

1 AN ACT to create the Home Loan Collateral Fund Act.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 1. Short title. This Act may be cited as the  
5 Home Loan Collateral Fund Act.

6 Section 5. Definitions. For purposes of this Act:

7 "Financial institution" means a bank, savings and loan  
8 association, savings bank, or credit union that is lawfully  
9 doing business in this State.

10 "Fund" means, unless the context requires otherwise, the  
11 Home Loan Collateral Fund established by this Act.

12 "Home loan" means a loan, other than an open-end credit  
13 plan or a reverse mortgage transaction, for which (i) the  
14 principal amount of the loan does not exceed 50% of the  
15 conforming loan size limit for a single-family dwelling as  
16 established from time to time by the Federal National  
17 Mortgage Association, (ii) the borrower is a natural person,  
18 (iii) the debt is incurred by the borrower primarily for  
19 personal, family, or household purposes, and (iv) the loan is  
20 secured by a mortgage or deed of trust on real estate upon  
21 which there is located or there is to be located a structure  
22 designed principally for the occupancy of one family and that  
23 is or will be occupied by the borrower as the borrower's  
24 principal dwelling.

25 Section 10. Home Loan Collateral Fund. The Home Loan  
26 Collateral Fund is created as a special fund in the State  
27 treasury. The Fund shall be administered by the State  
28 Treasurer to provide collateral for Illinois citizens who  
29 have applied for a home loan from a financial institution or  
30 who have an existing home loan that requires additional

1 security to avoid foreclosure or other adverse action. All  
2 interest earned from the investment or deposit of moneys  
3 accumulated in the Fund shall, pursuant to Section 4.1 of the  
4 State Finance Act, be deposited into the Fund. The State  
5 Treasurer shall transfer from the General Revenue Fund to the  
6 Fund an amount equal to the full amount of moneys  
7 appropriated by the General Assembly for transfer to the  
8 Fund.

9 Section 15. Administration. The State Treasurer shall  
10 administer the Fund as follows:

11 (1) Upon application by a financial institution  
12 extending a home loan to an Illinois citizen purchasing a  
13 home in Illinois, the State Treasurer may pledge a portion of  
14 the Fund to the financial institution. The amount of the  
15 Fund pledged to secure a home loan shall not exceed 10% of  
16 the appraised value of the home. In order for a home loan to  
17 qualify for collateralization from the Fund, the financial  
18 institution making the loan must certify to the State  
19 Treasurer that the financial institution would not offer the  
20 borrower a home loan pursuant to the financial institution's  
21 prevailing credit standards without the pledge of additional  
22 collateral from the Fund.

23 (2) Upon application by a financial institution, the  
24 State Treasurer may pledge a portion of the Fund to a  
25 financial institution that has made a home loan to an  
26 Illinois citizen who has failed to make payments on the home  
27 loan as a result of a temporary layoff or disability. To  
28 qualify, the borrower must have resumed making payments on  
29 the home loan and have made at least 2 consecutive payments  
30 at the time of application. The pledge from the Fund must be  
31 used to secure the payments on the home loan that are past  
32 due. The amount of the Fund that is pledged to a financial  
33 institution for a home loan shall not exceed the amount of

1 the mortgage payments that are past due.

2 (3) No more than 3% of the Fund may be pledged to secure  
3 home loans that are or would be outstanding from any one  
4 financial institution at any point in time.

5 (4) The State Treasurer's costs to administer the Fund  
6 may be paid from the Fund. The amount paid from the Fund for  
7 this purpose may not exceed 5% of the amount of the Fund in  
8 any one State fiscal year.

9 Section 20. Participation by financial institutions. No  
10 financial institution shall be compelled in any instance to  
11 apply for a pledge of collateral from the Fund or to modify  
12 its credit standards with respect to any pending application  
13 for a home loan as a result of its decision to apply or not  
14 to apply for a pledge of collateral from the Fund. The  
15 acceptance of a pledge of collateral from the Fund does not  
16 prohibit the financial institution from exercising collection  
17 actions or from taking other adverse action with respect to a  
18 home loan if the status of the home loan deteriorates  
19 subsequent to the acceptance of the pledge from the Fund.

20 Section 25. Rules and procedures. The State Treasurer  
21 shall establish rules and procedures for the administration  
22 of the Fund and the Home Loan Collateral Fund Act including,  
23 but not limited to, the process by which a financial  
24 institution may apply for a pledge of a portion of the Fund  
25 and the process or criteria that the State Treasurer may  
26 employ in approving or denying an application by a financial  
27 institution.

28 Section 95. The State Finance Act is amended by adding  
29 Section 5.545 as follows:

30 (30 ILCS 105/5.545 new)

1       Sec. 5.545. The Home Loan Collateral Fund. This Fund is  
2       not subject to the provisions of subsection (c) of Section 5.

3       Section 99. Effective date. This Act takes effect upon  
4       becoming law.