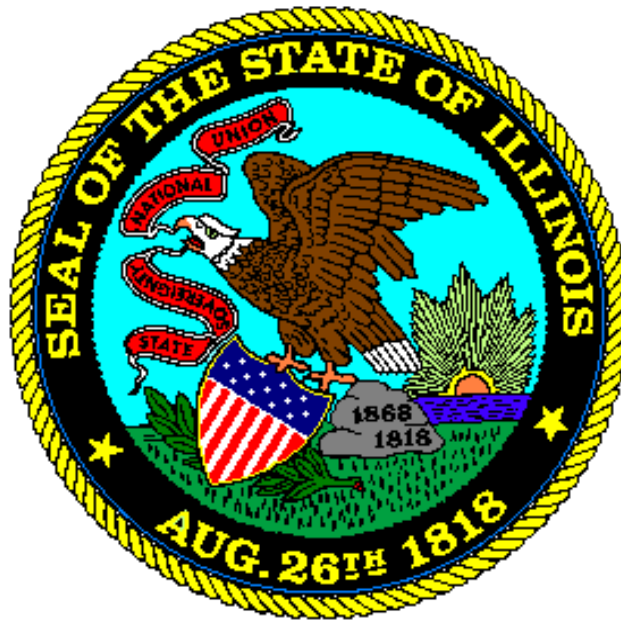


**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
November 1, 2019**



**Governor JB Pritzker  
Secretary Deborah Hagan  
Department of Financial and Professional Regulation**

**ABOUT THE INFORMATION IN THIS REPORT**

THIS REPORT IS BASED ON STATISTICAL INFORMATION FROM THE ANTI-PREDATORY LENDING DATABASE ("APLD") PURSUANT TO 765 ILCS 77/70. THE APLD WENT INTO EFFECT ON JULY 1, 2008.

# Illinois Department of Financial and Professional Regulation

## Office of the Secretary

JB Pritzker  
Governor

Deborah Hagan  
Secretary

November 1, 2019

Governor JB Pritzker  
207 State House  
Springfield, IL 62706

Illinois General Assembly  
State House  
Springfield, IL 62706

Dear Governor Pritzker & Members of the General Assembly:

As required by Section 70(k) of the Residential Real Property Act, enclosed is the Department's semi-annual report detailing certain findings regarding the Anti-Predatory Lending Database Program. We are grateful for the opportunity to provide you this report. If you have any questions, please do not hesitate to contact me at (217) 785-2165 or [Deborah.Hagan@Illinois.gov](mailto:Deborah.Hagan@Illinois.gov).

Very truly yours,



Deborah Hagan

## Summary of Anti-Predatory Lending Database (APLD) Program

- As a result of the financial crises in 2008, in part due to predatory mortgage loans, the APLD was conceived. The APLD's purpose is to combat predatory lending practices by increasing the borrowers' understanding of the loans they are considering and thereby reduce the number of foreclosures resulting from inappropriate loans. The act does not prohibit any type of loan. It is solely the borrowers' decision whether to proceed.
- Loans that trigger the APLD's counseling requirement continue to be offered in the program area and represent approximately 0.7% of all loans entered into the APLD. Loans that trigger the counseling requirement include adjustable rate, interest-only and negative amortization loans, as well as loans with points and fees exceeding 5% of principal, and loans with prepayment penalties.
- Product offering trend data suggests the APLD's counseling requirement has deterred loan originators from offering loans with predatory or exotic characteristics.
- On average, it takes 1.67 *fewer* days to close a loan *with* counseling than to close a loan *without* counseling (calculated since program inception on July 1, 2008). This differential has been steadily changing from a high point of 8 days *longer* in 2010.
- Since the program's inception, a total of 9,351 loans required borrower counseling. Of these, 3,928 (42%) loans were closed, and 5,423 (58%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 56%.
- The APLD has facilitated timelier licensing renewals, enhanced data accuracy, and enforcement actions by the Illinois Department of Financial and Professional Regulation (IDFPR).
- APLD data has supported investigations and disciplinary actions by enabling IDFPR to uncover fraudulent lending activity, unlicensed activity, unregistered loan originators, unreported branch offices and unreported changes of a licensee location.
- IDFPR examiners routinely access the database's reporting capabilities to analyze data in real time. This has enhanced examination capabilities. Reports from the APLD are required for all examinations and have been used to support findings and ratings.
- IDFPR has found no evidence that the APLD restricts responsible mortgage lending in the four-county program area.

## APLD FACTS AT A GLANCE<sup>1</sup>

(Cumulative to date since program inception on July 1, 2008)

- Loans registered with the APLD: **1,263,087**
- Loans closed: **706,900**
- Borrowers requiring counseling: **12,881**
- Borrowers requiring counseling by county: Cook (**10,868**); Kane (**434**); Peoria (**127**); Will (**808**); n/a (**644**)
- Loan types requiring counseling:<sup>2</sup>
  - Interest-Only Loans: **2,609**
  - Negative Amortization Loans: **1,323**
  - Loans with Points and Fees Exceeding 5%: **2,484**
  - Loans with Prepayment Penalty: **2,698**
  - Adjustable Rate Loans: **1,266**
- **29,125** loans triggered the counseling requirement as originally entered but were thereafter modified to no longer require counseling.
- Actively licensed mortgage brokers/loan originators who have entered loans into the APLD: **7,727**<sup>3</sup>

### Investigations and Other Regulatory Actions Based on APLD Information

During the reporting period, April 1, 2019 – September 30, 2019, 6 investigations and enforcement actions resulted from information obtained from the APLD. These actions involved:

- Mortgage banking licensees (2)
- Mortgage loan originators (3)
- Title agents (1)

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<sup>1</sup> Statistics for each county can be found in the table on page 9.

<sup>2</sup> The total number of loans reflected in this section does not match the total number of borrowers requiring counseling because individual mortgage loans often have more than one borrower, borrowers may have chosen not to attend counseling (and thus not proceeded with the loan), or the loan may have contained multiple counseling triggers.

<sup>3</sup> Number reduced from previous reports to exclude brokers and originators who have not entered a loan into the APLD.

## **Types of Non-Traditional Mortgage Products Being Offered and Lending Trends**

The regularity of non-traditional mortgages being offered in the market place has increased since the last report, an increase of 9%. This was a modest increase compared to the dramatic increase in the number of loans registered this period. Loans registered has increased from 45,325 to 77,464, a 71% increase. These types of mortgages include: interest-only loans, negative amortization loans, pre-payment penalty loans, adjustable rate loans with initial terms of three years or less and loans with points and fees exceeding 5%. Loan terms such as these constitute “triggers,” such that counseling is mandatory.

The APLD allows IDFPR to track lending trends. During the reporting period, October 1, 2018 – March 31, 2019, the APLD data reflected a 71% increase in the number of loans registered with the APLD. Refinancing activity for the period more than doubled from 15,005 to 34,983, a 133% increase, while purchase activity increased 42% to 37,519 loans. First-time home buyer activity increased almost 37% to 30,781. Interest rates in the past 6 months have hovered at near all-time lows. Current data from The Mortgage Daily News reports in their daily newsletter dated 10/08/2019, “refinancing in this market makes sense for nearly 8 million homeowners.” With these kinds of increases in refinancing and purchase loan activity also comes increases in the origination of predatory loans tracked by the APLD.

Registration of Interest-Only Loans more than doubled from 33 to 69, while Loans with Points and Fees Exceeding 5% decreased 11% to 341, from 382 loans. Although this category went down, originations remained at a high level. This category has been preferred by loan originators the past two years, when originating predatory loans. A listing of the number of loans that were offered in each “trigger” category may be found on pages 8-9 of this report. For the fourth straight reporting period, points and fees exceeding 5% required the most counseling. Negative Amortization Loans followed by interest-only loans and Adjustable Rate Loans completing the list (same order as last reporting period).

The mortgage and real-estate markets continue to demonstrate volatility. Mortgage interest rates remain very low, in the area of 3.5% for a 30-year conventional. According to Zillow, real-estate values continue to rise, on an average of around 7.5% nationwide, but appreciation is slowing. The low interest rates are responsible for the impressive increase in mortgage activity. It was reported by The Mortgage Leader Publication that overall Independent Mortgage Bankers production volume was down overall in 2018, but at record levels for 2019.

APLD data from this reporting period continues to contradict the common assertion that mortgage loans containing unfavorable or non-traditional terms are no longer being originated. The APLD program is an effective tool to track exotic loans, potentially damaging to the borrower and provides helpful counseling for borrowers to better understand the terms of the loan product. The APLD enables borrowers to make informed decisions on whether to utilize exotic loan products.

## **IDFPR Utilization of APLD Data to Combat Mortgage Fraud, Predatory Lending, and Other Questionable Practices**

IDFPR regularly uses APLD data to generate leads and verify and investigate potential lending-related violations. For example, during the reporting periods, title escrow servicers continue to engage in improper practices. Such practices included closing loans with certificates of exemption when a certificate of compliance was required, failing to enter loans into the database within 10 business days, not recognizing that counseling should have taken place, creating fraudulent certificates, and closing loans without ever being entered into the APLD. As a result, in each case the closing agent failed to enter the required data at the closing, depriving the borrower of the protection afforded by the closing agent's scrutiny of the final loan terms. Some loans are closed with no data entry by either the originator or closing agent by utilizing a certificate of exemption. It is still being learned that licensees are not aware of the improper closing procedures and failed to adequately audit their files post-closing. The Division of Banking's examination group are regular users of the APLD for examination audits of our licensees, keeping a watchful eye for failure to adhere to the Predatory Lending Database Program.

All APLD entries in which housing counselors have indicated "Indicia of Fraud" are investigated. IDFPR personnel often interview the counselor, loan originator, seller, and/or borrower. Subject files are constantly being requested from loan originators and brokers for review. Files are also reviewed for counselor comments such as "Close to Cannot Afford" or "Cannot Afford" and "borrower does not understand loan terms". The Unit Director has in the past and has recently again been asked to participate on a webinar on the subject of APLD counseling and the role HUD Housing Counselors play in that counseling.

IDFPR requires licensees to submit a monthly report of loan repurchase demands. IDFPR routinely reviews selected files based on demand reasons and compares them to data that was entered into the APLD to ensure full compliance with lending laws and regulations. The files are reviewed for practices such as fraudulent documentation, misrepresented income and fraud as to occupancy. The reports of repurchase demands have become an expanding source for revealing fraudulent trends with our database users.

IDFPR analyzes data regarding properties resold for a higher price within 10 days to search for illegal "flipping."

IDFPR routinely tracks the APLD for loans in which payment-to-income ratios are greater than 40%. Debt-to-income ratios are also tracked. Loans found to contain excessive ratios will result in an IDFPR audit to determine whether the lender failed to verify the borrower's ability to repay the loan, as required by law.

Inaccurate data entry by loan originators had been a recurring problem. This compromises the integrity of the data available to IDFPR and diminished the usefulness of the database. Enforcement actions have resulted in the increased accuracy of the data being entered. A report has been created which allows administrators of mortgage licensees to monitor the data input of

their loan originators. As a result of IDFPR scrutiny, the incidences of inaccurate data entry have declined significantly.

Custom reports are generated on a regular basis at the request of IDFPR, examiners, investigators, and the APLD team when specific information is required.

### **Other Initiatives**

In October of 2015 IDFPR successfully implemented an APLD electronic interface system that can be integrated into substantially all commercially available mortgage loan origination software. The interface, when integrated, allows Illinois mortgage licensees, both in and out of state, to electronically transfer loan files from their proprietary loan origination systems directly into the APLD database. Previously licensees were required to manually input much of the same loan data into both systems, which resulted in duplicative effort that was time consuming and expensive. The interface was developed at no cost to the state and there is no cost to the industry for its connection. It is the licensees' option and responsibility to integrate the interface into their operating systems. Recently an additional File Upload option was developed and introduced which makes it easier for licensees to enter loans into the database. This option was created with our smaller licensees in mind, where its implementation requires minimal resources. Specifications for the interface were initially distributed to 880 licensees. Licensees have developed, are developing or in the process of developing the interface. Currently the APLD Program is in the process of further modernizing and updating the process of data entry into the database. On September 15, 2017 Senate Bill 776 was signed into law as Public Act 100-0509 which modernizes and streamlines several of the processes under the current APLD Program, and there is currently additional legislation waiting/pending approval. These changes to the APLD will make it more user friendly for both industry and borrowers while still providing borrowers with the knowledge necessary to make sound financial decisions about home ownership. We're going to have a new look soon. The APLD team is working along with Veritec Solutions on updating the APLD logo, color scheme and other graphics on the APLD web page. Modernizing and streamlining the APLD Program is an ongoing project, intended to make the APLD a better experience for all. It is estimated that if all licensees implemented the interface, as many as 55,000 hours of wasted time could be eliminated. In addition to saving time and costs, we anticipate that implementation of the interface will enable our licensees to be more compliant.

## STATISTICAL INFORMATION

Required Data Pursuant to Act:	October 2019 Reporting Period (4/1/19 - 9/30/19)	April 2019 Reporting Period (10/1/18 - 3/31/19)
<b>Loans Registered with APLD<sup>4</sup></b>	<b>77,464</b>	<b>45,325</b>
Refinancing Primary Residence	34,983	15,005
Purchasing Primary Residence	37,519	26,469
First Time Home Buyers	30,781	22,491
<b>Loans Closed in APLD</b>	<b>43,594</b>	<b>23,666</b>
<b>Borrowers Requiring Counseling</b>	<b>656</b>	<b>590</b>
<b>Loans Requiring Counseling<sup>5</sup></b>	<b>564</b>	<b>514</b>
Interest Only Loans	69	33
Negative Amortization Loans	166	109
Loans with Points and Fees Exceeding 5%	341	382
Loans with Prepayment Penalty	0	0
Adjustable Rate Loans	55	29
<b>Loans Modified to No Longer Require Counseling</b>	<b>1,542</b>	<b>1,100</b>
<b>Loans Exempt from APLD</b>	<b>67,629</b>	<b>51,101</b>

<sup>4</sup> The totals may include loans that are in process or have been abandoned.

<sup>5</sup> The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.



<b>Required Data Pursuant to Act:<sup>6</sup></b>	<b>October 2019 Reporting Period (4/1/19 - 9/30/19)</b>			
	<b>Cook County</b>	<b>Kane County</b>	<b>Peoria County</b>	<b>Will County</b>
<b>Loans Registered with APLD<sup>7</sup></b>	<b>56,806</b>	<b>7,446</b>	<b>985</b>	<b>11,796</b>
Refinancing Primary Residence	25,864	3,231	319	5,406
Purchasing Primary Residence	27,045	3,829	629	5,831
First Time Home Buyers	23,030	2,803	486	4,301
<b>Loans Closed in APLD</b>	<b>32,132</b>	<b>4,291</b>	<b>486</b>	<b>6,646</b>
<b>Borrowers Requiring Counseling</b>	<b>507</b>	<b>42</b>	<b>18</b>	<b>73</b>
<b>Loans Requiring Counseling<sup>8</sup></b>	<b>440</b>	<b>35</b>	<b>13</b>	<b>63</b>
Interest Only Loans	50	9	0	8
Negative Amortization Loans	107	17	7	31
Loans with Points and Fees Exceeding 5%	287	12	7	27
Loans with Prepayment Penalty	0	0	0	0
Adjustable Rate Loans	37	6	0	11
<b>Loans Modified to No Longer Require Counseling</b>	<b>1,095</b>	<b>146</b>	<b>42</b>	<b>228</b>
<b>Loans Exempt from APLD</b>	<b>34,758</b>	<b>3,073</b>	<b>720</b>	<b>4,039</b>

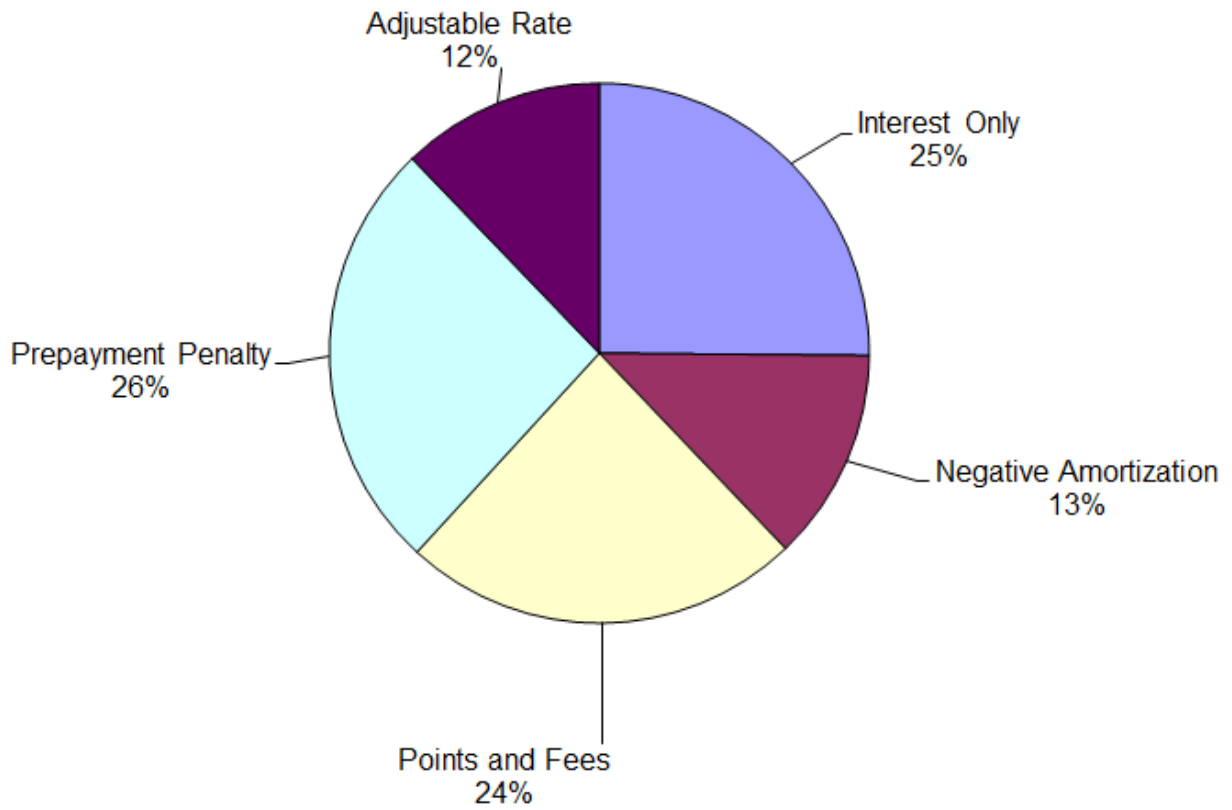
<sup>6</sup> County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

<sup>7</sup> The totals may include loans that are in process or have been abandoned.

<sup>8</sup> The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.

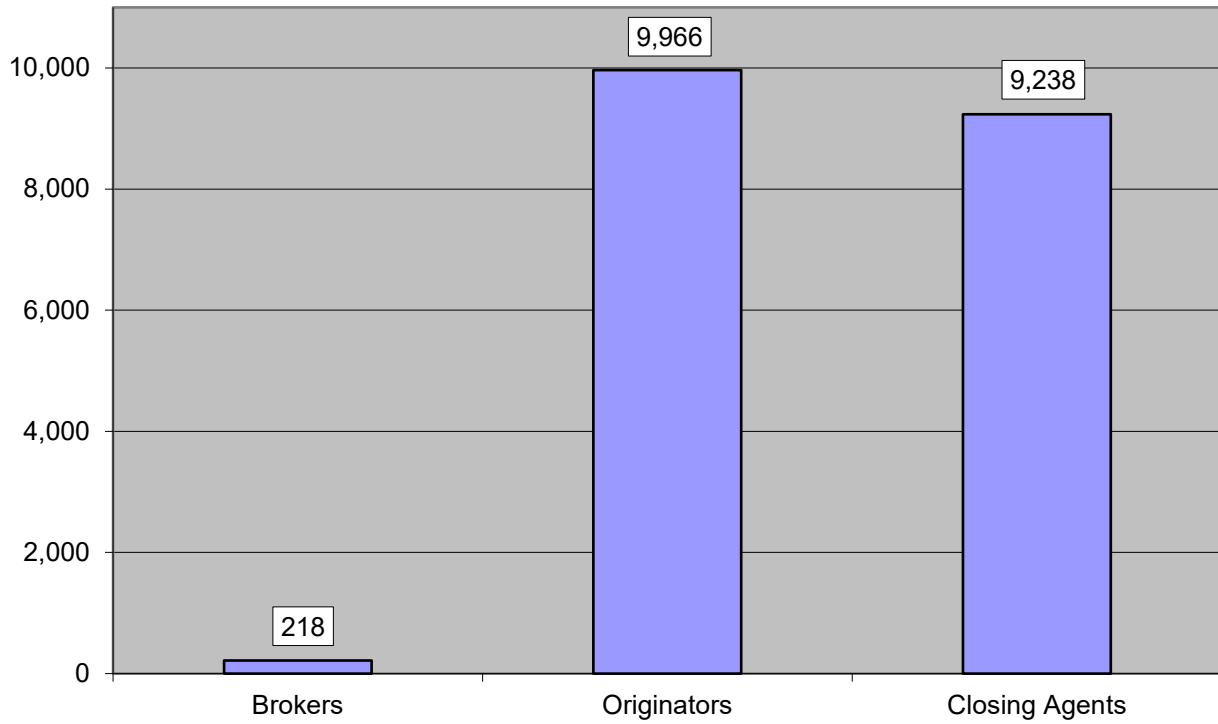
**APLD Product Summary**

**Types of Loans Triggering the Counseling Requirement  
(Since program inception)**



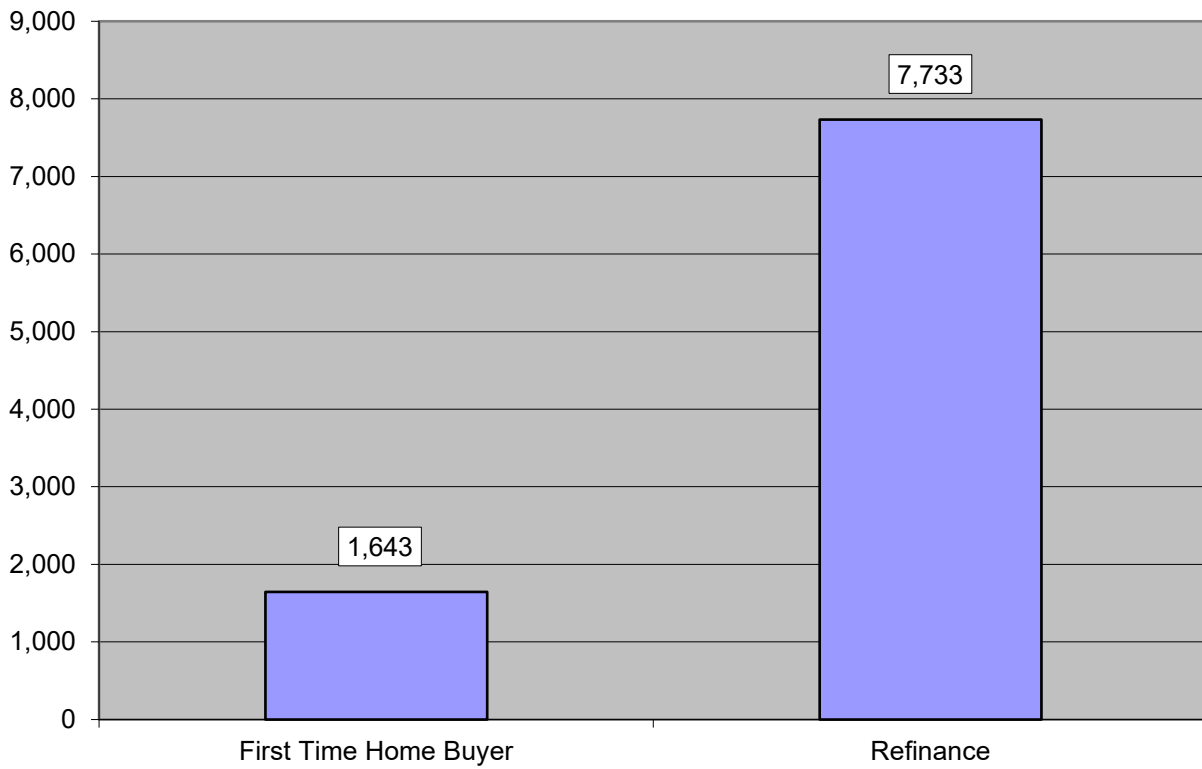
**APLD User Summary**

**Number of Individual Brokers, Loan Originators, and Closing Agents with Access to the APLD in the Four County Program Area**  
(Since program inception)



## APLD Loan Profile

**The majority of loans requiring counseling are refinances of existing properties.**  
(Since program inception)



## Summary of Average Time to Closing

**Counseling requirement decreased time to close by 1.67 days on average.**  
(Since program inception)

