

# Counseling Families to Eligibility

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502 DIRECT & 504 GRANT & LOAN PROGRAMS

# Credit

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BUILDING CREDIT BUILDS CREDITWORTHINESS

Order a free report - <https://annualcreditreport.com>

Annual CreditReport.com

The only source for your free credit reports. Authorized by Federal law.



Home

All about credit reports

Request yours now!

What to look for

Protect your identity

Frequently asked questions

Contact us

## Spot identity theft early. Review your credit reports.

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)



PAUSE ||

SPOT IDENTITY THEFT

GOOD CREDIT

DON'T BE FOOLED

MORE THAN A SCORE

NOT LIKE THE OTHERS

### Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.



### FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.



### BROUGHT TO YOU BY



Source: [www.annualcreditreport.com](http://www.annualcreditreport.com)

# Credit Repositories

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Experian	<a href="http://www.Experian.com">www.Experian.com</a>	1-855-246-9409
TransUnion	<a href="http://www.transunion.com">www.transunion.com</a>	1-800-888-4213
Equifax	<a href="http://www.Equifax.com">www.Equifax.com</a>	1-800-685-1111
Lexisnexis		1-888-497-0011

# Reviewing the Credit Report

- Identifying information
- Public record information
- Credit information

File Number: >> XXXXXXXX  
Date Issued: >> 07/20/2012

TransUnion.

-Begin Credit Report-

**PERSONAL INFORMATION >>**

SN: >> XXX-JX-2344  
Date of Birth: >> 01/01/1970  
You have been on our files since: >> 08/01/1990

**Names Reported: >>** TEST Y CONSUMER, TESTER CONSUMER, TESTER ANN CONSUMER-SMITH, and TESTANN SMITH

**Addresses Reported: >>**

Address	Date Reported	Address	Date Reported
555 W ADAMS ST, CHICAGO, IL 60661	07/20/2012	123 MAIN ST, CHICAGO, IL 60661	10/01/2009
PO BOX 123, NEW YORK, NY 10001	07/20/2012	1234567890 MAIN ST, CHICAGO, IL 60661	02/20/2009
RR-1 BOX 1A, CHICAGO, IL 60661	03/15/2012	12345 SW MAIN ST N, NEW YORK, NY 10001	07/20/2008
123456 ANY ST, NEW YORK, NY 10001	01/25/2012	PO BOX 3, NEW YORK, NY 10001	03/02/2008
2 ANY ST, NEW YORK, NY 10001	11/20/2011		
PO BOX 1, NEW YORK, NY 10001	09/02/2011		
RRD BOX 2, NEW YORK, NY 10001	02/20/2011		
3 ANY ST 3, NEW YORK, NY 10001	07/20/2010		
123 SOMEWHERE RD, CHICAGO, IL 60661	04/18/2010		

**Telephone Numbers Reported: >>**

(312) 555-1200	(312) 555-1111	(312) 555-3333	(312) 555-5555	(312) 555-7777	(312) 555-9999	(312) 444-2222
(312) 555-1234	(312) 555-2222	(312) 555-4444	(312) 555-6666	(312) 555-8888	(312) 555-1111	

**Employment Data Reported: >>**

Employer Name	Date Verified	Location
COMPANY 20	07/20/2012	CHICAGO, IL

**PUBLIC RECORDS >>**

FLORIDA FEDERAL COURT - Docket #: XXXXXXXXX (PO BOX 559, JACKSONVILLE, FL 32201, (904) 301-6490)

Date Filed: 11/19/2009  
Type: CHAPTER 13 BANKRUPTCY DISMISSED  
Date Paid: 11/19/2010  
Responsibility: Individual Debt  
Date Updated: 11/19/2009  
Court Type: US Bankruptcy Court  
Plaintiff Attorney:

Estimated month and year that this item will be removed: 10/2016

**ADJUSTABLE RATE MORTGAGE INFORMATION >>**

**PUBLIC RECORD MORTGAGE DETAILS**

Recorder's Office: DUAL	Origination Date: 09/2005	Loan Amount: \$139,200
	Initial Rate Adjustments: 09/2007	Initial Interest Rate: 6.950%
	Next Rate Change Date: 09/2012	Rate Calculation Change: 5.500%
	Rate Change Frequency: Monthly	Change Percent Limit: 1.000%
	Rate Change Interval: 06	Maximum Rate: 12.950%
	Index Type: LIB	Combined Loan to Value: 121.300%

**ACCOUNT INFORMATION >>**

Typically, creditors report any changes made to your account information monthly. This means that some accounts listed below may not reflect the most recent activity until the creditor's next reporting. This information may include things such as balances, payments, dates, remarks, ratings, etc. The key(s) below are provided to help you understand some of the account information that could be reported.

**Rating Key >>**

Some creditors report the timeliness of your payments each month in relation to your agreement with them. The ratings in the key below describe the payments that may be reported by your creditors. Any rating that is shaded indicates that it is considered adverse. Please note: Some but not all of these ratings may be present in your credit report.

N/R	X	OK	30	60	90	120	COL	VS	RPO	C/O	FC
Not Reported	Unknown	Current	30 days late	60 days late	90 days late	120 days late	Collection	Voluntary Surrender	Repossession	Charge Off	Foreclosure

**Remark Key >>**

Additionally, some creditors may notify your account with comments each month. We refer to these creditor comments as "Remarks." The key below gives the descriptions of the above-listed remarks contained in your credit file. Any remark containing brackets = < indicates that this remark is considered adverse.

AID ACCOUNT INFORMATION DISPUTED BY CONSUMER  
CLO CLOSED

# Types of Accounts

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## User and Responsibility

- Individual
- Joint
- Authorized User

## Payment Arrangement

- Installment
- Revolving
- Open 30-day

# Types of Credit

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## **Traditional**

Bank Loans

Car Loan

Student Loans

Signature/Title Loans

Credit Union Loans

Credit Cards

VS.

## **Non-Traditional**

Rent

Utilities

Car Loans

Insurance

Child Support

Medical Debt

# Credit- What's the reality check?

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## GOOD = HIGHER SCORES

History Paying on time. No late pays.

Credit Card balances does not exceed 1/3 of credit limit

Credit Card accounts with several years of on time payments history

Paying Installment accounts to full term

## DEROGATORY = LOWER SCORING

Medical, Utility, cell phone Collections

Student Loan Delinquency

Repossessions, auto/manufactured homes

Bankruptcies, Ch. 7 & Ch. 13

Charge-offs, credit card accounts, personal loans

Missed Payments

Accounts with high balances



Q. What are indicators of unacceptable credit?



**Exhibit 4-4**

**Indicators of Unacceptable Credit**

- Little or no credit history. The lack of credit history on the credit report may be mitigated if the applicant can document a willingness to pay recurring debts through other acceptable means such as third party verifications or canceled checks. Due to impartiality issues, third party verifications from relatives of household members are not permissible.
- Payments on any installment account, on a per account basis, where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.
- Payments on any revolving account, on a per account basis, which was delinquent for more than 30 days on two or more occasions within the last 12 months.
- A foreclosure that has been completed within the last 36 months.
- An outstanding Internal Revenue Service (IRS) tax lien or any other outstanding tax liens with no satisfactory arrangement for payment.
- Two or more rent or mortgage payments paid 30 or more days late within the last 2 years. If the applicant has experienced no other credit problems in the past 2 years, only 1 year of rent history will be evaluated. This requirement may be waived if the program loan will reduce shelter costs significantly and contribute to improved repayment ability.
- Outstanding collection accounts with a record of irregular payments with no satisfactory arrangements for repayment, or collection accounts that were paid in full within the last 6 months, unless the applicant had been making regular payments previously.
- Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago.
- Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement.
- Delinquency on a federal debt.
- A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months, **except**: ◇ A bankruptcy in which:

◇ Debts were discharged more than 36 months prior to the date of application; or

◇ Where an applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the 12 months prior to the date of application. ◇ A judgment satisfied more than 12 months before the date of application.

**An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is not eligible for a Section 502 loan. This requirement is statutory and cannot be waived.**

# Challenges and Solutions

## The Challenge

## The Solution

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No History and/or No Score

- \*Non-Traditional Credit with 12 months of no late pays
- \*Apply for credit building loans with reputable financial institution using savings as collateral.
- \*Become an Authorized User on credit card accounts in good standing
- \*Apply for a secured credit card

Some History, but No Score

- \*New accounts need at least 6+ months of on time payments

Collections/Charge offs/ Repo's

- \*Negotiate, Request Settlement offers, Setup Payment plans or use tax refund to pay off lump sums. Also Request Pay-For-Deletion if available.

Numerous Outstanding Loans

- \*Consolidate with a reputable financial institution.  
This only works if applicant stops utilizing these sources.

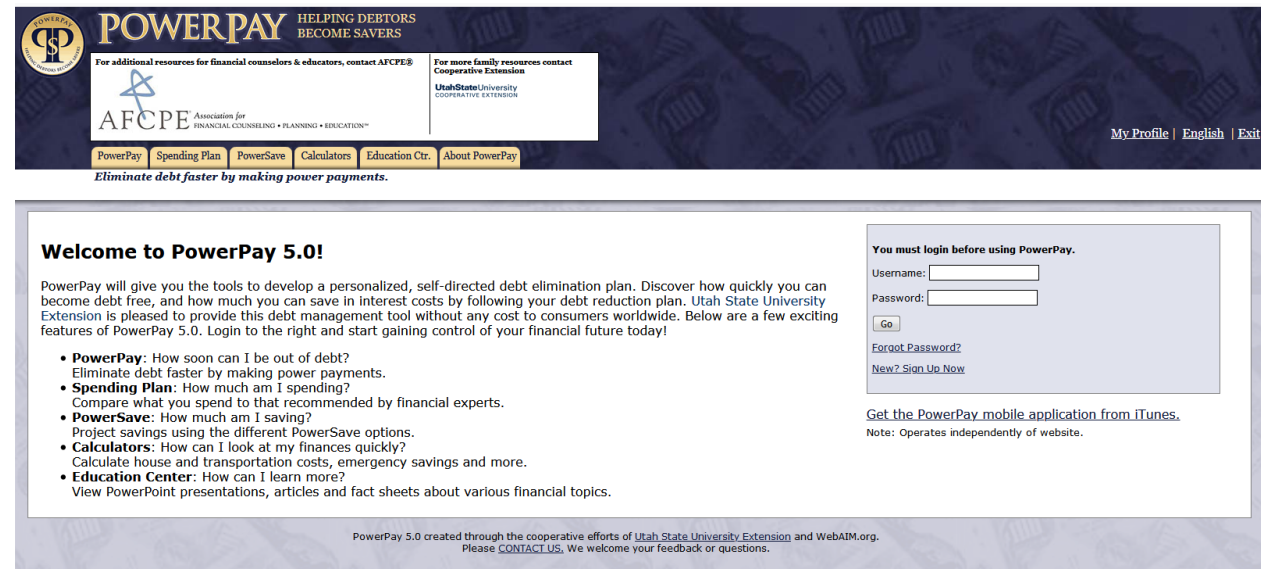
# Helpful Tools

Using **SMART** to develop a plan of action to pay off debt or establish savings goal.

S.M.A.R.T	Ask	Example
1. Specific	What?	Pay off medical debt
2. Measurable	How much?	\$2,000
3. Action	How?	\$166
4. Realistic	How so?	Yes
5. Time-bound	By when?	12 months

## Power Pay <https://powerpay.org>

Individuals can organize debt and utilize the “snowball” effect paying off lowest balance to highest balance or the “avalanche” effect paying off debt with the highest interest rate to lowest interest rate.



**POWERPAY** HELPING DEBTORS BECOME SAVERS

For additional resources for financial counselors & educators, contact AFCPE®

For more family resources contact Utah State University Cooperative Extension

AFCPE Association for FINANCIAL COUNSELING • PLANNING • EDUCATION™

Utah State University COOPERATIVE EXTENSION

PowerPay | Spending Plan | PowerSave | Calculators | Education Ctr. | About PowerPay

Eliminate debt faster by making power payments.

**Welcome to PowerPay 5.0!**

PowerPay will give you the tools to develop a personalized, self-directed debt elimination plan. Discover how quickly you can become debt free, and how much you can save in interest costs by following your debt reduction plan. Utah State University Extension is pleased to provide this debt management tool without any cost to consumers worldwide. Below are a few exciting features of PowerPay 5.0. Login to the right and start gaining control of your financial future today!

- **PowerPay:** How soon can I be out of debt? Eliminate debt faster by making power payments.
- **Spending Plan:** How much am I spending? Compare what you spend to that recommended by financial experts.
- **PowerSave:** How much am I saving? Project savings using the different PowerSave options.
- **Calculators:** How can I look at my finances quickly? Calculate house and transportation costs, emergency savings and more.
- **Education Center:** How can I learn more? View PowerPoint presentations, articles and fact sheets about various financial topics.

You must login before using PowerPay.

Username:

Password:

Go

Forgot Password?

New? Sign Up Now

Get the PowerPay mobile application from iTunes.  
Note: Operates independently of website.

PowerPay 5.0 created through the cooperative efforts of Utah State University Extension and WebAIM.org. Please CONTACT US, We welcome your feedback or questions.

# Best Practices

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Discuss what is preventing the applicant from moving forward with the loan.

Establish priorities

Help develop a household budget

Assist clients using SMART to create goals

Assign applicant three tasks to complete. Agree on timeline to accomplish tasks.

Follow-up visits can be by email, phone or in-person in increments of 30, 60 or 90 days.

Communication is key.

# Income

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EVALUATING BORROWER'S INCOME

# Borrower's Income

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- Annual
- Adjusted
- Repayment

# Annual Income

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Total Income of everyone in the household over the age of 18

<b>Type</b>	<b>Documentation</b>
Employer paid wages	Paystubs/tax returns
Self-employment	Currently Quarter of Profit and Loss Sheet
Social Security	Award Letter
Child Support/Alimony	Divorce Decree/ 12 mo. History
Interest Income	Bank/Credit Union Statement
Unemployment/seasonal layoffs	Award Letter
Public Benefits Program	Award Letter/12 mo. History
Fringe Benefits, if treated as taxable income	Employer paystub



# Adjusted Income

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Used to determine if applicant is income-eligible

Adjusted income = Annual Income – Deductions

- ✓ \$480.00 for each dependent 17 and younger, an individual with a disability or FT Student
- ✓ Qualified Child Care Expenses
- ✓ Elderly Household
- ✓ Care of Household Member
- ✓ Medical Expenses for Elderly in the Household

Ex: Annual Income \$30,000 (-\$1,440 for 3 children(3x\$480))= \$28,560.00 Adjusted Income

# Repayment Income

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Used to determine if applicant has the ability to repay the loan.

- ✓ Consider only the income of the Note Signers
- ✓ Has income been stable & dependable for the past 2 years?
- ✓ Does the current income have a 2 year projection of being stable income?

Calculating Repayment Income of the Jones' Household:

Mr. Jones, Applicant #1 earns \$10.00/hr @ 40 hrs/wk for 52 wks=\$20,800

Mrs. Jones Applicant #2 earns \$8.00/hr @ 32 hrs/wk for 52 wks=\$13,312

The Jones' son, Tim age 17 & a full-time student earns \$2,000 during the summer.

Total Repayment Income - \$34,112\*

\*Tim is under age and is not a party to the note therefore, his income is not included in repayment income.

# Determining Repayment Ability

Maximum Ratios	
PITI Ratio	
Very low-income applicants	29%
Other applicants	33% ★
TD Ratio (all applicants)	41%

★ Applicants with income above very low-income limit can be considered for a PITI of 33%

Example - Calculating PITI Ratios	
\$360	Principal and Interest payments
\$ 50	Taxes
\$ 10	Flood Insurance
<u>\$ 50</u>	<u>Insurance</u>
\$470	Total for PITI
\$18,000	Annual Repayment Income
\$ 1,500	Monthly Repayment Income ( $\$18,000 \div 12$ )
PITI Ratio = $\$470 \div \$1,500 = 31.33\%$	
Taxes: Must be on full assessed value	

\*Note: For new construction, the fully assessed tax amount will be used to determine repayment ability.

# Income Never to Consider

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- Income received by live-in aides
- Foster Care
- Income of a minor
- Reverse Mortgage Payments
- Special purpose payments (TANF)

# Assets

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AN ITEM OF VALUE OWNED- MERRIAM WEBSTER

# Borrower's Assets

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Savings and/or Checking Account

Certificate of Deposits

Retirement Accounts, 401k/403b/IRAs

Stocks, Bonds, Treasury Bills, Money Market funds

Equity in real property

Personal Property

Cash Value of life insurance policies

Business

# Payment Shock

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Rural Development defines Payment Shock as an increase in housing expense experienced by the applicant.

This is defined as a percentage:

$(\text{New Principal, Interest, Taxes and Insurance (PITI)} / \text{Previous Housing Expense}) - 1$

Example:

- a. Applicant's new PITI is \$690.00 and their former rent was \$300.00.
- b.  $690.00 / 300.00 = 2.30$ ;  $2.30 - 1 = 1.30$ ;  $1.30 = 130$  percent
- c. The payment shock in this example is 130 percent.

# Payment Shock Compensating Factors

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Applicant saves \$195.00 each month and deposits this each month on the same day for 6 mos.

Job Prospect with increased wages/ bonuses/commission

Eliminating or lowering current debt



# Single Family Housing Repair Loans & Grants

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504 LOAN AND 504 GRANT PROGRAMS

# Home Repair

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## 504 LOAN

Improve or modernize

Make dwelling decent, safe and sanitary

Remove Hazards

Maximum Loan \$20,000

## 504 GRANT

Remove Health and Safety Hazards

Make dwelling accessible to household member with disability

Maximum Grant \$7,500

**ATTACHMENT 12-A**  
**SUMMARY OF DIFFERENCES BETWEEN**  
**SECTION 504 LOANS AND GRANTS**

Note: This attachment summarizes key requirements to assist the reader in comparing Section 504 loans and grants. It is not a comprehensive description of all requirements.

Topic	Section 504 Loan	Section 504 Grant
Use of Funds	May be used to: (1) improve or modernize; (2) make dwelling decent, safe, and sanitary; (3) remove hazards. Cannot be used for acquisition or new construction. Specific prohibitions are listed in Paragraph 12.2 A.	May be used only to remove health and safety hazards or to make dwelling accessible to household member with disabilities.
Drug-Free Workplace	N/A	Applicants must certify that they will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity with the grant.
Credit Reports	Required for all applicants with adjusted income exceeding 30% AMI but no fee charged.	N/A
Age of Applicant	N/A	62 or older
Leaseholds	The property must be covered by a lease with an unexpired portion of not less than 2 years beyond the term of the promissory note.	The remaining lease period must be at least 5 years.
Appraisals	Fee charged if appraisal completed.	N/A
Maximum Assistance	\$20,000 outstanding at one time.	\$7,500 lifetime limit.
Security	If Section 504 loan is >or equal to \$7,500, a mortgage is required.	No security required.
Insurance	If indebtedness >\$15,000, property insurance is required. Flood insurance is required in Special Flood Hazard Areas (SFHA)> \$5,000.	Flood insurance is required in SFHA at grant approval for grants of >\$5,000.

# Examples of Grant Eligibility

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## 3 Examples of Grant Eligibility

### 1. Income Based

- \*Applicant <30%AMI
- \*Project Cost \$10,000
- \*TD Ratio 30%

### 2. Lack of Repayment

- \*Applicant >30%AMI
- \*Project Cost \$6,000
- \*TD Ratio 46%

### 3. Exhausted 504 Loan Potential

- \*Applicant >30% AMI
- \*Project Cost \$10,000
- \*Previous Assistance \$14,000
- \*TD Ratio <30%

- Remember  
**3** Rules



**ATTACHMENT 12-B**  
**DIFFERENCES BETWEEN SECTION 502 AND SECTION 504 LOANS**

Note: This attachment summarizes key requirements to assist the reader in comparing Section 502 and 504 loans. It is not a comprehensive description of all requirements.

Topic	Section 502 Loan	Section 504 Loan
<b>PROGRAM PURPOSES AND PRIORITIES</b>		
Program Purpose	Assist applicants who are not homeowners to become homeowners.	Assist current homeowners with necessary improvements and repairs.
Processing Priorities	Multiple priorities may apply. Applications that meet special criteria are processed immediately upon funding availability.	Multiple priorities apply, but applications for assistance to remove health and safety hazards receive first priority processing. Veteran's preference is used for applications with the equivalent priority status received on the same day.
<b>LOAN PURPOSES</b>		
Eligible Purposes	In general, funds may be used to buy, build, rehabilitate, improve, or relocate an eligible dwelling and provide related facilities for the borrower to personally occupy. No initial loans for repair of manufactured homes.	Remove health and safety hazards. Repair or remodel dwelling to make more accessible and useable for a household member with a disability. General repairs to improve or modernize a home. Repair mobile or manufactured homes with a permanent foundation.
<b>APPLICANT ELIGIBILITY</b>		
Income	Applicant income must not exceed low-income limit at loan approval and must not exceed moderate-income limit at loan closing.	Applicant income must not exceed the very low-income limit at loan approval and closing.

Topic	Section 502 Loan	Section 504 Loan
<b>APPLICANT ELIGIBILITY</b>		
Credit Requirements	Credit history must demonstrate ability and willingness to pay. Costs for credit reports are charged to applicant.	Applicants must have a credit history that indicates a reasonable ability and willingness to meet debt obligations. Costs for credit reports are not charged to the applicant.
Asset Requirements	Applicants are required to contribute nonretirement assets exceeding \$15,000 (\$20,000 for elderly households) toward the purchase of the property.	Same as Section 502, except nonretirement assets include only assets that can be converted to cash within <u>90 days</u> .
Repayment Ability	Applicants must show repayment ability based on PITI and TD ratios.	Applicants must show repayment ability based on a TD ratio of 46% or less.
Ownership	The applicant need not own the property. A leasehold must have an unexpired term of at least 150% of the term of the mortgage, unless the loan is guaranteed by a public authority, Indian tribe, or Indian Housing Authority. No exceptions on ownership evidence.	The applicant must own the property. A leasehold must have an unexpired term of at least 2 years beyond the loan term. If standard evidence of ownership is unavailable, exceptions may be made.

\*Note PN

# How can you help?

Be consistent

Be an advocate

Be positive

Be realistic

When it comes down to the wire we all want a quick fix.

Being helpful and positive is important, but most of all communication is key.

Reaching out to ask for help is difficult. Empower families with knowledge, tools and resources to help them attain their goal of homeownership.

# Resources

USDA Rural Development [www.rd.usda.gov](http://www.rd.usda.gov)

Consumer Protection Bureau [www.consumerfinance.gov](http://www.consumerfinance.gov)

Annual Credit Report [www.annualcreditreport.com](http://www.annualcreditreport.com)

Consumer Action [www.consumer-action.gov](http://www.consumer-action.gov)

U.S. Dept. of Housing and Urban Development <https://www.hud.gov>

National Endowment for Financial Education [www.nefe.org](http://www.nefe.org)

## Source for Free Debt Reduction Program

PowerPay <https://powerpay.org>

## Sources for Free Credit Score

Mint <https://mint.com>

Creditwise <https://creditwise.capitalone.com>

American Express My Credit Guide <https://www.americanexpress.com>

Credit Karma <https://creditkarma.com>