



PARTNERSHIP FOR HOMEOWNERSHIP

SPECIAL POINTS OF INTEREST:

- IHDA's interest rates for the Rural Guarantee Housing Initiative are 6.775% with \$1500 in closing cost assistance; 6.65% with \$1000 in closing cost assistance or 6.40% with no closing cost assistance. ( This applies to NEW reservations only.)

Illinois Housing Development Authority

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- Partnership for HomeOwnership's headquarters are now located at:

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Springfield, Illinois, 62701

MORTGAGE PLAN SEEKS TO STEM FORECLOSURES

The Office of Thrift Supervision is preparing a plan to help mortgage borrowers who owe more than their homes are worth and to discourage them from abandoning those properties, agency officials said. Under the regulatory agency's proposal, still in its early stages, these borrowers would refinance into government-insured loans that cover the current value of their homes. The refinancing would pay part of what's owed to the original lender.

For the remainder, the lender would get what the plan's backers call a "negative equity certificate." The lender could redeem the certificate if the home is eventually sold at a higher price.

The plan is a sharp change from the way troubled mortgages are handled now. It is the latest government initiative aimed at containing the mortgage market mess that surfaced last year when subprime borrowers began defaulting at an alarming rate. The administration and Congress have weighed in with their own plans in recent months, and the OTS proposal is meant to dovetail with those without taking the bor-

rower off the hook and without using taxpayer money.

The agency, which has been closely involved in talks about government responses to the mortgage problems, focused on borrowers whose home values have plummeted because a growing number of people are in that situation and unable to refinance.

The proposal was briefly mentioned at a regular quarterly news briefing. More details should emerge over coming weeks. The plan has been extensively analyzed internally and is now being discussed with policymakers and industry officials.

The plan would separate a troubled mortgage into two parts. The first would cover the current fair-market value of the home and would be refinanced by the Federal Housing Administration. The remainder would be issued to the original lender as a certificate.

If the borrower eventually sells the home, the FHA mortgage would be paid off first. Remaining cash would be applied to paying off the value of that certificate. Anything left over would go to the borrower. If

there's not enough profit to pay off the certificate, the original lender would take a loss, which makes this proposal a gamble. However, the plan anticipates that there would be a market where these certificates are traded. That means the lenders could sell them immediately to offset some of the loss or hold them with the hope that they will appreciate.

The certificates would likely trade for small amounts, maybe \$2 for every \$100 in home value, and the amounts would increase as the housing market strengthens.

But there are still many political and logistical hurdles. This plan has not been vetted by the White House, Congress or other policymakers. The FHA declined to comment on the specifics except to say it is "regularly looking at new ideas and actively exploring ways to expand the eligible pool of creditworthy borrowers FHA can serve."

For borrowers, avoiding foreclosure means they get to keep their homes and reduce damage to their credit.

Edited by an article by Dina ElBoghady, Wash. Post

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## ARE PAYDAY LOANS A SERVICE OR A DISSERVICE?

"Some bills simply must be paid. So when the rent and the car payment come due but Tasnuva Ahmed's next paycheck is a week away and the wallet is empty, she visits her local payday lenders. Zips up to the Check 'N Go, hurries inside and emerges 14 minutes later with a few hundred dollars, an advance on her next paycheck. Cost: \$15 per \$100 borrowed. Ouch. Plus the interest she owes on loans from five other payday lending shops around town. Plus the interest on the last round of loans that she has rolled over because all her interest payments prevent her from paying off the principal on her loans. Mega-ouch.

"I owe \$450 every two weeks," says Ahmed, a 27-year-old manager at a service company. "Sometimes this is your only option. I respect the fact that they're there when you need them. You have bills, and you have to pay them. But I have never recommended this to anyone. You can't catch up. I started with \$100, and now I'm in so deep, this is my second-biggest expense. It's almost close to rent."

Virginia legislators are into their second year of debate over whether to tighten the rules governing the state's 790 payday loan shops – or to close them up entirely. The District and three states have driven out the shops either by banning them or by capping their interest rate at 36 percent, as compared with the 391 percent they now charge. Maryland doesn't allow payday loans at all.

This is not as simple as it seems. Yes, the interest rates look "exorbitant". But people with poor credit cannot turn to banks -- many have jobs and own homes but run short between paychecks – and need a source of money. They find themselves at the counter at Security Finance, World Finance, Cash Store,

A-1 Cash, Advance America, Americash, Cash Advance, Fast Cash and others where they can get a two-week loan of up to \$500.

About 430,000 Virginians borrowed from a payday shop last year, and nearly three-quarters of them took out more than a loan every month. The way the industry sees it, they provide a service. The industry and its supporters in Richmond -- payday lenders contributed \$486,000 to legislators last year -- propose to save their business by limiting borrowers to two or three loans at a time and prohibiting customers from taking out a new loan until at least 24 hours after they've paid off their last one. The industry argues that it is being singled out for criticism even though its companies' profit margins are about half that of big banks.

People who need quick cash face a variety of pricey options, industry advocates say, arguing that their 391 percent interest rate compares favorably with the cost of bank overdrafts, credit card late fees or bounced-check fees.

A staff report from the Federal Reserve Bank in New York last fall looked at the impact of shutting down payday lenders in Georgia and North Carolina and concluded that bounced checks, personal bankruptcies and complaints about debt collectors jumped significantly when consumers no longer had the payday loan option.

That's compelling evidence that some people cannot find good alternatives to payday loans. It is also compelling evidence that a growing number of people cannot or do not know how to budget or manage money.

Edited from an article By Marc Fisher, Washington Post

## CREDIT CRISIS MAY MAKE COLLEGE LOANS MORE COSTLY

Many college students across the nation will begin to see higher costs for loans this spring, while others will be turned away by banks altogether as the credit crisis roiling the U.S. economy spreads into yet another sector, student lenders and Wall Street firms say.

Students seeking federally guaranteed loans, which are popular because they offer fixed, below-market rates, could be required to pay higher fees to borrow money, according to university finance directors and lenders. An even greater burden may fall on those taking out private loans, which have become increasingly common as students look for new sources to finance the soaring costs of college. These loans often have variable rates, and they are projected to jump this year.

Sallie Mae, the largest student loan provider in the country, said it is tightening credit requirements for borrowers and pulling out of offering loans to students attending some for-profit career schools and community colleges. The growing exodus of lenders has some college administrators worried. Colleges are calling lenders to see whether they'll be in business next school year.

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## CREDIT CRISIS... ..CONTINUED

Those attending institutions with high graduation rates and low default rates among their alumni may still be able to get low-cost private loans. Students at lower-ranked schools with higher defaults among graduates are likely to get hit with stiffer fees and rates.

Debt levels of college graduates more than doubled to \$19,200 over the past decade, according to the Institute for College Access and Success. Most first-year college students can borrow a maximum of \$3,500 through a federal Stafford loan, and the cap rises to \$5,500 for the third year and beyond. Maximum loan amounts are higher for students who are not dependents and for graduate students.

Some state budgets have put state higher-education funding in jeopardy. But federal education officials and financial aid officers say students who want federally subsidized loans will ultimately be able to get them. The Department of Education is working to assure schools that federal loans will be available.

Edited from an article by David Cho and Maria Glod, Washington Post

## CREDIT REPAIR IS MORE THAN A RIGHT, IT'S A RESPONSIBILITY



The majority of Americans have errors and other unverifiable information on their credit reports that could be dragging down their credit score. Odds are good that your credit score is lower than it should be. The unfortunate thing is that odds are you will be yet another one of the millions of Americans who will continue to suffer with an unfair credit score because you will do nothing to repair your credit.

Most Americans want to believe the credit reporting system works; that people earn their bad credit and there is nothing they can do about it but wait for seven years. But study after study shows the credit reporting system frequently does not work. This is why the Fair Credit Reporting Act and other consumer protection legislation give you the right to do something about it - the right to make sure your credit score is as good as it can be.

So why is it that, though everyone has the right to dispute the negative items in their credit reports, very few people do? It certainly can't be because they don't understand the importance of a high credit score. After all, it doesn't take a genius to figure out the benefits of a good credit score when it can be the difference between paying \$2,500/month and \$2,000/month for the exact same house.

More likely, the reason people do not repair their credit is a mix of apathy and lack of understanding of the credit reporting system. Too many people assume the credit reporting system is some official government bureaucracy with an extensive system of checks and balances designed to ensure the safekeeping of their credit history. This couldn't be further from the truth.

The credit bureaus at the center of the credit reporting system are not official organizations. Instead, they are massive, for-profit corporations that collect personal information from your creditors and make money by selling this information in the form of your credit reports.

So now you are asking yourself, how do they ensure this information is correct? If a creditor reports something that is wrong, how do the credit bureaus make sure it doesn't end up on your credit reports?

The answer to both of these questions is: they don't. Your creditors report information, the credit bureaus record it, and for most people, the story ends there.

Nobody at the credit bureaus or in the government is going to make sure your credit reports are accurate. The way the credit reporting system is set up, there is

only one person who will ever bother to check up on your credit reports -and that person is you. You are the missing, and ultimately the most important, piece of the credit reporting puzzle.

Making sure your credit score is where it should be is your responsibility and repairing your credit reports is a task you will have to initiate because no one out there will do it for you.

It is your right and your responsibility to dispute the questionable negative items in your credit reports and the sooner you start, the better. You can work to repair your credit on your own or you can enlist the help of a credit repair law firm or a credit counseling agency.

Whether you attempt to repair your credit on your own or with the help of a credit repair expert, by taking an active role in the credit reporting system, you can ensure your credit score is as good as it can be and that you have the advantage over the millions of people out there with bad credit who haven't taken action to do anything about it.

Edited from an article in the Franklin County Times

WE ARE ON THE WEB!  
WWW.PFHO.ORG



## PARTNERSHIP FOR HOME OWNERSHIP

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**Providing 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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