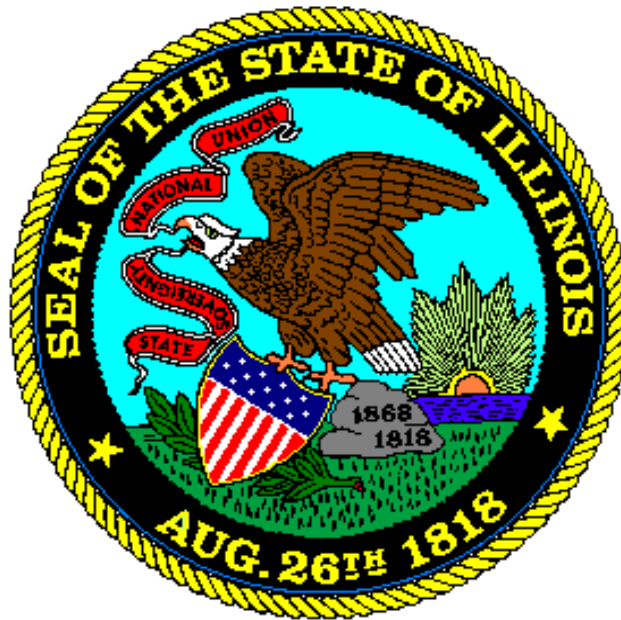


**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
November 1, 2022**



**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

November 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 13,591 loans required borrower counseling. Of these, 4,000 (29%) loans were closed, and 9,591 (71%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 57%.
- On average, it takes 4.4 *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: **1,960,019**
- Loans closed: **1,107,618**
- Borrowers requiring counseling: **17,814**
- Borrowers receiving counseling: **7,234**
- Borrowers requiring counseling by county: Cook (**14,542**); Kane (**793**); Peoria (**232**); Will (**1,514**); n/a (**733**)<sup>2</sup>
- Borrowers receiving counseling by county: Cook (**6,462**); Kane (**149**); Peoria (**16**); Will (**205**); n/a (**402**)<sup>3</sup>
- Loan types requiring counseling:<sup>4</sup>
  - Interest-Only Loans: **3,202**
  - Negative Amortization Loans: **2,120**
  - Loans with Points and Fees Exceeding 5%: **5,237**
  - Loans with Prepayment Penalty: **2,717**
  - Adjustable Rate Loans: **1,858**
- **38,262** 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: **12,194**<sup>5</sup>

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

During the reporting period of April 1, 2022, through September 30, 2022, IDFPR investigated a number of APLD compliance issues. Specifically, IDFPR issued one cease and desist order and entered into two consent orders with title companies, which included fines for failing to comply with APLD. IDFPR investigated two additional title companies for failing to comply with APLD. IDFPR also has ongoing investigations into eight mortgage banking companies for APLD non-compliance. Finally, IDFPR took action to address APLD violations discovered in a mortgage banking company's examination.

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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.

Additionally, IDFPR utilized APLD data to assist in other types of investigations. For example, APLD data aided in investigations into four mortgage banking companies for issues unrelated to APLD. Finally, APLD data also supported an investigation into unlicensed mortgage banking activity.

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

The number of loan applications reported in APLD for the current reporting period, from April 1, 2022, through September 30, 2022, has been the lowest reported in the APLD program area since April of 2019. During the current reporting period, 66,885 loan applications were entered into APLD. The number of loan applications declined by more than 30,000 since the last reporting period, October 1, 2021, through March 31, 2022, representing a 32% decrease. Refinance loan applications accounted for the decline, as the number of loan applications reported for home purchases and first-time home buyers remained at similar levels as the last reporting period.

There was an increase in the number of loans requiring housing counseling in the current reporting period. Loans requiring housing counseling increased by 38% in the current reporting period. This follows a 39% increase in the last reporting period, October 1, 2021, through March 31, 2022, in loans requiring housing counseling from the preceding period. Most of the loans that required housing counseling in the current reporting period were due to points and fees exceeding 5% of the loan amount. The overall number of loans with points and fees exceeding 5% of the loan amount increased by more than 51%. The last reporting period also saw an increase in this category of loans. Moreover, the number loans with prepayment penalties increased by 80% in the current reporting period over the last reporting period, although the overall number of these loans remain low. All other loan features requiring housing counseling declined during the current reporting period. Additionally, more than twice as many borrowers received counseling during the current reporting period compared to the last reporting period.

In the APLD program areas of Cook, Kane, Peoria, and Will Counties, IDFPR has received an increasing number of *lis pendens* notices of new residential foreclosure filings since the beginning of 2022. In the month of September of 2022, for example, IDFPR received notices of over 1,100 new foreclosure filings, while in September of 2021, IDFPR received less than 300 notices. In each month of 2022, IDFPR has received more than 900 notices of new foreclosures in the program area.

Foreclosure activity has also been on the rise nationally since January of 2022, with a 14.69% increase in August of 2022 from July of 2022.<sup>6</sup> Nationwide foreclosure actions commencing on delinquent loans, however, still remain below pre-pandemic levels.<sup>7</sup> Although the number of borrowers in active forbearance plans has been declining since the start of the pandemic, as of September 13, 2022, more than 500,000 loans still remained in active forbearance plans

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<sup>6</sup> [BKI MM Aug2022 Report.pdf \(blackknightinc.com\)](#), p. 21.

<sup>7</sup> [BKI MM Aug2022 Report.pdf \(blackknightinc.com\)](#), p. 3.

nationwide.<sup>8</sup> Moreover, August of 2022 revealed a continued rise in the number of borrowers who remain delinquent after post-forbearance loss mitigation.<sup>9</sup>

Interest rates have continued to rise in the current reporting period, with Freddie Mac's Primary Mortgage Market Survey for the week ending September 29, 2022, reporting the 30-year fixed rate mortgage average at 6.70%.<sup>10</sup> The interest rate has more than doubled since last year,<sup>11</sup> and is now higher than it has been over the past 10 years.<sup>12</sup> National data also shows that, on average for July of 2022, borrowers refinancing their mortgages were increasing their interest rates by 1.3 percentage points, representing the largest increase on record.<sup>13</sup> Rising interest rates are contributing to home affordability problems as well. As of September of 2022, home affordability reached its worst point in 37 years.<sup>14</sup>

The Freddie Mac Primary Mortgage Market Survey also reported the average interest rate on the 5-year adjustable-rate mortgage at 5.3%, lower than the 30-year fixed rate mortgage, for the week ending September 29, 2022.<sup>15</sup> Borrower interest in adjustable-rate mortgages appears to be increasing. According to the Mortgage Bankers Association, adjustable-rate mortgage applications made up more than 10% of the total loan applications in the week ending September 23, 2022.<sup>16</sup> In contrast, for the week ending January 7, 2022, adjustable-rate mortgage applications made up just 3% of the total applications.<sup>17</sup>

The Consumer Financial Protection Bureau's Home Mortgage Disclosure Act data likewise illustrates a decline in loan applications for conventional conforming loans in the second quarter of 2022, a 28% decline from the first quarter of 2022.<sup>18</sup> Home Mortgage Disclosure Act data also shows that the median total loan costs have increased since 2019.<sup>19</sup> The median total loan cost for a conventional conforming loan for the first quarter of 2019 was \$3,703, while in the second quarter of 2022, the median total loan cost was \$5,280, a 42% increase.<sup>20</sup>

With adjustable-rate mortgages at lower rates than 30-year fixed rate mortgages, and with borrowers facing increasing loan costs, the APLD is an important tool to minimize predatory lending. The APLD's housing counseling requirement will ensure individual borrowers understand the terms, fees, and costs associated with loan offers, empowering borrowers to make informed choices when financing their homes.

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<sup>8</sup> [BKI MM Aug2022 Report.pdf \(blackknightinc.com\)](#), p. 10.

<sup>9</sup> [BKI MM Aug2022 Report.pdf \(blackknightinc.com\)](#), p. 11.

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

<sup>11</sup> [Mortgage Rates Rise for the Sixth Consecutive Week | Freddie Mac \(ges-web.com\)](#)

<sup>12</sup> [Mortgage Rates - Freddie Mac](#)

<sup>13</sup> [BKI MM Aug2022 Report.pdf \(blackknightinc.com\)](#), p. 8.

<sup>14</sup> [BKI MM Aug2022 Report.pdf \(blackknightinc.com\)](#), p. 16.

<sup>15</sup> [Mortgage Rates - Freddie Mac](#)

<sup>16</sup> [Mortgage Applications Decrease in Latest MBA Weekly Survey | MBA](#)

<sup>17</sup> [Mortgage Applications Increase in Latest MBA Weekly Survey | MBA](#)

<sup>18</sup> <https://ffiec.cfpb.gov/data-browser/graphs/quarterly/applications?periodLow=2019-Q1&periodHigh=2022-Q2&visibleSeries=Conventional%20Conforming,Conventional%20Non-Conforming,FHA,HELOC,RHS/FSA,VA>

<sup>19</sup> <https://ffiec.cfpb.gov/data-browser/graphs/quarterly/tlc?periodLow=2019-Q1&periodHigh=2022-Q2&visibleSeries=Conventional%20Conforming,Conventional%20Non-Conforming,FHA,HELOC,RHS/FSA,VA>

<sup>20</sup> <https://ffiec.cfpb.gov/data-browser/graphs/quarterly/tlc?periodLow=2019-Q1&periodHigh=2022-Q2&visibleSeries=Conventional%20Conforming,Conventional%20Non-Conforming,FHA,HELOC,RHS/FSA,VA>

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

IDFPR audits APLD data to check for compliance by mortgage banking and title companies, particularly compliance with housing counseling requirements. IDFPR focuses on housing counseling compliance because harm to borrowers could occur if licensed companies close loans with borrowers who did not obtain the required housing counseling. This is increasingly important as the number of loans requiring housing counseling has been rising steadily. IDFPR also continues to monitor mortgage banking companies and title companies who previously failed to comply with the APLD. Finally, IDFPR continues to monitor licensed companies' use of exemptions from data entry into APLD.

APLD staff work with the Division of Banking's examination unit, investigation unit, and the Division of Financial Institutions to detect APLD compliance problems and utilize APLD data to combat mortgage fraud, predatory lending, and unlicensed practice. APLD staff also continue to work with offices of county recorders of deeds who examine APLD certificates for compliance with the program's requirements.

## STATISTICAL INFORMATION

Required Data Pursuant to Act:	October 2022 Reporting Period (04/01/22 - 09/30/22)	April 2022 Reporting Period (10/01/21 - 03/31/22)
<b>Loans Registered with APLD<sup>21</sup></b>	<b>66,885</b>	<b>98,595</b>
Refinancing Primary Residence	16,161	46,328
Purchasing Primary Residence	45,555	44,326
First Time Home Buyers	36,837	37,344
<b>Loans Closed in APLD</b>	<b>37,916</b>	<b>56,589</b>
<b>Borrowers Requiring Counseling</b>	<b>1,242</b>	<b>920</b>
<b>Borrowers Receiving Counseling</b>	<b>38</b>	<b>17</b>
<b>Loans Requiring Counseling<sup>22</sup></b>	<b>1,076</b>	<b>778</b>
Interest Only Loans	99	114
Negative Amortization Loans	0	6
Loans with Points and Fees Exceeding 5%	948	624
Loans with Prepayment Penalty	9	5
Adjustable Rate Loans	105	108
<b>Loans Modified to No Longer Require Counseling</b>	<b>1,247</b>	<b>1,097</b>
<b>Loans Exempt from APLD</b>	<b>57,609</b>	<b>72,443</b>

<sup>21</sup> The totals may include loans that are in process or have been abandoned.

<sup>22</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>23</sup></b>	<b>October 2022 Reporting Period (04/01/22 - 09/30/22)</b>			
	<b>Cook County</b>	<b>Kane County</b>	<b>Peoria County</b>	<b>Will County</b>
<b>Loans Registered with APLD<sup>24</sup></b>	<b>49,572</b>	<b>5,949</b>	<b>1,371</b>	<b>9,336</b>
Refinancing Primary Residence	11,764	1,427	220	2,539
Purchasing Primary Residence	33,556	4,253	1,081	6,355
First Time Home Buyers	27,740	3,186	898	4,774
<b>Loans Closed in APLD</b>	<b>27,910</b>	<b>3,639</b>	<b>808</b>	<b>5,527</b>
<b>Borrowers Requiring Counseling</b>	<b>894</b>	<b>88</b>	<b>33</b>	<b>204</b>
<b>Borrowers Receiving Counseling</b>	<b>33</b>	<b>1</b>	<b>1</b>	<b>3</b>
<b>Loans Requiring Counseling<sup>25</sup></b>	<b>782</b>	<b>76</b>	<b>28</b>	<b>168</b>
Interest Only Loans	64	10	3	17
Negative Amortization Loans	0	0	0	0
Loans with Points and Fees Exceeding 5%	697	65	24	145
Loans with Prepayment Penalty	6	0	0	2
Adjustable Rate Loans	73	8	3	17
<b>Loans Modified to No Longer Require Counseling</b>	<b>909</b>	<b>103</b>	<b>29</b>	<b>183</b>
<b>Loans Exempt from APLD</b>	<b>38,300</b>	<b>3,982</b>	<b>796</b>	<b>5,414</b>

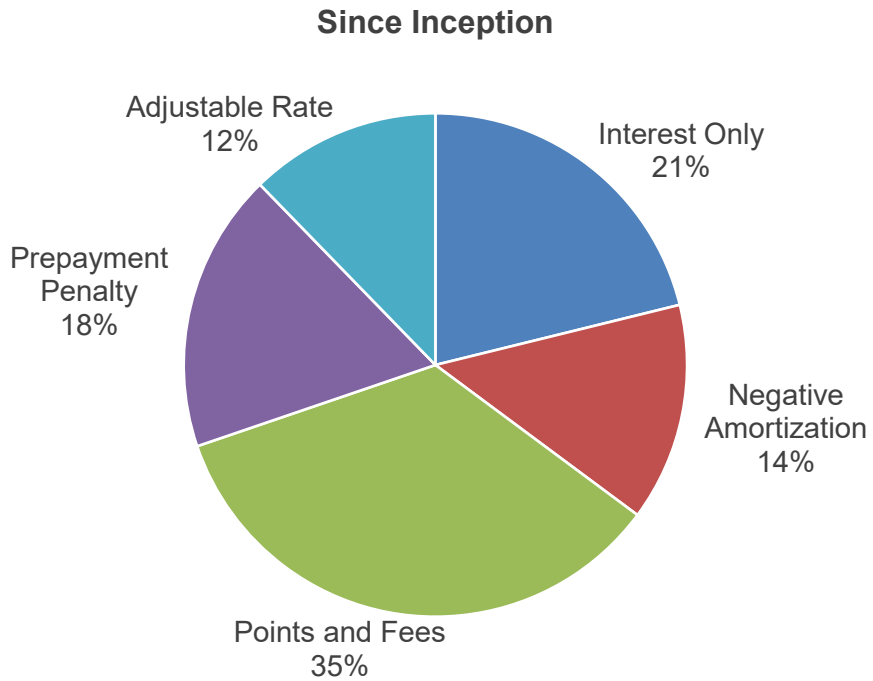
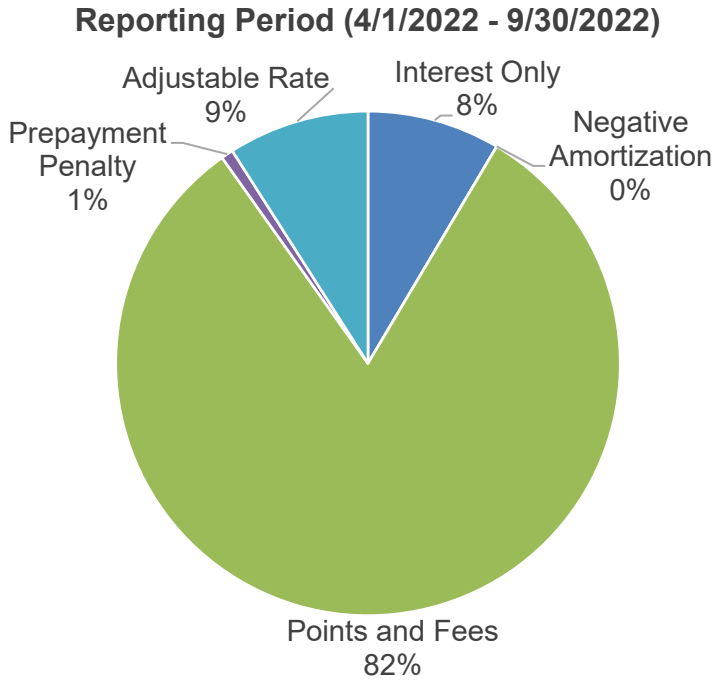
<sup>23</sup> County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

<sup>24</sup> The totals may include loans that are in process or have been abandoned.

<sup>25</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.

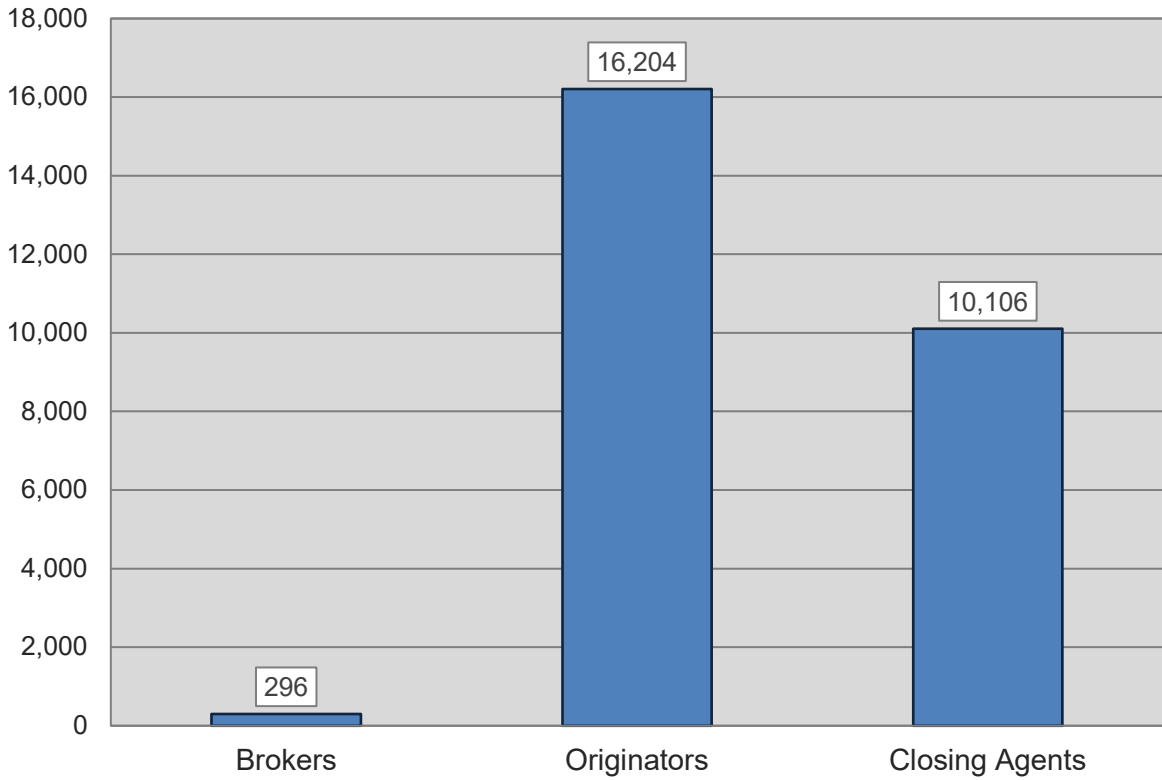
**APLD Product Summary**

**Types of Loans Triggering the Counseling Requirement**



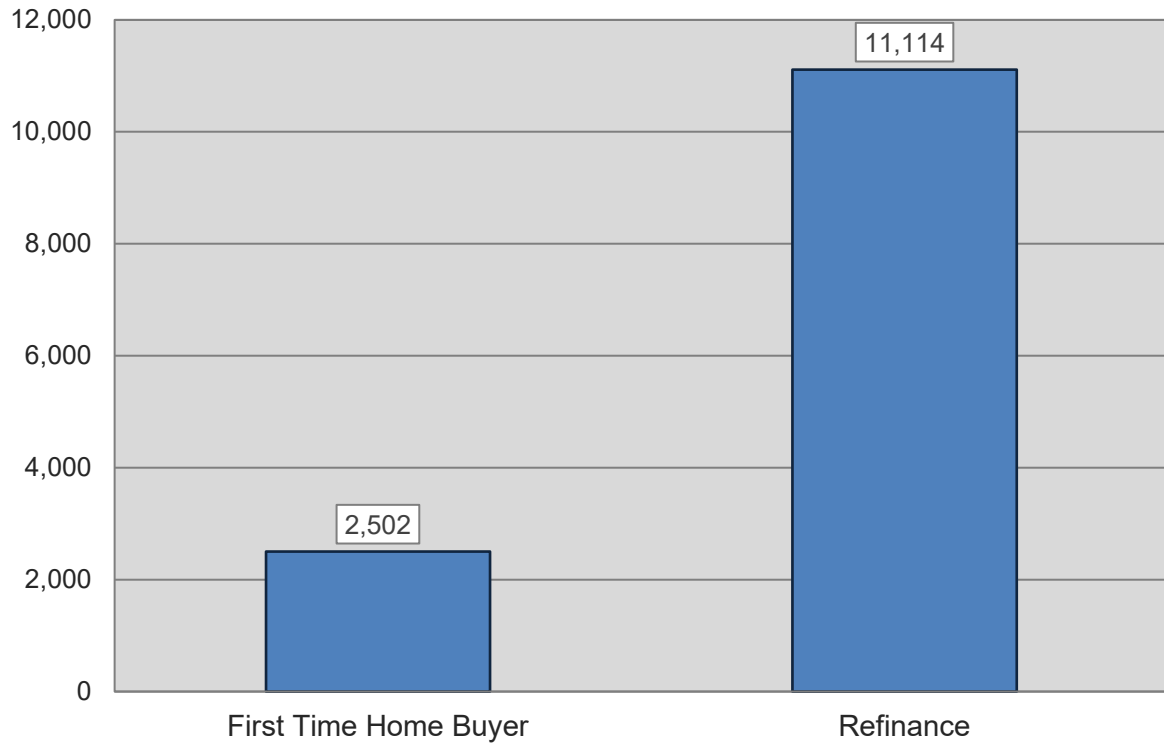
**APLD User Summary**

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

