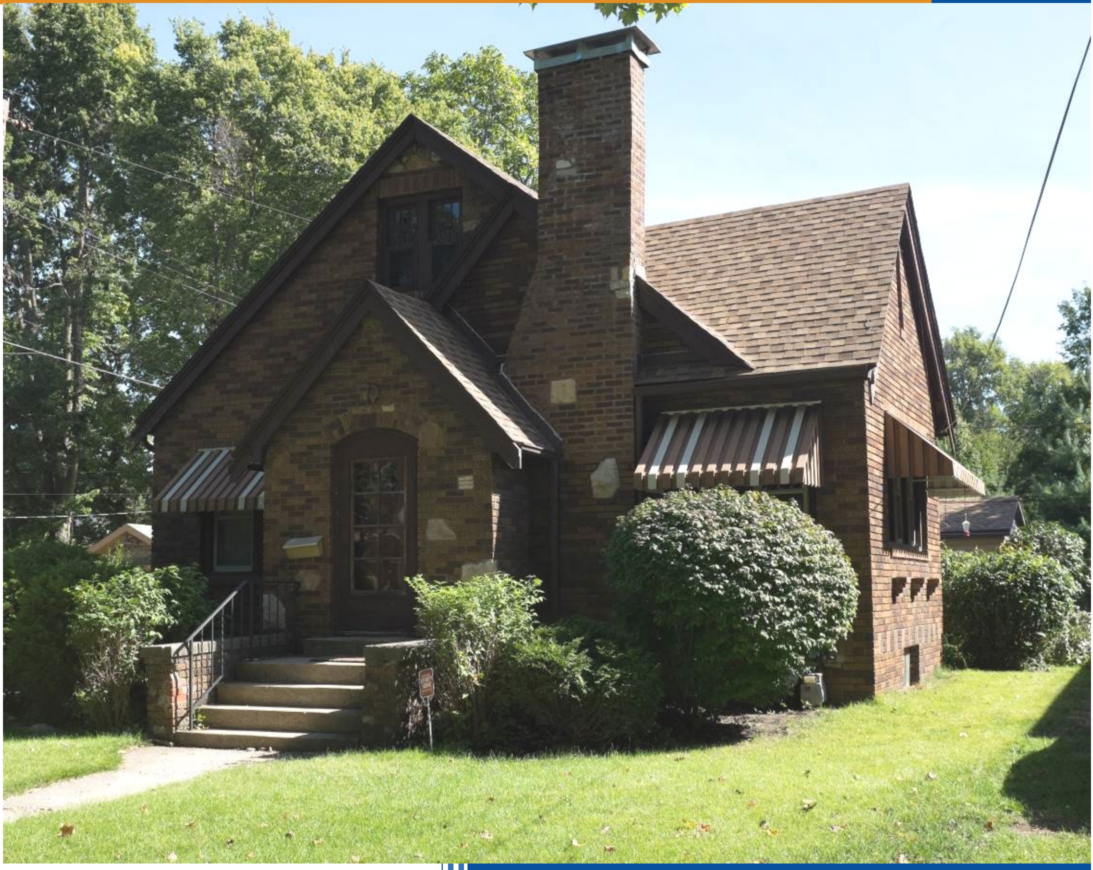
2021

Hardest Hit Fund Final Report



ILLINOIS HOUSING DEVELOPMENT AUTHORITY

FINANCING THE CREATION AND PRESERVATION OF AFFORDABLE HOUSING IN ILLINOIS

Section I - Introduction

In February 2010, President Obama and the United States Department of the Treasury ("Treasury") first announced the Hardest Hit Housing Markets (the "HHF Program" or "HHF") in connection with Treasury's federal housing program entitled the Housing Finance Agency Innovation Fund. This was established pursuant to the Emergency Economic Stabilization Act of 2008 ("EESA"). The purpose of HHF was to allow states hardest hit by the housing crisis to develop innovative ways to assist in foreclosure prevention and stabilization of housing markets.

In December 2010, Illinois Housing Development Authority ("IHDA" or "the Authority") was approved to receive $445,603,557. At the time, Illinois like much of the country, suffered from high unemployment and many foreclosures caused by the great recession in 2008. Illinois' unemployment rate was 10.4% and the loss of income was forcing many homeowners into mortgage loan delinquency and foreclosure. Along with unemployment, Illinois' rates of foreclosure (4.05%), serious delinquency (9.1%) and negative equity (24.59%) were among the worst in the nation (CoreLogic).

Recovery was slow, as Illinois was in the top ten states with highest foreclosure rates for nearly a decade. In 2016, the Authority was awarded an additional $269,474,060 to expand and continue Illinois' HHF programs. In 2018, IHDA received an additional $537,478 increasing the total allocation to $715,615,095.

Over the course of the HHF program, the Authority created seven unique programs to assist borrowers. Each program was designed to meet a specific, identifiable need in Illinois at the time – all with the underlying goal of preventing foreclosure and stabilizing communities. This report focuses on the outcomes of these programs:

- Homeowner Emergency Loan Program ("HELP" or "HHF HELP") provided monthly mortgage payments and reinstatement.
- Reverse Mortgage Program ("RMA") assisted homeowners who had an FHA Home Equity Conversion Mortgage with delinquent taxes.
- Mortgage Resolution Fund Program ("MRF") purchased delinquent first mortgages, offered homeowners assistance with debt reduction and a trial modification with a restructured loan, and as able, permanently modified the mortgage.
- Home Preservation Program ("HPP") facilitated long-term mortgage sustainability by leveraging funds with servicer-specific loan reinstatement, modification, and/or recast.
- I-Refi program assisted underwater borrowers by refinancing into an IHDA 30-year, fixed rate mortgage.
- Down Payment Assistance Program ("HHF DPA" or "DPA") helped to stabilize home prices in eligible counties by providing forgivable down payment and closing cost assistance to eligible first-time homebuyers.
- Blight Reduction Program ("BRP") focused on stabilizing the communities by strategically targeting areas troubled by abandoned and vacant blighted properties in need of demolition and greening.

The programs were all effective in assisting the communities and the individuals with their unique needs. Each is described in greater detail in this report. Through these seven programs, IHDA spent $681,792,174 in program funding, including over $44 million in recycled repayments, to assist 41,438 Illinoisans.

Households Assisted and Funds Expended by Program

Programs	Households	Expended
HELP	21,717	$ 458,905,971
HPP	528	$ 20,340,356
I-Refi	528	$ 19,629,468
BRP	402	$ 9,943,884
DPA	18,772	$ 140,790,000
MRF	107	$ 32,182,494

Section II – Summary of Programs

Homeowner Emergency Loan Program ("HELP" or "HHF HELP")

A. Program Implementation and Evolution

In 2011, IHDA launched the Homeowner Emergency Loan Program ("HHF HELP"), which was designed to assist homeowners who experienced a substantial reduction in income by providing mortgage assistance that allowed them to pursue sustainable homeownership without the immediate threat of default or foreclosure. The program relaunched in 2016 after IHDA received an additional allocation of HHF funds. In total, IHDA provided $458,905,971 in mortgage assistance on behalf of 21,717 households.

The Round 1 program application opened on July 25, 2011. Homeowners applied for assistance through an online portal. IHDA partnered with housing agencies across the state, known as Sponsors, to assist homeowners with the application process. Sponsors were assigned files, helped collect applicant documents and performed eligibility screenings and loan closings. If they deemed a file eligible, the application was exported to IHDA for further review, and to obtain approval from the servicer before funding.

Homeowners were eligible for Reinstatement Payment Assistance and/or Monthly Mortgage Payment Assistance ("MMPA") based on household debt-to-income parameters and other eligibility criteria, including a supported hardship and loss of income of at least 25%. Reinstatement Payment Assistance paid the first mortgage loan arrearages, including all escrowed expenses, to bring the loan "current." MMPA paid escrowed monthly mortgage payments for up to 18 months for applicants with a debt to income ratio of 31% or higher.

Homeowners contributed 31% of their current gross monthly income to each monthly payment. The homeowner's payment was remitted to IHDA, who made the full mortgage payment to the appropriate servicer on behalf of the homeowner. Homeowners located within Illinois' counties of higher economic distress were initially eligible for a maximum benefit of $25,000. Homeowners living in the remainder of the state were eligible for a maximum benefit of $20,000. Applicants could receive up to $20,000/$25,000 in combined reinstatement assistance and MMPA or 18 months of MMPA assistance, whichever came first.

In April 2013, IHDA increased the maximum assistance to $35,000 for all applicants throughout the state. The change was necessary to pay the higher than anticipated costs to reinstate past due loans. Many of the loans were past due for a significant period of time and had incurred large corporate advances, including attorneys' fees and court costs. Without increasing the maximum, IHDA would be unable to fully reinstate seriously delinquent loans and would thus have to issue denials to this population.

IHDA made several other critical changes to the program to align the criteria with the targeted hardest hit population in Round 1:

- In May 2012, IHDA no longer counted unemployment income when calculating borrower's 31% contribution
- In August 2012, lowered the minimum reduction in income requirement from 25% to

20%

- In August 2013, increased the liquid assets cap from half of the county allocation to $17,500

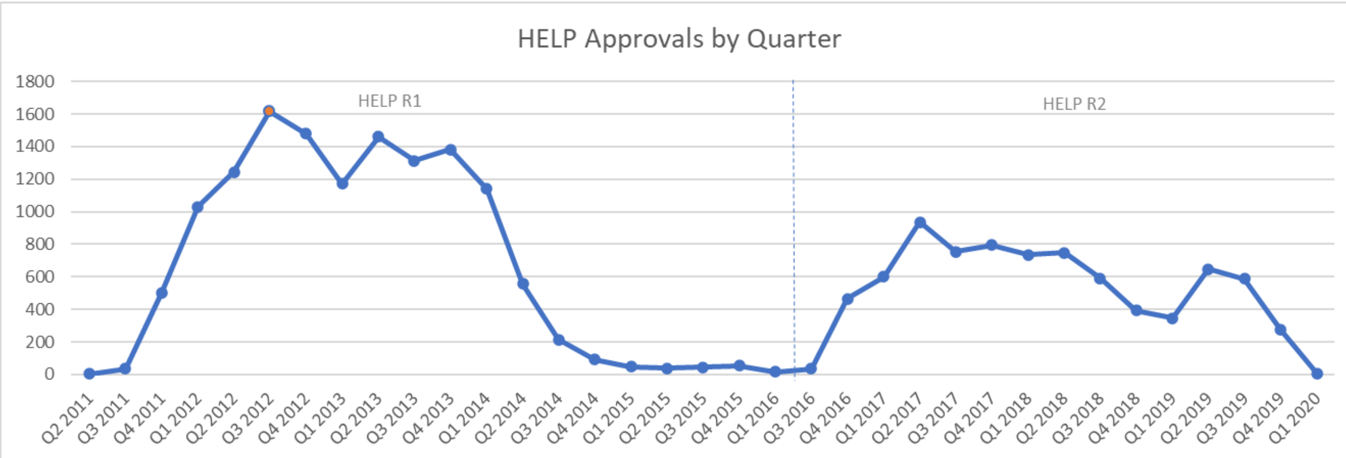
Round 2 of the program launched in August 2016 with a similar goal of assisting homeowners who experienced an income reduction due to a qualified hardship with reinstatement assistance and MMPA up to $35,000. IHDA made several additional changes to the program to capitalize on best practices learned from other states and in response to feedback provided by key stakeholders, including its housing agency partners. A significant change was reducing the forgivable loan period from ten years to five years. The change benefitted the homeowner by reducing the length of their debt burden by five years, but also relieved IHDA of its administrative burden of servicing the loans for an additional five years.

Another significant change was eliminating the 31% borrower contribution. Since many of the households were experiencing long-term underemployment, IHDA learned from Round 1 that they simply could not support paying 31% of their household income towards their mortgage payment. The result was that several households defaulted on their contribution payments and lost their HELP assistance. Round 2 MMPA paid 100% of homeowner's monthly mortgage payment for up to 12 months and did not require a partial borrower contribution. The loss of collecting the borrower contribution was offset by reducing the monthly assistance from 18 to 12 months.

The last major changes for Round 2 were expanding the eligible hardship reasons and reducing the loss of income requirement from 20% to 15%. In addition to unemployment and underemployment hardships, which carried over from Round 1, borrowers could also qualify for assistance if they could provide support for a medical condition, death of spouse or title holder and divorce or legal separation. Again, this change expanded the pool of eligible applicants and was in response to best practices in other states and surveying key stakeholders. IHDA lowered the required loss of income threshold after analyzing the income levels of its applicants and determining that even a 15% loss of income has substantial negative impacts on the household and their ability to pay their mortgages.

B. Program Results

Round 1 assisted 13,442 families totaling $286,400,265 in assistance, which equates to just over $21,000 in average assistance per household. A majority of recipients entered the program at least 90 days behind on their mortgage and a DTI 31% or greater resulting in most households receiving a combination of reinstatement assistance and MMPA. Round 2 assisted 8,275 families totaling $172,505,706 in assistance. Similarly, most of the recipients entered the program 90 days behind on their mortgage and the average assistance was just under $21,000. 86% of the recipients earned a salary of $50,000 or less and 65% of recipients experienced either an unemployment or underemployment hardship. It's significant that IHDA expanded the hardship reasons in Round 2 as 35% of households experienced a hardship related to a medical condition, divorce, or death of a household member, which were not qualifying hardships under Round 1.



C. Lessons Learned

IHDA worked to enhance the program and alleviate many pain points, such as eliminating the borrower contribution payment, standardizing maximum assistance at $35,000, expanding certain eligibility criteria and reducing the lien term to five years. There were other program rules or standards that were universal across states and could not be changed. Some of these presented administrative issues for IHDA and should be reconsidered in future awards of mortgage assistance. For example, contracting with servicers and obtaining timely reinstatement quotes from them in order to make reinstatement payments was a significant challenge. The common data file protocol, which was used by states to share data with servicers, worked well with large servicers for a time, but it become an impediment when working with smaller volume servicers that did not have capacity to learn and follow the process. Additionally, after years or adding mandatory and conditional data points, it became too complex and burdensome.

Another key challenge of the program was the need to support several eligibility requirements with formal documentation. Evidencing a hardship became a unique challenge as many households experienced one or more qualifying hardships over the years and there was no set of standardized documents that could be used as support. Ultimately, reviewers had a difficult time interpreting whether the hardship support was satisfactory. Additionally, supporting the reduction in income requirement resulted in the need to obtain and review pre-hardship and post hardship current income. Many times, homeowners had difficulty providing all of the requisite support.

Additionally, the lien requirement added significant time, cost, and complexity to the application review process. Since the program required that assistance be in the form of a loan secured by the property, IHDA was required to pull a tract search, use hand signed loan documents, and record the loan documents on the property title. If the assistance was in the form of a grant, IHDA could have utilized electronic signatures and avoided the need for a tract search and to record the loan documents.

Reverse Mortgage Program

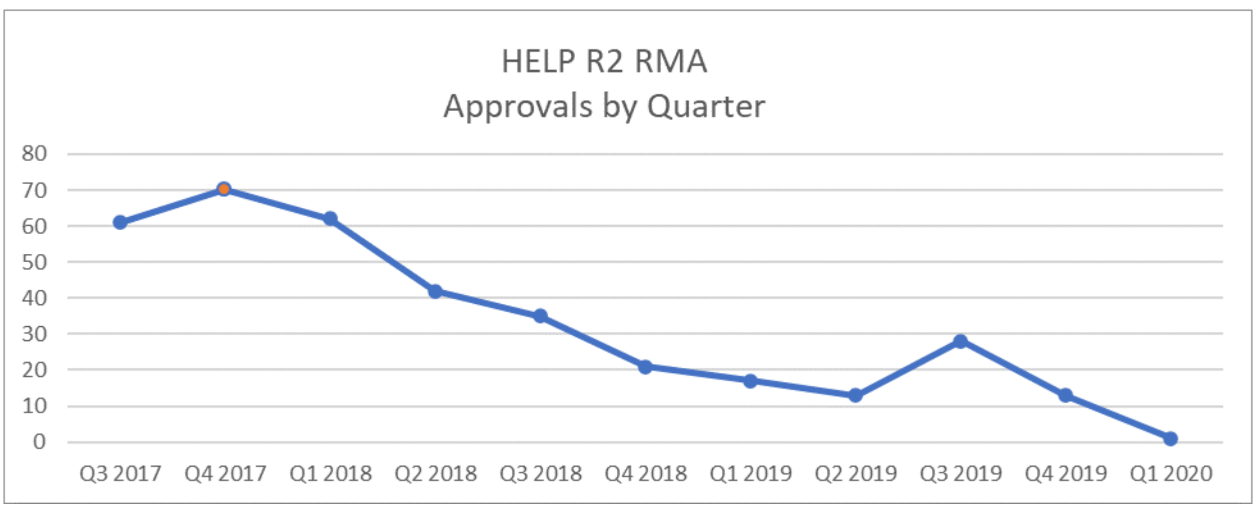
A. Program Implementation and Evolution

Reverse Mortgage Assistance ("RMA") was an expansion of the HHF HELP program. RMA was launched on 2017 and was designed for homeowners with a Federal Housing Administration ("FHA") Home Equity Conversion Mortgage ("HECM") who were delinquent on their property taxes. Applicants had to have experience either an eligible HELP hardship or an RMA specific hardship, such as the reverse mortgage monthly payments or line of credit have ended or a substantial increase in medical expenses. RMA provided up to $35,000 as a 5-year forgivable loan. Funds were used to pay delinquencies on escrowed housing expenses including taxes, insurance, and HOA dues. Funds remaining after reinstatement were set aside with the mortgage servicer to cover of up to two years of escrowed housing expenses.

As with HHF HELP, applicants applied through an online portal and worked with Sponsor agencies to complete their application package. Only a limited number of Sponsor agencies participated in RMA as they were required to have at least one counselor with a HUD HECM certification.

B. Program Results

HELP RMA assisted 363 borrowers totaling $7,956,669 in assistance. Sponsor agencies also conducted reach out to RMA borrowers every six months during the 2-year set aside period. By conducting this outreach, counselors could assess the homeowner's current financial situation, verify housing costs were still in good standing, and discuss long-term plans for affordable housing.



C. Lessons Learned

From the onset of the program, Sponsors were required to have a more hands on approach in working with RMA applicants in order to help alleviate challenges such as mobility and technology limitations. Dedicated and persistent housing counselors were key to the success of this program.

A major challenge was the post-funding transfer of HECM loans from a RMA participating servicer to a non-participating servicer. If new servicers did not correctly apply the set-aside, borrowers could find themselves delinquent again. One non-participating servicer in particular was difficult to get a hold of a work with; because they did not participate in HHF, IHDA was limited in its ability to directly advocate for the RMA borrowers. Again, the HECM housing counselors were key in resolving these situations by reaching out to the new and former servicers and ensuring that funds were properly applied.

Mortgage Resolution Fund Program ("MRF")

A. Program Implementation and Evolution

The Mortgage Resolution Fund ("MRF") Program was approved and made part of the HFA Participation Agreement between IHDA and the United States Department of Treasury on August 3, 2011. On November 22, 2011, IHDA entered into an Agreement with MRF One Illinois, LLC, a partnership between four non-profit entities which administered the MRF Program. The program was designed to keep families in their homes or provide them with support for an orderly property disposition and transition to new housing, to help stabilize neighborhoods and housing markets. It was available to low-to-moderate income households in the six County Chicago-Metro areas, which includes Cook, DuPage, Kane, Kendall, Lake, and Will Counties.

At the onset of the Program, the MRF partnership was to use up to $100M to acquire delinquent mortgages. However, IHDA reduced dollars committed to the program from $100M to $38.5M, including costs for acquisition, management fees and carrying costs, in August 2013. At that time, the market for loan pools was dwindling and the available loans did not have sufficient collateral documents and did not meet the buy box criteria of the Program.

The Program aimed to keep families in their homes and stabilize neighborhoods by permanently modifying the delinquent mortgages of qualifying households to an affordable level, and provide households not eligible for modification with support through property disposition (short sale and deed in lieu transactions) and transition to new housing. The MRF Program was holistic in its approach with the goal of bringing each qualifying household's mortgage debt into alignment with current home values while also requiring the household to bring all forms of debt in line with traditional and sustainable debt-to-income ratios. Homeowner's worked with designated resolution specialists to try to reach a positive outcome whether it was a modification, short sale, or deed in lieu.

All program assets, whether loans, income, or proceeds from the sale of properties, were to be returned to HHF at the end of the Program.

B. Program Results

MRF used the funds to purchase eleven loan pools from March 2012 through October 2013 totaling 441 distressed loans. MRF attempted to modify the loans from 2012 through 2016. MRF modified or converted 145 loans into performing loans, 46 were sold as short sale properties and 23 were deed in lieu outcomes. The MRF Program resolution specialists made several attempts to convert the loans into performing or modified loans, but ultimately 227 completed the foreclosure process.

MRF Outcomes

Outcome	Loans
Modification/Performing	145
Short Sale	46
Deed in Lieu	23
Foreclosure	227
Total	441

The modified (performing) loans were sold in bulk to the highest bidders in a series of transactions from August 2015 through December 2016. The real estate owned properties were marketed, sold, or transferred to non-profit entities. By the end of 2018, MRF had returned all Program assets and repaid and settled its loan with IHDA.

C. Lessons Learned

The Program launched as the market for distressed loan pools in the Chicago area was drying up. Many of the available loans at that time lacked sufficient collateral documentation and were not fitting the MRF buy box criteria, as established in the program guide, including owner occupied properties. As a result, on August 9, 2013, IHDA reduced dollars committed to the program to $38.5M, which was the amount disbursed to MRF at the time. Additionally, IHDA did not allow MRF to recycle program dollars to fund additional purchases, as planned.

The amount of time spent converting loans into modifications or other outcomes resulted in higher than anticipating carrying costs. Since the Program was designed with the best interests of the homeowners in mind, several attempts were made by the resolution specialists to contact homeowners and try to enroll them in individual performance plans, including trial modifications. Additionally, homeowners were given several opportunities to complete short sale, deed in lieu and modification outcomes over the course of several months in order to avoid foreclosure. The time dedicated to contact homeowners and for homeowners to complete the performance plans resulted in higher than forecasted costs, including property maintenance, real estate taxes, attorney fees and foreclosure fees.

Finally, a key factor to have a successful modification program, the homeowners must have sufficient income to support the proposed modified mortgage and property expenses along with any other fixed costs. However, from 2011 through 2016, when the Program was operating, the national unemployment and underemployment rates were high, and Illinois' rates were even higher. MRF found that the homeowners were still experiencing income loss and/or did not have sufficient income to support even a reduced monthly mortgage payment. Thus, the modification option was not a tenable cure for many of the homeowners.

Home Preservation Program ("HPP")

A. Program Implementation and Evolution

The Home Preservation Program (HPP) was launched in 2012 and assisted homeowners by providing a reinstatement payment that enabled the homeowner to refinance, recast, or modify their loans and make their mortgage payments affordable.

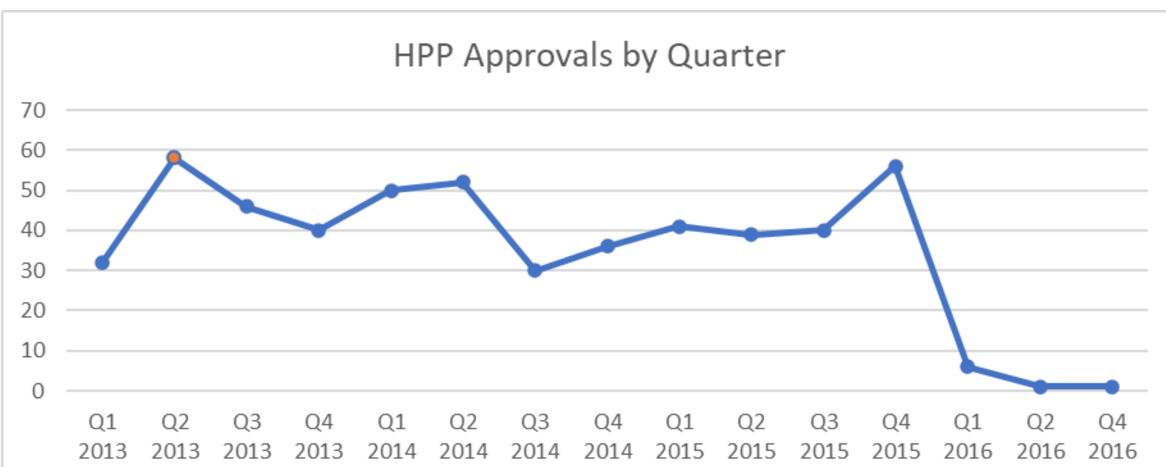
HPP provided up to $50,000 in assistance, which was recorded as a 5-year forgivable loan on the property. Homeowners were eligible for assistance regardless of the loan type. Borrowers exited the program with an HHF forgivable loan and a fully amortizing fixed mortgage loan. Eligible uses of funds included principal reduction, payment of a second lien, and/or reinstatement to bring the monthly home payment to an affordable level.

When the program first launched, the participating servicers selected and screened the applicants. This limited the number of servicers that agreed to participate in the program. Servicers submitted their borrower's application and a workout proposal to HPP underwriters. The underwriters worked with the servicer to determine the best outcome for the borrower.

In 2015, to reach out to a larger pool of applicants, servicers were given the option to refer their delinquent and underwater borrowers to the program for the recast only option. Borrowers would apply directly with IHDA and be processed by HHF staff. In addition, if borrowers did not qualify, IHDA screened borrowers for HHF HELP eligibility. These changes increased the number of participating servicers and approved households.

B. Program Results

528 borrowers were funded through HPP totaling $20,323,495.84. Most of these borrowers were not eligible for the HELP program or any other solution offered by their mortgage servicer but had still suffered an economic hardship and/or were deeply underwater. The HPP funds were used to remediate or reduce their negative equity and obtain an affordable monthly mortgage payment through tailored solutions.



The long term effects of HPP are demonstrated by the top two participating servicers that, in early 2021, and even amid the Covid-19 emergency, reported 74.5% of loans remained in good standing, 17.5% were paid in full, and only 8% had gone through either foreclosure, deed-in-lieu, or short sale.

C. Lessons Learned

A major obstacle of the HPP program was the low participation and engagement from mortgage servicers. Most servicers were unable to dedicate the time to learn and execute the program properly and, as a result, they were not always successful selecting eligible borrowers.

I-Refi

A. Program Implementation and Evolution

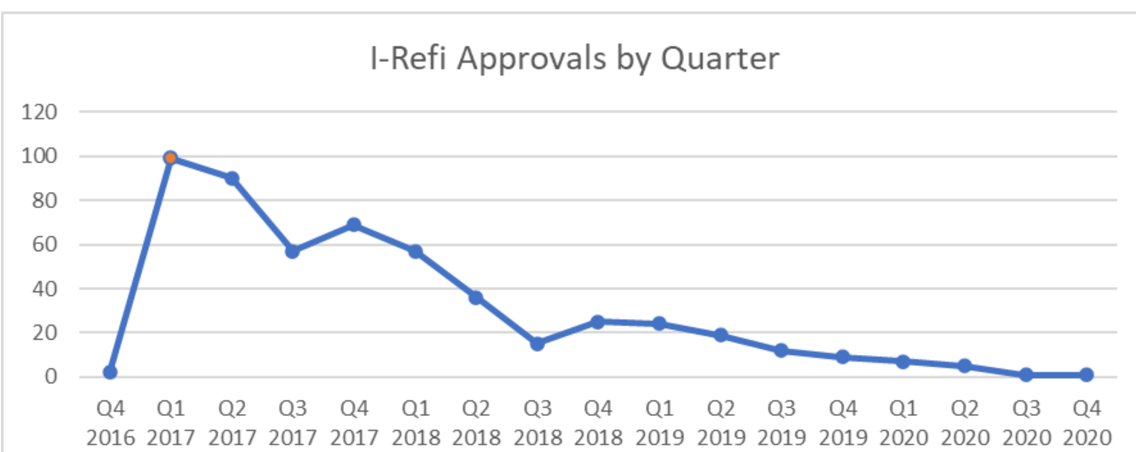
This program opened in the summer of 2016. Borrowers had to qualify for and otherwise meet all requirements for a first mortgage loan product originated by an IHDA Loan Program participating lender. The mortgage had to be underwater but current or in good standing. Pre-assistance combined LTV had to be greater than 110% and post-assistance LTV had to be 90% or greater.

The borrower's existing loan(s) was refinanced into an IHDA fixed rate, 30-year mortgage. The assistance was a one-time up-front installment evidenced by a promissory note with a three-year term. The assistance is forgiven on a monthly pro-rata basis over the three-year term. Assistance is contingent upon eligibility for an IHDA-approved first mortgage.

In all cases, eligible borrowers could receive up to $50,000.00, not including leveraged servicer dollars. If an applicant received HELP, their maximum total assistance amount from HELP and I-Refi could not exceed $85,000.00.

B. Program Results

A total of 528 borrowers were assisted through the I-Refi program. Assistance was provided to borrowers across 18 counties in Illinois. The average assistance amount per borrower was $37,177 and the average LTV went from 130% prior to assistance to 94% post-assistance.



C. Lessons Learned

The I-Refi program created a permanent solution for underwater households across the state without creating additional debt for moderate-to-low income borrowers.

The program was limited by several factors including a small pool of participating lenders who had to be able to front fund for the program, a required appraisal that was an out of pocket cost for borrowers, and a narrow target market based on the LTV and income requirements. The inherent complexity of the program limited the servicers that were able to participate which in turn limited the marketing reach. A unique hurdle for this program was that homeowners considered the assistance "too good to be true" and questioned the legitimacy of the program.

Down Payment Assistance Program ("HHF DPA" or "DPA")

A. Program Implementation and Evolution

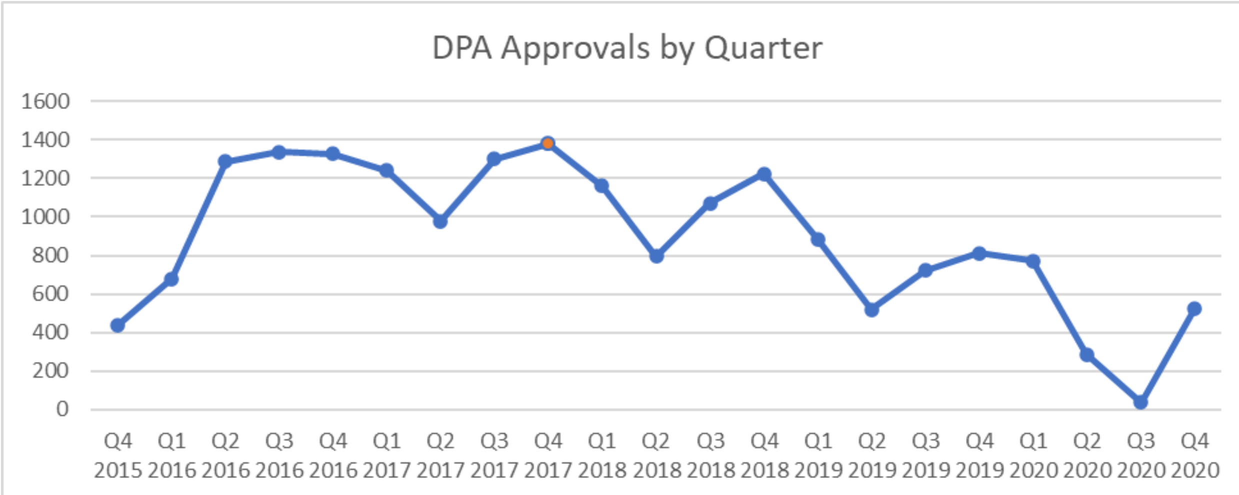
The Illinois Housing Development Authority's (IHDA) Down Payment Assistance (DPA) Program was created in 2015 to provide an incentive to qualified homebuyers to purchase a primary residence in targeted areas in Illinois. Assistance was provided in the form of a $7,500 forgivable loan per homebuyer. The goal of the DPA Program was to strengthen demand in the targeted areas, stabilize housing prices and prevent future foreclosures. IHDA evaluated five housing market distress indicators across all Illinois counties: Negative Equity Share, 90 – Day Delinquency Rates, Foreclosure Rates, REO Rates, and Short Sale Rates. In order to qualify for the program, the counties needed to exceed the statewide average in at least 4 out of 5 of the distress indicators as well as have a IHDA market penetration rate of 3%. The following counties originally constituted the DPA target: Boone, Cook, DeKalb, Fulton, Kane, Marion, McHenry, St. Clair, Will, and Winnebago.

B. Program Results

18,772 DPA loans were approved throughout the program, totaling $140,790,000 in assistance. The DPA Program generated $2,438,394,656 in 1st loans for first-time homebuyers.

Based on a 2018 DPA Impact Assessment using updated distressed indicators, the following counties were removed from the program: DeKalb, Fulton, Kane, McHenry, and Will. These counties distress indicators were below the state average in at least two of the five categories. The remaining counties of Cook, Marion, St. Clair, and Winnebago were active through the end of the program in December 2020. See Appendix A: DPA Impact Assessment for the most up to date distress indicator data.

Reservations were closed briefly February to June 2020, until adequate lien recoveries were accumlated and reservations could resume.



C. Lessons Learned

The DPA program was an efficient way to utilize program funds recycled through lien recoveries due the smaller per loan amount, time limits on reservations, and the flexibility of the reservation portal. By utilizing a streamlined process used in single family originations, the process could start and stop easily. With a limited forgiveness period and a flat dollar amount, this program was able to reach a large number of the intended low-to-moderate borrowers. Of the $140,790,000 expended through DPA, $44,252,522 of those funds were recoveries.

Intermittent Impact Assessments run on the DPA program were intended to indicate whether the distressed counties indicated market recovery based on the five distress indicators used to establish the program. Counties that showed recovery in any given Impact Assessment were required to be removed from the program without the possibility of being added back if, in a subsequent report, they scored as distressed. Counties should be assessed over time – at least one year – before being considered for removal.

Blight Reduction Program ("BRP")

A. Program Implementation and Evolution

The Hardest Hit Fund Blight Reduction Program ("BRP") launched in the Summer of 2015, with intention of decreasing preventable foreclosures and stabilizing neighborhoods by strategically targeting those residential areas with vacant and abandoned blighted residential properties in need of demolition and greening. Such vacant, abandoned, and blighted residential properties were returned to use through a process overseen by approved units of government and their not-for-profit partner(s).

IHDA determined property eligibility per program guidelines. All properties were required to be 1-4-unit residential properties located in Illinois that have been determined vacant and abandoned and qualify for lawful demolition. For any requests submitted on or after January 15, 2016, properties were required to not be legally occupied at the time of any review or approval by IHDA or Eligible Entity (as applicable) for blight elimination activity. The title to the property had to be held by the applicable not-for-profit partner such that: (i) the loan could be modified or extinguished and (ii) an enforceable lien could be placed on the property. BRP funds were not allowed for rehabilitation of existing residential structures, commercial structures, or properties listed on a national, state, or local historic register.

IHDA determined project sites in direct consultation with the applicable not-for-profit partners. The applicable not-for-profit partners were responsible for acquisition of the property (if necessary), demolition work and on-going property maintenance. The units of government and their not-for-profit partner(s) were required to submit in their application to IHDA for BRP funds, information including, but not limited to, the following:

- A full and complete list of all properties the applicant sought to make eligible.
- Property ownership and/or acquisition information.
- Pre-demolition inspection information, including, but not limited to any third-party environmental inspection reports.
- The post-demolition goal for each property.
- Cost estimates and/or evidence of the expenditures on a per property basis including, but not limited to: (i) all eligible activities required to bring the property into compliance with program guidelines, (ii) removal of all debris, (iii) backfill of basements or cellars, and (iv) any necessary environmental remediation required by law; and
- Any other miscellaneous information identified regarding the property (e.g., hazards, adverse findings, easements, etc.)

Assistance was provided on a per unit basis as follows. $35,000 (per unit maximum) which could include the following on a per unit basis (if applicable):

- Acquisition (purchase price, lien extinguishment, legal costs)
- Closing costs (if applicable, *i.e.,* title, recording and transfer fees)
- Demolition
- Lot treatment/greening
- Maintenance ($3,000 flat fee)
- Administrative expenses ($1,750 flat fee)

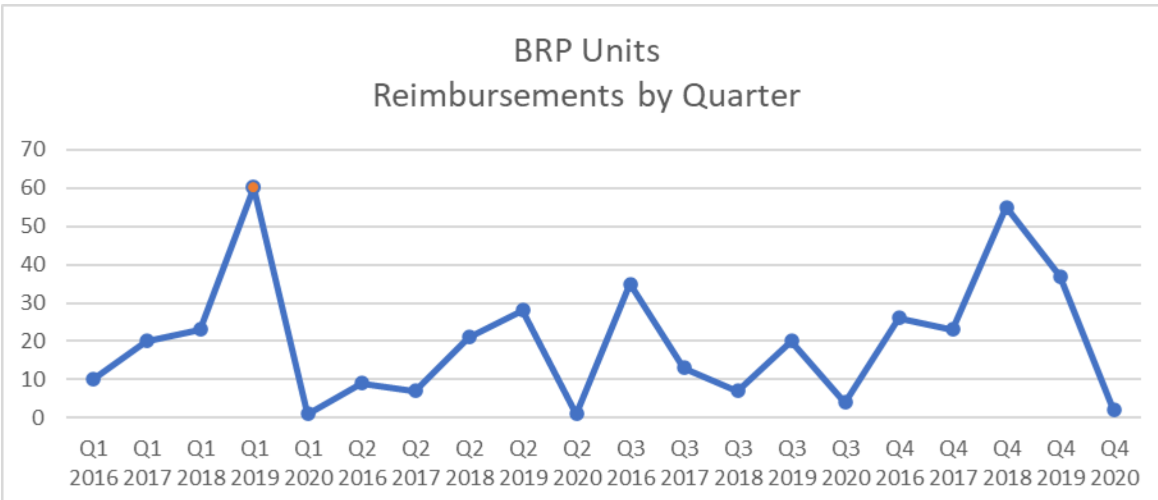
Upon receipt of appropriate documentation confirming the completion of BRP activities and execution of a secured lien mortgage and note in favor of IHDA, funding was provided to the partner. The lien was recorded in the public records. All releases will be conducted by IHDA.

The secured lien and notes were structured as zero percent, non-amortizing loans, secured by a lien on the property. Loans expire three years after their origination date ("Expiration Date"). Prior to the Expiration Date, loans will be forgiven at a rate of 33.3% per annum as long as covenants are met.

In most cases, the outstanding loan balance is to become due and payable if the property is sold, its title transferred, or is used for an unauthorized purpose prior to the Expiration Date. However, in certain cases, special considerations may be made by IHDA to release or subordinate its lien prior to the Expiration Date based upon the merit of the request and the proposed positive impact to the community as set forth in the program guidelines. The method for calculating the outstanding balance will be determined based upon the time and method of transfer. The outstanding balance may include any and all net sale proceeds and/ or the full principal balance of the loan.

B. Program Results

During BRP 364 properties, comprising of 402 units, were demolished with funds totaling $9,943,885.



24 units of local governments completed demolitions in 19 counties across 33 distressed zip codes. See Appendix B: BRP Impact Assessment to see distress indicator data compared between 2014 and 2020.

C. Lessons Learned

Though BRP enabled participating communities across Illinois to carry out much needed neighborhood revitalization, the program's underlying structure and requirements limited its effectiveness:

- Units of Local Government and Land Banks were required to partner with qualified Not-for-Profit organizations, which restricted the number of eligible applicants limiting the program's statewide reach.
- Before any work could begin under the program, the Not-for-Profit partners had to have clean title to the property. This dramatically slowed the program's progress on the ground.
- Reimbursement under the program was strictly limited to demolition, which reduced grantees ability to rehabilitate and reactivate vacant and deteriorated housing in their jurisdictions, which in many cases, is preferable to demolition.
- The 3-year recapture period (from the date of closing), complicated grantees reuse of properties in some instances.

Despite challenges of the program, lessons learned were instructive and helped to build on future programming to address to challenges vacant and abandoned residential properties continue to pose in our communities.

Section III – Homeownership Retention Under HHF

Total - All Programs	
Program Outcomes 2 Years Post Program Exit	
*Foreclosure Sale**	
Number	40
Deed in Lieu	
Number	48
Short Sale	
Number	199
Traditional Sale	
Number	557
Borrower Still Owns Home	
Number	18,781
Homeownership Retention	
Number	19,338
%	98.54%

HELP	
Program Outcomes 2 Years Post Program Exit	
*Foreclosure Sale**	
Number	35
Deed in Lieu	
Number	48
Short Sale	
Number	197
Traditional Sale	
Number	542
Borrower Still Owns Home	
Number	17,513
Homeownership Retention	
Number	18,055
%	98.47%

HPP	
Program Outcomes 2 Years Post Program Exit	
Foreclosure Sale	
Number	0
Deed in Lieu	
Number	0
Short Sale	
Number	1
Traditional Sale	
Number	2
Borrower Still Owns Home	
Number	525
Homeownership Retention	
Number	527
%	99.81%

MRF	
Program Outcomes 2 Years Post Program Exit	
*Foreclosure Sale**	
Number	1
Deed in Lieu	
Number	0
Short Sale	
Number	0
Traditional Sale	
Number	9
Borrower Still Owns Home	
Number	97
Homeownership Retention	
Number	106
%	99.07%

RMA		
Program Outcomes 2 Years Post Program Exit		
	*Foreclosure Sale**	
	Number	4
	Deed in Lieu	
	Number	0
	Short Sale	
	Number	0
	Traditional Sale	
	Number	3
	Borrower Still Owns Home	
	Number	286
	Homeownership Retention	
	Number	289
	%	98.63%

I-Refi		
Program Outcomes 2 Years Post Program Exit		
	Foreclosure Sale	
	Number	0
	Deed in Lieu	
	Number	0
	Short Sale	
	Number	1
	Traditional Sale	
	Number	6
	Borrower Still Owns Home	
	Number	479
	Homeownership Retention	
	Number	485
	%	99.79%

*Most foreclosures occur because of the death of the borrower

Section IV – Conclusion

The idea of the HHF program, as stated on Treasury's website, was to "provide targeted aid to families in states hit hard by the economic and housing market downturn…HHF provides funding for state HFAs to develop locally-tailored foreclosure prevention solutions in areas that have been hit hard by home price declines and high unemployment."

Illinois was able to develop programs that addressed the state's housing needs as they evolved from the inception of the program to its conclusion. HHF HELP assistance was granted to households in 101 of Illinois' 102 counties. As foreclosure and serious delinquency improved, HHF funds were used to address issues of negative equity and abandoned properties through I-Refi and BRP as well as promote homeownership through the DPA program.

The Illinois housing market has seen recovery since 2010 and the Hardest Hit Fund aided in this recovery throughout Illinois in many measurable ways. The foreclosure, serious delinquency, and negative equity rates have declined sharply since 2010 and are at .49%, 3.38%, and 6.34%, respectively, as of 2020 (CoreLogic).

Section V – Appendix

Appendix A: DPA Impact Assessment

Appendix B: BRP Impact Assessment

Illinois Housing Development Authority Hardest Hit Fund Down Payment Assistance Program Impact August 2015 through September 2020, Issued: March 2021

Purpose

The Illinois Housing Development Authority's (IHDA) Down Payment Assistance Program (DPA) was created in 2015 to provide an incentive to qualified homebuyers to purchase a primary residence in targeted areas in Illinois. Assistance is provided in the form of a $7,500 forgivable loan per homebuyer. The goal of the DPA Program is to strengthen demand in the targeted areas, stabilize housing prices and prevent future foreclosures. IHDA evaluated five housing market distress indicators across all Illinois counties: Negative Equity Share, 90 – Day Delinquency Rates, Foreclosure Rates, REO Rates, and Short Sale Rates. The following counties originally constituted the DPA target area and exceeded the statewide average in four out of the five housing market distress indicators; Boone, Cook, DeKalb, Fulton, Kane, Marion, McHenry, St. Clair, Will, and Winnebago. Additionally, a minimum IHDA market penetration rate of 3% was achieved in these counties based on 2014 data.

Effective January 1, 2019, Boone, DeKalb, Fulton, Kane, McHenry, and Will counties were removed from the DPA program. Though they are included in this report, they are no longer a part of the DPA Program. The target counties consist of: Cook, Marion, St. Clair, and Winnebago.

The following report examines the impact of the DPA Program on the housing markets of the targeted areas between August 2015 and September 2020. The five housing market distress indicators that were used to establish the target areas are included (summarized in Table 3) as well as the Total Sales Median Price and Total Sales Count (Table 4).

DPA Program Activity

As shown in Table 1. DPA Program Activity by County; August 2015 through December 2020, 18,772 DPA loans were approved and 1st loan amounts totaled $2,438,394,656. The loan values range from 9,388 loans in Cook with a 1st loan total of $1,389,996,568 to 123 loans in Fulton with a 1st loan total of $8,069,499.

Table 1. DPA Program Activity by County; August 2015 through December 2020

County	Number of Loans	1st Loan Amount	DPA Funds Amount
Boone	265	$26,933,378	$1,987,500
Cook	9,388	$1,389,996,568	$70,410,000
DeKalb	351	$41,039,175	$2,632,500
Fulton	123	$8,069,499	$922,500
Kane	1,209	$174,713,257	$9,067,500
Marion	188	$12,273,168	$1,410,000
McHenry	1,037	$142,243,088	$7,777,500
St. Clair	962	$87,406,048	$7,215,000
Will	1,726	$244,814,728	$12,945,000
Winnebago	3,523	$310,905,748	$26,422,500
Total	18,772	$2,438,394,656	$140,790,000

Source: IHDA

Table 2. DPA Program Activity by Targeted County & Top Two Zip Codes by 1st Loan Amount; August 2015 through December 2020 highlights the zip codes within each targeted county that had the highest 1st loan amounts. These zip codes represent the areas within the targeted counties that displayed the highest value of home purchasing activity. Cook County's zip code 60629 had the largest value of 1st loan amounts with a total of $56,722,718. The lowest amount was $1,032,575 in Fulton County's 61531.

Down Payment Assistance Program Impact; August 2015 through September 2020

Table 2. DPA Program Activity by Targeted County & Top Two Zip Codes by 1st Loan amount; August 2015 through December 2020

County & Zip Code	Number of Loans	1st Loan Amount	DPA Funds Disbursed
Boone			
61008	172	$ 17,577,878	$ 1,290,000.00
61065	77	$ 7,880,569	$ 577,500.00
Cook			
60629	330	$ 56,722,718	$ 2,475,000.00
60453	302	$ 38,040,465	$ 2,265,000.00
DeKalb			
60115	155	$ 17,019,740	$ 1,162,500.00
60178	82	$ 9,777,432	$ 615,000.00
Fulton			
61520	77	$ 5,056,200	$ 577,500.00
61531	15	$ 1,032,575	$ 112,500.00
Kane			
60506	230	$ 33,163,952	$ 1,725,000
60110	171	$ 23,708,500	$ 1,282,500
Marion			
62801	112	$ 6,823,618	$ 840,000
62881	49	$ 3,673,854	$ 367,500
McHenry			
60050	160	$ 22,025,490	$ 1,200,000
60014	151	$ 23,222,930	$ 1,132,500
St. Clair			
62226	178	$ 14,833,238	$ 1,335,000
62221	131	$ 12,676,664	$ 982,500
Will			
60435	261	$ 35,127,301	$ 1,957,500
60446	194	$ 28,574,988	$ 1,455,000
Winnebago			
61108	617	$ 49,887,605	$ 4,627,500
61107	521	$ 46,206,193	$ 3,907,500
Total	**3,985**	**453,031,910**	**29,887,500**

Source: IHDA

Housing Market Indicators

In establishing the Down Payment Assistance Program, five indicators were assessed in each county: 90+ Day Delinquency Rate, Foreclosure Rate, REO Rate, Short Sales Percentage, and Negative Equity Share. County data was compared to the average for the State of Illinois. If an indicator was above the state average, the county received one point. Overall, counties could receive a score from one to five. Counties with scores of four or five indicated that the housing market was distressed and were determined to be prime candidates for the Down Payment Assistance Program.

Using the average of available data from January through September 2020, three of the ten counties are still distressed: Cook, Marion, and St. Clair. Winnebago has since improved and no longer scores as distressed.

Down Payment Assistance Program Impact; August 2015 through September 2020

Table 3. Distressed Housing Market Indication (0 to 5)

County	Score- June 2018	Score- July-Dec. 2018	Score- April - Oct 2019	Score- Jan- Sept. 2020
Boone	3	4	5	3
Cook	5	4	5	4
DeKalb	1	2	2	1
Fulton	3	3	5	3
Kane	2	0	1	0
Marion	5	5	5	4
McHenry	2	1	0	0
St. Clair	5	4	4	4
Will	3	1	1	1
Winnebago	5	4	4	1

Total Sales Count decreased in the counties of DeKalb and Fulton. Total Sales Median Price increased in nearly all target counties.

Table 4. Change in Housing Market Indicators by Targeted County and State; Pre-Program to Present; Jan. to Sept. 2014 compared to Jan. to Sept. 2020

County	Total Sales Count (2014)	Total Sales Count (2020)	Total Sales Count (% Change)	Total Sales Median Price (2014)	Total Sales Median Price (2020)	Total Sales Median Price (% Change)
Boone	581	770	32.53%	$119,750	$158,500	32.36%
Cook	46,742	49,094	5.03%	$203,000	$265,000	30.54%
DeKalb	910	654	-28.13%	$138,000	$177,750	28.80%
Fulton	361	336	-6.93%	$60,000	$63,750	6.25%
Kane	6,220	6,850	10.13%	$182,750	$245,000	34.06%
Marion	451	508	12.64%	$28,500	$55,000	92.98%
McHenry	4,167	5,117	22.80%	$163,975	$225,000	37.22%
St. Clair	2,952	3,420	15.85%	$99,000	$139,900	41.31%
Will	8,915	9,948	11.59%	$170,000	$240,800	41.65%
Winnebago	3,656	4,121	12.72%	$70,760	$115,000	62.52%
Illinois	132,785	144,838	9.08%	$150,000	$203,000	35.33%

Source: CoreLogic REAS, Date Assessed 02/19/2021

Conclusion

Some of the housing markets initially selected for the Down Payment Assistance Program have improved and are no longer distressed. These have been removed from the DPA Program area. Of the remaining counties: Cook, Marion, and St. Clair are still considered to be distressed- with scores of four. Winnebago has improved with time and is no longer distressed, with a score of one. The Down Payment Assistance Program was connected to $2,438,394,656 worth of housing market activity in the targeted counties from August 2015 through December 2020.

Illinois Housing Development Authority Hardest Hit Fund
BRP Impact Assessment (2015 – 2020)

Between July 2015 and November 2020, the Blight Reduction ran two rounds of funding. 24 units of local government and their non-profit partners demolished 364 properties, comprised of 402 units, across 19 counties and 33 zip codes.

For this impact assessment, CoreLogic data in the areas of REO, REO rate, Negative Equity Loans, Negative Equity Share, Loan Count, Total Sales, Total Sales – Median Price, and Foreclosures will be used to compare the BRP markets by zip code in the years 2014 (pre-program) and 2020.

Table 1: Total Properties Demolished & Funding by Unit of Local Government

ULG	Properties Demolished	Total Funding
City of Rockford	46	$ 1,096,246
Winnebago County	36	$ 952,312
City of Joliet	35	$ 843,555
City of Freeport	32	$ 777,427
Village of Park Forest	23	$ 729,412
City of Peoria	23	$ 619,444
City of Centralia	22	$ 616,354
City of Chicago Heights	22	$ 684,065
Village of Round Lake Beach	18	$ 439,565
City of Urbana	16	$ 523,635
Village of Riverdale	14	$ 279,610
City of Sterling	13	$ 332,141
City of Springfield	12	$ 329,792
City of Macomb	11	$ 376,728
City of Rock Island	9	$ 286,560
City of Ottawa	9	$ 275,585
City of Aurora	7	$ 233,946
City of Moline	6	$ 167,753
City of Danville	4	$ 101,624
CCLBA - Englewood	4	$ 157,981
CCLBA - Woodlawn	2	$ 120,147
Total	364	$ 9,943,885

REO and REO Rate

Real Estate Owned Loans (REO Loans) are loans that are owned by a bank, financial institution, government, or other institution. High numbers of these loans or a high percentage of REO loans as a share of total loans indicates a market may be suffering from a foreclosure crisis or an unhealthy housing market. Between 2014 and 2020 the number of REOs and the REO rate decreased across all zip codes with BRP activity that had data available.

Table 2: REO and REO Rate by BRP Zip Code

Zip Code	Unit of Local Government	# of BRP loans	Count of REO		Average of REO Rate	
			2014	2020	2014	2020
61101	Winnebago County	36	342	48	1.30%	0.26%
61032	Freeport	30	241	38	0.63%	0.13%
61102	Rockford	28	252	24	1.10%	0.14%
61605	Peoria	23	73	8	0.98%	0.19%
60466	Park Forest	23	1,053	114	2.76%	0.46%
60411	Chicago Heights	22	2,039	265	2.67%	0.47%
62801	Centralia	22	189	35	0.99%	0.22%
60073	Round Lake Beach	18	1,571	112	1.19%	0.10%
61801	Urbana	15	61	9	0.24%	0.04%
60433	Joliet	14	416	44	1.76%	0.24%
60827	Riverdale	13	955	96	3.16%	0.48%
61081	Sterling	13	237	21	0.79%	0.08%
61455	Macomb	11	121	34	0.72%	0.21%
60436	Joliet	10	398	12	1.42%	0.05%
61350	Ottawa	9	248	26	0.77%	0.08%
61201	Rock Island	9	215	78	0.41%	0.17%
61103	Rockford	8	515	22	1.28%	0.07%
61104	Rockford	8	320	35	1.69%	0.28%
62703	Springfield	8	164	69	0.39%	0.20%
60432	Joliet	7	474	10	1.97%	0.06%
61265	Moline	6	228	46	0.35%	0.08%
60505	Aurora	6	988	45	1.36%	0.08%
60435	Joliet	5	1,493	67	1.54%	0.09%
62702	Springfield	4	212	16	0.40%	0.04%
61832	Danville	4	196	20	0.64%	0.08%
60621	Chicago	2	902	176	5.35%	1.55%
60132*	Freeport	2	0	0	0.00%	0.00%
60637	Chicago	2	1,054	79	2.92%	0.25%
61107	Rockford	2	479	32	0.74%	0.05%
61802	Urbana	1	66	0	0.25%	0.00%
60636	Chicago	1	1,349	119	4.38%	0.59%
62320	Joliet	1	31	0	1.05%	0.00%
60506	Aurora	1	882	35	0.97%	0.05%

*Data unavailable for 60132

Negative Equity Loans

Negative equity or "underwater" loans are home loans in which the homeowner owes more than the value of their home. From the home purchase date to present day, the value of the home can decline due to different market conditions. These market conditions can be influenced by low value blighted or abandoned properties in the Area. BRP works to eliminate these blighted and abandoned properties, thereby eliminating artificially low properties from the Area, ideally raising the surrounding property values, and decreasing the number of mortgages that are "underwater." In the area of negative equity, BRP zip codes overwhelmingly showed improvement between 2014 and 2020.

Table 3: Negative Equity Loans and Negative Equity Share by BRP Zip Code

Zip Code	Unit of Local Government	# of BRP loans	Count of Negative Equity Loans		Average of Negative Equity Share	
			2014	2020	2014	2020
61101	Winnebago County	36	6,925	2,154	14.91%	5.30%
61032	Freeport	30	5	0	41.67%	0.00%
61102	Rockford	28	5,216	1,802	13.55%	5.08%
61605	Peoria	23	1,341	770	7.31%	4.70%
60466	Park Forest	23	23,911	8,157	46.76%	18.24%
60411	Chicago Heights	22	53,070	20,620	46.30%	19.11%
62801	Centralia	22	1,299	1,902	10.81%	7.61%
60073	Round Lake Beach	18	40,287	7,065	24.58%	4.50%
61801	Urbana	15	1,412	910	3.65%	2.42%
60433	Joliet	14	9,457	3,818	24.88%	10.92%
60827	Riverdale	13	19,451	7,342	41.47%	17.60%
61081	Sterling	13	5,975	2,984	27.79%	8.31%
61455	Macomb	11	0	283	0.00%	8.40%
60436	Joliet	10	11,979	3,394	28.11%	8.19%
61350	Ottawa	9	7,141	2,618	11.25%	4.16%
61201	Rock Island	9	8,595	4,355	9.20%	4.83%
61103	Rockford	8	9,872	3,116	15.86%	5.40%
61104	Rockford	8	6,716	2,048	20.04%	7.18%
62703	Springfield	8	5,950	3,420	8.20%	5.21%
60432	Joliet	7	10,837	2,893	29.60%	8.84%
61265	Moline	6	14,422	5,034	12.60%	4.52%
60505	Aurora	6	34,173	5,888	32.08%	5.87%
60435	Joliet	5	37,445	5,026	29.55%	4.08%
62702	Springfield	4	6,277	3,390	7.08%	4.07%
61832	Danville	4	2,787	1,464	6.66%	3.24%
60621	Chicago	2	5,216	2,903	34.64%	19.96%
60132*	Freeport	2	0	0	0.00%	0.00%
60637	Chicago	2	13,011	7,441	37.70%	23.50%
61107	Rockford	2	15,791	2,462	16.59%	2.71%
61802	Urbana	1	3,784	1,585	9.70%	4.23%
60636	Chicago	1	17,006	6,951	36.70%	17.57%
62320	Joliet	1	398	415	16.57%	9.96%
60506	Aurora	1	26,712	6,513	21.33%	5.24%

*Data unavailable for 60132

Home Loans and Home Sales

The count of Home Loans in each BRP zip code decreased from 2014 to 2020. The number of loans is a measure of the number of mortgages. Decreases in this area are not necessarily bad, as it could be the result of homeowners paying off their debt or limited supply of properties for sale.

The median price of the sales indicates whether property values are increasing or decreasing over time. Where data is available, for all but two zip codes, median sales prices have increased from 2014 to 2020. The count of total sales varies from 2014 to 2020, the increase or decrease of sales between the years is minimal, which indicates stability while not necessarily indicating overall housing market health.

Table 4: Loan Count, Sales Count, Median Price of Sales by BRP Zip Code

Zip Code	Unit of Local Government	# of BRP loans	Loan Count		Total Sales Count		Average of Total Sales - Median Price	
			2014	2020	2014	2020	2014	2020
61101	Winnebago County	36	26,199	18,775	297	297	$19,521.04	$41,541.67
61032*	Freeport	30	38,064	29,752	372	0	$52,348.83	$0.00
61102	Rockford	28	23,014	16,636	214	206	$20,381.25	$58,287.50
61605	Peoria	23	7,468	4,154	166	137	$17,460.42	$17,385.42
60466	Park Forest	23	38,128	24,632	318	332	$34,520.83	$77,283.33
60411	Chicago Heights	22	76,339	56,748	528	547	$52,312.50	$111,750.00
62801	Centralia	22	19,053	15,950	328	345	$28,997.21	$49,397.75
60073	Round Lake Beach	18	131,874	107,280	978	818	$121,678.71	$165,006.92
61801	Urbana	15	25,638	22,780	301	284	$113,729.17	$123,183.33
60433	Joliet	14	23,573	18,308	218	202	$43,954.17	$129,937.50
60827	Riverdale	13	30,181	19,973	191	206	$25,154.17	$77,500.00
61081	Sterling	13	29,883	25,652	289	418	$60,737.63	$88,700.00
61455	Macomb	11	16,889	16,067	0	262	$0.00	$83,383.33
60436	Joliet	10	28,007	22,644	301	254	$69,735.42	$142,422.92
61350	Ottawa	9	32,430	31,414	406	468	$91,020.83	$125,510.42
61201	Rock Island	9	51,851	45,243	571	750	$79,704.17	$94,483.33
61103	Rockford	8	40,211	31,053	418	388	$37,371.71	$70,344.42
61104	Rockford	8	18,878	12,415	284	219	$23,513.33	$41,391.67
62703	Springfield	8	42,083	33,654	471	585	$63,254.17	$62,880.17
60432	Joliet	7	24,066	17,840	209	192	$64,097.67	$141,833.33
61265	Moline	6	64,890	56,605	696	920	$90,270.83	$102,992.08
60505	Aurora	6	72,320	55,458	616	402	$73,154.17	$141,562.50
60435	Joliet	5	97,151	77,614	749	751	$103,466.63	$171,916.67
62702	Springfield	4	53,272	44,582	579	712	$55,541.67	$73,637.50
61832	Danville	4	30,681	24,330	560	598	$32,656.25	$43,310.08
60621	Chicago	2	16,842	11,366	79	96	$25,083.33	$70,041.67
60132*	Freeport	2	24	12	0	0	$0.00	$0.00
60637	Chicago	2	36,033	31,053	267	259	$71,833.33	$182,875.00
61107	Rockford	2	64,500	56,949	571	644	$81,649.58	$142,452.08
61802	Urbana	1	26,671	23,970	288	356	$114,320.83	$129,687.50
60636	Chicago	1	30,776	19,994	202	250	$16,270.83	$79,166.67
62320	Joliet	1	2,955	2,761	38	45	$104,050.00	$120,776.54
60506	Aurora	1	90,898	77,159	632	572	$136,375.00	$203,020.83

*2020 Sales Count and Total Sales – Median Price data unavailable for 61320, Data unavailable for 60132

Foreclosures

Foreclosure activity has declined significantly in all BRP zip codes where data is available. Overall, foreclosures decreased by 76% across BRP zip codes.

Table 5: Foreclosures by BRP Zip Code

Zip Code	Unit of Local Government	# of BRP loans	Count of Foreclosures	
			2014	2020
61101	Winnebago County	36	1,186	170
61032	Freeport	30	612	160
61102	Rockford	28	833	125
61605	Peoria	23	368	45
60466	Park Forest	23	2,817	646
60411	Chicago Heights	22	5,557	1,139
62801	Centralia	22	386	140
60073	Round Lake Beach	18	5,480	737
61801	Urbana	15	213	120
60433	Joliet	14	1,016	159
60827	Riverdale	13	1,911	475
61081	Sterling	13	433	185
61455	Macomb	11	147	48
60436	Joliet	10	1,306	237
61350	Ottawa	9	562	119
61201	Rock Island	9	1,030	432
61103	Rockford	8	1,596	233
61104	Rockford	8	862	140
62703	Springfield	8	824	225
60432	Joliet	7	954	168
61265	Moline	6	721	386
60505	Aurora	6	3,668	381
60435	Joliet	5	3,400	454
62702	Springfield	4	988	290
61832	Danville	4	635	198
60621	Chicago	2	1,598	365
60132*	Freeport	2	0	0
60637	Chicago	2	2,143	379
61107	Rockford	2	1,458	252
61802	Urbana	1	291	54
60636	Chicago	1	2,446	542
62320	Joliet	1	29	6
60506	Aurora	1	2,734	410

*Data unavailable for 60132

Conclusions

Key market indicators show that zip codes where BRP demolitions occurred are stabilizing and the indicators are demonstrating healthier housing markets compared to the pre-program data of 2014.