

Category: Homeownership
Subcategory: Home Improvement and Rehabilitation
Entry name: Illinois Building Blocks Pilot Program - Saving Communities
HFA: Illinois Housing Development Authority

Program Need

Plagued by falling property prices and abandoned and foreclosed homes, neighborhoods across the U.S. are slipping away. Abandoned properties create blight, attract crime and reduce the local tax base, burdening communities even further. On average, homes on the same block as a property in foreclosure can drop \$8,000 to \$10,000 in value. Programs focused on the acquisition and re-sale of foreclosed properties are finding few buyers, and many private investors are sitting on vacant homes without much regard for property upkeep.

Communities need support – they need to be revitalized; they need investors to breathe new life into the areas; and struggling homeowners need relief. It’s time for neighborhoods to get a focused and strategic response to the foreclosure crisis.

In Illinois, the Illinois Housing Development Authority (IHDA) has made some head way under the federally-funded Neighborhood Stabilization Program (NSP). The State has committed \$58 million in NSP funding and is already well on its way to restoring nearly 450 foreclosed and vacant homes, creating an estimated 580 jobs.

The Illinois Building Blocks Pilot Program builds upon existing efforts already under way, such as NSP, to revitalize communities. More importantly, it addresses the economic, public safety and quality of life issues caused by abandoned and foreclosed properties and recognizes that improving these homes through rehabilitation is vital if we are to truly revitalize our communities.

Program Description

Building Blocks adopts a multifaceted and comprehensive approach that helps communities along every phase of the foreclosure continuum. The program employs a three-pronged approach to revitalizing communities:

- i) it provides financing to developers willing to acquire and rehabilitate vacant homes to help communities address the areas of blight and vacancy and increase the chances of the home regaining a productive use;
- ii) it offers a special financing package to homebuyers willing to invest in these communities and purchase these vacant homes but who may not have an adequate down payment. If the developer is unable to sell the home, then one option is to convert the property into an affordable rental unit; and
- iii) the program helps connect struggling homeowners to the myriad of foreclosure prevention programs available to prevent the foreclosures from occurring in the first place.

Six communities in South and West suburban Cook County - Berwyn, Chicago Heights, Maywood, Park Forest, South Holland and Riverdale – were selected to participate in the pilot program. When selecting the communities, the goal was to collaborate with communities that were not only declining, but also had the ability to leverage existing investment in the area. It was important to select areas that had the potential to rebound with the injection of additional investment and where the scale of impact was likely to make a difference.

- i. **Rehabilitating Vacant Homes** - IHDA partners with the selected municipalities and local for-profit, non-profit and joint venture developers to acquire, rehabilitate, and sell 10 to 15 single-

family real estate owned (REO) properties in each pilot community. IHDA provides funds to the developer through a zero-percent interest loan to be used for:

- acquisition
- rehabilitation
- carrying costs (insurance, taxes, security, and maintenance) up to \$10,000 per home;
- soft costs (survey, title fees, escrow costs, legal fees) up to \$5,000 per home;
- developer fee of \$10,000 per home.

Once the homes have been rehabilitated, they are sold to moderate or low-income households earning 140 percent or less of the area median income (AMI). Developers are given a 24-month period to rehabilitate and sell all their properties. For each individual property there is a twelve month marketing period after construction. The money generated from the sale is deposited into a revolving fund held by IHDA to purchase and rehabilitate additional properties. If the home does not sell in the first 12 months after construction is complete, the developer will work with IHDA and the municipality to explore other options, which include converting the home into an affordable rental property where income limits will apply. In the event that a home sells for a price greater than IHDA's investment (not to exceed \$100,000 per property), the proceeds will be divided 50/50 between the revolving fund and the developer.

IHDA issued a request for qualification (RFQ) in May 2012 for qualified developers to help implement the rehabilitation component of the program. When choosing developers, IHDA and the municipalities looked for developers that had a strong financial profile, were committed to using local subcontractors, and who had a successful track record of rehabilitating single-family housing. Developers were also required to indicate the municipalities they were interested in working in and the total number of homes per municipality they expected to redevelop.

The Building Blocks Pilot Program has the potential to rehabilitate 500 properties in the six communities, which will be significant enough to facilitate the revitalization of all these neighborhoods.

The rehabilitation component of Building Blocks is funded by \$40 million from the Illinois Jobs Now! capital program and \$10 million from Cook County. As mentioned before, proceeds from the sale of the rehabilitated homes will replenish the revolving fund to acquire and rehabilitate additional properties. IHDA's total investment per single family home will not exceed \$100,000.

- ii. **Special Homebuyer Financing Package** – Building Blocks for homebuyers enhances the rehabilitation component by providing incentives to potential buyers of a vacant home to attain the stability that comes with homeownership, as well as helping communities reduce the risk of creating another abandoned property in the area. Homebuyers receive a low-interest IHDA first position mortgage (3 percent as of 6/20/12) and \$10,000 in down payment and closing cost assistance. Buyers must have:

- a minimum FICO score of 600 that will enable more homebuyers to qualify;
- an income not to exceed 140 percent of AMI;
- completed homeownership counseling.

They need not be a first-time homebuyer and are not limited to buying a rehabilitated home.

The first position loan is funded through sources available to the Authority, including secondary market financing. A total of \$50 million in down payment and closing cost assistance is available

under the program through the Illinois Affordable Housing Trust Fund and the Illinois Jobs Now! capital program.

- iii. **Foreclosure Prevention Support for Homeowners** - While the rehabilitation and homebuyer financing components of Building Blocks tackles the productive re-use of abandoned homes, the third piece of the program is built on what we believe is the best way to handle the foreclosure crisis: prevent it from occurring in the first place. Building Blocks provides support for current homeowners in the six communities who may be at risk of foreclosure. Homeowners are introduced to the Illinois Foreclosure Prevention Network (KeepYourHomeIllinois.org), which connects them to a whole host of programs that could help save their homes from foreclosure. Meanwhile, new homeowners in the area are required to complete homeownership counseling as a loan condition. Additionally, those with FICO scores between 600 and 619 are required to do post purchase counseling to reduce the risk of falling into foreclosure in the future.

Marketing - IHDA works with the municipality, the developer, and the housing counseling agency to market the homes rehabbed under Building Blocks to income-eligible buyers. The marketing plan targets all of the program's audiences: developers, realtors, lenders, potential homebuyers, struggling homeowners, etc.

Results

Returning properties to productive use through rehabilitation has benefits that are far reaching. The jobs created utilize the local workforce, contractors increase consumer spending, and local revenue from property taxes and real estate taxes also increases. Not to mention it prevents home prices from further plummeting. Communities cannot achieve all this without the cooperation and commitment of many partners: the local municipalities, developers, realtors, lenders etc. Building Blocks has facilitated the formation of many of these strategic partnerships between state and local municipalities. We are working hand in hand with communities to respond to the foreclosure crisis.

Still in its early stages, so far 28 loans have been reserved under the program's homebuyer financing component. IHDA expects this number to grow as the rehabilitation component of this program gets into full swing and homes are renovated. The rehabilitation RFQ for developers closed at the end of May. IHDA received 25 applications to participate in this groundbreaking program, of which four have been selected to proceed.

Meanwhile, a foreclosure prevention outreach event organized by the Illinois Foreclosure Prevention Network (also led by IHDA) was held in Berwyn, one of the six Building Blocks communities, on Saturday March 31st. A total of 777 local homeowners attended the event to get connected with important resources to help them keep their homes.

Conclusion

Unique times call for comprehensive, targeted solutions. Rehabilitating abandoned homes and preparing them for resale is the crucial first step that needs to be taken to revitalize our communities. However, it cannot be the only step. To ensure continued growth in these neighborhoods, support is needed to help generate buyers for these properties and at the same time, prevent the blight problem from worsening. By actively preparing abandoned homes for resale through rehabilitation and providing incentives for homebuyers so that these homes don't stay vacant, Building Blocks offers a sustainable growth strategy that can be replicated in other struggling urban areas around the county to help stabilize neighborhoods, maintain the existing tax base, and preserve affordable housing stock.

Building Blocks is breaking the cycle of blight by rehabilitating not only homes but whole communities – one house, one block, one neighborhood at a time.



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Pat Quinn, Governor

Guide to Illinois Building Blocks Pilot Program Visual Aid Attachments

1. Illinois Building Blocks Pilot Program flyer for realtors and lenders.
2. Press release announcing the launch of Building Blocks.
3. Photos from the February 3, 2012 launch of Building Blocks.
4. News coverage for Building Blocks.



Illinois Building Blocks Pilot Program

The Illinois Building Blocks Pilot Program offers affordable interest rates and provides down payment and /or closing cost assistance to homebuyers purchasing vacant homes in six pilot communities.

Offered exclusively through the Illinois Housing Development Authority

Communities

Down payment and closing cost assistance available for homebuyers purchasing vacant homes in Berwyn, Chicago Heights, Maywood, Park Forest, Riverdale and South Holland.

Features

- \$10,000 in down payment and closing cost assistance as a 2-year, 0-percent forgivable loan
- Maximum LTVs from 90 to 100 percent
- FHA/VA and conventional insured products available
- Fixed rate, 30-year term loan
- Reduced mortgage insurance requirements on conventional programs

Mortgage insurance

LTV RATIO		COVERAGE	LTV RATIO		COVERAGE
80.01	— 85%	6%	90.01	— 95%	16%
85.01	— 90%	12%	95.01	— 97%	18%

The following are permitted, subject to availability: • Single premium borrower-financed MI, up to 97% LTV • Split premium (which can be paid with contribution from seller) • Monthly borrower-paid premium

Qualifications

- Minimum credit score requirement (Restrictions apply): 600 (FHA/VA loans); 660 (conventional loans)
- Property must be vacant
- Maximum total debt (back end) ratio between 41-45 percent
- Buyer must contribute 1 percent or \$1,000 of the purchase price, whichever is greater
- Household income and purchase price limits apply
- Homeownership counseling is required

For more information

To learn more about the Illinois Building Blocks Pilot Program, go to www.ihda.org or call 312.836.5200 to speak with the Homeownership department, or email homeownership@ihda.org.



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Pat Quinn, Governor



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ILLINOIS HOUSING
DEVELOPMENT AUTHORITY



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Governor Quinn Announces Plan to Revitalize Vacant, Foreclosed Homes in Six Communities

'Building Blocks' Pilot Program Will Rehabilitate Vacant Properties, Increasing Affordable Housing and Stabilizing Neighborhoods

BERWYN – February 3, 2012. Governor Pat Quinn was joined today by Cook County Board President Toni Preckwinkle and six Cook County mayors to announce a new initiative to return vacant, foreclosed properties to productive use. An initiative laid out in the Governor's State of the State address earlier this week, the Illinois Building Blocks Pilot Program will rehabilitate vacant properties and increase affordable housing in the communities of Berwyn, Chicago Heights, Maywood, Park Forest, Riverdale and South Holland.

In the pilot phase of the program announced today, a \$55 million joint commitment from the state of Illinois and Cook County will help the six communities stabilize neighborhoods, protect property values, preserve the existing local tax base and increase affordable housing stock. The localities selected for the pilot have been among those hardest hit by the foreclosure crisis.

"The Illinois Building Blocks Pilot Program is a strategic effort to help stabilize communities struggling with the foreclosure crisis," Governor Quinn said. "By turning vacant properties into affordable housing, we're assisting existing homeowners, strengthening hard-hit neighborhoods and boosting affordable homeownership options for working families."

Abandoned properties burden communities by creating blight, attracting crime and reducing the local tax rolls. On average, homes located the same block as a foreclosed property can drop \$8,000 to \$10,000 in value.

Returning properties to productive use benefits communities by creating jobs and increasing local revenue from property taxes and real estate taxes. Communities also benefit from increased consumer spending by contractors, as well as residents furnishing their new homes. The increase in affordable housing stock helps families starting out or starting again, and promotes economic growth.

"I am excited to partner with Governor Quinn and the state of Illinois in this joint effort to stem the tide of the foreclosure crisis in our underserved communities, and revitalize Cook County's neighborhoods," Cook County President Preckwinkle said. "We must continue to focus on a regional economic development strategy that more effectively leverages our resources to spur economic growth, and the Building Blocks program is a step in the right direction."

The Illinois Building Blocks Program, administered by the Illinois Housing Development Authority (IHDA), has three components:

- Financing to rehabilitate vacant properties to prepare them for productive use and for sale;
- Assistance to homeowners to purchase homes in pilot communities; and
- Support for existing homeowners in the communities to prevent additional foreclosures.

-MORE-



The rehabilitation component includes \$40 million from the *Illinois Jobs Now!* capital program and \$10 million from Cook County to facilitate the acquisition and rehabilitation of vacant properties within the targeted areas. As the rehabbed homes are sold, funds are replenished into the revolving fund to purchase and rehabilitate additional properties. The pilot program could rehabilitate at least 500 properties in the six communities.

The second component provides assistance for homeowners to purchase vacant properties, including those rehabilitated in the pilot project. Grants of \$10,000 for down payment and closing cost assistance are available for up to 500 homebuyers purchasing vacant properties. The program also includes affordable first position mortgages for qualified buyers in order to make the cost of purchasing vacant homes in the communities as affordable as possible. The pilot also permits a lower FICO score threshold, so that a greater number of potential homebuyers can qualify for loans.

The Illinois Building Blocks Program will also help current homeowners in the six communities by providing tools to prevent foreclosure. The efforts will build on the Illinois Foreclosure Prevention Network (KeepYourHomeIllinois.org), launched in the Governor's State of the State address. Programs in the six communities will include free one-on-one foreclosure counseling, loan modifications, and access to financial assistance to homeowners who have trouble paying their mortgage payments due to unemployment or under-employment.

The Illinois Building Blocks Pilot Program builds upon existing efforts already under way in many of these communities, particularly federally-funded Neighborhood Stabilization Program (NSP) development. Under Governor Quinn, Illinois has committed \$58 million in NSP funding and is already restoring nearly 450 foreclosed or vacant housing units in Illinois, creating an estimated 580 jobs.

"With the highest inventory of foreclosed homes in the nation, the Chicago region requires a focused foreclosure response like the Illinois Building Blocks Pilot Program," said Mary Kenney, IHDA Executive Director. "This program represents a multifaceted approach and is an important part of Governor Quinn's overall housing strategy to address the economic, public safety and quality of life issues caused by abandoned and foreclosed properties."

The Illinois Housing Development Authority (www.ihda.org) is an independent, self-supporting bonding authority that finances the creation and preservation of affordable housing throughout Illinois. Since 1967, IHDA has allocated more than \$10.6 billion to finance more than 215,000 affordable housing units for the residents of Illinois.

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Illinois Building Blocks Pilot Program Photos



Illinois Governor Pat Quinn joined by Cook County Board President Toni Preckwinkle and six Cook county mayors at the February 3rd launch of Building Blocks in front of a rehabilitated foreclosed home in Berwyn, Illinois.



The inside of the home is almost ready for a new owner.



“The Illinois Building Blocks Pilot Program represents a multifaceted approach and is an important part of Governor Quinn’s overall housing strategy to address the economic, public safety and quality of life issues caused by abandoned and foreclosed properties.” - IHDA Executive Director Mary R. Kenney.

Building Blocks program shows promise

By Felicia Dechter Columnist February 15, 2012 6:54PM



Updated: March 17, 2012 8:13AM

Kudos to Gov. Pat Quinn who recently came to Berwyn to announce a pilot program targeting vacant and foreclosed properties in six Cook County communities. I'm really hoping that this promising-sounding pilot program soars.

Called the Illinois Building Blocks Pilot Program, the endeavor provides \$40 million in Illinois Jobs Now capital funding and an additional \$10 million in aid from Cook County to help buy and rehab property in Berwyn, Maywood, Park Forest, Riverdale, Chicago Heights and South Holland.

Apparently, these locations were chosen for the program because they're been among those hardest hit by foreclosures. Although Oak Park and River Forest have been pretty much spared with that problem, unfortunately, some of their neighbors have not.

Help stabilize neighborhoods

The program will help stabilize these neighborhoods, as well as protect property values, preserve the existing local tax base and increase affordable housing stock. As we all know, abandoned properties attract crime, create blight, and reduce the tax rolls. And on the average, houses located on the same block as a foreclosed property can drop \$8,000 to \$10,000 in value, according to information provided by the governor's office.

"By turning vacant properties into affordable housing, we're assisting existing homeowners, strengthening hard-hit neighborhoods and boosting affordable homeownership options for working families," said Quinn, who was joined by Cook County Board President Toni Preckwinkle and the six suburban mayors.

The Illinois Building Blocks Program, administered by the Illinois Housing Development Authority (IHDA), has three components:

Financing to rehabilitate vacant properties to prepare them for productive use and for sale;

Assistance to homeowners to purchase homes in pilot communities; and

Support for existing homeowners in the communities to prevent additional foreclosures.

What's very cool about the program is that at least 500 properties in the six communities could be rehabbed. And as those homes are sold, the funds will be replenished to buy and renovate additional properties.

The plan also offers a myriad of other services and assistance including allowing homeowners to purchase vacant properties, including those rehabilitated in the pilot project; grants of \$10,000 for down payment and closing cost assistance for up to 500 homebuyers purchasing vacant properties; affordable first position mortgages for qualified buyers; and a lower credit score threshold, so that more potential homebuyers can qualify for loans.

The communities will also be offered free one-on-one foreclosure counseling, loan modifications, and access to financial assistance to homeowners who have trouble paying their mortgage payments due to unemployment or under-employment.

This sounds like a really great program, and I'm glad Oak Park and River Forest neighbors will be getting a break. But really, it's too bad it's not available to everyone in foreclosure trouble across the state.

Illinois Building Blocks Pilot Program Awards Qualified Park Forest Home Buyers \$10,000

MONDAY, 05 MARCH 2012 23:26 PRESS RELEASE LATEST LOCAL NEWS



Park Forest One Of Six Communities Selected To Participate In Program

Park Forest, IL-(ENEWSPF)- The Village of Park Forest has been selected to be one of six pilot communities to participate in a new program created by Illinois Governor Pat Quinn to address the housing foreclosure crisis. This program, known as the **Illinois Building Blocks Pilot Program**, packages a variety of new and existing resources to create a comprehensive strategy to help stabilize neighborhoods, protect property values, maintain the existing local tax base, and increase affordable housing stock.



In the pilot phase of the Program, a \$45 million commitment from the Illinois Housing Development Authority (IHDA) and a \$10 million commitment from Cook County will help fund these programs in Park Forest, Berwyn, Chicago Heights, Maywood, Riverdale, and South Holland.

The Program, which will be administered by IHDA, has three components:

Financing to rehabilitate vacant properties for sale in the pilot communities;
Assistance to homeowners to purchase homes in the pilot communities; and
Support for existing homeowners throughout the State of Illinois to prevent additional foreclosures.

In the rehabilitation component of the program, IHDA will work with local developers to acquire and rehabilitate vacant single family properties within a targeted area in each community. Park Forest is targeting the "W" and "M" Streets for this program, as these are neighborhoods where several homes are also being rehabilitated by Habitat for Humanity in a similar grant funded project. The rehabilitated homes will be available for sale to moderate and low income buyers, and then funds will be replenished into the revolving fund to purchase and rehabilitate additional properties. IHDA expects that the initial pilot will be able to rehabilitate 10 to 15 homes in each community, with many more homes able to be rehabilitated as the initial homes are sold. Purchase and rehabilitation of homes is expected to be underway starting in the summer of 2012.

The homeowner assistance component of the Program launches on March 1, 2012. This component will provide \$10,000 in down payment and closing cost assistance to any qualified home buyer who purchases a vacant home in one of the pilot communities. The home buyer must be purchasing the home as their primary residence. In order to qualify, a household of one or two persons can have no more than approximately \$84,000 in income, and a household of three or more can have no more than approximately \$104,000 in income.

The third component of the Program will help current homeowners by providing tools to prevent foreclosure. This element will build on the Illinois Foreclosure Prevention Network (KeepYourHomeIllinois.org), launched in the Governor's State of the State address. Programs will be held in the six communities to provide free one-on-one foreclosure counseling, loan modifications, and access to financial assistance to homeowners who have trouble paying their mortgage payments due to unemployment or under-employment.

For more information about the Illinois Building Blocks Pilot Program, contact Director of Economic Development and Planning Hildy Kingma at 708-283-5622 or hkingma@vopf.com.

Chicago Tribune

Breaking News, Since 1847

Suburbs get helping hand in stabilizing neighborhoods

February 12, 2012 | Mary Ellen Podmolik | The Home Front

Six Chicago-area suburbs are the handpicked recipients of \$55 million in state and county [funds](#) to stabilize communities by putting foreclosed, vacant homes back into use.

Plenty of details of the Building Blocks Pilot Program need to be fleshed out, such as how properties are being selected and how [developers](#) are being vetted. But the six municipalities — Berwyn, Maywood, Park Forest, Riverdale, Chicago Heights and South Holland — have high expectations of what the potential restoration of up to 500 homes will do for their communities.

"We're trying to focus on neighborhoods that are at the tipping point, and we want to tip them in the right direction," said Hildy Kingma, Park Forest's director of economic development and planning. "Any one house that we get occupied helps that street and helps that lot."

Under the program, a revolving loan fund composed of state and Cook County funds will help finance the acquisition and rehab of vacant, foreclosed homes by private developers. Consumers then could qualify for down payment and closing cost assistance to buy and live in the fixed-up homes, as well as others in targeted towns.

The six communities were chosen based on their number of foreclosures, the state of the local housing markets, previous collaborative efforts to stem the housing crisis and their employment prospects because people don't buy homes if they don't have jobs.

"We looked to build upon the existing efforts and leverage the [investment](#) already occurring in those neighborhoods," said Mary Kenney, executive director of the Illinois Housing Development Authority, which will oversee the program. "We looked for communities with planning in process and strong municipal support."

In 2009, Chicago Heights used \$500,000 of city funds to bankroll a down payment assistance program that led to the sale of 67 homes in the city. When the funds ran out and the program ended, 15 people were still on the waiting list, so Mayor David Gonzalez hopes to pick up where the city's own efforts had to end.

"There's no way we could afford it," Gonzalez said.

The challenge for the program, one acknowledged by Kenney, will be to make a compelling case for homebuying in struggling neighborhoods in the current market.

Would-be buyers are worried about declining [values](#) and losing their investment, and the number of distressed and marked-down homes in all communities makes buying a home in a hard-hit neighborhood even more difficult. Kenney said some of the properties may become rentals.

"In some ways, the acquisition is pretty easy in this market, and you can sort of work your way through the rehab," said Ed Jacob, executive director of Neighborhood Housing Services of Chicago, a Chicago nonprofit group that knows all too well the problems associated with purchasing and renovating foreclosures.

Although its program worked well for eight years, NHS has plenty of marked-down, rehabbed homes left to sell.

For the past two years, the nonprofit has become a landlord and is renting some homes, which helps keep the properties secure, generates cash flow and addresses the increased demand for rental housing. NHS has temporarily shelved buying more homes for rehab.

"We still prefer homeownership, but we recognize there are not enough homeowners out there, especially in harder-hit neighborhoods," Jacob said. "To stabilize things, we've got to get homes occupied."