

Illinois Launches Program to Help Working Families Buy Homes Program accepts alternative credit and ITIN numbers

Building on a commitment to help working families realize the American Dream of homeownership, the state of Illinois has launched a new mortgage program designed to help working, taxpaying individuals and families buy homes.

The program, called Opportunity I-Loan, will help individuals and families who are first-time homebuyers and do not have traditional checking accounts or have not been able to establish credit histories, qualify for low-interest mortgage loans. This program will make Illinois only the second (and the only current) state in the nation to provide affordable, 30-year fixed-rate mortgage loans for qualifying individuals and families that work and pay taxes – but have either no (traditional) credit history, no Social Security number, or have neither. The program also serves as a viable alternative to high-cost, predatory home loans.

“Buying a home is a key first step for many working families to start realizing the American Dream. But when you are paid in cash, or you can’t open a checking account or establish a credit history, applying for a mortgage loan is a lot more difficult,” said Gov. Blagojevich. “That’s why we created the Opportunity I-Loan program to help Latino families; African-American families; Asian-American families; and so many other families qualify for a loan and buy a home...it will help thousands of families across Illinois build better lives.”

The Opportunity I-Loan target market is populations that live and work in a cash economy, under the radar of credit reporting companies. These groups, traditionally from immigrant or minority communities, are wary of banks, cash their paychecks at local check cashing or grocery stores, and pay bills in cash. Most mainstream financial institutions cannot qualify them for conventional mortgages, and they are at risk for predatory loans.

Another danger is that some buyers may qualify for complex ARM (adjustable-rate mortgage) or interest-

only products (even if the loan pricing is not necessarily “predatory”) that have low payments early in the loan term, only to find later that payments for the remainder of the term are not affordable. The potential long-term effects of improvident borrowing and lending within lower-income communities (and groups) are erosion of home equity, increased foreclosures, and destabilized neighborhoods.

The new mortgage program has been implemented by the Illinois Housing Development (IHDA) as part of the state agency’s I-Loan Mortgage Program. IHDA has expanded its underwriting guidelines to accept alternative forms of credit and individual taxpayer identification numbers issued by the Internal Revenue Service.

Applicants to this program do not need a bank account, but must show that they have paid income taxes for the prior two years. IHDA will accept tax returns that were filed with Social Security numbers or individual taxpayer identification numbers. IHDA expects to help 100 families buy homes with \$15 million in Opportunity I-Loans in 2006.

Opportunity I-Loans have a below market interest rate for a 30-year fixed-rate mortgage. The interest rate varies depending on market interest rates but is always at least half of a percentage point below market interest rates. Through the program, homebuyers are eligible for \$1,000 down payment assistance for a slightly higher interest rate. Additional down payment assistance is available through community organizations, including the Spanish Coalition for Housing and the Latin United Community Housing Association, LUCHA.

According to U.S. Census Bureau’s Survey of Income Program Participation and Chicago’s Center for Financial Services Innovation, 46 percent of all African Americans are “unbanked” or don’t have bank accounts. Thirty-four percent of U.S.-born Hispanics are similarly unbanked, and a third of all immigrants, Asian, European, Latino, and other, are unbanked. “This program will break down the

barriers between conventional banks and the communities that are underserved by them," Governor Blagojevich said.

"The Opportunity I-Loan program is the same affordable 30-year fixed-rate mortgage we offer under our other mortgage programs, and it is also at least a half percent below the market rate," said Kelly King Dibble, IHDA executive director. "The change we are announcing is that IHDA will now accept payroll check stubs, rent receipts, phone bills and other documents that prove credit-worthiness rather than relying on scores from credit reporting companies."

"Homeownership is a central wealth-building tool and an essential vehicle for long-term financial security and stability," said U.S. Congressman Luis V. Gutierrez. "The Opportunity I-Loan program will help immigrant and minority families tear down barriers that prevent homeownership and provide opportunities and options for first-time buyers."

Juanita Irizarry, the executive director of Latinos United and a member of Illinois' Statewide Housing Task Force, emphasized that "Illinois has more than 440,000 immigrant households and that they will account for one quarter of new homebuyers in the Chicago area. With this program, Illinois has proactively addressed their situation, helping them become homeowners."

IHDA does not originate loans directly to consumers. To receive a home mortgage through this program, borrowers must go through an IHDA-approved partner bank.

Currently seven banks are prepared to accept applications for Opportunity I-Loans. "We will continue to train all IHDA-approved originators across the state on this program throughout the next several months as interest grows and resources permit," said Dibble.

For a list of the banks that currently originate the Opportunity I-Loan, call 877-ILOAN56 (877-456-2656).

About the Illinois Housing Development Authority

IHDA (www.ihda.org) is a self-supporting state agency that finances the creation and the preservation of affordable housing across Illinois. Since its creation by an act of the Illinois legislature in 1967, IHDA has allocated more than \$6.4 billion and financed more than 160,000 units of affordable housing across the state. IHDA accomplishes its mission by selling bonds in the private bond markets. IHDA also administers a number of federal and state funding sources, including the Illinois Affordable Housing Trust Fund, the Illinois Affordable Housing Tax Credits Fund, the allocation of federal Low-Income Housing Tax Credits, HOME Investment Partnership funds, and others to finance affordable housing throughout Illinois.

Portions of this In Brief were excerpted from a press release issued by the Office of the Governor of Illinois on December 11, 2005. For a complete copy of the press release visit, www.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=3&RecNum=4531.