

## Guidelines and Procedures

The purpose of the Northwest Home Equity Assurance Program (NWHEAP) is to guarantee that the value of the property of each Participant of the program shall not fall below its fair market value established at the time the Participant registers in a program, provided that the Participant remains in the program for at least five (5) years; keeps the property well maintained; continuously occupies the property as his or her principal residence, or a family member continuously occupies the property as a principal residence; and adheres to the guidelines of a program. By providing such a guarantee, NWHEAP intends to provide relief only from specifically local adverse housing market conditions within the territory of the program as they may differ from municipal-wide, regional, or national housing conditions. NWHEAP is not intended to provide relief from physical perils such as natural disasters or acts of God or from depreciation due to failure to maintain a residence. Furthermore, the program is not intended to provide, serve as, or replace homeowner's insurance or other conventional forms of insurance.

The NWHEAP Commission hereby establishes the following guidelines and procedures to implement a procedure for review of claims made by its Participants for relief under the Home Equity Assurance Act.

All capitalized terms referred to herein shall have the meanings stated in the Home Equity Assurance Act.

1. The Participant or family member is required to continuously occupy the property as his or her principal residence and keep the property well maintained until the property is sold.
2. The guarantee only applies to sales made five (5) years or more after the date of issuance of the Certificate of Participation or three (3) years after a subsequent Certificate of Participation.
3. When a Participant intends to list a residence on the market for sale the Participant must file a "Notice of Intent to Sell" in person during regular business hours at the Northwest Home Equity Assurance Commission office. A Participant is not eligible to file a "Notice of Intent to Sell" until five (5) years after the Participant's registration date or three (3) years after a subsequent Certificate of Participation. The Participant will be required to begin listing the property at a price no less than the Program's guaranteed amount. For example, if the guaranteed amount is \$100,000.00, the beginning listing price will be \$100,000.00 or more. Forms for this purpose are available at the Commission's office during regular business hours. Upon "Notice of Intent to Sell" the Commission will provide you with a copy of the pertinent State Statute (65 ILCS 95/1 et Seq) (Act), and these program guidelines in person or by registered mail.
4. Within sixty (60) days of receipt of Participant's "Notice of Intent to Sell" the Commission shall have a program appraiser inspect Participant's residence at the Commission's expense to determine if Participant's residence is in substantially the same condition as described by the

program appraisal attached to the Certificate of Participation. If the residence fails to meet this standard, the program appraiser shall

- (1) determine the percentage depreciation of the guaranteed residence due to failure to maintain the premises or due to physical perils or other causes not covered by the NWHEAP program,
- (2) multiply the percentage figure by the guaranteed value to determine the dollar depreciation in coverage, and (3) subtract the dollar depreciation from the guaranteed value to derive a lower guaranteed value to be used for the purpose of determining the amount of payment under the program.

At the time of the appraisal the guaranteed value of the Participant's property may be further reduced due to non-local economic conditions as described in Section 9 of these guidelines and procedures.

Additionally, the appraiser will determine the current value of the property. Participants are required to make their residence available to a program appraiser within a reasonable time within the sixty (60) day period after receipt of a notice of inspection from the Commission or coverage under the program shall be null and void and the participation registration fee shall be forfeited.

5. If the Participant has not sold his or her residence within ninety (90) days after filing the "Notice of Intent to Sell" the guaranteed residence, and has complied with the preceding procedures, the Participant must file a "Notice of Intent to Claim" form in person at the Northwest Home Equity Assurance Commission office. Forms for this purpose are available at the Commission's office during regular business hours. Such forms shall include verifiable evidence of placement on the market, dates of the placement, and shall list all reasonable offers to purchase the property. Verifiable evidence must include copies of advertisements for sale, a contract with a licensed real estate broker, or other evidence which a majority of the Commission finds satisfactory.

6. Upon receipt of the "Notice of Intent to Claim," the Commission has sixty (60) days during which it shall require the Participant to list the residence at a price the Commission has determined reasonable with a real estate broker agreed upon by the Commission and the Participant. The chosen real estate broker shall advertise the residence throughout the municipality and the Multiple Listing Service which encompasses the program territory. If the listing price is reduced, a new sixty (60) day period begins to run on the day that the Commission approved the price change. The listing price may not be changed without written notification and Commission approval, provided in writing. The Commission may make this determination in-person, telephonically or in writing.

7. During the sixty (60) day period described in paragraph (h) of Section 8 of the Act, the Participant shall forward to the governing commission all offers of purchase by either personal delivery or registered mail. If the Participant receives an offer of purchase which can reasonably be expected to be consummated if accepted and whose gross selling value is greater than the guaranteed value of the guaranteed residence, no benefits may be claimed

under the program. If the Participant receives an offer to purchase at a gross selling value that is less than the guaranteed value, the governing commission shall, within seven (7) working days of the receipt of such offer, either:

(1) approve the offer, in which case the governing commission shall authorize the payment of the amount afforded under this Act upon receipt of the gross selling value price listed on the RESPA (Settlement Statement or HUD-1) form as verifiable evidence of the sale of the guaranteed residence subject to the following conditions: (i) sales involving eminent domain shall be covered as set forth in paragraph (l) of Section 8 of the Act; (ii) sales subsequent to an insured property and casualty loss shall be guaranteed for the guaranteed value as determined according to paragraph (e) of Section 8 of the Act; (iii) contract sales shall be guaranteed as determined by the guaranteed value in paragraph (e) of Section 8 of the Act, however proceeds payable from the program shall be disbursed in equal annual installments over the life of the contract; or

(2) reject the offer, in which case the Participant shall continue showing the guaranteed residence until the termination of the sixty (60) day period; or:

(3) match the offer, and purchase the property from the Participant. A written offer of less than the current appraised value must be submitted to the commission for a determination of whether the offer is bonafide.

8. No guarantee is allowed until a minimum of sixty (60) days after a Participant files a "Notice of Intent to Claim" or the Participant receives a bonafide offer. The Commission shall not consider paying a claim until the Participant receives a bonafide offer. Whether an offer is bonafide is a decision for the majority of the commissioners to determine. During the sixty (60) day period, the Participant must provide proof that the property has been actively listed at a price the Commission determined reasonable with a real estate broker of the Participant's choosing. The Commission shall pay the difference in benefits to the Participant only upon receipt of the gross selling value listed on the RESPA (Settlement Statement or HUD-1) form as verifiable evidence of the actual closing sale of the guaranteed residence, in accordance with the Act and Program Guidelines.

If a Participant rejects an offer for purchase which has been submitted to and approved by the governing commission, the governing commission or program shall not be liable for any future guarantee payment larger than that authorized for this proposed sale. Except as otherwise provided in this Act, payments under the program as provided in Section 7 of the Act shall not be made until the sale of the guaranteed residence has closed and title has passed or the beneficial interest has been transferred. The amount paid will be calculated based on the difference between the guaranteed value and the gross selling value listed on line 101 of the RESPA (Settlement Statement or HUD-1) form, and as further adjusted by the Program Guidelines adopted to adjust (account) for non-local adverse economic conditions.

9. The Home Equity Assurance Act requires NWHEAP to identify the loss of property value attributable to a "housing market recession" (HMR) as identified in the Home Equity Assurance Act (65 ILCS 95/1 et seq.). The Home Equity Assurance act states in part, Sec. 13. Economic crisis or housing market recession. A program created under this Act provides a guarantee only

against specifically local adverse housing market conditions within the territory of the program as they may differ from municipal, regional, or national housing conditions. A program shall not provide relief from adverse municipal wide, regional, or national housing market conditions as they may affect local housing conditions. A program shall not guarantee against a decline in the value of housing due to economic forces such as a national, regional, or municipal recession or depression. In the event of a regional decline in the value of housing in the municipal, regional, or national housing markets, the governing commission may temporarily suspend coverage under the program in order to protect the fiscal integrity of the guarantee fund. For the purposes of this Section, a regional decline in the value of housing is defined as a five percent (5%) annual decline in the median value of existing houses in any twelve (12) month period for the nation, Midwest region, State of Illinois, or municipality in which the program is located, according to statistics published by the National Association of Realtors.

The NWHEAP has used the National Association of Realtors (NAR) Median Sales Price of Existing Single-Family Homes for Metropolitan Areas, specifically the Chicago-Naperville-Joliet IL (CBSA Code 16980) metropolitan area, where the final 2007 single family housing sales compared to the final 2008 single family housing sales indicated a substantial housing market recession. The final 2007 median, single family housing sales for the metropolitan Chicago area shall be the baseline figure upon which the current Housing Market Recession (HMR) shall be evaluated. The NWHEAP shall monitor the final single housing sales published by the NAR for the years following 2008 to determine if and when the regional HMR continues or a recovery from an HMR has occurred. Since the Commission has authorized an HMR finding based on the statistics of the continuous twelve (12) month single family housing sales between the end of 2007 and the end of 2008, the Commission's Director will prepare a chart to indicate the adjustment to Program Participant Appraisals (see Chart 1-A, attached) and a Recession Value Loss (RVL) will be published on the NWHEAP website. A copy of this chart, to be updated annually until full recovery from the HMR, will also be presented to Program Participants who submit a "Notice of Intent to Claim." The Director of the NWHEAP will adjust the 'Guaranteed Value' on the "Notice of Intent to Claim" form to reflect the loss of value due to the HMR not covered by the Program.

The RVL due to an HMR will be determined in the following manner:

- 1) The final year-to-year median single-family sales price in the metropolitan area will be compared annually to the 2007 Baseline (or subsequent baseline), should the median value not equal the 2007 median, the HMR shall be considered ongoing; NWHEAP will recognize an end to the HMR when the 2007 baseline median value (or subsequent baseline) has been equaled or exceeded;
- 2) RVL due to an HMR is the percentage difference between the 2007 baseline median value and most recent end-of-year median sales price; the difference between the two annual reports is divided by the median sales of the 2007 baseline year (or subsequent baseline) and the percent difference will equal the RVL on appraised properties;

3) Once an HMR finding by the Commission has been established, subsequent annual median sales prices shall be compared to the initial 'baseline' year (2007) (or subsequent baseline) and RVL due to the HMR will be adjusted up or down until equal to or exceeding the median sales price of 2007 (or subsequent baseline) at which point the HMR shall be declared at an end by the Commission.

4) When processing claims made by Participants who joined the program in 2007 or prior years, the RVL calculated by the Commission will be applied to the guaranteed value of the Participants property to determine the current guaranteed value.

EXAMPLE: The RVL is determined by the NWHEAP to be thirty percent (30%). The Participants original guaranteed property value with the Northwest Home Equity Assurance Program is \$200,000, and the gross selling price is \$100,000. The original guaranteed property value shall be reduced by the RVL, thirty percent (30%), as a result of non-local adverse economic conditions resulting in a new guaranteed property value of \$140,000. This calculation will provide a for a claim amount of \$40,000.

5) Adjustments to the guaranteed property value of all program participants who joined the NWHEAP during or before the "baseline" year will continue by the method described above until the median sales price of 2007 (or subsequent baseline) is equaled or surpassed.

6) Program participants who join during the year 2008 or in subsequent years following an HMR finding has been authorized by the NWHEAP Commission will not be impacted by the current HMR calculations unless market conditions worsen in years following their enrollment date. If HMR conditions are met beginning with their enrollment or in subsequent years, using the enrollment year as a 'baseline' year, an RVL specific to these participants will be declared, calculated and monitored until a recovery from an HMR has been indicated as described above.

7) The Director of the NWHEAP will be responsible for informing the Commissioners that the statutory definition of an HMR now applies to these new participants. After authorization of a finding of an HMR for this group, all other necessary steps by the Director will be taken in the manner described above.

Annual adjustments to guaranteed appraised property values shall continue until recovery from the HMR has been completed as explained above. This Program Guideline shall not apply to Participant residences registered after January 1, 2013, unless an adjustment is required based on subsequent events and studies.

The Director is responsible for obtaining timely NAR annual median sales reports for the metropolitan area so that sales data can be analyzed and reported to the Commissioners for possible action (i.e., changes to the RVL or a finding of an HMR or Recovery from an HMR). The Director is responsible for transmitting "Notice" of Commission findings and/or any action taken by the Commissioners to the program participants and the NWHEAP territory taxpayers (public). "Notice" to program participants shall be satisfied by posting appropriate information

on the Program Website and an informational mailing describing the action and/or finding of the Commissioners to all program participants. "Notice" to the public shall be satisfied by posting appropriate information on the Program Website and a press release to the local community newspapers.

10. If a Participant disagrees with a guaranteed value or depreciation amount, the Participant may appeal in writing to the Commission as set forth in Section 10 of the Act, 65 ILCS 95/10.

Copy delivered by: Date \_\_\_\_\_ Commission Representative

Copy received by: Date \_\_\_\_\_ Participant