



PARTNERSHIP FOR HOMEOWNERSHIP

**AVERAGE FAMILY INCOME DROPS
2.3%**

SPECIAL POINTS OF INTEREST:

- IHDA's interest rates for the Rural Guarantee Housing Initiative are **6.175%** with \$1,500 in closing cost assistance; **6.05%** with \$1,000 in closing cost assistance or **5.80%** with no closing cost assistance. (This applies to NEW reservations only.)
- The interest rate on a 30-year U.S. fixed mortgage slipped to 6.26 percent in February
- FHA has created a national consumer contact center for FHA related issues. Consumers may contact the Resource Center on 800-CALLFHA (800-225-5342).

INSIDE THIS ISSUE:

New Bankruptcy Rules	2
More in U.S. turning to soup kitchens	2
Some Debt Collectors are Using Illegal Tactics	2
Zombie Debt Digging Up Old Mistakes	3
Websites of the Month	3
Board of Directors	4

THE 2001 RECESSION WAS SHALLOW, BUT ITS EFFECTS WERE STEEP.

AVERAGE FAMILY INCOMES FELL IN THE USA FROM 2001 TO 2004, PULLED DOWN BY A SLUGGISH RECOVERY FROM THE DOWNTURN AND THE SHARP STOCK MARKET DROP, THE FEDERAL RESERVE SAID THURSDAY. THE DECLINE - THE FIRST SINCE 1989-92 - WAS ACCOMPANIED BY THE SMALLEST INCREASE IN NET WORTH IN THAT PERIOD.

IN ITS COMPREHENSIVE SURVEY OF CONSUMER FINANCES, RELEASED EVERY THREE YEARS, THE FED SAID THE MEDIAN NET WORTH OF THE BOTTOM 40% OF FAMILIES DECLINED, WHILE THOSE AT THE TOP SAW GAINS. THE PERCENTAGE OF FAMILIES INVESTING IN STOCKS FELL 3.3 PERCENTAGE POINTS TO 48.6% FROM 2001 TO 2004, A LEVEL LAST REACHED SOME TIME BETWEEN THE 1995 AND 1998 SURVEYS.

MARK ZANDI, CHIEF ECONOMIST OF MOODY'S ECONOMY.COM, SAYS JOB GROWTH AND INCOMES HAVE BEEN PICKING UP SINCE THE SURVEY PERIOD. BUT THE REPORT

PROVIDES MORE TROUBLING EVIDENCE OF A RISING GAP IN WEALTH IN THE USA.

"THE HOUSEHOLD BALANCE SHEET IS IN GOOD SHAPE, BETTER SHAPE TODAY ... BUT IT'S NOT IMPROVED FOR EVERYBODY. IT'S IMPROVED FOR THE PEOPLE IN THE TOP DISTRIBUTION OF INCOME AND WEALTH," HE SAYS.

FROM 2001 TO 2004, AVERAGE FAMILY INCOME FELL 2.3%, TO AN INFLATION-ADJUSTED \$70,700 FROM \$72,400 IN THE 1998-2001 PERIOD. BY CONTRAST, FROM 1998 TO 2001, AVERAGE INCOME JUMPED 17.3%. MEDIAN INCOME - THE MIDPOINT OF THE INCOME RANGE - ROSE 1.6% TO \$43,200.

FED ECONOMISTS SAID THE FIGURES WERE "STRONGLY INFLUENCED" BY A MORE-THAN-6% DROP IN MEDIAN REAL WAGES DURING THE PERIOD. ALSO, INVESTMENT INCOME WAS LESS THAN IN THE STOCK MARKET BOOM YEARS OF THE LATE 1990S.

REAL NET WORTH - THE DIFFERENCE BETWEEN FAMILY ASSETS AND LIABILITIES - ROSE ONLY

SLIGHTLY FROM 2001 TO 2004. MEDIAN NET WORTH ROSE ONLY 1.5% TO \$93,100 DURING THE PERIOD, VS. A 10.3% GAIN FROM 1998 TO 2001. AND LIABILITIES ROSE FASTER THAN ASSETS, DUE LARGELY TO A BIG RISE IN MORTGAGE DEBT.

THOUGH THE ECONOMY WAS IN RECESSION IN 2001, IT STEADILY IMPROVED FROM 2002 TO 2004 WITH LOW INFLATION AND FALLING UNEMPLOYMENT.

THERE WAS SOME GOOD NEWS IN THE REPORT. MINORITIES, WHO HAVE LONG LAGGED BEHIND WHITES IN INCOME, SAW HEALTHIER GAINS. HOMEOWNERSHIP RATES ROSE. STILL, MINORITY INCOME REMAINS MUCH LOWER, ABOUT 60% OF WHITES.

"THE MEASURED GAINS IN WEALTH IN THE 2001-04 PERIOD PALE IN COMPARISON WITH THE INCREASES OF THE PRECEDING THREE YEARS," WROTE FED ECONOMISTS BRIAN BUCKS, ARTHUR KENNICKELL AND KEVIN MOORE.

BY : SUE KIRCHHOFF
WWW.USATODAY.COM

**CONSUMER HOME LOAN PROTECTION
LAW PILOT AREAS SELECTED**

This program has been designed to provide additional financial guidance to families who wish to take on a mortgage, or refinance the mortgage they already have while allowing the State to gather important information on the kinds of loans being offered to Chicagoans and the costs and terms of those loans.

Public Act 94-280 (HB 4050 from the 94th General Assembly) has established a pilot program targeting communities with a high proportion of predatory loans, higher than average foreclosure rates and unusually high numbers of mortgages for individual properties. The Pilot Program area is the geographic area situated within the following zip codes:

60620, 60621, 60622, 60623, 60628, 60629, 60632, 60636, 60638, 60643, and 60652.

For more information visit:
<http://www.idfpr.com/news/10127061DFPRHomeLoanProtectionLaw.asp>

NEW BANKRUPTCY RULES

It is now harder than ever to declare bankruptcy. The new bankruptcy law, which went into effect this year, requires that debtors meet a means test to be eligible under Chapter 7. Under the old rules, a person could choose for themselves which type of bankruptcy they wanted to file. In the past most peo-

ple chose Chapter 7 where a person can generally wipe out all of their unsecured debt. Under the new rules, most of these people will have to choose Chapter 13 and pay back a portion of their debt.

State Journal Register



Visit
www.TheHousingSite.org

MORE IN U.S. TURNING TO SOUP KITCHENS

The number of people in the United States turning to soup kitchens and food banks for assistance appears to be growing.

America's Second Harvest, the country's largest network for food distribution, found in its first major survey since 2001 that 25 million people depend on its members for help, the Christian Science Monitor reported.

That's up 8 percent in four years.

The survey was done by Mathematica Policy Research, a Princeton, N.J., company. It found that 35 percent of the people getting food assistance from Second Harvest are in households with a working adult; 31 percent – or almost 9 million – are children; and 11 percent – or 3

million – are elderly. "Food banks are like the canary in the mine shafts," said Doug O'Brien, Second Harvest's vice president for public policy and research. "They see trends in underreported populations long before they show up in other statistics."

PRINCETON, N.J., Feb 23, 2006 (UPI via COMTEX)
www.upi.com

*“Providing
resources
to reach
the
American
Dream.”*

Some Debt Collectors Are Using Illegal Tactics

TIPS ON DEALING WITH DEBT COLLECTORS

Want the collectors to stop calling you?

- Ask for the name and address of the company. Then write a letter saying: "Do not call me anymore," and send it certified mail. By law, it must obey your wishes. The debt doesn't go away, but the harassment does.
- Companies are not allowed to call before 8 in the morning or after 9 at night.
- They must mail you a letter giving the details of your debt within five days of calling.
- They're not allowed to tell anybody else about your debt.
- It's illegal for collectors to curse at you or threaten violence.
- No false lawsuit claims -- it's also illegal for collectors to say they're going to sue you unless they really are.

ZOMBIE DEBT DIGGING UP OLD MISTAKES

There's money in old debt. A decade ago, most people who reneged on debts could rest easy after several years passed, since few creditors tried to collect on old bills, particularly for small amounts.

Today, however, collecting on old debts is a rapidly expanding industry. Aggressive companies can buy charged-off credit card accounts from the original lenders for pennies on the dollar. Then, they use credit scoring and other new technologies to identify which debtors are most likely to pay. The players in this "junk debt" market range from fly-by-night outfits to well-established companies funded by Wall Street investors.

It's a business that barely existed 10 years ago. In the last three years, it's been growing at a 30% annual rate, according to credit industry analyst Sean McVity of Keefe, Bruyette & Woods. Among the signs of the industry's maturity:

Four debt-buying companies have gone public in recent years, including Asset Acceptance of Warren, Mich., which had its \$150 million IPO in February.

Some buyers have attracted major funding from investment banks such as Bear Stearns and Goldman Sachs.

Last year, more than \$75 billion in old debts were sold.

The amount that companies pay for bad debt depends on the type of account and its age.

In general:

Debts that have recently been charged off: 6 to 7 cents on the dollar.

Accounts that are slightly older and on which a collection agency or two has already taken a whack: 1.5 cents to 2 cents on the dollar.

Years-old, out-of-statute debts: A penny or less.

A growing number of companies are discovering that these very old accounts, once thought to be uncollectible, are just the opposite. Squeezing even a small payment from these debtors can make collection activities worthwhile.

Paying old debts -- or even talking to the collection agency about them -- can make a bad situation worse. Even the smallest payment can revive the statute of limitations in some states, leading to more aggressive collections and lawsuits. Even acknowledging that the debt is yours can restart the clock in some jurisdictions.

Paying off can hurt your credit score. What's more, paying an old debt potentially can wreak havoc on a consumer's credit score. Such a payment can update a delinquency so that it looks more recent and takes a heavier toll on a credit score.

If you're being contacted about an old debt, here's what consumer attorneys advise:

- Know the statute of limitations.
- Know your rights.
- Consider ignoring the call. (If the statute of limitations has expired, Szwak said, put the phone down and walk away. There's little to gain and a lot to lose if you keep talking. You could inadvertently extend the statute of limitations or find yourself roped into a repayment agreement that might not be in your best interest.)
- Write them. If ignoring them isn't working, consider writing a letter demanding the agency stop contacting you. Send it certified mail, return receipt requested. Federal law requires them to comply with your request. Make sure in the letter you specifically say that you aren't acknowledging you owe the debt.
- Negotiate carefully. If the statute of limitations hasn't expired, you may want to negotiate a settlement rather than risk a lawsuit.
- Keep an eye on your credit report. If a collection agency tries to repost an old debt or lie about the date it went delinquent, you'll need to fight back vigorously. Dispute the entry with the credit bureaus and with the collection agency.

Money Central MSN

WEBSITES OF THE MONTH

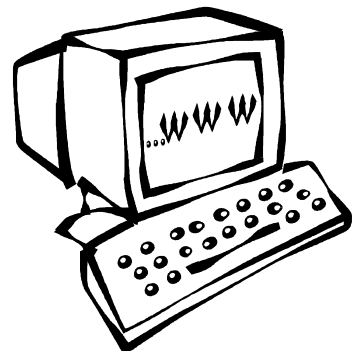
Free Tax Preparation

Fast, free electronic tax preparation services will be available in 35 Illinois communities, beginning January 28, 2006 through April 15, 2006. Families with incomes of \$38,000 or less and individuals with income of \$15,000 or less are eligible. For a list of where and when in your area see:

Chicago www.centerforprogress.org/programs_chicagoland.html

Northern Illinois www.centerforprogress.org/programs_northern.html

Central and Southern Illinois www.centerforprogress.org/programs_downstate.html



WE'RE ON THE WEB!

WWW.PFHO.ORG



**PARTNERSHIP
FOR
HOMEOWNERSHIP**

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Resources to reach for the American dream!

The Partnership for HomeOwnership, Inc. is a nonprofit foundation 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:

Beth Llewellyn or Stephen Sundquist at:

1 (800) 370-6697

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