

To Each Their Home



**Success Stories from the
ACORN Housing Corporation**

To Each Their Home

Success Stories from the ACORN Housing Corporation



Whether it's a rowhouse in Philadelphia, a split level in Dallas, or a bungalow in Oakland, homeownership is the very essence of the American dream. The families featured here represent the thousands who have achieved the dream through the ACORN Housing Corporation and its lending partners.

Over the past 14 years, working hand-in-hand, ACORN Housing and dozens of banks have found innovative ways to extend homeownership opportunities to lower income and minority communities.

These are stories of hope and success. But they also belie the supposition that if you simply work hard, sacrifice and save, you can easily buy a home of your own. Many hard working families face obstacles to homeownership that would be insurmountable without the kind of relationships ACORN Housing has developed with financial institutions.

The impetus behind these tremendously productive partnerships is the Community Reinvestment Act (CRA), passed by Congress in 1977. CRA obliges banks and S&Ls to meet the credit needs of their entire federally chartered service area. It instructs regulators to rate financial institutions on their community lending performance and allows community groups to challenge a bank expansion or merger if the bank has ignored the needs of poor or minority neighborhoods.

In the early 1980s, the Association of Community Organizations for Reform Now (ACORN) used the CRA to bring a number of banks to the negotiating table. They worked out community reinvestment agreements committing millions of dollars to low- and moderate-income city neighborhoods. It didn't take long to realize, though, that even the most sincere commitment was not enough.



Banks that wanted to expand their lending into under-served communities lacked the expertise to reach potential borrowers. And their lending criteria, which were geared to middle class borrowers, automatically excluded countless would-be homeowners.

In 1985, ACORN created a new organization, the ACORN Housing Corporation, to find ways of ensuring that lending commitments actually produce the intended loans. ACORN Housing and its bank partners developed several innovative strategies.

First, they agreed on more flexible underwriting criteria that take into account the realities of lower income communities. For example, income measurements include less traditional income sources such as food stamps, unemployment, part-time jobs, non-court-ordered child support and foster care payments.

As evidence of creditworthiness, the banks agreed to accept excellent payment histories of rent and utilities in lieu of credit cards, loans or other more traditional forms of credit which many low-income people don't have.

Up-front costs were another stumbling block for lower income borrowers.

The banks agreed to lower down payment and closing costs, and to allow family members, churches and ethnic savings clubs to help cover these costs.

A second essential aspect of the partnerships between ACORN Housing and the banks was the development of a comprehensive loan counseling program.

ACORN Housing counselors—who come from the low-income and minority communities they serve—provide individualized assistance to determine if prospective home buyers qualify for a loan. They help with documentation of income and creditworthiness, clearing up credit problems and learning how to budget and save for a down payment. By the time ACORN Housing clients apply for a mortgage, they are completely prepared.

The other major service that ACORN Housing provides for its lending partners is systematic outreach into low-income and minority communities. Through neighborhood meetings, annual bank fairs, contacts with real estate brokers, relations with churches and other community institutions, door-to-door flyering and other techniques, ACORN Housing reaches tens of thou-



sands of potential homebuyers each year.

Together, these innovative strategies have achieved remarkable success. Since 1985, the ACORN Housing Corporation and its bank partners have put over 21,000 families into homes of their own. By the start of the new century, that figure will have passed the 25,000 mark.

The partnerships have had a larger impact as well. What began as experiments in flexible underwriting proved so effective that the standards gained wide acceptance within the financial industry, opening the door to homeownership to many more families.

Today, however, there are new challenges. An ongoing wave of mergers is creating an increasingly concentrated banking industry. Intent on streamlining and standardizing, the new megabanks are adopting credit scoring and automatic underwriting practices that once again tend to exclude lower income and minority borrowers.

After considerable progress had been made, the most recent analysis of lending patterns shows that racial disparities in lending are on the rise.

Stepping into the breach are sub-

prime lenders that prey upon low-income neighborhoods. They offer mortgages where other lenders won't, but at exorbitant costs.

In this banking environment, the community reinvestment partnerships that ACORN Housing has developed are more important than ever.

With the underwriting standards we've agreed upon, the loan counseling we provide and the outreach we do, ACORN Housing and its bank partners will continue to ensure that low- and moderate-income families have access to the mortgages they need. Working together, we will continue to make the American dream come true.

Mary Higginbotham
ST. LOUIS, MISSOURI



Each night as she headed to her job as a nurse's aide, Mary Higginbotham worried about leaving her daughter and two-year-old grandson home alone. The house next door was a drug house and so was the one across the street.

"I knew I needed something of my own," Mary said. "I'd worked hard all my life and I wanted something to show for it."

But when Mary went to the bank where she'd been a customer for 20 years, she was told her income and assets were insufficient to qualify for a mortgage. "My spirit felt low when they told me that," Mary recalled. "I had been dealing with them so long that I felt they should have helped me or at least told me what I could do."

Mary found the help she needed at the ACORN Housing Corporation. Its CRA partnerships with lenders keep costs low by offering loans for up to 97% of the value of the property, not charging points or origination fees and rolling closing costs into the loan. These accommodations are critical to borrowers like Mary who earn barely more than minimum wage.

In order to save even the modest down payment she needed, Mary took a second, part-time job as a patient care attendant. It was pretty rough for a while, but all the hard work paid off when NationsBank (now Bank of America) approved her loan.

Mary and her family are happily settled now in a safer neighborhood. "It makes me feel free," she said. "When I come home tired, I can sit down and say, 'this is my house'."

"It makes me proud. I can show my daughter if you put your goals first and work hard, even if you are a single woman, you can make it happen," Mary added. "And that's an example she can pass on to her son."

**Maria & Enrique
Ruvalcaba**
OAKLAND, CALIFORNIA



While they were renters, Maria Ruvalcaba wouldn't let her children play outside. "Not ever," she explained, "it wasn't safe."

A better place to raise their children is what started Maria and her husband, Enrique, a janitor at a local country club, down the path toward homeownership.

It was a path full of obstacles, though. Maria went to the neighborhood branch bank where they had an account and was pre-qualified for a loan. But when two minor credit problems—totaling about \$600—turned up, the loan application was rejected.

"I had always heard they were an equal opportunity lender," Maria said. "They advertised that they give us a chance, but that was not true. They're not willing to work with you."

The Ruvalcabas' experience is increasingly common. With all the consolidation going on in the financial industry, banks are using more rigid credit scoring and automated underwriting systems which have the effect of cutting off credit to lower income and minority borrowers.

Maria insisted on trying again and her Realtor referred her to ACORN Housing Corporation. A loan counselor helped clean up the credit problems and brought the Ruvalcabas' application to CalFed, one of the banks which has a CRA lending agreement with ACORN Housing. Because the Ruvalcabas had successfully completed the loan counseling process, CalFed approved the loan. A grant from the Federal Home Loan Bank of San Francisco helped cover the down payment.

"The new house is beautiful," Maria said. "It only needs a little painting." And the neighborhood is just the opposite of their old one—quiet and safe. Maria is planting flowers. Enrique is building a backyard fence. Eight-year-old Erica is excited to have a dog and cat, and 11-year-old Enrique is thrilled with his basketball hoop.

Carla Miller
DALLAS, TEXAS



Finding affordable housing meant "moving around a lot," even living in a shelter for awhile, and that, explained Carla Miller, meant sending her youngest daughter to a dizzying succession of schools. It wasn't a good situation and Carla longed to "put down roots somewhere."

"I wanted to do the same thing my parents did," she said. "They lived in the same house for 30 years."

Carla knew that while rents were going up, interest rates had gone down, but she worried that a bank would not approve a loan to a single mother earning under \$30,000 a year. Thinking that mortgage companies would be more receptive, Carla checked out a couple but she found that their interests rates and fees varied widely and were much higher than the banks'.

For help through the homebuying maze, Carla turned to ACORN Housing Corporation. Through its CRA partnerships with several banks, ACORN Housing offers free loan counseling and reduced-rate mortgages to first-time homebuyers.

The loan counselor found errors and duplications on Carla's credit report and told her how to clear them up. After the budgeting class, Carla scaled back her spending—"I knew how important it was to have a house and that made it worth giving things up," she recalls. "But explaining that to my 10-year-old daughter was a different matter!"

Today, both mother and daughter think the sacrifice was more than worthwhile. "I just walk through each room and think how blessed we are," Carla said. "The neighborhood school is nearby and my daughter is doing much better in school now."

William and Colleen Wooten
HOUSTON, TEXAS



Buying a home seemed like an impossible dream to William and Colleen Wooten. William is disabled and cannot work. Colleen has a low-paying job with the local school district. They have combined disability benefits and earnings of about \$26,000 a year.

With two teenage children living at home, the place they rented was much too small. Plus, the Wootens could never get the landlord to fix anything.

The first glimmer of hope came in a newspaper article announcing a homebuying seminar for disabled people. The Wootens went and hooked up with the ACORN Housing Corporation.

ACORN Housing's partnerships with lenders include a feature that can make all the difference for families like the Wootens. The agreements expand the traditional definition of income to include government sources such as public assistance, food stamps, foster care and Social Security. This opens the door to homeownership for many families whose jobs alone do not meet the banks' income guidelines.

The Wootens were able to get their mortgage from Coastal Bank. It still took a lot of work—including a garage sale to raise money for the down payment. But now, after being renters for nearly 20 years, the Wootens are finally homeowners. The house is much bigger, the children have rooms of their own. And to top it all off, the Wootens' mortgage payment is \$20 less than they were paying in rent.

Angela Waller
SOUTH HOLLAND, ILLINOIS



When problems with her landlord mounted, Angela Waller knew it was time to "move up". She had considered buying a home before but the horror stories she'd heard about mortgage companies made her think twice. One friend who'd been enticed by an offer to buy a house with no down payment is paying interest 10 percent higher than the going mortgage rate.

Through the ACORN Housing Corporation, Angela found the guidance she needed to make her move to homeownership a smart move. Instead of being preyed upon by sub-prime lenders, Angela was able to get a conventional mortgage from La Salle Bank at better than market terms.

Saving for the down payment was a challenge but one important feature of the loans available through ACORN Housing is a lower than traditional down payment. Angela found ways to cut back expenses like learning to use e-mail instead of making long distance calls to her mother each day. And Angela's nine-year-old nephew, Darius, who lives with her, proudly put in \$65 of his own savings toward the down payment.

Their new home is in a suburb of Chicago with good public schools so the money Angela used to spend on tuition for Darius can go toward the monthly mortgage. Darius has made a smooth transition and loves riding the school bus. Compared to their old apartment in the city, the best thing about owning a home, Angela said, is that "kids can be kids here. At Christmas we had so much fun decorating and putting up lights for the first time."

After the first snowfall, Angela went outside to find a neighbor snowblowing the driveway for her. "You can see the difference homeownership makes," she said. "People take pride in the neighborhood and are very ready to help."

"I feel like I've arrived," Angela concluded. "I'm a part of the community. I've got roots."

**Javier Jimenez &
Bertilia Evans-Jimenez**
NORWALK, CT



When she walked away from a battering husband, Bertilia Evans left everything behind and moved back to Honduras with her two young children. She returned to Connecticut alone to get reestablished while the children remained in Central America with her mother.

At first, all Bertilia could afford was a rented room. It was a long and difficult three years before she got an apartment and the children could come back to live with her. Even then, there wasn't much space, the neighborhood wasn't safe, and "the children wondered why we didn't have a house like their friends," Bertilia recalled. "I promised them that we would and I didn't want to let them down."

Bertilia got a good job, as an inspector for a medical equipment company, and she married a good man, Javier Jimenez, who works for an electronics firm. But the legacy of Bertilia's former marriage was a bad credit record and a slew of debts, including her ex-husband's since they had joint accounts. Fortunately, a friend steered her to ACORN Housing where a loan counselor took Bertilia step-by-step through the process of clearing up her debts. After a year in the program, Bertilia and Javier were ready to apply for a loan.

Housing prices are so high in Norwalk that finding a place they could afford wasn't easy. The one they chose was "a mess," Bertilia said but with some hard work and a mortgage from ACORN Housing's lending partner, Fleet Bank, the Evans-Jimenez family is now settled in a home of their own.

"I love my house," Bertilia remarked. "And the thing I love most is that the children are happy."

Angela Huntington
MINNEAPOLIS, MINNESOTA



Angela Huntington's job is to provide life skills training for families making the transition from welfare to work. She brings compassion to the job, having overcome plenty of hard times herself.

When she divorced, Angela assumed half of her ex-husband's debt, "not because it was mine, but I wanted closure," she recalled. It took nearly four years of hard work to pay it off and after that she shied away from any kind of credit. During a rocky financial period, she even closed her bank account. "That's when I really learned how to budget," Angela said.

But when she decided to try to buy a house, Angela didn't meet conventional lending criteria. In fact, when she tried to open a new checking account, the bank she visited refused because it had been less than a year since she closed her previous account at another bank.

With help from ACORN Housing Corporation's loan counseling program, Angela overcame all the obstacles to becoming a homeowner. She established non-traditional credit by securing letters from the phone company, the electric company and her last two landlords stating that she paid her bills on time. She got checking and savings accounts at a credit union in the neighborhood and with her tax refund and nine months of penny pinching saved the \$1500 she needed for down payment and closing costs.

With a loan from Twin Cities Federal, Angela, her partner and their two-year-old son moved into their new home on Halloween. She pays less for her mortgage than she did for rent. "I really like the fact that when you pay the mortgage you're building your own equity instead of making somebody else rich," Angela remarked. "There's stability, security. We feel it and I'm sure even my son feels it too."

Now Angela recommends ACORN Housing to people in the life skills classes she teaches, making sure that other low-income families have the same homeownership opportunity she's had.

Arlene & Bill Jones
FAR ROCKAWAY, NEW YORK



You'd expect Bill and Arlene Jones to be perfect candidates for homeownership. Bill has worked for the New York City Sanitation Department for the past 13 years and Arlene has been employed by the Board of Education for 20 years.

But when they decided to buy a house, Bill and Arlene were understandably wary. "You don't know who to trust," Bill said. "We heard about people getting ripped off by unscrupulous brokers and mortgage companies." In their Brooklyn neighborhood, the banks had poor reputations too.

"Let's call it 'benign neglect'," Bill suggested. "They won't deny you outright because you're African American, but they won't give you much information either. Your credit record may not be pristine and they won't tell you how to fix it."

"Buying a house is the biggest purchase you'll make in your life," Bill observed, "And you pray to find someone to guide you through the process." The Jones' prayers were answered at a homebuying seminar at Madison Square Garden sponsored by Fannie Mae. They heard an ACORN Housing Corporation representative explain the ins and outs of getting a mortgage and liked what they heard. "She didn't sugar coat it," Bill said, "she talked to us straight."

Through its CRA partnerships with banks, ACORN Housing provides first-time homebuyers with all the help they need—from cleaning up credit problems to learning how to budget and save for a down payment to finding the right house.

After a lot of searching, Bill and Arlene finally found theirs, a single-family in Far Rockaway. "Green lawns and picket fences," is how Bill described it. With a loan from Chase Manhattan, the Joneses moved in.

"The best thing about owning a home," Bill said, is "if something happens to you, you know you're leaving your children something."

Elaine Johnson
DISTRICT HEIGHTS, MARYLAND



"This may sound corny," Elaine Johnson said, "but I had little dreams. I always wanted a yard where I could plant flowers."

Elaine kept hearing from friends how owning a home can save you money, and how it was a good time to buy because interest rates are low. But even with her job as a systems analyst, Elaine didn't think she could afford to buy. Then she found out that a bank wouldn't lend to her because she had no credit history—no credit cards, no car loans, nothing.

The trend toward consolidation in the banking industry has made it harder for individuals who don't fit rigid credit criteria to get mortgages. The impact is felt most by African Americans, like Elaine, who are 210% more likely than whites to be rejected for home loans.

Without the community reinvestment partnerships ACORN Housing Corporation has with lenders, Elaine would have been stuck in a neighborhood of rundown apartment complexes that everyone calls "the projects."

But with help from ACORN Housing, Elaine overcame the obstacles, received a loan from Crestar Bank and bought a three-bedroom house with a large backyard. Her two teenage daughters are thrilled with the move. "I've only had one weekend without the girls having a sleepover," Elaine said. "They're excited, their friends are excited." And Elaine has plenty of room to plant those flowers she dreamed of.

Art Gaffney
PHILADELPHIA, PA



Art Gaffney has been to the school of hard knocks. He was homeless for a while after his divorce, then stayed with different friends before winding up in a rooming house in the North Philadelphia neighborhood where he grew up. At 41 years old, Art decided "I needed to reestablish myself. I needed to have a home."

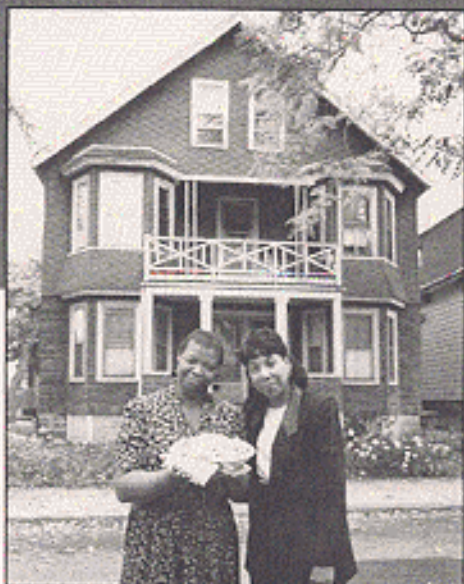
Art started saving what he could from his job as a supervisor for a halfway house, but he was reluctant to go to a bank about getting a mortgage. "I had some debts, and I didn't really know how to go about it," he said. "I didn't want to go through the humiliation."

Through the loan counseling program that ACORN Housing Corporation offers as part of its CRA agreements with lenders, Art learned what steps to take. First, the loan counselor helped him figure out how to pay off his debts. Then she told him how to establish non-traditional credit. Art got a phone and established a record of paying the bill on time, and a letter from his landlord saying he paid his rent on time.

All the paperwork was frustrating, Art recalled, but after six months, he got a mortgage from Sovereign Bank, and moved into his new home. It's in a quiet Southwest Philadelphia neighborhood where most of the residents are homeowners. That makes a difference, Art said. "People aren't transient. They've been here and plan to be here. It makes the people in the neighborhood care about the neighborhood."

For himself, Art said, "I like the responsibility of owning a home. The independence. I can say what kind of place I want it to be."

Elnora Thompson
DORCHESTER, MA



After working for the phone company for 27 years, Elnora Thompson had a good salary, good credit, some stocks and some savings for a down payment, so buying a house should have been easy. But it took a lot of tenacity and help from the ACORN Housing Corporation before Elnora achieved her dream.










First she went to her credit union, but the 20 percent down payment they required was too much. Next Elnora answered a flyer from a mortgage company, submitted an application and got nothing but a runaround. Another lender took her application—with a \$250 fee—but Elnora never heard from them again. After many inquiries, she learned that the application had been sent out of state. Finally Elnora received a rejection letter saying she wasn't qualified, but she couldn't get her money back.

At last, Elnora heard about the ACORN Housing Corporation and its lending partnerships. "Next thing I knew I was getting a loan from Citizens Mortgage and a grant from the city for closing costs," Elnora recalled. "Citizens even threw me a housewarming party. It was so exciting I thought I'd died and gone to heaven."

Elnora bought a two-family house in the Dorchester neighborhood where she has lived for nearly 30 years. She lives upstairs and rents the downstairs apartment to her daughter and three grandchildren who visit every day. In the backyard Elnora grows everything from roses and hollyhocks to tomatoes and turnips.

"The best thing about owning," she said, "is you don't have to worry about the rent going up or having to move because the landlord sold the house out from under you. And the grandchildren can make as much noise as they want and have their birthdays in the backyard."

The ACORN Housing Corporation has:

-  Used the Community Reinvestment Act to negotiate comprehensive lending agreements with major banks such as Chase, NationsBank, PNC, Mellon, First Union, Fleet, and CalFed.
-  Worked with banks to change underwriting standards, pricing, and servicing of mortgages to make loans more accessible to minorities, low- and moderate-income people, and new immigrants. For example, under ACORN Housing Corporation CRA agreements, people without traditional credit histories can use rent, utilities, and child care to prove consistent payment patterns; and community savings clubs, common in West Indian, Mexican-American, and Korean communities, can be used as a source for down payment and closing costs.
-  Pioneered a program of comprehensive mortgage counseling in which AHC loan counselors—themselves drawn from the low-income and minority communities they serve—work with potential buyers on their income, debts, credit, employment history, household budget, housing affordability, and mortgage qualification process.
-  Brought in the secondary mortgage market, negotiating a groundbreaking program with Fannie Mae to buy AHC-counseled loans.
-  Recorded attendance of nearly 100,000 people at outreach and consumer education events in low-income and minority neighborhoods around the country, and counseled over 58,000 households.
-  Met the enormous demand for loan counseling services by becoming one of the largest nonprofit counseling programs in the U.S. with offices in 24 cities.
-  Demonstrated to lenders nationwide that AHC-counseled mortgage loans have turned out to be low-risk loans with low default rates.
-  Won HUD's largest Comprehensive Housing Counseling grant, became a HUD-certified and Fannie Mae-approved counseling program, and received funding from numerous private sources.
-  Put over 21,000 families into their own homes, valued at approximately \$1.5 billion dollars.

ACORN Housing Corporation

National Office
650 S. Clark Street
Chicago, IL 60605
Phone: 312-939-1611

Mike Shea, Executive Director

Loan Counseling Program National Office
846 North Broad Street
Philadelphia, PA 19130
215-765-0048

Bruce Dorpalen, Director

To Each Their Home

Interviews and coordination: Cynthia Freeman
Writing and production: Madeleine Adamson
Design: John Beam

