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PAT QUINN
Governor

Illinois Department of Financial and Professional Regulation – Division of Banking

MICHAEL T. McRAITH
Acting Secretary

JORGE A. SOLIS
Director of Banking

The Illinois Mortgage Banking Regulatory Newsletter

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Message from Director Solis



Jorge A. Solis
Division Director

Welcome to the first edition of *The Illinois Mortgage Banking Regulatory Newsletter*. I am pleased to be able to communicate with you, the mortgage banking licensee, on very important and relevant issues the industry is facing today. In this issue, some of the things we'll discuss are Nationwide Mortgage Licensing, predatory lending legislation and loan origination requirements.

It is our intention to publish this newsletter on a quarterly basis and make it available on our website at <http://www.obre.state.il.us/resfin/newsletters/>.

I sincerely hope you find this publication useful and informative.

LETTER FROM DAVID ESPINOZA DIRECTOR FOR MORTGAGE BANKING

To all of our mortgage banking licensees - Greetings! While our mission as an Illinois mortgage banking regulator is to serve and protect the general public, we extend our hand to you, the mortgage banking licensee, by making an effort to keep you informed on many different topics. It is our hope this publication will assist you with licensing, loan origination, predatory lending, legal, supervision and examination issues.

This and subsequent issues will be available on our website at <http://www.obre.state.il.us/resfin/newsletters/>. We encourage you to check it out and become familiar with the information provided. If you would like specific topics to be addressed in future issues, submit your ideas in writing to IDFP – Division of Banking, Attn: Teresa Sheley, 500 East Monroe, Ste. 1100, Springfield, IL 62701.

MORTGAGE BANKING LICENSING NEWS

By Karen Harris, Manager of Licensing

Here is what's happening in Licensing! July renewals will be mailed out by April 15, 2009. Your renewal application is to be returned **45 days prior to your expiration date** in order to give licensing staff sufficient time to review your application, request missing documents if necessary and run your credit. When completing your renewal application make sure you complete page (7), the "release of audited work papers" section, and list the date of your last audit/compilation. If you need to make changes to your renewal, you must submit them in writing, do not make the changes on the renewal application itself. Past due examination fees or fines will prevent you from getting your license renewed or any other applications processed. Payment of these fees are due within 30 days of notification.

The renewal of the main office license requires a \$2,700.00 fee; all other established full service offices (branch) require a \$250.00 fee (fees can be combined in one check). If you wish to establish an additional branch office, you must submit a "Notice of Intent to Establish a Full Service Office" (branch) application found on our website. When searching for forms or applications go to <http://www.obre.state.il.us/RESFIN/Forms/rfformsb.htm>. All of our forms have been updated and it is important you download the most current form.

Starting JUNE 1, 2009 only CERTIFIED CHECKS, CASHIER CHECKS AND MONEY ORDERS will be accepted when paying licensing fees, examination fees and fines. If you submit a business or personal check, your check will be returned.

The surrender guidelines have been updated on our website. All loans in the pipeline must be closed and a loan log provided before surrendering your license. To get more specific information and guidelines, go to <http://www.obre.state.il.us/RESFIN/Forms/rfformsb.htm>, and scroll down to "Surrender Guideline Procedures." In order to successfully surrender your license, it is important to follow the instructions carefully.

For those of you interested in looking up a particular licensee or who would like a complete listing of our Mortgage Banking licensees and/or loan originators, you can go to <http://www.obre.state.il.us/AGENCY/licenseinfo.htm> on our website for that information and scroll down to "Bureau of Residential Finance Regulated Entities." The Loan Originators and Mortgage Banking Licensees links are updated instantly and the Mortgage Banking Licensee List Download and Mortgage Banking Licensee List Download - Servicers Only links is updated monthly.

Make a note of it!

All applications, invoices and any other correspondence with checks attached should be mailed to IDFP, Division of Banking, 500 East Monroe, Ste. 1100, Springfield, IL 62701. All other correspondence should be mailed directly to IDFP, Division of Banking, Mortgage Banking Licensing, 122 South Michigan Avenue, Ste. 1900, Chicago, IL 60603.

How many answers can you get right? Be sure to take our quiz on page 7!

LEGAL NEWS

By Alan Anderson, Mortgage Banking Senior Counsel
and Lorelei Botner Abrams, Legal Counsel

In this issue we discuss enforcement actions. In 2008, over 200 disciplinary actions were issued for residential mortgage licensees (mortgage brokers and mortgage bankers) and loan originators; many of these disciplinary actions could have been avoided with a review of applicable state and federal laws, regulations and agency procedures.

For residential mortgage licensees some of the most frequent disciplinary actions include: **Net Worth** (below \$50,000 minimum for mortgage brokers), **Financial or Activity Reporting** (late filing of financials after 90 days of end of fiscal year end, or activity reports after March 1), **Loan Originators** (unregistered activity or continuing education violations), **Bonds** (expired surety and/or fidelity bonds), **Additional Full Service Offices** (unlicensed branch activity), **Advertising** (misleading content, or failure to properly identify such as missing, "Illinois residential mortgage licensee"), **Loan Logs** (not including 13 required information fields), **Consumer Disclosure** (missing, incomplete or unsigned forms in files, or improper or inaccurate reporting of loan terms/costs) and **Changes in Business Activities** (changes in ownership or address without notifying the Division of Banking (DOB) at least ten days prior, and improper or missing surrender applications per statute and DOB guideline procedures).

For loan originators some of the most frequent disciplinary actions include: **Unregistered Practice** (acting without proper credentials or using another employee's registration number and/or signature on loan documents), **Convictions/Judgments** (not reporting those occurring within ten days of conviction or judgment), **Improper Transfers** (transferring multiple times without properly submitting application with the fee), and **Continuing Education** (in addition to employer, individuals are liable for not having six hours of annual continuing education).

The above items are intended to call to your attention some common violations; however, in the event an order is issued for one of these or another violation, you will also need to review the administrative hearing procedures (Subpart N) posted on the DOB website at <http://www.ilga.gov/commission/jcar/admincode/038/03801050sections.html>. Please remember that you will have ten days after receiving the order to file a request for hearing, along with the applicable hearing fee (\$500 for residential mortgage licensees, and \$250 for loan originators) and include in the hearing request a detailed admission, denial, or appropriate response to each issue contained in the order. Before that happens, please take some time to review the applicable state and federal laws, regulations and agency procedures.

SPECIAL INITIATIVE – Nationwide Mortgage Licensing System DIVISION OF BANKING TAKES STEPS TO JOIN THE NATIONWIDE MORTGAGE LICENSING SYSTEM & REGISTRY

The IDFPR Division of Banking (DOB) joined early planning efforts started in 2004 by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) to implement a nationwide mortgage licensing system (NMLS) to receive electronic applications for both mortgage companies and individual loan originators. The DOB will continue to approve licenses by applying Illinois licensing standards to the application information entered into the NMLS. The U.S. Congress' passage of federal legislation last year, known as the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 or S.A.F.E. Act, requires all states to enact state legislation or regulations on or before July 31, 2009 to license mortgage loan originators for non-depository institutions, and for all mortgage loan originators to be provided with unique identifier numbers provided by the NMLS.

The DOB has introduced House Bill 4011 (Colvin) into the 2009 Session of the Illinois General Assembly to provide the State authority and framework to join the NMLS and comply with the federal S.A.F.E. Act. The DOB recently participated in the first NMLS state regulators' conference and is fully engaged in transition planning onto the NMLS. During this current planning period, the Loan Originator Registration renewal process will remain unchanged for the July 1, 2009 to June 30, 2010 cycle and mortgage company licensees will also continue to submit renewal applications directly to the DOB. The DOB in future newsletters will be providing more information on transition schedules, procedures, and database uses.

FREQUENTLY ASKED QUESTIONS

Q. How do I report another mortgage company or another loan originator who, I believe has engaged in fraudulent practices?

A. You can file a complaint by using the following IDFPR Consumer Service's link:

<http://www.obre.state.il.us/RESFIN/Forms/6-2.pdf>.

Q. What do I do if my employer doesn't pay me?

A. Contact the IL Department of Labor or hire a private attorney.

Q. Do I still need to comply with the Anti Predatory Lending Database program requirements if I am processing a Commercial Mortgage?

A. Yes, all mortgages in Cook County need to comply with the program.

Q. How do I comply with the Anti Predatory Lending Database program if I have a private mortgage loan?

A. Fax a copy of the mortgage to Susan Clardy - White at 217-557-8481.



PREDATORY LENDING NEWS

By Ira Tangy, Director of the Residential Real Property Program
and Stan Wojciechowski, Senior Counsel

Predatory Lending personnel are working hard for the people of Illinois! The Anti-Predatory Lending Database program was implemented, on schedule, July 1, 2008. It has functioned as intended. A great deal of useful information has been entered into the database which allows the Department to monitor lending activity and trends in Cook County. Counseling is taking place as required. The number of available counselors has proven sufficient to fulfill the needs of the affected borrowers. In addition, the database maintains a record of foreclosure actions through the tracking of Lis Pendens notices recorded in Cook County. The Department submitted the first semi-annual report to the Governor and General Assembly, as required by law, on November 1, 2008. The next report is due May 1, 2009.

Our loan modification survey, which we sent to ascertain the industry's activities relative to loan modifications, enjoyed a 99% response rate.

Our loan servicer questionnaire is designed to facilitate analysis on loans being serviced and efforts to avoid foreclosures on delinquent first and second lien loans. There has been a healthy response rate with this questionnaire.

The Frequently Asked Questions, posted on the Anti Predatory Lending Database website, are periodically updated to clarify and explain matters of concern to the various user groups. Please remember to check the FAQ's often. (www.ilapld.com – it is not necessary to log on to the website to view the FAQs, which can be found in the menu on the left side of the home page).

**Check out our Predatory
Lending
Unit Webpage at
www.ilapld.com**



Concerned about Mortgage Fraud? Call our Hotline: 1-800-532-8785

EXAMINATION NEWS

By Michael Garvin, Manager of Examinations

The Mortgage Examination Department is looking forward to communicating with you in this quarterly newsletter. It gives us the opportunity to address common questions and issues that arise in the examination process. Be assured that the entire examination staff is working hard to do its best for both the protection of the public and the integrity of the profession. For the first quarterly newsletter, let's address some scheduling matters and then turn to the issue of costs.

EXAMINATION NEWS Cont.

The frequency of an examination is determined by the Composite Rating from the last completed exam: 1 and 2 ratings require the next exam in three years, a 3 rating in two years, and a 4 rating in one year. New licensees are subject to an examination between one and three years after the license is first issued.

The examination process starts when the Examination Department mails a pre-examination alert letter ("PEARL Letter") to the licensee. The PEARL letter explains how to prepare for the examination and includes various forms that must be completed and produced to the assigned examiner. The PEARL letter also provides the telephone contact information for the assigned examiner. The licensee and the assigned examiner should discuss over the phone a mutually agreeable date for the on-site examination. Normally, the on-site date should be scheduled for a date about two to three weeks after the PEARL is mailed.

The cost for the examination is set by Administrative Rule 1050.210(d) which currently provides for \$510.00 per day. **Note that the "per day" timeframe includes both the time that the assigned examiner spends during the on-site examination and the time that it takes for the assigned examiner to draft the Report of Examination back in the office.** Note also that the check for the Invoice must be mailed to IDFPR – Division of Banking, 500 East Monroe, Ste. 1100, Springfield, IL 62701, not to the Examination staff in Chicago.

Examination invoices are mailed at the conclusion of an exam. Fees are due within 30 days of the date of the invoice. Submit a copy of your invoice and a CERTIFIED CHECK, MONEY ORDER OR CASHIER'S CHECK to IDFPR, Division of Banking, 500 East Monroe, Ste. 1100, Springfield, IL 62701.

SUPERVISION NEWS

By Susan Hines, Manager of Supervision



The Mortgage Banking Supervision Section ("Supervision") has seen a significant increase in the number of cases it receives for licensees' whose compliance examination disclosed a rating of #4. Two factors that may contribute to licensees with a #4 rating are failure to meet the net worth requirement and/or did not submit their 12-month financial statements. The function of Supervision is to work with these licensees to develop a plan and enable them to achieve compliance with the Residential Mortgage License Act of 1987. If the licensee is unable to achieve compliance, they will be asked to consider surrender of their residential mortgage license. If the licensee fails to submit all of the information requested they will be

SUPERVISION NEWS Cont.

referred to the Mortgage Banking Legal Section for a possible enforcement action, which may include a penalty fee, suspension or revocation.

It is important to note that Supervision may receive and add additional issues to a pending case to facilitate resolution of multiple licensee-related issues. Licensees should promptly respond to all requests and contact me as necessary at (312) 793-1529.

Licensees in supervision who desire to surrender their residential mortgage license must still submit a written response detailing the actions taken to correct the violations noted in the report of examination.

All licensees should develop a working knowledge of Sections 32, and 35 of the Residential Mortgage License Act of 1987, as well as Section 1050.410 of the Administrative Rules, regarding net worth maintenance and reporting requirements.

TEST YOUR KNOWLEDGE – TAKE OUR QUIZ

1. Why does a Loan Originator have to pay a REACTIVATION fee of \$100?
2. How many hours of continuing education (CE) must a loan originator/solicitor take each year?
3. My former sponsor will not return my loan originator wall certificate to me and I want to transfer to a new sponsor. What should I do?
4. How will my loan originator application be evaluated if I have been convicted of a crime, owe taxes or have a judgment against me since my initial application or last renewal?

Answers to the questions can be found on page 9.

LOAN ORIGINATION NEWS

By John Bucari, Manager of Loan Origination

Its renewal time again! The Loan Origination Office mailed the loan originators/solicitors 2009 renewal forms during the second week of March. The expiration date for 2008 certificates is June 30, 2009. As with the previous renewal, the Division of Banking will accept late renewals up to August 31, 2009 but any renewal with a postmark subsequent to August 31, 2009 will NOT be accepted and it will be returned to the sender. Additionally the loan originator/solicitor will be required to restart the registration process. Remember - a loan originator/solicitor that does NOT have a sponsor is prohibited from renewing. If a loan originator/solicitor is unable to renew within the allotted timeframe, she/he will be required to restart the process, excluding retaking the examination. The restart process does require that the individual have his/her fingerprints retaken and undergo the background checks.

If a person did not complete his/her continuing education (CE) during the previous calendar year (2008), it is too late for the CE to be taken and have those six hours applied towards the 2009 renewal. The only exception to this is if the loan originator/solicitor obtained his/her INITIAL certificate during the month of December 2008 and thereby unable to obtain the six hours of CE. This person may obtain the required hours NO LATER than April 30, 2009. This same person WILL BE REQUIRED to obtain an additional six hours of CE during calendar year 2009 which will be applied towards their 2010 renewal.

The Loan Originator Office receives frequent inquiries regarding the placement of a loan originator/solicitor's certificate "on hold" because the loan originator/solicitor is now employed by an exempt entity (chartered bank). This Office cannot place certificates "on hold". If a person renewed in the last renewal cycle and is currently ACTIVE but no longer employed by a mortgage broker, his status will be ACTIVE INOPERATIVE. If their employer is a chartered bank, his status would currently show as ACTIVE INOPERATIVE. When the 2009 renewals are submitted that person will be unable to renew because she/he does not have a sponsor. Consequently the status of the loan originator will become INACTIVE INOPERATIVE with the inability to renew. Should the person wish to change employment and return to work for a mortgage broker, and should the loan originator's status has become INACTIVE, that person will be required to restart the registration process.

CONSUMER SERVICES NEWS

By Mario Pantoja, Director of Consumer Services

The Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking's Consumer Services Section is responsible for the investigation of complaints to ensure compliance of the legislated rules during a residential loan transaction. Consumer Services intakes all allegations of misconduct, whether generated externally by the public or the mortgage banking industry, or internally by IDFPR personnel. An allegation that a licensee has committed misconduct is a serious event. As such, both the consumer and the licensee deserve a thorough, fair, and timely investigation of the allegation.

CONSUMER SERVICES NEWS Cont.

The investigative process begins with a thorough review of the inquiry which requires a written response be sent to the consumer by the Division of Banking as well as the licensee. The licensee will be asked to take specific actions and will be expected to resolve the complaint to the fullest extent possible. Failure to completely adhere to these requests could prompt one or more of the following actions: the scheduling of a special examination at the company's expense, the issuance of a fine for each day the response is late, and a "Violation" or "Noncompliance" notation to our records.

Consumer complaints should be submitted to the IDFP, Division of Banking, Consumer Services Section, 122 South Michigan Avenue, Suite 1900, Chicago, Illinois 60603. Our consumer toll free hotline number is 877/793-3470. To obtain our consumer complaint forms, go to <http://www.obre.state.il.us/consumer/conforms.htm> and print the appropriate form.



Quiz Answers: 1. The Act states that if a loan originator is INOPERATIVE for over 90 days a reactivation fee is to be paid prior to the loan originator being returned to UNCONDITIONAL status. 2. Currently each loan originator/solicitor must take six (6) hours of CE each calendar year. 3. Your sponsor is to submit your wall certificate at the time of your termination with that sponsor. Your previous sponsor is to sign the wall certificate and date it with the date of your termination (or your departure) and submit it to the address found on the certificate. 4. When evaluating your application the standards from the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 will be used, and as one illustration, there will be no approval for any felony convictions occurring in the last seven years. In addition these standards will also be used in the evaluation of initial applications.

CALL CENTER NEWS

By Michael Zurek, Manager of the Call Center

The call center is the first contact for most incoming calls to the Division of Banking. Calls vary from consumers and professionals with complaints to brokers and closing agents complying with the Anti Predatory Lending Database Program. The Division of Banking regulates Illinois State Banks, Mortgage Bankers and Brokers and Thrifts (Illinois Savings Bank/Savings and Loans).

It is our goal to assist callers in the most efficient way possible. If your question or concern cannot be handled by the call center, we will make sure your call gets to the appropriate person and/or section within the Department.

IMPORTANT CONTACT INFORMATION:

Division of Banking Call Center	1-866-266-4120
Mortgage Fraud Hotline	1-800-532-8785
Illinois Anti-Predatory Lending Database Hotline	1-888-455-2753
Homeowner's Hope Hotline	1-888-995-HOPE (4673)
US Department of Treasury	202-622-2000
US Dept. of Housing and Urban Development	202-708-1112
Applied Measurement Professionals, Inc. (AMP)	913-895-4600

IMPORTANT WEBSITE LINKS:

Financial Literacy 101	http://www.ildpr.com/finlit101/default.asp
Illinois Attorney General	http://www.illinoisattorneygeneral.gov
Veritec Solutions, LLC (APLD Tech Support)	http://www.veritecs.com/
Illinois Association of Mortgage Professionals	www.iamp.biz
Illinois Mortgage Bankers Association (IMBA)	www.imba.org
Applied Measurement Professionals, Inc. (AMP)	http://www.goamp.com/
US Dept. of Housing and Urban Development	www.hud.gov
US Treasury	http://www.ustreas.gov/



CONTACT US:

You can find our contact information by visiting our Bureau of Residential Finance Staff Roster webpage at <http://www.obre.state.il.us/resfin/staff/RFRoster.htm>.

SPRINGFIELD OFFICE

500 East Monroe Street, Suite 1100
Springfield, Illinois 62701-1509
Phone: 217/782-3000
Fax: 217/588-0421
TDD: 217/524-6644

CHICAGO OFFICE

122 South Michigan Avenue, Suite 1900
Chicago, Illinois 60603
Phone: 312/793-3000
Fax: 312/793-8720
TDD: 312/793-0291