



PARTNERSHIP FOR HOMEOWNERSHIP

**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**

- Save the Date!! Illinois Summer Affordable Housing Conference, Thursday, June 7, 2007! Check it out at [www.pfho.org](http://www.pfho.org).
- Partnership for HomeOwnership's headquarters will be moving! Starting in May, will we be relocating to 522 South Fifth Street, Springfield, Illinois, 62701.

**FREDDIE MAC TO REFINANCE LOANS**

Freddie Mac, one of the nation's largest mortgage investors, plans to buy about \$20 billion worth of mortgages that would primarily refinance the loans of people in danger of losing their homes.

The McLean Company is targeting the loans of subprime borrowers, who typically have blemished credit records or other factors that make them risky to lenders. Since the housing market softened, many such borrowers have missed payments and defaulted at record rates in parts of the country.

Freddie Mac's announcement followed the unveiling earlier this week of a similar campaign by its larger rival Fannie Mae, which plans to allow lenders to qualify more subprime borrowers for refinancing.

Richard F. Syron, Freddie Mac's chief executive, announced his company's plan at a Capitol Hill briefing mid April. The goal is to buy fixed and adjustable-rate mortgages with more affordable terms, starting midsummer, he said.

The idea is that if more troubled borrowers could refinance their homes, they would not lose them, and if investors such as Freddie Mac are willing to buy these loans, lenders would be willing to make them.

Freddie Mac is allocating money to this troubled sector "because it's needed and because, quite honestly, it's a good business opportunity," Syron said in an interview. Considering that the average mortgage is \$150,000, the \$20 billion Freddie Mac has allocated would cover about 130,000 mortgages, he said.

Freddie Mac has not decided exactly what terms it will set for the loans it will buy. Fannie Mae's program, HomeStay, would allow lenders to refinance without having to wait until the borrowers clear unpaid bills on their credit reports. It also would stretch the loan term to a maximum of 40 years from the current 30-year limit. Fannie Mae has not placed a dollar amount on how many such loans it would buy.

Individual lenders are also under pressure to stem foreclosures. On April 16, 2007,

big lender Washington Mutual said it will refinance up to \$2 billion in subprime mortgages.

Freddie Mac and Fannie Mae, created to promote homeownership, do not lend money to borrowers. Rather, they invest in mortgages and usually package them into securities for sale to investors.

Neither company buys many subprime loans from lenders, but they are fairly active in investing in securities backed by such loans.

Freddie Mac plans to keep the loans affected by the announcement in its portfolio, Syron said. That way, it can launch the program quickly and alter loan terms if necessary, which is difficult to do if the loans are sold to investors.

The loans Freddie Mac buys under this program would not be limited to refinancing, though refinancing is the initial focus now that millions of people have adjustable-rate mortgages with low teaser rates that will soon spike.

By: Dina ElBoghady

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## CHERYL EPPS HOME COMPLETED!

Cheryl Epps came to the Partnership back in May of 2006 asking for help for a leaking roof and a furnace that was so old they didn't make parts for it anymore. She was living in a one bedroom house with two small children. Worried sick thinking her roof was going to cave in or her floors were going to give out; Ms. Epps contacted Beth Llewellyn, CEO of the Partnership for HomeOwnership, (PFHO).

She contacted Beth through e-mails and phone calls letting her know of the situation she was in, looking for grants for repairs. Beth drove to Litchfield, 45 minutes away, to meet with Ms Epps. After viewing the home, it was apparent that the house was not worth putting additional money into. The house had shifted on the foundation, causing the front door to jam and the windows inoperable. A blue tarp covered a section of the roof.

Ms Epps owned the land that her house was currently sitting on. Beth suggested bulldozing her house and putting up a manufactured home. Ms Llewellyn contacted USDA Rural Development to apply for a loan for Ms. Epps who was on SSI. Her low income qualified her for a USDA RD 502 Direct loan, subsidized for her limited income. Although the local RD office had never done new construction with a 502 Direct Loan, they were willing to try. They qualified Ms Epps for a \$68,000 loan with \$2000 towards closing costs. The PFHO had \$10,000 available in grant money, and another \$5000 from state funds through Coalition for People With Disabilities.

With a budget in hand, Ms Llewellyn drove Cheryl to visit 4 different manufactured dealers who had models acceptable to both PFHO and Rural Development. Deciding on a 3 bedroom-2bath model manufactured by HART Housing, Indiana and offered through Boley Homes, of Vandalia, Illinois. Pricing the unit was a little more difficult, as PFHO wanted the same standards of construction as a modular home, with the exception of the roof frame construction.

The home had no carriers, but was brought in on a steel frame. The home needed to be full finished drywall, oak cabinets—maple lined, hardwood trim, china sinks, 28oz carpet, 5/12 roof pitch, architectural shingles, 2x6 exterior wall studs, R-44 Roof insulation, R-19 sidewall, R-22 floor, 50 gal water heater, water shut-offs, steel exteriors doors with storm, backfilled, graded and seeded. Total unit cost \$68,750 set. Ms Epps worked hard to find the lowest bids for the work needed, with Boley Homes helping her along the way. Additional costs to demolish the current home, new electric meter and hook ups, new plumbing and meter, and closing costs brought that figure to \$69,433.51 leaving \$566.49 to complete the rear deck off the dining area. We are grateful to Illinois National Bank for a \$30,000 construction loan, Brad and Jim at Boley homes for such great work! And to Hart Homes for delivering exactly what we needed: A Hud-Modular Hybrid!

Congratulations Cheryl, all your hard work really paid off!



## HOUSING BOOM TIED TO SHAM MORTGAGES

Phillip Hill lured people to fancy cocktail parties in a \$1.9 million mansion. He asked to use their names and credit histories in real estate deals, promising to make them rich. Most got \$10,000 checks on the spot for signing up.

By the time the scam unraveled, the credit of those participants had been ruined, hundreds of upscale properties had fallen into foreclosure and real estate prices had plummeted in some of Atlanta's most exclusive neighborhoods. Hill is about to go to federal prison.

Many experts have concluded that the nation's real estate boom of recent years was fueled in part by weakened lending standards that sparked excessive demand and drove up prices. Now, some are worried that the looser standards may have permitted a boom of another kind -- a big expansion of mortgage fraud.

Prosecutors are finding cases all over the country in which sham transactions, based on fraudulent appraisals, led to homes changing hands at far above their real value. Mortgage lenders failed to carry out the most elementary safeguards.

In some neighborhoods, mortgage fraud became so extensive that it drove up overall home prices. That is what happened in Atlanta. Hill, 50, was convicted last month in what authorities call one of the biggest mortgage-fraud cases in U.S. history. It involved 400 fraudulent loan applications; nearly \$100 million in mortgages; and 120 closing attorneys, appraisers, mortgage brokers and others who prosecutors say were in on the scam.

In Broomfield, Colo., Gerald Small pocketed \$21.5 million and bought two jets after he got bogus home loans using personal information from people who responded to a

help-wanted ad; he was convicted. In Kansas City last year, Brent Michael Barber was sentenced to 12 years in prison for paying residents of a low-income neighborhood \$2,000 each to use their names in 300 fraudulent loan applications. In Jacksonville, mortgage broker J.R. Parker and closing attorney Dale Beardsley were convicted in 2005 for a fraud scheme in which they netted \$14 million in cash, six luxury cars and two \$1 million homes.

Federal law enforcement officers say that with heavy demands on them from homeland security, they have had the resources to shut down only the worst offenders.

As more of these cases come to light around the nation, the question is: How much did an epidemic of fraud contribute to the frenzied housing market of recent years?

By: David Cho

## 100% USDA-RD GUARANTEED FINANCING

Another day, another news story regarding the fallout from the subprime loan debacle. Why are so many of these homeowners in trouble? Many were put into more exotic loans to meet their unique needs. Rising rates, home prices, and construction costs have priced many homebuyers out of the market and they needed innovative (and risky) loan terms to gain homeownership. 100% Guaranteed financing from Rural Development can help you meet the unique needs of your clients with affordable terms today!

- 100% financing, no downpayment necessary
- No monthly mortgage insurance: clients can afford more home
- Flexible credit: guidelines: Make the loans that make sense, clients are more than just a FICO score
- Expanded qualifying ratios of 29 / 41, ratios may be exceeded with compensating factors
- No asset limit / no reserve minimum
- Fixed 30 year interest rates, no surprise adjustments
- Temporary and permanent buydowns allowed, clients qualify with the flexibility of a ARM rate yet they have the stability of a thirty year fixed rate.
- Cannot currently own a home
- Many more benefits! Contact your local Rural Development office today!
- Available in rural areas of Illinois

WE ARE ON THE WEB!  
WWW.PFHO.ORG



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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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