



Date: August 10, 2011  
To: Members of the Community Development Commission  
From: Lisa Pugliese  
Re: **Proposed Changes to the Waukegan Reinvestment Program**

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In November 2010, AHC launched the Waukegan Reinvestment Program (WRP) to incentivize buyers to purchase foreclosed homes in a city plagued by more than 1,000 vacancies. The WRP provides a maximum of \$10,000 in assistance as a 0%-interest deferred forgivable loan to homebuyers purchasing a foreclosure. Assistance is paid for entirely with HOME funds. The assistance is forgiven 20% annually upon the anniversary of the closing, and fully forgiven after 5 years.

Although AHC has witnessed near-constant buyer demand in the City of Waukegan since the earliest days of its programming, the WRP has had only 3 closings since the program launch. In contrast, demand has exploded in AHC's countywide Lake County Downpayment Assistance Program, and 9 of its 41 closings this year have been in Waukegan. We believe the WRP's lack of activity is due to the inherent challenges in purchasing a foreclosure: specifically, higher improvement costs, and the many obstacles and delays in purchasing a short sale or bank-owned property. These are frustrations buyers can choose to avoid in a market flooded with options.

In consideration of the above and the City's own wishes, AHC proposes using all available funds to transition to a traditional down payment assistance model that would provide \$5,000 in HOME assistance in the form of an interest-free deferred loan due upon sale, transfer of title or cash out refinance. Buyers would have the option of choosing any home that meets eligibility requirements, rather than being restricted to foreclosures.

AHC's PY10 and PY11 contracts include a total of \$196,332 as of the writing of this memo. These funds would be used to assist 28 households under the new model.

As with all AHC homebuyer programs, participating households will receive comprehensive pre-purchase education and counseling, along with foreclosure intervention services throughout the life of the loan. AHC's project delivery fee would continue to be a \$2,000 HOME-funded fee that covers education, counseling and loan administration services.

Thank you for your consideration of this request. Today's extraordinary and unpredictable market has required AHC to be unfailingly responsive and proactive. We cannot do this without the support of our funders. Please feel free to contact me at 847/263-7478 if I can provide you with any additional information.