



PARTNERSHIP FOR HOMEOWNERSHIP

SPECIAL POINTS OF INTEREST:

- IHDA's interest rates for the Rural Guarantee Housing Initiative are 6.075% with \$1500 in closing cost assistance; 5.95% with \$1000 in closing cost assistance or 5.70% 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! Please change our contact information to:

522 South Fifth Street

Springfield, Illinois, 62701

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TREASURY DEPARTMENT OUTLINES MORTGAGE AID PLAN

Details of the Bush administration's mortgage-relief plan include a proposal that would grant new powers to local governments to refinance the mortgages of struggling homeowners.

The strategy would temporarily freeze interest rates for many troubled homeowners or help them refinance, a plan that is gaining momentum among federal regulators, leaders of the mortgage and housing industries, and lawmakers of both parties as the mortgage crisis worsens.

The impact of the mortgage crisis is widening. Municipal housing authorities now offer mortgages at lower-than-average rates to credit-worthy, first-time buyers whose earnings are at or below the average household income levels, which vary by region. Cities and states can provide such advantageous loans because they sell tax-exempt bonds backing the mortgages to investors at lower rates, passing on the savings to homeowners. The Treasury Department wants to expand the authorities' reach to include subprime-mortgage holders who want to refinance with a fixed-rate loan rather than an adjustable-rate loan.

The lack of details has made it hard to know how many homeowners the plan would help. In the past two years, about 2 million credit-challenged, or subprime borrowers bought houses with mortgages that typically had interest rates of 7 to 8 percent. The rates on those adjustable loans are set to jump to as high as 11 percent by the end of next year. While some owners have refinanced, others have fallen into foreclosure. Government agencies say that as many as 1.2 million homeowners still need help, though independent research groups say the number is lower.

Either way, more assistance will be needed to overcome the mortgage crisis than just the administration's plan, which focuses largely on subprime borrowers. And it is not just subprime mortgage holders who could lose their homes. People with home-equity loans and some holders of "prime" mortgages, those given to borrowers with good credit, have begun defaulting.

The country is experiencing the worst housing decline since the Great Depression when measured by three key data points: home sales, prices and housing starts. Many areas

have seen at least a 7 percent decline in housing prices from the beginning of the summer; it is possible that a 20 percent decline overall is could affect the worst hit by early 2009.

The Treasury Department's plan also faces a daunting task of figuring out who is eligible for mortgage relief, because many loans have little documentation of a homeowner's income. Congress would need to act quickly to fund a \$170 million mortgage-counseling initiative that would beef up a national hotline where financially troubled mortgage owners could talk to credit counselors.

Whatever the plan, they are going to need the nonprofit Community. As a result, counseling service NeighborWorks America expects to double its staff of 65 counselors by next month. Many counselors are already in training. The group is part of the Hope Now Alliance of nonprofits and lenders, which is scaling up a hotline for homeowners concerned about their mortgages. The hotline has seen a spike to 3,000 calls a month from 300 almost a year ago. Its number is 888-995-4673.

Edited from an article by David Cho and Neil Irwin Washington Post

FED TAKES AIM AT DECEPTIVE HOME LENDING PRACTICES

The Federal Reserve has new regulations to clean up a broad array of deceptive mortgage lending practices, a move that represents the central bank's most significant response to the nation's housing tumult. The proposed rules signify a shift by the Fed toward an active regulatory role over the mortgage business and would affect a wide range of borrowers, lenders, banks and brokers. Home buyers would have to provide proof of income to ensure that they are not taking on more debt than they can handle. Mortgage ads could not promote only low "teaser" rates. Victims of predatory lending would be empowered to sue their mortgage providers.

The Fed can unilaterally impose the rules on mortgage lenders based on its authority to police lending practices, but the central bank has been wary of using this power. Lawmakers have criticized the Fed for not acting sooner. Chairman Bernanke said it took time to write regulations that are balanced. They "were carefully crafted with an eye toward deterring improper lending and advertising practices without unduly restricting mortgage credit availability," he said.

Consumer advocates credited the Fed for its effort to protect ordinary homeowners but said the rules would not go far enough. The Fed is not seeking to ban several practices that were widely used to coax unsuspecting borrowers into high-interest loans, the advocates said.

Congressional Democrats were more vociferous, accusing the Fed of putting the interests of the banking system before those of homeowners. They noted that the central bank is seeking to curb -- but not eliminate -- the compensation that mortgage brokers receive from lenders for selling high-interest loans to borrowers. And it seeks to restrict -- rather than ban -- the use of prepayment penalties, which discourage holders of subprime adjustable-rate mortgages from refinancing their loans before the rates jump. Congress wants to outlaw these practices altogether.

The debate over how the Fed should tackle the mortgage mess is intensifying as the crisis continues to roil Wall Street and threatens to bring down the economy. The number of people who are losing their homes or have failed to make their monthly payments has reached record levels. Fresh data re-

leased yesterday showed that the construction of single-family homes slid to its lowest level in more than 16 years as demand for new houses wilts.

The Fed's role is seen as vital because it can act quickly and because its rules, which could be finalized after a 90-day public comment period, would apply to all lenders. Legislation by Congress would trump the Fed's authority but may take more time to enact. While a measure on mortgage reform has passed the House, a Senate bill is likely not to get a full-chamber vote until next year. The versions also have to be reconciled.

Consumer advocates said they will continue to push for stricter legislation on Capitol Hill. Although a lot of attention was cast on the Bush administration's plan to offer a five-year rate freeze to some holders of subprime adjustable-rate mortgages, Fed researchers found that many homeowners are defaulting not because the rates on their mortgages are increasing but because they did not realize their payments would be so high when the cost of home insurance and property taxes is tacked on to the monthly cost. Many home buyers, especially the poor and immigrants, were confused by the massive stack of documents they had to sign at closing.

As a result, Fed officials crafted rules that would require lenders to establish an escrow account for insurance and taxes for holders of subprime loans and to provide better and clearer documentation on what home buyers would pay on a monthly basis. Fed officials also noted that mortgage default rates were highest for homeowners who had provided little or no documentation. Under the new rules, borrowers would have to provide independent proof of their income, though some flexibility is given to the self-employed.

On Capitol Hill, the House voted to prevent forgiven mortgage debt from being taxed as income. The Senate has already passed the bill, which can spare homeowners from taxes as high as 35 percent on canceled mortgage debt. White House press secretary Dana Perino told Bloomberg News that President Bush would sign it.

Edited from an article By David Cho
Washington Post

STOLEN DEBIT OR CREDIT CARD?

Follow these steps if you do find yourself with a stolen debit or credit card:

- * File a police report.
- * Review your credit reports and place a fraud alert on them.
- * Close the accounts that have been compromised.
- * File a complaint with the Federal Trade Commission.



ONLINE RECORDS MAY AID IDENTITY THEFT

In an era when government officials from President Bush to local sheriffs warn of the growing dangers of identity theft, the full Social Security numbers of untold numbers of Americans can be found in file rooms and on Web sites run by governments.

A Social Security number is the fingerprint to somebody's identification. The Federal Trade Commission has estimated that 8.3 million Americans were victims of identity theft in 2005, the most recent data available. But the crown jewel in identity theft, the Social Security number, can be mined easily in the government's own records, creating a measure of social insecurity for millions, identity experts say.

Social Security numbers are readily available in many courthouses, in land records and criminal and civil case files, as well as on many government Web sites that serve up public documents with a few clicks of a mouse. From state to state, and even within states, there is little uniform-

ity in how access to the private information in these records is controlled.

A recent spot-check found the nine-digit numbers, introduced in 1936 to track employee earnings and benefits, on hundreds of land deeds, death certificates, traffic tickets, creditors' filings and other documents related to civil and criminal court cases.

Federal courts have banned the numbers from appearing on public documents since 2001. And in recent years, many jurisdictions have enacted laws or made rules barring various types of personal information from being filed with courts or government agencies.

However, millions of paper records were filed across the United States before the laws and rules took effect. Generally, such records are not covered by the prohibitions. And court clerks said it would be virtually impossible to redact all of the Social Security numbers in them.

Identity fraud has been around for centuries. But widespread use of credit cards and the growth of the Internet have fueled a plague that costs businesses and consumers billions of dollars a year.

The problem took a giant leap in the public consciousness after the Sept. 11, 2001, terrorist attacks, when it was revealed that several hijackers had used fraudulently obtained IDs to open bank accounts, rent apartments and board planes.

The federal government responded with a law in 2004 that mandated prison sentences for people who use identity theft to commit other crimes and prohibited Social Security numbers from being displayed on newly issued driver's licenses. A presidential task force called on federal agencies last spring to "reduce the unnecessary use" of Social Security numbers, which it called "the most valuable commodity for an identity thief."

Edited from an article By Bill Brubaker
Washington Post

WEBSITES OF THE MONTH

For a list of HUD-Approved Counseling Agencies visit:

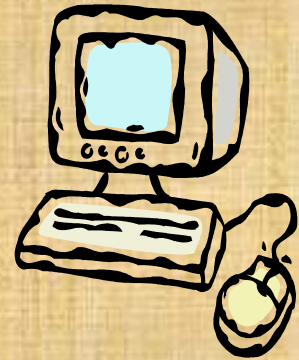
<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

For listings of MBA National Consumer Foreclosure Prevention Workshops visit:

<http://www.homeloanlearningcenter.com/YourFinances/ForeclosurePreventionResourceCenter.htm>

For advice on 12 Things to Know when Calling Your Lender visit:

<http://www.homeloanlearningcenter.com/12things.htm>



TAXES: MORE TIPS FROM THE IRS

Here's some more tips from the Internal Revenue Service on how to find a professional to help you with your tax return:

- Avoid preparers who claim they can obtain larger refunds than other preparers, or those who guarantee a refund or base fees on a percentage of the amount of the refund. Don't fall for people who claim they have some fancy way for you to avoid paying your proper taxes.
- Choose a preparer you will be able to contact after the return is filed and one who will be responsive to your needs.
- Get references from a few clients who have used the tax professional before.
- Check to see if the preparer has any questionable history with the Better Business Bureau, the state's board of accountancy for CPAs or the state's bar association for attorneys. Find out if the preparer belongs to a professional organization that requires its members to pursue continuing education and also holds them accountable to a code of ethics.

WE ARE ON THE WEB!
WWW.PFHO.ORG



**PARTNERSHIP FOR
HOME OWNERSHIP**

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Springfield, Illinois 62701

Phone: 1-800-370-6697 or 217-391-4848
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Website: www.pfho.org

**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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