Anti-Predatory Lending Database
Semi-Annual Summary Report
November 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

November 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.

www.idfpr.com

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 11,872 loans required borrower counseling. Of these, 3,960 (33%) loans were closed, and 7,912 (67%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 56%.

- On average, it takes 4.18 *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.

- 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: **1,794,394**
- Loans closed: **1,013,103**
- Borrowers requiring counseling: **15,809**
- Borrowers receiving counseling: **7,179**
- Borrowers requiring counseling by county: Cook (**13,056**); Kane (**661**); Peoria (**178**); Will (**1,225**); n/a (**689**)[2]
- Borrowers receiving counseling by county: Cook (**6,413**); Kane (**148**); Peoria (**15**); Will (**201**); n/a (**402**)[3]
- Loan types requiring counseling:[4]
    - Interest-Only Loans: **2,999**
    - Negative Amortization Loans: **2,114**
    - Loans with Points and Fees Exceeding 5%: **3,785**
    - Loans with Prepayment Penalty: **2,704**
    - Adjustable Rate Loans: **1,652**
- **36,022** 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: **13,203**[5]

Investigations and Other Regulatory Actions Based on APLD Information

During the reporting period, April 1, 2021 – September 30, 2021, IDFPR worked toward resolution of the investigations it opened during the prior reporting period into mortgage banks and title companies. IDFPR entered into consent orders with two mortgage banks regarding various violations of APLD requirements and a consent order with one title company pertaining to improperly generated APLD exemption certificates.

Several mortgage investigations remain pending.

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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.

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

The last Semi-Annual Report, dated May 1, 2021, reported that the number of loan applications input into the APLD for that reporting period, 153,497, was the highest in the twelve-year history of the APLD. This reporting period saw a decline in that number to 138,516 loans applications input in the APLD – a percentage decline of 9.76%. Refinancing activity decreased by 26,929 loan applications from the last reporting period, while purchase activity increased by 13,355 loan applications. Furthermore, first-time homebuyer activity increased by 11,136 from the last reporting period. While loans registered with the APLD are down from the previous two record breaking reports, they remain far above the May 2020 reporting period of 87,374 (*See* May 1, 2020 Semi-Annual Report).

Applications for adjustable rate loans, interest only loans, and loans with points and fees exceeding 5% decreased from the prior six-month reporting period highs. Applications for adjustable rate loans (with rates adjusting in the first 3 years) decreased by 17% and applications for interest only loans decreased by just under 6%--both of which saw large increases in the previous reporting period. However, applications for loans with points and fees exceeding 5% increased by more than 10%, after increasing by 20% in the previous period. The decrease in these non-traditional loan products was more pronounced than the overall decrease in mortgage applications input in APLD, which again was 9.76%.

This report marks the third full six-month period of reporting under the COVID-19 pandemic. Governor Pritzker issued a disaster proclamation and shelter-in-place order for the State of Illinois in March 2020. The ongoing effects of the pandemic continue to impact the mortgage industry on different levels. As of October 25, 2021, an estimated 1.1 million mortgages nationwide remain in forbearance, representing 2.21% of servicers' portfolio volume. [6] While this share of loans in forbearance comes after weeks of steep decline, this decline has slowed in the weeks leading up to this report. New forbearance requests and re-entries now make up 25% of all loans in forbearance. Mortgage rates remain low, with the third quarter 30-year fixed-rate mortgage below 3%, but this has not led to a more affordable housing market.[7] The nationwide average loan size, according to the Mortgage Bankers Association, rose again in September to $408,522, up $1600 for the month before.[8] At the same time mortgage applications for new home purchases decreased by 16.2 percent from the previous period one year ago, pointing potentially to prices discouraging new home sales. It remains unclear for how much longer housing prices will continue to rise or how this will impact new home buyer in the long term.

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[6] "Share of Mortgage Loans in Forbearance Decreases to 2.21 Percent" *Mortgage Bankers Assoc.,* available at https://www.mba.org/2021-press-releases/october/share-of-mortgage-loans-in-forbearance-decreases-to-221-percent (October 25, 2021).

[7] "Quarterly Forecast: Strong Housing Market Expected to Persist Notwithstanding Rising Mortgage Rates and Continued High Home Prices" *Freddie Mac.,* available at http://www.freddiemac.com/research/forecast/20211015_quarterly_economic_forecast.page? (October 15, 2021).

[8] "September New Home Purchase Mortgage Applications Decreased 16.2 Percent." *Mortgage Bankers Assoc.,* available at https://www.mba.org/2021-press-releases/october/september-new-home-purchase-mortgage-applications-decreased-162-percent (October 19, 2021).

A reminder for historical review that the total loan applications triggering housing counseling during the previous reporting periods 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, but historical review of this data should properly note the policy adjustment.

With the number of mortgage loan applications remaining high and new forbearances becoming a larger share of overall forbearance numbers, it is crucial to remain vigilant around 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.

STATISTICAL INFORMATION

Required Data Pursuant to Act:	October 2021 Reporting Period (4/1/21 - 9/30/21)	April 2021 Reporting Period (10/1/20 - 3/31/21)
Loans Registered with APLD[9]	**138,516**	**153,497**
Refinancing Primary Residence	71,600	98,529
Purchasing Primary Residence	58,050	44,695
First Time Home Buyers	49,791	38,655
Loans Closed in APLD	**84,130**	**97,010**
Borrowers Requiring Counseling	**651**	**864**
Borrowers Receiving Counseling	**11**	**15**
Loans Requiring Counseling[10]	**556**	**743**
Interest Only Loans	128	136
Negative Amortization Loans	0	236
Loans with Points and Fees Exceeding 5%	387	351
Loans with Prepayment Penalty	2	1
Adjustable Rate Loans	121	146
Loans Modified to No Longer Require Counseling	**1,115**	**1,952**
Loans Exempt from APLD	**83,551**	**86,509**

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

10 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:[11]	October 2021 Reporting Period (4/1/21 - 9/30/21)			
	Cook County	**Kane County**	**Peoria County**	**Will County**
Loans Registered with APLD[12]	**100,665**	**13,171**	**2,305**	**21,026**
Refinancing Primary Residence	51,810	6,917	861	11,507
Purchasing Primary Residence	42,307	5,554	1304	8,511
First Time Home Buyers	37,223	4,376	1112	6,726
Loans Closed in APLD	**61,332**	**8,397**	**1,400**	**12,920**
Borrowers Requiring Counseling	**507**	**51**	**16**	**69**
Borrowers Receiving Counseling	**11**	**0**	**0**	**0**
Loans Requiring Counseling[13]	**434**	**39**	**15**	**60**
Interest Only Loans	89	15	4	15
Negative Amortization Loans	0	0	0	0
Loans with Points and Fees Exceeding 5%	311	24	10	39
Loans with Prepayment Penalty	1	0	0	1
Adjustable Rate Loans	84	12	5	16
Loans Modified to No Longer Require Counseling	**834**	**101**	**21**	**147**
Loans Exempt from APLD	**55,606**	**5,816**	**1090**	**7,417**

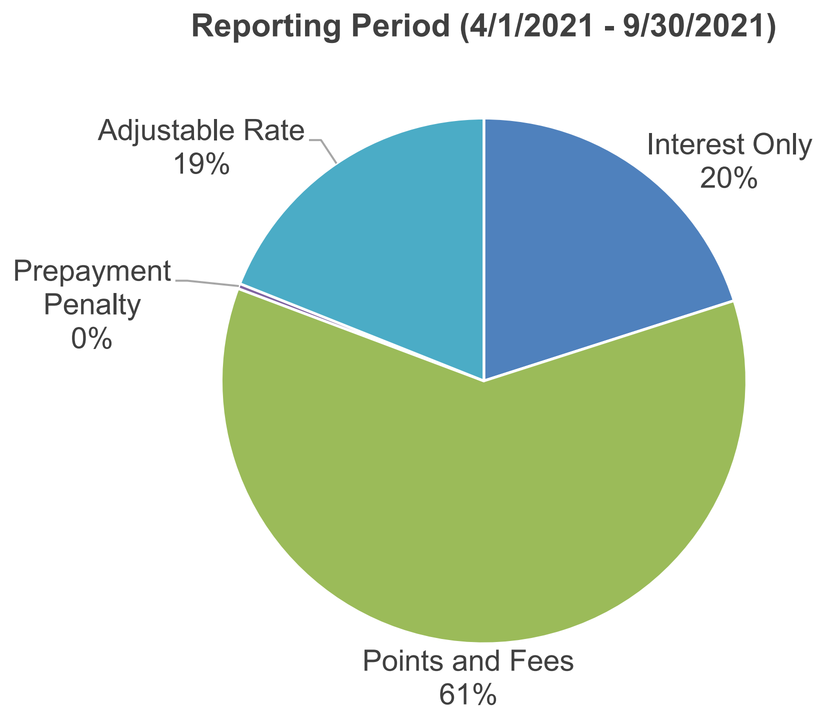
[11] County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

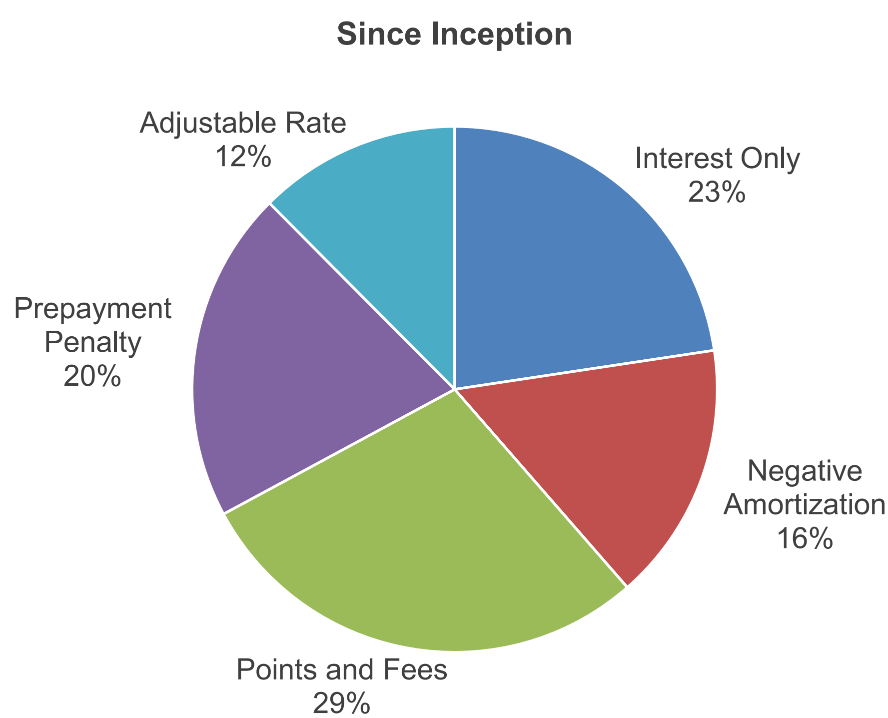
[12] The totals may include loans that are in process or have been abandoned.

[13] 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

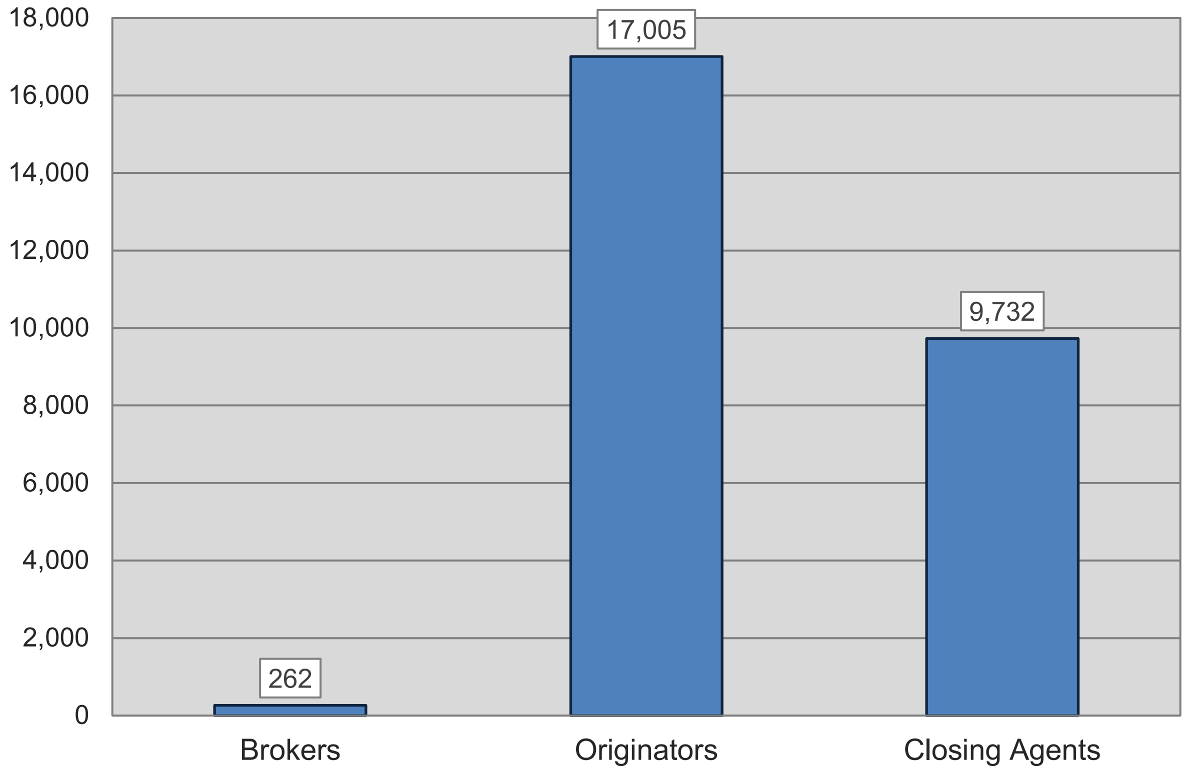
Types of Loans Triggering the Counseling Requirement





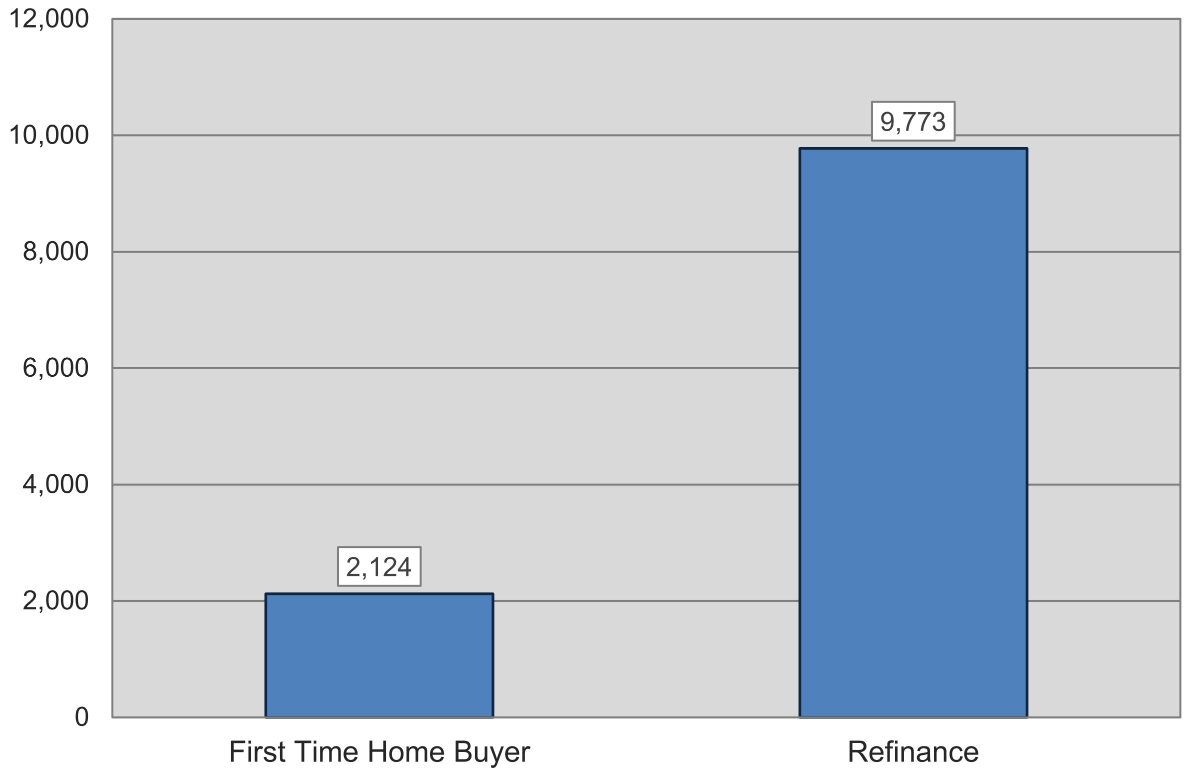
APLD User Summary

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)



<u>Summary of Average Time to Closing</u>

Counseling requirement decreased time to close by 4.18 days on average.
(Since program inception)