

**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
November 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 APRIL 1, 2013 THROUGH SEPTEMBER 30, 2013, OR THE PREVIOUS REPORTING PERIOD.

# Illinois Department of Financial and Professional Regulation

## Office of the Secretary

PAT QUINN  
Governor

Manuel Flores  
Acting Secretary

November 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 1.0% 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 2.33 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 5,440 loans in which borrowers were required to attend counseling. Of these, 3,594 (66%) loans were closed; 1,846 (34%) 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 APLD<sup>1</sup>**

- The number of loans registered with the APLD to date: **526,259**
- The number of borrowers receiving counseling to date: **8,311**
- The number of borrowers receiving counseling by county to date: Cook (**7,891**); Kane (**176**); Peoria (**12**); and Will (**232**)
- The number of loans closed to date: **313,662**
- Loan Type and Number requiring counseling to date:<sup>2</sup>
  - Interest Only Loans: **2,193**
  - Negative Amortization Loans: **238**
  - Loans with Points and Fees Exceeding 5%: **315**
  - Loans with Prepayment Penalty: **2,692**
  - Adjustable Rate Loans: **667**
- The number of loans requiring counseling in which the mortgage originator changed the loan terms subsequent to counseling to date: **14,224**
- The number of currently active licensed mortgage brokers and loan originators entering information into the database to date: **6,048**

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

During the October 2013 reporting period (4/1/13 – 9/30/13) six new investigations or enforcement actions have resulted from information obtained from the database. Eight remain pending but have either agreed upon consent orders or are near resolution. Three cases remain pending which have not yet been resolved.

### **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.”

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<sup>1</sup> Statistics for each county can be found in the table on page 8.

<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.

The reporting period showed a third consecutive increase in negative amortization loans. Loans with points and fees exceeding 5% and adjustable rate loans with initial terms of three years or less also increased. Loans that include the other counseling triggers decreased but are still being offered. Loans offering prepayment penalties declined the most. The overall number of loans and borrowers requiring counseling increased slightly. This contradicts the frequently heard assertion that 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 the borrowers to better understand the terms of the loan product. The APLD enables the borrowers to make informed decisions on whether to close on exotic loan products. A listing of the number of loans that were offered in each trigger category may be found on pages 7-9 of this report. The largest number of loans requiring counseling were those with points and fees exceeding 5%.

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

Three title escrow services were reported for engaging in improper practices. Such practices included closing loans with certificates of exemption when a certificate of compliance was required. The result of this practice is that the closing agent failed to enter the required data at the closing depriving the borrower of the protection afforded by the closing agent 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.

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.

Inaccurate data entry by loan originators had been a recurring problem. This compromised the integrity of the data available to the Department and diminished the usefulness of the database. Enforcement actions have resulted in 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.

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

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

Funds in the amount of \$963,211 are being made available to the APLD program through the Illinois Housing Development Authority and will be distributed as grants to participating housing counselors.

## STATISTICAL INFORMATION

Required Data Pursuant to Act:	October 2013 Reporting Period (4/1/13 - 9/30/13)	April 2013 Reporting Period (10/1/12 - 3/31/13)
<b>Loans Registered with APLD<sup>3</sup></b>	<b>61,584</b>	<b>64,404</b>
Refinancing Primary Residence	23,942	37,137
Purchasing Primary Residence	23,335	13,619
First Time Homebuyers	18,667	11,075
<b>Loans Closed in APLD</b>	<b>34,262</b>	<b>36,767</b>
<b>Borrowers Requiring Counseling</b>	<b>321</b>	<b>360</b>
<b>Loans Requiring Counseling<sup>4</sup></b>	<b>240</b>	<b>238</b>
Interest Only Loans	55	60
Negative Amortization Loans	48	29
Loans with Points and Fees Exceeding 5%	68	27
Loans with Prepayment Penalty	40	114
Adjustable Rate Loans	42	22
<b>Loans Modified to Avoid Counseling</b>	<b>1,203</b>	<b>1,239</b>
<b>Loans Exempt from APLD</b>	<b>101,959</b>	<b>99,781</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>	October 2013 Reporting Period (4/1/13 - 9/30/13)			
	Cook County	Kane County	Peoria County	Will County
<b>Loans Registered with APLD<sup>6</sup></b>	<b>47,220</b>	<b>5,895</b>	<b>391</b>	<b>8,078</b>
Refinancing Primary Residence	18,051	2,161	224	3,506
Purchasing Primary Residence	17,521	2,585	95	3,134
First Time Homebuyers	14,549	1,832	65	2,221
<b>Loans Closed in APLD</b>	<b>25,920</b>	<b>3,430</b>	<b>197</b>	<b>4,715</b>
<b>Borrowers Requiring Counseling</b>	<b>259</b>	<b>23</b>	<b>6</b>	<b>33</b>
<b>Loans Requiring Counseling<sup>7</sup></b>	<b>193</b>	<b>17</b>	<b>5</b>	<b>25</b>
Interest Only Loans	48	3	1	3
Negative Amortization Loans	33	8	3	4
Loans with Points and Fees Exceeding 5%	55	3	1	9
Loans with Prepayment Penalty	31	2	0	7
Adjustable Rate Loans	35	3	0	4
<b>Loans Modified to Avoid Counseling</b>	<b>913</b>	<b>123</b>	<b>10</b>	<b>157</b>
<b>Loans Exempt from APLD</b>	<b>67,065</b>	<b>6,565</b>	<b>2,074</b>	<b>7,955</b>

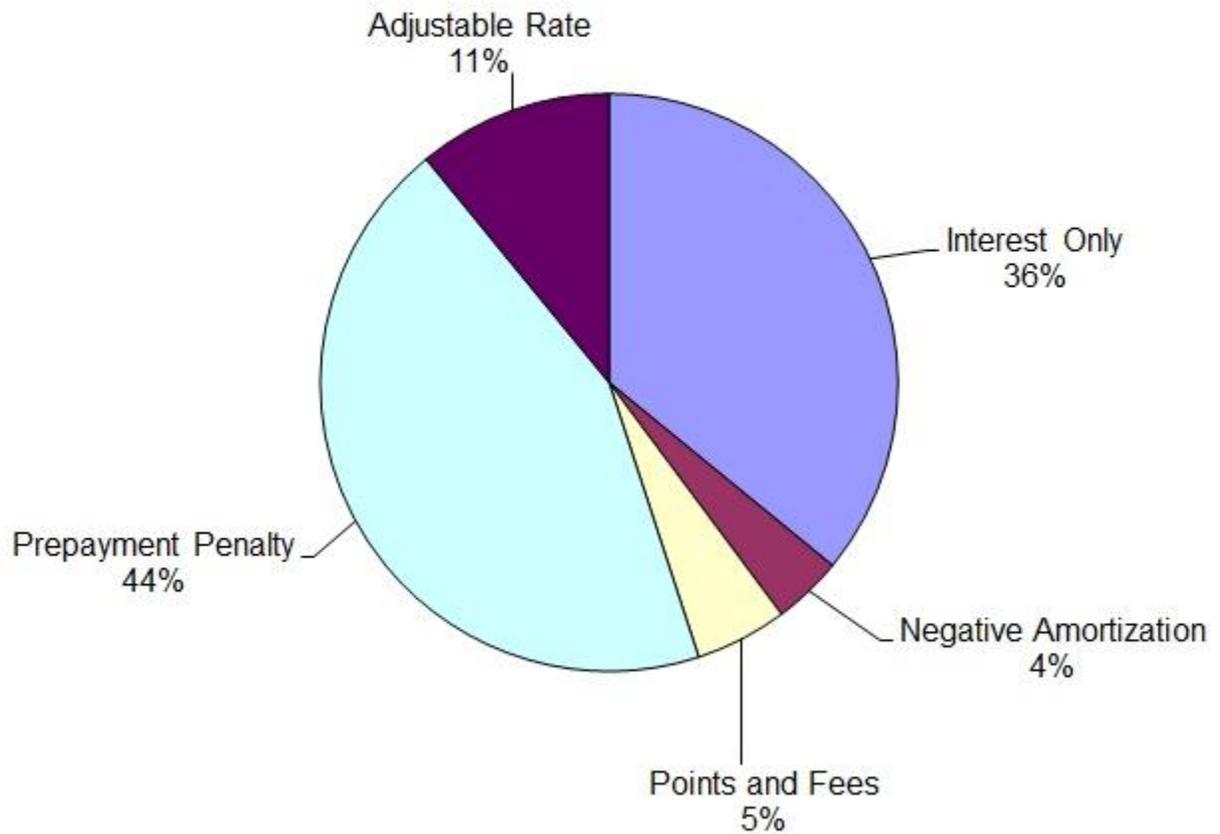
<sup>5</sup> County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

<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.

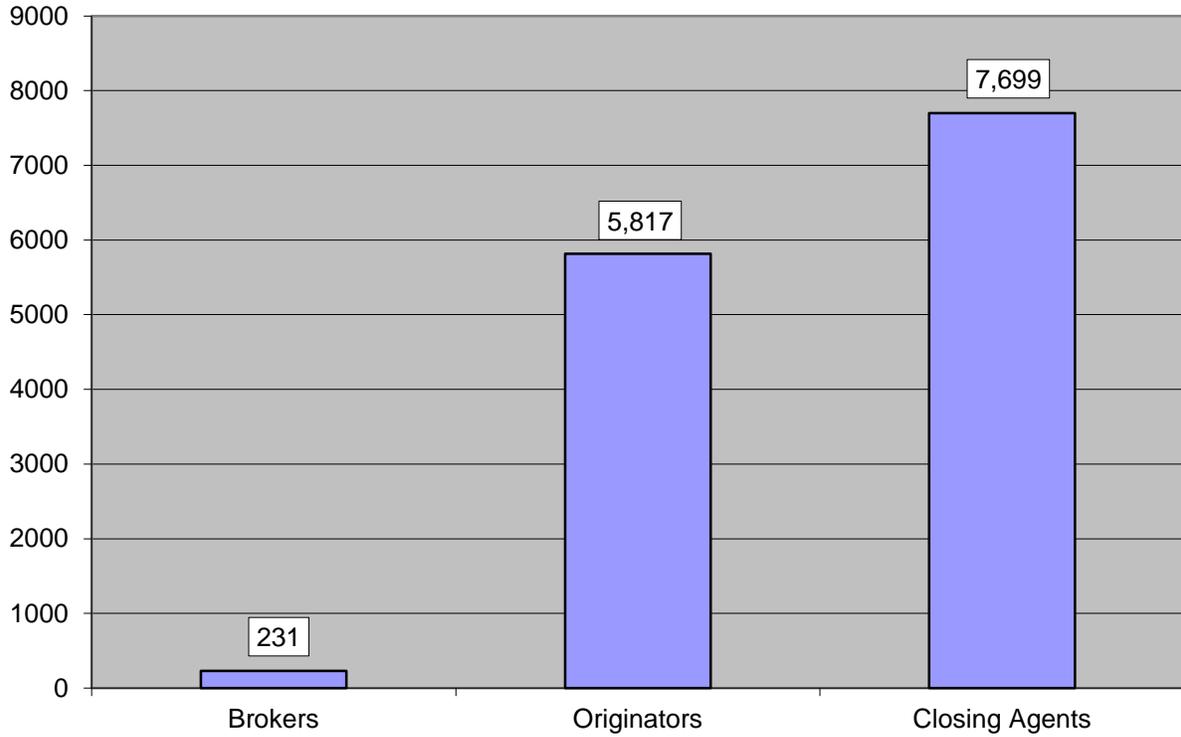
## APLD Product Summary

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



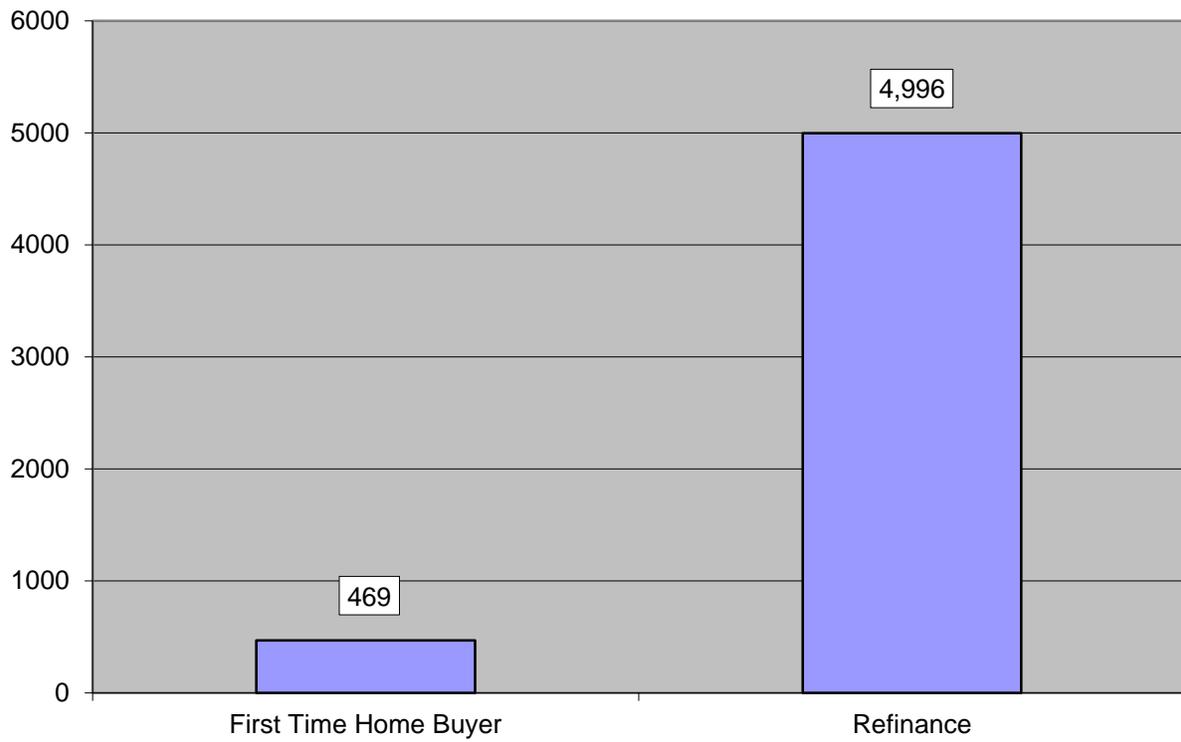
**APLD User Summary**

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

