

# SUPPORT SB 138: Allow Nonprofits Working with CDFIs to Operate Resale Programs for Homeowners At Risk of Foreclosure (Collins-Martinez-Harmon)

**This legislation provides relief from existing arms-length affidavit requirements that keep nonprofits from negotiating short sales with lenders when the nonprofit's mission is to help people avoid foreclosure and keep them in their home with a new, sustainable loan.**

Arms-length affidavits usually make sense because they protect distressed homeowners against mortgage fraud schemes and protect banks from homeowners seeking a strategic default to right size their mortgage to fair market values. The affidavits include an acknowledgement by the seller that no party to the sale is a family member, business associate or a person who shares a business interest with the seller and restrict the seller from continuing to live in the home after the sale.

The proposed legislation would provide a narrow exemption from arms-length affidavit requirements for nonprofit organizations with a charitable, tax-exempt filing status under section 501(c)(3) of the Internal Revenue Code when the financing for the repurchase is provided by a federally-certified community development financial institution (CDFI).

## Key Provisions

- Lenders could not require arms-length affidavits that limit ownership or occupancy of the residential property for sales to 501(c)(3) organizations.
- If an arms-length affidavit is obtained, it shall not provide a basis to void a sale and shall not be enforceable against a 501(c)(3) buyer and other parties to the sale.
- The above provisions only apply when the financing for the repurchase will be provided by a federally-certified community development financial institution (CDFI). CDFIs are private-sector lenders with community development as their primary mission.

## Legislation Will Allow Successful Model Program to Expand in Illinois

BlueHub Capital's SUN Initiative helps families facing foreclosure stay in their homes by providing affordable, 30-year, fixed-rate mortgages that allow them to regain ownership of the home. To date, SUN has helped over 1050 families, deploying over \$170 million in capital and saving homeowners, on average, roughly 28% on their monthly mortgage payment. The program currently operates in IL and six other states—Connecticut, Massachusetts, Maryland, New Jersey, Pennsylvania and Rhode Island. BlueHub Capital, formerly known as Boston Community Capital, is a national, mission-driven nonprofit organization and CDFI dedicated to building healthy communities where low-income people live and work.

The SUN Initiative expanded into Illinois in 2015 and to date has stabilized 52 families. SUN's mission has been challenged because of the current arms-length affidavit requirements. The proposed changes will allow SUN to help more families remain in homes with mortgages they can afford.

If the bill becomes law, other 501(c)(3) organizations working with CDFIs will be able to replicate this model. Similar legislation has become law in Massachusetts, Maryland and Rhode Island.



A stronger Illinois begins at home

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