

Housing Action Illinois
2008 Annual Meeting
Wall Street? Main Street?
What About Your Street?

Learn What the Government is
Doing to Address the Housing Crisis
and How You Can
Participate in the Solution
November 13, 2008

Foreclosure Trends

- According to RealtyTrac, there were 10,204 foreclosure filings in Illinois during September 2008, 24% more than in September 2007.
- The September 2008 data represents one foreclosure filing for every 510 housing units, the 12th highest rate in the nation.

Foreclosure Data

Illinois Loan Characteristics, September 2008				
	Subprime		Alt-A	
Number of active owner-occupied loans	116,367		50,642	
With a current payment	60,743	52%	40,108	79%
With a payment 30-59 days past due	13,033	11%	2,532	5%
With a payment 60-89 days past due	6,633	6%	1,165	2%
With a payment 90+ days past due	11,288	10%	1,772	4%
In foreclosure	16,175	14%	3,596	7%
In REO (bank-owned)	8,495	7%	1,418	3%
		100%		100%
ARM loans	85,762	74%	25,777	51%
Number already reset	51,634	60%	9,073	35%
Resetting in next 12 months	22,813	27%	1,598	6%
Resetting in 12-23 months	8,875	10%	2,815	11%
Resetting in 24+ months	2,429	3%	12,296	48%
		100%		100%
<i>Source: Federal Reserve Bank of New York</i>				

Foreclosure Outlook for 2009

From Business Week, June 5:

The Next Real Estate Crisis

By April, 2009, hundreds of thousands of option ARM mortgages will begin resetting, bringing on a fresh wave of foreclosures....Monthly option recasts are expected to accelerate starting in April, 2009, from \$5 billion to a peak of about \$10 billion in January, 2010.

Impact on Affordable Homeownership Programs

From Business Week, October 30:

Credit crunch squeezes housing finance agencies

The financial meltdown has come down hard on the nation's housing finance agencies, which provide tens of thousands of mortgages to first-time poor and moderate-income home buyers. West Virginia has stopped going to market with bond sales, **as has Illinois' housing development authority**. Ohio canceled a long-planned \$150 million bond sale after the credit markets froze. Wisconsin suspended its entire loan program. California temporarily suspended two of its long-term loan programs and removed two other down payment assistance programs.....

At issue is the ability of the housing agencies to borrow the money they need to process mortgages by selling bonds at affordable interest rates. As the financial crisis exploded, it was virtually impossible to sell bonds at all, especially those associated with mortgages. As the markets have opened up, some sales are possible but at higher interest rates, which mean higher costs to taxpayers.

Impact on Homelessness

From WCIA-TV, Champaign/Springfield, October 23:

More Homeless are Working Poor

The Center for Women in Transition has turned away seventy people in the past couple of months. That's a 50 percent increase in applications over last year. And many of the women wanting to stay here aren't whom you'd expect. A lot of them have jobs, but with minimum wage at just \$7.75 they just can't keep up with bills. Another group this shelter is now seeing is baby boomers who've been foreclosed on.

State Financial Trends

From the Springfield State Journal-Register, November 10:

State revenues continue big slide

State revenues continue to plummet, the Blagojevich administration warned today, threatening to blow another \$1 billion hole in a state budget already strapped for cash.

New projections from the state Department of Revenue, provided first to The State Journal-Register, show the state could get \$800 million less in money than it was counting on from three major tax areas by next summer unless the national and state financial picture turns around.

Individual income taxes are projected to be down 4 percent from budgeted amounts, corporate income taxes are projected to be down 14 percent and sales taxes are down 3 percent.

Housing and Economic Recovery Act

Federal legislation signed into law on July 30:

- Creates a Housing Trust Fund and a Capital Magnet Fund.
- Establishes HOPE for Homeowners, a temporary FHA program to help delinquent or at risk borrowers to refinance into affordable mortgages.
- Authorized \$3.92 billion Neighborhood Stabilization Program to help localities deal with abandoned and foreclosed properties.
- Provides \$180 million in new funding for foreclosure prevention counseling.
- Provides additional Low Income Housing Tax Credit and Tax-Exempt Bond resources.

Neighborhood Stabilization Program

How Can the Funds Be Used?

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes (including soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers).
- Purchase and rehabilitate properties that have been abandoned or foreclosed.
- Establish land banks.
- Demolish blighted structures.
- Redevelop demolished or vacant properties.

NSP Funding in Illinois

<i>Grantee Name</i>	<i>NSP Grant Amount</i>	<i>2008 CDBG Allocation</i>	<i>HUD Abandonment Risk Score</i>
CHICAGO	\$55,238,017	\$82,723,276	High
ILLINOIS STATE PROGRAM	\$53,113,044	\$31,644,905	Medium
COOK COUNTY	\$28,156,321	\$9,922,687	Medium
DU PAGE COUNTY	\$5,176,438	\$3,476,208	Low
WILL COUNTY	\$5,160,424	\$1,450,153	Low
LAKE COUNTY	\$4,600,800	\$2,545,309	Low
JOLIET	\$3,531,810	\$917,009	High
MCHENRY COUNTY	\$3,085,695	1,301,979	Medium
AURORA	\$3,083,568	\$1,220,476	Medium
KANE COUNTY	\$2,576,369	\$1,245,786	Low
ROCKFORD	\$2,287,004	\$2,073,299	High
ST CLAIR COUNTY	\$2,262,015	\$1,411,970	Medium
ELGIN	\$2,159,623	\$835,687	Medium
CICERO	\$2,078,351	\$1,399,092	High
TOTAL	\$172,509,479	\$142,167,836	

Emergency Economic Stabilization Act (“\$700 Billion Bailout Bill”)

From the National Low Income Housing Coalition’s October 31 *Memo to Members*:

Since the enactment of the Economic Emergency Stabilization Act of 2008 (EESA) earlier in October, the Treasury Department has begun to use the \$700 billion in funding provided in that bill to address the stability and liquidity of the banking system, including investing in financial institutions and stimulating the commercial paper market. However, amid press reports that financial institutions are using the taxpayer dollars for bonuses and dividends and that little is being done to help troubled borrowers avoid foreclosure, Congress is taking steps to review Treasury’s actions....

In the Senate, members of the Committee on Banking, Housing and Urban Affairs sent a letter to President Bush on October 30 urging him to use the authority provided in EESA to help families avoid foreclosure. Specifically, the letter noted that, to date, most the Treasury’s actions have focused on addressing the “symptoms of the crisis – financial arteries clogged with bad mortgage-backed debt and housing-related losses undermining the capital positions of our financial institutions” but little has been done to reduce foreclosures.

Election Results

- Presidential Electoral Votes:
Dem 365 GOP 162 Tied 11
- U.S. House: Dem 256 GOP 173 Tied 6
- U.S. Senate: Dem 57 GOP 40 Tied 3
- Illinois House: Dem 70 GOP 48
- Illinois Senate: Dem 37 GOP 22

Second Economic Stimulus Bill?

Congress will meet in a lame duck session set to begin on November 17. The National Low Income Housing Coalition is requesting:

- \$200 million for relocation and temporary housing assistance for tenants who live in homes that are foreclosed upon.
- Protections for tenants in properties subject to foreclosure, including the requirement that renters be provided with at least 90 days' notice before eviction.
- \$5 billion for public housing capital funds to rehabilitate public housing, \$1 billion of which could be distributed by formula grant to all 3,500 public housing agencies, and the balance of which could be quickly distributed by a competitive grant process.
- \$110 million in disaster-related Community Development Block Grant funding for Alabama's post-Katrina housing needs, which have been repeatedly neglected by Congress.
- An end to HUD's authority to waive income targeting requirements for all Katrina/Rita CDBG funds.
- Congressional action to address the estimated \$3 billion to \$4 billion gap in affordable housing production resources caused by the disappearance of the market for low income housing tax credits.

Impact of Housing Counseling

- Statewide Foreclosure Network of 14 non-profit housing counseling agencies across the state that provides one-on-one foreclosure prevention counseling for homeowners. Since February, at least 3,500 families have received counseling and mitigation assistance through the Network.
- From July 2007 through July 2008, 68,681 Illinois homeowners avoided foreclosure through the HOPE NOW Initiative. Of those, 50,536 Illinois homeowners received repayment plans and 18,145 Illinois homeowners received loan modifications.

Counseling Resources

- There have been significant increases in resources for housing counseling, but demand still is greater than what HUD-certified housing counseling agencies can meet.
- Between August 2006 and August 2007 there was a relatively small increase in the number of foreclosure clients seen by individual counselors. Between August 2007 and August 2008, the average number of foreclosure clients seen by each counselor more than doubled. During August 2008, individual housing counselors saw an average of 35 foreclosure clients.

Lender Responses

- To settle a lawsuit, beginning December 1, Countrywide will systematically modify troubled mortgages, including interest rate and principal reductions for eligible subprime and Pay Option ARM borrowers.
- In last two weeks, JP Morgan Chase and Citibank have agreed to significantly increase loan modifications.

Federal Aid for Homeowners?

From the New York Times, November 11:

EDITORIAL: It's About the Mortgages

Within the [Bush] administration, there has been talk about a possible new foreclosure plan that might temporarily reduce monthly payments, say, for five years, or would require the government to make direct payments to the lender to make up for lost cash flow. That would be a misuse of taxpayer dollars because temporary loan modifications would not stabilize the system in the long run.

All roads, into and out of this crisis, run through the housing market. Mr. Paulson should be pressing for a streamlined plan that includes permanent modifications to troubled loans. That is the only way to keep Americans in their homes, save the banks and the economy.

Breaking News

From National Public Radio, November 11:

Government Unveils Plan For Mortgage Help

The government and the mortgage industry have launched a plan [that goes into effect on December 15] to help troubled homeowners by speeding up the process for renegotiating hundreds of thousands of delinquent loans held by Fannie Mae and Freddie Mac....

Fannie Mae and Freddie Mac own or guarantee about half of U.S. home loans.... To qualify, borrowers would have to be at least three months behind on their home loans, and would need to owe 90 percent or more than the home is currently worth. The interest rate would be reduced so that borrowers would not pay more than 38 percent of their income on housing expenses.