

COMMUNICATING WITH NACA

WEB-FILE

NACA creates for you a personal Web-file where you must make your counseling appointment, get updates on your status, identify your next steps, submit necessary documents into your electronic file, and much more. Your Web-file needs to be your go-to place. Go to www.naca.com and Click on "Web-file". Enter your NACA ID # and password.

SCHEDULING A COUNSELING APPOINTMENT

You must schedule your counseling appointment through your Web-file. There are two types of appointments you can schedule: 1) face-to-face appointment in a local NACA office or, 2) a phone counseling appointment through our Housing Counseling Department. When making your Intake counseling session you will be assigned a Housing Counselor or you can select one. Your Housing Counselor will continue to work with you to become NACA Qualified. In order to make an initial counseling appointment you need to be prepared. Thus, the following four sections must be completed prior to making your counseling appointment.

A. Documents to Submit:

These required documents must be submitted as described below through your Web-file.

1. Photo I.D.
2. Income Verification:
 - Employment Income:
 - Paystub(s) for past 30 days with year-to-date income
 - Self-employment:
 - Last twelve (12) months of bank statements – circle all business and expenses and total for each month
 - Other Income (i.e., social security, disability, alimony, child support, etc.)
3. Bank Statements for all open accounts - last 90 days with all pages
4. Tax Returns for last two years (with all schedules and transcripts)
5. W-2s for last two years
6. Other Documents - bring as many of the additional documentation listed on the back cover and anything else that applies to you in order to be NACA Qualified.

Submitting Documents:

There are three ways to automatically route the above documents into your electronic file as described below. If absolutely necessary, you can indicate in your Web-file that you will bring your documents to your face-to-face counseling session which will be rescheduled if you do not bring all your required documents.

- Fax documents using your Personal Fax Cover Sheet toll-free to 1-877-FAX-NACA (877-329-6222).
- Email documents as attachments using your personal e-mail address: [email\(NACA ID#\)@nacalynx.com](mailto:email(NACA ID#)@nacalynx.com).
- Upload documents directly from your hard drive using your Web-file.

B. Financial Information

The below financial information is crucial for you and your Housing Counselor to determine what is necessary for you to be NACA Qualified and the maximum mortgage amount you can afford.

1. Member Information – This is your personal information and contact information.
2. Dependent Information – All dependents in the household.
3. Bank Accounts – All bank accounts including joint accounts.
4. Employment – Provide your employment history as far back as you remember.
5. Residence History – Enter where you have lived for as far back as you remember.
6. Budget – It documents your income and expenses and shows funds available for a mortgage payment.

C. Authorizations and Agreements

- NACA Authorization and Disclosure – Read and sign electronically.
- NACA Membership Agreement – Read and sign electronically.

D. Payments:

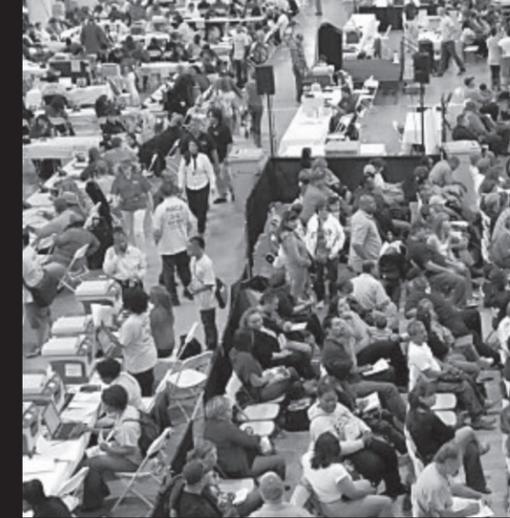
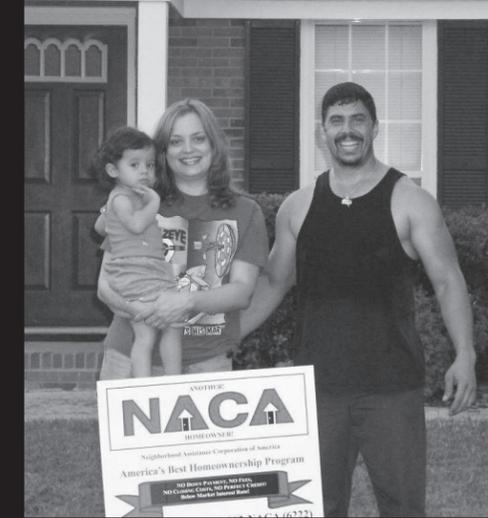
- Membership Dues – Dues are \$20 per household per year with no payment after you close.
- Credit Reports – Reimbursement of the cost for each credit report (currently about \$10).

Confirm your appointment at least two days in advance to avoid cancellation unless already confirmed with a NACA staff person. It would be best to confirm directly with your Housing Counselor if she/he is available.

- Call the local NACA office to confirm for face-to-face appointment.
- Call Housing Counseling department at 606-230-6222 to confirm phone appointment.

MEMBERSHIP SERVICES

NACA is committed to provide the best member services. NACA's Member Services Department is open from 8:30 a.m. to 8:00 p.m. Eastern time to assist you. Contact them at 425-602-6222 or at Services@naca.com. They can address your issues including: general questions, not receiving your NACA ID, accessing your Web-file, difficulty making an appointment, inability to communicate with a Housing Counselor, relating your experience, or customer service issues.



ADVOCACY • HOMEBUYING • HOME SAVE

Home Buyer's Workbook

Become a Homeowner

NACA's Comprehensive Counseling Program

NACA's Mortgage: America's Best Mortgage

Below Market Rate Regardless of Credit Score*

No Down Payment • No Closing Costs

No Fees • No Perfect Credit

*for current rate visit: www.naca.com

Member's Name: _____

Date of Workshop _____



Neighborhood Assistance Corporation of America

NACA MORTGAGE

THE BEST MORTGAGE IN AMERICA

PURPOSE: Purchase
Purchase & Rehab

DOWN PAYMENT: None

CLOSING COSTS: None (lender pays)

INTEREST RATE: Below market - 30 year fixed

BUY-DOWN: Funds to permanently reduce interest rate
One percent of mortgage amount reduces interest rate by one quarter of a percent (.25%). This is a tremendous added benefit.

APPLICATION FEE: None

POINTS & FEES: None

CREDIT HISTORY: Perfect credit not required
Member's personal payment history evaluated without consideration of his/her credit score.

P.M.I.: None
(Private Mortgage Insurance) As a NACA Member you do not pay private mortgage insurance (PMI) which only protects the lender. You have access to NACA's comprehensive post-purchase program through the Membership Assistance Program, (MAP), free of charge for as long as you have your NACA mortgage.

ITEMS REQUIRED FOR NACA QUALIFICATION

All Members and those living in the household who will be on the mortgage application must complete the requirements in their Web-file Begin saving all future statements and documents of your income, savings, rent and debt (as identified below) so you will have current documents when you apply for a mortgage.

EMPLOYMENT/INCOME

Given	Needed	(Check off)
_____	_____	Employer's name, address and phone number (last two years)
_____	_____	Pay stubs (most recent thirty days)
_____	_____	Federal tax returns and W2s for all adults in household (previous two years)
_____	_____	Benefits awards letter or documentation of other income (i.e. social security, etc.)
_____	_____	Budget Form in Workbook (all 5 pages) and the Daily Expense Diary (one per applicant)
_____	_____	Alimony or child support (acceptable documentation: canceled checks for last 12 months, court records, or separation and divorce papers)

SELF-EMPLOYED

_____	_____	Two years Federal income tax returns with schedules/transcripts (to order call 800-829-1040)
_____	_____	1099s for the past 2 years (if applicable)
_____	_____	12 months bank statements that document business deposits and expenses

ASSETS

_____	_____	Bank statements for all open accounts, all pages (most recent three months or 90 days)
_____	_____	Gift letter, verification of gift money and proof of transfer

LIABILITIES

_____	_____	Credit card statements (most recent)
_____	_____	Loan statements, including loans where you are the co-signer (most recent)
_____	_____	Child support or alimony documentation (12 months' pay history, court order)
_____	_____	Bankruptcy papers
_____	_____	Divorce documents

REFERENCE LETTERS

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

NACA & OTHER DOCUMENTS

_____	_____	Credit report money and photo ID each time a report is accessed (approx. \$10 per report)
_____	_____	Member Agreement and Authorization Agreement, and Landlord/Employer Contact Forms

INFORMATION NEEDED PRIOR TO MORTGAGE APPLICATION

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

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.

INDEX	Page
• NACA Offices	2
• Welcome from Bruce Marks – NACA's CEO	3
• NACA Timeline	4
• NACA Press Clips	6
NACA Overview & History	17
• Introduction	17
• NACA Background	18
• Overview	19
Ten Steps to Owning Your Own Home	21
• Ten Step Overview	21
• Ten Steps To Owning Your Own Home	22
• Checklist for Counseling & NACA Mortgage	27
Homeownership Counseling & Preparation	28
• Homeownership Evaluation	28
• Affordability	28
○ Maximum Mortgage Payment	29
○ Payment Shock	31
• Budget	32
○ Preliminary Budget Form	34
○ Daily Expense Diary Form	35
○ Comprehensive Budget Form	36
• Purchase Price Calculation & Mortgage Amount Table	40
○ Multi-Family Purchase	42
• Purchase Price Increase with Affordable Payment	43
○ Interest Rate Buy-down	43
Mortgage Options	47
NACA Qualification	48
• Eligibility	50
• Income	52
• Debts	53
• Payment History	55
• Minimum Required Funds	59
Web-file, Counseling & Next Steps	62
• Action Plan	66
Rights Under Fair Housing Act	67
Member Participation	68
Attachments	69
• Participation Pledge	69
• Participation Commitment	70
• Landlord Contacts	71
• Employer Contacts	72
• Voter Registration Form	73

NACA OFFICES & DEPARTMENT DIRECTORY - MAIN NUMBER: 206-505-6222

National Office

3607 Washington Street
Jamaica Plain, MA 02130
(617) 250-NACA (6222)

Atlanta, Georgia

160 Clairmont Avenue, Suite 350
Decatur, GA 30030
(404) 377-4545

Augusta, Georgia

3744 Walton Way Ext., Suite B
Augusta, GA 30907
(706) 855-7464

Baltimore, Maryland

1 East Mount Royal Avenue
Baltimore, MD 21202
(410) 783-0465

Baton Rouge, Louisiana

10101 Siegen Lane, Bldg 2, Suite B
Baton Rouge, LA 70810
(225) 767-9224

Birmingham, Alabama

529 Beacon Parkway West, Suite 204
Birmingham, AL 35209
(205) 942-8111

Boston, Massachusetts

3593 Washington Street
Jamaica Plain, MA 02130
(617) 250-6244

Buffalo, New York

135 Delaware Avenue
Buffalo, New York 14202
(716) 834-6222

Charleston, South Carolina

Corporate Square
2420 Mall Drive, Suite 100
Charleston, SC 29406
(843) 556-0497

Charlotte, North Carolina

5500 Executive Center Drive, Suite 105
Charlotte, NC 28212
(704) 536-7676

Chicago, Illinois

4425 West 63rd Street
Suite 204
Chicago, IL 60629
(773) 723-6222

Cleveland, Ohio

7000 Euclid Avenue, Suite 201
Cleveland, OH 44103
(216) 619-4110

Columbia, South Carolina

1631 Richland Street
Columbia, SC 29201
(803) 255-0223

Dallas/Ft. Worth, Texas

7220 S. Westmoreland Rd., Suite 106
Dallas, TX 75237
(972) 283-1171

Denver, Colorado

3515 S. Tamarac Drive, Suite 350
Denver, CO 80237
(303) 694-5437

Houston, Texas

6201 Bonhomme, Suite 450 N
Houston, TX 77036
(713) 706-3400

Jackson, Mississippi

6424 Lakeover Road, Suite B
Jackson, MS 39213
(601) 922-4008

Jacksonville, Florida

3986 Boulevard Center Drive, Suite 101
Jacksonville, FL 32207
(904) 306-9272

Kansas City, Missouri

100 East 43rd Street
Kansas City, MO 64111
(816) 531-6222

Las Vegas, Nevada

5765 S. Rainbow Blvd, Suite 102
Las Vegas, NV 89118
(702) 362-6199

Lawrence, Massachusetts

261 Common Street
Lawrence, MA 01841
(978) 687-3993

Little Rock, Arkansas

1501 North University Avenue
Suite 680
Little Rock, AR 72207
(501) 492-0083

Los Angeles, California

11633 S. Hawthorne Blvd., Suite 100
Hawthorne, CA 90250
(310) 412-2600

Memphis, Tennessee

Directors Plaza Building II
3035 Directors Row, Suite 1201-2
Memphis, TN 38131
(901) 348-0115

Miami, Florida

662 NE 125th Street
North Miami, FL 33161
(305) 341-0791

Milwaukee, Wisconsin

4011 West Capitol Drive, Suite 100
Milwaukee, WI 53216
(414) 442-6222

Minneapolis, MN

3260 County Road 10, Suite B
Brooklyn Center, MN 55429
(763) 656-6222

New Haven, Connecticut

144 Orange Street
New Haven, CT 06510
(203) 562-6220

Newark, NJ & New York, NY

60 Park Place, 15th Floor
Newark, NJ 07102
(973) 679-2601

Oakland, California

3801-3805 Broadway
Oakland, CA 94611
(510) 652-6622

Philadelphia, PA

1341 N. Delaware Avenue, Suite 312
Philadelphia, PA 19125
(215) 531-5221

Phoenix, AZ

1150 East Jefferson Street
Phoenix, AZ 85034
(602) 248-4408

Raleigh, North Carolina

3109 Poplarwood Court, Suite 110
Raleigh, NC 27604
(919) 855-8484

San Antonio, Texas

7330 San Pedro Avenue, Suite 108
San Antonio, TX 78216
(210) 826-2828

Springfield, Massachusetts

1623 Main Street
Springfield, MA 01103
(413) 788-6220

St. Louis, Missouri

3930 Lindell Blvd., 2nd floor
St. Louis, MO 63108
(314) 645-8333

Tampa, Florida

The Crown Building
3825 Henderson Blvd., Suite 502
Tampa, FL 33629
(813) 287-5051

Washington, D.C.

1716 14th St. N.W.
Washington, DC 20009
(202) 328-6333

NACA Departments

Member Services: 425-602-6222 Services@naca.com

SIT (Home Save): 801-401-6222 SIT@naca.com
MAP: 281-968-6222 MAP@naca.com

HAND: 210-319-2978 HAND@naca.com
Real Estate: 425-519-6222 RED@naca.com

THE BATTLE IS OVER BUT THE WAR GOES ON



Dear NACA Member:

The tremendous benefits that you receive through NACA are the result of an ongoing and tireless struggle of many thousands of NACA Members to end predatory and discriminatory lending. Over more than twenty-five years NACA has been in the forefront of this fight. NACA is the national leader in fighting for and providing affordable homeownership. We were the first organization to take on unscrupulous lending in our campaign against Fleet Bank and as part of that campaign we were the first to define and use the term "Predatory Lending." Our efforts continue to this day with our American Dream Events where thousands of homeowners and homebuyers obtain on-site affordable mortgages.

NACA's success in achieving its overall mission of economic justice for working people depends on you. We will continue to provide and expand the best homeownership programs in America. We will also be in the forefront of taking on the most difficult roadblocks in providing economic opportunity for the vast majority of Americans. You as a NACA Member are an important part of this extraordinary organization. With hundreds of thousands of Members and growing, NACA's impact is and will continue to be huge.

Your involvement is crucial. Apathy is the most deadly cancer of democracy – each of us must accept our responsibility for improving society and become activists. We need your involvement in NACA in whatever way you feel comfortable. That is why we require your participation, as stated in the NACA Participation Pledge. The Membership Dues support NACA's homeownership programs and our advocacy campaigns.

NACA's success is built on the many people who participated, and some who died, in the struggle for civil rights and economic justice. You are now benefiting 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 and do not see it as a requirement but as a privilege.

Welcome to NACA.

The Fight Continues,

A handwritten signature in black ink, appearing to read "Bruce Marks", written in a cursive style.

Bruce Marks
NACA Founder and CEO

NACA TIMELINE

The NACA Timeline below shows how the NACA program that “sounds too good to be true” has been made into reality through aggressive advocacy and by providing the most effective affordable homeownership programs in the country. NACA continues to advocate and set the national standard.

2014	NACA returns to Washington D.C. with hundreds of NACA staff and Members visiting every member of Congress to remind them of NACA’s programs and our mission. NACA continues with the American Dream events nationwide. NACA negotiates new agreements with CitiMortgage and Bank of America to make additional funds available for low-to-moderate income borrowers who are committing buy-down funds to reduce their mortgage payment by providing a grant that further reduces the interest rate while using all remaining funds to lower the principal.
2013	NACA organized a thousand people to take over the lobby of the CFPB (the Consumer Financial Protection Bureau), shutting down their 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 our mission. NACA does another twenty-four American Dream events.
2012	NACA includes purchase program in the expanded American Dream Tour assisting both homeowners to obtain an affordable payment and homebuyers to purchase homes with NACA’s Best in America mortgage. NACA has done over 100 Save-the-Dream/American Dream events over the past four-and-a-half years with 43 in 2012, setting the national standard in providing affordable solutions for hundreds of thousands of at-risk homeowners. NACA institutes web-based ongoing training for all staff nationwide.
2011	Bank of America adds billions more to its commitment to NACA’s Best in America mortgage through 2021. As a result of NACA’s advocacy, Chase signed a new agreement and now offers some of the best restructure solutions to NACA Members. NACA has overcome obstacles in providing its affordable homeownership programs including victories against HUD, NeighborWorks and the Consumer Financial Protection Bureau (CFPB).
2010	The Save-the-Dream Tours continued with events throughout the country. These events and NACA’s Home Save program have been the only successful solution for large numbers of homeowners with an unaffordable mortgage. NACA now has agreements with all the major servicers, 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 has been so successful that virtually all the servicers and investors cooperate whether they have an agreement with NACA or not. NACA continues its advocacy campaign against Chase which is the one servicer refusing to provide long-term affordable solutions. We stormed Chase’s corporate offices in Wall Street with thousands of homeowners, are working with its regulator the OCC in addressing thousands of complaints against Chase and are suing Chase for breach of contract. We continue to assist the Chase borrowers.
2009	NACA initiates the Accountability Campaign against mortgage executives to hold them personally responsible for the mortgage crisis and their refusal to provide long-term affordable solutions. The first action is the Predators Tour at the CEO’s wealthy estates in Greenwich Connecticut and surrounding areas. On Sunday February 8th over 350 homeowners protested 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. It sets the standard in holding these executives personally responsible by bringing the consequences of their actions to their doorsteps and community in a non-violent but confrontational manner. The 2009 Home Save tour is an incredible success with hundreds of thousands of participants averaging over 30,000 people at each of the twelve events throughout the country. Thousands of homeowners receive same day solutions with many having their interest rates permanently reduced to 4%, 3%, or 2%, and in some cases having the outstanding principal reduced based on what the homeowner can afford. Homeowners save hundreds of dollars each month and some over one thousand dollars. NACA provides the most effective long-term solutions because it has secured legally binding agreements with all the major servicers/lenders and the major investors (i.e. Fannie Mae and Freddie Mac) which cover the vast majority of at-risk homeowners. NACA has established the national standard in providing long-term affordable solutions for at-risk homeowners - All of NACA’s services are FREE.
2008	NACA establishes the national standard for assisting at-risk homeowners restructure their mortgages to make them affordable over the long-term. 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 19 th to 23 rd . Over 20,000 people participate and NACA is able to restructure many homeowners’ loans during the event and thousands more afterwards.
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 obtaining a one-billion-dollar commitment to refinance people out of their unaffordable loans and working with lenders to modify/restructure loans on terms that the homeowners can afford over the long-term. NACA is providing the most substantive assistance for homeowners of any organization in the country.

2006	Lenders contact NACA about using the NACA Lynx to evaluate homebuyer's personal situation without consideration of their credit score. Citigroup's CEO Chuck Prince visits NACA's national office to get a first-hand demonstration of the NACA program and NACA-Lynx.
2005	NACA continues to enhance the NACA-Lynx and add NACA offices. NACA initiates NACA's Training Institute based in Boston, Massachusetts for NACA staff nationwide.
2004	NACA introduces NACA-Lynx. Years in the making, NACA unveils its state-of-the-art, web-based paperless mortgage application and processing software called NACA-Lynx. This revolutionary system transforms lending to low- and moderate-income borrowers by providing a process for working people to obtain comprehensive counseling and access to the best mortgages available.
2003	Bank of America and Citigroup Commit New Funds. 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, as part of its renewed community lending, provides another \$3 billion to the program, bringing its total commitment to \$6 billion.
2002	Georgia Passes Predatory Lending Protections. NACA mobilizes thousands of Members to work with Georgia Governor Roy Barnes to pass one of the nation's strongest protections against predatory lending into law. As a result of the legislation, borrowers find relief from exorbitant fees and interest rates, prepayment penalties, and balloon payments.
1999	Associates/Ford Settles. After NACA's four year campaign, The Associates agrees to the Mortgage Reduction Program that automatically reduces interest rates for customers who make timely payments. This provides billions in savings for The Associates customers and revolutionizes the sub-prime market. The Associates commits \$100 million to the NACA program. Bank of America commits \$3 billion to the NACA program. It is impressed with the NACA program and as a result has made the largest mortgage commitment to NACA.
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 is successful in convincing the presiding federal judge to throw out an Associates/Ford settlement that would have provided Associates/Ford with immunity, the lawyers with millions of dollars, and the victims with only \$50. NACA then begins organizing statewide class action lawsuits against The Associates.
1996	First Union Settles. First Union agrees to provide \$150 million for the NACA program. Signet and Riggs Banks negotiate agreements with NACA. In Atlanta, Georgia over ten thousand people attend the largest homeownership rally in America at the First Iconium Baptist Church.
1995	NationsBank. NACA meets with Hugh McColl, NationsBank CEO, who 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.
1994	Fleet Settles. NACA settles its four-and-one-half year war with Fleet after confronting Fleet CEO Terrence Murray at a Harvard Business School event. Fleet 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 was the foundation for NACA's Best in America homeownership program.
1993	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 focus 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.
1992	Exposing Predatory Lenders and Second Mortgage Scams. NACA conducts a two-and-a-half year research and organizing campaign against second mortgage scams, leading 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. NACA organizes over 350 people to demonstrate in downtown Atlanta at the law offices of Fleet's lawyers, King and Spaulding.
1990	President Signs Housing Trust Fund into Law. Local 26 embarks on a national campaign to change the Taft-Hartley Act, sending hundreds of workers to Capitol Hill. On April 18, 1990, President George Bush signs into law an amendment to Taft-Hartley to allow for housing assistance as part of union and management negotiations. This is the first change to the Taft-Hartley Act in over 30 years, and the first time a change to the Act has been accomplished by a local union.
1988	The Hotel Workers – Local 26 negotiate 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 Neighborhood Assistance Corporation of America (NACA) is formed.

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.

"We want to know if you are going to deal with this issue in a straightforward, legitimate way or not," Marks said. The homeowners began murmuring about a sit in.

Eventually, the Fed staff agreed to hold another meeting with the group in three weeks. Grinning, Marks—a wiry man with a mischievous demeanor—left the room with the homeowners, jubilant.

The scene illustrated, the growing visibility of Marks, 37, Executive Director of Union Neighborhood Assistance Corp. of Boston, an arm of Local 26 of the Hotel and Restaurant Workers Union.

He's credited for publicizing the abusive lending practices of mortgage companies that target lower-income homeowners in minority neighborhoods with high-interest loans, and the major banks that purchase them.

Inspired by Marks' work, the Senate Banking Committee devoted a hearing to the issue earlier this month.

BANKERS who have been the object of Marks' attacks call him a demagogue who resorts to extortion to get his way.

"I think I would characterize his

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.

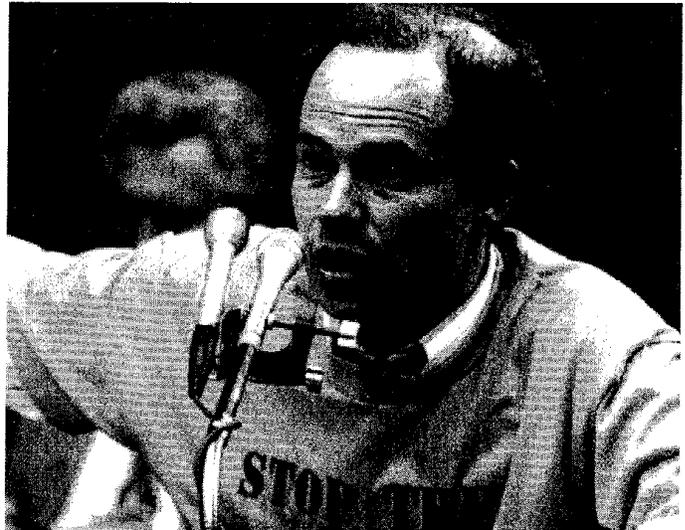
Fleet also has accused Marks of extortion for threatening to launch a national media campaign against the bank if Fleet wouldn't give his group \$20 million for community development.

Direct confrontational negotiating tactics championed by Marks and his supporters are more commonly associated with radical environmental groups, militant unions and AIDS activists.

Marks said he sees fertile ground blending these organizing techniques with his business experience, which includes an MBA from New York University and a two year stint reviewing merger applications for the New York Federal Reserve Bank.

"I was very clear that I wanted to do community advocacy, but I wanted to know the enemy," said Marks, who grew up in Scarsdale, an affluent suburb of New York City. "I had an expertise that didn't fit into what community-based organizations were all about."

"There is a tremendous amount of information out there that could not survive the light of day. Our job is to bring those issues to the light of day and to organize around them." Marks' constituencies are the poor and working class, many of whom are minorities, who have



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

had a difficult time obtaining normal bank loans and other services due to discrimination and lack of conventional banking services in their communities.

The Boston hotel workers union decided to push into affordable housing issues in the late 1980s because "we could not improve the membership's standard of living without housing," Marks said. The early meetings were well attended by the rank and file.

"We knew we were into something" Marks said.

He views the experience in Boston and Georgia, where hundreds of black homeowners claim they've been cheated in second mortgage scams, as models for the national organizing for community development. In these cases, he says, finance companies pressure poor homeowners into taking out high-interest second mortgages in their properties, which frequently lead to default.

Banks accused Marks of grossly exaggerating the extent of mortgage lending irregularities. Marks certainly makes unusual claims.

"This is bigger than BCCI," Marks once said, a reference to the collapse of Bank of Credit and Commerce International, perhaps the most intricate bank fraud in history.

Some observers say they admire Marks' energy and creativity in delving into complex banking

issues.

"Bruce Marks is out there in trenches, doing the hard research needed to gain fair access to credit for those who have been left behind by major lending institutions," said Rep. Joe Kennedy D-MASS.

Deepak Bhargava Legislative Director for Association of Community Groups for Reform Now (Acorn), described Marks' research "extremely first-rate, innovative."

"He's really tapped into something that obviously is a really widespread problem out there, and no one has put together the pieces on it" Bhargava said. "What he has done is really impressive."

MARKS' CAMPAIGN so far has had limited tangible results on Wall Street, where Fleet is considered a top-notch banking company with some of the best management in the business. Investors earlier this month snapped up \$350 million in a new offering of common stock.

Marks isn't particularly concerned about whether he is liked on Wall Street and says some analysts might come around to his view, particularly if regulators begin denying merger applications on community lending grounds.

As part of that challenge improve housing for the poor, he and his group also are designing affordable mortgage loans in conjunction with local banks as part of a broad advocacy for the poor and working class in their financial markets.

"There's never been the sophisticated counterpoint that represents the community," he said.

"I think I would characterize his approach as very confrontational, in an extreme manner, that on balance will yield fewer results than a more tempered approach. I think Bruce sees victims wherever he sees a bank."

Richard Driscoll, president, Massachusetts Bankers Association

The New York Times

BUSINESS DAY | THE HOME FRONT

The Homebuyer's Champion

By BINYAMIN APPELBAUM FEB. 25, 2014



Mr. Marks, center, asking Richard Cordray, left, of the Consumer Financial Protection bureau, to help homeowners. Credit Drew Angerer for The New York Times

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's nonprofit organization, the Neighborhood Assistance Corporation of America, has \$10 billion in funding from Bank of America to make loans on its own terms over the next decade. It does not require down payments. It does not consult credit scores. Its loans all carry interest rates below 4 percent.

It has enough money to mint about 50,000 homeowners, but Mr. Marks has a larger goal. He wants to show that it is possible to lend to lower-income borrowers on terms that are profitable and sustainable.

He wants to expand homeownership. He wants to redeem the original idea behind subprime lending.

"I think that everybody should have an opportunity to own a home," he said in a recent interview. "We've got to rekindle hope in people, especially minorities who threw everything into the dream of homeownership and lost it."

The great recession unsettled Washington's longstanding commitment to homeownership. Mortgage companies are reluctant to lend to anybody but the safest of borrowers, and the government — led by the Consumer Financial Protection Bureau, an agency created largely to protect mortgage borrowers — has raced to formalize that new caution. Public policy has shifted from expanding homeownership to preventing bubbles.

Even some advocates for lower-income families have reassessed the importance of helping people buy homes.

"I've seen too many neighborhoods devastated, too many families devastated by giving them credit that they

could not afford,” said Ira Rheingold, executive director of the National Association of Consumer Advocates, an umbrella group for legal aid providers. “We need to build communities and wealth so that people can then go ahead and build sustainable homeownership.”

Mr. Marks, an energetic 58-year-old with a salt-and-pepper beard, has little patience for such fears. He says low interest rates and housing prices have created a second chance — an opportunity to help lower-income families buy homes, but this time on terms they can afford.

He is part of a growing chorus in the housing industry warning that the government’s push toward safety is reviving an earlier era when homeownership was beyond the reach of too many families, particularly minorities.

“I find that in this overall discussion, the borrower sort of gets left on the sidelines,” Teresa Bryce Bazemore, president of the mortgage insurance company Radian Guaranty, said at a December event here organized by the Bipartisan Policy Center. “You can protect the market and the government to the point where no one can buy anything.”

Mr. Marks has a reputation as a flamethrower. He mounted a series of confrontational campaigns in the 1990s demanding money from banks to make loans in underserved communities. He once publicized the extramarital relationship of a recalcitrant bank executive by distributing leaflets to his neighbors. In 1999, then-Senator Phil Gramm, a Republican of Texas, denounced Mr. Marks as an “extortionist” on the Senate floor.

During the housing crash that began in 2006, Mr. Marks used similar tactics to press banks for the authority to modify loans, transforming his nonprofit into one of the largest sources of help for homeowners facing foreclosure.

But this time, he says, he is focused on making his point by making loans. “We’re going to see how many people we can make homeowners,” he said, “and can we make this a new way of doing business.”

The innovation that sets Mr. Marks apart from other mortgage lenders was the result of a late-night conversation on a Boston porch in the early 1990s. Mr. Marks, then working for the local hotel workers union, was drinking beer and trading ideas with an idealistic banker named Kevin Winn.

The union had won a few million dollars in funding from local banks to help its members buy homes. Most of the workers — like the people who gathered at the Washington church — did not meet the standards of conventional lenders. They could not afford down payments. They did not have histories of repaying previous loans.

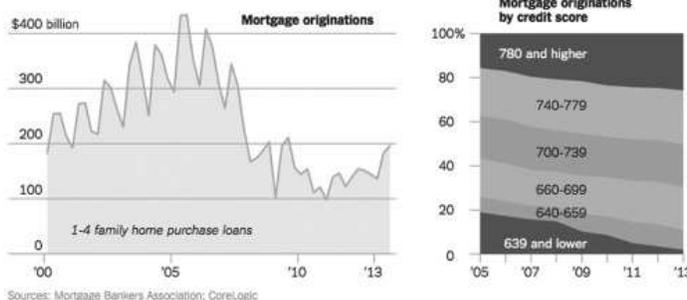
Subprime lenders charged such borrowers high interest rates, at least in part to compensate for the higher risk of default. But Mr. Marks wanted to charge the same rates the banks gave wealthy customers.

That meant he needed a different way to reduce the risk of default. He planned to rely on careful screening of applicants and on building a sense of community among the borrowers, in part by requiring them to join the nonprofit for a \$20 annual fee and to participate in its advocacy. These are time-tested strategies for reducing defaults.

Mr. Winn suggested they also needed a new kind of safety net. Borrowers are usually required to pay for an insurance policy that compensates the lender if they default. Mr. Marks’s organization instead requires borrowers to contribute to a fund that prevents defaults by making loans to people facing medical emergencies

Left Out of the Next Wave

Mortgage lending is starting to pick up after plummeting during the financial crisis. But borrowers with the lowest credit scores have been given steadily fewer loans during the same period.



or a job loss.

“We knew we were stretching the traditional definition of affordability,” Mr. Winn said. “We knew that sometimes things would go wrong. The question is, ‘What happens next?’ ”

Since then, the Neighborhood Assistance Corporation has made more than 35,000 home purchase loans. It originated 4,005 of those loans from 2004 to 2006, at the peak of the housing boom. About 6.4 percent of those borrowers have received assistance from the insurance fund, but only 2.6 percent lost their homes to foreclosure, less than a third the national rate, according to a study the nonprofit commissioned from the Promontory Financial Group.

After a lull, the pace of lending is beginning to revive. Donita Mays, 28, found a house in the southeast Washington neighborhood where she was raised. Ms. Mays, a federal contractor, made enough money to qualify for a \$300,000 loan, but her credit score was in the low 600s and she lacked the savings for a down payment.

A friend at church mentioned Mr. Marks’s program. She began attending the required homeownership education classes. She demonstrated that she could afford a loan by setting aside every month the amount

that would become her monthly payment. In November, she received a loan with an interest rate of 2.875 percent.

“I’m a single mother, grew up poor. I said, I’m never going to be able to afford a home,” she said. “It’s just awesome.”

Federal standards that began to take effect in January, intended to protect people from borrowing more than they can afford, limit the amount of money that borrowers can put up to buy down the interest rate, as Ms. Mays did. Lenders are not required to comply with the standards — instead, loans that do are shielded from subsequent litigation — but in the current climate of abundant caution, nearly all loans fall within the standards. And some mortgage industry executives say lenders will be reluctant to make other kinds of loans even as the economy begins to improve.

Before the housing collapse, in 2005, almost 13 percent of conventional loans went to borrowers with credit scores below 620. Last year, that figure was 0.22 percent, according to CoreLogic, a real estate data and analytics company. Subprime lending has almost disappeared.

Administration officials say it is too early to judge the results, and they are willing to make adjustments. Already regulators are backing away from a requirement for a minimum down payment of 20 percent.

Officials have pushed back, however, against the idea that the new standards are overly restrictive.

“As we all know, before the crisis, credit was too easy to get,” Shaun Donovan, the secretary of Housing and Urban Development, said in early February. “But now, it’s too hard to obtain for qualified Americans. We are confident that our actions have found the right balance between responsibility and opportunity moving forward.”

Some advocates say the administration, and the new consumer agency, deserve the benefit of the doubt.

Michael Calhoun, president of the Center for



Responsible Lending, shares some of the concerns about access to credit expressed by Mr. Marks. About 15 percent of the mortgage loans made by Self-Help Credit Union, a lender affiliated with the center, would not meet the new standards.

But Mr. Calhoun said the consumer agency was on the right track. “They have done everything that they can to facilitate an expansion of credit,” he said.

And even some who share the concerns expressed by Mr. Marks see his approach as unnecessarily confrontational.

“He means well, and what he does helping people is why I support him,” said Representative Corrine Brown, a Florida Democrat who has been a regular guest at the nonprofit’s housing fairs. “But over time you need to learn to work with people and mellow.”

Mr. Marks does not intend to let the issue rest quietly, however. He has all the lending money he can use. He makes \$165,000 a year, owns a comfortable house with his wife, a lawyer who also works for the nonprofit. They have a teenage daughter. Yet he still is fueled by a burning anger that some people are not getting what he views as a fair chance at homeownership.

“People say to me all the time, ‘Will you be less confrontational, less aggressive, less pushing the limits?’” he said. “The time where we stop pushing is when they should find someone else to run the organization.”



Bruce Marks, center, led a protest this month against the Consumer Financial Protection Bureau outside its office in Washington. Credit Drew Angerer for The New York Times

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. Wilkie

Staff Reporters of THE WALL STREET JOURNAL

BOSTON- When Fleet Financial Group Inc.'s 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.,

with \$20 million, Mr. Marks would go away. Otherwise he would keep up his campaign of bashing Fleet in the national media, opposing the bank's plans with regulators, and staging demonstrations wherever its top executives appeared in public.

"Up until now you have dealt with community activists" Mr. Marks said, according to minutes of the meeting. "We are urban terrorists."

Fleet rejected the ultimatum. Maybe it should have paid up. Yesterday it agreed to fund Mr. Marks's group not with \$20 million, but with \$140 million as part of an \$8 billion loan pool aimed at inner-city, low-income and small business borrowers.

Mr. Marks appeared with his adversary, Fleet Chairman Terrence Murray, and a dozen senators and representatives in the glare of television lights in the U.S. Capitol. In a typical theatrical gesture, Mr. Marks produced a giant paper-mache hatchet and dropped it into a coffin, signifying an end to his extraordinary four-year campaign against Fleet.

Mr. Marks is one of a new breed of community activists who are expertly using federal community-reinvestment and fair-lending laws to hold banks' feet to the fire on their obligations to the poor. But Mr. Marks's bareknuckle tactics have sometimes seemed to Fleet officials to be motivated more by self-promotion and the advance of his small

organization than by altruism.

Yesterday, Mr. Marks shook hands with Mr. Murray, and lauded 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 "Loanshark." 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 meeting, Fleet attorneys scheduled a deposition of Mr. Marks at the same time as the meeting. Asked about the tactic, a Fleet spokesman said that "we just figured anyone with an ego that big could easily show up in two places at once." Marks ignored the deposition and tried to go to the meeting anyway, but was barred by Fleet security.

Fleet's new lending initiative marks victory in a four-year crusade for the slight, 38-year-old Mr. Marks, who grew up in comfortable Scarsdale, N.Y., and Greenwich, Conn.

Armed with the idealism of the 1970's and a Masters in Business Administration from New York University, he went to work at the New York Federal Reserve, where his job included evaluating bank applications for mergers and acquisitions. But he was criticized by superiors for recommending that some proposals be turned down on the grounds that the banks hadn't complied with federal Community Reinvestment Act rules. "I wasn't seen as a team player," says Mr. Marks.

He left that job convinced that banks weren't living up to their obligations to lend in the inner city. Mr. Marks soon found himself in Boston's gritty South End, trying to convince Domenic Bozzotto, tough talking president of the Hotel Workers Union Local 26, that the union should help its mostly low-paid, immigrant membership buy their homes.

"I threw him out of my office,"

Mr. Bozzotto 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, pressing Mr. Bozzotto 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, they quietly backed small second-mortgage companies that lent money at sky-high rates. While Fleet wasn't the worst offender, Mr. Marks attacked the Providence, R.I., bank because it was about to buy the failed Bank of New England, putting it in the headlines and under regulatory scrutiny.

Mr. Marks found victims of second-mortgage companies and steered them to newspapers and television reports. They ran heartrending stories about people who had lost their homes because the banks backed unscrupulous second-mortgage lenders with usurious rates.

Mr. Marks turned his attention to Georgia, where Fleet's consumer-finance subsidiary recently agreed to about \$105 million of concessions, including interest-rate reductions and new loans. A Georgia class-action suit with 14,000 plaintiffs alleging predatory lending is scheduled for trial later this month. Last June, Fleet won a related case in Georgia's Supreme Court. But the court blasted Fleet anyway, saying its loan practices "are widely viewed as exorbitant, unethical and perhaps even immoral."

Fleet took the extraordinary step of attacking Mr. Marks in its 1992 annual report. "Activists in Boston looking to advance their own narrow agenda, made accusations about our lending practices," the report said, adding that one activist had persuaded the CBS

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.

For Fleet's Mr. Murray, the last straw may have been when Mr. Marks's shock 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.

Exasperated 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 agreement. Fleet "could have gone for a media moment, a quick-fix for the television cameras. Instead, what they've put together is a shining example for the entire industry," Mr. Marks says.

The agreement announced yesterday includes \$7.2 billion to be lent to new low-and moderate-income homeowners under existing federal programs. It also includes \$800 million in new programs aimed at inner-city borrowers, including the \$140 million to be handled by Mr. Marks's organization, which will hire 12 new staffers and begin finding loan applicants for Fleet in Massachusetts, New York, New Jersey, Rhode Island and Washington D.C.

One Fleet insider says some people in the bank thought it should have made peace with Mr. Marks earlier, but were repulsed by his tactics. "Fleet did nothing that wasn't common practice in the consumer-finance business." He says. "But we took the heat." By the time a deal was struck, the damage had been done to Fleet's reputation and the bank agreed to lend Mr. Marks's group seven times what he sought in 1991.

"There is no way this would have happened without Bruce Marks," says Mr. Bozzotto, the union chief "You can't get someone's attention unless you're in their face. This was a David-and-Goliath situation, and David won this one."

- Angela Shah in Washington contributed to this article.



Bruce Marks

THE WALL STREET JOURNAL.

DOJONES
A NEWS CORPORATION COMPANY

WEDNESDAY, MAY 20, 2009 - VOL. CCLIII NO. 117

★★★★ \$2.00

DJIA 8474.85 ▼ 29.23 -0.3% NASDAQ 1734.54 ▲ 0.1% NIKKEI 9290.29 ▲ 2.8% DJ STOXX 50 2132.80 ▲ 1.2% 10-YR TREAS ▼ 9/32, yield 3.243% OIL \$59.65 ▲ \$0.62 GOLD \$926.30 ▲ \$5.00 EURO \$1.3637 YEN 96.04

Activist Financier 'Terrorizes' Bankers in Foreclosure Fight

By JAMES R. HAGERTY and RUTH SIMON
Thursday, May 21, 2009

Bruce Marks doesn't bother being diplomatic. A campaigner on behalf of homeowners facing foreclosure, he was on the phone one day in March to a loan executive at Bank of America Corp.

"I'm tired of borrowers being screwed!" Mr. Marks yelled into the phone. "You're incompetent!" Before hanging up, he threatened to call bank CEO Kenneth Lewis at home to complain about the loan executive.

Mr. Marks's nonprofit organization, Neighborhood Assistance Corp. of America, has emerged as one of the loudest scourges of the banking industry in the post-bubble economy. It salts its Web site with photos of executives it accuses of standing in the way of helping homeowners -- emblazoning "Predator" across their photos, picturing their homes and sometimes including home phone numbers. In February, NACA, as it's called, protested at the home of a mortgage investor by scattering furniture on his lawn, to give him a taste of what it feels like to be evicted.

In the 1990s, Mr. Marks leaked details of a banker's divorce to the press and organized a protest at the school of another banker's child. He says he would use such tactics again. "We have to terrorize these bankers," Mr. Marks says.

Though some bankers privately deplore his tactics, Mr.

Marks is a growing influence in the lending industry and the effort to curb foreclosures. NACA has signed agreements with the four largest U.S. mortgage lenders -- Bank of America, Wells Fargo & Co., J.P. Morgan Chase & Co. and Citigroup Inc. -- in which they agree to work with his counselors on a regular basis to try to arrange lower payments for struggling borrowers. NACA has made powerful political friends, such as House majority whip James Clyburn of South Carolina, and it receives federal money to counsel homeowners.

Some 1.7 million U.S. households will lose their homes in foreclosure this year, according to a forecast by Moody's Economy.com, versus under 500,000 a year early in the housing boom. Banks want to show they're making every effort to keep people in their homes. That can mean working with housing-advocacy groups that routinely bash the industry, increasing the clout of such nonprofits. Less certain is whether these groups can translate their new leverage into long-term influence over how mortgage lenders treat customers.

"We have the opportunity to change how lending gets done in this country," says Mr. Marks, whose group is itself a mortgage broker and has 40 offices staffed with housing counselors. He favors a return to more traditional standards, with full documentation of income and the same fixed interest rate for everyone.

Instead of relying on credit

scores, he thinks lenders should look into the reasons for any late payments in prospective borrowers' past and prepare renters for the responsibilities of home ownership. Then, if people are given a loan they can afford, they shouldn't be required to make a down payment, he argues.

Critics doubt some of these changes would be helpful. Having to use a single interest rate for all would make banks less likely to lend to people with blemished credit records, says Richard Riese, an executive at the American Bankers Association.

A single rate also could lead to higher rates for everyone, adds John Courson, chief executive of another trade group, the Mortgage Bankers Association.

Mr. Courson declined to comment on Mr. Marks. "You're not going to drag me in there," he said.

For now, NACA's main focus is fighting foreclosure, and the 53-year-old Mr. Marks pursues it relentlessly. NACA holds mass "Save the Dream" gatherings, flying in hundreds of counselors to work with borrowers who hope to restructure their mortgages.

At one in Columbia, S.C., in March, a line of homeowners stretched around an arena waiting to meet counselors in canary-yellow T-shirts reading "Financial Predators Beware." Mr. Marks, dressed in black and wearing a NACA cap, circled the arena with a bullhorn. "We're gonna get it done!" he bellowed.

Erick Exum, a NACA

official, told those present: "What happened is not your fault. The mortgage crisis is the result of abuses and exploitation by Wall Street." Even so, he said, they might have to make sacrifices: "If you have a car payment and a boat payment, the boat may not make sense."

Counselors discussed borrowers' incomes and spending, calculating how big a monthly payment each could afford. For most, NACA later came up with a proposal to lower the interest rate, reduce the principal or both. NACA took the proposals to banks -- many of which had someone at the event -- and negotiations often followed.

While in Columbia, Mr. Marks made his angry cellphone call to Bank of America executive Steve Bailey. Pacing a hall, Mr. Marks accused Mr. Bailey of renegeing on the bank's agreement with NACA by failing to reduce borrowers' payments on their second liens, in addition to their first mortgages.

"You eat that second!" Mr. Marks shouted.

Mr. Bailey says Mr. Marks was mistaken about what the bank had agreed to. "I think Bruce was having a bad day," Mr. Bailey says. He and Mr. Marks agree that their dispute has since been resolved, but differ on the details.

NACA seeks to limit mortgage payments to whatever a borrower can afford, and doesn't favor stretching out payment periods. That contrasts with a loan-modification plan pushed by the Obama administration, which

aims to limit payments to 31% of income.

One borrower at Columbia was Kenneth Brown, a truck driver from Richmond, Va., who had driven over 300 miles to attend. Though he said he was still current on his mortgage, Mr. Brown hoped to get his monthly payment of about \$1,600 cut in half by lowering his loan's 12.5% interest rate. "I'm not leaving till I get something in my hand," he said as he sat in the arena.

Two months later, Mr. Brown said he had given up on waiting for NACA to find a solution and was trying on his own to refinance. Mr. Marks said NACA tried to help Mr. Brown but ran into complications documenting his income as a self-employed trucker.

The Columbia event drew people from 10,000 households, and more than 3,000 loans have since been modified, Mr. Marks says. He won't disclose NACA's success rate but says that it wins some change in loan terms in the vast majority of cases, including about 24,000 mortgages last year. Hope Now, an alliance of a wide array of mortgage companies, investors and counselors, estimates the mortgage industry modified 969,000 home loans in all last year, a figure that would include NACA's total.

Mr. Marks grew up in affluent Scarsdale, N.Y., and Greenwich, Conn. He says a childhood stuttering problem gave him sympathy for underdogs, which evolved into a career as an activist. He studied business to "know the enemy," earning an M.B.A. and working briefly for the Federal Reserve Bank of New York. A later job for a labor union stirred his interest in reviving poor neighborhoods and helping people afford homes.

In 1988 he launched

NACA. It soon began arranging loans for Boston-area banks that were eager to show they were serving poor neighborhoods, in compliance with the 1977 Community Reinvestment Act.

The organization has been allocated \$34.5 million from a new federal program to counsel distressed mortgage borrowers, to be paid to groups such as NACA little by little as they provide counseling. NACA's slice is nearly 10% of the program's funds; the rest goes to more than 100 other nonprofits and state agencies. Besides these grants, most income to cover NACA's roughly \$40 million annual budget comes from the fees lenders pay it for arranging new mortgages, typically \$2,500 per loan.

Another NACA event is the "predator's tour." In February, it sent hundreds of protesters to the homes of bankers and investors in posh New York suburbs such as Rye, N.Y., and Greenwich. One stop was the home of William Frey of Greenwich Financial Services, a broker-dealer specializing in mortgage-backed securities. He was a target because he resisted some aspects of a settlement that called for modifying loans.

State attorneys general had accused Countrywide Financial Corp. of predatory lending, and Countrywide's new owner, Bank of America, settled the suit last year by agreeing to modify many mortgages. A fund Mr. Frey controls then sued the bank. The suit didn't take issue with the settlement but complained that the bank had passed on most of the cost of it to buyers of securities backed by Countrywide's loans.

Mr. Frey was the target of the protest in which NACA dumped furniture on the lawn. "They had hundreds of people trespassing on my

property," he says.

"I have a difference with Bank of America. I have a substantial amount of assets with them," Mr. Frey says. "We take them to court. This is how we do it in this country....It's a civilized society." The response from NACA, he adds, "is a mob showing up at someone's house to intimidate them to drop this suit. At what point do people say, 'This is starting to be uncomfortable'?"

"It should be uncomfortable," says Mr. Marks. "You win a campaign by being relentless. Everybody has a breaking point....At some point they say, 'How do I get these crazies off my back?'"

Some lenders have refused to sign contracts to work with NACA, among them HSBC Holdings, Barclays and Credit Suisse Group. All declined to comment. Mr. Marks says some banks that won't sign agreements do negotiate individual cases with NACA. Even so, NACA sometimes pictures their executives and the executives' homes on its Web site.

It recently added a photo of William Gross of Pacific Investment Management Co., the big bond house known as Pimco, along with pictures of his home and other information. Mr. Marks says his contacts in banking and government tell him Pimco doesn't support the administration's push to modify mortgages. "We're exposing them," Mr. Marks says. A spokesman for Pimco said neither it nor Mr. Gross would comment.

Mr. Marks says financial executives should be held personally responsible for actions that affect people's lives, and "if they interpret that as intimidation, so be it." He says that "we're not talking about violence. We don't do violence."

NACA says it arranged \$367 million of mortgages last year. Those borrowers

must become members of NACA, agreeing to participate in its protests or help out at its offices, and for several years must contribute to a fund for homeowners who fall behind because of sickness or job loss. All NACA members pay the same interest rate, currently 4.375%.

Mr. Marks says 3.67% of loans NACA originated were 90 days or more overdue as of March 31. The industry average was 3.49%, according to LPS Applied Analytics, a data firm. According to Mr. Marks, 0.68% of the NACA loans were in foreclosure. The industry average was 2.45%, says LPS.

Bank of America says home loans originated by NACA "are equal to and in some cases are performing better than our prime book of business." A bank spokesman added, "There are few organizations that can bring a buyer to the table who has been through such extensive pre-buying counseling."

Despite receiving taxpayer money, NACA doesn't provide public reports on either its loan-brokerage business or its campaign to modify mortgages. Jim Campen, an economics professor emeritus at the University of Massachusetts, Boston, says he tried in the 1990s to analyze the performance of loans arranged by NACA, but Mr. Marks refused to provide data.

Mr. Marks says he feared the data would be used by another nonprofit to discredit his group. NACA does provide information to lenders that work with it, he says, but sees no duty to disclose it to the public.

"He's been very effective in shaking money out of the banks," says Mr. Campen, but "he's not one to open up his records to public scrutiny."

NEW YORK POST

Saturday, April 24, 2004

10 steps to buying

NACA offers you nonprofit housing help — with no fees

By Adam Bonislawskie

Buying by the numbers

WHEN Alicia Leonard, a manager at Morgan Stanley, decided to buy a house, she planned to go about it the usual way. She contacted mortgage broker, obtained pre-approval for a loan and began her house-hunting. In the middle of all of this, though, she heard from a friend about the Neighborhood Assistance Corporation of America, or NACA.

A nonprofit housing services organization founded in 1988, NACA helps low-and moderate-income people around the country find and purchase homes. Program participants pay no down payment, no fees, no closing costs and receive a below-market interest rate on their mortgage. The catch? Time. There are plenty of financial advantages to buying a house through NACA, but if you want to use the program, you had better be prepared to wait.

The company views itself not merely as a mortgage broker, but as an educator of prospective buyers. Because NACA often deals with first-time homeowners and buyers with less than stellar credit, the organization insists that all the participants follow

- 1. Attend** a NACA home buyer workshop.
- 2. Start** applying for a NACA mortgage (usually the longest step, involving an examination of assets and credit history).
- 3. Go** house-hunting with a NACA buyer's agent
- 4. Apply** for a mortgage increase if necessary.
- 5. Negotiate** house price with agent.
- 6. Inspect** house and identify necessary repairs.
- 7. Apply** to NACA for credit access.
- 8. Submit** mortgage application to a NACA participating lender.
- 9. Get** the mortgage and close the sale.
- 10. Receive** post ownership counseling (and emergency financial assistance) through NACA's Neighborhood Stabilization Fund. —**A.B.**

the same 10 step path when buying their houses.

As Dorensa Emanuel-Roberts, director of NACA New York City puts it: "When people come to us they come with whatever knowledge about home owning their background has provided them. We help make them much more educated about having a mortgage, about owning and maintaining a home. We make them ready to purchase and to maintain a home. That's what the 10-step process is about" (see sidebar)

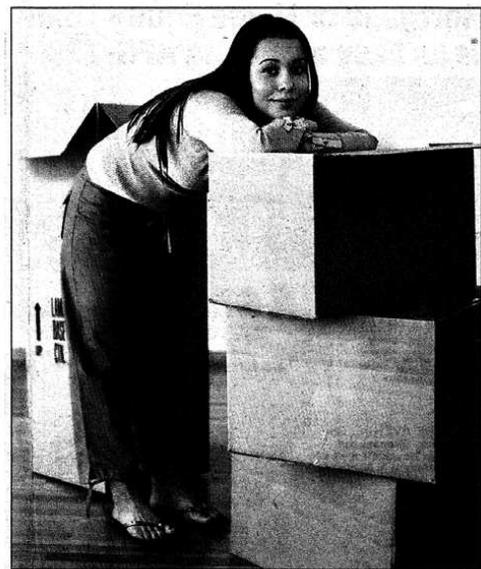
The process begins with a workshop at which attendees receive an overview of the home-buying process and NACA's mortgage plans. They then meet with a NACA housing consultant who helps them qualify financially for the program; the consultant assesses applicants' credit, income and assets to determine

what size mortgage they are eligible for.

Depending on how prepared participants are upon entering the program the process—from overview to purchase—can take anywhere from five months to two years. As Leonard warns: "You're not going to get a house tomorrow or in two weeks. The program is free, but it comes at a cost of patience." "If you aren't a patient person it might not be for you."

For Leonard, though, the savings were worth the wait. Now the proud owner of a two-family home in Laurelton, Queens, she estimates that she saved close to \$20,000 on her \$345,000 house by purchasing it through NACA.

"My interest rate is 1 percent below the market rate," Leonard says. "There was no down payment, there were no closing costs. The savings



MOVE ON UP: NACA's program is worth the wait. The Image Bank/Getty Images

are extremely, extremely good."

While NACA is generally aimed at low-and middle-income buyers, there are no income limits for people looking to buy within the five boroughs, so anyone interested in owning a home in New York City is eligible to apply.

There's still one catch, though; a maximum purchase price that buyers must adhere to. Currently the maximum price for a single-family home is \$325,000.

Two-Family homes may go up to \$372,621, three-family \$449,181 and four-family \$558,326.

In addition to these restrictions NACA

participants must live in their homes so long as they have a NACA mortgage (in other words, they don't allow absentee-land-lord situations).

Also, NACA participants may not have ownership interests in any other pieces of property, that means it's not the program for you if you're interested in real estate speculation, but that has never been NACA's mission.

The company's aim is to make home ownership feasible for people who have traditionally considered it beyond their reach.

"We help people to raise the bar in their life", Emmanuel-Roberts says.



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.

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

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

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

Bank, NACA administers the loan program from beginning to end. To get the type of loan described above, you must pass a home buying class and obtain one-on-one counseling about the responsibilities of homeownership. In addition, if you fall behind 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 in Atlanta, but most lenders aren't set up to react quickly to late payments from borrowers. As a result it, it may be six months before a lender actually talks with a delinquent home owner. By then, the financial hole may already be too deep.

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

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

We know that there is a direct relationship between home ownership and wealth accumulation in this country. Yet, one in three Americans 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 interest rates. When rates drop, homeownership rises, but only slightly.

Studies have shown that the number one barrier to home ownership among Americans of low to moderate income is lack of funds for a down payment. Another major barrier is lack of information about the home buying process. This loan program addressed these barriers head-on and seeks to make it easier for anyone to own his own home. In addition the loans are being offered below current market rates.

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

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

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

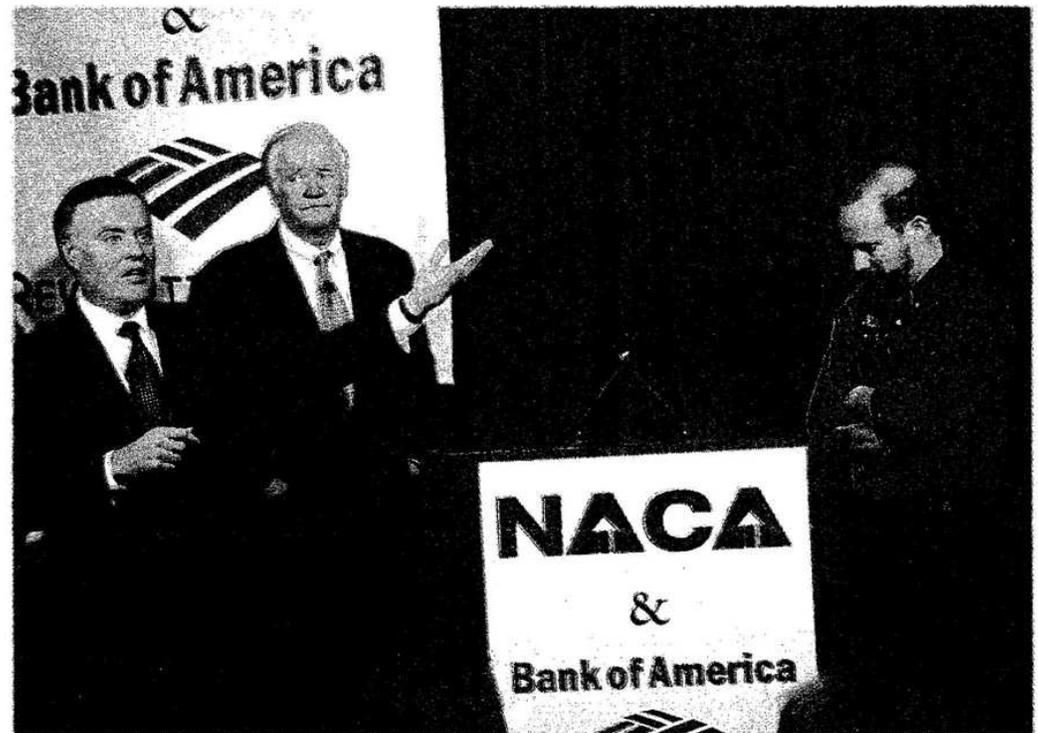
By Sasha Talcott
GLOBE CORRESPONDENT

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'



Kenneth D. Lewis (left), Bank of America CEO, describes the institution's pledge to Neighborhood Assistance Corp. of America while FleetBoston CEO Chad Gifford and Bruce Marks look on.

national stature has grown, the longtime opponent of large financial institutions has found himself in an increasingly delicate position: Once the industry's nemesis, he now oversees billions of dollars from nearly every major bank in the country.

The paradox goes to the heart of Marks, 48, a beloved and reviled figure in Boston's financial scene. His Neighborhood Assistance Corp. ranks as the nation's largest affordable housing trust, with more than \$10

billion in commitments from banks over the last decade.

Neighborhood Assistance channels the banks' money to low and moderate-income buyers, offering them affordable interest rates, with no money down and no closing costs. While most banks require borrowers to meet a strict set of credit tests, Marks' organization accepts applicants with little credit history.

"I'm extremely proud of working with NACA for more than seven years," said Kenneth D. Lewis,

Bank of America's chief executive who is in Boston this week to discuss the bank's purposed merger with FleetBoston Financial Corp. "Helping families buy homes is one of the most important things we do."

Lewis said the money will allow an additional 40,000 low-and moderate-income families to buy homes. Neighborhood Assistance Corp. has made 20,000 loans since it was founded about 15 years ago, Marks said.

The Palm Beach Post

Sunday, Feb. 28, 2010

Rep. Frank drops in at West Palm Beach's mortgage loan 'Save A Thon'

By Kevin Thompson
Palm Beach Post Staff Writer

WEST PALM BEACH —

Florida has been in foreclosure crisis mode for some time.

Today, U.S. Rep. Barney Frank (D-Mass.) witnessed first-hand just how severe the crisis is as he toured the Neighborhood Assistance Corporation of America's loan turnaround sessions at a packed Palm Beach County Convention Center.

Frank is good friends with Bruce Marks, NACA's founder and CEO, and wanted to support Marks' Boston-based group.

"I admire his work tremendously," Frank said in between meeting and greeting several conference participants. "This is a serious nationwide problem and as these mortgage foreclosures cascade, it hurts everybody."

NACA is offering free help with lowering monthly mortgage payments through federal programs and agreements it has with many of the country's top lenders.

Frank said the country will not be able to dig itself out of the "economic hole" it's in until the housing crisis is figured out. He wants to put pressure on the nation's four big banks — Well Fargo, Bank of America, Citicorp and JP Morgan Chase — who are holding second mortgage loans.

"They have to recognize that the



Barney Frank (right) and Ron Klein (left) visited the Palm Beach County Convention Center on Sunday, where the Neighborhood Assistance Corporation of America, or NACA, is holding a loan modification marathon event. At center is Bruce Marks, the founder and CEO of NACA.

loans they're holding on to aren't worth anything," Frank said.

He added that the Obama administration is doing the best it can to turn the country around. "They're doing as well as can be expected," Frank said. "They inherited this mess."

Marks said he expected about 20,000 frustrated homeowners to attend the five-day "Save-a-Thon" event.

One of them was Pam Taplin, 55, of Royal Palm Beach.

After work for her husband's lawn service business dried up, the Taplins were having trouble making the \$2,400 monthly mortgage payment on their home. They tried re-working the terms of

the loan with their lender, but the terms weren't satisfactory.

After spending three days at NACA's event — including 11 hours on Thursday — Taplin, an eighth grade teacher at Emerald Cove Middle School in Wellington, was able to shave \$750 off her payment.

"We're thrilled," she said. "It was hard for us."

Those are the kind of feel-good stories Frank said he wants to hear.

"We're doing something that's essential for the economy to recover," he said. "It's an important first step forward."

NACA OVERVIEW & HISTORY

To appreciate NACA's tremendous achievements, it is essential to understand NACA's development over more than twenty-five years. While our homeownership programs are at the core of the organization, our history demonstrates the necessity to continue the membership advocacy. These programs will only survive if we adhere to the premise that, while many battles have been won, the war for economic justice goes on. We are counting on you!

INTRODUCTION

NACA is committed to working with people who otherwise may not have access to affordable credit. NACA's Members are primarily people who have low-to-moderate income, people who will live in communities that need increased homeownership and improvement, or people who have difficulty obtaining reasonable and affordable credit. The vast majority of NACA Members have neither perfect credit nor substantial savings. Without NACA, many Members may be subjected to sub-prime loans with predatory terms or prevented from purchasing homes through no fault of their own.

As a result of our advocacy and campaigns, NACA is able to offer this comprehensive homeownership program that is the best in the country. We provide information at the beginning of this workbook that describes the many years and unprecedented successes of NACA's advocacy campaigns and the development of our homeownership programs including our incredible mortgage product. Please visit our website at www.naca.com for additional information and to obtain up-to-date information. Also, this workbook is your resource which you should continually refer to throughout the home buying process.

NACA's success has been the result of the active participation of many thousands of Members over the years. All Members need to be committed to our mission. We want you, your family and those close to you to be active NACA Members promoting neighborhood stabilization and economic justice for many years. We hope NACA will become your primary organization for volunteer activities.

Prior to or at your initial counseling session, you and your household members must decide if you want to become a NACA Member and complete the Membership Agreement. The NACA Membership provides you access to other services and programs including the NACA Mortgage, additional comprehensive counseling, and post-closing counseling, services and foreclosure prevention programs. As a Non-Member you would only have access to free counseling with no opportunity to access the NACA Mortgage and other services. For purposes of this workbook, Non-Members and Members will be referred to as Members. If you decide not to become a Member, there will be no Membership Dues but you will be limited to the counseling services and will not have access to the NACA Mortgage or other services available through NACA.

For Members, Membership Dues will be required at or before your first counseling session (i.e. Intake Session). The current Membership Dues are \$20 for the year per household ("Membership Dues"). Following the purchase of your home with a NACA Mortgage, you will not have to pay any Membership Dues but will continue to be a NACA Member. As a Member you have access to NACA's comprehensive post-purchase program which offers significant and unique benefits to homeowners at no cost to you. More importantly, since Private Mortgage Insurance ("PMI") insures the lender with no benefit to the homeowner, it is not required for the NACA Mortgage. You can receive extensive post-purchase assistance through NACA's Membership Assistance Program ("MAP") including counseling to modify the mortgage or to make a payment arrangement. You can also access financial assistance, which usually is evaluated and decided on by a peer lending committee of NACA homeowners. MAP helps Members overcome such economic difficulties as job loss, medical problems, and loss of rent, which could result in foreclosure and the loss of your home. NACA's Membership Dues also support NACA's homeownership programs, neighborhood stabilization initiatives, other programs and advocacy.

NACA BACKGROUND

The Neighborhood Assistance Corporation of America (NACA) is a non-profit HUD-approved community advocacy and homeownership membership organization. NACA's comprehensive homeownership programs, extraordinary mortgage product and confrontational community advocacy have set the national standard for effective neighborhood stabilization programs.

From a small department of a local union, NACA has grown into the largest homeownership and advocacy organization in the country with a call center and over 40 offices nationwide, and is rapidly expanding. NACA's hundreds of staff implement the most effective solution for homeowners with an unaffordable mortgage and counsels homebuyers to access over \$13 billion in mortgage commitments for the best mortgage in America.

NACA began in 1988 in Boston as the Union Neighborhood Assistance Corporation (UNAC). Its roots are with the Hotel Workers Union - Local 26, an activist union that won and established the country's first housing trust fund for union members. NACA employed the union's activist tactics to confront lenders who were engaged in discriminatory and predatory lending practices.

NACA was the first organization to take on predatory lending and coined the term "Predatory Lending". In 1990, NACA initiated the campaign in Boston against second mortgage scams, in which financial institutions targeted often long-time, elderly and lower-income homeowners. NACA focused on Fleet Finance. After a four-and-a-half-year war, Fleet surrendered, committing \$8 billion to low-and-moderate income lending and paying hundreds of millions of dollars in settlements to those Fleet had victimized. Fleet also agreed to fund NACA's revolutionary mortgage product.

NACA's advocacy did not stop with Fleet. On September 12, 2000, NACA's CEO Bruce Marks testified before Congress predicting the mortgage crisis and was the first to publicly do so. NACA continued its 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 (alias "Fast Eddy"). After a multi-year campaign, NACA won, and First Union agreed to changes to its lending practices and mortgages for working people. NACA next targeted Ford Motor Company which owned The Associates, the country's largest finance company. As a result of NACA's campaign, Ford divested The Associates and NACA forced The Associates 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. As a direct result of NACA's efforts, these institutions have made significant reforms to move away from their predatory lending practices. NACA then targeted Countrywide, the 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.

NACA now has agreements with all the major lenders/servicers and the major investors (i.e., Fannie Mae and Freddie Mac) setting the national standard for assisting at-risk borrowers. NACA's precedent-setting Home Save/American Dream events, over one hundred and thirty in the past five years, have created the model for assisting at-risk borrowers. Hundreds of thousands of individuals have participated in these events and many thousands have been provided same-day affordable solutions.

NACA has the best homeownership programs in the country. For homebuyers, NACA provides the best mortgage product with over \$13 billion committed by some of the country's major financial institutions. For at-risk homeowners, NACA has legally binding agreements with the major lenders and investors providing the best solutions with interest rates permanently reduced to as low as a 2% fixed rate and sometimes eliminating a portion of the principal to achieve an affordable mortgage. With hundreds of thousands of Members and rapidly expanding, NACA has become the major community force that is feared and respected by lenders and decision-makers nationwide. NACA is fully committed to continue its aggressive advocacy campaigns and confrontational tactics, with the determination to continue each campaign for as long as it takes.

OVERVIEW

NACA has developed a comprehensive housing counseling program that educates each Member about the home purchase process and mortgage products. Members are prepared for homeownership and provided the opportunity to obtain an extraordinary mortgage product to make affordable homeownership a reality. We have developed computerized systems to make the home buying process very convenient and efficient for each Member. For you to be a successful homeowner through NACA you need to follow this process. The first requirement is for you to have a dedicated email address through which NACA can communicate with you on an ongoing basis. You can obtain a free email address from several different providers, and if you do not know how to do it, ask a friend or relative to help you set up a personal email address you can monitor regularly to stay informed of the status of your file.

NACA provides comprehensive one-on-one counseling by NACA's Housing Counselors. They are the backbone of this incredible program and coordinate all the various parts of the program. After attending a homebuyer workshop, you will be assigned a Housing Counselor who will begin by advising you on how to prepare for mortgage financing and long-term homeownership. The Housing Counselor will work with you to develop a realistic financial analysis that determines a mortgage payment you can afford while maintaining a comfortable standard of living. The Housing Counselor will also work with you to resolve any credit issues. Your preparation may take time, so it is important that you meet with your Housing Counselor early and commit to working with him or her throughout the process.

Many Members come to NACA with credit issues and your Housing Counselor will help you determine which items need to be resolved so that you can obtain a conventional mortgage that is affordable over the long-term. Therefore NACA will not turn you away because of bad credit — so long as you are committed to overcoming these roadblocks. NACA only fulfills its mission by ensuring Members sufficiently prepare their finances to sustain their homes over the long run. The Members will then be able to commit themselves to improving and stabilizing their communities.

NACA assists you with a thorough analysis of your financial situation to determine whether you are ready for homeownership and, if you are not, what you need to do to get there. After that analysis you will continue to work with your Housing Counselor to determine an affordable mortgage payment you can pay over many years. NACA's personalized services take into account your particular circumstances and needs. Therefore NACA is fundamentally different from other mortgage products/programs in that NACA recognizes your credit score does not necessarily reflect the reality of your readiness for homeownership. NACA considers your overall circumstances including your explanations of payment issues without consideration of your credit score in order to determine your ability, commitment and responsibility to make monthly mortgage payments.

If you want to access the NACA Mortgage, the details of the requirements are described in the NACA Qualification section and at www.naca.com. While your Housing Counselor is there to assist, you can also use this document on your own to get qualified for the NACA Mortgage. You can be NACA qualified after developing a realistic financial analysis, resolving credit issues, demonstrating sufficient savings and income, obtaining supporting documents, and meeting NACA's eligibility requirements. You and the Housing Counselor will determine the maximum purchase price you can afford based on a monthly payment that fits your budget. While the NACA Qualification meets the criteria for a NACA Mortgage, it is also used by many other lenders for their mortgage approval process.

Being NACA Qualified is equivalent to being pre-approved for the NACA Mortgage. Moreover, you will likely qualify for other mortgage products which you should compare to the NACA Mortgage. As described in the NACA Qualification section, the NACA Mortgage has no down payment, no closings costs, no application fee, no private mortgage insurance requirement and a below market interest rate.

NACA and our Housing Counselors will work with you for as long as it takes to make you a homeowner. The timeframe is often dependent on each Member's follow-up. For the vast majority of Members who actively participate in the program, NACA Qualification will take less than one year

but, for those Members with serious credit issues, it can take up to two years. Because of NACA's thorough education and counseling, not only are almost all of its Members approved by the lenders for affordable mortgages but they are also able to successfully pay their mortgages every month. All of this may sound too good to be true, but through aggressive advocacy and our comprehensive services, NACA has made this amazing program a reality.

NACA'S TECHNOLOGY

NACA utilizes the most advanced technology to implement NACA's comprehensive counseling, underwriting of the NACA Mortgage, facilitating the communication with the lender and involving the Member. This has virtually eliminated the use of paper. NACA has developed a proprietary software system called NACA-Lynx which is a totally paperless web-based mortgage counseling, processing and underwriting system. In addition, NACA has created portals to communicate with the lenders and a personal Web-file for each Member to obtain updates on their files, their status, next steps and much more (described in detail later). No other system exists that compares to the sophistication and comprehensive nature of the NACA-Lynx and supporting technology.

NACA'S Team

Purchasing a home is likely to be the largest investment in your life and can be stressful. You may have to make difficult decisions during the process, and it is important that you have someone who will discuss your concerns and provide trusted advice. Therefore, NACA has professionals that can provide you with needed assistance at every stage in the process:

- **Housing Counselors:** Will help you become NACA Qualified.
- **Mortgage Consultants:** Mortgage Consultants are licensed Mortgage Loan Originators who will work with you to become NACA Qualified, explain the terms of your new loan, complete a loan application and assist you through the NACA mortgage process until you close on your new home. Mortgage Consultants are also referred to as Housing Counselors in this workbook.
- **Buyer's Brokers/Agents or Referral Agents:** Will represent your interests, not the seller's, in finding a home you can afford that qualifies for financing through the NACA Program and negotiating the best terms of purchase. To contact NACA's Real Estate Department, send an email to **RED@naca.com** or call (425) 519-6222. You are free, however, to use a broker or agent you select as long as they are not engaged in inappropriate activities.
- **Rehab Professionals (Home and Neighborhood Development "HAND"):** Will assist in identifying required repairs to qualify your selected property and administer the repair and renovation process after you close. To contact HAND send an email to **HAND@naca.com** or call (210) 319-2978.
- **Underwriters:** Will review the files prepared by Housing Counselors to ensure that Members are prepared for homeownership and can be qualified for the NACA Mortgage.
- **Administrative Staff:** Will assist you from your initial contact with NACA through closing.
- **NACA Facilitators:** You will have a different facilitator at each stage in the NACA process as your point of contact who will be responsible for addressing issues and clearing any roadblocks. You have a facilitator during the following stages: qualification, housing search, mortgage submission, loan process and post-closing. Your first facilitator is your Housing Counselor. You can identify your facilitator and obtain their contact information from your Web-file.
- **Membership Services:** Will hear your feedback and support you in resolving any issues, concerns or roadblocks you may encounter with your particular circumstances or with any particular office, department or staff person. For such issues including accessing your Web-file contact Member Services – at **Services@naca.com** or call 425-602-6222.
- **Membership Assistance Program (MAP):** MAP works with Members that purchased a home using the NACA purchase program. MAP's representatives will provide you with counseling, help with obtaining mortgage modifications, payment plans, and other financial or general assistance if you are having difficulty making your mortgage payment for as long as you have the NACA Mortgage. You can contact the MAP Department at **MAP@naca.com** or call: 281-968-6222.
- **Community Organizers:** Will work with you to address neighborhood issues and involve you in NACA's advocacy campaigns.

TEN STEPS TO OWNING YOUR OWN HOME

1. Homebuyer Workshop

Attend a Homebuyer Workshop. There are a number of workshops each month. At the Workshop, you will learn all about NACA's Program, counseling, and mortgage options including the NACA Mortgage.

2. Housing Counseling for Homeownership Preparation

Your Housing Counselor will review your debts and other payments to determine whether you are currently ready for homeownership or your next steps. He/she will also review your budget documenting your income and expenses to help determine a mortgage payment you can afford.

3. Mortgage Options & NACA Qualification

You will identify mortgage options and their different criteria. NACA Qualification will allow you to meet the criteria for various mortgages but is required to access the NACA Mortgage which is described in detail below.

4. Housing Search

NACA's Buyer Agents and Referral Agents will understand the NACA program, represent your interests, help you find a house, and negotiate with the seller. It is recommended you work with an agent familiar with the NACA process or one you choose who is willing to attend NACA's free realtor's training.

5. Purchase & Sale Contract

Obtain advice before negotiating this binding contract for the purchase of a home. Check with your Housing Counselor or NACA staff before signing it. The Purchase & Sale Agreement must be contingent upon a satisfactory home inspection and other conditions.

6. Property Issues

Hire a NACA-approved home inspector to evaluate your desired property and determine any needed repairs not paid by the seller. Repair costs will be included in the NACA Mortgage. NACA provides rehab assistance and administration.

7. NACA Credit Access

You will need to provide updated documents to show that your finances have been on track since you were NACA Qualified and continue to meet NACA's requirements. You will then submit your application for a NACA Mortgage to a participating lender.

8. Mortgage Processing & Underwriting

The licensed Mortgage Consultant will take and submit your mortgage application to the participating lender. The NACA Underwriter will review the loan package for completeness to virtually eliminate lender conditions.

9. Mortgage Closing

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

10. Post-Purchase Program

NACA offers post-purchase counseling and financial assistance through MAP. MAP provides counseling to prevent foreclosure as well as budget counseling, payment plans, financial and other assistance.

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

TEN STEPS TO OWNING YOUR OWN HOME

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

STEP ONE

HOMEBUYER WORKSHOP

You must attend a Homebuyer Workshop. This is a free educational forum which is open to everyone prior to determining your status as a NACA Member or Non-Member. There are a number of workshops each month. The Homebuyer Workshop will provide you with an overview of the home buying process, real estate issues, and mortgage options including HUD mortgage programs and the NACA Mortgage. You will receive important information about becoming mortgage ready and NACA Qualified. Upon completion of the Homebuyer Workshop you must access your NACA Web-file to schedule an appointment with a NACA Housing Counselor. To make an appointment you must first follow the steps described in your Web-file: submit required documents, complete information, sign Membership and Authorization, and pay your Membership Fee and credit report.

STEP TWO

HOUSING COUNSELING & HOMEOWNERSHIP PREPARATION

At your first meeting, the Housing Counselor will answer your questions about NACA and start your preparation towards homeownership. Your Housing Counselor will review your debt and other payments you make to determine if you are currently ready for homeownership or what steps you need to take. He/she will also help you determine a mortgage payment you can afford by reviewing your finalized comprehensive budget detailing your income and expenses. This budget will identify your potential available savings and the amount available for a mortgage payment. It will also identify opportunities for you to reduce your expenses providing additional funds for purchasing a home or for other items. You will receive an action plan that identifies any additional documents, information and next steps for you to become NACA qualified. After each counseling session you need to make a follow-up appointment until you are NACA Qualified.

STEP THREE

MORTGAGE OPTIONS & NACA MORTGAGE

In the Mortgage Options section, various mortgage products are described. The details of becoming NACA Qualified are also provided. NACA Qualification is required to access the NACA Mortgage. NACA Qualification is so extensive that it meets the requirements of many other mortgage products. Once you are NACA Qualified, you will need to continue to pay all accounts on time, maintain your income, obtain no new debt and save the difference between your current housing payment and future affordable mortgage (i.e., housing) payment each month, until closing. Also keep submitting updated documents that expire including but not limited to paystubs, bank statements, canceled checks for rental payments, etc.

STEP FOUR

HOUSING SEARCH

Once you are NACA Qualified, you will need to attend a Purchase Workshop which is held every Thursday from 6:00 p.m. to 7:30 p.m. at a NACA office. These workshops are required for all

NACA Qualified Members who want to access the NACA Mortgage. You will be provided with information about beginning the home purchase process; identifying properties; addressing repair issues; obtaining NACA Credit Access Approval; submitting your NACA Mortgage loan application; processing the mortgage application; and obtaining NACA's post-purchase assistance. You will receive your NACA Qualification Form and can begin searching for the home of your dreams. Since you want to find a home that is within your NACA Qualification and meets your needs and desires, it is important that you have not already committed to a particular house. Your NACA Qualification is valid for 90 days. Therefore it is important that you use this time to search for your home since you would need to be re-qualified after 90 days or before if your circumstances changed to ensure that you are still qualified and your maximum mortgage payment has not changed.

A NACA Buyer's Agent or an agent referred to you by NACA will be available to assist you in finding a home that you can qualify to purchase through the NACA Program. If you were directed to NACA by a real estate agent, you will be referred back to that agent. You may use any real estate agent of your choice unless the agent has been removed from the NACA program for actions NACA has determined to be harmful or otherwise problematic. Your agent should attend the free training the first Tuesday of each month if they have limited experience working with NACA.

If you choose to use a NACA Buyer's Agent or Referral Agent, he or she will meet with you to discuss where you wish to live, what type of house you want, the price range you are considering and other issues of concern to you. You need to take your time in finding your desired property, since you will be responsible for any current or future repair issues. Your agent will help you locate suitable properties, including the ones identified by you. Once you find your desired home, you must immediately contact your Housing Counselor to obtain a Property Qualification Letter which verifies you are qualified to purchase this property. Your agent will then negotiate on your behalf the terms of the Purchase and Sale Agreement. He or she can advise you on the amount to offer, but you must decide if the house is right for you at that price. The agent can also help you negotiate what renovations may be necessary as well as whether and how the seller can assist most effectively in making repairs or if the cost of repairs will be included in your mortgage.

STEP FIVE

PURCHASE & SALE CONTRACT

The Purchase and Sale Agreement (P&S) is a very important contract – it binds you and the seller to execute the transfer of the home at an agreed price under specific terms. Prior to signing the contract, you need to contact your Housing Counselor and provide them a copy of the MLS and the amount you are considering to offer the seller to confirm if the property is within your maximum purchase price, which may change due to interest rate shifts, or the need to be re-qualified with updated information, if your NACA Qualification has expired. After careful consideration, you can accept this very important contract by signing it. NACA does not accept P&S Agreements signed electronically by the buyer. The seller may provide an electronic signature.

Since you are responsible for paying any penalties arising from a P&S Agreement, regardless of the actions of NACA or the lender, we strongly recommend that your contract adhere to the guidelines below, to minimize the likelihood of additional costs. The following items should be addressed in your Purchase & Sale Agreement:

1. Eliminate from your Purchase & Sale Agreement:
 - a. Charges or penalties for closings past a certain number of days from the executed contract (per diem);
 - b. Loss of your earnest money deposit if the property does not appraise for the purchase price you agreed to; and
 - c. Loss of your earnest money deposit if your mortgage application is denied.

2. Include in your Purchase & Sale Agreement:

- a. Correct spelling of your name; the same way it was entered on your NACA documents or as it appears on your picture ID;
- b. Conditions requiring satisfactory NACA-approved home and pest inspector(s); this includes time to turn on utilities and undergo other evaluations or work write ups if it requires a major renovation;
- c. At least 30 days to close from the date of the executed contract;
- d. At least 45-to-60 days to close for properties requiring significant renovations, as identified on the home inspection, from the date of the executed contract;
- e. Approved NACA and lender settlement agent to provide settlement services;
Note: when using an approved settlement agent, the participating lender pays the settlement agent's fees and closing costs; however, if you request another settlement agent, he/she must be approved by both NACA and the lender and you are likely to incur significant additional costs.
- f. Closing at a NACA office, a process which ensures that you have the support necessary to address issues that may delay or prevent a closing as well as to answer questions about loan terms and other matters.

STEP SIX

PROPERTY ISSUES

Once you select a house, it must be inspected by qualified, NACA-approved home and pest inspector(s). Property inspections are crucial to help Member(s) avoid unexpected expenses arising from known or potential property defects or existing safety, health, code, structural, mechanical, electrical or other systems problems or other issues. You are responsible for selecting the inspector(s) from the NACA-approved list or may select another inspector who must be approved by NACA (approval may delay the process).

Your inspector(s) will provide you with a written report, which contains valuable information such as identifying necessary or future repairs, information on utilities and offering tips to improve energy efficiency. This can help you avoid a house with serious problems or unpleasant surprises. It will also assist you in negotiating a price reduction or the seller contributing money towards repairs if there are inspection issues.

Once the property inspection(s) are complete, NACA will establish a NACA repair list which will require some or all repairs to be completed. You and your real estate agent should present the repair list to the seller. If repairs are needed, they must either be made by the seller prior to closing, from funds provided by the seller, from a government entity, or financed as part of the mortgage and completed after closing. You should use the following options to address needed repairs:

- Negotiate to have the seller complete some or all of the needed repairs with a licensed inspector (the work must be re-inspected after completion and prior to closing to verify they were properly completed). All seller completed repairs must be done by a licensed contractor or professional with documentation to support such work;
- Negotiate the best "As Is" price, and when possible use seller-contributed funds for a buy-down, and add the cost of repairs into the total mortgage loan;
- Include the cost of repairs into the total mortgage amount. The total mortgage amount including the purchase price, rehab amount and six months of potential mortgage payments as necessary, must not exceed either 110% of the appraised value of the renovated home or the mortgage limits.

It is often most effective for the rehab funds to be part of the NACA Mortgage, since you will be responsible for the quality and completion of the repairs with the assistance of NACA's Home and Neighborhood Development Department ("HAND"). If you choose this route, HAND will offer guidance on how to solicit bids and HAND will evaluate bids from contractors you are considering selecting, subject to HAND approval. The portion of the mortgage that is set aside for the repairs to be completed after the closing will be held in escrow. If substantial renovations prevent you from moving into the property, the mortgage payments for the first six months will be incorporated into your loan with the lender adjusting the interest rate to have your monthly affordable payment remain the same (i.e. the lender is paying the cost of the six months of mortgage payments). HAND will authorize disbursement of the funds from the escrow account upon completion of the identified repair items and a re-inspection of the property to verify the quality and completion of the work. You should not pay to make repairs to a property before you own it. All rehab repairs take place after the loan closes and the approved rehab escrow funds are confirmed to be available.

STEP SEVEN

NACA CREDIT ACCESS

Provide a copy of the executed Purchase and Sale Contract, directly or by fax, to your Housing Counselor or NACA's Credit Access department at creditaccess@naca.com. They will work with you to get all your documents updated in the file and expedite the process for Credit Access and taking your mortgage application. Your real estate agent can also submit your executed purchase and sale through the NACA website. Also submit updated documents and financial information including the most recent 30 days paystubs, the most recent 90 days of bank statements for all accounts, for Self-Employment income update the most recent 12 months bank statements; and provide updated canceled checks to verify on time rental payment since qualification to apply for NACA Credit Access. To obtain the NACA Mortgage, you need to be approved for NACA Credit Access which requires verification that you are still NACA Qualified. This verification includes the following: the required savings is maintained (i.e. Payment Shock), income is not reduced, debts are not increased, payments continue to be made on time, and you adhere to other NACA requirements. NACA has full discretion in approving NACA Credit Access which you can apply for at any time during the home buying process with approval based on meeting the above requirements. Approval of NACA Credit Access will allow your licensed Housing Counselor to complete your NACA Mortgage application and submit it to a participating lender. If you are denied, NACA will provide you with the reason.

STEP EIGHT

MORTGAGE PROCESSING AND UNDERWRITING

NACA's Underwriting and Processing Departments will facilitate the underwriting and processing of your loan at the lender. There should be few conditions on your mortgage since any lender issues would have been addressed at NACA Qualification and addressed prior to the time the mortgage application was taken. Because of all the pre-application work, participating lenders approve virtually all mortgage applications. During this time period, you should begin looking for homeowner's insurance and provide proof of insurance as well as finalize all bids and the rehab budget. You must also do a "walk-through" of the property just prior to closing to make sure that there is no new damage, that the property is vacant and clean, and that you are satisfied with any agreed upon repairs. The property must be vacant at time of closing or we cannot schedule the closing.

STEP NINE

MORTGAGE CLOSING

NACA and the Settlement Agent will coordinate your closing on a NACA Mortgage at a NACA office. You will be advised about all costs (such as pre-paid taxes, pre-paid insurance, etc.) due at the closing and any other required items. You will need to bring a certified check, made out to the settlement agent, for these costs. Just prior to the closing, examine the property to make sure all arrangements involving repairs, tenants, cleaning, etc., have been followed. You should not agree to close or sign any documents unless you are 100% satisfied with all agreements and understand what you are signing. **CONGRATULATIONS!**

STEP TEN

POST-PURCHASE PROGRAM (MEMBERSHIP ASSISTANCE PROGRAM – MAP)

Once you have closed on a NACA mortgage, your NACA membership provides you with a post-purchase assistance program through NACA's Membership Assistance Program ("MAP"). MAP has trained and dedicated staff ready to provide comprehensive counseling to prevent financial difficulties and, where necessary, to get you back on track.

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

NACA provides Members with comprehensive post purchase assistance. Thus, instead of private mortgage insurance, which provides no benefits to the homeowner, the NACA membership which is free to the Member after closing, provides free assistance for Members having difficulty making their mortgage payment.

The assistance described below is provided to you as long as you have the NACA mortgage:

- Budgeting and other counseling
- Modifications to address changed financial circumstances (i.e. reduced income)
- Forbearances to address temporary financial difficulties
- Financial assistance for approved homeowners that encounter financial difficulties
- Real estate services to sell your home
- Communicating with or addressing issues with the lender
- Additional homeowner and neighborhood services and advocacy
- Other services that become available through NACA

NACA is working to provide other types of assistance and services for NACA homeowners. These services may include legal services and access to other financial products.

REMEMBER TO PARTICIPATE !

CHECKLIST FOR COUNSELING & NACA MORTGAGE

- ___ Graduate from homebuyer workshop.
- ___ Complete the five page Budget including the Daily Expense Diary found in your workbook as soon as possible.
- ___ Access your NACA Web-file to complete all required information and submit all required documents for NACA Qualification (e.g., pay stubs, federal tax returns, W2s, bank statements, etc.) This is required prior to making a counseling appointment.
- ___ Schedule a session with a NACA Housing Counselor.
- ___ Meet with NACA Housing Counselor (arrive at least 15 to 30 minutes early) or be ready for phone counseling within the hour of your appointment (if no call, contact H.C Department at 606-230-6222).
- ___ Resolve issues identified at counseling sessions and complete your Action Plan by the target dates as well as participate in at least one volunteer activity prior to qualification.
- ___ Become NACA Qualified and determine the Maximum Mortgage Amount.
- ___ Attend a Purchase Meeting to begin the housing search. Maintain all qualification requirements.
- ___ Locate a house for less than the Maximum Purchase Price.
- ___ If the property needs repairs or renovation, determine if the seller or homebuyer will be responsible for the repairs and provide information to access funds for repairs and rehab.
- ___ Contact your Housing Counselor and provide the MLS to verify the property is within the approved NACA Qualification and the Maximum Mortgage Amount based on the current interest rate.
- ___ Sign Purchase and Sale Agreement to purchase house based on satisfactory inspection and other conditions, and submit to your Housing Counselor.
- ___ Schedule and attend the home inspection, review inspection report and submitted to HAND.
- ___ Re-negotiate the purchase agreement based on the items identified in the NACA Repair List.
- ___ Apply for NACA Credit Access providing updated documents.
- ___ Complete Mortgage Application.
- ___ Respond to additional items if required by the lender or HAND.
- ___ Receive the lender commitment and respond to conditions, if required.
- ___ Purchase one year of hazard/homeowner's insurance (condo/coop not required).
- ___ Walk through the house a day before or the day of closing to verify the terms of the Purchase and Sale Agreement have been satisfied.
- ___ Obtain a money order/cashier's check for escrows, pre-pays or buy-down funds.
- ___ Complete closing at the NACA office and receive keys. Congratulations!!!

KEEP THE DREAM OF HOMEOWNERSHIP ALIVE FOR OTHER WORKING PEOPLE

PAY ON THE FIRST OF EVERY MONTH

HOMEOWNERSHIP COUNSELING & PREPARATION

NACA's comprehensive counseling provides clear understanding of the homebuying process and prepares you for obtaining and affording a mortgage. This ensures that you will be able to enjoy your home for years to come. Owning a home involves new responsibilities such as maintaining the property, saving for repairs and improvements, and making a mortgage payment each month. NACA's mission is to stabilize neighborhoods by having knowledgeable and financially strong homeowners—no one benefits if poor planning leaves you unable to maintain or keep your home.

Your Housing Counselor will guide you through an extensive review of your financial situation and the expenses of purchasing and owning a home. Tell your Housing Counselor everything about your financial situation. Issues that are addressed early in the process can be solved more effectively without delaying or preventing your NACA Qualification or closing.

Even though NACA's counseling services are free, you are responsible for costs such as credit report fees, membership dues, property inspection fees, earnest money deposits, and any other payments. These payments are non-refundable.

HOMEOWNERSHIP EVALUATION

Purchasing a home is the largest investment most of us will ever make. Before proceeding, you should decide if you truly want to make this commitment. Consider whether you will be comfortable making the mortgage payment for years to come, especially if it is greater than your current rent. Neither the NACA process nor homeownership is right for everyone. You have to decide early if you have already done or are willing to do all that it takes to prepare for successful homeownership. The NACA program is a full disclosure process with extensive document verification. If you are not ready to discuss your finances and situation or provide all the documents required, it may not be the right time for you to participate in the program.

Ask yourself these questions:

- Do you anticipate remaining in the area for several years?
- Can you be a prudent manager of your income and debts in order to meet the requirements of homeownership?
- Do you have steady income and stable employment?
- Have you been able to save money?
- Can you make the necessary changes to meet your desired monthly mortgage payment?
- If you are buying a multi-family property, do you understand that you are essentially running a small business and must attend a landlord training class to understand landlord/tenant laws and how to find good tenants?

Do not be pressured. Buying a house can be an excellent investment, but your personal situation or other factors may counsel against it. NACA will assist you whenever you are ready to be a homeowner. You should discuss these issues with your Housing Counselor.

AFFORDABILITY

You will work with your Housing Counselor to determine an affordable monthly mortgage payment. This determination requires information on all the household members and dependents who will be living in the home you purchase even if they may not be on the mortgage application. This is because all the household members affect your financial situation. The mortgage payment will determine the purchase price you can afford. It is very important that you make a purchase that you will be happy with for years to come and have a monthly payment that continues to

be comfortable. The most beautiful house could become a nightmare if you cannot afford the mortgage payment. You do not want to become house rich, but cash poor. By the same token, you should not feel pressured to purchase a house you will not be happy with because it is all you can currently afford. NACA will work with you to ensure you sustain the standard of living you desire. NACA does not want to put you in a situation where your standard of living is reduced or you must forgo necessities because of your mortgage payment. Owning your home should not be a burden. NACA will work with you for as long as it takes for you to make the right purchase.

You need to determine the maximum Mortgage Payment that you can afford over the long term. This payment should leave you with sufficient funds for other reasonable liabilities and living expenses. The total monthly payment is known in the mortgage industry as the “P.I.T.I.” (Principal, Interest, Taxes and Insurance) or “Mortgage Payment”. These components are the principal or outstanding mortgage debt, interest on the mortgage debt, monthly property taxes, monthly hazard insurance premiums, private mortgage insurance (“PMI”) premiums and homeowner’s association dues (if applicable). To determine what you can afford, NACA utilizes income ratios and Payment Shock. Income ratios are the percent of your income that is used to make your mortgage payment and to pay your monthly debts. These are important in determining the amount of funds you will have available to pay for living expenses. Payment Shock is the amount of money the future mortgage will exceed your current or affordable rent. This helps you determine what mortgage payment is realistically affordable over the long-term while maintaining a comfortable standard of living.

Your affordable Mortgage Payment is between your current affordable rent and the maximum Mortgage Payment described below, (if you do not pay rent then you would begin with no minimum payment). Your Housing Counselor will work with you to determine if you can afford more than your current affordable rent. He/she will review your budget to determine if you have available funds to afford a higher Mortgage Payment or whether you need to permanently change your income, debts and expenses. There are other options to increase your maximum purchase price in the section entitled Increasing Purchase Price. If neither is possible, then a lower desired price or a different type of property needs to be considered.

Maximum Mortgage Payment

The maximum Mortgage Payment is determined by considering two ratios based on your gross income: the Housing Ratio and Total Debt Ratio. A ratio is the relationship or percentage between two numbers making a comparison between two values. The Housing Ratio is a comparison between your Mortgage Payment and your gross income. The Total Debt Ratio makes a comparison between all your fixed debts and your gross income. A detailed description follows:

Housing Ratio:

Your Housing-to-Income Ratio (“Housing Ratio”) is your Mortgage Payment divided by your gross income. This ratio is used to determine your maximum Mortgage Payment. Many years of research and experience have determined that your maximum Mortgage Payment (i.e., principal, interest, taxes, insurance and HOA) should be between 28% and 31% of your gross income. What this means is that of the total money you make, an affordable housing payment should not take more than a third of it, leaving two-thirds for all your other expenses. Based on NACA’s experience with our homebuyers, we have established a maximum Housing Ratio of 31% of your gross income which may be reduced based on your other debts and circumstances. A high Mortgage Payment (i.e., high Housing Ratio) would not leave room for necessities and a reasonable lifestyle as well as the additional funds to deal with financial difficulties. Clearly stated, a high Mortgage Payment will not leave enough money for you to buy all the other things, the items that you need and the ones that you love. Therefore, this amount helps you determine what you would have available for your other expenses after making your Mortgage Payment.

Remember that the Housing Ratio of 31% uses your “Gross Income”, or the income before taxes and other deductions are taken away. Actually, using your “Net Income” which are the real dollars you actually take home translates in most cases, to over 45% of your total money. This would leave less than 55% of your remaining cash flow to cover your other expenses including monthly liability payments for a car, credit cards, and student loans and living expenses including food, clothing, transportation, health care, miscellaneous payments and for emergency payments.

Total Debt-to-Income Ratio:

The Total Debt-to-Income Ratio (“Debt Ratio”) is obtained by combining your Mortgage Payment and other monthly required debt payments divided by your gross income. The required debt payments used for this ratio include car loans, credit cards, and student loans but exclude monthly living expenses such as food, clothing, movies, gas, utilities and others. For a NACA Mortgage this amount cannot exceed 40% of your gross income. In exceptional circumstances a ratio up to 43% is considered when strong compensating factors such as on-time payments, savings and other factors are present. The maximum of 40% of your gross pay, equals about 60% of your net take home pay – money available after reductions for taxes and other deductions. That would leave you with 40% of your cash flow to cover monthly living expenses.

Adjustments to Maximum Housing Ratio:

Your maximum Housing Ratio may be increased to 33% of your gross income if you have a history of paying rent on-time where the rent amount already exceeds 33% of your gross income and you have not increased your liabilities or depleting savings. On the other hand, your maximum Housing Ratio may be less than 31% 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 Mortgage Payment exceed 40% of your gross income.

Example using ratios as the limiting factors:

This example uses a Housing to Income Ratio of 31% and a Debt Ratio of 40% to get to the maximum mortgage payment. It demonstrates how using almost a third of your gross income for a Mortgage Payment may leave a limited amount of money for your other debts and living expenses. It also shows that the higher your monthly debts the lower the Mortgage Payment you can qualify for.

In the below example, gross income is your pay before taxes and other deductions. The net income is the amount you actually have after taxes and other deductions (take home pay) which for most people is about 80% of the gross income. The Mortgage Payment consisting of 31% gross income. Total Maximum Monthly Debts consist of the Mortgage Payment and other Monthly Debts which should not exceed 40% of your gross income. Savings is the minimum amount of funds you put aside each month to cover life emergencies, home repairs and maintenance. The result are the funds available for all other living expenses.

Gross Income - Monthly:	\$4,000
Net Income Available:	\$3,200
Less:	
• Mortgage Payment (Housing Ratio of 31%): (i.e. PITI Mortgage Payment)	\$1,240
• Monthly Debts: (i.e. car loan, student loan, credit card, etc.)	\$360
Total Max. Monthly Debts – 40% of gross income: (i.e. Monthly debts & Mortgage Payment)	\$1,600
• Savings / Home maintenance fund:	(\$200)
Equals: Funds Available for Living Expenses: (i.e. Food, Clothing, Utilities, Health care, Transportation, etc.)	\$1,400

Payment Shock

This section demonstrates how to be approved for a Mortgage Payment that is greater than your current affordable rent which may allow you to purchase available homes in your market. If you want to increase your Mortgage Payment you need to demonstrate that you have the capacity of saving the amount equal to the difference between your current affordable rent and your maximum Housing Ratio (“Payment Shock”). The documentation of your ability to save this amount, what we call the Payment Shock, is crucial since it represents the amount you would have to pay the lender, and therefore it would not be available for other expenses or purchases.

The reason NACA requires the saving of the Payment Shock amount is because the increase from the rent amount to the mortgage amount causes many people to face financial difficulties including foreclosure. Remember that you should not rely on future raises or higher income to afford a higher Mortgage Payment. NACA uses your rent amount as the baseline to determine your affordable mortgage payment because this represents your proven ability in making 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 then use as a baseline a reduced rent, an amount that you can better afford over the long-term. You are required to document the on-time payment of your current rent, and depending on your specific situation, the saving of an amount equal to the Payment Shock (the difference of your rent and the maximum Housing Ratio).

Your Payment Shock Calculation:

Mortgage Payment Goal (Future PITI up to maximum Housing Ratio): \$ _____
• Less: Rent \$ (_____)
Equals: Required Monthly Savings: \$ _____

The above monthly savings must be put aside every month until you close since this monthly savings will be part of your mortgage payment for the next 30 years or until you sell. By putting the money that will go towards your future housing payment in savings for three to six months, you get to know and feel what life is like not having the extra money. It is very important that you determine whether you are comfortable allocating this amount to your mortgage for a very long time without having a detrimental impact on the lifestyle you desire. The savings must include all of the accounts where you maintain funds, not just your savings account since it is important that your savings pattern shows an increase in your overall funds, not the movement of funds from a checking account to a savings account. If you are increasing your funds, this will be reflected in your combined checking and savings accounts, stocks, and other assets without increases in your credit card balances or loans. Increases in your account(s), with a corresponding increase in credit card balances, indicates that your savings were borrowed or you have poor money management.

For example, if your current rent is \$700 a month and you want a Mortgage Payment of \$1,200 (not to exceed the maximum Housing and Debt Ratios), you would need to save an extra \$500 per month to demonstrate you can afford the higher payment of \$1,200. This must be saved every month for a minimum of three to six months prior to NACA Qualification and maintain that Payment Shock savings through closing. It would be like your landlord increasing your rent by \$500 per month in addition to requiring you to pay for all repairs and maintenance. If you do not have a recent history of paying rent, you need to demonstrate the total mortgage payment (100% Payment Shock) over a six month period prior to NACA Qualification and through closing. The overall bank accounts must grow each month by no less than the Payment Shock savings amount.

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 mortgage payment, it must be adjusted for any lump sum activity as described

below. These are non-regular withdrawals and deposits on bank statements that are one-time activities and are not reflective of your regular pattern of savings. These would be tracked, noted, explained, and documented on your bank statements.

1. Non-Regular Withdrawals – Your Payment Shock savings pattern may be increased by eliminating non-regular withdrawals which inaccurately reduce your savings pattern such as one-time withdrawals to pay off debts. Documentation to verify the withdrawal will be required if the bank statement does not document who the payment was made to.
2. Non-Regular Deposits – Your Payment Shock savings pattern may be reduced by one-time deposits which inaccurately increase your regular savings pattern such as a tax refund, 401K withdrawal or gifts. A letter of explanation indicating the source of the funds and supporting documentation will be required in order to use these one-time deposits towards satisfying the Minimum Required Funds (MRF) and/or buy-down funds.

You may discover that it is not worth the sacrifices to take on the higher monthly Mortgage Payment. If you are unable to save your Payment Shock, then your Mortgage Payment will be based on your current affordable rent. If your current rent prevents you from purchasing affordable homes in your area, you can access options identified in the section titled Purchase Price Increase with Affordable Payment. If your savings are less than the amount agreed to, did not happen at all or was discontinued after a period of time, it may cause a significant delay in your NACA Qualification approval or prevent you from purchasing your desired property. NACA will work with you for as long as it takes, whether months or years, for you to be able to purchase a home with a mortgage payment that you can afford over the long-term.

Bank Statement Review:

You must provide your Housing Counselor with your past three months of bank statements for all open accounts, all pages even if they are blank. This is important to help you identify and provide an accurate picture of your personal finances and to provide verification of your budget items. It will also identify if you are maintaining an unaffordable lifestyle of living based on one-time payment(s) such as profits from the sale of previous home, a loan, an insurance settlement, or lump sum retirement, providing more funds than would be available using your regular income. The review could also verify more specific things such as payments for liabilities and household utilities. In order 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 on any of the items already discussed and other issues. Finally, the bank statements must be legible, therefore, do not black out any sections, avoid writing over the printed information, or using highlighters.

BUDGET

The budget is crucial in determining an affordable Mortgage Payment and in your preparation for homeownership. It helps both you and your Housing Counselor develop a plan to purchase a home you can afford by providing the following:

1. Evaluation of Expenses – Determine an affordable Mortgage Payment;
2. Better Management of Expense – Identifies how you spend your money and opportunities to reduce expenses. You may have room for more savings than expected for a Mortgage Payment;
3. Savings for Payment Shock – Show potential savings for the Payment Shock necessary to obtain your Maximum Mortgage Payment;
4. Reality check – What you believe your expenses are compared to your actual expenses as reflected in your bank accounts. You need to have checking and savings accounts and use them appropriately. Your NACA Qualification approval is based on the review of your bank accounts.

The above stated goals are accomplished by completing a realistic budget that has accurate income and household expenses and managing your funds to the point that the completed budget becomes fairly consistent with your actual bank statements. Each month you receive money as income and pay out money in expenses. When your income is greater than your expenses, you grow your savings; when your expenses are greater, you deplete your savings or must borrow money through credit. Also, household members can affect your ability to afford a house based on their debt and income.

Since experts state that most people do not know where 20% of their money goes, NACA has prepared the following two forms to help clear up the mystery. Completing a budget may seem like a burden, but NACA strongly believes you should develop a good understanding of your finances to be prepared for your Mortgage Payments before you purchase a house. If you take the time to complete these forms accurately and thoroughly, the time spent will be of tremendous value to you. By using the knowledge gained from this exercise, you can determine how changes in your expenses and casual spending will affect your finances.

Budget Forms:

The Daily Expense Diary and Comprehensive Budget Form, provided below, capture your entire pattern of income and expenses for one month which is necessary for an effective and complete counseling session. You should make additional copies for yourself and household members to complete each month for a few months. Everyone contributing income and with debts within the household should participate in completing this household budget. You should read these forms thoroughly prior to beginning your diary or tabulating your expenses to ensure that you are using them correctly. Do not include the same expenses on both forms – the total from your Daily Expense Diary are added into the Comprehensive Budget Form as the total for Walking Around Money. It takes about two hours to complete the Comprehensive Budget Form with accurate figures for income and expenses. You would then input this information into the on-line budget in your Web-file prior to making a counseling appointment.

The Preliminary Budget provides a summary of your income and expenses. The “Current” column is an approximation of your current income and expenses. The “Goal” column shows adjustments you intend to make to increase your savings. Your Available Savings is what you would have available after you calculate your net income, less liabilities, less rent, less living expenses, less funds for unexpected expenses. If Available Savings is positive, it indicates that you should have sufficient funds to meet the Payment Shock; that indicates your mortgage payment could be higher than your current rent but not likely to exceed 31% of your gross income. If Available Savings is negative, it indicates that you are living beyond your means by utilizing credit or savings. In this case the Mortgage Payment you could afford would likely be an amount lower than your rent.

Your Comprehensive Budget Form will provide a more realistic evaluation of your income and expenses and thus your Available Monthly Savings/Deficit which should not include any windfalls or other unreliable income. Remember, you want to avoid any unpleasant surprises when your mortgage payment is due, so please be conservative with your estimates and use your monthly bank statements to assist you in obtaining accurate figures.

The Comprehensive Budget Form will provide the basis for you and your Housing Counselor to work on your expenses. It will highlight categories where changes are possible. You will be able to separate the necessities from the non-necessities and make decisions on which non-necessities you prefer to trade to be able to afford your house. You will likely need several months to determine if you can change your spending habits and meet your targeted increase of available funds. You should use this period to determine if you are comfortable with the reduced spending necessary to afford a mortgage payment larger than your current rent.

PRELIMINARY BUDGET FORM

<u>Income:</u>	Current	Goal	Difference
Net Employment Income:	\$ _____	\$ _____	\$ _____
Child Support:	\$ _____	\$ _____	\$ _____
Other Net Income:	\$ _____	\$ _____	\$ _____
Total Net Income:	\$ _____	\$ _____	\$ _____
Total Gross Income:	\$ _____	\$ _____	\$ _____

<u>Liabilities:</u>			
Automobile:	\$ _____	\$ _____	\$ _____
Credit Cards:	\$ _____	\$ _____	\$ _____
Student Loans:	\$ _____	\$ _____	\$ _____
Personal:	\$ _____	\$ _____	\$ _____
Other Debts:	\$ _____	\$ _____	\$ _____
Total Liabilities:	\$ _____	\$ _____	\$ _____

<u>Housing Expense:</u>			
Rent:	\$ _____	\$ _____	\$ _____

<u>Living Expenses:</u>			
Utilities:	\$ _____	\$ _____	\$ _____
Food and Related Expenses:	\$ _____	\$ _____	\$ _____
Transportation:	\$ _____	\$ _____	\$ _____
Child Care:	\$ _____	\$ _____	\$ _____
Education:	\$ _____	\$ _____	\$ _____
Clothing:	\$ _____	\$ _____	\$ _____
Medical/Health:	\$ _____	\$ _____	\$ _____
Church Tithes & Charity Donations:	\$ _____	\$ _____	\$ _____
Walking Around Money (Daily Expense Diary):	\$ _____	\$ _____	\$ _____
Total Living Expenses:	\$ _____	\$ _____	\$ _____

<u>Additional Housing Expense:</u>			
Maintenance and unexpected expenses:	\$ _____	\$ _____	\$ _____

Total Expenses:	\$ _____	\$ _____	\$ _____
------------------------	----------	----------	----------

Available Savings: (Net Income - Liabilities - Expenses):	\$ _____	\$ _____	\$ _____
--	----------	----------	----------

Mortgage Calculation (use the Goal column):

How much of a mortgage payment are you comfortable paying:	\$ _____
Current rental or other housing payment:	\$ _____
Maximum Housing Payment (31% of gross income):	\$ _____
Maximum Debt-to-Income Payment (40% of gross income)	\$ _____

Increase in Monthly Mortgage Payment:

Payment Shock (Maximum Housing Ratio – Rent):	\$ _____
Monthly Savings:	\$ _____
Available for Mortgage Payment Increase (Lesser of Payment Shock & Monthly Savings):	\$ _____

DAILY EXPENSE DIARY FORM

(i.e. Walking Around Money)

This diary will help you identify expenses that are likely to occur on a weekly basis and may add up substantially. You may be surprised by your actual expenditures and learn how to manage your money better. It is important to make entries every day for a week so that you do not forget anything. Add categories if necessary. Once you have completed the form, add up each category and **multiply by four to get a monthly total.** Then compute the grand total.

Name: _____ Month: _____ Days: _____ Year: _____

Only fill out the 7 days if you don't know a monthly total. ROUND TO THE NEAREST WHOLE NUMBER.

Daily Diary	Day 1 Sun	Day 2 Mon	Day 3 Tues	Day 4 Wed	Day 5 Thurs	Day 6 Fri	Day 7 Sat	Monthly Total
Food (not grocery store)								
Meals (lunch & eating out)								
Coffee/Tea/Soft Drinks								
Cigarettes								
Newspapers								
Lottery tickets								
Alcohol								
Books/magazines								
Movies (theater, rentals, purchasing)								
Sports								
Entertainment (bowling, club, etc.)								
Bus tokens/tolls								
Parking								
Children's Lessons (ballet, etc.)								
School lunches								
Children's allowance								
Dry cleaning								
Laundromat								
Animal care								
Church Tithes:								
Charity Donations:								
Other:								
Other:								
Other:								
Other:								

Total Daily Expenses Per Month: _____

COMPREHENSIVE BUDGET FORM

Name: _____ Month: _____ Year: _____

1. NET INCOME – Take Home Income per Month:

Take Home Income per month:

First Job _____	\$	_____
Second Job _____	\$	_____
Co-Borrower – First Job _____	\$	_____
Co-Borrower – Second Job _____	\$	_____
Other Income _____	\$	_____

Total Net Income for the Month: \$ _____

2. DEBTS – Liability Payments per Month:

A. Installment Loans

	Balance	Monthly Payments
• Car loans	\$ _____	\$ _____
• Student loans (if actually paying)	\$ _____	\$ _____
• Personal loans	\$ _____	\$ _____
• Credit union loans	\$ _____	\$ _____
• Child Support	\$ _____	\$ _____
• Furniture	\$ _____	\$ _____
• Other _____	\$ _____	\$ _____

Total Installment Payments: \$ _____

(Note: If you'll need another car, make allowances for it.)

B. Credit Cards

	Payments Required:	Payments You Make:
• Master Card	\$ _____	\$ _____
• Visa	\$ _____	\$ _____
• Discover Card	\$ _____	\$ _____
• Store Cards	\$ _____	\$ _____
• Gas Cards	\$ _____	\$ _____
• Consumer Credit Counseling	\$ _____	\$ _____

Total Credit Card Payments: \$ _____

3. HOUSING PAYMENTS – Monthly Housing Expense:

Rent (or mortgage)

Monthly Payment

• Housing Payments per Month: \$ _____

Total Housing Payment: \$ _____

4. LIVING EXPENSE – Regular Monthly Expenses:

A. Utilities:

Monthly Payments

• Phone \$ _____

• Cable TV \$ _____

• Heat \$ _____

• Electric \$ _____

• Water & Sewer \$ _____

• Internet _____ \$ _____

• Other _____ \$ _____

• Other _____ \$ _____

Total Utilities: \$ _____

B. Food and Related Expenses

Monthly Estimates

• Grocery Store per month \$ _____

• Personal items \$ _____

• Other _____ \$ _____

(Do not include food, lunches, etc. that are a part of your Daily Diary)

Total Food Expense: \$ _____

C. Transportation

Monthly Estimates

• Car insurance (if annual, divide by 12) \$ _____

• Excise tax (if annual, divide by 12) \$ _____

• Car maintenance (estimate monthly cost) \$ _____

• Public transportation \$ _____

• Gas _____ \$ _____

• Other _____ \$ _____

Total Transportation Expense: \$ _____

D. Child Care

Monthly Estimates

- Day care/Baby Sitting \$ _____
- Child support \$ _____
- After-school programs \$ _____
- Other _____ \$ _____

Total Child Care Expense: \$ _____

E. Clothing

Monthly Estimates

- New clothing/shoes/uniforms (include kids) \$ _____

*(if you buy in season, divide what you spend by the number of months you use it)

Total Clothing Expenses: \$ _____

F. Medical/Health

If your medical/dental insurance already comes out of your paycheck, do not count that amount here. Use the following lines for regular and recurring expenses.

Monthly Estimates

- Medical insurance (if paid separately) \$ _____
- Doctor \$ _____
- Medical co-payments \$ _____
(multiply # of times you visit by your co-pay amount and divide by 12)
- Dentist \$ _____
- Medication(including over the counter) \$ _____
- Life insurance \$ _____
- Disability/accident insurance \$ _____
- Other _____ \$ _____

Total Medical Expenses: \$ _____

G. Education

Monthly Estimates

- Tuition \$ _____
- Book purchases \$ _____
- School supplies:(if you buy at the beginning divide by 12) \$ _____

Total Education Expenses: \$ _____

H. Other

List any monthly payments that do not fit into the above categories.

(Cell phone, hair, nails, haircuts, internet, gym, prepaid legal, old debt, etc.)

Monthly Estimates

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

Total Other Expenses: \$ _____

5. WALKING AROUND MONEY:

Total from Daily Expense Diary: \$ _____

6. YEARLY EXPENSES – Annual Expenses Monthly Basis:

Include here any yearly expenses that were not accounted for above.

- | | |
|--|-----------|
| | Estimates |
| • Vacations | \$ _____ |
| • Gifts to Family (birthdays, Christmas, holidays, etc.) | \$ _____ |
| • Organizational Dues | \$ _____ |
| • Other _____ | \$ _____ |
| • Other _____ | \$ _____ |
| • Other _____ | \$ _____ |

Total Yearly Expenses Per Month: \$ _____
(Total divided by 12)

SUMMARY:

Net Income: \$ _____

Less:

- | | |
|-------------------------------------|----------|
| a. Debts: | \$ _____ |
| b. Housing Expenses: | \$ _____ |
| c. Living Expenses | \$ _____ |
| d. Walking Around Money: | \$ _____ |
| e. Yearly Expenses (monthly cost): | \$ _____ |
| f. Surplus (unexpected & unplanned) | \$200 |

Total Expenses: \$ _____

Available Savings for Additional Housing Payment: \$ _____

MONTHLY SAVINGS COMMITMENT: \$ _____

SAVINGS COMMITMENT:

I will work towards saving the above circled amount each month in my dedicated House Savings account (used for my NACA minimum required funds). There will not be any withdrawals from My House Savings Account during my home buying process except for the home purchase costs (i.e. escrow, inspections, etc.). I further understand that this must be actual savings and not the result of reducing balances in other accounts in order to show increases in the savings account. I also will not incur any overdrafts (which include overdraft protection) and/or insufficient funds activity in my checking account. I have read the above paragraph and will comply.

Name: _____

Signature: _____ Date: _____

Name: _____

Signature: _____ Date: _____

PURCHASE PRICE CALCULATION

You can calculate the purchase price that represents your affordable mortgage payment and current fixed interest rate by completing the steps below:

Line A: The Monthly Mortgage Payment you can afford. This would be between your current affordable rent and Housing Ratio that is 31% of your gross income or up to 33% with documented affordability. Calculations using both amounts are identified below.

Line B: Deduct monthly real estate taxes.
Tax rates are different in each area. Monthly real estate taxes are between 10% and 35% of the monthly mortgage payment and vary depending on where you purchase. Your presenter (or NACA Housing Counselor) will give you the tax rate for your area. Multiply the loan amount by the tax rate percentage and divide by 12 or multiply the monthly mortgage payment by the tax rate percentage.

Line C: Deduct monthly insurance.
Enter the estimated monthly insurance provided by your presenter.

Line D: Principal and Interest (P&I).
The P&I is calculated by taking your Affordable Monthly Mortgage Payment minus Taxes, Insurance and Membership Fee (from the above information).

Line E: Interest Rate.
Obtain the interest rate for the NACA Mortgage from the workshop presenter or at **www.naca.com** or use a conventional mortgage rate if not accessing the NACA Mortgage. Identify this interest rate at the top of the chart on the next page.

Line F: To determine the maximum purchase price for a single family house use the P&I (Line E) and move down the chart until you get close to your P&I Amount. The corresponding loan amount on the far left column shows the purchase amount based on the current NACA interest rate and mortgage payment (PITI) that you can afford. To calculate the payments after the workshop go to **www.naca.com** and access the mortgage calculator. Remember that interest rates may change.

Calculation – Single Family:

Line A: Mortgage Payment (PITI):	Rent: \$ _____	Housing Payment: \$ _____ (31% of income)
Less:		
Line B: Monthly Taxes:	\$ _____	
Line C: Monthly Insurance:	\$ _____	
Total Taxes, Insurance & Dues:	\$ _____	\$ _____
Line D: Mortgage Payment (P&I):	\$ _____	\$ _____
Line E: Current Interest Rate: _____%		
Line F: Maximum Purchase Price:	\$ _____	\$ _____

MORTGAGE AMOUNTS

Shows monthly payments of Principle and Interest
(Does not include monthly payments for Taxes and Homeowner's Insurance)

Loan Amt.	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
\$60,000	222	237	253	269	286	304	322	341	359	379	399
\$70,000	259	277	295	314	334	355	376	397	420	442	466
\$80,000	296	316	337	359	382	405	429	454	480	506	532
\$90,000	332	356	379	404	430	456	483	511	540	569	599
\$100,000	370	395	422	449	477	507	537	568	600	632	665
\$110,000	407	435	464	494	525	557	591	625	660	695	732
\$120,000	444	474	506	539	573	608	644	681	719	758	798
\$130,000	481	514	548	584	621	659	698	738	779	822	865
\$140,000	517	553	590	629	668	709	752	795	839	885	931
\$150,000	554	593	632	674	716	760	805	852	899	948	998
\$160,000	591	632	675	718	764	811	859	908	959	1011	1064
\$170,000	628	672	717	763	812	861	913	965	1019	1075	1131
\$180,000	665	711	759	808	859	912	966	1022	1079	1138	1198
\$190,000	702	751	801	853	907	963	1020	1079	1139	1201	1264
\$200,000	739	790	843	898	955	1013	1074	1136	1199	1264	1331
\$210,000	776	830	885	943	1003	1064	1127	1192	1259	1327	1397
\$220,000	813	869	928	988	1050	1115	1181	1249	1319	1391	1464
\$230,000	850	901	970	1033	1098	1165	1235	1306	1379	1454	1530
\$240,000	887	948	1012	1078	1146	1216	1288	1363	1439	1517	1597
\$250,000	924	988	1054	1123	1194	1267	1342	1419	1499	1580	1663
\$260,000	961	1027	1096	1168	1241	1317	1396	1476	1559	1643	1730
\$270,000	998	1067	1138	1212	1289	1368	1449	1533	1619	1707	1796
\$280,000	1035	1106	1181	1257	1337	1419	1503	1590	1679	1770	1863
\$290,000	1072	1146	1223	1302	1385	1469	1557	1647	1739	1833	1929
\$300,000	1109	1185	1265	1347	1432	1520	1610	1703	1799	1896	1996
\$310,000	1146	1225	1307	1392	1480	1571	1664	1760	1859	1959	2062
\$320,000	1183	1264	1349	1437	1528	1621	1718	1817	1919	2023	2129
\$330,000	1220	1304	1391	1482	1575	1672	1772	1874	1979	2086	2196
\$340,000	1257	1343	1433	1527	1623	1723	1825	1930	2038	2149	2262
\$350,000	1294	1383	1476	1572	1671	1773	1879	1987	2098	2212	2329
\$360,000	1331	1422	1518	1617	1719	1824	1933	2044	2158	2275	2395
\$370,000	1368	1462	1560	1661	1766	1875	1986	2101	2218	2339	2462
\$380,000	1405	1501	1602	1706	1814	1925	2040	2158	2278	2402	2528
\$390,000	1142	1541	1644	1751	1862	1976	2094	2214	2338	2465	2595
\$400,000	1478	1580	1686	1796	1910	2027	2147	2271	2398	2528	2661
\$410,000	1515	1620	1728	1841	1957	2077	2201	2328	2458	2591	2728
\$420,000	1552	1660	1771	1886	2005	2128	2255	2385	2518	2655	2794
\$430,000	1589	1699	1813	1931	2053	2179	2308	2441	2578	2718	2861
\$440,000	1626	1739	1855	1976	2101	2229	2362	2498	2638	2782	2927
\$450,000	1663	1778	1897	2021	2148	2280	2416	2555	2698	2844	2994

Multi-Family Purchase:

The calculation of the maximum Mortgage Payment is different when you are purchasing a multi-family home. While this type of purchase may allow you to qualify for a higher Mortgage Payment, owning a multi-family home is similar to running a small business with the corresponding difficulties. You would also need to have an understanding of the rights and responsibilities for both landlords and tenants. If you have management, landlord and/or construction experience, and the ability to run a small business, you may consider purchasing a multi-family house. Ask your workshop presenter or Housing Counselor for the average monthly rent in the area you wish to purchase. On the calculation below, enter 75% of the rents.

While the rent paid by your tenants would reduce a portion of your monthly Mortgage Payment, there is a considerable amount of work and risk involved in being the owner of a multi-family property. Thus we require a certificate verifying that you have been through a recognized landlord training course prior to being qualified. In addition, your monthly expenses will have to include funds for repairs, tenant vacancies, unplanned and unbudgeted expenses, and other issues related to being a landlord. NACA requires a cash reserve to cover these additional expenses associated with being a landlord ("Landlord Fund"). Given these additional costs, the Landlord Fund is currently set at \$400 a month and potentially more depending on the number of units and area which NACA may adjust. In addition, you must have at least two months of Mortgage Payments (i.e. PITI) in reserves to establish the Landlord Fund.

You should work with your Housing Counselor to determine your maximum Mortgage Payment for a multi-family home. The calculation below provides the general underwriting requirements to ensure that you as a landlord have sufficient financial resources. It is similar to the single family calculation using the definitions for taxes, insurance and other items and including the rental income and associated expenses. The loan amount is shown on the far left column using the current NACA interest rate and the Principal & Interest Payment for Multi-Family identified below.

Evaluation of Multi-Family Purchase:

The analysis for purchasing a multi-family property consists of a two-step calculation. The first calculation determines your maximum Mortgage Payment based on your maximum Housing Ratio and Debt Ratio. The second calculation evaluates whether your current net cash flow reflects your ability to afford and manage a multi-family home. This calculation requires your financial information as shown on your budget and must show a positive cash flow in order to demonstrate that you can afford a multi-family purchase. Your maximum Multi-family mortgage payment is the lower of calculation #1 and #2.

Multi-Family Maximum Purchase Price – Calculation # 1:

Income Calculation:

- | | | |
|--|----------|----------|
| 1) Rent + (documented Payment Shock savings): | \$ _____ | |
| 2) Gross income x .31: | \$ _____ | |
| 3) Gross income x .40 – (other monthly debts): | \$ _____ | |
| Income Calculation: (lesser of the above three): | | \$ _____ |

Rental Income:

- Number of Rental Units: Total number of units minus the one you will live in: _____
 - Market Rent: The amount you will receive for each unit you do not live in: \$ _____
 - Rental Income: Rental income is 75% of Market rents (Market Rent x .75): \$ _____
- Total Rental Income: (multiply Rental Income by the Number of Rental Units): \$ _____
- Max Mortgage Payment (PITI) – Cal. #1(Income Calculation plus Rental Income): \$ _____

Multi-Family Net Cash Flow Calculation – Calculation # 2:

Income:

Net Income (take home monthly income): \$ _____
Plus Total Rental Income (use the figure from above calculation): \$ _____
Total Net Income (Net Income plus Total Rental income): \$ _____

Expenses:

• Monthly Debts (i.e. car payments, credit cards, student loans etc.): \$ _____
• Monthly Household Expenses (from budget): \$ _____
• Landlord Fund (maintenance, repairs, etc.): \$ 400

Maximum Mortgage Payment (PITI) – Cal. #2 (total Net Income minus Expenses): \$ _____

Maximum Mortgage Payment: (lesser of Calculation #1 and #2): \$ _____

MAXIMUM PURCHASE PRICE CALCULATION

Max Mortgage Payment (lesser of Calculation #1 and #2): \$ _____

• Monthly Taxes (total property taxes / 12): \$ _____

• Insurance per unit (\$50 est.): \$ _____

Total Taxes and Insurance: (\$ _____)

Max Mortgage Payment Minus Total Taxes and Insurance (P&I): \$ _____

Current Interest Rate: ____%

Maximum Purchase Price (Use the chart on Mortgage Amounts): \$ _____

PURCHASE PRICE INCREASE WITH AN AFFORDABLE PAYMENT

The previous section documented the Mortgage Payment you can currently afford and the corresponding maximum mortgage amount. This section provides you with strategies to increase your maximum mortgage amount or reduce your mortgage payment. The three options described below are: increase your income, decrease your debts, and/or buy-down your interest rate with savings you currently have. Since it is often difficult to increase your income or reduce your debt obligations, the interest rate buy-down through NACA is often the most effective way to increase your purchase price while keeping your affordable Mortgage Payment the same. This is discussed in detail below.

Increasing Income:

You can pursue a raise at your current job, look for a better paying job, or generate additional regular income. A permanent increase at your current job can be used once it is documented and verified, while an additional job must be permanent and income must be documented for one year.

Decreasing Debts:

You can pay off credit card debts and other loans, which will reduce your expenses and interest charges. You will need to provide proof of payment and stop using credit cards. As you decrease your debts, you should be able to see and document an increase in your available funds over time.

Interest Rate Buy-Down:

The interest rate buy-down through NACA (“NACA Buy-Down”) provides NACA Members with a great opportunity to increase the purchase price without increasing your affordable Mortgage

Payment. The reduction in rate for each discount point paid is greater than what is normally available in the market (i.e. one discount point usually reduces interest rate by .125%, with NACA twice the amount at .25%). The NACA program also permits you to reduce the interest rate more than other programs in the market. The NACA Buy-down is not available after you close on your mortgage.

The interest rate on the mortgage can be permanently reduced for the life of the mortgage. Buy-downs programs provided with other mortgages limit the amount the interest rate can be reduced and offer less of an interest rate reduction than the NACA Buy-Down. The NACA Buy-Down is only available with a NACA Mortgage and is only available at the bank application stage, when you are locking your interest rate, and cannot be applied once you have closed on your loan.

The NACA Buy-Down requires that you have savings available for you to take advantage of this tremendous benefit. You may also use government grants and seller contributions for the NACA Buy-Down; however since these funds cannot be committed until you have identified your property, they are not included in your NACA Qualification. The funds can come from your existing savings, on-going savings, and/or by obtaining a gift that does not require repayment. If you are utilizing the NACA Buy-Down as part of your NACA Qualification, you must document and provide the source of the funds to be applied to the Buy-Down as part of the minimum required funds.

To obtain additional savings, you have to be able to reduce your expenses. Changing spending habits often requires considerable effort on your part and assistance and guidance from your Housing Counselor. You need to complete the following questions which provide the foundation for determining your available savings to utilize for the NACA Buy-Down. These answers may change over time, so provide the most accurate estimates possible.

1. How much are you saving each month? \$ _____
2. How much savings do you have? \$ _____
3. Where did your savings come from? _____
4. How long do you believe you will live in the house purchased through NACA? _____

The impact of the NACA Buy-Down is extraordinary. You can dramatically reduce your mortgage payments by using a lump sum amount to buy down the interest rate. For each one percent (1%) of the mortgage (loan) amount – or “discount point” – you pay up-front, the interest rate is reduced by one-quarter of one percent (.25%) for the life of the mortgage.

NACA Members have always been able to Buy-Down the interest rate to virtually zero percent. However, the new regulations enacted by the Consumer Finance Protection Bureau (“CFPB”) has eliminated this option. This regulatory limitation is most harmful to low and moderate income borrowers. Despite this, NACA is working to get lenders to provide millions of dollars in grant funds to allow low and moderate income Members to obtain the same and greater impact of the unlimited Buy-down. To have CFPB eliminate these and other limitations that are restricting the dream of homeownership for working people, join NACA in this campaign by emailing CFPB@naca.com.

Seller contributions for the NACA Buy-Down is limited to 10% of the property’s contracted sales price. The NACA Buy-Down cannot be financed with an increased purchase price. A seller contribution greater than six percent may initiate a risk review by the participating lender to verify that the NACA Buy-Down was not financed as part of a higher sales price. For long-term homeowners, the NACA Buy-down saves you more money than using the same amount of upfront funds for a down payment. The section below analyzes the effectiveness and benefit of the NACA Buy-Down.

The chart below shows the effectiveness of the NACA Buy-Down for various mortgage amounts:

- **One Buy-Down Point will cost 1% of the Mortgage Amount**
- **One Buy-Down Point will permanently reduce the Interest Rate .25% (one-quarter of one-percent)**

The Current Rate: 3.5%. This example uses the formula above using the current rate. The impact and cost would be the same at a different current rate.

Mortgage Amount	1 Point	2 Points	3 Points	4 Points	5 Points	6 Points	7 Points	8 Points	9 Points	10 Points
	BUY DOWN RATES									
	3.25%	3.0%	2.75%	2.5%	2.25%	2.0%	1.75%	1.50%	1.25%	1.0%
\$100,000	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$7,000	\$8,000	\$9,000	\$10,000
\$150,000	1,500	3,000	4,500	6,000	7,500	9,000	10,500	12,000	13,500	15,000
\$200,000	2,000	4,000	6,000	8,000	10,000	12,000	14,000	16,000	18,000	20,000
\$250,000	2,500	5,000	7,500	10,000	12,500	15,000	17,500	20,000	22,500	25,000
\$300,000	3,000	6,000	9,000	12,000	15,000	18,000	21,000	24,000	27,000	30,000
\$350,000	3,500	7,000	10,500	14,000	17,500	21,000	24,500	28,000	31,500	35,000
\$400,000	4,000	8,000	12,000	16,000	20,000	24,000	28,000	32,000	36,000	40,000

Grants can be obtained for the interest rate Buy-Down. Most of these grants are funded by the Federal Government and sometimes enhanced by state and local municipalities. Cities and municipalities administer and provide these grants. These funds—which can be over \$20,000 for each buyer—are used for down payment and closing costs, but can also be used for buying down the NACA interest rate. The most effective use of these funds is to access the NACA Mortgage and to buy down the interest rate from NACA’s already below-market rate. Thus, you could permanently reduce the interest rate to an extremely low rate. This would dramatically increase your flexibility in terms of a purchase price in the neighborhoods you are looking to buy in or further lower your mortgage payment. It will have far greater impact than the current uses of these funds. To access these funds for the Buy-Down, you need to contact your city and town officials to get them to work with the NACA Mortgage. NACA can assist you and others in having the government work to further enhance the NACA Mortgage.

Information You Should Consider Before Buying-Down Interest Rate:

If you have funds available, there are a number of ways in which you can use them: you could keep them as a savings fund, use them to increase your down payment to lower the loan amount and the corresponding mortgage payment, or use them as discount points to reduce your interest rate and the mortgage payments. You should consider the information below in making this decision but understand that the reduction in rate for each discount point paid is greater than what is normally available in the market. The NACA program also permits you to pay more discount points than other programs in the market.

You Are Not Required to Pay Discount Points – The payment of discount points is not required. It is your decision to pay or not pay discount points to lower your interest rate to obtain a higher mortgage, reduce your Monthly Payment or as a compensating factor for NACA Qualification. You may choose how many discount points you wish to pay or none at all.

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 make a larger down payment, think carefully about whether you will have sufficient savings or other assets to

pay unexpected expenses or emergencies. Failure to retain sufficient savings or other assets could leave you unable to pay your expenses or debts or unable to cope with emergencies.

Using Funds to Pay Discount Points Rather than as a Down Payment has Pros and Cons

– You should consider it carefully as it applies to your particular circumstances. The same pros and cons will apply if your seller is willing to provide funds for discount points or to reduce the purchase price of your home.

<u>Pros of Paying Discount Points Instead of a Down Payment</u>	<u>Cons of Paying Discount Points Instead of a Down Payment</u>
<ul style="list-style-type: none"> • Lower Payment – Using funds to buy down the interest rate will reduce the amount of the monthly payment more than using the same funds to make a down payment and reduce the amount of the loan. 	<ul style="list-style-type: none"> • Loss of Discount Points if Loan is Paid Off During Early Years - If funds are used to pay discount points and then 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 – If funds are used to pay discount points rather than to lower the amount of the loan, your initial loan balance will not decrease but will be reduced more quickly over time. If you do not need to refinance or sell your home during the early years of your loan, your loan balance will be lower and your equity higher in later years. 	<ul style="list-style-type: none"> • Lower Equity in Your Home During Early Years – If funds are used to pay discount points rather than to lower the amount of the loan, you will have less equity in your home and it will take more years to build equity. If you need to refinance or sell the property in the early years of the loan, you may be unable to do so if you have little or no equity.

Example:

The following example illustrates the NACA Buy-down compared to a down payment (i.e. principal reduction) utilizing your funds, or those obtained from a government grant program, employer, union or from the seller. This example uses a purchase price of \$100,000 with \$10,000 that would translate into ten discount points to use for the NACA Buy-down or \$10,000 for a down payment. If you use the \$10,000 as discount points, your loan amount would be \$100,000, your interest rate would be 1.00% and your monthly payment for a 30 year loan would be \$322. If you use the \$10,000 as a down payment, your loan amount would be \$90,000, your interest rate would be 3.5% and your monthly payment for a 30 year loan would be \$404. The NACA Buy-down in this example would reduce the monthly mortgage payment by \$82 more than using the same amount of funds for the down payment. It would result in over \$30,000 additional savings over the thirty year term. While your actual mortgage and buy-down amount would likely be different, the example that follows can be adjusted to reflect your situation.

	Buy-down	Down Payment
Purchase Price: \$100,000		
Down Payment:	0	\$10,000
Loan Amount:	\$100,000	\$90,000
Closing Costs:	0	0
Fees:	0	0
Current Interest Rate:	3.5%	3.5%
Buydown Rate (\$10,000 or ten points):	1.0%	NA
(1% permanently reduces by .25%)		
Mortgage Payment (i.e. Principal & Interest):	\$322	\$404

Effect on Payments - Using the funds as discount points would lower your payments by \$82 a month or \$29,520 over 30 years, but your initial loan balance would be \$10,000 higher than if you used the funds for a down payment. If you have to immediately pay off your loan you would lose \$10,000 in discount points and have to repay the full \$100,000. If you had used the funds as a down payment you would only have to repay \$90,000. However if you have to pay off the loan after 59 months, your total costs (down payment or discount points, interest and remaining balance) would be approximately the same whether you paid the \$10,000 as discount points or as a down payment. After this breakeven point, the longer the period of time before you pay off the loan the more you will save by using the funds for discount points. Given that NACA works with homebuyers who are looking to be long-term homeowners, the NACA Buy-down is often the most effective in increasing the purchase price and/or reducing the Mortgage Payment since it will decrease your Mortgage Payment much more than using the same amount as a down payment. This is a huge benefit for long-term homeowners that you should utilize if you have the funds or can obtain them.

MORTGAGE OPTIONS

NACA is committed to providing you with comprehensive education and assistance with the purchasing of a home including providing mortgage options. NACA's comprehensive housing counseling is separate from NACA mortgage financing. While NACA provides the opportunity for Members to access the NACA Mortgage, Members are encouraged to access the most favorable mortgage based on their circumstances and needs. As a result of the counseling you receive, you will have a better understanding of the mortgage and home buying process. Thus you will then be better equipped to consider different mortgage financing options. You, however, will not be able to access the NACA Mortgage without being NACA Qualified.

As a HUD-approved counseling intermediary, NACA works closely with HUD on a variety of issues including educating Members on HUD and other homebuyer programs. NACA strongly encourages you to research 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 others provided directly by lenders. Your Housing Counselor can assist in providing information on these programs. Below are some of the programs currently provided by HUD. HUD programs change over time so please consult HUD's "Guide to Single Family Home Mortgage Insurance" for details.

HUD's Federal Housing Administration ("FHA") is a mortgage insurance program that is the vehicle for its homeownership program. FHA's mortgage insurance programs help low- and moderate-income individuals and families obtain financing to buy homes or refinance their current mortgages. FHA mortgage insurance allows a homebuyer to make a down payment, as low as 3.5%, and get a mortgage for the balance of the purchase price. The mortgage loan is made by a HUD-approved lender, such as a bank, mortgage company, or credit union. FHA insures the mortgage and pays the lender if the homebuyer defaults on the loan or fails to repay the loan. An FHA insured mortgage requires the borrower to pay closing costs, discount points, insurance premiums and some other fees. The interest rate and costs vary, depending on the lender. To make sure that its programs serve low- and moderate-income people, FHA sets upper limits on the dollar value of the mortgage loan. These limits change every year and vary by city and state. You can find HUD approved lenders, information concerning mortgage limits and general information concerning HUD programs on the HUD website at www.hud.gov or www.espanol.hud.gov, which contain comprehensive information about home buying, homeownership, selling a home, making home improvements, and other housing-related topics in English and Spanish.

HUD also has a separate program if you want to purchase a home in need of repairs, or finance needed repairs for your current home. This program, called the Section 203(k) loan program, is HUD's primary program for the rehabilitation and repair of one-to-four family unit properties. Section 203(k) loans are provided through HUD-approved mortgage lenders nationwide and insured by the FHA. The loans are focused on low- and moderate-income individuals and families, and the loan down payment as low as 3.5%. The term of the loan can be 15- or 30-year fixed or structured as an adjustable rate mortgage. The total amount of the mortgage will be based on the projected value of the home after the renovation is completed, taking into account the cost of the work. A portion of the loan is used to pay for the purchase of the home. The remainder is placed in an interest-bearing account and released in stages as rehabilitation is completed. The HUD-approved lender would assist you in identifying the eligible home improvements and the process.

NACA QUALIFICATION

The NACA Mortgage is our answer to the huge sub-prime and predatory lending industry. NACA has proven that when working people get the benefit of a prime rate loan and counseling, they can resolve their financial problems, make their mortgage payments and become prime borrowers. NACA's long experience of helping homebuyers with credit problems become homeowners debunks the myth that the lending industry has to impose high rates and fees in order to compensate for their "credit risk."

NACA's mission is to make homeownership available on the best terms for Members who would otherwise be prevented from obtaining an affordable mortgage. NACA is open to everyone regardless of their income or where they want to live as long as they adhere to our eligibility requirements, policies, and procedures. The real estate and mortgage industries are filled with bad actors who contribute to the destabilization of our communities and the exploitation of working people. As an alternative to these predatory practices, we will work with you for as long as it takes to make it possible for you to purchase a home, and we will support you for as long as you have your NACA Mortgage.

While NACA is committed to you becoming a homeowner, you must begin by having the following basics:

1. Have at least one open and active bank account
2. Have an email account that you utilize on a regular basis
3. Access to the internet to use your Web-file at www.naca.com
4. A stable job and/or other regular and reliable income
5. Be committed and relentless in becoming a homeowner!

The NACA Qualification, which is required for a NACA Mortgage, is based on an extensive analysis of your finances to determine whether you are ready for homeownership and what monthly mortgage payment you can comfortably afford. Depending on your situation, this process can take one session, several months, or longer. NACA will work with you for as long as it takes to become NACA Qualified. Every person in your household that intends to be on the mortgage must participate in this process and must complete the NACA Qualification process. The requirements for the NACA program apply to each person on the mortgage and many requirements also apply to household members even the ones who do not intend to be on the mortgage.

The features of the NACA Mortgage are described below. Everyone that obtains a NACA Mortgage gets these terms:

- **No Down Payment** – NACA mortgage offers a 100% financing of the value of the property
- **No Closing Costs**
- **No Points**
- **No Fees**
- **Below Market, 30-year, Fixed Rate** – the interest rate is less than the market rate for a conventional “A” credit loan
- **Credit Score Not Considered** (NACA Qualification based on Member’s individual circumstances)
- **No Predatory Terms** (i.e., no pre-payment penalty or balloon payments)
- **Eligible Properties** - one-, two-, three- or four-family owner-occupied principal residences, including units in condos, coops, or combined residential/commercial buildings. Properties may be existing homes, new construction or homes in need of renovation. Eligibility for a condo requires 50% owner-occupancy and a financially strong condo association.
- **Renovations/Repairs** – Funds for renovations are provided as part of the mortgage with NACA providing assistance throughout the renovation process.

To access the NACA Mortgage you first must become NACA Qualified. NACA’s qualification criteria are designed to take into account your individual circumstances, to determine whether you are ready for homeownership and what mortgage payment amount you can afford over many years. These criteria are designed to provide long-term, affordable homeownership with the financial flexibility to comfortably satisfy your living expenses and address unforeseen financial difficulties. The process is intended to be comprehensive so that all Members can be NACA Qualified to obtain the incredible terms of the NACA Mortgage. NACA commits to every Member that, if he or she follows the NACA process, he or she will most likely achieve NACA Qualification and be ready to purchase a home in less than one year, or, if he or she has experienced serious financial issues, will be ready for NACA Qualification in no less than a 24-month time frame.

You must work with the Housing Counselor to meet the qualification criteria to be NACA Qualified. Your Housing Counselor will work with you to obtain additional documents and information, and to address any roadblocks to purchasing a home. Once NACA Qualified, you will be ready to begin your housing search and find a home and, if you so desire, apply through a lender providing the NACA Mortgage (“Participating Lender”). It is very important that you do as much work as possible prior to your counseling session(s), to help move quickly through the process. You will remain NACA Qualified for 90 days as long as your financial circumstances do not change. If you do not submit a mortgage application within three months of becoming NACA Qualified, you will need to re-certify your NACA Qualification by working with your Housing Counselor to update your information and documents.

The NACA Mortgage, while providing very good terms, requires a significant commitment from you to adhere to NACA’s policies and procedures. Participating lenders with the NACA Mortgage have been attracted to the program by NACA’s comprehensive and innovative system for qualifying Members who have been excluded from traditional and affordable credit. The state-of-the-art computerized nature of the NACA system also allows members, if they so wish, to move through the NACA Qualification process with little assistance from the Housing Counselor. The details described below provide you with the information and requirements to obtain a NACA Mortgage. While NACA and your Housing Counselor are here to assist you through the home buying process and for as long as you have your NACA Mortgage, we strongly encourage you to take personal initiative. After each counseling session you will be provided with an Action Plan which includes the

remaining documents or items you need to complete or keep updated in order to become NACA Qualified. It is very important that you complete the items as accurately and quickly as possible.

We have provided you with the general NACA Qualification guidelines below. While NACA reserves the right to require additional documentation or information, or to waive requirements at our discretion, these guidelines will provide you with the general criteria that our loan originators and underwriters use to qualify Members for NACA's extraordinary mortgage product. In fact, you can utilize the criteria and information that follows to prepare for and, in essence, underwrite your own NACA Qualification.

ELIGIBILITY

NACA's eligibility requirements reflect our mission of promoting neighborhood stabilization and economic justice for low- and moderate-income people and low-to-moderate-income communities. We believe that the most stable and vibrant communities are the most diverse in terms of income and demographic make-up. NACA focuses on people who have not been able to purchase a home. 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. You may access the NACA Mortgage as long as you do not have an ownership interest in another property at the time of purchase. This limitation does not include the following: land, time share, inherited property without a mortgage, or a mobile home which is titled as a vehicle not as real estate.
- 2. Occupy the home for as long as you 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. For example, owner-occupants of multi-family homes are more likely to choose stable tenants that will strengthen the community and maintain the property, even if they the owners could have found higher paying tenants. By contrast, absentee landlords often want only to maximize the rents collected and have little involvement with the community. NACA is very serious about Members adhering to the occupancy requirement. Therefore, NACA takes out a lien on the property – in addition to other enforcement mechanisms – to ensure that homeowners live in their home.

The lien taken out by NACA allows NACA to enforce its owner occupancy requirement. If you violate this requirement by not living in the home while you still have a NACA Mortgage, NACA will have the right to demand payment of \$25,000 and foreclose on your property. If at some point you decide to sell or refinance the home, you will need to contact NACA to obtain a release of the lien. If all the conditions have been complied with, NACA will provide with a lien release without any charge to you. Also the occupancy requirement with NACA will no longer apply. If you want to take a second mortgage on the house, this requires that NACA subordinate its lien to the second mortgage, which NACA may or may not agree to do depending on your reason and impact on your finances, in its sole discretion; therefore, your ability to obtain a second mortgage may be limited.

These serious actions and remedies are in place to prevent the abuse of the NACA Mortgage. Lenders providing the NACA Mortgage also require owner-occupancy and may have their own enforcement mechanisms. However, these requirements will not prevent you from selling your house for a profit, refinancing your house, or purchasing other property while continuing to live in the house purchased with a NACA Mortgage.

3. Maximum Purchase Price:

You cannot purchase a property for a value greater than the maximum purchase price for your geographic area. For a purchase-rehab transaction the total acquisition cost of purchase price plus rehab cannot exceed the Maximum Purchase Price in your region. This is a limiting factor that is crucial to NACA's mission and cannot be changed under any circumstances such as the buyer or seller providing funds in addition to the mortgage to compensate for a purchase price that exceeds the maximum. NACA determines eligibility by area, which include both urban and rural communities. Purchase price limits allow NACA to focus its program on stabilizing low- to moderate-income communities and assisting low- to moderate-income people. Nevertheless, we do not believe in poor areas for poor people, or exclusively wealthy areas, and for that reason there are no income limits for the homebuyers, with maximum purchase prices that allow low-and-moderate-income Members to purchase homes they can afford and others to purchase reasonably priced homes. Go to our website at www.naca.com and select "Maximum Price" from the "Homebuyer" section to obtain the purchase price limits for your area. NACA reserves the right to change the eligibility requirements at any time and to make exceptions in NACA's sole discretion.

4. Member Participation:

NACA was established to transform the mortgage industry and also to impact economic issues affecting working people nationwide. This requires that not only you participate in support of NACA's mission but that your voice is heard by decision makers who make the laws and impact our lives. Thus NACA requires you to be a registered voter, if you are legally able to do so, and if you are not already registered NACA will assist you as allowed by regulations. Your concerns and issues as a homeowner in your community are much more likely to be addressed if you are a registered voter and you participate in the electoral process.

Many people say the NACA program sounds too good to be true but it is reality through the active participation of NACA's huge Membership. When you join NACA, you must agree to the Participation Pledge which requires that you participate in at least five activities a year in support of NACA's mission in whatever way you feel comfortable. This applies immediately and extends for as long as you have a mortgage through NACA. There is additional information on participation under the Next Steps section of this workbook. If you are unable or do not feel comfortable in adhering to this Membership Participation requirement, you will not be eligible for Membership and cannot become NACA Qualified or access the NACA Mortgage.

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, but is necessary to ensure the success of NACA's mission and your homeownership experience.

This commitment is ongoing and your eligibility will be evaluated throughout the home buying process, including during the initial counseling session, when applying for NACA Credit Access and through mortgage approval. The 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 of the documents and information NACA requires.
- You read, understand, sign and adhere to NACA's Membership Agreement which includes participation in support of NACA's mission.

- You pay your Membership Dues.
- You read, understand, sign and adhere to NACA's Authorizations, Disclosures, Releases & Privacy Statement.
- 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.
- You are a registered voter or will become a registered voter, to the extent legally permissible.
- No person in your household will own another property at the time of your closing.
- No person in the household has purchased a home through NACA in the last three years.
- You have committed to live in the property purchased through NACA for as long as you have a NACA Mortgage.
- You are not committed to a purchase & sale contract with a closing date, as you need time to be counseled and to be prepared for homeownership with a property you can afford. If you have committed to a property by signing a contract prior to becoming a NACA Member, your existing purchase contract may not allow enough time to qualify with NACA. You therefore may need to delay the closing in order to complete the NACA qualification requirements to determine if you meet affordability for the selected property or terminate this purchase contract.
- You have not paid any fees for NACA services or accepted referrals to real estate agents or other vendors from a NACA employee that have not been approved by NACA, despite the fact that you have the right to choose any vendor you wish.
- You have notified NACA if you paid a fee to be referred to or participate in NACA's program.
- You have not worked with a real estate broker/agent or purchased a property from a seller or developer that NACA has determined does not represent the community fairly or work effectively with NACA.

INCOME

The Member must have a reliable and steady source of income before committing to long-term mortgage payments. Income evaluation is based on documented stable income which may include employment income, self-employment income, fixed income and other documented income. While your current rent and savings pattern largely determine how much you can spend on a mortgage, you need a reliable source of income before committing to long-term mortgage payments. You will have to document this income and demonstrate that it will continue in the future.

Your employment history should demonstrate that your income will continue. Sources of income include salary, wages, overtime, bonuses, social security benefits, pensions, annuities, commissions, alimony, child support, etc. You will need to have worked for at least two years; however an exemption can be considered with at least one solid year of income if you can show that you have spent the prior year advancing your career or improving your skills. Having worked at the same job is not required because many low-and-moderate income workers change jobs due to the nature of their work or their attempts to improve their situations. It is important that there not be any recent employment gaps of 30 days or more. The most recent two years' tax returns must be provided by all Members. The employment section of the credit report must match the employment information and documentation you provided and any mismatch must be explained in writing.

A. Employed

If you are employed by a company you will need to provide the documents stated below.

- Employment history for at least the most recent two years (providing additional years of employment history strengthens your file);

- Authorization for verification of employment from your employer(s) from the past 12 months, including documentation that any overtime you are relying on is consistent and likely to continue;
- W-2's, 1099, tax return (plus Tax Transcripts for self-employed and special programs) for the most recent two years;
- Most recent 30-days of pay stubs showing year-to-date income, which must demonstrate bonuses or commissions if you plan to rely on such income;
- If you are a contract employee, you must provide a pay ledger or most recent 30-day pay stub with year-to-date totals, as well as the Schedule C that was included in your past two years of tax returns;
- If you have less than 24 months of employment history you could be qualified for an exemption with compensating factors such as your status as a full-time student or previous long-term employment; however a 12 month history of employment with no gaps is required as the minimum in these cases. A letter explaining any breaks in employment greater than 30 days in the last 24 months is required.

B. Self-Employed

Many self-employed Members will need more time to demonstrate the stability of their income. If you are self-employed, you will likely need to demonstrate two years of consistent income, as provided below. Self-Employment income is documented using the cash flow method: the most recent 12 months of bank statements showing self-employment income deposits minus related expenses, resulting in the adjusted gross available for the household. You will also need to summarize the bank statement cash flow into a 12-month cash flow worksheet showing your self-employment income and expenses. The cash flow worksheet with supporting bank statements needs to be updated every month until you close on your home. You must also provide tax returns, supporting schedules and IRS tax return transcripts for the most recent two years and for Members who file corporate tax returns provide the year-to-date profit and loss statement.

The Self-Employed income is calculated by averaging the income reported in the most recent year's tax return and the 12-month cash flow worksheet verified by your most recent 12 months of bank statements. Corporate Income will be calculated by averaging the income reported on the last two years of tax returns.

C. Other Income

You can include other income and benefits such as child support, alimony, social security, retirement, housing allowance, Section 8 voucher, etc. This must be documented that it has been paid, with receipt of payments, and is likely to continue for years to come. Documentation includes award letters and court orders. Your Housing Counselor will work with you to identify additional verification of income and documentation.

DEBTS

Debts are your current obligations and the additional ones you may become obligated to pay in the future. We review your current debts, charge-offs and collections and determine your total debts and monthly payments. For debt evaluation, we do not consider if you made or did not make on-time payments, only what your on-going debts are (the timeliness of payments is addressed under Payment History). If debts are incorrectly stated as unpaid or the balance or payment is incorrect, you will need to provide documentation so the Housing Counselor can make the appropriate adjustments.

Debts may include charge-offs and collections that occurred a number of years ago. It is very common that previous debts are purchased by collection agencies that use very aggressive collection tactics. They purchase old debts for much less than the outstanding balance, but are often able to renew the original balance due plus fees and put a lien on your new home for often a higher amount. Your Housing Counselor can advise you on each debt issue and establish whether you need to pay-off or do a payment arrangement for an unpaid bill, charge-off or collection. You may consider negotiating a settlement for a lower payoff since creditors often will accept 40% or less of the total amount due. You do not want old debts to come back and add additional burden to you as a homeowner. Generally, any charge-offs or collections that happened within the past 24 months have to be paid to a zero balance prior to NACA Qualification. Any charge-offs and collections that happened more than 24 months ago, rarely need to be paid off but do require a letter to explain why there is a current balance.

Other accounts or debts such as new car loans, student loans, tax debts or child support may not appear on your credit report and must be disclosed to your Housing Counselor and factored into your mortgage payment affordability. Also, recent credit inquiries will need to be explained to determine if you are in the process of incurring additional debt. **It is very important that you bring all financial obligations to the attention of the Housing Counselor, as they will appear later when the lender processes the mortgage application.** This information is necessary in order to determine what you can afford and to prepare a successful mortgage application. Misleading NACA staff is considered grounds for terminating your participation in the NACA program.

The purpose of the debt analysis is to determine the Member's future debt obligations. There are three types of debts that need to be addressed: 1) Charge-offs and Collections - debts the Member stopped paying; 2) Active Debts – debts that the Member is currently paying or is in a deferment or forbearance, and 3) Liens and Judgments – debts that the creditor recorded with the courts.

To verify that you have not obtained other debt, you must explain in writing all credit report Inquiries for the most recent 120 days and clearly state the reason for the credit inquiry and if any new credit was obtained or applied for. If a new credit line was obtained and is not showing on the credit report, you must provide a copy of the most recent monthly statement.

A. Charge-Offs & Collections

All charge-offs and collections that occurred within the most recent 2 years have to be paid in full, by documented settlement for less than the original balance, or be incorporated into an approved payment plan with 12 months of on time payments prior to NACA Qualification. You and your Housing Counselor must make a determination if charge-offs and collections older than 2 years with a remaining balance are debts likely to be reinstated. State law will need to be considered when making this determination. All charge-offs or collections with balances at the time of NACA Qualification or NACA Credit Access must have a letter of explanation that explains why the debt went unpaid in order to determine whether it may impact your future financial situation.

B. Active Debts

Active debts are accounts such as car payments, credit cards, student loans, personal loans, child support etc. You must provide your Housing Counselor with the following:

- Most recent monthly statement for each active debt. For example, if you have an open Visa account, the most recent monthly statement is required. This is important to determine if you are using credit to maintain your current standard of living or financing your savings.
- All active debt must be affordable when the mortgage payment is considered and included in

the income to debt ratios, even those that do not report on the credit report, such as an auto loan in someone else's name.

- Active debt in a temporary period of forbearance or deferment, the projected payment must also be included in the income-to-debt ratios and factored into your affordability analysis, as the debt will inevitably go into repayment status during the mortgage term.
- Student Loans – Your Housing Counselor will work with you to determine your monthly student loan payment such as the following: if the credit report shows a monthly payment, it can be used for the ratios without further documentation; if you disagree with the credit bureau payment, you must provide proof of actual payment; if the credit report does not show a payment (typically when deferred or in forbearance) then the servicer for the loans must produce a statement with the loan account numbers listing the fix payment you are eligible for once the student loans are out of deferment or forbearance.

C. Liens & Judgments

Liens and judgments must be paid in full and documented as satisfied or released by providing the proof of release from the court or state law will need to be considered to determine if it can be incorporated into a successful approved payment plan that has been in existence for at least 12 months (refer to Payment History, Section C, Requirements for Additional On-Time payments & Other Requirements). Liens and judgments may include defaulted child support, back taxes and student loans. Even in cases where you have legitimate grievances, you may need to make payment arrangements in order to avoid future actions by the creditor. Some states will not close a loan when liens or judgments are not paid in full. Be certain to discuss your state's requirements with your Housing Counselor. If a debt does not belong to you and has been mistakenly placed on your credit record, you may be required to actively dispute the debt(s) and provide verification that the debt is not yours.

PAYMENT HISTORY

NACA makes a determination on whether you are ready to be a homeowner through a detailed analysis of your debt payment, whether you made on-time payments or not and factors and explanations for this payment history. NACA does not consider your credit score number to reach this decision. The analysis used by NACA differs greatly from most lenders which solely utilize your credit score to determine whether you qualify for a mortgage and on what terms. Credit scores are not reflective of your readiness and commitment to homeownership and do not take into account the particular circumstances of any late payment, such as its accuracy or that the late payments that may have occurred for reasons beyond your reasonable control. Thus, because most lenders rely on credit scores to determine the borrower's future ability to pay, many people who are eligible for an affordable mortgage only have access to either a predatory or sub-prime loan (high interest, expensive costs and/or unaffordable terms), or no loan at all.

NACA's basic principle is that prior to the NACA Qualification you will be prepared for homeownership if you have demonstrated a **minimum of 12 months of on-time payments** for all obligations that require payments which are within your reasonable control. This should not be difficult, since you should be preparing for homeownership prior to coming to NACA by keeping your payments current. Additionally, you must maintain on-time payments on all of your accounts now, during the counseling period and through mortgage closing. If you are self-employed or had a recent Chapter 7 bankruptcy, foreclosure, short sale, defaulted mortgage, etc., you must demonstrate on-time payments for the most recent 24 months.

You should write an explanation of the circumstances of each payment problem for all debts, whether existing or paid off. Where there is an explanation why a bill was not paid on time due

to a situation that was beyond your control, your Housing Counselor will evaluate these cases individually. You must provide accurate explanation even if the reason given is that you were neglectful and there is not a good excuse for failing to make the payment.

For example:

- Late or non-payment of a medical bill when the option was either not obtaining necessary care or incurring an unaffordable bill will likely be accepted as a reasonable explanation and should not prevent you from becoming a homeowner.
- Statements indicating only that you “will correct a payment problem” or “will pay a bill” are not acceptable.
- Charge-offs and collection accounts with a balance require a letter to explain why the debt went unpaid.

NACA does not consider a lack of payment history shown on your credit report to be a problem. Your Housing Counselor will request evidence of timely payment of other bills such as utilities, telephone, car insurance, etc.

You should not be penalized if the payment information on your credit report is not correct. Studies have shown that more than 40% of the information contained on a credit report may be incorrect. You should identify any errors to your Housing Counselor and take steps to submit a dispute letter to the credit reporting agency. The credit-reporting agencies must correct errors, but it takes time for this to happen. You will need proof that the item was resolved, either through an updated credit report, receipt, cancelled checks, letter directly from the creditor or other documentation.

You can work with your Housing Counselor for as long as it takes to demonstrate your readiness for homeownership. Your Housing Counselor will review your payments to creditors and evaluate your history of being responsible for credit payments as a reflection of your readiness and ability to take on your largest debt – your future mortgage payment. Since your Housing Counselor will need to make a judgment on your payment history and have this determination approved by a NACA Underwriter, it is very important that you provide explanations of any late payments, previous foreclosure or bankruptcies. If they were a result of circumstances that you could not control, you can be payment history qualified in a timely manner. Your Housing Counselor will focus on your last 12 months of payments and, if appropriate, your last 24 months. Depending on the circumstances, additional counseling and time may be necessary for you to establish an acceptable payment history. If you have no late payments in the most recent 12 months, in most circumstances you should become payment history qualified without a waiting period.

To review the payment history of your debts, NACA will retrieve a credit report for you and for all members of your household over the age of 21 (a photo ID for identification purposes and signed authorization form are needed for identification purposes before the report is retrieved). Your Housing Counselor will closely review the payment histories of the people intending to be on the mortgage. This review will include both the debts you currently owe and those you paid-off, including utilities and other accounts that do not show on your credit report and debts that you may have been unaware of – such as medical bills that you thought were covered by insurance or credit card payments owed by your spouse, child or someone you co-signed for. Specifically, the Housing Counselor will review the on-time and delinquent payment history on the following items:

1. Installment Debt – Debt with fixed monthly payments, such as auto loans, student loans, child support and other loans;
2. Revolving Debt – Debt with variable balances, and thus variable monthly payments, such as credit cards;
3. Collections and Charge-offs – Debts that a creditor has categorized as non-payment after six months of delinquency;

4. Liens and Judgments – Debts a creditor has recorded with the courts;
5. Foreclosures – Major housing debt that was not paid;
6. Bankruptcies – Debts not paid or payment arrangements made.

The sections that follow offer instructions on how to demonstrate your readiness. In particular circumstances, the on time payment requirements and other requirements may be different than identified below. The definition of “on time” payment is a payment that incurs no late fee or negative repercussion for not being paid as agreed.

A. Late Payments Out Of Member’s Reasonable Control

Files considered for NACA Qualification even where late payments are present in the most recent 12 months, are ones where the Member documented that the late payment was out of his or her control. Some examples are:

1. Unaffordable medical bills – since ability to pay is not and should not be a consideration in obtaining needed medical care, late medical bills are more a reflection of our dysfunctional medical system than of your readiness for homeownership.
2. Divorce – this is a very difficult situation that may rely on the cooperation of someone who is unwilling to cooperate.
3. Timing Issue – you made the payment but it was not received due to delivery or other administrative issues.
4. Other – other instances where the payment obligation may not have actually belonged to you or other late payments not in your reasonable control.

How to document:

- You explain the situation to your Housing Counselor, who will determine if the late payment is truly out of your control.
- You write a detailed letter of explanation, documenting the situation in your own words.
- You provide supporting documentation verifying the late payment was out of your control (medical records, divorce documents, etc.).

B. Rent Payments (i.e. current housing payment)

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

On-time rental payments must be documented for the most recent 12 months. Your Housing Counselor will need documentation verifying that you pay your rent on time. It is crucial that your rental payment history can be documented. It is best that you pay your rent by check or, if the landlord does not accept personal checks, you must pay rent by a cashier’s check or money order, which can be tracked. The accurate withdrawal for rent should be identified in your bank statements. Your current landlord can verify payments by completing a NACA Rental Verification Form (obtained from NACA), or you can provide NACA with a copy of the lease agreement and twelve months of cancelled checks or other documentation such as copy of the money orders with a matching bank statement withdrawal. Note that twelve months of canceled checks must also be provided if you are related to your landlord or your goal is to purchase the house you live in. You must also be prepared to provide an explanation, in writing, for any discrepancies between your self-reported residential history and the residential information on your credit report.

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

legal advice in regard to settling any lease dispute and you should not request or accept any such advice. You should contact local Legal Aid agencies, attorneys or others for advice and assistance.

C. Requirements for Additional On-Time Payments & Other Requirements

The situations stated below will require that you provide additional evidence of on-time payments or satisfy other criteria to demonstrate that you are ready for homeownership.

1. Self-Employed Members:

- Must demonstrate at least 24 months of on-time payments. This higher standard provides an indication that you have established and can maintain sufficient income.
- Must demonstrate up to three lines of credit, such as trade lines or household utilities and other obligations (refer to Alternative Credit Requirements below).

2. Members Who Have Experienced Foreclosure, Short Sales or Deed-in-lieu-of-foreclosure:

- Must demonstrate at least 24 months of on time payments for all open accounts since the foreclosure sale date, short sale or deed-in-lieu.
- Must demonstrate up to three lines of credit, such as trade lines or household utilities and other obligations (refer to Alternative Credit Requirements below).
- May be subject to an additional investment requirement, such as interest-rate buy-down (explained below) or principal reduction, to demonstrate your commitment to maintaining your mortgage payment.

3. Members Who Have Experienced Bankruptcy (both Chapter 7 & 13 unless otherwise specified):

- If you filed Chapter 7, you are not eligible for NACA Qualification until 24 months have passed since the bankruptcy discharge or dismissal and you can demonstrate on time payments for all accounts during this period. You must also demonstrate a minimum of three accounts with on-time payments for lines of credit, utilities or other obligations for at least the most recent 12 months. A bankruptcy dismissal will also trigger other requirements in the debt section that must be addressed.
- If you filed Chapter 13, you are eligible for NACA Qualification after discharge without a waiting period if you have addressed all other NACA Qualification requirements.
- For Chapter 13 you must demonstrate up to three lines of credit covering a minimum of twelve months on time payments. A repayment of Chapter 13 obligations can be used as an alternative credit source with documented 12 months of on time payments. You can also provide documented on-time payments for trade lines, household utilities and other obligations (refer to Alternative Credit Requirements below).
- If discharge or dismissal occurred less than 7 years ago, you must provide a copy of the discharge letter (dismissal letter if dismissed), and a copy of the bankruptcy papers including schedules.
- You must provide a letter of explanation regarding the reason for the bankruptcy and what you are doing to avoid bankruptcy in the future.

4. Members Who Have Experienced Mortgage Delinquencies:

You must demonstrate on-time payments for the last 24 months.

5. Members With Co-signed Accounts:

We must see on-time payments over the past 12 months as if it is your account. If the person you assisted is not making the payments on time, it will affect your payment history. When the person who used your credit to open the account is no longer making the payments, you must document on time payments for 12 months.

6. Members With No Credit History:

Must demonstrate on-time rent payments and up to three lines of alternative credit to determine your readiness for homeownership.

7. Members With A History Of Using Credit:

When the credit report shows late payments we need to see up to three open current trade lines on the credit report or if you do not have this with at least a 12 months of on

time payments, you need to provide up to three alternative credit lines, described below, such as trade lines or household utilities and other obligations.

8. Members Who Have Experienced Overdraft or Bounced Checks:

Must demonstrate the lack of any bounced checks or overdraft fees during the most recent 3 months reflected on your bank statements: balance transfer/overdraft protection you set up will not be held against you unless there is a charge for a transfer/overdraft.

D. Alternative Credit Requirements

Since we will typically need up to three payment history obligations to determine readiness for home ownership, the following are alternative forms of credit you can use to demonstrate that you pay your obligations on-time for at least the most recent 12 months. They are listed in decreasing order of importance (i.e. items in Step 1 are to be considered first unless unavailable, in which case items in Step 2 can be considered, and so on). If you cannot provide either Step 1 or Step 2, you will be required to provide a letter explaining why you are not able to provide this preferred documentation. Request a credit letter detailing you have paid on time or as agreed for the most recent 12 months or you may provide the first page of the most recent bill listing the amount due and the amount paid, the due date and the date paid and fees if any.

- Step 1: Household Utilities (electric, gas, heating oil, water, phone, cable, internet, etc.);
- Step 2: Payments required to national or chain business (auto insurance, Rent-A-Center, national chain daycare, buy-here-pay-here auto, etc.);
- Step 3: Mom and pop shops (local daycare, gym membership etc.);
- Step 4: Closed accounts that cover 12 months within the most recent 24 months.

Look to previous rent first, then utilities, then national accounts, then mom and pop shops.

MINIMUM REQUIRED FUNDS

Minimum Required Funds (“MRF”) are funds the Member must have available to pay costs associated with the property, pre-pays at closing and a reserve for costs once you close. The MRF is much lower for the NACA Mortgage than any other mortgage since the lender pays the thousands of dollars of the closing costs and there is no downpayment requirement.

The property acquisition costs consist of earnest money, inspection, and evaluation fees. Earnest money is often required by the seller as a deposit to hold the property until inspections can be completed and the loan application is approved. Upon closing, the earnest money will be applied toward the required pre-pays. Inspection and applicable evaluation fees, such as property and termite inspections or when necessary, electrical, plumbing or system evaluations, are paid up front so the overall property condition can be determined and evaluated.

Pre-pays are a one-time payment for future costs that you will need to bring to your closing. 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. The lender requires these to be paid up-front and your future mortgage payments will include the monthly fees for the property taxes and homeowners insurance going forward, so that they will be in effect with no lapses. The lender keeps your fees in an escrow account and pays them for you. Since these fees change over time, you receive a credit if the lender collects too much, or you may be charged additional amounts if there are insufficient funds.

NACA requires one or two months reserves depending on the Payment Shock (One month mortgage if Payment Shock is less than \$300 and two months if greater than \$300). These reserves build over time as you save your Payment Shock. The purpose of reserves is to ensure you have some funds in the bank after you close. While the reserves can be used for any

purposes, it is important that you have funds to move into your new house and to buy necessary household goods such as additional furniture, curtains, to pay deposits to start the utilities in your new house, to fill your oil tank before winter and other items. It is perhaps most important to have reserve funds to protect yourself from unexpected expenses or temporary loss of income.

Reserves can later assist you with your mortgage payments and allow you to keep your home if you suffer a setback or other unexpected expenses. Most experts agree that you should have a dedicated savings reserve account with at least three months, but preferably six months, of mortgage payments. You should save more if you purchase a multi-family home. Saving money requires a financial plan that contains specific, measurable and achievable goals. The work you did on the Budget Form will be helpful in meeting your savings goal. Your savings helps with some of the following situations that you may encounter:

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

Funds for the MRF should be in any of the following type of accounts; checking, savings, CDs or money market accounts. You need to 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 provided as part of the purchase transaction. You may need to provide documentation that the funds were not borrowed. Documentation of MRF requires the most recent 30 days of bank statements. For MRF, neither lump sum withdrawals nor deposits need to be explained unless there is a pattern (indicating a liability or obligation) or a non-payroll related deposit that is part of the MRF. If you have cash that is not in an account or have access to other forms of cash such as savings clubs, you will need to document that you have the funds and can access them. It is strongly recommended that you put any cash in your bank accounts at the start of the process so it can be used later. You must have documented evidence of available Minimum Required Funds on your current bank statement(s) to pay for a deposit to the seller (i.e. earnest money deposit), home inspection, one year of homeowners insurance plus escrow, pre-paid interest, and pre-paid taxes at closing.

Documentation of other assets is important in strengthening your file and for use for the MRF and/or NACA Buy-Downs. These funds must be deposited into your bank account before NACA Qualification and remain there through bank application and closing.

- 401K Assets (or Other Assets)
A copy of the 401K withdrawal and repayment terms are required.
- Gift Funds
An official gift funds form is to be completed and a letter from the gift giver stating the relationship to you, (it must be from a relative, spouse or fiancé), the gift givers contact name, phone number, address, that it is not to be repaid, and the property address of the home being purchased.
- Tax Refund Monies

NACA requires a minimum amount of funds to purchase a home with the NACA Mortgage. Homebuyers should not be prevented from owning a home due to not having a significant amount of savings. Despite the trend to increase the down payment requirements, NACA will continue to maintain the NACA Mortgage with no down payment and no closing costs. We have commitments of \$13 Billion in the NACA Mortgage for many years.

HOW MUCH MONEY WILL YOU NEED TO BUY A HOME?

	Traditional Mortgage (Assumes 5% down)	NACA Mortgage (No down payment)
I. Pre-Mortgage Application		
Offer (earnest money deposit) ¹	\$1,000	\$1,000
Home inspection	\$400	\$400
Your attorney	\$0	\$0
Credit report ²	\$45	\$0
II. Mortgage Application		
Application fee	\$250	\$0
Appraisal	\$350	\$0
III. Costs at Closing		
Down payment (\$100,000 price)	\$5,000	\$0
Origination Fee	\$2,000	\$0
Document prep fee	\$200	\$0
Lender's Title insurance	\$225	\$0
Private mortgage insurance for first year	\$800	\$0
Lender's attorney	\$600	\$0
Homeowner's insurance premium for the first year	\$600	\$600
Other lender fees	\$350	\$0
IV. Pre-pays (Escrows)		
Private mortgage insurance (two months)	\$250	\$0
Homeowner's insurance (two months)	\$100	\$100
Real estate taxes (two to twelve months)	\$208	\$208
Pre-paid mortgage interest (closing 15 th)	\$247	\$247
One month PITI in Reserve (PSS less than \$300) ³	\$0.00	661
Interest rate buy down (optional)		
TOTAL COSTS (Minimum Required Funds)⁴	\$11,625	\$2,216

The above analysis is based on a \$100,000 purchase price for a single family home, one month reserves based on P&I at 4.5% plus \$154 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 and homeowner's insurance, and the day of the month you close. If you need to buy down the interest rate to qualify for your Desired Price or to reduce your 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-pays. 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 Total Costs exclude the Offer (earnest money deposit).

⁴ The demonstrated reserves remain with the Member. NACA verifies it has been saved to ensure there are funds available after closing.

WEB-FILE, SCHEDULING APPOINTMENT & NEXT STEPS

WEB-FILE:

We have created a personal Web-file for each Member. Your Web-file will be your go-to place to stay up-to-date on your status and much more. You can expedite your NACA Qualification process by preparing in advance for your counseling sessions and staying active in your Web-file. Through your Web-file you can get updates on your status, identify your next steps in the purchase process, complete information needed to complete the process, submit necessary documents into your electronic file, and much more. We are continually providing more and more services and options. The specifics on accessing your Web-file are described below.

You will obtain your NACA ID and password to access your Web-file after completing the homebuyer workshop. The information on the workshop attendance form will be used to email your NACA ID and establish verification criteria. You will receive two emails with one being your NACA ID and the second the link to establish your password. Now you can access your Web-file as stated below by going to **www.naca.com**.

Accessing Your Web-file:

To access your Web-file go to the top left of NACA's webpage (**www.naca.com**). Use your NACA ID and password that you received by email after attending a NACA Homebuyer Workshop. When you log in, for the first time, you will need to complete five security questions. Having these security questions will also allow you to reset your password.

- **Forgot Your NACA ID:**

If you forgot your NACA ID or did not receive your NACA ID after attending a Homebuyer Workshop, you can access it if the following verification items match the information you provided to NACA: email, social security last four digits, birth date and other personal data. If the match is verified, you will immediately be provided your NACA ID with the option of having it emailed to you. If the verification items did not match or you are unable to access your Web-file, contact Member Services at **Services@naca.com** or call: 425-602-6222.

- **Forgot or Did Not Receive Your Password:**

If you forgot your password and have completed the security questions, then you can reset your password on-line by correctly answering the security questions. You will also need to correctly match the following verification items you provided to NACA: your email, social security last four digits, birth date and other personal data. If you forgot or never received your password and have not completed the security questions, then you can request at **www.naca.com** to reset your password. You will receive on your email a link to create a new password. You will then need to complete the security questions before accessing your Web-file. If you are unable to access your Web-file, you should contact Member Services at **Services@naca.com** or call 425-602-6222.

SCHEDULING A COUNSELING APPOINTMENT:

You must schedule your counseling appointment through your Web-file. There are two types of appointments you can schedule: 1) a face-to-face appointment in a local NACA office or, 2) a phone counseling appointment through our Housing Counseling Department (phone appointments are available sooner). When making your Intake counseling session you will be assigned a Housing Counselor or you can select one. If you have difficulty contact Member Services at 425-602-6222. Your assigned Housing Counselor will continue to work with you to become NACA Qualified.

In order to make an appointment you need to be prepared. While this will require a significant amount of work, it will both demonstrate that you are serious about purchasing a home and prepare you to be NACA Qualified in a timely manner. If absolutely necessary, you can select to bring your

documents to your face-to-face counseling session, but remember that your appointment will be rescheduled if you do not bring all your required documents. In either case, it is a good idea to bring your documents with you to your face-to-face session in the event a document does not transfer legibly or does not include all the pages.

This is a significant amount of work that must be completed prior to being able to make an appointment. For security reasons, when working on your Web-file, your session will time out after 40 minutes of inactivity in a section. Any saved information will not be lost. If you are timed out, log back in. To avoid being timed out, first complete in writing the following forms provided at the end of this workbook: Employer Contact, Landlord Contact, and the five page Budget found in the center of this workbook. Once these forms are completed transfer the information from the forms into your Web-file.

Prior to making an appointment for a counseling session, you need to complete the following four sections: Documents to Submit, Financial Information, Authorization & Agreement, and Payments.

A. Documents to Submit:

These documents must be submitted into your personal electronic file as described below and as provided in your Web-file.

Required Documents:

1. Photo I.D.
2. Income Verification:
 - a. Employment Income:
 - Paystub(s) for past 30 days with year-to-date income
 - b. Self-employment:
 - Last twelve (12) months of bank statements – circle all business and expenses and total for each month
 - c. Other Income:
 - Social Security – Benefit letter and three (3) months deposit history
 - Disability – Benefit letter and three (3) months deposit history
 - Alimony – Court records or twelve (12) months deposit history
 - Child support – Court records or twelve (12) months deposit history
 - Other Income – supporting documentation
3. Bank Statements for all open accounts - last 90 days will all pages
4. Tax Returns for last two years (with all schedules and transcripts)
5. W-2s for last two years

Applicable Documents (only needed if it applies to you):

1. Gift Letter – Verification of gift
2. Liabilities
 - a. Child Support – Twelve (12) months pay history or court order
 - b. Alimony – Twelve (12) months pay history or court order
 - c. Bankruptcy papers
 - d. Divorce documents

Submitting Documents:

NACA has established three ways to submit your documents into your electronic file at any time during the home buying process. To make an initial counseling appointment, you must submit the documents identified below. If you do not have the means to fax, email or upload them into your NACA file, you can indicate in your Web-file that you will bring them to your face-to-face session. By bringing the documents with you without uploading them into your file, it would delay your Housing Counselor from preparing for your session. If you do not bring all the identified documents your

session will be rescheduled. Make sure you have carefully reviewed the list of documents needed.

You may submit Documents through your Web-file to automatically route them into your electronic file as follows:

- a. Fax documents using your Personal Fax Cover Sheet bearing your unique ID number toll-free to NACA's fax server at 1-877-FAX-NACA (877-329-6222). All documents must be single sided (nothing on the back).
- b. Email the documents as attachments into your personal electronic file by using the following personal e-mail: email(NACA ID#)@nacalynx.com. For example, if your NACA ID# is 1234 you would use the following email to submit your documents into your personal file: email1234@nacalynx.com.
- c. Upload documents directly from your hard drive using your Web-file.

B. Financial Information:

The below financial information is crucial for you to have an effective counseling session in becoming NACA Qualified.

1. Member Information – This is your personal information and contact information. Every Member must have a personal email in order to communicate with NACA on an on-going basis.
2. Dependent Information – This is important in determining your NACA Qualification and on-going obligations.
3. Bank Accounts – The following information is required for all bank accounts including joint accounts: bank name, account type, account number, account owner, and indicate if the account was opened in the last 12 months.
4. Employment – Provide your employment history as far back as you remember. You may want to pull out your resume to refresh your memory. It is important to get the start and end dates correct, particularly for the most recent two years. Only enter each employer once unless you worked for the same employer during different periods.
5. Residence History – Enter where you have lived for as far back as you remember. It is imperative that the landlord contact information for the most recent two years is accurate. Only enter each address once unless you lived at that location during different periods.
6. Budget – Prior to completing the on-line budget, it is best to first complete budget in the center of this workbook starting with the Daily Expense Diary and then transfer the information onto the Budget online. Please take your time to complete it at home to ensure the figures are realistic to avoid difficulties in the process. A comprehensive budget can take a significant period of time to accurately document true income, debts and expenses. Make sure to use realistic figures that are applicable to your household, entering "0" if an expense is not applicable.

C. Authorizations & Agreements:

- NACA Authorization and Disclosure – Read and sign electronically (enter your full name and email address, then check the box marked 'I agreed to the NACA Terms').
- NACA Membership Agreement – read and sign electronically the same way as above.

D. Payments:

- Membership Dues – The annual Membership Dues are \$20 per household. Once you close on the NACA Mortgage you will remain a NACA Member for as long as you have the mortgage but will not need to pay any Membership Dues. In addition, you will receive NACA's comprehensive post-purchase assistance including being eligible for financial assistance.
- Credit Reports – NACA requests reimbursement of the cost for each credit report (currently about \$10). A credit report is needed for every person intending to live in the future home who is 21-years-old and older. We can pull a joint credit report for married couples for about the same cost as for a single person.

While the items listed above are the minimum documents required to have an intake session, please bring as many of the additional documentation listed on the back cover that apply to you in order to be NACA Qualified. Please also bring anything else that you think may be needed for your NACA Qualification (letters of explanation, divorce decree, proof of judgment satisfaction, etc.). Please keep in mind that during your session your Housing Counselor may identify required documents that are unique to your circumstance. It is important that you provide all required documents as quickly as possible but no later than the requested date to meet the target NACA Qualification date.

Remember: you need to arrive at least 15 minutes early in order to check in so plan your route accordingly. The first appointment can take up to two hours, and while children are welcome they may grow bored very quickly. Call if you are going to be late or need to cancel! If you are a “No Show”, you may be required to attend another Home Buyer’s Workshop or be prevented from participating in the NACA program.

Confirm your appointment at least two days in advance to avoid cancellation unless already confirmed with a NACA staff person. It would be best to confirm directly with your Housing Counselor if she/he is available.

- Call the local NACA office to confirm for face-to-face appointment (refer to front of this workbook for a list of all local offices and phone numbers).
- Call Housing Counseling department at 606-230-6222 to confirm phone appointment.

NEXT STEPS:

It is crucial that you follow-up after your first counseling (“Intake Session”). Your Intake Session is not complete unless you receive an Action Plan from your Housing Counselor and you both review it. Your Action Plan shows all the additional documents needed, required information and your next steps to be NACA Qualified. Also, you must schedule a follow-up counseling session which can be rescheduled if you complete your next steps earlier than anticipated or are having difficulties. It is very important to continue communicating with your Housing Counselor. If your Housing Counselor is not responding or you have any concerns or issues, contact Member Services at 425-602-6222.

You Housing Counselor will work with you to determine whether you meet the criteria demonstrating that you are ready for homeownership as well as determining the maximum mortgage amount you can afford. He/she will submit your file to a NACA underwriter for NACA Qualification approval.

Once you are NACA Qualified, you must attend the Purchase Workshop which takes place in a local NACA office every Thursday from 6:00 p.m. to 7:30 p.m. You need to sign-up in advance with the Office Manager in the local NACA office. The Purchase Workshop provides very important information on the housing search, mortgage process and NACA’s post-purchase program. You will also receive the Qualification Form which shows the maximum mortgage amount you can afford and your financial information on which it was based. This is important since if your circumstances change you need to have a follow-up counseling appointment to be re-qualified. You may also be assigned another Housing Counselor if your current counselor is not a licensed mortgage loan originator. This is necessary since your next stage requires addressing specific loan terms and potentially the taking of your mortgage application. Once you identify a desired property, contact your Housing Counselor to obtain a Property Pre-Qualification letter to verify that you are qualified for that particular property.

The next steps are your responsibility. While NACA will work with you for as long as it takes for you to become a homeowner, you should complete the Action Plan as soon as possible. A sample of an Action Plan is shown on the next page.

ACTION PLAN FOR NACA QUALIFICATION

Next Appointment:	OCT 31 2012 1:00AM (Intake)	Anticipated Qualification Date:	12/1/2012
Counselor:	Counselor's Name		
Office Phone:	(617) 250-6244	Fax:	(877) 329-6222
Member Services:	(606) 230-6222	Email:	services@naca.com
HAND Phone:	(210) 319-2978	Email:	HAND@naca.com
Real Estate:	(425) 519-6222	Email:	RED@naca.com
Email Document to File:	email(Member ID#)@nacalynx.com		
Personal Fax Cover:	Click here to print		
NACA Mortgage Qualification and Underwriting Criteria:	Click here to print		

Dear SAMPLE MEMBER,

NACA is a counseling program which may take some time to verify that Members are ready for home ownership and can afford the desired mortgage payment. This Action Plan outlines your responsibilities and next steps. You will be counseled to obtain any mortgage with the option to access the NACA mortgage. The completion of the Action Plan will allow you to be NACA Qualified which will allow you to meet the underwriting requirements for most lenders including the NACA mortgage. Given the extraordinary terms and flexibility of the NACA mortgage, if you continue with the NACA counseling and adhere to NACA's requirements, you will be able to qualify for NACA's extraordinary mortgage. You need to sign your Action Plan to verify your understanding of the next steps to become NACA Qualified. Attached is the NACA qualification and underwriting criteria. Please review it for any information not included on this action plan and provide information and documentation to ensure you qualify at your anticipated qualification date.

ACTION PLAN

Please pay attention to the below standard items as well as what your counselor lists as additional action items to complete. The items with an asterisk (*) must be updated on a monthly basis. While it is crucial that you follow-up on the Action Plan, we are committed that your counselor provides top level services. If you have difficulty contacting your counselor or have difficulties with your counselor, email NACA's Member Services department at purchase@naca.com.

Description	Standard Requirement & Process for NACA Qualification
Preparation	Review your Action Plan regularly and prior to your appointment. Fax Action Plan items in advance of your appointment and bring the originals. Once you complete your Action Plan you should be for NACA Qualification.
Web-file	Go to www.naca.com select web-file and enter your NACA ID and password to monitor your qualification and home buying process. In addition, your web-file will identify your next steps and allow you to submit required documents and information.
Submitting Documents	Submit documents through one of the following: 1) email in the following format: "email (NACA ID)@nacalynx.com"; 2) fax using your NACA fax cover sheet to 877-329-6222; or 3) upload from your web-file. Do not email documents to NACA staff.
Participation	Remember to participate five times a year in support of NACA's mission. You need to begin prior to being qualified at our workshops, in the office, in advocacy campaigns, outreach, etc. Contact the local office or email at volunteer@naca.com .
Employment Income *	Keep your file updated with the most recent 30 days of pay stubs, 2 years of W2s, 2 years tax returns and other income documents such as social security, alimony, retirement, etc. Your employer must verify income.
Self-employment income *	Provide the most recent 12 months bank statements. Write directly on the statements to identify business deposits and withdrawals to pay business expenses. Also provide any 1099s and 2 years tax returns and transcripts.
Bank Statements *	Most recent three months bank statements for all accounts with all pages, even for pages that do not seem to have significant information. Statements from the internet must have a legible URL. Also identify on the statement the rent, household expenses and unusual activity providing check images for these items.
Rent	All rental payments moving forward are to be paid by check. Each month provide a copy of the cancelled rent check. In the event your landlord does not accept payment by check, provide an explanation and document in your bank statements each month where the rent funds are pulled out to provide the landlord certified funds. Rent must be paid on time every month through closing.
Payment Shock *	If your desired mortgage payment is more than your current rent, you need to demonstrate a saving pattern of the difference between your rent and desired mortgage payment (i.e. Payment Shock) for a minimum of 3-6 months.
Minimum Required Funds	Document in bank statements or asset account the funds needed to close for home inspections, pre-paid taxes and insurance, reserves and any buy-down funds. The amount is identified in bold on the NACA Minimum Required Funds sheet
Agent Information	A NACA counselor is prohibited from referring a real estate agent. If you are working with a real estate agent email their information to NACA's real estate department at RED@naca.com . If you want to be referred to a NACA agent or referral agent who represents you, the buyer and is familiar with the NACA program contact the NACA Real Estate department at RED@naca.com or call 425-519-6222. If you are not already working with an agent, do not sign with one until your counseling process is completed and you have been NACA Qualified to begin your house search.
Household	ALL household Members have to be included in the file; please provide required documentation/Information for household Member so file can be complete. Household Members are included in the file but not on the loan. NACA includes household Members as it provides a complete picture of your financial situation so affordability can be determined and the necessary assistance provided.
Updates	Qualification may be delayed if you create new or increase existing debt shown on your next credit report, you make any late payments or incur insufficient fund fees, or there are changes to your income, or not adhering to the Action Plan.
Standard late payment comment:	Write a letter of explanation for all late payments referenced on this account. State why it went into a derogatory status, how they were resolved and what has changed about your situation that suggests you are not likely to have items go into default again. The letter must have the account name, account number, signature and reference the specific months of the late payments.

ADDITIONAL ACTION ITEMS NEEDED

RIGHTS UNDER FAIR HOUSING ACT

NACA Protects Your Rights Under The Fair Housing Act

NACA is dedicated to promoting housing access for and protecting the rights of low-to-moderate income and minority individuals seeking affordable housing. It is important for you to know that you are not alone if you experience housing discrimination, and NACA encourages you to report illegal treatment so that together we can affect meaningful change in this country. NACA is working with the U.S. Department of Housing and Urban Development (“HUD”) to address these illegal practices.

Housing discrimination is a pervasive problem nationwide. It is also severely under-reported. HUD estimates that more than two million instances of housing discrimination occur each year, but less than one percent are reported. Many people are unaware that they have been victims of housing discrimination. Studies by HUD suggests that many renters and homebuyers do not fully understand which activities are illegal under the Fair Housing Act.

The Fair Housing Act prohibits discrimination in housing on the basis of: Race or color, National origin, Religion, Sex, Familial status (families with children), and/or Disability. Under the Fair Housing Act, the following activities are illegal:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Set different terms, conditions, or privileges for sale or rental
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale or rental
- For profit, persuade owners to sell or rent (blockbusting)
- Deny any access to or membership in a facility or service (such as a multiple listing service) related to the sale of housing
- Refuse to make reasonable accommodations in rules or services if necessary for a disabled person to use the housing
- Refuse to allow a disabled person to make reasonable accommodations to his/her dwelling
- Threaten or interfere with anyone making a fair housing complaint
- Refuse to provide municipal services, property insurance or hazard insurance for dwellings, or providing such services or insurance differently

When reporting a complaint, be sure to include the following information:

- Your name and address
- The name and address of the person your complaint is against
- The address of the housing involved
- A short description of the event that caused you to believe your rights were violated
- The date(s) of the alleged violation

If you think your rights to fair housing have been violated, help is available. Housing discrimination complaints can be filed by phone or in writing, with HUD and/or with private fair housing enforcement agencies located across the country. To reach the local HUD office in your area, call 1-800-669-9777, TDD 1-800-927-9275 or visit **HUD.gov**. To identify the private housing enforcement office in your area, call 202-898-1661 or visit the **National Fair Housing Alliance**. You should also contact NACA’s legal department at 631-370-6222. You have the right to fair housing. It’s not an option. It’s the law. Together, we can make a difference.

MEMBER PARTICIPATION

Your active involvement in whatever way you feel comfortable is essential for NACA to continue to provide free comprehensive housing services, access to NACA's Best Mortgage in America and most importantly to achieve NACA's overall mission of promoting economic justice. Before joining NACA, you must agree to the Participation Pledge which requires you to participate in at least five activities each year in support of NACA's mission. This applies immediately and extends for as long as you have a mortgage through NACA. Thus, you may be unable to become NACA Qualified or access the NACA Mortgage if you do not participate.

The most successful programs and campaigns are those where people come together and speak with one strong voice. In terms of housing, President Carter made this a fundamental element of Habitat for Humanity with the sweat equity requirement. NACA's mission of neighborhood stabilization is not just based on the individual ownership of a house, but on a strong sense of community. To accomplish this we ensure that Members are ready for homeownership and have mortgage payment that is affordable over the long-term. This means that even if the value of one's property declines, the making of the mortgage payment will generate equity over time.

In addition, NACA has established neighborhood committees called Neighborhood Stabilization Committees ("NSCs"). The NSCs consist of the NACA members who live in the area. They meet at least every three months to get to know each other and address local issues. NACA's organizers assist in establishing and working with the NSCs. This allows NACA to involve its many members to lend support in advocating for issues that may impact you on the local level. It also, involves the NSC in issues that impact NACA or that NACA is involved in regionally or nationally. The NSC would also include other neighbors who are not NACA members but who support our mission.

You are required to give back, in whatever way you feel comfortable. Every Member is encouraged to contribute his/her unique skills to NACA and its mission. Many people say the NACA program sounds too good to be true. It is a reality because of the active participation of NACA's huge membership. There are numerous activities for you to take part in including: advocacy campaigns that may include protests, demonstrations, actions against persons or companies that discriminate against or victimize others; legal actions; ballot initiatives focusing on economic justice issues; participating at a Save-the-Dream/American Dream Event; volunteering in a NACA office; participating on a NACA peer lending committee; or assisting other Members with the home buying or Home Save process.

We need you to take the initiative and contact your NACA office and your Housing Counselor to determine the best way to volunteer and participate. We always need people to spread the word about NACA. Thus, the initial participation can be to put NACA flyers in your workplace, church, and any other place or organization of which you are a part. Remember to provide this information to us so we can document your participation. You should also take the initiative and contact your NACA office to volunteer and participate or go to **www.naca.com** and sign-up on the volunteer link. If you receive a live or tape-recorded phone call or e-mail to participate at an event or action, please pay attention to these 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.

The NACA Participation Pledge, which is shown on the next page, is both an essential eligibility requirement for NACA Membership and expresses the fundamental principal of what NACA stands for. We stand for a sense of community where we are thy brother's keeper and work to support all current and future NACA Members and the communities in which we live.


PARTICIPATION PLEDGE

By my signature(s) below, 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 HomeSave programs, participating in rallies and 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.

Member's Name: _____ Signature: _____

Member's Name: _____ Signature: _____

Member's Name: _____ Signature: _____

LANDLORD CONTACTS

Fully complete the form below for your Rental and Landlord History for the past 24 months. Start with your most recent place of residence. Fax to your NACA file and bring to your Intake appointment.

1. Current Address: Move In Date: _____ Rent: \$ _____

Current Address: _____

City: _____ State: _____ Zip code: _____

Landlord's Name: _____

Address: _____

City: _____ State: _____ Zip code: _____

Contact Person: _____ Title: _____

Phone Number: (____) _____ Fax: _____ Cell: _____

E-mail: _____

2. Previous: Move In Date: _____ Move Out Date: _____ Rent: \$ _____

Current Address: _____

City: _____ State: _____ Zip code: _____

Landlord's Name: _____

Address: _____

City: _____ State: _____ Zip code: _____

Contact Person: _____ Title: _____

Phone Number: (____) _____ Fax: _____ Cell: _____

E-mail: _____

3. Previous: Move In Date: _____ Move Out Date: _____ Rent: \$ _____

Current Address: _____

City: _____ State: _____ Zip code: _____

Landlord's Name: _____

Address: _____

City: _____ State: _____ Zip code: _____

Contact Person: _____ Title: _____

Phone Number: (____) _____ Fax: _____ Cell: _____

E-mail: _____

EMPLOYER CONTACTS

Use the worksheet below to list all employers and their information for the past 24 months. Fully complete the form below. Fax this form to your NACA file and bring to your Intake appointment.

1. Employer: Start Date: _____ End Date: _____

Current Employer's Name: _____

Human Resource Number: _____

Address: _____

City: _____ State: _____ Zip code: _____

Contact Person: _____ Title: _____

Phone Number: _____ Fax: _____ E-mail: _____

Job Title: _____ Department: _____

2. Employer: Start Date: _____ End Date: _____

Current Employer's Name: _____

Human Resource Number: _____

Address: _____

City: _____ State: _____ Zip code: _____

Contact Person: _____ Title: _____

Phone Number: _____ Fax: _____ E-mail: _____

Job Title: _____ Department: _____

3. Employer: Start Date: _____ End Date: _____

Current Employer's Name: _____

Human Resource Number: _____

Address: _____

City: _____ State: _____ Zip code: _____

Contact Person: _____ Title: _____

Phone Number: _____ Fax: _____ E-mail: _____

Job Title: _____ Department: _____

Voter Registration Application

Before completing this form, review the General, Application, and State specific instructions.

Are you a citizen of the United States of America? <input type="checkbox"/> Yes <input type="checkbox"/> No Will you be 18 years old on or before election day? <input type="checkbox"/> Yes <input type="checkbox"/> No If you checked "No" in response to either of these questions, do not complete form. (Please see state-specific instructions for rules regarding eligibility to register prior to age 18.)	This space for office use only.
--	---------------------------------

1	(Circle one) Mr. Mrs. Miss Ms.	Last Name	First Name	Middle Name(s)	(Circle one) Jr Sr II III IV		
2	Home Address		Apt. or Lot #	City/Town	State	Zip Code	
3	Address Where You Get Your Mail If Different From Above			City/Town	State	Zip Code	
4	Date of Birth ____ / ____ / ____ Month Day Year		5	Telephone Number (optional)		6	ID Number - (See Item 6 in the instructions for your state)
7	Choice of Party <small>(see item 7 in the instructions for your State)</small>		8	Race or Ethnic Group <small>(see item 8 in the instructions for your State)</small>			

9	I have reviewed my state's instructions and I swear/affirm that: <ul style="list-style-type: none"> ■ I am a United States citizen ■ I meet the eligibility requirements of my state and subscribe to any oath required. ■ The information I have provided is true to the best of my knowledge under penalty of perjury. If I have provided false information, I may be fined, imprisoned, or (if not a U.S. citizen) deported from or refused entry to the United States. 	<div style="border: 1px solid black; height: 50px; width: 100%;"></div> <p style="text-align: center; margin-top: 5px;">Please sign full name (or put mark) ▲</p> <p>Date: ____ / ____ / ____ Month Day Year </p>
----------	---	--

If you are registering to vote for the first time: please refer to the application instructions for information on submitting copies of valid identification documents with this form.

Please fill out the sections below if they apply to you.

If this application is for a **change of name**, what was your name before you changed it?

A	Mr. Mrs. Miss Ms.	Last Name	First Name	Middle Name(s)	(Circle one) Jr Sr II III IV
----------	-------------------	-----------	------------	----------------	---------------------------------

If you were **registered before but this is the first time you are registering from the address in Box 2**, what was your address where you were registered before?

B	Street (or route and box number)	Apt. or Lot #	City/Town/County	State	Zip Code
----------	----------------------------------	---------------	------------------	-------	----------

If you live in a rural area but do not have a street number, or if you have no address, please show on the map where you live.

C	<ul style="list-style-type: none"> ■ Write in the names of the crossroads (or streets) nearest to where you live. ■ Draw an X to show where you live. ■ Use a dot to show any schools, churches, stores, or other landmarks near where you live, and write the name of the landmark. 	NORTH ▲			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; padding: 5px;">Example</td> <td style="width: 5%; text-align: center; vertical-align: middle;">Route #2</td> <td style="width: 75%; padding: 5px;"> <div style="text-align: center;"> </div> </td> </tr> </table>	Example	Route #2	<div style="text-align: center;"> </div>	<div style="border: 1px solid black; height: 100px; width: 100%;"></div>	
Example	Route #2	<div style="text-align: center;"> </div>			

If the applicant is unable to sign, who helped the applicant fill out this application? Give name, address and phone number (phone number optional).

D	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>
----------	---

Mail this application to the address provided for your State.

