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November 21, 2008

Illinois Department of Human Services  
Attn: Office of Assistant Secretary Grace Hou  
401 S. Clinton Street, 7th floor  
Chicago, IL 60607

Dear Assistant Secretary Hou:

The purpose of this correspondence is to provide you the comments of the Illinois Association of REALTORS® (IAR) regarding the proposal of the State of Illinois for the Neighborhood Stabilization Program (NSP).

First, we would like to commend the Department of Human Services, the Illinois Housing Development Authority, and the Department of Commerce and Economic Opportunity for the hard work in developing and submitting a plan in the very short time frame dictated by the federal requirements to ensure that the State of Illinois takes advantage of the \$53 million state share of the NSP funding under the Housing and Economic Recovery Act of 2008 (HERA).

While it is certainly beneficial to have access to the funds allocated by HERA, this new funding does present a daunting challenge in making wise and tough choices when there are so many varying housing needs that are growing as the economic crisis worsens, and the available resources fall far short of what is needed to address critical problems. When it comes to making the tough decisions about the allocation of these HERA NSP funds, we have a few thoughts for your consideration.

One significant and over-arching issue that we would urge you to give further consideration to before submitting the final plan to HUD is the emphasis the program places on providing resources to persons at or below 50% of area median income (AMI), and the resulting heavy emphasis of the plan on uses other than owner-occupied housing.

There is certainly no doubt that there is a dire need in the State of Illinois for resources serving persons at or below 50% of AMI – the very neediest members of our society; and, further, to people in and around that income category who also have special needs. We certainly support the allocation of state resources for this purpose, as is evidenced by our support of the enactment of enabling and funding legislation for the Rental Housing Support Program, which targets this population.

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The question is whether allocating a large portion of NSP funds to the redevelopment of foreclosed properties (most of which are currently single-family, owner-occupied homes) into rental property or other uses, in order to ensure that a substantial amount of the funds are allocated to very-low-income and/or special needs populations should be the focus of this program.

We urge you to consider placing a greater focus and a higher allocation of funding towards programs that will restore foreclosed, vacant, and abandoned single family homes into productive, stable, owner-occupied properties. The plan seems to start with a priority of allocating 40% of the funding to persons at or below 50% AMI (HERA requires a 25% allocation to such purposes), which then drives the programming, by necessity, towards redeveloping foreclosures into rental property because ownership is just not an option for this income group, as the plan acknowledges.

In our view, the primary question should be, “What’s the best way to stabilize and restore neighborhoods ravaged by foreclosed homes”? We think that restoring formerly owner occupied foreclosed property to owner occupied property may be the best recipe for stabilization, and should be a primary focus of the plan.

The plan’s estimated percentage allocations for the various eligible activities bear out the above characterization of the plan’s focus:

- Only 20% of the funds are allocated to the Home Buyer Program, with another 15% earmarked for the Residential Financing Program – so approximately 35% of the funds will be focused on putting homeowners back into foreclosed homes.
- 30% of the funds are allocated to the Rental Program.
- 17% of the funds are allocated to the Redevelopment of Demolished or Vacant Property or Land Program. The plan acknowledges that this program will be largely targeted to persons at or below 50% AMI, and thus for activities other than owner occupied housing (rental housing, non-residential, and mixed uses).
- The remaining funds are allocated to Administration at 10%, Land Banking at 5%, and Demolition at 3%.

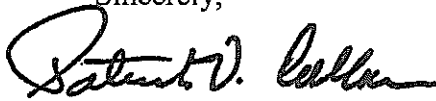
We acknowledge that all of the above specified allocations are eligible activities for NSP funds. We also acknowledge that most of the funds allocated within the State of Illinois by HERA for NSP were allocated directly to local governments, and that those local funds may provide other opportunities to focus funding on restoring single family homeowners to foreclosed homes wherever possible. However, the state can play an important leadership role in setting foreclosure redevelopment priorities. We respectfully urge your consideration of our comments as you contemplate final changes to the State Plan prior to submission to HUD.

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Thank you for your consideration of our views, and we look forward to continuing to work with the Department and its partners as a constructive participant and ally in addressing the serious housing challenges facing the State of Illinois.

If you or your staff has any questions regarding our comments, please feel free to contact our Governmental Affairs Director, Greg St. Aubin.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Callan". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Pat Callan  
President