

# NID HouseCall

An Informational Publication Of The NID-Housing Counseling Agency

A National HUD-Approved Housing Counseling Agency NID Hotline 1-866-647-NID1 Summer 2004/Volume 2

## NID-HCA IS HELPING OUR CHURCHES AND COMMUNITY GROUPS BECOME HOMEBUYING CENTERS

NID-HCA is strengthening the partnership between the Federal government and faith-based and community groups to increase minority homeownership and community development, with the assistance of the National Association of Real Estate Brokers (NAREB).

NAREB President Ronald L. Branch says, "NAREB is committed to bringing its professional resources of real estate brokers, appraisers, mortgage lenders, residential and commercial property managers and developers together in supporting faith-based organizations expand on the tremendous job they are already doing to improve our communities." We are working closely with the White House Office of Faith-Based and Community Initiatives and HUD (Department of Housing and Urban Development) to produce the results intended with this much-needed program.



Ronald Branch, *President NAREB*, Alphonso Jackson, *HUD Secretary*, H. Bernie Jackson, *Chairman NAREB*

As President Bush has said, these organizations "inspire hope in a way that government never can." All too often, these worthy organizations are prevented from obtaining substantial government resources. These resources could be used to help community groups increase minority homeownership opportunities. Many faith-based institutions are barred from access to these resources because they have a religious name or identity. "We ought to welcome faith-based programs, and we ought to fund faith-based programs" (President Bush, Jan., 2004 news release).

There are billions of Federal dollars available to churches and community groups that are qualified to receive it. NID-HCA is working with the White House and HUD to make this money more readily available, and we have powerful allies to aid our efforts. Our Government partners include eight cabinet level federal agencies, the Departments of HUD, Labor, Health and Human Services, Agriculture, Education, Justice and the Agency for International Development (U.S. AID)

and the Corporation for National and Community Service. To obtain detailed information please visit web site address, [www.whitehouse.gov/government/fbci/contact.html](http://www.whitehouse.gov/government/fbci/contact.html).

The government wants to get this money to groups that can best use it to help their communities reach the full potential of community social and economic wellness. Congress is considering passing laws that will encourage our churches and community groups to seek these funds.

NID-HCA is helping to reduce the barriers that prevent money from being available to churches and other community groups. Many churches and community groups are already actively promoting homeownership and community development. They know these activities are the backbone of community wellness and prosperity.

We are also partnering with HUD to create housing counseling agencies. Across the country, HUD is looking to create at least 250 counseling organizations within the faith-based community. The NID-HCA approach is to assist these groups to become independent HUD-approved agencies.

Housing counseling promotes the buying and maintaining of homes in our communities. But there are other benefits of becoming a HUD-approved agency. These new faith-based counseling agencies will become eligible for special grants and training. Also, churches providing these services will serve many more people than traditional HUD approved housing counseling agencies.

As a HUD-approved National Intermediary, we are authorized to train and certify local housing counseling agencies. These agencies work under the umbrella of our organization until they are ready for independent status. We have a long and successful history of working with faith-based and community organizations. NID-HCA is particularly well placed to move churches toward becoming HUD-approved housing counseling centers.

As the government has recognized, churches and community groups are natural sources of community leadership to expand homeownership opportunities. Homeownership strengthens the community and provides the foundation for successful and sustainable community development.

We are bringing together the abundant social and economic development resources available to our communities. We look forward to a continuing productive partnership with government, business and community service organizations to strengthen the capacity of faith based organizations to improve the quality of life for families and the economic vibrancy of urban areas.



### A Message From Jacqueline Carlisle, Our Executive Director

Welcome to the second issue of The NID HouseCall...

This publication of the HouseCall is focused on avoiding problems and offering solutions to difficulties that can arise both in homeownership and the home buying process. Two of our central goals are to assist people to build wealth through maintaining homeownership and to help the mortgage borrower make the best decisions.

Foreclosures are on the rise, particularly among minority people and/or immigrants who are first-time homebuyers. There is currently an emphasis on making it possible for a greater number of people to purchase their first home, which is an excellent objective. At the same time, many people are buying homes with very low, or no down payments, and obtaining loans with graduated (variable) interest rates.

Statistics have shown that this group of homebuyers is at a significantly greater risk of both delinquency and foreclosure. We are reaching out to this population to provide pre-and post-purchase housing counseling to ensure they obtain the best mortgage available for either a home purchase or refinancing.

If homeowners do get in trouble, we show them not only how to mitigate the situation, but also the value of maintaining homeownership and growing equity in their properties.

We are building institutional solutions to housing problems by helping transform faith-based organizations into home buying counseling centers.

This is not only in the best interests of the churches and their members, but also will be a great help to the community at large.

Churches have traditionally provided social services. Our goal is to marry their time-honored mission with the homeownership objectives of the President's faith-based and community-based initiative programs. Churches are established organizations which have the trust of their communities. They are the natural leaders to spearhead the drive to improve urban social and economic conditions and minority family wealth building. Homeownership is the foundation for success of the communities and families that we serve.

We want to make our readers aware of nontraditional home mortgage sources like credit unions. Usually they have not only lower interest rates, but also a significant stake in community financial health and wellness. We also discuss how to obtain a properly priced subprime loan.

We are vitally involved in building a working partnership between faith-based and community-based organizations, and fair-dealing nontraditional financing sources. This kind of effort has been proven to foster an atmosphere of greater competition which both makes available better mortgage products for the individual and contributes to community wellness.

NID-HCA is committed to expanding and maintaining minority homeownership opportunities for our families and communities. We are working to accomplish this by providing competent housing counseling, by working with HUD and our faith-based and community-based partners, and by using the support provided by the White House housing initiatives.

*Jacqueline Carlisle*

# Mortgage Default and Delinquency – Causes and Solutions

Mortgage default and delinquency occur when you don't make your payments on time. When payments are late, you are in default of your mortgage contract. In reality, delinquency and default are two names for the same situation -- payments that have not been made as required by the mortgage agreement.

Many people think there is a difference between delinquency and default. They feel that when they are merely late on their payments, they are delinquent. And when they receive a foreclosure notice, only then are they in default. The foreclosure notice is a last warning to the homeowner and a notice of foreclosure shows that the lender is putting into motion a process to have the home sold to pay off the debt.

What are some often-seen causes of delinquency? Statistical data indicates that job layoffs, long illnesses and divorces cause many borrowers to become seriously behind in their payments. Borrowers who make very small down payments are at higher risk of foreclosure. Damaged credit – caused by the delinquency – and high interest rates make it difficult

for borrowers to prevent foreclosure by refinancing or further mortgaging their homes.

Many homebuyers who have been foreclosed on lost a wonderful opportunity to build wealth by owning a home. And this opportunity may not come around again. For most people in our communities, homeownership is the only safe way to build a solid financial base. More than 90% of African-American wealth is in the equity in their homes.

A foreclosure makes it very difficult to obtain another home loan for many years because it is the worst blot on a person's credit rating. In addition, a foreclosure is one of the most traumatic things a family or an individual can experience. It severely damages the homeowner's self-esteem, and many times, breaks up families.

Additionally, large foreclosure rates in any community damages the stability and property values of the entire community.

Homeowners must learn to successfully manage their mortgage payment performance. Making mortgage payments on time should be an even higher priority than

personal bank account management. It is essential that paying mortgages on time become homeowners' first economic priority. Homeownership brings with it so many opportunities to achieve financial security.

Statistical data also indicates that pre-and-post-purchase delinquency, default and loss mitigation housing counseling by a independent HUD approved agency is the best way to avoid and or successfully solve a mortgage delinquency or default problem. HUD approved agencies have trained counselors that work in your best interest and will also communicate with your lender on your behalf if necessary. They must keep all your information confidential and their services are free of charge to you. You can find a HUD approved housing counseling agency in your area by visiting the HUD web site at [www.HUD.gov](http://www.HUD.gov) and click on HUD Housing Counseling Agencies. You can also call your local HUD office to find an agency near you or visit our Website at [www.nidonline.org](http://www.nidonline.org) or call us at 866-647-NID1(6431).

***DON'T PLAY WITH FIRE BY PAYING LATE!***

## Build A Strong Foundation For Making Payments

The first principle is that you should not borrow more than you can realistically repay on a monthly basis. Borrowers should insure that making their mortgage payments will be reasonably comfortable. Developed over time, the rule of thumb is that the monthly note should not be more than 1/3 of the monthly gross income of the household.

However, homes are much more expensive these days. A household can reasonably spend as much as 50% of its gross income on a mortgage. But successfully carrying a fifty-percent-of-income mortgage, or any mortgage, can be accomplished only by proper discipline and planning.

No plan or budget will be a success without discipline. Borrowers must be realistic about the estimated amount of their stable income and common expenses, and should make at least a one-year budget plan based on these figures prior to obtaining a home loan.

For example, assume that both the man and the woman in a household work and contribute to the budget. The couple is planning to have a

child. They must take into account the probable loss of income when the mother is off work having the baby. This must be an expense that is planned for either prior to, or in the early stage of the pregnancy. It should not be a "shock" to the couple's mortgage payment plans.

There is another thing that can greatly upset a mortgage budget. This situation occurs when new homeowners buy luxury items to go with their new homes. This is particularly common for first-time homebuyers. We have seen people put their new homes in jeopardy by spending in this way.

As soon as they moved in, these new homeowners purchased items in excess of their well-planned budgets such as new cars, big screen TVs, very expensive sound equipment, new furniture and the like. These should be planned-for expenses and generally not obtained right a way. In addition, the damaging result of this kind of spending causes great family stresses.

Many problems can be easily avoided where homeowners receive housing counseling both before and after their purchases. In the first place, housing counseling prepares potential

homeowners to make the best and most logical decisions. Our counselors provide education to the clients that enable them to make home purchases that have good value and are within a sensible financial framework.

Every homebuyer, especially first-time homebuyers, should take advantage of free housing counseling. Good housing counseling helps people "buy smart," build wealth, and keep their homes.

Counseling such as that provided by NID-HCA is especially effective. Our counselors are all real estate professionals who live and breathe real estate. They all have both extensive training and real-world experience they put to good use in helping you.

Remember, all counseling is not good counseling. As we have said, getting housing counseling is very important. But the quality of the counseling is equally important. Shop around. Select your housing counselor carefully and wisely. Don't ignore the fact that buying a home is probably the biggest investment of your life. Don't take it lightly. Get good housing counseling.

## A Nontraditional Mortgage Source May Be for You!

Nontraditional mortgage financing occurs when parties other than mainstream lenders make loans. Most people feel that borrowing from a nontraditional source results in a high-cost loan that is below acceptable lending standards, and that this kind of mortgage should always be avoided if possible. This is not always true. We have identified three good nontraditional mortgage loan sources. They might actually be less expensive for you than a standard loan. And you won't have to sacrifice reliability, dependability or good service.

National and local credit unions are good alternative mortgage sources. They are the nation's fastest growing providers of home mortgage products. Employers, labor unions, civic organizations, and the like, create credit unions. These organizations make loans only to their members.

The law governing credit unions states that all people can become members of a credit union if they live in the area where the credit union is located. They are able to take advantage of the lower-than-usual mortgage rates credit unions typically offer to their members.

Low interest rates are not the only advantage

of credit union financing. Oftentimes, credit unions can be more flexible in their loan "underwriting" policies. Loan underwriting is a general set of guidelines lenders use to define what kind of loan they can make to you. For their members, credit union underwriting decisions are based on the two main factors of employment and credit history. Fortunately, credit unions take other circumstances into consideration.

For instance, a potential borrower may have damaged credit. But a closer look shows that the bill paying problems only lasted a few months. The difficulties occurred when the borrower suffered an extended illness and wasn't able to work. Both before and after this illness, the borrower had an excellent payment record. This is a circumstance credit unions can consider favorably for the borrower.

Another good nontraditional source for mortgages can be local banks and local branches of small regional and national banks. They may offer special mortgages that better fit their particular customer base. Making these loans enables small banks to get a bigger share of the market. It also helps them meet federal

regulations. These regulations require banks to provide "outreach" services, programs designed to aid community residents who are usually left out of the mortgage market.

Governmental groups are a third nontraditional mortgage source. Local agencies such as city redevelopment agencies and housing authorities make lower cost loans available. Also State Housing and Finance agencies provide loans at below standard cost. The loans offered by all these governmental organizations are generally tailored to a select group of lower-income persons. In many cases, governmental loans are also designed to meet the needs of a specific geographical area.

Certain public safety officials, such as teachers, police and firefighters are eligible for special governmental mortgage financing. But the largest number of low cost loans is made by military veteran's agencies. If a person qualifies for this kind of loan, it will probably be easier to get and less expensive than a standard loan.

Don't overlook these mortgage sources simply because they are out of the ordinary. They might be cheaper and more accessible than you think!

# The “Short Sale” One Solution to Foreclosure Problems

The need for a short sale arises when the borrower is facing foreclosure, there is not enough equity in the home to pay off the loan at either a private sale or a foreclosure sale, and the lender agrees to take less than the amount owed on the property. Usually, borrowers do not want to walk away from their homes and suffer destruction of their credit. They are oftentimes able to negotiate a short sale “workout” with the lender. In this situation, the lender agrees to take less than what is owed. Although this explanation is rather brief, it generally defines what is known as a short sale.

For example, suppose that a borrower’s property is presently valued at \$80,000 but he/she owes \$100,000 on the loan and cannot make his/her payments. The lender is forced to do a foreclosure sale, will not receive the full amount owed, and has the additional expenses of the foreclosure action.

The short sale can be a way for both parties to come out ahead – the classic win-win deal. Let’s continue with the example above. An agreement is made between the borrower and the lender for the lender to receive the \$80,000 market value of the home, and according to the terms of the short sale contract, which is always in writing, the lender accepts this amount as full payment of the loan.

The borrower who does engage in a short sale should realize that there might be unexpected tax consequences. If the lender forgives \$20,000, as in the example above, the IRS may view this amount as income to the borrower. The borrower should consult a tax expert before closing on a short sale.

Many lenders are willing to work with their borrowers who are in trouble. Lenders realize that usually borrowers have done everything possible to keep their homes. After all, no one buys a home intending to lose it. But why would the lender accept less than what is owed? As mentioned

above, the lender avoids the substantial expense of foreclosure. In addition, the house is not left vacant and not likely to be vandalized. Major ruin of vacant property is a very common problem to lenders. They know that such damage drives their losses even higher.

For the delinquent borrower, being advised by a competent housing counselor is the key to a successful short sale. The counselor must be both respected and knowledgeable. Because NID-HCA counselors are all very experienced real estate professionals, they are experts at negotiating the short sale. Our counselors have the specific abilities necessary to successfully workout foreclosure problems, including the short sale.

We advocate solely for our clients and negotiate forcefully, yet professionally and reasonably, against the lenders. The NID-HCA counselor ensures that there is effective and consistent communication between all parties, which is generally lacking when the borrower attempts to negotiate directly with the lender. Many times the lender welcomes the participation of the housing counselor because the lender knows the transaction, and stressful situation for the homeowner, must be professionally handled.

Very importantly, the borrower who is delinquent should contact the counselor at the first sign of trouble. The sooner the counselor gets involved, the better the chance for an acceptable solution.

The NID-HCA counselor works exceeding hard to have the lender report the loan as having been “paid as agreed.” This negotiated concession by the lender prevents the borrower from suffering an additional credit rating burden. And in some cases, the counselor is able to show a lender that it is in the lender’s best interests to allow the borrower to take some profit from the short sale.

## Upcoming in the next issue of the NIDHouseCall:

NID-HCA - Executive Director appointed to:  
Fannie Mae Community Technology Council (CTC)

NID-HCA - Holds Faith-Based Housing Clinics

HID-HCA - Bank of America Partnership Launch

## How Our Web-Site Can Help You!

The NID-HCA Web-site is an excellent source of information for our clients. It offers a very complete explanation of the services we provide to help you. We are located at NIDONLINE.ORG

*Among the topics we cover on the Web-site are:*

An explanation of the homebuying process.

A discussion and explanation of the opportunities that exist for homeowners.

Information regarding opportunities for faith-based and community-based organizations and how we can help them take advantage of these opportunities.

The Web-site also supplies advice describing a fountain of free resources available for both individuals and groups. These services, products and information are offered by both government organizations and private companies. Through direct experience, we have found these materials to be very helpful to our clients.

Most importantly, our Web-Site is a way for you to obtain free and accurate advice on your real estate issues. All questions that are submitted are answered by highly qualified real estate professionals. They will provide you with

unbiased answers to your most important real estate problems. These answers can be obtained via e-mail or by phone. The Web-site contains contact information for all our local offices.

*Soon, our Web-site will be offering a new source of information on two important topics:*

An Affordable Housing “Clearing House” giving you the most current information on Affordable Housing opportunities in your area – opportunities that can be taken advantage of by home purchasers, mortgage borrowers and renters. Because our Web-site can provide you with this information as soon as it is available, you will have early access to these openings. Over time, we have found that many people in our communities find out about these opportunities only after they are closed – all the housing is sold or otherwise gone. Don’t let a good thing pass you by. Consult our Web-site!

A Clearing House for Affordable Loan Products that will search out all proposed and current loan products that will work best for you. This information will be posted in a timely manner giving you the best chance to take advantage of these loan products.

## Spotlight On Excellence

NID-HCA Certified Counselors receive extensive training in housing counseling and community development. Transferring the training and experience into productivity is a difficult proposition and takes exemplary skills and dedication of the NID-HCA counselor and their support staff. Whether the task is simple homebuyer education or complex predatory lending workouts or assisting FBO’s (faith-based orgs.) in affordable housing development, the NID-HCA Certified Counselor must provide the multitude of services that we offer in a professional and cost-effective manner that leads to actual results.

All NID-HCA local offices have tremendous records of achievement. We would like to recognize the offices and counselors that have performed at the highest levels in the NID-HCA family of counselors for the 2003-2004-program year.

### Best New Office

*NID-HCA/Akron, OH*

Sharon Butler-McCray

Developed counseling office with FBO and raised most support funding

### Best Tech Offices

*NID-HCA/Chicago, Ill*

E. Jean Webber

Highest client volume & exemplary integration of NID-HCA web-based system with Fannie Mae Home Counselor Online application

*NID-HCA/Houston, TX*

Andrea Cooksey and Melinda Dightman

Highest client volume & exemplary integration of NID-HCA web-based system with Fannie Mae Home Counselor Online application

### Best Mortgage Delinquency/Default (Loss Mitigation) And Reverse Mortgage Counseling Office

*NID-HCA/Oakland, CA*

Latisha Carlisle

Highest client volume and 95% successful default workouts and most Reverse Mortgage/HECM clients served

### Housing Counseling Achievement Award

The following counselors exhibited the ability to expand services while maintaining high levels of quality program performance and reporting:

*Linda Abrams-Bowie, Las Vegas, NV*

*Monique Casseus, Miami, FL*

*Yvette Chapman, Baltimore, MD*

*Andrea Cooksey, Houston, TX*

*Melinda Dightman, Houston, TX*

*Dee English, Denver, CO*

*Sheila Frye, Houston, TX*

*Donnette Heard, Carson, CA*

*Denese Johnson, Miami, FL*

*Sharon Butler-McCray, Akron, OH*

*Evelyn Reeves, Los Angeles, CA*

*E. Jean Webber, Chicago, Ill*

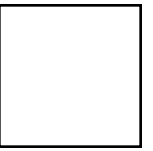
*Please join us in congratulating each of them on their achievements and contributions to the NID-HCA program.*



# NID HOUSING COUNSELING AGENCY

A HUD APPROVED ORGANIZATION

1301 85th Avenue  
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## Delinquency and Subprime Loans

Subprime loans are loans that are generally much more expensive than standard loans and are made by parties other than mainstream lenders. African American, Hispanics, and single women are disproportionately impacted by subprime loans. Many of these people are unskilled workers and a slow down in the economy effects them first and most severely.

Every home mortgage borrower receives a mortgage credit score obtained by the lender from credit reporting agencies. Lenders compute credit scores mainly by reviewing credit reports. 800 is the top score that can be obtained and enables the borrower to qualify for a loan at the best interest rate. As the credit score dips below 660, the borrower is probably not going to obtain the best interest rates and loan origination costs. People with credit scores as low as 500 are still able to get mortgages to buy homes. But the cost of the their loans and the required down payment is much higher and usually has to be obtained from a subprime lender.

The FHA MMI (the Federal Housing Administration Mutual Mortgage Insurance) was founded to help average and below average income earners and or those with minor credit issues buy homes. To do this, the FHA allows more relaxed credit standards than ordinary lenders and insures standard rate loans for people whose credit scores average 580. In this way, FHA lenders can make more loans to people who are considered poor risks

by standard lenders.

The subprime lender has even more relaxed borrowing standards than the FHA. Subprime lenders make loans the FHA and standard lenders would not make. But subprime lenders cover their risks by having their borrowers pay fees, loan costs and interest rates that are much higher than normal.

For example, a standard loan origination fee (the fee the lender charges to make the loan) is generally about \$2,500 on a \$250,000 loan, or 1% of the loan. The subprime lender may charge as much as \$12, 500 to make the same loan, or 5% of the loan, \$10,000 more than the loan should cost.

Borrowing from a subprime lender may be the only way for some people to buy homes. At the same time, it is a proven fact that the subprime loan is more likely to cause problems for borrowers than an ordinary loan. This is a choice borrowers must weigh carefully. Should they take the time to clean up their credit and qualify for a cheaper loan? Or should borrowers take the plunge, pay more for the loan but be able to get into a home immediately?

This is where skilled housing counselors can help borrowers make the best decisions. Competent housing counselors are highly trained, know real estate markets and trends, and are well acquainted with the consequences of subprime borrowing. We have found that many of our clients qualified for much-better-than subprime

loans when we encouraged them to shop around.

And very importantly, HUD-certified housing counselors are sworn to put the client's interest first and foremost! The loyalties of the NID-HCA housing counseling network are owed only to our clients.

The client and the counselor may finally decide that an immediate subprime loan is the best option. But generally, when all the facts are made plain, clients decide subprime loans are just too expensive. Most clients decide to wait and get their credit straight. Then they are able qualify for loans they can pay for comfortably.

People who have poor credit are more likely to encounter loan delinquency problems. Our counseling service is designed to also help this client base! Even with excellent counseling, potential borrowers who have poor credit must be very determined to be homeowners.

As housing counselors we have witnessed miracles! Potential borrowers who had poor credit showed a truly hardboiled desire to become successful homeowners. And they did! We helped them believe in themselves. They turned their lives around with their newfound confidence. Their acts of faith and determination transformed them and their families.

The subprime loan may or may not be for you. Your local NID-HCA housing counselor can help you make this very important decision.

**President of NID**  
Ray Carlisle

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