



## HOUSING ROUNDTABLE UPDATE

### June 13, 2008

#### Housing Appropriations Requests

Just before their May 31 adjournment, the General Assembly passed a fiscal year 2009 budget increasing state spending by \$2.1 billion. By most accounts, however, the budget has about a \$2 billion deficit—meaning unless revenue is increased almost all of the new spending will have to be eliminated to balance the budget.

To say the least, it's unclear what the outcome of this situation will be. Governor Blagojevich wants the General Assembly to pass a balanced budget with some spending increases through fund sweeps and a pension obligation bond, and is threatening budget cuts, a freeze of all non-essential spending and other painful measures if the General Assembly does not comply. House Speaker Madigan appears to want the Governor to be forced to raise taxes and/or take the blame for cutting the budget through amendatory vetoes. The position of Senate President Jones is the least clear of the three—in the past he's spoke in support of tax increases but as of late he has been aligning himself with Governor Blagojevich. In addition, now that the May 31 budget deadline has passed any other budget legislation will require a three-fifths majority to pass, meaning Republican votes will be necessary to pass a budget, at least in the House. Press reports state that Governor Blagojevich is planning to call the General Assembly into a special session to address the budget problems sometime in the next couple of weeks.

Advocates will continue their work to protect any line item from cuts below the currently funded FY09 levels. Here's a summary of how housing fared overall:

**Anti-Predatory Lending Database Program:** Included \$3 million for mandatory file review by a HUD certified-housing counseling agency for first-time home purchase and refinance loans in Cook County with certain characteristics common to predatory products. Contact Bob Palmer at Housing Action Illinois, 312-939-6074 x. 206.

**Emergency Food and Shelter Program:** A 5% budget increase request was rejected and the program was flat-funded at \$9.4 million. Contact Bob Palmer at Housing Action Illinois, 312-939-6074 x. 206.

**Good Housing, Good Schools Act:** A \$3 million request for the State Board of Education to reimburse school districts for additional expenses associated with the development of new affordable multi-family housing in certain high-income areas was not funded. Contact Robin Snyderman at the Metropolitan Planning Council, 312-863-6007.

**Illinois Affordable Housing Trust Fund:** Of the \$91.6 million appropriated, \$66.5 million goes to Illinois Housing Development Authority (IHDA), \$16.3 million to other departments (the biggest chunk of which is \$11 million for Homeless Prevention funds), \$6.3 million for special housing programs at IHDA (including \$2 million for community reintegration for people with disabilities) and \$2.5 million for administration. However, since revenue (one-half of the proceeds of the state Real Estate Transfer Tax) in FY09 is only likely to be about half of what was appropriated, there will not be sufficient resources for all current programs and to maintain historical levels of loans for new housing projects. Discussions will be ongoing between advocates and the appropriate state departments in order to address this situation. (Most of you will remember that groups in the Roundtable predicted that this scenario was likely to happen back in 2005 when the Trust Fund started to be used to fund Homeless Prevention and other programs.) Contact Bob Palmer at Housing Action Illinois, 312-939-6074 x. 206.

Rental Housing Support Program: Funded at \$35 million (a \$4 million increase), \$1.1 million for IHDA's administrative costs plus an additional \$6 million in previously unobligated fund balances for long-term operating support. Although revenue in FY09 will undoubtedly be significantly less than the total \$42.1 million in appropriations, a cash balance from previous years should mean there will be sufficient resources for spending these funds. Contact Bob Palmer at Housing Action Illinois, 312-939-6074 x. 206.

Supportive Housing Services: Included \$4 million in new funding, sufficient to cover services in new supportive housing units scheduled to open in 2009. Total state funding for supportive housing services is now \$21.74 million annually. Contact Janet Hasz at the Supportive Housing Providers Association, 773-359-0123.

In terms of state fiscal policy, the current situation is the result of Illinois long-term structural deficit. A structural deficit results when a tax system does not generate enough revenue to continue funding the current level of public services into the future, adjusting solely for inflation and population growth. The only sustainable solution to the structural flaws in the state's fiscal system requires modernizing the Illinois tax system, so it grows with the economy and is not overly reliant on the poor and middle class. Increasing the income tax in conjunction with the expansion of refundable credits and the dependent exemption, and the expansion of the sales tax base to include services are examples of the types of reforms that are necessary. The Center for Tax and Budget Accountability, <http://www.ctbaonline.org>, has more good information and analysis on Illinois' budget problems.

### **Housing in the Capital Budget**

On May 31, the Illinois Senate passed the governor's \$34 billion capital budget proposal, which included \$50 million in specific funding for affordable housing and defines housing as one of many eligible uses for a separate \$250 million economic revitalization fund. The House did not act on the proposal for a variety of reasons, including that there is disagreement about what revenue streams to use to pay off the debt generated by the capital program. This is a significant victory because it's the first time affordable housing funding has been included in capital budget legislation, but also disappointing because funding was significantly below the anticipated dedicated level of \$100 million annually (\$300-\$500 million in total).

Advocates are currently focused on working to strengthen support among individual legislators and the governor's office, making the case that affordable housing should be a capital budget priority like roads, bridges and schools, as affordable housing is part of the basic infrastructure on which business and communities depend. Housing construction and rehabilitation also creates good high-wage jobs around the state. Contact Adam Gross at Business and Profession People for the Public Interest, 312-641-5570.

### **Poverty Eradication Commission Created But Not Funded**

Both the House and Senate unanimously passed legislation, House Bill 4369, to create the Commission on the Elimination of Poverty. However, the legislature did not provide the \$450,000 funding necessary in the fiscal year 2009 budget to support the work of the Commission. The From Poverty to Opportunity Campaign is now asking Governor Blagojevich's to both sign the legislation creating the Commission and to make sure the Commission has funding to create a substantive, measurable plan to cut extreme poverty in half by 2015. Contact Doug Schenkelberg at the Heartland Alliance for Human Needs and Human Rights, 773-336-6084.

### **Housing Legislation**

According to *Capitol Fax*, this was one of the least productive Illinois General Assembly legislative sessions in memory. Just 283 bills passed both chambers and are heading to the governor's desk. That

compares to last year's total of 750 bills that made it through both the House and Senate. Seven of those bills to be considered for signature into law by Governor Blagojevich are housing-related. (For comparison purposes, more than 50 positive housing bills were introduced during the session.) Four additional bills are still alive but require a concurrence vote from one chamber due to amendments in the other chamber. These votes could take place during any special session called during the summer to address the budget or could happen during the November Veto Session. One other piece of legislation received a deadline extension. Here's the summary of bills that are still active:

#### *Passed Both Houses*

House Bill 4196 (House: Osterman, Senate: Cullerton) Amends the Condominium Advisory Council Act. Provides that the Condominium Advisory Council shall report its findings and recommendations to the Governor and General Assembly by January 31, 2009 (instead of January 31, 2008).

House Bill 4611 (House: Howard, Senate: Hunter): Amends the Deposit of State Moneys Act to authorize certain linked deposits for loans to persons refinancing a home as well as for purchasing a home.

House Bill 5238: (House: Yarbrough, Senate: Martinez) Provides that a Housing Authority in any municipality having a population in excess of 1,000,000 shall be authorized to participate as a partner or member of a partnership, limited liability company, joint venture, or other form of a business arrangement with a for-profit or nonprofit developer.

Senate Bill 1879 (Senate: Collins, House: Graham) Increases penalties for violating fairness in lending provisions of the Illinois Human Rights Act.

Senate Bill 2387 (Senate: Collins, House: Yarbrough): Amends the School Code to add homeownership, including the basic process of obtaining a mortgage and the concepts of fixed and adjustable rate mortgages, subprime loans, and predatory lending, as part of the financial literacy component of consumer education.

Senate Bill 2434 (Senate: Koehler, House: Flider): Requires an agreement between mobile home park owners and fire departments regarding how the mobile home park provides an adequate and reliable water supply for fire mitigation needs.

Senate Bill 2721 (Senate: Crotty, House: Graham) Among other provisions, provides that in a mortgage foreclosure proceeding, where a timely written notice concerning rent payment was not given to the tenant, or where the tenant makes a good-faith effort to keep current in the rent, an order of possession must allow the tenant to retain possession under the lease.

#### *Resolutions Passed*

House Resolution 628 (Graham): Creates the Sealing of Records in Forcible Entry Detainer Cases Task Force to explore the possibility of developing legislation to allow court records of residential eviction to be sealed when the tenant wins or successfully defends the case and other circumstances.

#### *Concurrence Vote Required*

House Bill 1842 and Senate Bill 526 (House: Hamos, Senate: Cullerton): Identical bills that create the Energy Efficient Building Act to apply an energy efficient building code to any new building or structure.

Senate Bill 1979 (Senate: Hendon, House: Ford): Creates the Illinois Homeowner's Emergency Assistance Program Act. Subject to appropriations, it would establish a financial assistance program for

homeowners facing foreclosure who have developed a workout plan with their lender in consultation with a HUD-certified housing counseling agency.

Senate Bill 2287 (Senate: Raoul, House: Lindner): This bill would amend the Safe Homes Act by restricting landlords from disclosing the identities of tenants who make use of the Act to protect themselves from domestic violence or sexual assault. Contact Bob Palmer at Housing Action Illinois, 312-939-6074 x. 206, or Kate Walz at the Sargent Shriver National Center on Poverty Law, (312) 263-3830 x. 232.

Senate Bill 2566 (Senate: Collins, House: Joyce): Creates the Foreclosure Prevention Counseling Fund through a \$500 surcharge for all licensees under the Residential Mortgage Licensing Act to make grants to HUD-certified counseling agencies for home-ownership education and foreclosure prevention counseling.

*Deadline Extended until January 13, 2009*

House Bill 4191 (House: Madigan, Senate: Collins): Authorizes the State Treasurer to accept proposals from institutions holding State money to keep certain funds in a separate account to be used to secure up to 10% of an existing home loan for Illinois citizens who are at risk of foreclosure and where there is a reasonable prospect that they will be able to resume or continue full mortgage payments.

### **Anti-Predatory Lending Measures Goes Into Effect on July 1**

On July 1, state anti-predatory lending legislation developed by Attorney General Lisa Madigan that was signed into law last year, Senate Bill 1167, goes into effect. An amendment to the Residential Mortgage License Act requires that state-licensed brokers and lenders must assess a borrower's ability to repay a loan when making a lending decision and requires them to act in good faith toward borrowers and provide the best loan options available. Restrictions are also placed on loans having prepayment penalties, changes in the loan terms before closing and other predatory lending practices. The bill also allows for the creation of Foreclosure Prevention Loan Funds through voter referenda in four Chicago communities with Guarantee Home Equity Funds.

SB 1167 also makes some positive changes to the Anti-Predatory Lending Database Program, formerly known as the "HB4050" program, implementing it in all of Cook County starting on July 1. The program requires all borrowers who are first time homebuyers or who are refinancing a primary residence to have their loan file reviewed by a HUD-certified housing counseling agency if their loan has certain characteristics, such as permitting interest-only payments, having total points and fees payable by the borrower at or before closing exceeding 5% or includes a prepayment penalty. The purpose of the program is to assist borrowers understand the terms and conditions of their proposed loan. The act does not prohibit any type of loan. It is solely the borrower's decision whether to proceed. More information is available at [www.ilapld.com](http://www.ilapld.com).

### **Next Roundtable Meeting**

The next Illinois Housing Roundtable meeting will be on Tuesday, July 8 at 3:30 p.m. at BPI (25 E. Washington, Suite 1515, Chicago). For those who need to participate by phone, call 1-913-227-1219 and enter the guest code 179061#.

### **Housing Roundtable Contacts**

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