

Bringing It All Home; Advocacy Group Makes Ownership Possible With Education, Low Rates; [FINAL Edition]

Lauren Bayne Anderson. The Washington Post. Washington, D.C.: Aug 21, 2004. pg. F.01 , Copyright The Washington Post Company Aug 21, 2004

After she left her job as a hairstylist to become a Metrobus driver, Arnice Wilson faced some tough decisions.

"I had a choice: either lose my car or my apartment," Wilson said.

She kept her car and moved in with her mother. But she wanted something better -- her own house.

After living with her mother and then in an apartment, she saved \$3,500 -- far short of the \$19,000 down payment she needed for a house she was eyeing.

In March, Wilson bought a \$155,000 three-bedroom townhouse with garage in Southeast with no money down, no closing fees and a fixed- rate mortgage of 4.25 percent.

How did she do it?

Like about 3,000 others in the Washington area, Wilson, 29 , bought her house with the help of the Neighborhood Assistance Corp. of America (NACA), an advocacy group that makes homeownership possible for those who wouldn't necessarily qualify under traditional standards -- folks with less-than-perfect credit and little to no money in the bank. Most of the group's money comes from large banks that agreed to participate under pressure from community activists who accused them of mistreating borrowers.

The Boston-based nonprofit is one of many local and national programs designed to help low- and moderate-income home buyers. Such programs generally use buyer education and low-cost loans in an attempt to foster homeownership. Although the national ownership rate is at a record 69.2 percent, according to the federal government, the minority homeownership rate is 51 percent.

NACA offers no-down payment, low-interest loans with no closing fees and interest rates fixed at 1 point below the market rate. As important, it teaches participants to clean up their credit, save their money and become responsible homeowners.

Stephanie Ebron, who runs the District NACA office, energizes Saturday workshop crowds upwards of 300 -- telling jokes, running around the room, confiscating ringing cell phones and coaching a cheering crowd in the mantra "my house."

"There's no cookies, no crackers, no juice because there's no cost," Ebron joked with D.C. workshop attendees on a recent Saturday, garnering laughs from the crowd. "And that's why we are at the free public library."

NACA homeowners addressed the crowd, telling about their homes and low mortgage rates. The crowd cheered.

Ebron said she will do whatever it takes to get attendees through the four-hour mandatory introductory class, which teaches participants about NACA's history and the requirements for program participation, as well as some basics of homeownership, such as the importance of making payments on time.

"If someone has a crying baby, I'll do the whole thing with the baby on my shoulder," Ebron said.

She encourages the excitable crowd.

"Perfect credit is not required," Ebron shouted four times, as those in the crowd cheered, clapped and rose to their feet. "But that don't mean your credit can be jacked-up either," she said, drawing laughter.

The workshops pump up the spirits of the would-be homebuyers, but most of the work is done in one-on-one sessions, where Ebron and other NACA counselors assess candidate's pay stubs and credit reports, in addition to monitoring bank statements to make sure participants are saving.

If a bill is outstanding, Ebron wants proof it has been paid. If there is an unknown account on a credit report, Ebron watches as the participant calls to clear it up. And if a payment is late, Ebron will monitor the borrower for a year to make sure bills are paid on time.

The length of the program depends on individual circumstances -- some people make it through in a few months, others can take a year or more.

Even Wilson, who spent a year working with NACA, said the program can have glitches. For example, she said, NACA can be disorganized because of the small staff of 10 people and the high volume of participants.

"My first meeting was five minutes -- I brought all the documents I needed except one," Wilson said, noting she needed tax returns, W-2 forms, bank statements and pay stubs. "Stephanie said we would reschedule and I thought it might be a week later -- but it was three months because they are so busy."

Ebron, known for her tough-love approach, has become something of a local celebrity.

"It's gotten so that I can't go to the grocery store without people wanting to know if I can look at their pay stubs 'real quick,' " she said. "One of my girls had a teacher going through NACA and she used to send pay stubs home in her book bag."

Potential homeowners are expected to save the difference between their current rent and their future estimated mortgage payment, to show that they will be able to make the payments.

Like Wilson, 58 percent of NACA borrowers have less than \$4,000 in savings, according to the organization. Wilson said it was Ebron's training that helped her save more than \$13,000, and she continues to save today.

Marks said that while the program uses money from big lenders, it is NACA that makes the final decisions on who gets what and how much.

"The lender has no discretionary authority," Marks said. "It's their money, but we determine how they use it."

To qualify those who wouldn't necessarily be considered by traditional lenders, Marks said NACA's evaluations of potential homeowners are flexible.

"While banks evaluate loan applicants on debt-to-income ratios, we lend based on a character judgment of the borrowers," Marks said. "We say you have to look at people's circumstances."

Although through NACA the banks cover most closing costs and finance the entire purchase price so there's no down payment, the buyer is responsible for some costs including taxes, homeowner's insurance and an earnest money deposit.

But the upfront payment is not nearly as large as with other loans. (Lenders used to require a 20 percent down payment; these days, though, loans are widely available with 3 percent, 5 percent or 10 percent down payments, generally with government or private mortgage insurance.)

"I may have used \$1,600 of my own money," Wilson said of her NACA experience.

"At times things were kind of discouraging, but I just kept looking and looking," she said. "It was just patience, patience, patience."

NACA has its roots in a 1986 contract between Hotel Worker's Union Local 26 and the Boston hotel industry. A union group, Union Neighborhood Assistance Corp., a predecessor of NACA, administered a housing trust fund, where employers would contribute money for hotel workers' down payment and closing costs.

But Marks, a former New York Federal Reserve employee who holds an MBA degree from New York University, really made his mark fighting for home owners who had taken out second mortgages at sky- high interest rates.

Wearing a T-shirt characterizing banks as "loan sharks," Marks led protesters and invaded stockholder's meetings. Labeled a "banking terrorist" and "extortionist" by lenders, Mark's fiery, in- your-face tactics brought him media attention and ultimately success. Banks that he accused of predatory lending buckled to his demands and contributed financially to NACA.

Marks went after lenders Fleet Financial Group Inc., First Union, NationsBank, Associates First Capital Corporation (the Associates), as well as Fannie Mae, which purchases mortgages from lenders.

In 1996, NACA began a two-and-a-half-year war on the Associates. Marks organized the purchase of individual shares of Associates stock by 300 NACA members, then bused them in from across the country to attend the shareholders' meeting.

Days before the meeting, in a 14-hour negotiation, the Associates agreed to ease high mortgage rates for its customers and committed \$100 million in low-income lending through NACA.

The Associates has since merged with Citigroup, one of NACA's biggest supporters.

Marks said he is proud of the names lenders have called him.

"I wear it as a badge of honor that we are standing up for working people and able to provide people with the impossible dream of home ownership," Marks said. "It's very aggressive non-violent advocacy that personalizes the issues."

NACA also fought aggressively with NationsBank, since acquired by Bank of America.

Marks said NACA continues its advocacy today and requires that all borrowers in its program register to vote.

"If someone is going to be a homeowner, they are going to participate in the system," Marks said.

Today NACA has \$10 billion in loan commitments, mostly from Citigroup Inc. and Bank of America, two of the largest lenders in the country. Marks said the banks wanted to give NACA "enough rope to hang" themselves, but that hasn't happened.

Since 1996, the organization has loaned about \$2 billion to 25,000 households through its 31 offices nation-wide, for both home purchases and refinancing of high-cost loans.

The organization characterizes itself as targeting low- and moderate-income households; however, 17 percent of its homeowners make more than \$60,000 a year. The bulk, 61 percent, earn from \$30,000 to \$60,000, while 22 percent earn less than \$30,000.

In the Washington area, NACA has no income requirements for buyers who buy inside the Capital Beltway, but the price of the house cannot exceed \$325,000 for a one-family unit. There are also no income requirements for buyers looking in the Prince George's County communities of Bowie, Mitchellville, Fort Washington, Greenbelt and Upper Marlboro.

Buyers who earn less than a certain income -- \$51,300 for one person, \$59,000 for two people -- can buy anywhere in the above- mentioned areas, plus Charles, Anne Arundel, Montgomery, Howard and Fairfax counties.

NACA is one of many programs targeting low- and moderate-income home buyers.

For example, the Housing and Urban Development Department works with 1,200 housing counseling agencies around the country to offer down-payment assistance programs. The Federal Housing Administration insures loans with a 3 percent down payment.

Government-sponsored mortgage giants Fannie Mae and Freddie Mac offer programs to help disadvantaged home buyers.

Manna, a popular homeownership program in the District, targets people who make up to 80 percent of area median income, which is \$84,800. The program offers lower interest rates, and finances the entire loan rather than requiring a down payment.

The Virginia Housing Development Authority offers low-interest loans up to \$20,000 for down-payment costs.

The Nehemiah Program, run by the nonprofit Nehemiah Corp. of Sacramento, allows buyers to buy a house with no money down, but charges a "participation fee" of a couple hundred dollars.

Aaron Hargrove, a real estate agent with Realty Executives/2000, said he has been working with NACA for four years. Real estate agents are paid through the seller, as they are in conventional real estate deals. NACA allows buyers to choose their agent, but strongly recommends agents familiar with the program.

NACA makes its money by charging the lenders a fixed fee of \$2,500 fee per loan. According to Marks, because his group is paid a flat fee, rather than a percentage like mortgage brokers, there is no incentive to push high-priced loans that are not in the borrowers' best interest.

"It's easier to work with [NACA buyers] because they come fully qualified and it's just a matter of finding a property that suits their qualifications and fits within the NACA guidelines," Hargrove said. And because of this, "most sellers are really receptive to buyers coming through NACA."

Hargrove said that even though costs in the area have jumped in the last few years, it is not a problem finding houses that meet NACA's pricing guidelines.

NACA does not charge clients private mortgage insurance, a fee typically paid by home buyers who make a down payment less than 20 percent of the mortgage; the insurance protects lenders in the event the borrower defaults.

But Danilo Pelletiere, research director at the National Low- Income Housing Coalition, said homeownership isn't for everyone. The Washington group advocates for low-cost housing, including rental and public housing.

Pelletiere said programs such as NACA's can encourage homeownership for those who cannot afford it. Low-income buyers often are not able to reap the full benefits of homeownership because they tend to move more frequently and have less stable jobs, which prevents them from building equity, he said.

"It's a good deal if you are in a position to own a home and job resources stay constant," Pelletiere said. "But the concern is that there's an increasing amount of pressure to get people into these homes and you start to see an increase in foreclosures."

Expensive home repairs often are neglected by low-income homeowners, who cannot afford to make their monthly mortgage payments in addition to getting the furnace replaced, the roof repaired, or the water heater fixed, he said.

"They end up renting with maintenance costs that they wouldn't have had if they were renting," Pelletiere said. "If sold to the wrong people [homeowners] end up being worse off."

But Marks said that attitude is insulting to low-income loan applicants and that foreclosure is rare among NACA borrowers. "After World War II, what built the suburbs? It was VA, no-down-payment loans," Marks said. "If it was good for the veterans coming back from World War II, why is it not good for minority and working-class home buyers?"

According to Marks, 99.75 percent of NACA homeowners are "in their homes making mortgage payments," a number he said comes from lenders.

Lenders Citi and Bank of America would not confirm delinquency or foreclosure rates.

Eric Eve, head of community relations for the Global Consumer Group, which is part of Citi, said despite Marks' earlier tactics, the bank is satisfied with its NACA partnership.

"[That's] in the distant past," Eve said. "Today we are very pleased with our relationship and hope to move forward."

Julie Davis, a Bank of America spokeswoman, provided a months- old written statement on NACA, but said the bank could not provide any additional comments.

"This program enables Bank of America to expand its reach and provide mortgages to more low- and moderate-income families," said Kenneth D. Lewis, Bank of America chief executive, in a January press release. "We are pleased to work with NACA and make it possible for families to enjoy the American dream of owning a home."

Marks said lenders report delinquent borrowers to NACA and the organization counsels homeowners to get them back on track. For instance, they provide counseling, and offer as much as three months of payment help for people who have hit a rough patch.

Homeowner Wilson said the group's support has made it possible for her to be where she is now. "It's a long process, but each little task -- savings, each little bank statement -- gets you ready to go into a house."

She said, "I love it. I still can't believe I purchased a home."

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