



**2013 Annual Awards Entry Form**  
(Complete one for each entry.)

**Entry Name** Keeping People in Their Homes - A Foreclosure Prevention Success Story

**HFA** Illinois Housing Development Authority (IHDA)

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Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013**.

Use this header on the upper right corner of each page.

HFA Illinois Housing Development Authority

Entry Name Keeping People in Their Homes - A Foreclosure Prevention Success Story

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Federal Advocacy <input type="checkbox"/> State Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input type="checkbox"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> Multifamily Management <input type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs	<input checked="" type="checkbox"/> Special Achievement	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

## **Introduction/Program Need**

While the hurdles faced by our nation have been daunting, Illinois in particular has emerged as a leader in the recovery. To provide a permanent solution for the 649,000<sup>1</sup> properties with negative equity in Illinois, the Illinois Housing Development Authority (IHDA) created three unique and distinct loan modification products to provide a variety of homeowners with permanent mortgage relief.

## **Challenge**

IHDA has a responsibility to the state to help those in need. First we created a loan modification pilot program to service our own loan portfolio. While getting our book in order was a priority, we were cognizant that we could make a bigger impact for the state of Illinois by creating additional loan programs to assist people beyond our own financial responsibility. With an ultimate goal of foreclosure prevention for the state of Illinois, IHDA created three new loan modification programs:

- Illinois Loan Modification Pilot Program
- Illinois Mortgage Resolution Fund
- Illinois Home Preservation Program

The programs are applied to cure delinquencies, to offer ongoing mortgage assistance payments and to help eligible employed borrowers in receiving a permanent loan modification.

## **Illinois Loan Modification Pilot Program**

A common underpinning of our Loan Modification platform is homeowner foreclosure prevention. IHDA launched this pilot after seeing our foreclosure numbers spike on our own loans.

IHDA reaches out to delinquent borrowers on a monthly basis to provide a loss mitigation packet. As we receive information from borrowers, we begin reviewing their applications to determine program eligibility. Initial eligibility credentials are as follows:

- Current household housing-to-income ratio of 25 percent or higher;
- At least one person in the household must have consistent employment and/or income source(s);
- An eligible hardship reason must be affirmed;
- Qualifying area medium income limits;
- Post-modified payment must be within HUD affordability range

Since the program launch in May 2011, IHDA has approved 87 modifications (\$8.9 million) which include 10 modifications (\$1.5 million) for Chicago residents. The aforementioned simultaneous review of program eligibility (with the HPP and HFF programs) has resulted in success for over 230 IHDA borrowers. As another truly innovative tool in our foreclosure prevention toolbox, we're serving a dual purpose for the State of Illinois. We're immediately helping those in need but moreover, but since this is a pilot program, we are doing our due financial diligence and actively gaining knowledge through this

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<sup>1</sup> CoreLogic

pilot program. This fiscally responsible approach will allow us to determine the best tactics going forward to meet the needs of future IHDA borrowers and make a potential full program launch a success.

### **Illinois Mortgage Resolution Fund (MRF)**

The Illinois Mortgage Resolution Fund (MRF) is an innovative use of Hardest Hit Fund monies, demonstrating IHDA's dedication to finding solutions for homeowners and communities threatened by foreclosure. MRF aims to keep families in their homes and stabilize neighborhoods by utilizing HHF dollars to purchase delinquent mortgages at a discount, permanently modify the mortgages of qualifying households to an affordable level and provide households not eligible for modification with support through property disposition and transition to new housing.

The MRF program is both innovative and holistic in its approach to bring each qualifying household's mortgage debt into alignment with current home values while also requiring the household to bring all forms of debt in line with traditional and sustainable debt-to-income ratios.

Loan pool purchases of up to \$100 million were approved by US Treasury and the IHDA Board in November 2012 for the MRF program. Since the approval, IHDA staff has been working with the program partners Mercy Housing, Mercy Portfolio Services, Enterprise Community Partners, National Community Stabilization Trust and Housing Partnership Network to implement the program. During this time, IHDA and its partners have developed a fully operational program manual, defined reporting and funding protocols and developed an IT platform capable of managing the workflow and document requirements of both the U.S. Department of the Treasury and IHDA. To date, the Hardest Hit Fund has committed \$38.5 million to the MRF program. Seven loan pools were purchased representing 204 delinquent mortgages. The loans purchased are currently in various stages of the MRF program model.

While the loan pools are not a part of the IHDA portfolio, we created this program to further our mission and to provide a new means of foreclosure assistance throughout the state. And IHDA is first in the nation to utilize the HHF in this fashion. It is a creative, replicable program and a model for other states to follow. Two other state programs have followed suit, utilized the MRF program as a template and have implemented similar programs for their respective constituents.

### **Illinois Home Preservation Program (HPP)**

The Illinois Home Preservation Program (HPP) is a principal reduction program that assists homeowners facing current hardship, an unaffordable mortgage payment and an underwater mortgage. HPP was approved by the IHDA Board and US Treasury December 2012. The program launched as a pilot in January 2013 with the intent to expand to full operation set for June 2013. As a subset of the Illinois Hardest Hit program, HPP is a lender-facing program that targets both the current monthly debt-to-income ratio and the loan-to-value ratio, bringing immediate payment relief to the homeowner today and increasing long-term stability going forward.

HPP assists homeowners who are financially unable to make their mortgage payments due to a program-eligible hardship causing a decrease in income or an increase in expenses. Since HPP is a lender-facing

program, the lender conducts outreach and submits modification proposals for eligible loans. After identifying eligible loans, IHDA applies program funds to create an affordable payment based on current income. HPP leverages Hardest Hit Fund dollars to facilitate a refinance, recast or permanent modification of the first mortgage through an escrow arrearage (including related fees and costs), principal reduction and/or reinstatement payment to bring the household monthly payment to an affordable level (maximum Housing Debt to Income [HDTI] of 38 percent). A second lien payoff payment may also be provided to facilitate a first mortgage modification/recast/refinance.

The goal of the program is to facilitate long-term mortgage sustainability by leveraging HPP funds with a servicer/investor-specific loan reinstatement, modification, recast and/or refinance. This will reduce the likelihood of continued mortgage delinquency, re-default, or long-term unaffordability due to negative equity.

Another key benefit of this program is that IHDA is working with smaller community lenders and going beyond the large national lending institutions. To date, HPP is available with five participating servicers (IHDA Dovenmuele, CEFCU, Second Federal Savings and Loan, Neighborhood Lending Services and Marquette Bank). Each was selected due to their in-house servicing of loan and community commitments. IHDA is in the process of adding six additional lenders by the end of July 2013.

Seventy-four households have received assistance and over \$3.2 million has been committed thus far.

### **Conclusion**

The Illinois Loan Modification Pilot Program, the Illinois Mortgage Resolution Fund and the Illinois Home Preservation Program collectively address the issue of underwater mortgages in Illinois. As a component of the state's comprehensive approach to foreclosure prevention, IHDA uses existing resources creatively to respond to a growing need of Illinois homeowners. The programs work together to stabilize communities hit hard by the housing crisis, assist mortgage servicers to provide relief to their customers and create a safety net for underwater homeowners.



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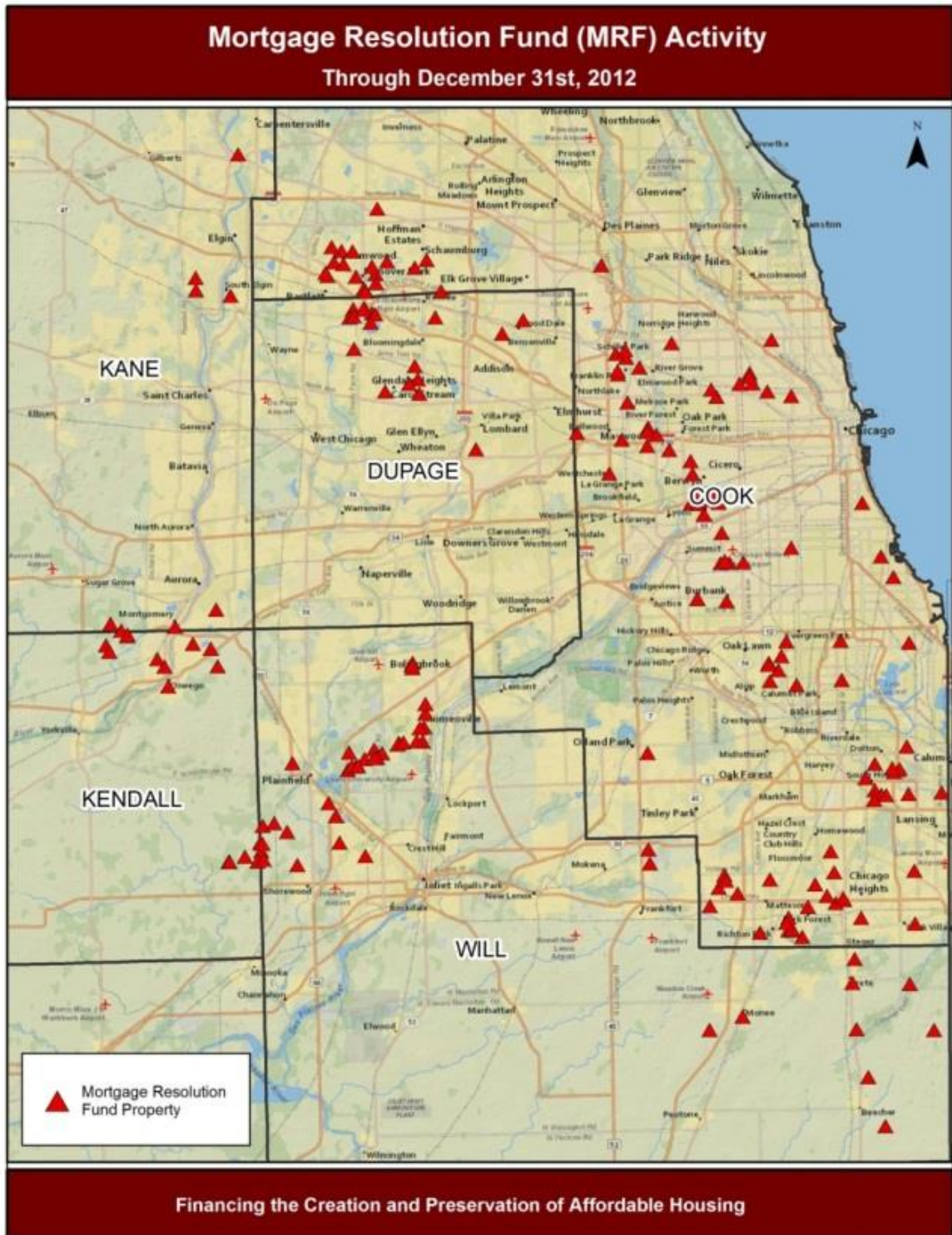
Pat Quinn, Governor

# **Guide to Keeping People in Their Homes – A Foreclosure Prevention Success Story**

## **Visual Aid Attachments**

1. Mortgage Resolution Fund (MRF) Loan Activity Plot Chart (Through December 31, 2012)
2. Press release announcing the Mortgage Resolution Fund (MRF) Loan Pool Purchase

# Mortgage Resolution Fund (MRF) Loan Activity Plot Chart (Through December 31, 2012)



Tuesday, December 4, 2012

## **Innovative Mortgage Resolution Fund Buys Distressed Loans**

*Goal is to modify mortgages and offer permanent solutions,  
long-term stability for Illinois borrowers*

**CHICAGO** – A public-private partnership overseen by the Illinois Housing Development Authority (IHDA) is the winning bidder in an auction of 324 distressed residential mortgages in the Chicago area.

The Federal Housing Administration (FHA) announced Monday that the Mortgage Resolution Fund (MRF) won an FHA-sponsored auction of non-performing loans, paving the way for MRF to permanently modify the mortgages of qualifying households. The Chicago area was one of four metropolitan areas chosen by FHA for this loan sale. FHA chose the Chicago area because it has a high concentration of at-risk loans, and through this effort FHA hopes to promote neighborhood stability in struggling communities.

"This program creates the opportunity for everyone to walk away a winner - the homeowner, the Illinois Housing Development Authority, FHA, and the community at large," said Acting FHA Commissioner Carol Galante. "This program accomplishes two very important objectives- it supports communities hardest hit by the housing crisis and it saves considerable money for FHA's insurance fund."

Homeowners whose loans are being purchased will be contacted by MRF in the first quarter of 2012. MRF will permanently modify the mortgages of qualifying households to an affordable level and provide households not eligible for modification with support through property disposition and transition to new housing. The MRF Program is a holistic approach that brings each qualifying household's mortgage debt into alignment with current home values while also requiring the household to bring all forms of debt in line with traditional and sustainable debt-to-income ratios. The MRF Program is free of charge to homeowners.

Funding for the loan purchase comes from the Hardest Hit Fund Program, a federal resource.

"This latest initiative demonstrates how Governor Pat Quinn's administration is committed to creative solutions to stabilize communities", said Mary R. Kenney, Executive Director of the Illinois Housing Development Authority. "It is an innovative and complicated use of

HHF monies, demonstrating IHDA's dedication to finding solutions for homeowners and communities threatened by foreclosure."

MRF is a public-private partnership consisting of organizations that have served as national leaders in responding to the foreclosure crisis: Mercy Portfolio Services and Mercy Housing, Inc.; Enterprise Community Partners, Inc.; the Housing Partnership Network; and the National Community Stabilization Trust.

The loans are located in the Chicagoland area, leveraging other IHDA foreclosure prevention and community rebuilding efforts such as:

- the Illinois Building Blocks Program, which offers \$10,000 in down payment assistance to qualified buyers of vacant single family homes in targeted communities;
- the Illinois Hardest Hit Program, which offers up to \$25,000 in mortgage payment assistance to qualified homeowners who are unemployed or underemployed; and
- the Neighborhood Stabilization Program, which provides foreclosed properties to developers to rehabilitate for sale or rental.

#### About the Illinois Housing Development Authority

IHDA ([www.ihda.org](http://www.ihda.org)) is a self-supporting state agency that finances the creation and the preservation of affordable housing across Illinois. Since its creation in 1967, IHDA has allocated more than \$11.5 billion and financed approximately 225,000 affordable units across the state.