

# NID HouseCall

## An Informational Publication of the NID-Housing Counseling Agency

The NID House Call is a quarterly publication designed to provide useful and timely information and resources to our community of stakeholders, which includes clients, consumers, real estate professionals, housing counselors, and our partners.

A National HUD-Approved Housing Counseling Agency • October 2006

## Housing Counselors Help Simplify the Homebuying Process

Owning a home is a rewarding experience, but admittedly it can be quite intimidating. The most important factor in purchasing a home is understanding exactly what you are purchasing and if it's affordable for you and your family.

Education is the key for purchasing a home. A housing counselor is your conduit to receive unbiased real estate related information. Counselors help with any type of housing questions, including the homebuying process, how to qualify for a mortgage, what you can afford, understanding credit, and working with professionals in the homebuying process. A housing counselor will also assess your affordable housing opportunities, money management skills, and your post-purchase success.

Homeowners can also benefit from visiting a housing counselor. Ever had difficulty paying your mortgage? Want to learn how to effectively communicate with your lender? Interested in refinancing? A housing counseling session can benefit you and your family in a wide variety of ways.

Meet one-on-one with a counselor or attend a free First-Time Homebuyer workshop to discuss the criteria for buying a home, review mortgage products, determine how much home you can afford, identify downpayment assistance resources, and begin the home purchasing planning process. Homeownership is a large responsibility that reaps many benefits. Thorough planning before you purchase a home is the fuel for long-term, sustainable homeownership.

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**NID HOUSING  
COUNSELING AGENCY**  
A HUD APPROVED ORGANIZATION

### **Mission Statement**

*Our goal is to improve the quality of life in America's cities. We will accomplish this as partners working together with our friends and neighbors. We will help our communities become places where families can live in safety, prosperity and harmony; places where the American dream of homeownership can flourish, and where decent & affordable housing is a reality for all people.*

## News

### *FHA Resource Center*

The FHA Resource Center provides answers to questions regarding FHA home insurance programs, processes, and requirements. The FHA Resource Center began taking inquiries from the mortgage lending and housing counseling industry in May 2006. You can contact the Resource Center by phone from 8:00am – 8:00pm ET at (800) CALLFHA (225-5342), or you may email your questions 24 hours a day to [hud@custhelp.com](mailto:hud@custhelp.com).

### *Increasing FHA Mortgage Limits*

FHA is a great resource to help individuals and families purchase homes. FHA loans offer low downpayments, low closing costs, and easy credit qualifying guidelines. However, FHA loan limits, which set the maximum purchase price FHA will insure, at times are not competitive in high-cost markets. Any interested party may submit a request to HUD for the mortgage limits to be increased in a particular area. Any request for an increase must be accompanied by sufficient housing sales price data to justify higher limits. To learn how to get started, please visit <http://www.hud.gov/offices/hsg/sfh/lender/sfhmolin.cfm>.

### *Requesting an Extension of Time in Repaying FHA Loans*

Often, when homeowners who are facing foreclosure visit an NID office, time is a huge factor in implementing preventive measures to avoid foreclosure. This issue is magnified when loan servicers are not actively pursuing workout options for their delinquent borrowers. If you're experiencing delays with repayment workout options for FHA-insured mortgages and it is in the best interest of the government to delay foreclosure until a loss mitigation assessment can be completed, please submit form HUD-50012 "Mortgagee's Request for Extensions of Time." You may download the form at [http://www.hudclips.org/sub\\_nonhud/html/pdfforms/50012.pdf](http://www.hudclips.org/sub_nonhud/html/pdfforms/50012.pdf). The completed form should be sent to HUD's National Servicing Center in Tulsa, Oklahoma. Please call 1-888-297-8685 for information.

# NID-HCA is the Educational Key to Unlock the Doors of Homeownership!

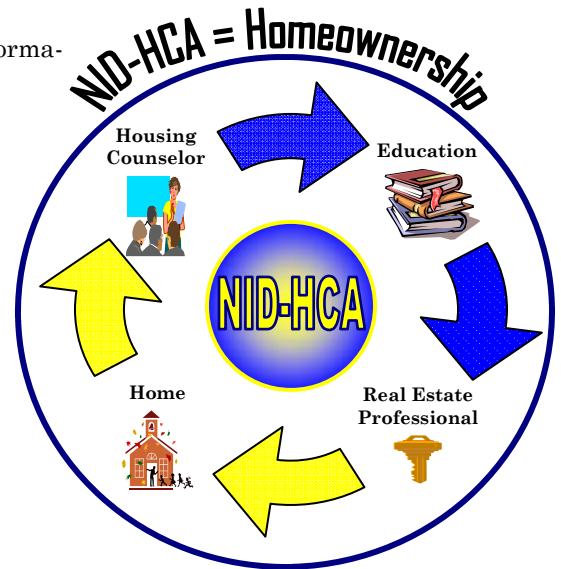
NID-HCA is an innovative HUD and Fannie Mae approved nonprofit organization. We partner housing counselors and real estate professionals to deliver free housing counseling and real estate related services. NID-HCA trains counselors who are licensed real estate professionals and are equipped with the knowledge and resources to prepare you for homeownership.

## Your Housing Counselor

Housing counselors provide free education to improve and sustain the quality of life in the community. Through NID-HCA, individuals have access to **free** housing counsel-

ing and real estate related information on a variety of topics, including:

- ✓ Homebuying
- ✓ Loss Mitigation
- ✓ Foreclosure/Pre-Foreclosure
- ✓ Reverse Mortgages
- ✓ Financing Options
- ✓ Credit & Budgeting
- ✓ Renters Assistance
- ✓ Downpayment Assistance
- ✓ Affordable Housing



## The Path to Homeownership

Becoming a first-time homebuyer is an exciting process. It may seem overwhelming at times, but with proper planning it can be done. Typically, the first step is to figure out how to qualify for a mortgage loan. Before you visit a real estate professional or a lender, perform a self-assessment to determine your readiness and commitment to purchasing a home. How is your credit history? How long have you been employed at your current job? Do your monthly expenses exceed your income? This self-assessment will help determine your strengths, weaknesses and help direct your attention to areas where you may be able to improve your profile as a potential borrower.

Next, consider the advantages and disadvantages. The list below gives some potential advantages of homeownership. Think about which *advantages* are most important to you.

### Advantages:

- A home is usually a sound investment. When you carefully choose a home you can afford, the payoff can be great. When you make your mortgage payment, you're building equity. Equity is the portion of the property that you actually own

through your payments, versus the portion that you owe the mortgage lender. And, unlike most things you buy, a home can actually increase in value over time, building more equity.

- Homeownership offers certain tax advantages. Since the mortgage interest and real estate taxes are deductible, you may subtract part of your housing-related expenses from your taxable income, which can reduce your tax bill.
- A first home often leads to a better second home. As you build up equity in one home, it is usually easier to afford another home in the future.
- Homeownership offers satisfaction and security. As a homeowner, you can decorate and improve your home the way that best suits you. Owning a home may also give you a greater sense of pride in your surroundings and stronger ties to your community.

There are many financial, emotional, and economical benefits to homeownership. However it's easy to get caught up in the excitement of buying a home and forget that homeownership may have draw-

backs, including:

- Homeownership often costs more. If you're renting now, you can expect to pay more with the added cost of utilities, home repairs, and maintenance.
- Owning a home usually makes moving more difficult and complicated, and you may not have as much flexibility in choosing a new location or job.

There are lots of factors to consider before moving forward in the purchasing process. Fortunately, there is help available to guide you. According to the Fannie Mae Foundation, "*No matter where you live or which type of house you choose, lenders will use general guidelines to determine if you qualify for a mortgage loan. Before you begin house hunting, you may want to sit down with a housing counselor, one-on-one to discuss how to reach your housing goal.*"

As a first step, visit an NID-Housing Counseling Agency in your area. Housing counselors are available to help with the preliminary foot work and to discuss the home buying process. To schedule a one-on-one appointment or register for a First-Time Homebuyer workshop, please visit [www.nidonline.org](http://www.nidonline.org).

## Is Interest-Only in Your Best Interest?

An interest-only loan is a mortgage loan program where you have an option to pay just the interest for a defined period of the note. An interest only loan does not mean you will never pay principal. In most cases the note will state how long your interest-only payments will last.

Pay close attention to the terms of an interest-only loan. When the adjustment period arrives on these mortgages the monthly payment can increase substantially. In preparation for an upcoming adjustment period, families must review their budget, determine when the adjustment period will arrive, and how long the adjustment period will last. Thoroughly review your mortgage note to understand all the terms of your loan.

Although your loan will be subject to future market rates, your margin will not change throughout the re-

maining term of the loan. Your interest rate will adjust regularly (usually on an annual basis) according to the original terms of the interest-only mortgage note. Interest-only products can be beneficial, but borrowers should clearly understand what the benefits are. If you're considering cost as a benefit, the following example from *MSN Money* compares an interest-only loan to a fully amortized loan, a loan that is 100% paid at the end of its repayment term (principal and interest):

"...if a 30-year fixed-rate loan of \$100,000 has an interest rate of 6%, the standard "fully amortizing" monthly payment is \$599.56. This payment, if continued with the same interest rate, will pay off the loan at maturity. The interest-only payment, however, is only \$500. The interest-only borrower saves \$99.56; the borrower

with the amortized loan puts that same amount toward repaying principal."

Because the interest-only option increases default risk, it increases the price of the mortgage. According to *CNN/Money*, "On any given type of loan, whether fixed or adjustable, the same payment will amortize the interest-only version and the otherwise identical non-IO version in exactly the same time frame. But borrowers are led to believe that this comparison is between interest-only and non-interest-only when in fact it is between an adjustable and a fixed-rate mortgage."

To avoid surprise changes with your mortgage, read your note to understand clearly all the terms. A housing counselor can help you with your mortgage questions and concerns.

## Tips for Successful Renting

Renting a place to live is a big responsibility! Here are some helpful renting tips from *MSN Money*:

**Future landlords appreciate a neat, thoroughly completed rental application.** Written references from previous landlords, current and past employers, and friends, and a copy of your current credit report may also be beneficial. Honestly represent yourself and your history. Tell your prospective landlord what you have to offer and your vision for the place you'd like to rent.

**Always review all the conditions of the tenancy before you sign any rental agreement.** If your rental agreement contains any terms that you find unacceptable, address those concerns before committing to your lease. Make sure your rental agreement clearly states what the security deposit refund procedures are and what would prevent a portion or all of the deposit from being refunded.

**Inspect your rental unit with your landlord and make a detailed list of existing problems.** Keep a copy of this for your records. Documenting the condition of the entire unit will protect you from being charged for pre-existing damage. Remember that signing a lease probably obligates you to make all monthly payments for the term of the lease agreement.

**Keep copies of all contracts, agreements, and requests made between you and your landlord.** If a verbal agreement is made, send your landlord a letter stating your understanding of that agreement. Know your privacy rights and the amount of notice (usually at least 24 hours) your landlord must give before entering your unit.

**Maintain good communication with your landlord.** A peaceful resolution of differences through open dialog can solve most problems and is less expensive than legal action. If you know your rent pay-

ment will be late, have the courtesy to call and inform your landlord. Give your landlord appropriate notice if you intend to move.

**Landlords are required to keep rental units in good repair.** Inform your landlord in a timely manner of maintenance and repair needs. If a repair has not been made, a friendly reminder or genuine inquiry as to the status may bring speedy results.

**Remember, as a tenant you have the responsibility to keep your rental unit clean and orderly.** Refrain from purposely damaging rental property. Show proper care and respect for common areas you might share with other tenants. Be courteous to those around you and keep your noise level so that it does not bother others.

**Establish friendly relationships with those in your neighborhood.** This will facilitate better results should problems or needs arise between you and your neighbors.

## NID's Faith-Based Organization Community Development Partnership

The outreach mission to faith-based organizations is to increase homeownership, homeownership education, and community access to mainstream financial resources. Reportedly, individuals and families who live in urban neighborhoods experience a high visibility of sub-prime or even predatory financial institutions that charge high interest fees and other tactics that increase the cost of services and/or products to its borrowers. To help level the playing field of high cost products in urban areas NID-HCA partnered with Fannie Mae San Francisco Bay Area Community Business Center to help facilitate a Bay Area wide initiative. The initiative links mainstream lender partners with homebuyers, church leaders, and NID-HCA counselors in a

cohesive effort to serve individuals and families on their path to homeownership and outreach to current homeowners on a variety of issues, including foreclosure counseling, budgeting, and refinance opportunities.

Homeownership is a proven anchor for stable, vibrant communities. The faith-based initiative is a long-term effort to enhance community well being by promoting new homeowners and sustaining current homeowners.

Faith-based organizations, individuals and families interested in learning more about the NID-HCA Bay Area faith-based initiative may call 510-562-6573.



## Legislative Update

The U.S. Congress is considering housing legislation designed to expand homeownership opportunities by modernizing the FHA mortgage insurance policies. Policy changes would accommodate mortgage lending flexibility guidelines for lenders and borrowers using the government mortgage insurance program. If passed into law, the bills will increase FHA mortgage insurance program assistance for lower- and moderate-income homebuyers and/or homeowners. Lower downpayments and higher loan amounts in certain areas are key for many families to achieve homeownership. The legislation has broad support in both parties, popular support with the general public, and has a good chance to become law this year. Look out for updates on our website at [www.nidonline.org](http://www.nidonline.org).

## How Our Website Can Help You

The NID-HCA website is an excellent source of information. It offers a very complete explanation of the services we provide to help you. Some of the topics we cover on the website are:

- An explanation of the home buying process;
- A discussion and explanation of the opportunities that exist for homeowners, and
- Information regarding opportunities for faith-based and community-based organizations and how we can help them take advantage of these opportunities.

Most importantly, our website is a way for you obtain free and accurate answers to your real estate questions. All questions that are submitted are answered by highly-

qualified real estate professionals who will provide unbiased answers. These answers can be obtained via e-mail or by phone. The website contains contact information for each of our local offices, nationwide. Visit us online today at [www.nidonline.org](http://www.nidonline.org).

## Upcoming In the Next Issue:

- ✦ *THE IMPORTANCE OF CREATING WEALTH WHILE RENTING*
- ✦ *CURRENT TRENDS IN PRE-PURCHASE*
- ✦ *NID'S OUTREACH TO THE FAITH-BASED COMMUNITY*
- ✦ *SETTING AND ATTAINING HOMEOWNERSHIP GOALS*
- ✦ *HANDLING UNEXPECTED HOME-RELATED EXPENSES*

**President of NID**  
Ray Carlisle

**Executive Director NID-HCA**  
Jacqueline Carlisle

**NID-HCA National Office**

1301 85th Ave., Oakland, CA 94621  
Phone: 510.562.6573 • Fax: 510.568.4582

**Chairman of the Board**  
Joanne Baker

**Editor**  
Latisha Carlisle

[nidonline@nidonline.org](mailto:nidonline@nidonline.org)  
[www.nidonline.org](http://www.nidonline.org)