Anti-Predatory Lending Database
Semi-Annual Summary Report
May 1, 2021

Governor JB Pritzker
Acting Secretary Mario Treto, Jr.
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 ON JULY 1, 2008.

Illinois Department of Financial and Professional Regulation

Office of the Secretary

JB Pritzker
Governor

Mario Treto, Jr.
Acting Secretary

May 1, 2021

Governor JB Pritzker
207 State House
Springfield, IL 62706

Illinois General Assembly
State House
Springfield, IL 62706

Dear Governor Pritzker & 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 (217) 785-2165 or Mario.Treto@Illinois.gov.

Very truly yours,

Mario Treto, Jr.

Summary of Anti-Predatory Lending Database (APLD) Program

- As a result of the financial crises in 2008, in part due to predatory mortgage loans, the APLD was conceived. The APLD's purpose is to combat predatory lending practices by increasing the borrowers' understanding of the loans they are considering and thereby reduce the number of foreclosures resulting from inappropriate loans. The act does not prohibit any type of loan. It is solely the borrowers' decision whether to proceed. The APLD also collects important data to allow the Department to track mortgage lending trends and provides data to support other investigations.

- Loans that trigger the APLD's counseling requirement continue to be offered in the program area and represent approximately 0.7% 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 suggests the APLD's counseling requirement has deterred loan originators from offering loans with predatory or non-traditional characteristics. Since the program's inception, a total of 11,365 loans required borrower counseling. Of these, 3,954 (35%) loans were closed, and 7,411 (65%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 56%.

- On average, it takes 3.80 *fewer* days to close a loan *with* counseling than to close a loan *without* counseling (calculated since program inception on July 1, 2008). This differential has been steadily changing from a high point of 8 days *longer* in 2010.

- The number of loans entered into the APLD for this reporting period, 153,497, was the highest in the twelve-year history of the APLD program.

- APLD data has supported investigations and disciplinary actions by enabling IDFPR to uncover fraudulent lending activity, unlicensed activity, unregistered loan originators, unreported branch offices and unreported changes of a licensee location.

- IDFPR examiners routinely access the database's reporting capabilities to analyze data in real time, which 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 that the APLD restricts responsible mortgage lending in the four-county program area of Cook, Will, Kane and Peoria counties.

APLD FACTS AT A GLANCE[1]

(Cumulative to date since program inception on July 1, 2008)

- Loans registered with the APLD: **1,655,639**
- Loans closed: **928,963**
- Borrowers requiring counseling: **15,217**
- Borrowers receiving counseling: **7,168**
- Borrowers requiring counseling by county: Cook (**12,600**); Kane (**611**); Peoria (**164**); Will (**1,161**); n/a (**681**)[2]
- Borrowers receiving counseling by county: Cook (**6,402**); Kane (**148**); Peoria (**15**); Will (**201**); n/a (**402**)[3]
- Loan types requiring counseling:[4]
    - Interest-Only Loans: **2,875**
    - Negative Amortization Loans: **2,114**
    - Loans with Points and Fees Exceeding 5%: **3,439**
    - Loans with Prepayment Penalty: **2,702**
    - Adjustable Rate Loans: **1,539**
- **34,947** loans triggered the counseling requirement as originally entered but were thereafter modified to no longer require counseling.
- Actively licensed mortgage brokers/loan originators who have entered loans into the APLD: **11,763**[5]

Investigations and Other Regulatory Actions Based on APLD Information

During the reporting period, October 1, 2020 – March 31, 2021, IDFPR worked toward resolution of the investigations it opened during the prior reporting period into sixteen mortgage banks and twenty title companies.

IDFPR entered into a consent order with one title company pertaining to improperly generated APLD exemption certificates.

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1 Statistics for each county can be found in the table on page 9.

2 Loans with invalid zip codes.

3 Loans with invalid zip codes.

4 The total number of loans reflected in this section does not match the total number of borrowers requiring counseling because individual mortgage loans often have more than one borrower, borrowers may have chosen not to attend counseling (and thus not proceeded with the loan), or the loan may have contained multiple counseling triggers.

5 Number reduced from previous reports to exclude brokers and originators who have not entered a loan into the APLD.

IDFPR investigated 7 additional title companies related to improperly generated exemption certificates.

IDFPR opened 13 additional investigations into mortgage banks. IDFPR investigated 6 mortgage banks for closing loans without housing counseling where housing counseling may have been required. IDFPR investigated 7 mortgage banks (including 3 of the 6 mentioned above) for failing to enter loans into the APLD. Other investigations included late entries in APLD and allowing loans to be recorded improperly with a certificate of exemption where certificate of compliance should have been required. IDFPR investigated 1 mortgage bank for failing to register with APLD.

The APLD was also used to support investigations of unlicensed loan origination activity, and of mortgage banks offering loans with the payment exceeding 40% of the gross monthly income.

Several mortgage investigations remain pending.

Types of Non-Traditional Mortgage Products Being Offered and Lending Trends

The last Semi-Annual Report, dated November 1, 2020, reported that the number of loan applications input into the APLD for that reporting period, 151,465, was the highest in the twelve-year history of the APLD. This reporting period surpassed that, with 153,497 loans applications input in the APLD. This is an increase of more than 75% from one year ago. (*See* May 1, 2020 Semi-Annual Report). Refinancing activity increased by 2,552 loan applications from the last reporting period, while purchase activity decreased by 2,167 loan applications. While first-time homebuyer activity also decreased marginally from the last reporting period, it is significant that first-time homebuyer activity is still 54% higher than one year ago (*See* May 1, 2020 Semi-Annual Report).

Applications for adjustable rate loans, interest only loans, and loans with points and fees exceeding 5% increased significantly from the prior six-month reporting period. Applications for adjustable rate loans (with rates adjusting in the first 3 years) increased by 47% and applications for interest only loans increased by 41%. Applications for loans with points and fees exceeding 5% increased by more than 20%. The increase in these non-traditional loan products is significantly more pronounced than the overall increase in mortgage applications input in APLD, which was only 1.3%.

This report marks the second six-month period of the first year of the COVID-19 pandemic. Governor Pritzker issued a disaster proclamation and shelter-in-place order for the State of Illinois in March 2020. The effects of the pandemic continue to impact the mortgage industry on different levels. As of March 28, 2021, 4.9% of mortgages nationwide remain in forbearance. [6]

[6] "Share of Mortgage Loans in Forbearance Decreases to 4.90%," *Mortgage Bankers Assoc.,* available at https://www.mba.org/2021-press-releases/april/share-of-mortgage-loans-in-forbearance-decreases-to-490-percent (April 5, 2021).

While this is a slight decrease from the 6.81% of mortgages in forbearance six months prior[7], it is exponentially more than the 0.25% of the mortgages in forbearances prior to the pandemic (as of March 2, 2020).[8] While many borrowers struggle to pay their mortgages, others continue to benefit from the historically low mortgage rates. In September 2020, Freddie Mac reported that rates had fallen to an all-time low of 2.86% for a 30-year mortgage.[9] This fell to a new all-time low of 2.65% in the week ending January 7, 2021, before beginning to rise gradually.[10] As of March 25, 2021, the rate had risen to 3.17%, which is still far below the average rate from one year prior, which was 3.5%.[11]

Mortgage Bankers Association ("MBA") reported that applications for new home purchases increased by 7% in March 2021 as compared to a year ago, and that home prices continue to rise while the inventory of homes on the market is low.[12] The Chicago Tribune reported a similar pattern, headlining that homebuyers in Naperville, Illinois, are seeing higher prices due to low inventory and heavy competition.[13] MBA also noted that "with home-price appreciation remaining elevated in many markets, the average loan size for a new home reached $370,000 in March, the highest in our survey."[14] The long-term effects of the pandemic on the housing market and mortgage industry remain to be seen.

The total loan applications triggering housing counseling during this reporting period decreased slightly due to an adjustment in the system to eliminate a frequent broker error. Where the APLD system asked the broker to answer whether the loan had negative amortization, the defaulted answer was "yes." After investigations revealed that brokers were selecting "yes" by accident, the system was adjusted to default to "no," on January 13, 2021. The adjustment resulted in a significant decrease in applications in the system indicating a trigger for negative amortization. It is unclear how many of the previous loans indicated to have triggered housing counseling for negative amortization may have been due to this broker error.

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[7] "Share of Mortgage Loans in Forbearance Declines to 6.81%," *Mortgage Bankers Assoc.,* available at https://www.mba.org/2020-press-releases/october/share-of-mortgage-loans-in-forbearance-declines-to-681 (Oct. 5, 2020)

[8] "MBA Survey Shows Spike in Loans in Forbearance, Servicer Call Volume," *Mortgage Bankers Assoc.,* available at https://www.mba.org/2020-press-releases/april/mba-survey-shows-spike-in-loans-in-forbearance-servicer-call-volume (April 7, 2020).

[9] "Mortgage Rates Hit Another All-Time Low" available at https://freddiemac.gcs-web.com/news-releases/newsrelease-details/mortgage-rates-hit-another-all-time-low-0 (Sept. 10, 2020).

[10] "Mortgage Rates Hit a New Record Low the First Week of 2021," available at https://freddiemac.gcs-web.com/news-releases/news-release-details/mortgage-rates-hit-new-record-low-first-week-2021. (Jan. 7, 2021).

[11] "Mortgage Rates Jump Up," available at https://freddiemac.gcs-web.com/news-releases/news-release-details/mortgage-rates-jump-4. (March 25, 2021)

[12] "March New Home Purchase Mortgage Applications Increased 7 Percent." *Mortgage Bankers Assoc.,* available at https://www.mba.org/2021-press-releases/april/march-new-home-purchase-mortgage-applications-increased-7-percent (April 15, 2021).

[13] Baker, Suzanne, "Naperville Homebuyers, Due to Low Inventory, are Seeing Higher Prices and Heavy Competition." *Chicago Tribune,* available at https://www.chicagotribune.com/suburbs/naperville-sun/ct-nvs-naperville-housing-market-st-20210413-gogouay24jbifkldbeipwxt3hy-story.html. (April 14, 2021).

[14] "March New Home Purchase Mortgage Applications Increased 7 Percent." *Mortgage Bankers Assoc.*, available at https://www.mba.org/2021-press-releases/april/march-new-home-purchase-mortgage-applications-increased-7-percent (April 15, 2021).

The pronounced increase this reporting period of applications for adjustable rate, interest only, and loans with points and fees exceeding 5% illustrates that unfavorable loan products are still offered. With record numbers of mortgage loan applications as well as a high volume of borrowers still in forbearance come unparalleled numbers of borrowers vulnerable to predatory lending practices. The APLD program is an effective tool to track non-traditional loans potentially damaging to the borrower and provides helpful counseling for borrowers to better understand the terms of the loan product. It is as important as ever to screen for predatory loans and make sure borrowers understand the terms of the loans they are signing.

IDFPR Utilization of APLD Data to Combat Mortgage Fraud, Predatory Lending, and Other Questionable Practices

IDFPR continues reviewing on a weekly basis the audit launched in Spring 2020 of certificates of exemption generated by closing agents and title companies with the reason selected "Application taken by exempt entity or person." IDFPR continues to see improvement by title companies after having discussed compliance issues with more than two-dozen title companies identified on the audits. As IDFPR continues to further engrain APLD data into its investigations of fraudulent and improper lending practices, the ongoing audit provides support for these investigations.

The audit continues to assist IDFPR to identify noncompliance by originators including closing loans without any entry in the APLD, closing loans with terms that do not match what was input in the APLD, and closing loans without housing counseling after housing counseling was or should have been triggered.

APLD staff continue to monitor comments from housing counselors and interview the counselor, loan originator, seller, and/or borrower where concerns arise.

The Division of Banking's examination group are also regular users of the APLD for examination audits of our licensees, keeping a watchful eye for failure to adhere to the APLD Program.

IDFPR continues to track the APLD for loans in which payment-to-income ratios are greater than 40%. IDFPR has investigated where loans are found to contain excessive ratios. IDFPR also utilizes APLD to investigate potentially unlicensed lending activity, including where the name of the originator named in APLD does not match the loan file.

Other Initiatives

IDFPR put forth a PowerPoint presentation to educate title companies, as well as mortgage banks, on APLD compliance. The presentation is now available on the APLD website. The APLD director also worked to increase awareness of APLD by delivering a presentation to lawyers through the Chicago Bar Association in March 2021.

IDFPR is implementing important adjustments to ensure borrowers are promptly notified of required housing counseling and that payment for counseling is the responsibility of the broker or originator. The APLD director also continues to work with the Recorder of Deeds offices to increase awareness of and screening for fabricated or improper certificates of exemption or compliance with the APLD.

Modernizing and streamlining the APLD program is an ongoing project, intended to make the APLD a better experience for all. The points and fees calculator was removed from the database to avoid confusion, as the calculator was not mandatory. To determine points and fees, licensees are encouraged to refer to the definition in Section 10 of the Illinois High Risk Home Loan Act (815 ILCS 137/10).

Licensees are encouraged to use the interface option to input data in order to increase efficiency. In addition to saving time and costs, we anticipate that implementation of the interface will enable our licensees to be more compliant.

STATISTICAL INFORMATION

Required Data Pursuant to Act:	April 2021 Reporting Period (10/1/20 - 3/31/21)	October 2020 Reporting Period (4/1/20 - 9/30/20)
Loans Registered with APLD[15]	**153,497**	**151,465**
Refinancing Primary Residence	98,529	95,977
Purchasing Primary Residence	44,695	46,862
First Time Home Buyers	38,655	39,555
Loans Closed in APLD	**97,010**	**81,094**
Borrowers Requiring Counseling	**864**	**913**
Borrowers Receiving Counseling	**15**	**7**
Loans Requiring Counseling[16]	**743**	**786**
Interest Only Loans	136	96
Negative Amortization Loans	236	403
Loans with Points and Fees Exceeding 5%	351	291
Loans with Prepayment Penalty	1	2
Adjustable Rate Loans	146	99
Loans Modified to No Longer Require Counseling	**1,952**	**2,190**
Loans Exempt from APLD	**86,509**	**82,930**

15 The totals may include loans that are in process or have been abandoned.

16 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:[17]	April 2021 Reporting Period (10/1/20 - 3/31/21)			
	Cook County	Kane County	Peoria County	Will County
Loans Registered with APLD[18]	**112,855**	**14,735**	**1,878**	**22,974**
Refinancing Primary Residence	71,774	9,707	929	15,543
Purchasing Primary Residence	32,982	4,300	840	6,327
First Time Home Buyers	29,343	3,396	706	4,983
Loans Closed in APLD	**70,935**	**9,861**	**1,085**	**15,039**
Borrowers Requiring Counseling	**649**	**65**	**15**	**120**
Borrowers Receiving Counseling	**15**	**0**	**0**	**0**
Loans Requiring Counseling[19]	**561**	**54**	**13**	**101**
Interest Only Loans	102	10	3	17
Negative Amortization Loans	167	21	4	37
Loans with Points and Fees Exceeding 5%	280	22	7	38
Loans with Prepayment Penalty	1	0	0	0
Adjustable Rate Loans	102	11	2	26
Loans Modified to No Longer Require Counseling	**1,403**	**176**	**41**	**309**
Loans Exempt from APLD	**57,363**	**6,086**	**983**	**7,774**

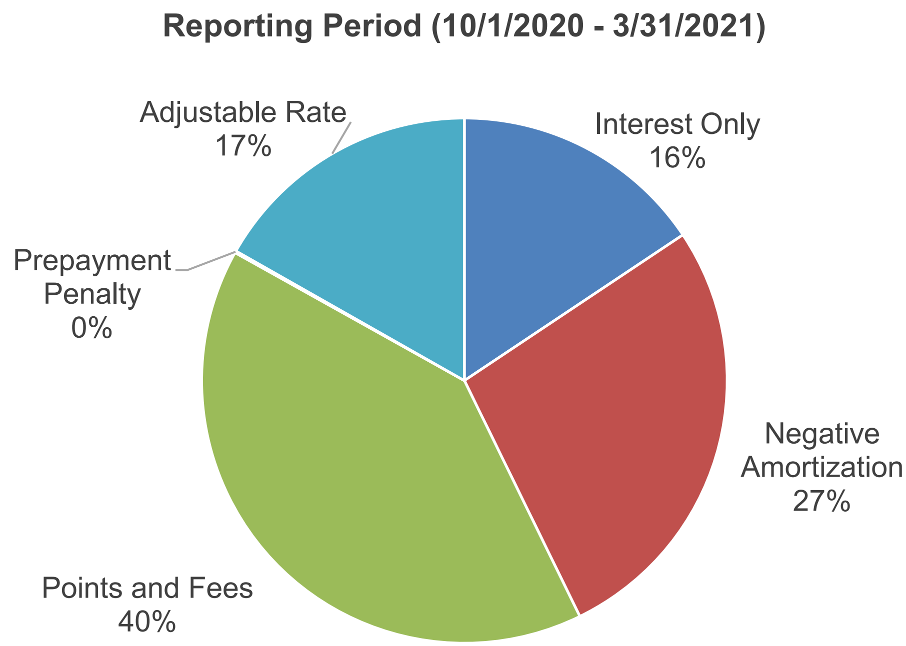
17 County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

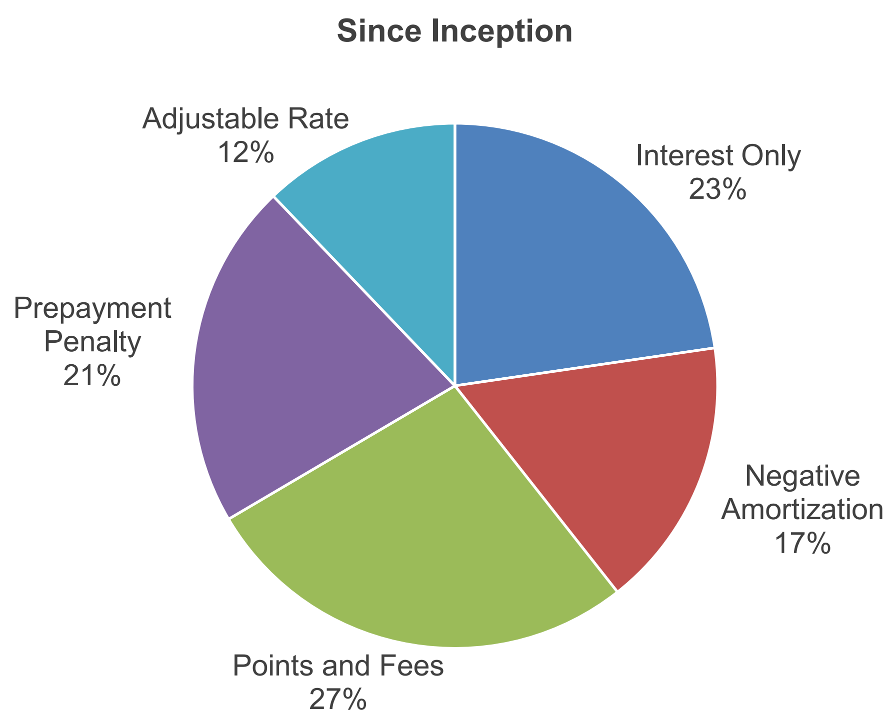
18 The totals may include loans that are in process or have been abandoned.

19 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

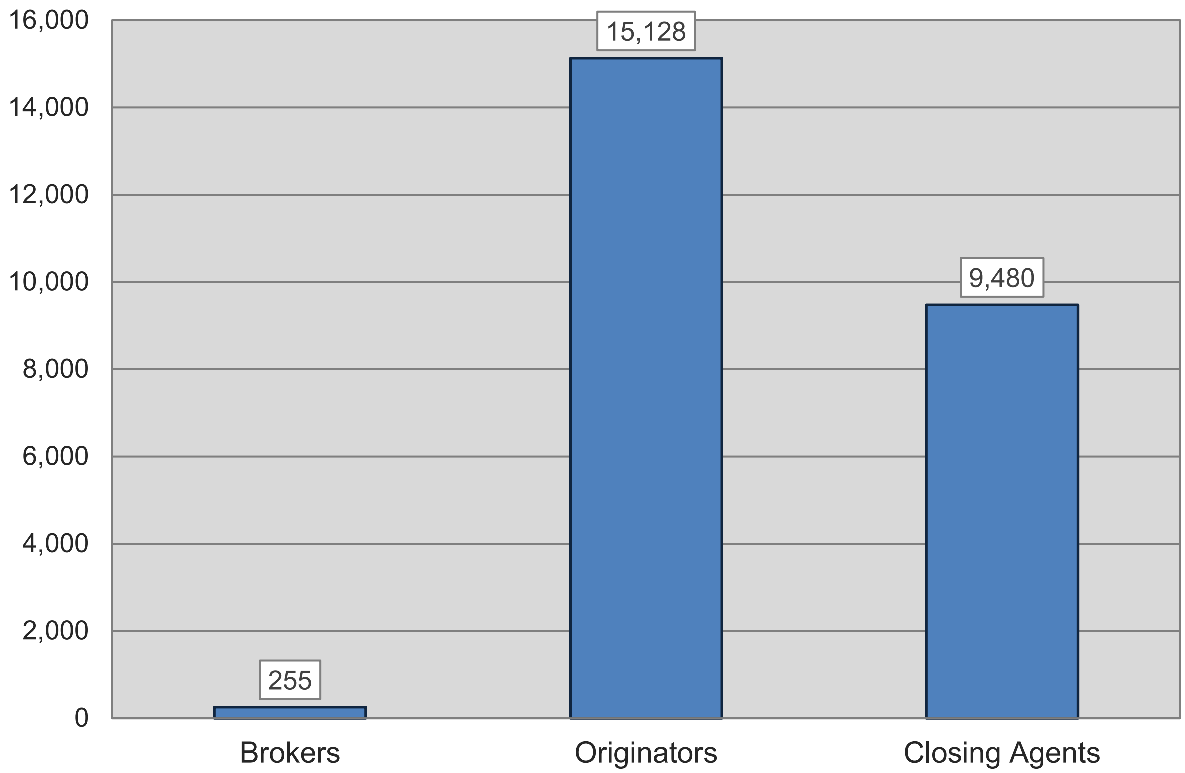
Types of Loans Triggering the Counseling Requirement





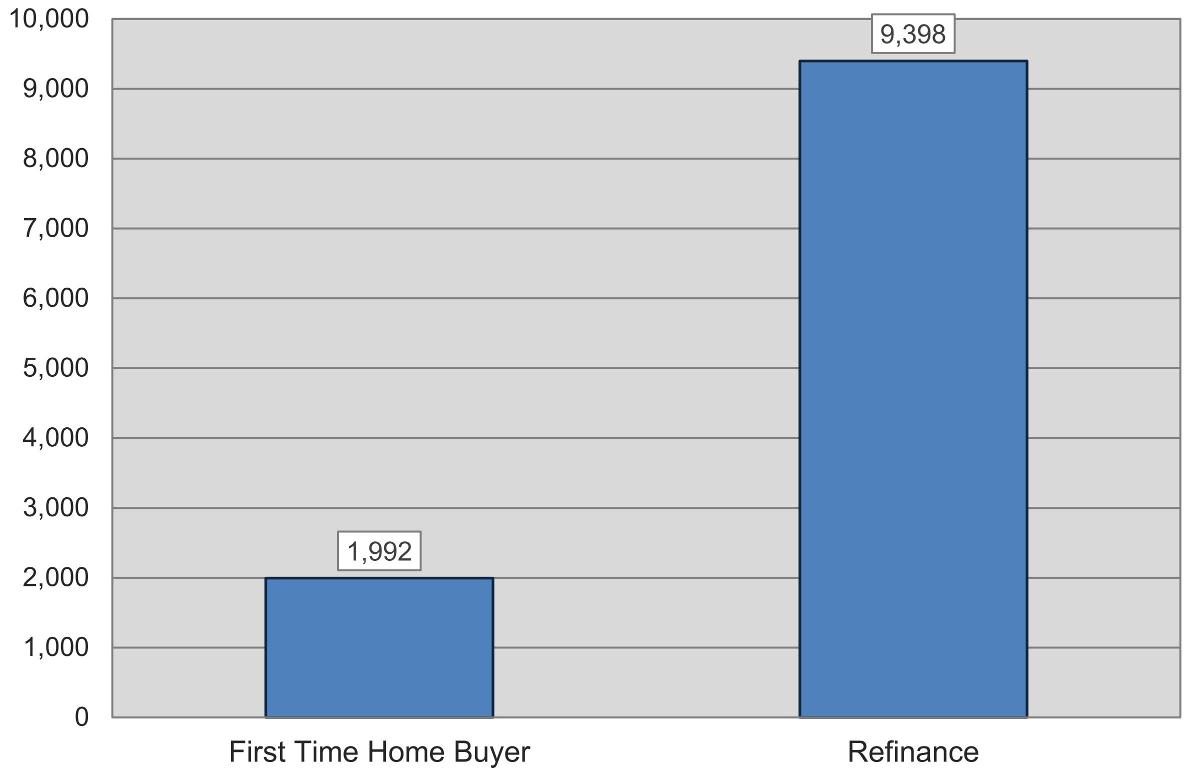
APLD User Summary

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 decreased time to close by 3.80 days on average.
(Since program inception)