



MEMORANDUM

TO: Mortgage Banking Licensees
FROM: Jay R. Stevenson
DATE: September 16, 2002
RE: Regulatory Memorandum

This regulatory memorandum, the second issued by the Commissioner, pertains to three issues raised in recent examinations, a reminder about exam fee payments, and the final paragraph describes the Agency's response to the Early Retirement Incentive passed by the Illinois General Assembly in June, 2002.

1. Section 1-2 (a) and (b) of the Act: Some licensees have initiated a refinance program so named "Interest Credit Program" by which a mortgagor is led through a series of refinances, sometimes as many as four in a given year. In one instance we found that borrower-paid fees exceeded \$22,000 for three transactions in a nine-month period. We ask that all residential licensees review Section 1-2 (a) and (b) of the Act to recall the purpose of the Residential Mortgage License Act and its Policy statement, and to determine "whether all residential mortgage lenders are conducting their business in the best interests of Illinois homeowners and potential homeowners." This standard will be applied in the review of loan files, and where it is found wanting, regulatory action for violation of 4-5 (i)(2) of the Act will be taken. Moreover, please refer to Section 1050.1270 of the Rules promulgated under the Act for specific prohibitions if the loan is a high-risk loan.

2. Section 2-4 (s) of the Act: We have seen an increasing number of violations for failure to report changes since the most recent application was sent to the Office within 30 days of said change. The largest number are failure to notify the Office of judgments, petitions filed in bankruptcy and pending litigation (lines 2a, 2b, and 2c of the application), changes in correspondent relationships (line 6 of the application) 5% ownership in RESPA related businesses (line 7a of the application), and independent audit firm information (line 13 of the application).

3. Section 2-8 of the Act: Section 2-8 allows a licensee to apply for authority to open and maintain additional full-service offices. Affixed to the application are certain filing instructions issued by this Office. We have found licensees operating without this full-service office license, operating the full service office after an application is filed but before the license is issued, or operating an office primarily as a franchise. All three are prohibited and we will continue fine licensees an amount of \$ 10,000 for each violation.

4. Section 1050.250 (b) of the Rules: We bill for the examination service performed approximately 35 working days after the examination completion date and expect payment 30 days thereafter. Previously we remitted a second invoice if payment was not received in a timely manner. You are hereby notified that **we will no longer send a second invoice; if payment is not received on time, we will file an immediate claim against your surety bond.**

The Illinois General Assembly passed an early retirement incentive for state employees who meet age and length of service requirements. This legislation was passed to ease the budget deficit by encouraging the retirement of senior employees. Some employees in the Mortgage Banking Division will accept this incentive, but the Commissioner wishes to assure all licensees that succession plans are being developed and that an orderly and consistent transition will ensure that the regulatory oversight begun in the winter of 1988 continues.

Should you have any questions, please contact Dea Brennan, Director of Mortgage Banking or R. J. Harvey, Manager of Supervision by calling 312/793-1409.