

The Community Empower
Lease-Purchase Housing Program

Pre-Lease Education Workbook

Sponsored and Approved By:
Community Empower Master Fund



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Understanding Community Empower Lease Purchase Program

Community Empower Lease Purchase Program is a new path to homeownership developed by Community Empower in partnership with several private community development agencies and lenders and insurers. *Owning a home is an important goal for many households in America. However, for too many individuals and families the path to homeownership is difficult - sometimes impossible.*

Often, a significant barrier to home ownership is past credit experience or simply the difficulty of getting enough cash for a down payment and to pay closing costs. Sometimes both of these issues - lack of cash and lack of good credit - prevent homeownership. The Community Empower Lease Purchase Program program helps low- and moderate-income individuals and families overcome both of these barriers.

Put simply, Community Empower Lease Purchase Program allows a homebuyer to select and live in the home of their dreams now, lock in the purchase price and the monthly payment. If a homebuyer has satisfactory credit, then the purpose of program is to provide the down payment and closing costs. However, if credit is also a problem, the program not only provides the down payment and pays most of the closing costs, but also assists the home purchaser to establish or even re-establish their credit reputation. At the end of the eighteen month lease the homebuyer will assume the existing mortgage with no down payment and minimal closing costs.

During the lease period the home is owned by a private company. During this time the company will help you get ready to assume the ownership of your house and sell you the home by transferring title to you when you qualify to assume the existing mortgages

Put simply, Community Empower Lease Purchase Program allows future homebuyers to select and live in the home of their dreams now, lock in the purchase price and monthly payment and, if needed, use an eighteen month lease period to re-establish their credit.

at the end of the lease. You can select a home that meets your needs and that you can afford located within one of the participating cities.

It is easy to qualify for Community Empower Lease Purchase Program. If you have a stable source of income and can show that you have been paying

your rent on time and can afford the monthly lease payment, you probably qualify. Section 3 of this workbook explains the qualification process in more detail.

The Community Empower Lease Purchase Program program provides you with a lot of help. First, the administrator that sponsors the program in your area has staff that can help you get started and will be there when you find your home and then assist you during the lease period to prepare to become the owner of your home.

Second, they can help you find the house of your dreams and prepare for the Community Empower Lease Purchase Program road to homeownership.

In order to ensure that interested individuals and families understand how the Community Empower Lease Purchase Program program works, this Pre-Lease Education Workbook should be completed prior to signing a lease agreement and moving into your chosen home.

CHECK YOUR UNDERSTANDING

1. After the lease period, I can purchase the home by assuming the existing loan. True False
2. Community Empower Lease Purchase Loan can help persons with credit issues who want to move into the home of their dreams now. True False
3. Community Empower Lease Purchase Loan requires that I have a stable income. True False
4. This workbook must be completed by one or more of the applicants for the lease-purchase program. True False

Lease-Purchase Versus Purchase Now

This section explores if Community Empower Lease Purchase Program is right from you.

Community Empower Lease Purchase Program may be a very good choice for individuals and families who want to own a home but have credit problems have not established traditional credit, do not have the cash normally required for a down payment and to pay closing costs and/or are unable to complete the purchase of the home they desire.

The following sections will help you evaluate if Community Empower Lease Purchase Program is a good choice in your circumstances.

First, let's consider your credit experience. Review the statement below and place a check next to each one that applies to your situation:

- I have one or more credit accounts including auto loans, credit cards, and charge accounts.
- I normally pay all of my bills on time and especially over the last 24 months I have not been late with any of my payments.
- I have never declared bankruptcy
- I keep the balances on my credit cards well below the limit.
- Creditors do not call me or send me letters about past due accounts, liens or judgments.

For each item you checked give yourself one point. If your total is four or more points your credit history may good enough to qualify for a home loan today under reasonable terms. In this case you probably *do not* need the credit flexibility Community Empower Lease Purchase Program offers if you also have savings equal to about seven (7%) percent of the sales price of the home.

Normally if you have poor credit, a home mortgage will cost you a lot more money - if you can get one at all. Community Empower Lease Purchase Program is a low-cost alternative.

Even if your credit history is poor, it is possible that you may be able to get a home loan now. However, it very likely that you will have to pay a lot of money for the loan both in terms of up-front fees to the lender and a much higher mortgage interest rate. These costs can cause you many problems both now and in the future. Through the Community Empower Lease Purchase Program your up-front, out-of-pocket expenses are very low and the interest charges will be at or very competitive for your situation. Bottom line, Community Empower Lease Purchase Program can save homebuyers who have credit problems a lot of money.

Next, lets consider the up-front cash required to purchase a home. The minimum required down payment is typically three percent of the purchase price. These down payment funds must be your own money that you can demonstrate to the lender you have saved over a period of time. Normally, you can not count funds that you happen to have on hand or have borrowed from someone. Also, you will have to pay some or all of the closing costs. This can often amount to an additional four percent of the purchase price of the home. Often too, a lender will require a homebuyer to have some money in the bank left over (called “reserves”) before you purchase the home. The reserve that must be in the bank will typically be at least one month’s mortgage payment including taxes and insurance. So, in order to qualify for a home loan now, you would typically have to have at least 7% of the purchase price and one month’s mortgage payment available.

The Community Empower Lease Purchase Program program only requires that you pay an amount not to exceed one month’s rent, (approximately one percent of the sales price of the home) as an administrative program fee payable before you begin the lease. Additionally, you are required to pay your first month’s rent.

So, in terms of up-front cash required, lets see how the two options compare. Let’s assume the purchase price of the home is \$150,000.

Costs for \$150,000 Home	Home Mortgage	Community Empower Lease Purchase Program
Down Payment (@ 3%)	\$4,500	\$0
Closing Costs: (@ 4%)	\$6,000	\$0

Reserves and Pre-paids:	\$4,500	\$0
Program Fee (@ 1%	\$0	\$1,500
First Month's Rent	\$0	\$2,100
Total Required	\$15,000	\$3,600

As you can see, Community Empower Lease Purchase Program is a good choice for someone who does not have a lot of cash.

CHECK YOUR UNDERSTANDING

5. Past Credit problems may dramatically increase the cost of a normal home loan. True False
6. Normally lenders don't care where I get the money for a down payment, I can even borrow it from a friend. True False
7. Unlike a typical home loan mortgage, I do not have to pay closing costs under Community Empower Lease Purchase Loan. True False

Do I Qualify For Community Empower Lease Purchase Program?

Only the program's lender can make a final decision about your qualifications for Community Empower Lease Purchase Program. However, it is possible to make a pretty accurate self-evaluation. But remember, its up to the program's lender and the Administrator to make the final decision about your eligibility for the program.

There are three key areas you must consider:

- First, is your income stable?
- Second, are your current debts when compared to your income excessive?
 - Third, does your past credit history demonstrate that you will make your lease payment on time?

Let's take a look at each area.

Your Income

In order to qualify for the Community Empower Lease Purchase Program program you must have *stable and durable* income. Here are some examples of the kinds of income your lender will consider as stable and durable income:

- Income from full-time employment. There is no minimum time-on-the job requirement, but it must be likely to continue for at least three years.
- Part-time, bonus and over-time payment that you receive on a regular basis and are likely to continue to receive in the future.
- Income from self-employment (you will need two years of tax returns).

- Income from permanent government payments (unemployment and temporary disability payments can not be considered).

Your lender cannot consider earned income that you do not report on your income taxes. For example, cash income that you earn by providing childcare or gardening services can not be considered unless this income is reported on your taxes.

Your lender will add up all of the gross monthly income from all persons who will lease-purchase, and live in the home with you. Typically, this includes yourself and your spouse, or someone else with whom you plan to purchase the home with; such as a roommate, or family member. When you meet with your lender be sure to bring copies of your most recent pay stubs and prior- year tax returns.

If your credit score is below 580 then you must be able to prove that you have been paying your rent on time for at least the last 12 months, or have three good credit trade line items.

Also, keep in mind that your total income must be sufficient to afford a house payment for a typical home in the community where you want to live. If your total income is too low, you may wish to consider programs designed to help low-income individuals and families purchase a home - or invite another individual(s) to enter the program with you where their income is also considered. Contact the program’s administrator for more information about programs in your area.

How Do I Know I Will Qualify For Lease-To-Own?

The only way to know for sure if you qualify is to submit an application. Before applying, ask yourself the questions below. Your answers will help you decide if LTO is right for you.

Yes	No	Question:
		Do you want to lease-to-own a new home in Texas?
		Do you have stable household income of at least \$50,000 per year that can be documented with W2s or tax returns?
		If you or your co-applicant have a bankruptcy or foreclosure in your past, have you re-established good credit habits in the past 3 years since then?
		Are you and your co-applicant US citizens, or legal resident aliens with green cards and valid tax payer ID's or Social Security Numbers?
		Are you and your co-applicant free of any/all tax liens?
		Are you a first-time home buyer -- or if you currently own a home, do you intend to sell it before entering this program?
		If you lack positive credit information, can you provide proof you've paid your rent on time for the past 12 months?

If you have any civil judgments or collection accounts, are you willing to begin paying them off?

Can you pay a program fee (not to exceed the monthly rent amount) and your first month lease payment prior to move-in?

If you answered "Yes" to the questions above that are applicable to you, then lease-to-own may be perfect for you! You should [apply now](#) to find out for sure if you qualify.

If you answered "No" to the questions above, you may need to address a few issues in order to qualify. That's why we created the [ScoreManager](#) - it will help you address your issues so you can get on the fast track to homeownership.

Your Credit Reputation

In Section 7, entitled Credit Matters, you will learn more about the importance of maintaining a good credit reputation. For now, let's consider the basic credit requirements for Community Empower Lease Purchase Program. The good news is that Community Empower Lease Purchase Program provides a lot of flexibility.

Home loan programs usually set a minimum credit score in order to qualify. Community Empower Lease Purchase Program does not. However, if your credit score is 580 or greater, the lender is able to continue to process your application without any further evaluation of your credit reputation.

What if your credit score is below 580? You can still qualify. However, you must be able to show to the program's administrator that you have been making your current housing payments on time for at least the last 12 months. To do this you will need documentation such as canceled rent checks, money order receipts, bank statements, or certification from a property management company.

If your credit score is below 580 and you do not have proof of your rent history over the last 12 months, you must have evidence of no fewer than 3 open or acceptable alternative trade lines with good payment for a period not less than 6 months prior to closing and whose payments are due at least quarterly.

Also, the credit reputation of each person who is contributing qualifying income must be considered. In the case of a married couple where one spouse has a credit score of 600 and other of 560, it will be necessary to provide proof of prior rent history even though one persons has a score above 580. Think of it this way, when multiple persons are applying together, the lowest credit score will determine how the application is evaluated.

Once you have met the minimum credit requirements, there are two more considerations. First, if you have ever filed bankruptcy, then you must have 12 months of re-established credit to enter the program and 30 months of acceptable post-bankruptcy good credit to assume the program's loan. This means that

during the prior 12 months you have not had any new credit problems (like a credit card payment that is more than 30 days late) and you must have at least three positive payment references. These positive credit requirements can include on-time utility bill payments as well as credit obligations.

The final consideration is unpaid collection or charged-off accounts. If you have either of these they must be worked-out prior to the lease. There are three possible ways to resolve unpaid collection accounts:

- *Pay them off in full.* You can do this by contacting the creditor and telling them that you want to pay off the unpaid balance of the account. Be sure to send the payment certified mail and keep a copy of the canceled check or money order receipt. Your lender will need this proof for the loan file.
- *Negotiate a settlement payment.* If an account is very old, a creditor may accept a settlement payment that is less than the full amount owed. Again, keep a copy of your proof of payment.

- *Negotiate a repayment plan.* This can be done either with the creditor directly or through a debt management program. These agencies are often able to create a debt management plan that includes concessions from your creditors on such things as late payments and interest. Once you have an approved debt management plan, you will make a single monthly payment to the agency that will in-turn pay your creditors. The debt management plan payment must be provided to the program's lender who will include the payment into your qualifying ratio calculations.(discussed earlier).

So, in summary here is a quick check-list to help you evaluate your credit readiness for Community Empower Lease Purchase Program:

Yes

- My FICO credit score is at least 580 OR I have proof that I have made my rent payments on-time for the last 12 months OR, I have evidence of no fewer than 3 open or acceptable alternative trade lines with bad credit entries for a period not less than 6 months prior to closing and whose payments are due at least quarterly..
- I have never filed bankruptcy OR the bankruptcy has been dismissed or discharged and over the last 12 months I have re-established my credit.
- I have no unpaid collection accounts OR I can resolve them, in writing with my creditor, before the beginning of the lease.

If you were able to answer YES to all three of these questions then it is very likely that you qualify for Community Empower Lease Purchase Program at least with regard to the credit requirements. If you are still not sure about your eligibility, please feel free to contact your lender or the Agency administrator.

CHECK YOUR UNDERSTANDING

8. In order for qualifying income "stable" I must show I have been on the same job for five years.
__ True __ False
9. My lender will only consider my current total income, the amount of my monthly debt payments do not matter. __ True __ False
10. Community Empower Lease Purchase Loan will not permit the use of a debt management plan as a method for settling old, unpaid debts. __ True __ False

The new Lease-To-Own program from Community Empower is an opportunity for you to achieve the dream of homeownership with no downpayment. This program allows you to lease the new home of your choice for 18 months. During the lease period, you will work with Community Empower to improve your credit so you will be qualified to buy your home by assuming the landlord's mortgage loan at the end of the lease. After you assume the loan, you'll take-over the mortgage payments and become the homeowner!

✔Step One: Apply Online. In order to get started, you must apply to find out if you qualify for the program. After submitting your application, a counselor will contact you to inform you of your qualification status and next steps. If you are pre-qualified for the program, your counselor will ask you to provide additional documentation.

Although your application fee is non-refundable, you will get the benefit of a 4-month enrollment in our [ScoreManager](#) regardless of whether you are immediately qualified for the program. ScoreManager will provide a comprehensive monthly strategy to help you work toward your ultimate goal of homeownership. ScoreManager will help you qualify for the program. It will show you how to increase your score and help you correct any credit issues that might keep you from qualifying.

✔Step Two: Choose A Home. If you are approved for the program, your counselor will then work with you to find the perfect home and builder. You may have the opportunity to choose from new homes that are already partially completed, or you may choose to build your home from the ground-up. This is the exciting part, because you can choose the floor plan, the colors, the cabinets - and truly make it your own home!

✔Step Three: Sign Your Lease And Move-In. After you sign your lease agreement, pay your Program Fee and first month's rent, you'll get the keys to your new home! Move-in and start enjoying your new living space and within days, you may sign the option to purchase. During the 18-month lease period, you will be enrolled in our ScoreManager - which will help you to improve your credit in preparation to buy your home by assuming the landlord's mortgage loan at the end of the lease.

✔Step Four: Assume The Loan And Become The Homeowner. By the end of the 18-month lease period, you will have worked diligently to achieve the loan assumption requirements. If you make all your lease payments on time, and meet the assumption guidelines, you'll be eligible to assume the mortgage loan and become the homeowner by paying a nominal assumption fee. In fact, you can assume the loan before the end of the lease, if you improve your credit and meet the assumption guidelines in less than 18 months. At this point, you will no longer make a lease payment, instead you will pay the mortgage payments directly. You will have all the rights and responsibilities of

homeownership!

Advantages of Homeownership

Most Americans want to own their own home. There are many good reasons for this:

- For most people the value in their home is their primary source of wealth.
- Owning a home provides personal security and satisfaction.
- It provides families with a sense of stability.
- Home equity can be used to acquire funds to help start a business, pay for college or fund a retirement plan.
- There are tax benefits as mortgage interest payments can be deducted from your income when calculating your federal taxes.

Community Empower Lease Purchase Program helps individuals and families prepare to enjoy the full benefits of homeownership.

It should be noted that during the lease period while you do not own the home, you are encouraged to treat the home as if it were your own. For example, you will be responsible for normal maintenance. Of course, when you assume ownership of home from the Landlord at the end of the lease, you will be the sole and complete owner of the home. At that time, you will be able to enjoy all of the advantages of being a homeowner.

During the lease period, you will not be entitled to take the mortgage interest deduction on your federal taxes. This deduction is only available to taxpayers that actually own a home. In this case, the home is owned by the Landlord during the lease period. However, when you purchase the home at the end of the lease, you will then be entitled to take the mortgage interest deduction going forward.

CHECK YOUR UNDERSTANDING

11. During the lease period I will not be entitled to take the mortgage interest deduction on my federal taxes. True False
12. For most American families home equity is their primary source of wealth. True False
13. During the lease period I will be responsible for routine maintenance of the home. True False

Overview of the Community Empower Lease Purchase Program Process

The Community Empower Lease Purchase Program path to homeownership is simple and in many ways it is just like the process used to purchase a home. Here is how it works:

1. Contact CE. To apply online go to <http://www.forgettherent.com> and complete the online application. There is a \$19.95 application fee that must be paid for you to be considered for the program. Often your first contact with CE will occur within a few working days over the phone. Application will require some basic information including:
 - Your Social Security number;
 - Your total household income that will be used to qualify for the lease; and
 - The total of your monthly debts.

With this information in-hand the lender will be able to determine if you meet the basic requirements of the program described in Section 3. The lender will determine if it is likely that you will be successful in buying your home by assuming the landlord's mortgage loans at the end of your lease. This is called the pre-qualification process. When the pre-qualification process is finished CE will be able to tell you how much home you can afford to lease-purchase. This information is going to be very important in the next step of the process when you meet with a real estate professional to begin shopping for a home.

As a result of the pre-qualification process, you may also be told that you must fulfill certain conditions before you can receive final approval. Typical conditions may include, depending on your situation: obtaining proof of your prior rental history; or proof that you have paid-off, settled or entered into a repayment plan delinquent or charged-off collection accounts. Also, you may be asked to send in copies of certain documents such as recent paycheck stubs and possibly tax returns. It is really important to send all of the documents required to your lender as soon as possible.

Finally, every participant is required to be actively enrolled in the CE credit management system. The cost of this is included in your monthly rent.

- 2 After you have been pre-qualified, the next step is to get with a Lease Agent to determine the economic range determined for you under the program guidelines. This Lease Agent will work with you to find a home in your lease range. Section 8 of this document discusses issues related to selecting a home, please review this section thoroughly before you meet with your Lease Agent. In addition to letting your Lease Agent know your housing needs, be sure to let them know about any special conditions. If needed, your lease agent will be able to help you put together the required documentation.

3. Once you have found a house that you can afford to lease-purchase, your lease agent will work with the program's Area Director to enter into a purchase contract with the seller of the home. The Area Director may negotiate with the seller to adjust the purchase price or to commit to making certain modifications to the agreement or to the home. Once a purchase agreement has been settled for the landlord, a purchase escrow will be opened. Escrow is a process used by the landlord to complete the purchase of the home. Keep in mind that the purchase agreement will be between the seller of the home and the Landlord. This purchase contract will not include you. An escrow closing date will be set. This is the date when the Landlord will purchase the home from the seller. Your lease agreement with the Landlord will begin on or after that date.
4. During the escrow period, you will have a lot of work to do. Check with the program's lender to make sure they have received all of the documentation they require. If you have not yet finalized a debt management plan (if one was required) now is the time to get that done. Also, you should begin making plans to move into your new home. Stay in close contact with the Lease Agent during this period. Once you obtain a firm move-in date from the Lease Agent you can give your current landlord notice of your plans to move. Check with your lease agent for advice on the moving process, they may know of some low-cost movers in your area. Finally, do not forget that you must complete this lease-purchase introduction program prior to the lease.

During this escrow period it is very important that you do not make any big changes to your financial life. Don't take on any new credit obligations such as a new car payment. And don't change your job status (unless it's a promotion!).

5. Prior to the beginning of the lease, you will meet with the Lease Agent to review the terms of the lease, discuss any questions you may have and to make sure that you have completed all of the requirements. The Lease Agent will also schedule a walk-through day when you will meet them at the house and do a pre-move in inspection. After this meeting you should contact the local utility companies and let them know that you will be moving into the home and they will establish service in your name prior to your move-in date.
6. Move-in Day! This is the day you have been waiting for! Start enjoying your new home. But also remember, that the ultimate goal is to be able to purchase the home from the Landlord at the end of the lease. In order to do that you must:
 - Make your full lease payment on time every month.
 - Maintain your home in good condition.
 - Keep your credit in good order: don't get over extended on your credit cards; and make your payments on time.
 - Actively participate in the credit management program that is required.

CHECK YOUR UNDERSTANDING

14. During the escrow period it is OK to take on new credit obligations like buying a new car. True
 False
15. If my credit score is below 620 I will have to sign-up for a comprehensive education program before the lease begins and it must be completed within one year. True False
16. The Agency administrator will select a home for me. True False

Credit Matters

OK, let's take some time out and talk about one of the most important aspects of your personal financial life: your credit reputation. Why is this important? It is important because maintaining a positive credit history will help you achieve life's important goals. Good credit can play an important part in all of these areas:

- < Obtaining a new job. Employers now often review a candidate's credit history before making an offer of employment.
- < Qualifying for some types of insurance.
- < Buying a car or furniture.
- < Starting a business.
- < Financing a college education
- < Obtaining any kind of loan under affordable terms.

This is why a major goal of Community Empower Lease Purchase Program is to help individuals and families develop a positive credit reputation while they prepare for homeownership

Here is a summary of the most important steps to improving and maintaining a good credit history.

- Be careful on how you use credit. Except in an emergency, credit should never be used to fill-in the gaps in your budget. If you can not afford to purchase something with cash, don't use credit.
- Obtain a copy of your credit reports from the three national credit bureaus. Review your report for errors and ask the bureaus to make corrections. Get help from a non-profit credit counseling agency with this process if you need it.

- If you have credit cards make sure you stay within your credit limits and try to keep the balances that you don't pay off each month very low.
- Do not use a lot of credit cards, one or two should be enough for most people.
- Shop for the best credit terms available. Don't assume that a merchant who selling you a product you need or want will also be able to offer you the most affordable credit terms.
- Pay your bills on time. This is probably the single most important step you can take. If you have a pattern of paying your bills late, your credit reputation will be quickly damaged.
- Avoid bankruptcy. If you are having serious problems repaying your debts on-time, contact a non-profit credit counseling agency (see above). They can usually help negotiate an affordable repayment plan that will allow you to stay out of bankruptcy.

Finally, keep in mind that during the lease period, your Agency administrator can be a good source of help and information. Feel free to contact them at any time.

CHECK YOUR UNDERSTANDING

17. A poor credit history can make it difficult to get a job. True False
18. Using credit cards to pay for regular living expenses is a good idea. True False
19. One of the best ways to improve your credit is to make your payments on time. True False

Choosing A Home

There are many important factors to consider when choosing a home to lease-purchase. Keep in mind that at the end of the lease you will be able to purchase the home from the Landlord, so it is important that you choose a home that you can afford and meets your living needs now and in the future.

Here are the most important things to consider when selecting a home:

Location. Is the home in a neighborhood that is convenient to services such as shopping, medical centers and businesses? Do you like the neighborhood? Also, make sure the home you choose is located in one of the participating cities.

Type of Home. Through Community Empower Lease Purchase Program you can lease-purchase a detached single-family home, condominium or town home. Each of these

has advantages and disadvantages. For example, in a condominium an association pays for most of your exterior maintenance.

Age of the Home. New homes have many benefits including attractive design elements and often have less maintenance than an old home. All homes in the program must be new homes.

Size of the Home. Choose a home that will have enough space for you and your family not just now but in the future. Generally, most families require at least three bedrooms and two baths. However, you have to be the final judge or your size requirements just be sure to take into consideration both your current and future needs.

It is a good idea to be flexible when you choose your first home, but know what you need.

When choosing a home it is important to be flexible. There is not likely to be one house that will meet every single one of your preferences. Keep in mind all of the advantage homeownership provides and be ready to make some compromises, especially when selecting your first home.

The Community Empower Lease Purchase Program program offers you a lot of help in selecting an affordable home. When you find a home you like, the Lease Agent will work with your Landlord to make sure the home is one you can afford. This will take into account any repairs the home might need. Also, once the Landlord purchases the home, a warranty will cover the repair of most of the critical systems in the house during the lease period.

CHECK YOUR UNDERSTANDING

20. My lease agent will be a good source for help in selecting a home to lease-purchase.
__ True __ False

Frequently Asked Questions

Q: *How does the Landlord purchase the home?*

A: The Landlord will purchase the home you have selected by making the down payment, paying the closing costs and taking on a new first mortgage equal to 100% of the sales price and a second mortgage equal to 5% of the sales price of the home. It is these mortgages that you will be able to assume when you purchase the home from the Landlord at the end of the lease.

Q: *What is the interest rate on the lease-purchase mortgage?*

A: Contact the Lease Agent for the current interest rate. Typically the rate is very close to competitive current market rates. The interest rate will not change during the entire term of the mortgage. The exact terms of the lease-purchase mortgage will be explained to you prior to the beginning of the lease.

Q: *What makes up the lease payment?*

A: The monthly lease payment is made up of the fair market rental, the security deposit and the starting real estate tax payment of the Landlord. Included are administrative fees built into the lease payment. These administrative fees will go away when you assume the loan. You may assume the loan at any time during the lease period provided you meet the assumption guidelines.

Q: *Is program fee I pay at the beginning of the lease considered a security deposit?*

A: No. It is a non-refundable administrative fee paid to the Administrator at the start of the lease. This fee helps the administrator cover costs associated with operating this program. Other defined monthly payments during the lease period will be identified and collected as Security Deposits.

Q: *Who is responsible for maintaining my home during the lease?*

A: You are responsible for the regular maintenance of the home. This includes paying all your utilities, telephone and cable charges, mowing the lawn and maintaining the yard, painting and small repairs. Most large repairs except for damages caused by people or pets will be covered by a home warranty that will be in effect during the entire lease period. You will be provided with the name of the home warranty company who will coordinate with you to make the repairs. You may be responsible for a warranty deductible fee. If your home requires a large repair and it is not covered by the warranty, the Property Manager will determine liability and arrange to have the repair made you will be liable for damage caused by people or events within your control.

Q: *Can I make minor improvements to the home during the lease period?*

A: Yes but be sure to coordinate these minor improvements with the Property Manager. Keep in mind that you can not be reimbursed for any improvement you make if you decide not to assume the loan and become the owner of the home.

Q: *What happens if I decide not to assume the loan prior to or at the end of the lease?*

A: There is no penalty if you decide not to assume the loan, however you will have to move out when your lease expires. Notify the Property Manager as soon as possible in order to arrange termination of your lease.

Q: What if I have temporary financial problems and I cannot make the monthly lease payments on-time?

A: If you have a temporary financial problem, it is important that you contact the Property Manager as soon as possible. It is very important that you honor the lease. Failure to do so could result in eviction and termination of any option to purchase. Also, keep in mind that in order to assume the loan at the end of the lease, you will need at least 12 previous months of on-time payment history

Q: Can I assume the loan early?

A: In most cases, yes. However, however, since your estimated assumption cost escrows will not be fully funded, your costs of assumption may be higher.

Q: Am I entitled to take the mortgage interest deduction on my federal taxes during the lease period?

A: No. Since you do not own the home during the lease period you can not take the mortgage interest deduction. Once you assume the loan and therefore become owner the home at the end of the lease you should contact your tax advisor.

Q: What is the purchase price of the home at the end of the lease?

A: The Landlord will sell the home to you for the unpaid balance of the existing mortgages plus some assumption costs. This means that you are able to lock-in the current home value rather than a higher or lower home price in eighteen months.

Q: Do I get to keep all of the increase in value that may have built-up during the lease?

A: When you purchase the home by assuming the existing mortgage, it is a likely that a certain amount of increase of value will have built-up during the lease since the mortgages were paid down and because the market value of the home may have increased. In the Community Empower Lease Purchase Program programs any of that built-up increased value will be yours upon assumption.

Q: What will happen if I do not pay my lease payment on time?

A: The Property Manager will contact you to determine if your financial problem is temporary. If so, it may be possible to negotiate a repayment plan and stay in the home. However, if you are in default on your lease payment, you risk being evicted.

Q: How much will my monthly lease payments cost?

A: The amount you will pay during the 18-month lease period depends on the fair market rent of your area. After you assume the landlord's loan the amount of your mortgage payment will vary depending on the price of the home you

choose, the interest rate, the property taxes assessed to the home, the cost of hazard insurance, and any additional fees such as homeowner association dues. Only after you apply and choose a home, can your counselor give you an accurate estimate of your lease payment. Below are some estimated ranges of the lease payments for this program:

Home Price	Lease Estimate	Mortgage Estimate (PITI*)
	Before Assumption	After Assumption
\$100,000	\$1,390 - \$1,620 per month	Approx. \$1,226 per month
\$125,000	\$1,790 - \$1,985 per month	Approx. \$1,533 per month
\$150,000	\$2,090 - \$2,350 per month	Approx. \$1,839 per month
\$200,000	\$2,790 - \$3,090 per month	Approx. \$2,452 per month
\$250,000	\$3,390 - \$3,925 per month	Approx. \$3,065 per month
\$300,000	\$3,995 - \$4,560 per month	Approx. \$3,678 per month

Because this is a homeownership program, you should be looking at the savings you will get over a period of years, not months. Check out this comparison to see how significant your savings can be within just a few years.

*All figures in the chart above are estimates. This does not constitute an official "Good Faith Estimate". Mortgage estimate includes estimated principal, interest, taxes and insurance for first and second mortgage. Second mortgage has a balloon payment at end of 15th year. Read this FAQ to get more information about property taxes and insurance costs.

Q: What costs are covered in my lease payment before assumption?

A: Your monthly payment during the lease period will include:

- Professional Property Management
- Lease Servicing
- Monthly ScoreManager credit management
- Monthly Installment into a Borrowers Savings Account, paid as a security deposit. If you qualify to assume the loan, these funds are used to pay for your assumption costs, including: prepaid taxes, insurance, and assumption fees.

Because you do not own the home during the lease period, you do not pay for real estate property taxes, homeowner's insurance, or homeowners association dues. However; you will be responsible for obtaining a renters insurance policy to cover your belongings and your liability.

Q: How long do I lease the home before I become the homeowner?

A: The lease period is 18 months or less depending on your credit status.

You may assume the landlord's loan early if you meet the qualifying guidelines. Or, at the end of the 18 months, you have the option to assume the loan and become the homeowner, if you are qualified. Assuming the loan is an incredible opportunity for you. That's because when you assume the loan, you stand to benefit from the increase in value that has accumulated with the home's appreciation, if any.

Q: How do I become the homeowner at the end of my lease?

A: To buy your home and become the homeowner, you must qualify to "assume" the mortgage. Qualifying is a 2 step process that requires that you; 1) abide by all the terms of the lease, and 2) financially qualify to assume the mortgage. "Assuming" the mortgage is a process whereby you take over the mortgage payments (and all other homeownership costs) from the home's current owner. Think of it as getting the home and the mortgage "signed-over" to you. In order to qualify to assume the mortgage, you must meet certain criteria, including making all your lease payments on time, and working diligently to improve your credit with the help of our ScoreManager program. Other conditions apply. You will be responsible for certain assumption fees, some of which may be covered by your monthly security deposit. If you are unable to qualify to assume the loan at the end of the lease period, the Program Issuer, in it's sole discretion, may extend the lease to you or another qualified lessee/tenant.

Q: How do I apply for Lease-To-Own?

A: There are 3 ways to apply:

1. Apply Online
2. Apply over the phone at 214-722-5800 or 800-362-6101
3. Apply by US mail by downloading the application form PDF

You can pay for the application fee using a credit card, or you may mail us a check or money order.

Q: How much does it cost to apply?

A: The cost to apply is \$19.95.

Q: What do I get for my application fee?

A: When you submit your paid application, a professional counselor will personally review your application and contact you to inform you of your qualification status within 1-4 weeks. It's important to understand that although thousands of families will apply for this special program, less than 1,000 will qualify. For this reason, your application fee is non-refundable. Applicants will be qualified on a first-come, first-served basis, so apply now.

Q: Do I have to pay a downpayment?

A: No. You do not have to pay a downpayment. If you apply and are approved for the program, you will be asked to pay a program fee (an amount not to exceed one monthly lease payment) and your first month's lease payment prior to moving in to your new home.

Q: What if I am currently renting, and my lease doesn't expire soon?

A: If your current lease agreement expires in the next 12 months or less, you should apply now for the lease-to-own program. That's because funds for this program are limited and all applicants will be approved on a first-come, first-served basis. By applying now, you can ensure funds will be available for you when your current lease expires. And we can work with you and the builder to schedule the construction of your home so that it will be ready when you are. In addition to securing funds, applying now will give you the benefit of a head-start in preparing for homeownership by taking advantage of your ScoreManager enrollment.

Q: If I currently own a home or other property, can I still qualify?

A: You can still qualify if you own a home and plan to sell it prior to signing your lease agreement. If you plan to sell your home, you should apply now for the lease-to-own program. You may own other undeveloped land (ie: land without a home on it); however, you can not own another home when you enter the lease agreement.

Q: How do I know if I will qualify for Lease-To-Own?

A: It is generally easier to qualify for lease-to-own than applying for a typical home purchase mortgage. That's because there is no downpayment and it's OK to have a few bumps and bruises on your credit. The only way you can find out for certain if you qualify is to apply. But before applying, you should ask yourself the questions listed here.

Q: If I have a low credit score can I still qualify?

A: There is no minimum credit score required to qualify for this program. However, there are other minimum credit requirements. To determine if you should apply for lease-to-own, you should ask yourself the questions listed here.

Q: How much income do I have to earn to qualify?

A: While there is no minimum or maximum income required for this program, there are limitations to the amount of debt you can carry. In most cases, this program will be appropriate for those earning \$50,000 or more household income. Income can come from all persons who are signing the lease agreement, as well as boarder income, if it comes from a family member living in the home. Although no minimum time on the job is required, income must be stable and durable. Income may be full-time, part-time or self-employed. All income must be documentable. To determine if you should apply for lease-to-own, you should ask yourself the questions listed here.

Q: Can I use section 8 vouchers or other assistance to make my lease payment?

A: No. Section 8 vouchers cannot be counted as part of your income, nor can they be used to make all or part of the monthly lease payment. Social Security, pension, disability and/or family support payments can be counted as part of your income under certain circumstances, so long as the payments are reasonably expected to continue for at least 3 years. To determine if you should apply for lease-to-own, you should ask yourself the questions listed here.

Q: Will I qualify if I've had a bankruptcy or foreclosure?

A: If the foreclosure or bankruptcy was discharged over 3 years ago, and you have re-established good credit habits since then, you may still qualify. To determine if you should apply for lease-to-own, you should ask yourself the questions listed here.

Q: Will I qualify if I have unpaid collections or civil judgments?

A: If the collections and/or civil judgments are reported in error, you can dispute them with the help of your ScoreManager enrollment. If you can pay-off the collections and civil judgments prior to signing your lease agreement, (or resolve them with a legitimate dispute process), you may still qualify. Furthermore, you may also choose to establish a written debt repayment plan to pay-off the debt in installments over time. When you setup a debt repayment plan in writing, you may qualify to lease-to-own even while you are still repaying your past debts. Certain collection accounts can be disregarded, and therefore not affect your qualification status. Collection accounts that are more than 2 years old AND in an amount less than \$500 may be disregarded. Medical collections may be overlooked on a case-by-case basis. To determine if you should apply for lease-to-own, you should ask yourself the questions listed here.

Q: Will I qualify if I have a lot of debt?

A: This depends on your total monthly income and total monthly debt payments - in other words, your Debt-To-Income Ratio (DTI). To qualify for this program, your total monthly debt payments and anticipated lease-to-own payment must not exceed 45% of your total monthly income (45% DTI). To determine this, you should add the monthly payments on your existing debt such as car payments, minimum payments on credit cards, loan payments and other debts (if any). Also add in the anticipated lease payment for your lease-to-own home (see here for estimates.) Do not include monthly expenses such food, utilities and insurance. Then add up your total gross monthly income before taxes. Your total monthly debt payments, including your estimated lease payment, should not exceed 45% of your monthly income. If this formula seems too complicated, don't worry. When you apply for the program, your DTI will be calculated automatically, and your counselor can help explain it to you.

Q: Will I qualify if I have an unpaid tax lien?

A: No. All tax liens must be paid in full prior to entering the lease-to-own program.

Q: Will I qualify if I've had an automobile repossession?

A: A repossession or voluntary surrender will not by itself prevent you from qualifying for the lease-to-own program. Other factors will be used to determine your qualification.

Q: Do I have to take a home buyers education course or credit counseling to qualify?

A: Yes. When you submit your paid application, you will begin a credit counseling and education program called ScoreManager. If you are approved for the program, and enter a lease, you will continue in the ScoreManager for the duration of the 18-month lease period at no additional charge. If there is a significant time gap between the time you apply and the time your home is ready, you may need to enroll in the ScoreManager (at your own expense) to stay on track to homeownership.

Q: What homes are eligible?

A: This program is for newly constructed homes only. Visit our page called "What Homes Are Eligible" to learn more.

Q: Where are the homes located?

A: Participating builders from all over Texas are supplying the highest-quality homes to lease-to-own. Other states will be eligible soon. Visit our page called "What Homes Are Eligible" to learn more.

Q: How will I find the right home for me?

A: After you submit your application and are pre-approved for the program, one of our professional home counselors will work with you to find the perfect home and home builder. Visit our page called "What Homes Are Eligible" to learn more.

Q: Can I get a tax deduction during my lease period?

A: No. During the 18-month lease period you can not deduct the property taxes or interest because you are not yet the homeowner. When you assume the loan at the end of the lease, you will then be the homeowner, and will be eligible to deduct all future property taxes and mortgage interest, as allowed under federal and state tax laws.

Q: Can I use my own real estate agent?

A: No. One of the ways that this program keeps costs down is that there are no real estate broker fees allowed to 3rd party real estate agents. But you need not

worry about finding the right home -- our counselors will help you through this process. And you won't have to be involved in negotiating the sales contract, that's because we are buying the property on your behalf. Due to the large volume of units we will be buying, we have considerable bargaining power to negotiate affordable deals. But funds to purchase homes will go fast. You should apply now for the best chance at becoming qualified.

Q: What if I find a new home I want, but the builder is not participating in the LTO program?

A: If you submit a paid application to us, and are approved for the program, we will make every effort to negotiate with the builder of your choice. Most builders see the tremendous value of participating in the lease-to-own program. So long as the homes the builder sells meet the program requirements, we may be able to work with the builder of your choice. If we are unable to negotiate with the builder, we will refer you to a participating builder offering a similar home.

Q: What if the house needs repairs while I am leasing?

A: A home warranty covers repairs to most home systems and built-in appliances during the 18-month lease period. If a repair is required for warranty items, you may pay a nominal fee for a service technician to come to the home to make the repair. In all other respects, it will be your responsibility to take pride in your home and maintain it properly during the lease period - just as if it were your own home.

Q: Do I have to pay for home insurance and property taxes?

A: During the 18-month lease period, you do not have to pay for home insurance or property taxes. The home insurance provided (called all-risk hazard insurance) does NOT cover the contents of your home, such as furniture. You must obtain a separate Renters Insurance policy to cover your belongings and your liability. After you assume the loan and become the homeowner, you will be responsible to obtain a comprehensive home insurance policy, and you will be required to pay property taxes and all other fees associated with homeownership.

The Option To Purchase

The ability to achieve homeownership in the CE Lease Purchase Plan comes from the signing of an Option To Purchase after the Lease begins. You will have a chance to review this document, which will give you the legal right to own your home through the assumption of the mortgages. Under state law, the timing of the signing of this Option is very important. The signing of this Option will take place after you have signed your Lease and the Landlord has purchased the home you will live in. After that purchase, you will be given a notice that the Landlord has mortgages on the home and it will tell you, among other things, the amount of those mortgages. At least three (3) days after you will receive this notice, you will need to sign the Option To

Purchase. Since this gives you the legal right to purchase your home according to the terms, rules and conditions of your lease, the Option To Purchase and the CE LPP Program Guidelines, it is very important for you to sign this Option To Purchase agreement. The Lease Agent can help you understand this important step in your home ownership process.

After the option to purchase is signed, the payments, called security deposits also serve as collection accounts for your assumption costs and charges. If you do now exercise your option to purchase at the end of the lease, your lease will expire and you will need to move out and your excess Security Deposit will be refunded to you.

The Lease

You will sign an 18-month lease. Read the lease carefully. The monthly payment is the same each month of the lease unless the landlord's real estate taxes or insurance increases; if these increase, you will be notified that the payment will increase. Please note that security deposits are paid each month and not in advance.

Answers To Quiz Questions

1. True. At the end of the lease the landlord will sell you the home by allowing you to assume the existing loans.
2. True. Community Empower Lease Purchase Program is a great way to improve your credit.
3. True. A stable income is a basic requirement of the program.
4. True. This workbook must be completed by at least one of the persons will lease-purchase the home.
5. True. Persons with bad credit will normally have to a lot more for a regular home loan.
6. True. Normally, a lender will require that you show proof that you have saved the money for the down payment from your own funds. However, this is not a requirement of Community Empower Lease Purchase Program.
7. True. The Community Empower Lease Purchase Program program pays your closing costs for you.
8. False. There is no minimum time on the job requirement. The lender just needs to determine that the income is stable, that is that is likely to continue for at least three years.
9. False. Your income and your debts are considered.
10. False. A debt management plan created by a debt management plan can be used to repay collection accounts.
11. True. During the lease period you can not take the mortgage interest deduction on your federal taxes.
12. True. Home ownership is an important source of personal wealth for most Americans.
13. True. During the lease period you will be responsible for routine maintenance of the home.
14. False. During the escrow period you should avoid taking on new credit obligations as this could disqualify you for the lease.
15. True. All participants must be actively enrolled in the CE Credit Management Program.
16. False. It is up to you to select a home, with the help of your lease agent, to find a home that meets your needs.
17. True. Employers frequently check the credit history of candidates for employment. A poor credit history can be justification for denying someone a job.
18. False. In fact, one of the early signs of credit problems is when you begin using credit cards to pay for regular living expenses
19. True. If you want to improve your credit profile, start making your payments on time.
20. True. Stay in close contact with your Lease Agent.

Final Examination; Test your knowledge

In order to receive the required certificate of completion for this course, you must answer the following questions. Send the completed answer sheet to the person or agency the supplied you with this workbook.

#	YES	NO	QUESTIONS
1			In order to qualify for Community Empower Lease Purchase Program I must have a stable source of income.
2			Part-time and bonus income can be considered if it is likely to continue in the future.
3			If my credit score is below 580 I can still qualify if I can prove that I have been paying my rent on-time for at least the last 12 months.
4			The lease period typically last 36 months.
5			During the lease period I do not own the home.
6			During the lease-period I am responsible for routine maintenance of the home.
7			A real estate agent can help me find a home I can afford to lease-purchase.
8			It does not matter if I make my lease payments on time.
9			Location is an important factor in choosing a home.
10			It is the responsibility of my real estate agent to get copies of my pay check stubs to the lender.
11			If my credit score is below 620 at the start of the lease I will need to complete a comprehensive homebuyer education program within 12 months.
12			I must resolve unpaid collection accounts prior to the start of the lease.
13			If I do not make my lease payments on time I risk being evicted.
14			The administrator is the best source of help during the lease period.

IMPORTANT - PROVIDE THIS INFORMATION WHEN YOU SEND IN YOUR EXAMINATION

Name	
Street Address	
City, State Zip Code	
Telephone Number	
Fax Number	
E-Mail Address	

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