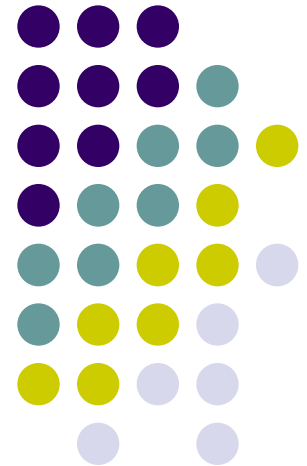
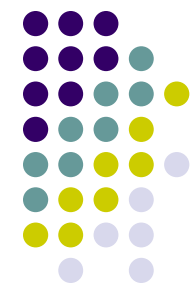


A Citizens' Guide to Foreclosures in Cook County

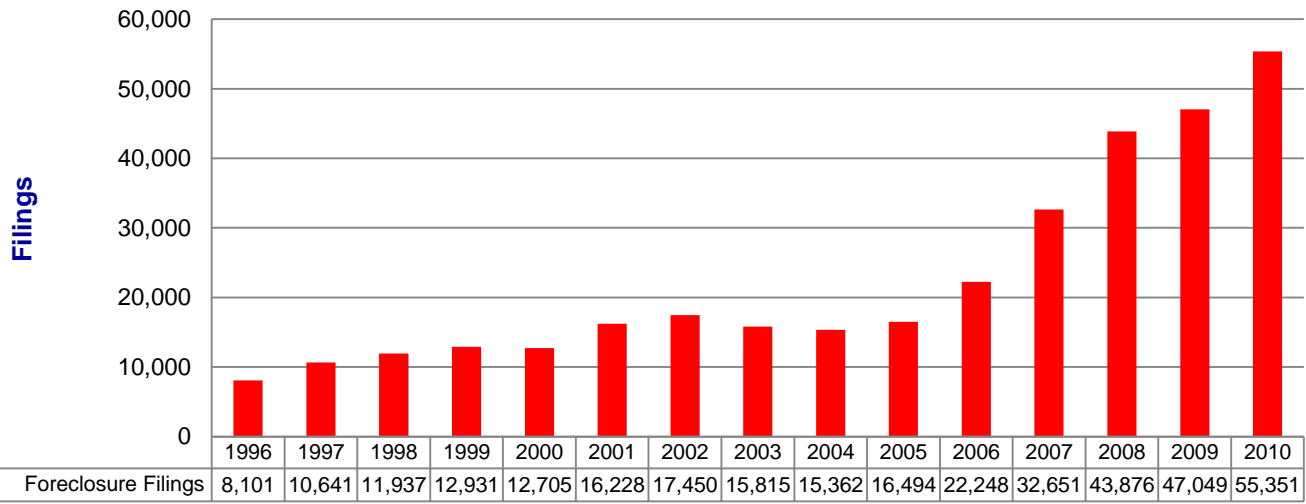
Bridget Gainer
Cook County Commissioner
Tenth District
Office: 312-603-4210
Email: Info@BridgetGainer.com



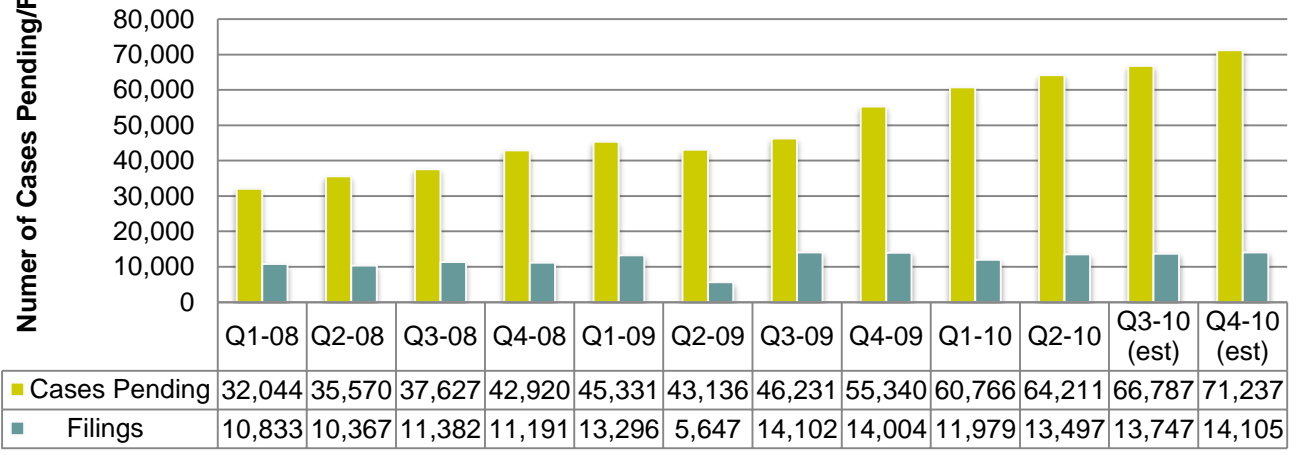


Snapshot of Foreclosure Filings in Cook County

Foreclosure Filings



Foreclosure Volume



¹ 2010 Filings Estimated

Cook County Cook Communities and Foreclosure

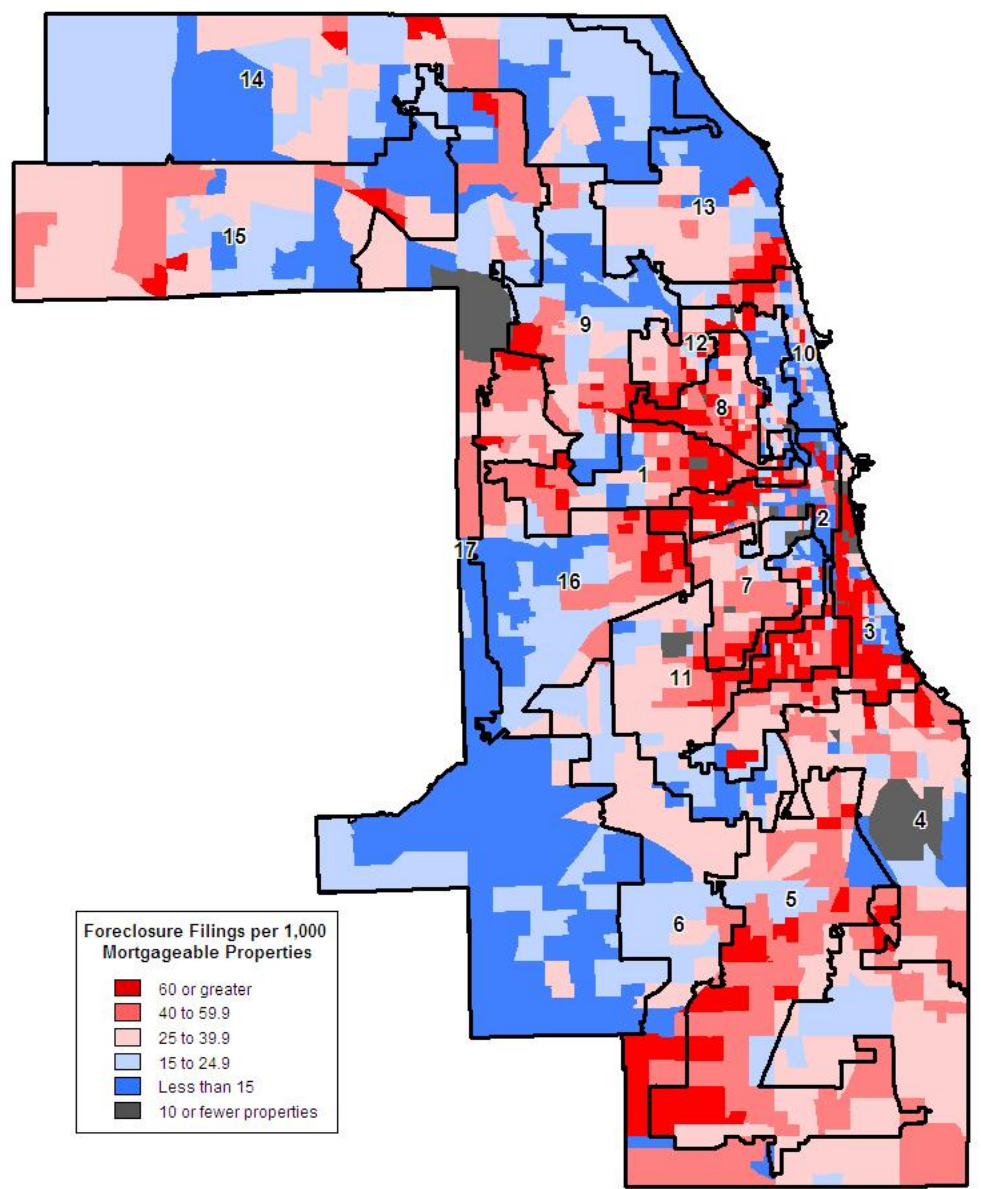


- A **third** of Chicago single-family homes are **underwater** (homeowner owes more on mortgage than home is worth) Zillow (Oct 2010)
- Geographical Trends:¹
 - Cook County increase in completed foreclosure auctions 2009/10:
 - All Cook County: 50.0% ↑
 - Northwest Cook: 93.7% ↑
 - Southwest Cook: 74.4% ↑
 - West Cook: 59.2% ↑
 - South Cook: 50.9% ↑
 - Chicago increase in completed foreclosure auctions 2009/10:
 - City of Chicago: 37.6% ↑
 - Archer Heights: 140.0% ↑
 - Belmont-Cragin: 46.5% ↑
 - Bridgeport: 171.4% ↑
 - Riverdale: 300.0% ↑
 - Edison Park: 200.0% ↑
 - Washington Park: 77.8% ↑
 - Uptown: 61.1% ↑
 - Grand Blvd: 77.8% ↑

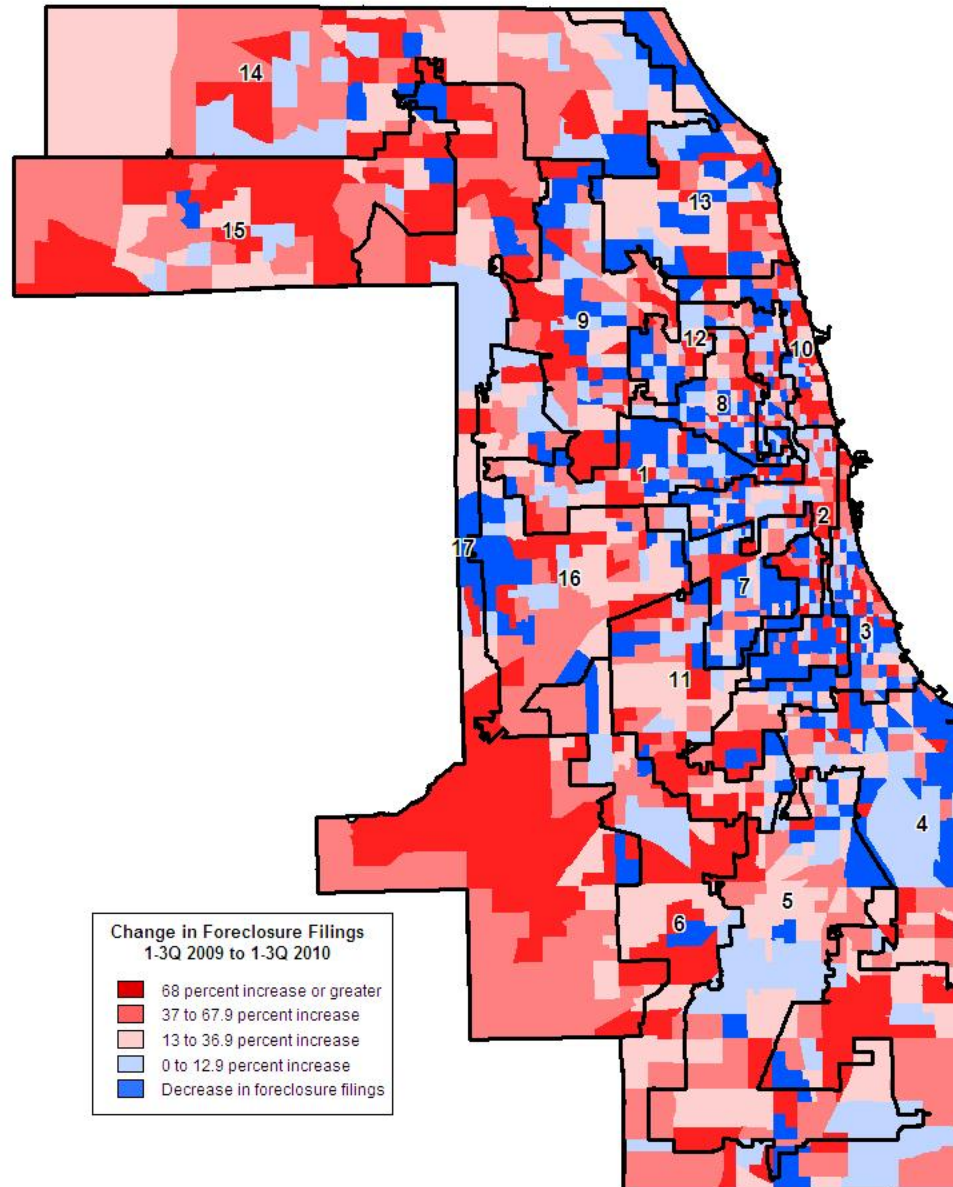
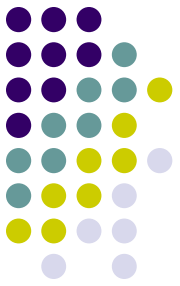
Bridget Gainer, Cook County Commissioner – Tenth District

¹ Figures are year over year increases for the first 3 quarters of 2009 and 2010 (January through October) Woodstock Institute

Foreclosure Filings Per 1000 Mortgageable Properties in Cook County by Cook County Commissioner Districts (2009)

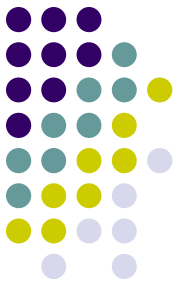


Change in Foreclosure Filings in Cook County by Cook County Commissioner Districts 2009-2010



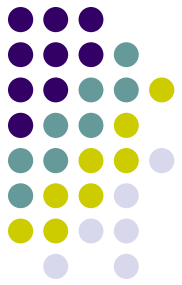
Bridget Gainer, Cook County Commissioner – Tenth District

Why Do Foreclosures Happen:



- Persistent unemployment, reduced hours, medical emergency, dwindled savings, change in family structure (divorce, death, etc), growing household debt
- Falling home values, which trap families and make it difficult to sell home to avoid foreclosure (underwater mortgage)
- Adjustable-rate mortgages that grow and become unaffordable
- Too much saved, which can make homeowner ineligible for loan modification or other mediation, even though savings not enough to cover payments
- Families try to work out modification with lender, but fail because lender hard to contact or loses paperwork repeatedly
- Other families are unfamiliar with the legal process of foreclosure, and may not know how to negotiate with lender
- Poor underwriting
- Foreclosure a more profitable option for servicers who push families out instead of offering loan modification

Profiles of Families in Foreclosure



Marilyn Smith Loses Home After One Late Payment

-- Marilyn Smith, a single mother, had paid her mortgage every month despite the skyrocketing interest rate. She fell behind on the payments once for a family emergency. She offered to pay Wells Fargo back for the month she missed, but they refused and put her home in foreclosure. Ms. Smith has been living in her home for 18 years, she has a steady job and can afford to pay a mortgage as long as it is affordable. If Wells Fargo can take a \$25 billion bailout, then they should definitely be bailing out their borrowers instead of selling them out.

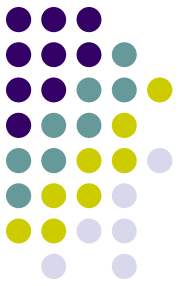
The Tellez family Won't Leave Home

-- One family in the Belmont-Cragin neighborhood faces eviction but won't leave... a trustee for HSBC recently purchased their home at auction for \$100,000; thousands less than the \$425,000 for which the Tellez family purchased it. The family, a husband and wife with two daughters, 12 and 16, bought the home at an adjustable-rate mortgage from Fremont Investment and Loan, which eventually transferred the home to Litton Loan Servicing without giving the family the required 60 days notice for such an action. Over time, the mortgage's ballooning monthly bill forced the family to move into the basement and take in renters. By the beginning of 2010, the Tellez family was paying more than \$4,700 a month for the mortgage, which led them to decide that it was time to apply for a loan modification. After numerous requests, the Tellez family believed it had reached a modification agreement with Litton Loan that would cut their mortgage in half. In reality, the home was already being pushed into the foreclosure process without their knowledge. Although the family was continuing to pay its mortgage, at the reduced price they thought they reached with Litton Loan, the modification was eventually denied.

One Family Penalized for Saving "Too Much"

-- A Chicago family did everything they were supposed to do to get a loan modification. They were turned down because the bank decided they had saved too much. As they awaited a loan modification, the family received a \$5,218 tax refund, which made them too well off to qualify, but in reality they could not afford the monthly payments; still, they sent in what they could but the bank would reject the payments. The married couple has two boys, 6 and 7. Eventually the newspaper ran the story and the family was soon thereafter given a modification.

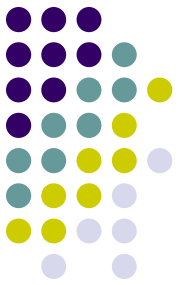
The Total Costs of a Foreclosure



- What does 1 foreclosure cost?
 - **\$80,000** *US Senate Joint Economic Committee (April 2007)*
 - Cost to each homeowner losing home is **\$10,337²**(Family Housing Fund 1995)
 - Cost to local municipalities can exceed **\$34,000** per property (Homeownership Preservation Foundation May 2005)
 - These costs include loss of tax revenue, increased policing, building inspections, legal expenses, administrative costs to manage the foreclosure and more.
 - Foreclosures reduce nearby home values by **27%** (MIT December 2010)
 - Loss in value to neighbors' home values within 1 block is **\$3,016 each** (median home price of \$167,500) Housing Policy Debate, 17 (1). 2005
 - Projected loss in tax base and home value for Illinois in 2009-2010 is **\$27.3 Billion**. (Neighborhood Funders Group May 2009)
 - 75,112 homes were in the process of pending foreclosure in Cook County as of May 31, 2011.
 - **At an estimated total cost of \$6 Billion** to Cook County and Illinois in lost revenue and increased administrative costs.

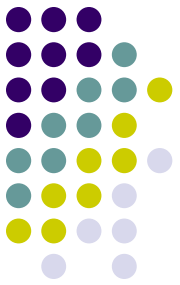
² Adjusted for inflation

Options For Families Going through Foreclosure



1. Loan modification -- reduced interest rate, extended term of loan, or both
 - 31% of families have received loan modification in Cook County Foreclosure Mediation (CCFM)
2. Forbearance -- delays foreclosure timeline, but does not stop foreclosure
3. Short-sale -- Home is sold by the bank to 3rd party usually for less than price of existing mortgage. Homeowner may be responsible for difference between sale price and the mortgage
4. Deed in Lieu -- Homeowner gives up home without going through foreclosure and usually exits process without debt
 - 8.5% lost home through short sale and deed in lieu combined, nationally, in 2009 and 2010
5. Foreclosure – Bank repossesses home and may auction off
 - 18,007 evictions in Cook County from Jan – Oct 2010; (96% of these properties owned by banks/lenders)
 - 51,900 estimated new foreclosure cases filed in 2010.
 - 71,237 estimated foreclosure cases pending as of Dec 2010.

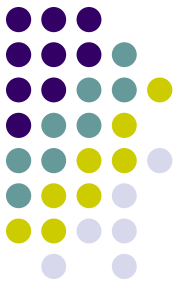
Obstacles for Families in Foreclosure



- Mortgage servicers lose documents, which delays the process, causing homeowners to lose time. Homeowner can be evicted, as a result, while awaiting modification decision
 - Under federal rules, HAMP servicers have 45 days to review modification application. However, servicers typically end up taking months
 - Moral hazard problem inherent as servicers reap large default fees from foreclosure process
- Banks have shown weak appetite for short-sale, which doesn't save home but allows homeowner to escape financially unscathed by foreclosure
- Unresponsive banks and servicers

Unsuccessful modification requests occur because

- Loan is too high
- Homeowner has no income (unemployed or reduced hours)
- Home has too much equity (fails Net Present Value test)
- Junior creditors/investors won't allow changes on the loan
- Documentation issues – Banks or Servicers failed to keep organized files on homeowner's application for modification
- Legislation was introduced in the previous Illinois General Assembly that would tighten requirements on servicers by requiring full documentation of homeowner payment history, communication, and efforts by servicer to work with homeowner to avoid foreclosure

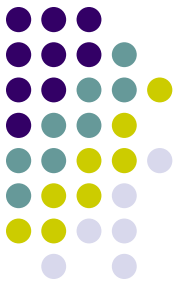
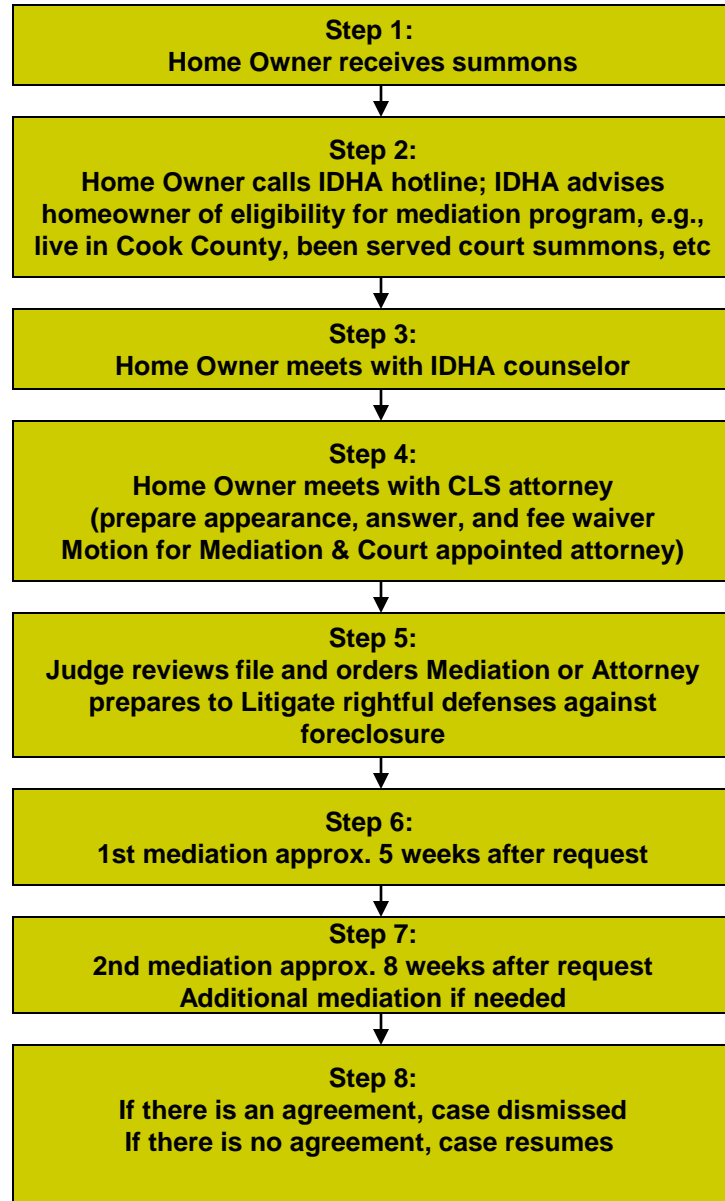


Circuit Court Foreclosure Mediation Process Flow

Foreclosure Process without Mediation



Foreclosure Process with Circuit Court Mediation



STAGE 1: Info Gathering, Assessment, and Recommendation

Step 1: Homeowner misses payment and foreclosure case filed by bank or servicer.

Step 2: Court sends summons to homeowner. 60 days must elapse before 1st court date.

(10 HUD-certified agencies reach out to these homeowners to encourage them to contact Cook County Foreclosure Mediation program)

Step 3: Homeowner calls IDHA hotline to set up 1-hour appointment with housing counselor at 69 W. Washington, 14th Floor and Room 1303 of the Daley Center.

Step 4: Homeowner meets with court-based housing counselor who performs the initial assessment of the best options for the borrower (i.e., loan modification, deed-in-lieu, short-sale, or rent). Counselor makes recommendation

Documents Needed: *Recent pay stubs, proof of alimony or child support, Social Security, and any other income, most recent mortgage statement(s), homeowner's insurance, last 2 months of bank statements, account balances and monthly payments on other outstanding debt, including property taxes, homeowner association/condo fees, credit cards, student or car loans, alimony, and utility bills.*

Obstacle: Homeowner intimidated or unwilling to come downtown. Not prepared.

Usual Outcome: Application for loan modification

STAGE 2: Legal Assessment

Step 1: Homeowner meets for 1 ½ hour with attorney at court to complete documents to be filed with the court. (69 W. Washington and 28th Floor of Daley Ctr.)

Step 2: Attorneys determine if there is a legal defense to against the foreclosure, including fraud.

Step 3: Absent legal defense, attorney assists homeowner in completing an appearance form, screen for any potential jurisdictional issues, and preparation of motion to request mediation, if applicable. Rights explained to homeowner.

Goal: Can homeowner avoid court and foreclosure altogether.

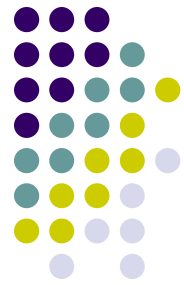
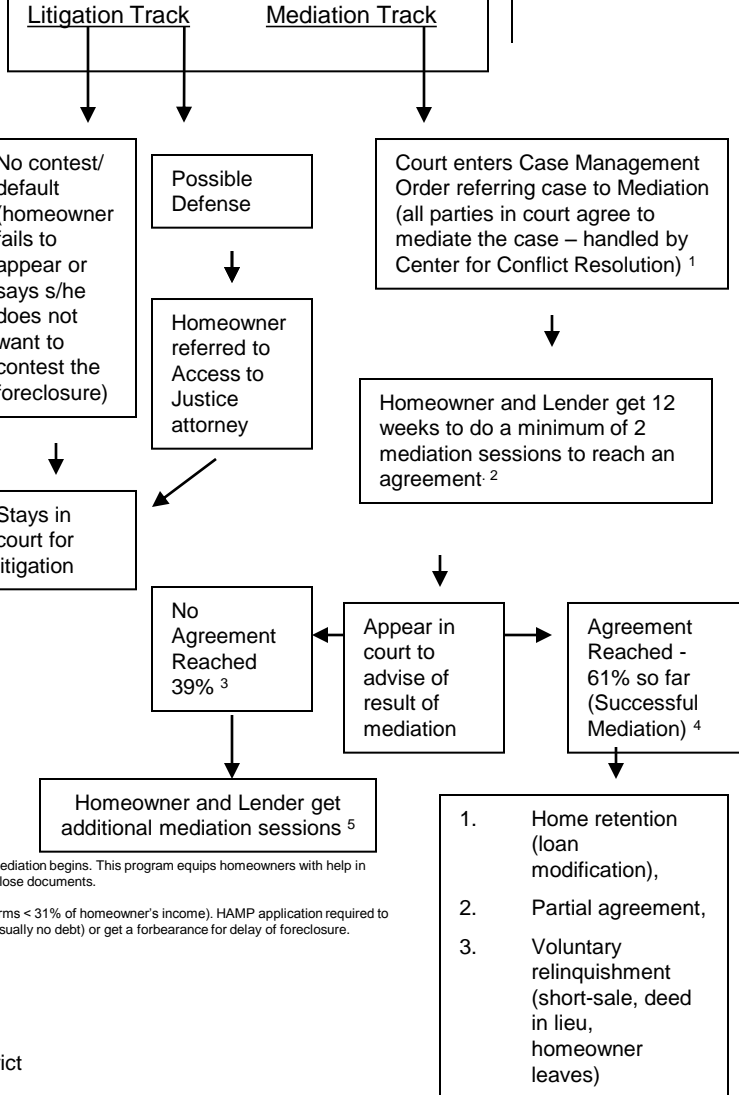
Outcome: Homeowner leaves meeting in 1 of 3 positions:

- 1) Motion for Referral for Court Appointment of Attorney to litigate any defenses
- 2) Motion for Referral to Mortgage Foreclosure Mediation
- 3) Homeowner declines help from legal aid attorneys and opts to prepare motions on his/her own

STAGE 3: MEDIATION

60 days after filing, homeowner appears in court to check in with the in-court attorney.

Homeowner goes 1 of 2 directions:



1 Roughly 50% of homeowners have a pending "Home Affordable Modification Program" (HAMP) application when entering mediation. Bank and/or servicers must respond to application before mediation begins. This program equips homeowners with help in pulling together appropriate documents. This is critical because servicers routinely deny modifications claiming homeowner did not provide proper documents when in fact servicers also regularly lose documents.

2 Homeowner is eligible for federal HAMP application for modification on terms of mortgage. A successful HAMP outcome stops foreclosure process and produces affordable mortgage monthly terms < 31% of homeowner's income). HAMP application required to be reviewed within 45 days, but routinely last months because servicers lose documentation, or otherwise do not act on applications. Other homeowners seek short-sale or agree to deed-in-lieu (usually no debt) or get a forbearance for delay of foreclosure. Attorneys working with this mediation program only steer homeowners towards permanent loan modification.

3. No Agreement Reached between Homeowner and Lender: 39% of homeowners – Go Back to Litigation

4 Mediation Outcomes (as of 12/2/2010)

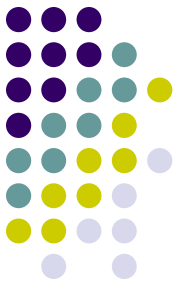
a. Home Retained (w/loan modification): 31% of homeowners

b. Agreement Reached without mediation: 19% of homeowners

c. Homeowner Voluntarily gives up home: 6% of homeowners

d. Partial Agreement reached: 5% of homeowners

5 During mediation period, bank cannot foreclosure on homeowner.

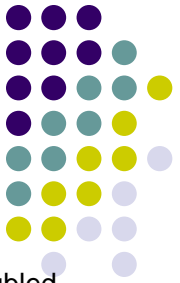


CCFM Value Add

- This mediation program gives homeowners who want to stay in their home additional months to remain in the property while trying to work out an agreement with the bank.
 - When a case is initially referred to mediation at the 60-day case management date, it is sent for a period of 12 weeks. Additional time can give homeowner a chance to list property for short-sale, find a job, or otherwise reach an agreement with the bank.
- It also increases the chance that a homeowner with a pending foreclosure will come to court
 - At court, homeowners are receiving critical information about the foreclosure proceedings, time frames, and statutory rights
 - Homeowner also getting opportunity to meet with a free attorney to see if s/he has defense to the foreclosure, and if so, being appointed a pro bono attorney to assist them through court
 - Homeowner has benefit of trained pro bono attorney help them through otherwise complicated legal process in mediation

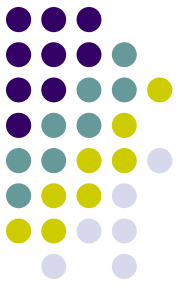
New Solutions – Land Banks

Illinois Land Banking Act: An Illinois land bank could be created to serve one purpose addressing vacant and abandoned properties when there is no private market interest.



- Land Banks Stabilize Neighborhoods
 - Land banks can hold property when there is no private market interest, ensure the property is maintained, market troubled properties, and return them to productive use.
 - Land banks collaborate with local non-profits to transform abandoned properties into affordable housing and community facilities.
 - Land banks have stabilized communities in Michigan, Ohio, Texas, Georgia and Louisiana.
 - Land bank authorization will put Illinois communities in a better position to receive Neighborhood Stabilization Program funding, a \$4 billion program to incentivize municipalities and counties to address foreclosure problems. NSP encourages the creation of land banks.
- Land Banks are Accountable and Transparent
 - Land banks are governed by boards created by and accountable to elected officials.
 - All meetings would be subject to the Open Meetings Act.
 - Land banks would be bound by the same conflict of interest and ethics requirements as state elected officials – and land banks could go farther.
 - Land banks would be required to maintain detailed records, all of which would be easily accessible to the public.
- Land banks help with Vacant And Abandoned Properties That Threaten Communities
 - In 2008, more than 115,000 properties in Illinois were subject to a foreclosure filing and in 2010 there were over 50,000 foreclosure filings in Cook County alone.
 - The vast majority of foreclosed properties are not purchased by new owners – they revert to lenders and can sit vacant for months or years.
 - Vacant and abandoned properties destabilize neighborhoods:
 - A single abandoned property decreases home values by \$6,000
 - Vacant properties weaken the tax base, and with a static tax levy in Cook County, the degrading of the tax base raises rates for commercial and residential owners
 - Crime rates are twice as high on blocks with an abandoned property and local governments have limited powers to return them to productive use and put them back on the tax roll

Supporters of Land Banks



HB 760 Sponsors

Representative Karen Yarbrough
Representative William Davis,
Representative Barbara Flynn Currie,
Representative Arthur Turner,
Representative William Cunningham,
Representative Camille Lilly,
Representative Deborah Mell

Community & Civic Groups

- Business and Professional People for the Public Interest (BPI)
- DuPage Mayors and Managers Conference
- Lake County Municipal League
- McHenry County Council of Government
- Metro West Council of Government
- Northwest Municipal Conference
- South Suburban Mayors and Managers Association
- Southwest Conference of Mayors
- West-Central Municipal Conference
- Will County Government League
- Illinois Attorney General's Office
- Chicago Metropolitan Agency for Planning
- Catholic Urban Programs (East St. Louis, IL)
- Central Illinois Organizing Project (Bloomington, Decatur, Peoria, Springfield, IL)
- Citizen Action Illinois
- DeKalb County Housing Action Coalition
- DuPage Housing Action Coalition
- Greater Southwest Development Corporation (Chicago, IL)
- Habitat for Humanity of Illinois
- Housing Action Illinois
- Illinois Assistive Technology Program (Springfield, IL)
- Illinois Association of Code Enforcement Officials
- Illinois Association of Community Action Agencies
- Jewish Council on Urban Affairs (Chicago, IL)
- Justice, Peace & Integrity of Creation Office, Wheaton Franciscans
- Lessie Bates Davis Neighborhood House (East St. Louis, IL)
- Madison County Continuum of Care
- McHenry County Continuum of Care
- Metropolis 2020 (Chicago, IL)
- Metropolitan Mayors Caucus
- Metropolitan Planning Council (Chicago, IL)
- Metropolitan Tenants Organization (Chicago, IL)
- Next Steps, NFP (Chicago, IL)
- Project Irene (Berwyn, IL)
- Protestants for the Common Good (Chicago, IL)
- Sargent Shriver National Center on Poverty Law (Chicago, IL)
- Southwest Organizing Project (Chicago, IL)
- Spanish Coalition for Housing (Chicago, IL)
- Woodstock Institute