



PARTNERSHIP FOR HOME OWNERSHIP

SPECIAL POINTS OF INTEREST:

- IHDA's interest rates for the Rural Guarantee Housing Initiative are 6.015% with \$1500 in closing cost assistance; 5.89% with \$1000 in closing cost assistance or 5.64% with no closing cost assistance. (This applies to NEW reservations only.)

Illinois Housing Development Authority

**401 N. Michigan Ave., Suite 700
Chicago, IL 60611**

- Partnership for HomeOwnership's headquarters will be moving! Starting in May, we will be relocating to 522 South Fifth Street, Springfield, Illinois, 62701.

FORECLOSURE WAVE BEARS DOWN ON IMMIGRANTS

Immigrants are emerging as among the first victims of a growing wave of home foreclosures in the Washington area as mortgage lending problems multiply locally and across the country.

Nationally, 375,000 high-interest-rate loans were made to Hispanics in 2005, and nearly 73,000 of them are likely to go into foreclosure, said Aracely Panameo, director of Latino affairs for the Center for Responsible Lending. About 1.1 million homes in the United States are expected to go into foreclosure in the next six years, and many native-born Americans are likely to be stuck with burdensome loans. But immigrants are getting hit first in part because their incomes tend to be lower and many have lost construction jobs.

Some lenders allowed immigrants to take out loans without verifying their income or their ability to repay. Traditionally, lenders have made loans only to people they thought could pay them back. Banking regulations forced lenders to adhere to strict lending policies, not just for the protection of borrowers but also to protect bank depositors, who would be hurt if the banks collapsed. But in recent years, lenders have found alternative sources of financing for the loans by turning to investors who bought the loans as packaged securities. These kinds of loans are not supervised in the same ways as loans made by banks and held in their portfolios.

"The market changed so investors were setting the standards for qualifying people for mortgage lending," said Allen Fishbein, director of housing and credit policy at the Consumer Federation of America. "They had a higher appetite for risk, which led to the lax standards that are resulting in delinquencies. The regulators should have been more concerned about protecting consumers than about protecting financial institutions."

Officials at the Mortgage Bankers Association were unavailable for comment. In previous interviews, they have said that loosened credit policies allowed more families to become homeowners and that reputable lenders do not make loans that cannot be repaid.

Many immigrants initially welcomed the lending changes as the only way they could afford to buy.

By: Kirstin Downey

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Homeownership rates among immigrants surged in the first half of the decade, making their prosperity an economic success story. Now it is becoming apparent that many people managed to buy homes in an inflated real estate market by turning to unusual new mortgages only now receiving scrutiny from regulators and legislators. Many of these loans start with attractive low "teaser" rates but feature payments that can suddenly increase.

Unfamiliar with the U.S. mortgage market, unable to speak or read English well and vulnerable to the blandishments of real estate professionals who told them property values always rise, many immigrants are struggling to deal with high mortgage payments as their homes sag in value, making it harder to escape the loans by selling.

THE CREDIT CARD GAME

Most recently the Senate's permanent subcommittee on investigations took a look at certain credit card industry practices. Credit card executives were summoned to Congress in January and again for the subcommittee hearing this month to defend outrageous fees and interest rates.

To prove how unfair the practices are, the subcommittee panel brought in one consumer, Wesley Wannemacher of Lima, Ohio, who testified that he got a Chase credit card in 2001 to help pay for wedding expenses. His limit on the card was \$3,000. He charged \$3,200.

Eventually, Chase charged Wannemacher \$4,900 in interest, \$1,100 in late fees, and \$1,500 in over-limit fees. He was hit 47 times with over-limit fees, although he only went over his limit three times. After making \$6,300 in payments since 2001, he still owed \$4,400 as of last month.

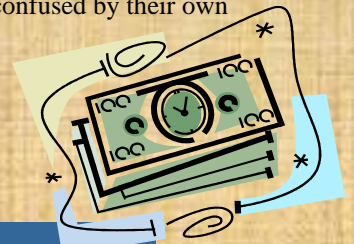
Just before the hearing in which Wannemacher was to testify, Chase decided to forgive his remaining \$4,400 in debt. Why did it take so long for someone at the company

to see that the methods that resulted in the charges and fees imposed on his account were abusive? And what about other consumers who have been similarly over-charged? Will Chase -- and other issuers -- also wipe out the excessive fees imposed on other customers?

Some credit issuers say they are ready to change some of the practices that have been criticized. Citigroup has announced it will get rid of its universal default practice. Chase Card Services has promised to eliminate excessive over-limit fees. The company will stop over-limit fees at 90 days.

These changes are good but they're not enough. Part of the problem is that far too many consumers won't be able to play the credit game wisely because the rules are so convoluted. In a report released last year, the Government Accountability Office found that while millions of consumers use credit cards, many are confused by their own credit card agreements.

By: Michelle Singletary



LACK OF ESCROW ACCOUNTS HURTS SUBPRIME BORROWERS

As financial regulators and Congress probe more deeply into delinquencies and foreclosures in the subprime home loan market, one contributing factor is receiving increased attention: the lack of mandatory escrow accounts.

According to some industry estimates, most subprime mortgages closed during the housing boom years carried no escrows for property taxes and hazard insurance. That is in stark contrast to the prime mortgage market for consumers with good credit, where mandatory escrow accounts are routine.

"It's an upside-down world," said Michael D. Calhoun, president and chief operating officer of the Center for Responsible Lending, a consumer advocacy group. "The people you'd think need an escrow the most aren't required to have them, and the people

who need them the least are forced to use them."

Escrow accounts are set up by lenders to guarantee the timely payment of property-tax bills and insurance premiums. On top of principal and interest charges for the mortgage every month, the lender also collects money to be paid when tax bills and insurance premiums come due during the year. In that sense, escrow accounts are a safety net for homeowners and lenders alike.

Subprime lenders dispense with mandatory escrows to keep monthly payments low. That's an important lure because the interest rates they charge often are 3 percentage points or more above prime market rates, and many clients already have high debt and modest incomes. But the

lack of escrow accounts also places heavy responsibilities on the borrowers to accumulate enough money during the course of the year to pay tax and insurance bills, and to know when those bills come due.

Federal financial regulators have begun focusing on the subprime industry's frequent omission of escrow accounts. In proposed guidelines issued March 8, regulators from the Federal Reserve, Treasury and other agencies said lenders should disclose and explain upfront to credit-impaired borrowers that without an escrow, the burden is completely upon them to pay all property taxes and insurance premiums in a timely manner, and that such payments "can be substantial."

By: Kenneth Harney

LOAN LOSER: HOME-FINANCING A CAR

Would you take out a 30-year car loan?

If you're financing the purchase of a car with the equity in your home, that is exactly what you could be doing -- paying for a car over 10 or even 30 years.

The use of home-equity loans, lines of credit and cash-out refinancing to purchase automobiles grew in the last decade as interest rates dropped and property values soared. It also has become popular as lenders hype the fact that interest on a home loan is tax-deductible, unlike interest on a vehicle loan.

In 2006, about 24 percent of homeowners used a home equity line of credit to purchase a car or truck, according to Synergistics Research, a financial services market research company based in Chamblee, Ga. About 8 percent of homeowners took out a second mortgage specifically to buy a vehicle, says William H. McCracken, chief executive of Synergistics.

But is buying a car or paying off your remaining auto loan bal-

ance with the borrowed equity from your home a good financial move?

The assumption people make is that the home equity loan is cheaper than a traditional car loan because of the mortgage interest tax break. However, if you don't make extra payments or pay the loan off early, you end up paying more in interest over the life of that loan than you would with an auto loan, erasing any savings on your taxes. Plus, because the car money is rolled up in a home mortgage, you could still be paying on a loan for a vehicle you've long since sold or traded in.

The savings are even less with a home equity line of credit. That's because the interest rate for a line of credit is higher. The average interest rate on a home equity line of credit is 8.13 percent. If you take the interest deduction, your effective rate would be 6.10 percent. But again, to make it worth the trouble, you have to make extra payments. Even with the interest tax deduction, you may find better auto loan rates if you have a good credit history and shop around.

VISHING EXPEDITIONS

In "vishing" (short for voice phishing), the latest in ID theft, a scammer posing as a bank or credit card representative asks you to call a toll-free number to straighten out some mysterious mix-up in your account. When you phone, an automated attendant prompts you to enter your account number or other private information and voila, you've been vished.

What to do. If you receive such a call or e-mail, phone your bank or credit-card company to find out if the message is for real. If you gave up your data, you should change your account number. You can learn what other precautions to take at the Federal Trade Commission's Web site: www.consumer.gov/idtheft/con_about.htm.



*"Providing
Resources
To Reach
The
American
Dream"*

TAX FRAUD SUIT FILED

The federal government said yesterday that it was trying to shut down more than 125 Jackson Hewitt tax-preparation stores in Georgia, Illinois, Michigan and North Carolina for fraud.

The Justice Department accuses the franchises of bilking the government out of more than \$70 million through fraudulent practices such as using phony W-2 forms, bogus deductions and fuel tax credits and false claims regarding the earned income tax credit.

Jackson Hewitt Tax Services is the country's second-largest tax preparer, behind H&R Block. The franchises were either fully or partially owned by Farrukh Sohail, the Justice Department said, and involved "a pervasive and massive series of tax-fraud schemes," according to court filings.

Employees were encouraged to ignore telltale signs of fraudulent information and to file claims even when it was obvious customers were using fake W-2 forms or false deductions, the government said. A sample of returns prepared by franchises connected to Sohail found 31 percent contained false information, such as phony earned-income tax credit claims, bogus deductions and fraudulent W-2 forms.

The suits, filed in federal courts in Atlanta, Chicago, Detroit and Raleigh, N.C., also claim that managers and employees at the Jackson Hewitt franchises took kickbacks for filing fraudulent returns.

The suits seek court orders shutting down the franchises.

By: Andrew Taylor

WE ARE ON THE WEB!
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**Resources to Reach the American
Dream!**

The Partnership for HomeOwnership, Inc. is a nonprofit organization established by the Illinois Association of REALTORS in 1996 to help low-income first-time buyers achieve homeownership in Illinois. The foundation received a 2005 National HOPE (Home Ownership Participation for Everyone) Award for its innovative Quincy, Illinois Initiative, which now serves as a model for employer-assisted housing programs administered by IHDA.

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