’s Federal Housing Administration (FHA) is a mortgage insurance program that assists low and moderate income individuals and families in obtaining financing to purchase a home or to refinance an existing mortgage. FHA mortgage insurance allows homebuyers to make a down payment as low as 3.5% of the purchase price. If the downpayment is less than 10% of the purchase price, the homebuyer would pay mortgage insurance for the life of the loan. An FHA-insured mortgage is provided by a HUD-approved lender, such as a bank, mortgage company, or credit union. The borrower is required to pay closing costs, discount points, insurance premiums, and other fees. The interest rate, costs, and eligibility vary depending on the lender. Comprehensive information concerning HUD programs, including approved lenders, can be found on the HUD website at www.hud.gov or www.espanol.hud.gov. These websites provide comprehensive information about home buying, homeownership, selling a home, making home improvements, and other housing-related topics in both English and Spanish.

NACA Mortgage Term Comparison

NACA Mortgage 30-Year compared to the Rapid Payoff Mortgage 20-Year and NACA Wealth Builder Mortgage 15-Year.

The below comparison uses 5.00% for a 30-year term, 4.50% for a 20-year term and 4.75% for a 15-year with a \$200,000 mortgage (loan amount).

| <u>NACA Mortgage 30-Year</u> | <u>NACA Rapid Payoff 20-Year</u> | <u>NACA Wealth Builder 15-Year</u> |
|--|--|---|
| Fixed Rate: 5.00% Loan Amount: \$200,000 P+I payment: \$1,074 | Fixed Rate: 4.50% Loan Amount: \$200,000 P+I Payment: \$1,265 | Fixed Rate: 4.75% Loan Amount: \$200,000 P+I Payment: \$1,556 |
| In 15 years: Interest paid = \$129,024 Principal Paid = \$64,232 Equity Percentage: 32% | In 15 years: Interest paid = \$95,623 Principal Paid = \$132,130 Equity Percentage: 66% | In 15 years: Interest paid = \$80,019 Principal Paid = \$200,000 Equity Percentage: 100% |
| Remaining Years: 15 Loan balance = \$135,768 Principal & interest = \$193,256 | Remaining Years: 5 Loan Balance = \$67,870 Principal & interest = \$75,918 | Remaining years: 0 Loan Balance = \$0 Principal & interest = \$0 |

NACA INTEREST RATE

NACA's mission prioritizes providing assistance to low to moderate income Members, as well as those purchasing in low to moderate income communities. These Members are considered Priority Members, as defined below. Priority Members receive a one percent (1%) reduction in interest rate from the below market NACA fixed interest rate ("Priority Interest Rate"). Members who do not meet the Priority Member criteria, or who do not purchase in a Priority Area, still benefit from a below market interest, no down payment, no closing costs, no mortgage insurance, no fees, and flexible underwriting without consideration of one's credit score. The information below is also provided at www.naca.com on the Homebuyers / Home Purchase Program page.

Priority Members

Priority Members are low to moderate income Members whose combined income is equal to or less than the median family income (i.e., 100%) for the Metropolitan Statistical Area (MSA) where they are purchasing a property. An MSA is a large geographical region, designated by the US Census, with high population density and named after a major metropolitan area. The median income for an MSA divides the income distribution into two equal parts, with those earning more than that amount classified as higher income and those earning below that amount considered low to moderate income. Priority Members can purchase a property anywhere in the MSA and receive the Priority Interest Rate. Please confirm your eligibility criteria for purchase with your local NACA office, as there may be regional modifications to meet NACA's objectives and achieve affordable outcomes.

Since NACA's offices typically service multiple MSAs, each with different median incomes, you could be a Priority Member in one MSA, but not in another. The MSA Median income can be found at <https://www.ffiec.gov/Medianincome.htm>

- a. Select the most recent year.
- b. Open the report in PDF or Excel and select the MSA by name. The furthest column on the right is the median income for the corresponding MSA.

Non-Priority Members

Non-Priority Members are those who have a total combined application income exceeding 100% of the AMI in the specific MSA where the Member intends to buy a home. Non-Priority Members are eligible for the NACA Mortgage if they are purchasing in a Priority or Eligible Area that is 100% or below the MSA median income of where you are purchasing. Those who are not eligible for the NACA Mortgage can still benefit from NACA counseling.

Priority Areas

Priority Areas are defined as low to moderate income census tracts, which refer to areas or neighborhoods that have a population of 2,500 to 8,000 individuals, where the median family income of people living in that census tract is equal or less than 80% of the median income of the MSA. Non-Priority Members purchasing in a Priority Area receive the same Priority Interest Rate as Priority Members.

Eligible Areas

Eligible Areas are census tracts where the median family income of people living in that census tract is between 80% and 100% of the median income of the MSA. Non-Priority Members cannot get a NACA Mortgage for a property outside an Eligible Area. In addition, Non-Priority Members purchasing in a census tract area between 80% and 100% of the MSA median income will not receive the Priority Interest Rate

To find out which MSA and census Tract a property is in, go to <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>.

- a. Type the property address in the address bar and click search.
- b. Click the gray box for Census Demographic Data.
- c. The sixth box down in the grid tells the percentage of the median income. Anything below 80 is a Priority Area. Between 80 and 100 is an Eligible Area. The third box down is the median income for the MSA.
- d. If the address is not found, check the box on the left labeled "user select tract" and place the dot where the house is on the map. This may require the use of google maps, zooming in and out to find the right place to drop the dot on the FFIEC map.

Purchase Areas & Interest Rate

The chart below outlines the purchase areas and interest rate for Priority and Non-Priority Members.

| Member Type | Member's Income | Purchase Area | Interest Rate |
|--------------|---|--|---|
| Priority | Member's income equal to or below the MSA median income (i.e., 100%). | <u>MSA:</u> Can purchase anywhere in the MSA | 1% reduction of the below market NACA fixed rate. |
| Non-Priority | Member's income greater than the MSA median income (i.e., 100%). | <u>Priority Area:</u> Census tract with median income equal to or below 80% of the MSA median income. | 1% reduction of the below market NACA fixed rate. |
| Non-Priority | Member's income greater than the MSA median income (i.e., 100%). | <u>Eligible Area:</u> Census tract with median family income between 80% and 100% of the MSA median income* | Below market fixed rate. |

*In some high-cost areas NACA may increase this limit at its discretion.

Interest Rate Buy-Down

The NACA Interest Rate Buy-Down, (discount points) also known as the NACA Buy-Down, can have a significant impact on your finances. It is an effective way to increase your purchasing power by allowing you to afford a higher purchase price and/or reduce your monthly mortgage payment. This is a significant advantage, especially if you desire long-term homeownership and have available funds or can obtain them.

You have the option to use a lump sum to buy down the interest rate permanently, and the choice of how much is yours. The NACA interest rate buy down reduces the interest rate permanently for the life of the mortgage. One discount point is equal to one percent of the mortgage (loan) amount. The reduction in the interest rate for each discount point paid is significantly greater than what is typically available in the market. The NACA program even enables you to reduce the interest rate more than other programs in the market.

- **30-year NACA Mortgage** - each one-and-a-half (1.5%) discount points permanently reduces the interest rate by one-quarter of one percent (0.25%) for the life of the mortgage.
- **20-year Rapid Payoff Mortgage** - each one-and-a-half (1.5%) discount points permanently reduces the interest rate by one-quarter of one percent (0.25%) for the life of the mortgage.
- **15-year Wealth Builder Mortgage** - each one (1%) discount point permanently reduces the interest rate by one-quarter of one percent (0.25%) for the life of the mortgage.

The NACA Buy-Down option is exclusively available with a NACA Mortgage. This option can only be accessed when submitting your bank loan application and cannot be obtained after you have closed on your loan. You can use funds from your savings, grants, and/or a gift from family members who do not require repayment, as well as from the seller.

Seller contributions for the NACA Buy-Down are limited to 10% of the contracted sale price. Seller concessions above 10% can go towards a post close repair escrow. It is not allowed to finance the NACA Buy-Down with an increased purchase price. If the seller contribution exceeds six percent (6%), a risk review may be initiated by the participating lender to verify that the NACA Buy-Down was not financed as part of a higher sales price. Please note that the NACA Buy-Down is limited by current regulations and subject to change.

Grants may be obtained for both the interest rate buy-down and/or principal reduction. Most grants are funded by the federal government and occasionally supplemented by state and local municipalities. Cities and municipalities are responsible for administering and providing these grants. The funding ranges from \$5,000 to over \$40,000 and sometimes much more per buyer, which can cover principal reduction, closing costs, and the NACA Buy-Down. The most effective use of these funds is often to buy down the interest rate permanently from NACA's already below-market fixed rate. To access these funds for the NACA Buy-Down, you need to contact your state, county, or city officials to get them to work with the NACA Mortgage. NACA can assist you and others in obtaining access to government funds for the NACA Buy-Down with the NACA Mortgage.

Information You Should Consider Before Buying-Down the Interest Rate

There are several ways in which you can utilize your available funds. You may choose to keep them as savings or use them to lower the loan amount, which is also known as principal reduction. Another option is to use the funds to permanently decrease your interest rate. Alternatively, you could allocate the funds towards necessary repairs in a Rehab project. The information below is critical in aiding you with your decision and ensuring that it aligns with your unique circumstances.

You Should Consider Whether You Have Sufficient Savings or other Assets for Unexpected Expenses. If you are using your own savings or assets to pay discount points or to reduce the mortgage principal, think carefully about whether you will have sufficient savings or other assets to pay unexpected expenses or emergencies. Failure to retain sufficient funds could leave you unable to pay your expenses, debts, mortgage, or unable to cope with emergencies.

NACA Buy-Down vs. Principal Reduction

| Pros | Cons |
|---|---|
| <ul style="list-style-type: none"> • Lower Payment: the NACA Buy-Down will reduce the amount of the monthly mortgage payment, about two times more than using the same funds for principal reduction. | <ul style="list-style-type: none"> • Loss of Discount Points if Loan is Paid Off During Early Years: if you need to refinance or sell the property in the early years of the loan, a substantial portion of the discount points will be lost. |
| <ul style="list-style-type: none"> • Higher Equity in Your Home During Later Years: your initial loan balance will not decrease, but your loan balance will be lower and your equity higher in later years if you do not need to refinance or sell your home during the early years of your loan. | <ul style="list-style-type: none"> • Lower Equity in Your Home During Early Years: you will have less equity in your home in the early years and it will take more years to build equity. |

Example of Interest-Rate Buy-Down vs. Down Payment

This comparison uses 5.00% 30-year fixed with a \$200,000 mortgage and \$9,000 for the NACA Buy-Down. It would lower your interest rate by 0.75% (i.e., \$9,000 on a \$200,000 mortgage results in four and half points with each one and a half points reducing the rate by 0.25%) to 4.25% and reduce your monthly mortgage payment by \$41 or approximately 4% a month.

Interest Rate Buy Down:

- \$200,000 X 1.5% Price per point = \$3,000
- \$9,000 / \$3,000 = 3
- 0.25% reduced rate per point X 3 = 0.75%
- 5.00% starting rate – 0.75% = 4.25% final interest rate
- \$200,000 Mortgage Amount at 4.25% for 30 Years = \$984 principal and interest payment

Principal Reduction:

- \$200,000 - \$9,000 = \$191,000 Mortgage Amount
- \$191,000 Mortgage Amount at 5% final rate = \$1,025

It is important to note that you would lose the benefit of the NACA Buy-Down if you pay off your loan within the first eighteen years, and in this case the funds would be better used for a principal reduction. However, you benefit more by using your funds for the NACA Buy-Down after eighteen years. The longer you have the mortgage, the greater the benefit. In this comparison, about \$24,000 in interest payments would be saved over the full 30-year NACA Mortgage term.

Eligibility

NACA's eligibility requirements reflect our mission of promoting neighborhood stabilization and economic justice for low to moderate income people and communities. The NACA mortgage is not for investors. NACA focuses on people who have not been able to purchase a home through traditional means. These principles are incorporated into the eligibility requirements below.

1. No Member of the household can have an ownership interest in any other property:

The NACA Mortgage is not limited to first-time homebuyers. If you currently own a home, you must have an executed Purchase & Sale contract prior to submitting a mortgage application through NACA and complete the sale of your existing home prior to the closing on the NACA mortgage. This limitation does not include the following: land, time share, inherited property without a mortgage, a mobile or manufactured home which is titled as personal property and not as real estate, or properties in another country without a mortgage

2. Members must occupy the home for as long as they have the NACA Mortgage:

NACA believes that owner-occupants stabilize neighborhoods. Therefore, NACA requires that you live in your home for as long as you have your NACA Mortgage. Being an owner-occupant involves you in all aspects of the community because you own a piece of the community, not just real estate. NACA is very serious about Members adhering to the occupancy requirement. Therefore, in addition to other enforcement mechanisms, NACA puts a lien on the property to ensure you live in the home.

The lien enables NACA to enforce its owner occupancy requirement. If you violate this requirement by not living in the home while still having a NACA Mortgage, NACA reserves the right to demand a payment of \$25,000 and foreclose on your property. In addition, NACA requires payment if you sell your home for a profit within the first five-years from the purchase date. If you decide to sell or refinance the home, you will need to contact NACA (map@naca.com) to obtain a release of the lien, which NACA will provide without any charge if you have complied with all NACA requirements. Your ability to obtain a second mortgage may be limited, since this requires that NACA must subordinate its lien to the second mortgage, which NACA, in its sole discretion, may or may not agree to do, depending on your reason and the impact the new loan payment will have on your affordability. These serious actions and remedies are in place to prevent misuse of the NACA Mortgage. However, these requirements will not prevent you from selling your house at any time, making a profit on the sale, refinancing your house, or purchasing other properties, while continuing to live in the house purchased with a NACA Mortgage.

3. Member Participation:

NACA was established to make affordable mortgages available for low to moderate income Members, to transform the mortgage industry, and to address economic issues affecting working people nationwide.

Many people say the NACA program sounds too good to be true, but it is a reality through the active participation of NACA's large Membership. You must agree as part of the NACA Agreement to the Participation Pledge when you join NACA, which requires that you participate in at least five activities in support of NACA's mission in whatever way you feel comfortable each year. This applies immediately and continues for as long as you have a mortgage through NACA. You must participate in at least one such activity prior to NACA Qualification.

4. Voter Registration:

NACA requires you and all the other NACA Members in your household to be registered voters, if legally permissible. Your concerns and issues, including laws that impact our lives, are much more likely to be addressed if you are a registered voter and you participate in the electoral process. Go to the Member Portal to determine if you are on the updated national voter rolls. You must register on your own or through the Member Portal, which can be done online in 38 states or by mail in the other 12 states if you are not on the voting rolls yet. You must verify your active voter registration in the Member Portal.

5. Other Eligibility Requirements:

Becoming eligible for NACA's program requires your commitment to abide by NACA's terms of membership, participation, and eligibility. This requirement is not burdensome and is necessary to ensure the success of NACA's mission and your homebuying experience.

This commitment is ongoing, and your eligibility will be evaluated throughout the homebuying process. The additional major NACA Qualification requirements are itemized below and apply to

everyone who will be on your mortgage. NACA may revise these criteria and the required documents at its sole discretion.

- You are a NACA Member in good standing.
- You adhere to NACA's policies and procedures.
- You provide NACA with complete and truthful information.
- You provide all the documents and information NACA requires.
- You read, understand, sign, and adhere to the NACA Agreement which includes participation in support of NACA's mission, authorizations, disclosures, releases, and privacy statements.
- You pay your Membership Dues.
- You acknowledge that purchasing a home is a complex process, that NACA does not warrant or guarantee any outcome, and that NACA will not indemnify you against any losses you may incur as a result of purchasing, financing, or renovating your home.
- No person in the household has purchased a home through NACA in the last five years.
- You have committed to live in the property purchased through NACA for as long as you have the NACA Mortgage.
- You may not have enough time to be counseled and prepared through NACA with a mortgage you can afford if you have committed to a property by signing a contract prior to becoming NACA Qualified. You may need to delay the closing to complete the NACA qualification requirements or terminate the purchase contract.
- You have not paid any fees for NACA services. NACA Services are FREE: If you have paid a fee to be referred to or participate in NACA's program, you must notify NACA management immediately.
- A NACA employee has not referred you to a real estate agent. NACA has In-House Agents and Referral real estate agents who are area experts in the NACA program and process. Contact NACA's Real Estate Department for a referral (red@naca.com) or call our national number 425-602-6222.
- You have not worked with and will not work with a real estate broker/agent or purchase a property from a seller or developer that NACA has determined, in its sole determination, does not represent the community fairly or does not work effectively with NACA.
- If you close with a Rehab Escrow, you have completed and accepted the scope of work per the terms of the mortgage and rehab agreements.

Ten Steps to Homeownership

1. NACA Homebuyer Workshop

You will learn about the NACA program, accessing NACA's comprehensive counseling services, how to prepare for your first counseling appointment, and how to become NACA Qualified for the NACA Mortgage, and potentially other mortgage products at this free workshop.

2. Member Portal & Intake Session Preparation

The Member Portal is your go-To. The Member Portal is your go-to place throughout the purchase process. Input your information and upload your documentation prior to your Intake Session. You need to complete all the sections in the Portal prior to making an Intake appointment. Utilize the portal to review and complete the Action Items and take the next steps towards homeownership.

3. NACA Qualification

NACA Qualification is required to access the NACA Mortgage. To be NACA Qualified, your NACA Counselor reviews your payment history and income stability to determine if you are ready for homeownership and any next steps. S/he will also determine an affordable mortgage payment.

4. Purchase Workshop & Housing Search

Attend the Purchase or Refinanced Workshop on Thursdays from 6:00 p.m. to 7:30 to obtain your Affordability Form and Qualification Letter and learn your next steps. While you can choose any real estate agent, NACA has In-House Agents ("IHAs") who understand the NACA program and will represent your interests.

5. Purchase & Sale Contract

Obtain advice before negotiating a binding contract for the purchase of a home. Check with your NACA Counselor or NACA staff before signing to ensure you can afford the property or other issues. The Purchase & Sale Agreement must be contingent upon a satisfactory home inspection and other conditions required by NACA.

6. Property Condition

Hire a NACA-approved home inspector to evaluate your desired property and address any required repairs. Repair costs can be included in the NACA Mortgage, unless done by the seller. NACA provides rehab assistance and administration.

7. NACA Credit Access & Bank Application

This is the time to update documents to show you have maintained your NACA Qualification, including employment, assets payment history. Once NACA Credit Access approved, your NACA Counselor will submit your application for a NACA Mortgage to a participating lender.

8. Mortgage Processing & Underwriting

NACA's process is designed to close loans within 28 days from receipt of the executed Purchase & Sale, excluding major rehab. The NACA Mortgage Specialist will address any lender conditions with your NACA Counselor continuing to be your primary point of contact. Virtually all NACA mortgage applications are approved.

9. Mortgage Closing

You will need to obtain homeowner's insurance. Examine the property to make sure all agreements 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-Purchase Program

NACA offers post-purchase counseling and financial assistance for as long as you have a NACA Mortgage. Through the Home Save Department you receive budget counseling, modifications and plans to prevent foreclosure, financial and other assistance.

**WITH NACA
YOUR DREAM OF HOMEOWNERSHIP
COMES TRUE!**

MORTGAGE PAYMENT

To determine an affordable monthly mortgage payment, Members work with their NACA Counselor. This process requires obtaining and reviewing information about every household member and dependent who will live in the purchased home, regardless of whether they are on the mortgage. This is essential because every member of the household affects the overall household financial situation and ability to make monthly mortgage payments on time.

The monthly mortgage payment will determine the total mortgage amount a Member can afford, which includes the purchase price plus any rehab escrow. It is imperative that Members make a purchase that they will be happy with for years to come while ensuring the monthly mortgage payment continues to be comfortable with their lifestyle. Even the most beautiful house could become a nightmare if you cannot afford the monthly mortgage payment. Owning a home should not be a burden which requires a reduced standard of living or other sacrifices. Members should also not feel pressured to purchase a house that they will not be happy with simply because it is all they can currently afford. NACA will work with Members and their families for as long as it takes to find the right home with a monthly mortgage payment that is truly affordable over the long-term.

It is essential to calculate an affordable mortgage payment that leaves enough funds for other monthly expenses, bills and some savings for home maintenance and other needs and wants. This payment is commonly known as P.I.T.I. – Principal, Interest, Taxes, and Insurance – in the mortgage industry.

P.I.T.I. is comprised of four components: the Principal balance of the mortgage (i.e., the amount you borrow); Interest charged for the loan (i.e., the amount you pay for borrowing); Taxes for monthly tax escrow payments; and Insurance for homeowners insurance monthly premiums. While mortgage insurance premiums are required in the industry when the borrower does not pay 20% downpayment, they are not required for the NACA Mortgage.

Additionally, it is important to consider other expenses that come along with owning a property, such as homeowner's association fees and flood insurance coverage if the property is in a flood zone. By taking all these costs into account, you will have a more accurate monthly budget with a better idea of your affordability when searching for and purchasing a property.

The process of determining an affordable monthly mortgage payment starts with a Member's current rental payment, or with no base if they do not pay rent. Your NACA Counselor will review and evaluate your income, assets, and budget to determine if you have a savings pattern documented by bank statements or bank data to support a mortgage payment greater than your current rent. Your NACA Counselor will also assess if you need to increase your income permanently and/or reduce your debts or other nonessential expenses. Calculating the affordable monthly mortgage payment is the NACA Counselor's responsibility. This payment is your affordable rent and regular savings pattern (known as Payment Shock) without exceeding the maximum Housing Ratio or Debt Ratio as described below.

Monthly Household Budget

The Monthly Household Budget is a critical financial excise in determining your affordable monthly mortgage payment. We have included an example of the budget form for one month, which has two columns: Current Budget showing your current income and expenses, and the Goal Budget showing your expected income and expenses in your future home. This form can assist you in completing the Current Budget in the Member Portal, which is required to make a counseling appointment for your Intake Session. Additional copies of the Budget Form to be completed for additional months may be helpful.

The Current Budget should include the income and expenses of all the Members and their dependents. This Current Budget captures the household's complete pattern of reliable income, debts, and realistic ordinary expenses for one month. It provides a realistic evaluation of whether the household can save on a regular basis, since everyone impacts the household's finances. Keep in mind that Members who are not on the mortgage can also affect your ability to afford a house based on their debt and income. You want to avoid any unpleasant surprises when your monthly mortgage payment is due, so be conservative with your estimates. Using the actual amounts obtained from the banks (i.e., bank data) or shown on your bank, credit card, and other statements will result in the most accurate representation of your current financial situation. All reliable sources of consistent household income and expenses must be included to determine the true cash flow.

During the counseling sessions with your NACA Counselor, you will work together to complete a Homeownership Budget. This budget will consist of estimates for when you live in your future home, taking into account the current income and expenses for each Member of the household as well as your anticipated additional income and expenses.

Monthly Homeownership Budget Form

Month Completed: _____ Year: _____

Total Number of people intending to live in your future home: _____

Members are identified by their number in the below budget:

M1: _____ M2: _____

M3: _____ M4: _____

Dependents:

1. _____ 2. _____

3. _____ 4. _____

| HOMEOWNERSHIP BUDGET | | |
|--|---------------------------------|-------------------|
| INCOME AND EXPENSE TYPE | Frequency (Monthly or other) | Monthly Amount |
| GROSS INCOME | | |
| M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: _____ | | |
| NET INCOME (take home income) | | |
| Job One: W2 income M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Job Two: W2 income M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Self-employment income M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Other Income, type: M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| TOTAL HOUSEHOLD NET INCOME: | | |
| DEBT PAYMENTS | | |
| Car Loans: M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Credit Cards: M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Student Loans M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Personal Loans M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Federal / State Tax Payments M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |

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HOMEOWNERSHIP BUDGET

| INCOME AND EXPENSE TYPE | Frequency (Monthly or other) | Monthly Amount |
|---|---------------------------------|-------------------|
| Child Support / Alimony Payments M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Payday Loans M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Time Shares & Other Properties M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| Other Household Loans (e.g., Time Shares, other debt, etc.) M1: \$ _____ M2: \$ _____ M3: \$ _____ M4: \$ _____ | | |
| <u>HOUSEHOLD EXPENSES</u> | | |
| <u>Housing Expense</u> | | |
| Rent payment | | |
| Mortgage payment (including taxes, insurance, and PMI) | | |
| Homeowner Association Fees | | |
| Repairs/Improvements | | |
| | | |
| Buy Now & Pay Later | | |
| Home Cleaning | | |
| Household Supplies | | |
| Renters/Homeowner Insurance | | |
| Yard maintenance | | |
| Security System | | |
| Appliances Warranty | | |
| Storage | | |
| Other Household Housing Expenses | | |
| TOTAL HOUSING EXPENSES: | | |
| | | |
| <u>Utility Expenses:</u> | | |
| Electricity | | |
| Heat & Gas | | |
| Waste Disposal | | |
| Solar Energy | | |
| Other utilities | | |
| Total Utility Expenses: | | |
| | | |

HOMEOWNERSHIP BUDGET

| INCOME AND EXPENSE TYPE | Frequency (Monthly or other) | Monthly Amount |
|--|---------------------------------|-------------------|
| <u>Communication Expenses</u> | | |
| Internet Phone | | |
| Mobile / Home Phone | | |
| TV / Cable Services | | |
| Other Household Communication Expenses | | |
| Total Communication Expenses: | | |
| | | |
| <u>Food & Beverage Expenses</u> | | |
| Groceries | | |
| Take Out / Delivery | | |
| Meals Out (Restaurant/Café/Bar) | | |
| Coffee / Snacks | | |
| Alcohol | | |
| Tobacco / e-cigarettes / Recreational Substances | | |
| Other Food & Beverage Expenses | | |
| Total Food & Beverage Expenses: | | |
| | | |
| <u>Transportation Expenses</u> | | |
| Car Maintenance / Repairs | | |
| Fuel | | |
| Tolls / Parking | | |
| Public Transportation | | |
| Taxi / Ride Share | | |
| Car Insurance | | |
| Excise Tax | | |
| Vehicle Registration | | |
| Vehicle Warranty | | |
| Other Transportation | | |
| Total Transportation: | | |
| | | |
| <u>Healthcare Expenses</u> | | |
| Prescription / Medication | | |
| Doctor / Hospital Bills | | |
| Copays & Deductibles | | |
| Gym Membership & Other Fitness | | |
| Supplements / Vitamins | | |
| Eyecare / Glasses / Contacts | | |

HOMEOWNERSHIP BUDGET

| INCOME AND EXPENSE TYPE | Frequency (Monthly or other) | Monthly Amount |
|---|---------------------------------|-------------------|
| Dental / Braces | | |
| Therapy Services | | |
| Insurance – Medical / Dental / Vision | | |
| Insurance – Life / Disability | | |
| Other Healthcare Expenses | | |
| Total Healthcare Expenses: | | |
| | | |
| <u>Child Expenses</u> | | |
| Tuition | | |
| Daycare / Babysitter | | |
| Clothing | | |
| Lunches | | |
| School Supplies / Books | | |
| After-school / Extracurricular Activities | | |
| Lessons / Tutoring | | |
| Allowance / Toys | | |
| Room / College Dorm & Meals | | |
| Camp | | |
| Other Child Expenses | | |
| Total Child Expenses: | | |
| | | |
| <u>Education Expenses (Adults)</u> | | |
| Tuition | | |
| School Supplies / Books | | |
| Other Education | | |
| Total Education Expenses (Adults): | | |
| | | |
| <u>Pet Care Expenses</u> | | |
| Pet Food & Supplies | | |
| Veterinarian | | |
| Pet Daycare | | |
| Grooming | | |
| Pet Insurance | | |
| Other Pet Care | | |
| Total Pet Care Expenses: | | |
| | | |

HOMEOWNERSHIP BUDGET

| INCOME AND EXPENSE TYPE | Frequency (Monthly or other) | Monthly Amount |
|--|---------------------------------|-------------------|
| <u>Entertainment Expenses</u> | | |
| Movies / Concerts / Shows | | |
| Sporting Events | | |
| Hobbies | | |
| Gambling / Lottery Tickets | | |
| Sport Expenses | | |
| Hunting / Fishing / Camping | | |
| Magazines / Books / Newspapers | | |
| Other Entertainment Expenses | | |
| Total Entertainment Expenses: | | |
| <u>Appearance / Clothing Expenses</u> | | |
| Clothing / Shoes | | |
| Accessories | | |
| Haircare | | |
| Manicure / Pedicure / Nails / Lashes | | |
| Personal Care Products | | |
| Dry Cleaning / Laundromat | | |
| Other Appearance / Clothing Expenses | | |
| Total Appearance / Clothing Expenses | | |
| <u>Travel Expenses</u> | | |
| Airline / Train Tickets | | |
| Vacations | | |
| Other Travel Expenses | | |
| <u>Subscriptions / Membership Expenses</u> | | |
| Streaming Subscriptions (e.g., Netflix, Hulu, HBO, etc.) | | |
| Retail / Shopping | | |
| Membership & Organization Dues | | |
| Gaming / Magazines / Books / Newspapers | | |
| Credit Monitoring | | |
| Delivery Service | | |
| Cloud Storage | | |
| Apps | | |
| Other Subscriptions / Membership Expenses: | | |
| Total Subscriptions / Membership Expenses: | | |

| HOMEOWNERSHIP BUDGET | | |
|---|---|---------------------------|
| INCOME AND EXPENSE TYPE | Frequency (Monthly or other) | Monthly Amount |
| | | |
| <u>Gift / Charity Expenses</u> | | |
| Gifts to Family / Friends (e.g., Birthdays, Holidays, etc.) | | |
| Charitable Donations | | |
| Tithes | | |
| Other Gifts | | |
| Total Gift / Charity Expenses: | | |
| | | |
| <u>Financial Fees</u> | | |
| Banking Fees | | |
| Overdraft Fees | | |
| International Transfer Fees | | |
| Check Cashing Fees | | |
| Convenience Fees | | |
| Other Financial Fees | | |
| Total Financial Fees: | | |
| | | |
| <u>Miscellaneous Expenses (Not Listed Above)</u> | | |
| 1. | | |
| 2. | | |
| 3. | | |
| Total Miscellaneous Expenses: | | |
| | | |
| TOTAL HOUSEHOLD EXPENSES: | | |
| | | |
| <u>MONTHLY BUDGET CALCULATION</u> | | |
| Total Household Net Income: | | |
| Less: | | |
| Total Household Debt Payments: | | |
| Total Housing Expense: | | |
| Total Household Expenses: | | |
| <u>MONTHLY AVAILABLE SAVINGS:</u> | | |
| | | |
| <u>MONTHLY SAVINGS COMMITMENT:</u> | | |

Monthly Available Savings

The Monthly Available Savings is the amount that remains after deducting the total payments for liabilities, rent, and household expenses from the total net income. Your bank account(s) should reflect a monthly increase if your Monthly Available Savings are positive. This also indicates that you should have additional funds to contribute toward meeting the Payment Shock goal for a monthly mortgage payment that is higher than your current rent. However, it is important to note that your monthly mortgage payment cannot exceed 33% of the gross monthly income of all the Members on the loan. If your monthly available savings are negative, it means that your bank account(s) will reflect a deficit and/or your credit card(s) will show an overall balance increase. This indicates that the household may be living beyond its means by relying on credit or savings. In this case, the affordable monthly mortgage payment will likely be an amount lower than your current rent.

Monthly Budget Analysis

Experts say that most people do not know where 20% of their income is spent. A Monthly Household Budget is crucial for better money management, as it can help reveal the true extent of your expenditures. Both you and your NACA Counselor must get a thorough understanding of your cash flow, which includes reliable and consistent income and costs. Fixed costs include expenses such as rent, utilities, food, debt payments, transportation costs, childcare, education, etc. While the goal may be to change some of these costs, many are under contract and have minimum payments that will not change anytime soon. Elective expenses include money for clothes beyond basic needs, eating out, hair and nails, cable TV, entertainment costs, etc. These are the expenses you must consider reducing if you are both willing and able. When you change your budget, it must be reflected in your bank statements and credit card balances as well as result in increased savings or accelerated debt reduction.

Your Monthly Budget evaluates whether you are living beyond your means. For example, maintaining a high credit card balance and making only the minimum monthly payment is extremely expensive, which reflects poor financial management and the likelihood that you or other Members are stretched too thin, or living beyond their means. The minimum payment, which is likely to have a very high interest rate, is typically only two to four percent of the outstanding balance and would take over several years to pay off the complete outstanding balance. Your NACA Counselor will work with you to identify any such patterns and advise you accordingly. Following this advice is crucial for you to improve your finances and prepare you for affordable homeownership.

The Monthly Budget also indicates where changes are possible. You can determine how changes in household expenses and casual spending affect your finances by using the knowledge gained from this exercise. You and the other Members will be able to separate necessities from wants and make decisions on which non-necessities you can eliminate in order to afford a house. You will likely need several months to determine if it is realistic to change spending habits to meet your targeted Monthly Savings Commitment. Use this time to determine if you and the other Members are comfortable with a permanent reduction in spending necessary to afford a monthly mortgage payment larger than the current rent, or if the rent is even affordable with your current spending. The actual numbers on the budget may surprise you, and your perception versus reality, may be a shock. It will definitely help with the following: 1. Better management of expenses; 2. Increase savings potential; and 3. Reality check – what you believe your expenses are compared to your actual expenses as reflected in your bank accounts, credit card statements, and other types of payments.

After completing your budget, you and the other Members in your household must ask yourselves these questions:

- Can I/we be prudent managers of our income and debts to meet the requirements of homeownership?
- Do I/we have steady income and stable employment?
- Am I/are we able to save money?
- Can I/we make the necessary changes to meet the desired monthly mortgage payment?

Do not feel pressured. Buying a house can be a great investment, but personal situations or other factors, such as whether you and the other Members anticipate remaining in the area for several years, may counsel against it. NACA is a nationwide organization and will assist you wherever and whenever you are ready to become a homeowner. Do not hesitate to discuss these issues with your NACA Counselor.

Monthly Savings Commitment – Homeownership Budget

The Homeownership Budget is used to determine the Monthly Savings Commitment you will need as a homeowner to cover unexpected expenses. You must add at least two-hundred dollars to the total expenses to account for unexpected or one-time expenses and four-hundred dollars for a multi-family property. Your Monthly Savings Commitment, which can be used for your Minimum Required Funds and Payment Shock, needs to be deposited into a Household Savings Account without any overall reduction in the balance in your other accounts (i.e., this is about increasing savings, not moving between accounts). You should not withdraw any funds from your Household Savings account during the home buying process except for home purchase costs (e.g., escrow, inspections, etc.).

Payment Shock

This section demonstrates how to qualify for a monthly mortgage payment that exceeds your current affordable rent and allows you to purchase a higher priced home. NACA bases its calculation of your affordable monthly mortgage payment on your affordable rent. This represents your proven ability to make your housing payment and it reflects the balance you have already reached between housing and other needs. Nevertheless, if your current rent is unaffordable or a financial strain, NACA will use a reduced amount that you can afford over the long term as the baseline.

You must demonstrate your ability to save the amount equal to the difference between your current affordable rent and your affordable monthly mortgage payment if you need a monthly mortgage payment greater than your affordable rent. This is called the Payment Shock, (the shock experienced when you suddenly have to pay more than what you are accustomed to paying for rent). The documentation of your ability to save the Payment Shock is crucial, since it represents the additional amount, you would have to pay the lender on top of your current rent as part of your monthly mortgage payment. The Payment Shock reduces available funds for other expenses, since lack of preparation for a higher housing payment is the major cause of financial difficulty and foreclosure. Remember: Projected income cannot be included to demonstrate affordability of your house payment (i.e., you cannot rely on future raises or higher income to afford a higher mortgage payment).

Your Payment Shock Calculation:

| | |
|---|------------|
| Desired Mortgage Payment (may not exceed 33% housing ratio) | \$ _____ |
| Less: Current Rent | \$ (_____) |
| Equals: Required Monthly Savings: | \$ _____ |

The monthly savings above must be set aside every month until you close to show that you can reliably afford your monthly mortgage payment for the mortgage term (i.e., next 15, 20 or 30 years). By saving the amount that will go towards your future housing payment for three to six months you can get a good sense of what life is like without the use of these funds. It is imperative that you determine whether you are comfortable allocating this amount towards your mortgage payment indefinitely, without negatively affecting your desired lifestyle. It is also important that your savings pattern results in an increase in the total of your overall bank accounts and other funds, and not the movement of funds from one account to another. Your total savings balance must grow each month by at least the Payment Shock savings amount. It can also be reflected in your assets, including stocks and other funds. We will also check to see that the balance on your credit cards has not increased, and that you have not taken out any other loans. Increases in your account(s) with a corresponding increase in credit card balances indicate that your savings were borrowed.

For example, if your current monthly rent is \$700 and you want a monthly mortgage payment of \$1,200 while still adhering to the maximum Housing and Debt Ratios, you would need to save an extra \$500 each month to demonstrate your ability to afford the higher payment. Saving this amount every month is necessary for a minimum of three months before being NACA Qualified, and you must maintain these monthly Payment Shock savings until closing. This is similar to your landlord suddenly increasing your rent by \$500 monthly, alongside imposing the responsibility for all property repairs and maintenance on you. If you do not have a recent history of paying rent, you must increase your overall funds by the total desired monthly mortgage payment (i.e., 100% Payment Shock) over a three to six-month period prior to NACA Qualification and through closing.

Your NACA Counselor may waive the requirement of demonstrating three or more months of Payment Shock if you want to qualify for a single family residence or condo, have sufficient liquid reserves to pay all liabilities including the desired mortgage payment for six months, you have maintained these reserves for at least six months without increasing debts or significantly depleting savings, and your desired mortgage

payment is equal or less than 33% of your gross monthly income (Housing Ratio).

You should also make adjustments for one-time deposits and one-time expenses. **Since the Payment Shock savings need to reflect a regular pattern of savings** documenting your capacity to afford a higher monthly mortgage payment, includes the adjustment for any lump sum activity in your bank accounts as described below. These are non-regular withdrawals and deposits shown on bank statements that are one-time activities and are not reflective of your regular pattern of savings. You must provide an explanation for each one-time deposit and one-time expense and any supporting documents in the Savings Pattern section of the Member Portal.

1. **One-time Withdrawals:** these withdrawals occur due to one-time circumstances (e.g., paying off debts). Eliminating these one-time withdrawals from your calculation increases your Payment Shock, which better reflects your overall savings pattern. If you had not incurred these unusual expenses which will not continue, you would have saved the money and it would have been available for the mortgage payment. Documentation to verify the withdrawal will be required if the bank statement does not document to whom the payment was made.
2. **One-time Deposits:** these deposits are one-time occurrences that you cannot anticipate occurring on a regular basis (e.g., tax refund, gifts, etc.). Eliminating these one-time deposits from your calculation reduces your Payment Shock, which better reflects your regular savings pattern. If you had not received these unusual deposits which will not be available going forward to make the mortgage payments, you would not have saved as much in the month the deposit was received. These one-time deposits can be used for the Minimum Required Funds (MRF) and/or buy-down funds if they are not borrowed.

You may find that taking on a higher monthly mortgage payment is not worth the sacrifice or monthly stress in making the mortgage payment. Your monthly mortgage payment will be based on your current affordable rent if you are unable to save your Payment Shock, or if you do not pay rent, the amount you save each month. However, you can use the NACA Buy-Down option, as previously explained, and/or grants, to increase your mortgage amount without increasing your affordable monthly mortgage payment if your current rent prevents you from purchasing an affordable home in your area. Failure to save the agreed Payment Shock savings each month may significantly delay your NACA Qualification or prevent you from purchasing your desired property.

Bank Data

You must have one or more bank accounts and provide access to your bank data through the Member Portal at no cost to you or provide your NACA Counselor with at least your past three months of bank statements for all open accounts. All pages, even those that are blank, must be included. We strongly recommend that you authorize NACA to access electronically your bank data through MasterCard. This is secure and more accurate since your bank data comes directly from your financial institution through MasterCard. It includes all of your transactions, and you can revoke the access at any time.

This is crucial to correctly identify income and expenses, provide an accurate picture of your personal finances and to verify your budget items. It will also establish if you are maintaining an unaffordable lifestyle based on one-time payments, such as profits from the sale of a previous home, a loan, an insurance settlement, or a lump sum retirement, which would be unavailable with just your regular income. The review could also verify more specific things such as payments for liabilities and household utilities. To facilitate the review, you should identify payroll deposits, rental payments, and other payments not identified on your credit report. Additional bank statements may be required to obtain a better understanding of any of the items already discussed, as well as other potential issues. Finally, the bank statements must be legible, so do not black out any sections and avoid writing over the printed information or using highlighters.

Limiting Factors

NACA and the mortgage industry use two metrics to limit the monthly mortgage payments in relation to your personal finances: the Housing Ratio and the Debt Ratio. These ensure that your monthly mortgage payment does not consume an excessively high percentage of your income, reducing your standard of living and leaving insufficient savings for other living expenses and to face emergencies.

Housing Ratio

Your Housing-to-Income Ratio (“Housing Ratio”) is determined by dividing your monthly mortgage payment by your gross monthly income. Years of research and experience have shown that your affordable monthly mortgage payment, consisting of the principal, interest, taxes, insurance, and HOA fees, should be no more than 33% of your gross income, ideally less. In other words, an affordable housing payment should be less

than one third of your total income, leaving the remaining two-thirds for your other living expenses. A high monthly mortgage payment, indicated by a high Housing Ratio, would not leave enough room for necessities, a comfortable lifestyle, the opportunity to assist family members, or the ability to handle financial difficulties leaving you house rich but cash poor.

Remember that the Housing Ratio calculation uses your “Gross Income,” which is the income before taxes and other deductions are taken away. A 33% Housing Ratio usually translates into over 45% of your money going to your monthly mortgage payment when using your “Net Income,” which are the actual dollars you take home. This would leave less than 55% of your remaining income to cover your other monthly expenses, which may include liability payments for a car, payments for credit cards and student loans, as well as living expenses like food, clothing, transportation, health care, miscellaneous payments, and emergency payments, not to mention retirement savings and investments. To reduce your Housing Ratio, you would need to increase your gross income and/or reduce the mortgage payment.

Exceptions: Your maximum Housing Ratio may be increased up to 35% of your gross income if you have a history of paying rent on time, the rent amount already is at or above 35% of your gross income, and you have not increased your liabilities or depleted your savings. On the other hand, your maximum Housing Ratio may be less than 33% of your gross income if your other debts (i.e., car loans, student debt, credit card, etc.) are so high that these debts combined with your monthly mortgage payment exceed 40% of your gross income, as explained in more detail below. The 15-year Wealth Builder mortgage also allows a Housing Ratio up to 35%.

Debt Ratio

Your total Debt-to-Income Ratio (“Debt Ratio”) is calculated by combining your monthly mortgage payment plus other monthly required debt payments divided by your gross income. The required debt payments used for this ratio include car loans, credit cards, student loans, child support, and repayment of debt, but exclude monthly living expenses such as food, clothing, entertainment, gas, utilities, and other expenses. This amount cannot exceed 40% of your gross income. The ratio can be increased to 43% in certain documented circumstances such as a high rent, purchasing in a high-cost markets and other situations. The maximum of 40% of your gross pay equals about 60% of your net take home pay going towards your monthly mortgage payment and other debts. That would leave you with 40% of your income to cover monthly living expenses. To reduce your Debt Ratio, you would need to increase your gross income and/or reduce your debts.

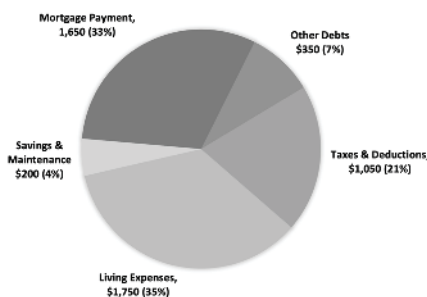
Example of using ratios as the limiting factors:

This example uses a gross income of \$5,000 per month and the maximum limiting factors for housing and debt-to-income ratios. The following expense allocations are used:

1. Monthly mortgage payment: 33% of gross income (\$1,650)
2. Other Debts: 7% of gross income (\$350)
3. Taxes & Deductions (e.g., health, benefits, etc.): 21% of gross income (\$1,050)
4. Savings, Repairs & Maintenance: \$200 to cover life emergencies, home repairs and household systems maintenance
5. Living Expenses (food, clothing, utilities, health care, transportation, etc.): 35% of gross income for living expenses (\$1,750)

This demonstrates how using a third of your gross income for a monthly mortgage payment leaves a limited amount of money for your other debts and living expenses. It highlights that using the maximum amount for your monthly mortgage payment leaves less for living expenses, such as car payments, credit cards, student loans, food, clothing, and other spending. Conversely, it shows that high non-mortgage debt reduces the amount available for your monthly mortgage payments. HUD recommends a monthly mortgage payment of no more than 31% of your gross income and total debt obligations of less than 40% of your gross income. Therefore, you should make every effort to adhere to these guidelines.

GROSS MONTHLY INCOME \$5,000



NACA QUALIFICATION CRITERIA

The following NACA Qualification criteria provide a general idea of the criteria our NACA Counselors and Mortgage Specialists use to determine your eligibility for NACA's extraordinary mortgage product. Participating Lenders have been attracted to the NACA program due to its comprehensive and innovative process for qualifying Members. NACA reserves the right to change the qualification criteria, require additional documentation, information, or waive requirements at NACA's discretion.

The goal of NACA's comprehensive counseling is to help you attain NACA Qualification and improve your financial management. In the Member Portal you can access your Action Plan with the Action Items to address outstanding information and documents you must complete or keep updated to become NACA Qualified after each counseling session. It is crucial that you take personal initiative and accurately complete the items as quickly as possible. NACA Qualification is a required process that essentially pre-approves you for the NACA Mortgage and likely other mortgage products.

NACA employs a common-sense approach to lending. If you were to lend someone \$200,000, you would want to know their payment history and ability to pay back the loan. This is precisely what your NACA Counselor will determine by performing an extensive analysis of your financial situation. This process requires full documentation of your finances. You may be NACA Qualified after just one counseling session, or your NACA Counselor will work with you for as long as it takes to get there. The requirements for the NACA program apply to each Member including those Members who would be living in the house but not be on the mortgage.

The NACA Qualification process requires a thorough review of your finances by your NACA Counselor and a significant commitment from you to adhere to NACA's policies and procedures. You must disclose everything about your financial situation, including all your financial obligations, to your NACA Counselor. Early resolution of any issues can prevent delays or potential disqualification from the NACA program. Issues that are addressed early in the process can be solved without delaying or preventing your NACA Qualification or closing. Misleading NACA staff or fraudulent actions will be identified by either NACA or the lender during the mortgage process and will likely result in terminating your participation in the NACA program. Additionally, mortgage loan fraud is charged as a felony offense and the penalties can include prison time, fines and restitution. Out of pocket fees and expenses are nonrefundable. Do not commit to purchasing a house until after you are NACA Qualified, as the home must be within your NACA Maximum Qualification Amount and meet your needs and desires.

NACA's qualification criteria are designed to consider your individual circumstances to determine whether you are ready for homeownership with a monthly mortgage payment you can comfortably afford over many years. These criteria provide long-term, affordable homeownership with enough financial flexibility to satisfy your living expenses and address unforeseen difficulties. You can become NACA Qualified within three months by following NACA's policies and procedures and adhering to the underwriting guidelines. However, if you have experienced significant financial issues, such as a foreclosure or bankruptcy, the process may take longer.

You must work with your NACA Counselor to meet the criteria for NACA Qualification. Your NACA Counselor will assist you in obtaining necessary documents and information and in overcoming any obstacles to purchasing a home. Before attending counseling sessions, it is essential to prepare as much as possible to move quickly through the NACA Qualification process. Once NACA Qualified, you will be ready to begin your housing search. When you find a property, you can apply through a lender that provides the NACA Mortgage ("Participating Lender"). Your NACA Qualification is valid for six months. You must contact your NACA Counselor to update your information and documents and re-certify your NACA Qualification if your financial circumstances change, or six-months elapse before locating an eligible property to purchase.

Payment History Qualification

Summary

1. There is no consideration of your credit score.
2. A reasonable on-time payment history over the past 24 months is required, with a focus on the most recent 12 months.

3. Late payments that are out of your control or those that are predatory are not considered.
4. On-Time rental payments are the most significant indicator of your ability to make timely mortgage payments.

NACA determines whether you are ready to be a homeowner through a detailed analysis of your payment history and consideration of the explanations for any late payments. NACA does not consider a lack of payment history to be a problem if there is documented on-time rental payments.

No Consideration of Credit Score

NACA does not consider your credit score to determine your financial readiness for homeownership. The analysis used by NACA differs significantly from other lenders that focus on your credit score to determine whether you qualify for a mortgage, and on what terms. NACA believes that credit scores are not reflective of your readiness and commitment to homeownership. Credit scores do not consider your particular circumstances for any late payment, such as factors beyond your reasonable control.

Credit Report Review

NACA will retrieve a credit report for all Members over the age of 21 who will be living in the home you purchase through NACA to review the payment history of debts affecting readiness for homeownership. All Members must provide a photo ID and an electronically signed authorization form before the credit report is retrieved. Your NACA Counselor will closely review the payment histories of all individuals intending to be on the mortgage. This review will include both the debts they currently owe and their payment history over the last 24 months with a focus on the most recent 12 months. This includes utilities and other accounts that do not show on their credit report, debts that they may be unaware of, such as medical bills that they thought were covered by insurance, or credit card payments owed by a spouse, a dependent, or someone they co-signed for, as well as co-signed accounts, which are treated as belonging to them. The Member's payment history may be affected by those they co-signed with if they are not making the payments on time. It will still be their responsibility to address this.

On-time Payments

NACA's basic principle for NACA Qualification is that you have demonstrated a **minimum of 12 months of on-time payments** for all obligations that require payments which are reasonably within your control. The definition of "on-time payment" is a payment made within 30 days of the due date or that incurs no late fee or negative repercussion for not being paid as agreed. This should not be difficult since you should be preparing for homeownership before coming to NACA by keeping your payments current. Additionally, you must maintain on-time payments on all your accounts during the counseling period and through mortgage closing. If you have recently made late payments, you can provide compensating factors by explaining what happened, how it was resolved, and why late payments are unlikely to happen again. Compensating factors that mitigate these late payment(s) will be considered. You can use alternative forms of credit to demonstrate that you pay your obligations on time, such as utilities, phone, cable, internet, and car insurance. We typically need up to three payment histories to determine readiness for homeownership, so paying these bills on time for at least the past 12 months can serve as evidence.

The following serious financial difficulties require additional evidence of on-time payments: 1) Mortgage loss due to foreclosure, short sale, or deed-in-lieu-of-foreclosure; or 2) Bankruptcy – Chapter 7 (Chapter 13 discharged does not require an additional waiting period). If either of the above occurred, you must demonstrate that you are ready for homeownership by showing reasonable on-time payments on all open accounts for at least the past 24 months or potentially less with compensating factors. You can prove such on-time payments by requesting a credit letter, pay ledger from the creditor, or by providing the first page of the most recent bill listing the payment summary that demonstrates you have paid as agreed.

Rental Payments

Rental payments are the most important indicator of your ability to make payments on time and the likelihood of making your future monthly mortgage payment. One fundamental principle of the NACA program is that you can afford to pay the same amount for a mortgage if you can afford your rent and make the payments on time.

You must provide documentation of on-time rental payments for the last 12 months. Your NACA Counselor will require verification of your on-time rental payment history, so it is best that you pay your rent by check or electronic bank transfer and be consistent in the method of paying rent. This ensures that withdrawals

for rent are accurately identified in your bank data/statements. To verify payments, your current landlord can complete a NACA Rental Verification Form sent directly from NACA to your landlord. Alternatively, you can provide NACA with a copy of the lease agreement and 12 months of cancelled checks, or other documentation that shows proof of payment, such as copies of the money orders with a matching bank statement withdrawal. Note that if you are related to your landlord or plan to purchase the house you currently live in, you must provide 12 months of cancelled checks. In the event of any differences between your residential history and what shows up on your credit report or landlord information, be prepared to provide a written explanation.

NACA acknowledges that there are circumstances when you might not be obligated to pay rent because of a legitimate dispute with the landlord. In such a case, you must explain how the rent payments were used and provide documentation of the dispute and the steps you have taken to resolve it. While there might be situations leading to early termination of the lease, NACA will not offer legal counsel on resolving any lease dispute, and you should seek or accept legal counsel from an attorney specialized in landlord/tenant law. Your NACA Counselor can refer you to a legal aid organization that charges a reduced or no fee, if you cannot afford an attorney. It is advisable to seek guidance and support from local Legal Aid agencies, attorneys, or others for advice and assistance.

Late Payment Explanations

You will need to provide a written explanation of any late payment within the past 24 months, regardless of whether the account has a current balance, or has been paid off. The written explanation should state the reason for the late payment, how it was addressed, and why it is not likely to happen again. Whether there is or is not a good reason for failing to make the payment, you must provide an accurate explanation. For example, stating only that you “will correct a payment problem” or “will pay a bill” is not acceptable. Your NACA Counselor will assess whether the explanation for why a bill was not paid on time was beyond your reasonable control. Some examples are:

1. **Unaffordable medical bills:** late medical bills are more a reflection of our dysfunctional medical system than of your readiness for homeownership since your ability to pay is not and should not be a consideration in obtaining needed medical care.
2. **Divorce:** this is a difficult situation in which you may have to rely on the cooperation of someone who is unwilling to work with you.
3. **Timing:** you made the payment on time, but it was not received due to delivery or administrative issues.
4. **Predatory or problematic account:** the terms were problematic; the product was defective, or the services were not provided as agreed.
5. **Mistaken identity:** the payment obligation and any late payments were mistakenly connected to you.

You should not be penalized if there is incorrect payment information on your credit report. Studies have shown that as much as 40% or more of the information listed on a credit report may be inaccurate. It is imperative that you identify any errors or incomplete information and take steps to submit a dispute letter to the credit reporting agency with supporting documentation. You should also explain the situation to your NACA Counselor and once the investigation is completed provide the resolution unless the updated information is already reflected on your credit report. The credit reporting agencies are required to correct errors, but it usually takes time. You will need proof that the issue was resolved, either through an updated credit report, receipt, cancelled checks, letter directly from the creditor, or other documentation.

Income Qualification

Summary

1. Steady income over the past 24 months is required.
2. Variety of income sources are acceptable as long as the income is considered stable: wages, self-employment income, alimony, Social Security, pension, child support, and other documented income.
3. Self-employment income is calculated using either the tax returns of the last two years or last year’s tax return only, as well as the most recent 12-month cash flow from the bank statements covering this period.

Income evaluation is based on documented stable income that is likely to continue. This may include employment income, self-employment income, fixed income, and other documented income. While your current rent and Payment Shock savings largely determine how much you can spend on a mortgage, it

is essential to have one or more reliable and steady sources of income before committing to long-term monthly mortgage payments.

Wage Income

You must document your income from wages and demonstrate that it will continue in the future. Sources of wage income include salary, hourly wages, overtime, bonuses, and commissions. You need to have a consistent income for at least two years. However, an exemption to this requirement can be considered at the discretion of your NACA Counselor with at least one stable year of income, if you can show that you have spent the prior year advancing your career or improving your skills in other ways. It is not necessary to have worked at the same job, because many low to moderate income workers change jobs frequently due to the nature of their work or attempts to improve their situations. Any recent gaps in income of 30 days or more will be evaluated to determine if it impacts income stability. The employment section of the credit report must match the employment information and documentation you provide, and any discrepancies must be explained in writing.

Self-employed Income

The income calculation for NACA Qualification uses either the average of your tax returns for the last two years, or last year's tax return and your most recent 12-month documented cash flow. To be NACA Qualified, you must have two years of consistent self-employment income and provide the last two years of tax returns. To determine your cash flow, you must provide the most recent 12 months bank transactions/statements with business deposits and expenses identified as well as your most recent tax return.

Other Income

You may also include other income and benefits such as child support, alimony, Social Security, pension, annuities, retirement, housing allowance, Section 8 voucher (also known as the Housing Choice Voucher), etc. It is essential to document these sources of income by providing receipts of payment and proof of continuity for the upcoming years. You must also provide relevant documentation such as award letters, court orders, and income verification forms to support your claim.

Debts Qualification

General Criteria

1. Charge-off accounts do not have to be paid off. This rule does not apply to federal debt (i.e., student loans) and child support.
2. Collections that occurred within the past 24 months need to be paid off or must be in an approved payment plan with at least three payments made. However, medical collections are exempt, regardless of the age of the debt.
3. Liens and Judgements need to be resolved and documented as released from court or must be in an approved payment plan if your state allows it.
4. All current debts are included in the affordability analysis and debt ratio calculations. This includes an estimated payment for student loans in deferment or forbearance.

Debts are defined as your current obligations as well as any future obligations that become payable in the future, such as student loans in deferment or forbearance. **You must disclose all debts**, including those that do not appear on your credit report, such as new car loans, student loans, tax debts, child support or debts in someone else's name you are obligated to pay, to enable NACA to provide effective financial counseling. Furthermore, if a new credit line has been obtained and does not appear on your credit report, the latest monthly statement must be provided. In addition, all credit report inquiries within the past 90 days must be explained in writing, specifying the reason for the inquiry and whether new credit was obtained or to verify that no additional debt was taken on.

NACA needs to determine your total monthly ongoing debt payment obligations to evaluate your debt load. Payment timeliness is not considered in this evaluation and is addressed under Payment History. We assess your current debts, charge-offs, and collections, then determine your total debt and monthly payments. High debt payments can limit your ability to afford a monthly mortgage payment, which can limit the amount you can borrow for a mortgage and the price range of the house you can purchase. Examples of ongoing debts we consider include car payments, credit cards, student loans, personal loans, and child support. If you believe that a debt listed on your credit report does not belong to you or is incorrectly stated as unpaid, or the balance or payment is incorrect, you will need to provide supporting documentation.

There are four types of debts that must be addressed: 1) Installment Debt – Closed-end Debt with fixed monthly payments and an ending date, such as auto loans, student loans, child support and other loans; 2) Revolving Debt – Open-end Debt with variable balances, and thus variable monthly payments, such as credit cards; 3) Collections– Debts that a creditor has categorized as non-payment (usually between three and six months of delinquency; and 4) Liens and Judgments – Debts a creditor has recorded with the courts.

Collections

Any collection that happened within the past 24 months must be resolved in any of the following ways: 1) paid to a zero balance prior to NACA Qualification, 2) documented settlement for less than the outstanding balance, or 3) incorporated into an approved payment plan with documented payments of at least three months.

Any collections that happened more than 24 months ago rarely need to be paid off unless it is a federal account or child support. Usually, these collections only require an explanation letter to address any current balance. It is common for collection agencies to purchase previous debts and use aggressive collection tactics. They purchase old debts for much less than the outstanding balance but are often able to renew the original balance due, add extra fees, and put a lien on your new home, often for a higher amount than the original balance. You and your NACA Counselor must determine whether these debts are likely to be reinstated, and whether you should pay them off or enter into a payment arrangement for an unpaid bill or collection. It may be possible to negotiate a settlement for a lower payoff since creditors will often accept 40% or less of the total amount due.

Child support debt in delinquent status must be brought current or documented as paid in full. Child support arrears in an approved payment plan must have 12 months of on-time payments. You do not want old debts to resurface and create additional burdens or impact your financial situation as a homeowner. The debt could lead to wage garnishments, which will reduce your net income and hinder your ability to pay the mortgage, which is a significant concern. It is necessary to resolve collections before purchasing a home, irrespective of the age of the debt, especially if there has been communication indicating that they are likely to lead to a garnishment.

Liens & Judgments

Liens and judgments must be paid in full and documented as satisfied and released. This requires providing proof of release from the court or documentation of an approved and established payment plan. Examples of liens and judgments may include defaulted child support, back taxes, and student loans. Even if you have legitimate grievances, you may need to make payment arrangements to avoid future actions by the creditor or the courts. Some states will not allow a mortgage loan to close when liens or judgments are not paid in full.

Student Debts

Your NACA Counselor will work with you to determine your monthly student loan payment. You may use the student loan payment on your credit report, if shown and accurate, or you must provide proof of the actual monthly payment if you disagree. Once your student loan(s) are out of deferment or forbearance, the loan servicer must provide a statement that lists the loan account numbers and the eligible fixed payment amount. Please note that the payment included in the affordability and ratio calculations described later on cannot be a forbearance payment or an initial payment in a graduated payment plan. The accepted repayment plans are: approved Income Based Repayment Plan, standard payments, extended fixed payments, and the largest payment amount for graduated payment plans. Income Based Repayment Plans are often amongst the lowest payment options and typically calculate the payment using 10-15% of one's discretionary income. For additional information visit: <https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>.

Do not get discouraged if you are currently in default on your federal student loans. You have multiple options available that can enable you to successfully get your loans out of default. The first step is to determine who owns or services your loan by going to www.studentaid.ed.gov. It is important to note that this tool does not cover any private student loans. Private student loans are classified as installment debt and are not subject to federal guarantee, limitations, or benefits. Secondly, you can consider the following available payment options: (1) repayment in full; (2) settlement of the debt for a negotiated lower amount, typically requiring a lump sum payment; (3) loan rehabilitation; or (4) loan consolidation. You will need to

contact the Department of Education or the collection agency that is servicing your loan if you decide that rehabilitation of your loan is the best option. The following website provides information about rehabilitating Direct Loan or FEEL student loans: <https://studentaid.gov/loan-simulator/>.

Once your loan is rehabilitated, the default status will be removed, and you will regain eligibility for benefits that were previously available on the loan before you defaulted, such as deferment, forbearance, a choice of repayment plans, and loan forgiveness. You will also be eligible to receive additional federal student aid. Additionally, national consumer reporting agencies (credit bureaus) will be instructed to remove the record of the default from your credit history for the rehabilitated loan. However, it is important to note that late payments recorded before the loan defaulted may not necessarily be removed from your credit history.

Another option to remove your loan from default is a direct consolidation loan. To consolidate a defaulted federal student loan into a new direct consolidation loan, you must select one of the following: (1) agree to repay the loan under an Income Based Repayment Plan, or (2) make three consecutive, voluntary on time full payments on the defaulted loan before you consolidate it. Once your loan is consolidated under this program, you will regain eligibility for benefits such as deferment, forbearance and loan forgiveness. You will also be eligible to receive student aid again. However, it is important to note that this program does not remove your default from your credit history, and that you will lose the benefits of a federally backed student loan including the Income Base Repayment Plan if you consolidate with a private lender. To obtain information or ask questions about which option is best for you, please contact the Loan Consolidation Information Call Center at 1-800-557-7392 or go online at www.studentloans.gov.

Minimum Required Funds Qualification

Summary

1. No Down Payment, No Closing Costs, No fees
2. Funds needed for the following vary based on the location and type of property you are purchasing:
 - a. Earnest money for a deposit on a property, which is credited back at closing.
 - b. Inspection Fee – to identify any property issues and costs.
 - c. Pre-paid Taxes – tax payments on the property in the future.
 - d. Pre-paid Insurance – insurance payments on the property in the future.
 - e. Homeowners Association – fees charged by the association to homeowners.
 - f. Reserves – funds available once you close on the property.

Even though the NACA Mortgage does not require a down-payment and the lender pays thousands of dollars in closing costs and there is no mortgage insurance, there are still certain acquisition costs that are out of pocket costs you will incur when you purchase a property. The Minimum Required Funds (“MRF”) are funds you must have available to pay these incurred costs, pre-paid expenses at closing, and a reserve for one to six months of mortgage payments based on the type of property you purchase. The MRF for the NACA Mortgage is much lower than any other mortgage, which means the requirement to save these funds will likely not prevent you from being a homeowner.

The property acquisition costs consist of earnest/due diligence money, inspection, and evaluation fees. Earnest money (e.g., deposit paid to demonstrate the buyer’s intent to purchase the home), is often required by the seller as a deposit to hold the property until inspections can be completed and the loan application is approved. The earnest money is applied toward the required pre-paid expenses, any applicable NACA Buy-Down, or returned to you upon closing. Inspection and applicable property evaluation fees, such as property and termite inspections, or electrical, plumbing, system, or structural evaluations when necessary, are paid up front, so the overall property condition can be determined and evaluated. These fees are nonrefundable if you elect not to purchase the property, or you are unable to close on the property.

Pre-paid expenses are a one-time payment for future costs. These costs include the first year’s homeowner’s insurance premium, mortgage interest from the day you close until the end of the month, property taxes, and homeowner’s insurance escrows. You need to have these funds to complete your closing, because the lender requires these to be paid up front. Your future monthly mortgage payments will include the monthly fees for the property taxes and homeowner’s insurance. The lender keeps your fees in an escrow account and pays them for you. The bank manages this account on your behalf to pay the homeowners insurance annual premium, and the property taxes annual bill so you do not have to come up with the lump sum every

year. Once the mortgage matures, (e.g., it is paid in full), you will be responsible for paying your annual bill for property taxes and annual homeowners insurance premium. You receive a credit if the lender collects too much, or you may be charged more if there are insufficient funds in your escrow account, since these fees change over time. The cost to close may also include Homeowner Association initiation fees, flood insurance, or other costs specific to the property. You should make sure to review your Purchase and Sales contract thoroughly to understand everything you agree to pay for.

NACA Reserve Requirements

NACA requires reserves based on the following:

- 1) Payment Shock:
 - a. One month of mortgage payment if Payment Shock is less than \$300.
 - b. Two months of mortgage payments if Payment Shock is greater than \$300.
- 2) Self-employed individuals: three months of mortgage payments.
- 3) Multi-family property purchase:
 - a. Four months of mortgage payments for a duplex.
 - b. Five months of mortgage payments for a three-family home.
 - c. Six months of mortgage payments for a four-family home.

The mortgage reserves must be documented in your bank account(s) prior to closing. These funds cannot be used for an interest rate buy-down or to waive required repairs. Funds you saved as part of your Payment Shock savings can also be used for your reserves. The purpose of these reserves is to ensure you have some funds in the bank after you close. While the reserves can be used for any purpose, it is important that you have funds to move into your future house and to buy necessary household items, such as furniture, appliances, and accessories, as well as funds for deposits to start the utilities, and other items.

Reserves can also assist you with your monthly mortgage payments and allow you to keep your home if you suffer a setback, loss of income, or have any unexpected expenses. Most experts agree that you should have a dedicated savings reserve account with at least three months, but preferably six months, of monthly mortgage payments. If you're buying a multi-family home, it's recommended that you have additional reserves to cover costs in case of a vacancy or if a tenant fails to pay rent. Saving money requires a financial plan that contains specific, measurable, and achievable goals. The work you do on the Budget will be helpful in meeting your savings goal. Your savings will help with some of the following situations you may encounter:

- Major home repairs
- Loss of tenant(s)/rent
- Family crisis
- Federal or state taxes (which were not deducted from your paycheck)
- Major medical expenses
- Loss of employment
- Separation or divorce
- Disability
- Increase in property taxes or insurance costs

You must have documented evidence of the available MRF in your current bank statement(s). Funds for the MRF should be in any of the following types of accounts: checking, savings, CDs or money market accounts. You must explain the source of funds that are non-payroll or irregular deposits. The MRF can include gifts or one-time deposits, but they cannot be from a borrowed source, or be provided as part of the purchase transaction. You may need to provide documentation verifying that the funds were not borrowed. You must document the amount of funds and your ability to access them for other types of accounts, such as savings clubs. If you keep a large sum of cash on hand, it is strongly recommended that you put the cash into your bank accounts at the start of the process, so it can be used later. Your NACA Counselor will inform you of the documented minimum funds required for documentation as part of your affordability analysis. Out of this sum, \$2,500 must be liquid and readily available in your bank account(s) at the time of NACA Qualification. The MRF amount is calculated based on the property type and your desired mortgage payment.

Documentation of other assets is important if they are used for the MRF, reserves, and/or the NACA Buy-Down. These funds must be deposited into your bank account before NACA Credit Access review and remain there throughout the bank application and closing:

- 401K Assets (or Other Assets): a copy of the 401K withdrawal, or repayment terms if applicable, and the most recent 401K statement.
- Gift Funds: a gift letter and additional documentation from the donor are required if used for the earnest money deposit or provided late in the process. The source of the gifted funds from a non-relative will need to be explained in writing.

How Much Money Will You Need to Buy a Home?

Traditional Mortgage NACA Mortgage
(Assumes 5% down) (No down payment)

| I. Pre-Mortgage Application | | |
|---|-----------------|----------------|
| Offer (earnest money deposit) ¹ | \$2,000 | \$2,000 |
| Home inspection | \$600 | \$600 |
| Your attorney | \$0 | \$0 |
| | | |
| Credit report ² | \$45 | \$0 |
| | | |
| II. Mortgage Application | | |
| Application fee | \$250 | \$0 |
| Appraisal | \$450 | \$0 |
| | | |
| III. Costs at Closing | | |
| | | |
| Down payment (\$200,000 price) | \$10,000 | \$0 |
| Origination Fee | \$2,000 | \$0 |
| Document prep fee | \$200 | \$0 |
| Lender's Title insurance | \$225 | \$0 |
| Mortgage insurance for first year | \$1,520 | \$0 |
| Lender's attorney | \$600 | \$0 |
| Homeowner's insurance premium for the first year | \$1,200 | \$1,200 |
| Other lender fees | \$350 | \$0 |
| | | |
| IV. Pre-Paid (Escrows) | | |
| Mortgage insurance (two months) | \$300 | \$0 |
| Homeowner's insurance (two months) | \$200 | \$200 |
| Real estate taxes (two to twelve months) | \$500 | \$500 |
| Pre-paid mortgage interest (closing on the 15 th of the month) | \$329 | \$329 |
| One-month PITI in Reserve (PSS less than \$300) ³ | \$0.00 | \$1,305 |
| Interest rate buy down (optional) | | |
| | | |
| TOTAL COSTS (Minimum Required Funds)⁴ | \$19,769 | \$5,134 |

The analysis above is based on a \$200,000 purchase price for a single-family home, one-month reserve based on P&I at 4.0% plus \$350 taxes and insurance. Estimated costs may differ significantly for different markets, and the costs generally increase in proportion to the increased sales price and interest rate. The total funds will vary depending on whether you purchase a single or multi-family home, the area's property taxes, homeowner's insurance, and the day of the month you close. If you use the NACA Buy-Down to qualify for your desired price or to reduce your monthly mortgage payment, then the buy-down funds need to be included as part of your MRF.

¹ The earnest and purchase deposit are applied to the pre-paids. The amount significantly increases for multi-family homes.

² Your payment for the credit reports, which is at a discounted rate, is refunded by the lender at closing.

³ The demonstrated reserves remain with the Member. NACA verifies it has been saved to ensure there are funds available after closing.

⁴ Total Costs exclude the Offer (earnest money deposit).

INTAKE COUNSELING SESSION

You must have the following to begin the NACA Qualification process:

1. At least one open and active bank account.
2. Access to the internet to use the Member Portal at www.naca.com.
3. An email address that you use on a regular basis.
4. A stable job and/or other regular and reliable income.
5. Be committed and relentless in understanding and managing your finances to become a homeowner.
6. Support and participate in NACA's overall mission of achieving economic justice.

Prior to your Intake counseling session, you must complete the information in the Member Portal, which requires information on everyone in your household, as well as verification of your income and assets. Your NACA Counselor will review the information and documents you provided and focus on counseling you to becoming NACA Qualified with an affordable mortgage payment. Your thorough preparation reflects your dedication to becoming a homeowner and will accelerate the process significantly. This being said, attending the Intake Session is an absolute must to get started. Rest assured, your NACA Counselor is an experienced professional who can help streamline the process and relieve any anxiety that may arise – but only if you heed their guidance. The outcome will be nothing short of exceptional!

Arrive for a face-to-face session or be available for a video session at least 15 minutes prior to your appointment to check in. While it is important that all the Members in the household attend, it is not required. This first appointment can take two hours or more; and while children are welcome, they may grow bored very quickly. Please call or email your NACA Counselor or Member Services if you are going to be late, in which case your counseling time will likely be reduced accordingly. If you need to reschedule, we need at least 24 hours in advance notice to accommodate another Member from the waitlist. You may be prevented from participating in the NACA program if you do not show up without contacting your NACA Counselor, Member Services at Services@naca.com or call 425-602-6222 in advance.

Your NACA Counselor will go through all stages of the NACA Qualification requirements, including income, debts, assets, rental history, payment history, and more. Your NACA Counselor will review your current finances and work with you to improve your financial management. Your NACA Counselor will focus on developing your Homeownership Budget using your Current Budget, which is crucial in determining an affordable monthly mortgage payment. Your Intake session is not considered complete until you and your NACA Counselor have addressed all the stages and an Action Plan has been reviewed together. Your Action Plan consists of Action Items that include additional required documents and information as well as your next steps to become NACA Qualified.

The Action Items are shown in the Member Portal for you to address quickly. Once you have addressed them, schedule a follow-up session through the Member Portal or contact your NACA Counselor directly. You should also start saving for your Payment Shock and Minimum Required Funds, if you have not already. Contact Member Services by email at Services@naca.com or call 425-602-6222 if your NACA Counselor is not responding or you have any concerns or issues.

Preparing for Your Intake Counseling Session

Your first step after attending the Homebuyer Workshop is to complete the required information in the Member Portal. The requirements are customized to address your particular circumstances. Preparing for your Intake session requires some work and time to complete all the steps in the Member Portal. This demonstrates that you are serious about purchasing a home, but also prepares you to be NACA Qualified in a timely manner. Please refer to a description of the available services below titled "Support In Using Your Mortgage Portal" if you are unable or need assistance to complete the Member Portal. Use this NACA Qualification Workbook as your resource and guide to becoming qualified for the NACA mortgage.

Financial Documents

Below are some of the financial documents you will need to upload into the Member Portal depending on your particular circumstances.

- Employment Income: paystubs for most recent 30 days with year-to-date income.
- Self-employment Income:

- Link your bank data to your Member Portal and for the most recent 12 months label the business deposits and business expenses.
- 1099s for the past two years (if applicable).
- Alimony or Child support: documentation includes verification of receipt for the last 12-months and the court order (only if you choose to use this income in your mortgage application).
- Other Income: (e.g., social security, disability, etc.) award letter or other documentation.
- W-2s: last two years for all employers.
- Bank Statements: Link your bank data or provide last 90 days with all pages for all open accounts.
- Tax Returns: last two years with all schedules & transcripts (call 800-829-1040 or visit www.IRS.gov to order transcripts).
- Credit Card Statements: most recent month with all pages for all open accounts.

Other Documents

- Bankruptcy papers – if applicable.
- Divorce documents – if applicable.
- Please have any other documents which you think may be needed for your NACA Qualification available (e.g., letters of explanation for late payments, divorce decree, proof of judgment satisfaction, etc.).

Payment

- Bank account information (routing and account number) or debit card for:
 - a. Membership fee per household for the year
 - b. Credit report cost for individual reports for yourself as well as each other Member.

Schedule Intake Counseling Session

At the end of the in-person or online Homebuyer's Workshop you will receive instructions to generate your NACA ID including the unique workshop ID. Before leaving the in-person workshop or immediately after completion of the on-line workshop, access the Member Portal to verify your credentials are valid. Once you have completed all the Pre-Intake sections in the Member Portal you can schedule a face-to-face appointment in a local NACA office or a video counseling session. You can put your name on the waiting list for an earlier Intake session than the available slots. If you are unable to complete all the sections in the Member Portal due to unavailable documents or information, you may also request an exception through the Appointment Section.

Confirm Intake session:

You must respond to the email confirming your counseling appointment about ten days prior to your session or confirm your appointment by logging into the Member Portal. Your appointment will likely be cancelled and given to another Member on the Waiting List if you do not confirm at least three days prior to the appointment date. For additional assistance with your counseling appointment, call Member Services at 425-602-6222 or email: services@naca.com.

Notes

Note: The materials contained in this workbook are designed for guidance only. They are not designed to be, and should not be used as, a substitute for professional services. NACA makes no warranties or representations of any kind that the materials contained in this book will necessarily apply to, or be effective in, any particular situation. NACA reserves the right to change any requirements or policies at any time and to make exceptions in NACA's sole discretion.

NACA HISTORY IN THE MEDIA

NACA is a national leader fighting for economic justice and against predatory and discriminatory lending. As a result of many years of struggle, **NACA** has developed the best homeownership program for low-and-moderate income individuals and people of color with the Best Mortgage in America. **NACA's** success and advocacy has been documented with extensive press coverage over the past thirty years. Below are a few of the headlines.

Please go to our website at www.naca.com to see the many press clips, videos and press releases over the past 30 years.

Associated Press

February 28, 1993

Banking campaign of terror

Bruce Marks of Boston pushes the big banks hard and unconventionally in the battle against alleged discrimination in lending

By **ROB WELLS**
ASSOCIATED PRESS

It wasn't a typical gathering inside the Federal Reserve Board's room in Washington. But Bruce Marks isn't typical.

Around the Fed's boardroom table, where many of the nation's key financial decisions are made, sat Marks—who calls himself a "banking terrorist"—and 40 black home owners.

They were there to demand that the Fed's staff hold hearings on mortgage-lending abuses and prevent Fleet Financial Group Inc., a major banking company caught up in the case, from expanding its approach as very confrontational, in an extreme manner, that on balance will yield fewer results than a more tempered approach," said Richard Driscoll president of the Massachusetts Bankers Association. "I think Bruce sees victims wherever he sees a bank."

Fleet Financial based in Providence, R.I., threatened to file criminal legal action against Marks in December for making "irresponsible allegations." Marks claims that Fleet, the nation's 14th-largest banking company, faces \$1.2 billion in liabilities and could be rendered insolvent if it lost just one of five lawsuits it faces in Georgia. Fleet also has accused Marks of



Bruce Marks at a Senate Banking Hearing; confrontational. Marks, 37, is the executive director of the Union Neighborhood Assistance Corp. of Boston.

The New York Times

BUSINESS DAY | THE HOME FRONT

The Homebuyer's Champion

By **BINYAMIN APPELBAUM** FEB. 25, 2014

WASHINGTON — About 200 people struggling to become homeowners filled the pews of Plymouth Congregational church on a recent Saturday morning. Some were self-employed, others short on a down payment, many branded by credit problems. Mortgage lenders would have thrown money at them a decade ago. Now, the chastened industry turns them away.

Bruce Marks, the unconventional lender who organized the gathering, is determined to demonstrate that the rest of the industry is wrong.



Mr. Marks, center, asking Richard Conroy, left, of the Consumer Financial Protection Bureau, to help homeowners. Credit: Steve Delaney for The New York Times

THE WALL STREET JOURNAL

FRIDAY, FEBRUARY 11, 1994

Banking on Publicity, Mr. Marks Got Fleet to Lend Billions

Self-Styled 'Urban Terrorist' Won Battle on Redlining But Needs a New T-Shirt

By **Suzanne Alexander Ryan** and **John R. Williams**
Staff Reporters of THE WALL STREET JOURNAL

BOSTON. When Fleet Financial Group Inc. troubles over community-lending issues were beginning, the Federal Reserve Bank of Boston arranged a meeting between top Fleet officials and Bruce Marks, the banks toughest critic. Although the Fed may have wanted to calm the waters, Mr. Marks wasn't interested.

This was his ultimatum at the June 1991 meeting: If Fleet would fund his organization, the Union Neighborhood Assistance Corp.,

organization than by ultimatum.

Yesterday, Mr. Marks shook hands with Mr. Murray, and landed him for his "bold and innovative" inner-city lending program. The last time Mr. Marks was in the Capitol, he wore a T-shirt with the word "Wanted" above a picture of Mr. Murray, and below "Loan shark." He had come to Washington with some 400 members of the Hotel Workers' Union to crash a Senate Banking Committee hearing, filling the hearing room and singing gospel songs before the meeting began.

Surprise Visits

That was just one of a string of outrageous stunts Mr. Marks staged to embarrass Fleet. Always flanked by militant union members, he has turned up at analysts meetings, picketed press conferences and disrupted speeches. Two years ago, trying to head him off from speaking at the bank's annual

"I threw him out of my office," Mr. Bozzuto says. "He was a yuppie in a suit. He looked like the young M.B.A.s who sit on the wrong side of the contract bargaining table, someone who wanted to get a little taste of urban community service to round out his resume." Mr. Marks wouldn't go away.

He plunged into union work, pressuring Mr. Bozzuto to stress housing in contract negotiations. In 1988, the union won a landmark contract with Boston's booming hotel industry that created the Union Neighborhood Assistance Corp., a non-profit affiliate that disbursed small, no-interest loans to members to help them make down payments on homes.

Mr. Marks next turned his attention to redlining by banks in Boston's Roxbury, Dorchester and South End neighborhoods. He found that while major banks had little presence in those areas,

News show "60 Minutes" to run a critical story.

Fleet says that in the face of all the criticism, it reviewed all of its lending practices and "to avoid even the perception of wrong doing" halted the purchase of such loans from third parties.

Fleet's Mr. Murray, the last straw may have been when Mr. Marks's stock troops showed up uninvited at a Boston Business Club breakfast last October where Mr. Murray was speaking. Union members sat every table and noisily stood up to pass out protest flyers.

Enraged Mr. Murray agreed to a meeting. Three days later, Messrs. Marks and Murray met for the first time for a three-hour talk. "I came away feeling he took our issues seriously," Mr. Marks says. By mid-December, Mr. Marks' group had drafted a written



JOHN ADAMS

Let's try to design the perfect home purchase.

The Atlanta Journal

SUNDAY OCTOBER 20, 1996

Terms of New NACA Loan Program Unbelievably Good



JOHN ADAMS

Let's try to design the perfect home purchase.

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 on your payments, NACA representatives will meet with you and try to get you back on track. Such post-purchase counseling has proven effective before

We know that there is a direct relationship between home ownership and wealth accumulation in this country. Yet, one in three Americans continue to live in a home that the head of household does not own. The rest of us live in our own 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

The Boston Globe

TUESDAY, JANUARY 13, 2004

A \$6 billion lift

Bank of America doubles its commitment of funds to beloved and reviled lending activist Bruce Marks

By **Sasha Talcott**
GLOBE CORRESPONDENT

When Bruce Marks sat down a decade ago with Bank of America's future chief executive, Hugh McColl, the Boston affordable lending activist did not mince words.

"I think we have a home buyer's program that is top of the line, but we understand that all bankers are evil and all you care about is maximizing your profits at any cost," Marks told McColl, then the chairman of Nations Bank.

But yesterday, Marks was all smiles around the corporate banking giant, as Bank of America's current chief agreed to funnel \$6 billion in home mortgage loans through Marks' Boston-based affordable lending organization. The commitment adds an extra \$3 billion over the next 10 years to Bank of America's current pledge to Marks's Neighborhood Assistance Corp. of America.

It was perhaps the largest victory yet for Marks, a self-styled "urban terrorist" who has made a name for himself with raucous protests at shareholders' meetings and threats of class action lawsuits. But as Marks' national stature has grown, the longtime opponent of large financial institutions



Kenneth D. Lewis/Jeff, Bank of America CEO, describes the partnership's pledge to Neighborhood Assistance Corp. of America with the Fleet Finance CEO Clau Gifford and Bruce Marks' Loan on.

Detroit Free Press

Mortgage program is key to Detroit's future

the Detroit Free Press Editorial Board 12:08 a.m. EDT April 17, 2015

One of the more eye-popping statistics about Detroit's troubles is this: In all of 2014, there were fewer than 400 mortgages written for properties in the city.

In some cities, that's how many would be written in a single neighborhood.

But even with the thousands of sales that take place, and the burgeoning new interest in city living being fueled by transplants and young professionals, most sales don't qualify for the conventional lending (or were re-routed to avoid the hassles of qualifying) that is a hallmark of a stable real estate market.



Photo: Karen Roach