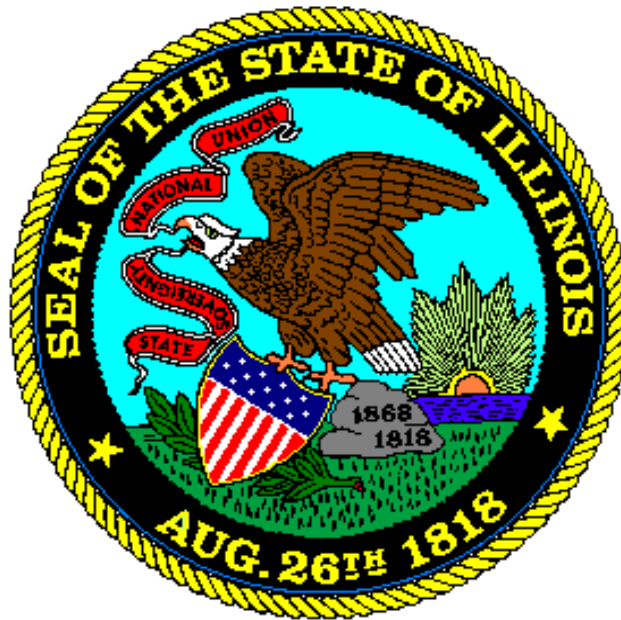


**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
November 1, 2011**



**Governor Pat Quinn  
Secretary Brent E. Adams  
Department of Financial and Professional Regulation**



# Illinois Department of Financial and Professional Regulation

## Office of the Secretary

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PAT QUINN  
Governor

Brent E. Adams  
Secretary

November 1, 2011

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 with this report. If you have any questions, please do not hesitate to contact me at 312-814-2837 or [brent.adams@illinois.gov](mailto:brent.adams@illinois.gov).

Very truly yours,

A handwritten signature in black ink, appearing to read "Brent E. Adams".

Brent E. Adams

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## **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 3% 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 that 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 4.8 days longer than a loan without counseling. This differential has been steadily decreasing.
- The APLD interface with the Department of Financial and Professional Regulation (DFPR) licensing database has facilitated timelier license renewal, data clean-up and accuracy, and enforcement of suspensions.
- APLD data has supported investigations and disciplinary actions. APLD data has enabled DFPR to uncover unlicensed activity, unregistered loan originators, unreported branch offices, and unreported changes of licensee location.
- Since program inception, there were a total of 4,423 loans in which borrowers required housing counseling. Of these, 3,054 (69%) loans were closed; 1,369 (31%) were not. In some cases, counselor advice may have resulted in non-closure of a loan. However, DFPR does not have specific data on this point.
- Active use of the database continues to expand. DFPR examiners access the database to obtain information in real time. Reports from the APLD are generated for all examinations of licensees and have been used to support findings and ratings. APLD reports have revealed information that would not have been discovered in the ordinary course of examination.
- DFPR has found no evidence that 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: **278,883**
- The number of borrowers receiving counseling to date: **6,800**
- The number of borrowers receiving counseling by county to date: Cook (**6,565**); Kane (**93**); Peoria (**5**); and Will (**137**)
- The number of loans closed to date: **173,742**
- Loan Type and Number requiring counseling to date:<sup>2</sup>
  - Interest Only Loans: **1,933**
  - Negative Amortization Loans: **138**
  - Loans with Points and Fees Exceeding 5%: **161**
  - Loans with Prepayment Penalty: **2,252**
  - Adjustable Rate Loans: **544**
- The number of loans requiring counseling in which the mortgage originator changed the loan terms subsequent to counseling to date: **9,140**
- The number of licensed mortgage brokers and loan originators entering information into the database to date: **4,704**

### **Investigations based on information from the APLD:**

During the November 1, 2011, reporting period (4/16/11 – 10/15/11), 17 investigations or enforcement actions resulted from information obtained through the APLD. The APLD has proven to be an effective tool for DFPR in monitoring and tracking questionable loan origination activity. The APLD has significantly enhanced transparency in the loan origination process, which has led to better self-policing within the residential finance industry.

APLD investigations have also led to enforcement actions against other regulated licensees such as real estate and title agents. The APLD is enabling DFPR to better combat the increase in mortgage fraud by tracking certain APLD reporting trends. DFPR is currently investigating areas such as the fraudulent use of exemption certificates, conflicts of interest involving APLD counselors, excessive debt-to-income ratio loans, loan originations by unlicensed loan originators, and illegal activity involving short-sales.

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

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<sup>1</sup> Statistics for each county can be found in the tables beginning on page 7.

<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.

Non-traditional products continue to be offered. These include interest-only loans, negative amortization loans, loans with prepayment penalties, adjustable rate mortgages with initial terms of three years or less, and high cost loans with points and fees exceeding 5%. This reporting period showed an increase in the number of negative amortization loans entered into the database. Breakdowns of the number of products that were offered in each of these categories may be found on pages 7-9 of this report.

### **How the Department is actively utilizing the program to combat mortgage fraud:**

Information from the database has contributed to Mortgage Fraud Task Force (MFTF) investigations and enforcements as well as disciplinary action against title agents and has assisted with the orderly process of license surrender. Winner of the 2010 Investigative Excellence Award from the national association of state regulators, the MFTF was formed in 2006 to investigate and stop mortgage fraud. Since its inception, the MFTF has taken disciplinary action against more than 100 persons and entities and assessed fines in excess of \$2 million.

All files in which counselors have indicated “Indicia of Fraud” are investigated by the MFTF. A report of all Counselor Recommendations is obtained on a quarterly basis. The DFPR investigator may interview the counselor, loan originator, seller, and/or borrower and may order that the subject files be provided to DFPR for review.

The quarterly reports also include reports reflecting properties that are resold for a higher price within ten days, which can indicate illegal “flipping,” and reports reflecting licensees that offer loans that frequently trigger the counseling requirement. A licensee that offers an exceptionally high percentage of loans that require counseling may be subject to investigation because counseling is triggered by loans with generally unfavorable terms. Recently added to the quarterly reports is a report of payment-to-income ratios of all loans entered into the database.

## STATISTICAL INFORMATION

Required Data Pursuant to Act:	November 2011 Reporting Period (4/16/11 - 10/15/11)	May 2011 Reporting Period (10/16/10 - 4/15/11)
<b>Loans Registered with APLD<sup>3</sup></b>	<b>41,463</b>	<b>40,658</b>
Refinancing Primary Residence	21,356	23,997
Purchasing Primary Residence	12,135	8,880
First Time Homebuyers	9,728	7,278
<b>Loans Closed in APLD</b>	<b>22,748</b>	<b>29,366</b>
<b>Borrowers Requiring Counseling</b>	<b>640</b>	<b>963</b>
<b>Loans Requiring Counseling<sup>4</sup></b>	<b>416</b>	<b>614</b>
Interest Only Loans	123	144
Negative Amortization Loans	17	10
Loans with Points and Fees Exceeding 5%	16	31
Loans with Prepayment Penalty	215	424
Adjustable Rate Loans	80	78
<b>Loans Modified to Avoid Counseling</b>	<b>1,087</b>	<b>1,071</b>
<b>Loans Exempt from APLD</b>	<b>76,214</b>	<b>88,356</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.

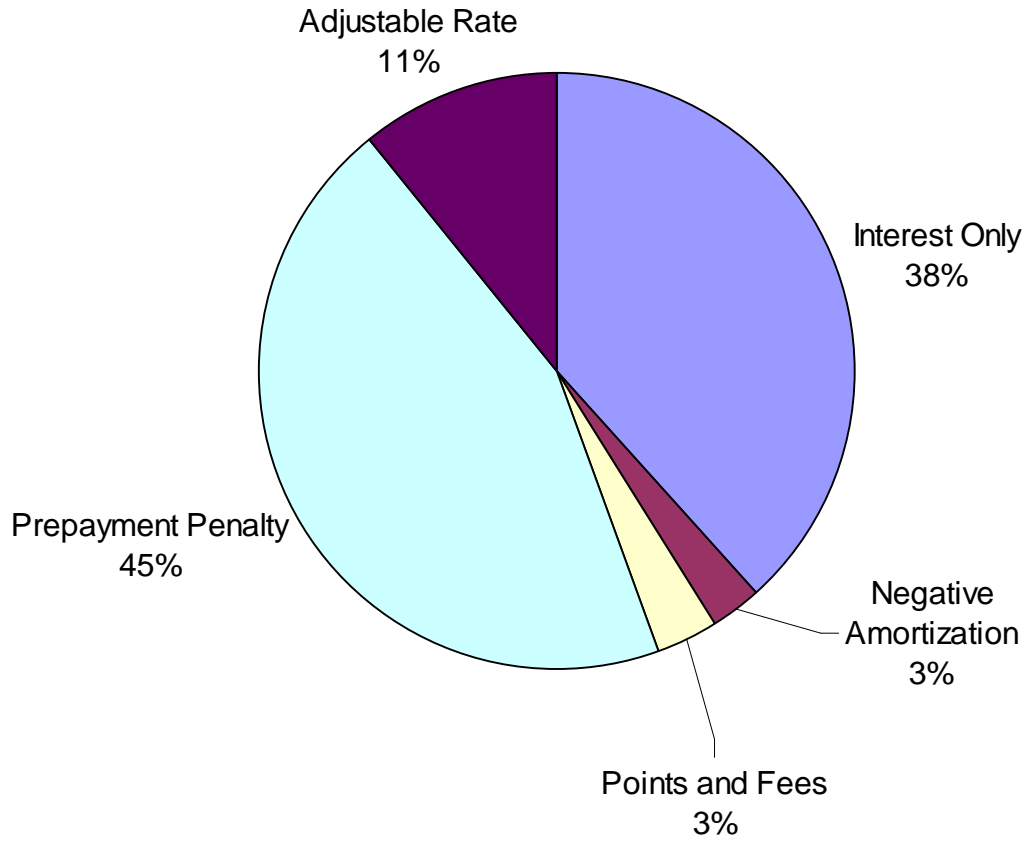
<b>Required Data Pursuant to Act:</b>	<b>November 2011 Reporting Period (4/16/11 - 10/15/11)</b>			
	<b>Cook County</b>	<b>Kane County</b>	<b>Peoria County</b>	<b>Will County</b>
<b>Loans Registered with APLD<sup>5</sup></b>	<b>32,089</b>	<b>3,498</b>	<b>328</b>	<b>5,548</b>
Refinancing Primary Residence	16,509	1,587	203	3,057
Purchasing Primary Residence	9,093	1,337	77	1,628
First Time Homebuyers	7,543	985	32	1,168
<b>Loans Closed in APLD</b>	<b>17,276</b>	<b>2,056</b>	<b>170</b>	<b>3,246</b>
<b>Borrowers Requiring Counseling</b>	<b>543</b>	<b>30</b>	<b>4</b>	<b>63</b>
<b>Loans Requiring Counseling<sup>6</sup></b>	<b>347</b>	<b>22</b>	<b>3</b>	<b>44</b>
Interest Only Loans	117	4	0	2
Negative Amortization Loans	11	1	2	3
Loans with Points and Fees Exceeding 5%	13	0	0	3
Loans with Prepayment Penalty	184	10	1	20
Adjustable Rate Loans	51	12	0	17
<b>Loans Modified to Avoid Counseling</b>	<b>810</b>	<b>101</b>	<b>19</b>	<b>157</b>
<b>Loans Exempt from APLD</b>	<b>48,458</b>	<b>4,617</b>	<b>1,906</b>	<b>5,414</b>

<sup>5</sup> The totals may include loans that are in process or have been abandoned.

<sup>6</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**

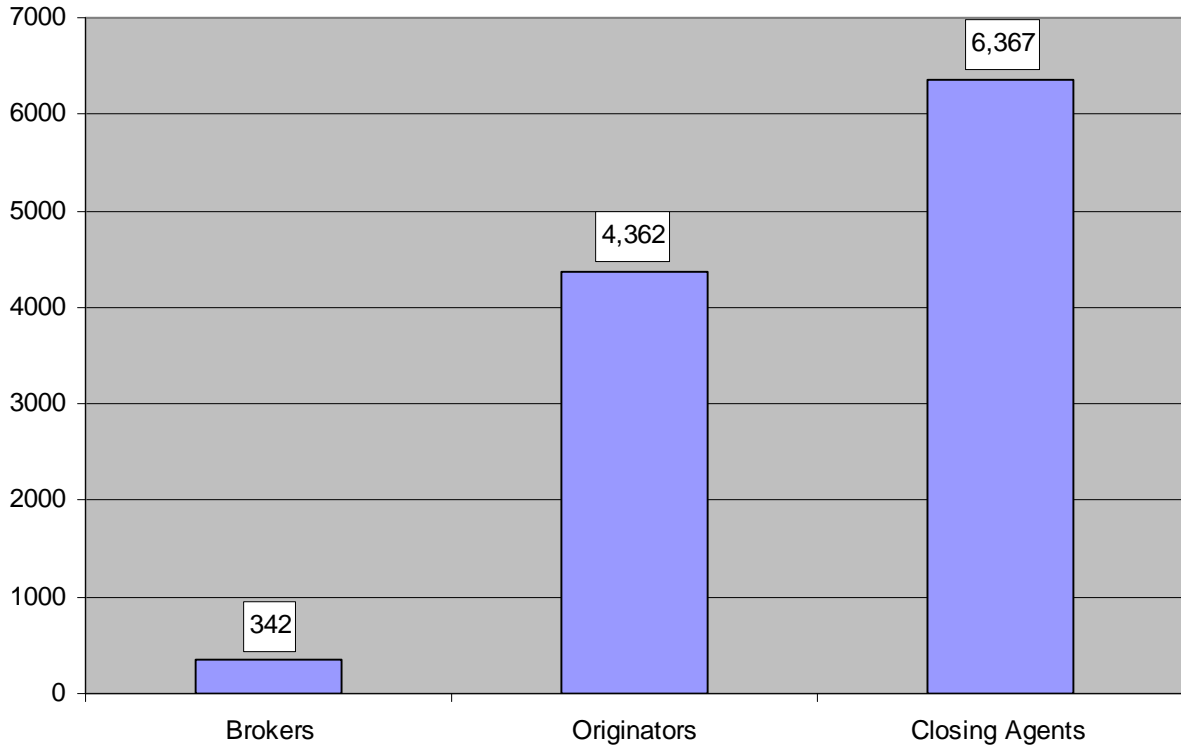
**Types of Loans Triggering the Counseling Requirement**  
(Since program inception)





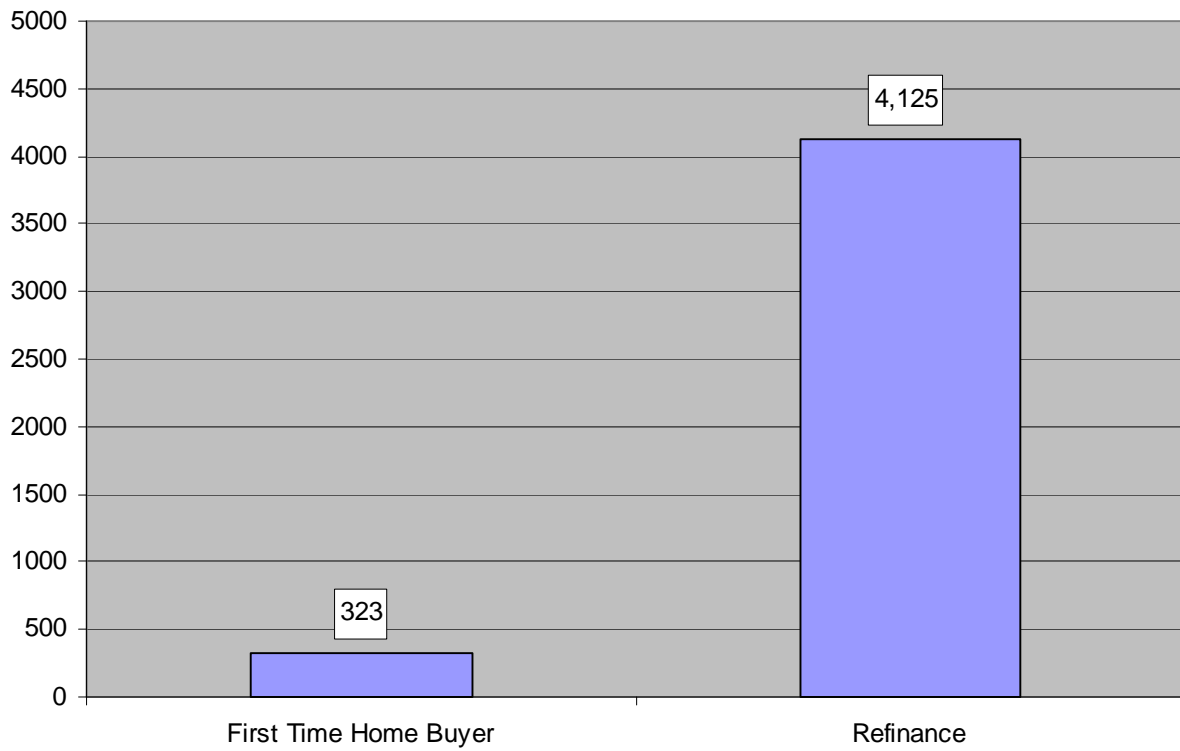
**APLD User Summary**

**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 4.8 Days on Average**  
(Since program inception)

