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SPECIAL POINTS OF INTEREST:

- IHDA's interest rates for the Rural Guarantee Housing Initiative are 6.115% with \$1500 in closing cost assistance; 5.99% with \$1000 in closing cost assistance or 5.74% with no closing cost assistance. (This applies to NEW reservations only.)

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FREDDIE MAC TIGHTENS HOME-BUYING RULES

Freddie Mac, one of the biggest investors in U.S. mortgages, plans to toughen its standards and stop buying certain types of risky loans that have been linked to a high number of delinquencies and defaults.

The decision, announced February 27, 2007, is the latest sign of the deep problems roiling the subprime mortgage market, which caters to borrowers who could not qualify to buy a house with a conventional loan, including people with blemished credit records.

During the recent housing boom, subprime lenders eager to cash in on the home-buying frenzy relaxed their standards. They allowed borrowers to take out mortgages with low teaser rates that ballooned after the first few years. Now that the higher rates are kicking in, many borrowers are struggling to make their monthly payments, and dozens of small lenders are losing money, shutting down or filing for bankruptcy protection.

Freddie Mac's decision to clamp down on these types of mortgages signals heightened alarm about the course of events. If the damage is not contained, a crippled mortgage industry could destabilize the economy, several economists said.

"This is one of the biggest voices in the mortgage market saying in a very public way that the mortgage and housing markets are very troubled," said Mark Zandi, chief economist at Moody's Economy.com.

The trouble is most apparent in the fourth-quarter mortgage delinquency rate, which climbed to its highest level in four years, the Federal Reserve said yesterday. The portion of loan payments at commercial banks that were at least 30 days overdue rose to 2.11 percent in

the quarter, up from 1.72 percent in the previous three months. Other measures of mortgage delinquencies have also increased recently.

All indications are that delinquencies are rising faster in 2007. Typically, if there's a surge in delinquencies, defaults follow. Many blame the surge on subprime mortgages, which, according to the Mortgage Bankers Association, made up about one-fifth of all new mortgages last year.

That's why Freddie Mac plans to apply stricter standards to subprime mortgages written on or after Sept. 1, 2007, that have "a high likelihood of excessive payment shock and possible foreclosure."

To protect future borrowers from "payment shock," Freddie Mac will no longer buy securities backed by subprime loans that lack documentation of the borrower's income and the value of the property being financed.

The company also is developing a standard to limit the purchase of securities backed by loans in which the income was stated but not documented.

Freddie Mac also wants lenders to consider the cost of taxes and insurance when they write mortgages.

This is a responsible standard that ensures that these borrowers will have the ability to repay their loans, thereby protecting their home equity," Sen. Christopher Dodd (D-Conn.), said in a statement. "As I have said repeatedly, there is no justification for providing fewer protections to vulnerable subprime borrowers, who are disproportionately black and Hispanic, and less able to withstand payment shocks."

By Dina ElBoghady

INSIDE THIS ISSUE:

Financial Infidelity	2
Inside Story	2
A Push for Direct Deposit	3
Energy Outreach	3
A View of Debt	3
Board of Directors	4



FINANCIAL INFIDELITY

Over the years, I've received many letters and e-mails from couples who are struggling to manage their money together. Usually it's because they failed to have meaningful financial discussions before the nuptials. Many couples spend a year or more planning their wedding ceremony and reception but less than a few hours -- if that -- figuring out how to deal with their money differences.

I've heard from married folks who refuse to divulge to their spouses their annual income. Others buy expensive items without consulting their mates. They hide bills. Or they argue over how to divide up the bills based on how much each one makes. Eighty-two percent of respondents said they hide shopping bags and purchases from their partner.

"We have never discussed finances," said the 48-year-old wife and mother. "We just keep running out of money every month. Every time I try to discuss preparing a budget or a monthly cash/flow budget, he gets very very defensive. We don't even have an emergency fund and are maxed out on credit card debt. How do I even converse with my spouse so he is not angry and defensive and so that we can make our finances transparent, even if they are in a horrible state? I feel helpless and resentful."

First, I would advise you or any spouse in this situation to have an honest discussion. Share your feelings. Talk about

how controlled you feel -- because this problem isn't just about the money. Marital counseling would certainly help. To find a counselor, check with the American Association for Marriage and Family Therapy at www.aamft.org.

In many marriages, one person is the treasurer, taking care of the bills and managing the savings and investments. But taking on the role of money manager doesn't mean being a dictator. Decisions should be jointly made, and that goes for money, too. If you're the spouse who isn't comfortable with money issues, you need to get over your phobia. You need to at least be aware of what's going on.

Each spouse should have some money he or she can spend nag-free. You don't need to have separate accounts to do this -- just an agreement that you both get to spend some cash without having to explain or justify what you did with it.

Solving the financial difficulties in your relationship isn't easy, especially if you think it's all about the money. It's not. It's a failure to compromise, communicate and set common goals.

By. Michelle Singletary

FANNIE MAE SHUTS DOWN FOUNDATION

Fannie Mae announced February 23, 2007 that it would shut down its foundation, one of the biggest donors to local charities and a longtime lightning rod for criticism that the company was using tax-exempt contributions to advance corporate interests.

The District-based housing finance company said it would take over the Fannie Mae Foundation's work, and it promised to maintain or increase the overall level of giving. Since its inception in 1979, the foundation has supported causes as varied as the John F. Kennedy Center for the Performing Arts, a food bank for the homeless and the construction of housing in depressed neighborhoods. It has spread the Fannie Mae brand name by spending tens of millions of dollars on advertisements to educate home buyers, supported causes closely associated with Fannie Mae executives and built goodwill with potential political allies in the housing world by financing their work.

Fannie Mae said the foundation, which plans to wind down by April 30, would honor commitments it has already made. Local nonprofit officials said they hope to receive support from the company's new charitable operation.

To view the full article, visit www.washingtonpost.com.



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A PUSH FOR DIRECT DEPOSIT

Four in 10 Americans have been victims of Identity theft or know someone who has, yet many don't believe using direct deposit will prevent financial crime, according to a new poll.

The U.S. Department of Treasury-sponsored survey is part of the Go Direct campaign to encourage recipients of federal benefits to switch from paper checks to electronic transfer of payments into bank accounts.

Officials report that about 57,000 signatures were forged on Treasury-issued checks last year, a loss of

about \$54 million. During the same period, problems with direct-deposit payments were negotiable.

Although officials tout the security advantages of direct deposit, many recipients of federal benefits are wary: 40 percent incorrectly believe receiving paper checks is more effective than direct deposit at fighting theft or preventing lost payments.

For more information on Go Direct, call 1-800-333-1795 or visit www.godirect.org.

By: Mike Tucker

ENERGY OUTREACH

Less than half of Illinois households eligible for help with heating and cooling bills are enrolled in the state's energy assistance program. That could change if lawmakers pass legislation (SB 175) to create an outreach program aimed at enrolling ore households headed by minorities or people age 60 and older. Under the bill, state Department on Aging case managers—some of who were bilingual—could prepare and submit applications for energy assistance on behalf of current and future clients.

The bill, introduced at AARP's request, is expected to boost participation in the program. To support the bill, contact legislators through AARP's advocacy hotline, 1-800-719-3020. To apply for help with paying energy bills, call 1-800-252-8643.

Read other state news at www.aarp.org/states

Reports by Will Yandik



“Providing
Resources to
Reach the
American
Dream”

A VIEW OF DEBT

Bankruptcy and debt problems are in the cards—the credit cards. Recent studies show that a growing number of older Americans are living their golden years in the red. Among households with members 65 and older, the average credit card debt is \$4,907.

Film director James D. Scurlock shines more light on the culture of debt in the documentary *Maxed Out*,

opening in select cities March 9. Using interviews from all sides of the debt spectrum—from financial planners to victims of credit card scams—the film paints a disturbing picture of out-of-control spending as a natural lifestyle.

Scurlock's companion book, *Maxed Out*, is also due out this month from Simon & Schuster.

Sharon Shahid

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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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