



OFFICE OF THE GOVERNOR

NEWS

ROD R. BLAGOJEVICH – GOVERNOR

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Gov. Blagojevich announces new Homeowner’s Assistance Initiative, nation’s most comprehensive statewide program to prevent foreclosures

Illinois mortgage lenders agree to provide \$200 million pool to refinance sub-prime loans with fixed rate mortgages

Statewide counseling network launched, homeowners at risk of foreclosure can call 1-888-995-HOPE to get connected to local counseling services

CHICAGO—Governor Rod R. Blagojevich today announced the Homeowner’s Assistance Initiative, the most comprehensive statewide plan in the nation designed to provide immediate assistance to Illinois homebuyers at risk of losing their homes in the face of the nation’s sub-prime mortgage crisis. The package helps Illinois homeowners in several ways:

- Provides access to a new \$200 million Homeowner Assistance Pool to help them refinance existing mortgages and get into more affordable, stable loans;
- Establishes a statewide counseling network to help them know their options and negotiate with their lenders;
- Provides consumers protection by making it easier for homeowners to report fraudulent and deceptive practices that result in unwarranted financial strain and foreclosures;
- Urges all Illinois lenders to be part of the solution by: joining in the national “Project Lifeline” initiative and agree to contact their borrowers who are at up to 90 days behind on mortgage payments, but not yet scheduled for foreclosure and offering to work with them to negotiate new loans that keep them in their homes; participate in the new Homeowner Assistance Pool; and participate in Homeowner Outreach Days.

“The crisis in the sub-prime mortgage market has had a devastating impact on homeowners and entire communities across our country. In Illinois alone, it is possible that up to 70,000

homeowners will face foreclosure this year. A real solution will require lenders, consumers, advocates and public policy makers to all work together. The package we're announcing today does just that. I'm proud that lenders and counselors are stepping up to help Illinois homeowners who have struggled to pay their mortgages, and I hope even more lenders will heed my call to be part of the solution. I am confident that by making good loans and sound advice available to Illinois families, we can turn the mortgage crisis around and save homeowners from foreclosure," said Governor Rod R. Blagojevich.

Homeowners across the country are facing serious financial strain as the adjustable rate mortgages they entered in recent years are adjusting upward and monthly payments skyrocket. For example, a homeowner with a \$200,000 adjustable rate mortgage whose rate is going from 8% to 12% will see their mortgage payments increase by \$600 a month. For many families, maintaining a loan at the higher rate is not an option.

According to RealtyTrac®, the online marketplace for foreclosure properties, in 2007, statewide foreclosure filings reached 90,782, an increase of 25 percent from 2006 and an increase of 94 percent over 2005. RealtyTrac® ranks Illinois among one of the top 10 states with the highest number of foreclosure filings. Other high foreclosure filing states include Nevada, California, Florida, Georgia, Arizona, Colorado, Ohio, Michigan, Texas and Indiana.

"I have benefited greatly from the help of Neighborhood Housing Services. Without the help and guidance that NHS provided me, I don't think I would be residing in my home right now," said Sherida Pedro-Randolph, a homeowner from the Southwest Side of Chicago. "The fact that the governor is expanding this help to every part of the state means that people all across Illinois can receive the help that I did and avoid foreclosures."

Homeowner Assistance Pool

The new Homeowner Assistance Pool will provide a new option to help homeowners get into more stable and affordable mortgage loans before being faced with foreclosure. Four of Illinois' largest mortgage lenders have made an initial commitment of \$200 million to finance new, fixed rate mortgages for homeowners facing increases in their current adjustable rate loans or who can't afford their existing fixed-rate loan, making the Homeowner Assistance Pool the largest in the country. The four lenders – Guaranteed Rate, Chicago Bancorp, Professional Mortgage, Inc., and Perl Mortgage – will also participate in upcoming Homeowner Outreach Days, jointly sponsored by the Illinois Department of Financial and Professional Regulation (IDFPR) and the Illinois Housing Development Authority (IHDA), to work directly with families facing imminent foreclosure due to unaffordable mortgage payments.

The refinancing loans offered through the new Homeowner Assistance Pool will be 30-year fixed rate mortgages, guaranteed by the Federal Housing Administration (FHA) and will have interest rates of between 5.75 percent and 8 percent. Participating lenders have also agreed to limit loan fees to no more than \$1,000, with no prepayment penalties. Unlike similar programs in other states, the Homeowner Assistance Pool has no income requirements and is open to homeowners regardless of their current mortgage product.

The pool is available to homeowners whose loan rates recently increased or who are struggling to keep their payments current. In order to qualify, borrowers must go through mortgage counseling and must have a minimum credit score of 580. The Homeowner Assistance Pool's minimum credit requirement makes it the most inclusive of any state programs in the country --

approximately 90% of the population has credit scores of at least 580. Families who don't meet the criteria may still be offered new loans, but the terms may vary.

“We are committed to making sure hard working families can afford to stay in their homes and will be reaching out to our own customers and others to offer them an opportunity to refinance their homes to guarantee fixed, affordable payments,” said Victor Ciardelli, President and CEO of Guaranteed Rate.

“Homeowners deserve our help in these uncertain financial times. We've been working with homeowners at Outreach Events throughout the state and look forward to implementing this new program,” said Ken Perlmutter, Perl Mortgage.

Statewide Counseling Network

Gov. Blagojevich today also launched the Illinois Statewide Foreclosure Prevention Network to provide free direct counseling and mitigation assistance for homeowners facing increasing mortgage payments or foreclosure. Funded by a \$370,000 grant from IHDA and support from NeighborWorks® America, a coalition of 15 non-profit counseling agencies across Illinois has been set up by Neighborhood Housing Services of Chicago Inc. (NHS of Chicago) to help homeowners who are struggling to pay their mortgages. The counseling agencies have been trained to negotiate with lenders and servicers, updated on the resources available to homeowners at risk of foreclosure such as loans and grants, and are equipped to advise homeowners on the alternatives to foreclosure.

“The need for a coordinated statewide effort has never been greater,” said NeighborWorks® America CEO Ken Wade. “With more than two million adjustable rate mortgages scheduled to reset in 2008 nationally, increased access to community-based counseling provided by certified counselors continues to be an important resource for homeowners in danger of foreclosure. We proudly support the efforts of Neighborhood Housing Services of Chicago and the Illinois Housing Development Authority to help Illinois homeowners stay in their homes.”

The Statewide Foreclosure Prevention Network is the first of its kind in Illinois. Starting today, Illinois homeowners who call the national toll-free hotline 1-888-995-HOPE will receive counseling over the phone and, if needed, will be referred to an Illinois Network agency in their area for additional face-to-face assistance including loan negotiation, referral to mortgage fraud investigators and Homeowner Outreach schedules.

The new Network will supplement the ongoing State-sponsored Homeowner Outreach Day events that provide consumers with one-stop access to lenders, housing counselors, legal assistance advisors, and fraud investigators. Outreach Days offer one-on-one counseling sessions between borrowers and lenders, as well as workshops on refinancing, foreclosure prevention, legal rights, loss mitigation and credit counseling. Consumers can get information on upcoming Outreach Days in their communities at www.illinois.gov.

“We are grateful to all of our partners for helping to make the Statewide Foreclosure Prevention Network possible, Governor Blagojevich and IHDA for the technical assistance grant, HP Foundation and NeighborWorks America for the use of their HOPE hotline and for funding the Network, the 15 counseling agencies for helping to reach homeowners across the state, and Housing Action Illinois for training the agencies. The Network exemplifies what can be achieved when we all work together towards one common purpose: to help Illinois homeowners

avoid foreclosure,” said Bruce Gottschall, NHS of Chicago Executive Director, who set up the Network and will be counseling homeowners in Chicago.

Fraud Prevention

The Governor’s comprehensive Homeowner’s Assistance Initiative also makes it easier for homeowners who believe they may have been the victims of deceitful or fraudulent lending practices to get in touch with state mortgage fraud investigators. In addition to the existing Mortgage Information and Fraud Hotline (800-532-8785), consumers can get connected with Mortgage Fraud Task Force (MFTF) investigators through the new Statewide Counseling Network.

The Mortgage Fraud Task Force was established by Gov. Blagojevich in 2006. The MFTF was made possible because the IDFPR is one of the few state agencies in the nation that regulates the full spectrum of businesses involved in real estate transactions through one department (real estate agents, appraisers, home inspectors, mortgage lenders, title agencies, and insurance companies that offer homeowner coverage). As a result of the MFTF, the Division of Banking has taken approximately 113 enforcement actions resulting in revocations of licenses and certificate of registrations, suspensions, and fines. In addition to working closely with local and state law enforcement agencies, the Division of Banking has Mortgage Banking investigators at every Homeowner Outreach Day events to open files on site if fraudulent activities are reported. Since November’s launch of the outreach program, the Mortgage Banking Investigation Unit has fielded over 30 inquiries.

Calling Lenders to Action

Today Gov. Blagojevich also sent a letter to all mortgage lenders that do business in Illinois asking them to increase their participation in initiatives that will help solve the housing crisis. Specifically, the Governor urged lenders to join the federal “Project Lifeline” program just announced this week in which six of the nation’s largest lenders have agreed to renegotiate loans for existing customers who have fallen more than 90 days behind schedule in making payments, but are not yet scheduled for foreclosure and have not filed for bankruptcy.

The Governor also urged lenders in Illinois to join the four companies that have agreed to set aside \$50 million each for the new Homeowner Assistance Pool and help further expand the pool of fixed-rate refinancing options for distressed homeowners. He also encouraged them to take part in the Homeowner Outreach Days where their customers can have easier access to counseling and loan negotiating services.