

**Anti-Predatory Lending Database  
Semi-Annual Summary Report  
December 10, 2010**



**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

December 10, 2010

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 data. 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 cursive script, appearing to read "Brent E. Adams".

Brent E. Adams

## Summary of Anti-Predatory Lending Database (APLD) Program

- The APLD expanded to Will, Kane, and Peoria Counties, effective July 1, 2010.
- While loans that trigger the counseling requirement continue to be offered in the program area, they represent less than 2% 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 seven days longer than a loan without counseling.
- The APLD interface with the IDFPR 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 IDFPR to uncover unlicensed activity, unregistered loan originators, unreported branch offices, and unreported changes of licensee location.
- Since program inception, there were a total of 3,397 loans in which borrowers required housing counseling. Of these, 2,295 (68%) loans were closed; 1,102 (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.
- Active use of the database continues to expand. DFPR examiners have access to the database reporting functionality in order to be able to obtain data in real time. This has enhanced their examination capabilities. Reports from the APLD are now required for all examinations and have been used to support findings and ratings. APLD reports have also revealed information that would not have been discovered in the ordinary course of examination.
- IDFPR 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: **196,348**
- The number of borrowers receiving counseling to date: **5,203**
- The number of borrowers receiving counseling by county to date: Cook (**5,149**); Kane (**28**); Peoria (**1**); and Will (**25**)
- The number of loans closed to date: **121,358**
- Loan Type and Number requiring counseling to date:<sup>2</sup>
  - Interest Only Loans: **1,669**
  - Negative Amortization Loans: **111**
  - Loans with Points and Fees Exceeding 5%: **115**
  - Loans with Prepayment Penalty: **1,614**
  - Adjustable Rate Loans: **385**
- The number of loans requiring counseling where the mortgage originator changed the loan terms subsequent to counseling to date: **6,958**
- The number of licensed mortgage brokers and loan originators entering information into the database to date: **4,783**

### **Number of investigations based on information from the APLD:**

During the November 2010 reporting period (4/16/10 – 10/15/10), ten investigations have resulted from information obtained from, or as a result of, the database. Some investigations have resulted from specific reports obtained from the database. Others have resulted from ongoing monitoring of the database. Calls from brokers, originators, or lenders seeking access to the database have revealed unlicensed activity, illegal branches, or misrepresentation of activity. Two licensees have been issued fines while other investigations remain in progress and may result in disciplinary action.

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

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%. Breakdowns of the number of products that were offered in each of these categories may be found on pages 6-8 of this report.

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<sup>1</sup> Statistics for each county can be found in the tables beginning on page 6.

<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.

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

The Department undertakes special examinations of licensees whose lending practices exhibit a high percentage of required counseling. During the November 2010 reporting period, the Department examined six licensees with high counseling rates. At least one of these examinations appears likely to result in an enforcement action.

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 such files is obtained on a regular 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.

**STATISTICAL INFORMATION**

<b>Required Data Pursuant to Act:</b>	<b>November 2010 Reporting Period (4/16/10 - 10/15/10)</b>	<b>May 2010 Reporting Period (10/16/09 - 4/15/10)</b>
<b>Loans Registered with APLD</b>	<b>50,620</b>	<b>34,701</b>
Refinancing Primary Residence	30,801	19,757
Purchasing Primary Residence	11,581	10,067
First Time Homebuyers	9,882	10,197
<b>Loans Closed in APLD</b>	<b>29,233</b>	<b>23,617</b>
<b>Borrowers Requiring Counseling</b>	1,078	1,370
<b>Loans Requiring Counseling*</b>	<b>711</b>	<b>895</b>
Interest Only Loans	268	484
Negative Amortization Loans	12	18
Loans with Points and Fees Exceeding 5%	44	16
Loans with Prepayment Penalty	400	377
Adjustable Rate Loans	75	95
<b>Loans Modified to Avoid Counseling</b>	<b>1,412</b>	<b>1,073</b>
<b>Loans Exempt from APLD</b>	<b>75,220</b>	<b>54,977</b>

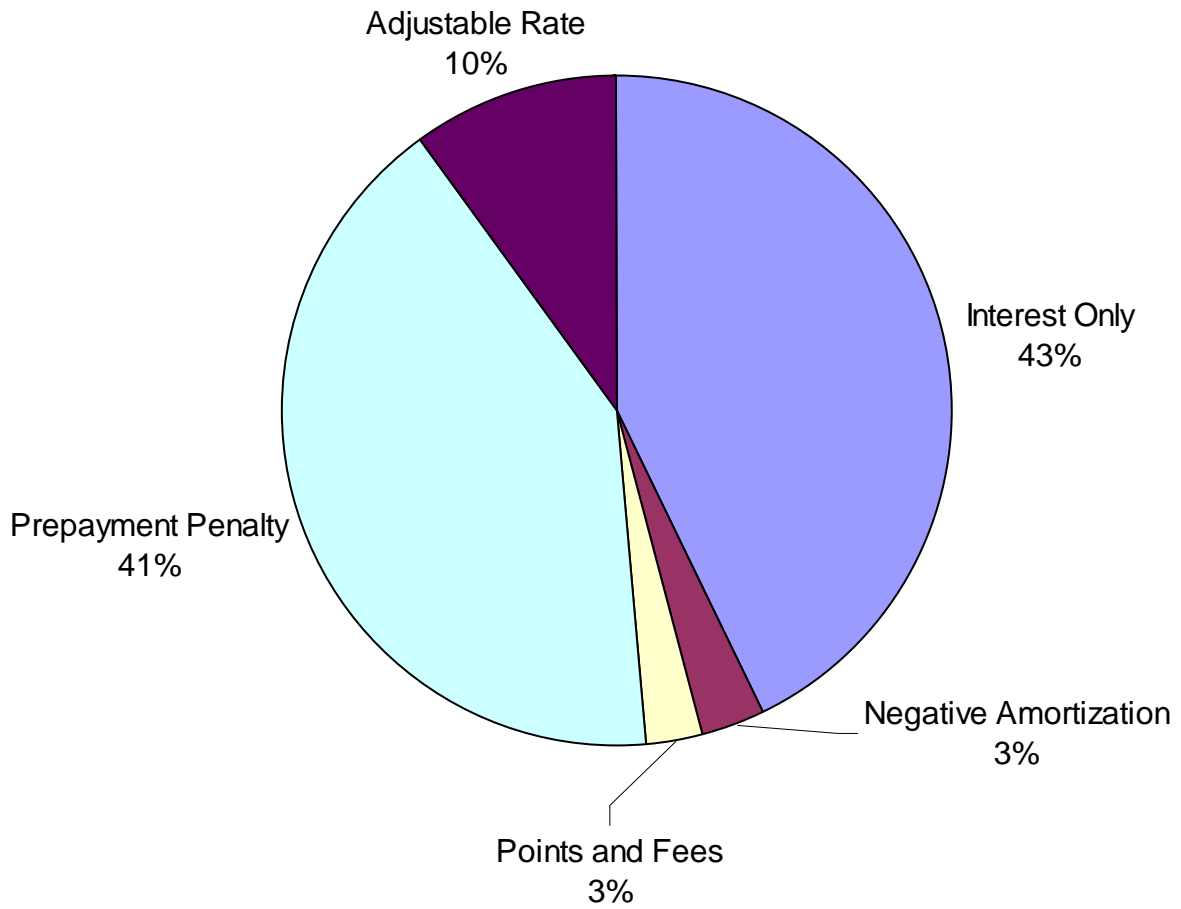
\* The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.

<b>Required Data Pursuant to Act:</b>	<b>November 2010 Reporting Period (4/16/10 - 10/15/10)</b>			
	<b>Cook County</b>	<b>Kane County</b>	<b>Peoria County</b>	<b>Will County</b>
<b>Loans Registered with APLD</b>	<b>43,588</b>	<b>2,794</b>	<b>175</b>	<b>4,063</b>
Refinancing Primary Residence	25,694	1,969	123	3,015
Purchasing Primary Residence	10,478	452	26	625
First Time Homebuyers	9,087	336	11	448
<b>Loans Closed in APLD</b>	<b>25,782</b>	<b>1,319</b>	<b>84</b>	<b>2,048</b>
<b>Borrowers Requiring Counseling</b>	<b>1,078</b>	<b>28</b>	<b>1</b>	<b>25</b>
<b>Loans Requiring Counseling*</b>	<b>676</b>	<b>17</b>	<b>1</b>	<b>17</b>
Interest Only Loans	257	3	0	8
Negative Amortization Loans	11	0	0	1
Loans with Points and Fees Exceeding 5%	43	1	0	0
Loans with Prepayment Penalty	382	12	1	5
Adjustable Rate Loans	71	1	0	3
<b>Loans Modified to Avoid Counseling</b>	<b>1,200</b>	<b>83</b>	<b>8</b>	<b>121</b>
<b>Loans Exempt from APLD</b>	<b>55,184</b>	<b>3,259</b>	<b>1,468</b>	<b>2,945</b>

\* The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.

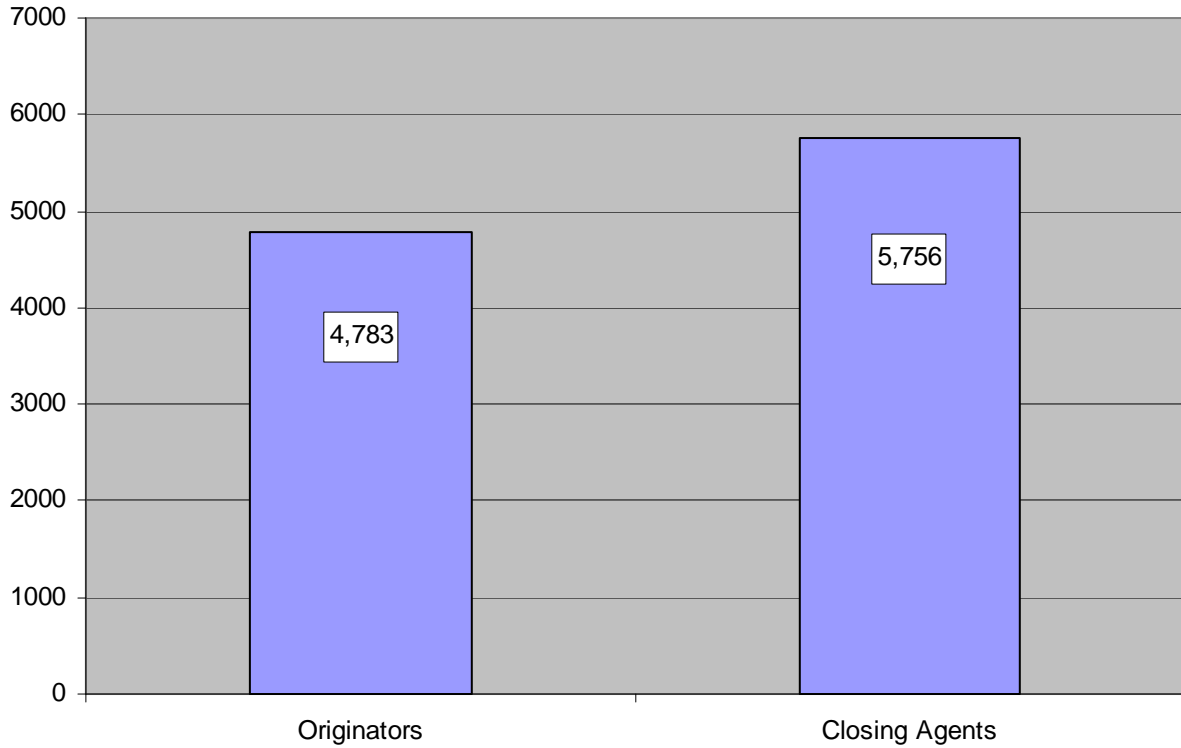
**APLD Product Summary**

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



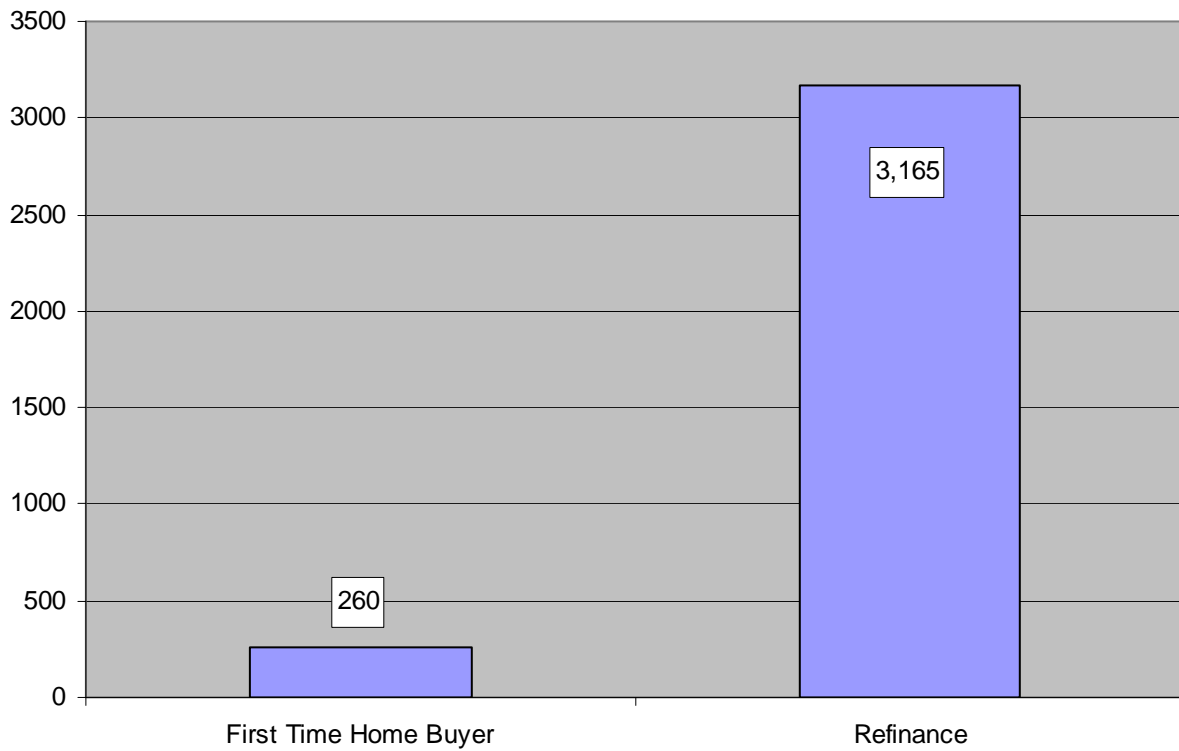
**APLD User Summary**

**Number of Individual Loan Originators and Closing Agents Accessing 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 Seven Days on Average**  
(Since program inception).

