

**Anti-Predatory Lending Database
Semi-Annual Summary Report
May 1, 2013**



**Governor Pat Quinn
Acting Secretary Manuel Flores
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 OCTOBER 1, 2012 THROUGH MARCH 31, 2013, OR THE PREVIOUS REPORTING PERIOD.

Illinois Department of Financial and Professional Regulation

Office of the Secretary

PAT QUINN
Governor

Manuel Flores
Acting Secretary

May 1, 2013

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 Manny.Flores@Illinois.gov.

Very truly yours,



Manuel Flores

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 1.1% 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 3.08 days longer than a loan without counseling. This differential has been steadily decreasing.
- The Illinois Department of Financial and Professional Regulation's (IDFPR) implementation of the APLD has facilitated timelier licensing renewals, enhanced data accuracy and enforcement actions.
- APLD data has supported investigations and disciplinary actions. APLD data has enabled IDFPR to uncover 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 5,193 loans in which borrowers were required to attend counseling. Of these, 3,507 (68%) loans were closed; 1,686 (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.
- 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 APLD¹

- The number of loans registered with the APLD to date: **459,523**
- The number of borrowers receiving counseling to date: **7,976**
- The number of borrowers receiving counseling by county to date: Cook (**7,620**); Kane (**154**); Peoria (**6**); and Will (**196**)
- The number of loans closed to date: **276,533**
- Loan Type and Number requiring counseling to date:²
 - Interest Only Loans: **2,137**
 - Negative Amortization Loans: **193**
 - Loans with Points and Fees Exceeding 5%: **246**
 - Loans with Prepayment Penalty: **2,646**
 - Adjustable Rate Loans: **624**
- The number of loans requiring counseling in which the mortgage originator changed the loan terms subsequent to counseling to date: **12,928**
- The number of currently active licensed mortgage brokers and loan originators entering information into the database to date: **5,446**

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

During the April 2013 reporting period (10/1/12 – 3/31/13) twenty 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.”

The reporting period showed a second consecutive increase in negative amortization loans. The other counseling triggers decreased but are still being offered. The overall number of loans and borrowers requiring counseling also decreased. The result is that fewer loans containing

¹ Statistics for each county can be found in the table on page 7.

² 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.

unfavorable or non-traditional terms are being originated. This may well be a result of the APLD program. A listing of the number of loans that were offered in each trigger category may be found on pages 6-8 of this report. As in the previous report, the most frequently utilized trigger was prepayment penalty.

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

Of the 20 investigations referenced above, one can be classified as a major fraud enforcement action, with both civil and criminal aspects. A document filed in the Kane County Recorder's Office related to the APLD was referred to IDFPR by an employee for review. The document in question provided evidence of fraudulent foreclosure rescue practices. Further investigation discovered approximately fifty instances where consumers deeded their homes to the subject company and paid significant fees in return for fraudulent services. Numerous additional documents were recorded with either county recorders or the Kane County Court system with the intent to cause confusion as to the actual ownership of the properties and impede the legal process. Legislation has been drafted to address the practices that were discovered in this investigation, which was the subject of a Chicago Tribune report. Five other major actions remain pending from the previous reporting period.

Two title escrow services were 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. The files are reviewed for such practices as fraudulent documentation, misrepresented income, and fraud as to occupancy.

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.

STATISTICAL INFORMATION

Required Data Pursuant to Act:	April 2013 Reporting Period (10/1/12 - 3/31/13)	November 2012 Reporting Period (4/16/12 - 10/15/12)
Loans Registered with APLD³	64,404	70,946
Refinancing Primary Residence	37,137	39,162
Purchasing Primary Residence	13,619	17,064
First Time Homebuyers	11,075	13,706
Loans Closed in APLD	36,767	37,310
Borrowers Requiring Counseling	360	412
Loans Requiring Counseling⁴	238	274
Interest Only Loans	60	72
Negative Amortization Loans	29	21
Loans with Points and Fees Exceeding 5%	27	29
Loans with Prepayment Penalty	114	133
Adjustable Rate Loans	22	31
Loans Modified to Avoid Counseling	1,239	1,469
Loans Exempt from APLD	99,781	103,336

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 2013 Reporting Period (10/1/12 - 3/31/13)			
	Cook County	Kane County	Peoria County	Will County
Loans Registered with APLD⁶	49,613	5,825	357	8,609
Refinancing Primary Residence	28,219	3,238	260	5,420
Purchasing Primary Residence	10,305	1,486	53	1,775
First Time Homebuyers	8,600	1,093	36	1,346
Loans Closed in APLD	27,902	3,492	212	5,161
Borrowers Requiring Counseling	323	23	0	14
Loans Requiring Counseling⁷	212	16	0	10
Interest Only Loans	56	2	0	2
Negative Amortization Loans	23	4	0	2
Loans with Points and Fees Exceeding 5%	21	4	0	2
Loans with Prepayment Penalty	103	7	0	4
Adjustable Rate Loans	19	3	0	0
Loans Modified to Avoid Counseling	943	99	14	183
Loans Exempt from APLD	63,178	6,738	1,892	7,968

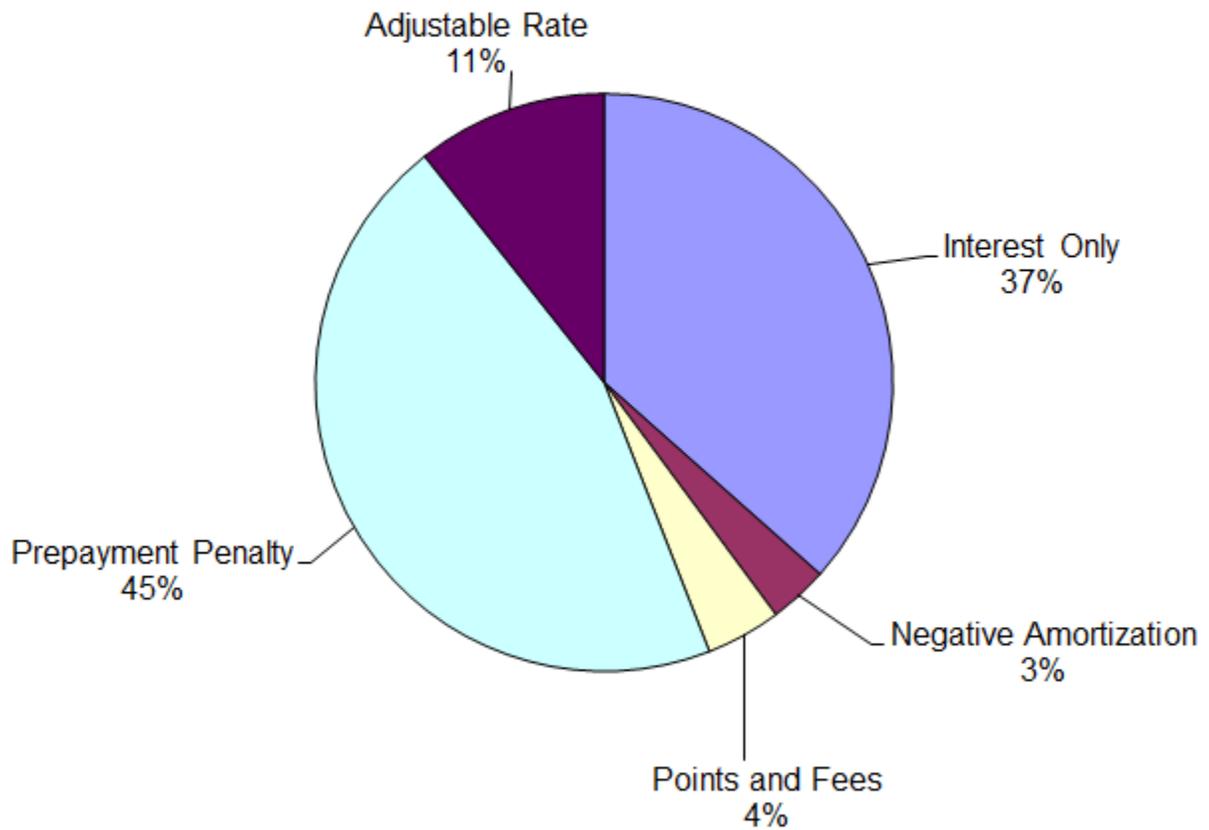
⁵ County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

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.

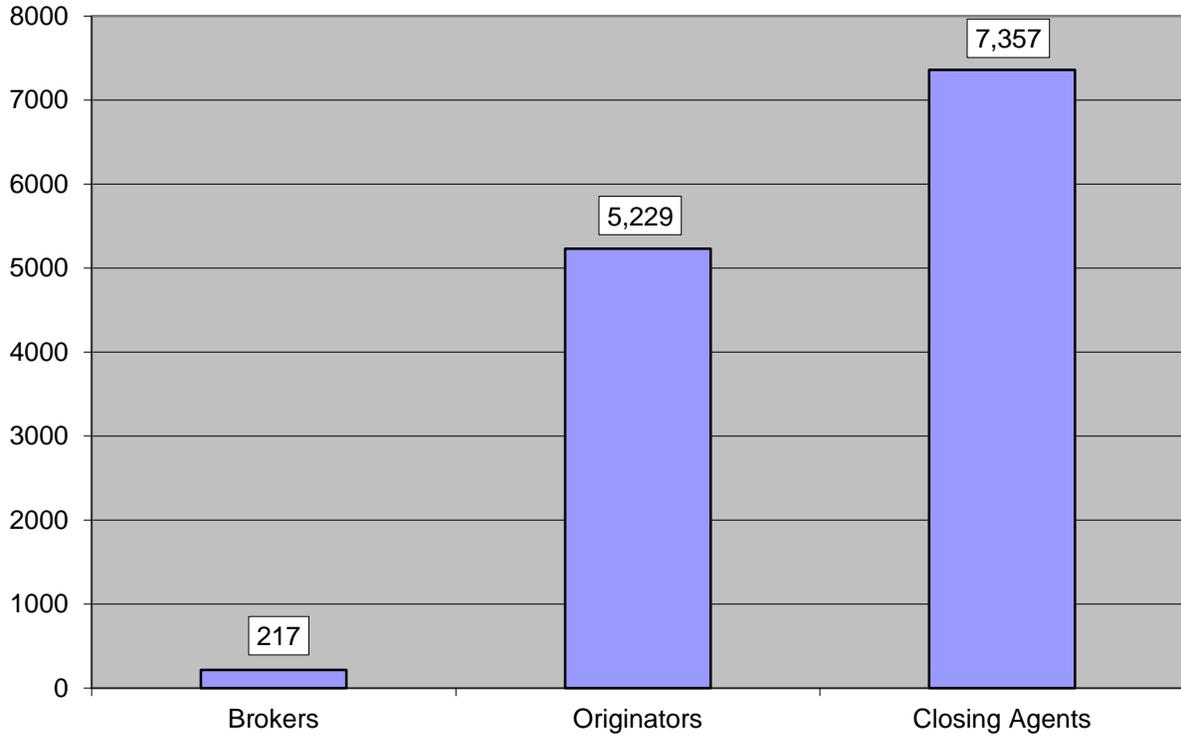
APLD Product Summary

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



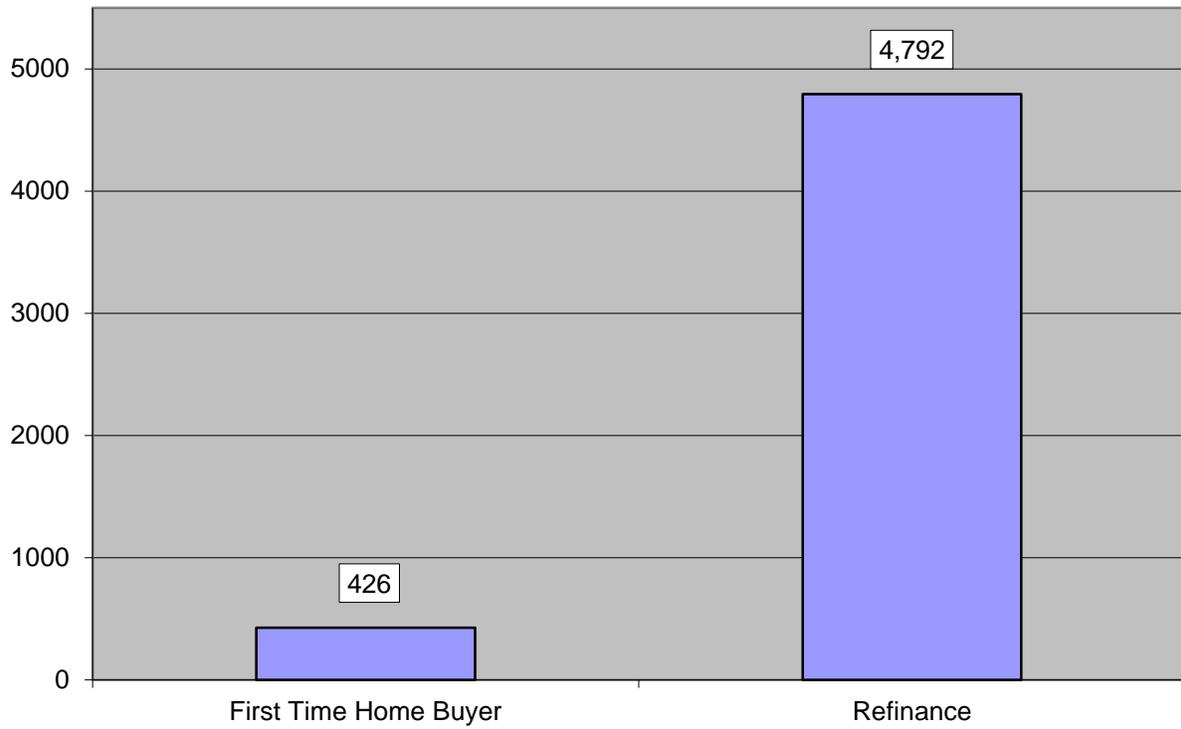
APLD User Summary

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 3.08 Days on Average
(Since program inception)

