



**Illinois Association
of REALTORS®**

HOUSING POLICY

Prepared by the
IAR Housing Opportunity Task Force

Approved by the
IAR Executive Committee

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ILLINOIS ASSOCIATION OF REALTORS® HOUSING POLICY

As an association, we reaffirm our commitment to the goal of decent housing and a suitable living environment for every family. We believe that this objective can best be served by a healthy housing market accomplished in an economic environment that fosters an ample supply of affordable housing opportunities.

We reaffirm our belief that the pursuit of the goal of decent housing for every family, from the homeless to the homeowner, should be raised to the highest level of state priorities.

While we strongly believe that a healthy housing climate is predicated on a freely competitive, private-sector based housing industry, we believe that the government can and should play an important role in the housing area. With the shift of responsibility for housing programs away from the federal government, it is critical for state government to provide leadership in promoting housing availability and affordability.

We strongly believe that the real estate industry, and the state and local governments in Illinois can all work together in establishing policies and programs that promote an adequate supply of affordable owner-occupied and rental housing, and that reduce regulatory and other barriers to housing availability and affordability.

We urge the governor and the Illinois General Assembly to adopt and implement a comprehensive Illinois housing policy; and we pledge to provide our support and assistance in the development of such a policy.



HOUSING SUPPLY AND AFFORDABILITY IN ILLINOIS

Housing issues present serious challenges for public policy decision makers. How to balance the need for an adequate supply of affordable housing while reducing or minimizing government intrusion in the economic and financial systems of our state and nation is an area that must be given serious consideration. All levels of government, housing providers, private-sector businesses, and nonprofit entities have a shared responsibility to encourage and improve the affordability of housing for all citizens by fostering an efficient and effective housing delivery system.

It follows that the basic goal of a statewide housing policy should be decent, affordable housing and housing-related resources for all Illinoisans, with widespread homeownership opportunities. Policies to meet this goal should focus on two key targets: one, the availability (supply) of housing; and two, the affordability of both rental and owner-occupied housing.

To design effective policies to achieve these two goals, we believe certain principles should be followed.

1. A freely competitive housing market is a major source of prosperity for citizens.
2. The private market is the best mechanism to meet the demands of housing for most Illinois citizens.
3. Although the private profit and nonprofit market must assume chief responsibility, government at all levels must be a partner in assuring adequate and affordable housing opportunities.
4. The housing policy should recognize the government's responsibility to provide shelter and related supportive services to the homeless and those at the lowest rungs of the housing ladder.

We stress the need for and importance of the governor and administration officials to adopt, promote and implement a comprehensive Illinois housing policy.

We believe that among the goals of such a statewide housing policy should be to:

- Promote the coordinated and efficient use of state housing resources;
- Consolidate state housing efforts and regulations to reduce regulatory burdens and streamline access to state housing resources;
- Place a high priority on the supply and affordability of housing throughout the state.

We strongly advocate an approach to housing policy that emphasizes creating incentives and removing barriers to enhance the supply and affordability of housing. We oppose efforts to attempt to address the housing issue by imposing restrictions and mandates in the housing marketplace.

REAL ESTATE FINANCE ISSUES

We believe in, and stress the importance of, a partnership concept between state and local government initiatives in concert with private industry, housing providers and not-for-profit entities to help achieve an adequate supply of affordable housing opportunities for all Illinoisans.

- Encourage the flow of funds into housing from all possible sources, including pension funds and out of state investors.
- Elected officials of Illinois should advocate the continuation of workable and viable FHA, USDA Rural Development and VA mortgage insurance and guarantee programs, as well as programs of the GNMA, the FHLMC and the FNMA, which ensure access to well-developed secondary markets.
- IHDA should continue to play a vital and expanded role in providing financing for affordable housing.
- Support increasing the state's statutory ceiling on the amount of bonds and notes outstanding for IHDA to accommodate increased demand and competition from local bond programs.
- Advocate not only the extension of the Mortgage Revenue Bond Program but also increase the state's bond cap.
- Work to develop and maintain a viable source of acquisition, development and construction financing.
- Support continued funding for the locally based federal grant programs, including, but not limited to, the CDBG (CDAP) funds, HOME funding, ESGP, and Low Income Housing Tax Credits.
- Maximize access to available federal matching funds by maintaining the Affordable Housing Trust Fund and other state dollars at sufficient levels.
- Ensure that the application process for Affordable Housing Trust Fund monies are as clear and as streamlined as possible.
- Oppose transfers out of the Affordable Housing Trust Fund to the General Revenue Fund to address budget deficits.
- Support programs to develop and offer incentives to encourage and assist financial institutions to be more involved in affordable housing efforts, i.e. linked deposit of state funds to financial institution's commitment to affordable housing efforts.
- IHDA should continue to experiment with innovative mortgage designs that have the potential to facilitate homeownership under all economic circumstances.
- Support and seek out additional financing of the low-income rental market. Elected officials of Illinois should continue to support the project-based funding for Section 8 low-income rental housing and greatly increase the funding of the USDA Rural Development 515 program and the U.S. Department of Housing and Urban Development (HUD) 202 program for the elderly.
- Support legislation and seek funding, as necessary, to establish a state risk-share program to provide additional funding for single-family and multi-family housing.
- Support the continuation and administrative streamlining of the USDA Rural Development programs to assure access to housing and community development funds in rural areas.
- Support the standardization of population limitations and conventional underwriting standards for FARMER MAC, USDA's Rural Development programs and Farm Credit programs.
- Support policies and programs to permit and encourage employers to develop employee housing programs, including but not limited to programs that would provide for:
 - Down payments on home purchases and closing costs;
 - Security deposits and initial month's rent for leased residences;
 - Collateral for mortgage loans used for residential financing; and
 - Development of housing by employers.

- Support the continuation of tax-exempt financing for low- and moderate-income and owner-occupied housing through state and local housing finance agencies.

- Support the increased use of tax increment financing (TIF) to create affordable housing opportunities.

- Support the continuation of state-designated enterprise zones.

EQUAL OPPORTUNITY ISSUES

We reaffirm our full support and advocacy of the practice of equal opportunity in housing and renew our dedication to fulfilling the requirements of all federal, state, and local fair housing laws. We pledge ourselves to uphold the spirit as well as the letter of the law, through programs, activities, and training designed to promote and further the right of equal opportunity in housing for all people.

We believe equal opportunity exists only where there is complete freedom of individual choice in housing and we oppose any attempt to interfere with this freedom of choice.

We reaffirm our endorsement of and commitment to the Fair Housing Partnership Resolution of the U.S. Department of Housing and Urban Development and the National Association of REALTORS®, believing it to be a constructive, voluntary means of promoting equal opportunity through freedom of choice.

- Work with state agencies and other entities and organizations to develop and provide fair housing education.

- Oppose any proposal that would place unreasonable limitations on the free and open marketing of real property, such as the advertising of property on the open market through the use of solicitation, including the use of real estate “For Sale” signs.

ACCESS TO CREDIT/CREDIT EDUCATION AND COUNSELING

- Support and encourage the vigorous prosecution of unscrupulous practitioners who engage in “predatory” lending activities.

- Support and encourage reforms in and relief from certain activities of creditors, credit repositories, and collection agencies. The reform and relief measures should address, but not necessarily be limited to, the following issues:

- Greater accountability for creditors, collection agencies, and repositories who fail to take quick action to update the consumer’s credit file to correct errors and to indicate when a credit file item has been paid.
- Collections appearing on a consumer’s report when the consumer is complying with the terms of a payment agreement.
- Collections that appear in a consumer’s credit file that are also listed as an additional collection after purchase by a subsequent collector.

- Support consumer education and/or disclosures to heighten consumer awareness of the negative impact certain credit practices, particularly certain credit card practices, can have on their credit profile.

- Support the ability of nonprofit entities and public agencies to be allowed reasonable administrative costs in their funding requests for both state and federal funds.

- Support federal action to allow homebuyer education as a legitimate homebuyer’s closing cost on a HUD 1 form.

- Support state funding for nonprofit entities for credit counseling and homebuyer education, and ongoing support (such as foreclosure intervention).

- Support and develop programs, and support state funding for such programs, to provide comprehensive education in schools regarding the importance credit responsibility and financial goals.

REMOVING BARRIERS TO HOUSING SUPPLY AND AFFORDABILITY

Regulatory Barriers

While we acknowledge the need for various regulations that affect real estate, such as reasonable land use, zoning, building code, and planning ordinances at the local level and reasonable environmental regulations at the state level, we strongly believe that the enormous impact that these regulations have on the supply and affordability of housing at all levels must be addressed in state and local housing policies.

- Support policies and programs to promote technological advances in the construction industry designed to reduce housing costs without adverse impact on the health and safety of residential housing.
- Support policies, programs, and initiatives to eliminate or reduce development and building code requirements (other than essential health and safety measures) that delay and add to the cost of the development and rehabilitation of housing.
- Support the enactment of subdivision land-development standards that remove overly restrictive infrastructure requirements and permit newer technologies.
- Support an increased role for vocational and technical schools in providing more training in the area of entry-level job skills for housing construction and rehabilitation.
- Support and encourage the enactment of zoning allowances and exceptions for density for low-income, disabled and elderly housing projects, to make financially marginal projects feasible.

- Identify regulations that are imposed by non-housing state agencies, and eliminate or revise such regulations as necessary to avoid costly and conflicting regulation of housing providers and related entities, including supportive housing entities.

- Support incentives for property owners to participate in the Section 8 voucher program
- Support efforts to remove the regulatory barriers associated with the Section 8 voucher program to make it a more attractive program for property owners;
- Oppose efforts to force owners to participate in the program by protecting the Section 8 voucher as a “source of income” under the Illinois Human Rights Act.

Tax Policy Regarding Housing

- Support and promote property tax abatement programs in targeted areas for affordable single-family or duplex housing projects.
- Oppose the imposition of real estate transfer taxes by local governments, with the exception of the fifty cents per \$1,000 of the value of property transferred imposed by counties to pay for transfer-related purposes.
- Oppose future increases in the state real estate transfer tax.
- Examine Illinois tax laws and other potential barriers to the development of manufactured housing in Illinois.
- Support school funding reform to address the significant negative impact that the current dependence on local real estate taxes has on housing affordability.

GLOSSARY OF PROGRAMS AND ACRONYMS

CDBG – Community Development Block Grant, administered by HUD to provide funding to cities over 50,000 in population located in metropolitan statistical areas as well as qualified urban counties with populations of at least 200,000. Funds must be used for low- and moderate-income persons, for neighborhood revitalization and/or economic development needs.

CDAP – Community Development Assistance Program, a competitive housing rehabilitation program for low- to moderate-income persons, funded by HUD. The Illinois administering agency is the Department of Commerce and Economic Opportunity.

FARMER MAC – A separate agency, established as a secondary market within the Farm Credit System for farm real estate loans.

FHA – Federal Home Administration is a division of the Department of Housing and Urban Development (HUD); insures mortgage loans secured by one to four family dwellings against default and foreclosure and compensates approved lending institutions for losses resulting from borrower default.

FHLMC – Federal Home Loan Mortgage Corporation (Freddie Mac), congressionally chartered corporation that purchases loans as a secondary mortgage market.

FNMA – Federal National Mortgage Association (Fannie Mae), a private corporation that purchases loans as a secondary market. Freddie Mac and Fannie Mae jointly developed uniform documents, qualifying requirements and insurance against loan default, creating a standardized conventional loan.

FARM CREDIT – An independent agency in the executive branch of the U.S. government with member lending institutions, run by a three-member board appointed by the president. The agency administers the Farm Credit System.

GNMA – Government National Mortgage Association, a secondary market (underwriting agency) of HUD, limited to underwriting only FHA, VA and USDA-RD loans.

HOME FUNDS – Funded by HUD, administered by IHDA, provides states and local governments funds for affordable housing through partnerships with states, local governments, developers, and

nonprofits. IHDA distributes HOME funds as loans and grants on a competitive basis.

HUD – United States Department of Housing and Urban Development

HUD - 202 Loan Program – Facilitates the development of low-cost rental housing and related facilities for very low-income elderly persons and households. Rental assistance contracts are available for 5 years, then renewed based on fund availability. HUD provides interest-free capital advances to private, nonprofit sponsors to finance the development, which does not have to be repaid as long as the project serves very low-income elderly for 40 years.

IHDA – Illinois Housing Development Authority, the state's affordable housing agency that administers HOME Funds, Tax Credits, Single Family Bond Programs, and the Affordable Housing Trust Fund.

LIHTC – Low Income Housing Tax Credits, a tax incentive provided to investors for affordable housing, administered by IHDA, allowing a tax credit to be taken for 10 years after project completion. Tax authority is limited to \$1.25 per state capita.

SECTION 8 VOUCHER PROGRAM – Housing assistance payments to very low-income families, funded by HUD, administered by local public housing authorities to cover the difference between fair market rent in the private market and 30 percent of the family's adjusted income.

TIF – Tax increment financing.

USDA - RD - 515 LOAN PROGRAM – Provides funding for multi-family rental housing and related facilities suited for independent living for very low- to moderate-income rural residents, the elderly, and persons with disabilities. Loans are made at an effective interest rate of one percent amortized up to 50 years. Rents are at 30 percent of tenants adjusted income; assistant subsidies can be used to reach the 30 percent level; 95 percent of tenants of new projects must have very low incomes.

USDA-RD – Rural Development, a division of the United States Department of Agriculture, provides financing with no down payment, at favorable rates and grants to low- and moderate-income rural families.

VA – U.S. Department of Veterans Affairs, guarantees no down payment loans up to an eligible veterans' entitlement.



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