

**Meeting Between Federal Reserve Staff
and Representatives of the Neighborhood Assistance Corporation of America
March 3, 2011**

Participants: Bruce Marks, George Weber, Pamela Brooks (Neighborhood Assistance Corporation of America)

Sandra Braunstein, David Buchholz, Joseph Firschein, Angelyque Campbell,
Anna Alvarez-Boyd, Phyllis Harwell, Maureen Yap (Federal Reserve Board)

Summary: Staff from the Federal Reserve Board met with representatives of the Neighborhood Assistance Corporation of America to discuss the ability to repay and qualified mortgage provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Neighborhood Assistance Corporation of America representatives also described their purchase and HomeSave programs, and provided Federal Reserve Board staff information on those programs.

NACA's provision of comprehensive counseling is separate from mortgage financing. NACA provides the opportunity for Members to access the NACA Mortgage. NACA provides Members with information on various financing options and encourages Members to access the most favorable one based on their circumstances and needs. NACA provides financing for a variety of property financing:

- Purchase a property
- Purchase and renovate a property
- Refinance a predatory loan

Purchase financing is available for one- to four-family properties, condos and co-ops. These may be existing homes, new construction, renovations or manufactured homes. The renovation program is described later in this workbook.

The NACA Mortgage is our answer to the huge sub-prime and predatory lending industry. NACA has conclusively shown that when working people get the benefit of a prime rate loan, they can resolve their financial problems, make their mortgage payments and become prime borrowers. NACA's track record of helping homeowners with credit problems—including bankruptcies—become homeowners or refinance out of a predatory loan debunks the myth that high rates and fees are necessary to compensate for their "credit risk."

The NACA Program features:

- No Down Payment
- No closing costs
- No points
- No fees
- No yield spread premium
- No pre-payment penalty
- No balloon payment
- No required credit life or other unnecessary and overpriced insurance

NACA provides these incredible terms in conjunction with an interest rate that is less than the market rate for a conventional or "A" credit loan. The loan-to-value is 100% (i.e. no down payment), and NACA will provide financing and assistance for renovations.

NACA's eligibility requirements reflect our mission of promoting neighborhood stabilization and economic justice for low and moderate income borrowers and people purchasing in low- to moderate-income communities. The real estate and mortgage industry 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 purchase a home, and we will support you for as long as you have your mortgage through NACA. All Members accessing the NACA Mortgage need to be committed to our mission. We want you, your family and those close to you to be active NACA participants promoting neighborhood stabilization and economic justice for many years. We hope NACA will become your primary organization for volunteer activities.

GENERAL ELIGIBILITY:

1. Membership Status:

NACA provides the homebuyer workshop to everyone without determining whether you want to become a NACA Member. To begin the NACA Program including the initial counseling the Participant Agreement must be signed by all household members. You will determine if you want to be a Participant which limits you to NACA's comprehensive counseling or a NACA Member which provides access to all NACA services including the NACA Mortgage. For purposes of this workbook, Participants and Members will be referred to as Members. If you decide on the Participant status there would be no Membership Fee. For Members a Membership fee would be due at your first counseling session (i.e. Intake Session). The current Membership Fee is \$20 for the year for the household. Once you purchase your home with a NACA Mortgage, you will need to pay a Membership Fee of \$50 a month for a period of between five and ten years depending on the amount of the mortgage. In addition to the other benefits as a NACA Member, you would receive extensive post-purchase assistance through NACA's Membership Assistance Program ("MAP") including counseling, payment arrangements and financial assistance. 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.

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

NACA focuses on people who have not been able to purchase a home. The NACA Mortgage is not limited to first-time homebuyers. You may access it as long as you do not own another home at the time of purchase.

3. 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 a 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. Also, owners of multi-family homes may choose stable tenants that will strengthen the community and maintain the property, even if they could have higher paying tenants. By contrast, absentee landlords usually want to maximize the rent 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 the home.

This does 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. 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.

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. If such payment is not made, NACA will have the right to foreclose on your property. In addition, if at some point you decide to sell or refinance the home, or obtain a second mortgage, you will need to contact NACA to obtain a release. In the case of selling or refinancing, the lien will need to be discharged, which NACA will provide without any charge to you, and the occupancy requirement with NACA no longer applies. Obtaining a second mortgage requires that NACA subordinate its lien to the second mortgage, which NACA may or may not, in its sole discretion, agree to provide; therefore, your ability to obtain a second mortgage may be limited. If you decide to sell, refinance, or pursue a second mortgage, you should contact NACA immediately.

- 4. Participate in at least five actions and activities a year in support of NACA's mission:** Every Member is encouraged to contribute their unique skills to NACA and its mission. Many people say the NACA program sounds too good to be true. It is reality through the active participation of NACA's huge Membership. There are numerous activities to take part in: advocacy campaigns that may include protests, demonstrations, actions and/or engaging in litigation against persons or companies that discriminate against or victimize others; volunteering in the NACA office; participating on the peer lending committee; and assisting Members with the home buying or HomeSave process. Your involvement in whatever way you feel comfortable is essential for NACA to continue to provide free comprehensive housing services and the NACA Mortgage. When you join NACA, you agree to the Participation Pledge which requires you to participate in at least five activities a year. This applies immediately and extends for as long as you have a mortgage through NACA. Thus you may not be able to access the NACA Mortgage if you do not participate. We need you to take the initiative and contact your NACA office to volunteer and participate.

You may receive a live or tape-recorded phone call or e-mail to participate at an event or action, to update you on information about the NACA Program, or issues affecting neighborhoods, NACA Members, and economic justice. 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. Participation and direct action have made NACA successful and will continue to strengthen our neighborhoods and organization.

REGION ELIGIBILITY:

NACA determines eligibility by regions, which include both urban and rural communities. The purchase price limits maintain the focus on stabilizing low- to moderate-income communities and assisting low- to moderate-income people. We do not believe in poor areas for poor people or exclusively wealthy areas, so there are no income limits and you can purchase one- to four-family home, condos and coops. The Maximum Purchase Price cannot be exceeded under any circumstances. It is not acceptable for a buyer or seller to provide funds in addition to the mortgage to compensate for a purchase price that exceeds the Maximum.

There is often more than one region per NACA office, and some offices may service the same regions. Once you are NACA Qualified, you should obtain the Eligibility Form for the NACA office you are working with which will specify the Maximum Purchase Price for all the regions served by that office. The Maximum Purchase Prices are usually close to the Federal Housing Administration ("FHA") limits, allowing almost all Members to purchase any home they can afford. NACA reserves the right to change the eligibility requirements at any time and to make exceptions in NACA's sole discretion. Contact your local office or go to our website at www.naca.com and select "Eligibility" to obtain the purchase price limits for your area.

MEMBER ELIGIBILITY:

The Member Eligibility signifies that you will abide by NACA's terms of membership, participation, and eligibility. These requirements are not burdensome, but are necessary to ensure the success of NACA's mission and your homeownership experience.

These commitments are ongoing—you will be evaluated for Eligibility Qualification throughout the home buying process including the initial counseling session, when applying for NACA Credit Access and the mortgage approval. A list of major qualification requirements is itemized below. A summary of required documents is stated in this workbook. You should also save all future documents concerning your income, savings and debt, since you will have to update your information at the NACA Credit Access step. The specific requirements for accessing a NACA Mortgage are stated below and apply to everyone who will be on the mortgage. NACA may revise these criteria and the required documents at its sole discretion.

- You are a NACA Member in good standing.
- You will adhere to NACA's Policies and Procedures.
- You have provided NACA with complete and truthful information.
- You have provided all of the documents that your Mortgage Consultant requires.
- You have read, understood, and signed the NACA Participant and Authorization Agreements.
- Purchasing a home is an involved process, and NACA does not warrant or guarantee that it will work well for you, and NACA does not indemnify you against any losses you may incur as a result of purchasing, financing, or renovating your home.
- You have committed to adhere to the NACA Participation Pledge. A good indication of future participation is that you have already volunteered or participated in NACA activities.
- 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 in contract committed to a closing date on a property as it may not afford the required time to be counseled to prepare for that particular purchase.
- You have not paid any fees for NACA services or accepted referrals to real estate agents or other vendors that have not been approved by NACA, despite the fact that you have the right to choose other vendors.
- You have notified NACA if you paid a fee to be referred to 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 and/or work effectively with NACA (a list of which you can obtain from the local NACA office)