



## Entry Form 2018 Annual Awards for Program Excellence

**Entry Deadline: Friday, June 15, 2018, Midnight ET**

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email [awards@ncsha.org](mailto:awards@ncsha.org).**

**Entry Title:** Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

I-Refi Program

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**Category:** Special Achievement

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**Subcategory:** N/A

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**Entry Summary:** A 15-word (max) summary of the program, project, or practice you are entering.  
A one-of-a-kind refinance program helps underwater borrowers regain equity in their homes.

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**HFA:** Illinois Housing Development Authority

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**Visual Aids:**

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF?  Yes  No

**Payment:**

- My HFA is mailing a check to NCSHA.
- My HFA is emailing the credit card authorization form to [awards@ncsha.org](mailto:awards@ncsha.org).

*"I am so thankful to the State for helping a good honest hard-working person like me to provide for myself and be able to live without constant fear."*

-I-Refi Participant

### **Introduction**

In 2009, the value of almost every home in the nation was lower, sometimes significantly, than its value 12 months earlier. Today, this is still the reality for many homeowners in Illinois. In fact, a report by CoreLogic, a leading provider of property data and analytics, found that the 10 percent of Chicagoland homeowners underwater is twice the national rate, with New York at 5.4 percent and Los Angeles at 1.8 percent. A similar report by ATTOM Data Solutions, one of the nation's largest property databases, found that Illinois is ranked number two in the U.S. for underwater homes, with more than 350,000 homeowners mortgaged for 25 percent more than what they could sell their home for ("seriously underwater") as of December 2017.

With traditional lenders unable to step into this space, IHDA seized the opportunity to create a refinance product for borrowers who owe more than their home is worth. IHDA's Homeownership, Finance and Marketing Departments analyzed the local market conditions and developed a product that would meet the needs of the vast majority of income-eligible homeowners in this situation. At the time, the data indicated that most borrowers were no more than \$50,000 underwater. Utilizing Hardest Hit Funds, which support foreclosure prevention and neighborhood stabilization, as the funding source, I-Refi was launched. It was the *first* program of its kind, a refinance opportunity designed for underwater borrowers that creates a new mortgage resulting in positive equity.

### **Innovation**

I-Refi was created to help an underserved population that no other program addressed. IHDA accomplished this by creating a new mortgage loan regardless of current loan servicer, insurer or investor. For example, HARP and HAMP aimed to serve those with specific servicers and investors, like Fannie Mae and Freddie Mac, but did not address those with other investors or insurers. I-Refi was launched to assist homeowners who were current on their mortgage payments, credit and income qualified, but whose homes were still underwater. These are responsible homeowners who continued to make their payments and invest in their communities even as the housing market crashed, yet still had mortgages with negative equity through no fault of their own.

I-Refi provides up to \$50,000 in forgivable assistance to reduce the amount on the borrower's underwater mortgage to a level that reflects the current value of the home, leaving the post-refinance LTV between 90 and 97 percent. By applying the IHDA funds from the I-Refi program to the underwater loan, the borrower is able to refinance into a new 30-year, fixed-rate IHDA mortgage, lowering their interest rate and monthly payments in the process. With their negative equity erased, the borrower can begin to rebuild their household wealth.

In order to qualify for the program, the borrower must have a current LTV of at least 110 percent (this includes all closing costs), meet IHDA income and value limits and credit qualify for a new mortgage (FHA, USDA, VA, or HFA Preferred with Fannie Mae). We do not allow any streamline refinances and require an appraisal to ensure the property does not have any needed repairs. Borrowers who previously refinanced under HAMP or HARP are eligible, as those programs did not address or cure

negative equity as I-Refi does. In addition, borrowers who previously received Hardest Hit payment assistance to supplement their mortgage payments are also eligible and can receive, in total, \$85,000 to pay off the Hardest Hit assistance and remove the negative equity. The forgivable assistance is listed as gift funds in Desktop Underwriter (DU) and is not recorded as a mortgage but as a promissory note along with a recorded recapture agreement. Due to this, the Combined Loan to Value (CLTV) is not affected by the forgivable assistance.

IHDA reviews every I-Refi application prior to the loan closing to confirm the amount of assistance. In addition, IHDA provides a Letter of Guaranty that guarantees IHDA will reimburse the lender for the funds without exception. For example, in the case of a TRID violation on the first mortgage, the lender will not be at risk of foregoing reimbursement for the assistance amount, which keeps their warehouse lines comfortable with the funding. The Letter of Guaranty allows the lenders to access their warehouse lines to fund the forgivable assistance directly to the closing so that IHDA does not need to table fund the assistance. This gives the lender the ability to follow the normal closing process, thereby reducing errors, streamlining the refinance, and ultimately making it easier for the lenders, borrowers, and IHDA.

To assist underwater borrowers statewide, IHDA collaborated with a network of over 165 lenders, agencies such as Fannie Mae, FHA, realtors and housing counseling agencies across Illinois to reverse the decline of the harder hit neighborhoods and communities. IHDA also worked with Fannie Mae and FHA to address how the funding from IHDA should be underwritten into the loan, to ensure a salable/securitize-able new first mortgage loan. Without having an effective delivery outlet, it would be difficult if not impossible for the program to work. Creating a marketable loan on secondary execution that fell in line with regular business allows the program to work and assists more borrowers, as the inability to deliver on secondary would not have allowed us to facilitate assistance for other low-to-moderate income families throughout Illinois.

### **Marketing Efforts**

IHDA launched I-Refi in August 2016 via a marketing campaign comprised of the following:

- Press conference with Illinois' bipartisan U.S. Senate delegation;
- I-Refi marketing materials distributed to our network of lenders, housing counseling agencies and other partners;
- Direct mailing campaign to all Fannie Mae clients with loan characteristics that aligned with eligibility requirements through a partnership with Fannie Mae;
- Webpage dedicated to I-Refi on IHDA's website;
- Heavy promotion of the product through social media;
- A 15 second advertising spot that aired in 46 geo-targeted movie theaters during March 2017; and,
- Pitched and earned coverage in high profile media such as Crain's Chicago Business, Chicago Tribune, the Associated Press and a number of local media outlets.

### **Results**

Since inception of the I-Refi program, IHDA has assisted approximately 450 households in achieving positive equity (new loan LTV is always between 90 and 97 percent), many for the first time in since the recession. This has additional benefits as the savings can be used to buy items locally and stimulate the economy in their communities. IHDA's current loan type breakdown of these loans is 82 percent Conventional, 17percent FHA and 1 percent VA.

I-Refi participants, on average, have seen:

- Appraised home values of around \$109,000;
- LTV prior to entry is 131 percent;
- Assistance amount of \$37,000;
- LTV post-assistance is 94 percent;
- Monthly mortgage payment savings of \$360 post-assistance;
- Interest rate reduction of 0.42 percent post-assistance.

### **Replicability**

IHDA believes reproducibility would depend on a few different factors. These include:

1. The state's underwater mortgage statistics.
2. A reliable funding source.
  - a. IHDA was able to work with our Lender base to have them provide the assistance funds at closing.
3. Lender buy-in.
  - a. Some Lenders were hesitant to do this so IHDA created a Guaranty Letter, which committed IHDA to reimbursing them, without exception, even if the first mortgage was not purchased.
4. Dedicated marketing efforts.
  - a. The main hurdle that IHDA experienced was that homeowners thought the program was "too good to be true." IHDA made efforts to address the Program's credibility through the marketing efforts listed above, including adding the State of Illinois seal to marketing materials.

### **Conclusion**

Overall, I-Refi has performed as expected for eligible borrowers applying for the Program. We have testimonials/Impact Letters with comments such as "This program is helping us sleep better at night." This program is a one-of-a-kind solution for eligible borrowers who continue to find themselves underwater month after month. IHDA was able to create a program in which anyone can qualify as long as they are eligible for a mortgage, are within our income and value limits, and are underwater. We are happy to provide any other details on the program or assist in any way in replicating a similar program for another HFA!