

Dear Servicer:

Thank you for reviewing the Illinois Hardest Hit Fund (HHF) *Servicer Welcome Packet*. The Hardest Hit Fund is a temporary mortgage payment program that helps homeowners who are struggling to make their monthly mortgage payments and reinstate the loan. We are excited for your institution to participate in a program that helps prevent foreclosure.

The *Servicer Welcome Packet* provides all of the information your institution needs to actively participate in the Illinois Hardest Hit Fund program. Please find the following documents included:

- IHDA Draft Servicer Participation Agreement
- ACH Credit Form
- IHDA's 3rd Party Release of Information
- Program Overview
- IHDA Term Sheet on file with the US Treasury

To initiate your institution's participation in the HHF program, please return the following documents.

- Lender/Servicer Participation Agreement [Insert your bank's name & forward three (3) signed originals]
- ACH Credit Form [one (1) signed original]

Return these forms to:

Illinois Hardest Hit Fund
Illinois Housing Development Authority
ATTN: Michele Pacocha
401 N. Michigan Ave. Suite 700
Chicago, IL 60611

If you have any questions please contact Michael Massengale at 312-338-0504 or email me at mmassengale@ihda.org.

Thank you for your interest in the Illinois Hardest Hit Fund.

HARDEST HIT FUND



401 N. Michigan Ave.
Chicago, IL 60611

312-836-5200 Main
312-836-5222 TDD

www.ihda.org

Servicer Participation Agreement between Illinois Housing Development Authority and <Name of Servicer>

The undersigned hereby confirm their mutual agreement on the following principles relating to the Servicer's participation in the Illinois Housing Development Authority's Hardest Hit Fund (HHF) program:

1. Illinois Housing Development Authority is responsible for the selection/qualification of borrowers to receive HHF funding; a Servicer will not be involved in the selection but may, with pre-authorization from the Illinois Housing Development Authority, refer borrowers for consideration.
2. Based upon pre-authorization from the Illinois Housing Development Authority, Servicers may refer potentially eligible borrowers to the Illinois Housing Development Authority, but Servicers are not permitted to proactively market HHF.
3. Servicers shall establish specific points of contact for HHF cases for the Illinois Housing Development Authority. This includes call center and email provisions for both the Illinois Housing Development Authority and its agents (such as HUD-approved counseling agencies). The Illinois Housing Development Authority will also establish points of contact for Servicers.
4. Upon notification that a borrower has been conditionally approved for HHF, the Servicer shall not initiate the foreclosure process or, if the borrower is already in the foreclosure process, conduct a foreclosure sale for 45 days, with any extensions by mutual consent of the Illinois Housing Development Authority and the Servicer.
5. All communication that includes borrower's Nonpublic Personal Information between the Illinois Housing Development Authority and Servicer shall be through encrypted email, secure loan port or other similar secure electronic delivery system. In accordance with HUD, privacy, telemarketing, and information security laws, regulations, and guidelines, each party to this agreement agrees that it will maintain or implement appropriate measures designed to (a) ensure the security and confidentiality of any Nonpublic Personal Information it receives from the other party, including, without limitation, appointing a manager or group to coordinate compliance with the confidentiality obligations herein, (b) protect against any anticipated threats or hazards to the security or integrity of such information, including, without limitation, implementing necessary screening and background checks for individuals that may access or use the Nonpublic Personal Information as permitted by this Agreement, (c) protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to the subject of such information, (d) ensure the proper disposal of all Nonpublic Personal Information received from the other party upon the

termination of this Agreement for any reason, unless the information is required to be retained for legal or regulatory record retention purposes, (e) treat the Nonpublic Personal Information with at least the same degree of care that it uses to protect its own confidential and proprietary information of a similar nature but with no less than a reasonable degree of care, and (d) implement or utilize appropriate technological safeguards that are at least in compliance with the Gramm-Leach Bliley Act as well as any generally recognized industry standards. For the purposes of this Agreement, the term "Nonpublic Personal Information" shall mean any information received from or provided by the other party which pertains to or identifies an individual, such as a name, postal address, e-mail or IP address, facsimile or phone number, mother's maiden name, social security or identification number, transactional, employment, or financial data, medical or health records, personal, gender, political, profile, account, and password information.

6. Where possible, there will be a defined automated and secure process to submit borrowers to the Servicer for workout consideration. There will be no cost of use for Servicer to access.
7. All HHF programs and workout options will be conducted in accordance with the program descriptions and requirements detailed in the attached Program term sheet(s), which require acceptance by the Servicer and Illinois Housing Development Authority. It is the Servicer's responsibility to obtain investor and mortgage insurer approval. Servicer may object to a particular transaction, in consultation with the Illinois Housing Development Authority, for a limited set of reasons including fraud, bankruptcy restrictions, foreclosure status and prior history with the borrower. Servicer must provide documentation of the reason for rejection upon request by the Illinois Housing Development Authority.
8. Not all borrowers that qualify for HHF will qualify for HAMP or other workout options; information about assisted borrower's workout status should be communicated by the Servicer to the Illinois Housing Development Authority.
9. Servicer is only required to waive late charges or NSF fees - all advances such as foreclosure or bankruptcy costs are payable by the borrower or investor.
10. Participation in the HHF program is voluntary and either party may terminate the agreement without cause on 30 days written notice. A Servicer may choose to participate in one HHF program but not another.
11. The Illinois Housing Development Authority or its 3rd party partners assisting in the intake function (non-profit counselors) must secure written authorization from each borrower to share information. Servicer must receive a copy of the signed authorization.
12. For the Homeowner Emergency Loan Program, program funds may be applied towards PITI (principal, interest, taxes and insurance), attorney's fees, property inspection fees, escrow shortage and/or delinquent property taxes, one year of standard homeowner's insurance if forced place insurance has been invoked, and other fees and expenses if they are deemed an advance on behalf of the homeowner by the Servicer. Servicers will not apply HHF funds to HOA payments unless HOA payments have been escrowed and are included in the borrower's monthly PITIA payment.
13. Non-escrowed loans will not be required to become escrowed for unemployment assistance; borrowers will be responsible for payment of non-escrowed property-related expenses (e.g. property taxes and insurance).
14. Servicer will provide Illinois Housing Development Authority with loan performance data for all borrowers who receive assistance as specified in the program term sheet through secured means for up to 12 months after assistance ends.
15. Servicer is responsible for timely application of Illinois Housing Development Authority funds; servicer shall hold the borrower harmless if payments are not applied timely. Servicer agrees to provide reports to document that funds were applied.

- 16. The Illinois Housing Development Authority is responsible for continuing eligibility of the borrower for its HHF program and any related fraud detection. Servicer will not be required to repay amounts applied to a borrower's loan if that borrower is later determined to be ineligible.
- 17. Servicer should notify the Illinois Housing Development Authority of any ongoing action against a borrower, including fraud-related activities, and if it has evidence that the property is non-owner occupied.
- 18. Servicer shall notify the Illinois Housing Development Authority of any changes in monthly payment amount at least 30 calendar days prior to the change.
- 19. Where possible, the Illinois Housing Development Authority will provide at least 30 days' notice before it will cease borrower payments to allow the Servicer time to evaluate the borrower for other loss mitigation options.
- 20. Servicer agrees that it is not authorized or empowered to determine and/or communicate to the homeowner eligibility for HHF foreclosure prevention programs. Illinois Housing Development Authority agrees that it is not authorized or empowered to determine and/or communicate to the homeowner eligibility for foreclosure prevention programs of the Servicer. Illinois Housing Development Authority retains sole authority for its program eligibility determination and communication to the homeowner and Servicer. Servicer will communicate with borrowers and Illinois Housing Development Authority regarding modification and other Servicer-driven approvals.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

By: _____
Mary R. Kenney, Executive Director

Date

<Name of Servicer>

By: _____

Date

Printed Name: _____

Title: _____



**Illinois
Housing
Development
Authority**

A self supporting public agency

401 N. Michigan Avenue, Suite 700
Chicago, IL 60611
(312) 836-5200 TDD (312) 836-5222
<http://www.ihda.org>

Pat Quinn
Governor

Automated Clearinghouse (ACH) Bank Credit Authorization

The Illinois Housing Development Authority is to electronically deposit funds into the following bank account:

Account Name	
City	
State	
Bank Account Number	
ABA Routing Number	
Bank Name	
Bank City	
Bank State	
<hr/> (Date)	
<hr/> (Print Name)	
<hr/> (Signature)	
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**HARDEST-HIT FUND HOMEOWNER EMERGENCY LOAN PROGRAM
AUTHORIZATION FOR RELEASE OF INFORMATION**

Homeowner: _____ Last 4 Digits of SS#: _____

Co-Homeowner: _____ Last 4 Digits of SS#: _____

Co-Homeowner: _____ Last 4 Digits of SS#: _____

Property Address: _____

City: _____ County: _____ Zip Code: _____

Home Number: _____ Cell Number: _____

Email: _____

Lender: _____ Loan Number: _____

HHF Sponsor Name: _____ Telephone: _____

I/we authorize that the Illinois Housing Development Authority and HHF Sponsor named above (herein after "IHDA" and "HHF Sponsor") and its representatives to speak with my/our lender and /or servicer and with whomever has servicing responsibilities for my/our loan and to share, release, discuss and otherwise provide to and with each other public and non-public personal information contained in or related to my/our mortgage loan. This information may include (but is not limited to) the name, address, telephone number, social security number, credit score, income, government monitoring information, loss mitigation application status, default status, account balances, program eligibility, and payment activity.

I/we further authorize IHDA and the HHF Sponsor/or lender and/or servicer handling my/our loan to verify employment, income, payment histories and/or assets in conjunction with my/our qualification for assistance.

IHDA and HHF Sponsor are committed to the privacy of individuals and/or families who are applying for or receiving assistance under the HHF Program. We realize that the information that you provide under this program can be highly personal in nature. All information shared both orally and in writing will be managed within legal and ethical considerations and in compliance with IHDA's Privacy Policy. Your "nonpublic information," such as your total debt, income, and personal information concerning your financial circumstances will be provided to creditors, program monitors, and relevant parties only with your written authorization.

This program is funded by government funds and comes with some program evaluation and research requirements. We may be required to provide file information to government representatives or researchers for the purposes of evaluating our services, gathering valuable research information, and designing future programs.

This authorization will be valid when signed below and will remain valid until revoked in writing by any homeowner or co-homeowner(s) signed below.

Homeowner Signature

Date

Co-Homeowner Signature

Date

Co-Homeowner Signature

Date

HHF Sponsor Signature

Date

Illinois Hardest Hit Funds Program Overview

Introduction to IHDA

The Illinois Housing Development Authority (IHDA) is a self-supporting state agency that finances the creation and the preservation of affordable housing throughout Illinois to increase the supply of decent and safe places for people of low or moderate means to live. IHDA accomplishes its mission through a number of federal and state funding sources. IHDA is also a bonding authority and independently sells bonds, based on its own good credit, to finance affordable housing in Illinois. Since its creation in 1967, IHDA has allocated more than \$10.6 billion and financed more than 215,000 affordable units across the state.

Hardest Hit Funds Overview

Under an expansion to the Toxic Asset Relief Program, the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Market was created. The U.S. Department of the Treasury established the Hardest Hit Fund Program (HHF) in February 2010 to provide targeted aid to families in states hit hard by the economic and housing market downturn. 18 states and the District of Columbia have been approved to receive program funds used to develop foreclosure prevention programs and assist at-risk homeowners. Illinois was approved to receive \$445,603,557. IHDA, as the State housing finance agency, was chosen to administer these funds.

IHDA has created the Hardest Hit Funds Homeowner Emergency Loan Program (HHF HELP), which aims to provide bridge mortgage payment assistance to households that are temporarily struggling with income loss, but are working to regain sufficient income to keep their home. Specifically, IHDA will provide funding to pay, in part or in full, eligible homeowners' mortgage arrearages and their monthly mortgage payments for up to 18 months. A maximum of \$25,000 will be available to eligible households in 'hardest hit' counties that have higher than state average rates of unemployment, home price decline, foreclosure, and mortgage delinquency. Households in all other counties can receive up to \$20,000 in assistance. IHDA will rely on a statewide network of housing counselors to provide eligibility screening before files advance to IHDA for approval, underwriting, and commencement of any payments. Participating housing counseling agencies will receive \$950 per household that receives funding (as opposed to each household file that is submitted for review).

IHDA estimates that 15,000 to 25,000 households will be assisted through HHF HELP. A statewide program launch is anticipated in spring/summer 2011. IHDA has access to these federal funds until December 31, 2017.

Detailed information about Illinois' program HHF HELP is posted on the U.S. Treasury website: www.financialstability.gov

Homeowner Emergency Loan Program (HHF HELP) Overview

Unemployed or underemployed homeowners are often ineligible for loan modifications and are at substantial risk of foreclosure. This program provides support to unemployed and underemployed homeowners by providing temporary mortgage payment assistance while the household searches for employment, a higher paying job or participates in job training to strengthen their income earning potential. Since unemployment and underemployment is the key eligibility criteria, homeowners must have a documented reduction in income that is caused by no fault of their own. This income reduction must be at 25%.

During the assistance term IHDA will make full mortgage payments on behalf of the homeowner directly to the servicer. The homeowner will be responsible for contributing 31% of their current gross household monthly income directly to IHDA. IHDA will make monthly mortgage payments on behalf of the household for up to 18 months. The maximum amount of assistance IHDA will provide to a household is \$20,000 or \$25,000 depending upon county location.

Homeowners that are current or delinquent on their first mortgage can participate and funds can be used to pay arrearages before monthly mortgage payments commence. Funds are structured as a zero-interest, deferred payment loan forgiven over the last 5 years of a 10 year recapture period.

HHF Outreach to Prospective Applicants

The Illinois Hardest Hit Fund Customer Service call center is the dedicated resource for all applicant and partnering agency inquiries. When referring your company's prospective HHF applicants refer them to the HHF toll free line at 855-873-7405.

As your team reviews the Lender/Servicer Participation Agreement and supplementary information, feel free to refer your borrowers to the HHF program. We will provide your borrower's with important program information.

NOTE: The Illinois Hardest Hit Fund Program will launch statewide on July 15th, 2011. Upon an executed Lender/Servicer Participation Agreement, your borrowers will be able to complete an HHF application. Your borrower's HHF application cannot be processed until your firm and IHDA have entered into an executed participation agreement.

The following is a sample letter that can be used to support your outreach efforts. This letter should not be sent to your borrowers until the Lender/Servicer Participation Agreement is executed.

Dear Loan Customer,

This letter is being sent to you to inform you of a statewide mortgage assistance program supported by the US Department of the Treasury. The Illinois Housing Development Authority, through the Illinois Hardest Hit Fund will bring homeowner's mortgage payments current and make full or partial payments for eligible

homeowners' 1st mortgage for up to 18 months. Eligible borrowers are homeowners who have experienced income reduction due to unemployment and under-employment, through no fault of their own.

You may be eligible for mortgage payment assistance through the Illinois Hardest Hit Fund. Please call 1-855-873-7405 Monday – Friday 9:00am – 5:00pm to learn how you can apply. On July 15th 2011, visit www.illinoishardesthit.com

The Illinois Hardest Hit Fund is not a loan modification program. If you are interested in exploring loan modification options please call (INSERT SPECIFIC VERBIAGE HERE).

Thank you.

Basic Pre-Screening Criteria

The following list is pre-screening eligibility criteria most relevant to Servicer outreach efforts. Applicants must pass these eligibility criteria along with other income related criteria to be eligible to receive HHF assistance. These criteria are listed for informational purposes only. Servicer's are not expected to pre-screen prospective HHF borrowers. Pre-screen criteria include:

- Income reduction due to unemployment of the borrower or co-borrower.
- Income reduction due to under-employment of the borrower or co-borrower.
- Mortgage is not an interest only loan.
- Mortgage does not have negative amortization.
- Borrower / co-borrower live in the property for which HHF assistance is being requested.
- HHF funds are being used on a 1st position loan. Loans in the 2nd position including 2nd mortgages and equity lines of credit are not eligible for assistance.
- Borrower/co-borrower owns more than one (1) residential property.
- Valid state of Illinois identification.

Distribute the attached call script to relevant departments within your company to conduct outreach efforts.

Illinois Housing Development Authority

Hardest Hit Fund Homeowner Emergency Loan Program (HHF HELP)

Summary Guidelines

1. Program Overview	<p>Illinois' Homeowner Emergency Loan Program (HELP) will assist homeowners who have experienced an income reduction due to unemployment or substantial underemployment in two ways: Monthly Mortgage Payment Assistance and Reinstatement Assistance. Monthly Mortgage Payment Assistance will be provided for up to 18 months while homeowners search for gainful reemployment and/or participate in job training. Reinstatement Assistance will pay a homeowner's delinquent balance and other associated fees and costs. Borrowers may be eligible for Reinstatement Assistance combined with Monthly Mortgage Payment Assistance or Reinstatement Assistance only according to their debt-to-income ratios as described in Section 5.</p> <p>For Monthly Mortgage Payment Assistance, IHDA will make full mortgage payments to the servicer on behalf of the borrower while the household remains eligible for assistance. While full mortgage payments are made on their behalf, the borrower must contribute partial mortgage payments to IHDA on a monthly basis totaling 31% of current household income. Household income will be the average of all household wages, compensation, and/or public benefits over the previous two months. Timely partial payments to IHDA are required for continued program assistance.</p> <p>After 18 months of full mortgage payments, borrowers will resume making their mortgage payments independently. If borrowers regain employment and earn sufficient income to adequately afford their mortgage during the 18 months, borrowers will be transitioned from the program over a 2 to 3 month period depending on the notification requirement to the servicer. If the household maximum assistance level available is reached, IHDA will end assistance.</p> <p>Borrowers will be referred to the program through the HHF HELP website and/or call center, a housing counselor, or other entities. All client intakes of borrowers will be performed by IHDA approved intake agencies or IHDA staff. Intake agencies will provide a full application package to IHDA for final approval.</p>
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<p>2. Program Goal</p>	<p>The goal of the Program is to assist homeowners who have experienced an income reduction due to unemployment or substantial underemployment with Monthly Mortgage Payment Assistance and Reinstatement Assistance that will allow them to pursue sustainable income and homeownership without the immediate threat of default or foreclosure.</p>
<p>3. Target Population / Areas</p>	<p>The Program aims to serve all areas of the State and all employment sectors as the foreclosure crisis and unemployment crisis in Illinois is diverse. Funds will only be available to households at or below the moderate income level for the State (120% of area median, as defined by HUD).</p> <p>The maximum levels of assistance will be higher in the hardest hit Illinois counties. A “hardest hit county” exceeds the state average in any of the following areas: foreclosure rate, 90-day default rate, unemployment rate, or home price reduction. The maximum assistance level per household in a “hardest hit county” is \$25,000.</p>
<p>4. Program Allocation (Excluding Administrative Expenses)</p>	<p>\$381,396,200.00</p>
<p>5. Borrower Eligibility Criteria</p>	<p>Homeowners must meet the following Program criteria:</p> <ul style="list-style-type: none"> • Present income at or below 120% of area median; • Experienced a 25% reduction in income due to unemployment or underemployment event; • Certification that the loss of income was involuntary (hardship affidavit required); • Present home mortgage payments (including escrow amounts, if any) above 31% of monthly income; • Fee simple title ownership on a property not exceeding four units; • Maximum of 3 months housing payments in available liquid assets (excluding retirement); • Reinstatement assistance will be available for borrowers whose mortgage payment (including escrow amounts if any) is above 31%; • Only a reinstatement payment is available to households with a sustainable mortgage payment (between 31% and 38% of gross monthly income); • Reinstatement Assistance and Monthly Mortgage Payment Assistance will be available for borrowers with a mortgage payment above 38% of gross monthly income

	<ul style="list-style-type: none"> For those receiving Monthly Mortgage payment Assistance, remaining funds must be sufficient to make 6 months of monthly mortgage payments following the reinstatement payment;
6. Property / Loan Eligibility Criteria	<p>Property criteria includes:</p> <ul style="list-style-type: none"> Properties must be owner-occupied; Properties can be one, two, three, and four units; Properties must be the primary and sole residence of the borrowers; Property types can include single-family homes, detached or attached houses, town homes, condos, mobile homes on permanent foundations recorded as real property; <p>Loan criteria includes:</p> <ul style="list-style-type: none"> Loan must be secured by a first position lien; Homeowners can have a maximum present mortgage amount of \$500,000; Homeowners must carry a fixed rate mortgage or an adjustable rate mortgage;
7. Program Exclusions	<ul style="list-style-type: none"> Homeowners with present mortgage payments (including escrow amounts, if any) payments less than 31% of current household income; Homeowners with interest-only or negative amortization mortgages; Assistance for subordinate mortgages; Homeowners that own and/or are a party to mortgages on multiple residential properties; Applicants unable to substantiate past and current income or failing to provide required program documentation as requested;
8. Structure of Assistance	<p>Assistance will be in the form of a non-recourse, non-amortizing, zero-percent interest, ten-year forgivable loan. The forgivable loan will be recorded as a subordinate lien and will only be repaid if net equity proceeds exist in the event of sale or refinance. Following the first five years, the forgivable loan will be forgiven on a monthly basis for the remaining five-year term. Any forgivable loan repayments will be funneled back into the program and used to provide additional assistance to eligible homeowners until the conclusion of the program on December 31, 2017. After December 31, 2017, any remaining or returned funds will be returned to Treasury.</p>
9. Per Household Assistance	<p>The maximum amount of assistance per homeowner is \$25,000 in Illinois' hardest hit counties as defined in Section 3 above. The maximum assistance level in all other counties is \$20,000.</p>

10. Duration of Assistance	<p>Homeowners can receive assistance for a maximum of 18 months. Upon expending the maximum amount per household, assistance will terminate. If borrowers regain employment and earn sufficient income to adequately afford their mortgage during the 18 months, borrowers will be transitioned from the program over a 2 to 3 month period depending on the notification requirement to the servicer. Adequately affording the mortgage means having a debt-to-income ratio below 31% of monthly household income. Failure to make the partial monthly mortgage payment or any violation of program terms will terminate the homeowner's assistance.</p>
11. Estimated Number of Participating Households	<p>IHDA anticipates that 16,000 to 27,000 households will be assisted through the HHF HELP Program.</p>
12. Program Inception / Duration	<p>It is estimated that the Pilot/Readiness Test Program will begin approximately 120 -150 days after approval by Treasury.</p> <p>The Statewide Program launch will begin approximately 90 – 120 days post-Pilot/Readiness Test Program launch.</p> <p>Funds will likely be utilized within a 6-year period due to massive statewide demand, but returns to the fund may extend availability of funds in the program.</p>
13. Program Interactions with Other HFA Programs	<p>Households served under the National Foreclosure Mitigation Counseling (NFMC) Program may also be reviewed for HHF HELP eligibility.</p>
14. Program Interactions with HAMP	<p>Clients denied for a HAMP modification may be eligible for assistance through this program. Intake agencies evaluating eligibility for clients may also review for possible HAMP eligibility. Clients eligible for forbearance under the HAMP Unemployment Program may be eligible for assistance through HHF HELP. HHF HELP may precede, follow, or run concurrently with the HAMP UP forbearance.</p>
15. Program Leverage with Other Financial Resources	<p>The Program requires no financial contribution from servicers or lenders, but they will be encouraged to waive fees as the HHF HELP Program provides direct benefit to their loan portfolio. IHDA will work to collaborate with servicers and lenders to effectively manage payments and information of the borrowers.</p>
16. Qualify as an Unemployment Program	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>