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HUD SECRETARY MARTINEZ LAUNCHES HOMEOWNERSHIP INITIATIVE FOR HOUSING CHOICE VOUCHER HOLDERS WITH CHA, CITY OF CHICAGO, FREDDIE MAC, LENDERS AND NON-PROFITS

"Choose to Own" Initiative Includes Department of Housing, Fannie Mae, NHS of Chicago, Spanish Coalition for Housing, LUCHA, Rogers Park CDC, Harris Bank, Mid-America Bank, Citibank, and ShoreBank
June 19, 2002

U.S. Department of Housing and Urban Development Secretary Mel Martinez, Freddie Mac, the City of Chicago, and the Chicago Housing Authority (CHA) today announced Choose to Own, a new citywide initiative that will enable low-income Chicago renters to become homeowners by turning their Section 8 federal housing vouchers into monthly payments on affordable home mortgages.

The Choose to Own initiative means qualified families can use their Housing Choice Vouchers to begin building personal wealth in the form of home equity. In the first few months, over 100 families have signed up for the program. The first Chicago voucher holders are expected to close on mortgages and become homeowners later this month.



"Homeownership, particularly among minorities, is a top priority for President Bush," said Secretary Martinez. "Chicago's 'Choose to Own' initiative helps more low-income renters achieve the American Dream of ownership." Today's initiative is a downpayment on President George W. Bush's goal to add 5.5 million minority homeowners by the end of the decade.

Housing Choice vouchers typically help lower-income families afford local rental housing. Last year, under Secretary Martinez' leadership, HUD adopted new rules to encourage homeownership by allowing voucher holders to use their rent subsidy to cover mortgage payments instead.

"Homeownership is not only a part of the American dream, it is the backbone of our communities," said Mayor Richard M. Daley. "The Choose to Own initiative is yet another tool we have helped develop that will further strengthen our families, neighborhoods and city." Under Mayor Daley's leadership, the City has helped



more than 8,000 working families become homeowners in Chicago.



"I am delighted to join Secretary Martinez and Mayor Daley in launching this groundbreaking initiative," said Freddie Mac Chairman and CEO Leland C. Brendsel. "By purchasing 'Choose to Own' loans originated by our lender partners, Freddie Mac will enable many Chicago families to achieve the dream of homeownership and stake their claim on America's future."

"Most of us dream of owning our own homes from the time we are young," added Terry Peterson, CHA's chief executive officer. "Now this dream is possible for CHA residents as well." CHA estimates many voucher holders will benefit from the Choose to Own program during its first year of operation. The Choose to Own program is being implemented by CHAC, Inc., the Chicago Housing Authority's housing voucher administrator.



The Choose to Own program is the latest Freddie Mac effort to expand affordable homeownership opportunities in the Chicago area. Since 1996, Freddie Mac has invested an estimated \$58 billion in Chicago area mortgages, making affordable homeownership possible for nearly 465,000 Chicago area households.

How 'Choose to Own' Works

Under the Chicago Choose to Own program, voucher holders use their federal subsidy payments to cover the monthly mortgage costs on a 30-year fixed-rate conventional conforming mortgage instead of rent. To ensure borrowers don't pay more than 28 percent of their monthly income on the mortgage payment, some borrowers may be able to qualify for a second, 15-year below-market rate mortgage through the Neighborhood Housing Services of Chicago. The second loan will help them reduce their monthly housing payments.

Borrowers are required to provide a down payment equal to 3 percent of the home purchase price, of which one percent must come from the borrower's own financial resources. To make homeownership more accessible, the City of Chicago Department of Housing will provide down payment and closing cost assistance to eligible borrowers through its City Mortgage Program.

To qualify for the Choose to Own program, borrowers should have been employed for at least two years and earn at least \$10,300 a year. Borrowers must also prepare for the financial responsibilities of homeownership by participating in CHAC's Family Self-Sufficiency program, a comprehensive effort that provides counseling and other services needed to help participants

secure jobs and achieve economic independence.

The Spanish Coalition for Housing, Neighborhood Housing Services of Chicago, the Latin United Community Housing Association, and the Rogers Park Community Development Corporation, are providing the borrower counseling. In addition, the Lawyers Committee for Civil Rights has agreed to offer participants free legal services in connection with their home purchase.

Qualified families can obtain conventional, 30-year fixed rate mortgages through Harris Bank, Mid-America Bank, Citibank, or ShoreBank. Freddie Mac and Fannie Mae, another major investor in residential mortgages, have agreed to purchase the mortgages, ensuring a constant flow of mortgage credit that will help additional families become homeowners.

Freddie Mac is a stockholder-owned corporation chartered by Congress in 1970 to create a continuous flow of funds to mortgage lenders. By supplying lenders with the money to make mortgages and packaging the mortgages into marketable securities, Freddie Mac sustains a stable mortgage credit system and reduces the mortgage rates paid by homebuyers. Over the years, Freddie Mac has opened the doors for one in six homebuyers in America and two million renters.