

Since our last update, much has changed in Illinois' affordable housing world due to the recently accelerated national economic downturn sparked many months ago by the foreclosure crisis. In addition to the usual budget and legislative updates, in this newsletter we attempt to provide a relatively concise explanation of some of the major issues impacting affordable housing development statewide, as well as the response of federal and state government.

### **General Assembly Restores Supportive Housing Funding But Action Needed by Governor**

Late in September, the General Assembly passed two pieces of legislation to restore about \$200 million of the \$1.4 billion in cuts made by Governor Rod Blagojevich to balance the fiscal year 2009 budget that was passed by the General Assembly in May. Funds restored included \$4 million in new funding for supportive housing services and much larger sums for substance abuse treatment, mental health treatment and the operation of state parks.

On October 7, Governor Blagojevich signed one of these pieces of legislation, Senate Bill 790, into law. SB 790 authorizes the transfer (or "sweep") of more than \$221 million from special state funds to the General Revenue Fund. However, the Governor has not taken any action on the companion appropriations bill, Senate Bill 1103, that actually restores the funding.

The supportive housing services line item will fund social services in 769 units of new supportive housing that will serve over 900 homeless men, women, and children and/or people who have mental illness or other special needs. These 769 units leverage at least 5 times the \$4 million in state funds, or over \$20 million in federal funding, and an additional \$600,000 will be returned to Illinois in federal Medicaid reimbursement funding.

The Supportive Housing Providers Association is urging people to contact Governor Blagojevich asking him to sign SB 1103 into law. For more information, contact Janet Hasz at the Supportive Housing Providers Association. Her email is [supportivehsg@aol.com](mailto:supportivehsg@aol.com).

### **Illinois Affordable Housing Trust Fund Suffering from Declining Revenues**

The Illinois Affordable Housing Trust Fund, funded by one-half of the proceeds of the state real estate transfer tax, is suffering from declining revenues caused by the soft housing market. The poor fiscal condition of the Trust Fund was compounded by the recent sweep of \$2 million from the Trust Fund (see previous article).

During the first three months of the current 2009 fiscal year, July through September, Trust Fund Revenue was \$16.4 million—11% less than in fiscal year 2008 and 28% less than in fiscal year 2007. If receipts remain stable for the rest of the year, total revenue for fiscal year 2009 would be just over \$65 million, or only about 70% of all the appropriations made from the Trust Fund for the current year based on overoptimistic anticipated revenue of \$91.6 million.

The State is prioritizing available Trust Fund resources for existing affordable housing development projects, the Homelessness Prevention Program and a community reintegration program that allows people with disabilities to move from institutions into housing that allows them a higher level of independence.

In July, the Illinois Housing Development Authority (IHDA) announced that until further notice they will not accept new single-family applications for Trust Fund resources and any new multi-family housing applications to the Trust Fund are unlikely to be funded until fiscal year 2010. Other programs funded by the Trust Fund, such as housing programs in the Department of Corrections and the Department of Aging, are also unlikely to be funded this year. In addition, \$5 million in Homelessness Prevention funding that was to come from the Trust Fund is being paid for with federal Temporary Assistance to Needy Families (TANF) funding.

Although it impossible to know for sure, the recent \$2 million sweep of the Trust Fund appears to have happened when Speaker Madigan's staff quickly put together a fund sweeps proposal and at the time the Trust Fund showed a balance in excess of \$9 million. What the fund balance did not show was that the obligated funds within 30 days of that date were in excess of the fund balance. Political pressure to pass the sweeps bill through the House within hours of its introduction prevented consideration of any changes to the bill after the true fiscal situation of the Trust Fund came to light.

Resources for the Illinois Affordable Housing Trust Fund will obviously continue to be a concern in the next fiscal year, as well. Housing Action Illinois is working with other groups to explore appropriate policy responses.

### **Other State Housing Resources Negatively Impacted by Larger Economic Trends**

Declines in Illinois Affordable Housing Trust Fund revenue are being compounded by the diminishing value of Low Income Housing Tax Credits (LIHTCs), the federal program that is Illinois' largest resource for the development of affordable rental housing. A recent article in *Affordable Housing Finance* magazine estimate that as many as 10% to 20% of the affordable housing deals receiving credits this year may not find investors, and the developers that do find buyers will likely receive less money for their LIHTCs than expected, leaving large gaps in their project budgets. (Tax Credits are less marketable for numerous factors, including declining corporate profits and the resulting reduced need to offset taxable income with the purchase of tax credits.) Many projects that had already received their LIHTC allocation and were supposedly completely funded are going back to the IHDA to seek additional money to fill those gaps.

The economic downturn is also negatively impacting IHDA's homeownership finance programs. On October 14, IHDA announced it is temporarily suspending their single-family loan program, known as the I-Loan program or the Mortgage Revenue Bond program, because they can currently not find investors in the municipal bond market to secure new funding for the program. The program offers 30-year fixed-rate mortgages with below market interest rates to qualified purchasers through private lenders

IHDA's announcement stressed that the existing single-family loan portfolio is strong and has not seen the same upswing in defaults and foreclosures as in the subprime market. IHDA also stated that all loans that have been reserved prior to the suspension will be funded as scheduled and that they intend to re-enter the financial markets as soon as it is economically feasible. IHDA's entire statement is available at <http://www.ihda.org/>.

Lack of activity in various tax-exempt bond markets in recent weeks has negatively impacted state and local governments all over the country in terms of their ability to manage day-to-day cash flow and move forward on long-term capital projects. For example, in September 2007 state and local governments issued about \$23 billion of fixed-rate municipal bonds. This September they issued \$15 billion—all but about \$2.2 billion of it in the first two weeks of the month, according to Municipal Market Advisors, a research and strategy firm.

### **\$172.5 Million In Neighborhood Stabilization Funds Awarded Statewide**

On September 26, the United States Department of Housing and Urban Development (HUD) announced the formula allocations for the Neighborhood Stabilization Program (NSP), supplemental Community Development Block Grant (CDBG) funds to acquire and redevelop foreclosed properties. The funds were appropriated as part of the Housing and Economic Recovery Act of 2008, signed into law at the end of July. The total allocation statewide is \$172.5 million. The City of Chicago and 12 other local governments received allocations, as did the State of Illinois. State funds can be used in parts of the Illinois not otherwise funded and to supplement funds allocated to local governments.

Each recipient government must submit a plan to use the funds to HUD by December 1 and will have 18 months to obligate these funds. Any funds not spent within four years will be recaptured by HUD. Draft plans must be made available on the Internet and there is a mandatory two-week public comment period prior to submission of the plans. Housing Action Illinois will post links to draft plans as they become available at <http://www.housingactionil.org>. More information on the NSP is available at <http://www.hud.gov>.

### **HOPE for Homeowners and the National Housing Trust Fund**

Two additional provisions of the Housing and Economic Recovery Act are the HOPE for Homeowners Program and the National Housing Trust Fund.

Through HOPE for Homeowners, which went into effect on October 1, borrowers having difficulty paying their mortgages are eligible to refinance into Federal Housing Administration (FHA)-insured mortgages they can afford. Available only to owner-occupants, borrowers must demonstrate their long-term ability to repay the mortgage and meet several other requirements. More information is available at <http://www.fha.gov>.

The National Low Income Housing Coalition has released an FAQ on the National Housing Trust Fund. The FAQ is partly in response to concerns that the Trust Fund will not have any revenue in the aftermath of the government takeover of Fannie Mae and Freddie Mac, which provide the Trust Fund's dedicated revenue sources. The FAQ points out that funding is based on a percentage of

Fannie's and Freddie's new business, not their profits. The FAQ and other updates are available at <http://www.nlihc.org>.

### **Community Reinvestment Act Unfairly Blamed for Economic Downturn**

As the media attempts to explain the roots of the foreclosure crisis and the economic downturn, and debate over the proper strategy to restore economic health heightens as the Presidential election nears, the Community Reinvestment Act (CRA) has come under increasing attack from those rejecting the idea that free market principles have to be balanced with the regulation of markets. Established by the federal government in 1977, CRA monitors the level of lending, investments, and services in low- and moderate-income neighborhoods traditionally underserved by lending institutions. A request by lenders to expand services or merge with another lender can be delayed or denied based on CRA performance.

Powerful arguments against current criticisms of CRA include the facts that only about 25% of subprime mortgage loans were made by institutions covered by CRA and that CRA penalizes banks for reckless, irresponsible and predatory lending. The National Community Reinvestment Coalition, <http://www.ncrc.org>, has lots of background information on CRA and Chicago's own Woodstock Institute, <http://www.woodstockinst.org>, has recently posted their response to CRA critics.

### **Attorney General Settles with Countrywide and Bank of America**

On October 6, Illinois Attorney General Lisa Madigan announced a \$8.7 billion settlement in a predatory lending lawsuit against Countrywide, the nation's largest mortgage lender and servicer. Madigan led the national settlement with California Attorney General Jerry Brown. Nine other states joined the settlement. This settlement establishes the first mandatory loan modification program in the country, and hopefully will serve as a model for other lenders and the federal government for how to help homeowners on the verge of foreclosure. Almost 11,000 borrowers in Illinois are expected to be eligible for loan modifications.

The program will only be available to Countrywide borrowers who are living in the mortgaged home and who received a subprime loan or a Pay Option Adjustable Rate Mortgage between January 1, 2004 and December 31, 2007. The borrower must be behind on their payments or likely to fall behind. The program goes into effect on December 1. More information is available at <http://www.countrywide.com>.

### **What About the Emergency Economic Stabilization Act?**

Most all of the media coverage of the Emergency Economic Stabilization Act signed into law on October 3, otherwise known as the "\$700 Billion Bailout" bill, has focused on the federal government's purchase of "troubled assets" and ownership shares in banks to restore confidence in the stock and credit markets. There have been few statements from Treasury Secretary Henry Paulson about how homeowners in danger of foreclosure, and renters displaced due to foreclosure, will be directly assisted by the legislation. This is the case despite the fact that the law does require the Treasury Secretary to implement plans to reduce foreclosures for mortgages and mortgage-

backed securities acquired by the federal government and to permit tenants who are current on their rent to remain in their homes under the terms of the lease. Hopefully, details on these initiatives will be available soon. More information is available at <http://www.ustreas.gov>.

### **2007 American Community Survey Is Reminder That Housing Crisis Isn't New**

On September 23, the United States Census Bureau released data from the 2007 American Community Survey (ACS), a survey of roughly 3 million households conducted during 2007. Estimates are available for all geographic areas with a population of at least 65,000. (In December, estimates will be released for all areas with a population of at least 20,000.) For Illinois as a whole, 46.6% of all renter households and 38.7% of owner households with a mortgage paid 30% or more of their income on housing in 2007. In 2005, these statistics were 46.1% and 37.2%, respectively. Data is available at <http://www.census.gov/acs>.

### **Second Funding Round to Administer Rental Housing Support Program Open**

The second of three initial funding rounds for organizations applying to administer the State Rental Housing Support Program are available. The deadline to apply is December 1. The application is available on IHDA's website at <http://www.ihda.org> and can be found on the Rental Housing Support Program's section of the site, under Multi-family programs. More information regarding the application, the application process and general program information is also available there. Agencies who want to cover areas not currently being served in Illinois are encouraged to apply. The Rental Housing Support Program assists extremely low-income households pay their rent through subsidies to participating landlords.

### **Safe Homes Act Amendment Signed Into Law by Governor Blagojevich**

On October 6, Governor Blagojevich signed an amendment to the Safe Homes Act, Senate Bill 2287, into law. The amendment restricts landlords from disclosing the identities of tenants who make use of the Safe Homes Act to protect themselves from domestic violence or sexual assault. Landlords who violate this provision shall be liable to the tenant for actual damages up to \$2,000 and reasonable legal fees and costs. Developed by the Sargent Shriver National Center on Poverty Law and Housing Action Illinois, more information on the Safe Homes Act is available at <http://www.povertylaw.org>.

### **Illinois Affordable Housing Month is November 2008**

Especially in light all the news summarized above, Affordable Housing Month in November is a good opportunity for organizations and individuals throughout the state to raise public awareness about the importance of affordable, accessible and fair housing and build momentum for future housing victories through public education. Housing Action Illinois wants to work with you to plan activities. Information and resources are available at <http://www.housingactionil.org>.

### **Housing Roundtable Contacts**

Adam Gross and Susannah Levine, Business and Profession People for the Public Interest, 312-641-5570.  
Bob Palmer and Mimi Chedid, Housing Action Illinois, 312-939-6074.