

August 5, 2009

Dear Financial Institution President/CEO:

We are writing this letter on behalf of the Chicago Metropolitan Agency for Planning, the official land-use and transportation planning organization for the seven-county northeastern Illinois region, as a call to action to end the rapid escalation of foreclosures within our region. CMAP and our partner organizations are deeply concerned about rising foreclosure rates and their devastating effects on our region's families and communities. In April 2009, Illinois had the eighth highest rate of foreclosures in the nation, with a foreclosure action on one in every 384 households. A total of 13,647 Illinois properties had foreclosure actions against them in April alone, ranking fifth in the U.S. In the Chicago region, new foreclosure filings increased by nearly 52 percent between 2007 and 2008. Together, the region needs to work on solutions to reverse these trends.

While there are many new programs in place through the federal government and individual financial institutions, we feel that the responses have not been swift enough nor have they resulted in an adequate number of families retaining their homes. Without more coordinated and strategic intervention, it is likely that foreclosures will continue to rise and the impact will continue to deeply affect the economic vitality of our communities and region. We call on financial institutions such as yours to develop strategies to do the following:

- **Refer and encourage mortgage holders to seek HUD certified counseling services at the first signs of default.** Financial institutions should also financially support and bolster HUD certified foreclosure prevention activities. A recent survey conducted by the Woodstock Institute found that in the Chicago region, counseling agencies provided only 7.3 foreclosure counseling sessions per 100 foreclosure filings. However, approximately 45 percent of homeowners who completed counseling were able to remain in their homes. This number is far higher than for those who do not seek counseling or seek counseling from unscrupulous entities. For these reasons, CMAP encourages financial institutions to play an active role in assuring that HUD-certified counseling agencies are fully supported and that streamlined communication processes are in place between counselors and financial institutions to assure a greater chance of successful loan modifications.

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- **Participate in and broaden the geographic scope of borrower outreach fairs.** Foreclosure prevention fairs, such as the city of Chicago's Borrower Outreach Days, or the Illinois Housing Development Authority's Homeowner Outreach Days have proven to be successful models for efficiently getting large numbers of households at risk of foreclosure, to meet with financial institutions early and effectively. The city of Chicago has assisted more than 2,600 households in their borrow outreach days since 2007 (until early 2009). CMAP applauds financial institutions who have taken part in these outreach days and urges them to support organizations such as Neighborhood Housing Services of Chicago or the Metropolitan Mayors Caucus to expand these efforts to a larger geography and with greater frequency.
- **Create a system in which mortgages can be reworked through servicers and lenders in a streamlined fashion.** The key to handling foreclosures is to for financial institutions to make loan modifications routine so they can be accomplished on a larger scale rather than one by one which is costly, time consuming and devastating neighborhoods.
- **Assure that vacant short-sale properties are maintained.** Financial institutions, when they agree to short sales, should require in the agreement that the homeowner maintain the property until it is sold. FHA's Pre-Foreclosure Sale (PFS) option, property maintenance clause reads, "Until the PFS transaction has closed, the mortgagor must maintain the property in "ready to show" condition, make basic property repairs, and perform all normal property maintenance activities (e.g., interior cleaning, lawn maintenance, etc.)". Likewise, financial institutions should provide such a clause in short-sale agreements.
- **Support and encourage participation in federal programs that prevent foreclosure through loan modifications.** Through the Home Affordable Modification Program, financial institutions should participate in and encourage mortgage holders in default to attend outreach events such as the "Keep Your Home" loan modification events sponsored by Neighborhood Housing Services of Chicago. Furthermore, financial institutions should assure that loan modification applications are processed and addressed in a timely fashion.
- **Financial institutions should consider developing a model program where servicers allow foreclosed home owners and/or renters to lease their homes and/or apartments until a successful mitigation is completed.** Evicting owners and renters while allowing vacant homes to deteriorate is in many ways destroying the social fabric and economies of neighborhoods as a result of property values decreasing at accelerated rates when their near abandon vacant properties. Financial Institutions should hire professional property managers and/or local community property managers to avoid further vacancies and sliding property values.
- **Create loan modification programs that assure homeowners are not likely to default again.**
- **Provide timely and accurate information to municipal officials on foreclosure proceedings (when foreclosure filings happen and when properties revert back to REO).**

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We strongly urge financial institutions to work with state legislators and support state Senate Bill 0268.

- **Assure maintenance and upkeep of abandoned or bank-owned properties to mitigate the spillover effect on surrounding property values.** We strongly urge financial institutions to work with state legislators and support the measures introduced in House Bill 1195 last legislative session.
- **Work directly with Neighborhood Stabilization Program recipients to reduce the purchase price of foreclosed homes and expedite the sale of REO properties.**
- **Protect Renters.** CMAP also strongly urges financial institutions to develop a mechanism to notify renters, who through no fault of their own, are affected when a multifamily building is foreclosed.

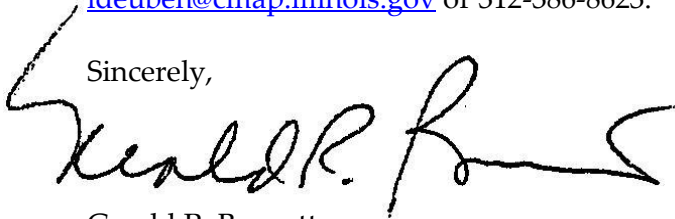
CMAP and other regional partners have been coordinating on foreclosure issues and on the Neighborhood Stabilization Program since August 2008 as part of the **Regional Home Ownership Preservation Initiative (RHOPI)**, co-sponsored by the Federal Reserve Bank, the Chicago Community Trust, and Neighborhood Housing Services (NHS) of Chicago. RHOPI was formed to strengthen partnerships and strategies related to regional foreclosure trends among key stakeholders. Four task forces — on housing counseling, finance, research and REOs/abandoned properties — met to identify and prioritize problems and solutions. As an outcome, RHOPI produced an action plan that identifies specific lead stakeholders and timelines to guide implementation strategies. Recommendations from the Regional HOPI Action Plan can be found here:

[http://www.chicagofed.org/community\\_development/RHOPI\\_FULLnosig\\_web\\_final.pdf](http://www.chicagofed.org/community_development/RHOPI_FULLnosig_web_final.pdf).

Many of the strategies addressed in this letter are further elaborated on within the Action Plan.

In addition to the above-listed recommendations, we hope you will join us in beginning a regional dialogue among stakeholders that can assist in making these key strategies happen. If you are interested in further discussing these items, please contact Lee Deuben at [ldeuben@cmapp.illinois.gov](mailto:ldeuben@cmapp.illinois.gov) or 312-386-8623.

Sincerely,



Gerald R. Bennett  
CMAP Board Chair

JL:GRB/stk