Anti-Predatory Lending Database
Semi-Annual Summary Report
May 1, 2015

Governor Bruce Rauner
Secretary Bryan Schneider
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

BRUCE RAUNER
Governor

Bryan Schneider
Secretary

May 1, 2015

Governor Bruce Rauner
207 State House
Springfield, IL 62706

Illinois General Assembly
State House
Springfield, IL 62706

Dear Governor Rauner & 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 (312) 814-2837 or Bryan.Schneider@Illinois.Gov.

Very truly yours,

Bryan A Schneider

Bryan A Schneider

Summary of Anti-Predatory Lending Database (APLD) Program

- Loans that trigger the APLD's counseling requirement continue to be offered in the program area and represent approximately 0.9% 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 only 0.77 days longer 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 decreasing from a high point of 8 days in 2010.

- Since the program's inception, a total of 5,906 loans required borrower counseling. Of these, 3,695 (63%) loans were closed, and 2,211 (37%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 58%— lower than the 63% closing rate for the subset of loans requiring counseling.

- 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[1]

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

- Loans registered with the APLD: **678,278**
- Loans closed: **390,433**
- Borrowers requiring counseling: **8,898**
- Borrowers requiring counseling by county: Cook (**8,371**); Kane (**202**); Peoria (**22**); and Will (**303**)
- Loan types requiring counseling:[2]
    - Interest Only Loans: **2,270**
    - Negative Amortization Loans: **343**
    - Loans with Points and Fees Exceeding 5%: **492**
    - Loans with Prepayment Penalty: **2,694**
    - Adjustable Rate Loans: **805**
- Loans requiring counseling that had loan terms changed after counseling: **17,050**
- Actively licensed mortgage brokers/loan originators who have entered loans into the APLD: **6,173**

Investigations and Other Regulatory Actions Based on APLD Information

During the April 2015 reporting period (October 1, 2014 – March 31, 2015), 6 investigations and enforcement actions resulted from information obtained from the APLD. These actions involved:

- Mortgage banking licensees (2)
- Mortgage loan originator
- Title agents (3)
- Title company fees
- Potential fraud (misrepresentation of investor properties as owner–occupied) (1)
- Potential foreclosure rescue scheme

[1] Statistics for each county can be found in the table on page 9.

[2] 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.

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

Non-traditional mortgage products continue to be offered in the market place. These include interest-only loans, loans with prepayment penalties, adjustable rate mortgages 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, 2014 – March 31, 2015), APLD data reflected an 18% increase in the number of loans registered with the APLD, indicating a general increase in lending activity. Refinancing activity almost doubled with an increase of 84%, while purchases and first time home buyers fell slightly. APLD data further reflected a 14% increase in the number of loans requiring counseling during the reporting period.

For the second straight reporting period no loans containing prepayment penalties were registered. This is most likely a result of new legal requirements applicable to mortgage lending. However, loans containing the other four counseling "triggers" continue to be registered. A listing of the number of loans that were offered in each "trigger" category may be found on pages 7-8 of this report. The largest type of loan requiring counseling was one containing adjustable rate, replacing loans with fees exceeding 5% as reported last period.

In addition, as the mortgage and real-estate environment continues to improve, more non-traditional loan programs are being re-introduced into the market. For example, the out-of-state lender W.J. Bradley Capital, licensed and operating in Illinois, recently rolled out a variety of subprime loan programs, now referred to as nonprime loans. The Atlanta based lender Angel Oak reported they are willing to buy loans with credit scores as low as 500. Stated loans are also being reintroduced into the lending environment. Stated loans are not currently among the counseling standards that trigger the APLD's counseling requirement.

APLD data from the 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 and also 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 period, three title escrow services were found to have engaged in improper practices. Such practices included closing loans with certificates of exemption when a certificate of compliance was required, failing to recognize that counseling should have taken place and creating fraudulent certificates. 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 were closed with no data entry by either the originator or closing agent by utilizing a certificate of exemption. It was also discovered that certain licensees were not aware of the improper closing procedures and failed to adequately audit their files post-closing.

All APLD entries in which housing counselors have indicated "Indicia of Fraud" are investigated. IDFPR investigators often interview the counselor, loan originator, seller, and/or borrower. Subject files are requested from loan originators for review. Files are also reviewed for counselor comments such as "Close to Cannot Afford" and "Cannot Afford."

IDFPR requires licensees to submit a monthly report of loan repurchase demands. IDFPR routinely reviews these files 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. Currently, the agency is investigating two repurchase demands that have revealed misrepresentations and fraud.

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 compromised 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 new 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 incidents of inaccurate data entry have been steadily declining.

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

The APLD statute requires that a copy of any *lis pendens* relating to residential mortgage foreclosures be filed with IDFPR simultaneously with recording. A process of electronic filing has been implemented which is expected to save money and time for both IDFPR and the law firms required to file by greatly reducing the amount of paper copies being filed and delivery costs of the *lis pendens*.

IDFPR, along with its IT vendor Veritec Solutions, is making data field changes to the database which will enable licensees to upload the newly designed CFPB disclosures mandated for use beginning August 1, 2015.

IDFPR is currently in the process of developing an interface which would allow the APLD data to be auto-populated directly through the licensee's software, thus eliminating the requirement for loan originators to enter loan data twice. IDFPR's IT vendor has indicated there will be no cost to the State for this new innovation. The licensee's software vendor may impose a charge to connect to the interface, but experience with similar plans has indicated that the cost is likely to be minimal. The industry has supported the concept of such an interface, which would save the licensee time and money with no decline in the value and usefulness of the APLD.

STATISTICAL INFORMATION

Required Data Pursuant to Act:	April 2015 Reporting Period (10/1/14 - 3/31/15)	October 2014 Reporting Period (4/1/14 - 9/30/14)
Loans Registered with APLD[3]	**60,581**	**51,551**
Refinancing Primary Residence	26,559	14,458
Purchasing Primary Residence	19,898	25,745
First Time Homebuyers	16,727	21,250
Loans Closed in APLD	**30,100**	**26,571**
Borrowers Requiring Counseling	**222**	**202**
Loans Requiring Counseling[4]	**176**	**155**
Interest Only Loans	24	26
Negative Amortization Loans	35	30
Loans with Points and Fees Exceeding 5%	66	57
Loans with Prepayment Penalty	0	0
Adjustable Rate Loans	61	53
Loans Modified to Avoid Counseling	**1,116**	**907**
Loans Exempt from APLD	**70,739**	**74,412**

[3] The totals may include loans that are in process or have been abandoned.

[4] The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.

Required Data Pursuant to Act:[5]	April 2015 Reporting Period (10/1/14 - 3/31/15)			
	Cook County	**Kane County**	**Peoria County**	**Will County**
Loans Registered with APLD[6]	**46,321**	**5,647**	**528**	**8,085**
Refinancing Primary Residence	20,262	2,271	258	3,768
Purchasing Primary Residence	14,673	2,241	212	2,772
First Time Homebuyers	12,689	1,741	147	2,150
Loans Closed in APLD	**22,549**	**2,974**	**272**	**4,305**
Borrowers Requiring Counseling	**178**	**12**	**7**	**25**
Loans Requiring Counseling[7]	**141**	**8**	**6**	**21**
Interest Only Loans	22	0	0	2
Negative Amortization Loans	27	3	1	4
Loans with Points and Fees Exceeding 5%	48	3	4	11
Loans with Prepayment Penalty	0	0	0	0
Adjustable Rate Loans	51	2	1	7
Loans Modified to Avoid Counseling	**819**	**118**	**13**	**166**
Loans Exempt from APLD	**47,892**	**4,317**	**1,410**	**5,755**

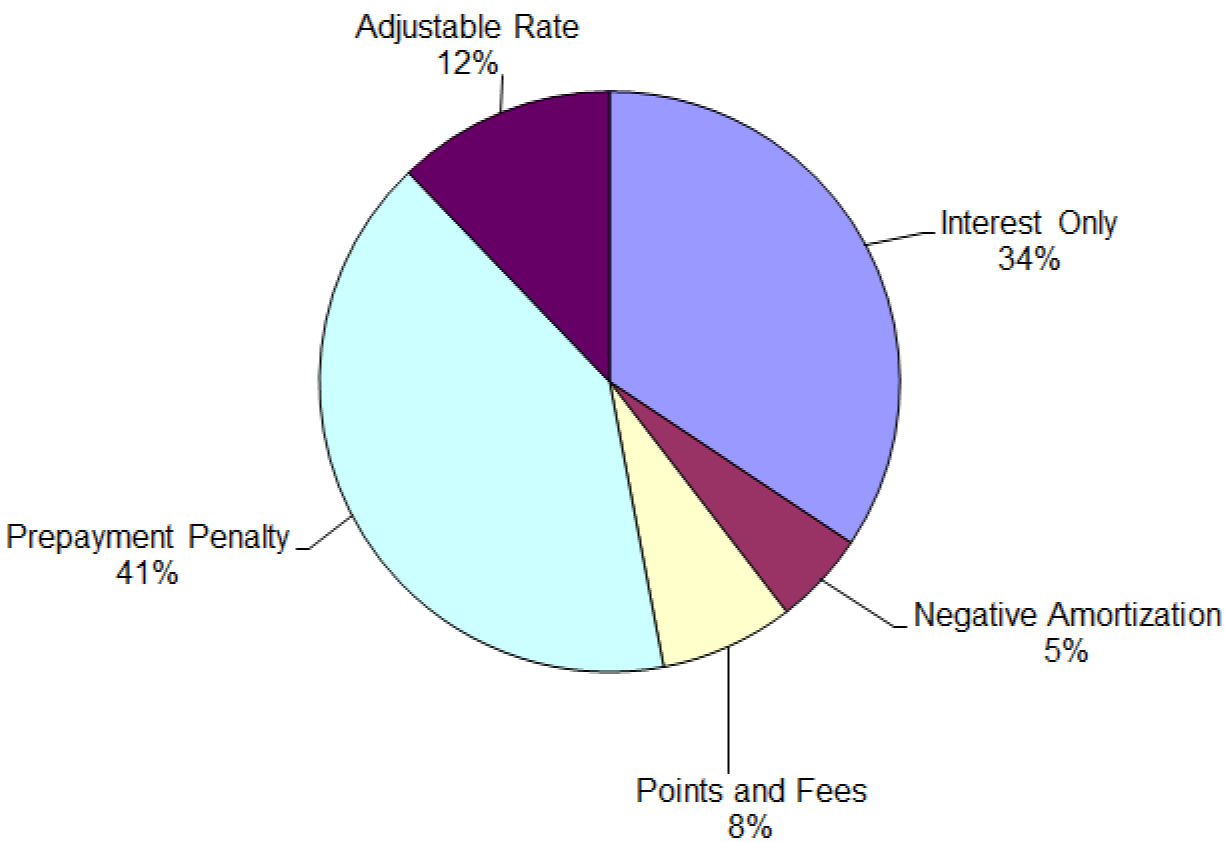
5 County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

6 The totals may include loans that are in process or have been abandoned.

7 The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.

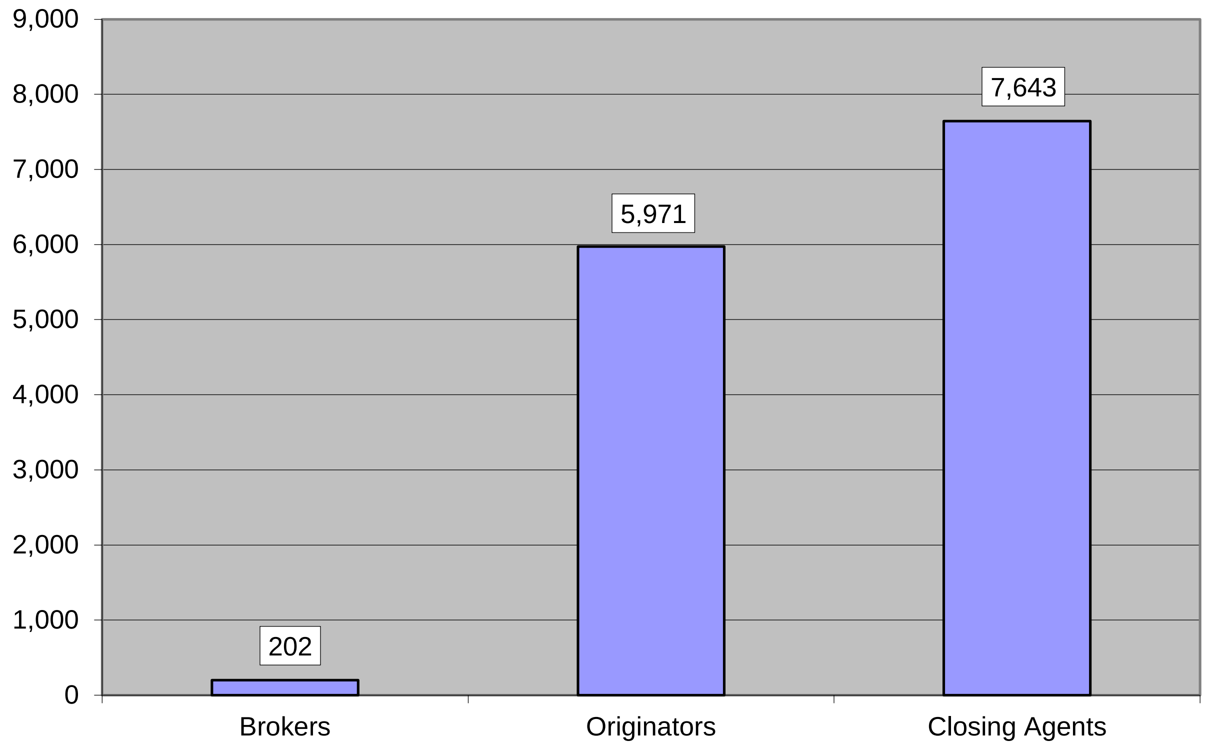
APLD Product Summary

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



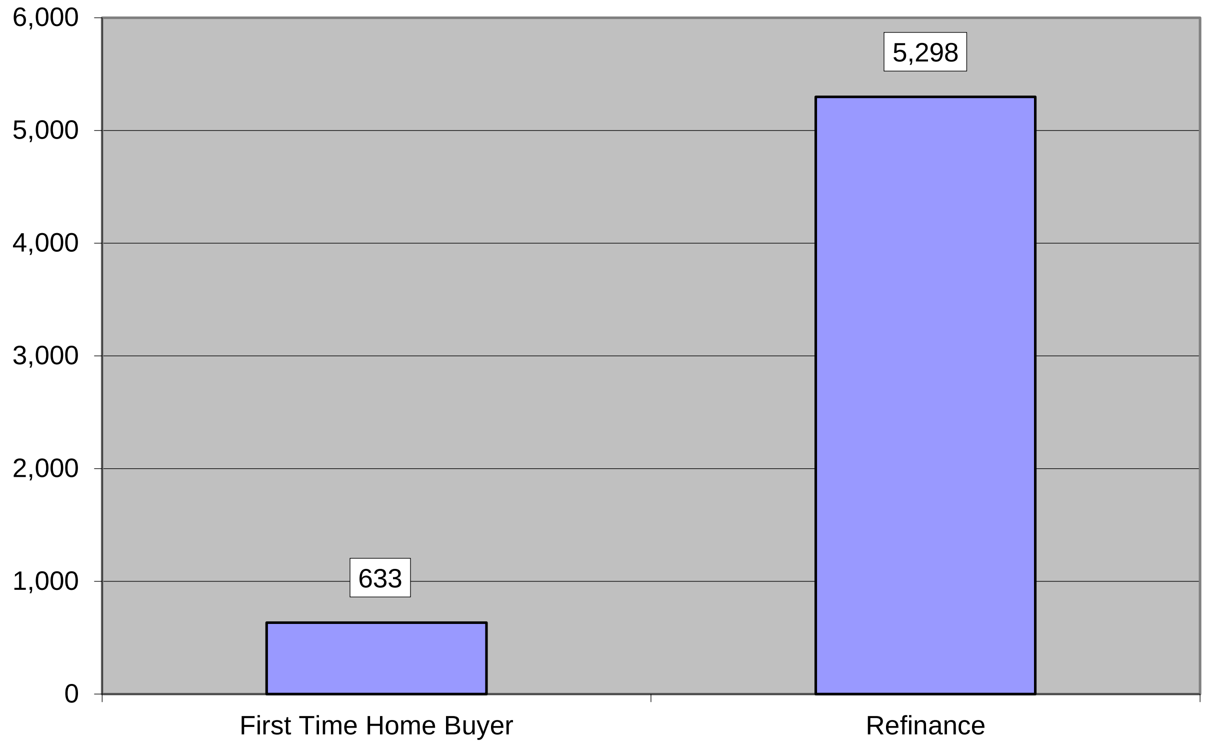
APLD User Summary

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 Postpones Closing by 0.77 Days on Average
(Since program inception)