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## Banks give \$200 million for low-income housing loans

By Ally Marotti



A rehab of this South Side property at 6034-52 S. Prairie was funded by a CIC loan.

Nonprofit lender Community Investment Corp. has raised \$200 million from three dozen banks to finance the acquisition and rehabilitation of apartments in low- to moderate-income areas in Chicago.

CIC plans to use the money to fill a hole in lending created during the housing crisis that has been slower to close in some neighborhoods than others. Lenders that pulled out during the crash have returned to the city's more affluent neighborhoods, where the **rental market is booming**, but owners of inexpensive apartments in areas like the South Side still struggle to find funding.

"The recovery is well underway throughout Chicago," said Jack Markowski, president of Chicago-based CIC. "In the stronger areas of the city, in the strong markets, there's a vibrant lending environment. ... But there's a much slower gradual recovery that still faces many challenges in the low- and moderate-income areas of the city."



Jack Markowski

CIC will loan the \$200 million over about five years, Markowski said. The goal: To preserve 7,500 affordable rental apartments and house 18,000 people.

CIC raised the money through its Multifamily Loan Program, which started in 1984. After **raising \$400 million** in 2010 in its last fundraising round, CIC lowered its target this year because lending in poorer neighborhoods, while still lacking, has improved.

CIC's core customers are apartment investors that own and fix up buildings with five to 100 units. Its limit on an individual loan is \$5 million, but most of its loans run between \$300,000 and \$1 million.

Apartment lending has picked up in the city's poorer South and West Side neighborhoods since the crash, but not as much as it has in wealthy North Side communities. Landlords in higher-income areas of Cook County borrowed about \$1.6 billion in 2013, up 29 percent from 2005, according to a **report** from the Institute for Housing Studies at DePaul University released in October. But multifamily lending in low- to moderate-income areas in the county totaled \$691 million, down 47 percent from 2005.

"If I was doing something on the North Side, I can get financing all day long. Anybody's going to give it to me on the North Side," said John Brauc, president of Checkmate Realty & Development, a Chicago-based firm that acquires and renovates troubled apartment buildings. "In the lower income areas, it's a little tougher. I'm not saying you can't get it. It's just tougher."

Thirty-seven banks contributed to the CIC loan pool, including PNC Bank, Fifth Third Bank and BMO Harris Bank. Participating banks are eligible for credit under the Community Reinvestment Act, the federal law encouraging banks to lend in low- and moderate-income areas.

Commercial banks tend to shy away from rental housing lending in poorer neighborhoods because the loans are riskier, creating a need for nonprofits such as CIC to step in. CIC's overall \$220 million portfolio has a delinquency rate of about 8.5 percent.

Chas Hall, executive vice president and head of lending at Oak Brook-based Leaders Bank, one of the contributing banks, said linking arms with CIC helps reduce the risk of investing in low- to moderate-income areas.

"CIC delivers a reasonable return and because of the pool nature of the investment, it spreads the risk around significantly," he said. It also "enables us to penetrate a little deeper into a market that's a very important market for us to be in."

There were more than 523,000 households in Cook County in need of affordable housing in 2012, and only 347,000 affordable units available, according to the DePaul report. A unit was defined as affordable if its annual rent equaled 30 percent or less of the income of a household earning 150 percent of the poverty level.

Geoff Smith, the institute's executive director, sees CIC's loan program as a way out to close that gap and address blight in struggling Chicago neighborhoods.

The projects that CIC will finance "are helping to stabilize the neighborhoods," he said. "CIC is a really critical institution in filling this key lending space, and this pool allows them to continue to do that."

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