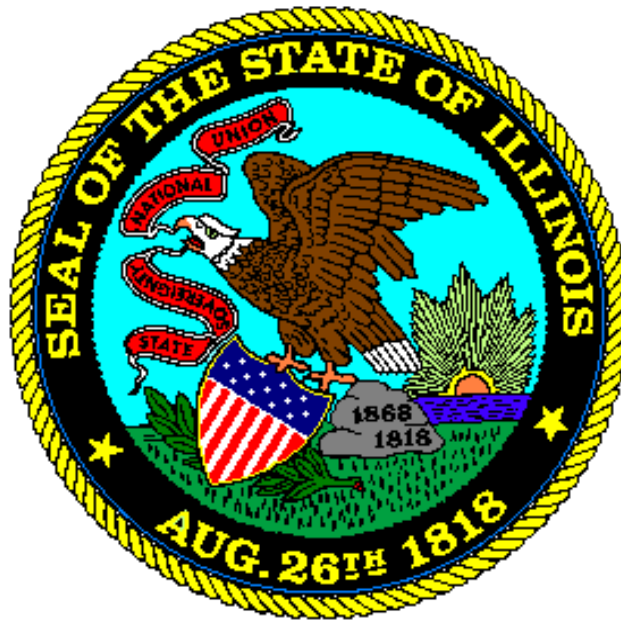


**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
November 1, 2012**



**Governor Pat Quinn  
Acting Secretary Susan J. Gold  
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 BEGINNING ON JULY 1, 2008. THE DATA PRESENTED IN THIS REPORT IS EITHER FROM INCEPTION, THE PERIOD FROM APRIL 16, 2012 THROUGH OCTOBER 15, 2012, OR THE PREVIOUS REPORTING PERIOD.

# Illinois Department of Financial and Professional Regulation

## Office of the Secretary

PAT QUINN  
Governor

Susan J. Gold  
Acting Secretary

November 1, 2012

Governor Pat Quinn  
207 State House  
Springfield, IL 62706

Illinois General Assembly  
State House  
Springfield, IL 62706

Dear Governor Quinn & 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) 814-1524 or [Susan.Gold@illinois.gov](mailto:Susan.Gold@illinois.gov).

Very truly yours,



Susan J. Gold

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

- Loans that trigger the counseling requirement continue to be offered in the program area, and represent approximately 1.2% 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 indicates the counseling requirement has deterred loan originators from offering loans with predatory or exotic characteristics.
- Since program inception, the average number of days to close a loan with counseling is 3.93 days longer than a loan without counseling. This differential has been steadily decreasing.
- The APLD interface with the Illinois Department of Financial and Professional Regulation (IDFPR) licensing database has facilitated timelier license renewal, data clean-up and accuracy, and enforcement actions.
- APLD data has supported investigations and disciplinary actions. APLD data has enabled IDFPR to uncover potentially fraudulent lending activity, unlicensed activity, unregistered loan originators, unreported branch offices, and unreported changes of licensee location.
- Since program inception, there have been a total of 4,988 loans in which borrowers were required to attend counseling. Of these, 3,403 (68%) loans were closed; 1,585 (32%) were not. In some cases, counselor advice may have resulted in non-closure of a loan. However, IDFPR does not have specific data on this point.
- Active use of the database continues to expand. IDFPR examiners routinely access the database reporting 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 the APLD impedes mortgage lending in the four county program area.

### **Data since Inception of the APLD<sup>1</sup>**

- The number of loans registered with the APLD to date: **401,934**
- The number of borrowers receiving counseling to date: **7,666**
- The number of borrowers receiving counseling by county to date: Cook (**7,341**); Kane (**134**); Peoria (**6**); and Will (**185**)
- The number of loans closed to date: **242,985**
- Loan Type and Number requiring counseling to date:<sup>2</sup>
  - Interest Only Loans: **2,083**
  - Negative Amortization Loans: **167**
  - Loans with Points and Fees Exceeding 5%: **226**
  - Loans with Prepayment Penalty: **2,545**
  - Adjustable Rate Loans: **609**
- The number of loans requiring counseling in which the mortgage originator changed the loan terms subsequent to counseling to date: **11,819**
- The number of currently active licensed mortgage brokers and loan originators entering information into the database to date: **5,186**

### **Number of investigations and other APLD regulatory actions based on information from the APLD:**

During the November 2012 reporting period (4/16/12 – 10/15/12) twenty-three investigations or enforcement actions have resulted from information obtained from, or as a result of, the database.

### **Types of non-traditional mortgage products being offered:**

Non-traditional products continue to be offered. 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%. These loan terms constitute the counseling standards, also known as “triggers.”

This reporting period showed that the number of loans with negative amortization more than doubled from the last reporting period. The other counseling triggers decreased but are still being

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<sup>1</sup> Statistics for each county can be found in the tables beginning on page 6.

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

offered. The overall number of loans requiring counseling also decreased. This means that the loans being offered to borrowers contain fewer unfavorable or non-traditional terms. A listing of the number of products that were offered in each of these categories may be found on pages 6-8 of this report.

**How IDFPR is actively utilizing the APLD to combat mortgage fraud and predatory lending practices:**

Of the twenty-three investigations referenced above, five can be classified as major enforcement actions related to mortgage fraud.

Four title escrow services were found to be reported for engaging in improper practices or possible complicity in fraudulent lending schemes.

IDFPR requires licensees to submit a report of loan repurchase demands. IDFPR routinely requests these files for review and compares them to data that was entered into the APLD to ensure full compliance with lending laws and regulations.

Information from the APLD has assisted with the orderly process of license surrender.

Currently, IDFPR is focusing attention on the use of Yield Spread Premiums (YSPs) through data obtained from the APLD. Loans from various diverse Chicago neighborhoods are being analyzed and compared.

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

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

IDFPR routinely tracks the APLD for loans in which payment to income is greater than 40%. Such loans will result in an IDFPR audit for analysis to determine whether the lender failed to verify the borrower’s ability to repay the loan as required by law. A new data field has been added to enter total monthly consumer debt. This will allow tracking of the debt to income ratio (“back end ratio”) in addition to the payment to income ratio (“front end ratio”) and allow for more complete analysis of questionable loans.

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

Language has been added by which brokers must attest that the data they have entered is true and correct to the best of their knowledge. This feature encourages brokers to pay greater attention to accuracy when entering data.

## STATISTICAL INFORMATION

Required Data Pursuant to Act:	November 2012 Reporting Period (4/16/12 - 10/15/12)	May 2012 Reporting Period (10/16/11 - 4/15/12)
<b>Loans Registered with APLD<sup>3</sup></b>	<b>70,946</b>	<b>52,105</b>
Refinancing Primary Residence	39,162	30,288
Purchasing Primary Residence	17,064	11,220
First Time Homebuyers	13,706	9,533
<b>Loans Closed in APLD</b>	<b>37,310</b>	<b>31,938</b>
<b>Borrowers Requiring Counseling</b>	<b>412</b>	<b>471</b>
<b>Loans Requiring Counseling<sup>4</sup></b>	<b>274</b>	<b>302</b>
Interest Only Loans	72	79
Negative Amortization Loans	21	9
Loans with Points and Fees Exceeding 5%	29	39
Loans with Prepayment Penalty	133	163
Adjustable Rate Loans	31	37
<b>Loans Modified to Avoid Counseling</b>	<b>1,469</b>	<b>1,200</b>
<b>Loans Exempt from APLD</b>	<b>103,336</b>	<b>89,151</b>

<sup>3</sup> The totals may include loans that are in process or have been abandoned.

<sup>4</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.

Required Data Pursuant to Act: <sup>5</sup>	November 2012 Reporting Period (4/16/12 - 10/15/12)			
	Cook County	Kane County	Peoria County	Will County
<b>Loans Registered with APLD<sup>6</sup></b>	<b>54,218</b>	<b>6,473</b>	<b>431</b>	<b>9,566</b>
Refinancing Primary Residence	29,640	3,511	258	5,753
Purchasing Primary Residence	12,814	1,783	110	2,357
First Time Homebuyers	10,683	1,206	54	1,763
<b>Loans Closed in APLD</b>	<b>28,251</b>	<b>3,553</b>	<b>219</b>	<b>5,287</b>
<b>Borrowers Requiring Counseling</b>	<b>376</b>	<b>17</b>	<b>0</b>	<b>19</b>
<b>Loans Requiring Counseling<sup>7</sup></b>	<b>249</b>	<b>11</b>	<b>0</b>	<b>14</b>
Interest Only Loans	67	1	0	4
Negative Amortization Loans	18	2	0	1
Loans with Points and Fees Exceeding 5%	25	2	0	2
Loans with Prepayment Penalty	123	5	0	5
Adjustable Rate Loans	27	1	0	3
<b>Loans Modified to Avoid Counseling</b>	<b>1,102</b>	<b>141</b>	<b>19</b>	<b>207</b>
<b>Loans Exempt from APLD</b>	<b>65,858</b>	<b>6,472</b>	<b>2,233</b>	<b>7,649</b>

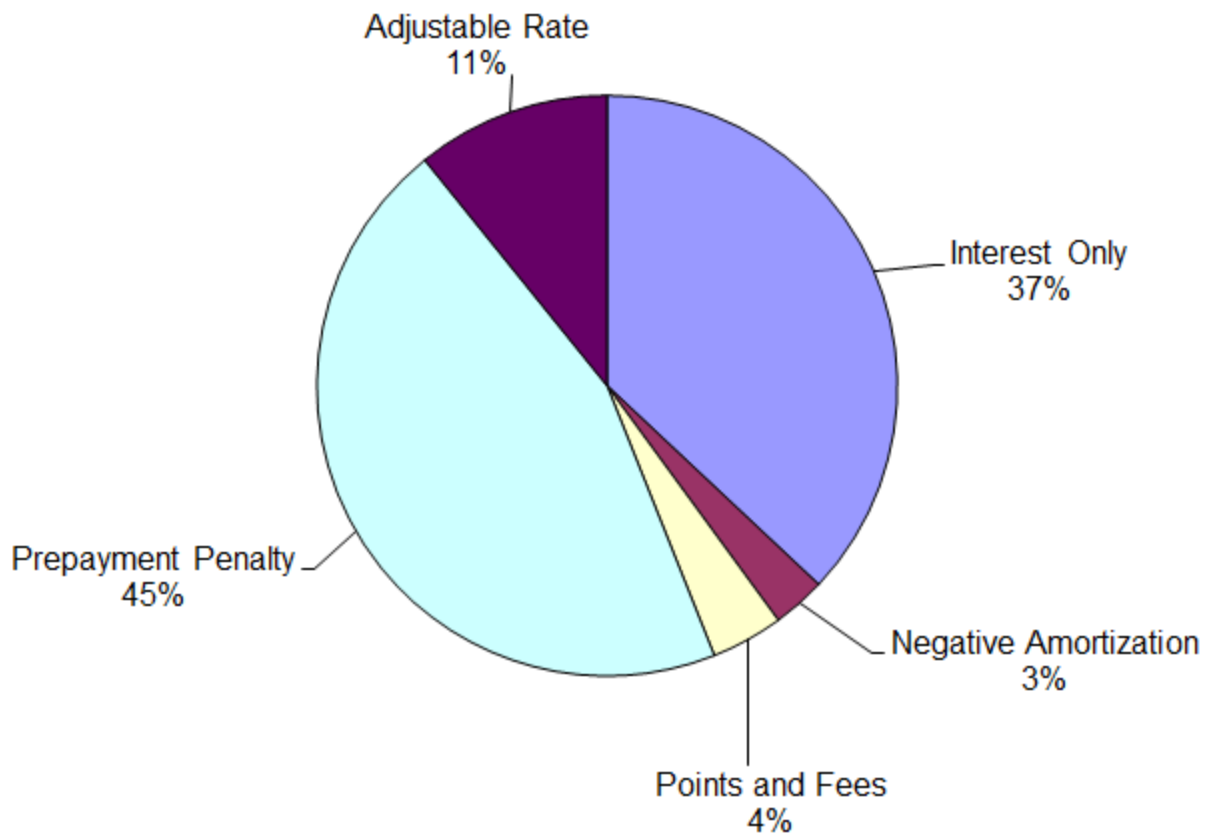
<sup>5</sup> County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

<sup>6</sup> The totals may include loans that are in process or have been abandoned.

<sup>7</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

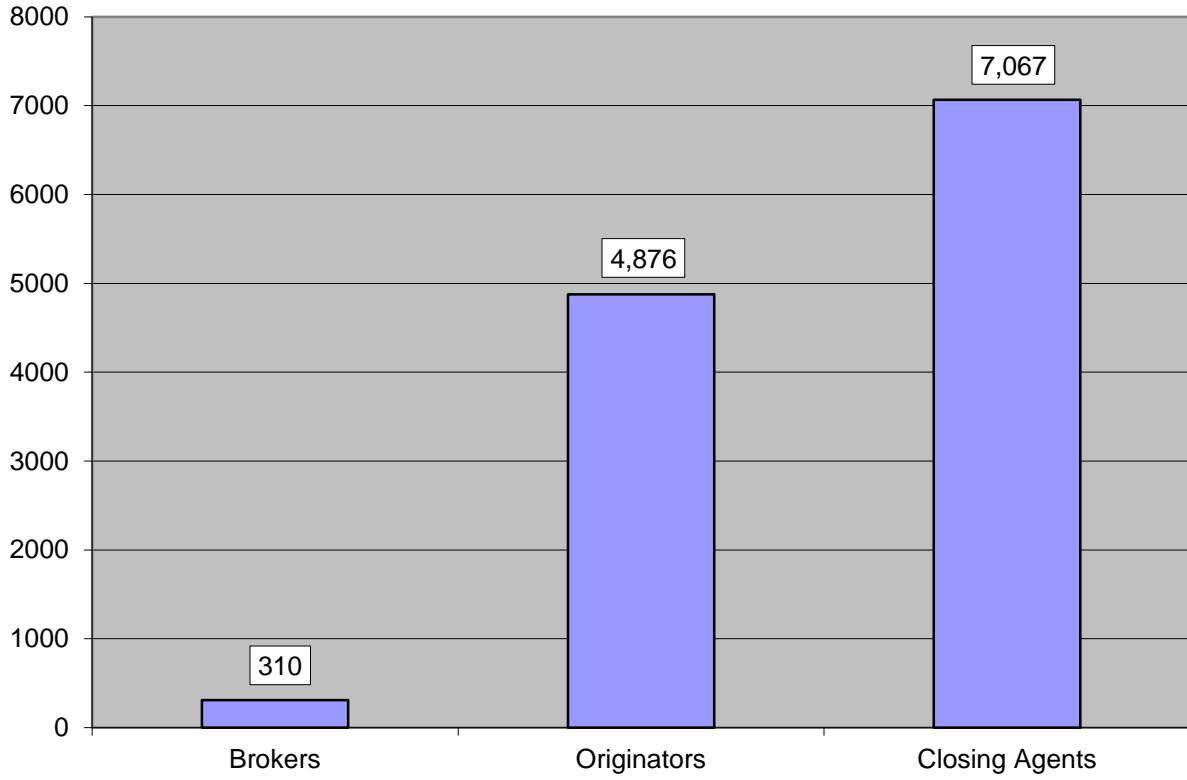
### **Types of Loans Triggering the Counseling Requirement** (Since program inception)





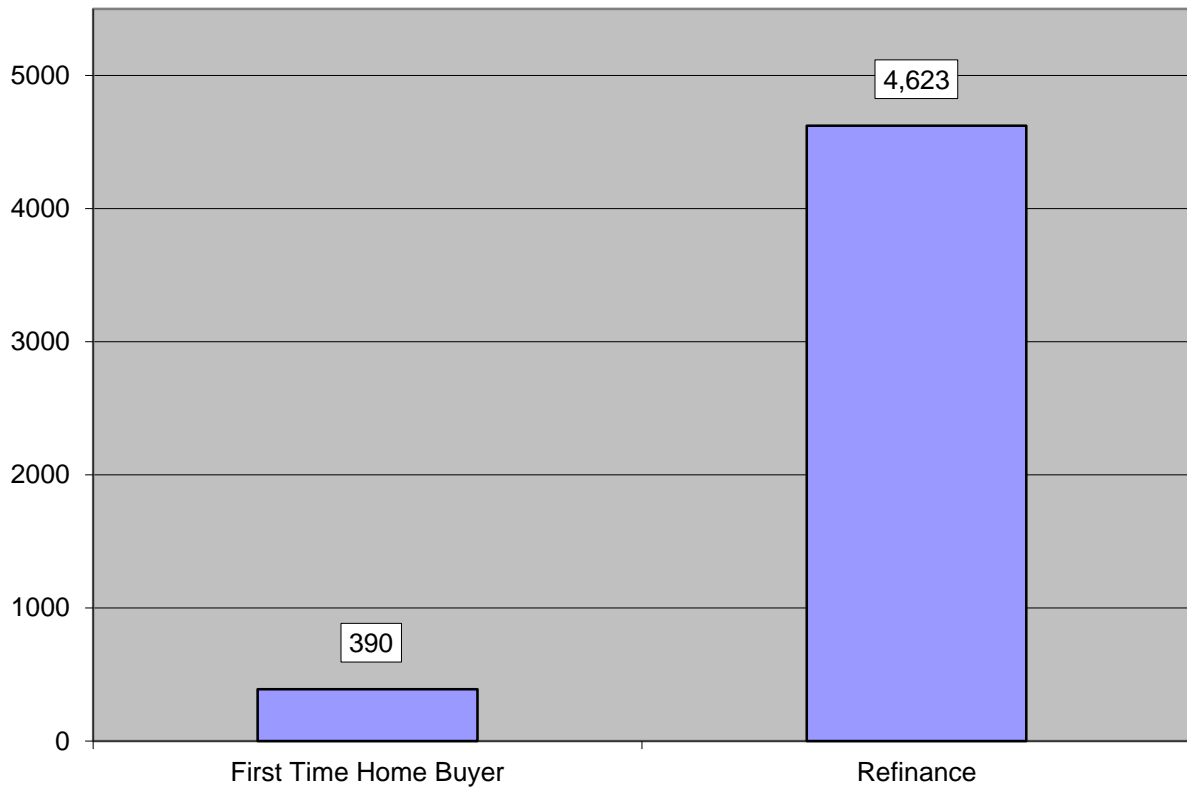
**APLD User Summary**

**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 Postpones Closing by 3.93 Days on Average**  
(Since program inception)

