

Mortgage Financing EDUCATION

It is highly recommended that you participate in a homebuyer education program. Programs are designed to help you look at all of the aspects of mortgage financing, becoming fully aware of what the process entails, as well as other considerations.

NAIHC offers homebuyer education programs. The training can be provided in a variety of ways. Each is designed to give you an in-depth look at this opportunity. One method is to have an **NAIHC** Technical Training Specialist assist you in designing a program specific to your tribe's needs and resources. Another is to provide the training for your members.

NAIHC's Leadership Institute provides a comprehensive "hands-on" homebuyer training for trainers with certification. It covers topics such as:

- Home Purchase Through Mortgage Financing
- The Five C's of Credit
- Credit Reporting Agencies
- Predatory Lending
- Financial Planning
- Preparing for Homeownership, Who Should Be Involved
- Using Tribal Land for a Home, Who's Involved and What is the Process
- Property Selection
- Applying for a Mortgage Loan
- Your Mortgage Loan Closing
- Responsibilities of Homeownership, Importance of Prompt Payments, Maintenance
- Taxes, If Applicable
- "Alphabet Soup" of Mortgage Financing

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*"A Tradition of Native
American Housing"*

Homeownership for American Indians

*An Achievable Dream
through Mortgage Financing*



Homeownership for American Indians



*An
Achievable
Dream
Through
Mortgage
Financing*

This brochure briefly describes how mortgage financing can help you become a homeowner. It details the mortgage process and will walk you through the various procedures and considerations you will need to take into account as you decide whether this method of buying a home is for you.

OUR HISTORY

The path for American Indian homeownership is a well-worn one. Our ancestors owned their homes. Historically, we built our homes.

Traditionally, our homes played a major role in our culture. The type of homes we had was defined by our tribal culture, customs and lifestyles. Our homes were where we shared what we had, and where we cared for each other, and where we passed on our traditions and tribal ways.

Today, the path to homeownership may be different from the one used by our ancestors. We may need mortgage financing as a tool to achieve this goal.



your Choice

Ultimately, the choice will be yours. After you have completed a homebuyer educational program, you will be ready to make an informed decision as to whether you are ready for homeownership. Homebuyer education can assist you in becoming ready if you first are interested in pursuing a home using this method of financing.

The following are some of the factors/issues and information you will need while you explore this method of purchasing a home.

Mortgage Financing: What is It?

It is a loan, wherein while you make monthly payments—similar to rent, but at the end of the payment period, you own the home free and clear. You pledge the title to your home as “collateral.” The payment period is a specific period of time, called a “term.” The term can vary from 10 to 30 years. Using this resource, which can come from a variety of lending products, and by meeting the “qualifying factors,” you may be able to purchase your own home.

Renting Versus Buying: Which is Better for You?

This is a big question for you to honestly answer in order to decide whether or not you are interested in pursuing a mortgage loan. It will be helpful to review the pros and cons of owning your home versus renting a home.



Five C's of Credit

What are they and how do they affect my ability to qualify for a mortgage?

1. **Credit:** It is the ability to borrow money to purchase items for which you do not have cash on hand to purchase. In that case, you may want to borrow the money from a lending source with the intent to repay them within a specific period of time. In most cases, the lender will charge a certain amount of money for borrowing these funds. The charge is either fees or interest paid on the loan.
2. **Capacity:** What is your source of income and is it steady?
3. **Capital:** This is the cash you will need for the transaction.
4. **Character:** The lender will look at how you pay your debts
5. **Conditions:** The lender will take into consideration, situations that may affect your ability to repay the mortgage loan.



Credit Report and Credit Scoring

When you decide you are ready for mortgage finance apply and take the steps, the lender will seek information from a variety of sources to see how you have repaid your debts. This information will include data that reflects the way you repay your creditors: did you pay them on time, or did you have some problems paying them as you originally agreed to? One of the sources for this information that they will use is your updated credit report.

There are three credit reporting agencies that collect this data. They are:

1. **Equifax**
P.O. Box 105873, Atlanta, GA 30348
1-800-685-1111 www.equifax.com
2. **Trans Union Corporation**
P.O. Box 390, Springfield, PA 19064-0390
1-800-916-8800 www.transunion.com
3. **Experian**
P.O. Box 2350, Chatsworth, CA 91313-2350
1-888-397-3742 www.experian.com

Please know that lenders are not the only ones who review your credit history. Landlords, banks, medical providers, credit card companies, employers, and some utility companies may also require this information. Therefore, it is mandatory as part of the mortgage financing process. As part of homebuyer education, you will receive an updated tri-merge copy of your credit report. You will learn how to read it and review for inaccuracies. If you find inaccuracies, we will help you get them removed from your report.

Credit Scoring. Once the lender has received a copy of your credit report, a “credit scoring” process will be completed to evaluate your application. There are “compensating factors” the lender will look at in order to score your report. The assigned points for each factor will play a major role in qualifying you for a mortgage loan.

These factors may include, but will not be limited to:

- How long you have lived at your current address.
- How long you have been employed with your current employer.
- Number of open credit accounts.
- A loan request that is too high, and/or too many credit reports inquiries.

Financial Planning/ Credit Counseling

A critical part of the mortgage loan process is for you to establish (if you have not already) a realistic “Financial Plan.” This plan is simply a family or personal budget and will allow you to take a look at the following:

- **What is your total monthly gross income** (all sources)
- **What are your fixed costs**, such as rent, car payments, utilities bills, long-term debts, etc.
- **What are your monthly expenses**, such as food, clothing, emergencies, holiday and birthday presents, entertainment, insurance, personal items, etc.

Once you have listed these items, you can begin to look at ways of starting a savings account. This savings account may be necessary in order for you to qualify for a mortgage loan. The lender may require that you have savings to cover two or three of your monthly mortgage payments. You may need to save for down payment and closing costs.

Furthermore, whenever you buy a home, there are always things you will need to purchase, such as lawn mowers, shovels, fire extinguishers, garbage/recycling containers, garden tools, lawn furniture, garden hose, rakes—just to name a few. Savings will help you to purchase these items. Saving is another wonderful skill our ancestors had. If it had not been for their careful and planned saving of food, clothing, and shelter, we would not be around today. *We are great survivors!*

Homebuyer education programs also may include a counseling program that can be set up for one-to-one counseling depending upon the tribe's resources and the family's needs. These can often be another way for you have someone help you to plan your homeownership goals. They would be available on a regular basis to assist you in following through with your plan.

Getting Mortgage Financing

Getting mortgage financing is easier today than ever before for American Indians. However, issues such as tribal sovereignty and unique land status still exist. Expert assistance can help you work through these issues.

The place to start is with your tribe or the Tribally Designated Housing Entity (TDHE) for your community. Their experience and expertise are intensive and extensive. They know what the process is, what land is available, where it is located, and how you access it. Also, many tribes have housing programs that are tailored specifically to your community. They may also have already established a relationship with local mortgage lenders and other providers of funding.

Another benefit of working with your tribe and/or TDHE is that they are familiar with federal programs that may provide funds for prospective homeowners. They include:

- **U.S. Department of Housing and Urban Development's (HUD) 184 Loan Guaranty Program;**
- **Federal Housing Administration's (FHA) 248 Loan Guaranty Program for American Indians;**
- **Veterans Administration Direct Home Loan Program for American Indians living on trust lands;**
- **United States Department of Agriculture, (USDA) Rural Development, 502 Direct Loan Program, 502 Loan Guaranty Program, and 504 Loan/Grant Program;**
- **Private Mortgage Insurance (PMI) Program for American Indians;**
- **Fannie Mae Incentive Programs for American Indians;**



- **Federal Home Loan Bank (FHLB) funds to assist American Indians;**
- **Some tribes are providing loan guarantees to qualifying members of their tribe; and**
- **Some tribes are providing (for qualifying members), direct mortgage financing—either partial or total mortgage funding from their own resources, and NAHASDA down payment assistance.**

The **National American Indian Housing Council (NAIHC)** assists tribes and tribal housing entities in reaching their goals of providing culturally relevant, decent, safe, sanitary, and affordable housing for Native people in Indian communities and Alaskan Native villages.

On behalf of **NAIHC**, we are pleased to have provided you with this information. To obtain further information on tribal mortgage financing and educational opportunities, please call our toll-free number, 1-800-284-9165, or visit our website at

www.naihc.indian.com

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