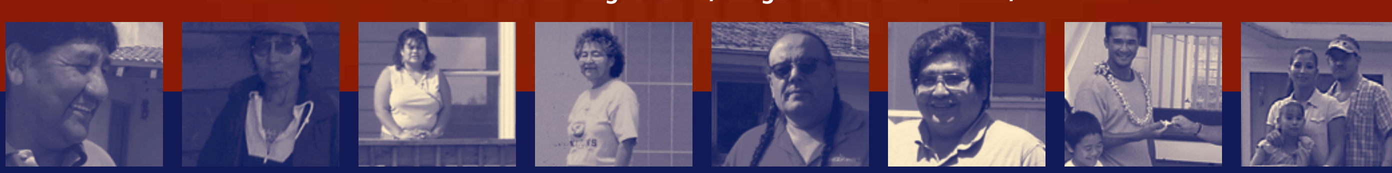
Pathways Home:

A Native Homeownership Guide

Participant Module 1: *Exploring Homeownership*

Participant Module 2: *Considering Mortgage-Based Homeownership*

A project coordinated by the
National American Indian Housing Council, NeighborWorks® America, and Oweesta



Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

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The Second Edition of *Pathways Home: A Native Homeownership Guide* was developed by the Native American Indian Housing Council in partnership with Oweesta and NeighborWorks America. The Second Edition of *Pathways Home: A Native Homeownership Guide* includes materials from the First Edition originally published in 2003 and developed by the National Congress of American Indians in partnership with the National American Indian Housing Council and NeighborWorks America with contributions by Bank One, the Fannie Mae Foundation, the Ford Foundation, Green Point Mortgage, PMI, Washington Mutual, and the Wells Fargo Foundation.

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More Information

Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

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Pathways Home:

A Native Homeownership Guide

So, you want to buy a home of your own –

You've come to the right place. *Pathways Home: A Native Homeownership Guide* will help you to develop the skills you need to purchase a home. These materials are intended for Native people, and we hope that you and your family will use them to build upon your traditional knowledge and expand your understanding of homeownership.

Pathways Home: A Native Homeownership Guide is divided into eight modules plus a glossary.

Understanding the homeownership process is the first step on your journey to becoming a homeowner. The following suggestions will help you to use *Pathways Home: A Native Homeownership Guide* as a guide for your learning.

1. Begin each module by quickly scanning the headings. This will give you an idea of what you will be studying.
2. It is important to underline and write in the modules to reinforce your learning.
3. All terms in bold type are defined in the glossary. Refer to the glossary to understand terms that are commonly used in the homeownership process.
4. At the end of each module you will find a Module Review. Use this opportunity to review the concepts discussed.
5. You will need a pencil and calculator to complete the exercises in the modules.
6. Each module is illustrated by traditional and contemporary homes from different Native regions. Historically, Native people were homeowners, and with some planning and determination, you can be one today!

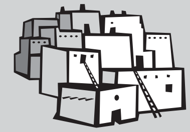
The Loretto Family

Pueblo of Jemez

After having owned several off-reservation homes, Dr. Raymond and Jeri Loretto dreamed of building a home on the Pueblo of Jemez with traditional adobe bricks and viga ceilings. “When we moved home to Jemez, it was discouraging because, despite our income, no bank would finance the construction of our house,” they explained. But thanks to their persistence and partnerships between the tribe, TDHE, Bank of Albuquerque, and HUD, they were able to build their home using HUD Section 184 financing.

Module 1:

Exploring Homeownership



Pueblos are a type of traditional home used by Southwestern Native communities such as the Hopi, Zuni, and Taos people. Pueblo villages typically consisted of multilevel structures made of adobe, a clay mixture, or stone-terraced apartment dwellings designed around a central plaza.

Objectives

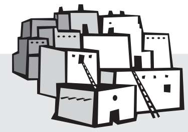
In this module we will discuss:

- the history of housing in Native communities
- the advantages and challenges of renting a home
- the advantages and challenges of homeownership
- your personal readiness for homeownership

Traditional Shelters

Our people have traditionally been land and homeowners. Our homes have provided more than shelter. They have been a center for community, family, spirituality, and safety. Take a few moments to think about traditional shelters in your community.

- How did your people traditionally live?
- What type of shelter did they build? Did they live in longhouses? Pithouses? Tepees? Wigwams? Pueblos? Hogans? Hawaiian Hales? Alaskan Sod Homes? What materials were the homes made of?
- What were the homes used for – shelter? spiritual practices? community meetings?



Traditional Shelter Exercise

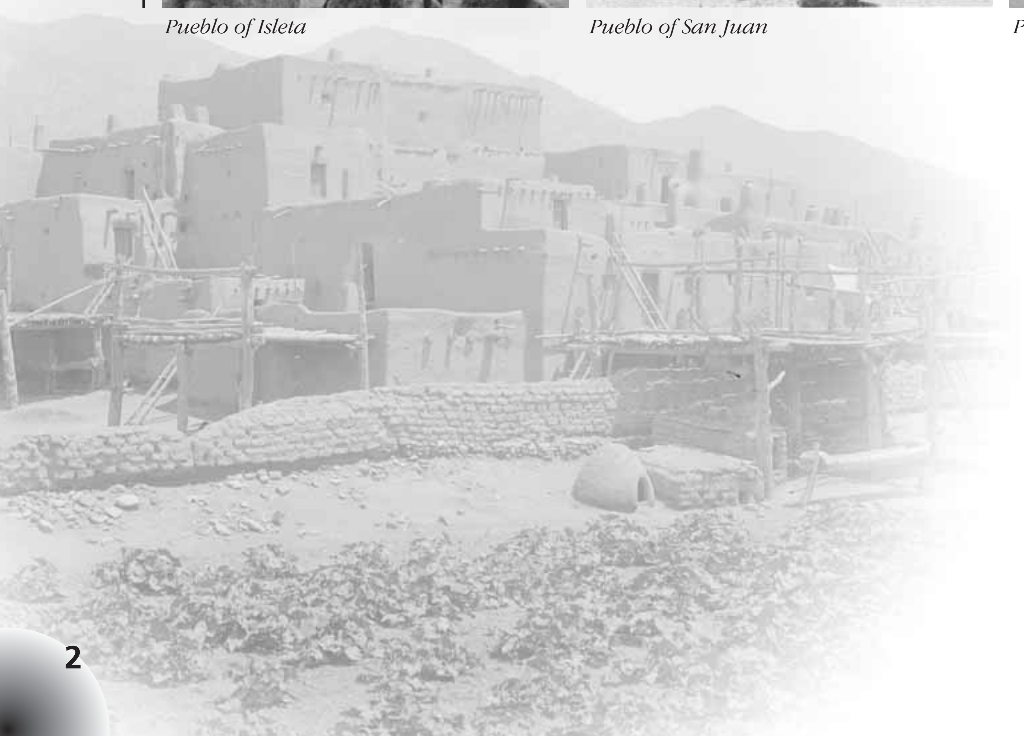
In work groups, complete the following exercise.

1. In the space below, describe traditional homes in your community by either drawing a picture or writing a description. Make sure to describe the traditional aspects of the homes (e.g., which way did the opening of the shelter face and why?).

Pueblo of Isleta

Pueblo of San Juan

Pueblo of Acoma



Talk to your elders to learn about traditional housing in your community.

The History of Housing in Native Communities

Traditionally, a Native community provided for all of its own needs. History has disrupted the balance we enjoyed between the home, family, and the community. In the 20th century, federal programs dominated housing in American Indian and Alaska Native communities

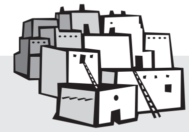
The **Bureau of Indian Affairs (BIA)** sought to meet its trust responsibility by providing shelter through its **Housing Improvement Program (HIP)**. The **U.S. Department of Housing and Urban Development (HUD)** had two primary housing programs in reservation communities.

Low-Rent Housing. HUD provides funding for the construction and management of low-rent housing. Rental units have included single-family housing units, duplexes, triplexes, and, occasionally, apartment complexes. Only **low-income families** and very low-income families are eligible to apply. Applicants are placed on a waiting list for the next available suitable unit.

Mutual Help Occupancy. This program allowed our low-income families to rent a home through a lease-purchase agreement **(Mutual Help and Occupancy Agreement (MHOA))**. The regulations allowed for Mutual Help participants to be charged up to 30 percent of their adjusted gross income plus the administration fee set by the **Indian Housing Authority (IHA)**, currently referred to as the **Tribally Designated Housing Entity (TDHE)**. The administrative fee covered the expenses of operating the program (i.e., insurance, overhead). Typically, participants paid 15 percent of their adjusted gross income plus the administration fee. Also, participants received a utility allowance. After satisfying all the requirements of the MHOA, the homebuyer became the homeowner at the end of the **amortization** period, which HUD set at a minimum of 15 to 25 years or when the debt service was retired. This program also allowed families to exercise the option to purchase the home any time before the end of the maximum 25-year period.

Unfortunately, these programs are dependent on federal funds, they are heavily regulated, and some consider them to be incompatible with American Indian and Alaska Native cultures. Furthermore, income restrictions associated with the funding forced over-income families to leave the reservation to find suitable housing. Finally, no federal programs even existed to help native Hawaiians seeking housing on their traditional Hawaiian homesteads, which are held in trust by the State of Hawaii.

Advantages and Challenges of Mutual Help Housing Exercise



Requirements of the Mutual Help Program are listed in the first column. In work groups, identify the characteristics that you believe are advantages or challenges of the program.

Program Requirements	Advantage	Challenge
Changes in income must be reported to the TDHE.		
Occupancy changes must be reported.		
Home payments are applied to the purchase price.		
Home payments cannot exceed the established ceiling amount.		
An administration fee is charged by the TDHE to cover expenses of operating the program.		
Insurance is paid by the TDHE until the occupant becomes the homeowner.		
When the occupant's income increases, the home payment may increase.		
The home must be inspected annually, or more often, as required by the TDHE.		
The occupant is responsible for maintenance.		
In most cases, the lessee does not become the homeowner for 25 years.		
A Mutual Help participant is not considered a homeowner by financial institutions evaluating an individual's creditworthiness.		
Other:		

Pueblo of Picuris

Pueblo of San Juan

New Opportunities for Native Homeownership

In 1996, the U.S. Congress enacted the **Native American Housing Assistance and Self-Determination Act (NAHASDA)** to put tribes in control of meeting their communities' housing needs. NAHASDA opened the door for new and creative programs to address the needs that the previous programs failed to consider. It has created an opportunity for mortgage-based homeownership for American Indians and Alaska Natives and encouraged tribes to partner with lenders to develop first-time homebuyer programs designed for Native communities. In 2000, Congress extended NAHASDA to native Hawaiians and designated the Department of Hawaiian Home Lands as the recipient of block grant funds on behalf of native Hawaiians.

Purchasing your Mutual Help home is now possible through TDHE financing or a private lender. By purchasing your home, you eliminate current program restrictions and begin building home equity.

A **mortgage** is an agreement you make with a lender when you borrow money from the lender to purchase a home. Some of the innovative programs that tribes have developed to provide and support mortgage-based financing include:

Mortgage Financing Assistance. Many tribes provide financial assistance to help their members obtain a mortgage through a private lender. Tribal mortgage financial assistance programs cover costs such as:

- down payment
- credit report fee
- closing costs
- appraisal cost
- environmental review and archeological clearance costs
- other fees as required by the loan product

"Our homeland can never be replaced and what we lost can never be regained, but we carried on and made a new start and now we have a place we can call home again."

– Joe Bradley, Eastern Band of Cherokee, Qualla Housing Authority

Lease with Option to Purchase. Many tribes have created a lease with an option to purchase program for Native families who have workable problems such as short-term high debt, credit issues, borderline income, etc. In these cases, the TDHE owns the home and rents it to a family who wants to purchase it in two to three years. While renting the home, the family must work with the TDHE to save for a down payment, increase their income, or reduce their debt. The option to purchase must be exercised within the specified time period, or the homebuyer must move to a rental home. This is very different from the Mutual Help Program through which you could lease the home for up to 25 years. The advantages of this type of tribal program are that it:

- helps potential homebuyers save for a down payment, closing costs, mortgage payments, and replacement reserve
- provides an opportunity for homebuyers to prepare for homeownership
- provides for homeownership at a lower interest rate than the homebuyer could have obtained

Section 184 Indian Housing Loan Guarantee Program. This program provides an opportunity to purchase a home in Native communities by getting a mortgage from a private lender. This program is open to people of all income levels. Loans can be used to:

- construct a home
- acquire a home
- acquire and rehabilitate a home
- **rehabilitate** a home
- **refinance** a home

Tribes must pass a resolution adopting the Section 184 Program and codes that provide for:

- **foreclosure** and **eviction** procedures
- assurance that the mortgage is a first **lien** on the home
- procedures for leasing the land on which the home is located

In some cases, a tribe may adopt the Section 184 Program for use in its entire state. This designation opens up the loan program to American Indian and Alaska Native people seeking Section 184 mortgage financing on fee land. Check with your housing counselor to determine if this is the case in your state.

Section 184A Native Hawaiian Housing Loan Guarantee Program. This program provides the same mortgage product for native Hawaiians on Hawaiian Home Lands.

Although homeownership is not foreign to our people, mortgage financing presents us with new challenges. What are the differences between using a tribal program such as Mutual Help, renting a home, and homeownership?

"Mutual Help was good for its time, but it encouraged dependency. Traditionally, our people worked for everything. Homeownership is more culturally relevant."

– Joseph Abdo, Jr., Executive Director, Yankton Sioux Housing Authority

Some Mutual Help participants exercise their option to purchase early by obtaining a mortgage.

Comparing Homeownership with Other Housing Options

Our communities present us with a number of options to meet our housing needs. Before you make a choice, explore the possibilities to determine what best suits your circumstances.

Mutual Help Advantages and Challenges

Previously, reservation homeownership was only possible through a lease-purchase arrangement such as the Mutual Help Program. The advantages and challenges of the Mutual Help Program help to illustrate the significant differences between the Mutual Help Program and mortgage-based financing.

Advantages

- The loan application process is comparatively simple.
- Monthly house payments are not fixed and can be adjusted based on changes in family income.
- The maximum term to achieve homeownership is 25 years.
- House payments are based on adjusted gross income, which results in payments lower than HUD-established fair market rents for the area.
- When major family issues arise (e.g., job loss, sickness, marital separation), housing payments can be adjusted to reflect the change in household income.
- Insurance for the structure is paid by the TDHE.

Challenges

- House payments may fluctuate in response to household income changes.
- Homebuyers are responsible for maintenance while they are renting.
- House payments are not fixed, which makes budgeting more difficult.
- During the term of the MHOA, annual inspections and recertification of income are required.
- Permission must be obtained from the TDHE to make improvements to the home.
- Processing time for insurance claims may be delayed since all requests must be made through the TDHE.
- Funding for this program is unreliable and some communities do not offer Mutual Help housing.

Renting Advantages and Challenges

Many people consider the following to be advantages of renting:

- Renting costs less than buying.
- Renting allows you to move more easily.
- Renting gives you more freedom and time to spend on other things because you won't have to spend time on maintenance.

There are also challenges associated with renting, such as:

- Renting does not permit the accumulation of **equity**.
- Renting does not come with rent control.
- Renting does not allow you to escape from your landlord's oversight.
- Renting does not guarantee privacy.
- Renting does not provide a tax benefit.

Homeownership Advantages and Challenges

Many people consider the following to be advantages of homeownership:

- Owning your own home can provide your family with a sense of security, pride, stability, and privacy. You may feel that owning your own home helps you to feel more involved and a part of your community.
- Owning your own home means that anyone in your extended family has a place to stay.
- Owning your own home allows you to make changes to your space to suit your taste and needs.
- Owning your own home stabilizes your housing costs. Although rents may change from year to year, you can keep the monthly cost of your mortgage stable for up to 30 years by choosing a **fixed-rate mortgage**.
- Owning your own home means independence from the TDHE or any other entity through which you receive or rent housing.
- Owning a home may provide you with tax benefits. For example, you may pay less income tax because all the home loan interest you pay each year is deductible from your taxable income. This benefit works when your itemized deductions for mortgage interest, property taxes, and other home-related expenses in a given tax year exceed the standard deduction, a dollar amount based on your filing status that reduces the amount of income on which you are taxed.
- Owning your own home allows you to build equity in an investment. As you repay your loan, the equity in your home grows. You can use this equity as collateral to take out additional loans to make further investments (e.g., a personal small business loan or college tuition).
- Owning your own home may be a good investment. In most communities, property values usually increase, or **appreciate**, over time. This means that if you sell your home it will likely be worth more than when you bought it.

Although there are many advantages, there are also responsibilities or challenges associated with homeownership that are perceived drawbacks.

- Owning your own home involves responsibilities. In addition to being responsible for a monthly mortgage payment, homeowners may have to pay **property taxes**, homeowner's insurance, utilities, and maintenance costs. Property taxes may not apply on trust properties.
- Owning your own home means that you must put the time and money into the upkeep and maintenance of your property.
- Owning your own home means that it may be more difficult to change your residence. A homeowner cannot just give notice and relocate. They must go through the process and cost of selling their home. For this reason, most lenders will not recommend purchasing a home unless you can commit to staying there for three to five years.
- Owning your own home means that there is a risk that your property value can decrease, or **depreciate**. If you purchase property when prices are high, it may be more difficult to make a profit if you sell your home. Before you make a purchase, pay attention to prices in the general area and determine whether they are rising, falling, or remaining stable. Try to purchase property in an area and at a time that prices are stable. You may want to speak to a nonprofit housing counselor or other trusted advisor who understands the market before you make a purchase.
- Owning your own home means that you can lose your home and ruin your credit rating if you are unable to make your loan payments. You might also lose your homesite lease on trust land or the land itself if it is fee simple. **Foreclosure** is the sale of a mortgaged property when the borrower is unable to make the loan payments. Although lenders will go to great lengths to work with a borrower to avoid foreclosure, it does happen if a homeowner is unable to make their loan payments. Many tribes build protections into their mortgage programs such as a "right of first refusal," which allows the tribe to purchase the home before it goes into foreclosure. This ensures that the home and the land stay under tribal control.

"I had the choice of purchasing my home and owning it through IHA financing or leasing it through Mutual Help. I am so happy that I did IHA financing. I own my home and I don't have to depend on HUD or the tribe to make decisions for me."

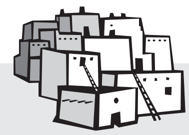
– Carole Long, Eastern Band of Cherokees, North Carolina

Contact your TDHE to find a housing counselor who specializes in helping Native families become homeowners through mortgage financing.

Homeownership Readiness

Are you ready to buy a home of your own? Are you prepared for a financial commitment that includes monthly loan payments and the upkeep of a home? Is it the right time in your life to take on the responsibilities associated with homeownership? Take a few moments and answer the following questions to see if you are ready *to begin* the homeownership process.

Are You Ready to Own a Home? Exercise



Answer the following questions to help you evaluate whether this is the right time for you and your family to pursue homeownership.

Questions	Yes	No
1. Do you pay your bills on time?		
2. Do you feel that your current job is secure?		
3. Can you show proof of income?		
4. Do you have a good **credit history**?		
5. Do you have a family **spending plan**?		
6. Do you plan to live in the area for at least the next five years?		
7. Do you have money saved to put toward the purchase of a home?		
8. Do you have a checking or savings account?		
9. Do you have a steady job history?		
10. Are you willing to put your monthly house payment before other wants and desires?		
11. Are you prepared to maintain a home?		
12. Are you willing to save money each month for future repairs and maintenance?		
13. Are you willing to participate in homebuyer counseling sessions in order to qualify for a loan to purchase a home?		

If most of your answers to the previous questions are "No," then you are probably not yet ready for homeownership. Perhaps you just began thinking about this opportunity and are ready to learn more about the process. Or maybe homeownership is not the right choice for you today, but it may always be a possibility in the future. Just remember that becoming a homeowner takes time and preparation, so it is never too early to start the process.

If most of your answers to the questions are "Yes," then it sounds like you have already started preparing to own your home. In the next module, you will continue on this journey by learning more details about mortgages.

Module Highlights

- Traditionally, Native people were land and homeowners.
- The BIA and HUD are the two government agencies that provided the majority of housing for American Indians and Alaska Natives through Low-Rent Housing and Mutual Help Programs for low-income families.
- The ability to purchase a home of your own in your Native community is now available to American Indians, Alaska Natives, and native Hawaiians through mortgage-based financing.
- To determine if homeownership is right for you, explore the advantages and challenges of housing options and assess your personal readiness and commitment to purchasing a home.

"A place to call home among my people is all I ever wanted. I live across the street from my sister and next door to my brother. It's not as crowded or as cold as it used to be."

– Alene Powaukee, Nez Perce Tribe

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

____

____

____

____

____

Exercise

1. The two major agencies contributing to housing development in American Indian and Alaska Native communities are:

   a. ______________________________

   b. ______________________________

2. The two primary housing programs that exist throughout Indian Country are:

   a. ______________________________

   b. ______________________________

3. The ______________________________ program provides an opportunity to purchase a home in Native communities by getting a mortgage from a private lender.

4. Identify two eligible uses for the Section 184 loan.

   a. ______________________________

   b. ______________________________

Notes

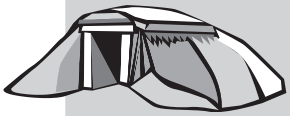
Robert Wongittlin

Nome Eskimo Community

After living for his entire adult life in public housing with three generations under the same roof, Robert Wongittlin wanted to break the cycle of dependency. "I now have a much quieter home where I can pursue my hobbies of making Native crafts and maintaining my hunting and fishing gear," he said. His biggest hurdle to homeownership was his lack of knowledge of the English language and the paperwork involved. He was able to tackle both with help from the USDA Rural Development Office in Nome, Alaska. His mortgage financing included a direct loan from Rural Development and a second mortgage funded by NAHASDA through his TDHE. He attended homebuyer education courses conducted by the Alaska Housing Finance Corporation.

Module 2:

Considering Mortgage-Based Homeownership



Sod dwellings are a type of traditional home used by Alaska Natives. These dome-shaped dwellings were built by covering a frame of driftwood or whale bone with layers of sod. These homes were built partly underground. A hole was usually cut in the side of the dwelling for light and covered with ice or animal intestine as needed. The homes themselves consisted of one large room for sleeping and eating. Often there was a passageway for storing goods that was sometimes used as a kitchen.

Objectives

In this module we will discuss:

- mortgages
- partners involved in the mortgage process
- costs involved in obtaining a mortgage

Understanding Mortgages

Most of us can't – and don't want to – come up with all the cash to purchase a home. Instead, we borrow a majority of the money needed to pay for a home from a financial institution. This type of **loan** is called a home mortgage. As a homeowner pays off their mortgage, he or she builds equity in their home. Equity refers to the amount that is owned by the borrower, or the difference between the value of the property and the outstanding mortgage balance.

You might be interested in a home mortgage because you want to buy or build your first home, build an addition onto your current home, or refinance a home loan that you already have. Whatever your reason, it is important to take the time to do research and find a mortgage that fits your needs. Be aware that there are different ways to structure a mortgage. Some loans are insured by the government while others have no government involvement. Typically, you will find that mortgages fall into the following categories:

- *Conventional Loans.* A conventional loan is a loan that is not insured or guaranteed by the federal government. They also require you to purchase **private mortgage insurance** on loans when the **loan-to-value** ratio exceeds 80 percent. Mortgage insurance coverage protects the lender if you do not repay your loan.
- *Government Loans.* A government loan is a loan that is insured or guaranteed by the federal government. Government mortgage providers include the HUD Office of Native American Programs (ONAP), the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and the Rural Housing Service (RHS).

The advantages to both conventional and government-insured mortgages are different, and they can change over time. Check with your housing counselor to to find out the latest changes in loan product guidelines.

The type of mortgage that will work best for you depends on how much money you need, how long you plan to keep your mortgage, and how much risk you can handle. A housing counselor can help you perform this analysis.

As we discussed in the previous module, mortgages are fairly new to Native communities. So, when shopping for a mortgage, you will need to find a lender that is making loans in tribal communities. You will also want to pay attention to the terms that are offered. Every mortgage loan has four components:

1. loan amount
2. term
3. interest rate
4. points and fees

Loan Amount. The loan amount, or **principal**, is the amount you borrow.

Term. The length of time that you borrow the money for is referred to as the **term**. The longer the term, the lower the monthly payments, but the greater the overall cost of the loan.

Interest Rate. The **interest rate** is the cost you pay for borrowing money. It may be fixed (fixed rate) for the length of the loan or adjusted periodically (adjustable rate) to reflect current interest rates. Over time, a lower interest rate will have the greatest impact on reducing the overall cost of a loan.

Points and Fees. **Points** are purchased at the closing to reduce the interest rate over the term of the loan. Each point equals 1 percent of your loan amount. For example, if you are taking out a $95,000 loan, one point would cost $950. There are different kinds of points: discount points and origination points. Lenders often offer the same loan at various interest rates depending on how many points you pay. Pay more points, and you will get a lower rate.

EXAMPLE

Loan amount = $95,000

Interest rate	*Points*	*Cost*
7.50%	*2.00*	*$1,900*
7.75%	*1.00*	*$950*
8.00%	*0.00*	*0*

These are called discount points. Each discount point typically lowers your interest rate by 0.25 percent. So, if the current market rate is 8 percent, you could pay a lender one point to reduce it to 7.75 percent. If you want a lower monthly rate and have some cash, you can pay points as prepaid interest in advance and lower the interest rate.

Fees include application fees, **loan origination fees**, **appraisal fees**, **inspection fees**, and any other initial costs imposed by the lender.

Origination fees, sometimes referred to as "points," are fees some lenders charge you just to make the loan. They cover the administrative costs in processing the loan. Not all lenders charge an origination fee; the amount of the fee varies among the lenders that do charge origination fees.

Choosing the Right Mortgage

You can choose among various mortgage options, but make sure your selection suits your family's circumstances. You may need to consult with your housing counselor to make this determination. Typically, the following includes the most common options:

- *Balloon Mortgages.* Balloon mortgages are loans that require a payment in full at the end of a set period. Usually, the term is five, seven, or ten years. You would make regular monthly payments based on a 30-year term. At the end of the balloon period, you would need to pay your principal balance to the lender.
- *Two-Step Loans.* These loans are basically a combination of fixed-rate and adjustable-rate mortgages. Two-step loans normally start at a below-market rate and are fixed for either five or seven years. If you choose this type of loan, your rate would change after your set time period to the current market rate, and it would stay at the adjusted rate for the remaining term.
- *Graduated Payment Mortgages.* Graduated payment mortgages, or GPMs, are loans that begin at a rate that is well below the market rate. The payments increase at a predetermined rate, usually over the course of the first seven years, and then level off for the remaining term.

- *Biweekly Mortgages.* These mortgages provide a built-in **prepayment** feature. If this is the kind of loan you select, you will pay half of your monthly mortgage payment every two weeks. As a result, you will make 13 monthly payments per year. By taking this route, you can pay a 30-year mortgage in 20 years.
- *Assumable.* An assumable mortgage is one that can be transferred to a qualifying buyer under the same terms and conditions stated in the seller's mortgage. It is like picking up where someone else left off. This can save a buyer money if the seller's interest rate is lower than the current market rate. Also, the closing costs are cheaper with an assumable mortgage. However, the buyer may have to take a second mortgage for the balance of the seller's equity. This arrangement is very advantageous where the TDHE or nonprofit housing organization offers down payment assistance. Also, an assumption can work quite well when the seller agrees to a **lease option** for a short period of time, thereby allowing the buyer to acquire the additional cash needed to pay the balance of the seller's equity.
- *Buy Down Loans.* Buy down mortgages are loans that have lower interest rates for the first two to three years only. Typically, the loan begins at the "bought down" rate and increases one percent per year during the buy down period.
- *Contract for Deed, Land Contract, or Seller Take-Back.* The seller provides all or part of the financing, and the buyer makes monthly payments to the seller. There is no transfer of title until the borrower pays the loan in full. This type of financing is often used when the property does not meet a lender's standards or when a buyer cannot qualify for a loan. To avoid being victimized, it is essential for a buyer to have an attorney review all the documents.
- *Wrap Around.* This is generally a contract for deed in which the seller keeps the original mortgage. The buyer makes payments to the seller, who forwards a portion to the lender holding the original mortgage. This can be very complicated and risky, especially when there are two or more buyers involved. To avoid being victimized, it is essential for a buyer to have an attorney review all the documents.

It is up to you to do your homework before you make a decision about a mortgage.

The Cost of Homeownership

Once you have decided that homeownership is right for you, it may take some budgeting and planning to prepare for the costs involved in the process.

Down Payment. Most people cannot pay for a house all at once. People take out a mortgage from a financial institution to purchase a home. Lenders usually require that the borrower invest a certain amount of their own money. This investment is called a **down payment**. Down payments can range from zero to 20 percent of the purchase price of a home, depending on the loan product that is being used by the borrower.

Loan products use different loan-to-value (LTV) ratios. In other words, the loan product limits the amount to be financed by a percentage of the appraised value. If a home is appraised at $100,000 and the loan product has a 90% LTV, then the lender will only loan $90,000. Consequently, you would have to provide the difference which is $10,000.

EXAMPLE

Julia and Bryan Whitehorse live on the Nez Perce reservation. They are considering purchasing an existing home for $83,600. As first-time homebuyers, they qualify for a special loan product that requires a 10 percent down payment. This means that they will need to come up with $8,360 for a down payment on the home. Assuming that their loan application is approved, they will then take out a $75,240 mortgage from their financial institution.

Tlingit and Haida Indian Tribes

Sitka Tribe of Alaska

Closing Costs. These are fees associated with the purchase. **Closing costs** are additional expenses beyond the sales price that include the loan application fee, credit report, home inspection fee, **appraisal**, points, document preparation, application processing, **title** fee, attorney fees, and **mortgage recordation** fee. They usually range from three to six percent of the amount of the mortgage. Your lender will provide you with an estimate of the closing costs, called a **Good Faith Estimate**, within three business days after you have applied for your loan. Although this estimate can help you prepare for the closing costs, it is subject to change until you actually sign the loan documents.

EXAMPLE

As Julia and Bryan continue to work through the homebuying process, they begin thinking about the closing costs that will be required for the home they selected which appraised at $83,600. With a 90% LTV, they will need a down payment of $8,360 ($83,600 X 10% = $8,360). Additionally they expect to pay approximately $2,100 in other closing costs. Based on this information, Julia and Bryan will need to bring a total of $10,460 to closing ($8,360 + $2,100).

Your housing counselor can identify down payment and closing costs assistance programs available through state housing finance agencies, tribal programs, or nonprofit organizations.

Mortgage Payment. When you purchase a home by taking out a mortgage, you are responsible for making a mortgage payment to your lender each month. Mortgage payments are comprised of principal, interest, taxes, and insurance - often known as **PITI**. The principal is the part of a mortgage payment that is applied to the original amount borrowed. The interest is the fee that you pay to the lender for the use of their funds.

Nome Eskimo Community

In addition to principal and interest, homeowners usually pay property taxes, homeowner's insurance, and private mortgage insurance each month. To cover these costs, homeowners typically put money in an escrow account that is then managed by the lender. Each month, the lender withdraws money from this account to pay for taxes and insurance. This way the lender can ensure that these bills are paid on time. However, with trust properties, taxes may not apply.

The amount of your monthly payment is affected by the rate, terms, and fees associated with your mortgage. The longer the term, the lower your monthly payment will be.

EXAMPLE

Mortgage Amount	Interest Rate	Term	Monthly Payment	Cost of Credit
$70,000	9%	15 years	$709.98	$57,797
$70,000	9%	30 years	$563.24	$132,764

Maintenance Costs. To maintain the value of your property, you will need to invest in regular maintenance and upkeep. Although this is not necessarily costly, it is an ongoing expense that must become a part of every property owner's spending plan.

Utilities. Another ongoing cost of owning your own home is monthly payments for utilities. These costs include electricity, oil, gas, and water. Depending on what services are provided by your tribe, city, or other local area, many homeowners also pay regular fees for garbage, recycling, and sewage services.

It is important to take all of these costs into consideration before you purchase a home. Most housing counselors will advise you that moving into a home always costs more than you expect it to. For this reason, it is important to carefully make out your spending plan and prepare to have some extra funds available for unexpected costs. In addition, you may want to begin saving money to help furnish your home with new furniture, window treatments, or other home decorations, like paint or wallpaper.

"We were all living together in the smallest one-room place. There were nine of us. I can remember the snowflakes coming through the roof at night . . . little by little it would come through the holes in the roof as we tried to sleep. It was so cold. We were happy; we didn't know anything else. But it is better today to watch the snow through the windows."

– Joe Bradley, Mutual Help homeowner, former Board of Commissioners,
Eastern Band of Cherokee Indians

The Partners Who Are Here to Help You

In your community, there are several organizations available to help you make the transition to homeownership. Native families may partner with:

Tribe. A tribe represents the governing body that has **legal jurisdiction** on the reservation or the tribe's Indian area. Some tribes operate under state laws for various reasons. In most cases, the tribal government is the entity responsible for establishing the legal codes necessary for mortgage lending on the reservation or the Indian area. Tribal codes or state codes define actions for eviction or foreclosure and whether the tribe delegates enforcement to another entity.

Tribally Designated Housing Entity. A TDHE, formerly called IHA, is the division of the tribe that has responsibility for planning, developing, and managing housing programs. TDHEs employ housing counselors to assist tribal members. They also design and operate programs that provide homeownership and rental opportunities. Contacting your TDHE is the best place to start your journey into homeownership if you live on a reservation.

BIA. The BIA Realty staff has the responsibility for **surveying** and recording transactions on tribal and individual **allotted lands**. They have a responsibility to protect all lands held in trust for American Indian and Alaska Natives. All real estate transactions involving Indian land require BIA involvement. Applications for a home mortgage loan on trust property always require a BIA **Title Status Report (TSR)**. A TSR is a check of the title records for a specific property to ensure that there is clear title to the interest in the land that is being conveyed and that there are no liens or other claims outstanding.

Department of Hawaiian Home Lands. The Department of Hawaiian Home Lands (DHHL) has the trust responsibility for approximately 200,000 acres of homestead lands established under the Hawaiian Homes Commission Act of 1920, as amended, that the state of Hawaii designated specifically for native Hawaiians. They are responsible for all real estate transactions on Hawaiian Home Lands. The DHHL is also a source for other financial assistance that may be available. If you are native Hawaiian seeking a home on Hawaiian Home Lands you must apply directly to DHHL.

Lenders. These are the partners who make mortgage loans and to whom you make your payment. They include private banks, nonprofit housing organizations, credit unions, **community development financial institutions (CDFIs),** and in some cases TDHEs.

Other Resources. These include nonprofit consumer credit counselors, community action agencies, state housing finance agencies, nonprofit housing organizations, CDFIs, etc. These groups are available to provide homebuyer education services, credit and debt management counseling, or funds to assist low-income buyers with the purchase of a home. CDFIs may also provide this assistance even if you aren't borrowing from them.

In the next module, we will discuss budgeting for homeownership and calculating how much you can afford to spend on a home.

Identifying the Partners in Your Community Exercise

Identify and list the partners in your community. What are their roles?

Partners	Roles

Native Village of Dillingham

Native Village of Shungnak

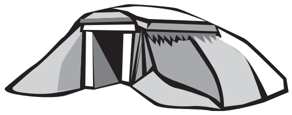
Module Highlights

- A mortgage is a loan from a lender to purchase, construct, refinance, or renovate a home.
- Equity refers to the amount that is owned by the borrower, or the difference between the value of the property and the outstanding mortgage balance.
- A mortgage consists of four components:
  - *Loan amount.* This is the principal, or the amount that you borrow.
  - *Term.* The length of time for which you want to borrow the money is referred to as the term.
  - *Interest rate.* The cost you pay for borrowing money is referred to as interest.
  - *Points and fees.* Points are purchased at the closing to reduce the interest rate over the term of the loan. Fees are additional charges for other costs required by the lender.
- Lenders offer a wide rage of options with their mortgage products. You should take the time to understand which option works best for your family.
- Homeownership can be assisted by various partners. These partners include tribes, TDHEs, lenders, the BIA, DHHL, and nonprofit housing organizations.
- Obtaining a mortgage loan requires planning and budgeting for the initial entry costs as well as the costs of meeting the responsibilities of homeownership. Costs of the down payment, closing fees, insurance, taxes (if applicable), transfer of utilities, maintenance, and any other costs for contingencies must be considered.


Metlakatla Indian Community


Traditional Village of Togiak

Module Review



Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

____

____

____

____

____

Exercise

1. Most people borrow the money to purchase a home. This type of loan is referred to as a home ______________________.

2. Whenever you borrow money, the lender will charge you either a ______________________ or an ______________________ interest rate.

3. A lender's charge for the application and an appraisal are called ______________________.

4. In order to reduce the interest rate over the term of the loan, a borrower can purchase ______________________.

5. True or False? The BIA represents the governing body that has legal jurisdiction on the reservation.

   ❏ a. True
   ❏ b. False

6. True or False? A balloon mortgage is a special loan product for Pueblo Indians that is available during the Albuquerque Balloon Fiesta.

   ❏ a. True
   ❏ b. False

7. True or False? TDHEs were formerly referred to as IHAs.

   ❏ a. True
   ❏ b. False

8. True or False? Lenders are the partners who make mortgage loans and to whom you make payments.

❑ a. True
❑ b. False

9. True or False? A BIA Title Status Report (TSR) is usually required when you apply for a home mortgage on trust property.

❑ a. True
❑ b. False

10. Your lender will provide you an estimate of the closing costs called a:

❑ a. Pre-estimate
❑ b. Good Closing Estimate
❑ c. Good Faith Estimate

11. Mortgage payments consist of:

❑ a. principal and interest
❑ b. maintenance costs
❑ c. fees

12. Budgeting for future maintenance costs will:

❑ a. maintain the value of your property
❑ b. have no impact on the value of your property
❑ c. make your neighbors upset

13. As a homeowner, the cost of utilities:

❑ a. is your responsibility
❑ b. is the TDHE's responsibility
❑ c. is free

14. Housing counselors will assist you in:

❑ a. identifying and budgeting for all the costs associated with homeownership
❑ b. obtaining down payment assistance, if available
❑ c. obtaining housing and maintenance counseling
❑ d. all of the above

Notes

Notes

Notes

Notes

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Pathways Home:

A Native Homeownership Guide

Participant Module 3: ***Budgeting for Homeownership and Calculating Affordability***

A project coordinated by the
National American Indian Housing Council, NeighborWorks® America, and Oweesta

Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

Pathways Home:

A Native Homeownership Guide

Participant Module 3: ***Budgeting for Homeownership and Calculating Affordability***

The Second Edition of *Pathways Home: A Native Homeownership Guide* was developed by the Native American Indian Housing Council in partnership with Oweesta and NeighborWorks America. The Second Edition of *Pathways Home: A Native Homeownership Guide* includes materials from the First Edition originally published in 2003 and developed by the National Congress of American Indians in partnership with the National American Indian Housing Council and NeighborWorks America with contributions by Bank One, the Fannie Mae Foundation, the Ford Foundation, Green Point Mortgage, PMI, Washington Mutual, and the Wells Fargo Foundation.

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Disclaimer

More Information

Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

Table of Contents

Pathways Home:

A Native Homeownership Guide

So, you want to buy a home of your own –

You've come to the right place. *Pathways Home: A Native Homeownership Guide* will help you to develop the skills you need to purchase a home. These materials are intended for Native people, and we hope that you and your family will use them to build upon your traditional knowledge and expand your understanding of homeownership.

Pathways Home: A Native Homeownership Guide is divided into eight modules plus a glossary.

Module 1: Exploring Homeownership
Module 2: Considering Mortgage-Based Homeownership
Module 3: Budgeting for Homeownership and Calculating Affordability
Module 4: Evaluating Credit for Homeownership
Module 5: Finding a Home
Module 6: Applying for a Home Loan
Module 7: Meeting Your Financial Obligations
Module 8: Protecting Your Investment
Glossary

Understanding the homeownership process is the first step on your journey to becoming a homeowner. The following suggestions will help you to use *Pathways Home: A Native Homeownership Guide* as a guide for your learning.

1. Begin each module by quickly scanning the headings. This will give you an idea of what you will be studying.
2. It is important to underline and write in the modules to reinforce your learning.
3. All terms in bold type are defined in the glossary. Refer to the glossary to understand terms that are commonly used in the homeownership process.
4. At the end of each module you will find a Module Review. Use this opportunity to review the concepts discussed.
5. You will need a pencil and calculator to complete the exercises in the modules.
6. Each module is illustrated by traditional and contemporary homes from different Native regions. Historically, Native people were homeowners, and with some planning and determination, you can be one today!

The Red Owl Family

Pine Ridge Indian Reservation

"Because we were part of building it, we will enjoy our home even more," explained David Red Owl. He and his wife Alida participated in the Oglala Sioux Tribe Partnership for Housing's Mutual Self-Help program, which is funded through Section 523 under the USDA Rural Development Program. By providing 30 hours per week of "sweat equity" to complete their home, the Red Owl family was able to keep their mortgage affordable. They are most excited about getting their kids out of public housing and fixing up their own place. They even plan to plant trees. "We don't know if they will grow out there in the grasslands, but we are going to experiment," said David. "It was a long process – two years," added Alida, "but we wanted a place of our own."

Module 3:

Budgeting for Homeownership and Calculating Affordability

Objectives

In this module we will discuss:

- how much you can afford to spend on a home
- developing a spending plan to meet your housing goals
- setting financial goals for homeownership
- how to evaluate your income and spending

Determining How Much You Can Afford to Spend on a Home

To determine your **affordability**, a lender evaluates the amount you can afford to spend on a mortgage payment each month. There are several simple ways to calculate this amount:

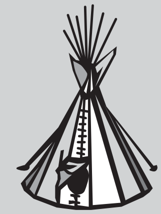
- **qualifying ratios**
- a **factor table**

Calculating ratios and using the factor table will help you to determine the principal and interest portion of your mortgage payment. But you must also estimate additional costs of applicable taxes and insurance.

Using Ratios

Before making you a loan, a lender wants to be sure that you can repay it. Lenders use qualifying ratios to determine the maximum monthly house payment (PITI) you can afford. Keep in mind that ratios are only a guide that estimate your purchasing power. When you develop your spending plan, your family's financial circumstances control how much you can afford to spend on a monthly house payment. There are two types of qualifying ratios.

Housing-to-Income Ratio. The housing costs-to-income ratio refers to the percentage of your gross monthly income that may be used for your housing costs (PITI payment). This percentage is called a **housing ratio** or **front end ratio**. Depending on the type of loan you select, your housing ratio could be 25 percent, 28 percent, 29 percent, or even 33 percent of your monthly income.



Tipis are a type of traditional home used by the Plains Indians. Pine wood poles were used to form the frame of the tipi. The poles were covered with bison hides and an opening was left at the top for smoke to escape. A smoke flap was used to cover the opening in case of bad weather. Tipis were built so that they sloped with their back to the prevailing wind and the front door on the opposite side.

Income can come from various sources, such as regular wages, income from arts and crafts sales, seasonal income from fishing or farming, lease income, gaming dividends, land claims payments, etc.

Lenders consider the following categories of income as long as the income is documented, verifiable, and likely to continue:

- employment income
- investment income
- benefit income
- miscellaneous income

EXAMPLE

Pauline Chee has a total gross monthly income of $1,800. She has selected a loan product that allows for a 29 percent maximum housing ratio. The maximum amount she can spend monthly for housing, including escrows (insurance and property taxes), would be $522.

$1,800 X 29% (.29) = $522

Total Debt-to-Income Ratio. The total debt-to-income ratio refers to the percentage of your gross monthly income that may be used for all of your recurring debts, including housing costs. Lenders understand that most families have monthly bills such as automobile payments, **credit card** payments, and loan payments. These are taken into consideration when calculating your maximum loan amount. The **debt-to-income ratio** or back end ratio is the percentage of gross income that the lender will allow for consumer debts plus the proposed housing payment.

The debts that are considered when calculating your debt-to-income ratio are:

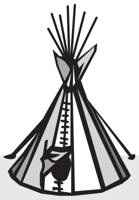
- **Revolving Credit Accounts**. Visa, MasterCard, and department store accounts that have changing monthly balances and minimum payments due are included in this category. Depending on the loan product, the lender will use the minimum monthly payment when calculating your debts if the revolving payments are expected to continue for more than six to ten months.
- Installment Accounts. Automobile payments, furniture payments, and student loan payments are labeled "installment" because they have a set monthly charge and are due for a specified time frame. Again, depending on the loan product, if these installment debts are expected to continue for more than six to ten months, the lender will count the payment in your ratios.
- Other Monthly Payments. Alimony and wage garnishments are treated as recurring debt by most lenders.

Lenders do not include certain types of monthly bills when calculating your debt-to-income ratio, such as telephone and utility bills, auto and life insurance, retirement and savings contributions, income and Social Security taxes, and union dues.

EXAMPLE

The loan product Pauline Chee selected has a 41 percent maximum debt-to-income ratio. Her total gross monthly income is $1,800. Based on these figures, the maximum amount allowed each month for her debts and proposed house payment would be $738.

$1,800 X 41% (.41) = $738



Using Ratios Exercise

John and Noreen Nasanhoya have a combined income of $32,000 a year. Their monthly recurring debts amount to $600.

1. What is their gross monthly income? ___________________

2. How much can they afford to spend on a mortgage if their loan product allows for a 29 percent housing-to-income ratio? ___________________

3. How much debt can they have if their loan product allows for a 41 percent maximum debt-to-income ratio? ___________________

Property Taxes and Insurance. Lenders also automatically include property taxes and insurance escrows in your housing ratio. These figures vary from community to community. Property taxes may not apply. As a general rule, 20 percent of your monthly house payment will be put into escrow to cover your property taxes and insurance costs. Therefore, the actual amount available for your monthly mortgage payment is 20 percent less than your original calculation.

EXAMPLE

Your maximum allowable house payment is $522. In order to determine your monthly house payment (principal and interest), the taxes and insurance must be subtracted.

Monthly house payment	*$522*
Escrow amount ($522 X .20 = $104)	*– $104*
Maximum principal and interest	*$418*

Using a Factor Table

Factor tables can be used to calculate the maximum amount you can borrow or your monthly mortgage payment. Below is a sample Factor Table for 15- and 30-year mortgages.

Sample Factor Table

Interest Rate	15-Year Mortgage	30-Year Mortgage
4.50%	$7.65	$5.07
5.00%	$7.91	$5.37
5.50%	$8.17	$5.68
6.00%	$ 8.44	$ 6.00
6.50%	$ 8.71	$ 6.32
7.00%	$ 8.99	$ 6.65
7.50%	$ 9.27	$ 6.99
8.00%	$ 9.56	$ 7.34
8.50%	$ 9.85	$ 7.69
9.00%	$10.14	$ 8.05
9.50%	$10.44	$ 8.41
10.00%	$10.75	$ 8.78
10.50%	$11.05	$ 9.15
11.00%	$11.37	$ 9.53
11.50%	$11.68	$ 9.91
12.00%	$12.00	$10.29

Maximum Loan Amount

To use the Factor Table to determine your maximum loan amount, you will have to estimate the monthly mortgage payment that you feel you can afford to pay.

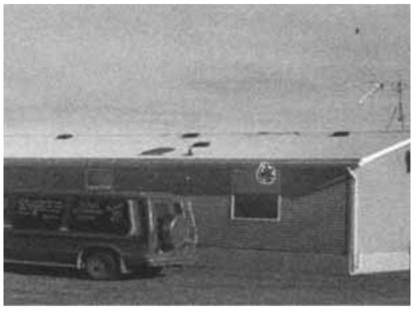
1. Identify the factor by locating the interest rate and length of time you will have the loan.
2. Divide the monthly mortgage payment by the factor.
3. Multiply your answer by $1,000.

Ratios and factor tables are useful when exploring purchasing power. But they do not always reflect the reality of a family's living situation.

"I would advise other homebuyers to get educated and keep going after what you want. Do not let lenders talk you out of what you really want. Education will help you understand what they are talking about."

– Paul and Sandra Adcock, Sault Ste Marie Chippewa Tribe, Michigan

Cherokee Nation, Oklahoma



Lower Brule Reservation

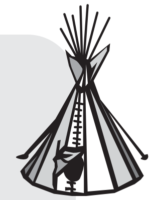
Choctaw Nation of Oklahoma

EXAMPLE

Rudy and Mary Pena qualify for a maximum principal and interest amount of $350. There is a mortgage program that will provide them with a 30-year loan at an 8 percent interest rate. Using the factor table, you find that $7.34 per month is the factor for this rate and term. Now, calculate the mortgage amount by dividing $350 by $7.34 to get 47.684. Multiply this figure by $1,000 to get your maximum mortgage amount of $47,684. The steps are illustrated below:

Interest Rate		*Monthly Mortgage Payment*	÷	*Factor at 30 Years*	*Answer*	X	*$1,000*	=	*Maximum Mortgage Amount*
8%		*$350*	÷	*$7.34*	*47.684*	X	*$1,000*	=	*$47,684*

Maximum Mortgage Amount Exercise



Complete the following table by doing the necessary factor calculations using a 30-year term.

EXAMPLE

You know that your monthly mortgage payment is going to be $340, but you want to know the maximum mortgage amount you can borrow. You have found a loan product that will give you a 7 percent interest rate for 30 years. The factor for this loan would be $6.65. Divide $340 by $6.65, and you get 51.12781, which rounds off to 51.128. Multiply this figure by $1,000 to get $51,128. When you shop for a home, you will have to look in this price range. The table below demonstrates the calculation step by step.

Interest Rate	*Monthly Mortgage Payment*	÷	*Factor at 30 Years*	*Answer*	X	*$1,000*	=	*Maximum Mortgage Amount*
7%	*$340*	÷	*$6.65*	*51.128*	X	*$1,000*	=	*$51,128*
6.5%	*$193*	÷			X	*$1,000*	=	
9%	*$193*	÷			X	*$1,000*	=	

Lenders use gross income to calculate affordability, but you should use your net income to determine affordability.

"I remember when I started cleaning up my debt so that I could buy a house. It seemed like it was going to take forever. But then six months later I started feeling like I was getting somewhere. It took me two years, and when I finally realized I had no debt, I felt so free. I never want to feel like my paycheck is for everyone else but me. I feel so good about myself."

– Jason Cypress, Resident
Miccosukee Tribe

Rocky Boy Reservation

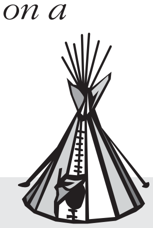
Maximum Monthly Mortgage Payment

To use the Factor Table to determine your *monthly mortgage payment* you will need to know the estimated mortgage loan amount.

1. Identify the factor by locating the interest rate and length of time you will have the loan (in years).
2. Divide the mortgage loan amount by $1,000.
3. Multiply the answer by the factor.

EXAMPLE

You have qualified for a maximum mortgage loan of $85,000 at a 7 percent interest rate for 30 years. Divide the $85,000 by $1,000 and you get 85.00. When you multiply 85.00 times $6.65, it equals $565. This is the approximate amount that you will pay for principal and interest on a monthly basis.



Maximum Monthly Payment Amount Exercise

Use the factor table on page 4 to calculate the monthly payment.

Interest Rate	*Mortgage Loan Amount*	÷	*$1,000*	*Answer*	X	*Factor at 30 Years*	=	*Monthly Mortgage Payment*
7.5%	*$85,000*	÷	*$1,000*	*85.00*	X		=	
8.5%	*$85,000*	÷	*$1,000*	*85.00*	X		=	

Property Taxes and Insurance. Remember, the factor table calculates the monthly mortgage payment, which is principal and interest. You must add the cost for taxes and insurance in order to estimate the total monthly house payment (PITI). Because these figures vary by community, you will need to check with your housing counselor.

Property taxes may not apply on most reservations.

EXAMPLE

Your maximum mortgage payment is $550. Your housing counselor advises you that taxes and insurance costs average $60 per month. In this case, your monthly house payment totals $610 ($550 + $60).

Debt Affects Affordability

Your total monthly debt payments directly affect the maximum amount of mortgage for which you qualify. If you have large credit card and loan debts, your maximum allowable monthly house payment will be reduced accordingly.

EXAMPLE

A family has selected a loan product that allows them to have a maximum housing ratio of 28 percent and a maximum total debt-to-income ratio of 36 percent of their gross monthly income. They earn $24,000 per year and have calculated that their gross monthly income is $2,000 ($24,000 ÷ 12 months). Also, their monthly credit card and loan payments total $300.

Maximum house payment:	*$2,000 X 28% = $560*
Maximum monthly debt:	*$2,000 X 36% = $720*

When their recurring debt of $300 is taken into consideration, the lender will only qualify the family for the lesser of the debt ratio minus the recurring debt and the housing ratio.

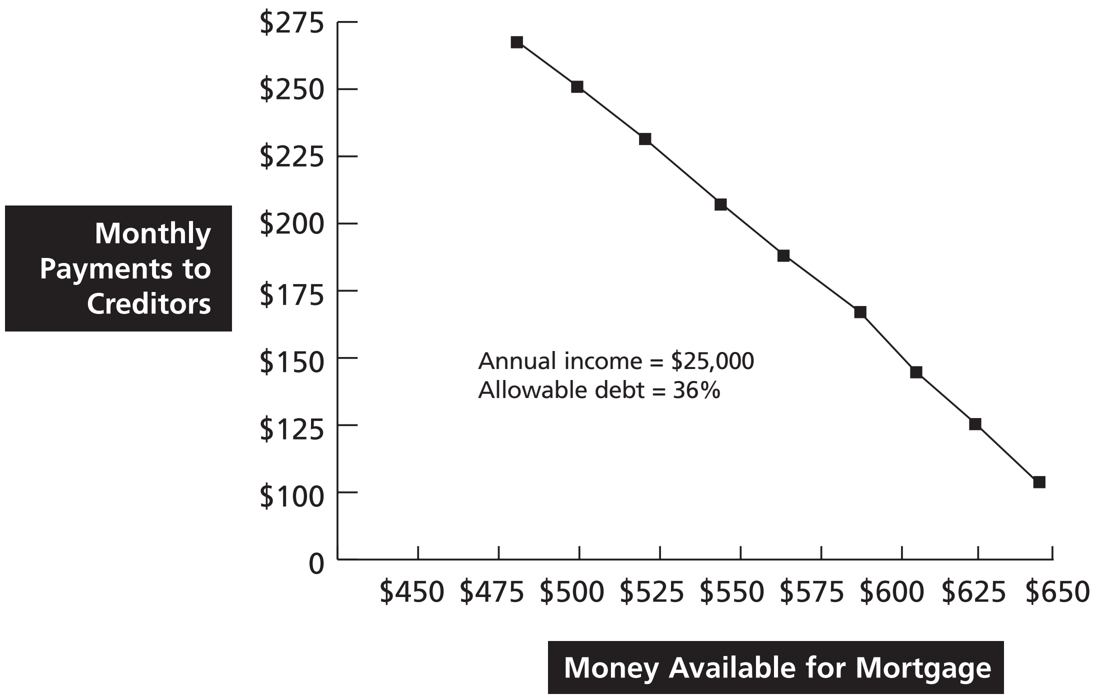
Maximum house payment:	*A.*	*$560*
Maximum monthly debt – recurring debt($720 - $300):	*B.*	*$420*
Maximum house payment is the lesser of A and B.		*$420*

EXAMPLE

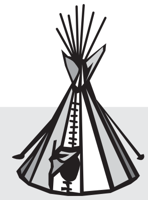
The Debt Effect on Affordability table below illustrates how your percentage of debt can affect your ability to get a mortgage payment. The table is based on an annual income of $25,000 ($2,083 gross monthly income or GMI), with a total allowable debt of 36 percent. You can see that as you increase your recurring debt, you have less borrowing power for a mortgage.

Debt Effect on Affordability Table

% of GMI Paid to Creditors for Recurring Debt	Monthly Payments to Creditors for Recurring Debt	Total Allowable Recurring Debt (36% of $2,083 GMI)	Money Available for PITI (difference between your actual recurring debt and total allowable debt)
5%	$104	$750	$646
6%	$125	$750	$625
7%	$146	$750	$604
8%	$167	$750	$583
9%	$188	$750	$562
10%	$208	$750	$542
11%	$229	$750	$521
12%	$250	$750	$500
13% or more	$271	$750	$479



Increasing Your Affordability Exercise



List several ways that you think you could increase your affordability.

Increasing your affordability will take time and some effort. The following actions may assist you:

- *Eliminate debt.* This is the best and most effective way to increase your ability to afford a home of your choice. First, try repaying the credit cards or loans that have the lowest balances and the highest monthly interest rates.
- *Restructure debt.* Consider combining all your debt so that you only have one payment that tends to be lower than the total of all the individual payments. This is referred to as **debt consolidation** and requires that you borrow the funds to repay all your debts and make monthly payments to the lender.
- *Pay down debt.* Many loan products allow lenders to not count monthly bills that will be paid off in six or 10 months. Consider making a few extra payments to reduce the remaining payments to below the six- or 10-month limit.
- *Explore other loan products.* There are other loan products that may be suitable for your financial situation. Some programs have more flexible criteria such as higher debt-to-income ratios or interest subsidies. Remember, if it appears to be too good to be true, it probably is. Be careful to read the fine print and consult your housing counselor.
- *Increase your income.* Many families take on a second job to retire debt or to increase their affordability more quickly.

Setting Financial Goals

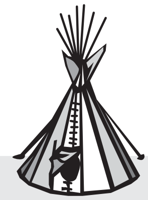
To accomplish your goal of homeownership, you will need to set some financial goals. Financial goals are statements about things you wish you could afford. There are two types of financial goals:

Short-Term Goals. Goals to save an amount of money to purchase a particular item within a few weeks or months.

Long-Term Goals. Goals to save an amount of money to purchase a particular item within a few years.

If your long-term goal is to purchase a home, you will likely have many short-term goals that will move you closer to achieving homeownership. For instance, your short-term goals might include paying off some of your debt or saving for a down payment. Use the following Financial Goals Exercise to identify some short-term and long-term financial goals. Try to identify financial goals that will help you move closer to homeownership.

Cherokee Nation, Oklahoma



Financial Goals Exercise

List several short-term and long-term financial goals for yourself, the approximate cost, target date for achieving them, the amount you need to save each month to achieve your goal, and some actions you must take to successfully reach your goals. After you have identified several goals, try to prioritize them in the far left column. Number one should be the goal you would like to accomplish first.

Short-Term Financial Goals

Priority	My Goal Is . . .	Cost	Target Date	Amount to Save Monthly	To Achieve My Goals I Need to...

Long-Term Financial Goals

Priority	My Goal Is . . .	Cost	Target Date	Amount to Save Monthly	To Achieve My Goals I Need to...

Developing a Family Spending Plan

You can accomplish your financial goals by establishing a family spending plan that includes saving each month. To develop a spending plan:

- calculate your income
- identify your expenses
- examine the relationship between your income and expenses
- set spending goals

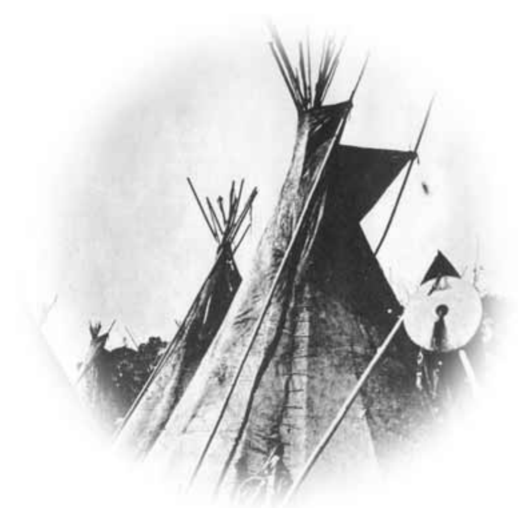
The choice to spend wisely and save carefully is yours. But your desires will only become reality when you establish a plan and stick to it!!! Without a realistic plan, your spending will be destined to wander.

Calculating Income

Before you can determine how much you can afford to spend on a home, you will need to know your **gross income**, which is your total income before taxes. **Net income** is the amount you earn after taxes are deducted. Almost any income can be included as long as the income is:

- documented and verifiable
- expected to continue for three to five years

Income is received on a variety of schedules. People may earn hourly wages, or be paid a set salary weekly, biweekly (every two weeks), twice per month, or once per month. If you happen to be a teacher, construction worker, or self-employed person, or if your occupation provides seasonal, overtime, or part-time employment, your pay depends on how much you work.



"A spending plan is like a new pair of pants – sometimes it squeezes you, but mostly it just makes you look good!"

– Brian E. Griffin, housing counselor/trainer
Fort Hall Housing Authority
Shoshone-Bannock Tribes

Calculating Your Monthly Income

To determine your gross (before tax) monthly income, you must identify your income type.

Example 1: Hourly Wage Earner – *If you are paid on a per hour basis, take your hourly rate and multiply it by the number of hours you work in a week. Multiply that number by 52 and divide by 12.*

Let's suppose you earn $9 per hour and work 40 hours per week.
$9 (per hour) X 40 (hours) = $360 (per week)

$360 (per week) X 52 (weeks in a year) = $18,720 (per year)
$18,720 (per year) / 12 (months in a year) = $1,560 (per month)

Example 2: Biweekly Wage Earner – *If you are paid biweekly, take the gross amount you make each pay period, multiply it by 26, and divide by 12. Let's suppose you earn $1,000 every two weeks.*

$1,000 X 26 (two-week periods in a year) = $26,000 (per year)
$26,000 (per year) / 12 (months in a year) = $2,166.67 (per month)

Example 3: Twice Per Month Wage Earner – *If you are paid twice per month, take the gross amount you make each pay period, multiply it by 24, and divide by 12. Let's suppose you earn $1,000 twice per month.*

$1,000 X 24 (twice-monthly pay periods per year) = $24,000 (per year)

$24,000 (per year) / 12 (months in a year) = $2,000 (per month)

Determining "Other" Monthly Income

Social Security, public assistance, retirement, and disability are usually the same amount each month. The lender will use these monthly figures to calculate income. Income generated through self-employment activities such as making and selling arts and crafts, performing traditional dances, drumming, etc. can be counted if it is documented and verifiable.

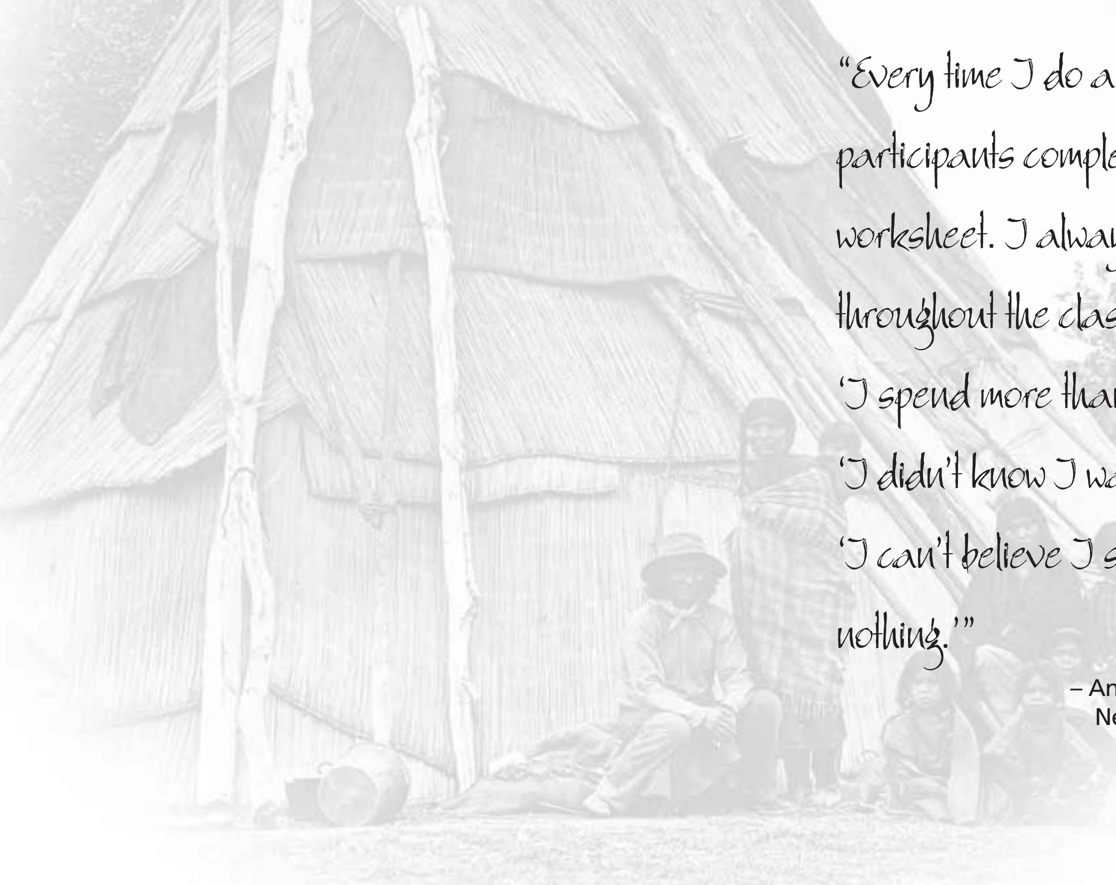
Recurring payments such as Alaska Permanent Fund Dividend (PFD) and per capita distributions from land claims, settlements, tribal casino revenues, and trust land lease income can sometimes be included as income as long as they are verifiable and if there is evidence that they are likely to continue.

You may receive several sources of income over the year. The lender will always total all the income you have received and then divide it by 12 months to calculate your average monthly income.

EXAMPLE

Assume you worked part-time during Christmas at the casino for nine weeks, and your total gross earnings were $1,620. You also received a per capita distribution of $3,600 per year. Your gross monthly income is calculated as follows:

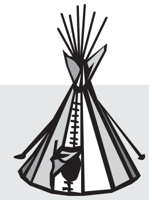
$1,620 + $3,600 = $5,220 annual income
$5,220 / 12 months = $435 GMI



"Every time I do a budgeting class, participants complete an expense worksheet. I always hear whispers throughout the classroom such as,
'I spend more than I make,'
'I didn't know I was spending this much,'
'I can't believe I spend all my money on nothing.'"

– Anna Redheart, Housing Counselor,
Nez Perce Tribal Housing Authority

Determining Your Monthly Income Exercise



List your monthly income on the Income Worksheet. Make sure to list all forms of income that you have (e.g., seasonal income such as the money earned from fishing or working the pow wow circuit).

Income Worksheet
Calculate your monthly gross income by using one of the four formulas to determine annual gross income: (1) hourly pay x hours per week x 52 weeks per year; (2) weekly pay x 52 weeks per year; (3) biweekly pay x 26 periods per year; or (4) bimonthly pay x 6 periods per year. Divide this annual figure by 12 to determine your monthly gross income.

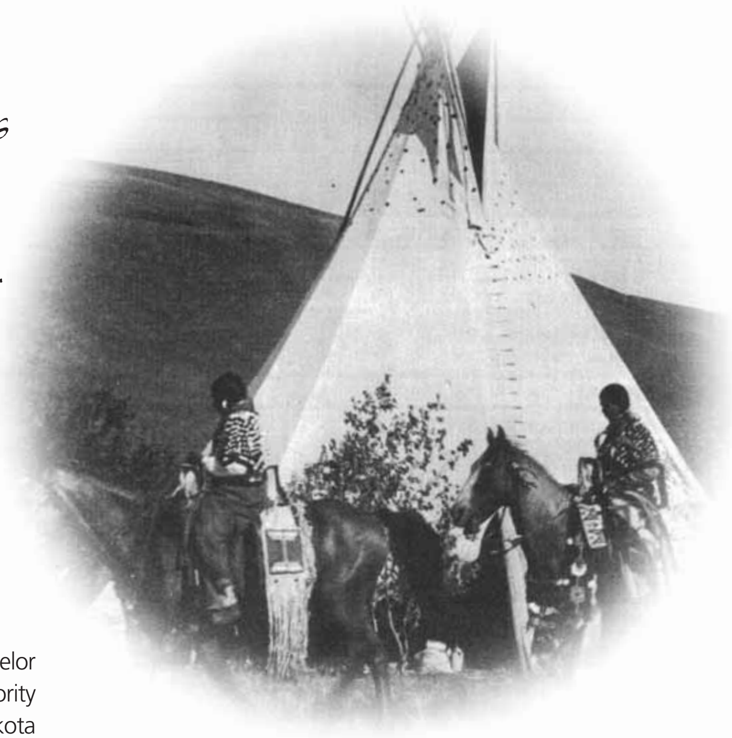
	APPLICANT		CO-APPLICANT	
Types of Income	**How Long**	**Annual Gross**	**How Long**	**Annual Gross**
PRESENT EMPLOYMENT INCOME				
Gross pay (before tax)				
Overtime/commissions				
Bonuses/tips				
Seasonal income: fishing, farming, firefighting				
Self-employment: arts and crafts, entertainment				
INVESTMENT INCOME				
Dividends/interest earnings				
Income from leased trust land				
Per capita payments				
Tribal gaming dividends				
Business/investment earnings				
BENEFIT INCOME				
Pensions/Social Security benefits/ general assistance				
VA benefits				
Unemployment compensation				
Workers' Compensation/disability				
Welfare/public assistance				
MISCELLANEOUS INCOME				
Alimony/child support				
Tribal payments				
Other				
TOTAL		**(A)**		**(B)**

Round everything to the nearest dollar.

Combined Gross Annual Income (total A and B) = (C) $_________________

"We made the decision to buy a home as a family. It goes without saying that we were going to have to change some of our spending habits. My kids wanted a place of their own, so it was their decision as well to start saving for our home and to cut back on our spending."

– Jamie Phillips, Housing Counselor
Yankton Sioux Tribal Housing Authority
South Dakota



Identifying Expenses

The next step in budgeting for homeownership is to identify your monthly expenses. Your expenses include all the money that you spend each month from the cup of coffee you buy in the morning to the cable television bill.

Monthly Expenses Exercise

Start to complete the Monthly Expense Worksheet by completing the Current Spending column. You will continue to complete the other columns of this worksheet later in this module.

Monthly Expense Worksheet

EXPENSES	Current Spending	Spending Plan Goals	Revised Spending Plan Goals	Comments
HOUSING				
House payment				
Garbage fees				
Electricity				
Gas/oil/coal				
Water/sewer				
Cell phone/phone/phone cards				
Internet/cable/satellite				
Monthly repairs				
FOOD				
Groceries				
Eating out				
School lunches/work lunches				
CAR				
Car payment				
Gas/oil				
Car repairs/maintenance				
Insurance				
Parking/tolls				
Bus/taxi/subway				
CLOTHING/PERSONAL				
Clothes for family				
Work gear				
Laundry/dry cleaning				
Hair cuts				
Nails				
Cosmetics/toiletries				
Alcohol/tobacco				
Diapers/formula				
Other personal items				
MEDICAL				
Health insurance				
Dental insurance				
Optical insurance				
Medication				
Doctor/dental visits				
Other medical/dental expenses				
FINANCE				
Child support/alimony				
Check cashing				
Cashier's checks				
Bank fees				
Taxes				
Other				
SAVINGS				
Savings account				
Investment				
IRA/retirement				
Emergencies				
Down payment				

(continued on page 19)

(continued from page 18)

EXPENSES	Current Spending	Spending Plan Goals	Revised Spending Plan Goals	Comments
DEBT				
Credit card debt				
Loan payments				
Student loans				
Other				
ENTERTAINMENT				
Movie rentals/cable				
Books/music				
Gambling				
Athletic events/crafts/hobbies				
Gym dues/sports fees				
Pow wows/stick game				
Other				
OTHER				
Education and supplies				
Child care				
Pets				
Charity/religious donation				
Children's activities				
Gifts				
Money to friends/relatives				
Other				
TOTAL EXPENSES				

"When I filled out that expense worksheet, that was the first time I realized that I was in trouble. I knew I spent a lot of money, but I didn't know that I spent that much. In fact, I was spending more than I was making. After that little exercise, I made some big changes."

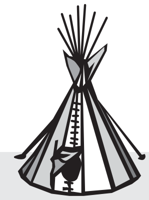
– Thomas Cypress, Resident, Miccosukee Tribe

Using net income when preparing your spending plan will give you the wiggle room to meet emergencies.

The Relationship Between Income and Expenses

Your **discretionary income** is the difference between your income and expenses. This is the money that you have left over after all of your monthly obligations have been met. To accomplish your goal of homeownership, your income should be greater than your expenses. Complete the following exercise to get a sense of the relationship between income and expenses.

Discretionary Income Exercise



Complete a Discretionary Income Worksheet for yourself. Use the information you collected on the Income Worksheet and Monthly Expense Worksheet to complete the calculation.

Discretionary Income

1. GROSS MONTHLY HOUSEHOLD INCOME (from page 16)	$____________
2. "NET" MONTHLY HOUSEHOLD INCOME (75% of line 1)	$____________
3. TOTAL MONTHLY EXPENSES (from page 19)	$____________
4. MONTHLY DISCRETIONARY INCOME (subtract Line 3 from Line 2)	$____________

Types of Expenses

To accomplish your financial goals, you might want to decrease your spending. To get a better sense of your spending, it is helpful to examine your different types of expenses.

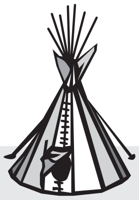
Fixed Expenses. These are monthly costs that do not change very much.
- rent/mortgage payments
- car payment
- savings

Flexible Expenses. These are monthly costs that you can control.
- groceries
- gas
- credit card payments
- pow wows

Luxury Expenses. These are monthly costs that you choose each month.
- entertainment
- gaming
- new clothes
- going out to eat

Money management is a family affair.

To accomplish your financial goals, you will want to control your family's spending on flexible and luxury items. It may be helpful to identify which of your expenditures are wants versus needs. Wants are items that you desire, but are not necessary, such as snacks or expensive entertainment. Needs are items that are essential based on your lifestyle and values. Housing, groceries, and education qualify as needs.



Identifying Wants versus Needs Exercise

Think about the money that you spend each week. Identify several of your family's expenses in each category and determine if it is a want or a need.

Expenses	Amount	Is this a want or a need?	How much could you decrease this expense by?
Fixed Expenses			
Flexible Expenses			
Luxury Expenses			

Estimate how much money your family is spending on wants each month. ___________

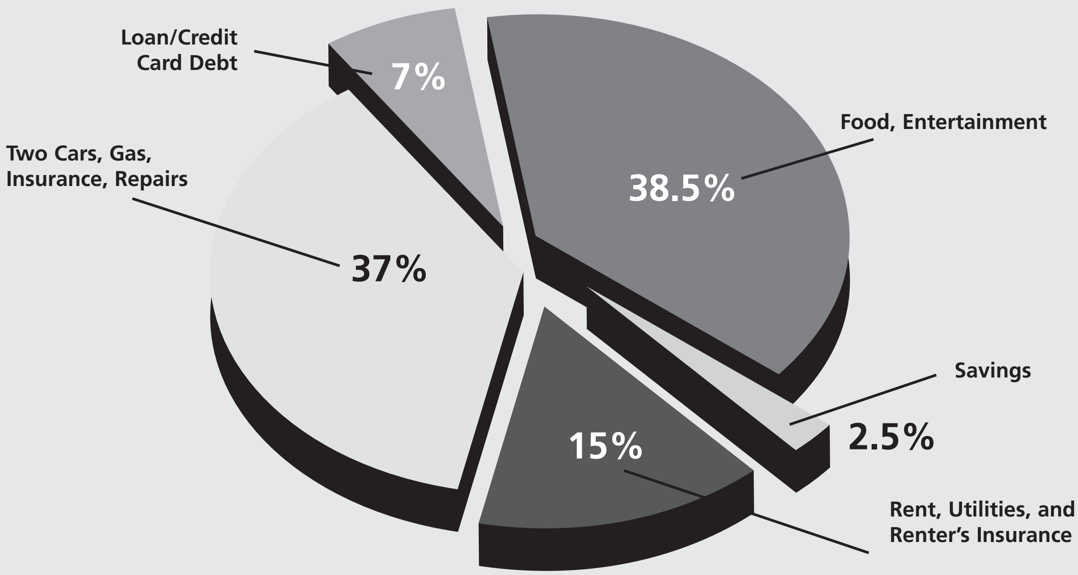
Could some of this money be saved and devoted toward achieving your financial goals? How much? ___________

Set Spending Goals

Developing a spending plan or spending goals will help you become a homeowner. Use the following exercises to explore what budgeting means for the Jumpers and then for your own family.

Budgeting for Homeownership Exercise

Consider James and Debra Jumper, who are enrolled members of the Eastern Band of Cherokee Tribe. Their goal is to purchase a $105,000 new home located on tribal trust property in a new subdivision with one-acre lots. James and Debra know that they need to examine their spending and create a spending plan if they are going to make their dream of homeownership a reality. Currently, they pay $284.00 per month to live in Debra's mother's home. The pie chart below describes the Jumpers' monthly spending. Their gross monthly income is $3,227 and their monthly take-home pay is $2,626. This year they expect a tax refund of approximately $2,500.



In work groups, answer the following questions.

1. Where do the Jumpers spend most of their money?

____

____

____

2. To purchase the home they want, the Jumpers will need to increase the amount they spend on housing from 15 percent to 30 percent of their gross monthly income, which is $3,227. This nearly doubles their housing expenses. Which categories of expenditures can the Jumpers reduce? How might they reduce these expenses?

____

____

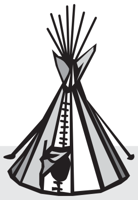
____

3. What would you advise the Jumpers to do with their tax refund?

____

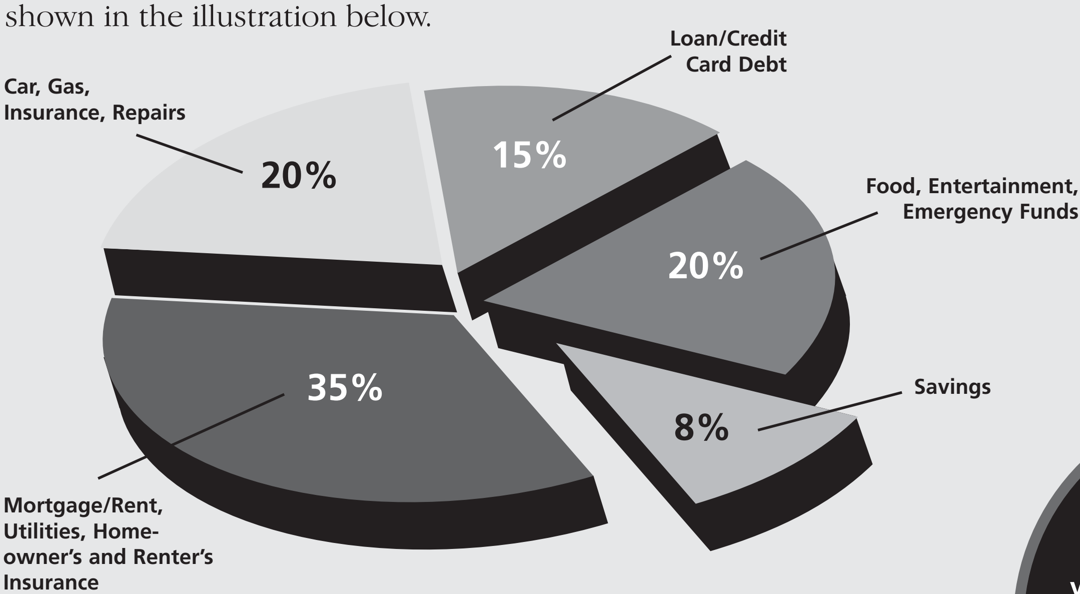
____

____



Developing a Family Spending Plan Exercise

Take some time to develop a family spending plan of your own. Equifax, one of the three largest credit bureaus, recommends that your annual income be divided as shown in the illustration below.



Continue to complete the Monthly Expense Worksheet on pages 18 and 19 by listing your spending plan goals in the second column. At the end of the month, calculate if you have met your spending plan goals. If not, determine the amount you have overspent so that you can try to decrease your spending for the next month. Remember to include saving toward your financial goals as a part of your family's monthly spending plan. Over time with consistent saving, you will achieve your financial goals!

Using a journal to track your spending will help you and your family evaluate and maintain a family spending plan.

The Jumper Scenario Exercise

Previously, you examined the Jumper family's spending. Now it's time to determine if the Jumpers are ready to buy a home. Review the Jumper family's scenario and then complete the questions. Use the Jumper worksheets included at the end of the Jumper scenario.

The Jumper Family Scenario

Consider James and Debra Jumper, who are enrolled members of the Eastern Band of Cherokee Tribe. They have been married for five years and have two children. They are expecting their third child in about six months. They live with Debra's mother, who stays home and takes care of the children.

The Jumpers would like to purchase a new five-bedroom home through a program the TDHE is offering. The home costs $105,000 and is located on tribal trust property in a new subdivision with one-acre lots. The TDHE has agreed to provide down payment and closing costs assistance at 0 percent interest with debt forgiveness at the rate of $1,000 per year.

Loan Product. The Section 184 Loan Guarantee program is recommended for a 30-year term at a 6.5 percent interest rate. The total debt-to-income ratio is 41 percent. For budgeting purposes, they decided to apply a 29 percent housing ratio.

Employment and Income. James has been a construction manager at the BIA Agency for the past five years. He earns $9.10 per hour at the BIA and works a 40-hour week. Debra has worked for two years as a personnel assistant at the government office and earns $560 gross every two weeks. For the past three years, she has earned $3,640 a year working part-time as a cashier for the tribe's bingo concession. They both receive a per capita payment of $200 per quarter from the tribe's casino. The children's dividend cannot be accessed until they are 18 years old. They have managed to save $2,500 from tax refunds and gaming dividends, and they expect a tax refund this year.

Expenses. Recurring debt includes:

Visa	$350 total balance	$35 per month
MasterCard	$1,200 total balance	$45 per month
Car loan	$1,800 total balance	$340 per month
Car loan	$5,000 total balance	$344 per month
Furniture	$700 total balance	$55 per month
Department store	$300 total balance	$20 per month
Student loan	$2,000 total balance	$75 per month

Use the completed Income and Debt and Assets Worksheets to complete the Prequalifying Worksheet on page 28.

1. Complete the Prequalifying Worksheet. Round answers to the nearest dollar. What is the maximum mortgage amount the Jumpers can qualify for?

 ____

2. The Jumpers are interested in a $105,000 home. How much more money do the Jumpers need to save in order to purchase this house?

 ____

3. What can the Jumpers do to increase their affordability?

 ____

 ____

 ____

Fort Berthold Reservation

Wind River Reservation

The Jumpers' Income Worksheet

Types of Income	APPLICANT How Long	APPLICANT Annual Gross	CO-APPLICANT How Long	CO-APPLICANT Annual Gross
PRESENT EMPLOYMENT INCOME				
Gross pay (before tax)				
Overtime/commissions				
Bonuses/tips				
Seasonal income: fishing, farming, firefighting				
Self-employment: arts and crafts, entertainment				
INVESTMENT INCOME				
Dividends/interest earnings				
Income from leased trust land				
Per capita payments				
Tribal gaming dividends				
Business/investment earnings				
BENEFIT INCOME				
Pensions/Social Security benefits/ general assistance				
VA benefits				
Unemployment compensation				
Workers' Compensation/disability				
Welfare/public assistance				
MISCELLANEOUS INCOME				
Alimony/child support				
Tribal payments				
Other				
TOTAL	**(A)**		**(B)**	

Round everything to the nearest dollar.

Combined Gross Annual Income (total A and B) = **(C) $**__________________

The Jumpers' Debts and Assets Worksheet

Long-Term Debts

List only long-term recurring debts. These debts are obligations you have already made, usually pay monthly, and that require ten months or more to complete payments. Note: Include child support payments and all credit card debt on any open account even if it has a $0 balance. Do not include other expenses such as rent, groceries, gas, spending money, utility bills, etc.

Account Name	Balance Owing	Monthly Payment
Car Payment	$	$
Car Payment	$	$
Credit Card	$	$
Credit Card	$	$
Credit Card		
Student Loan	$	$
Child Support Payments		
Personal Loan		
Department Store	$	$
Other	$	$
1. Total Monthly Payments	$	$

Cash and Assets

List all your sources of cash and any assets (property, possessions, items of value) you have that can be used for entry costs. It is important that you keep your savings in an institution that can verify that you have had a savings history of at least three months. Lenders will generally average your savings balance on past months' balances.

Account Name	Balance
Checking Account(s)	
Savings Account(s)	$
Real Estate	
401(K)	
Mutual Funds, Stocks, and Bonds	
Cash Value of Life Insurance Policy	
Cash Gifts from Parents/ Other Relatives	
Other Assets	
Other Assets	
2. Total Cash and Assets	$

The Jumpers' Prequalifying Worksheet

Ratios

____________	X	____________ %	=	____________	1
Gross Mo. Income		*Housing Ratio*		Allowable Mo. Housing Cost	
____________	X	____________ %	=	____________	2
Gross Mo. Income		*Debt-to-Income Ratio*		Allowable Mo. Recurring Debt	

Total Monthly Recurring Debt Payments = ____________ 3

Subtract Line 3 from 2 to determine = ____________ 4

Available for Mo. PITI

Maximum Monthly PITI Payment Allowed

Enter the lesser amount from Line 1 or 4 = ____________ 5

Escrows

Multiply Line 5 by 20% = ____________ 6

Subtract Line 6 from 5 = ____________ 7

Maximum Principal + Interest

Affordability

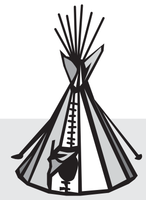
Divide Line 7 by factor based on 6.5% for 30 years

____________	÷	____________	=	____________	8
Line 7		*Factor from page 4*			

Multiply Line 8 by $1,000 = ____________ 9

Maximum Mortgage Amount

Calculating Your Own Affordability Exercise



Now it's time to calculate your own affordability.

1. Complete the Your Income Worksheet on page 30, or you can use the worksheet you completed on page 16.

2. Complete the Your Debts and Assets Worksheet on page 31.

3. Complete the Your Prequalifying Worksheet on page 32. You will need to estimate your interest rate and term for your mortgage.

4. Evaluate your ability to qualify for a mortgage. What is your qualifying maximum loan amount? $________________

5. If you want to qualify for a more expensive home, complete Part II, the Home Desired section, of the Your Prequalifying Worksheet on page 33.
   - Calculate the monthly payment for the mortgage amount you would like to achieve. $________________
   - Determine how much debt needs to be reduced to increase affordability for your desired home payment. $________________
   - What steps will you take to improve your affordability?

     ____

     ____

     ____

     ____

6. Modify your monthly budget to meet these goals by completing the third column of the Monthly Expense Worksheet on pages 18 and 19.

Your Income Worksheet

Calculate your monthly gross income by using one of the four formulas to determine annual gross income: (1) hourly pay x hours per week x 52 weeks per year; (2) weekly pay x 52 weeks per year; (3) biweekly pay x 26 periods per year; or (4) bimonthly pay x 6 periods per year. Divide this annual figure by 12 to determine your monthly gross income. Refer to the income worksheet you completed on page 16.

Types of Income	APPLICANT How Long	APPLICANT Annual Gross	CO-APPLICANT How Long	CO-APPLICANT Annual Gross
PRESENT EMPLOYMENT INCOME				
Gross pay (before tax)				
Overtime/commissions				
Bonuses/tips				
Seasonal income: fishing, farming, firefighting				
Self-employment: arts and crafts, entertainment				
INVESTMENT INCOME				
Dividends/interest earnings				
Income from leased trust land				
Per capita payments				
Tribal gaming dividends				
Business/investment earnings				
BENEFIT INCOME				
Pensions/Social Security benefits/ general assistance				
VA benefits				
Unemployment compensation				
Workers' Compensation/disability				
Welfare/public assistance				
MISCELLANEOUS INCOME				
Alimony/child support				
Tribal payments				
Other				
TOTAL		(A)		(B)

Round everything to the nearest dollar.

Combined Gross Annual Income (total A and B) = (C) $________________

Your Debts and Assets Worksheet

Long-Term Debts

List only long-term recurring debts. These debts are obligations you have already made, usually pay monthly, and that require ten months or more to complete payments. Note: Include child support payments and all credit card debt on any open account even if it has a $0 balance. Do not include other expenses such as rent, groceries, gas, spending money, utility bills, etc.

Account Name	Balance Owing	Monthly Payment
Car Payment	$	$
Car Payment		
Credit Card		
Credit Card		
Credit Card		
Student Loan		
Child Support Payments		
Personal Loan		
Department Store		
Other		
1. Total Monthly Payments		

Cash and Assets

List all your sources of cash and any assets (property, possessions, items of value) you have that can be used for entry costs. It is important that you keep your savings in an institution that can verify that you have had a savings history of at least three months. Lenders will generally average your savings balance on past months' balances.

Account Name	Balance
Checking Account(s)	$
Savings Account(s)	
Real Estate	
401(K)	
Mutual Funds, Stocks, and Bonds	
Cash Value of Life Insurance Policy	
Cash Gifts from Parents/ Other Relatives	
Other Assets	
Other Assets	
2. Total Cash and Assets	

Your Prequalifying Worksheet

PART I

Ratios

__________ X __________ % = __________ 1

Gross Mo. Income — *Housing Ratio* — Allowable Mo. Housing Cost

__________ X __________ % = __________ 2

Gross Mo. Income — *Debt-to-Income Ratio* — Allowable Mo. Recurring Debt

Total Monthly Recurring Debt Payments = __________ 3

Subtract Line 3 from 2 to determine = __________ 4

Available for Mo. PITI

Maximum Monthly PITI Payment Allowed

Enter the lesser amount from Line 1 or 4 = __________ 5

Escrows

Multiply Line 5 by 20% = __________ 6

Subtract Line 6 from 5 = __________ 7

Maximum Principal + Interest

Affordability

Divide Line 7 by factor (estimate rate and term)

__________ ÷ __________ = __________ 8

Line 7 — *Factor from page 4*

Multiply Line 8 by $1,000 = __________ 9

Maximum Mortgage Amount

PART II

Home Desired

Purchase price of home selected	=	____________________	10
Divide Line 10 by $1,000	=	____________________	11
Multiply Line 11 by factor ______________	=	____________________ Monthly Mortgage Payment	12
Enter the amount from Line 5	=	____________________	13
Enter the amount from Line 12	=	____________________	14
Subtract Line 14 from Line 13	=	____________________	15

IF LINE 15 IS 0 OR LESS, STOP HERE. YOUR DESIRED HOME IS AFFORDABLE.

IF LINE 15 IS MORE THAN 0, YOU MUST REDUCE DEBT BY THE AMOUNT IN LINE 15 TO ACHIEVE AFFORDABILITY.

Enter the recurring debt from Line 3	=	____________________	16
Enter the amount from Line 15	=	____________________	17
Subtract Line 17 from Line 16	=	____________________	18

LINE 18 IS THE AMOUNT OF DEBT YOU CAN HAVE TO ACHIEVE AFFORDABILITY FOR THE PURCHASE PRICE IDENTIFIED IN LINE 10 .

Module Highlights

- Lenders use two ratios to assess your ability to afford a home mortgage: the debt-to-income and housing-to-income ratios. This is referred to as an affordability analysis.
- The housing-to-income ratio refers to the percentage of your gross monthly income that may be allocated to housing costs (PITI payment). This percentage is called a housing ratio.
- The total debt-to-income ratio refers to the percentage of your gross monthly income that may be allocated to all recurring debts, including housing costs.
- Lenders evaluate your debt to determine if you have the capacity to obtain and repay the additional debt of a mortgage loan.
- Debts that lenders consider when calculating your debt capacity include revolving charge accounts, installment accounts, and other recurring debt.
- Income generated through self-employment activities such as making and selling arts and crafts, performing traditional dances, drumming, etc. can be counted if it is documented and verifiable.
- Recurring payments such as Alaska Permanent Fund Dividend (PFD) and per capita distributions from land claims, settlements, tribal casino revenues, and trust land lease income, can sometimes be included as income as long as they are verifiable and if there is evidence that they are likely to continue.
- Your total monthly debt payments directly affect the maximum amount of mortgage for which you qualify.
- Financial goals are statements about things you would like to buy or do with your money. You accomplish these goals by managing your spending and regularly putting aside money to reach your goals.
- A family spending plan will help you reach your financial goals. To develop a spending plan, calculate your income, identify your expenses, examine the relationship between your income and expenses, and set spending goals.
- Learn to distinguish between "needs" and "wants." Reducing the amount you spend on your "wants" will help you achieve your housing and financial goals.
- To achieve homeownership requires a family commitment to identifying the family's income and expenses, assessing affordability, and revising your family spending plan to meet your goals.

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

____

____

____

____

____

Exercise

1. If your long-term goal is to purchase a home, you will likely have many short-term goals that will move you closer to achieving homeownership. List three examples of short-term goals that will bring you closer to homeownership.

   1. ____

   2. ____

   3. ____

2. To develop a spending plan, you need to do all of the following except:

   ❏ a. calculate your income
   ❏ b. identify your expenses
   ❏ c. examine the relationship between your income and expenses
   ❏ d. set spending goals
   ❏ e. apply for credit

3. Your total income before taxes is called ______________ ______________.

4. The amount of income you earn after taxes are deducted is called ______________ ______________.

5. When applying for a mortgage loan, almost any income can be included as long as the income is: (check all that apply)

   ❏ a. documented
   ❏ b. verifiable
   ❏ c. expected to continue for three to five years

6. The difference between your income and expenses is called ________________ ________________.

7. Which of the following are examples of flexible expenses?

   ❏ a. rent/mortgage payments
   ❏ b. vacation
   ❏ c. groceries
   ❏ d. cable

8. A lender evaluates the amount you can afford to spend on a mortgage payment each month to determine your:

   ❏ a. affordability
   ❏ b. discretionary income
   ❏ c. factor

9. True or False? Housing-to-income and debt-to-income ratios set limits on how much of a borrower's monthly income can be applied to housing costs.

   ❏ a. True
   ❏ b. False

10. Your total gross monthly income is $2,400. The loan product you have selected has a 29 percent maximum housing ratio. The maximum amount you could spend monthly for housing would be ______________________________ .

11. True or False? Total debt-to-income ratio refers to the percentage of your gross monthly income that may be allocated to all recurring debts, including housing costs.

    ❏ a. True
    ❏ b. False

12. The Section 184 Loan Program has a 41 percent maximum debt-to-income ratio. Your total gross monthly income is $2,400. Based on these figures, the maximum amount allowed each month for your debts and proposed house payment would be ______________________________.

14. Name three ways you can increase your affordability.

1. ______________________________

2. ______________________________

3. ______________________________

Photos Above: Choctaw Nation of Oklahoma

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Pathways Home:

A Native Homeownership Guide

Participant Module 4: ***Evaluating Credit for Homeownership***

A project coordinated by the

National American Indian Housing Council, NeighborWorks® America, and Oweesta

Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

Pathways Home:

A Native Homeownership Guide

Participant Module 4: *Evaluating Credit for Homeownership*

The Second Edition of *Pathways Home: A Native Homeownership Guide* was developed by the Native American Indian Housing Council in partnership with Oweesta and NeighborWorks America. The Second Edition of *Pathways Home: A Native Homeownership Guide* includes materials from the First Edition originally published in 2003 and developed by the National Congress of American Indians in partnership with the National American Indian Housing Council and NeighborWorks America with contributions by Bank One, the Fannie Mae Foundation, the Ford Foundation, Green Point Mortgage, PMI, Washington Mutual, and the Wells Fargo Foundation.

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More Information

Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

Table of Contents

Pathways Home:
A Native Homeownership Guide

So, you want to buy a home of your own –

You've come to the right place. *Pathways Home: A Native Homeownership Guide* will help you to develop the skills you need to purchase a home. These materials are intended for Native people, and we hope that you and your family will use them to build upon your traditional knowledge and expand your understanding of homeownership.

Pathways Home: A Native Homeownership Guide is divided into eight modules plus a glossary.

Module 1: Exploring Homeownership
Module 2: Considering Mortgage-Based Homeownership
Module 3: Budgeting for Homeownership and Calculating Affordability
Module 4: Evaluating Credit for Homeownership
Module 5: Finding a Home
Module 6: Applying for a Home Loan
Module 7: Meeting Your Financial Obligations
Module 8: Protecting Your Investment
Glossary

Understanding the homeownership process is the first step on your journey to becoming a homeowner. The following suggestions will help you to use *Pathways Home: A Native Homeownership Guide* as a guide for your learning.

1. Begin each module by quickly scanning the headings. This will give you an idea of what you will be studying.
2. It is important to underline and write in the modules to reinforce your learning.
3. All terms in bold type are defined in the glossary. Refer to the glossary to understand terms that are commonly used in the homeownership process.
4. At the end of each module you will find a Module Review. Use this opportunity to review the concepts discussed.
5. You will need a pencil and calculator to complete the exercises in the modules.
6. Each module is illustrated by traditional and contemporary homes from different Native regions. Historically, Native people were homeowners, and with some planning and determination, you can be one today!

Lillie McCabe

Navajo Nation

Lillie McCabe was determined to have a home of her own built on the land she grew up on. With the help of the Navajo Partnership for Housing, Inc., a homeownership nonprofit, she was able to obtain construction financing through the First National Bank of Colorado and permanent conventional financing through American Financial Resources, Inc. to build her new, three-bedroom home at the Kinlichee Chapter on the Navajo reservation. “In my homebuyer education class, we were informed that the home loan and building process could be complex and lengthy, and it was. I knew I had to be persistent and not give up,” explained Lillie. “I am so excited. I can now plan my retirement at a place where I know I will be very comfortable. I also look forward to those special occasions when my children and grandchildren can come to visit and even stay awhile.”

Module 4:

Evaluating Credit for Homeownership

Objectives

In this module we will discuss:

- the purpose of credit
- credit reports
- the four Cs of credit
- credit scoring
- credit denials

The Purpose of Credit

Native families traditionally migrated throughout the year to be near the natural resources that supported the community. Being restricted to reservations or Native lands has created the need to bring resources to our communities. Credit can be used for this purpose.

Credit is money you borrow and plan to repay. Any time a bank, family member, or business lends you money and you agree to pay it back at a later date, you are using credit. Today, using credit has become a way of life for most people in this country.

The importance of good credit goes beyond making it easy for you to borrow money. Good credit can also help you:

- Rent or buy things you want or need. When you want to borrow money to buy or lease something like a car, creditors make their decision based on many things, and probably the most important thing they consider is your credit history.
- Save money by borrowing at a lower interest rate. Loan rates are typically determined on the basis of credit history. People with good to excellent credit get the lowest interest rates. People with past or current credit problems tend to pay higher rates.
- Get a job. If you apply for a position that requires that you handle money, such as cashier, payroll clerk, or bank teller, the employer will want to know that you do not have serious credit problems that could tempt you to steal from the company.
- Lease rental property. When you rent an apartment, the landlord wants to know that you pay your bills on time.
- Open a checking account. Banks will check your payment habits to help determine how likely you are to pay your debts before agreeing to open an account with you.
- Establish utility services in your name. Utilities such as phone, electric, gas, heating oil, water, and cable TV may waive cash deposits for people with good credit.

Hogans are a type of traditional home used by the Navajo people in the Southwest. Typically, these shelters have one room and are built with the entrance facing east. They are used as dwellings or for ceremonial purposes. Early hogans were made of earth-covered poles, while later structures incorporated logs, stones, and other materials.

- Obtain insurance at a lower rate. Insurance companies will check your credit report if you apply for certain types of insurance. Good credit can qualify you for better rates.

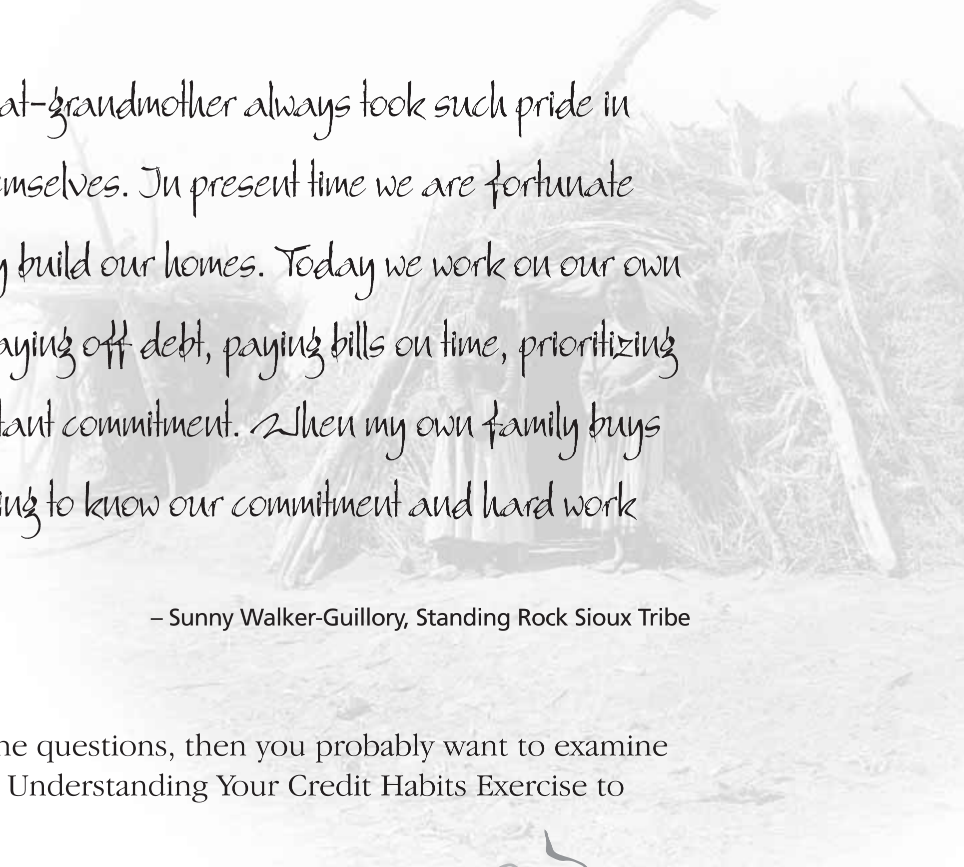
Credit is a privilege. If you want to borrow money again, you must protect your credit rating by paying your debts as you said you would.

Although credit is sometimes easy to obtain, for most people it is very difficult to manage. Less than good credit is one of the primary reasons lenders reject loan applications. The amount of credit, or personal debt, that you can handle depends on many factors such as your income, spending habits, and other financial obligations. The amount of debt you can carry comfortably will change during your lifetime. How do you know if you have too much debt?

Do You Have Too Much Debt? Exercise

Complete the following exercise to evaluate if you have more credit or debt than you can handle.

Questions	True	False
I juggle my bills, paying some creditors this month and others the next month.		
I take out new loans to pay off old ones, thereby extending my payment time.		
I spend more than 20 percent of my take-home pay to pay off debts (not including housing expense).		
I don't have reserve cash or easily sellable goods to meet emergency needs.		
I don't know for sure how much money I really owe.		
I usually pay only the minimum monthly payment.		
I continue to look for new credit cards and respond to mail-in offers hoping to expand the amount of credit that I have access to.		
I stay up at night worrying about how I am going to repay my debts.		
I often receive calls from creditors.		



"Although it was humble, my great-grandmother always took such pride in her home. My family built it themselves. In present time we are fortunate that we don't have to physically build our homes. Today we work on our own homes by building our credit, paying off debt, paying bills on time, prioritizing family goals, and having constant commitment. When my own family buys our first home, it will be rewarding to know our commitment and hard work built our home. "

– Sunny Walker-Guillory, Standing Rock Sioux Tribe

If you answered "true" to any of the questions, then you probably want to examine how you are using credit. Use the Understanding Your Credit Habits Exercise to help you.

Understanding Your Credit Habits Exercise

1. What kinds of purchases do you make with credit?

   ____

   ____

   ____

2. Are the items you mentioned above items you need or items you want?

   ____

3. Do you know the interest you are paying? If not, research the interest rate you are paying on your credit card purchases each month.

4. How do you decide whether to use credit or cash for a purchase?

   ____

   ____

   ____

Using Credit Wisely

If you have more credit than you can handle, you are likely paying significant finance or interest charges each month. For example, if you make a $1,000 purchase on a credit card that charges a 19 percent interest rate and then pay the minimum two percent monthly payment, it will take you 22 years to pay off your debt. In the process, your purchase will cost you $1,000 and you will pay $2,398 in interest charges. The money you spent on interest charges could have gone toward saving for a down payment or another one of your financial goals.

High interest charges – often 16 to 25 percent – make it difficult to pay off credit card balances if you only make the minimum monthly payment. Unless it is a necessary purchase, it is probably not worth the amount that it costs you. If you are in a position where you are overwhelmed with credit card debt:

- *Make no new credit card purchases.* Although it may be difficult, stop making purchases using credit. If you do not have the cash to make a purchase, then go without. Using credit can become too easy, and making minimum monthly payments on your credit card will never allow you to get out of debt. If you need to keep a credit card for emergency purposes, put it in an inconvenient place, like a container full of water in the freezer.
- *Pay off one bill at a time.* The only way to reduce your debt is to repay it. Make a plan to systematically pay off one debt at a time. Start by paying off the credit card that is charging you the highest interest rate.

Using credit wisely means learning to control how you use it. As we discussed in the previous module, it is important to learn the difference between your wants and your needs. Credit is best used to make needed purchases. Every time you have to pay finance charges on your credit card balance, you are robbing yourself of savings.

How you handle credit is an indicator of how you will handle your home loan. Housing counselors, nonprofit credit counseling services, or the local credit bureau staff can assist you in getting a handle on your credit.


Tohono O'odham Nation


Navajo Nation

Using Credit Wisely Exercise

Break into groups and brainstorm some ways that will help you control your credit card spending.

Your Credit Report

How you use credit will affect your **credit report**. A credit report is a record of how you have paid your credit card debt and other loans. The businesses and organizations that you borrow money from report your history of repaying them to national entities called **credit bureaus**. Most creditors subscribe to more than one credit bureau since not all credit reports contain the same information. Consequently, a compilation of all of the information is produced by the three largest credit bureaus – *Equifax*, *Trans Union*, and *Experian*. This report is called a **tri-merged credit report**. See Appendix A for a sample tri-merged credit report. Credit bureaus produce credit reports to share with your future creditors. A residential mortgage credit report, the tri-merged, is essential to the mortgage loan process. It shows lenders how much debt you have, if you have made payments on time, or if you have not paid back some loans at all. A typical credit report includes four categories of information:

Identifying information such as your name, current and previous address, Social Security number, date of birth, and current and previous employers.

Credit information such as specific details about your credit cards and other loans.

Public record information such as bankruptcy records, foreclosures, court judgments, collections, liens, and, in some states, overdue child support.

Inquiries such as the names of those who obtained a copy of your credit report and how often you have applied for credit in the past two years. There are two types of inquiries – **promotional inquiries** or **uninvited inquiries**, and **credit inquiries**. Promotional inquiries result when vendors query credit bureau databases and receive mailing-address information for individuals who match the criteria for their product. These inquiries do not impact your credit score and only appear when you order a copy of your own credit report (i.e., promotional inquiries are not disclosed to other potential creditors when they are evaluating a credit report).

Did you know that when you request a copy of your credit report it does not count as an inquiry?

"I remember my father spending like there was no tomorrow, so I did the same thing. I didn't know how I was hurting myself until I saw my credit report. I get a dividend and now I use it to pay off my debt. I want a home and I want to provide for my family. I will never again allow this to happen and I will teach my kids about it rather than having them find out like I did."

– Thomas Frank, Miccosukee Tribe

Types of Credit Reported

The three types of credit or debt reported to the credit bureaus and recorded on your credit report are:

Short-Term/Open. Using this type of credit, you set up an account, get a bill, and pay by the due date. There are no interest payments on these types of accounts. Good examples of **short-term credit** are utility accounts (e.g., phone and power) and certain **charge cards** like American Express, Diners Club, and some gas company cards that you have to pay off every month.

Installment. This type of credit is known as **closed-end credit** or an **installment loan**. It requires you to make a regular payment for the same amount each month until you have repaid the loan in full. A five-year car loan and a 30-year mortgage are good examples of this type of credit.

Revolving. Using this type of credit, you can choose to pay when you receive your bill or at a later date – but at the very least, you need to make a minimum monthly payment of usually two to five percent of the total bill each month. With revolving credit, you are charged interest on the money you choose not to repay each month. Visa, MasterCard, and department store cards are good examples of this type of credit.

Beware of offers promising no or low interest charges for an extended period of time. Typically, failure to pay off the principal within 90 days cancels the promotional offer.

Types of Negative Activity

The following types of activities are also reported to the credit bureaus. These are viewed by the lender as negative activity and may be an obstacle to mortgage readiness.

Judgments. If you owe a past debt that you have not paid, the person to whom you owe that money (the creditor) may have the right to sue you in tribal court (state court if applicable) to obtain a **judgment**. A judgment is a legal determination that you owe a certain amount of money. Judgments are part of the courthouse records that are searched when your credit report is compiled – in other words, they are part of the public record. Judgments are filed for things like nonpayment of rent (including Mutual Help payments), unpaid **IHS** or other medical bills, or defaulted student loans. A lender will not make you a mortgage loan until judgments are paid in full.

Collection Accounts. Creditors who have difficulty collecting send their unpaid accounts to a collection agency. These accounts will appear on your credit report, and, like judgments, they must be explained and paid in full prior to obtaining approval for a home loan. Some Rural Development home loan products require that the collection be paid in full for one year prior to making a loan application.

Pascua Yaqui Tribe

Charge-Offs. Sometimes debts will appear as **charge-offs**, meaning that the creditor has stopped trying to collect the debt and has charged it off as a bad debt. However, charge-offs are regarded by most lenders as debts that are still owed (similar to collection accounts), and will usually have to be paid in full.

Bankruptcies. **Chapter 7 bankruptcy** results in liquidation of the debtor's assets, meaning that most of what you own is sold to repay as much of your debt as possible. The remaining debt is forgiven or "discharged." Chapter 7 bankruptcies are looked at by lenders as very serious credit problems. If you filed Chapter 7, you will probably have to show a perfect credit history for a minimum of two, or usually three, years from the date of discharge before you will be able to get a mortgage loan. For example, the Section 184 Loan Guarantee program will consider the following:

- Discharge with credit reestablished for two years
- Discharge with credit reestablished for 12 to 23 months with documented unusual circumstances

Chapter 13 bankruptcy is used as "rehabilitation" of the debtor, meaning that at least a portion of all debt is repaid according to a plan set up by the bankruptcy court. Chapter 13 bankruptcies are a very serious credit problem. However, because the debts are being repaid, a person who has filed Chapter 13 can sometimes get a loan from a lender that offers affordable mortgage products after maintaining perfect credit (including payments on the bankruptcy plan) for one to two years from approval of their bankruptcy plan. Approval of the bankruptcy court will be required for you to get a mortgage loan.

Late Payments. Many people do not realize the negative effect that late payments have on their creditworthiness. Almost all businesses, department stores, specialty stores, and major credit card issuers report late payments. Businesses report how late the payment is (e.g., 30, 60, 90 days) and how often late payments occur. A late payment problem is further compounded when your future payments are first applied to late fees. This means that the payments will continue to be late until the balance of the bill is repaid. Typically, a history of frequent late payments is a serious credit problem that could result in a denial of a home mortgage loan.

Sample Credit Report

Although your credit report may not look exactly like this, it will contain the same information. Use this credit report to answer the questions on the next page.

The name and address of the office you should contact if you have any questions or disagreement with this credit report

Please address all future correspondence to the address shown on the right.

CREDIT REPORTING OFFICE
BUSINESS ADDRESS
CITY STATE 00000
PHONE NUMBER

I.D. SECTION

Your name, current address, and other identifying information reported by your creditors

DANIEL BEGAYE
123 HOME ADDRESS
CITY, STATE 00000

DATE 11/05/02
SOCIAL SECURITY NUMBER 123-45-6789
DATE OF BIRTH 06/04/71
SPOUSE SONYA

The first item identifies the business that is reporting the information

This is your account number with the company reporting

Number of months account payment history has been reported

This is the month and year you opened the account with the credit grantor

See explanation below

This is the date of last activity on the account and may be the date of last payment or the date of last change

The highest amount charged or the credit limit

Represents number of installment or monthly payments

The amount owed on the account at the time it was reported

This figure indicates any amount past due at the time the information was reported

See explanation below

Date of last account update

CREDIT HISTORY SECTION

List of both open and closed accounts

Company Name	Account Number	Whose Acct.	Date Opened	Months Reviewed	Date of Last Activity	High Credit	Terms	Items as of Date Reported: Balance	Past Due	Status	Date Reported
EXAMPLE BANK	11251514	J	05/98	66	01/02	3500		0		R1	01/02
LOCAL BANK	2953900000100473	I	11/99	48	01/02	9388		0		I1	01/02
EXAMPLE CREDIT	355411251511	A	06/97	24	12/01	500		0		01	02/02
CREDIT WORLD	54229778	I	05/01	48	12/01	5000	340	3000	680	R3	02/02

>>> PRIOR PAYING HISTORY – 30(03) 60(04) 90+(01) 12/99–R2, 1 02/02–R3, 06/99–R4 <<<

Number of times account was either 30/60/90 days past due

Date two most recent delinquencies occurred plus date of most severe delinquency

COLLECTION ACCOUNTS

Accounts that your creditors turned over to a collection agency

>>> COLLECTION REPORTED 06/98; ASSIGNED 09/97 TO PRO COLL (800) 555-1234
CLIENT– ABC HOSPITAL; AMOUNT–$600; STAT UNPAID 06/99; BALANCE–$800 06/99
DATE OF LAST ACTIVITY 09/98; INDIVIDUAL; ACCOUNT NUMBER 787652JC

>>>>>>>>>>>>>>>>>>>>> COLLECTION AGENCY TELEPHONE NUMBER (S) <<<<<<<<<<<<<<<<<<<<<
PRO COLL (800) 555-1234

COURTHOUSE RECORDS

Public record items obtained from local, state, and federal courts

*****************************COURTHOUSE RECORDS*******************************

>>> LIEN FILED 03/98; FULTON CTY; CASE NUMBER-32114; AMOUNT-$26667; CLASS-CITY/COUNTY; RELEASED 07/98; VERIFIED 09/98

>>> BANKRUPTCY FILED 12/97; NORTHERN DIST CT; CASE NUMBER-079HC012, LIABILITIES-$15787; PERSONAL; INDIVIDUAL; DISCHARGED; ASSETS-$780

>>> JUDGMENT FILED 07/97; FULTON CTY; CASE NUMBER-898872; DEFENDANT- PETER MIN AMOUNT-$8984; PLAINTIFF-ABC REAL ESTATE; SATISFIED 03/99; VERIFIED 05/99

ADDITIONAL INFORMATION

Primarily consists of your former addresses and employments reported by your creditors

**************************ADDITIONAL INFORMATION*****************************

FORMER ADDRESS 456 LAKE RD, SAN FRANCISCO, CA 94311

FORMER ADDRESS P.O. BOX 2138, LOS ANGELES, CA 90250

CURRENT EMPLOYMENT CASHIER, HOME DEPOT

INQUIRY SECTION

List of businesses that have received your credit report in the past 24 months

**************COMPANIES THAT REQUESTED YOUR CREDIT HISTORY******************

08/02	EQUIFAX	11/01	AUTOWORLD
05/02	PRM CREDIT	10/01	LOCAL BANK
01/02	EXAMPLE BANK	08/01	CAPITAL WORLD
01/02	SAVE CITY	06/01	EXAMPLE BANK

CREDIT SCORE SECTION

Credit scores provided by the 3 main credit bureaus

EFX BEACON SCORE (SUBJECT) = 0535 SCORE FACTORS: 00024, 000002, 00029, 00021

XPN FAIR ISAAC SCORE(SUBJECT) = 0510 SCORE FACTORS: 02, 21, 24, 29

TUC EMPIRICA SCORE(SUBJECT) = 0520 SCORE FACTORS: 029, 024, 002, 021

THE FOLLOWING INQUIRIES ARE NOT REPORTED TO BUSINESSES:

PRM—This type of inquiry means that only your name and address were given to a credit grantor so they could offer you an application for credit. (PRM inquiries remain for six months.)

AM or AR—These inquiries indicate a periodic review of your credit history by one of your creditors. (AM and AR inquiries remain for six months.)

Equifax, ACIS, or UPDATE—These inquiries indicate Equifax's activity in response to your contact with them for either a copy of your credit report or a request for research.

PRM, AM, AR, EQUIFAX, ACIS, and UPDATE inquiries do not show on credit reports that businesses receive, only on copies provided to you.

WHOSE ACCOUNT

Indicates who is responsible for the account and the type of participation you have with the account.

J = Joint
I = Individual
U = Undesignated
A = Authorized user
T = Terminated
M = Maker
C = Co-Maker/Co-Signer
B = On behalf of another person
S = Shared

STATUS

Type of Account

O= Open (entire balance due each month)

R = Revolving (payment amount variable)

I = Installment (fixed number of payments)

Timeliness of Payment

0 = Approved not used
1 = Paid as agreed
2 = 30 days past due
3 = 60 days past due
4 = 90 days past due
5 = 120 days past due or collection account
7 = Making regular payments under wage-earner plan or similar arrangement
8 = Repossession
9 = Seriously delinquent/bad debt (paid or unpaid); charged-off account

Credit Report Exercise

Use the sample Credit Report on page 9 to answer the following questions.

1. Whose credit report is this?

2. What is the date of this report?

3. Do any of the accounts listed in the credit history section indicate bills that were not paid on time? If so, which ones?

4. Have any accounts been turned over to a collection agency? What company did he owe the money to?

5. Does he have any public record items that might be of interest to a potential lender?

6. When was the last credit inquiry?

7. Would you make a loan to this applicant based on his credit history? Why or why not?

What Effect Does Divorce Have on Your Credit History?

As you think about purchasing a home, you may need to examine how your credit has been affected by either marriage or divorce.

EXAMPLE

Mary and Bill recently divorced. Their divorce decree stated that Bill would pay the balance of their three joint credit card accounts. Months later, after Bill neglected to pay off these accounts, all three creditors contacted Mary for payment. She referred them to the divorce decree, insisting that she was not responsible for the accounts. From the creditors' perspective, Mary is still responsible despite the decree.

If you've recently been through a divorce – or are thinking about one – you may want to look closely at issues involving credit. Start by identifying the types of credit that you opened during your marriage. There are two types of credit accounts – individual and joint. You can permit authorized persons to use the account with either.

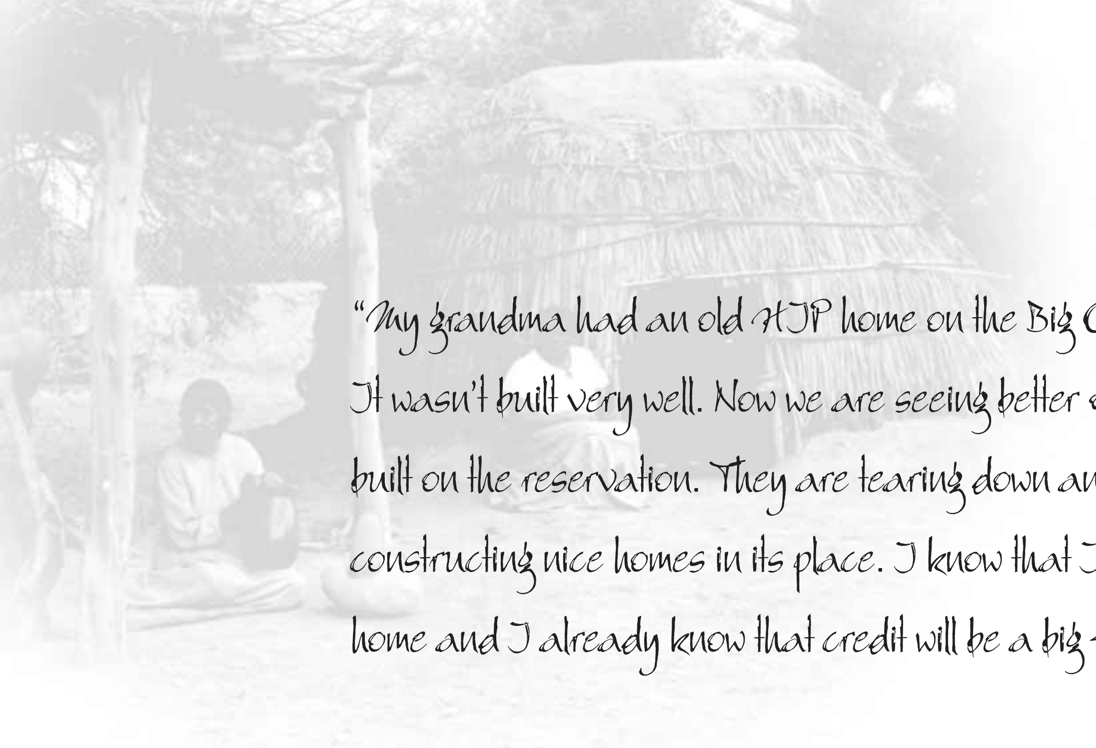
Individual Account. Only your income, assets, and credit history are considered by the creditor on an **individual account**. Whether you are married or single, you alone are responsible for paying off the debt. The account will appear on your credit report, and may appear on the credit report of any **"authorized" user**.

Joint Account. No matter who handles the household bills, you and your spouse are responsible for seeing that debts are paid on a **joint account**. Co-signing for a relative or friend is considered a joint account by financial institutions and credit bureaus.

Authorized User. If you open an individual account, you may authorize another person to use it. If you name your spouse as the authorized user, a creditor who reports the credit history to a credit bureau must report it in your spouse's name as well as in yours if the account was opened after June 1, 1977. However, be very careful who you allow as an authorized user. The authorized user will receive his own card with his name on it. The account also will appear on the user's credit report; however, only the person who opened the account will be liable for paying off the debt.

Co-signing affects your credit and reduces your affordability. If the person you co-signed for defaults, your credit report will reflect the default as negative activity.

If you are considering divorce or separation, pay special attention to the status of your credit accounts. If you maintain joint accounts during this time, it is important to make regular payments so your credit record will not suffer. As long as there is an outstanding balance on a joint account, you and your spouse are both responsible for it.



"My grandma had an old HIP home on the Big Cypress Reservation. It wasn't built very well. Now we are seeing better quality homes being built on the reservation. They are tearing down an old trailer park and constructing nice homes in its place. I know that I am going to want a home and I already know that credit will be a big factor."

– Jason Billie, Seminole Tribe

What Do Lenders Look at When They Review a Credit Report?

A lender will review your tri-merged residential credit report to evaluate how well you manage credit. Lenders review:

Payment History	
	• Timeliness of repayment • Public record and collection items • Severity, recency, and frequency of payment delinquencies
Outstanding Debt	
	• Number of balances recently reported • Average balance across all credit accounts • Relationship between total balances and total credit limits on revolving credit accounts
Credit History	
	• Age of oldest credit account • Number of new credit accounts
Pursuit of New Credit	
	• Number of inquiries and new account openings in the past year • Amount of time since most recent inquiry
Types of Credit in Use	
	• Number of credit accounts reported for each type • Bank card • Travel and entertainment cards • Department store cards • Personal finance company references • Installment loans

A Less Than Good Credit History

The following are some indicators of a less than good credit history:

- Incidents of more than one secured or unsecured debt payment being more than 30 days late if the incidents have occurred within the past 12 months. This includes more than one late payment on a single account.
- Foreclosure, if it has occurred within the past 36 months.
- Outstanding tax liens or delinquent government debts with no satisfactory arrangements for payments.
- A court-created or affirmed obligation (judgment) caused by nonpayment that is currently outstanding or has been outstanding within the past 12 months.
- Two or more rent payments paid 30 days or more late, that have occurred within the past three years.
- Accounts that have been converted to collections within the past 12 months (utility bills, hospital bills, etc.).
- Collection accounts outstanding, or that have been outstanding within the past 12 months, with no satisfactory arrangements for payment, no matter what their age, as long as they are currently due and payable.
- Charge-offs, which are considered as debt that is still owed.

Exceptions to the Standard Credit Evaluation Process

Sometimes a credit history shows negative information due to circumstances that were beyond the applicant's control. Lenders will consider reasons for adverse credit before determining your creditworthiness. Some lenders will make exceptions to their standard criteria based on the applicant's circumstances. For example, some federal loan products will grant an exception based on the following:

- The cause was temporary in nature.
- The cause was beyond the applicant's control.
- The cause was due to a loss of job, a delay or reduction in benefits, an illness, or dispute over payment for defective goods or services.

Navajo Nation

Pascua Yaqui Tribe

Time Affects a Credit Report

Under the **Fair Credit Reporting Act (FCRA)**, as amended by the **Fair and Accurate Credit Transactions Act (FACT Act)**, credit bureaus can report most negative information for no more than *seven years*. The seven-year period runs from the date of the last regularly scheduled payment before the account became delinquent. If the creditor later took action on the account, such as charging it off or obtaining a judgment for the amount due, the seven years would run from the date of that event.

EXAMPLE

Megan Oberly has a credit card from a local retail store. In 1990, Megan got a divorce and was unable to stay current on her credit card payments. The retailer turned over her past-due account to a collection agency in 1990. A credit bureau may report this event until 1997. If Megan made a payment on this account after 1990, her action would not extend the permissible reporting period beyond 1997.

There are exceptions to the seven-year rule. Bankruptcies may be reported for 10 years. Default information concerning U.S. government-insured or -guaranteed student loans can be reported for seven years after certain guarantor actions. Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. Also, any negative credit history information may be reported indefinitely depending on the circumstances:

- you apply for $150,000 or more in credit
- you apply for a life insurance policy with a face amount of $150,000 or more
- you apply for a job paying $75,000 or more (and the employer requests a credit report in connection with the application)
- information about criminal convictions has no time limit

Navajo Nation

Fort Apache Indian Reservation

Improving Your Credit History

The following are some actions you can take to improve your credit history. These efforts will take time and commitment, but if you would like to purchase a home of your own they are worth the effort.

Pay your bills on time. Prepare a realistic spending plan. Work to change any habits of making late payments or not sending enough of a payment. This is one of the best ways to achieve a good credit record.

Contact lenders immediately if you expect to have a payment problem. If you find yourself in a situation beyond your control, it is important that you immediately contact the organization to which you owe the money. Some creditors will work with you to develop a modified payment plan. Although this may not improve your credit history, it is a positive effort toward assuming control over your finances.

Seek professional help. Nonprofit financial counseling services are available in most communities. Credit counselors will look at your whole financial picture, explain the most common types of credit problems, help you obtain and read your credit report, and determine the best solution for your situation. Credit counseling agencies often offer debt management plans. The plan may let you make lower minimum monthly payments or change your credit terms until your debts are paid off or brought current. You and your creditors have to agree to the plan. If you use a debt management plan, it may show up on your credit report and slow down your plan to buy a home.

Borrow no more than you can comfortably pay back.

Negotiate with creditors and pay past due accounts. Another option for dealing with negative, but accurate, credit information is to try to negotiate with your creditors to get a new repayment schedule. Some creditors are willing to take less money than you actually owe if they can get cash now rather than wait for many months to collect. Eventually, you may be able to negotiate with the creditor to get the information removed from your file.

Review your credit report at least once a year and correct any inaccurate information.

Write a letter of explanation. If you missed payments on a debt because you were unemployed or sick – an unusual, one-time reason – you can write a letter of explanation. Ask the creditors involved, as well as the credit bureaus, to put the explanation in your credit file. If you apply for a mortgage loan, ask the lender to put the explanation into your loan application file. If you have a record of making payments on time before and since that event, most lenders will not hold late payments made as a result of a hardship beyond your control against you.

Your housing counselor can help you prepare letters needed to correct credit report errors. Your patience and persistence is necessary to follow up and make sure that corrections are made to your credit report.

Add positive histories to your file. Not all creditors report account information to credit bureaus. If you review your report and notice that an account with a good payment history is missing from your file, you can take steps to get it added to your report. BIA Credit or the TDHE may be willing to report your payment history as a means of establishing credit.

To add a positive history to your file, contact the credit bureau in writing or in person. Specify exactly what you would like to have included in your file. You must provide the name, address, and telephone number of the creditor and the appropriate account number. See Appendix B: Sample Credit Letters for sample requests for information letters.

Add stability to your file. Send the credit bureau documentation showing steady employment, long-term residence, and positive information about your checking and savings accounts.

Get credit in your own name. Every adult should maintain an individual credit history.

Re-establish credit. Once you are caught up on all of your past due accounts, make all your payments on time, in full, for at least one year.

Evaluating a Loan Application

Lenders are in the business of making loans that will be repaid. To ensure that their risks are minimal, lenders focus on **creditworthiness**. Creditworthiness is based on the idea that if an applicant handled past credit obligations well, they will handle future obligations in a similar manner. Most lenders use the four Cs of credit to evaluate a borrower's ability to repay a loan.

- **capacity**
- **capital**
- **character**
- **collateral**

It is best not to make any significant life changes until after your loan has been approved.

Capacity. Lenders assess your capacity to repay a mortgage loan by measuring the ratio of your income to your debt. This ratio helps the lender establish that you can afford to pay your mortgage payment as well as your other bills. A lender will ask you for income verification or proof of where you work, for how long, and how much you earn. Also included in this evaluation is an examination of your debts and expenses.

Capital. This is the amount of money you have saved for a down payment, the closing costs, and any unforeseen expenses that arise soon after you purchase a home. Lenders feel that homebuyers who save and put their money into a home will be more likely to repay their mortgage loan. Similarly, a family who lives on its tribal trust land is also likely to repay their loan.

A lender is also interested in all the items of value that you own, such as a retirement or investment account. Family heirlooms, jewelry, valuable rugs, pottery, and baskets are examples of capital many Natives possess. From the lender's perspective, if there is a problem making the mortgage payment you can sell these items to repay your loan. You may need to educate your lender about the value of specific Native items that you own. Talk to your lender to come to an understanding of "capital" from both of your perspectives.

Character. One way that a lender gets a sense of a borrower's ability to repay a mortgage loan is by reviewing the applicant's credit history. Your credit history is contained in your credit report. As discussed previously, your credit report details your history of handling credit. It lists all of the credit that is in your name and records whether you have repaid your bills on time and how much you owe each of your creditors. If you have missed payments, late payments, or any unpaid debts, it will be more difficult for you to get a mortgage loan. If a person does not have any established credit, lenders will look at a nontraditional credit history.

Collateral. Collateral is something of value that guarantees repayment of your loan. Your home and any interest in the land are collateral for the repayment of your mortgage loan. If you are unable to repay your mortgage, the lender will take ownership of your home. This is called foreclosure. Lenders try to avoid foreclosure. If you are having difficulty making your mortgage payments, your lender will first try to work with you and restructure the payments so that they fit within your spending plan before starting the foreclosure process.

Other Factors. Lenders are also interested in any factors that may compensate for a shortcoming, or deficiency, in one of the four Cs used to evaluate creditworthiness. Some loan products consider compensating factors when evaluating a loan application.
For example, if you apply for a mortgage loan requiring higher payments than the lender thinks that you would be able to pay on your income, that is a deficiency in capacity. But if you have been paying as much or more for rent, your demonstrated ability to handle the higher payments is a compensating factor that could help to get your loan approved.

Maintaining a savings account serves as another example of a compensating factor because it demonstrates the ability to save money. If you have saved more than the minimum down payment and any reserve requirements, a lender may view this as a positive which counters a deficiency. Also, your work history may be a compensating factor if you have been on your job for five years or more.

Review the following credit report and answer the questions to determine whether you would make Mr. Yazzie a loan.

Making a Mortgage Loan Exercise

James Yazzie comes into your bank applying for a mortgage loan to finance a $110,000 home. You are the loan officer. Reviewing Mr. Yazzie's application and credit report, you learn the following:

- He has a 10 percent down payment.
- He has held the same job for the past two years since graduating from college.
- He earns $28,000 as a store manager and $3,500 for coaching part time.
- He has an apartment, no children, and is getting married in three months.

In work groups, analyze his credit report information and answer the questions that follow.

(1) Creditor	(2) Whose Acct	(3) Date Opened	(4) Date of Last Activity	(5) High Credit	(6) Terms	(7) Balance	(8) Past Due	(9) Status
Department Store	I	08/96	06/98	$1,557	0	$1,385	0	R1
Bank Card	A	11/95	04/97	$2,500	0	0	0	R1
Bank Car Loan	I	01/97	06/98	$14,500	48M	$9,364	0	I1
Bank Card	I	09/96	06/98	$1,500	0	$1,200	$200	R3
Gas Card	I	06/97	07/97	$45	0	0	0	O1
Gas Card	I	06/97	06/98	$124	0	0	0	O1
Gas Card	A	07/95	12/95	$78	0	0	0	O1
Department Store	I	12/97	01/97	$258	0	0	0	R1
Bank Card	I	10/97	06/98	$989	0	$650	$140	R3
Bank Card	A	04/95	06/98	$683	0	0	0	R1
Department Store	I	09/96	06/97	$200	0	0	0	R1

Companies that requested this file

07/07/98	Bank	04/04/98	Mortgage Company
10/01/97	Bank	09/01/97	Bank
08/15/97	Bank	06/05/97	Gas Company
05/23/97	Gas Company	12/27/96	Bank
12/10/96	Dept. Store	12/10/96	Dept. Store
12/10/96	Dept. Store	11/15/97	Dept. Store
01/15/96	Dept. Store		

Report explanation

(1) Creditor reporting the information
(2) Indicates who is responsible for the account and the type of participation you have with the account: I=Individual; A=Authorized User
(3) Month and year the account was opened
(4) Date of last payment, change, or occurrence
(5) Highest amount charged or the credit limit
(6) Number of installments or monthly payments
(7) The amount owed as of the date reported
(8) The amount past due as of the date reported
(9) Status:

- Type of account
  O=Open (entire balance due each month)
  R=Revolving (payment amount variable)
  I=Installment (fixed number of payments)

- Timeliness of Payment
  0=approved not used; too new to rate
  1=Paid as agreed
  2=30 days past due
  3=60+ days past due
  4=90+ days past due
  5=Pays or paid 120+ days past the due date; or collection account
  7=Making regular payments under wage earner plan or similar arrangement
  8=Repossession
  9=Charged off to bad debt

1. What types of credit does Mr. Yazzie use?

____

2. How many credit cards does Mr. Yazzie have?

____

3. How many installment accounts does Mr. Yazzie have?

____

Indicate whether the following are areas of concern to you as a lender:

4. The balances remaining on open accounts? ❑ Yes ❑ No Explain:

____

____

5. His length of employment? ❑ Yes ❑ No Explain:

____

____

6. Would you approve Mr. Yazzie's mortgage application based on credit alone? Explain:

____

____

"You have to look beyond the credit score. Every family has a story and a credit score alone doesn't give you a clue about who did it and why."

– Michelle M. Plaschka, Affordable Housing Specialist, Wells Fargo Home Mortgage

Navajo Nation

Credit Scoring

In addition to the four Cs of credit, financial institutions use a credit score to predict how likely an individual is to repay a loan. Credit scores are based on the experiences of millions of consumers and are calculated by either your financial institution or a credit bureau. Information about you is collected and compared to the credit performance of consumers with similar profiles.

Using a statistical program, a credit-scoring system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points – a credit score – helps predict how creditworthy you are – that is, how likely it is that you will repay a loan and make the payments when due. Many lenders use credit scoring to quickly assess whether an applicant is creditworthy, but not all loan products require it.

Credit-scoring models evaluate the following types of information in your credit report:

- *Have you paid your bills on time?* Payment history typically is a significant factor in credit scoring. It is likely that your score will be affected negatively if your credit report reflects that you have paid bills late, had an account referred for collection, or declared bankruptcy. Be aware that late payments on co-signed loans will negatively affect your score.
- *What is your outstanding debt?* Many scoring models evaluate the amount of debt you have compared to your credit limits. If the amount you owe is close to your credit limit, it will likely have a negative effect on your score. Transferring the balance of one credit card to a new card with a higher limit will also produce an undesirable effect on your score.
- *How long have you been using credit?* Generally, models consider the length of your credit track record. An insufficient credit history may have an effect on your score, but it can be offset by other factors, such as timely payments and low balances.
- *Have you applied for new credit recently?* Many scoring models consider whether you have applied for credit recently by looking at "inquiries" on your credit report when you apply for credit. If you have applied for too many new accounts recently, it may negatively affect your score. However, not all inquiries are counted. Inquiries by creditors who are monitoring your account or looking at credit reports to make "prescreened" credit offers are not counted.
- *How many and what types of credit accounts do you have?* Although it is generally good to have established credit accounts, too many credit card accounts may have a negative effect on your score. In addition, many models consider the type of credit accounts you have. For example, under some scoring models, loans from **finance companies** may negatively affect your credit score.

Your credit score is a fluid number that changes as the information in your credit report changes. For example, payment updates or a new account could cause your score to fluctuate. Also, keep in mind that your credit score may be different at each of the three main credit reporting agencies, since each agency may have different information. The best way to raise your score is to manage your credit responsibly over time.

Your credit report is not always the sole source of information that credit-scoring models rely on. For example, information from your credit application may also be used. Factors such as your job or occupation, length of employment, whether you own a home, and even education level may be considered depending on the type of credit you are seeking.

Score Yourself Exercise

The following chart gives an example of a scoring system used by a creditor. See how you would score if the same criteria applied to you.

Characteristic	Point Value	Your Score
Length of Time at Address		
Less than two years	0	
Two to five years	2	
More than five years	3	
Length of Time on Job		
Less than two years on job/in field	0	
Two to five years on job	1	
Less than five years on job, two to five years in field	2	
Five years or more on job/in field	4	
Type of Credit References (points for each occurrence)		
Finance company reference	-1	
No credit history	0	
Retail card only	2	
Bank card only	4	
Bank card and retail card	5	
Payment History (points for each account with a late payment)		
Collection, judgment, or suit	-5	
Late 30–120 days	-2	
Late 0–30 days	1	
No late accounts	5	

13–17 points – Accept application, offer loan
8–12 points – Obtain additional references before making decision
7 or fewer points – Reject application

How did you do? Credit-scoring models are complex, and different models are used for different types of credit. It is not always easy to improve your score overnight. Improvement will occur under most models if you concentrate on the following:

- Pay your bills on time.
- Pay down outstanding balances.
- Don’t take on new debt.
- Don't spend more than 35% of your maximum limit.

Common Credit Barriers to Homeownership

A loan application can be denied for any number of reasons, such as too much debt or lack of stable employment. The most common reasons for credit application denials are related to an individual's credit history.

- *Less Than Good Credit History.* Lenders review an applicant's credit history to evaluate his or her record of paying bills on time. A credit history is seen as a good indicator of whether someone will repay a loan. Take the time to review your credit report and correct any mistakes.
- *Too Many Open Credit Cards.* Credit cards may be viewed as opportunities for the applicant to acquire additional debt. If the account stays open, the lender considers the credit available to the applicant. Discuss with a lender whether closing out old credit cards will positively affect your mortgage application.
- *Too Many Credit Report Inquiries.* When someone asks to see a credit report, it is noted on the report as an inquiry. Lenders look at the number of inquiries on a credit report within a six-month period. Too many inquiries signify that an applicant may be trying to get credit from a number of places at the same time. Lenders worry that people are either denying the applicant credit or the applicant is amassing credit from a number of sources. Either way, the lender sees the inquiries as increasing the risk associated with lending the applicant money. Do not authorize anyone to run a credit check on you unless you are going to make a purchase. Check your credit report for unauthorized inquiries and have them removed.

Prequalifying with your housing counselor can help you avoid loan denial.

- *Errors.* Everyone should monitor his or her report on a regular basis to ensure accuracy. Incorrect information must be eliminated. Requests to correct inaccurate information must be made in writing to the creditor and the credit bureau. See Appendix B for sample letters to assist you.

Credit issues can be solved over time if you are committed to timely bill repayment and a spending plan.

- If your loan application is denied because you have *no credit history*, you should immediately begin to establish one. You can build what lenders call a "nontraditional credit history" by documenting the following:
  - monthly rental payments to landlords who represent organizations
  - monthly payments to utility companies for electricity, gas, water, and phone services
  - monthly payments for internet, cable, cellular phone services, and car insurance

Understanding Your Rights

Understanding your credit rights enables you to protect your credit. The FCRA, amended by the FACT Act, promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. Some of your rights under the FACT Act are listed below.

- You must be told if information in your file has been used against you.
- You have the right to know what is in your file.
- You have the right to ask for a **credit score**.
- You have the right to dispute.

The FACT Act also requires all creditors and financial institutions to maintain an Identity Theft Prevention Program that reduces the theft or misuse of a consumer's identity. For more comprehensive information, see the Federal Trade Commission (FTC) website at www.ftc.gov.

Credit Repair

Repairing your credit will take time and dedicated effort. If you have questions or are overwhelmed by the task, consider contacting a nonprofit credit counseling organization, your TDHE, or a nonprofit housing organization. Be careful of credit repair or fix-it companies that charge large fees to "clean up" your credit report. Despite their claims and promises, credit repair companies cannot do anything that you cannot do for yourself at little or no cost. Credit repair companies do not have the authority to change credit reports. Only time, successful negotiations with a creditor, and budgeting can "erase" negative information.

Credit repair usually involves negotiating a debt management plan that is tailored to your income and expenses. The plan may let you make lower minimum monthly payments or change your credit terms until your debts are paid off or brought current. You and your creditors have to agree to the plan. If you use a debt management plan, it may show up on your credit report and slow down your plan to buy a home. Although it is a long-term solution to resolving your credit problems that may postpone your goal of homeowner-ship, the right program may help you get your finances in order and greatly reduce your debt load upon completion.

Getting mortgage financing in Native communities is easier today than ever before. However, affordability and credit issues remain obstacles to mortgage readiness for many families. Experts can help you work through these issues during the prequalifying stage of the mortgage process. If you have a credit issue, contact your TDHE or a nonprofit housing organization. A housing counselor will help you work through credit and other issues that could otherwise hinder mortgage readiness.

Module Highlights

- Credit is money you borrow and plan to repay.
- Learn to distinguish between needs and wants. Avoid using credit to purchase things that you want but do not need.
- Credit reports show how much debt you have, if you have made payments on time, or if you have not paid back some loans at all.
- A typical credit report includes four types of information – identifying information, credit information, public record information, and inquiries.
- Judgments, collections, charge-offs, bankruptcies, and late payments are reported to the credit bureaus. They are considered as negative activity by the lender and may be an obstacle to mortgage readiness.
- If you are considering divorce or separation, pay special attention to the status of your credit accounts. If you maintain joint accounts during this time, it's important to make regular payments so your credit record will not suffer. As long as there is an outstanding balance on a joint account, both you and your spouse are responsible for it.
- When lenders evaluate credit reports, they examine the payment history, outstanding debt, credit history, pursuit of new credit, and the types of credit in use. They will evaluate how well the applicant manages credit.
- Under the Fair Credit Reporting Act, credit bureaus can report most negative information for no more than seven years. The seven-year period runs from the date of the last regularly scheduled payment before the account became delinquent.

- To improve your credit report:
  - Pay your bills on time.
  - Contact lenders immediately if you expect to have a payment problem.
  - Borrow no more than you can comfortably pay back.
  - Negotiate with creditors.
  - Review your credit report at least once a year and correct any inaccurate information.
  - Add positive histories to your file.
  - Add stability to your file.
  - Get credit in your own name.
- Lenders evaluate creditworthiness by applying the four Cs of credit: capacity (repayment sources, debt-to-income ratio), capital (personal investment, alternate repayment sources), character (credit history), collateral (items of value to guarantee repayment of the loan, such as the home or the interest in the land), and compensating factors (situations that affect repayment).
- Financial institutions also use a credit score to predict how likely an individual is to repay a loan.
- Credit issues can be solved with personal commitment and budgeting. Improvement will occur if you concentrate on the following:
  - Pay your bills on time.
  - Pay down outstanding balances.
  - Do not take on new debt.
  - Pay down the balance on revolving debt (at a minimum pay it below 35% of the credit limit).
  - Pay off your debt rather than moving it around.

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

___

___

___

___

___

Exercise

1. Credit is:

❑ a. money you borrow and do not plan to repay
❑ b. money you borrow and plan to repay
❑ c. all of the above

2. The disadvantages of using credit include:

❑ a. It costs money.
❑ b. It is tempting to spend more than you can afford to repay.
❑ c. Mismanagement of credit can result in repossession and affect your ability to get credit in the future.
❑ d. all of the above

3. True or False? High interest charges make it difficult to pay off credit card balances if you only make the minimum monthly payment.

❑ a. True
❑ b. False

4. When you use installment credit:

❑ a. You are borrowing a set amount of money for a specific period of time.
❑ b. The amount of interest you are going to pay for the loan is determined in advance and calculated into your monthly payments.
❑ c. all of the above

5. A credit bureau is:

- ❑ a. an organization that keeps a record of how you have handled credit in the past
- ❑ b. a set of drawers where you can keep your credit cards
- ❑ c. an organization that will send a lender a copy of your personal family history

6. Your credit report indicates:

- ❑ a. how you handle credit
- ❑ b. your record of paying bills on time
- ❑ c. all of the above

7. True or False? A lender will not make you a mortgage loan until judgments are paid in full.

- ❑ a. True
- ❑ b. False

8. List the four Cs of credit: ____________________, ____________________, ____________________, and ____________________.

9. ____________________ is something of value that guarantees repayment of your loan.

10. Which of the following is not an example of information that is used to build a nontraditional credit history?

- ❑ a. repayment of a personal loan to a family member
- ❑ b. payment of rent to a landlord who represents an organization
- ❑ c. monthly internet payment
- ❑ d. monthly cellular phone payment

11. True or False? You should review a copy of your credit report each year.

- ❑ a. True
- ❑ b. False

12. In order to demonstrate the ability to repay a loan, the applicant should have:

- ❑ a. good credit
- ❑ b. steady income
- ❑ c. an acceptable level of current expenses
- ❑ d. all of the above

13. Check the items that demonstrate wise use of credit.

- ❑ a. pay bills on time
- ❑ b. charge-offs
- ❑ c. use credit for emergencies only
- ❑ d. pay for groceries with credit
- ❑ e. use credit to purchase a home
- ❑ f. pay the minimum payment each month
- ❑ g. use credit to pay other bills

Appendix A

Tri-merged Credit Report

TID: Transaction Identification
Uniquely identifies every interaction the customer has with the First American CREDCO System

Number: An 11-digit number automatically generated to uniquely identify individual transactions.

Date/Time Stamp: The date and time the transaction took place.

Delivered
Lists the bureaus that returned data for this report. A missing bureau indicates the bureau is down or an error occurred when an attempt was made to retrieve applicant data.

Original Transaction Date
The date of the original request for a credit report.

Instant Merge® Sample Report
New Features and Enhancements Key

Reference
Uniquely identifies & links First American CREDCO's customer to the consumer.

Date of Birth/Age
Lists the applicant's Date of Birth (DOB) or Age as provided by the First American CREDCO customer.

Requested
Lists the bureaus that were requested and whether the request was for an individual (**I**) or joint (**J**).

Warning ❖ Messages that can be returned:
- Possible non-applicant info present in the report
- See Fraud Detection Section
- Possible Incomplete Fraud Data
- Possible Incomplete Data
- See OFAC Screening Report

Warning
Additional FACT Act specific messages that can be returned:
- Fraud Alert present
- Active Duty Alert present
- Security Alert present

Available Credit ❖
Lists the available credit for revolving tradelines.

Factors
Bureau codes that were factored into score.

Bureau Score Information
New optional features to this section include the ability to order multiple bureau score products (risk, bankruptcy, and custom models) and the factor descriptions.

Factor Description (5th Factor)
Depending on the bureau, this FACT Act specific statement will appear if the number of inquiries adversely affected the score.

Factor Descriptions ❖
Lists the description for each factor code.

Applicant Identifier
APP = Applicant/Subject
CAP = Co-Applicant

```
-----------------------------------------------------------------------------
REF:1-00000-05934-0000 07/05/2006      TID:1-00000-05934 07/05/2006 13:31:00
CREDCO Instant Merge Credit Report                  Acct: 7XX87
Prepared for: INSTANT MERGE SAMPLE REPORT          Notes: 9210
Requested: EFX, XPN, TUC — J                   Delivered: EFX, TUC, XPN
-----------------------------------------------------------------------------
App: SAMPLE, STEVE                             Dob: 05/20/62  Ssn: 911-72-3333
Cap: SAMPLE, SHARON                                   Age 38  Ssn: 333-11-2222
Curr Addr: 4536 FIRST AMERICAN AVE, TESTSITE, CA 9XX07
Prev Addr: 123 EAGLE ROAD, TOMORROW, OR 995XX
-----------------------------------------------------------------------------
WARNING: Possible non-app information present in the report
WARNING: Fraud Alert, Active Duty Alert present
WARNING: SSN possible ITIN

             INSTANT MERGE SUMMARY
             ---------------------


ACCOUNT DISTRIBUTION                               CURRENT STATUS(tradelines)
Account Type      Count       Balance      Payments Curr Clsd Unrt 30  60  90+
  Real Estate         2      $177,245        $1,755  1    -     -   1   -   -
  Installment         1        $8,985          $285  1    -     -   -   -   -
  Revolving           3        $1,738           $82  2    1     -   -   -   -
  Other               1          $130            $0  -    -     -   -   -   1
  Total               7      $188,098        $2,122  4    1     -   1   -   1

AVAILABLE CREDIT
  Revolving        31%           $765

INQUIRIES                  PUBLIC RECORDS   HISTORICAL DELINQUENCIES(count)
  6 Month Total       5        EFX      1     Account Type  LastDlq  30  60  90+
  Elim. same day      1        XPN    N/A      Real Estate  11/04     9   1   -
  Adjusted Total      4        TUC      1      Installment            -   -   -
  New Trades(6 mths)  0        Last 2yrs N     Revolving    05/06     3   3   4
                                               Other        05/06     -   -   1
  Oldest Trd: 03/98        On File: 12/91      Total                 12   4   5
-----------------------------------------------------------------------------
Only Applicant/Co-applicant information included in the Summary.


                           BUREAU SCORE INFORMATION
                           ------------------------


EFX BEACON 5.0                 (APP)=   653 Factor: 00024, 00031, 00008, 00002
        00024 NO RECENT REVOLVING BALANCES
        00031 TOO FEW ACCOUNTS WITH RECENT PAYMENT INFORMATION
        00008 TOO MANY INQUIRIES LAST 12 MONTHS
        00002 LEVEL OF DELINQUENCY ON ACCOUNTS
        * Number of Inquiries Adversely Affected the Score

EFX BEACON 5.0                 (CAP)=   Not provided by the repository

TUC FICO Classic 98            (APP)=   Match not found

                              Page 1 of 6
```

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```
-----------------------------------------------------------------------------
REF:1-00000-05934-0000 07/05/2006        TID:1-00000-05934 07/05/2006 13:31:00
-----------------------------------------------------------------------------

Account Name/Number (Sources)                             Past due   MR Last
     Open       High   Payment   Balance MOP  Status  Rptd  30 60 90+ MD MxDlq
-----------------------------------------------------------------------------

Joint Accounts:
---------------
  1. COUNTRYWIDE HOME LOANS/5462119 (EFX-180XX00931,XPN,TUC)
    J 10-02     147263     1326    139339 M-1 CURRENT  05-06 00 00 00  43
     Hist:  05-06 111111111111111111111111      PYMT  05-06 JNT
     Ctgy:  REAL ESTATE MORTGAGE


Accounts Under Applicant:
-------------------------
  2. WFS FINANCIAL/51327007 (EFX,XPN-FXX828796,TUC)
    I 05-04     12764       285      8985 I-1 CURRENT  05-06 00 00 00  24
     Hist:  05-06 111111111111111111111111      PYMT  05-06 APP
     Ctgy:  AUTO LOAN                    Term: 36 MON  Lmt: 13000


Accounts Under Co-Applicant:
----------------------------
  3. DISCOVER FINANCIAL SVC/601039808 (EFX-15XXB03747,XPN,TUC)
    I 02-02      1327         49       996 R-1 CURRENT  06-06 00 00 00  52
     Hist:  06-06 111111111111111111111111      PYMT  06-06 CAP
     LACT 04-06 PYMT 06-06


                              Page 2 of 6
```

Applicant Identifier

- **JNT=** Joint, Shared or Cosigned Accounts
- **APP =** Applicant/ Subject
- **CAP =** Co-Applicant

Category, Term, and Credit Limit ❖

These sections provide details to the type of loan, the terms of the loan and its credit limit.

Additional Dates ❖

Dates for specific activities such as balloon, bankruptcy, closed, last activity, payment, foreclosure, and repossession will appear in this section.

Precise Amounts

More precise balances from the repositories as opposed to rounded balances.

Sequencing ❖

Tradelines can be numerically sequenced for ease of use and better customer support. Sequencing does not cross reference to any other information within the report.

Page numbering system.

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```
--------------------------------------------------------------------------------
REF:1-00000-05934-0000 07/05/2006       TID:1-00000-05934 07/05/2006 13:31:00
--------------------------------------------------------------------------------


                        ****** DEROGATORY ITEMS ******

Account Name/Number (Sources)                           Past due   MR Last
     Open       High   Payment   Balance MOP  Status  Rptd  30 60 90+ MD MxDlq
--------------------------------------------------------------------------------

Joint Accounts:
---------------
BANK OF AMERICA MORTGA/1330469355684 (EFX*,XPN-FPXX86040*,TUC*)
   J 07-01     40000       429     37906 M-2 DEL 30    06-06 09 01 00  59 06-06

     Hist:  06-06 2211112122112111121132211     PYMT   06-06 JNT        3 11-04
     Ctgy:  HOME EQUITY LOAN

     Lates: 1x60:11-04 ; 9x30:6-06,5-06,12-05,10-05,9-05,6-05,2-05,10-04,9-04

CHEVRON U S A/734001 (EFX-906OC00024*,XPN*,TUC*)
   S 03-98       860    0          CLOSED R-5 DEL 120  06-06 01 02 02  86 06-06

     Hist:  06-06 5433211111111111111111111      CLSD  06-06 JNT        5
     Lates: 2x90+:6-06,5-06 ; 2x60:2-06,1-06 ; 1x30:-12-05
     ACCT SUBMITTED TO COLLECTION; PAID COLL 05-06
     CREDIT CARD

GRANT & WEBER/G800CAL776113 (XPN-YC3980206*)
   I 01-05       230   N/A           130 Y-9 COLL/P&L 05-06  -  -  -   -
     Hist:  05-06 999                            PYMT 05-06 APP
     Lates:
     CN: CALIFORNIA PACIFIC
     ACCT SUBMITTED TO COLLECTION COLL 05-06


Accounts Under Applicant:
-------------------------
FNANB/CIRCUIT CITY/152300315866 (EFX-401HZ00615*,XPN*,TUC*)
   I 06-02      1186        33       742 R-1 CURRENT  06-06 02 01 02  48 05-05
     Hist:  06-06 1111111111111154321211111      PYMT  06-06 APP        5 05-05
     Lates: 2x90+:5-05,4-05; 1x60:3-05 ; 2x30:2-05,12-04
     REFER TO CONSUMER STATEMENT 1
     CREDIT CARD

Public Record Information:
--------------------------
Public Records may contain duplicate information. This report displays all
information reported by the repositories accessed.
  1. CH7 BANKRUPTCY FILED IN 02-02 JOINTLY; STATUS DISCHARGED 06-02; REPORTED
     02-02; FEDERAL DISTRICT COURT (LOS ANGELES, CA); DK: 9719582.
    (EFX-155VF00015,TUC) (JNT)


                     ****** END OF DEROGATORY ITEMS ******


                                Page 3 of 6
```

Lates ❖

More detailed information on the late payments that have occurred with this tradeline.

Maximum Delinquency Section ❖

Shows the maximum delinquency information that occurred on this tradeline, information reported for up to seven years.

History Section

Indicates month-to-month payment history pattern.

CN: Creditor Name

More detailed creditor information for collection accounts.

Consumer Statement

This notifies the customer that a consumer statement for this tradeline exists. See the **Consumer Statement** portion of this report for details.

Public Records Information

When a public record does appear it will be accompanied by the subscriber code from the bureau reporting the data.

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```
------------------------------------------------------------------------------
REF:1-00000-05934-0000 07/05/2006        TID:1-00000-05934 07/05/2006 13:31:00
------------------------------------------------------------------------------

Account Name/Number (Sources)                               Past due   MR Last
     Open       High   Payment   Balance MOP  Status  Rptd  30 60 90+ MD MxDlq
------------------------------------------------------------------------------

Possible Non-Applicant Accounts:
--------------------------------
GMAC/445Ac86325 (EFX-F53016XX2)
   I 11-03      5600        61      3831 I-1  CURRENT 07-06 00 00 00  91

     Hist:  07-06 1111111111—11                 *PNA* 05

Identification Information:
---------------------------
Note: * Indicates Possible Non-Applicant Information

  1. SAMPLE, STEVE Ssn: 911-72-3333 Dob: 07-03-62 (EFX)
  2. SAMPLE, STEVE Ssn: 911-72-3333 (XPN)
  3. SAMPLE, STEVE Ssn: 911-72-3333 Dob: 07-03-62 (TUC)
  4. SAMPLE, SHARON L Ssn: 333-11-2222 Dob: 04-01-64 (TUC)
  5.*SAMPLE, STEFAN  Ssn: 111-22-3359 Dob: 07-31-75 (EFX)
     NAME AND SSN VARIATION; DOB VARIATION

Inquiries made in last 6 months:
--------------------------------
  1. 07-05-06 FAC TEST  (TUC-082XX891Z) (APP)
  2. 07-05-06 NORWEST-RELS  (XPN-397XX65FR) (APP)
  3. 03-05-06 AMERICAN EXPRESS  (XPN-7400XX0NZ) (APP)
     * New Account Listed with AMERICAN EXPRESS in 03-06
  4. 02-27-06 VENGROFF WILLIAMS & AS  (XPN-19XX062YC) (CAP)
  5. 02-11-06 LENDERS CRDT  (TUC-071XX157Z) (APP)

Address Information:
--------------------
  1. 4536 FIRST AMERICAN AVE
     TESTSITE, CA 9XX07          Since 08-01 Rptd 02-06  (EFX,TUC) (APP)

AKA Information:
----------------
  1. SAMPLE, STEVE P (XPN) (APP)
  2. SAMPLE, SHARON J (XPN) (CAP)

Employment Information:
-----------------------
  1. BERLIN TIRE
     OCCUPATION UNKNOWN Rptd 05-00 (TUC)  (APP)
  2. ACME FINANCE TESTVILL, CA
     VICE PRESIDENT Rptd 05-05 (XPN)  (CAP)

                                  Page 4 of 6
```

Identification Information

See Possible Non-Applicant (PNA) information with Applicant and Co-Applicant data. PNA information may include where the variation occurred: name, SSN, or date of birth.

PNA: Possible Non-Applicant

This field denotes the possible non-applicant message and the number (05) reflects the line item listed in the **Identification Information** section. This only applies to EFX tradelines.

Inquiries

Now select from 3 months, 6 months, 12 months, or 2 years. This selection also applies to the **Summary** section.

Possible New Account

Shows possible new tradeline resulting from an inquiry.

Since and Reported Dates

Since and reported dates will print for each address if provided by the bureau.

Employment Information

Employment information can also include a hire date if reported by the bureau.

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First American Credco

```
--------------------------------------------------------------------------------
REF:1-00000-05934-0000 07/05/2006        TID:1-00000-05934 07/05/2006 13:31:00
-------------------------------------------------------------------------------

Miscellaneous Information:
-------------------------
  1. Consumer has Active Duty Alert. (XPN) (CAP)
  2. Consumer has Initial Fraud Alert. (TUC) (CAP)
  3. Variation between Inquiry and Onfile address. (TUC) (CAP)

Consumer Statement:
-------------------
  1. ACTIVE DUTY ALERT. CONSUMER HAS REQUESTED AN ALERT BE PLACED ON THEIR
     CREDIT FILE. 123 EAGLE ROAD, TOMORROW, OR 99500 DAYTIME 7709991212
     EVENING 7708883434 Rptd 02-05 (EFX)(APP)
  2. FRAUD VICTIM. "EXTENDED ALERT". CONSUMER HAS REQUESTED AN ALERT BE PLACED
     ON THEIR CREDIT FILE. PAGER 7704445555. Rptd 03-05 (EFX)(CAP)
  3. ACCOUNT WENT TO A DELINQUENT STATUS WHILE I WAS OUT OF THE COUNTRY.
     Rptd 05-05 (XPN)(CAP)
  4. 26& 04-22-05 000000 ID SECURITY ALERT: FRAUDLENT APPLICATIONS MAY BE
     SUBMITTED IN MY NAME OR MY IDENTITY MAY HAVE BEEN USED WITHOUT MY CONSENT
     TO FRAUDULENTLY OBTAIN GOODS OR SERVICES. THIS ALERT WILL BE MAINTAINED
     ON FILE FOR 90 DAYS BEGINNING 05/22/05. Rptd 04/05 (XPN)(APP)
  5. #HK#IFCRA-INITIAL FRAUD ALERT: ACTION MAY BE REQUIRED UNDER FCRA BEFORE
     OPENING OR MODIFYING AN ACCOUNT.  CONTACT CONSUMER AT (312)555-1212
     Rptd 04-05 (TUC)(APP)
  6. #HK# ID FRAUD VICTIM ALERT. FRAUDULENT APPLICATION MAY BE SUBMITTED IN MY
     NAME USING CORRECT PERSONAL INFORMATION.  DO NOT EXTEND CREDIT WITHOUT
     FIRST CONTACTING ME PERSONALLY AND VERIFYING ALL APPLICANT INFORMATION.
     CONTACT CONSUMER AT (312)555-1212 Rptd 04-05 (TUC)(APP)
  7. MY PAYCHECK WAS DELAYED BY 6 WEEKS AND THEREFORE I COULD NOT PAY THE GAS
     CARD ON TIME. Rptd 05-05 (TUC)(CAP)

Decode Directory Information:
-----------------------------
  1. A F S C I (XPN-3564330)
     (310)370-4854 17508 HAWTHORNE BLVD TORRANCE CA 90504
  2. A F S C I (TUC-086XX30FR)
     (800)377-4800 17508 HAWTHORNE BOULEVARD TORRANCE CA 90504

Fraud Verification Information:
-------------------------------
  EFX SAFESCAN (APP)
     SAFESCANNED: YOUR INQUIRY HAS GONE THROUGH
     OUR SAFESCAN DATA BASE; SSN ISSUED 1969 IN HI.
  EFX SAFESCAN (CAP)
     Not provided by the repository.
  TUC HAWK (PNA)
     SUB-SEGMENT DATA ONLY; SINCE 10-07-2006 THE SSN HAS BEEN USED
     3 TIMES IN OTHER INQUIRIES;
  TUC HRFA (APP)
     AVAILABLE AND CLEAR
  TUC HRFA (CAP)
     Match not found

                                Page 5 of 6
```

Alert details

FACT Act Alert specific details will be displayed in either the **Miscellaneous Information** or the **Consumer Statement** section depending on the bureau. Consumer statement details may vary by the consumer and the reporting bureau.

Decode Directory Information ❖

The creditor information will now include the bureau-specific subscriber code and a phone number, when available. These decode products from the bureaus are available: Direct Check, Creditor Contact Info and On Line Directory.

Fraud Verification Information ❖

When a fraud message does appear it will show whom the message pertains to: APP, CAP or PNA. Fraud products available from the bureaus include HRFA, Fraud Shield, and Safescan.

This sample report contains compiled data in order to showcase a wide variety of format features. Therefore, data content represented within this report may not be consistent across all report sections. ❖ Your account profile will determine whether this feature appears on your Instant Merge Report. DataHQ F1 format sample (rev. 11-07)

```
-------------------------------------------------------------------------------
REF:1-00000-05934-0000 07/05/2006        TID:1-00000-05934 07/05/2006 13:31:00
-------------------------------------------------------------------------------

Consumer Referral Information:
------------------------------
  EFX - EQUIFAX INFORMATION SVCS, PHONE: (800) 685-1111
        P.O. BOX 740241, ATLANTA, GA 30374
  XPN - EXPERIAN, PHONE: (888) 397-3742
        P.O. BOX 2002, ALLEN, TX 75013
  TUC - TRANSUNION, PHONE: (800) 916-8800
        PO BOX 34012, FULLERTON, CA 92834

Error Information:
------------------
  1. TUC DATA UNAVAILABLE.  (TUC-E021, TUC-E160)


Prepared By:   First American CREDCO
               12395 First American Way, Suite 200
               Poway, CA 92064-0495
               Contact Phone: (800)300-3032   Fax:(800) 938-7200

This report contains information supplied by the repositories named above. Its
contents have not been verified by First American CREDCO and may contain
duplicate information. While this report is being used for some real estate
lending purposes, it is not a Residential Mortgage Credit Report as defined by
FNMA, FHLMC, and FHA/VA guidelines.



                   ****** END OF INSTANT MERGE REPORT ******
```

Error Information ❖

If there are any issues with processing this report, special messages regarding the state of the file will appear in this section. It will include a generic text message (i.e., applicant file frozen, possible incomplete data, etc.), as well as corresponding specific error codes (i.e., missing information, invalid subscriber code, etc.).

This sample report contains compiled data in order to showcase a wide variety of format features. Therefore, data content represented within this report may not be consistent across all report sections. ❖ Your account profile will determine whether this feature appears on your Instant Merge Report. DataHQ F1 format sample (rev. 11-07)

Instant Merge® Sample Report

Tradeline Key

```
-----------------------------------------------------------------------------------------
Account Name/Number (Sources)                                 Past due        MR    Last
  Open      High   Payment Balance  MOP    Status   Rptd     30    60    90+   MD    MxDlq
-----------------------------------------------------------------------------------------
                                                1
   BANK OF AMERICA MORTGA/1003075352461 (EFX* XPN-FPXX86040*, TUC*)

2                      3      4      5           6          7            8       9
J  07-01  147286      1326  139339  M-2    DEL 30   06-06    07    02    06     59    06-06

                                                            11               12     13
10 Hist:  06-06 221166554432211121132211    PYMT   06-06    JNT                6    02-06

14 Ctgy:  REAL ESTATE                          Term:  30 YRS               Lmt:  147,000

15 Lates: 6x90+:2-06,1-06,12-05,11-05,10-05,9-05; 2x60:8-05,11-04; 7x30:6-06,ADDTNL LATES

16 BLON 04-00 LACT 06-06 PYMT 06-06
```

1 The SOURCES for each tradeline, with the subscriber code provided from the most recently reported repository. An asterisk (*) indicates which repository reported derogatory information. EFX = Equifax; XPN = Experian; TUC = TransUnion.

2 ECOA code indicates who is responsible for each account and the type of participation for that account, as follows:

U UNDESIGNATED	Not designated by the creditor
I INDIVIDUAL	Individual account
J JOINT	Joint account
A AUTHORIZED USER	Authorized to use someone else's account
S SHARED	Joint account
C CO-MAKER	Joint responsibility for the account
B CO-SIGNER	Responsibility only in case of default on the account
M MAKER	Individual account
T TERMINATED	Closed account
X DECEASED	Deceased individual

3 PYMT displays the monthly liability on each account.

4 BALANCE displays the total liability on each account.

5 MOP *(Method of Payment)* and STATUS use the "Universal Rating Code" with English translation of the current status of the account as of the date reported.

MOP Codes

Account type:

R Revolving	O Open, 30 days	C Line of Credit
I Installment	M Mortgage	Y External Collection

Universal Rating Code:		English Translation:
0	Too new to rate	CURRENT
1	Current	CURRENT
2	30 days late	DEL 30
3	60 days late	DEL 60
4	90 days late	DEL 90
5	120 days late	DEL 120
6	150 days late	DEL 150
7	Wage Earner Plan or Bankruptcy	WEP/BKRP
8	Repossession or Foreclosure	REPO/FCL
9	Collection or Charge-off	COLL/P&L
U	Unrated	UNRATED

6 RPTD displays the date the account was reported by the creditor.

7 PAST DUE displays the number of times the account has been 30, 60, or 90+ days past due within the last seven years.

8 MR *(Months Reviewed)* is the number of months of payment history reported by the repositories.

9 LAST DLQ displays the date of the most recent delinquency, if reported by the creditor.

10 HIST *(Historical Payment Pattern)* indicates month to month payment history with the most recent date reported at the left. If reported, displays up to the last 24 months. For numbers other than 1, refer to "Universal Rating Code." A dash (-) means not reported that month.

11 Applicant Identifier. Identifies the owner of an account by (JNT) joint, (APP) applicant/subject, (CAP) co-applicant, or (*PNA*) possible non-applicant.

12 MD *(Maximum Delinquency)* displays the most severe delinquency for the account by MOP code up to 6.

13 MAX DLQ *(Maximum Delinquency Date)* displays the date of the most severe delinquency.

14 CTGY, TERM, LMT displays the category of loan, the terms of the loan and its credit limit.

15 LATES displays more detailed information on the late payments that have occurred with this tradeline.

16 ADDITIONAL DATES and amounts posted for specific categories like balloon, bankruptcy, closed, last activity, payment, foreclosure, and repossession.

This sample report contains compiled data in order to showcase a wide variety of format features. Therefore, data content represented within this report may not be consistent across all report sections. ❖ Your account profile will determine whether this feature appears on your Instant Merge Report. DataHQ F1 Format Sample Key (rev. 01-07)

Appendix B

Sample Credit Letters

Request for Copy of Credit Report

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Please send to me a copy of my credit file. Enclosed please find $_______ for your services.

Very truly yours,

Request to Investigate Incorrect Items

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Enclosed please find a copy of my credit file. I have circled the item(s) that I believe are incorrect. Please investigate this item (these items) immediately.

Although I have an account with this subscriber/credit grantor, the circled information on the file is incorrect. (Insert a specific account as to why the information is incorrect here.) This entry (These entries) on my credit report is (are) extremely detrimental and inaccurately reflect my credit. Upon completion of your investigation, please send to me a copy of my credit file reflecting the results of your investigation.

Very truly yours,

Request for Credit Report After Denial

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Please send me a free copy of my credit file. I was denied credit within the past ____ days.

(Enclose evidence that you were denied credit or provide the name and address of the company that denied you credit within the credit reporting agency's free credit file time period)

Very truly yours,

Request to Remove Inaccurate Items Reported by Creditor

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Please find attached a copy of my credit file with the disputed item(s) circled. Please investigate this item (these items) immediately. (Insert a specific account as to why the information is incorrect here.) The credit grantor has inaccurately reported this item (these items) and I want it (them) removed as soon as possible. When you have completed your investigation, please send me a copy of my credit file reflecting the results of your investigation.

Very truly yours,

Request to Remove Paid Items

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS   Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Attached please find a copy of my credit file with the disputed item(s) indicated. Please investigate this item (these items) immediately. (Insert a specific account as to why the information is incorrect here.) Since this account (these accounts) has (have) been paid promptly and satisfactorily, the credit file does not reflect an accurate credit history. This inaccuracy (these inaccuracies) are extremely injurious and unfair to me.

Please send me a copy of my credit file that reflects the results of your investigation.

Very truly yours,

Request to Remove Inaccurate Items

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Attached please find a copy of my credit file with the disputed items circled. There are several items that do not belong on my credit report. I have no knowledge of these accounts; they are not mine (add explanation if you know how confusion arose). These items are very injurious to my credit history; please investigate them immediately.

Please send me a copy of my credit file which reflects the results of your investigation.

Very truly yours,

Request to Remove Items After Divorce

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Attached please find a copy of my credit report with the disputed item(s) circled. Please investigate this item (these items) immediately.

This item is (these items are) not mine but my former spouse's, and the creditor has released me of liability for this (these) account(s). I would like it (them) removed to reflect my proper credit history. This item is (these items are) very damaging to my ability to receive credit. Please send me a copy of my credit file reflecting the results of your investigation.

Very truly yours,

Second Request Disputing Inaccurate Information

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

I still do not agree with the following items on my credit file following your investigation. I continue to find these inaccurate items to be highly damaging to my credit rating. They are not mine (insert specific account as to why information is incorrect here). Please find the attached copy of my credit report with the disputed item(s) circled. Please reinvestigate this item (these items) immediately.

Additionally, I would like the names, business addresses, and phone numbers of each person with whom you verified the information. Please send me a copy of my credit file that reflects the results of your reinvestigation.

Sincerely,

Request to Add Positive Credit History

Date
Name (First, Middle, Last Name, Jr./Sr.)
ADDRESS Phone #
Soc. Sec. #
Date of Birth
(If married; same information for spouse)
Previous address(es) for the past five years (include zip codes)

(Choose any one of the largest Credit Bureaus)

Dear Customer Relations Representative:

Please add the following items to my credit file.

1) Name of lender
2) Address
3) Account #
4) Amount borrowed
5) Date paid

Please send me a copy of my credit file when you have completed this request.

Sincerely,

Notes

Notes

Notes

Notes

NAIHC acknowledges and thanks the following contributors:

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Pathways Home:

A Native Homeownership Guide

Participant Module 5: ***Finding a Home***

A project coordinated by the
National American Indian Housing Council, NeighborWorks® America, and Oweesta

       

Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

Pathways Home:

A Native Homeownership Guide

Participant Module 5: *Finding a Home*

The Second Edition of *Pathways Home: A Native Homeownership Guide* was developed by the Native American Indian Housing Council in partnership with Oweesta and NeighborWorks America. The Second Edition of *Pathways Home: A Native Homeownership Guide* includes materials from the First Edition originally published in 2003 and developed by the National Congress of American Indians in partnership with the National American Indian Housing Council and NeighborWorks America with contributions by Bank One, the Fannie Mae Foundation, the Ford Foundation, Green Point Mortgage, PMI, Washington Mutual, and the Wells Fargo Foundation.

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More Information

Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

Table of Contents


Weems

Pathways Home:

A Native Homeownership Guide

So, you want to buy a home of your own –

You've come to the right place. *Pathways Home: A Native Homeownership Guide* will help you to develop the skills you need to purchase a home. These materials are intended for Native people, and we hope that you and your family will use them to build upon your traditional knowledge and expand your understanding of homeownership.

Pathways Home: A Native Homeownership Guide is divided into eight modules plus a glossary.

Understanding the homeownership process is the first step on your journey to becoming a homeowner. The following suggestions will help you to use *Pathways Home: A Native Homeownership Guide* as a guide for your learning.

1. Begin each module by quickly scanning the headings. This will give you an idea of what you will be studying.
2. It is important to underline and write in the modules to reinforce your learning.
3. All terms in bold type are defined in the glossary. Refer to the glossary to understand terms that are commonly used in the homeownership process.
4. At the end of each module you will find a Module Review. Use this opportunity to review the concepts discussed.
5. You will need a pencil and calculator to complete the exercises in the modules.
6. Each module is illustrated by traditional and contemporary homes from different Native regions. Historically, Native people were homeowners, and with some planning and determination, you can be one today!

The Weems Family

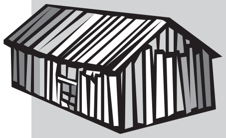
Coeur d'Alene Tribe

Bill Weems and his wife Claire began their journey into the homebuying process by contacting the Coeur d'Alene Tribal Housing Authority. They attended Saturday homebuyer education classes for two months and participated in regular one-on-one counseling sessions with their housing counselor. Bill describes his experience:

> "Homebuyer education taught us about our credit scores and how to clean them up, how to manage our finances, what programs were available to assist us, and what to expect in the process of becoming "mortgage ready." A tad over two years later, we started talking to our landlord about purchasing the home we lived in. The unbelievable thing was that it didn't "feel" like we were doing anything remarkable. The classes instilled on an almost subconscious level how to become mortgage ready. The next thing we knew, we made an offer, a counter offer, and then agreed on a price.
>
> We locked in an interest rate of 4.8% seven days before we closed because the classes taught us how interest rates affect the cost of the home. We also got $4,000 in down payment assistance and we participated in the housing authority's Individual Development Account Program which matched the money we saved to help us with closing costs.
>
> Everyone who has ever dreamed of owning their own home should go through this program! It was the best feeling in the world to go to sleep that night in "OUR" house! Now we are paying ourselves instead of some landlord, and everything we do to the place is for us."

Module 5:

Finding a Home



In the Pacific Northwest, Native people lived in a traditional shelter known as the plank house. The style and design of these homes varied depending on the community. For the most part, they were long rectangular wood homes that were built to shelter multiple generations of a family. The wood for plank homes was gathered from local areas and placed on poles that were imbedded in the ground. The roof was an upside down V shape. The materials and design were quite durable in the wet weather that is common to the region.

Objectives

In this module we will discuss:

- housing needs
- land in Native communities
- loan products
- site suitability
- new construction versus existing homes
- selecting a contractor
- monitoring home construction

Housing Needs

Buying a home is a significant financial and personal experience. To make your dream of purchasing a home a reality, you must be able to identify your housing needs. Housing needs are those aspects of a home that are necessary for your family to live safely and comfortably (e.g., enough bedrooms so that there is not overcrowding). Your housing needs and financial resources will determine the size, location, special features, construction type, and land upon which your home is built.

The following questions will help you describe your housing needs:

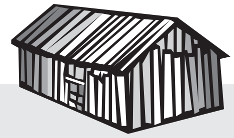
1. What housing features are necessary to serve your family's needs?

2. What is most important about where you live?

3. Do you want to build a new home or buy an existing home?

4. What can you realistically afford?

Housing Needs Exercise



Use the Wish List Checklist to identify the features you would like in a home and their importance to you. Some characteristics may not be available in your community. Try to identify your essential needs.

Homebuyer's Wish List
Circle the number that best describes your level of need associated with each housing characteristic.

1=Very Important 2=Important 3=Not Important

Type of Home							
Existing	1	2	3	New	1	2	3
Ranch	1	2	3	Split-Level	1	2	3
Two-Story	1	2	3	Modular	1	2	3
Log Home	1	2	3	Other ________________	1	2	3
Construction							
Brick	1	2	3	Wood	1	2	3
Vinyl	1	2	3	Concrete Block	1	2	3
Stone	1	2	3	Other ________________	1	2	3
Type of Yard							
Small	1	2	3	Large	1	2	3
Fenced	1	2	3	Landscaped	1	2	3
Play Area	1	2	3	Pool	1	2	3
Deck/Patio	1	2	3	Other ________________	1	2	3
Rooms							
Small Kitchen	1	2	3	Large Kitchen	1	2	3
Living Room	1	2	3	Separate Dining Room	1	2	3
Rec Room	1	2	3	Family Room	1	2	3
Office	1	2	3	Workshop	1	2	3
2 Bedrooms	1	2	3	Utility Room	1	2	3
3-4 Bedrooms	1	2	3	Storage Room	1	2	3
5 Bedrooms	1	2	3	In-law Apartment	1	2	3
1-2 Bathrooms	1	2	3	Basement	1	2	3
3-4 Bathrooms	1	2	3	1-2 Car Garage	1	2	3
Extra Features							
Carpeted Floors	1	2	3	Hardwood Floors	1	2	3
Vinyl Floors	1	2	3	Vinyl Tile Floors	1	2	3
Central Air and Heat	1	2	3	Central Gas Heat	1	2	3
Ventless Gas Heaters	1	2	3	Oil Heat	1	2	3
Wood Burning Fireplace	1	2	3	Fireplace w/Gas Insert	1	2	3
Ceiling Fans	1	2	3	Other ________________	1	2	3
Special Features							
Finished Loft	1	2	3	Finished Basement	1	2	3
Guest Room	1	2	3	Master Bdrm w/Private Bath	1	2	3
Location							
In Native Community	1	2	3	Outside of Native Community	1	2	3
Scattered Site	1	2	3	Subdivision	1	2	3

Types of Property Available for Home Mortgages

Building a new home or purchasing an existing home requires the availability of land. Land use rights vary by Native community. To purchase a home in a Native community, it is very important that you become familiar with the process for land acquisition and land use. Understanding the various forms of land ownership is important for participants in all types of mortgaging financing programs. The most common types of land used in the mortgage process are described below.

Work with your housing counselor to learn about construction costs in your area. Remember, you can keep your construction expenses in check by adhering to a spending plan based on your needs. Establish a plan for obtaining other "wants" in the future.

Tribal Trust Land. Tribal trust land is owned by the United States in trust for a tribe, band, community, group, or pueblo of Indians subject to federal restrictions against alienation or **encumbrance**. This means that the United States owns the property and has set aside tribal trust property for the exclusive use of a tribe. The BIA has a federal trust responsibility to ensure that the land use is for the benefit of the tribe. Consequently, nearly everything the tribe may want to do with trust property (sell, lease, mortgage, or develop) requires federal approval from the BIA.

Individual Allotted Trust Land. Land or any interest in the land held in trust by the United States for the benefit of individual Indians is referred to as **individual allotted trust land**. The allottee or owner of the individual trust may choose to use the land as collateral for a mortgage and consequently risk permanent loss of the land in the case of default and subsequent foreclosure. This type of trust land can only be sold or used as collateral for a loan with the consent of the BIA. Some allottees choose to use an interest in the land (e.g., a leasehold interest) as collateral to eliminate the possibility of the land leaving trust status and being converted into fee simple land in the case of foreclosure.

Fee Simple Land. **Fee simple absolute** land means that there are no restrictions on your ownership. In other words:

- you can sell, rent, or leave the land to your children
- you pay property taxes to the state or county government
- you do not need a lease to use the land as collateral for a mortgage

Most non-Indian land is fee simple land. Fee simple land can be on or off a reservation. The difference between fee simple land and trust property is that fee simple land can be bought and sold to any individual without the consent of the BIA. Financing a home on fee simple property is easiest because neither BIA approval nor a lease are required for the loan. However, the state or local government may impose property taxes.

Native Hawaiian Home Lands. The federal government set aside as Hawaiian Home Lands approximately 200,000 acres of land to be held in trust for homesteading by native Hawaiians.

Acquiring a Homesite for Mortgage-Based Homeownership

There are several ways to acquire an interest in land for homeownership on tribal trust land. For instance:

Leasing Tribal Trust Land. Only those who are eligible under the laws and customs of the tribe to lease tribal trust land for residential purposes or who otherwise obtain the specific approval of the tribal governing body are eligible to apply for a residential lease of tribal trust land. The person holding the lease, called the lessee, receives the right to live there, build a house, exclude other people from living there, and build other buildings and infrastructure subject to the terms of the lease. All residential leases for a mortgage or a leasehold mortgage must comply with BIA Residential Leasing Regulations.

To lease tribal trust land, the following basic steps generally apply:

- Check with the tribal land contact or BIA Realty staff to see if there is trust land available for residential leasing.
- Obtain an appropriate lease form for a home mortgage loan on trust property. Make sure the lease your tribe uses complies with the requirements of the loan program you plan to use. Many tribes have adopted the One-Stop Lease Program, which is acceptable to all federal and most conventional loan programs. Any modifications to the lease will have to be approved by the loan program and the tribe.

Nez Perce Tribe of Idaho

Spokane Reservation

- Request a tribal government resolution giving you permission to execute a minimum lease of 25 years with an automatic renewal of 25 years, or a 50-year **residential lease** that meets the tribe's and the lender's requirements.
- Get BIA approval and ensure that the lease is recorded on a Title Status Report (TSR). Your lender will require a copy of the lease and a certified copy of the TSR with the lease recorded on it. This assures the lender that there are no title defects and that you are in possession of the leasehold interest, which will be mortgaged at closing.

Master Lease. A master lease allows for a TDHE or another developer to obtain control of a site that is being developed as a cluster of homes, such as a subdivision. Each homesite in the **plat** is identified by specific boundaries and a lot number within the external boundaries of the subdivision. The tribe's TDHE or another developer may receive this form of a lease when it builds a development.

The process used for Mutual Help serves as the model that is still widely used.

EXAMPLE:

Rudy Archambeau has been in the Mutual Help Program for 21 years. He has a three-bedroom home in the Yankton Sioux Housing Authority (YSHA) Wagner Subdivision. Rudy has finished paying for the house and is eligible to become the homeowner. The leasing process from the beginning of the project to homeownership status included the following steps:

1. *The Yankton Sioux Tribe provided a residential master lease for a 20-acre tract of land to the YSHA for development of a subdivision consisting of 30 lots.*
2. *The YSHA had the tract surveyed and subdivided into 30 lots with roads, utility easements, and common areas.*
3. *Approved applicants acquired homebuyer rights through a Use and Occupancy Agreement, which identifies all the rights and obligations of the homebuyer.*
4. *Once all the homebuyer obligations have been fulfilled (up to 25 years), the YSHA conveys (gives ownership) to the homebuyer. Ownership is for the home and improvements on the land.*
   a. *The YSHA Board of Commissioners authorizes a resolution to convey Rudy's house on Lot 7 of Wagner Subdivision Master Lease and to cancel Lot 7 from Wagner Subdivision Master Lease.*
   b. *YSHA submits a copy of the resolution and documents with instructions to the homeowner to follow up with the tribe and the BIA.*
   c. *YSHA submits an original resolution and copies of all documents to the BIA and the tribe.*

5. *The homeowner follows up with the tribe and the BIA.*
6. *A tribal resolution is initiated to authorize cancellation of the specified lot from Wagner Subdivision Master Lease and preparation of a residential lease with the homeowner.*
7. *Tribe authorizes and signs the resolution and BIA approves cancellation and new lease with the homeowner.*
8. *BIA records and updates a new TSR.*

Life Estate. The lease or the tribal estate code may contain **life estate** provisions that allow for the **leasehold interest** in trust land to be passed at death to the lessee's heirs as determined by the customs of the Native community. These provisions may treat enrolled and non-enrolled heirs differently. This difference may be significant if the leasehold interest is encumbered by a mortgage because non-enrolled heirs may lose their right to use the property and may be forced to move out of the home, which may result in foreclosure.

Examples of life estate provisions contained in a lease or tribal estate code include:

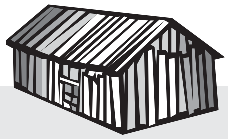
- A requirement that enrolled members with a leasehold interest in trust land execute a will specifying that a life estate in their leasehold interest and any improvements on the property (i.e., the home) is left to their non-enrolled heirs including their spouse and/or children. When the lease expires, the provision may or may not grant "use" rights to the property, depending on the customs of the community.
- A requirement that if enrolled members die **intestate** – without a will – their heirs may not be allowed to inherit the leasehold interest and the home at all.
- An option for non-enrolled heirs to decline to take a life estate that they may have inherited and, instead, sell the leasehold interest and home back to the tribe.

If your family includes non-enrolled members, you may want to consult with legal counsel to determine how the tribal law in your community governs these situations.

Eligibility for Hawaiian Home Lands. If you are native Hawaiian, you can apply to the Department of Hawaiian Home Lands for a Hawaiian homestead lease. You must meet two requirements to qualify:

- You must be at least 18 years of age.
- You must be a native Hawaiian, defined as "any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands previous to 1778." This means, you must have a blood quantum of at least 50 percent Hawaiian. As a lessee, you will be leasing the property for a time period of 99 years for a lease rent of $1.00 per year. When the expiration of the 99-year term of your lease approaches, you will have the option of extending the lease for an additional 100 years at the same rent or surrendering the lot back to DHHL. For more information, visit www.hawaii.gov/dhhl.

Tribal Trust Lease Exercise



Laurie Ann Wilson has a paid-off Mutual Help home that is 16 years old. Her house is in very good condition. She is getting married and has adopted two small children in addition to her son. Many of her nieces and nephews frequently stay with her as well. Now that her home is paid off, she wants to add a great room.

The tribe granted a master lease to the TDHE. Laurie Ann had a Mutual Help Use and Occupancy Agreement for her Lot #18. Review the following list of steps and identify the proper order in which Laurie Ann needs to show possession of Lot #18 as a homeowner so she can obtain mortgage financing to make her home improvements.

Step #	TASKS
________	Obtained a current, signed TSR showing residential Section 184 lease between Laurie Ann Wilson and tribe.
________	BIA approved lease between Laurie Ann and tribe.
________	Laurie Ann and tribe executed Section 184 lease.
________	TDHE notified BIA to cancel Lot #18 from the Master Lease.
________	Laurie Ann followed up and requested that the tribe issue a resolution authorizing the BIA to cancel Lot #18 and to simultaneously authorize a Section 184 lease to Laurie Ann Wilson.
________	TDHE conveyed house to Laurie Ann Wilson.

Spokane Reservation

Allotted Trust Property and Home Mortgages

Individual Allotment

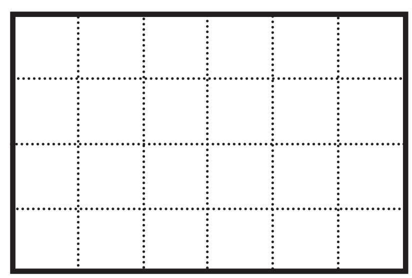
Individual allotted trust land can be used to secure a loan. To do this, the borrowers must get the permission of the BIA and any other individuals with an interest in the land. They must obtain a certified TSR from the BIA to determine the exact ownership of the land. Because of the diversity of tribal governments, this process can vary. It is important to remember that a current, signed, and certified TSR is only good for six months. Consequently, timing is crucial.

The BIA Agency Office will review and approve a loan package and appraisal from your lender. Then they will forward the package to the BIA Regional Area Director for final approval.

Because individual allotted trust lands have been passed down through the generations, numerous family members may have an interest in the land. The difficulty of locating and contacting all heirs has resulted in undivided land, referred to as **fractionated land**. It is not uncommon for 50 individuals to have an undivided interest in a half acre of land. In other words, a borrower's 1/50 interest is not defined or subdivided, as demonstrated in Figure A. When interest in land is defined, each individual has a specific legally defined part, as shown in Figure B.

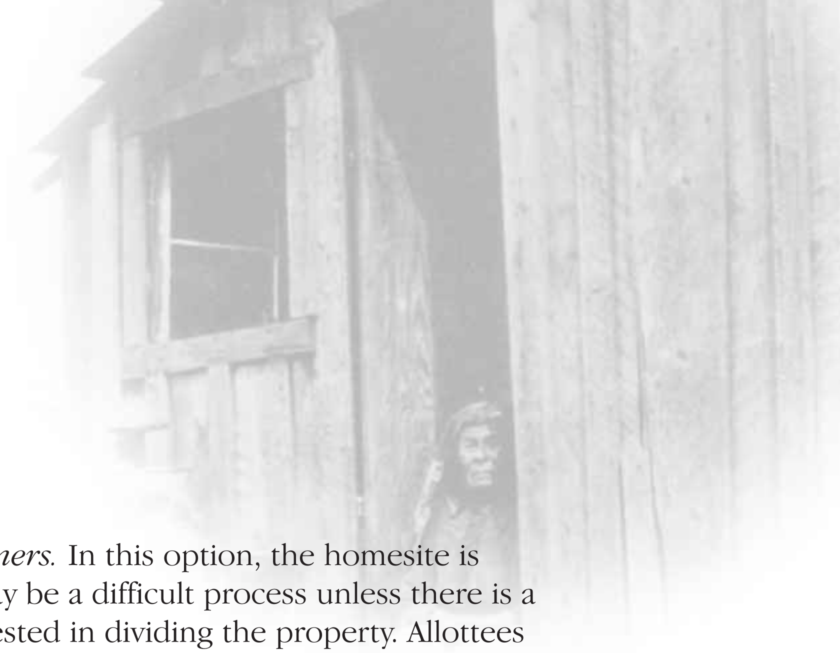
Figure A: Undivided or Fractionated Land

Figure B: Divided Land



There are four options available to a borrower who has an interest in fractionated land:

1. Subdivide the property among all the owners.
2. Obtain a gift deed or purchase the allotment from all owners of the undivided allotment.
3. Obtain consent from all owners to mortgage the undivided allotment.
4. Obtain a lease on the property from the co-owners.



Subdivide the property among all the owners. In this option, the homesite is subdivided among all the owners. This may be a difficult process unless there is a small number of owners who are all interested in dividing the property. Allottees can also explore the possibility of partitioning the allotment, which may not require the consent of all owners, but rules on this process vary so it is best to check with your local BIA office about the local rules governing partitioning. The portion of the allotment that you use as collateral for a mortgage is no longer owned by the other original allottees. This requires:

- written notification to all owners
- consent to subdivide by all owners
- agreement by all owners over who owns which subdivisions
- survey to legally define subdivided tracts
- submission of all documents and plat to BIA
- appraisal of the land by the BIA
- approval, processing, and recording by BIA

Obtain a gift deed or purchase the allotment from all owners of the undivided allotment. In this option, all allottees relinquish their rights to the entire allotment. They give it to you permanently. This requires:

- written notification to all owners
- provision of the deed, from all owners, to borrower for the allotment
- submission of all documents and plat to BIA
- appraisal of the land by the BIA
- approval, processing, and recording by BIA

Obtain consent from all owners to mortgage the undivided allotment. In this option, the other allottees consent to you using the property as collateral for a mortgage. They risk permanent loss of the land in the case of default and subsequent foreclosure. This requires:

- written notification to all owners
- consent to mortgage allotment provided by all the owners
- approval, processing, and recording by BIA

Obtain a lease on the property from the co-owners. In this option, the allottee does not need everyone's consent. Consent requirements vary depending on the number of owners, so check with your BIA office about what applies in your situation. The BIA may also be able to exercise its authority to lease property if the owners cannot agree on use. In this case, the BIA sends out a notice saying it will lease the property unless all owners can agree on a proposed use. If no agreement is reached, the BIA can issue the lease, sometimes even at a nominal rate among family members. The advantage of using a leasehold interest as collateral for a mortgage is that it does not risk the ownership interests of the co-owners in the underlying property.

Allotment Owned by Another Individual

Sometimes a borrower wants to build and use a home as collateral on an allotment they *do not have an ownership interest in* (e.g., it can be owned by other individuals). If the owner(s) does not want to gift deed or sell the land to the borrower, the borrower must obtain from all owners a mortgage lease on the allotment acceptable to the lender/federal agency for 50 years or 25 years with an automatic renewal of 25 years. Everyone with an undivided interest must give up their rights to the allotment for the term of the lease. The lessors (owners of the allotment) will lose their interest in the land for the term of the lease in the event of a foreclosure. This requires:

Keep in mind that leasing trust land can be a complicated process. Allow a great deal of time and commit to staying on top of the process.

- written notification to all owners
- consent to mortgage allotment provided by all the owners along with executed lease
- submission of all documents and plat to BIA
- approval, processing, and recording by BIA

TSR (Title Status Report)

In Module 2, the TSR is described as the document that provides a record of all real estate transactions for a specific property to ensure the legal transfer of property. If your home purchase involves the various types of trust property described in this module, it is very important that you begin your homebuying journey with a request to the BIA for the TSR for the land you intend to use. Timing is critical in obtaining a TSR. It must be current, signed, and certified in order to be acceptable to the lender. A new TSR is valid for six months, and it must be obtained prior to talking to a lender. Your housing counselor can provide you with a sample of a TSR that is used in your area.

Loan Products that Work in Native Communities

There are a number of programs that provide mortgage financing in Native communities. These programs typically require participation of the tribal government and a private lender. Many TDHEs and homeownership nonprofits provide the required homebuyer education classes, conduct the prequalification process, and perform the counseling needed to prepare Native people for home mortgages. The programs that work in Native communities are described below.

Section 184 Loan Guarantee Program. This program provides Native families with the opportunity to purchase a home on tribal trust, allotted, or fee simple land. Loans must be made by a lender approved by HUD or the Secretary of Agriculture, or supervised, approved, regulated, or insured by any agency of the U.S. government. A TDHE or bank can be an approved lender. A borrower must apply directly to a lender that is participating in this program. HUD provides a 100 percent guarantee to the lender for all loans, which can be made to Indian families, TDHEs, and tribes. Loans can be made to:

- construct a home
- acquire a home
- rehabilitate a home
- acquire and rehabilitate a home
- refinance a home

A TDHE or Indian tribe may also borrow funds to develop single-family homes that are subsequently sold to eligible families or individuals or to create tribal-owned rental housing.

Quinault Reservation

Section 184A Native Hawaiian Housing Loan Guarantee Program. This loan product facilitates the investment of private sector capital to finance mortgage loans for single-family owner-occupied homes on Hawaiian Home Lands. A family eligible to reside on Hawaiian Home Lands must apply for a loan directly to a HUD-approved Section 184A Lender. HUD provides a 100 percent guarantee to the lender for all loans. Loans can be made to:

- purchase a home
- rehabilitate a home
- purchase and rehabilitate a home
- construct a home

The Department of Hawaiian Home Lands (DHHL) may also obtain a 184A loan to develop single-family homes that are subsequently sold to eligible native Hawaiian families or individuals or to create DHHL-owned rental housing.

Federal Housing Administration (FHA) Section 248 Mortgage Insurance Program. A family who purchases a home under this program will be expected to finance the home through a bank, savings and loan, mortgage company, or other HUD-approved lender. The eligibility requirements for a loan are similar to those of the Section 184 loan program. The program can be used on trust property, but not on fee simple land, to:

- buy an existing home (including a manufactured or mobile home, providing it meets certain FHA requirements)
- build a home

FHA Section 247 Mortgage Insurance Program provides another financing option for single-family homes on Hawaiian Home Lands. An eligible native Hawaiian must apply for a loan directly to an FHA-approved lender. The home must be occupied as the lessee's principal residence. HUD insures the lender in case of borrower default on the loan. The loan may be used to:

- purchase a home
- construct a home
- refinance (includes FHA streamline)
- purchase and rehabilitate a home
- refinance and rehabilitate a home

Spokane Reservation

Swinomish Reservation

Rural Development Section 504 Direct Loans/Grants. **Rural Development (RD) Section 504 Direct Loans/Grants**, also known as **Rural Housing Repair and Rehabilitation Loans**, are funded directly by RD to assist very low-income rural residents who own and occupy a dwelling in need of repairs. This loan only charges a 1 percent interest rate and may be repaid over a 20-year period. Grants are only available to homeowners who are 62 years old and older and cannot repay a Section 504 loan. Funds are available for repairs:

- to improve or modernize a home
- to remove health and safety hazards

Rural Development Section 502 Direct Loans. **Rural Development Section 502 Direct Loans** are available for low- and very low-income households to obtain homeownership. Applicants located in rural areas may obtain 100 percent financing to:

- purchase an existing dwelling
- purchase and prepare a site and construct a dwelling
- purchase a newly constructed dwelling

Rural Development Section 502 Guaranteed Loans. **Rural Development Section 502 Guaranteed Loans** help families with incomes of up to 115 percent of the area median to obtain housing in rural communities. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. Funds can be used to:

- build, repair, renovate, or relocate a home
- purchase and prepare a site

Veterans Affairs Direct Home Loan on Trust Property. **Veterans Affairs (VA) Direct Home Loans** are available to eligible Native American veterans who wish to purchase, construct, or improve a home on trust lands. To participate in this program:

- There must be an existing Memorandum of Understanding between the tribe and the VA.
- The applicant must have available VA benefit entitlement and be a satisfactory credit risk.
- The maximum loan amount cannot exceed the VA's estimate of the reasonable value of the property.

Conventional Loan Products. A conventional loan is not insured or guaranteed by the federal government. Instead, this type of loan requires you to purchase private mortgage insurance on loans if your loan to value ratio exceeds 80 percent.

Conventional loan programs designed specifically for Native communities are becoming more and more available. Lenders are offering products with relaxed underwriting guidelines, higher housing and debt ratios, no reserve requirements, and low down payments. **Secondary mortgage market** investors such as Fannie Mae and Freddie Mac have designed many of these loan products, which are available through participating lenders.

Other Homebuyer Products. Many Native communities have developed their own mortgage financing assistance programs to serve their members. For example, some have created Community Development Financial Institutions that offer customized mortgage loan financing. Also, many nonprofit housing organizations and state housing agencies offer programs to assist first-time homebuyers and low-income families in Native communities.

Because housing counselors are familiar with various loan products that work in your area, they can save you time and help you determine the best loan product for you.

Different Loan Products, Different Ratios. As you consider the various loan products, remember to consider their ratios. Some loan products set ratios to allow for more flexible underwriting criteria. For example, the Section 184 Loan Guarantee uses a single ratio of 41%. Ratios for the following loan products are listed, with the lower number representing the housing ratio.

- Conventional mortgages – 28/36
- FHA – 29/41
- Special programs – 33/38 (ratios vary by lender)
- Section 184 Loan Guarantee – 41
- Section 502 loan program – 29/41 to 33/41
- VA – 29/41

Professionals Involved in the Homebuying Process

The process involved in looking for a home depends on whether you choose to live within or outside of a Native community.

Buying a Home on the Reservation

Shopping for a home on tribal land can be complicated and have unique requirements, so it is helpful to have an expert from your community help you. Your TDHE, tribal housing department, and local housing nonprofit are good places to begin your search for a home. These entities can provide you with services and information, as well as connect you with professionals such as:

Housing Counselor. Housing counselors will guide you through prequalification, identify program assistance that matches your needs, provide continued counseling, and identify homes in the area. Counselors will make sure that environmental issues and permit requests are referred to the appropriate tribal staff.

BIA Realty. The BIA is the federal trustee for **trust lands**. The BIA Realty Office reviews and approves on behalf of the tribe all leases for residential purposes. The BIA Land Titles and Records Office records all real estate transactions and maintains all title records. Some Regional BIA offices also perform the environmental and site suitability assessments in addition to fulfilling other realty functions.

BIA Roads. Depending on the funding available, the BIA funds the development and construction of off-site roads. Roads that provide access to the house site are typically the responsibility of the homebuyer. Unfortunately, many homebuyers have limited funds and are unable to build needed roads in a timely manner.

> "I moved back to the reservation because there were jobs available through the economic programs of the tribe. But there wasn't any financing until the 184 program came along. Because of the Section 184 program, I now have a home on the Tunica-Biloxi Reservation. It was tough, but it was worth it."
>
> – Joe Barbry, Homeowner, Tunica-Biloxi Tribe

Surveyor. A professional surveyor must either verify the correctness of the property lines or establish property lines. On trust property, a BIA survey may already exist along with a TSR. Verification may be obtained by either a BIA surveyor or an outside surveyor.

Indian Health Services (IHS). If you decide to build your own home, the IHS may provide free design and construction services for water and sewer facilities, subject to the availability of funding. This applies to individual tribal members who own their own land as well as trust or fee-simple property in the reservation area. The tribal member must:

- complete an application
- obtain approval from the tribe
- provide proof of ownership or long-term lease (minimum ten years) of the property and home
- maintain the property as a principal residence
- have property suitable for construction of the requested water and sewer facilities

Professional Home Inspector. A professional **home inspector** examines the house you have chosen to assess its condition. All parts of the structure are inspected and any defects or problems are noted.

Remember that all transactions involving trust property require federal approval from the BIA.

Appraiser. A professional **appraiser** provides a detailed assessment of the property value to the potential owner and lender. The lender will use its own appraiser or you will be required to select an appraiser approved by the lender.

Attorney. Before you sign any agreement, it is wise to have an attorney review it to tell you if it protects your interests. An attorney can also help you prepare for the closing. Paying an attorney to review all the loan documents is perhaps the best preventive measure you can take to protect yourself.

Insurance Agent. To ensure that your home is protected, you will need to acquire insurance. An insurance agent can advise you on the various types of required and optional insurance coverage available for homeowners.

Nez Perce Tribe of Idaho

Swinomish Reservation

"People look around and see all this land, but what they don't really understand is that it is practically inaccessible. At Qualla Housing Authority we've done a lot, but we feel we're always just beginning."

– Nick Huskey, Housing Manager and Homeowner,
Eastern Band of Cherokee Indians

Direct Lenders. Direct lenders are financial institutions that make mortgage loans, such as banks and credit unions.

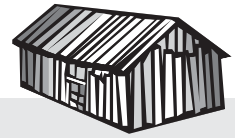
Mortgage Brokers. A **mortgage broker** is someone who brings a borrower and lender together. The mortgage broker receives a fee for this service that is usually paid by the lender. Mortgage brokers have access to many different direct lenders and they can provide you with information about various options. Although many mortgage brokers will help you select a good mortgage, make sure that you use a licensed broker, do your own research, and are aware of the mortgage process. If you have any questions, do not hesitate to contact a nonprofit housing counselor. Be sure that you are receiving accurate and complete information.

Buying a Home off the Reservation

If you decide to buy a home off the reservation or outside of your community, you can learn about homes that are available in the real estate section of the Sunday newspaper or a home listing guide (free and available at many shops and restaurants). Purchasing a home off the reservation may bring you in touch with other professionals in addition to the tribal resources mentioned above, such as:

Real Estate Professionals. If you shop for a home off the reservation, you might want to begin with a real estate agent who is trained and licensed to conduct real estate transactions. Because they specialize in knowing the housing market, real estate agents can quickly find available homes in your area. A good real estate agent can also provide helpful advice on many other aspects of homebuying.

Purchasing Partners Exercise



Read the circumstances below and indicate which professionals could be of assistance. You can have more than one answer.

Circumstances	Who Do You Need to See?
Upon looking at the house, I saw cracks in the foundation and stains on the ceiling. I wonder what else may be wrong with the home.	
The seller has asked me to sign a purchase agreement with confusing terms.	
The seller wants too much money for the property. I don't know if the property is worth it.	
I don't have a large savings. I need to come up with more money for the down payment and closing costs.	
I want to buy my brother's house, but I don't know whether it's worth what he is asking. It's kind of old.	
I want to build my own home on my individual allotted land (trust). Where do I go first?	
I can't qualify to buy a home because of my credit, but I have the money for a down payment and I have had the same job for ten years. I need a house now since my old home burned down. What am I going to do?	

Quinault Reservation

Site Suitability

Before you build or purchase a home, make sure you have the site inspected by someone who is knowledgeable about site development. In addition to cost, many factors can be obstacles to homeownership because they will take an excessive amount of time to overcome. For example, the farther away the access to water and sewer facilities, the greater the cost to build because more time is needed for construction.

Environmental Issues. Environmental issues need to be addressed before you decide to purchase, build, or rehabilitate a home. An **environmental review** can reveal issues that you may not be prepared to address. For example, a leaking underground oil tank is an environmental hazard that can cost approximately $6,000 or more to remove. Use of federal funds requires that a review using the Statutory Checklist shown in Appendix A: Environmental Assessment be conducted to determine if there is any significant environmental impact of the home purchase transaction. For purchase of an existing home, you will have to provide certification that the property is not in a **flood zone** or a **costal management zone**.

Other site issues that you may need to consider include:

- *Cultural significance.* A determination needs to be made about historic structures that may be located on or near the property.
- *Access to the site.* The closer the access to the site, the less need there is to build an access road, acquire rights-of-way and permits, and install lengthy, elaborate utility service lines.
- *Access to water and sewer.* Direct access to a water and sewer system may be more costly initially. Yet, the advantage of operation and maintenance performed by a utility company creates a long-term savings as well as the long-term benefit from treated water versus untreated well water.
- *Drainage.* Surface runoff is of concern to the homeowner because it can result in soil erosion, ponded water, and water in the basement or crawl space. Be sure that measures are taken to direct run-off away from the home or neighbors.
- *Underground springs.* Buying or building a home on an underground spring is disastrous. Structural damage caused by mold due to excessive moisture is only one of many possible consequences.
- *Soil composition.* Composition of the soil will determine suitability for certain types of structures. For example, when the soil is slow draining, as with clay and silt, water will pond rather than soak into the ground, requiring more elaborate drainage systems. Building on soil that contains a high content of lime could lead to sink holes that will cause settlement, resulting in structural damage.
- *Existing easements/rights-of-way.* Buying and building on property without examining the presence of existing property right-of-way could result in lack

of ingress or egress. Or, you might purchase property on which the right has been extended to others to pass over the land you intend to purchase.

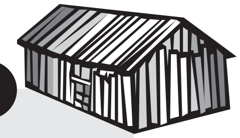
- *Zoning or covenants (if applicable).* **Zoning** is a way for governments to protect residential neighborhoods from homeowners doing whatever they want. For example, without zoning laws or covenants, your neighbor might decide to put in an unacceptable business enterprise or high-rise apartment building. Check with tribal or county officials first before making a commitment.
- *Topography.* Unleveled land costs more to build on since more earth work and drainage control devices will need to be constructed.

Don't spend money on an appraisal until you have learned about the site's characteristics. If the site is on trust property, contact the BIA, a tribal cultural resource or environmental staff, tribal planning personnel, etc. If the site is on fee property, you should contact Soil Conservation, any city or county planning department, or environmentalist, engineer, etc.

"The Indian Housing Coordination Committee was formed to bring all of our resources together and to coordinate all the different activities involved in the homesite leasing process. The committee is a joint project of the Shoshone and Arapaho Tribal Housing Authorities in coordination with Northern Arapaho Housing Development Organization, Habitat for Humanity, Fannie Mae, Rural Development, HUD, IHS, and BIA. Now that we all know what we all do and need, we have been able to streamline the process. Now it's not so frustrating."

– Johnna Oberly, Comanche Tribe, BIA Realty Officer

What Happens When You Ignore Environmental Issues? Exercise



Russell and Kim Valles were approved for a mortgage on Russell's individual allotted trust property. His property consisted of three acres. They purchased a double-wide and planned to place it toward the back corner of the lot. A 200-foot paved driveway needed to be constructed to provide access to the home. Russell knows a contractor who promised to help him with the road to save him some money. Financing was being provided by Home Sweet Home Manufactured Homes.

Property grading began in September. After two days of pushing dirt, the equipment operator came across some bones. Ignoring his find, he pushed on and encountered more bones. The project was stopped so that cultural resources staff could arrange to investigate. The project was shut down and stayed shut down due to winter weather. Collection of all the remains began in the spring and lasted for six months.

1. What could Russell and Kim have done to prevent this from occurring?

____

____

____

2. Do you think Russell and Kim had increased costs due to this delay? Why or why not?

____

____

____

Should You Purchase an Existing Home?

Some tribes have converted vacated Mutual Help homes to homes that are available for sale through the TDHE. Many Natives live in areas where existing homes off the reservation are available for sale. The advantage of purchasing an existing home is that the financing process is less time-consuming than that required with new construction. The disadvantage is that you may be buying more problems than you can afford.

Pre-Purchase Home Inspection. It is extremely important that an existing home be thoroughly inspected by a professional home inspector who takes an in-depth, unbiased look at the home you hope to buy. The inspector:

- evaluates the physical condition of the house, such as major mechanical systems – electrical, plumbing, heating, and cooling – and its construction from roof to foundation, exterior to interior
- identifies items that must be repaired or replaced
- estimates the remaining useful life of the major systems, equipment, structure, and finishes

Environmental problems are a new and growing area of concern in home construction or purchase. The lender will probably require assurances regarding lead-based paint (common in homes built before 1978), asbestos, and mold. Mold problems are costly to repair since the only way mold can be treated is to remove the infected area. For example, mold-infected drywall in a bathroom would require all the fixtures to be removed in order to take out and replace all the drywall.

A standard pre-purchase home inspection does not cover soil, pools, wells, septic systems, building code violations, or environmental hazards such as lead, mold, or asbestos. Specialized inspections usually involve an expert and can be costly. The following chart identifies various types of inspections.

If you are considering buying an existing home, be sure that you can obtain clear title for the home and the land on which it is located.

Coeur d'Alene Reservation

Types of Inspections Chart

Type of Inspection	What it Covers	Who Pays	Remedies
Standard pre-purchase	Overall home construction and condition, including major mechanical systems	Buyer	Conduct further specialized inspections; repair
Wood damage (required by many lenders; check with yours)	All wood portions of the home	Negotiable	Repair or replace damaged wood; treat for wood-destroying insects or organisms
Lead (disclosure required on all homes built before 1978)	Presence of lead in paint, plumbing, or other areas	Negotiable	Repair or replace affected areas
Radon (disclosure of known elevated levels required)	Presence of naturally occurring radioactive gas	Negotiable	Seal foundation cracks, install a sump pump; ventilate basement or crawl space
Environmental hazards (asbestos, mold, formaldehyde, petroleum, toxic chemicals, lead)	Presence of any substance in building material, soil, water, or air that poses a health risk	Negotiable	Remove hazardous material, such as asbestos, or source of danger, such as a buried oil tank
Soil	Condition of soil under and around foundation and retaining walls	Negotiable	Repair or treat problem

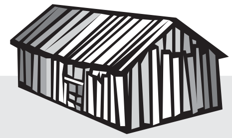
Sellers may be obligated to disclose known facts about properties for sale – especially conditions not readily apparent – that could affect the sale price or influence a buyer's decision to purchase the home. This is called **disclosure**. Examples of issues that would need to be disclosed include spring flooding in the basement or a failing drainfield. Disclosure laws vary by tribe or state and range from voluntary seller disclosure to mandatory seller disclosure questionnaires. Depending on the tribe or state, seller and agents can be held legally responsible for not disclosing a vital piece of information about a property.

If the home you are considering is in poor condition, then you must be prepared to spend additional money on making repairs and improvements.
Consider the following questions before purchasing an existing home.

- How long will it take to make the house livable?
- Who will fix all of the problems?
- What will it cost?
- How much work can you do yourself?
- Should professional contractors be hired?
- Who will inspect the work?
- Will you live in the home while you are renovating?
- Will rehabilitation and repair costs be included in your mortgage or be a part of a separate home improvement or construction loan?
- Will you need special permits/approvals?
- Is the property sound enough to make it a worthwhile project?

An appraisal provides information about the value of a property, while the pre-purchase inspection focuses on the condition of the property.

House Inspection Exercise



Michelle Penney is a single mother of five children. She has been employed as an Executive Assistant for the tribal TDHE for the past seven years. Currently she lives in a Mutual Help home that is too small for her family. Ms. Penney has very little debt and excellent credit. Her earnings exceed $35,000 per year and she has a savings account of $5,000. She has been looking for a home on the reservation and has found a 55-year-old house with seller financing. You are Michelle's counselor and she has asked you for down payment assistance to purchase this home. Review the following inspection report completed by a professional home inspector and answer the questions.

BUILDING ANALYSIS REPORT
Summary

List of electrical, mechanical, and plumbing items not operating, roof leaks, and major deficiencies:

55-year-old 2-story house on trust property. City water, septic tank, drainfield. Located in historic area.
Foundation is cracking
Electrical panel provides for 110
If the fireplace is used, a rated hearth and wall protection is needed
Mold in bathroom; may need to replace floor and framing
Asbestos in siding that has never been replaced
Porch unsafe and not to code, dry rot

List of some important items not at present defective or in need of repair or replacement, but may be within the next three years:

ITEM	EST. PRICE RANGE
Repair windows and storm windows	$220 each
Replace missing and damaged doors	$150 each
Forced air furnace (normal life replacement)	$2,000
Repaint	$1,000

Miscellaneous minor repairs and expenses during the first year of occupancy are estimated be
$______________________________ to $______________________________ :

REMARKS

Spark cap for metal chimney $50
Repair carpet and vinyl flooring $400
Repair built-in drawers and doors $50 to $150
Clean furnace and duct work $250

This report consists of 19 pages. The following pages cover in greater detail the items that are a part of this inspection. Additional recommendations may also be found on the following pages.

1. How old is the property? ____________

2. Because the property is located in a historic area, do you think this will cause additional problems? Why or why not?

3. What information do you have that indicates that the previous homeowners failed to maintain the property properly?

4. List several concerns you might have with this purchase.

Nez Perce Tribe of Idaho

Coeur d'Alene Reservation

Should You Have Your Home Built?

Having a home custom-built is a demanding and time-consuming job that should only be pursued by those who are very experienced in the residential construction field or who have the money to obtain professional services. If you choose to build your own home, consider

- using a **contractor** or builder
- using the tribe or TDHE's **force account** crew or construction crew

Professionals who can help you build your own home include:

Contractor. A contractor is the person who manages the construction of a new home. This is the person who is responsible for getting the permits, hiring the necessary subcontractors (e.g., electrician, plumber), and overseeing the building process. A contractor will charge you a fee for their services. Locating information about available contractors can be simple or difficult depending on the area in which you live. Generally, the following resources can be used to identify residential contractors:

- tribal officials
- friends and neighbors
- TDHEs
- Tribal Employment Rights Office
- phone book
- Home Builders Trade Association
- building suppliers
- Rural Development
- local housing nonprofit organization

Force Account Crew. TDHEs can pursue construction activity using a general contractor or by force account. The force account method is when the TDHE acts as the contractor, hires a construction crew, and directly manages the project to completion.

County/City Building Officials. When you build your own home off the reservation or outside of your Native community, construction permits will need to be obtained from the appropriate officials. Depending on where you live, building permits are typically required for the following types of projects:

- replacing a roof
- building a deck
- adding rooms
- installing new siding
- replacing an electric stove with a gas model
- replacing plumbing fixtures

- building a retaining wall
- constructing a new driveway
- building a fence

You do not usually need a permit for the following types of projects:

- replacing portions of the roof with the same material
- painting exterior or interior walls
- replacing a window or door within the same frame
- installing new flooring
- replacing a faucet or plumbing valve

You may be fined if you do not obtain a permit when one is required. The county or city in which the fee property is located may require inspections to ensure compliance with applicable codes. For example, a sanitation engineer will require a **schematic** or engineer's drawing of the location of a septic tank, drainfield, and well before making a site visit to the homesite and issuing a permit for construction to begin.

Architect/Engineer. An architect or an engineer can provide invaluable services on your behalf. They can provide:

- plans and specifications for your home
- permitting assistance
- assistance selecting a contractor
- inspection of the construction work
- help estimating costs

Interim Construction Lender. If you are hiring a contractor to build your home, you may need to obtain interim financing to cover construction costs before you obtain your permanent mortgage. Construction loans typically have a term of six months and are designed as advancing lines of credit. As construction progresses, advances, also referred to as draws, will be made on the line of credit up to the approved loan amount. The lender usually will inspect the home to ensure work is completed before any draws can be made. You will probably be required to make monthly interest-only payments on the outstanding loan balance. When you obtain permanent financing, your construction loan will be paid off and you will continue paying one loan. Because you will have two separate loan closings – one for the construction loan and the other for your permanent financing – keep in mind that you will have to pay two sets of closing costs. However, some loan products, like the HUD Section 184 Loan Guarantee, include a "single-close" option.

When you apply for your construction loan, you will need:

- a copy of your contractor's agreement
- plans and specifications of your new home
- survey of your lot
- lease documents, if on trust land

Selecting a Contractor

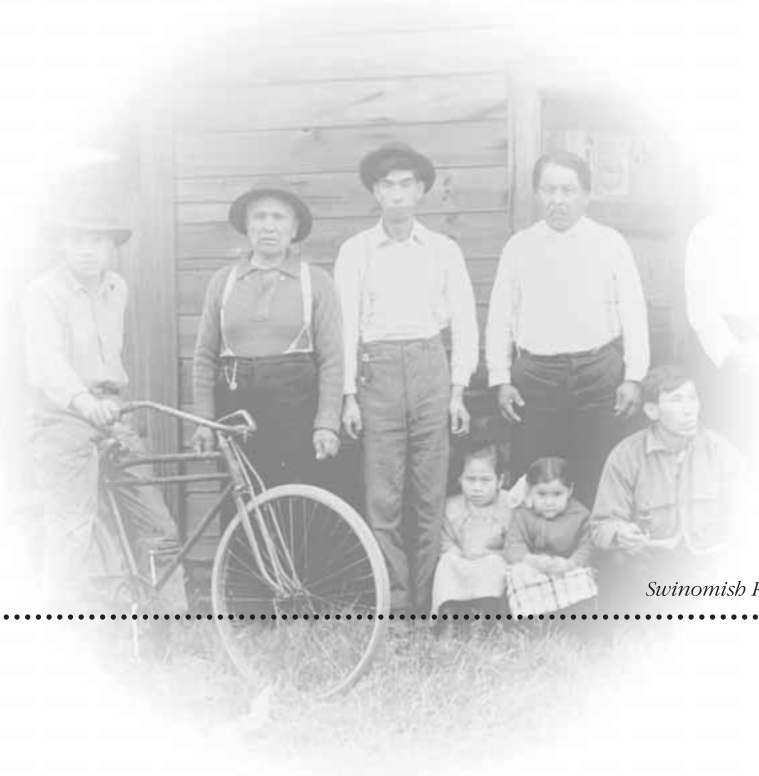
If you decide to work with a general contractor, you will want to interview several before making a selection. Use Appendix B: Guide for Interviewing Contractors to help with the interview process. Make sure to check the references provided by each of the candidates. Also try to inspect previous work they have completed. When you narrow down your choices to a manageable number, ask the prospective contractors to provide you with a written bid based on your plans and specifications. Try to select a contractor based on their skills, previous customer satisfaction, and cost. Try to avoid making a selection based on family connections or friendship.

Once you select a contractor, you will want to establish a contract that outlines the job and the contractor's responsibilities. The contract should clearly define all work that is to be done. To protect yourself, especially for a large job, be sure you have a contract that specifically addresses the following issues:

- *Communication procedures.* Open communication with your contractor throughout the duration of your project is the best way to determine if the project is progressing on time or to understand what factors have delayed the completion date.
- *Housing plans and specifications.* Your drawings must clearly show what will be done during the project and reflect all code requirements. Any engineering issues in the project will require proof that the structure was checked and approved by a structural engineer or qualified design professional.
- *Scheduling requirements.* Clearly indicate the date the job will begin. State when workers should arrive each day and what time they should stop. Discuss with the contractor when the project will likely be finished.
- *Change orders.* Unanticipated problems may require changes that either increase or decrease costs. Change order procedures should be defined.
- *Warranties and customer service.* All written warranties provided with any appliances, equipment, or materials used in the project need to be given to you. Understand your builder's warranty policy. A typical ten-year warranty covers structural defects for ten years, as well as construction materials and defects for the first year and major mechanical systems for the second.
- *Bonding.* Require a **payment and performance bond**, which commits a bonding company to complete the project or pay damages up to the amount of the bond.
- *Insurance requirements.* The contract should state that the contractor will provide proof of all required insurance, particularly professional liability insurance and workers' compensation for his or her employees. For each required insurance policy, the contractor should provide the name of the insurance company, the amount of coverage, and the number of years it has been carried. The contract should also require the contractor to verify that subcontractors have their own required insurance.

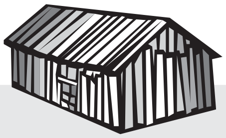
- *Lien.* A lien is a right to hold your house as security until payment for services is made. Failure to pay your contractor or your contractor's failure to pay his subcontractor could result in a lien being placed on your property. It is important that you obtain releases from the contractor, subcontractors, specialists, and suppliers before you make the final payment on the project.
- *Materials and equipment requirements.* Identify storage and payment requirements. Make sure that quality, quantity, weight, color, size, or brand name is specified.
- *Payment.* A schedule of progress payments is recommended for inclusion in the contract that should include the amount of each payment, the date of the payment, and the completion stage of the project required before payment is made. Generally, progress payments should not exceed one-third of the total project price.
- *Retainage.* Five percent or more of the total owed should be held back until the final walk-through is complete and there is mutual agreement that the job is finished and all subcontractors, services, and materials have been paid.
- *Other general conditions.* This may include the use of facilities, payment terms, quality of work, inspection requirements, and progress reporting requirements.

Trade associations, such as the National Association of Home Builders (NAHB), as well as tribal, state, and county inspection offices can provide more detailed guidance about contracting and contractors. Appendix B: Guide for Interviewing Contractors includes a sample questionnaire to guide you through the interview process with a contractor.



Swinomish Reservation

Selecting a Contractor Exercise



Melanie and Paul Powaukee awoke one evening to a fire in their home. Although the fire did not destroy the house, the smoke damage was extensive. The structure and the foundation of their home were left intact. However, the interiors of all eight rooms in the house need to be replaced. Melanie and Paul obtain three bids from local contractors to rebuild their home. A tabulation of the three bids and the work to be completed is listed below. Review the bid tabulation and the information about the contractors and decide which contractor would do the best job. List the reasons for your selection.

BID TABULATION

Factors for Consideration	Contractor A	Contractor B	Contractor C
Scope of Work: Replace kitchen cabinetry, appliances, vinyl flooring. Clean all debris. Replace all trim, doors, baseboards, drywall, ceiling, prime and repaint. Replace all windows, carpeting, bathroom cabinetry, and fixtures. Replace wiring.	$48,795	$31,342	$46,650
References	Very Good	Fair	Good
Financial capacity	Very Good	Fair	Very Good
Years of experience	15 years	3 years	15 years
Insurance	Yes	Yes	Yes
Pay as work is completed	Yes	Up front payment	Yes
Completes work on time	Yes	No	Usually
Office facilities	Yes	Yes	Yes
Fire damage experience	Yes	Little	Yes

1. Who had the highest bid? ______________________

2. Who had the lowest bid? ______________________

3. What type of experience do you consider to be important in rehabilitating this home? ______________________

4. Which contractor would you select? ______________________

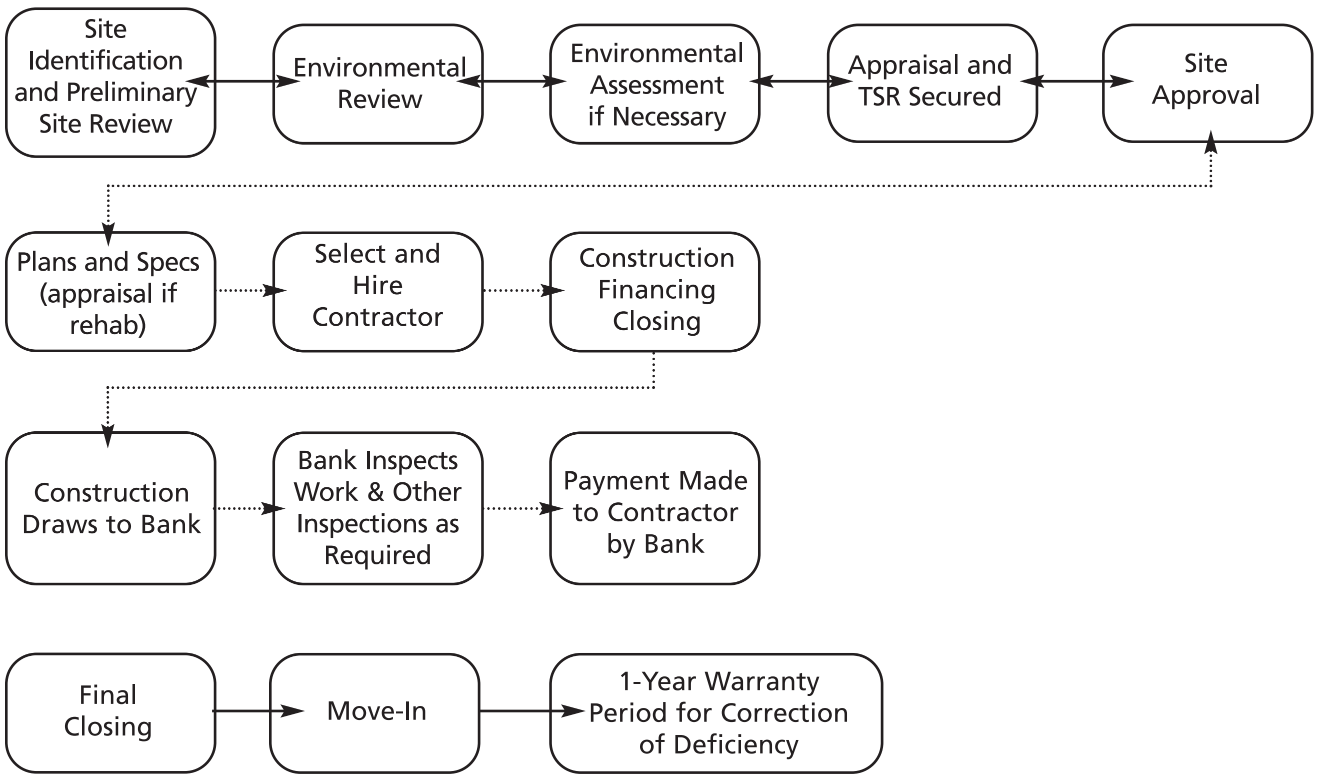
5. List a reason for your selection. How might you protect yourself when working with this contractor?

____

____

Home-Building Process

Regardless of who builds your home, becoming familiar with the home-building process is helpful. The steps outlined below are general and vary depending on the lender involved, your tribe's requirements, and any federal or state program requirements.



Monitoring the Work

Either you spend time planning the project thoroughly, or you will spend ten times more time straightening out the project.

When constructing a home, there is only one way to make sure that you are getting what you are paying for – MONITOR, MONITOR, MONITOR. The bank or the agency providing construction financing is responsible for regularly inspecting the contractor's work. Critical points of inspection are when:

- the foundation is poured
- the framing is up but not yet covered
- shear walls are up but not yet covered
- sheetrock has been nailed but before taping
- all work has been completed, prior to building occupancy

Knowing the construction process is necessary to properly monitor and inspect the construction work. Use the following table as a guide to understand the tasks involved in constructing a home.

Home Construction Process Table

1.	Get required permits and site approvals
2.	Grade lot
3.	Get temporary power
4.	Get water to site
5.	Order brick, mortar mix, and sand
6.	Form, plumb, wrap, and inspect form
7.	Pour slab
8.	Order framing materials
9.	Frame house
10.	Receive roofing materials at site
11.	Put roofing on
12.	Rough in electrical
13.	Rough in **HVAC**
14.	Top out plumbing
15.	Brick exterior
16.	Insulate walls
17.	Clean before rough-in inspection
18.	Do rough-in inspection
19.	Install septic tank or sewer hook-up
20.	Deliver drywall
21.	Sand and finish drywall
22.	Clean drywall scraps
23.	Put down vinyl floors
24.	Deliver trim
25.	Stain trim and paint interior
26.	Install cabinets
27.	Install wood trim
28.	Install ceramic tile
29.	Trim out plumbing
30.	Trim out electrical
31.	Trim out HVAC
32.	Paint exterior
33.	Insulate attic
34.	Do final clean
35.	Landscape
36.	Do final inspection

MONITOR,

MONITOR,

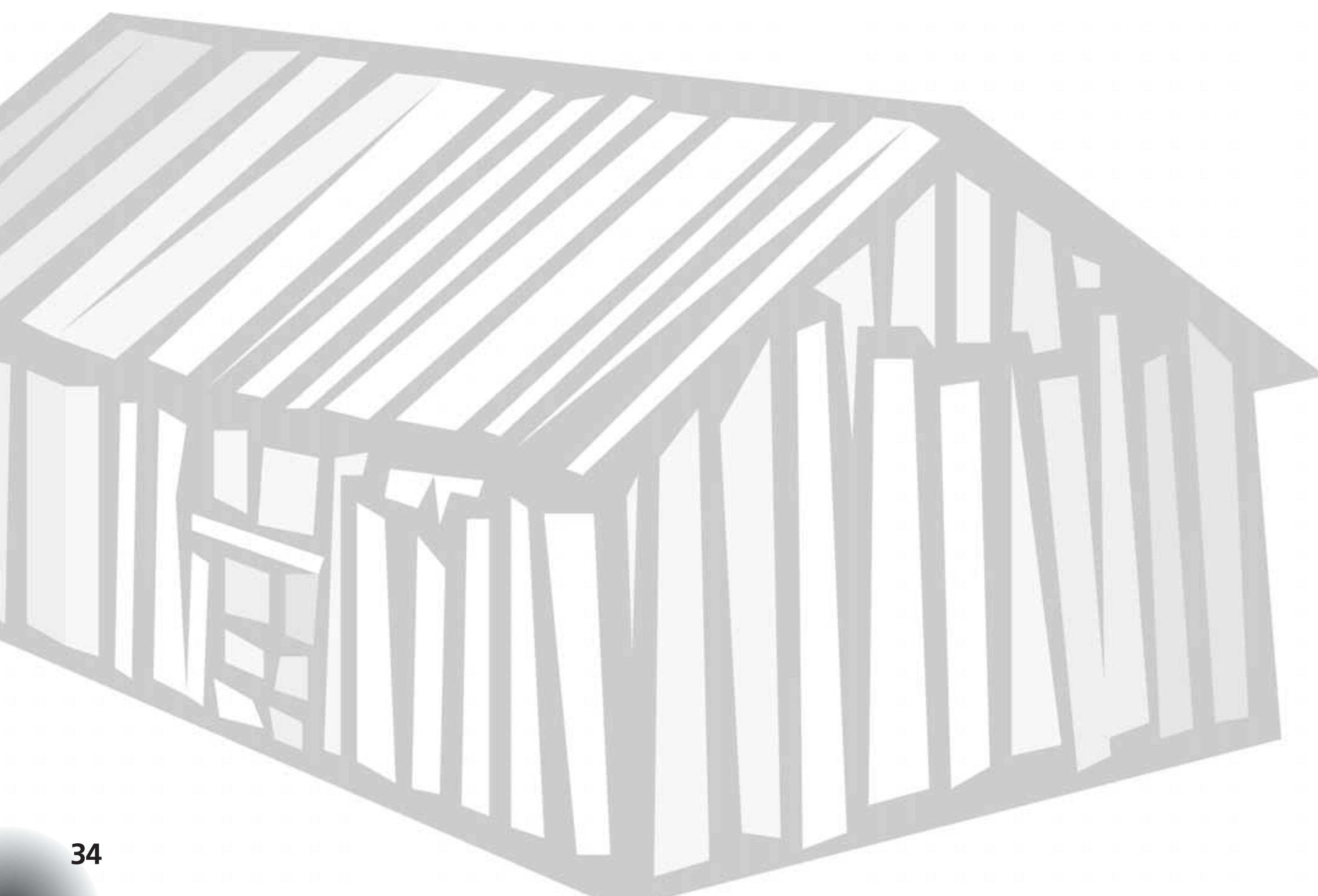
MONITOR.

To obtain a record of information pertaining to the work progress, the contractor should provide, as a matter of routine, a daily report. This is an effective tool in managing the project and preventing minor problems from becoming major obstacles. Essentially, daily reports have four basic purposes; they:

- provide a record of activities
- make immediate note of instructions given verbally and ensure that action is taken and justified
- provide documentation for future change order requests and additional charges
- provide documentation for any disputes, settlements, arbitration, or lawsuits

When you have a home built, you need to monitor its construction from foundation to roof. If you buy your home before it is completed, use the final walk-through to make a list (called a "punch list") of finishing details that the builder needs to complete. Be sure to have the builder sign a copy of the punch list.

As you can see, there are many options available to you. Your housing counselors should be able to help you select the best option to meet your needs and your spending plan. Once you have achieved mortgage readiness, identified a home or a home site, and satisfied the lender's land requirements, you can begin the loan application process.



Module Highlights

- Land use rights vary from tribe to tribe. It is very important that you become familiar with your tribe's process for land acquisition and land use.
- The most common types of Native land involved in the home mortgage process are tribal trust, individual allotted trust, Hawaiian Home Lands, and fee simple land.
- Everything the tribe may want to do with trust property (lease, mortgage, or develop it) requires federal approval from the BIA.
- The allottee or owner of the individual trust may choose to mortgage the land and consequently risk permanent loss of the land in the case of default and subsequent foreclosure.
- Almost all homesites available for purchase off the reservation are categorized as fee simple absolute.
- There are a number of programs that provide Native families with the opportunity to purchase, build, or rehabilitate a home on trust land or on land located on or near the reservation area.
- Tribal resources may be available to help you purchase or build a home on or off the reservation or Native community.
- Site suitability factors must be considered when deciding to purchase or to build. Environmental issues can be obstacles not only because of cost, but they also may take an excessive amount of time to overcome.
- Most lenders will want assurances about environmental and construction issues before making a loan commitment, especially when federal funds are involved.
- A pre-purchase home inspection is a critical preventive measure to ensure that the purchaser thoroughly knows the physical condition of the home, the items that must be repaired or replaced, and the approximate useful life of major systems.
- Having a home built is a very time-consuming and demanding job.
- A contractor or builder needs to demonstrate experience, financial capacity, timeliness, and project management experience to be regarded as a qualified contractor.
- The home-building process must be monitored with inspections at various stages of construction.

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

____

____

____

____

____

Exercise

1. Tribal trust property is land that is owned by the ____________________ for the benefit of the ____________________.

2. Individual allotted trust property is land that is owned by the ____________________ for the benefit of the ____________________.

3. Fee simple absolute means that there are no restrictions on your ownership. In other words, all of the following can be done except:

   ❑ a. you can sell, rent, or leave the land to your children
   ❑ b. you pay property taxes to the state or county government
   ❑ c. you need approval from the BIA
   ❑ d. you can get a mortgage without needing a lease

4. The lender will require a copy of the certified TSR for the purpose of all of the following except:

   ❑ a. determining the value of the property
   ❑ b. ensuring ownership of the property
   ❑ c. ensuring that the property has no other claims that would affect the mortgage
   ❑ d. ensuring that the record is certified as current

5. Which of the following are not characteristic of site suitability factors?

   ❏ a. water pooling around the home
   ❏ b. construction of a .5-mile access road
   ❏ c. uncovering of bones during road construction
   ❏ d. substandard condition of the physical structure of the home
   ❏ e. a TSR indicating no access to the site

6. Identify three advantages of purchasing an existing home.

   1. ______________________________

   2. ______________________________

   3. ______________________________

7. Identify three advantages of building your own home.

   1. ______________________________

   2. ______________________________

   3. ______________________________

8. A pre-purchase home inspection takes an in-depth look at the home by providing all of the following except:

   ❏ a. an evaluation of the physical condition of the house and its construction from roof to foundation, exterior to interior
   ❏ b. identification of items that must be repaired or replaced
   ❏ c. an estimate of the value of the house
   ❏ d. an estimate of the remaining useful life of the major systems, equipment, structure, and finishes

9. Match the following items with the appropriate description.

❏ a. TSR	_____ undivided property
❏ b. environmental issue	_____ condition of the property
❏ c. appraisal	_____ culturally significant property
❏ d. pre-purchase inspection	_____ record of property transactions
❏ e. fractionated property	_____ value of the property

10. To be regarded as a qualified contractor, a contractor needs to demonstrate which of the following:

- ❑ a. experience
- ❑ b. financial capacity
- ❑ c. timeliness
- ❑ d. project management experience
- ❑ e. all of the above

11. The best means of monitoring the construction of a home is to:

- ❑ a. be on site every day of construction
- ❑ b. ensure that periodic inspection is a provision of the contract
- ❑ c. conduct inspections at various stages of construction
- ❑ d. B and C

Environmental Assessment

Responsible Entity [24 CFR 58.2(a)(7)]:

Certifying Officer [24 CFR 58.2(a)(2)]:

Project Name:

Project Location:

Estimated total project cost:

Grant Recipient [24 CFR 58.2(a)(5)]:

Recipient Address:

Project Representative:

Telephone Number:

Conditions for Approval: (List all mitigation measures adopted by the responsible entity to eliminate or minimize adverse environmental impacts. These conditions must be included in project contracts or other relevant documents as requirements). [24 CFR 58.40(d), 40 CFR 1505.2(c)]

FINDING: [58.40(g)]

- ❏ **Finding of No Significant Impact**
  (The project will not result in a significant impact on the quality of the human environment)
- ❏ **Finding of Significant Impact**
  (The project may significantly affect the quality of the human environment)

Preparer Signature: ____ **Date:** ________
Title/Agency:

RE Approving Official Signature: ____________________________ **Date:** ________
Title/Agency:

Statement of Purpose and Need for the Proposal: [40 CFR 1508.9(b)]

Description of the Proposal: Include all contemplated actions which logically are either geographically or functionally a composite part of the project, regardless of the source of funding. [24 CFR 58.32, 40 CFR 1508.25]

Existing Conditions and Trends: Describe the existing conditions of the project area and its surroundings, and trends likely to continue in the absence of the project. [24 CFR 58.40(a)]

Statutory Checklist

[24CFR §58.5]

For each listed statute, executive order, or regulation, record the determinations made. Note reviews and consultations completed as well as any applicable permits or approvals obtained. Attach evidence that all required actions have been taken. Record any conditions or mitigation measures required. Then, make a determination of compliance or consistency.

Factors	Determinations and Compliance Documentation
Historic Preservation [36 CFR 800]	
Floodplain Management [24 CFR 55, Executive Order 11988]	
Wetlands Protection [Executive Order 11990]	
Coastal Zone Management Act [Sections 307(c),(d)]	
Sole Source Aquifers [40 CFR 149]	
Endangered Species Act [50 CFR 402]	
Wild and Scenic Rivers Act [Sections 7 (b), (c)]	
Air Quality [Clean Air Act, Sections 176 (c) and (d), and 40 CFR 6, 51, 93]	
Farmland Protection Policy Act [7 CFR 658]	
Environmental Justice [Executive Order 12898]	

HUD Environmental Standards	Determinations and Compliance Documentation
Noise Abatement and Control [24 CFR 51 B]	
Toxic or Hazardous Substances and Radioactive Materials [HUD Notice 79-33]	
Siting of HUD-Assisted Projects near Hazardous Operations [24 CFR 51 C]	
Airport Clear Zones and Accident Potential Zones [24 CFR 51 D]	

Environmental Assessment Checklist

[Environmental Review Guide HUD CPD 782, 24 CFR 58.40; Ref. 40 CFR 1508.8 &1508.27]

Evaluate the significance of the effects of the proposal on the character, features, and resources of the project area. Enter relevant base data and verifiable source documentation to support the finding. Then enter the appropriate impact code from the following list to make a finding of impact. Impact Codes: (1) – No impact anticipated; (2) – Potentially beneficial; (3) – Potentially adverse; (4) – Requires mitigation; (5) – Requires project modification. Note names, dates of contact, telephone numbers, and page references. Attach additional materials as needed.

Land Development	Code	Source or Documentation
Conformance with Comprehensive Plans and Zoning		
Compatibility and Urban Impact		
Slope		
Erosion		
Soil Suitability		
Hazards and Nuisances including Site Safety		
Energy Consumption		

Land Development	Code	Source or Documentation
Noise – Contribution to Community Noise Levels		
Air Quality – Effects of Ambient Air Quality on Project and Contribution to Community Pollution Levels		
Environmental Design – Visual Quality – Coherence, Diversity, Compatible Use and Scale		

Socioeconomic	Code	Source or Documentation
Demographic Character Changes		
Displacement		
Employment and Income Patterns		

Community Facilities and Services	Code	Source or Documentation
Educational Facilities		
Commercial Facilities		
Health Care		
Social Services		
Solid Waste		
Waste Water		
Storm Water		
Water Supply		
Public Safety • Police		
• Fire		
• Emergency Medical		
Open Space and Recreation • Open Space		
• Recreation		
• Cultural Facilities		
Transportation		

Natural Features	Code	Source or Documentation
Water Resources		
Surface Water		
Unique Natural Features and Agricultural Lands		
Vegetation and Wildlife		

Other Factors	Code	Source or Documentation

NOTE: The Responsible Entity must additionally document and ensure compliance with 24 CFR 58.6 in the ERR, particularly with the Flood Insurance requirements of the Flood Disaster Protection Act and the Buyer Disclosure requirements of the HUD Airport Runway Clear Zone/Clear Zone regulation at 24 CFR 51 Subpart D.

Summary of Findings and Conclusions

ALTERNATIVES TO THE PROPOSED ACTION

Alternatives and Project Modifications Considered [24 CFR 58.40(e), Ref. 40 CFR 1508.9] (Identify other reasonable courses of action that were considered and not selected, such as other sites, design modifications, or other uses of the subject site. Describe the benefits and adverse impacts to the human environment of each alternative and the reasons for rejecting it.)

No Action Alternative [24 CFR 58.40(e)]
(Discuss the benefits and adverse impacts to the human environment of not implementing the preferred alternative.)

Mitigation Measures Recommended [24 CFR 58.40(d), 40 CFR 1508.20]
(Recommend feasible ways in which the proposal or external factors relating to the proposal should be modified in order to eliminate or minimize adverse environmental impacts.)

Additional Studies Performed
(Attach studies or summaries)

List of Sources, Agencies, and Persons Consulted [40 CFR 1508.9(b)]

Appendix B

Guide for Interviewing Contractors

CUSTOM BUILDER'S RESUME

GENERAL INFORMATION

Company Name ______________________ Office Phone ______________
Mailing Address ______________________ Cell Phone ______________
Federal Tax ID# ______________________ Fax Number ______________

Builders License No. ______________ Expire Date ______________ e-mail Address ______________

General Liability Insurance Carrier ______________________ Coverage Amt. ______________

Entity Type (Circle One): Sole Proprietor General Partnership Ltd. Partnership Corporation

PRINCIPALS

Name of Principal	Title / % Ownership	Home Address	Home Phone	Social Sec. #
			( )	
			( )	

EXPERIENCE – The number of projects completed as builder within the past **three** years based on construction costs.

Single Family Construction Project Type	<$50,000	$50,000 - $99,999	$100,000 - $274,999	$275,000 - $499,999	$500,000 - $999,999	Over $1 mil.
Existing – Remodel/Renovation						
New – Stick Built						
New – Manufactured/Log/Kit						

BANK REFERENCES – Deposit Accounts/Credit Lines

Type	Bank Name	City, State	Account No.	Contact Name	Phone No.
Depository					( )
Depository					( )
Lending					( )
Lending					( )

PAST CLIENT REFERENCES

Name	Project Type	Date Completed	Construction Cost	Daytime Phone

TRADE REFERENCES

Subcontractors	Firm Name	Date Last Used	Contact Name	Phone No.
Foundation				
Framing				
Electrical				
Plumbing				
Heating/Air				

SUPPLIERS

Concrete				
Lumber				
Windows				
Cabinets				

I represent and warrant that the above information is accurate and complete and provides a fair and honest record of my background. I hereby consent to a review and confirmation on me and firm as to my and its character, business, professional and financial reputation and standing, personal financial standing, fitness as a builder and such other information as may be received during the review and confirmation to be provided to ______________________ hereinafter "Mortgage Lender."

Every, firm, company, governmental agency, court, association or institution having control of any documents, records and other information pertaining to me or my company is hereby authorized and requested to furnish, allow to be copied or otherwise provide, information to the kind described above, to the company, or its representatives, conducting the review and confirmation (hereinafter "Company") on behalf of ______________________. This authorization and request includes, but is not limited to, documents records or files regarding ay charges or complaints filed against me, including any complaints erased by law, whether formal or informal, pending or closed. I specifically authorize and request consumer credit reporting agencies, financial institutions, credit granting institutions and other third parties to provide my personal and the firm's account/credit history to company. Photocopy of this authorization shall be as valid as original.

In consideration of the time and expense incurred n reviewing and evaluating the application and qualifications of me or my company as to our fitness as a Builder and to facilitate the providing of information for the review and confirmation by Company, on behalf of myself and my company, I hereby release, ______________________ along with its parents, sisters, affiliates, officers, directors, employees and independent contractors from and against any and all liability of every nature and kind arising from or in connection with their good faith reliance on any information, whether or not true or correct, obtained hereunder.

______________________ ______________________
Signature (personally and for the firm) Date Signature (personally and for the firm) Date

______________________ ______________________
Print/Type Name Print/Type Name

Originator Contact Name ______________ Originator Contact Phone No. ______________
LFC Contact Name ______________ LFC Contact Phone No. ______________

Sample Questions for Interviewing Contractors

1. Do you work full-time or part-time as a contractor?

   ❏ Full-time (preferable) ❏ Part-time

2. How long have you worked as a contractor? _____ years of experience

3. Is your contractor's license in good standing?

   ❏ Yes ❏ No License number: _____________

4. How many projects like this one have you completed?

   ____

   ____

   ____

5. May I have the names and phone numbers of your last five clients?
   Client/phone number:

   ____

   ____

   ____

6. Describe the kinds of insurance you carry.

   _____ Full liability (personal and property) Effective date __________
   _____ Workers' compensation Effective date __________

7. List the subcontractors who will do the work.

8. Who will be on site to manage the project?

9. Will you obtain the permits?

10. When can you give me a written estimate of how much the project will cost?

11. Provide at least three financial references, including the bank where you do business.

12. Will you fill out a credit application?

13. What are your regular work hours?

14. How do you deal with delays in the work schedule?

15. Do you have your own contract form?

16. Do you have your own change order form?

Notes

Notes

NAIHC acknowledges and thanks the following contributors:

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Pathways Home:

A Native Homeownership Guide

Participant Module 6: ***Applying for a Home Loan***

A project coordinated by the
National American Indian Housing Council, NeighborWorks® America, and Oweesta

Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

Pathways Home:

A Native Homeownership Guide

Participant Module 6: ***Applying for a Home Loan***

The Second Edition of *Pathways Home: A Native Homeownership Guide* was developed by the Native American Indian Housing Council in partnership with Oweesta and NeighborWorks America. The Second Edition of *Pathways Home: A Native Homeownership Guide* includes materials from the First Edition originally published in 2003 and developed by the National Congress of American Indians in partnership with the National American Indian Housing Council and NeighborWorks America with contributions by Bank One, the Fannie Mae Foundation, the Ford Foundation, Green Point Mortgage, PMI, Washington Mutual, and the Wells Fargo Foundation.

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Disclaimer

More Information
Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

Table of Contents

Pathways Home:

A Native Homeownership Guide

So, you want to buy a home of your own –

You've come to the right place. *Pathways Home: A Native Homeownership Guide* will help you to develop the skills you need to purchase a home. These materials are intended for Native people, and we hope that you and your family will use them to build upon your traditional knowledge and expand your understanding of homeownership.

Pathways Home: A Native Homeownership Guide is divided into eight modules plus a glossary.

Module 1: Exploring Homeownership
Module 2: Considering Mortgage-Based Homeownership
Module 3: Budgeting for Homeownership and Calculating Affordability
Module 4: Evaluating Credit for Homeownership
Module 5: Finding a Home
Module 6: Applying for a Home Loan
Module 7: Meeting Your Financial Obligations
Module 8: Protecting Your Investment
Glossary

Understanding the homeownership process is the first step on your journey to becoming a homeowner. The following suggestions will help you to use *Pathways Home: A Native Homeownership Guide* as a guide for your learning.

1. Begin each module by quickly scanning the headings. This will give you an idea of what you will be studying.
2. It is important to underline and write in the modules to reinforce your learning.
3. All terms in bold type are defined in the glossary. Refer to the glossary to understand terms that are commonly used in the homeownership process.
4. At the end of each module you will find a Module Review. Use this opportunity to review the concepts discussed.
5. You will need a pencil and calculator to complete the exercises in the modules.
6. Each module is illustrated by traditional and contemporary homes from different Native regions. Historically, Native people were homeowners, and with some planning and determination, you can be one today!

The Martin Family

Eastern Band of Cherokee Indians

Bruce and Nancy Martin purchased their home on fee simple land on the edge of the Cherokee Reservation in Cherokee, North Carolina. They were also able to obtain a home equity loan to renovate the home. Their goal is to pass on the home to their daughter Sarah so she can enjoy the many benefits and freedom of homeownership and pass it on to future generations.

Module 6:

Applying for a Home Loan

Chickees are a type of traditional home used in Florida by the Miccosukee and Seminole Native communities. "Chickee" in the Miccosukee language means "house." It is an open-air structure made from peeled pine or cypress poles with palm fronds nailed to the roof poles in an overlapping circular manner for water tightness.

Objectives

In this module we will discuss:

- prequalifying for a home mortgage loan
- the loan application process
- the loan application interview
- application processing
- loan decisions
- loan commitment
- closing
- predatory lending

Prequalifying

Prequalifying can be done by the lender or, ideally, by a housing counselor. The lender's prequalification process focuses on your income and credit. A more thorough process performed by a housing counselor examines the four Cs of credit as well as budgeting and debt management. Your housing counselor approach provides the best bet to obtaining a mortgage suited to your financial needs. A lender works for a financial institution, while a housing counselor works for you.

Many TDHEs and housing nonprofits have housing counselors to prequalify and screen applicants on behalf of lenders. A housing counselor will:

- gather personal financial information
- assist you in preparing a monthly spending plan
- calculate your affordability
- review your credit report with you
- prepare an assessment of your needs and a **client action plan**
- schedule you for homebuyer education classes
- assist you with the land leasing process, if applicable
- help you find a home or contractor
- help you through the loan application process
- help you avoid a predatory loan

During your initial meeting, you will be asked numerous questions about your income, employment status, previous housing assistance, and debt. The information you provide will be used to match your needs with an available loan program. Keep in mind, when there are two or more co-applicants for a loan, information must be collected for each applicant. Because many financing programs require participation in a homebuyer education program, you may have to sign a Homebuyer Counseling Agreement such as the one included in Appendix A: Homebuyer Counseling Agreement. Depending on your situation, you will either proceed with the loan application process or continue with one-on-one counseling until you are ready to apply for a mortgage.

If you have any obstacles to homeownership, they are identified during the prequalifying process. Your counselor can provide you with an assessment and an action plan for achieving mortgage readiness. This is called a client action plan. This plan identifies any obstacles to mortgage readiness and describes the steps you need to take before you are ready to apply for a loan.

You cannot begin the formal application process with the lender until you have obtained all of the following:

- executed lease or assignment and TSR, if tribal trust property
- current signed and certified TSR for individual allotted trust property, and an executed lease, if applicable
- **purchase and sales contract** for an existing home or the Contractor's Agreement for new construction of a home (e.g., contract with the builder, bill of sale, evidence of earnest money, etc.)

Your housing counselor can help you during the prequalification process. You may need to set up a financial plan before you qualify for your loan.

As we have discussed previously, when applying for a Section 184 loan or for any loan involving trust property, obtaining the TSR is the first task to be pursued. A current signed and certified TSR is good for six months. Because there are variances within each tribe and BIA Region, it is imperative that you start the process as soon as you begin working with your housing counselor and certainly before you contact your lender.

Purchase and Sales Contract

You will need to have a signed purchase and sales contract (also called purchase agreement or **offer-to-purchase contract**) for the lender at the time of the application (see example included in Appendix B: Purchase and Sales Contract). Although there are many different forms of purchase contracts, all of them must contain the following basic elements:

- name of the buyer
- address of the property
- offer price
- financing details
- earnest-money deposit
- closing date of sale

It is to your benefit to become familiar with the terms of the purchase contract. If you have any questions, be sure to have an attorney review the contract before you sign it. In addition to the basic elements mentioned above, a comprehensive contract should include the following:

- *Time to respond.* Specify how much time the seller has to answer your offer. Any contingencies should also include time limits.
- *Seller's responsibilities.* Include passing clear title to the property, maintaining the property in its present condition until closing, making any agreed-upon repairs, and delivering the property clean and free of personal possessions and debris.
- *Disposition of* **deposit***.* Specify whether the deposit is refundable if the contract is terminated. In cases in which the borrower is unable to secure loan approval or the **prepurchase home inspection** is not satisfactory, the seller should refund the deposit to the buyer.
- *What stays.* Specify fixtures and personal property to be included in the sale. Make a detailed list. Verbal agreements are not binding.
- *Terms of withdrawal.* Spell out conditions that allow you or the seller to withdraw from the agreement. You may not think you will need them, but it is good protection.
- *Final walk-through.* Ensure an opportunity to make sure that the house is in order just before you close. Your contract should specify the seller's responsibility if the walk-through is unsatisfactory.
- *Problem solving.* As much as possible, your purchase contract should help you and the seller resolve any issues that may arise. For example, if your lender only guarantees your locked-in interest rate for 60 days and the seller is not able to close in that time, one solution is to include a provision in your contract that sets a firm closing date and allows the seller to rent the property back to you for a specific time.

Seminole Reservation

- *Contingencies.* **Contingencies** are ways you can legitimately get out of the contract. It is important to include contingencies so that you have some guarantee of getting your deposit back if the deal falls apart. Here are some sample contingencies to keep in mind. The offer is contingent upon:
    - the buyer's approval for financing
    - the results of an inspection indicate no problems with termites, radon, plumbing, etc.
    - the appraised value of the house being at least equal to the offer's price
    - the sale of the buyer's existing home
    - the seller specifying all known defects
    - the seller being able to pass clear title or an acceptable legal interest in the land

Contractor's Agreement

If you build your home, the lender will want a copy of the agreement you entered into with your contractor. Module 5 discusses the essential components a Contractor's Agreement needs to ensure your protection.

Purchase and Sales Contract Exercise

Read the following excerpt from a purchase agreement prepared by an attorney for the seller. Some items have been purposely omitted because they are not necessary for the purpose of this exercise. Once you've read the excerpts, answer the questions that follow.

PURCHASE AGREEMENT EXCERPT

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby mutually covenant and agree with each other as follows:

1. The total purchase price is Ninety-Five Thousand DOLLARS ($95,000), payable as follows:

A. Five Hundred DOLLARS ($500.00) as earnest money, receipt of which is hereby acknowledged. The parties specifically agree that in the event this transaction fails to close due to the Buyer's unwillingness to proceed for any reason other than Seller's inability to meet the terms of this Purchase Agreement, then the Seller shall retain said $500.00 earnest money as his liquidated damages and the Buyer shall be released from any further liability. However, should Seller be unable to so perform, then this earnest money shall be refunded to Buyer and this agreement shall be of no further force or effect.

B. $Nine Thousand Five Hundred Dollars ($9,500) in cash or certified funds, at closing.

There are no warranties, express or implied, except as to title and the Property Disclosure Statement set forth in Paragraph 9 hereof.

8. The parties agree that the costs associated with the closing of this transaction shall be allocated as follows:

A. Seller shall pay the full cost of the owner's title insurance policy and one-half of the closing agent's fee and will pay all other costs of sale normally attributed to a seller in the closing of a real estate transaction, including but not limited to sales commission, owner's title insurance premium, recording fees and reconveyance fees, together with all attorney fees incurred by the Seller.

B. Buyer shall pay one-half of the closing agent's fee, and all other costs of sale normally attributed to a buyer in the closing of a real estate transaction, including but not limited to loan fee/discount points, appraisal fee, credit report, recording fees, fire insurance premium, tax and insurance reserve, prorated property tax and lender's title insurance premium, together with all attorney fees incurred by the Buyer.

9. Sellers agree that within ten (10) days of Buyers' acceptance of this present offer, Sellers shall sign and deliver to Buyers the Property Disclosure Statement required by the Idaho Property Condition Disclosure Act. Upon receipt of said Property Disclosure Statement, Buyers shall have until April 28, 2008, (normally three business days), to rescind this agreement by delivering to the Sellers, or Sellers' agent, their written, signed and dated document of rescission. Sellers acknowledge that Buyers shall have the right to rely upon the representations set forth in said Property Disclosure Statement; however, the property herein being sold is being sold subject to any deficiencies set forth on said Property Disclosure Statement.

10. Seller specifically agrees that prior to June 15, 2008, Seller shall cause the following repairs to be completed:

1. Repair seamless gutters around the front of the home.
2. Replace broken porch tiles.
3. Replace roof shingles over porch area.
4. Replace two broken windows with equivalent or better windows.
5. Provide certification of septic tank and drainfield.
6. Vacuum duct work.
7. Repair spindles on stairway.

1. What is the sales price of the home? ____________________

2. What is the down payment? ____________________

3. List at least three of the contingencies cited in this contract.

____

____

____

____

____

4. Is the earnest money refundable? ____________________

Check with your community or state for standard purchase and sales contracts that are designed to protect all parties involved in the transaction.

"It is frightening to see these companies actively preying on elders. One of the most severe cases I witnessed was with an elderly Choctaw tribal member who had her home conveyed to her by the Choctaw Nation after paying on it for the required term. This lending institution actually convinced her that she needed a mortgage on her property. As time passed and she expressed her inability to make the payments, they actually convinced her to refinance the loan, which in turn just got her into deeper debt. By the time her daughter intervened, this elderly widow was about to lose her home. The Housing Authority of the Choctaw Nation was able to help this woman save her home, but it shows that these companies are looking for victims."

– Pattye Green, formerly with the Housing Authority of the Choctaw Nation

Tunica-Biloxi Indian Tribe of Louisiana

Seminole Reservation

Loan Application Process

Once you have completed the prequalifying steps, you are ready to proceed with the five-step loan application process.

Step One: Formal Application
Step Two: Application Processing
Step Three: Loan Decision
Step Four: Loan Commitment Letter
Step Five: Closing

By working with your housing counselor early in the prequalifying process, the loan application process can be less stressful and time consuming. You might find a great deal on your own, but your housing counselor can help you determine if it is suitable for your financial circumstances.

Step One: The Formal Application

Depending on the financing program you are pursuing, either a tribal housing counselor or a representative of the bank will assist you in completing the formal application. All borrowers are required to attend the loan application interview. At this time, you may be required to pay your application fee, which typically covers the cost of your appraisal and credit report. The lender will request your street address and a copy of your photo ID, which will be included in the national database as required by the **Home Land Security Act**. Once the application is signed and dated, the clock starts ticking.

Most lenders have a checklist of forms you will need to complete to prepare for the loan interview. Some lenders also require an **application agreement**. Several tribes have their own loan programs and loan documents. You will need to check with your housing counselor to see if this applies. The following checklist includes most items that you will be asked to provide.

EXAMPLE

Document Checklist

For all loan types we will need the following information:

- Proof of federal tribal citizenship or nativie Hawaiian status, if required by loan type
- Completed and signed Uniform Residential Loan Application
- A check made payable to lender for your credit report and appraisal costs
- Documentation of total household income, if NAHASDA funds are involved in transaction
- Two months' bank statements
- Most current pay stubs and W-2s for the past two years
- If you are using additional income, i.e., rental income, interest/dividend income, leasing income, per capita distribution, retirement, pension, Social Security, overtime, etc., to qualify for this loan, we will need tax returns for the two most recent years
- Leases for all rental property owned (if applicable)
- Self-employed individuals must furnish complete signed copies of the past two years' Personal Federal Tax Returns (Form 1040), a year-to-date Profit and Loss Statement and Balance Sheet on the business, and two years' Corporate/Partnership Federal Tax Returns (Form 1120)
- If you are divorced or separated and are using alimony or child support as income to qualify for this loan, you must provide a copy of your divorce decree or separation agreement and evidence that such income has been received on a regular basis for at least 12 months (i.e., copies of canceled checks or bank statements showing deposits)
- Original copies of all forms requiring signatures included in your mortgage kit

If you are purchasing a home, we will need the following additional documentation:

- A copy of your purchase contract on the property being purchased
- A copy of your canceled check showing your earnest money deposit

If you are building a home, we will need the following additional documentation:

- Contractor's Agreement
- A copy of your canceled check showing your earnest money deposit
- Construction plans and specifications
- Contractor cost estimates
- Contractor information, credit, insurances, references, etc.

If your purchase involves trust property, we will need the following additional documentation:

- A current signed, certified TSR
- Environmental Review or Assessment documentation, if applicable
- Lease instrument, recorded by BIA

The following will need to be accomplished as early as possible, but at least five days prior to closing:

- If you have elected to **float** your interest rate, you will have to lock your rate no later than five days prior to closing; please contact your loan processor
- If any party will not be present at the closing, we must receive notice of a "specific" Power of Attorney at least five days prior to closing
- Satisfactory survey
- A termite certification, if required by local practice or as a result of the appraisal
- If the appraiser has required repairs to the property or if there are items to be repaired or completed that affect marketability or safety, you will need to have the repairs completed and inspected prior to closing

The following need to be brought to closing:

- A cashier's check for the amount of your closing costs (if applicable)
- Hazard Insurance policy or a binder with one year's paid receipt (original)
- Flood Insurance confirmation, if required
- Any other certifications that may be required by the appraiser

Lock-In. At the time of application, the lender will discuss with you the need to **lock-in** an interest rate. Locking-in an interest rate or a certain number of points means that the lender guarantees a specified interest rate or an amount of points for a specified period of time. Locking-in too early, however, might prevent the buyer from taking advantage of a market with falling interest rates and decreasing points. Lenders will lock-in a rate and points at the time the application is made, when the application is approved, or at the time of closing. It is important for you to ask the lender when you can lock-in points or an interest rate and to find out how long the lock-in will last. Locking-in rates and points can help protect the buyer against a rise in interest rates and fees. Lenders' willingness to offer lock-ins on trust land may vary.

Uniform Residential Loan Application (URLA)

To apply for a loan, you will be required to complete the **Uniform Residential Loan Application (URLA)** (See Appendix C: Uniform Residential Loan Application (URLA)), which is a standardized formal application form used by most lenders. It is very important that you give accurate answers to the questions since the lender will be verifying your information. During this time, if an issue comes up and all parties are aware of potential problems, steps may be taken to settle them early in the application process. The information required on the application form falls into six broad categories:

1. *Personal Data.* Full names, addresses, and Social Security numbers of all borrowers.
2. *Income.* The amount and source of all eligible sources of income for all borrowers.
3. *Assets.* Information on all other assets, such as checking and savings accounts, stocks and bonds, real estate, etc., including account numbers.
4. *Debts and Obligations.* Information on all outstanding debts and other financial obligations, including loan numbers, and landlord name, address, and phone number.
5. *Credit References.* Information concerning loans or debts that have been paid plus other good credit references.
6. *Property Information.* Information on the property the borrower wishes to buy (e.g., legal description, complete address, sales price, etc.).

The lender will use the information to determine if you are a good candidate for a loan.

Consumer Protection Laws

Lenders are required by law to disclose certain information at the time of the application.

Homeland Security Act. You may wonder why lenders require so much private information. The Homeland Security Act requires lenders to obtain a street address and photo ID from each loan applicant. The information is entered into the Homeland Security's national database.

Real Estate Settlement Procedures Act (RESPA). RESPA requires your lender to provide:

- information regarding closings and a copy of a HUD-approved booklet about closing costs within three days of the date of application
- a Good Faith Estimate of all closing costs that you are likely to pay
- a **Notice of Transfer of Mortgage Servicing**, which informs you of the likelihood that your loan will be transferred to another organization for servicing
- the **HUD-l Settlement Statement**, which itemizes all the costs to both the buyer and the seller. See Appendix D: Settlement Statement.
- an **Escrow Account Statement**, which itemizes the estimated taxes, insurance premiums, and other charges anticipated for the first 12 months. In addition, the loan servicer must provide a statement at least once a year that indicates the amount paid into the escrow account, the amount expended, and the account balance.

Good Faith Estimate. An estimate of all the costs you can expect to pay at the closing must be provided to you by the lender within three days after you submit a signed loan application. However, be aware that the actual amount of the cost could change before closing. A sample and detailed explanation are provided in Appendix E: Good Faith Estimate.

Truth-in-Lending Act (TILA). TILA requires lenders to fully disclose all finance charges and the **annual percentage rate (APR)** on the loan. The APR is based on the contract interest rate plus discount points and certain other fees. The APR reveals the true costs of the loan and is a better basis of comparison than the interest rate alone. The TILA also requires disclosure of the payment schedule, the total number of payments, late charges, and other terms of the loan. See Appendix F: Truth-in-Lending Statement for a sample form.

Your housing counselor will inform you about relevant consumer protection laws and disclosures.

Truth-in-Lending Exercise

Review the excerpt from the Frank family's TILA Disclosure Statement and answer the questions that follow:

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT

Names of Borrower(s) HARRIET T. FRANK & STANLEY FRANK

Date: 8/1/09
Loan Number: 007

Property Location:
Lender:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
13.325 %	$143,077.43	$72,235.49	$215,312.92

1. How much is the Franks' loan amount? ______________________

2. What is the cost of the credit? ______________________

3. What is the total cost to the Franks? ______________________

Disclosure/Defects. Sellers are required to provide a disclosure about the condition of the property. A sample disclosure statement is provided in Appendix G: Seller Property Disclosure Statement. Some tribes and most states have disclosure requirements. The requirements may vary as indicated below:

- Legal requirements range from a questionnaire to verbal notification.
- In some areas, seller disclosures are voluntary. The only sellers excluded from disclosure laws are banks and mortgage companies with foreclosure properties.
- Some local and federal laws require sellers to make specific disclosures. Federal law, for example, requires sellers of homes built before 1978 to disclose any known lead hazards.
- Some large real estate companies require prospective sellers to complete a disclosure form before listing their property.

Step Two: Application Processing

Verification Process. Once you have completed your loan application package, it is submitted to a loan processor who will begin verifying your information.

The authorization forms that you sign will allow your employer, bank, and creditors to release confidential financial information to the lender. Sample verification forms are provided in Appendix H: Verification Forms. Various forms are used for the lender to verify and analyze the following:

- employment stability
- salary and other sources of income
- availability of funds for down payment and closing costs
- credit history

Working with a housing counselor before beginning the application process can help to expedite the verification process. Acting as your agent, your counselor can help you to correct problems, spot discrepancies, and ensure that all information is accurate before you submit your application to a lender.

Step Three: Loan Decision

The loan decision is made after a very thorough analysis of all the information you have previously provided during the application and verification steps. The loan decision involves:

Underwriting. **Underwriting** is the process of evaluating a loan application to determine the risk involved to the lender. **Underwriters** are employees of the lending institution who have the knowledge and experience to make such evaluations according to specific criteria.

Automated Underwriting. Automation continues to impact the mortgage industry. Using your loan application information and computer underwriting software, an automated underwriting system arrives at a loan decision. Although this speeds up the process and removes human bias, automated underwriting overlooks compensating factors and borrowers who do not have traditional credit. Make sure you ask your lender about how the process used to make a loan decision.

During the prequalifying stage, your housing counselor analyzed your mortgage readiness based on the four Cs – capacity, capital, character, and collateral. in addition to the four Cs, lender may favorably consider compensating factors depending on the loan product you have selected. The underwriter will conduct a much more in-depth analysis based on the same criteria. In some cases, a portion or all of this process may be automated.

Just because you have the capacity to make a large monthly housing payment doesn't mean you should. Watch out for "payment shock" which could happen if your mortgage payment greatly exceeds what you have been accustomed to paying.

Capacity

Capacity is determined by the applicant's ability to make the monthly mortgage payments. In reviewing your income and debts, the lender will focus on the relationship between the two. As discussed in Module 4, these relationships are expressed in terms of qualifying ratios that determine how much of the borrower's income can be applied to housing costs.

Eastern Band of Cherokee Indians of North Carolina

Seminole Reservation

Poarch Band of Creek Indians of Alabama

Lenders use the Verification of Employment (VOE) form, pay stubs, W-2s, and tax returns to look for evidence of income and employment stability by examining

- applicant's occupation
- employment tenure
- income, opportunities for future advancement
- education background
- occupational training
- length of employment – Most lenders require evidence of two years' continuous employment in the same line of work. Some loan programs, such as the Section 184 Loan, will permit job changes with an explanation, such as school or service in the military.
- self-employment – Copies of federal income tax returns for the previous two years, including a Schedule C, partnership or corporate tax returns, profit-and-loss statements, and balance sheets for the current and previous two years may be required. Detailed records of all transactions of traditional Native businesses can satisfy lender requirements.
- lease income – This income from trust property can be verified through the BIA.
- tribal payments – This includes income from gaming dividends, per capita payments, and tribal distributions that can be verified by the tribe and determined to be continuous.

The VOE requests employers to indicate the likelihood of continued employment. Affirmation of a strong likelihood of continued employment will be viewed favorably. However, the lender will carefully evaluate any comment from the employer that leads the lender to question continued employment. Your lender wants to ensure that you have a stable and continuing stream of income from employment or other sources.

You will need to identify any other sources of income in addition to your salary. All income sources must be reasonably expected to continue for at least three years, regardless of the source, to be considered as eligible income. Other income sources may include:

- Social Security
- alimony, child support, or separate maintenance
- military income
- income derived from part-time or second jobs may be used if the applicant can provide evidence of amount and continuance
- overtime, bonuses, and commission income
- unemployment and welfare benefits
- recurring payments such as Alaska Permanent Fund Dividend (PFD) and per capita distributions from land claims, settlements, tribal casino revenues, and trust land lease
- interest and dividend income, notes receivable, trust income, and VA benefits if properly documented

Because many Natives are self-employed in traditional enterprises such as Native arts and crafts, tourism, Native food stands, etc., it is imperative that records regarding business transactions are sufficiently detailed to be considered as qualifying income. A history of your business will need to be retained for several years in addition to providing evidence of its continuance. Although traditional enterprises are typically conducted on a cash basis, opening a separate business account will help to track the income and expense flow. Filing an income tax return also provides documentation of the income. In addition, you may need to maintain a record of receipts for expenses and payments received along with inventory and customer records.

Evaluating Employment Exercise

Steve lives in Bristol Bay, Alaska. He has never collected unemployment and has consistently worked for the past five years. His employment history over the past two years is listed below, with his most recent employment first.

Employer	Time Period	Monthly Income
Diner	Three months	$1,800
Bryson Video	Six months	$1,600
Bristol Bay Health Center	Three months	$1,600
Construction Work	Twelve months	$2,200

Steve pays $550 per month for rent. He just repaid his car loan early. His credit history shows that he has continuously met his obligations. He occasionally receives Alaska Corporation dividends and has a savings account with $6,000 that has been in place for the past three years.

1. Has Steve been working in the same industry? ______________________

2. If Steve came to you for a home loan, would you want to know about his employment prior to the two years he reported? Why or why not?

____

____

____

3. Do you believe Steve can qualify for a home loan based on his employment? Why or why not?

____

____

____

4. Can you count Steve's dividends as future earnings?

____

Capital

Capital is measured by verifying that there are sufficient funds available for up-front costs and for reserves to meet several months costs after the sale. Lenders will use the standard **Verification of Deposit Form** to verify the balances in your checking and savings accounts to pay up-front expenditures for down payment and closing costs, and any unforeseen expenses that may arise soon after you purchase your home.

Other sources of funds that may be acceptable include:

- *Gifts.* Some loan programs will allow the down payment to be in the form of a gift or grant. Most lenders will want to verify that a monetary gift does not have to be repaid.
- *IRA/Keogh Accounts.* If the source of closing costs comes from an **Individual Retirement Account (IRA)** or **Keogh account**, withdrawals may be subject to early withdrawal penalties. Only the net proceeds can be counted toward the funds for closing.
- *Borrowed funds.* If secured by an applicant's asset, borrowed funds may be acceptable as funds for closing. Eligible assets that may be used to secure funds include certificates of deposit, stocks, bonds, automobiles, real estate, and life insurance policies. Lenders will verify both the terms of the loan and the fact that it is a secured loan. Repayments on the loan are considered as debt when qualifying for the loan.
- *Tax refunds.* Many Natives receive federal tax refunds or Earned Income Tax Credits that can be saved and used for the down payment and closing costs associated with buying a home.
- *Government bonds.* When selling a **government bond**, the actual receipt of funds must be verified, and they should be valued at their present **market value**.

Unacceptable sources of funds include:

- unverifiable funds
- cash on hand (that is not in a bank account)
- **signature loans**
- lines of credit on credit cards
- **overdraft protection** on checking accounts

Your housing counselor can investigate down payment assistance programs that you may apply for. During the qualification process, a housing counselor can assist you in budgeting and establishing a savings plan.

Character

Credit history analysis and evaluation of an applicant's current liabilities is critical to the underwriting process. An applicant's liabilities include:

- installment loans
- revolving charge accounts
- alimony
- child support
- real estate loans
- stock pledges
- all other debts of a continuing nature

For each of these liabilities, the lender verifies the unpaid balance and the applicant's recent history. This information is generally obtained through a Tri-merged or Residential Mortgage Credit Report. Items that will be examined include:

- *Payment history.* The lender will look at how applicants have paid installment and revolving credit accounts, whether or not they have paid them on time, and how often payments have been late.
- *Rent payments.* The applicant's history of paying rent or mortgage payments is important because it is an indication of their commitment to pay for shelter. Their history of paying the rent will be particularly important if applicants pay cash for most of their purchases and do not have an active credit file.

- *Residential stability.* Applicant's residential stability will also be considered. If an applicant has moved frequently, the lender will want an explanation. Moves associated with job transfers do not present a problem.
- *Debts.* The lender will verify balances on credit cards and other installment or revolving credit accounts. They will compare debts listed on the credit report to those that were self-reported on the application form. Discrepancies must be explained.
- *Bankruptcy.* The lender will look to see if the applicant has filed for bankruptcy in the past. A bankruptcy will stay on the credit report for up to ten years.

"With my income and four kids, I knew I was never going to be able to buy a house. The housing authority has this great program where I was able to get money to buy down the mortgage. I have a great job and everything else is in order. Without the housing authority's help, I would still not have a home for my kids."

– Michelle Penney, Homebuyer, Nez Perce Tribe, Idaho

Your housing counselor will work with you during the prequalifying process to understand your income and debts as well as determine the home price that you can afford. The counselor will help you evaluate your situation using a lender's criteria. This preliminary analysis will identify problem areas and allow you to develop an action plan to overcome them.

Collateral

Collateral is property that is acceptable as security for a loan. On allotted land, the home and the land itself or the leasehold interest in the land can be used as collateral subject to approval of the other allottees and the BIA. Collateral on tribal trust land consists of the leasehold interest in the land and the home, and must be approved by the tribe and the BIA.

Lenders want to be sure that the value of the property being offered as collateral can support the mortgage. The loan-to-value ratio shows the relationship between the amount of the mortgage and the total value of the property.

EXAMPLE

A loan-to-value ratio of 90 percent means that the lender will loan 90 percent of the sales price or appraised value (whichever is less). The borrower would then have to make a 10 percent down payment. For example, a down payment of $6,000 would be required to purchase a $60,000 home. Then the borrower would take out a loan for $54,000 to purchase the home.

$$\$60{,}000 \times .90 = \$54{,}000 \qquad \begin{array}{r} \$60{,}000 \\ \underline{-54{,}000} \\ \$\ \ 6{,}000 \end{array}$$

Lenders use the value of the property as determined by an appraiser. They do not extend mortgages for more than the property is worth. In fact, lenders will only loan a percentage of the property's value.

An appraisal is a professional opinion of the market value of a property. To determine current market value, an appraiser will compare the price of the home you wish to purchase with that of at least three comparable homes that are in the area and have been sold within the past six months, then adjust for differences in the properties. Practices by appraisers with regard to placing a value on trust property vary. Where trust property is involved in a new construction purchase, appraisers assess the value of the land according to their experience with that Native community and construction cost estimates and improvements compared with that of the area.

There are several reasons why appraisals are required:

- The appraisal is a means to determine if the property provides adequate collateral to secure the proposed loan amount.
- Although the appraisal is not an inspection, it does provide information regarding the overall condition of the home. For example, if a home is appraised lower than

other homes in the neighborhood due to its age or lack of maintenance, the lender will want to make sure the borrower has enough income to make the monthly mortgage payments plus pay for repairs as needed.

- Lenders want to minimize their risk of loss in the event of a foreclosure.

Other Factors

A minor deficiency in the information you provide to the lender will not be used as a basis for denial. Lenders examine all the information and occasionally find compensating factors, or information that exceeds their requirements, that offset a deficiency.

EXAMPLE

Anna and Tommy Lee Redheart have been paying a monthly rental payment of $600 per month. They have applied for a Section 184 Loan Guarantee for a four-bedroom home that will require a mortgage payment of $550 per month. The debt-to-income ratio is 41 percent. The lender considers a 29 percent housing ratio to be reasonable and doesn't like to approve loans above that. They have excellent credit, employment stability, and savings. However, their housing ratio is 32 percent, which is not typically acceptable. Because the Redhearts have been paying $600 per month for the past three years without any problem and all other factors exceed the lender's requirements, the loan was approved on the basis of compensating factors.

A combination of factors can make up, or compensate, for a minor deficiency. There must be compelling factors documenting that the family would be able to fully meet the obligations of homeownership, such as, but not limited to, the following documentation:

- family income from sources that are not counted toward computation of adjusted monthly income
- family ability to supplement income by providing its own foods, fuel, or other necessities
- prior history indicating that rental payments exceeded the proposed mortgage payment
- history of excellent repayment of all debt obligations
- excellent landlord, creditor references
- time with employer
- time with same occupation
- savings/bank accounts and other investments
- cash reserves after loan closing
- down payment amount
- monthly residual or discretionary income

It is important to remember that from time to time you may be asked to provide additional information that was previously requested and submitted. Keep in mind that you and your family are unique and underwriters are trying to achieve an understanding of your situation without the benefit of personal knowledge.

Compensating Factors Exercise

Review the Evaluating Employment Exercise on page 16 and then answer the following questions.

1. List the compensating factors that might compel the underwriter to grant Steve a loan.

    ____

    ____

    ____

2. Are there any compensating factors that could affect Steve's loan application?

    ____

    ____

    ____

Your housing counselor will help you make sure that the offered sales price is reasonable for the home you select.

Eastern Band of Cherokee Indians of North Carolina

Seminole Reservation

Step Four: Loan Commitment Letter

The underwriter will make a decision or recommendation as to whether the loan should be made after a full review of the applicant's credit history, the relationship between income and debts, and the value of the secured property. If the underwriter approves the loan, a conditional commitment letter is mailed to the borrower. This letter outlines:

- basic terms of the loan
- conditions that must be met

Loan Commitment Exercise

Review the following Section 184 Loan Commitment and answer the questions that follow.

SECTION 184 LOAN GUARANTEE FIRM COMMITMENT FORM

U.S. Department of Housing and Urban Development Office of Native American Programs

General Commitment Conditions

1. *Maximum Mortgage Amount and Term:* a) Occupant Mortgagors: Mortgage amount and terms assume satisfactory owner-occupant mortgagor(s) or qualified fl-IA or Tribe. b) Changes: HUD may, due to a significant negative event affecting The homebuyer's income, liabilities or credit, change The mortgage amount and term.
2. *Validity Period:* This document expires 60 days from The issue date with an optional 60-day extension at HUD's discretion.
3. *Cancellation:* This document may be cancelled alter 60 days from The date of issuance if construction has not started.
4. *Property Standards:* All construction, repairs, or alterations proposed in the application or on the construction exhibits returned herewith must equal or exceed applicable codes and HUD requirements.

Commitment Terms

Estimated Value of the Property	$82,000	Commitment (Loan) Amount	$71,710 (Includes LG fee)
Maximum Mortgage Amount	$71,000	Loan Term (Years)	30
Interest Rate	5.625%	Cohort Number	23066
Monthly Expense Estimate			
Insurance	$40.00		

Commitment Conditions:

HUD's commitment to guarantee a mortgage on this property is dependent on the completion of the conditions listed below. HUD does not guarantee the work done to comply with the conditions. Estimated Remaining Economic Life of this property is __45__ years. This property ______ is __XX__ is not eligible for maximum financing (maximum loan-to-value ratio mortgage). Describe commitment conditions below:

Conditions to be met prior to closing:

1. Property is located on individual allotted trust land. Must have BIA commitment to approve loan prior to closing.
2. Letter from tribe that well/septic meets local code and is acceptable.
3. Builders Certification, HUD 92541, must be signed by builder prior to closing.
4. Acceptable survey verifying that Lot 70 has access to a public roadway and/or any required right of ways have been recorded with BIA.
5. Appraisal must reflect correct site acreage.

Conditions to be met at closing and/or prior to loan guarantee:

1. Document transfer of $5,000 grant from TDHE and provide TDHE signed grant.
2. Borrower must sign statement that they understand that mortgage payments will begin after closing and possibly before property is completed.
3. Final Title Status Report with mortgage recorded
4. BIA Certificate of Mortgage Approval

Post endorsement conditions:

1. Lender must ensure that builder/borrower advises the Any Tribe archeologist when the ground disturbing portions of the foundation construction is started so they can monitor as needed.

1. How long does the buyer have to meet the conditions? ______________________

2. What is the maximum loan amount? ______________________

3. What are the interest rate and term of the loan? ______________________

4. What is the **useful life** of the property? ______________________

5. How many types of conditions are there?

   ____

   ____

   ____

6. Which condition do you believe could have the most serious impact?

   ____

   ____

If you receive a commitment letter, it is because of your hard work and perseverance. If you had to overcome obstacles to homeownership, you and your housing counselor are to be applauded. However, there is still plenty of work ahead as your counselor helps you prepare for the closing.

Step Five: Closing

The purpose of the **closing** is to transfer ownership of the property from the seller to the buyer. This is also called the **settlement** because all financial arrangements and legal documents are "settled" at this time. It is the time when all parties pay (and receive) money to which they are entitled. It is also the time when all agreements and transactions are signed and **notarized** to make them legally binding. The following is a description of various aspects of the closing.

Participants. Typically, participants in the closing include the:

- buyer
- buyer's attorney
- lender's closing agent
- seller
- seller's attorney
- real estate agent

Eastern Band of Cherokee Indians of North Carolina

Tunica-Biloxi Indian Tribe of Louisiana

Requirements for Closing. The period between the acceptance of the purchase and sales contract and the loan closing, sometimes referred to as the escrow process, is when all of the pre-closing activities occur. This is the time when credit documents are updated and the home inspection, survey, title search, termite inspection, and any other contingency requirements are done. Many buyers are dismayed to learn that their closing has been delayed because one of the contingencies has not been satisfied or the credit requirements are no longer satisfied. Don't let this happen to you! You should stay in close contact with the closing agent during this period to confirm that everything is on track. Typical pre-closing activities include:

- *Title search.* A **title search** is done to ensure that the seller is the legal owner of the property and that he or she is free to sell it. The title search also checks the title records to make sure that there are no liens on the title. A lien is a legal claim against a property that must be paid when the property is sold. For example, there may be liens filed by creditors in an attempt to collect unpaid bills, or there may be outstanding taxes due. A TSR documents a title search for loans involving trust property.
- *Title insurance.* If a title search checks title records, why is **title insurance** required? Even the most careful search of public records might not uncover risks such as forgery or fraud, false impersonation by those acting as owners of the property, incorrect representation of marital status of grantors, undisclosed or missing heirs, improperly probated wills, inadequate or incorrect surveys, and clerical errors. There are two types of title insurance that provide protection against these title defects:
  - Mortgage title insurance protects the lender's loan in the event a flaw is discovered after the property has been bought. This type of title insurance is required by the lender.
  - Owner's title insurance protects the owner's equity in the event a title defect is discovered. The owner's title insurance does not guarantee that these defects won't occur, but it does protect against loss arising from claims against the title.
- *Survey.* A **survey** verifies property boundaries and confirms that the legal description of the property as stated in the sales contract is correct. Occasionally, a survey will show that a fence or tool shed was built over the property line, extending into a neighbor's property (or vice versa). Violations of this kind are common, and some are more easily remedied than others.
- *Termite certification.* Termite inspections are required before closing to certify that the property is not infested with termites and that there is no termite damage.
- *Homeowner's insurance.* Lenders require borrowers to purchase homeowner's or "hazard" insurance to protect against loss in the event the house is damaged or destroyed by a disaster such as fire. Evidence of insurance must be presented at closing by providing a copy of the insurance **binder**. Lenders usually require prepayment of one year's premium.

Depending on the lender's requirements, the buyer may pay homeowner's insurance as a part of the monthly mortgage payment. In this case, your lender will divide the cost by 12 months and add this figure to your monthly mortgage payment amount. If this is done, the lender will keep this portion of the payment in **escrow** and pay the insurance bill when it comes due each year.

Insurance coverage should equal the home's replacement value – what it would take to replace the house should it be destroyed. Generally, the lender will require you to insure your property for at least the initial amount of your loan. If you have a second mortgage on the home, your second loan amount should also be fully covered.

Homeowner's Warranty. If you are buying a newly constructed home, a lender will require that you have a **homeowner's warranty** or builder's warranty that protects against certain defects in the home. A certificate of occupancy will also be required from the builder with concurrence by an inspector before you can occupy the dwelling or release final payment. In Module 5, the requirements for contracting with and paying a contractor were discussed. Evidence of the requirement of homeowner's warranties and the certificate of occupancy should be provided to the lender at the closing.

Closing Preparation. The closing process actually begins several weeks before the scheduled closing. The purchase and sales contract is the controlling document at the closing. This contract clearly states all the items agreed to by the buyer and the seller. The contract also calls for documentation of certain items, such as the inspection report, tax certificates, and title commitment. Pre-closing activities are centered on making sure that the terms of the sales contract have been met.

Settlement Agent. The closing is a formal meeting attended by the buyer and seller or their attorneys, the real estate agents(s), and the settlement agent. Depending on applicable law, closings can be conducted by various organizations including title insurance companies, lending institutions, escrow companies, real estate brokers, and attorneys. The closing agent will process and prepare all of the documents needed for closing and will collect and distribute the funds. Where and how closings are conducted in Native communities depends on the type of land involved, the loan program, and the applicable code.

Date and Time. The sales contract should specify when the closing will take place, usually in the form of a statement such as "the closing will take place on or before (date)". This date can be extended if the buyer and seller agree to the extension. The exact date and time of the closing is generally set by the lender's closing agent, or the real estate agents. Be sure that the closing takes place before the lender's commitment or any interest rate lock-ins expire.

Tunica-Biloxi Indian Tribe of Louisiana

Final Walk-Through Inspection. The purchase and sales contract should spell out the borrower's right to inspect the property within 24 hours of the closing. It is important to make sure the property is in the same condition as when the sales contract was signed.

Closing Documents. As you proceed through the closing, you will be required to sign or initial various documents, such as

- *HUD-1 Settlement Statement.* The HUD-l Settlement Statement (Appendix D: Settlement Statement) itemizes the services provided and lists all charges to the buyer and the seller. Both the buyer and the seller must sign. This form is required by federal law – the Real Estate Settlement Procedures Act (RESPA).
- *Truth-in-Lending Act (TILA) Statement.* Lenders are required to disclose the annual percentage rate (APR), which reflects the annual costs of your mortgage as a yearly rate (Appendix F: Truth-in-Lending Statement).
- *Promissory Note.* The mortgage note is a legal "IOU" that represents the buyer's promise to pay the lender according to specified terms. The note also describes the penalties that will be incurred if the borrower defaults on the loan.
- *Amortization schedule.* The **amortization schedule** is a list of monthly payments by principal and interest. It shows the remainder owed after each monthly payment for the term of the loan. The example below shows how a mortgage loan is amortized, or paid off, over a 30-year term.

Poarch Band of Creek Indians of Alabama

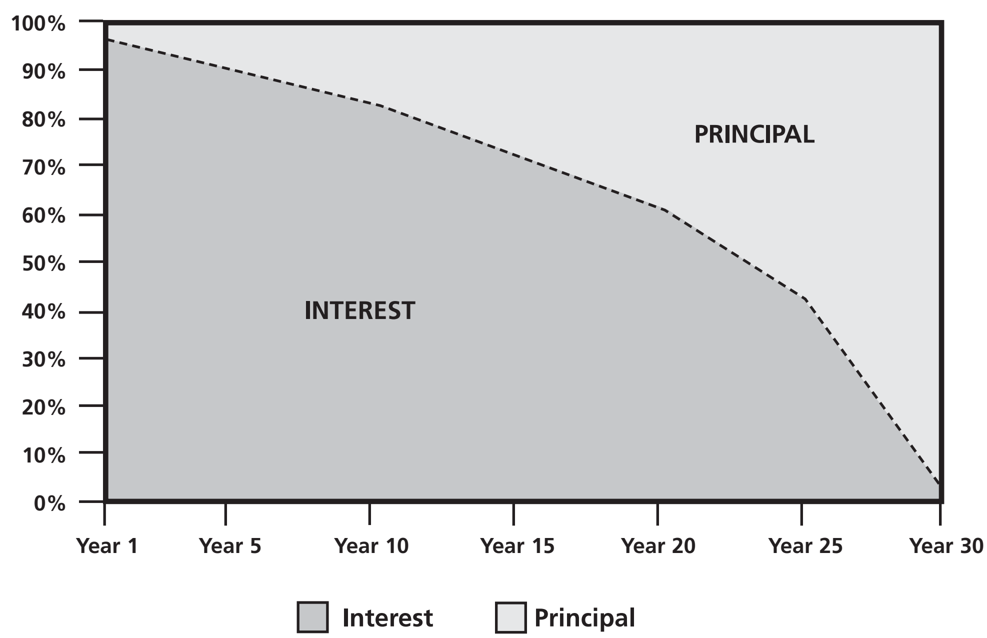
Eastern Band of Cherokee Indians of North Carolina

EXAMPLE

The loan was made on January 1, 2000, with a beginning balance of $100,000. This amortization schedule illustrates how the larger portion of the mortgage payment, $665.30, is the repayment of interest for the majority of the term. Sometime after Payment 240, the larger portion of the mortgage payment is applied to principal.

	April 1, 2000	January 1, 2005	January 1, 2010	January 1, 2015	January 1, 2020	January 1, 2025	January 1, 2030
Payment	Payment 4	Payment 60	Payment 120	Payment 180	Payment 240	Payment 300	FINAL PAYMENT
Interest	$581.89	$549.78	$501.53	$433.14	$336.18	$198.73	$3.88
Principal	$83.41	$115.52	$163.77	$232.16	$329.12	$466.77	$661.42
Total Payment	$665.30	$665.30	$665.30	$665.30	$665.30	$665.30	$665.30
Balance	$95,362.20	$95,362.20	$85,812.78	$75,311.10	$60,803.53	$38,565.16	$00.00

Although your loan payment remains constant, the proportion of your payment that is applied to principal increases.



- *The deed of trust.* In some jurisdictions, the **deed of trust** is the legal document that secures the note. In other areas a "mortgage" is used instead of a deed of trust. The terms are often used interchangeably, although there are some differences between them. In practical terms, a mortgage and a deed of trust are contracts by which a borrower agrees to pay back monies borrowed. Both instruments create liens against the property. Although they accomplish the same thing, foreclosure procedures for defaulted deeds of trust are usually simpler and faster than those for mortgage loans.
- *The deed.* The **deed** is the document that conveys ownership of the property. It transfers ownership from the seller to the buyer. The seller should provide his or her deed at the closing, properly signed and notarized. The deed specifies the type of ownership and what name(s) should appear on the deed. The most common types of ownership include:

  - sole ownership – Sole ownership is ownership by one individual.
  - **tenancy by the entirety** – Tenancy by the entirety is available only to married couples, and the house may not be sold without both spouses agreeing to the sale. Both spouses have survivorship rights – if one spouse dies, the house automatically goes to the surviving spouse.
  - **tenancy in common**– A type of joint tenancy in a property without right of survivorship.
  - **joint tenancy** – Joint ownership may take several forms. Joint tenancy provides equal ownership shares with survivorship.

Recording. After the closing, the deed of trust, the note, and the deed must be recorded. All transactions involving trust property must be recorded at the BIA Land Titles and Records Office. Purchases of fee simple property are recorded with the county government. Some tribes record trust property transactions both with the county and at the BIA Land Titles and Records Office.

Closing Costs. Closing costs are fees associated with transferring the property title from the seller to the buyer. Closing costs range from three to six percent of the loan amount, and there are three basic categories of costs:

- *Charges for establishing and transferring ownership.* This category includes items such as the title search and title examination, title insurance, document preparation, attorney's fees, etc.
- *Amounts paid to state and local governments.* This category includes city, county, and state transfer taxes; recording fees; and prepaid property taxes for purchases on fee land.
- *Costs of obtaining a mortgage.* This category includes items that are payable in connection with the loan, including loan origination fees, appraisal fee, credit report fee, lender's inspection fee (for new construction), mortgage insurance fee (may be first year's premium, paid in advance), survey fees, pest inspections, hazard insurance (may be first year's premium, paid in advance), and prepaid interest.

Some of the most common services that make up your closing costs are listed below:

TYPE	DESCRIPTION	WHO PAYS?
Origination Fee	A fee charge by the lender to cover the costs of processing the loan. It is usually one percent of the loan amount.	Buyer
Application Fee	The lender's charge for a customer to make an application.	Buyer
Settlement Fees	Settlement fees are charged by title companies to cover the costs of providing your loan closing services. These services include office space used for closings, a closing coordinator to conduct the settlement, and copy services.	Buyer
Credit Report	Lender's charge for pulling the credit report.	Buyer
Appraisal Fee	A fee to obtain a certified appraiser's opinion on the property's value. Appraisal fees range from $250 to $400 and must be paid at the time of application.	Buyer
Discount Points	Points are fees you pay to buy down or buy up an interest rate. Each point is equal to one percent of your loan amount. Two points is equal to two percent, and so on.	Buyer
Title Insurance	Title insurance protects you or the lender from unforeseen claims or liens against your property. In some areas, the seller may pay your share of the title insurance cost. This does not apply on trust property.	Buyer/Seller
Environmental Review	Native housing loan products using federal funds will require an environmental review. Check with your housing counselor about costs.	Buyer
Mortgage Insurance	Mortgages with a loan-to-value ratio of 80 percent or higher typically require mortgage insurance. Mortgage insurance protects the lenders against default. This premium may be included as a one-time, up-front cost at one to three percent of the loan amount and/or as a monthly fee that is part of the PITI payment.	Buyer
Recording Fees	A small fee to cover the administrative costs of recording the deed. There are no fees charged for recording trust property with your regional BIA Land Titles and Records Office. Some tribes record home purchases on trust property in the county as well as with the BIA. Remember, all property transactions must be recorded with the BIA.	Buyer
Survey	A survey is a drawing showing the legal boundaries of the subject property. The BIA maintains property surveys on file; however, some lenders may require an updated survey. As long as the property is within the reservation boundaries, an outside professional survey will be accepted by the BIA.	Buyer
Termite Inspection	Soil inspection for termite and other pest infestation is required. These inspections cost approximately $50.00.	Buyer/Seller
Prepaids	Prepaid items include interim interest, which refers to interest on the loan from the date of closing until the first mortgage payment is due. Other prepaid items include homeowner's insurance (one year's premium in advance), flood insurance, if applicable, and escrow reserves for city and county property taxes and mortgage insurance premiums, if applicable.	Buyer
Attorney Fees	Attorney services to review your documents.	Buyer

Eastern Band of Cherokee Indians of North Carolina

Eastern Band of Cherokee Indians of North Carolina

Federal Laws Protecting the Applicant During Loan Processing

There are laws that are designed to protect you during the loan application process. They are the **Equal Credit Opportunity Act**, the **Fair Housing Act**, the Fair Credit Reporting Act, and the Fair Debt Collection Practices Act.

Equal Credit Opportunity Act. This act prohibits lenders from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age. Discrimination because of income from public assistance programs or because the applicant has exercised a right under federal consumer credit protection laws is also prohibited.

Fair Housing Act. This act prohibits discrimination in residential real estate transactions on the basis of race, color, religion, sex, handicap, familial status, or national origin. The act applies to the sale of a home and to the decision of a lender.

Fair Credit Reporting Act. If a lender or mortgage broker rejects your loan application, this act requires the lender or mortgage broker to tell you whether the decision was based on information contained in the credit report or was made for other reasons. This act also guarantees you a right to the full contents of your credit report. If the loan application is rejected on the basis of information in your credit report, you are entitled to request a free copy of your credit report within the next 60 days. You also have the right to have mistakes on the credit report corrected.

Fair and Accurate Credit Transactions Act (FACT Act). This Act amended the Fair Credit Reporting Act and requires financial institutions to adopt measures that prevent identity theft.

Fair Debt Collection Practices Act. This Act seeks to eliminate abusive debt collection practices by debt collectors.

Loan Denials

Although being rejected for a loan can feel embarrassing or discouraging, the applicant should remember that many people do not succeed in their first attempt to qualify for a mortgage loan. This does not mean that homeownership is out of reach. There are several common reasons why loan applications are denied:

Less Than Good Credit History. less than good credit history can include previous delinquencies, bankruptcies, collections, and judgments. To improve your credit history:

- Use credit more conservatively in order to create a track record that will demonstrate an ability to use credit responsibly.

Low Appraisal. The appraised value of the property may have come back lower than the sales contract on the home. If this is the case, the potential homebuyer has some options, including:

- Negotiate with the seller to lower the sales price.
- Request another appraisal.
- Review the appraisal for mistakes.
- Come up with a larger down payment to pay above the appraised value.

Not Enough Income or Assets. If your income or assets do not fall within the lender's underwriting guidelines, try to:

- Find a lender who is willing to take on more risk; this may be in exchange for paying a higher interest rate.
- Look for agencies or nonprofit organizations that have special programs that benefit homeowners who have difficulty qualifying for financing.

Too Much Debt or Not Enough Money for Down Payment and/or Closing Costs. If your debt is higher than the lender will allow, explore these possibilities:

- Find a **co-signer** for the loan.
- Find a loan program designed for people with higher debt ratios.
- Choose a less expensive home.
- Find down payment or closing costs assistance through special loan programs.
- Ask relatives for assistance.
- Seek a lease with an option-to-purchase agreement with the seller until you are able to qualify for a mortgage.

Other: There may be other reasons for the rejection of a loan application. When an application is rejected, the Equal Credit Opportunity Act requires the lender to send the buyer a written explanation of the loan rejection within 30 days of a request.

If your loan application is denied, work with a housing counselor to identify corrective steps.

Predatory Lending

Although most lenders conduct honest business, some do not. The homeownership dream has turned into a nightmare for many families because of predatory lending. Applicants are offered loans with high interest rates, questionable fees, or unnecessary charges. **Predatory lenders** often target low- and moderate-income people, people of color, and the elderly. They especially prey on those who are unaware of their rights in the loan application process or who are frustrated by the process. Do not confuse **subprime loans** which can offer an opportunity for borrowers with a less-than-ideal credit record to become a homeowner. The following table shows the key differences between the two types of loans.

Key Differences Between Subprime and Predatory Lenders

Lenders	Subprime	Predatory
Customers	Serve households with credit problems	Target lower-income, minority and elderly homeowners
Fees	Charge reasonable fees based on risks	Charge exorbitant fees
Practices	Use aggressive but ethical tactics	Use deceptive and sometimes illegal tactics

Knowing what to look for when applying for a loan is vital to making sure that you do not get taken advantage of by a predatory lender.

Predatory lenders:

- offer loans based solely on the equity in a home and not on the borrower's ability to repay the loan
- charge unusually high interest rates for a loan
- add excessive points to the loan without lowering the interest rate
- include excessive fees
- tack on unnecessary costs such as prepaid, single-premium life insurance
- fail to disclose the true terms of a loan
- approve loans without consideration of the borrower's ability to repay
- pressure a borrower to sign documents without understanding the terms
- "flip," or frequently refinance, a loan

Common Predatory Lending Practices

Many consumers are lured into dealing with predatory loan products because they are desperate. Some of the more common areas where predatory lenders lurk are as follows:

Expensive Manufactured Home Loans. Many Natives are attracted to the ease with which a borrower can obtain a loan for a manufactured home. On the surface, the down payment is very reasonable, the terms are usually for 30 years, trust property is not always an issue, and the application process is straightforward. Many of the manufactured home loans that have been made in Native communities have turned into disasters for our people. Hidden costs, excessive interest rates, and exorbitant late fees have resulted in a very expensive home loan. As previously discussed in Module 4, late payment problems are further compounded when your future payments are first applied to late fees. If the late fees are excessive, a payment may not have any effect on principal reduction. Consequently, some families have outstanding loan amounts that exceed the value of the home, making refinancing practically impossible.

If you are considering a manufactured home loan, avoid predatory terms by having an attorney review the loan documents to determine that:

- there are clearly defined means of calculating late fees
- there is no double charging for late payments
- there are no prepayment penalties
- there are no hidden fees and no inflated fees and points
- there is no unnecessary additional cost of financing high-cost credit insurance

Other Predatory Lending Practices. Predatory lending practices may involve lenders, attorneys, real estate professionals, or contractors. Don't be a victim of a predatory loan. Know the warning signs mentioned above and the practices that prey on consumers. Use extra caution when considering any of the following loans:

- pay day loans
- title loans
- tax refund anticipation loans
- per capita loans
- balloon payment loans
- debt consolidation loans

Avoid Predatory Lenders

The following tips will help you avoid becoming a victim of predatory lending schemes.

- Do not trust ads promising "No credit? No problem!"
- Do not give in to high-pressure sales tactics.
- Don't take the first loan you are offered.
- Remember that a low monthly payment isn't always a "deal." Look at the total cost of the loan.
- Be wary of promises to refinance the loan to a better rate in the future.
- Do not refinance your loan or take out a second mortgage without visiting with your housing counselor or nonprofit housing agency.
- Consult a housing counselor before agreeing to a **balloon mortgage**.
- Avoid loans with high interest rates.
- Investigate current interest rates.
- Avoid prepayment penalties.
- Ask questions.
- Turn away loan offers from anyone who calls you on the telephone or comes to your door without an invitation.
- Be wary of high-pressure sales pitches, such as claims that an offer is good only for a limited time.
- Do not consolidate your debts into a **home equity loan** without talking to your housing counselor, a local nonprofit housing organization, or consumer credit counseling agency.
- Turn away tax preparers who offer to file your tax return for a high fee and encourage you to use your refund as a down payment for a car or manufactured home loan with unfavorable rates.
- Resist the temptation to use "rapid refunds" or "refund anticipation loans" to access your tax refund or Earned Income Tax Credit faster. If you use a reputable tax preparer, you should be able to access your refund quickly without paying inflated and unnecessary fees and interest.
- Avoid loans that include extras you don't need.
- Fill in all blank spaces. If an answer is not required, write "N/A" (not applicable) in the blank.
- Never sign an agreement that you do not completely understand, and do not take a lender's word that an agreement is "standard."

If your APR is two or more points higher than your initial Good Faith Estimate quote, you may have a predatory loan.

Predatory Lending Exercise

The Kovarik family was living in a TDHE Low-Rent two-bedroom home. They were in a rush to move out. They found a three-bedroom home off the reservation that they liked, although the mortgage payment was several hundred dollars more than the monthly rent they were used to paying. They had good income and at least one of the applicants had stable employment. So they could get down payment assistance from the TDHE, they had to take one homebuyer education class. Below are excerpts from the various forms they signed: Purchase & Sale Contract Amendment and an Early Possession Agreement. Review the forms and answer the questions that follow.

Purchase & Sale Contract Amendment

THIS IS AN ADDENDUM/AMENDMENT TO A PURCHASE AND SALE AGREEMENT, READ THE ENTIRE DOCUMENT, INCLUDING ANY ATTACHMENTS, CAREFULLY BEFORE SIGNING. IF YOU HAVE ANY QUESTIONS, CONSULT YOUR ATTORNEY OR ACCOUNTANT BEFORE SIGNING.

This is an ADDENDUM ☐ or an AMENDMENT ■ to the Real Estate Purchase and Sale Agreement and Receipt for Earnest Money.

Earnest Money Dated: $1,100.00 5/16/09 ID# 0222245689

ADDRESS: 1007 Springview Avenue Kotzebue, AK

BUYER(S): Harriet T. and Stanley Kovarik

SELLER(S): Thomas Guy

The undersigned Parties agree as follows:

1. See Early Possession Agreement.
2. Buyers request that the seller carry back 25% of Purchase price on a contract. Purchase price to be $82,000. Buyers to pay 5% down and to get a loan of $57,400 at 9.55%. The contract amount to be $20,500 at 10% interest amortized out to 30 years. Balloon note due to seller within 5 years of closing date. Buyer can refinance or pay off contract carried by seller after 5 years but no longer than 7 years. Seller to pay $2,500.00 of Buyers' closing costs. Buyer to pay any required prepaid interest. In the event buyer and seller fail to agree to the terms of the amendment or the buyers are unable to qualify for such loan, the buyers agree to move out of 1007 Tucson Avenue, Springfield, AZ on or before the 31st of August 2009. All earnest money to be used as a non-refundable security deposit. Buyers agree to leave property in same condition they found it in when they moved in.

The herein agreement, upon its execution by both parties, is made an integral part of the aforementioned Agreement.

Signed xxxxxxxxxxxxxxxxxx BUYER　　Signed xxxxxxxxxxxxxxxxxx SELLER
Signed xxxxxxxxxxxxxxxxxx BUYER　　Signed xxxxxxxxxxxxxxxxxx SELLER

DATED: August 14, 2009　　DATED: August 14, 2009
Time:______ ☐ A.M. ☐ P.M.　　Time:______ ☐ A.M. ☐ P.M.

EXCERPT FROM EARLY POSSESSION AGREEMENT
ADDENDUM TO EARNEST MONEY RECEIPT AND AGREEMENT

Seller hereby rents the property to Purchaser on the following terms and conditions:

1. Term. Purchaser shall be entitled to "early possession" of the property on August 10, 2009, or upon written removal of all contingencies and verification of cash earnest money, whichever occurs later. If the Agreement terminates for any reason, Purchaser shall surrender possession within ten (10) calendar days after its termination. A default under this Early Possession Agreement shall also constitute a default under the Earnest Money Agreement.
2. Rent. Purchaser shall pay directly to Seller rent of $ -0- per month.
3. Insurance. Seller shall keep the property insured against fire and other casualties. Seller is not responsible for Purchaser's contents.
4. Utilities and Dues. Purchaser shall pay all utilities during Purchaser's possession.
5. Repairs and Maintenance. Purchaser shall maintain the property in its present condition, normal wear and tear resulting from ordinary use of the property excepted. Purchaser shall be responsible for all repairs to the property during Purchaser's possession.
6. Security Deposit. The earnest money shall also constitute a non-refundable deposit.
7. Exemption from Landlord-Tenant Act. If the property covered by this agreement is located in the State of Arizona, then, pursuant to RCW 59.18.04(2), this Early Possession Agreement is not subject to the provisions of the Residential Landlord-Tenant Act.

SIGNED BY BOTH BUYER & SELLER ON AUGUST 10, 2009.

1. Are there any financial contingencies? ____________________
2. Is there a move-in contingency? ____________________
3. If everything falls through, how much time does the buyer have to move out of the home? Do you think it is reasonable?

   ____

4. How much is the earnest money? Is it refundable? ____________________
5. What are the circumstances under which the buyer can lose the earnest money?

   ____

   ____

6. What prequalifying steps could have been taken that would have led to an agreement more favorable to the buyer?

   ____

   ____

The loan application process is lengthy and detailed, and can be costly for those who are unprepared. A housing counselor can help you prepare for a mortgage prior to making a formal application. It is essential that the prequalifying process include securing a land lease for trust property and obtaining a purchase and sales contract for your future home.

Completing the formal application initiates a time-sensitive process involving the review and verification of information regarding your ability to repay the loan, your willingness to repay the loan, and the ability of the property to serve as collateral for the loan. Take the time to understand the process. Work with a housing counselor to avoid predatory lenders and ensure that you choose a loan product that best suits your needs.

Module Highlights

- Prequalifying is an essential step that either a lender or a housing counselor can work with you to accomplish. Because the loan application process is lengthy and costly, prequalifying can help you become mortgage-ready by identifying and removing any obstacles.
- When trust property is involved, the first step to be taken upon approaching mortgage readiness is to order a TSR from the BIA Land Titles and Records Office.
- A purchase and sales contract is the foundation for the home purchase and should be carefully drafted to include various contingencies, such as:
  - financial (loan terms, down payment assistance, loan approval)
  - inspection
  - what stays
  - final walk-through
  - problem-solving
- The loan application process is time-sensitive and includes the following steps:
  - Step One: Formal Application
  - Step Two: Application Processing
  - Step Three: Loan Decision
  - Step Four: Loan Commitment Letter
  - Step Five: Closing
- It is important to provide complete and accurate information to the lender during the loan application process.
- Various forms will need to be signed authorizing information regarding your employment, bank deposit, loans, etc. to be released to the lender.
- The loan decision will be made through the underwriting process that will thoroughly examine all your personal financial information as well as property information. Underwriters rely on information provided by the appraiser, the purchase and sales contract, and the land documentation, as well as your credit, income, employment, and rental payment history information provided by you and other sources.
- Loan decisions are based on various factors. When a borrower does not meet specific criteria, existing compensating factors may be considered to make the loan decision.
- When a loan application is rejected, the applicant has the right to obtain from the lender the basis for denial.
- Predatory lenders often target low- and moderate-income people, people of color, and the elderly. They especially prey on those who are unaware of their rights in the loan application process or who are frustrated by the process. Knowing what to look for when applying for a loan is vital to making sure that you do not get taken advantage of by a predatory lender.

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

____

____

____

____

____

Exercise

1. A housing counselor can do all of the following except:

   - ❑ a. help you work through the land leasing procedures
   - ❑ b. help you become mortgage ready
   - ❑ c. provide legal advice about the purchase and sales contract
   - ❑ d. help you prepare for the closing

2. When applying for a loan involving trust property, the first task to be pursued is to:

   - ❑ a. obtain the purchase and sales contract
   - ❑ b. order the appraisal
   - ❑ c. complete the URLA
   - ❑ d. obtain a Title Status Report

3. The purchase and sales contract:

   - ❑ a. is needed at the time of the formal application
   - ❑ b. is the foundation for the loan documents
   - ❑ c. is designed to include contingencies
   - ❑ d. all of the above

4. A successful loan application relies upon:

   - ❑ a. the ability of the borrower to explain his or her needs
   - ❑ b. the location of the property offered as collateral
   - ❑ c. the accuracy and completeness of the information gathered during the loan intake process

5. When there are two or more co-applicants, you should gather information:

- ❏ a. from the head of household
- ❏ b. from those earning income
- ❏ c. from all co-applicants

6. In order to demonstrate ability to repay a loan, the applicant should have:

- ❏ a. good credit
- ❏ b. steady income
- ❏ c. an acceptable level of current expenses
- ❏ d. all of the above

7. Check the items that are not used to demonstrate steady income:

- ❏ a. disability payments
- ❏ b. salary
- ❏ c. veterans' benefits
- ❏ d. public assistance
- ❏ e. savings account assets

8. True or false? The lender will rely on the information provided in the credit report rather than conflicting information provided by the client.

- ❏ a. True
- ❏ b. False

9. An appraisal is meant to do all of the following except:

- ❏ a. ensure that the property provides adequate collateral
- ❏ b. describe the condition of the home
- ❏ c. identify the repairs that are needed over the next five years
- ❏ d. help the lender minimize their loss in the event of foreclosure

10. List three examples of compensating factors.

    1. ____

    2. ____

    3. ____

11. List at least three reasons for loan denial.

    1. ______________________________

    2. ______________________________

    3. ______________________________

12. If a client requests a full disclosure of the reasons for his or her loan denial due to credit information, the reasons must be sent by the lender in writing within:

    ❏ a. 10 days of the request
    ❏ b. 15 days of the request
    ❏ c. 30 days of the request

13. Sarah and Tom Harding were worried that they would not be able to buy a home of their own. They have their own land, but they know they have had some credit problems, including a repossession of a car. They found a manufactured home dealer who told them there would be no problem financing a manufactured home. The purchase and sales contract they signed had a penalty for prepayment, the interest rate was quoted as 14 percent, and the late penalties were excessive.

    a. This type of lending is referred to as ________________ lending.
    b. List three steps they could have taken to prevent this occurrence:

    1. ______________________________

    2. ______________________________

    3. ______________________________

14. Julie and James Kimsey want to purchase a home that is on tribal trust property. The seller is more than happy to sell and they have agreed on the purchase price. The Kimseys visited the housing counselor at the TDHE, who began working to prequalify them. Upon determining that the Kimseys are mortgage ready, she provided the instructions listed below.

    a. Your job is to identify the order of priority for each task, with one being the most important.

       ________ Obtain a pre-purchase inspection.
       ________ Complete the loan application.
       ________ Get the seller to order the TSR for the property.
       ________ Sign the purchase and sales contract.

    b. The Kimseys' housing counselor explained the process that they would have to pursue when they applied for the loan. She also assured them that she would be available during the entire process. Your job is to identify the order of steps to be taken, with one being the first step.

       ________ The lender will order a residential mortgage credit report.

       ________ Your estimated costs to purchase the home will be provided on the Good Faith Estimate.

       ________ You will meet with the lender to complete the URLA.

       ________ At the closing, you will receive a HUD-1 Settlement Statement and sign a deed of trust, promissory note, and various other forms.

       ________ When you receive the commitment letter, there may be conditions that you have to satisfy.

       ________ You and the seller will sign a purchase and sales contract.

       ________ You need to complete a final walk-through to be sure everything is in order.

       ________ Your attorney needs to review all the loan documents.

       ________ You will have to pay a loan application fee.

       ________ You need to obtain prepaid homeowner's insurance.

Appendix A

Homebuyer Counseling Agreement

In order to participate in a homeownership opportunity program offered by the _________, prepurchase and post-purchase homebuyer counseling is required. The prepurchase counseling will include _________ hours of homebuyer counseling instruction offered in a combination of group sessions and individual sessions. Post-purchase counseling will include a once-a-month individual session for _________ months following occupancy, depending on individual need.

These sessions will be conducted by a professionally trained housing counselor. The 12-hour requirement applies to the heads of household and must be completed consecutively within a specified period of time. Consequently, both heads of household or the equivalent must complete the homebuyer counseling. Scheduling of the individual sessions will be arranged to the greatest extent practical so that your work obligations are not interrupted.

It is a proven fact that homebuyer counseling prevents future problems for the homebuyer. All program assistance requires homebuyer counseling as a prerequisite to selection and participation.

Please indicate by your signature below that you understand that your participation in the Homebuyer Counseling Program is a requirement for acceptance to the program. By your signature below, you agree to comply with all the homebuyer counseling requirements.

Appendix B

Purchase and Sales Contract

REAL ESTATE PURCHASE AND SALE AGREEMENT
AND RECEIPT FOR EARNEST MONEY

This is a legally binding contract. Before signing, read the entire document, including the general printed provisions and attachments. If you have any questions before signing, consult your attorney and/or accountant.

ID# ______________________ Date ______________________

1. REAL ESTATE OFFICES:

Listing Agency ______________________ Selling Agency ______________________
MLS Office # ______________________ MLS Office # ______________________

Listing Agency Name ______________________ Selling Agency Name ______________________
MLS Office # ______________________ MLS Office # ______________________

Phone # Office __________ Home __________ Phone # Office __________ Home __________

2. BUYER AND LEGAL DESCRIPTION: ______________________
(Hereafter called "**BUYER**") agrees to purchase, and the undersigned SELLER agrees to sell the following described real estate hereinafter referred to as "premises" commonly known as:
__________ City __________ County __________ Idaho, Zip __________

Legally described as: ______________________
____

3. TOTAL PURCHASE PRICE: ______________________ DOLLARS
$ __________ Payable upon the following TERMS AND CONDITIONS (not including closing costs):

4. FINANCIAL TERMS: (Note: A+C+D+E should add up to (or be equal to) total purchase price, except for 100% financing

$ **A. EARNEST MONEY:** Buyer hereby deposits __________ Dollars as Earnest Money evidenced by: ☐Cash ☐Personal check ☐Cashier's check ☐Note due ☐Other __________ and a receipt is hereby acknowledged. Earnest Money to be deposited in trust account upon acceptance by all parties and shall be held by: ☐Listing Broker ☐Selling Broker ☐Other __________ for the benefit of the parties hereto, and __________ (broker) shall hold the completely executed Broker's copy of this Agreement. The responsible Broker shall be __________.

B. ALL CASH OFFER: ☐Yes ☐No If this is an all cash offer do not complete lines 25 through 47, fill blanks with N. A.

$ **C. NEW LOAN PROCEEDS:** This Agreement contingent upon BUYER obtaining: ☐FHA ☐VA ☐CONVEN. ☐RD ☐Other __________ **First Loan** of $__________ not including mortgage insurance, with interest not to exceed __________% for a period of __________ year(s) at ☐Fixed Rate ☐ Other __________. BUYER shall pay no more than _____ point(s) plus origination fee if any. SELLER shall pay no more than _____ point(s). Any reduction in points shall first accrue to the benefit of the ☐BUYER ☐SELLER ☐Divided Equally. BUYER shall apply for such loan within _____ business day(s) of SELLER'S acceptance. Within _____ business days of final acceptance of all parties. BUYER agrees to furnish SELLER with a written loan commitment showing lender approval of credit report, income verification, debt ratios and subject only to satisfactory appraisal and final lender underwriting. If such written commitment is not received by SELLERS within the strict time allotted, SELLERS may at their option cancel this agreement by notifying BUYERS in writing of such cancellation. If an appraisal is required by lender, the property must appraise at not less than purchase price or BUYER's Earnest Money may be returned at BUYER's request.

FHA/VA. If applicable, it is expressly agreed that notwithstanding any other provisions of this contract, BUYER shall not be obligated to complete the purchase of the property described herein or to incur any penalty or forfeiture of Earnest Money deposits or otherwise unless BUYER has been given in accordance with HUD/FHA or VA requirements a written statement by the Federal Housing Commissioner, Veterans Administration or a Direct Endorsement lender setting for the appraised value of the property of not less than the sales price as stated in the contract. BUYER shall have the privilege and option of proceeding with consummation of the contract without regard to the amount of the appraised valuation. The appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value or the condition of the property. BUYER should satisfy himself/herself that the price and condition of the property are acceptable. It is agreed that any item included in section 7 is of nominal value less than $100.

$ **D. ADDITIONAL FINANCIAL TERMS:**
☐Additional financial terms are specified under the heading "ADDITIONAL TERMS AND CONDITIONS" (Section 5).
☐Additional financial terms are contained in a **FINANCING ADDENDUM** of same date, attached hereto, signed by both parties.

$ **E. APPROXIMATE FUNDS DUE AT CLOSING:** Cash at closing, not including closing costs, to be paid by BUYER at closing, in GOOD FUNDS, which includes: **cash, electronic transfer funds, certified check or cashier's check**. Any net difference between the approximate balances of the loans shown above, which are to be assumed or taken subject to, and the actual balances of said loans at closing of escrow shall be adjusted in ☐Cash ☐Other: __________.

BUYER and SELLER acknowledge receipt of copy of this page, which constitutes Page 1 of 5 Pages.
BUYER'S initials (   ) (   ) __________ Date SELLER's initials (   ) (   ) __________ Date
PURCHASE & SALES AGREEMENT RE21 PAGE 2

PROPERTY ADDRESS: ______________________________ ID #: ______________

5. ADDITIONAL TERMS AND/OR CONDITIONS: ______________________________

6. OCCUPANCY: BUYER ☐does ☐does not intend to occupy property as BUYER'S primary residence.

7. ITEMS INCLUDED & EXCLUDED IN THIS SALE: All existing fixtures and fittings that are attached to the property are **INCLUDED IN THE PURCHASE PRICE** (unless excluded below), and shall be transferred free of liens. These include, but are not limited to, all attached floor coverings, attached television antennae, satellite dish and receiving equipment, attached plumbing, bathroom and lighting fixtures, window screens, screen doors, storm windows, storm doors, window coverings, garage door opener(s) and transmitter(s), exterior trees, plants or shrubbery, water heating apparatus and fixtures, attached fireplace equipment, awnings, ventilating, cooling and heating systems, "built-in" and "drop-in" (but excepting all other ranges), fuel tanks and irrigation fixtures and equipment, all water systems wells, springs, water, water rights, ditches and ditch rights, if any, that are appurtenant thereto that are no on or used in connection with the premises and shall be included in the sale unless otherwise provided herein. **The following additional items are specifically:**

A. INCLUDED IN THIS SALE: ______________________________

B. EXCLUDED IN THIS SALE: ______________________________

8. TITLE CONVEYANCE: Title of SELLER is to be conveyed by warranty deed, unless otherwise provided, and is to be marketable and insurable except for rights reserved in federal patents, state or railroad deeds, building and zoning regulations and ordinances of any governmental unit, and rights of way and easements established or of record. Liens, encumbrances or defects to be discharged by SELLER may be paid out of purchase money at date of closing. No liens, encumbrances or defects, which are to be discharged or assumed by BUYER or to which title is taken subject to, exist unless otherwise specified in this Agreement.

9. ATTORNEY'S FEES: If either party initiates or defends any arbitration or legal action or proceedings, which are in any way connected with this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party reasonable costs and attorneys fees, including such costs and fees on appeal.

10. EARNEST MONEY DISPUTE/INTERPLEADER: Notwithstanding any termination of this contract, BUYER and SELLER agree that in the event of any controversy regarding the Earnest Money and things of value held by Broker or closing agency, unless mutual written instructions are received by the holder of the Earnest Money and things of value, Broker or closing agency shall not be required to take any action but may await any proceeding, or at Broker's or closing agency's option and sole discretion, may interplead all parties and deposit any moneys or things of value into a court of competent jurisdiction and shall recover court costs and reasonable attorney's fees.

11. COVENANTS, CONDITIONS AND RESTRICTIONS (C. C. & R'S): BUYER is responsible to obtain and review a copy of the C. C. & R.'s (if applicable). BUYER has reviewed C. C. & R's. ☐Yes ☐No ☐N/A

12. SUBDIVISION HOMEOWNER'S ASSOCIATION: BUYER is aware that membership in a Home Owner's Association may be required and BUYER agrees to abide by the Articles of Incorporation, By-Laws and rules and regulations of the Association. BUYER is further aware that the Property may be subject to assessments levied by the Association described in full in the Declaration of Covenants, Conditions and Restrictions, BUYER has reviewed Homeowner's Association Documents: ☐Yes ☐No ☐N/A Association fees/dues are $__________ per__________.

13. RISK OF LOSS: Prior to closing of this sale, all risk of loss shall remain with SELLER. In addition, should the premises be materially damaged by fire or other destructive cause prior to closing, this Agreement shall be **voidable** at the option of BUYER.

14. BUSINESS DAY: Monday through Friday, excluding Saturday and Sunday, and excluding holidays as defined in Idaho Code, Section 67-5302.

BUYER and SELLER acknowledge receipt of copy of this page, which constitutes Page 1 of 5 Pages.
BUYER'S initials ( ) ( )__________Date SELLER's initials ( ) ( )__________Date

PROPERTY ADDRESS: ______________________________ **ID #:** ________________

15. INSPECTION: BUYER shall have the right to conduct inspections, investigations, tests, surveys and other studies at BUYER'S expense. BUYER shall, within ____ business day(s) of acceptance complete these Inspections and give to SELLER written notice of items disapproved of. BUYER is strongly advised to exercise these rights and to make BUYER's own selection of professionals with appropriate qualifications to conduct Inspections of the entire property. BUYER's acceptance of the condition of the property is a contingency of this Agreement.
BUYER chooses ☐ to have inspection; ☐ not to have inspection. If BUYER chooses not to have inspection skip lines 130 to 143.

SATISFACTION/REMOVAL OF INSPECTION CONTINGENCIES:
1. If BUYER does not within the strict time period specified give to SELLER written notice of items disapproved of, BUYER shall conclusively be deemed to have: (a) completed all inspections, investigations, review of applicable documents and disclosures; (b) elected to proceed with the transaction and (c) assumed all liability, responsibility and expense for repairs or corrections other than for items which SELLER has otherwise agreed in writing to repair or correct.
2. If BUYER does within the strict time period specified give to SELLER written notice of items disapproved of, BUYER shall provide to SELLER pertinent section(s) of written Inspection reports. SELLER shall have ____business day(s) in which to respond in writing.
3. If SELLER does not respond within the strict time period specified, BUYER shall have ____business day(s) (after receipt of SELLER's response, or after the expiration of the time for SELLER to respond, whichever occurs first) to cancel this Agreement in writing.
4. If BUYER does not give such written notice of cancellation within the strict time periods specified, BUYER shall conclusively be deemed to have elected to proceed with the transaction without repairs or corrections other than for items which SELLER has otherwise agreed in writing to repair or correct.

SELLER shall make the property available for all Inspections. BUYER shall keep the property free and clear of liens; indemnify and hold SELLER harmless from all liability, claims, demands, damages and costs; and repair any damages arising from the Inspections. **No Inspections may be made by any governmental building or zoning inspector or government employee without the prior consent of SELLER, unless required by local law.**

16. SELLER'S PROPERTY DISCLOSURE FORM: If required by Title 55, Chapter 25 Idaho Code SELLER shall within ten (10) days after execution of this Agreement provide to BUYER "SELLER's Property Disclosure Form" or other acceptable form. BUYER has received the "SELLER's Property Disclosure Form" or other acceptable form prior to signing this Agreement: ☐ Yes ☐ No ☐ N/A

17. LEAD PAINT DISCLOSURE: The subject property ☐ is ☐ is not defined at "Target Housing" regarding lead-based paint or lead-based paint hazards. If yes, BUYER hereby acknowledges the following: (a) BUYER has been provided an EPA approved lead-based paint hazard information pamphlet; (b) Receipt of Seller's Disclosure of Information and Acknowledgment Form and have been provided with all records, test reports or other information, if any, related to the presence of lead-based paint hazards on said property; (c) that this contract is contingent upon my right to have the property tested for lead-based paint hazards to be completed no later than _______or the contingency will terminate; (d) that BUYER hereby ☐ waives ☐ does not waive this right; (e) that, if test results show unacceptable amounts of lead-based paint on the premises, BUYER has the right to cancel the contract subject to the option of the SELLER (to be given in writing) to elect to remove the lead-based paint and correct the problem which must be accomplished before closing; (f) that, if the contract is canceled under this clause, BUYER'S earnest money deposit will be returned to BUYER.

18. FINAL VERIFICATION OF CONDITION: BUYER shall have the right to make a final Inspection of the property approximately ___day(s) to close of escrow, not as a contingency of the sale, but solely to confirm that: (a) repairs have been completed as agreed in writing by BUYER and SELLER, (b) SELLER has complied with SELLER's other obligations, and (c) the property is otherwise in substantially the same condition as on the date of acceptance of the offer, unless otherwise agreed in writing.

19. TITLE INSURANCE:

(A) TITLE COMMITMENT: Prior to closing the transaction, ☐ SELLER or ☐ BUYER shall furnish to BUYER a commitment of a title insurance policy showing the condition of the title to said premises. BUYER shall have ____ business day(s) from receipt of the commitment or not less than twenty-four (24) hours prior to closing, within which to object in writing to the condition of the title as set forth in the commitment. If BUYER does not so object, BUYER shall be deemed to have accepted the conditions of the title. It is agreed that if the title of said premises is not marketable, or cannot be made so within ____business day(s) after notice containing a written statement of defect is delivered to SELLER, BUYER's Earnest Money deposit will be returned to BUYER and SELLER shall pay for the cost of title insurance cancellation fee, escrow and legal fees, if any.

(B) STANDARD COVERAGE OWNER'S POLICY: SELLER shall within a reasonable time after closing furnish to BUYER a title insurance policy in the amount of the purchase price of the premises showing marketable and insurable title subject to the liens, encumbrances and defects elsewhere set out in this Agreement to be discharged or assumed by BUYER. **The risk assumed by the title company in the standard coverage lender's policy is limited to matters of public record.**

(C) EXTENDED COVERAGE LENDER'S POLICY (Mortgage policy): The lender will require that BUYER (Borrower) furnish an Extended Coverage Lender's Policy. This extended coverage lender's policy considers matters of public record and additionally insures against certain matters not shown in the public record. **This extended coverage lender's policy is solely for the benefit of the lender and only protects the lender.**

(D) EXTENDED COVERAGE OWNER'S POLICY: A standard title policy does not cover certain potential problems or risks such as liens (i.e., a legal claim against premises for payment of some debt or obligation, boundary disputes, claims of easement and other matters of claims if they are not of **public record** at time of closing.) However, under Idaho law, such potential claims against the premises may have become legal obligations **before** the purchase of the home and yet may **not** be of public record until after the purchase. It is recommended that BUYER talk to a title company about what it offers in the way of extended coverage title policies and endorsements. **This extended coverage owner's policy is for the benefit of the owner and provides similar coverage like provided by the extended coverage lender's policy.** Extended Coverage Owner's Policy requested ☐ Yes ☐ No. Additional premium pad by: ☐ BUYER ☐ SELLER.

(E) The parties agree that ______________________ Title Company shall provide title policy and preliminary report of commitment.

BUYER and SELLER acknowledge receipt of copy of this page, which constitutes Page 1 of 5 Pages.
BUYER'S initials (   ) (   )___________Date SELLER's initials (   ) (   )___________Date

PROPERTY ADDRESS: ______________________________ **ID #:** ________________

20. COSTS PAID BY: Cost in addition to those listed below may be incurred by BUYER and SELLER unless otherwise agreed herein, or provided by law or required by lender, or otherwise stated herein. The below costs will be paid as indicated. Some costs are subject to loan program requirements. SELLER agrees to pay a maximum $_____________lender/appraiser required repair costs.

	BUYER	SELLER	Shared Equally	Not Applicable		BUYER	SELLER	Shared Equally	Not Applicable
Appraisal Fee					Title Ins. Standard Coverage Owner's Policy				
Closing Escrow Fee					Title Ins. Extended Coverage Lender's Policy				
Attorney Contract/Document Preparation Fee/Cost					Title Ins. Extended Coverage Owner's Policy				
Loan Document Preparation					Septic Inspection				
Flood Certification Fee					Septic Pumping				
Flood Tracking Fee					Survey				
Loan Assumption Fee					Well Inspection				
Tax Service Fee					Appraisal Re-Inspection Fee				

21. COUNTERPARTS: This Agreement may be executed in one or more counterparts, each of which is deemed to be an original hereof, and all of which shall together constitute one and the same instrument.

22. ENTIRE AGREEMENT: This Agreement contains the entire Agreement of the parties respecting the matters herein set forth and supersedes all prior Agreements between the parties respecting such matters. No warranties, including, without limitations, any warranty of habitability, agreements or representations not expressly set forth herein shall be binding upon either party.

23. FACSIMILE TRANSMISSION: Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of either party or the Closing Agency, the parties will confirm facsimile transmitted signatures by signing an original document.

24. DEFAULT: **If BUYER defaults** in the performance of this Agreement, SELLER has the option of: (1) accepting the Earnest Money as liquidated damages or (2) pursuing any other lawful right or remedy to which SELLER may be entitled. If SELLER elects to proceed under (1), SELLER shall make demand upon the holder of the Earnest Money, upon which demand said holder shall pay from the Earnest Money the costs incurred by SELLER's Broker on behalf of SELLER and BUYER related to the transaction, including, without limitation, the costs of title insurance, escrow fees, credit report fees, inspection fees and attorney's fees; and said holder shall pay any balance of the Earnest Money, one-half to SELLER and one-half to SELLER's Broker, provided that the amount to be paid to SELLER's Broker shall not exceed the Broker's agreed-to commission. SELLER and BUYER specifically acknowledge and agree that if SELLER elects to proceed under (2), the holder of the Earnest Money shall be entitled to pay the costs incurred by SELLER's Broker on behalf of SELLER and BUYER related to the transaction, including, without limitation, the costs of brokerage fee, title insurance, escrow fees, credit report fees, inspection fees and attorney's fees, with any balance of the Earnest Money to be held pending resolution of the matter. **If SELLER defaults,** having approved said sale and fails to consummate the same as herein agreed, BUYER's Earnest Money deposit shall be returned to him/her and SELLER shall pay for the costs of title insurance, escrow fees, credit report fees, inspection fees, brokerage fees and attorney's fees, if any. This shall not be considered as a waiver by BUYER of any other lawful right or remedy to which BUYER may be entitled.

25. SALES PRICE INFORMATION: The parties to this Agreement acknowledge that sales price information compiled as a result of this Agreement may be provided to the County Assessor's Office by either party or by either party's Broker.

26. TIME IS OF THE ESSENCE IN THIS AGREEMENT.

27. CLOSING: On or before the closing date, BUYER and SELLER shall deposit with the closing agency all funds and instruments necessary to complete this transaction. The closing date shall be no later than ______________________________. The parties agree that the "closing agency" for this transaction shall be ______________________________. If a long-term escrow/collection is involved, then the long-term escrow holder shall be ______________________________.

28. POSSESSION: BUYER shall be entitled to possession ☐ upon closing or ☐ date __________ time __________. "Closing" means the date on which all documents are either recorded or accepted by an escrow agent and the sale proceeds are available to SELLER. Property taxes and water assessments (using the last available assessment as a basis), rents, interest and reserves, liens, encumbrances or obligations assumed and utilities shall be pro-rated as of ________________. BUYER shall pay for fuel in tank, amount to be determined by the supplier at SELLER"S expense.

BUYER and SELLER acknowledge receipt of copy of this page, which constitutes Page 1 of 5 Pages.
BUYER'S initials ( ) ( )___________Date SELLER's initials ( ) ( )___________Date

PROPERTY ADDRESS: ______________________________ **ID #:** ____________________

29. SPECIAL CONSIDERATIONS AND CONTINGENCIES: This Agreement is made subject to the following special considerations and/or contingencies which must be satisfied prior to closing: ____.

30. REPRESENTATION CONFIRMATION:
In this transaction, the brokerage(s) involved had the following relationship(s) with the BUYER ("agent" or "nonagent" or "limited dual agent"):

Listed broker acted as a(n) ______________________for the BUYER.
Selling broker acted as a(n) ______________________for the BUYER.

In this transaction, the brokerage(s) involved has the following relationship(s) with the SELLER ("agent" or "nonagent" or "limited dual agent"):

Listed broker acted as a(n) ______________________for the SELLER.
Selling broker acted as a(n) ______________________for the SELLER.

Each party signing this document confirms that he or she has received, read and understood the Agency Disclosure Brochure and has elected the relationship confirmed above. In addition, each party confirms that the broker's agency office policy was made available for inspection and review. EACH PARTY UNDERSTANDS THAT HE OR SHE IS A "CUSTOMER" AND IS NOT REPRESENTED BY A BROKER UNLESS THERE IS A SIGNED WRITTEN AGREEMENT FOR AGENCY REPRESENTATION.

31. ACCEPTANCE: BUYER's offer is made subject to the acceptance of SELLER on or before (Date) __________and (Time) _________. If SELLER does not accept this Agreement within the time specified, the entire Earnest Money shall be refunded to BUYER on demand.

32. BUYER'S SIGNATURES: I/We further acknowledge receipt of a true copy of this Agreement.
☐ SEE ATTACHED BUYER'S ADDENDUM(S): ______(Specify number of BUYER addendum(s) attached.)

BUYER Signature ______________________________ BUYER Signature ______________________________
BUYER (Print Name) ______________________________ BUYER (Print Name) ______________________________

Date ___________ Time _________ Phone # _______________ Date ___________Time _________Phone # _______________.

Address ____. Address ____.

City _____________ State ______ Zip _____________. City _____________ State ______ Zip _____________.

33. SELLER'S SIGNATURES:
On this date, I/We hereby approve and accept the transaction set forth in the above Agreement and agree to carry out all the terms thereof on the part of the SELER. I/We further acknowledge receipt of a true copy of this Agreement signed by both parties.
☐ **SIGNATURE(S) SUBJECT TO COUNTER OFFER** ☐ **SEE ATTACHED SELLER ADDENDUM**
☐ **SEE ATTACHED SELLERS RIGHT TO CONTINUE TO MARKET PREMISES** ☐ **SEE ATTACHED COUNTER OFFER(S)**

SELLER Signature ______________________________ SELLER Signature ______________________________
SELLER (Print Name) ______________________________ SELLER (Print Name) ______________________________

Date ___________ Time _________ Phone # _______________ Date ___________Time _________Phone # _______________.

Address ____. Address ____.

City _____________ State ______ Zip _____________. City _____________ State ______ Zip _____________.

34. BUYER'S ACKNOWLEDGMENT OF RECEIPT OF FINAL COPY BEARING ALLSIGNATURES:
A true copy of the foregoing Agreement, signed by the SELLER and containing the full and complete description of the premises, is hereby received on this __________________day of ______________, 20__________.

BUYER:____. BUYER:____.

BUYER and SELLER acknowledge receipt of copy of this page, which constitutes Page 1 of 5 Pages.
BUYER'S initials (   ) (   )___________Date SELLER's initials (   ) (   )___________Date

COUNTER OFFER # ___________.

THIS IS A LEGALLY BINDING CONTRACT, READ THE ENTIRE DOCUMENT, INCLUDING ANY ATTACHMENTS, CAREFULLY, BEFORE SIGNING. IF YOU HAVE ANY QUESTIONS CONSULT YOUR ATTORNEY BEFORE SIGNING.

This is a COUNTER OFFER to the Real Estate Purchase and Sale Agreement and Receipt for Earnest Money:

Earnest Money Dated:______________________________, 20 __________ ID# ____________________.

ADDRESS: ____

Buyer(s): ____

Seller(s): ____

☐ BUYER ☐ SELLER accepts all of the terms and conditions in the above designated agreement with the following changes or amendments:

____

____

____

____

____

____

____

____

____

____

This agreement, upon its execution by both parties, is made an integral part of the aforementioned Agreement. All other terms and conditions to remain the same.
The undersigned Buyer(s) reserves the right to withdraw this offer and/or the undersigned Seller(s) reserve the right to withdraw this offer or accept any other offers at any time prior to them or their agent being in receipt of a true copy of signed acceptance of this counter offer. If a signed acceptance is not received on or before _______a.m./p.m. ____________, 20 ___________ this counter offer shall be deemed to have expired.

Dated ___________________, 20 ____________	BUYER ______________________________.
Time __________________a.m./p.m.	BUYER ______________________________.
Dated ___________________, 20 ____________	SELLER ______________________________.
Time __________________a.m./p.m.	SELLER ______________________________.

Appendix C

Uniform Residential Loan Application (URLA)

Mortgage applied for
Agency Case Number
Lender Case No.
Subject property address
Legal description of property
Complete if construction loan
Complete if refinance loan
Title in what name(s)
Source of down payment
Estate held in
Borrower's name
Social Security number
Previous addresses
Name and address of employer

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower ____________ Co-Borrower ____________

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for: ☐ VA ☐ FHA ☐ Conventional ☐ USDA/Rural Housing Service ☐ Other (explain): | Agency Case Number | Lender Case Number

Amount $ | Interest Rate % | No. of Months | **Amortization Type:** ☐ Fixed Rate ☐ GPM ☐ Other (explain): ☐ ARM (type):

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP) | No. of Units

Legal Description of Subject Property (attach description if necessary) | Year Built

Purpose of Loan ☐ Purchase ☐ Refinance ☐ Construction ☐ Construction-Permanent ☐ Other (explain): | Property will be: ☐ Primary Residence ☐ Secondary Residence ☐ Investment

Complete this line if construction or construction-permanent loan.

Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a + b)
	$	$	$	$	$

Complete this line if this is a refinance loan.

Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance	Describe Improvements ☐ made ☐ to be made
	$	$		Cost: $

Title will be held in what Name(s) | Manner in which Title will be held | Estate will be held in: ☐ Fee Simple ☐ Leasehold (show expiration date)

Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)

Borrower — III. BORROWER INFORMATION — Co-Borrower

Borrower's Name (include Jr. or Sr. if applicable) | Co-Borrower's Name (include Jr. or Sr. if applicable)

Social Security Number | Home Phone (incl. area code) | DOB (mm/dd/yyyy) | Yrs. School | Social Security Number | Home Phone (incl. area code) | DOB (mm/dd/yyyy) | Yrs. School

☐ Married ☐ Unmarried (include single, divorced, widowed) ☐ Separated | Dependents (not listed by Co-Borrower) no. ages | ☐ Married ☐ Unmarried (include single, divorced, widowed) ☐ Separated | Dependents (not listed by Borrower) no. ages

Present Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs. | Present Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs.

Mailing Address, if different from Present Address | Mailing Address, if different from Present Address

If residing at present address for less than two years, complete the following:

Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs. | Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs.

Borrower — IV. EMPLOYMENT INFORMATION — Co-Borrower

Name & Address of Employer ☐ Self Employed | Yrs. on this job | Yrs. employed in this line of work/profession | Name & Address of Employer ☐ Self Employed | Yrs. on this job | Yrs. employed in this line of work/profession

Position/Title/Type of Business | Business Phone (incl. area code) | Position/Title/Type of Business | Business Phone (incl. area code)

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

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Net rental income

Other income

Assets/Cash deposit held by

Liabilities/Name and address of company

Assets/Checking and savings accounts

Borrower			IV. EMPLOYMENT INFORMATION (cont'd)		Co-Borrower	
Name & Address of Employer	☐ Self Employed	Dates (from – to)	Name & Address of Employer	☐ Self Employed	Dates (from – to)	
		Monthly Income $			Monthly Income $	
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)		
Name & Address of Employer	☐ Self Employed	Dates (from – to)	Name & Address of Employer	☐ Self Employed	Dates (from – to)	
		Monthly Income $			Monthly Income $	
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)		

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	$	$	$	Rent	$	
Overtime				First Mortgage (P&I)		$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
Total	$	$	$	Total	$	$

* **Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.**

Describe Other Income *Notice:* **Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.**

B/C		Monthly Amount
		$

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed ☐ Jointly ☐ Not Jointly

ASSETS Description	Cash or Market Value
Cash deposit toward purchase held by:	$

Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.

List checking and savings accounts below		LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Name and address of Bank, S&L, or Credit Union		Name and address of Company Acct. no.	$ Payment/Months	$
Acct. no.	$	Name and address of Company Acct. no.	$ Payment/Months	$
Name and address of Bank, S&L, or Credit Union				
Acct. no.	$	Name and address of Company Acct. no.	$ Payment/Months	$
Name and address of Bank, S&L, or Credit Union				

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Assets/Real estate owned

Assets/Vested interest in retirement fund

Assets/Automobiles owned

Assets/Other assets (itemize)

Liabilities/Job-related expense

VI. ASSETS AND LIABILITIES (cont'd)

Acct. no.	$	Name and address of Company	$ Payment/Months	$
Name and address of Bank, S&L, or Credit Union		Acct. no.		
Acct. no.	$	Name and address of Company	$ Payment/Months	$
Stocks & Bonds (Company name/ number & description)	$	Acct. no.		
Life insurance net cash value Face amount: $	$	Name and address of Company	$ Payment/Months	$
Subtotal Liquid Assets	$			
Real estate owned (enter market value from schedule of real estate owned)	$			
Vested interest in retirement fund	$			
Net worth of business(es) owned (attach financial statement)	$	Acct. no.		
Automobiles owned (make and year)	$	Alimony/Child Support/Separate Maintenance Payments Owed to:	$	
Other Assets (itemize)	$	Job-Related Expense (child care, union dues, etc.)	$	
		Total Monthly Payments	$	
Total Assets a.	$	Net Worth (a minus b) ► $	**Total Liabilities b.**	$

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income) ▼		Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
			$	$	$	$	$	$
		Totals	$	$	$	$	$	$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION

a.	Purchase price	$
b.	Alterations, improvements, repairs	
c.	Land (if acquired separately)	
d.	Refinance (incl. debts to be paid off)	
e.	Estimated prepaid items	
f.	Estimated closing costs	
g.	PMI, MIP, Funding Fee	
h.	Discount (if Borrower will pay)	
i.	Total costs (add items a through h)	

VIII. DECLARATIONS

If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower Yes	Borrower No	Co-Borrower Yes	Co-Borrower No
a. Are there any outstanding judgments against you?	☐	☐	☐	☐
b. Have you been declared bankrupt within the past 7 years?	☐	☐	☐	☐
c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	☐	☐	☐	☐
d. Are you a party to a lawsuit?	☐	☐	☐	☐
e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	☐	☐	☐	☐

(This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)

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VII. DETAILS OF TRANSACTION		
j.	Subordinate financing	
k.	Borrower's closing costs paid by Seller	
l.	Other Credits (explain)	
m.	Loan amount (exclude PMI, MIP, Funding Fee financed)	
n.	PMI, MIP, Funding Fee financed	
o.	Loan amount (add m & n)	
p.	Cash from/to Borrower (subtract j, k, l & o from i)	

VIII. DECLARATIONS

If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower Yes	Borrower No	Co-Borrower Yes	Co-Borrower No
f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in the preceding question.	☐	☐	☐	☐
g. Are you obligated to pay alimony, child support, or separate maintenance?	☐	☐	☐	☐
h. Is any part of the down payment borrowed?	☐	☐	☐	☐
i. Are you a co-maker or endorser on a note?	☐	☐	☐	☐
j. Are you a U.S. citizen?	☐	☐	☐	☐
k. Are you a permanent resident alien?	☐	☐	☐	☐
l. **Do you intend to occupy the property as your primary residence?** If "Yes," complete question m below.	☐	☐	☐	☐
m. Have you had an ownership interest in a property in the last three years?	☐	☐	☐	☐
(1) What type of property did you own—principal residence (PR), second home (SH), or investment property (IP)?	____		____	
(2) How did you hold title to the home—solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	____		____	

IX. ACKNOWLEDGEMENT AND AGREEMENT

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors, and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Acknowledgement. Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		**X**	

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

BORROWER ☐ I do not wish to furnish this information	**CO-BORROWER** ☐ I do not wish to furnish this information
Ethnicity: ☐ Hispanic or Latino ☐ Not Hispanic or Latino	**Ethnicity:** ☐ Hispanic or Latino ☐ Not Hispanic or Latino
Race: ☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐White	**Race:** ☐ American Indian or Alaska Native ☐ Asian Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ White
Sex: ☐ Female ☐ Male	**Sex:** ☐ Female ☐ Male

To be Completed by Interviewer This application was taken by: ☐ Face-to-face interview ☐ Mail ☐ Telephone ☐ Internet	Interviewer's Name (print or type) Interviewer's Signature Date Interviewer's Phone Number (incl. area code)	Name and Address of Interviewer's Employer

Freddie Mac Form 65 7/05 **Page 4 of 4** **Fannie Mae Form 1003 7/05**

Highlights of URLA

Mortgage applied for
Ask your loan representative if you don't know what type of mortgage you need.
Agency Case Number
You won't have an Agency Case Number unless you apply for a government-backed loan.
Lender Case No.
The lender will assign your application a Lender Case Number when your application is received.
Subject property address
Double-check the address of the home you want to buy, and enter it here.
Legal description of property
Don't fill this out now. The lender will add this information when it receives a formal property report.
Complete if construction loan
Leave this blank unless you apply for a loan to build a house.
Complete if refinance loan
Leave this blank unless you refinance your existing mortgage.
Title in what name(s)
Enter your legal name and the name of any co-buyer exactly as you want them to appear on all documents.
Source of down payment
Sample entries include "savings," "sale of present home," "sale of investments," and "gift from parents."
Estate held in
Check "Fee Simple" if you'll own the land as well as the home.
Borrower's name
Enter your full legal name.
Social Security number
The lender requires your Social Security number to report all mortgage interest charges to the IRS.
Previous addresses
If residing at present address for less than two years, the lender may check with your previous lenders or landlords to see if you paid your bills on time.
Name and address of employer
If you check "self-employed," show the lender a current profit and loss statement in addition to copies of your past two tax returns.

Net rental income
Enter the amount you earn (or lose) each month from any rental property you own, excluding depreciation expenses.

Other income
Include any other income you receive that doesn't fit in the categories above.

Assets/Cash deposit held by
Enter the name of the person or company that holds the deposit on your home, such as your agent, holding officer, or a title company.

Liabilities/Name and address of company
First list any mortgage lenders you owe, followed by credit card companies and other creditors. If you routinely pay them off, write "varies" in the monthly payment column and enter "0" for unpaid balance.

Assets/Checking and savings accounts
List the financial institutions where you have money deposited.

Assets/Real estate owned
Enter the market value of any other real estate you own.

Assets/Vested interest in retirement fund
Enter the present value of all your retirement funds, including any IRA, Keogh, or 401(k) plans.

Assets/Automobiles owned
Enter the current market value of your automobiles, not what you originally paid for them.

Assets/Other assets (itemize)
Enter the current value of any furniture, jewelry, boats, campers, and collectibles.

Liabilities/Job-related expense
If you're self-employed, you can ignore this box.

Settlement Statement

A. Settlement Statement | **U.S. Department of Housing and Urban Development** | OMB Approval No. 2502-0265

B. Type of Loan	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
1. ☐ FHA 2. ☐ FmHA 3. ☐ Conv. Unins. 4. ☐ VA 5. ☐ Conv. Ins.			

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller:	F. Name & Address of Lender:

G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		**400. Gross Amount Due To Seller**	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		**Adjustments for items paid by seller in advance**	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		**420. Gross Amount Due To Seller**	
200. Amounts Paid By Or In Behalf Of Borrower		**500. Reductions In Amount Due To Seller**	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		**Adjustments for items unpaid by seller**	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		**520. Total Reduction Amount Due Seller**	
300. Cash At Settlement From/To Borrower		**600. Cash At Settlement To/From Seller**	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	( )	602. Less reductions in amt. due seller (line 520)	( )
303. Cash ☐ From ☐ To Borrower		**603. Cash ☐ To ☐ From Seller**	

Section 5 of the Real Estate Settlement Procedures Act (RESPA) requires the following: • HUD must develop a Special Information Booklet to help persons borrowing money to finance the purchase of residential real estate to better understand the nature and costs of real estate settlement services; • Each lender must provide the booklet to all applicants from whom it receives or for whom it prepares a written application to borrow money to finance the purchase of residential real estate; • Lenders must prepare and distribute with the Booklet a Good Faith Estimate of the settlement costs that the borrower is likely to incur in connection with the settlement. These disclosures are manadatory.

Section 4(a) of RESPA mandates that HUD develop and prescribe this standard form to be used at the time of loan settlement to provide full disclosure of all charges imposed upon the borrower and seller. These are third party disclosures that are designed to provide the borrower with pertinent information during the settlement process in order to be a better shopper.

The Public Reporting Burden for this collection of information is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

The information requested does not lend itself to confidentiality.

Previous editions are obsolete | Page 1 of 2 | form **HUD-1** (3/86) ref Handbook 4305.2

L. Settlement Charges

	Paid From Borrowers Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Sales/Broker's Commission based on price $ @ % =		
Division of Commission (line 700) as follows:		
701. $ to		
702. $ to		
703. Commission paid at Settlement		
704.		
800. Items Payable In Connection With Loan		
801. Loan Origination Fee %		
802. Loan Discount %		
803. Appraisal Fee to		
804. Credit Report to		
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808.		
809.		
810.		
811.		
900. Items Required By Lender To Be Paid In Advance		
901. Interest from to @$ /day		
902. Mortgage Insurance Premium for months to		
903. Hazard Insurance Premium for years to		
904. years to		
905.		
1000. Reserves Deposited With Lender		
1001. Hazard insurance months@$ per month		
1002. Mortgage insurance months@$ per month		
1003. City property taxes months@$ per month		
1004. County property taxes months@$ per month		
1005. Annual assessments months@$ per month		
1006. months@$ per month		
1007. months@$ per month		
1008. months@$ per month		
1100. Title Charges		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to		
1107. Attorney's fees to		
(includes above items numbers:)		
1108. Title insurance to		
(includes above items numbers:)		
1109. Lender's coverage $		
1110. Owner's coverage $		
1111.		
1112.		
1113.		
1200. Government Recording and Transfer Charges		
1201. Recording fees: Deed $; Mortgage $; Releases $		
1202. City/county tax/stamps: Deed $; Mortgage $		
1203. State tax/stamps: Deed $; Mortgage $		
1204.		
1205.		
1300. Additional Settlement Charges		
1301. Survey to		
1302. Pest inspection to		
1303.		
1304.		
1305.		
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		

Previous editions are obsolete

Page 2 of 2

form **HUD-1** (3/86)
ref Handbook 4305.2

GOOD FAITH ESTIMATE

Lender:	Sales Price:
Address:	Base Loan Amount:
	Total Loan Amount:
Applicant(s):	Interest Rate:
	Type of Loan:
Property Address:	Preparation Date:
	Loan Number:

The information provided below reflects estimates of the charges which you are likely to incur at the settlement of your loan. The fees listed are estimates - actual charges may be more or less. Your transaction may not involve a fee for every item listed.
The numbers listed beside the estimates generally correspond to the numbered lines contained in the HUD-1 or HUD-1A settlement statement which you will be receiving at settlement. The HUD-1 or HUD-1A settlement statement will show you the actual cost for items paid at settlement.

800	ITEMS PAYABLE IN CONNECTION WITH LOAN:		1100	TITLE CHARGES:	
801	Origination Fee @ % + $	$	1101	Closing or Escrow Fee	$
802	Discount Fee @ % + $	$	1102	Abstract or Title Search	$
803	Appraisal Fee	$	1103	Title Examination	$
804	Credit Report	$	1105	Document Preparation Fee	$
805	Lender's Inspection Fee	$	1106	Notary Fee	$
806	Mortgage Insurance Application Fee	$	1107	Attorney's Fee	$
807	Assumption Fee	$	1108	Title Insurance	$
808	Mortgage Broker Fee	$			$
810	Tax Related Service Fee	$			$
811	Application Fee	$			$
812	Commitment Fee	$			$
813	Lender's Rate Lock-In Fee	$			$
814	Processing Fee	$			$
815	Underwriting Fee	$	1200	GOVERNMENT RECORDING AND TRANSFER CHARGES:	
816	Wire Transfer Fee	$	1201	Recording Fee	$
		$	1202	City/County Tax/Stamps	$
900	ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE:		1203	State Tax/Stamps	$
901	Interest for days @ $ /day	$	1204	Intangible Tax	$
902	Mortgage Insurance Premium	$			$
903	Hazard Insurance Premium	$			$
904	County Property Taxes	$			$
905	Flood Insurance	$			$
		$	1300	ADDITIONAL SETTLEMENT CHARGES:	
		$	1301	Survey	$
1000	RESERVES DEPOSITED WITH LENDER:		1302	Pest Inspection	$
1001	Hazard Ins. Mo. @$ Per Mo.	$			$
1002	Mortgage Ins. Mo. @$ Per Mo.	$			$
1004	Tax & Assmt. Mo. @$ Per Mo.	$			$
1006	Flood Insurance	$			$
		$		TOTAL ESTIMATED SETTLEMENT CHARGES:	$

"S"/"B" designates those costs to be paid by Seller/Broker. "A" designates those costs affecting APR.

TOTAL ESTIMATED MONTHLY PAYMENT:		TOTAL ESTIMATED FUNDS NEEDED TO CLOSE:	
Principal & Interest	$		
Real Estate Taxes	$	Down Payment	$
Hazard Insurance	$	Estimated Closing Costs	$
Flood Insurance	$	Estimated Prepaid Items / Reserves	$
Mortgage Insurance	$	Total Paid Items (Subtract)	$
Other	$	Other	$
TOTAL MONTHLY PAYMENT	$	CASH FROM BORROWER	$

THIS SECTION IS COMPLETED ONLY IF A PARTICULAR PROVIDER OF SERVICE IS REQUIRED. Listed below are providers of service which we required you to use. The charges indicated in the Good Faith Estimate above are based upon the corresponding charge of the below designated providers.

ITEM NO.	NAME & ADDRESS OF PROVIDER	TELEPHONE NO.	NATURE OF RELATIONSHIP

These estimates are provided pursuant to the Real Estate Settlement Procedures Act of 1974, as amended (RESPA). Additional information can be found in the HUD Special Information Booklet, which is to be provided to you by your mortgage broker or lender, if your application is to purchase residential property and the Lender will take a first lien on the property.

Applicant	Date	Applicant	Date
Applicant	Date	Applicant	Date

☐ This Good Faith Estimate is being provided by a mortgage broker, and no lender has yet been obtained.

GENESIS 2000, INC. * V9.3/W11.0 * (818) 223-3260 Page 1 of 1 Form GFE2 (03/95)

Highlights of Good Faith Estimate

Origination fee paid to lender
If you don't pay "points," you'll probably pay this fee. The more you pay, the lower your rate.
Discount points paid to lender
A point is 1 percent of the loan amount. The interest rate goes down as points go up.
Appraisal fee
Pays for appraiser's services; $150-$350.
Credit report fee
About $50.
Appraisal review fee
Shouldn't be charged unless you ask for a formal review.
Document preparation
Considered a "garbage fee" because most documents are stored on computer. Have the lender waive it.
Processing fee paid to lender
Also a garbage fee. Have the lender waive it and save up to $150.
Underwriting fee
Another processing fee you should negotiate; usually $150-$300.
Courier fees
Couriers charge up to $50 per trip; deliver documents yourself so you don't have to pay them.
Other
A catch-all category for expenses that don't fit neatly elsewhere. Make sure the charges are itemized and question any that don't seem reasonable.
Flood certification
A fee to determine if you're in a flood zone; $50-$200.
Wire transfer fee
Charge for having funds wired or electronically transferred; about $25.
Warehouse fee
Usually a garbage fee of about $200; ask for a waiver.
Inspection fee
Most home inspectors charge $150-$350. It's worth every penny.
VA funding fee
Ranges from 1 percent to 3 percent of the loan amount, depending on your down payment and other factors.
Settlement or closing (escrow fee)
Can reach $1,000. Negotiate with the seller to split the cost.

Title miscellaneous fees
A catch-all category for unusual expenses incurred by the title company. These usually run less than $100.

Notary fees
Notaries charge $10-$20 per document. May be waived if the lender has an in-house notary.

Lender's title insurance
You must pay $200-$400 for this insurance, even though it protects only the lender.

Owner's title insurance
Costs about $250 and protects your interest in the home. Not required, but worth buying.

Tax service fee
The meaning varies, but this fee involves checking property-tax records and runs $50 to $200.

Recording fees
City or county charges for recording transaction-related documents. Usually totals about $50.

Transfer tax
Local government's tax on the sale. Varies widely from county to county

Pest inspection
Usually $75-$225. Shop around for the best price.

Appendix F

Truth-in-Lending Statement

Form RD 1940-41
(Rev. 02-03)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE

Form Approved
OMB No. 0575-0172

☐ Loan
☐ Assumption
☐ Credit/REO Sale
subject to:
☐ RESPA
☐ Right to Cancel

TRUTH IN LENDING STATEMENT

To: ______________________ Lender: USDA ______________________

______________________ ______________________ Loan Type __________

______________________ ______________________ Date __________

ANNUAL PERCENTAGE RATE* The cost of your credit as a yearly rate.	**Amount Financed** The amount of credit provided to you or on your behalf.	**Total of Payments** The amount you will have paid after you have made all payments scheduled.	**FINANCE CHARGE** The dollar amount the credit will cost you.	**Total Sale Price** The total cost of your purchase on credit, including your downpayment of $ __________
%	$	$	$	$ *(Credit Sales)*

*The annual percentage rate does not take into account any deposit you may have been required to make by USDA.

You have a right at this time to receive an itemization of the Amount Financed.
☐ I want an itemization ☐ I do not want an itemization

Your payment schedule will be:

Number of payments	Amount of each payment	When payments are due

Insurance: You may obtain insurance against loss or damage to property, or against liability arising out of ownership or use of the property, if required, from any recognized insurer you want.

Security: You are giving a security interest in: ☐ the property being purchased

☐ ______________________
(brief description of other property)

Late Charge: If a payment is late, you will be charged ______% of the payment.
Prepayment: If you pay off early, you will not have to pay a penalty.

Assumption: Someone buying your house ☐ may, subject to conditions ☐ may not assume the remainder of the mortgage on the original terms.

See your loan documents (mortgage of deed of trust, promissory note, payment assistance, subsidy repayment agreement) for additional information about prepayments, default, and any required repayment in full before the scheduled date.

(NOTE: The above disclosures do not take into account any subsidy which may be granted, subject to conditions, in the form of payment assistance.)

I acknowledge receipt of the above disclosures. I received an original of this statement prior to becoming legally obligated to the lender. I understand that the estimated disclosures are identified by an "e".

______________________ ______________________
(Applicant) *(Applicant)*

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Seller Property Disclosure Statement

Seller's Name: ANY TRIBAL HOUSING AUTHORITY
Seller's Address: P. O. Box 007, Boone, Florida 60007

Section 55-2501, et seq., Florida Code, requires Sellers of residential real property to complete a property condition disclosure form.

PURPOSE OF STATEMENT: This is a statement of the conditions and information concerning the property known by the Seller. Unless otherwise advised, the Seller does not possess any expertise in the construction, architectural, engineering or any other specific areas related to the construction or condition of the improvements on the property. Other than having lived at or owning the property, the Seller possesses no greater knowledge than that which could be obtained upon a careful inspection of the property by the potential buyer. Unless otherwise advised, the Seller has not conducted any inspection of generally inaccessible areas such as the foundation or roof. It is not a warranty of any kind by the Seller or by any agent representing any Seller in this transaction. It is not a substitute for any inspections. Purchaser is encouraged to obtain his/her own professional inspections. Notwithstanding that transfer of newly constructed residential real property that previously has not been inhabited is exempt from disclosure pursuant to Section 55-2505, Florida Code, Sellers of such newly constructed residential real property shall disclose information regarding annexation and city services in the form as prescribed in questions 1, 2, and 3.

1. Is the property located in an area of city impact, adjacent or contiguous to a city limits, and thus legally subject to annexation by the city? ___X___ Yes ______ No.
2. Does the property, if not within city limits, receive any city services, thus making it legally subject to annexation by the city? ______ Yes ______ No.
3. Does the property have a written consent to annex recorded in the county recorder's office, thus making it legally subject to annexation by the city? ______ Yes ______ No.
4. All appliances and service systems included in the sale, (such as refrigerator/freezer, range/oven, hood/fan, smoke detectors, water heater, etc.) are functioning properly except: (please list and explain) ____________________
____
____
5. Specify problems with the following:

Basement water:____
Foundation:____
Roof condition/age:____
Well (type):____City System________ problem:__________________________
Septic system (type):____City System________ problem:___________________
Plumbing:____
Drainage:____
Electrical: ____
Heating: ____

6. Describe any conditions that may affect your ability to clear title (such as encroachments, easements, zoning violations, lot line disputes, etc.):________None_____________________________________
7. Are you aware of any hazardous materials or pest infestations on the property? ________None__________
8. Have any substantial additions or alterations been made without a building permit?________No__________
9. Any other problems, including legal, physical or other not listed above that you know concerning the property:________None____

The Seller certifies that the information herein is true and correct to the best of Seller's knowledge as of the date signed by the Seller. The Seller is familiar with the residential real property and each act performed in making a disclosure of an item of information is made and performed in good faith.

I/we acknowledge receipt of a copy of this statement.

______________________________	______________________________
Any Tribal Housing Authority, Seller	Jamie Johns, Buyer
Date: ____________________, 2003	Date: ____________________, 2003

Form RD 1910-5
(Rev. 6-99)

UNITED STATES DEPARTMENT OF AGRICULTURE
HOUSING AND URBAN DEVELOPMENT
VETERANS ADMINISTRATION
(Community Planning and Development, and Housing - Federal Housing Commissioner)

Form Approved
OMB No. 0575-0172

REQUEST FOR VERIFICATION OF EMPLOYMENT

LENDER, LOCAL PROCESSING AGENCY (LPA), AND LOAN PACKAGER: Complete items 1 through 7. Have the applicant complete item 8 and sign. Forward the completed form directly to the employer named in item 1. CONTRACTOR: Complete items 1 through 7. Have applicant or borrower complete item 8 and sign. Forward the completed form directly to the USDA or lender office identified in item 2. EMPLOYER/PROVIDER: Complete either parts II and IV or parts III and IV. Return form directly to the office identified in item 2 of Part I.

PART I - REQUEST

1. TO: *(Name and Address of Employer)*

2. FROM: *(Name and Address of Lender or Local Processing Agency)* *This item must be completed before sending to employer.*

3. I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

(Signature of Lender, Official of LPA, USDA Official/USDA Loan Packager or Government contractor)

4. TITLE OF LENDER OFFICIAL OF LPA, USDA OFFICIAL, MFH PROJECT MGR., OR USDA LOAN PACKAGER

5. DATE

6. HUD/FHA/CPD, VA OR USDA NO.

7. NAME AND ADDRESS OF APPLICANT

I have applied for a mortgage loan, a farm loan or a rehabilitation loan or to be an occupant in an MFH project and stated that I am or was employed by you. My signature in the block below authorizes verification of my employment information.

8. TAXPAYER'S IDENTIFICATION NO. OR SOCIAL SECURITY NO.

SIGNATURE OF APPLICANT

PART II - VERIFICATION OF PRESENT EMPLOYMENT/INCOME

EMPLOYMENT DATA

9. APPLICANT'S DATE OF EMPLOYMENT

10. PRESENT POSITION

11. PROBABILITY OF CONTINUED EMPLOYMENT

13. IF OVERTIME OR BONUS IS APPLICABLE IS ITS CONTINUANCE LIKELY?

OVERTIME ☐ Yes ☐ No
BONUS ☐ Yes ☐ No

PAY DATA

12A. BASE PAY *(Current)* OR OTHER INCOME

$____ ☐ Annual $____ ☐ Hourly
$____ ☐ Monthly $____ ☐ Weekly
$____ ☐ Other *(Specify)*

12B. EARNINGS

Type	Year to Date as of ____	Past Year
BASE PAY	$	$
OVERTIME	$	$
COMMISSIONS	$	$
BONUS	$	$

For Military Personnel Only

Type	Monthly Amount
BASE PAY	$
RATIONS	$
FLIGHT OR HAZARD	$
CLOTHING	$
QUARTERS	$
PRO PAY	$
OVERSEAS OR COMBAT	$

14. REMARKS *(If paid hourly, please indicate average hours worked each week during current and past year)*

a. Number of hours worked per week
b. Anticipated increase or decrease in salary in next 12 months
c. Anticipated overtime hours to be worked in next 12 months

PART III - VERIFICATION OF PREVIOUS EMPLOYMENT

15. DATES OF EMPLOYMENT

16. SALARY/WAGE AT TERMINATION PER ☐ YEAR ☐ MONTH ☐ WEEK

BASE PAY	OVERTIME	COMMISSIONS	BONUS
$	$	$	$

17. REASONS FOR LEAVING

18. POSITION HELD

PART IV

Federal statutes provide severe civil and criminal penalities for any person who knowingly makes false or fraudulent statements or representations to a government agency or officer with the intention of influencing any action by such agency or officer.

19. SIGNATURE

Printed name and phone number

20. TITLE OF EMPLOYER

21. DATE

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB contol number for this information collection is 0575-0172. The time required to complete this information collection is estimatged to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

SEE ATTACHED PRIVACY ACT NOTICE

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

The information requested on this form is authorized to be collected by the Rural Housing Service (RHS) or the Farm Service Agency (FSA) by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471 et seq.) or by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) for FSA, respectively, or by other laws administered by RHS or FSA.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Identification Number, may result in a delay in the processing of an application or its rejection. Information provided may be used outside of RHS or FSA for the following purposes:

1. When a record on its face, or in conjunction with other records, indicates a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule, or order issued pursuant thereto, disclosure may be made to the appropriate agency, whether Federal, foreign, state, local, or tribal, or other public authority responsible for enforcing, investigating or prosecuting such violation or charged with enforcing or implementing the statute, or rule, regulation, or order issued pursuant thereto, if the information disclosed is relevant to any enforcement, regulatory, investigative, or prosecutive responsibility of the receiving entity.

2. A record from this system of records may be disclosed to a Member of Congress or to a Congressional staff member in response to an inquiry of the Congressional office made at the written request of the constituent about whom the record is maintained.

3. Disclosures may be made of names, home addresses, social security numbers, and financial information to business firms in a trade area that buy chattel or crops or sell them for commission. This is in order that FSA may benefit from the purchaser notification provisions of section 1324 of the Food Security Act of 1985 (7 U.S.C. 163(c)). The Act requires that potential purchasers of farm commodities must be advised ahead of time that a lien exists in order for the creditor to perfect its lien against such purchases.

4. Disclosures may be made from this system to consumer reporting agencies as defined in the Fair Credit Reporting Act (15 U.S.C. 1681a(f)) or the Federal Claims Collection Act (31 U.S.C. 3701(a)(3)).

5. Disclosure of the name, home address, and information concerning default on loan repayment when the default involves a security interest in tribal allotted or trust land. Pursuant to 42 U.S.C. 1479(d), liquidation may be pursued only after offering to transfer the account to an eligible tribal member, the tribe, or the Indian Housing Authority serving the tribe(s).

6. Referral of names, home addresses, social security numbers, and financial information to a collection or servicing contractor, financial institution, or a local, State, or Federal agency, when RHS determines such referral is appropriate for servicing or collecting the borrower's account or has provided for in contracts with servicing or collection agencies.

7. It shall be a routine use of the records in this system of records to disclose them in a proceeding before a court or adjudicative body, when: (a) The agency or any component thereof; or (b) any employee of the agency in his or her official capacity; or (c) any employee of the agency in his or her individual capacity where the agency has agreed to represent the employee; or (d) the United States is a party to litigation or has an interest in such litigation, and by careful review, the agency determines that the records are both relevant and necessary to the litigation, provided, however, that in each case, the agency determines that disclosure of the records is a use of the information contained in the records that is compatible with the purpose for which the agency collected the records.

8. Referral of name, home address, and financial information for selected borrowers to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, when RHS determines such referral is appropriate to encourage the borrower to refinance their RHS indebtedness as required by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471).

9. Referral of legally enforceable debts to the Department of the Treasury, Internal Revenue Service (IRS), to be offset against any tax refund that may become due the debtor for the tax year in which the referral is made, in accordance with the IRS regulations and under the authority contained in 31 U.S.C. 3720A.

10. Referral of information regarding indebtedness to the Defense Manpower Data Center, Department of Defense, and the United States Postal Service for the purpose of conducting computer matching programs to identify and locate individuals receiving Federal salary or benefit payments and who are delinquent in their repayment of debts owed to the U.S. Government under certain programs administered by RHS in order to collect debt under the provisions of the Debt Collection Act of 1982 (5 U.S.C. 5514) by voluntary repayment, administrative or salary offset procedures, or by collection agencies.

11. Referral of names, home addresses, and financial information to lending institutions when RHS determines the individual may be financially capable of qualifying for credit with or without a guarantee.

12. Disclosure of names, home addresses, social security numbers, and financial information to lending institutions that have a lien against the same property as RHS for the purpose of the collection of the debt by RHS or the other lender. These loans can be under the direct and guaranteed loan programs.

13. Referral to private attorneys under contract with either RHS or with the Department of Justice for the purpose of foreclosure and possession actions and collection of past due accounts in connection with RHS.

14. It shall be a routine use of the records in this system of records to disclose them to the Department of Justice when: (a) The agency or any component thereof; or (b) any employee of the agency in his or her official capacity where the Department of Justice has agreed to represent the employee; or (c) the United States Government, is a party to litigation or has an interest in such litigation, and by careful review, the agency determines that the records are both relevant and necessary to the litigation and the use of such records by the Department of Justice is therefore deemed by the agency to be for a purpose that is compatible with the purpose for which the agency collected the records.

15. Referral of names, home addresses, social security numbers, and financial information to the Department of Housing and Urban Development as a record of location utilized by Federal agencies for an automatic credit prescreening system.

16. Referral of names, home addresses, social security numbers, and financial information to the Department of Labor, state wage information collection agencies, and other Federal, state, and local agencies, as well as those responsible for verifying information furnished to qualify for Federal benefits, to conduct wage and benefit matching through manual or automated means, for the purpose of determining compliance with Federal regulations and appropriate servicing actions against those not entitled to program benefits, including possible recovery of improper benefits.

17. Referral of names, home addresses, and financial information to financial consultants, advisors, or underwriters, when RHS determines such referral is appropriate for developing packaging and marketing strategies involving the sale of RHS loan assets.

USDA
Form RD 1944-60
(Rev. 01-03)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE

Form Approved
OMB No. 0575-0172

LANDLORD'S VERIFICATION

The Rural Housing Service (RHS) is evaluating the below named applicant's eligibility for a home ownership loan and we need to evaluate the applicant's rental payment history and care of the rental property. Please see the attached Form RD 3550-1, "Authorization to Release Information." RHS appreciates your assistance in helping us evaluate the applicant's credit history. A postage paid return envelope is provided for convenience in returning this verification. Please return this complete form to:

Applicant's Name and Address:

USDA, Rural Development
Rural Housing Service
____
____
____
Telephone:

LANDLORD—Please complete all of the following information:

Date of initial occupancy: ____________________
Current rent amount: ____________________
Rent due date: ____________________
Is rent subsidized? ____________________
If subsidized, amount: $ ____________________
Who pays subsidy? ____________________
Lease expiration date: ____________________
Does rent include utilities or allowances? ____________
Amount of utilities or allowances included in rent: $ ________

List names and approximate ages of all persons occupying the property:

RENTAL HISTORY DURING THE LAST 12 MONTHS:
(please check one)

- ☐ Always pays by the due date
- ☐ Pays within 1 - 10 days of due date
- ☐ Pays over 30 days late
- ☐ Generally stays behind schedule

CURRENT STATUS OF RENT:

Current? ☐ Behind? ☐
Amount behind: $ ____________________
Date last paid: ____________________
Next due date: ____________________

____
Landlord's signature

____
Date completed

SEE ATTACHED PRIVACY ACT NOTICE

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

The information requested on this form is authorized to be collected by the Rural Housing Service (RHS) or the Farm Service Agency (FSA) by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471 et seq.) or by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) for FSA, respectively, or by other laws administered by RHS or FSA.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Identification Number, may result in a delay in the processing of an application or its rejection. Information provided may be used outside of RHS or FSA for the following purposes:

1. When a record on its face, or in conjunction with other records, indicates a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule, or order issued pursuant thereto, disclosure may be made to the appropriate agency, whether Federal, foreign, state, local, or tribal, or other public authority responsible for enforcing, investigating or prosecuting such violation or charged with enforcing or implementing the statute, or rule, regulation, or order issued pursuant thereto, if the information disclosed is relevant to any enforcement, regulatory, investigative, or prosecutive responsibility of the receiving entity.

2. A record from this system of records may be disclosed to a Member of Congress or to a Congressional staff member in response to an inquiry of the Congressional office made at the written request of the constituent about whom the record is maintained.

3. Disclosures may be made of names, home addresses, social security numbers, and financial information to business firms in a trade area that buy chattel or crops or sell them for commission. This is in order that FSA may benefit from the purchaser notification provisions of section 1324 of the Food Security Act of 1985 (7 U.S.C. 163(c)). The Act requires that potential purchasers of farm commodities must be advised ahead of time that a lien exists in order for the creditor to perfect its lien against such purchases.

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17. Referral of names, home addresses, and financial information to financial consultants, advisors, or underwriters, when RHS determines such referral is appropriate for developing packaging and marketing strategies involving the sale of RHS loan assets.

Form RD 1944-62
(Rev. 10-96)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE

Form Approved
OMB No. 0575-0172

REQUEST FOR VERIFICATION OF DEPOSIT

INSTRUCTIONS:
APPLICANT - Complete items 1, sign item 9 and return to the Rural Housing Service (RHS) Field Office address noted in block 2.
PACKAGER OR LENDER - Complete items 1 through 8. Have applicant complete item 9. Forward directly to depository named in block 1.
DEPOSITORY - Please complete items 10 through 18 and return DIRECTLY to address noted in block 2.

This form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

Part I – Request

1. To (Name and address of depository)	2. From (Name and address of lender or RHS Office)

I certify that this verification has been sent directly to the bank or depository and has not passed through the hands of the applicant or any other party. This also certifies that the U.S. Department of Agriculture, acting through RHS, has complied with the applicable provisions of Title XI, the Right to Financial Privacy Act of 1978, Public Law 95-630, in seeking financial information regarding the below named applicant.

3. Signature of Lender/Packager/RHS	4. Title	5. Date	6. Lender's No. (Optional)

7. Information To Be Verified

Type of Account	Account in Name of	Account Number	Balance
			$
			$
			$

To Depository: I have applied for financial assistance from the United States Department of Agriculture and stated in my financial statement that the balance on deposit with you is as shown above. You are authorized to verify this information and to supply the lender identified above with the information requested in items 10 through 13. Your response is solely a matter of courtesy for which no responsibility is attached to your institution or any of your officers.

8. Name and Address of Applicant	9. Signature of Applicant

TO BE COMPLETED BY DEPOSITORY

Part II – Verification of Depository

10. Deposit Accounts of Applicants

Type of Account	Account Number	Current Balance	Average Balance For Previous Two Months	Date Opened
		$	$	
		$	$	
		$	$	

11. Loans Outstanding To Applicants

Loan Number	Date of Loan	Original Amount	Current Balance	Installments (Monthly/Quarterly)		Secured By	Number of Late Payments (Last 12 Months)
		$	$	$	per		
		$	$	$	per		
		$	$	$	per		

12. Please include any additional information which may be of assistance in determination of credit worthiness. (Please include information on loans paid-in-full in Item 11 above.)

13. If the names on the accounts differ from those listed in Item 7, please supply the names on accounts as reflected by your records.

Part III – Authorized Signature

- Federal statutes provide severe civil and criminal penalties for any person who knowingly makes false or fraudulent statements or representations to a government agency or officer with the intention of influencing any action by such agency or officer.

14. Signature of Depository Representative	15. Title (Please print or type)	16. Date
17. Please print or type name signed in item 14	18. Phone No.	

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data source gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of t collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer, OIRM, STOP 7602, 1400 Independence Avenue, S. Washington, D.C. 20250-7602. Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.

SEE ATTACHED PRIVACY ACT NOTICE

Notes

Notes

Notes

Notes

NAIHC acknowledges and thanks the following contributors:

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Pathways Home:

A Native Homeownership Guide

Participant Module 7: ***Meeting Your Financial Obligations***

Participant Module 8: ***Protecting Your Investment***

A project coordinated by the
National American Indian Housing Council, NeighborWorks® America, and Oweesta

Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

Pathways Home:

A Native Homeownership Guide

Participant Module 7: ***Meeting Your Financial Obligations***

Participant Module 8: ***Protecting Your Investment***

The Second Edition of *Pathways Home: A Native Homeownership Guide* was developed by the Native American Indian Housing Council in partnership with Oweesta and NeighborWorks America. The Second Edition of *Pathways Home: A Native Homeownership Guide* includes materials from the First Edition originally published in 2003 and developed by the National Congress of American Indians in partnership with the National American Indian Housing Council and NeighborWorks America with contributions by Bank One, the Fannie Mae Foundation, the Ford Foundation, Green Point Mortgage, PMI, Washington Mutual, and the Wells Fargo Foundation.

Acknowledgments

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Disclaimer

More Information

Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

Table of Contents

Pathways Home:
A Native Homeownership Guide

So, you want to buy a home of your own –

You've come to the right place. *Pathways Home: A Native Homeownership Guide* will help you to develop the skills you need to purchase a home. These materials are intended for Native people, and we hope that you and your family will use them to build upon your traditional knowledge and expand your understanding of homeownership.

Pathways Home: A Native Homeownership Guide is divided into eight modules plus a glossary.

Module 1: Exploring Homeownership
Module 2: Considering Mortgage-Based Homeownership
Module 3: Budgeting for Homeownership and Calculating Affordability
Module 4: Evaluating Credit for Homeownership
Module 5: Finding a Home
Module 6: Applying for a Home Loan
Module 7: Meeting Your Financial Obligations
Module 8: Protecting Your Investment
Glossary

Understanding the homeownership process is the first step on your journey to becoming a homeowner. The following suggestions will help you to use *Pathways Home: A Native Homeownership Guide* as a guide for your learning.

1. Begin each module by quickly scanning the headings. This will give you an idea of what you will be studying.
2. It is important to underline and write in the modules to reinforce your learning.
3. All terms in bold type are defined in the glossary. Refer to the glossary to understand terms that are commonly used in the homeownership process.
4. At the end of each module you will find a Module Review. Use this opportunity to review the concepts discussed.
5. You will need a pencil and calculator to complete the exercises in the modules.
6. Each module is illustrated by traditional and contemporary homes from different Native regions. Historically, Native people were homeowners, and with some planning and determination, you can be one today!

The Paling Family

Native Hawaiian

Before they bought their new home on the Wai'anae Valley Homestead, Stephen and Darnell Paling were living with Stephen's parents in a converted one-room garage with four children. "We wanted to have our own house to bring our family closer together," explained Darnell. With assistance from the Department of Hawaiian Home Lands, they were able to purchase a home using FHA financing from the Homestreet Bank. Now that they have moved into their new energy-efficient, four-bedroom home, they have five children, but they have plenty of space to breathe and stronger relationships. Planning for homeownership was a family affair for the Palings. "Our kids were saving things to hang on the walls for when they had their own rooms," says Darnell. "We dreamed big because our God is big. Even when obstacles got in the way, we never lost our focus."

Module 7:

Meeting Your Financial Obligations

The Hawaiians constructed their homes, called Hales, using various types of wood, rope made from coconut husks, leaves, and cloth made from the bark of trees.

Objectives

In this module we will discuss:

- meeting your financial obligations
- prioritizing homeownership expenses
- understanding foreclosure
- understanding foreclosure rescue scams
- taking advantage of post-counseling services
- building equity

Meeting Your Financial Obligations

As you prepare to become a homeowner, you learn about the costs of homeownership and the necessity of preparing a spending plan to meet your financial obligations. We live in a world where slight changes can have a global effect. Your ability to maintain your monthly mortgage payments depends on advance preparation for unexpected circumstances. What happens if you lose your job? Do you have a plan to meet your financial obligations in hard economic times? This module will help you develop a plan to manage your mortgage loan obligations, avoid foreclosure, and take full advantage of equity building strategies by:

- understanding the importance of making a timely mortgage payment
- understanding foreclosure
- being prepared to cope with hardship
- learning about the benefit of prepayment of your loan

Native Hawaiian Homestead

Making a Timely Mortgage Payment

Most mortgage payments are due on the first day of every month. The lender expects to receive your check for the full amount by the due date. Lenders generally give you a grace period of 10 to 15 days, but if the lender has not received your full payment by the end of the grace period, you will be charged a late fee. The late fee is typically five percent of the payment. If your payment is $450, the late fee would be $22.50. You will receive a notice telling you to send the payment and the late fee as soon as possible.

Typically, 30 days of nonpayment triggers a report of delinquency from the lender to the three largest credit reporting agencies. Several 30-day late notices will restrict your ability to access credit in the future. Failure to make two mortgage payments in a row is regarded as very serious. Expect to receive a phone call or letter from your lender. After 90 days, or three missed payments, you are in default and many lenders will begin the legal process of foreclosure.

If your income is reduced and you are faced with a choice of which bills to pay, always pay the mortgage first. Credit card companies may call you, and other creditors may send threatening letters, but they do not have the ability to take your house. Your house payment should be your number one priority.

"Lenders use the four Cs. There is another C – choice. We have provided you with the information to make informed decisions. The choice is now yours."

– Donna Fairbanks, Native Training Specialist

Prioritizing Homeownership Expenses

In Module 3, we learned about fixed and flexible expenses. It is imperative that you develop your spending plan to anticipate your homeownership expenses. Estimate how much you will be paying each year to own your home in terms of which costs are fixed or flexible. In most cases, fixed expenses are essential and must be paid monthly. Flexible expenses may vary depending on need and funds available. Planning is critical to ensure you have enough money to pay your essential homeownership expenses.

Fixed versus Flexible Homeownership Costs Exercise

Identify whether the category of costs listed below are fixed or flexible expenses.

Category	Fixed or Flexible	Rationale
Monthly Mortgage		
Property Taxes		
Homeowners' Insurance		
Life Insurance		
Contents Insurance		
Car Insurance		
Electric		
Phone		
Utilities		
Solid Waste		
Cable Services		
New Alarm System		
Maintenance		
Landscaping		
Decorating		
Room Addition		
New Furnace		
Prepayment of Mortgage		

Understanding Foreclosure

Families facing the threat of home foreclosure are often experiencing a life-changing event beyond their control, such as a loss of employment, illness, divorce or a death in the family. History also shows that economic downturns leave many families more vulnerable to foreclosure.

Your house is security for your mortgage. When you signed your note and mortgage, you gave the lender the right to take your house and sell it to repay the loan if you stop making your monthly payments. Through foreclosure you are in danger of losing your home and all of its accumulated equity. There is also a negative impact on your credit which could adversely affect your employability and access to insurance. In addition, you may be faced with the financial burden of penalties and fees related to the foreclosure process.

The laws governing foreclosure may vary by community. You need to check with your housing counselor to find out the applicable procedures. For example, it can take as little as 90 days in one area, or as long as two years in another area for a lender to foreclose and take ownership of your house. The result is the same everywhere – foreclosure results in the loss of your home, down payment, and equity, and it can limit your family's immediate access to stable and safe housing.

The important thing to remember is that lenders do not want to foreclose. Lenders are in the business to make loans, not to own and sell homes. The legal process of foreclosure is expensive and on average takes six to nine months. During this time, the lender is not earning any interest. After foreclosure, the lender has to pay property taxes, insurance, maintenance, utilities, and other expenses of owning and selling the house. In almost every case, lenders lose money when they foreclose on a home. If there is any way to avoid foreclosure, a lender will usually try to help you find it.

On some reservations, tribal law includes provisions to limit the use of tribal trust land to tribal members. However, in the event of foreclosure, these provisions won't protect you from losing your home and your leasehold interest in the land.

All photos: Native Hawaiian Homesteads

Land Status and Foreclosure

Trust Property. Module 5 describes the options available for obtaining a mortgage on tribal trust property. In most cases, whenever a foreclosure issue arises on tribal trust property, the agency or the lender which made, insured, or guaranteed the mortgage loan may assume title to the leasehold interest without tribal approval of such transfer. However, anyone who subsequently purchases or rents the leasehold property must be approved by the tribe, except as otherwise provided in the lease. Typically, there is a right of first refusal provision in the lease intended to ensure that the home will be occupied by a tribal member.

Even though families could lose their home and the right to use their homesite lease in a foreclosure, tribal trust land will never lose its trust status. An allotment, on the other hand, may convert to fee simple and leave Native control in a foreclosure if the allotted land rather than a leasehold interest in the land is offered as collateral for a mortgage loan.

Unfortunately, the same is not true of individual allotted land. An act of foreclosure on individual allotted trust property could result in loss of the land. Unlike tribal trust land, allotted trust land is part of the collateral for the mortgage. The property being conveyed is the land rather than a lease. An exception exists when the allottee leases the allotment to another individual.

Because allotted land may be lost in the event of foreclosure, the BIA, federal trustee for allotted trust lands, takes extra precaution to examine all of the loan documents. For this reason, as explained in Module 5, the mortgage on allotted trust property involves more steps to safeguard the property and the allottees.

Fee Land. Foreclosure on fee land is subject to the legal system having jurisdiction over the mortgage loan. Check with your housing counselor to find out more about the process in that jurisdiction.

Hawaiian Home Lands. Although foreclosure issues may occur on Hawaiian Home Lands, the process for handling these issues results in a cancellation of the lease rather than foreclosure. The Department of Hawaiian Home Lands (DHHL), through its Home Ownership Assistance Program (HOAP), will help you with Lease Cancellation Prevention Services that will help families carry out a work plan. In the event the family is unable to satisfy the workout plan, the Hawaiian Homes Commission may proceed with cancellation and eventually execute a new lease with a qualified family.

Avoiding Foreclosure

If you are facing foreclosure or feel that you may not be able to make your mortgage payment you need to ACT NOW! Remember, free help is a phone call away, and the sooner you call for help the greater the possibility that you will be able to work things out with your lender to keep your home. Consider the following steps to avoid foreclosure.

Contact a HUD Approved Housing Counseling Agency. You do not need to pay anyone for housing counseling services nor should you pay for any service that promises to save your home. Instead, locate a reputable housing counseling agency near you by calling the U.S. Department of Housing and Urban Development's (HUD) interactive voice response system at (800) 569-4287 or go to the HUD website at www.HUD.gov or the Homeowner's HOPE hotline at 888-995-HOPE.

If you seek assistance from your housing counselor, be sure to be prepared to provide the following information:

- copies of the loan documents and payment information
- name of the mortgage lender/servicer to whom you make your mortgage payments
- a brief explanation of your present circumstances and why you need help
- a list of your monthly income and expenses

Communicate with Your Lender. Most lenders will try to help you keep your home while you work through the hardship you are experiencing. The sooner you communicate with your lender, the greater the likelihood that alternative action will be effective. Few, if any, options work if you are already several months behind in your mortgage payments.

Explore Loan Workouts. If your financial problems are temporary and you want to keep your home, the lender may suggest one of the following:

- *Payment plan.* An agreement through which you promise to make up any missed payments by sending one full payment and one partial payment (a half or a quarter of the regular amount due) each month until you are caught up. This is the first option almost every lender will suggest.
- *Forbearance.* An agreement by the lender to allow you to skip one or more payments completely and make them up later through a payment plan. Forbearance is usually agreed to in writing and there has to be a good reason why you cannot make a payment, such as hospitalization. You also need to prove that you will be able to make payments again at the end of the forbearance period.
- *Loan modification.* This agreement actually changes the terms of your loan. The modification can lower the interest rate and payments to an amount you can afford. The lender can use a modification to bring your loan current by adding the missed payments to your current loan amount. This can increase your monthly payments, so you will need to prove you can handle the higher payment without defaulting again.

- *Partial claim.* If your loan has mortgage insurance, the insurance company stands to lose if you default. To help keep you in your home, the mortgage insurance company may loan you the money to bring the loan current. They will take a second loan on your property, usually at a very low interest rate. Often, the payments on the second loan do not start until you have had time to recover from the hardship. You will need to prove that you have solved your financial problems and are able to make your full mortgage payments in the future.

Consider Giving Up the Home. Sometimes the financial problems that caused you to stop making payments are permanent. For example, a death or a divorce can leave you without the income needed to pay the mortgage, or illness can result in the need to find other housing. Your lender can help you move on without the stress and embarrassment of a foreclosure. There are several options available to you.

- *Preforeclosure sale or short sale.* If you have some equity in your home, but not enough to pay all of the selling costs, your lender may agree to:
  - delay the foreclosure and give you time to sell the house
  - forgive the difference if you get less from the sale than you owe on the loan (This costs the lender much less than a foreclosure and is better for you and your family than being forced out by a court order.)
  - allow you to keep the money on the sale if you make more money than you owe

- *Deed in lieu.* If you do not want to sell your house and just want to get out from under the responsibility, you can offer to give the lender a **deed in lieu (DIL) of foreclosure**. This is an agreement through which you give the lender the deed and the keys and move out. In exchange, the lender agrees to forgive the loan. There may be some requirements that must be met prior to a lender agreeing to a DIL.

Recognizing Foreclosure Rescue Scams

The devastating experience encountered with potential foreclosure propels families into a state of hopelessness. Foreclosure rescue companies prey on the vulnerability of desperate homeowners who only hear the promise that the foreclosure can be stopped for a fee. Unfortunately, predatory schemes only benefit the scam artist and leave the client destitute and homeless. The following advertisements typify the messages used to lure families facing foreclosure.

"Stop Foreclosure Now!"

"We guarantee to stop your foreclosure."

"Keep Your Home. We know your home is scheduled to be sold. No Problem!"

"We have special relationships with many banks that can speed up case approvals."

"We Can Save Your Home. Guaranteed. Free Consultation."

"We stop foreclosures every day. Our team of professionals can stop your's this week!"

Be wary of foreclosure rescue scams. Signing away your property under the guise of foreclosure avoidance or accepting unsolicited foreclosure assistance programs that claim to fix your credit problems often for a large up-front fee should be avoided. Consult your housing counselor first and avoid scams that promise to stop your foreclosure. Remember only the lender can stop a foreclosure.

Reporting Fraud

If you think you've been a victim of foreclosure fraud, you should contact any of the following:

- Federal Trade Commission 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261; www.ftccomplaintassistant.gov
- your state Attorney General
- your local Better Business Bureau
- your housing counselor

Post-Purchase Counseling

Post-purchase counseling plays a vital part of the home purchase process. Avoiding foreclosure and sustaining homeownership is best achieved by addressing delinquency issues before they warrant drastic action. Typically, your housing counselor will assist you as often as you take advantage of the service. Federally regulated HUD housing counseling agencies may be available in your area to help you meet your obligations after the home purchase. There is no need to pay for post-purchase counseling services when services provided by your housing counselor and HUD housing counseling agencies are free. Services typically include:

- budget planning and preparation
- spending plan review
- warranty issues
- maintenance counseling
- default counseling
- foreclosure prevention
- predatory loan prevention

You can also get help from:

- a nonprofit housing organization
- the government agency that insured your loan
- a local nonprofit credit counseling service
- a local legal aid office
- the mortgage insurance company that insures your loan

It is also important to know that the lender, who loaned you the mortgage money, may have sold your loan to an investor, such as another bank or the secondary market. In that case, the lender must abide by the investor's requirements which impact the type of help available to you. Because investors purchase loans, preventing foreclosure is to their advantage. When you call your lender to discuss your financial problem, ask if your loan has been sold to an investor and if it has been sold, ask for the investor's contact information.

Usually, HUD housing counseling agencies and your housing counselor will offer delinquency counseling at no cost to you. They will ask you questions about your financial situation and your mortgage loan and then contact your lender to try to work out a payment plan or other option to prevent foreclosure. Housing counselors can also help you solve problems with other creditors and can often provide referrals to legal and social services. To receive assistance, you must be:

- honest about your problems
- cooperative about providing information and documents the lender will need to consider your situation
- willing to make sacrifices and changes in your spending in order to keep your home

If the cause of your financial problem is not a hardship beyond your control, you probably need to obtain assistance with debt management. The prequalifying and homebuyer education process has proven to be very effective in preventing foreclosure. However, situations occur that challenge every homeowner. How you survive the unexpected will be determined by how well you planned for the future. A wise person said, "Failing to plan, is planning to fail." Following this philosophy will help you to be a successful homeowner.

Foreclosure Prevention Exercise

Consider the following scenario and answer the questions below.

After going through the homebuyer education course and one-on-one counseling for several years, the Moons purchased their dream home. Years later the Moons divorced. They agreed to a settlement in which Mrs. Moon assumed total responsibility for the mortgage payment and support of their three children. Mr. Moon became unemployable and unable to provide any support.

Mrs. Moon's employment as a teacher for the last five years enables her to produce a reliable income, but it only covers half of her current living expenses. One month's late mortgage payment turned into eight months of late payments. In spite of intentions to get caught up, notices of foreclosure threats accumulated. Mrs. Moon immediately responded to an advertisement promising foreclosure stoppage and the continued occupancy of her home upon meeting certain conditions. Excited about this opportunity, Mrs. Moon jumped at the opportunity and contacted LMFUO Foreclosure Prevention Professionals.

Mrs. Moon's overall situation:

- Mr. and Mrs. Moon received a fixed rate mortgage loan at 6% for a 30-year term. The monthly mortgage payment is $750.
- The Moons received a conditional down payment assistance of $18,000 provided by a TDHE/nonprofit housing organization.
- Late fees are assessed at 15% of the delinquent principal amount plus any outstanding late fees.
- Mrs. Moon juggled bills to pay $350 each month toward the mortgage payment.
- Her current expenses include the following:
    - mortgage payment
    - utilities
    - internet service
    - satellite radio
    - private child care
    - new car monthly payment plus car insurance
    - cable TV
    - cell phone and land line phone
    - monthly landscaping services
    - entertainment and eating out
- The lender applied Mrs. Moon's $350 monthly payment first to the accumulated late fees and then to the principal.
- Overwhelmed with despair, Mrs. Moon turned to the Internet for solutions and responded to the following promise: "We Can Stop Foreclosure and Save Your Home NOW"
- Mrs. Moon signed an agreement with LMFUO Foreclosure Prevention Professionals which required a large processing fee, transfer of title to the LMFUO Foreclosure Prevention Professionals, and a monthly rental payment for which default would result in eviction.
- Eviction occurred one year later.

1. How many months behind is Mrs. Moon?

2. Prioritize Mrs. Moon's expenses.

3. Identify at least three resources Mrs. Moon should have contacted prior to making an agreement with LMFUO Foreclosure Prevention Professionals.

4. Identify at least two requirements imposed by LMFYO Foreclosure Prevention Professionals that indicate a foreclosure rescue scam.

5. Imagine you are Mrs. Moon's housing counselor and she came to you when the third delinquent notice arrived. Outline a strategy that you would propose to help Mrs. Moon avoid foreclosure.

Building Equity

While post-purchase counseling provides assistance during difficult times, it also offers services to help you develop a plan to build equity to pay off the amount you owe more quickly or by prepaying the loan. You can do this by paying more money each month than is required by your mortgage payment. This will reduce your overall cost of financing. In other words, an additional $25 principal payment plus your monthly mortgage payment can make a substantial difference in the amount of interest you will pay over the life of the loan.

EXAMPLE

Carolyn and Mark have a new $200,000, 30-year mortgage at 8 percent and make monthly payments of $1,468. In 30 years, they will have paid $328,310 in interest. If they add just $50 to their monthly payments for the first year, the mortgage will be paid off four months early and the total interest paid will be reduced by $6,463. If they continue the extra payments over the life of the loan, it will be paid off in 26 years, and they will have saved $47,067.

Add to monthly payment	*Save in 30 years*
$ 25	*$ 26,490*
$ 50	*$ 47,067*
$100	*$ 79,938*
$200	*$124,831*

If you're currently paying for private mortgage insurance, prepaying principal will help you get more quickly to the point (20 percent equity) at which you can drop it.

A biweekly mortgage achieves similar results to those accomplished by regular prepayments. Under a biweekly mortgage, one-half of the regular amortized monthly payment is payable every two weeks. By the end of the year, 13 full payments are made, allowing a 30-year loan to retire in approximately 18 years with comparatively less interest costs.

Making prepayments or getting a biweekly mortgage is a good idea if you expect to live in your house for a long time. It may not be a good idea if home prices in your area are going down or you expect to move within the next few years. In that case, you may be better off taking the money and putting it in a savings account.

Module Highlights

- Preparing a spending plan that anticipates your homeownership expenses is imperative.
- Foreclosure can be prevented when you make your home mortgage payment your number one priority.
- No one can stop a foreclosure except the lender. Talking to your housing counselor first will prevent you from being victimized by a foreclosure rescue scam.
- Post-purchase counseling is an opportunity to obtain personalized support as you adjust to the responsibilities of homeownership. Check with your housing counselor for continued assistance.
- When you work with a housing counselor on foreclosure prevention be:
  - honest about your problems
  - cooperative about providing information and documents the lender will need to consider your situation
  - willing to make sacrifices and changes in your spending in order to keep your home
- Prepaying your mortgage will build equity and reduce the total amount of interest you pay.

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

____

____

____

____

____

Exercise

1. True or False? Your mortgage payment, including applicable taxes and insurance, should be your priority in meeting your financial obligations.

   ❏ a. True
   ❏ b. False

2. After 90 days, or three missed payments, you are in ______________ and many lenders will begin the legal process of foreclosure.

3. List three strategies you have learned to avoid foreclosure.

   ____

   ____

   ____

4. Post-purchase counseling can assist you with which of the following?

   ❏ a. debt management
   ❏ b. budgeting
   ❏ c. maintenance counseling
   ❏ d. all of the above

5. True or False? Prepaying a loan decreases the amount of interest you pay over the life of the mortgage.

   ❏ a. True
   ❏ b. False

Notes

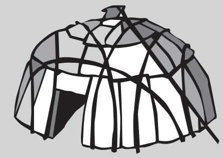
The Long Family

Menominee Indian Tribe of Wisconsin

"Finding lenders to finance people residing on reservation land was almost impossible," explained Connie Long. She and her family had a high-cost mortgage for their manufactured home, and they wanted to take advantage of falling interest rates. Thanks to the Fannie Mae Native American Conventional Lending Initiative, they were able to get an affordable mortgage with more favorable terms from Associated Bank in Shawano, WI. After attending homebuyer education classes sponsored by the Menominee Tribal Housing Department and obtaining private mortgage insurance from PMI, the Longs successfully lowered their monthly mortgage payments. "I am grateful to all those involved who made my family's experience in home buying a reality!"

Module 8:

Protecting Your Investment



Wigwams are a type of traditional home used by Native communities throughout the East and Southeast. A wigwam has a curved surface that is made by arching 10- to 15-foot saplings over a circle that is drawn on the ground. Another set of saplings is then wrapped around the structure to provide support. After the two sets of saplings are tied together, tree bark is used to build the sides and roof.

Objectives

In this module we will discuss:

- creating a home inventory
- insurance
- warranty protection
- preparing for emergencies
- preventing crime and ensuring safety
- green proofing
- home maintenance and improvements
- housekeeping for a healthy home
- arranging for a will

Creating a Home Inventory

A home is more than just a shelter. It is the place where you live, spend time, and return at the end of the day. It is a center for community, family, spirituality, and safety. The way you protect it, care for it, and improve it reflects your values and character.

Create a Home Inventory. Once you have purchased your home, you should take stock of your assets and document the contents of your home. Create organized files to ensure the safekeeping of vital documents and make the processing of any claims easier and faster. You will need most of these documents and receipts annually for tax and spending plan purposes, and periodically to:

- file an insurance claim
- file a police report in the event of a burglary
- provide your insurance company with a complete list of your household goods and personal belongings so you are sure to receive compensation for everything your policy covers
- apply for personal contents insurance
- apply for refinancing or a home equity loan

- provide a record of serial numbers, model numbers, and date of purchase of appliances and other items for preventive maintenance planning or accessing warranty provisions

A sample form to track information about your appliances and major home systems is provided in Appendix A: My Service Record.

Your home inventory files should be organized according to the following categories:

- *Home spending plan.* This should include all your personal financial data.
- *Home purchase.* Your home purchase documents such as your promissory note, deed of trust, and lease should be included in this file.
- *Home improvement.* Records of all the details for planning and completing home improvement projects are to be included in this category.
- *Home maintenance.* Records of all maintenance tasks planned and completed are to be included in this category.
- *Home inventory.* This file should include a list of your personal property, its estimated value, and any relevant characteristics.
- *Home insurance.* All your insurance policies should be kept in this file.
- *Home building data.* All information related to the physical characteristics of your home, the location on your homesite, the materials used, the builder, etc. should be included in this category.

Without an inventory of your belongings, you will be at a loss to remember important details in the event of a burglary or other catastrophe. Organized home files can help protect your investment and allow you to claim the full benefits of owning your own home. After you have completed your inventory, you will need to:

- copy everything
- store one inventory packet off premises
- update your inventory packet every year
- update your inventory regularly and remember to delete items you no longer need to include
- appraise valuables as needed

In order to be reimbursed for a loss resulting from theft, an itemization of the items stolen, including the value, date of purchase, model number, color, etc., must be provided to the insurance company.

Home Inventory Exercise

Below are the categories of files to be used in organizing a home inventory. In work groups, develop a list of items to be included in each category.

Category 1: Home Spending Plan

Category 2: Home Purchase

Category 3: Home Improvement

Category 4: Home Maintenance

Category 5: Home Inventory

Category 6: Home Insurance

Category 7: Home Building Data

Upper Sioux Community, Minnesota

Upper Sioux Community, Minnesota

Understanding Insurance Basics

Because nature makes unannounced calls, homebuyers need to be prepared. **Homeowner's insurance** and other insurance policies are designed to protect your investment. While you were renting, your landlord provided insurance coverage in case of structural damage to the rental property. Your personal property, such as furnishings, appliances, and clothing were not covered by the landowner's insurance policy. Insurance coverage varies widely, as do costs. In order to have maximum protection, you as a homeowner need to become familiar with benefits of at least the following types of insurance:

- hazard or homeowner's insurance
- contents insurance
- life insurance

By shopping for your own insurance, you may be able to find less expensive coverage than your lender will offer.

Homeowner's or "Hazard" Insurance. As discussed in Module 6, homeowner's insurance is a requirement for homeowners. Since your home serves as collateral or "security" to cover your debt, the insurance protects the lender's interest in your home as well as yours. A homeowner's insurance policy also assures you that your home will be replaced or repaired if a loss occurs due to a fire or storm.

Many factors influence how your homeowner's insurance premiums are calculated. As with mortgage financing, the greater the risk, the higher the cost. The location of your property is one of the risk factors that is considered. For example, property located in an area designed with fire hydrants and easy access to a fire department will be considered a lower risk.

A basic homeowner's insurance package includes:

- *Dwelling coverage.* This policy provision protects your home against damage or destruction caused by fires, storms, and other weather-related events.
- *Other structures.* This feature insures structures such as outbuildings, storage sheds, garages, and barns.
- *Personal property.* Your personal belongings such as clothing, furniture, and appliances need to be protected against loss. Generally, the personal property coverage should be approximately 40 to 60 percent of the value of your home.
- *Loss of use.* This feature reimburses you for the necessary increase in your living expenses when something happens to your home and you must temporarily live somewhere else.
- *Personal liability.* This feature protects you from being sued and having to pay money for accidents that may occur on your property. Generally, your coverage amount should be at least $100,000 per accident.
- *Medical payments coverage.* If there is an accident and someone gets hurt on your property, your insurer may pay to cover the injured person's medical care. Generally, the coverage amount is between $1,000 and $5,000 per person.

There may be a limit on the total amount that may be covered per accident. The standard **deductible**, or out-of-pocket expense, for most policies is about $250. This means that if someone gets hurt on your property and their medical bill is $350, the insurance company is only going to pay $100 ($350 - $250 = $100) and you are going to have to pay $250. It may be beneficial to find out how much your insurance premiums will be if you accept a higher deductible.

- *Replacement coverage.* This is an optional feature that you may wish to consider. You can get replacement protection for both your house and its contents. With home replacement coverage, the home is replaced or restored to its exact original condition. With contents replacement coverage, the contents are replaced by similar contents and your insurer will not consider depreciation or lost value.

  Purchasing insurance that includes replacement coverage will cost you more, yet it will likely cost less than replacing your valuables should an accident occur. Your homeowner's insurance premiums will depend upon the specific coverage you need. If your home is worth more than the balance on your mortgage, then you may need to purchase more coverage than your lender requires.

Flood Insurance. Homes located in federally designated flood areas will require flood insurance and a flood certificate. Insurance is provided through the Federal Emergency Management Agency.

Contents Insurance. This type of insurance protects your personal belongings, such as clothing, TV, stereo, furniture, etc.

Life Insurance. Life insurance is another way of protecting your investment. Life insurance provides the means for your family to retain ownership of your house in the event you die before you pay off your mortgage. Without this protection, your family can lose its home.

A lender may try to talk you into buying **mortgage credit life insurance** that pays off the mortgage in the event of your death. Even if your lender does not offer it, you will receive mail urging you to buy it soon after you have closed the loan. Although you are not legally required to purchase mortgage credit life insurance, it is a way to protect your family's investment. This is especially true if there is no one in the family who could assume the remaining mortgage according to the lender's qualifications.

The cost of mortgage credit life insurance varies by provider, so be sure to shop around. When purchasing life insurance, consider the following questions:

- How much coverage do I need? The coverage amount should be enough to continue paying the mortgage and other basic living expenses.

- What type of insurance should I buy? If your objective is to protect your family in the event that you do not live long enough to repay your mortgage, then you will want to purchase mortgage credit life insurance at the lowest possible cost. In addition, the following types of life insurance are available:
  - **Term insurance** offers you coverage for a specific period of time. It is often the least expensive option, but the cost increases as you age.
  - **Cash-value insurance** provides your dependents with a cash payoff at your death, as well as providing you with a tax-deferred savings program. There are a variety of programs, such as whole life, universal life, and variable life.

Because your life circumstances will probably continue to change, you should review your coverage annually to make sure your needs are being met.

Insurance Coverage Exercise

Identify the type of insurance that covers each of the following situations. Select between standard homeowner's insurance, flood insurance, and personal contents insurance.

Smoke damage ______________________________

Partial roof collapse due to a storm ______________________________

Clothing destroyed during a fire ______________________________

Accidental electrical damage ______________________________

Vandalism and theft ______________________________

Flooding ______________________________

"I raised my family in a trailer. Hurricane Andrew came along and tore up our double-wide. My insurance and disaster relief funds gave me back the joy of homeownership."

– Larry Burgess, Homeowner, Chitimacha Tribe, Louisiana

Failure to keep your smoke detector operational at all times may affect your insurance coverage.

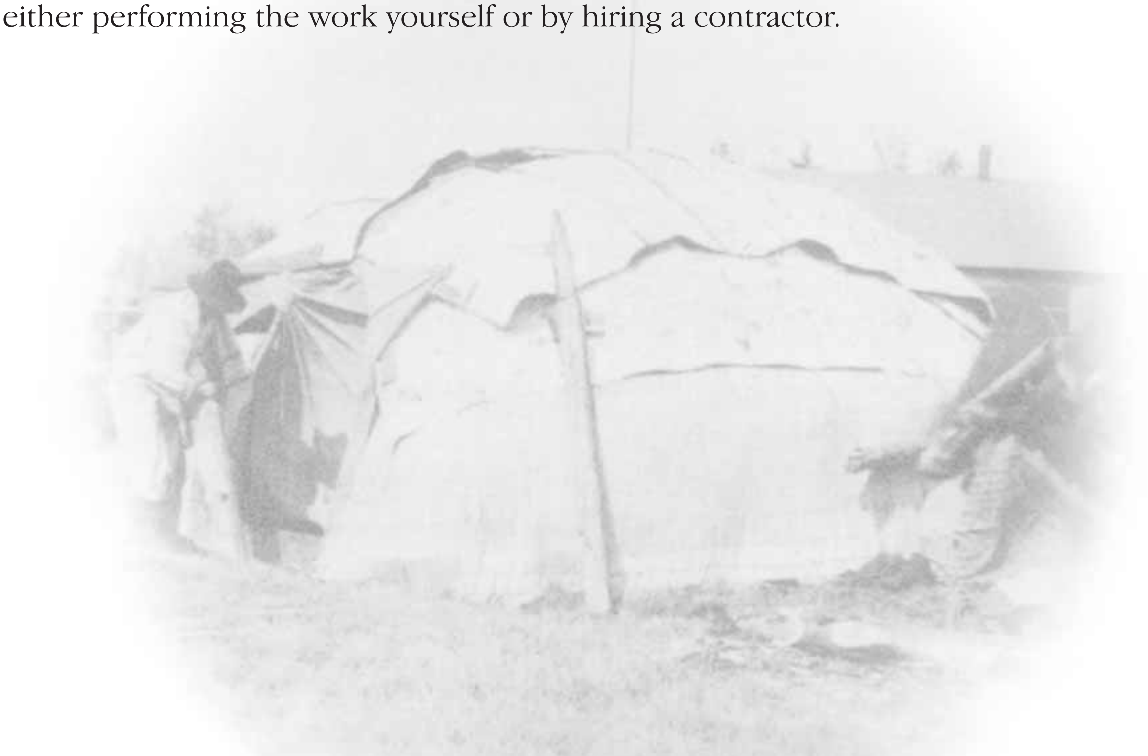
Understanding Warranty Protection

When you use a builder for new home construction or home rehab, make sure to obtain the various warranties that cover the equipment, materials, and workmanship provided. Basically, you must become familiar with two types of warranties:

- *Warranty certificates.* Materials and equipment used in building or repairing your home are typically protected by a warranty certificate, which is good for a specific period of time. Warranty certificates are issued to assist you in getting warranty service on selected items. The supplier's name and address and other relevant information are included in the warranty certificate. As a homeowner, you ***must contact the supplier/manufacturer directly*** to obtain assistance for any items under warranty. Keep in mind that items protected by a warranty do not include the cost for a service call or labor, unless it is specifically noted in the warranty.
- *General construction warranty.* Other items not protected under a warranty are covered by a one-year general construction warranty from the date the work is completed with respect to rehab or the date of the acceptance of occupancy with respect to new construction. The general construction warranty covers any material defect or workmanship flaw. Assistance in addressing problems due to defects or workmanship may be obtained by contacting the builder. When you hire a builder, make sure to include a contract provision for inspecting the work and ensuring quality. (Refer to Module 5 for further detail.)

Please understand that ***no part of any warranty will cover damage to an item that has been deemed damaged through negligence or by lack of maintenance***. Also, after the one-year warranty period, all major and/or minor repairs are the homeowner's responsibility, and assistance for repair must be obtained by either performing the work yourself or by hiring a contractor.

Doing the repair work yourself on a warranted item can invalidate your warranty protection.



Oneida Nation of New York

Preparing for Emergencies

Because your home is your biggest investment, it is wise to have a plan in place to deal with flooding, fire, frozen water pipes, and other emergencies. Although you have insurance to protect your investment, a little planning can go a long way to minimize the havoc created by a natural disaster.

For this reason, always keep emergency supplies on hand such as:

- water (a three-day supply/one gallon per person)
- canned food
- fresh batteries and flashlights
- candles
- blankets
- a medical kit
- a portable radio
- a cellular phone

Being prepared could make a difference in life or death. In addition to the supplies listed above, special precautions can be taken to prepare for specific types of events.

- *Earthquakes.* If you live in an earthquake-prone area, anchor shelves and cabinets and strap in your hot-water heater as well as any other appliances or equipment. Consider purchasing earthquake insurance if you live in a vulnerable area.
- *Floods.* Make sure your lot drains away from your house properly and your basement's sump pump, if you have one, is in good working condition. If your basement tends to take on some water, make sure you do not store anything at floor level. Place power outlets high on walls and know how to cut the power to them. Most importantly, obtain flood insurance or insurance to protect you from water damage if you live in a vulnerable area.
- *Tornados*. Determine the best place to take shelter in your home (such as your basement or bathroom) and in your community (such as your local shelter).
- *Hurricanes.* Hurricanes usually take time to develop and offer ample warning. If you don't evacuate to higher or safer ground, board up windows and secure all doors. Determine the best place to take shelter in your home (away from windows).

Oneida Nation of New York

Upper Sioux Community, Minnesota

Oneida Nation of New York

You will also want to be prepared to deal with common emergencies such as:

- *Gas leaks.* If the smell of gas seems to be coming from an appliance such as a stove, make sure the pilot light is lit and all burners are turned off. Open your windows and doors for ventilation. If the smell of gas is strong throughout the house, exit the house immediately and call your local gas company. Do not light a match or candle and put out any other open flame. Do not touch any electrical switches or outlets.
- *Power outages.* Check the main electrical service box and reset circuit breakers or change a burned-out fuse. If there is a local power outage, make sure you have your major appliances and computer equipment disconnected to prevent further damage from potential power surges. Keep your refrigerator and freezer closed to preserve food.
- *Frozen water pipes.* To prevent serious damage from bursting pipes, be sure to insulate pipes and allow a trickle of water to run during cold weather. This will keep the pipes clear until the cold weather subsides. If a pipe is frozen but has not burst, turn off the water supply to that pipe and use a portable room heater to heat the area around the pipe. When the blockage melts, turn the water back on and keep it running through faucets at a trickle.
- *Carbon monoxide buildup.* Carbon monoxide is an invisible, toxic gas that can come from automobile emissions, a faulty furnace, or a generator. Because generators are a common source of carbon monoxide buildup, never use one in your home. Install a carbon monoxide detector in your home. If it goes off, immediately open every window in the house, then exit the house and call your local fire department to assess the danger.

Preventing Crime and Ensuring Safety

Practicing certain habits can help make your home safe and prevent crime. In the case of a fire, medical emergency, or robbery, seconds could mean the difference between life and death. The following is a list of safety tips that should be followed.

- *Smoke detectors.* The leading cause of death in home fires is smoke inhalation. Installing audible, flashing smoke alarms in bedrooms, kitchens, and living areas can provide warning in the event of a fire. If your smoke detectors are battery-operated, replace the batteries routinely every 60 days.
- *Fire extinguisher.* There should be at least one fire extinguisher on every floor of your home and always in the kitchen and garage. Fire extinguishers often can contain small fires before they get out of control.
- *Safety ladders.* Safety ladders can be very useful for two-story homes if an exit is blocked by fire or heavy smoke. Most are compact and can be hooked to windowsills for quick exit.
- *Fire inspections.* Many local fire departments offer residential fire inspection tours that can alert you to any hazardous situations in your home. Always keep combustible materials away from electrical outlets and heat-generating devices.
- *First aid kit.* Keep a first aid kit containing bandages, tourniquets, and ointments in an easily accessible place. Be certain that everyone in the home is aware of its location. Prepackaged first aid kits are available at most discount stores. Periodically examine and replace any outdated supplies.
- *Theft prevention.* You may want to consider changing your locks on your new home to prevent theft. Several sets of keys could be in circulation for existing locks. If you are planning to be away for an extended period of time, arrange for the post office to hold your mail. Keep all windows and doors locked when you are not at home. Develop or join a “Neighborhood Watch” program.
- *Emergency phone numbers.* Post all emergency telephone numbers (fire, police, ambulance, etc.) by all telephones in the house.
- *Landscaping and lighting.* Studies show that keeping well-maintained home exteriors with adequate lighting is a useful crime prevention technique. Another physical enhancement that helps to deter crime is fencing or an alarm system.

If you do nothing else, the most important safety tip is to install and maintain smoke detectors in your home.

Understanding Green Proofing Your Home

The terms "going green," "eco-wise," "eco-friendly," and "green proofing" are invading all areas of our lives. What exactly does it mean to go green? All these terms share a common denominator: people share a mutual responsibility for conserving energy and protecting the environment. Going green is the favored choice when building, repairing, cleaning, driving, etc. However, it may require that you look at spending more upfront and saving more over the long term.

Benefits of Going Green. Whether you buy or build your own home, the benefits of going green are generally the same. A green building will save you money by reducing the following:

- energy consumption
- water consumption
- waste generation
- maintenance time

Using renewable technologies in the building and repair of homes contribute to the goals of saving the planet and promoting safe and healthy homes.

Maintaining Your Home

Home repairs are tasks that keep your home in good working order. If you embrace the idea of developing and carrying out a preventive home maintenance plan, your home will either maintain or increase in value. Meeting your home maintenance obligations requires your commitment to:

- understanding green proofing your home
- understanding the physical features of your home
- developing and updating home records for all equipment, fixtures, and appliances in your home
- developing a schedule for routine and non-routine maintenance and repairs
- prioritizing repairs as needed
- budgeting to meet future obligations

Understanding Your Home's Features

You should become familiar with the major systems in your home. Do you know the location of the main cut-off valves for the water and gas supply? The location of the fuse or circuit breaker box? The reset button for the hot water heater? It is important for you and your family to know where these features are located and when they need to be accessed.

The best way to acquire this information is to arrange a visit with the seller so that you can learn from the seller's experience. It is highly recommended that you label fuses, switches, and cut-off valves and record the information in a notebook at an alternate location.

Be sure to obtain the following information from the seller or the builder:

- energy efficiency features
- plans, specification of the home
- utility consumption information
- solid waste pick-up schedule
- warranty information and certificates

The information you were provided during the prepurchase inspection of your new home can be used as a starting point to gather information about your home. A checklist is included in Appendix B: Baseline Condition to record essential information about the condition of your home.

Scheduling Home Maintenance and Repairs

Develop a schedule for home maintenance and repairs according to:

- the useful life or life expectancy of the equipment, material, or structure
- the seasons of the year
- the manufacturer's suggested maintenance plan
- the need to make environmentally wise improvements
- the requirements of any **covenants** or property restrictions

Making Eco-wise Improvements. Believe it or not, minor adjustments in our lifestyle can collectively create an enormous impact on the environment as well as result in cost savings. As the need arises to replace items in your home, select products which are eco-friendly. Consider the following ways to make your home green and save money.

Simple Solutions to a Greener Home

Repair Item	Simple Solution
Weatherproofing and Insulation	• Weather-strip all operable windows, doors, and where the siding meets the foundation. • Use an eco-wise caulk around hose bibs and at the electrical service entrance. An eco-wise expandable foam is great for large holes or gaps. • Install foam gaskets behind faceplates of electrical outlets and light switches. • Check the attic to make sure you have enough insulation. If it is less than a foot deep you are ready for more. • Make sure insulation is not loose and that it is evenly spread out by using a rake.
Windows	• Replace single glazed windows with an eco-wise window. • Install storm windows to add another layer for dead air space and generate additional cost savings.
Air Ducts	• Check air ducts at the point where they join or change direction to feel for air leaks. • Use an eco-wise non-toxic product to coat the places where there are leaks. • Get the air ducts cleaned annually. • Clean out clothes dryer vent ducts.
Lighting	• Install compact fluorescent bulbs and save 20-25% off the monthly bill. Another alternative is LED light bulbs which give off directional light and generate a light similar to day light. • Use dimmers and occupancy sensors.
Water Systems .	• Replace toilets with dual-flush or low-flow models. • Add flow reducers to all faucets and showerheads. • Wrap the hot water heater tank with a fiberglass and vinyl jacket. • Lower the temperature of water heaters to 120 degrees. • Wrap all hot and cold water pipes. • Drain the water heater at least once or twice a year to reduce mineral deposits and sediment build-up. This simple maintenance practice prolongs the water heater's useful life and saves energy and money. • Convert to a tankless water heater.
Appliances	• Use Energy Star labeled appliances. • Install and use programmable thermostats.

Considering Useful Life or Life Expectancy. Almost every part of your home has a life expectancy that can be extended or shortened depending on the amount of care and attention you put forth. The roof, appliances, heating, cooling, plumbing, and electrical systems can be very costly to replace if you avoid or ignore regular upkeep. There are many home improvement manuals that provide information regarding the useful life of the components of residential structures. Estimates of the life of most components of a residential structure are provided for you in Appendix C: Item Useful Life. These estimates are used by technicians who evaluate buildings for rehabilitation and in educating homeowners on long-term maintenance needs.

"I spent most of my childhood living with my family in a one-room chickee, which required practically no maintenance. Now we can provide our people with homes that have walls, rooms for all occasions, and appliances that will do just about everything. Today we provide a counseling program to teach our people how to make caring for these new homes a part of our tradition."

– Joel Frank, former Seminole Housing Authority Director, Seminole Tribe, Hollywood, Florida

Season-by-Season Schedule. A sample schedule of seasonal home repairs is included in Appendix D: Seasonal Maintenance Planner. Generally, a seasonal approach to home repairs is as follows:

Summer. Complete major home improvement projects and repairs such as:

- roofing
- painting
- landscaping
- decks, patios, porches
- foundation repair
- fencing
- siding
- windows
- doors
- driveway
- sidewalks, walkways

Fall. This is the time of the year to begin making preparations for the coming winter months. Complete repairs such as:

- weatherization
- chimney and fireplace cleaning
- heating system check
- insulation
- roof repairs
- drainage check
- gutter check
- insulate pipes
- shut off outdoor water

Winter. This is an excellent time to tackle indoor improvements or repairs such as:

- indoor remodeling
- flooring/carpet replacement or repair
- painting
- tiling
- plastering
- bathroom caulking
- countertop repair/replacement
- appliance maintenance
- insulation

Spring. Spend the spring performing maintenance tasks that will get you ready for the summer. Complete tasks such as:

- spring cleaning
- organizing and storing winter items
- tune-up of fans and air conditioners
- repairing winter damage
- planting and yard work
- cleaning windows

Manufacturer's Suggested Maintenance. Regular maintenance of equipment and fixtures will prevent the need for more costly repairs or replacement in the future. Knowing your home means knowing your appliance and major systems needs. Manufacturers' warranties typically provide you with information to care for your appliances and systems. There are many home maintenance repair books on the market today that cover just about every repair detail you can imagine. Below is a sample of preventive maintenance tasks.

Appliance/System	Maintenance Concerns	Frequency
Heating system	Filter Check-up	Monthly Annually
Wood stove	Clean flue and chimney	Annually
Air conditioning system	Filter Check-up Condensing unit	Monthly Annually Regularly
Floor vents	Dust vent covers	Monthly
Bathroom exhaust fan	Ceiling vent	Monthly
Water heater	Drain tank and flush it out	Annually
Tub and sink drains	Drain screen	After use
Septic tank	Pump	Annually
Humidifiers	Water level check	Monthly
Microwave	Clean	Monthly
Refrigerator	Clean shelves and gaskets	1 to 3 months
Range	Clean drip pan Element Underneath stove top	After use As needed Monthly
Oven	Clean shelves and interior	1 to 3 months
Range hood	Hood top – clean build-up Hood screen – clean build-up	Monthly Monthly
Garbage disposal	Clean Disinfect	Daily Weekly
Washer and dryer	Lint screen	After each use
Fireplace	Ashes Clean chimney	Regularly Annually
Carpet	Vacuum	Regularly

Ensuring Property Protection through Covenants. Many home sites have covenants that restrict your use of the property. Covenants are made a part of the lease or the deed. Consequently, the use and care of the land remains the same even when a house is sold. Covenants are rules designed to protect the neighborhood and residents' rights to peaceful enjoyment.

Several Native communities have adopted covenants addressing an array of issues, including eco-wise controls. Covenants are made a part of the lease for trust property and the deed for fee property. They generally reflect the priorities of the community and govern the following:

- sweat houses
- home site requirements and maintenance
- waste management
- water conservation
- building materials
- energy conservation
- parking for residents and guests
- new construction
- manufactured homes
- abandoned vehicles
- landscaping
- business use of the home
- home improvements
- preservation of land corners
- pets/animals

Because the lease must be approved by the BIA, any covenants attached to the lease must be approved by the BIA as well. The value of having covenants is illustrated by the following example.

EXAMPLE

Joseph Majors is a member of the Yankton Sioux Tribe. He and his wife purchased a four-bedroom home on the reservation using the Section 184 Loan Guarantee in the Grassy Plains Subdivision. Covenants in the Grassy Plains Subdivision lease stated the following:

"The Resident is responsible for keeping all landscaping mowed, trimmed, watered, and, due to fire hazard, weeded and well maintained within their Homesite. If landscaping is not properly maintained and has reached 6 inches, the Yankton Sioux Tribal Housing Authority (YSHA) or the Tribe reserves the right to perform whatever landscape maintenance may be required and charge the Resident per established policy."

Summer months passed without rainfall, while the temperatures continued to rise. Mr. Majors's neighbor, Mr. Archambeau, typically neglected to keep his acre lot maintained, which created a fire hazard for the subdivision. Brush fires were threatening the area and the situation was being ignored by Mr. Archambeau. Mr. Majors requested that the YSHA require his neighbor to take immediate action because he was fearful of the quickly spreading fires. A disaster was averted because a covenant empowered the YSHA to intervene.

Prioritizing Home Repairs

Understanding the potential impact of postponing a repair will help you determine your priorities as unanticipated problems arise. Damage that presents a threat to health and safety and the enviornmment should be repaired immediately. Consider making eco-wise repairs and replacements. The following types of damage, if ignored, could lead to more serious and costly problems:

- *Water.* Slight water damage leads to severe damage in very little time.
- *Foundation.* Foundation damage can quickly cause serious structural damage.
- *Electric.* Faulty wiring can cause a fire, resulting in loss of life and property.
- *Environmental.* Minor mold presence can lead to entire wall, framing, or ceiling replacement.
- *Solid waste.* Septic tank problems can lead to drainfield complications.

Other common types of repairs include:

- drainage
- roofs
- insulation
- heating system
- energy efficiency
- plumbing
- wall patching
- doors and door jams
- cabinet drawers and covers

Mohawk Nation of Akwesasne

Oneida Nation of New York

Prioritizing Home Repairs Exercise

You have discovered that you have several major repair projects requiring your attention. Although your spending plan will dictate which projects you begin first, some repairs are more urgent than others. In work groups, prioritize the following repairs, identify eco-wise solutions, and explain your reasons:

Priority	Home Repair Item	Eco-Wise Suggestions	Explanation
	Roof is leaking		
	Water Heater is old and water consumption is high		
	Faulty electric wiring		
	Signs of mold around the windows and the bathroom		
	Doors are not properly sealed		
	Windows old and drafty		
	Mice infestation		

Budgeting to Meet Future Obligations

It has been said that if you fail to fix a leak, expect your money to drain away. It cannot be overstated how important it is to develop a spending plan for future maintenance expenditures. You should establish a savings account to use as a maintenance reserve fund.

- save one percent of the purchase price annually, ***or***
- prepare an annual spending plan based on the home baseline data collected

Preparing an annual spending plan based on the life expectancy of your home's features and equipment provides a realistic way of scheduling maintenance and estimating costs. You need to:

- study the prepurchase inspection report
- list all repair items noted
- study the inventory data you collected
- sort items that need to be repaired by date
- obtain estimates of the cost
- save according to annual spending plan needs determined from your analysis

Home Improvements

During the course of owning your home, more than likely you will consider making a home improvement, such as adding a room or modernizing your kitchen. Whatever you decide to do, making improvements will typically add value to your home, particularly when the improvements make your home greener. If you are looking to sell your home in the future, keep in mind that some improvements have greater potential than others to increase your property value.

Home Improvement Property Value Increase Estimates*

Project	Potential Increase in Property Value
Add a new heating or air-conditioning system	Great
Minor kitchen remodeling	Great
Major kitchen remodeling	Great
Add a bathroom	Great
Add a family room	Great
Remodel bathroom	Very Good
Add a fireplace	Very Good
Build a deck	Very Good
Remodel home office	Good
Replace windows	Good
Build a pool	Moderate
Install or upgrade landscaping	Moderate
Finish basement	Very little

*Costs vary depending on location and materials used.

Planning a home improvement project can be quite an undertaking. As we discussed in Module 4, doing the work yourself has many advantages as long as you have the expertise and experience to complete the project to code. Consider the following before undertaking a home improvement project:

- Do you have the expertise to do the particular work?
- Do you have all the tools necessary to do the work?
- Can you afford to do the work yourself?
- If you can't complete the work, do you have an alternative plan?
- How long will it take for you to complete the work?
- Who will inspect your work?
- Will you need special permits or community approvals?

Housekeeping for a Healthy Home

No house can keep itself safe, clean, and sanitary without your continuous care. Did you know that a poorly maintained home can cause illness? Remember as you read the following section, an environmentally friendly home promotes a safe and healthy home.

The three areas of the home that the Centers for Disease Control has labeled as "hot zones" or contaminated areas in the home are the kitchen, the bathroom, and the laundry area.

Why Do You Need to Clean?

Many people do not realize the connection between cleaning and good health. Housekeeping is about an ongoing lifestyle of home hygiene to prevent the spread of infectious diseases, which are caused by various types of microscopic germs such as:

- viruses
- bacteria
- parasites
- fungi

According to the Centers for Disease Control, these germs cause illnesses that range from common ailments like a cold and the flu, to disabling conditions such as Lyme disease and polio, to deadly diseases like hantavirus. The good news is that many of them can be prevented through amazingly simple and extremely inexpensive methods, such as washing your hands. It is important to practice three basic hygiene steps:

- cleaning
- disinfecting
- discarding

The primary sources for the spread of germs throughout the home are people, food, insects, water, pets, and air. Places where stagnant water accumulates are havens for the presence and growth of germs. These areas include:

- sinks
- u-bends
- toilets
- sponges and dishcloths – these are major sources for spreading germs

What Is the Difference between Cleaning and Disinfecting?

Cleaning and disinfecting are not the same thing. In most cases, cleaning with soap and water is adequate. It removes dirt and most of the germs. However, in other situations, disinfecting provides an extra margin of safety.

Areas where there are both high concentrations of dangerous germs and a possibility that they will be spread to others should be disinfected. Disinfectants, including solutions of household bleach, have ingredients that destroy bacteria and other germs. Be sure to look for products that are eco-wise. Although surfaces may look clean, many infectious germs may be lurking around. Given the right conditions, some germs can live on surfaces for hours and even for days, especially in the "hot zone" areas listed below.

- *Kitchen.* Infectious bacteria are sometimes found in raw food, and the kitchen is where food is prepared. Also, kitchen sink areas (particularly sink surfaces, draining boards, U-tubes) are heavily contaminated areas.
- *Bathroom.* The moisture found in bathrooms is excellent for the growth and spread of infectious bacteria. It has also been found that baths, basins, cleaning cloths, and face cloths may form semi-permanent reservoirs of bacteria.
- *Laundry area.* Germs are picked up from people and things we encounter. A pile of dirty clothes combined with damp towels produces a dark, moist environment, which is ideal for the harbor, growth, and spread of germs. Numerous studies have shown that washing laundry with detergent alone permitted bacteria and viruses to survive in significant numbers. The addition of bleach killed at least 99.99 percent of all test viruses and bacteria in laundry.

Remember, green proof your home by using eco-wise products.

How Do You Apply Home Hygiene?

Effective household hygiene is critical to the maintenance of a healthy family. Application of the following practices can do much to prevent infection and limit the spread of illness in the home.

Cleaning and Disinfecting Surfaces

- Follow the directions on the cleaning product labels and read safety precautions as well.
- Clean the surface thoroughly with soap and water or another cleaner.
- Apply disinfectant to the area and let it stand for a few minutes or longer, depending on the manufacturer's recommendations. This keeps the germs in contact with the disinfectant longer.

- Wipe the surface with paper towels that can be thrown away or cloth towels that can be washed afterwards.
- Wash your hands after cleaning or disinfecting surfaces, even if you use gloves.

Keeping a Pet

- To reduce the chance that your pet could get sick and pass an infection to you or your family, keep your pet under a veterinarian's care for regularly scheduled shots and treatment for worms.
- Clean your pet's living area at least once a week. Bury the feces, or place them in a plastic bag and then put it in the trash.
- Litter boxes should be cleaned daily and the dirty litter placed in a plastic bag. Areas that have been contaminated with dog or cat feces should be off limits to children – not only at home but also in public areas such as parks or playgrounds. And because toddlers naturally explore their environment, teach children not to eat dirt or eat off the floor.
- Wash your hands with soap and water after handling or cleaning up after animals, especially reptiles. Teach your children to do the same. This is also important after contacting dirt because hookworms from animal feces in the soil can enter through your skin.

Discouraging Animals from Nesting in Your Home

Avoid circumstances that could attract wild animals because they can carry some very deadly diseases.

- Rodents can transmit hantavirus and plague.
- Ticks can transmit Rocky Mountain Spotted Fever and Lyme disease.
- Mammals such as raccoons, skunks, and foxes can transmit rabies. In fact, bats cause most of the human rabies cases in this country.

You need to:

- Keep your home clean.
- Keep tight-fitting lids on food containers and garbage containers.
- Discard any excess food and take up pet water bowls when not in use.

Preventing Animals from Entering Your Home

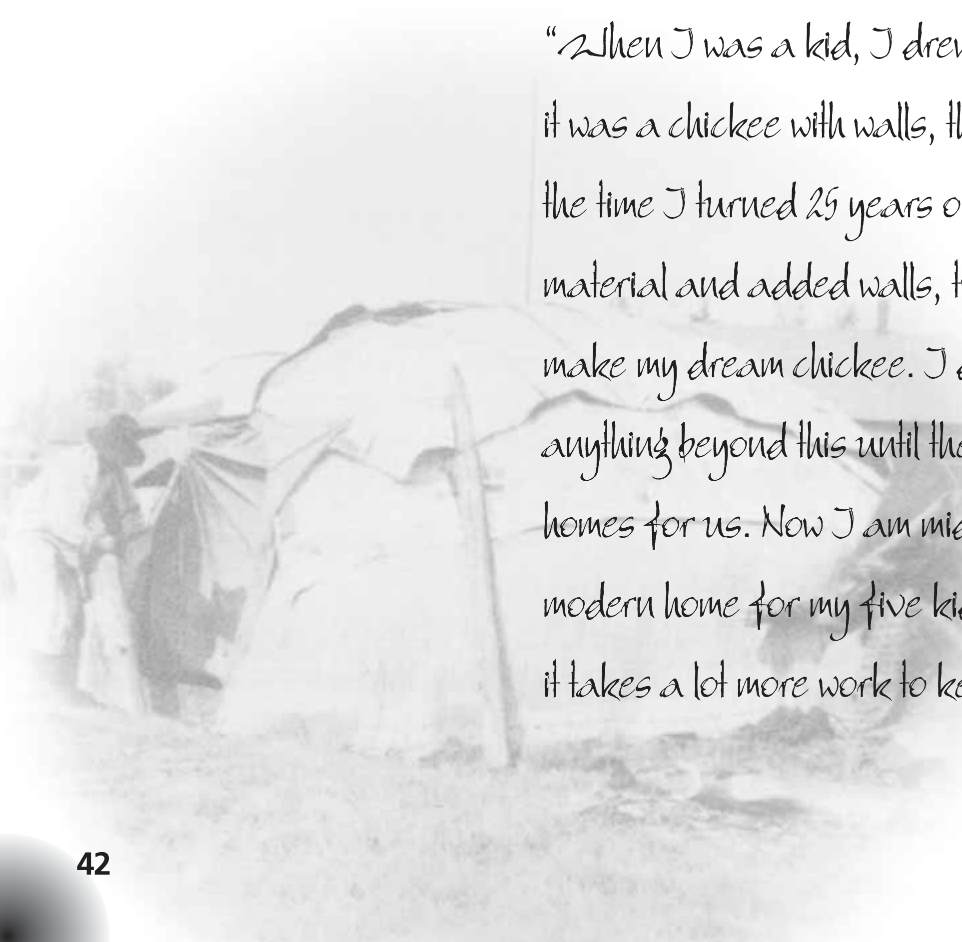
- Eliminate any possible nesting sites and items that provide a water source.
- Seal entrances on the inside and the outside of your home because a mouse can squeeze through an opening as small as a dime.
- One pair of mice can produce over 15,000 offspring a year. Keep rodent populations low by continually setting traps inside and outside your home. Keep baits and traps out of reach of children and pets.

Preventing Mildew Growth

- Use an air conditioner, dehumidifier, or heater, if available, to remove moisture. Use fans to circulate air and open all windows.
- Turn on electric lights in closets and leave doors open to dry the dampness and humidity.
- Spray with a fungicide or other mildew preventive product. Read and follow instructions and precautions on product label. Dry thoroughly.
- Do not use blankets or sheets to cover windows since they prohibit air circulation.

Removing Mold and Mildew

- Brush off mold and mildew growth on household items outdoors to prevent scattering of spores in the house.
- Vacuum floors, ceilings, and walls to remove mildew. Then wash surfaces with a detergent/household cleaner and water solution.
- Wipe mildew-stained areas with a cloth dampened with a solution of one cup of chlorine bleach or rubbing or denatured alcohol to one gallon of water. Pine-based or phenolic products also work well.
- If mold recurs, infected areas must be removed and replaced.



"When I was a kid, I drew a picture of my dream home: it was a chickee with walls, three windows, and a door. By the time I turned 25 years old and had a job, I bought the material and added walls, two windows, and a door to make my dream chickee. I didn't know that there was anything beyond this until the tribe started building modern homes for us. Now I am middle aged and I finally got a modern home for my five kids and my wife. It's bigger, but it takes a lot more work to keep it nice."

– Dino Cypress, Miccosukee Tribe

Cleaning Suggestions for Healthy Living

The following cleaning suggestions for the home are based on the practices used by the Seattle Cancer Care Alliance, Fred Hutchinson Cancer Research Center, and the Centers for Disease Control.

Cleaning Work Surfaces and Kitchen Equipment

- Use separate cutting boards (plastic suggested) for cooked foods and raw foods.
- Wash cutting boards after each use in hot, soapy water or in the dishwasher. Sanitize boards weekly using a diluted bleach solution (mix one part household bleach to 10 parts water). Let the boards air dry.
- Keep appliances free of food particles. Check the microwave oven, toaster, can opener, and blender and mixer blades. Blender blades and bottom ring should always be removed when washing the jar. Wash can openers before and after use. Sanitize these items with a diluted bleach solution or disinfectant.
- Keep counter and kitchen surfaces free of food particles. Sanitize using a diluted bleach solution or disinfectant.

Cleaning the Sink Area

- Have soap available for hand washing.
- Use paper towels for drying hands.
- Replace dishcloths and dish towels daily.
- Replace sponges at least weekly.
- Sanitize sponges daily in the diluted bleach solution or wash in the dishwasher.
- Do not store food supplies under the sink. Do not store chemicals and cleaning solutions near or over food supplies.
- Use liquid dish soap when washing dishes, pans, and utensils by hand.

Cleaning the Refrigerator and Freezer

- Keep the refrigerator clean. Clean spills immediately. Sanitize shelves and doors weekly using a diluted bleach solution or disinfectant.
- Maintain refrigerator temperature between 35 and 40 degrees F.
- Maintain freezer temperature below five degrees F.
- Store all food in covered containers after cooling. First, cool hot foods uncovered in the refrigerator; cover storage containers after cooling. Make sure that covers seal tightly. Freeze what will not be used within the next two to three days. Discard all refrigerated prepared foods after 72 hours (three days).
- Throw away eggs with cracked shells.
- Throw away foods older than their “use by” or expiration dates.
- Throw away entire food packages or containers with any mold present, including yogurt, cheese, cottage cheese, fruits (especially berries), vegetables, jelly, and bread and pastry products.
- Throw away freezer-burned foods.

Cleaning Cupboards and Pantry

- Make sure food storage areas remain clean.
- Throw away without tasting or opening all bulging, leaking, or cracked cans, or those deeply dented in the seam area.
- Rotate food stock so older items are used first. Check expiration dates. Do not use foods past the expiration dates.
- Do not consume any home-canned foods with bulging lids or broken seals, or any food that has a bad odor or unusual characteristics after opening. Home-canned foods need to be used within one year of canning.

Cleaning Play Areas

- Keep toys stored in designated areas and away from hot zone areas.
- Clean and disinfect toys regularly.

Either you spend the time now to keep your home in a clean condition or you spend more time and more money making repairs and paying medical bills. If the condition of the property creates a hazard to the life, health, or safety of the occupants and the homeowner fails to correct the deficiency promptly, you may be subject to costly repairs or any combination of the following:

- health hazards
- environmental hazards
- safety hazards
- violation of covenants or codes
- depreciation of property
- condemnation of property
- monetary fines

Additional housekeeping standards and various checklists to help you in tackling your housekeeping tasks are included in Appendix F: Housekeeping Checklist.

When you purchase your home, check to see if there are any covenants that may apply. Although you own your home, the lender has the right to take steps to ensure that the property is being maintained in accordance with the covenants.

Home Hygiene Exercise

In work groups, review the situations listed below and describe the possible consequences if the situation is not corrected. Also, identify the corrective action or actions you would take to remedy the situation.

Situation	Possible Consequences	Resolution
Bathroom vents are dusty and clogged		
Mold buildup on walls		
Dishes rinsed rather than cleaned thoroughly		
Trash cluttered throughout the home		
Countertops aren't cleaned after cooking		
Wet rags, towels are bunched up and thrown into the laundry		
Food containers and empty soda cans are left throughout the house rather than discarded		
Wet mop stored on the floor by food supply and scattered children's toys		

Arranging for a Will

Now that you are a homeowner, you need to consider what will happen to your home in the event of your death. In establishing a will, it is important to consider the following:

- Is there a **beneficiary** who is capable of assuming the mortgage?
- Is there a life insurance policy that will enable the beneficiary to pay off the debt?
- Is there a beneficiary who would want to assume the responsibilities of owning the property?
- Is there a guardian who would assume the responsibilities of caring for the home until the surviving children are grown?

Although this type of planning is unpleasant, it is far more unpleasant when there is no will. Many Native communities do not have codes governing inheritance. Consequently, the process goes through **probate** with the BIA at the helm. The process can take years and can cause tremendous stress on the remaining family members. If you purchase on fee simple property, state laws will prevail.

Some communities have life estate codes, which were discussed in Module 5. This type of code is particularly useful for families composed of an enrolled community member and non-enrolled members. Check with your community leaders to see what codes apply to you.

If you own the property with a so-called joint tenant, usually a spouse, the property automatically passes to them.

Module Highlights

- Once you have purchased your home, you should first take stock of your assets and document the contents of your home. Organized files of your home inventory will ensure the safekeeping of vital documents and make the processing of any claims easier.
- When you purchase a home, the lender will require that you have homeowner's insurance.
- Protecting your home and family requires that you be prepared for unexpected natural disasters or emergencies, implement basic safety measures, and maintain your property.
- Green proofing your home ensures a safe and healthy home, reduces overall consumer costs, and protects our planet's precious resources.
- Housekeeping is about an ongoing lifestyle of home hygiene to prevent the spread of infectious diseases.

Module Review

Reflection

List several ideas that you learned in this module that will be helpful in achieving your goals.

Exercise

1. List three reasons to organize your files.

    1. ______________________
    2. ______________________
    3. ______________________

2. The type of insurance that is absolutely required by the lender is:

❏ a. hazard or homeowner's insurance
❏ b. contents insurance
❏ c. life insurance
❏ d. car insurance

3. Match the following insurance provisions with the best description.

a. Dwelling Coverage	_____	protects personal belongings such as clothing, furniture, and appliances against loss
b. Personal Property	_____	reimburses you for the necessary increase in your living expenses when something happens to your home and you must temporarily live out of your home
c. Personal Liability	_____	reimburses medical care if there is an accident and someone gets hurt on your property
d. Replacement Coverage	_____	protects you from being sued and having to pay money for accidents that may occur on your property
e. Loss of Use	_____	pays the cost for restoring or replacing the home to its original condition exactly
f. Medical Payments Coverage	_____	protects your home against damage or destruction caused by fires, storms, or other weather-related events

4. True or False? As a homeowner, you must contact the supplier/manufacturer directly to obtain assistance for items under warranty.

❏ a. True
❏ b. False

5. True or False? Carrying out a preventive home maintenance plan will help to maintain or increase a home's value.

❏ a. True
❏ b. False

6. True or False? Going green may cost more up front but saves money over the long term.

❑ a. True
❑ b. False

7. True or False? Home improvement projects are more important to complete than making home repairs.

❑ a. True
❑ b. False

8. True or False? One of the primary purposes of keeping a house clean is to prevent the spread of infectious disease.

❑ a. True
❑ b. False

9. True or False? Mold can be prevented by ensuring that there is proper air circulation and practicing good housekeeping.

❑ a. True
❑ b. False

10. True or False? The primary sources for the spread of germs throughout the home are people, food, insects, water, pets, and air.

❑ a. True
❑ b. False

Appendix A

My Service Record

APPLIANCE/SYSTEM	BRAND	MODEL	SERIAL #	DATE OF PURCHASE	AGE	WARRANTY EXPIRATION
Heating System						
Water Heater						
Flooring System						
Wood Stove						
Plumbing System						
Air Conditioning System						
Microwave						
Refrigerator						
Range/Oven						
Dishwasher						
Garbage Disposal						
Washer						
Dryer						
Septic Tank						
Windows						

Appendix B

Baseline Condition

DATE:____________________

Item	Check For . . .	Type	Age	Condition	Maintenance Action	Estimated Repair Date	Estimated Cost
EXTERIOR							
Foundation	Widening cracks; signs of water seepage or flooding; uneven settling						
Roof	Worn shingles; broken tiles; loose flashing						
Driveway/sidewalks	Crumbling concrete or brick; cracks in blacktop						
Patio/deck	Damaged wood; crumbling concrete or brick						
Siding	Pest or weather damage						
Paint	Flaking paint						
Window trim	Flaking paint; loose trim						
Windows	Loose, cracked, or broken panes; crooked framing						
Vents/soffits	Pest or weather damage						
Gutters	Rust; weather damage; missing parts						
Central AC unit	Rust; weather damage; clogged intake						
Chimney	Crumbling mortar between bricks; loose flashing between chimney and roof						
Well	Age; poor pumping capacity; bad taste						
Septic system	Age; spongy soil over tank; poor previous maintenance; date of last service						
INTERIOR							
Ceilings	Widening cracks; water stains; bulges; mildew damage						
Walls	Cracks or holes; bulges; mildew damage						
Floors	Sloping surface; poor condition						
Windows	Loose, cracked, or broken panes; crooked framing						
Doors	Crooked framing; sticking door						
Attic	Signs of water leakage from roof						
Basement/crawl space	Signs of water seepage or flooding; sump pump failure						
Basement walls	Signs of water seepage or flooding; mildew damage						

Item	Check For . . .	Type	Age	Condition	Maintenance Action	Estimated Repair Date	Estimated Cost
ELECTRICAL							
Main power box	Age; failure to provide power						
Interior outlets	Broken outlet; failure to provide power						
Exterior outlets	Broken outlet; failure to provide power						
Exterior light fixtures	Broken; failure to light						
Interior light fixtures	Broken; failure to light						
PLUMBING							
Toilets	Poor water pressure; failure to empty or fill entirely						
Sinks/faucets	Poor water pressure; cracks in basins; water seepage from around faucets						
Drains	Failure to drain properly						
Pipes	Age; leaks; crumbling insulation (call a professional if asbestos is present)						
Hot water heater	Age; date of last service						
HEATING/COOLING							
Furnace	Age; date of last service						
Air conditioner	Age; date of last service						
Ductwork	Dusty or broken ducts						
Vents	Dusty or clogged vents						

Appendix C

Item Useful Life

CATEGORY	TERM	COMMENTS
FOOTINGS AND FOUNDATIONS		
Footings	life	
Concrete block	life	Structural defects can result from poor soil conditions
Termite-proofing	5 years	Less in damp climates
ROUGH STRUCTURE		
Floor system (basement)	life	
Framing exterior walls	life	
Framing interior walls	life	
CONCRETE WORK		
Slab	life	
Precast decks, porches	10-15 yrs	
Site-built porches	20 yrs	
SHEET METAL		
Gutter, downspouts, and flashing:		
Aluminum	20-30 yrs	
Copper	life	Very durable and expensive;
		regular cleaning and alignment required
Galvanized iron	15-25 yrs.	Rusts easily and must be kept painted every 3 to 4 yrs
ROUGH ELECTRICAL		
Copper, aluminum, romex wiring	life	
Breaker panel wiring	30-40 yrs.	
Individual breaker	25-30 yrs.	
ROUGH PLUMBING		
Pressure pipes: Copper	life	Strongest; needs no maintenance
Pressure pipes: Galvanized iron	30-50 yrs.	Rusts easily; major expense in older homes
Pressure pipes: Plastic	30-40 yrs.	
Waste pipe: Concrete	20 yrs.	
Waste pipe: Vitreous china	25-30 yrs.	
Waste pipe: Plastic	50-70 yrs.	Acid in soils can eat through plastic
Waste pipe: Cast iron	life	
Waste pipe: Lead	50 yrs.	Joints can deteriorate and cannot be patched;
		lead must be replaced if remodel
HEATING AND VENTING		
Duct Work: Galvanized	50-70 yrs.	
Plastic, fiberglass	40-60 yrs.	
ROOF		
Asphalt shingles	15-25 yrs.	Climate affects useful life
Wood shingles and shakes	10-40 yrs.	Expensive. Contracts and expands due to climate
Tile	30-50 yrs.	Tendency to crack on sides
Slate	life	Maintain every 5 yrs as nails rust
Metal	life	Shorter life if allowed to rust. Aluminum paint often
		used to recoat
Felt	30-40 yrs.	
Tar and gravel	10-15 yrs.	

CATEGORY	TERM	COMMENTS
MASONRY		
Chimney	life	
Fireplace	20-30 yrs.	
Fire brick	life	
Metal fireplace	life	
Flue tile	life	
Brick veneer	life	Joints should be pointed every 5 to 10 yrs.
Brick-solid, stone, block wall	life	Porous grade stone, limestone, will deteriorate
Masonry floors	life	Must be kept waxed every 1 to 2 yrs.
Stucco	life	Requires painting every 8 to 10 yrs.
WINDOWS AND DOORS		
Window glazing	5-10 yrs.	
Storm windows and gaskets	15-50 yrs	Depends on quality of materials and climate.
Screen doors	5-10 yrs.	
Storm doors	10-15 yrs.	
Interior doors	10-50 yrs.	Depends on amount of wear and tear
Sliding doors	30-50 yrs.	
Folding doors	30-40 yrs.	
Sliding screens	30 yrs.	
Garage doors	20-25 yrs.	Depends upon initial placement of springs, tracks, and rollers; Should be periodically adjusted
Steel casement windows	40-50 yrs.	Have leakage and condensation problems; installed mostly in 1940s and 1950s
Wood casement windows	40-50 yrs.	Older types very drafty
Wood double-hung windows	40-100 yrs.	Depends on amount of maintenance and climate
INSULATION		
Foundation, roof, ceiling, walls, floor	life	
Weatherstripping: metal	10-30 yrs.	
Weatherstripping: plastic gasket	5-10 yrs.	
EXTERIOR TRIM		
Wood siding	life	Must be painted regularly – every 5–7 yrs.
Metal siding	life	May rust due to climate and need repainting.
Aluminum siding	40 yrs.-life	Maintenance free if baked-on finish, but can dent and become unsightly
Shutters:		
Wood	20-40 yrs.	Depends on climate and maintenance
Metal	20-30 yrs.	
Plastic, aluminum	life	
Posts and columns	life	
Gable vents: Wood	10-40 yrs.	Depends on maintenance
Gable vents: Aluminum	life	
Trellis	20 yrs.	Will rot in back even if painted because of moisture
EXTERIOR PAINT		
On wood, brick	5-7 yrs.	On aluminum 10-12 yrs
Gutters, downspouts, and flashing:		
Aluminum	10-12 yrs.	
Copper	life	No painting required

CATEGORY	TERM	COMMENTS
STAIRS		
Stringer, risers, treads, baluster	50 yrs.	
Rails	30-40 yrs.	
DRYWALL AND PLASTER		
Drywall	40-50 yrs.	Cracks must be regularly spackled
Plaster	life	Thicker and more durable than drywall.
Ceiling suspension	life	
Acoustical ceiling	life	
Luminous ceiling	10-20 yrs.	Discolors easily
CERAMIC TILE		Proper installation and maintenance required
Tub alcove and shower stall	life	Grouted every 5 yrs.
Bath wainscot	life	
Ceramic floor	life	
FINISH CARPENTRY		Useful life depends on wear and maintenance
Baseboard and shoe, door and window trim	40 yrs.-life	
Wood paneling	40 yrs.-life	
Closet shelves	40 yrs.-life	
Fireplace mantel	40 yrs.-life.	
FLOORING		
Oak, hard pine floor	life	Useful life subject to water damage, heavy scuffing, or lack of periodic refinishing
Slate flagstone floor	40-50 yrs.	
Resilient (vinyl)	10-15 yrs.	Because of scuffing may have to be replaced earlier
Carpeting	5-20 yrs.	Depends on usage, and regularity of cleaning
CABINETS AND VANITIES		
Kitchen cabinets, bath vanities	20-30 yrs.	
Countertop	20-30 yrs.	
Medicine cabinets	15-20 yrs.	
Mirrors	10-15 yrs.	
Tub enclosures	10-25 yrs.	
Shower doors	20-25 yrs.	
Bookshelves	life	Depends on quality of wood and construction
INTERIOR PAINTING		Useful life depends on usage.
Wall paint, trim, and doors	3-10 yrs.	
Wallpaper	3-10 yrs.	
ELECTRICAL FINISH		
Electric range and oven	10-20 yrs.	
Vent hood	15-20 yrs.	
Disposal	5-12 yrs.	
Exhaust fan	8-10 yrs.	
Water heater	5-12 yrs.	
Electric fixtures	20-50 yrs.	
Doorbell and chimes	10-25 yrs.	
Fluorescent bulbs	3-5 yrs.	

CATEGORY	TERM	COMMENTS
PLUMBING FINISH		
Dishwasher	5-15 yrs.	
Gas water heater	8-12 yrs.	
Gas refrigerator	15-25 yrs.	
Toilet seats	8-10 yrs.	
Commode	15-25 yrs.	
Steel sinks	15-20 yrs.	
China sinks	15-20 yrs.	
Faucets	life	
Flush valves	20-25 yrs.	
Well and septic system	15-50 yrs	Depends on soil, rock formations, and maintenance
Hot water boilers	30-50 yrs.	Inefficiency increases with age
HEATING FINISH		
Wall heaters	12-17 yrs.	
Warm air furnaces	25-30 yrs.	
Radiant heating:		
Ceiling	20-30 yrs.	
Baseboard	20-40 yrs.	
AC unit	8-18 yrs.	
AC compressors	10-18 yrs.	Regular maintenance required
Humidifier	7-8 yrs.	
Electric air cleaners	8-10 yrs.	
APPLIANCES		
Refrigerator	15-25 yrs.	
Washer	8-12 yrs.	
Dryer	8-12 yrs.	
Combo washer and dryer	7-10 yrs.	
Garage door opener	8-10 yrs.	
Disposal units	8-12 yrs.	
Dishwasher	8-12 yrs.	
Music system (intercom)	30-40 yrs.	
APPOINTMENTS		
Closet rods	life	
Blinds	10-15 yrs.	
Drapes	5-10 yrs.	
Towel bars	10-15 yrs.	
Soap grab	10-12 yrs.	
OTHERS		
Fences and screens	20-30 yrs.	
Splash blocks	6-7 yrs.	
Patios (concrete)	15-50 yrs.	
Gravel walks	3-5 yrs.	
Concrete walks	10-50 yrs.	
Sprinkler system	15-25 yrs.	
Asphalt driveway	5-20 yrs	With patchwork may last 15-20 yrs

Appendix D

Seasonal Maintenance Planner

SUMMER

This is the season for undertaking major home improvement projects and tending your ever-changing landscape.

- ***Maintain lawn and garden tools.***
  Sharpen blades, change oil, and replace filters on the lawn mower. Make sure weed trimmers are in good condition. Oil garden tools and sharpen blades.
- ***Inspect locks on doors and windows.***
  Make sure your home is safe and secure. Oil any testy locks and install a home security system if desired. Consider installing outdoor lighting to increase security.
- ***Inspect for termites and other pests.***
  Inspect the basement or crawl space, eaves, and attic for termites, carpenter ants, and other wood pests. If you see signs of wood damage, call a professional exterminator. Look under the eaves for wasp or hornet nests. Handle wasp or hornet nests with care and call in a professional if necessary.
- ***Primp patios and porches.***
  Clean the barbecue and hose down brick or concrete patio surfaces. Replace any broken bricks; patch concrete cracks. Wash outdoor or screened-in porch floors. Plant annuals in pots, or replant existing planters. Oil patio doors. Bring out patio or porch furniture.
- ***Complete painting projects.***
  If you're painting your house yourself, rent a power washer and wash your house first. Scrape off crumbling paint, smooth rough areas with sandpaper, and fill in damaged areas with wood putty. Choose the best paint you can afford. Schedule interior painting projects, too; warm temperatures allow for ventilation and quick drying times.
- ***Build or repair fences.***
  Repair any damaged areas of existing fencing and refinish as necessary. If you're building a new fence, get at least three bids and look carefully at the increasing variety of fencing materials. Make sure your fence abides by local codes and doesn't encroach on neighboring properties.
- ***Inspect siding.***
  Check siding and trim around windows and doors for holes, dents, and gaps. Repair with wood filler or according to manufacturer's instructions. If your home's siding needs to be replaced entirely, summer is the best time for this one- to two-week project.
- ***Replace your roof.***
  If you need a new roof, have it installed during summer's warm, dry weather. Consider fire-resistant roof material if you live in an area prone to wildfire and your current roof is not fireproof.

- ***Repair and seal driveways.***
  Renew the surface of asphalt driveways with sealer. Repair damage to concrete driveways as soon as possible (this project may require a professional).

FALL

Especially in cold-winter areas of the country, fall is the time to prepare your house for extreme temperature changes and heavy precipitation.

- ***Inspect the roof.***
  Hire a licensed roofer to replace missing or broken shingles, shake pieces, or tiles. Make sure the flashing around vent pipes, skylights, and the chimney is secure.
- ***Clean the chimney and fireplace.***
  Hire a chimney sweep to remove build-up of combustible creosote from the chimney, hearth, and firebox. If you don't use your fireplace more than a few times a year, do this every couple of years instead of annually.
- ***Unclog the gutters.***
  Clean the gutter channels, clear downspouts of debris. Make sure that the downspouts funnel water away from the foundation. Replace broken or deteriorating gutters or downspouts.
- ***Inspect the foundation.***
  Look for signs of water damage. Make sure that dirt around the house is graded to drain water away from the foundation. If you have an underground drainage system or sump pump, make sure it operates properly.
- ***Check the heating system.***
  Change filters and check registers and ducts for blockages. Hire a professional to have your furnace inspected for leaks and burner efficiency. Regularly dust registers and intake grills using your vacuum's crevice tool.
- ***Insulate.***
  Replace or add caulk or weather stripping around doors and windows, between the foundation and siding, and wherever bricks and wood make contact. Both of these flexible sealants degrade over time. Make sure you have sufficient attic insulation: Most areas require at least six inches of insulation material.
- ***Shut off the outdoor water supply after the first freeze.***
  In areas where temperatures drop below freezing in the winter, shut off the outdoor water supply or sprinkler system. Store garden hoses indoors.
- ***Winterize your windows.***
  If you have window units or doors with combination screen/storm windows, remove screens, wash and store, and install storm windows. Remove window air-conditioning units.
- ***Prepare your yard.***
  Rake leaves and add them to the compost heap. Prune trees and shrubs. Mow and fertilize the lawn. Store patio furniture, summer sports equipment, and garden tools. Plant spring bulbs and divide and replant perennials.

- ***Lubricate hinges.***
  Apply oil to door and window hinges. Don't forget garage doors.
- ***Tidy the garage.***
  Move indoors anything that might freeze, such as paint, caulk, and adhesives. Discard hazardous materials (such as paints and solvents) according to local rules; call your local waste-disposal department for information.

WINTER

This is the ideal time to prepare for the onslaught of extreme winter temperatures and to take care of indoor maintenance needs.

- ***Install extra insulation.***
  Weather strip as needed and install plastic sheets on windows.
- ***Prepare for snow.***
  Now's the time to make sure all your tools and equipment for snow removal are in good condition.
- ***Patch and paint.***
  Patch and paint interior walls and ceilings as needed.
- ***Repair indoor woodwork.***
  Fill holes with wood putty, then sand and finish the surface.
- ***Maintain appliances.***
  Unplug the refrigerator and clean it thoroughly with soap and hot water. Vacuum the condenser coil in the back or bottom of the refrigerator for better energy efficiency. If the drain pan is removable, clean it in soapy water. Clean the insides of the dishwasher, stove exhaust fan, oven, and microwave.
- ***Inspect bathroom caulking.***
  Remove and replace crumbling caulk around the bathtub, sink, or toilet. Make sure no moisture is leaking under the bathtub or shower stall.
- ***Protect pipes from freezing.***
  Insulate any water pipes that are exposed to extreme cold (check pipes on the north side of house particularly). Cover outdoor water faucets.
- ***Plan home improvement projects.***
  Plan major home improvement projects, such as painting the exterior of the house, building a patio, or making landscape changes. Check with your local building department to see if your projects require permits. In late winter, call contractors to submit bids.
- ***Clean and organize the basement.***
  Sweep the floor and clear out cobwebs. Check stored items for moisture damage. Build or purchase storage shelves. Tidy up work areas. Start flower and vegetable seeds in seed trays under lights.

SPRING

Spring is the time to get your landscape ready to bloom and ready yourself for outdoor home improvement projects.

- ***Repair winter damage.***
  Look for sagging gutters, loose window frames or siding, deteriorating concrete or brickwork, missing roof shingles, or water damage under eaves or soffits. Schedule repairs promptly.
- ***Yard work.***
  Clear away fallen branches and leaves. Use a mulching mower to spread clippings evenly over the lawn and fertilize naturally. Loosen the soil around perennials; plant annuals or a vegetable garden. Prune shrubs and trees.
- ***Patch and paint.***
  Check exterior walls for holes or cracks; patch and paint as necessary.
- ***Fans and air conditioners.***
  Clean fan blades using mild soapy water. Check the central air-conditioning unit for debris and obstructions; vacuum the main condenser coil on top of the unit. Check the operating condition of window air-conditioning units; remove and wash filters in mild soapy water.
- ***Turn on outdoor water supply.***
  Hook up the garden hose and inspect it for cracks or leaks. Replace old washers.
- ***Clean windows.***
  Wash windows, screens, and windowsills; repair any winter damage.
- ***Check exhaust fans and vents.***
  Make sure all exhaust fans and vents are clean and clear. Remove lint buildup from the clothes dryer vent.
- ***Remove winter ashes.***
  Sweep ashes into your fireplace's ash pit or into a dustpan. Clean and lightly oil fireplace tools. Remove ashes from wood-burning stoves and inspect all moving parts and gaskets to make sure they seal tightly.
- ***Condition your deck.***
  Hammer in any loose nails, or replace them with galvanized deck screws. Replace any broken boards or rails. Rent a power washer to clean dirt and mildew from the wood, then apply an all-weather sealer or stain. Set up patio furniture.
- ***Check fences and pool.***
  Repair any broken fence boards and paint or seal them as needed. Clean the pool if it has been covered all winter.
- ***Spring cleaning.***
  Dust walls and ceilings to remove cobwebs and wash any grimy areas. Dust or wash registers. Wash window curtains or remove drapes for dry cleaning. Clean rugs and carpeting. Dust and polish wood or laminate floors. Polish woodwork. Clean the garage and bring out the garden tools and lawn mower.

Appendix E

Housekeeping Checklist

Housekeeping Standards: Inside the Unit

General

Yes No

- ❑ ❑ Walls should be clean, free of dirt, grease, holes, cobwebs, and fingerprints.
- ❑ ❑ Floors should be clean, clear, dry, and free of hazards.
- ❑ ❑ Ceilings should be clean and free of cobwebs.
- ❑ ❑ Windows should be clean and not nailed shut, with shades or blinds intact.
- ❑ ❑ Woodwork should be clean, and free of dust, gouges, or scratches.
- ❑ ❑ Doors should be clean, free of grease and fingerprints, with functional locks.
- ❑ ❑ Heating units should be dusted and access uncluttered.
- ❑ ❑ Trash shall be disposed of properly and not left in the unit.
- ❑ ❑ Entire unit should be free of rodent or insect infestation.

Kitchen

Yes No

- ❑ ❑ Stove should be clean and free of food and grease.
- ❑ ❑ Refrigerator should be clean. Freezer door should close properly and gaskets should be clean.
- ❑ ❑ Cabinets should be clean and neat. Cabinet surfaces and counter tops should be free of grease and spilled food. Cabinets should not be overloaded. Storage under the sink should be limited to small or lightweight items to permit access for repairs.
- ❑ ❑ Exhaust fan filters should be free of grease and dust.
- ❑ ❑ Sink should be clean, free of grease and garbage. Dirty dishes should be washed and not stored in the sink.
- ❑ ❑ Food storage areas should be neat and clean without spilled food.
- ❑ ❑ Trash/garbage should be stored in a covered container until removed to the disposal area.

Bathroom

Yes No

- ❑ ❑ Toilet and tank should be clean and odor-free. Condensation should be wiped regularly.
- ❑ ❑ Tub and shower should be clean and free of mold and mildew. Where applicable, shower curtains should be in place, and of adequate length to prevent spillage.
- ❑ ❑ Sink should be clean.
- ❑ ❑ Vanities should be kept clean and free of water leakage.
- ❑ ❑ Exhaust fan should be free of dust.
- ❑ ❑ Floor should be clean and dry.

Storage Areas

Yes No

❑ ❑ Linen closet should be clean.
❑ ❑ Other closets should be clean.
❑ ❑ No highly flammable materials should be stored in the unit.
❑ ❑ Other storage areas should be clean and free of hazards.

Housekeeping Standards: Outside the Unit

Yes No

❑ ❑ Yards should be free of debris, trash, and inoperable vehicles and vehicle parts.
❑ ❑ Exterior walls should be free of graffiti.
❑ ❑ Porches (front and rear) should be clean and free of hazards. No items should be stored on the porch. Outdoor porch furnishings should not impede access to the unit.
❑ ❑ Steps (front and rear) should be clean and free of hazards.
❑ ❑ Sidewalks should be clean and free of hazards.
❑ ❑ Storm doors should be clean, with glass or screens intact.
❑ ❑ Hallways should be clean and free of hazards.
❑ ❑ Yards should be neatly maintained.
❑ ❑ Laundry areas should be clean and neat. Lint should be removed from dryers after use.
❑ ❑ Utility room should be free of debris, motor vehicle parts, and flammable materials.

Notes

Notes

Notes

Notes

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Pathways Home:

A Native Homeownership Guide

Glossary

A project coordinated by the
National American Indian Housing Council, NeighborWorks® America, and Oweesta

Pathways Home:

Pathways to Homeownership Prayer

Creator who watches over us, please help us to achieve our dream of living with our families in homes that are filled with love, respect, kindness, warmth from the cold, cool from the heat and sheltered from wind, rain, snow, and ice. Help us Creator, to learn how to take care of our money and plan how we will survive like our ancestors did. Our homes with your blessing will be filled with traditions and the ways our ancestors once lived and passed our culture on to us. The old ways of our people are still the way we need to live our lives, that is, to provide a place to share with others. We will treat each person who enters our home as if they were our Creator! Our home will be a place to share our dreams and visions, a place to have fun and learn from our relatives and friends. A place to teach our young and a place to help our elders. A place for us to take care of so that when the time comes we can pass our home on to the next family. Please Creator, help us also, to listen to the messages that Mother Earth and all of her creatures have to teach us. Help us to learn ways of planting, sowing, cooking, and sharing our native foods. Coupled with our self-determination and love and respect for ourselves, all of these things are possible, Creator, with your love and guidance.

— Donna Fairbanks
Minnesota Chippewa Tribe
Mississippi Band, Crane Clan

Pathways Home:

A Native Homeownership Guide

Glossary

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More Information

Copies of the *Pathways Home: A Native Homeownership Guide* and information about training opportunities for instructors can be obtained from the National American Indian Housing Council at (800) 284-9165 or (202) 789-1754.

The *Pathways Home: A Native Homeownership Guide* serves as a companion piece to *Building National Communities: Financial Skills for Families*, a basic financial skills curriculum for Native communities published by First Nations Development Institute and First Nations Oweesta Corporation. To order copies of the *Building Native Communities: Financial Skills for Families*, call First Nations Oweesta Corporation at (605) 342-3770 or email info@oweesta.org.

Glossary

Abstract (of Title) – A summary of the public records relating to the title to a particular piece of land. An attorney or title insurance company reviews an abstract of title to determine whether there are any title defects that must be cleared before a buyer can purchase a clear, marketable, and insurable title.

Acceleration Clause – A provision in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed.

Account – An account represents a relationship between a company (the account owner) and consumer, through which the consumer purchases a product or service and makes payment for it over time.

Account Number – A reference number assigned to accounts, by the creditor or collection agency, to uniquely identify a consumer as the owner of that account.

Account Reviews – Inquiries made into a consumer's credit history by creditors with whom the consumer has a current relationship. These inquiries are not included in the business version of a consumer's credit report.

Adjustable-Rate Mortgage (ARM) – A mortgage that permits the lender to adjust its interest rate periodically on the basis of changes in a specified index.

Adjusted Gross Income – The term "adjusted income" means the annual income that remains after certain exclusions. In the context of this curriculum, gross income is adjusted by deducting $1,000 for each household member.

Administration Charge – The amount budgeted per-unit per-month for operating expenses of the Mutual Help Program.

Adverse Action – An unfavorable action, such as the denial of credit, insurance, or employment, taken by a creditor or other entity, affecting a consumer. Under the Fair Credit Reporting Act, creditors must disclose the reasons for any adverse action.

Adverse Information – Information about a consumer that a creditor or other entity considers a risk or unacceptable, such as a past due account.

Affordability – The process of calculating how much a borrower can afford to commit to a mortgage payment based on their income and debt.

Agent – One who legally represents another, called a principal, from whom authority has been derived.

Agreement for Sale –A written document in which the purchaser agrees to purchase and the seller agrees to sell under stated terms and conditions. Also referred to as a Purchase and Sales Agreement or Contract, Purchase Agreement, Earnest Money Contract, or offer to Purchase Contract.

Allotted Land – Land owned by the United States and held in trust for individual Indians. Also referred to as Individual Allotted Trust Land.

Amortization – The gradual repayment of a mortgage by installments, calculated to pay off the obligation at the end of a fixed period of time.

Amortization Schedule – A timetable for payment of a mortgage showing the amount of each payment applied to interest and principal and the remaining balance.

Annual Percentage Rate (APR) – The total yearly cost of a mortgage stated as a percentage of the loan amount; including the base interest rate, primary mortgage insurance, and loan origination fee (points).

Application Agreement – An agreement between the lender and the borrower which summarizes the general terms that will comprise the loan agreement.

Appraisal – An expert judgment or estimate of the quality or value of real estate as of a given date.

Appraisal Fees – The cost charged for obtaining an appraisal. Costs vary by region.

Appraisal Report and Conditions – If appraisal is subject to repairs or conditions, a condition sheet must be attached or appraisal must contain specific information as to repairs required.

Appraiser – An expert who conducts appraisals.

Appreciate – Increase in value; see Appreciation.

Appreciation – An increase in the value of a house due to changes in market conditions or other causes.

Assessed Value – The valuation placed upon property by a public tax assessor for purposes of taxation.

Assumable Mortgage – A mortgage that can be taken over (“assumed”) by the buyer when a home is sold.

Authorized User – Someone authorized to use an individual credit account by the person who opened the account.

Automated Underwriting – A computerized system that analyzes your loan application information and arrives at a loan decision.

Back End Ratio – The percentage of income set by the lender that is available for principal, interest, taxes, insurance, plus all recurring debts.

Balloon Mortgage – Loan that requires a payment in full at the end of a set period. Typically, the term is five, seven, or ten years. The borrower would make regular monthly payments based on a 30-year term. At the end of the balloon period, the borrower would need to pay the principal balance to the lender. At this point, the borrower would have the option to sell the home or refinance the amount that is due on the principal. Balloon mortgage programs are ideal for a homebuyer who wants the security of a fixed rate, but does not intend to own the home beyond the date the balloon term ends. Typically, these mortgages provide the benefit of below-market interest rates during the balloon period.

Bank Card – A credit card issued through a bank.

Bankruptcy – A legal proceeding to give a person or business some relief from debts.

Beneficiary –Term referring to the person who receives the benefits of a trust or the recipient of the proceeds of a will or a life insurance policy.

BIA – Bureau of Indian Affairs. See also Bureau of Indian Affairs.

Binder – A preliminary agreement, secured by the payment of earnest money, under which a buyer offers to purchase real estate.

Biweekly Mortgages – These mortgages provide a built-in prepayment feature. The borrower pays half of the monthly mortgage payment every two weeks, thus making 13 "monthly" payments per year and paying off a 30-year mortgage in 20 years. Many people who get paid every two weeks prefer biweekly mortgages because they can payroll-deduct their payments.

Borrower Native American ID – Proof that a borrower is Indian (tribal membership card, Certificate of Indian Blood, etc.).

Building Line or Setback – Distances from the ends and/or sides of the lot beyond which construction may not extend. The building line may be established by a filed plat of subdivision, by restrictive covenants in deeds or leases, by building codes, or by zoning ordinances.

Bureau of Indian Affairs – The agency within the Department of the Interior that is delegated the responsibility to administer and oversee trust responsibilities of the United States in Indian affairs.

Buydown – Permanent: Prepaid interest that brings the note rate on the loan down to a lower, permanent rate. Temporary: Prepaid interest that lowers the note rate temporarily on the loan, allowing the buyer to more readily qualify and to increase payments as income grows. (A common example of a temporary buydown is the 3-2-1 plan – 3 percent lower interest the first year, 2 percent the second, and 1 percent the third.) TDHE or tribal buydown programs typically prepay the principal to lower the first mortgage to a loan amount enabling the participant to qualify.

Cap – A provision of an ARM limiting how much the interest rate or mortgage payments may increase.

Capacity – One of the four Cs of credit. A person's financial capability to make payments on a mortgage loan, based on their income and other financial responsibilities.

Capital – One of the four Cs of credit. Wealth in the form of money or property. Most lenders consider the borrower's capital an alternative repayment source.

Cash Reserve – A requirement of some lenders that buyers have sufficient cash remaining after closing to make the first two mortgage payments.

Cash-Value Insurance – Provides the borrower's dependents with a cash payoff at the borrower's death, as well as providing a tax-deferred savings program.

Certificate of Occupancy – A document issued by the contractor certifying that all work has been completed to specification and is ready for occupancy. This document should be signed by the owner, indicating acceptance of the work.

Certificate of Title – A certificate issued by a title company or a written opinion rendered by an attorney that the seller has good marketable and insurable title to the property that he is offering for sale. A certificate of title offers no protection against any hidden defects in the title that an examination of the records could not reveal. The issuer of a certificate of title is liable only for damages due to negligence. The protection offered to a homeowner under a certificate of title is not as great as that offered by a title insurance policy.

Chapter 7 Bankruptcy – The chapter of the United States Bankruptcy Code that provides for court-administered liquidation of the assets of a financially troubled individual or business.

Chapter 11 Bankruptcy – The chapter of the United States Bankruptcy Code that is usually used for the reorganization of a financially troubled business. Used as an alternative to liquidation under Chapter 7.

Chapter 12 Bankruptcy – The chapter of the United States Bankruptcy Code adopted to address financial difficulties of the nation's farming community.

Chapter 13 Bankruptcy – The chapter of the United States Bankruptcy Code under which debtors repay debts according to a plan accepted by the debtor, the creditors, and the court.

Character – One of the four Cs of credit. In the loan evaluation process, the lender evaluates how well the applicant handles financial obligations. In this aspect of the evaluation, an applicant's credit history is one of the most important factors in establishing his or her ability to repay a loan.

Charge Card – A credit card that requires full payment of the bill each month; no interest is charged. The American Express Card and Diners Club Card are examples.

Charge-Offs – An accounting term used to indicate that the creditor does not expect to collect the balance owed on an account. However, most creditors will continue to pursue collection of the debt.

Clear Title – A title that is free of liens and legal questions as to ownership of the property.

Client Action Plan – A plan of action to remove obstacles to mortgage readiness.

Closed-End Credit – An agreement under which an amount advanced as credit plus any finance charges are expected to be repaid in full over a definite time. Most real estate and automobile loans are closed-end credit agreements.

Closing – The occasion where a sale is finalized; the buyer signs the mortgage, and closing costs are paid. Also called "settlement."

Closing Costs – Expenses (over and above the price of the property) incurred by buyers and sellers in transferring ownership of a property. Also called "settlement costs."

Closing Day – The day on which the formalities of a real estate sale are concluded. The certificates of title, abstract, and deed are generally prepared for the closing by an attorney and this cost charged to the buyer. The buyer signs the mortgage, and closing costs are paid. The final closing merely confirms the original agreement reached in the agreement of sale.

Closing Statement – A financial disclosure accounting for all funds received and expected at the closing, including the escrow deposits for taxes, hazard insurance, and mortgage insurance for the escrow account.

Cloud (on Title) – An outstanding claim or encumbrance that adversely affects the marketability of title.

Coastal Management Zone – HUD-assisted activities are subject to the requirements of the Coastal Barrier Resources Act and Coastal Zone Management Act. The environmental review must give special consideration to the protection and management of coastal areas if the HUD-assisted project is located within a coastal barrier designated on a current Federal Emergency Management Agency flood map or Department of Interior coastal barrier resources map, or within a coastal zone management (CZM) area designated by the state CZM agency. Information is available from the state and local government agency responsible for implementing the coastal zone protection and management. Coastal barrier resources are designated on maps issued by the Fish and Wildlife Service of the Department of Interior. This information is also provided on the flood insurance rate maps issued by the Federal Emergency Management Agency.

Co-Borrowers – Two or more persons who legally agree to apply for and repay a loan.

Collateral – One of the four Cs of credit. Any property pledged as security for a debt.

Collection – Procedure followed to bring an account current and to file the necessary notices to proceed with legal action to collect payment due.

Commission – Money paid to a real estate agent or broker by the seller as compensation for finding a buyer and completing the sale. Usually it is a percentage of the sale price – six to seven percent on houses, 10 percent on land.

Commitment Letter – A formal offer by a lender stating the terms under which it agrees to loan money to a homebuyer.

Community Development Financial Institution (CDFI) – A CDFI is a financial institution whose purpose is community development through the creation of programs and strategies designed to meet the needs of low-income communities. CDFIs make loans to entities or individuals unable to get approved by traditional banking institutions.

Community Land Trust Mortgage Loan – An alternative financing option that allows low- and moderate-income homebuyers to purchase housing that has been improved by a nonprofit Community Land Trust, and to lease the land on which the property stands.

Compensating Factors – Compelling factors that exceed a lender's requirements that either make up for or offset a deficiency.

Condemnation – The taking of private property for public use by a government unit, against the will of the owner, but with payment of just compensation under the government's power of eminent domain. Condemnation may also be a determination by a governmental agency that a particular building is unsafe or unfit for use.

Condominium – A form of property ownership in which the homeowner holds title to an individual dwelling unit plus an interest in common areas of a multi-unit project.

Conforming Loan – A loan which meets the standards set by Fannie Mae's and Freddie Mac's regulator and meets Fannie Mae's and Freddie Mac's funding criteria. The terms "conforming" and conventional are often used interchangeably.

Construction Contract – An agreement between a general contractor and an owner or owner-developer stating the specific duties the general contractor will perform according to blueprints and specifications at a stipulated price and terms of payment.

Construction Draw – The partial disbursement of the construction loan, based on the schedule of payments agreed to in the loan agreement.

Construction Loan – A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

Contiguous – Adjoining property.

Contingency – A condition that must be met before a contract is legally binding.

Contract for Deed – An installment sale. You buy today but only get title after all of the payments are made. It is a contract between purchaser and a seller of real estate to convey title after certain conditions have been met. If you miss a payment, you could lose some or all your equity. Because title has not been transferred, there is nothing to foreclose. Some states, however, have special provisions protecting those who buy property with a land contract. State rules regarding land contracts vary extensively and such arrangements should be reviewed by an attorney or legal clinic before acceptance. See also Land Contract and Agreement for Sale.

Contractor – In the construction industry, a contractor is one who contracts to erect buildings or portions of them. There are also contractors for each phase of construction: heating, electrical, plumbing, air conditioning, road building, bridge and dam erection, and others.

Conventional Mortgage – Any mortgage that is not insured or guaranteed by the federal government. It is subject to conditions established by the lending institution and state statutes. The mortgage rates may vary with different institutions and between states.

Convertible ARM – An adjustable-rate mortgage that can be converted to a fixed-rate mortgage under specified conditions.

Convey – The process of selling or transferring property to a Mutual Help homebuyer who has satisfied all the obligations of the Mutual Help and Occupancy Agreement.

Cooperative – A form of common property ownership in which the residents of an apartment building do not own their own units, but rather own shares in the corporation that owns the property.

Co-Signer – A person who signs a legal instrument and therefore becomes individually and jointly liable for repayment or performance of an obligation.

Covenant – A clause in a mortgage that obligates or restricts the borrower and which, if violated, can result in foreclosure. Also pertains to restrictions in a lease.

Credit – A consumer's ability to make purchases, obtain services, or borrow money based on his or her promise, ability, and demonstrated willingness to repay.

Credit Bureau – A company that gathers information about how consumers use credit, which the credit bureau in turn provides to potential creditors, employers, and others who have a legally recognized reason to request such information.

Credit Card – Any card, plate, or coupon book that may be used repeatedly to borrow money or buy goods or services on credit.

Credit Check – An inquiry to confirm a consumer's credit payment history.

Credit Fraud – A case when someone fraudulently uses another person's Social Security number or other personal information to acquire credit in his or her name.

Credit History – The record of a consumer's credit accounts and manner of payment.

Credit Inquiry – When you apply for credit, the lender will request a copy of your credit report. Each time your credit report is requested from the credit bureau, it is documented on your report as an "inquiry."

Credit Limit – The maximum balance that can be carried on a credit account.

Credit Report – A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

Credit Risk – An assessment of a consumer's likelihood of fulfilling the terms of a credit agreement.

Credit Score – A mathematical calculation that reflects a consumer's credit behavior. The score is an assessment of how likely a consumer is to pay his or her debts.

Creditor – Person or business to whom a debt is owed.

Creditworthiness – A description of a consumer's credit behavior and management that leads to a creditor's decision whether or not to make an offer of credit.

Currency – Exchange rate policy that does not limit the range of the market rate.

Debt Consolidation – A process through which a new loan is structured that is used to combine and finance payments on other loans.

Debt Service – The periodic payment of principal and interest on mortgage loans.

Debt-to-Income Ratio – The relationship between income and debt.

Deductible – The amount of cash payment required under an insurance policy to be made by the homeowner to cover a portion of a damage or loss. Typically the higher deductible, the lower the cost of the policy. Also called "out-of-pocket expenses."

Deed – A formal written instrument by which title to real property is transferred from one owner to another. The deed should contain an accurate description of the property being conveyed, should be signed and witnessed according to the laws of the state where the property is located, and should be delivered to the purchaser at closing. There are two parties to a deed: the grantor and the grantee. See also Deed of Trust, General Warranty Deed, Quitclaim Deed, and Special Warranty Deed.

Deed-in-Lieu of Foreclosure – A deed given by a mortgagor to a mortgagee to satisfy a debt and avoid foreclosure.

Deed of Trust – The document used in some states instead of a mortgage; title is conveyed to a trustee rather than to the borrower. Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust, there are three parties to the instrument: the borrower, the trustee, and the lender (or beneficiary). In such a transaction, the borrower transfers the legal title for the property to the trustee, who holds the property in trust as security for the payment of the debt to the lender or beneficiary. If the borrower pays the debt as agreed, the deed of trust becomes void. If, however, he defaults in the payment of the debt, the trustee may sell the property at a public sale, under the terms of the deed of trust. In most jurisdictions where the deed of trust is in force, the borrower is subject to having his property sold without benefit of legal proceedings.

Default – Failure of a consumer to make loan or credit repayments as agreed in a loan or credit agreement or to comply with other conditions of a mortgage.

DHHL – Department of Hawaiian Home Lands.

Delinquency – A situation in which payment on a loan is overdue but not yet in default.

Department of Hawaiian Home Lands (DHHL) – The agency created by the Hawaii State Legislature in 1960 to administer the Hawaiian Home Lands program and manage the Hawaiian Home Lands trust.

Deposit – Cash paid to the seller when a formal sales contract is signed.

Depreciate – Decline in value; see depreciation.

Depreciation – Decline in value; the opposite of "appreciation."

Disclosure – A requirement that all information regarding a specific property be disclosed to the buyer prior the buyer purchasing the property.

Discount Points – See Points.

Discretionary Income – Income remaining after all expenses have been met.

Dispute – To question the accuracy of information in a credit report.

Documentary Stamps – A state tax, in the forms of stamps, required on deeds and mortgages when real estate title passes from one owner to another. The amount of stamps required varies with each state.

Down Payment – The part of the purchase price that the buyer pays in cash and does not finance with a mortgage.

Due-on-Sale Clause – A provision in a mortgage allowing the lender to demand repayment in full if the borrower sells the property securing the mortgage.

Earnest Money – The deposit money given to the seller or his agent by the potential buyer upon the signing of the agreement of sale to show that he is serious about buying the house. If the sale goes through, the earnest money is applied against the down payment. If the sale does not go through, the earnest money will be forfeited or lost unless the binder or offer to purchase expressly provides that it is refundable.

Easement – Right or interest in the land of another entitling the holder to a specific limited use, privilege, or benefit, such as installing utilities or crossing the property.

Encroachment – An obstruction, building, or part of a building that intrudes beyond a legal boundary onto neighboring private or public land, or a building extending beyond the building line.

Encumbrance – A legal right or interest in land that affects a good or clear title, and diminishes the land's value. It can take numerous forms, such as zoning ordinances, easement rights, claims, mortgages, liens, charges, a pending legal action, unpaid taxes, or restrictive covenants.

Environmental Review – The evaluation of the environmental consequences of acquiring or constructing a home. The review is performed according to a statutory checklist and must be signed by a tribal official.

Equal Credit Opportunity Act (ECOA) – A federal law that prohibits lenders from denying mortgages on the basis of the borrower's race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity – The difference between the market value of a property and the homeowner's outstanding mortgage balance. Equity is computed by subtracting from the property's fair market value the total of the unpaid mortgage balance and any outstanding liens or other debts against the property. A homeowner's equity increases as he pays off his mortgage or as the property appreciates in value. When the mortgage and all other debts against the property are paid in full, the homeowner has 100 percent equity in his property.

Equity Loan – See home equity loan.

Escrow – The holding of documents and money by a neutral third party prior to closing; also, an account held by the lender into which a homeowner pays money for taxes and insurance.

Escrow Account Statement – A description of the funds held in escrow, an account that is set up by the lender to collect and hold monthly payments toward annual property taxes and homeowner's insurance.

Escrow Payment – The portion of a mortgagor's monthly payment held by the lender to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due.

Eviction – The lawful expulsion of an occupant from real property.

Factor Table – A table that can be used to calculate a monthly mortgage amount or monthly payment amount.

Fair Credit Reporting Act (FCRA) – The FCRA protects consumers' privacy by defining the permission a business or individual must have when requesting a credit report; provides consumers with the right to obtain copies of their credit reports for free if denied credit; defines obsolete information; and declares that reasonable procedures must be used to ensure accuracy.

Fair and Accurate Credit Transaction Act (FACT Act) – The FACT Act amends the FCRA and allows consumers to request and obtain a free credit report once every twelve months from each of the three nationwide consumer credit reporting companies. In cooperation with the Federal Trade Commission (FTC), the three major credit reporting agencies provide free access to annual credit reports through the government sponsored website, www.annualcreditreport.com. The law also requires all creditors and financial institutions to maintain an Identity Theft Prevention Program that reduces the theft or misuse of a consumer's identity.

Fair Debt Collection Practices Act (FDCPA) – The FDCPA is a consumer protection law designed to eliminate abusive debt collection practices by debt collectors, to insure that those debt collectors who refrain from using abusive debt collection practices are not competitively disadvantaged and to promote consistent State action to protect consumers against debt collection abuses.

Fair Housing Act – A federal law that prohibits discrimination in residential real estate transactions on the basis of race, color, religion, sex, handicap, familial status, or national origin.

Fair Market Rent – Rents published annually by HUD based on survey data collected to determine the prevailing market rent for various size rental units by county.

Fair Market Value – The price at which property is transferred between a willing buyer and a willing seller, each of whom has a reasonable knowledge of all pertinent facts and neither of whom is under any compulsion to buy or sell.

Fee Simple Absolute – The maximum possible estate or right of ownership of real property, continuing forever.

Fees – Charges or assessments for costs incurred in originating, processing, preparing, and recording documents associated with a home mortgage loan.

FHA – Federal Housing Administration.

FHA Loan – A mortgage that is insured by the Federal Housing Administration.

FHA Section 247A Mortgage Insurance Program – A loan program that can be used by eligible native Hawaiians to construct a home, refinance (includes FHA streamline refinancing), purchase and rehabilitate a home, or refinance and rehabilitate a home on Hawaiian Home Lands.

FHA Section 248 Mortgage Insurance Program – A loan program that can be used on trust property for Natives to buy an existing home (including a manufactured or mobile home, providing it meets certain FHA requirements) or to build a home.

Finance Companies – A company whose business and primary function is to make loans to individuals, while not receiving deposits like a bank.

First Mortgage – The mortgage that has first claim in the event of default.

Fixed-Rate Mortgage – A mortgage in which the interest rate does not change during the entire term of the loan.

Float – An interest rate that is tied to some variable (floating) interest rate benchmark, such as a specific-maturity Treasury yield.

Floating Rate – Interest rate that is reset periodically, usually every couple of months or sometimes daily.

Flood Certificate – A certificate issued by a licensed surveyor indicating that a specific property is not located in a federally designated flood zone.

Flood Insurance – Insurance required for properties in federally designated flood areas. This type of insurance compensates for physical property damage resulting from flooding. It is required for properties located in a federally designated flood zone.

Flood Zone – A federal designation for areas that are located within a Special Flood Hazard Area (SFHA) or for properties within the 500-year floodplain.

Forbearance – The lender's postponement of foreclosure to give the borrower time to catch up on overdue payments.

Force Account – The TDHE acts as the general contractor and hires its own crew called force account crew.

Foreclosure – The process by which a mortgaged property may be sold when a mortgage is in default.

Fractionated Land – Allotted trust property that is not divided among all the owners.

Fraud – Intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right.

Front End Ratio – The percentage of income set by the lender that is available for principal, interest, taxes, and insurance.

Garnishment – A process through which part of a debtor's wages are withheld and paid to creditors. This can happen only after a creditor takes legal action.

General Warranty Deed – A deed that conveys not only all the grantor's interests in and title to the property to the grantee, but also warrants that if the title is defective or has a "cloud" on it (such as mortgage claims, tax liens, title claims, judgments, or mechanic's liens against it) the grantee may hold the grantor liable.

Gift Letter – A letter that documents the source/relationship and, if tribe, source of funds provided by a third party to help a homebuyer purchase a home. Examples are funds from a tribe, a TDHE, a gift from a relative, or a grant from a government or nonprofit program.

Good Faith Estimate – An estimate of what the closing costs will be, which must be provided by the lender within three business days of the loan application. This estimate does not have to be exact, but must be a good faith estimate.

Government Bond – Negotiable U.S. securities, such as Treasury bills, bonds, notes, and savings bonds. Government securities are considered among the safest investments available as they are backed by the U.S. government.

Graduated Payment Mortgage – A mortgage that starts with low monthly payments that increase at a predetermined rate.

Green Proofing – Green Proofing is a movement that seeks to encourage communities and government to move toward greater environmental controls to restore and preserve the Earth's resources for future generations and ensure healthy and sustainable communities.

Gross Income – All income before taxes and any other deductions.

Hawaiian Home Lands – In 1921, the federal government set aside in the Territory of Hawaii 200,000 acres as a land trust for homesteading by native Hawaiians. Today this is referred to as the Hawaiian Home Lands.

Hazard Insurance – Insurance to protect the homeowner and the lender against physical damage to a property from fire, wind, vandalism, or other hazards.

Homebuyer Agreement – A Mutual Help and Occupancy Agreement or a Turnkey III Homebuyer's Ownership Opportunity Agreement.

Home Equity Loan – A loan (sometimes called a line of credit) under which a property owner uses his or her residence as collateral and can then draw funds up to a prearranged amount against the property.

Home Inspection Form – Borrower must sign an acknowledgment form regarding the importance of a home inspection and that the lender/HUD does not warrant condition of property.

Home Inspector – A professional inspector who performs prepurchase home inspections.

Homeland Security Act (HSA) of 2002 – HSA created the Department of Homeland Security (DHS) in response to the aftermath of the September 11 terrorist attacks. The DHS works in the civilian sphere to carry out its primary responsiblity of protecting the territory of the United States from terrorist attacks and responding to natural disasters.

Homeowner's Insurance – An insurance policy that combines liability coverage and hazard insurance.

Homeowner's Warranty – A type of insurance that covers repairs to specified parts of a house for a specific period of time.

Housing Improvement Program (HIP) – A program offered by the BIA to assist the neediest of needy families in obtaining home rehabilitation or home replacement assistance. This program has experienced serious reductions in funding over the past 15 years, and selection for assistance is now based on a national pool.

Housing Ratio – The percentage of a mortgage borrower's income that would be used to pay for mortgage costs.

HUD – U.S. Department of Housing and Urban Development.

HUD-1 Settlement Statement – Required by Real Estate Settlement Procedures Act, this is a two-page form that lists all the charges paid by both the seller and the buyer. Both parties must sign this form and the lender will keep the original in the loan file.

HVAC – Heating, ventilation, and air conditioning systems.

IHA – Indian Housing Authority.

IHA Homeownership Financing – IHA financing for purchase of a home by an eligible Homebuyer who gives the IHA a promissory note and mortgage for the balance of the purchase price.

IHS – Indian Health Service.

Indian – Any person recognized as being Indian or Alaska Native by an Indian Tribe, the federal government, or any state, and includes the term "Native American."

Indian Area – The area within which an Indian Housing Authority is authorized to provide housing.

Indian Health Service (IHS) – An agency of the U.S. Department of Health and Human Services.

Indian Housing Authority (IHA) – Any entity that was authorized under the 1937 Housing Act to engage in or assist in the development or operation of low-income housing for Indians and that is established either (1) by exercise of the power of self-government of an Indian Tribe independent of State law; or (2) by operation of State Law providing specifically for housing authorities for Indians, including regional housing authorities in the State of Alaska.

Indian Tribe – Any tribe, band, pueblo, group, community, or nation of Indians or Alaska Natives.

Individual Account – A credit account established by an individual for that individual's use only.

Individual Allotted Trust Land – Land owned by the United States and held in trust for the benefit of an individual Indian. Also referred to as Allotted Trust.

Individual Development Account (IDA) – Matched restricted savings account designed to help low-income families accumulate savings. It enables participants to save on a regular basis and to obtain an economic asset for the long term.

Individual Retirement Account (IRA) – A retirement plan through which your payroll contributions are invested and result in a reduction of the income tax you owe for the year in which the contribution is made.

Inflation Rider – An assurance that the insurance coverage increases automatically as the property's value increases.

Inquiry – An examination of a consumer's credit history.

Inspection Fees – The costs charged for performing an inspection.

Installment Loan – A type of credit in which the debt is divided into amounts to be paid successively at specified intervals set by the terms of the loan.

Installment Loan Account Number – A reference number assigned by the creditor to a specific installment loan account (e.g., auto, furniture, jewelry).

Interdepartmental Agreement – The agreement among HUD, the Department of Health and Human Services, the Department of Interior, and other appropriate agencies, concerning assistance to projects developed and operated under NAHASDA.

Interest Rate – The fee charged for borrowing money.

Interest Rate Cap – A provision of an ARM limiting how much interest rates may increase per adjustment period. See also Lifetime Cap.

Intestate – To die leaving no valid will.

Joint Account – An account shared by two or more people.

Joint Tenancy – A form of co-ownership giving each tenant equal interests and equal rights in the property, including the right of survivorship.

Judgment – The formal decision of a court upon the respective rights and claims of the parties to an action or suit. After a judgment has been entered and recorded with the county recorder, it usually becomes a general lien on the defendant's property.

Keogh Account – A plan that allows people to make tax-deductible contributions from their income into a retirement savings account.

Land Contract – See Contract for Deed.

Late Charge – The penalty a borrower must pay when a payment is made after the due date.

Lease or Lease Contract – This is the complete agreement between the parties as it exists at any given time. It is the original lease as it has been modified to date.

Lease/Purchase Mortgage Loan – An alternative financing option that allows low- and moderate-income homebuyers to lease a home from a nonprofit organization with an option to buy; each month's rent payment consists of PITI payments on the first mortgage, plus an extra amount that is earmarked for a savings account in which money for a down payment accumulates. See also Lease with Option to Purchase.

Leasehold Encumbrance – A mortgage, deed of trust, or other lien on the leasehold interest given to secure the repayment of a loan obtained by the lessee.

Leasehold Interest – The interest conveyed by the lessor to the lessee under the lease; in other words, the lessee's interest in the land. It consists of the right to the quiet enjoyment of the leased premises for the term of the lease, subject to the requirements of the contract.

Leasehold Mortgage – A loan to a lessee secured by a leasehold interest in a property.

Lease with Option to Purchase – A type of financing option that allows a potential homebuyer to lease a home with an exclusive option to buy within a specified time frame. Typically, each month's rent payments include an extra amount that is deposited into a savings account to accumulate money for down payment and closing costs. See also Lease/Purchase Mortgage Loan.

Legal Description – A property description recognized by law that is sufficient to locate and identify the property without oral testimony.

Legal Jurisdiction – The area in which the legal governing body can enact and enforce its laws.

Lender – One who loans money to a borrower.

Lessee (tenant) – The person(s) holding rights of possession and use of property under terms of a lease.

Lessor (landlord) – The one leasing property to a lessee.

Lien – A legal claim by one person on the property of another as security for money owed. Such claims may include obligations not met or satisfied, judgments, unpaid taxes, materials, or labor, and the claim lasts until the satisfaction of some debt or duty.

Life Estate – A provision that allows for the transfer of interests in property to heirs in the event of death.

Lifetime Cap – A provision of an ARM that limits the total increase in interest rates over the life of the loan.

Line of Credit – An agreement by a commercial bank or other financial institution to extend credit up to a certain amount for a certain time to a specific borrower.

Loan – A sum of money provided to a borrower in exchange for repayment of the amount loaned plus interest.

Loan Commitment – See Commitment Letter.

Loan Modification – An agreement between the borrower and the lender that changes the terms of the loan.

Loan Origination – See Origination.

Loan Origination Fee – See Origination Fee.

Loan Processing – The steps a lender takes to decide if a buyer can qualify for a loan.

Loan Servicing – The collection of mortgage payments from borrowers and performance of related responsibilities by a loan servicer.

Loan-to-Value Ratio (LTV) – The relationship between the amount of a mortgage and the total value of the property by which the mortgage is secured.

Lock-In – A written agreement guaranteeing the homebuyer a specified interest rate, provided the loan is closed within a set period of time. The lock-in also usually specifies the number of points to be paid at closing.

Loss Payable Clause – A clause in a fire insurance policy listing the priority of claims in the event of destruction of the insured property. Generally, a mortgagee, or beneficiary under a deed of trust, is the party specified in the clause to be paid the amount owed under the mortgage or deed of trust before the owner is paid.

Low-Income Family – A family whose annual income does not exceed 80 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families. HUD may establish income limits higher or lower than 80 percent of the median income for an Indian area on the basis of its finding that such variations are necessary because of the prevailing levels of construction costs or unusually high or low family incomes.

Low-Rent Housing – In the context of this material, this refers to a HUD 1937 Act program under which IHAs built either single-family homes or multifamily housing to rent to low-income families. These homes are now operated and maintained by TDHEs under NAHASDA.

Margin – The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

Market Value – The expected sale price of something.

Marketable Title – A title that is free and clear of objectionable liens, clouds, or other title defects; a title that enables an owner to sell his property freely to others and that others will accept without objection.

MH Program – The Mutual Help Homeownership Opportunity Program.

Mortgage – A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage (Open-End) – A mortgage with a provision that permits borrowing additional money in the future without refinancing the loan or paying additional financing charges. Open-end provisions often limit such borrowing to no more than would raise the balance to the original loan figure.

Mortgage Banker – A company that originates mortgages exclusively for resale in the secondary market.

Mortgage Broker – A firm or individual that brings borrowers and lenders together and receives a commission.

Mortgage Commitment – A written notice from the bank or other lending institution saying it will advance mortgage funds in a specified amount to enable a buyer to purchase a house.

Mortgage Credit Life Insurance – Insurance that will pay off the mortgage in the event of the homeowner's death.

Mortgage Financing Assistance – A program offered by a tribe, TDHE, nonprofit housing organization, lender, or governmental entity that provides funding assistance to pay all or part of the closing costs on purchase of a home.

Mortgage Insurance – See Private Mortgage Insurance.

Mortgage Insurance Premium (MIP) – The fee paid by a borrower to FHA or a private insurer for mortgage insurance to protect lenders against loss in insured mortgage transactions. In FHA insured mortgages, this represents an annual rate of one-half of one percent paid by the mortgagor on a monthly basis.

Mortgage Note – A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of an indebtedness, and states the manner in which it must be paid. The note states the actual amount of the debt that the mortgage secures and renders the mortgagor personally responsible for repayment.

Mortgage Recordation – See Recording.

Mortgagee – The lender in a mortgage agreement.

Mortgagor – The borrower in a mortgage agreement.

Mutual Help and Occupancy Agreement – A Mutual Help and Occupancy Agreement between an IHA and a homebuyer.

Mutual Help Occupancy Program – A HUD-funded low-income homeownership opportunity program.

NAHASDA – Native American Housing Assistance and Self-Determination Act.

Native American Housing Assistance and Self-Determination Act (NAHASDA) – Federal law that provides formula-based funding for the benefit of Native Americans to develop and manage affordable housing activities.

Native Hawaiians – Individuals having at least 50 percent Hawaiian blood.

Negative Amortization – Payment terms under which the borrower's monthly payments do not cover the interest due; as a result, the loan balance increases.

Net Income – Total income after taxes and other deductions are taken out.

Non-Conforming Loan – A loan that caters to people who cannot meet the standard income verification and credit history criteria established by a lender.

Nontraditional Credit History – A credit history that can be established by a person who does not have credit cards or has never had a loan. It can include receipts and cancelled checks from monthly payments for rent, utilities, and other bills.

Notarized – To certify a document through a notary public.

Note – See Mortgage Note. Also sometimes called a Promissory Note.

Notice of Default – A formal written notice to a borrower that a default has occurred and that legal action may be taken.

Notice of Transfer of Mortgage Servicing – A notice informing the applicant that the lender may sell or transfer the mortgage.

Offer to Purchase Contract – See Agreement for Sale and Purchase and Sales Agreement.

Office of Native American Programs (ONAP) – The Office of HUD that has been delegated authority to administer certain programs to benefit Indians.

ONAP – Office of Native American Programs.

Open Account – An account that is active, still in use, or is still being paid.

Option – A contract agreement granting a right to purchase, sell, or otherwise contract for the use of a property at a stated price during a stated period of time.

Origination – The process of originating mortgages. Solicitation may be from individual borrowers, builders, or brokers.

Origination Fee – A fee paid to a lender for the evaluation, preparation, and submission of a proposed mortgage loan (limited to 1 percent for FHA and VA loans). It is stated as a percentage of the mortgage amount or points.

Overdraft Protection – The provision of instant credit by a lending institution.

Owner Financing – A purchase in which the seller provides all or part of the financing.

Paid as Agreed – A designation on a credit report that indicates the consumer is repaying the credit account according to the terms of the credit agreement.

Payment and Performance Bond – Insurance carried by a contractor that ensures completion of the job.

Payment Cap – A provision of some ARMs limiting how much a borrower's payments may increase regardless of how much the interest rate increases; may result in negative amortization.

Permissible Purpose – The particular circumstances under which a consumer credit report may be disclosed by a credit bureau in accordance with the Fair Credit Reporting Act.

PITI – Principal, interest, taxes, and insurance – the components of a monthly mortgage payment.

Plans and Specifications including Description of Materials – Explains what a contractor proposes to do, including model types, specifications for materials to be used, and other details. Plans should show elevations, location of structure with setbacks, location of driveways and water/sewer lines, and a floor plan.

Plat – A diagram drawn to scale showing all essential data pertaining to the boundaries and subdivisions of a tract of land, as determined by survey or protraction. A plat should show all data required for a complete and accurate description of the land that it delineates, including the bearings (or azimuths) and lengths of the boundaries of each subdivision. A plat may constitute a legal description of the land and be used in lieu of a written description.

Points – A one-time charge by a lender to increase the yield of the loan; a point is 1 percent of the amount of the mortgage. Sometimes called "discount points."

Post-Purchase Counseling – Services provided by a housing counselor to help new homeowners understand and adjust to their financial and home maintenance responsibilities.

Predatory Lender – A lender that directs a borrower away from loans with more affordable interest rates, without regard for whether the borrower can qualify for the lower rate. Instead, the applicant is offered a loan with a high interest rate, questionable fees, or unnecessary charges. Predatory lenders also target people who already own homes, often encouraging them to refinance their mortgage and possibly take out extra cash. Refinancing may not be in the homeowner's best interests, and/or the terms may be unfavorable.

Preforeclosure Sale – This is a procedure in which a lender allows a mortgagor to avoid foreclosure by selling the property for less than the outstanding balance of the loan. Also referred to as a "short sale."

Prepayment – Payment of a mortgage loan, or part of it, before the due date. Mortgage agreements often restrict the right of prepayment either by limiting the amount that can be prepaid in any one year or charging a penalty for prepayment. The Federal Housing Administration does not permit such restrictions in FHA-insured mortgages.

Prepayment Penalty – A fee charged to a borrower who pays off a loan before it is due.

Pre-Purchase Home Inspection – An inspection of an existing home to ascertain the condition of the home. Usually ordered by the buyer and included as a contingency in the Purchase and Sales Agreement.

Prequalify – The process of determining how much money a prospective home buyer will be eligible to borrow in addition to identifying and overcoming obstacles to mortgage readiness.

Principal – The basic element of the loan as distinguished from interest and mortgage insurance premium. In other words, principal is the amount upon which interest is paid. The amount borrowed or remaining to be paid; also, the part of the monthly payment that reduces the outstanding balance of a mortgage.

Principal Residence – The dwelling where the mortgagor maintains (or will maintain) his or her permanent place of abode, and typically spends (or will spend) the majority of the calendar year. A person may have only one principal residence at any one time.

Private Mortgage Insurance (PMI) – Insurance provided by nongovernment insurers that protects lenders against loss if a borrower defaults.

Probate – The official proving of a will as authentic or valid in a probate court.

Promotional Inquiry – An inquiry made into a consumer's credit report for purposes of a promotional offer.

Property Taxes – Taxes assessed based on the value of the property.

Public Records – Information that is available to the general public, including tax liens, court judgments, and bankruptcy.

Purchase and Sales Contract – A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold. Also referred to as Purchase Agreement.

Qualifying Ratios – Guidelines applied by lenders to determine how large a loan to grant a homebuyer, based on the percentage of monthly income that the borrower would need to spend for debt payments, including the mortgage payment.

Quitclaim Deed – A deed that transfers whatever interest the maker of the deed may have in the particular parcel of land. A quitclaim deed is often given to clear the title when the grantor's interest in a property is questionable. By accepting such a deed, the buyer assumes all the risks. Such a deed makes no warranties as to the title, but simply transfers to the buyer whatever interest the grantor has. (Also see Deed.)

Rate Lock – See Lock-In.

Ratios – Guidelines applied by lenders to determine how large a loan to grant a homebuyer, based on the percentage of monthly income that the borrower would need to spend for debt payments, including the mortgage payment.

Real Estate Agent – A person licensed to negotiate and transact the sale of real estate on behalf of the owner.

Real Estate Broker – A middle man, or agent, who buys and sells real estate for a company, firm, or individual on a commission basis. The broker does not have title to the property, but generally represents the owner.

Real Estate Settlement Procedures Act (RESPA) – A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

Recording – The noting in the registrar's office in the county or the BIA Title Recording Plant of the details of a properly executed legal document, such as a deed, mortgage, a satisfaction of mortgage, or an extension of mortgage, thereby making it a part of the public record.

Refinance – The process of paying off one loan with the proceeds from a new loan secured by the same property.

Rehabilitate – Construction improvements to bring a home to standard condition.

Rent with Option to Buy – See Lease/Purchase Mortgage Loan.

Repossessed – When a financial institution takes ownership of an item that was purchased using credit because the borrower is not able to repay the loan.

Residential Lease – A written document containing the conditions under which the possession and use of real or personal property are given by the owner to another for a stated period and for a stated consideration. Most residential leases in Native communities are referred to as a "homesite" lease for which the consideration is usually $1 per year. All homesite leases on trust property must be approved by the tribe and approved and recorded by the BIA.

Residential Mortgage Credit Report – The more inclusive credit report required for mortgages sold into the secondary mortgage market. Verifies employment and address, and checks national credit repositories.

Restrictive Covenants – Private restrictions limiting the use of real property. Restrictive covenants are created by deed and may "run with the land," binding all subsequent purchasers of the land, or may be "personal" and binding only between the original seller and buyer. The determination of whether a covenant runs with the land or is personal is governed by the language of the covenant, the intent of the parties, and the tribal or state law, whichever is applicable, where the land is situated. Restrictive covenants that run with the land are encumbrances.

Retail Card – A credit card that is issued by a retail store.

Revolving Credit Account – Credit automatically available up to a predetermined limit so long as a consumer makes regular payments.

RHS – Rural Housing Service.

Rural Development Section 502 Direct Loan -– Loan available from the Rural Housing Service for low- and very-low income families to purchase an existing home or to build a home in accordance with Rural Development requirements.

Rural Development Section 502 Guaranteed Loans – Loans available from an authorized lender, which are guaranteed by Rural Development, for low- and very low-income households to obtain homeownership.

Rural Development Section 504 Direct Loans/Grants – Also known as Rural Housing (RD) Repair and Rehabilitation Loans. Funded directly by RD to very low-income rural residents who own and occupy a dwelling in need of repairs.

Rural Housing Repair and Rehabilitation Loans – See Rural Development Section 504 Direct Loan/Grant.

Rural Housing Service (RHS) – An agency of the U.S. Department of Agriculture; formerly the Farmer's Home Administration.

Schematic – A drawing made to scale.

Secondary Financing – Real estate loans that are subordinate to a first mortgage or first trust deed.

Secondary Mortgage Market – The buying and selling of existing mortgages.

Second Mortgage – A mortgage with rights that are subordinate to the rights of the first mortgage holder.

Section 184 Indian Housing Loan Guarantee Program – Authorized under the Housing and Community Development Act of 1992, the Section 184 Indian Loan Program is designed to offer homeownership, property rehabilitation, new construction, and refinance opportunities for eligible individual Native Americans, tribes, and Indian Housing authorities. Lenders participating under this program are provided a 100 percent guarantee by HUD for loans made under this program.

Section 184A Native Hawaiian Housing Loan Guarantee Program – The Hawaiian Homelands Homeownership Act of 2000 added a new Section 184A to the Housing and Community Development Act of 1992 which authorized the Native Hawaiian Housing Loan Guarantee Program. This program is designed to offer home ownership, property rehabilitation, and new construction opportunities for eligible native Hawaiian individuals and families wanting to own a home on Hawaiian Home Lands.

Seller Take-Back – An agreement in which the owner of a property provides financing, often in combination with an assumed mortgage.

Settlement – See Closing.

Settlement Sheet – The computation of costs payable at closing that determines the seller's net proceeds and the buyer's net payment.

Short Sale – See Preforeclosure Sale.

Short-Term Credit – Credit extended that requires payment within the year.

Signature Loan – A good faith loan that is unsecured and only requires the borrower's signature on the loan application.

Site Map and Legal Description – Copy of plat/survey and legal description of property to be mortgaged.

Social Security Evidence – Documentation that a person has a valid Social Security number, usually contained on a pay stub or driver's license.

Special Assessments – A special tax imposed on property, individual lots, or all property in the immediate area, for road construction, sidewalks, sewers, street lights, etc.

Special Lien – A lien that binds a specified piece of property, unlike a general lien, which is levied against all of one's assets. It creates a right to retain something of value belonging to another person as compensation for labor, material, or money expended on that person's behalf. In some localities it is called "particular" lien or "specific" lien. See also Lien.

Special Warranty Deed – A deed in which the grantor conveys title to the grantee and agrees to protect the grantee against title defects or claims asserted by the grantor and those persons whose right to assert a claim against the title arose during the period the grantor held title to the property. In a special warranty deed, the grantor guarantees to the grantee that he has done nothing during the time he held title to the property that has, or that might in the future, impair the grantee's title.

Spending Plan – A strategy for saving and spending money. It can be used as a guide to help a family track the flow of money through their household and how that money needs to be divided to meet expenses and savings goals.

Subdivision – A tract of land divided by the owner into blocks, building lots, and streets according to a recorded subdivision plat, which must comply with local ordinances and regulations.

Sublease – The leasing of premises by a lessee to a third party for part of the lessee's remaining term.

Subprime Loan – A loan designed to meet the needs of those who are unable to meet the standard income and credit history requirements. The interest is risk based.

Subsidized Second Mortgage – An alternative financing option for low- and moderate-income households that also includes a down payment and a first mortgage, with funds for the second mortgage provided by the tribe or TDHE; city, county, or state housing agencies; foundations; or nonprofit housing corporations. Payment on the second mortgage is often deferred and it carries no or low interest rates, and part of the debt may be forgiven for each year the family remains in the home. Also referred to as a soft second or a deferred mortgage.

Survey – A drawing showing the legal boundaries of a property.

Surveying – The act of performing a survey.

Tax – As applied to real estate, an enforced charge imposed on persons, property, or income, to be used to support a governmental entity. The governing body in turn utilizes the funds in the best interest of the general public.

TDHE – Tribally Designated Housing Entity.

Tenancy by the Entirety – A type of joint ownership of property available only to a husband and wife.

Tenancy in Common – A type of joint ownership in a property without right of survivorship.

Term – The period of time between the commencement date and termination date of a note, mortgage, legal document, or other contract.

Term Insurance – Insurance coverage provided for a specific period of time.

Testate – The state or condition of leaving a will at death.

Three/Two (3/2) Option – An alternative financing plan that enables households whose earnings are no more than 115 percent of the median income in their regional area to make a three percent down payment with their own funds, coupled with a two percent gift from a relative or a two percent grant or unsecured loan from a nonprofit or state or local government program.

TILA – See Truth in Lending Act.

Title – A legal document establishing the right of ownership. As generally used, the rights of ownership and possession of particular property.

Title Company – A company that specializes in insuring title to property.

Title Insurance – Insurance to protect the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

Title Search – A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Title Status Report (TSR) – A report issued by the BIA after a title examination that shows the proper legal description of a tract of Indian land; current ownership, including any applicable conditions, exceptions, restrictions, or insurances of record; and whether the land is in unrestricted, restricted, trust, or other status as indicated by the records in a BIA Land Titles and Records Office.

Tradeline – Any credit account such as a bank loan, credit card, or mortgage.

Transfer Tax – State or local tax payable when title passes from one owner to another.

Tribal Trust – Land that is owned by the United States and held in trust for the benefit of a tribe.

Tribally Designated Housing Entity (TDHE) – The entity designated by the Tribal governing body to plan, develop, and implement housing assistance programs for the benefit of the enrolled members.

Tri-Merged Credit Report – Three-repository-merged report.

Trust Land – Land held in trust by the BIA for the benefit of a tribe or an individual.

Trust Property – See Tribal Trust or Allotted Land.

Trustee – A party who is given legal responsibility to hold property in the best interest of or "for the benefit of" another. The trustee is one placed in a position of responsibility for another, a responsibility enforceable in a court of law. (See deed of trust.)

Truth-in-Lending Act (TILA) – A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the APR and other charges.

TSR – Title Status Report.

Two Step Loan – Two-Step mortgages have a fixed rate for a certain time, most often five or seven years, and then the interest rate changes to a current market rate. After that adjustment the mortgage maintains a new fixed rate for the remaining 23 or 25 years.

Underwriters – Trained professionals who conduct underwriting tasks.

Underwriting – The analysis and matching of risk to an appropriate rate and term. The process of deciding to make a mortgage loan.

Uniform Residential Loan Application (URLA) – (1) An initial application signed and dated by the borrower and lender and (2) a final unsigned application ready to be signed at closing with the updated/verified assets, debts, and other information after completing the loan package.

Uninvited Inquiries – An inquiry made when a company requests a copy of someone's credit report to pre-approve them for a credit card or special offer. This type of inquiry is recorded on the person's credit report separately from credit inquiries that the person requests. Potential creditors will see only the credit inquiries that were initiated by the person covered by the credit report.

USDA – U.S. Department of Agriculture.

U.S. Department of Housing and Urban Development (HUD) – The government agency that includes the Federal Housing Administration, which insures certain home mortgage loans made by lenders and sets minimum standards for such homes.

Useful Life – Useful life is the term in which the property can remain viable if it is properly maintained.

Utilities – For purposes of determining utility allowances, utilities include electricity, gas, heating fuel, water, sewerage service, septic tank pumping/maintenance, sewer system hookup charges (after development), and trash and garbage collection. Telephone service is not included as a utility.

VA – Veterans Administration.

VA Direct Home Loans – Loans that are guaranteed by the Veterans Administration to provide homeownership assistance on trust property to Native American veterans.

Verification of Deposit Form – Standard form used to assist in verifying and analyzing an applicant's funds.

Verification of Employment Form – Standard form used to assist in verifying and analyzing applicant information.

Verification of Rent/Mortgage Form – Standard form used to assist in verifying and analyzing applicant information.

Wrap Around – This is generally a contract for deed in which the seller keeps the original mortgage. The buyer makes payments to the seller, who forwards a portion to the lender holding the original mortgage. This can be very complicated and risky, especially when there are two or more buyers involved. To avoid being victimized, it is essential to have an attorney review all the documents.

Zoning – The acts of an authorized local government setting forth regulations for property land usage.

Notes

Notes

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