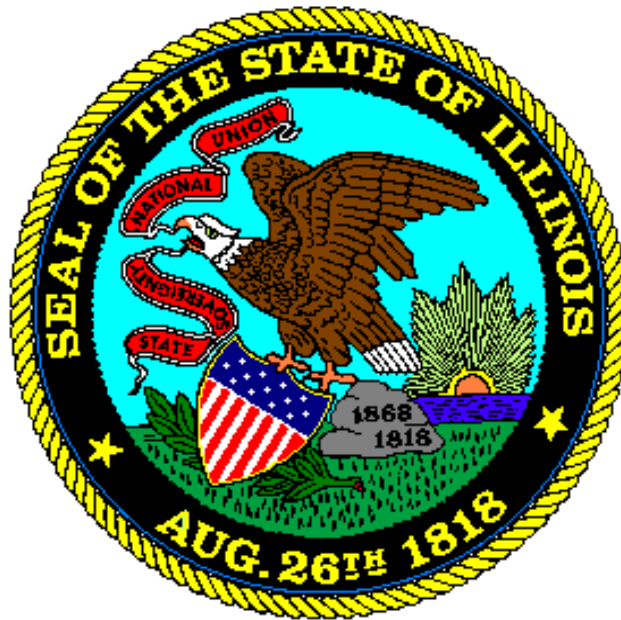


**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
May 1, 2022**



**Governor JB Pritzker  
Secretary Mario Treto, Jr.  
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

Mario Treto, Jr.  
Secretary

May 1, 2022

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 [Mario.Treto@Illinois.gov](mailto:Mario.Treto@Illinois.gov).

Very truly yours,

A handwritten signature in blue ink that reads "Mario Treto, Jr." with a stylized flourish at the end.

Mario Treto, Jr.

## 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. The APLD also collects important data to allow the Department to track mortgage lending trends and provides data to support other investigations.
- 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 non-traditional characteristics. Since the program's inception, a total of 12,601 loans required borrower counseling. Of these, 3,970 (32%) loans were closed, and 8,631 (68%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 57%.
- On average, it takes 4.3 *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.
- 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, which 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 of Cook, Will, Kane and Peoria counties.

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

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

- Loans registered with the APLD: **1,893,082**
- Loans closed: **1,069,698**
- Borrowers requiring counseling: **16,674**
- Borrowers receiving counseling: **7,196**
- Borrowers requiring counseling by county: Cook (**13,721**); Kane (**714**); Peoria (**207**); Will (**1,322**); n/a (**710**)<sup>2</sup>
- Borrowers receiving counseling by county: Cook (**6,429**); Kane (**148**); Peoria (**15**); Will (**202**); n/a (**402**)<sup>3</sup>
- Loan types requiring counseling:<sup>4</sup>
  - Interest-Only Loans: **3,108**
  - Negative Amortization Loans: **2,120**
  - Loans with Points and Fees Exceeding 5%: **4,367**
  - Loans with Prepayment Penalty: **2,709**
  - Adjustable Rate Loans: **1,755**
- **37,087** 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: **13,070**<sup>5</sup>

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

During the reporting period of October 1, 2021 through March 31, 2022, IDFPR worked toward resolution of the pending investigations into mortgage banks and title companies. IDFPR entered a consent order with one title company pertaining to its failure to audit its APLD activity pursuant to a non-disciplinary agreement. IDFPR also investigated six additional title companies. IDFPR utilized the APLD to support investigations of unlicensed loan origination activity.

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

<sup>2</sup> Loans with invalid zip codes.

<sup>3</sup> Loans with invalid zip codes.

<sup>4</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>5</sup> Number reduced from previous reports to exclude brokers and originators who have not entered a loan into the APLD.

Several mortgage bank investigations remain pending, including an investigation for failing to enter loan applications into APLD.

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

The Semi-Annual Report dated May 1, 2021, reported that the number of loan applications input into the APLD for that reporting period, 153,497, was the highest in the twelve-year history of the APLD. The Semi-Annual Report dated November 1, 2021, saw a decline in that number to 138,516 loans applications input in the APLD – a percentage decline of 9.76%. This reporting period saw another, more significant, decline in the number of loan applications input into the APLD. The total loan applications input this reporting period was 98,595 - a percentage decline of 28.8% from the last reporting period. Refinancing activity decreased by 25,272 loan applications from the last reporting period, while purchase activity also declined by 13,724 loan applications. Furthermore, first-time homebuyer activity declined by 12,447 from the last reporting period. While loan applications registered with the APLD are down from the previous three reports, they still remain above the May 2020 reporting period of 87,374 (*See* May 1, 2020 Semi-Annual Report).

Although there was a significant decrease in the overall numbers of loan applications, there was a 39.9% increase in the number of applications for loans requiring housing counseling. Applications for loans with negative amortization, loans with points and fees exceeding 5% of the loan amount, and loans with prepayment penalties all increased during this reporting period. The number of loans that were interest only loans or adjustable rate loans, on the other hand, decreased during this reporting period. Notably, the highest category of applications for loans requiring housing counseling was because of point and fees exceeding 5% of the loan amount. This was also true in the last reporting period. Applications for loans with points and fees exceeding 5% increased by 61% in this reporting period. During this reporting period, 73% of the applications for loans requiring housing counseling was because of points and fees exceeding 5%. Since the APLD's inception, only 31% of the types of loans requiring housing counseling was due to points and fees exceeding 5%.<sup>6</sup> Thus, the amount of loan applications with points and fees exceeding 5% of the loan amount was uncharacteristically high during this reporting period.

This report marks the fourth full six-month period of reporting under the COVID-19 pandemic. Governor Pritzker issued a disaster proclamation and shelter-in-place order for the State of Illinois in March 2020. The ongoing effects of the pandemic continue to impact the mortgage industry on different levels. While slightly less than 750,000 loans remain in forbearance as of

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<sup>6</sup> A reminder for historical review that the total loan applications requiring housing counseling during the previous reporting periods decreased slightly due to an adjustment in the system to eliminate a frequent broker error. Where the APLD system asked the broker to answer whether the loan had negative amortization, the defaulted answer was "yes." After investigations revealed that brokers were selecting "yes" by accident, the system was adjusted to default to "no," on January 13, 2021. The adjustment resulted in a significant decrease in applications in the system indicating a trigger for negative amortization. It is unclear how many of the previous loans indicated to have required housing counseling for negative amortization may have been due to this broker error, but historical review of this data should properly note the policy adjustment.

March 22, 2022, over 400,000 have exited forbearance but remain delinquent and in active loss mitigation.<sup>7</sup>

Home prices continue to rise, with the average home price increasing by more than 34% since the February of 2020, pre-pandemic level.<sup>8</sup> Interest rates have also increased more than 1.25% since January 1, 2022.<sup>9</sup> Freddie Mac's primary mortgage market survey reports the average 30-year fixed rate mortgage at 4.72% for the week of April 7, 2022.<sup>10</sup> As a result, homeownership is at its lowest affordability level on record outside of the years 2004-2007.<sup>11</sup> Additionally, as result of rising interest rates, a rise in adjustable rate mortgages and other non-traditional mortgage products may be starting to develop.<sup>12</sup>

These current lending trends highlight the importance of programs like APLD. With an increase in the number of loans requiring housing counseling due to having points and fees greater than 5% of the loan amount, negative amortization, or prepayment penalties, it is crucial to remain vigilant around predatory lending practices. The APLD program is an effective tool to track non-traditional loans potentially damaging to the borrower and provides helpful counseling for borrowers to better understand the terms of the loan product. It is as important as ever to screen for predatory loans and make sure borrowers understand the terms of the loans they are signing.

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

IDFPR continues its weekly review of the audit it launched in Spring 2020 of certificates of exemption generated by closing agents and title companies with the reason selected "Application taken by exempt entity or person." These audits are important because, in such instances, title companies, brokers, and originators are closing transactions without entering any loan information into the APLD. IDFPR continues to reach out to title companies with high error rates and to see improvement with title companies' compliance. As IDFPR continues to further utilize APLD data in its investigations of fraudulent and improper lending practices, the ongoing audit provides support for these investigations.

Moreover, the audit continues to assist IDFPR to identify noncompliance by brokers and originators including closing loans without any entry in the APLD, closing loans with terms that do not match what was input in the APLD, and closing loans without housing counseling after housing counseling was or should have been triggered.

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<sup>7</sup> [BKI\\_MM\\_Feb2022\\_Report.pdf \(blackknightinc.com\)](#), pp. 9-11

<sup>8</sup> [Black Knight's February 2022 Mortgage Monitor is Now Available \(blackknightinc.com\)](#)

<sup>9</sup> [Black Knight's February 2022 Mortgage Monitor is Now Available \(blackknightinc.com\)](#)

<sup>10</sup> [Mortgage Rates - Freddie Mac](#)

<sup>11</sup> [BKI\\_MM\\_Feb2022\\_Report.pdf \(blackknightinc.com\)](#), p. 17.

<sup>12</sup> Adjustable rate mortgage activity increased for the week ending April 8, 2022, according to the Mortgage Bankers Association's Weekly Mortgage Applications Survey. [Mortgage Applications Decrease in Latest MBA Weekly Survey; Higher Mortgage Rates to Slow Purchase Originations Growth and Refinances | MBA](#) The Association noted that rising interest rates has fueled borrower interest in adjustable rate mortgages.

The Division of Banking's examination group are also regular users of the APLD for examination audits of our licensees, keeping a watchful eye for failure to adhere to the APLD Program.

Finally, IDFPR communicates regularly with county recorder of deeds offices, who examine APLD certificates for compliance with the APLD program. County recorder of deeds offices refer instances of fraud or alteration of APLD certificates to IDFPR for investigation.

## STATISTICAL INFORMATION

Required Data Pursuant to Act:	April 2022 Reporting Period (10/01/21 - 03/31/22)	October 2021 Reporting Period (04/01/21 - 09/30/21)
<b>Loans Registered with APLD<sup>13</sup></b>	<b>98,595</b>	<b>138,516</b>
Refinancing Primary Residence	46,328	71,600
Purchasing Primary Residence	44,326	58,050
First Time Home Buyers	37,344	49,791
<b>Loans Closed in APLD</b>	<b>56,589</b>	<b>84,130</b>
<b>Borrowers Requiring Counseling</b>	<b>920</b>	<b>651</b>
<b>Borrowers Receiving Counseling</b>	<b>17</b>	<b>11</b>
<b>Loans Requiring Counseling<sup>14</sup></b>	<b>778</b>	<b>556</b>
Interest Only Loans	114	128
Negative Amortization Loans	6	0
Loans with Points and Fees Exceeding 5%	624	387
Loans with Prepayment Penalty	5	2
Adjustable Rate Loans	108	121
<b>Loans Modified to No Longer Require Counseling</b>	<b>1,097</b>	<b>1,115</b>
<b>Loans Exempt from APLD</b>	<b>72,443</b>	<b>83,551</b>

<sup>13</sup> The totals may include loans that are in process or have been abandoned.

<sup>14</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>15</sup></b>	<b>April 2022 Reporting Period (10/01/21 - 03/31/22)</b>			
	<b>Cook County</b>	<b>Kane County</b>	<b>Peoria County</b>	<b>Will County</b>
<b>Loans Registered with APLD<sup>16</sup></b>	<b>72,993</b>	<b>8,761</b>	<b>1,518</b>	<b>14,285</b>
Refinancing Primary Residence	33,535	4,398	499	7,503
Purchasing Primary Residence	33,208	3,889	920	6,003
First Time Home Buyers	28,473	3,060	776	4,760
<b>Loans Closed in APLD</b>	<b>41,503</b>	<b>5,442</b>	<b>935</b>	<b>8,653</b>
<b>Borrowers Requiring Counseling</b>	<b>715</b>	<b>54</b>	<b>29</b>	<b>101</b>
<b>Borrowers Receiving Counseling</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Loans Requiring Counseling<sup>17</sup></b>	<b>608</b>	<b>46</b>	<b>22</b>	<b>82</b>
Interest Only Loans	88	6	2	13
Negative Amortization Loans	1	0	0	0
Loans with Points and Fees Exceeding 5%	493	39	20	64
Loans with Prepayment Penalty	4	0	0	0
Adjustable Rate Loans	77	5	2	16
<b>Loans Modified to No Longer Require Counseling</b>	<b>807</b>	<b>93</b>	<b>20</b>	<b>153</b>
<b>Loans Exempt from APLD</b>	<b>48,967</b>	<b>4,925</b>	<b>835</b>	<b>6,280</b>

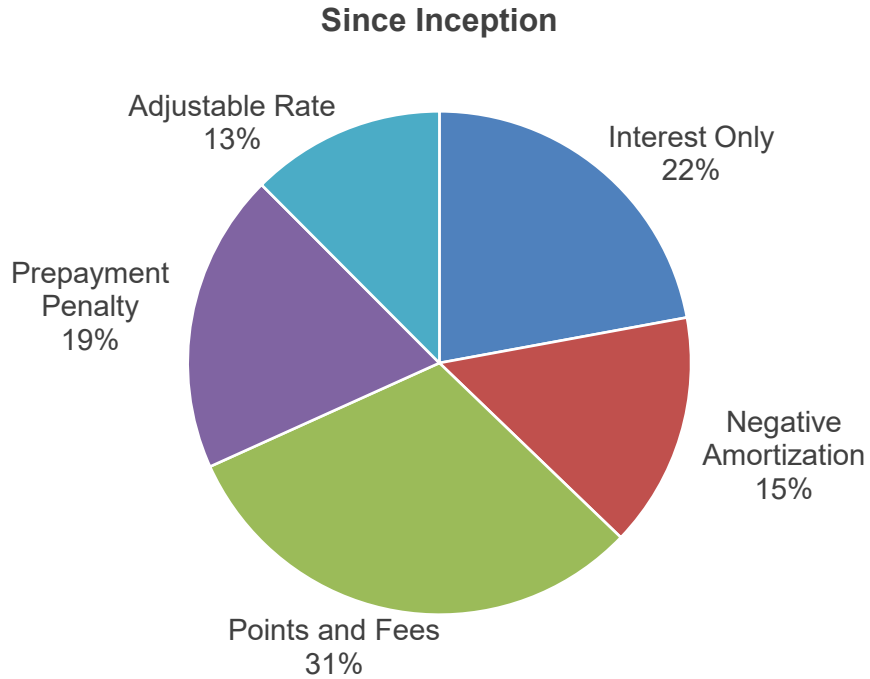
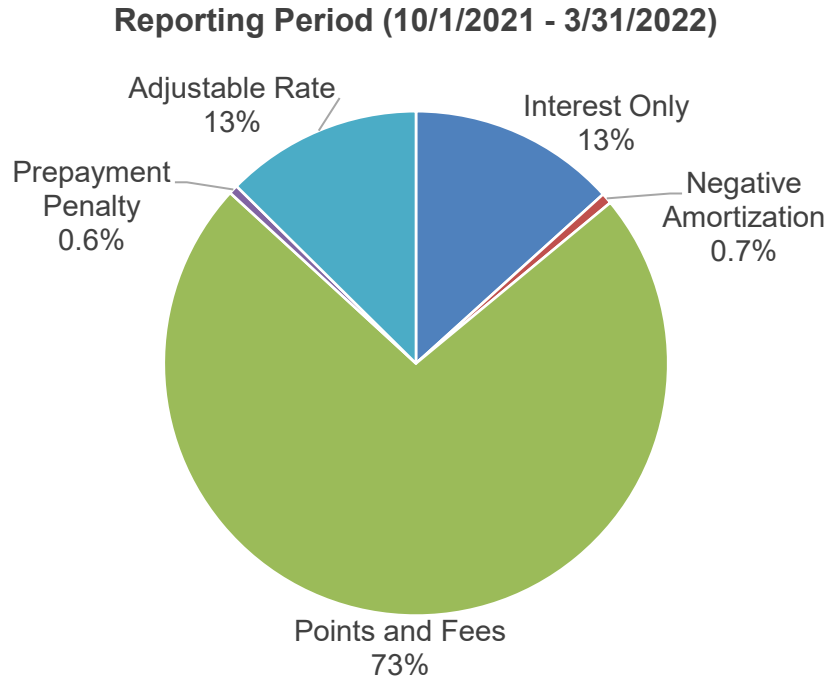
<sup>15</sup> County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

<sup>16</sup> The totals may include loans that are in process or have been abandoned.

<sup>17</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.

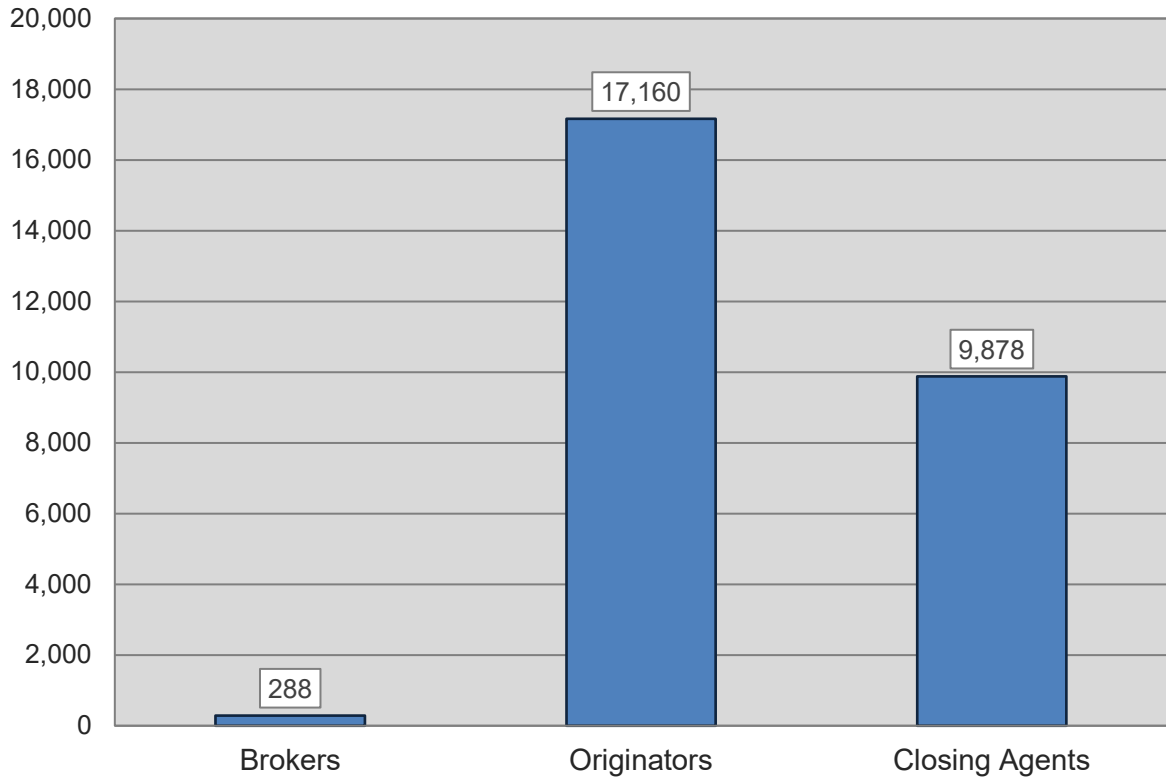
**APLD Product Summary**

**Types of Loans Triggering the Counseling Requirement**



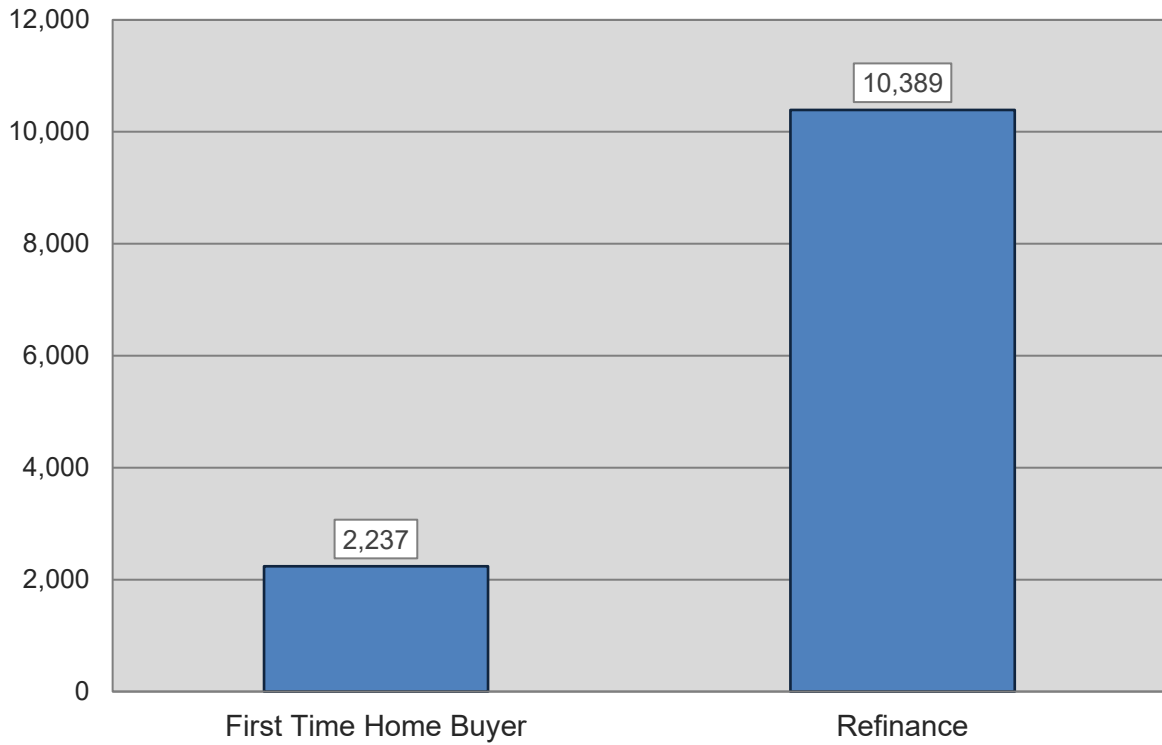
**APLD User Summary**

**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 4.3 days on average.**  
(Since program inception)

