



PARTNERSHIP FOR HOMEOWNERSHIP

SPECIAL POINTS OF INTEREST:

- IHDA's interest rates for the Rural Guarantee Housing Initiative are 6.775% with \$1500 in closing cost assistance; 6.65% with \$1000 in closing cost assistance or 6.40% 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 have moved! We have relocated to:

522 South Fifth Street
Springfield, Illinois, 62701

WHEN FORECLOSURE THREATENS, BEWARE OF THE "BIRD DOGS"

Mortgage foreclosures are up -- and so are the scams.

Let's say you have received a letter from your mortgage lender advising that if you do not bring your payments current, the lender will have no alternative but to begin foreclosure. Within days of receiving this notice, you may get a telephone call: "Hi, my name is I.B. Scammer, and I understand that you are delinquent on your mortgage payments. You don't want to lose your beautiful home, and my company can assist you. When can I come over to explain how we operate and how we can help you?"

Hang up immediately. In the trade, these people are often referred to as "bird dogs" -- they'll search for victims and then go after them when they are down.

One large category of mortgage-foreclosure scams is the "rescue" -- when the bad guys prey on the desire of homeowners to be rescued from looming foreclosure. A 2005 report from the National Consumer Law Center highlighted three types of rescues. Even though the report is two years old, its observations are relevant. The types are:

· **Phantom help.** Here, the "rescuer" will charge the unsuspecting homeowner to do what the owner could have done on his own. For example, the rescuer may make some phone calls or fill out paperwork, but eventually he "abandons the homeowner to a fate that might well have been prevented with better intervention."

· **Bailout.** The caller tells the consumer that if the homeowner will sign over a deed to the

house, the caller will pay off the mortgage and allow the homeowner to stay in the house for at least a year. Then the consumer can repurchase the property, usually for considerably more than the value of the house. "The terms of these deals are almost invariably so onerous that the buy-back becomes impossible, the homeowner permanently loses possession, and the 'rescuers' walk off with all or most of the home's equity," the report concluded.

· **Bait and switch.** The homeowner believes that he or she is merely signing documents for a new loan so that the mortgage can be brought current or paid off. But in reality, the consumer has signed the deed to the house over to the "rescuer

Homeowners who face foreclosure are often desperate for assistance and rely on emotions rather than careful consideration of options. But options are available.

First, talk with your mortgage lender. Most legitimate lenders do not want to foreclose. This is based not on sympathy for the homeowner but on economic reality. If no one buys the house at the foreclosure sale, the lender is stuck with the property and must pay the taxes and insurance until it is sold.

Second, talk with a consumer counseling service. Seniors -- especially those with low income -- can contact their local AARP office. The Homeownership Preservation Foundation, a nonprofit sponsored by lenders and others, runs a round-the-clock counseling hotline; call 888-995-HOPE for free advice.

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YOUR CAR AND YOUR CREDIT

Using credit scores in determining automobile insurance eligibility and premiums is a standard industry practice. For years, insurers have maintained that a person's scores, originally intended to measure creditworthiness, are also a predictor of whether -- and how often -- someone will file an auto insurance claim.

And for years, consumer groups have urged state legislatures and the federal government to see the flaws in that practice. Consumer advocates say using credit scores to set insurance rates unfairly hurts African Americans and Hispanics because those groups tend to have lower credit scores and thus end up paying more for their auto insurance. They also complain that errors in credit files can result in lower scores and therefore higher insurance premiums.

The Fair and Accurate Credit Transactions Act of 2003 charged the Federal Trade Commission with investigating the use of credit scores in setting auto insurance rates. Among

other things, the FTC was asked to determine the impact of credit-based insurance scoring on certain groups, such as low-income and minority consumers.

Recently, the FTC released a study that largely sides with the industry. The commission, using prior research, public comments and industry data, concluded that credit scores predict the number of claims consumers file and the total cost of those claims.

"The FTC's approach to collecting data for the analysis is like the federal government trying to do a study on the health impacts of tobacco use with data selected by tobacco companies for the study," said Allen Fishbein of the Consumer Federation of America.

Insurance companies began to use scoring in the mid-1990s. Today, all major automobile insurance companies use the credit-based scores in some capacity, according to the FTC report.

As of June 2006, 48 states had taken some form of legislative or regulatory action either banning or restricting the use of insurance credit scores, the FTC said. For example, Georgia, Illinois and Utah prohibit using credit history information as the sole basis for underwriting or rating decisions. Oregon prohibits the use of credit history information to cancel or not renew existing customers' policies or increase their rates, and Maryland bans the use of credit history when underwriting or rating existing customers.

Certainly consumers should practice good financial habits such as paying their bills on time and limiting their use of credit. But should someone pay more for auto insurance because he or she lost a job and couldn't pay his or her credit card bill?

Michelle
Singletary



"BIRD DOGS" CONTINUED....

Third, talk with your neighbors. Perhaps they can provide some temporary financial assistance or offer other ideas. After all, if your house is foreclosed on, it may reduce market values in the neighborhood. In the past few months, I've heard of neighbors helping neighbors financially, mostly to protect the values of their own homes.

Fourth, arrange to see a lawyer who specializes in bankruptcy law. Although no one wants to file for bankruptcy protection -- and recent changes in the law make it difficult to do so -- it is an option.

The National Consumer Law Center makes these recommendations on **what not to do**:

- Don't panic.
- Don't sign a contract under pressure.
- Don't sign any papers without consulting legal counsel.
- Don't rely on the rescuer's translator if you are not conversant in English. All too often, that translator is another bird dog paid by the rescuer to make his case.
- Don't rely on oral statements or promises; get everything in writing.

Consumer protection laws and education are important. But you -- the homeowner -- must protect yourself. Say no to the bird dogs.

Benny L. Kass

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First-time
Homebuyer??
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THEY WANT US TO GO OVER THE LIMIT

One of the biggest selling points for debit cards has been that you can't spend more than you have in your bank account, making them a good alternative to racking up debt on a credit card.

The sales pitch has worked. Consumers now make one-third of their in-store purchases with debit cards -- up from 21 percent six years ago, according to the American Bankers Association, an industry trade group.

But as many users have discovered, the debit card has the same problem as its credit card cousin -- you can spend over your limit, causing yourself all kinds of financial havoc.

Banks will approve a check or debit transaction when the account has insufficient funds but will also charge the customer a fee. The practice is an intentional effort to drive up revenue, according to a new study by the Center for Responsible Lending, a nonprofit, nonpartisan research and policy organization.

In the center's most recent report, "Out of Balance," the consumer-advocacy group found that debit cards are the largest source of account overdraft fees for banks and credit unions. Debit card point-of-sale and ATM overdrafts cost consumers \$7.8 billion in 2006, which represented 45 percent of the

\$17.5 billion the financial institutions received in overdraft fees.

Many banks and credit unions automatically enroll customers for overdraft protection programs when they open a checking account, according to the center. When an overdraft occurs, the financial institution will automatically advance the funds. But for the privilege of a short-term loan to cover the shortfall, the customer is charged \$34 on average, according to center data. The fee kicks in even if the overdraft is for a few dollars.

In hopes of reducing overdraft fees charged to consumers, the center is supporting legislation (H.R. 946) sponsored by Democratic Reps. Carolyn B. Maloney (N.Y.) and Barney Frank (Mass.) that would, among other things, require banks and credit unions to warn their customers before authorizing an electronic overdraft. The House recently held a hearing on the legislation.

"I've always said that banks have the right to make money for what can be a valuable service, but consumers also have a right to information they need to make an informed decision," said Maloney, chairwoman of the House financial institutions subcommittee.

Michelle Singletary

"PAYDAY" LENDING LAW HELPS

Illinois borrowers have saved an estimated \$20 million in reduced interest and fees at so-called "payday" lending institutions due to reforms enacted in late 2005, according to a new state report.

The Illinois Department of Financial and Professional Regulations found that payday loan finance charges had dropped to an average annual percentage rate of 350 percent, when adding fees and interest together, under the new law. That figure was down from an estimated 525 percent a few years ago.

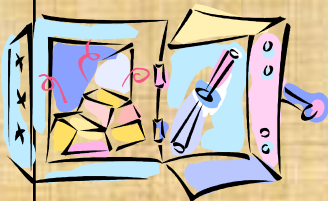
Payday loans are typically short-term loans borrowed against a post-dated check or a future paycheck. Based on reporting since reforms were put into place, the average loan lasted only 16 days.

Legislators sought to reform payday lending practices, barring automatic renewal and additional fees for unpaid loans. Also, the law capped interest rates and fees for such loans to \$15.50 per \$100 borrowed.

According to state statistics from December 2005 through June 2007, almost 764,000 payday loans were made in the state for a total amount of \$267.4 million. Finance charges on those loans were more than \$41 million.

The law was passed in 2005 with almost universal support in both the state House and Senate.

Payday loans have been criticized often as a form of predatory lending because of their high interest and fees. Typically, those who receive payday loans are poor and need quick cash.



*"Providing
Resources to
Reach the
American
Dream"*

WE ARE ON THE WEB!
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PARTNERSHIP FOR HOME OWNERSHIP

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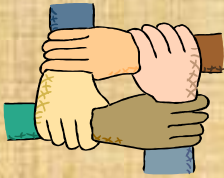
**Providing Resources to Reach the
American Dream!**

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.

For more information contact
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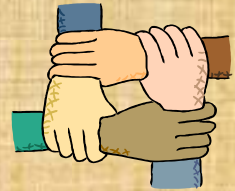
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