

AN ACT concerning property.

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

Section 5. The Home Equity Assurance Act is amended by changing Section 11 as follows:

(65 ILCS 95/11) (from Ch. 24, par. 1611)

Sec. 11. Guarantee Fund.

(a) Each governing commission and program created by referendum under the provisions of this Act shall maintain a guarantee fund for the purposes of paying the costs of administering the program and extending protection to members pursuant to the limitations and procedures set forth in this Act.

(b) The guarantee fund shall be raised by means of an annual tax levied on all residential property within the territory of the program having at least one, but not more than 6 dwelling units and classified by county ordinance as residential. The rate of this tax may be changed from year to year by majority vote of the governing commission but in no case shall it exceed a rate of .12% of the equalized assessed valuation of all property in the territory of the program having at least one, but not more than 6 dwelling units and classified by county ordinance as residential, or the maximum

tax rate approved by the voters of the territory at the referendum which created the program or, in the case of a merged program, the maximum tax rate approved by the voters at the referendum authorizing the merger, whichever rate is lower. The commissioners shall cause the amount to be raised by taxation in each year to be certified to the county clerk in the manner provided by law, and any tax so levied and certified shall be collected and enforced in the same manner and by the same officers as those taxes for the purposes of the county and city within which the territory of the commission is located. Any such tax, when collected, shall be paid over to the proper officer of the commission who is authorized to receive and receipt for such tax. The governing commission may issue tax anticipation warrants against the taxes to be assessed for the calendar year in which the program is created and for the first full calendar year after the creation of the program.

(c) The moneys deposited in the guarantee fund shall, as nearly as practicable, be fully and continuously invested or reinvested by the governing commission in investment obligations which shall be in such amounts, and shall mature at such times, that the maturity or date of redemption at the option of the holder of such investment obligations shall coincide, as nearly as practicable, with the times at which monies will be required for the purposes of the program. For the purposes of this Section investment obligation shall mean direct general municipal, state, or federal obligations which

at the time are legal investments under the laws of this State and the payment of principal of and interest on which are unconditionally guaranteed by the governing body issuing them.

(d) Except as permitted by this subsection and subsection (d-5), the guarantee fund shall be used solely and exclusively for the purpose of providing guarantees to members of the particular Guaranteed Home Equity Program and for reasonable salaries, expenses, bills, and fees incurred in administering the program, and shall be used for no other purpose.

A governing commission, with no less than \$4,000,000 in its guarantee fund, may, if authorized by referendum duly adopted by a majority of the voters, establish a Low Interest Home Improvement Loan Program in accordance with and subject to procedures established by a financial institution, as defined in the Illinois Banking Act. Whenever the question of creating a Low Interest Home Improvement Loan Program is initiated by resolution or ordinance of the corporate authorities of the municipality or by a petition signed by not less than 10% of the total number of registered voters of each precinct in the territory, the registered voters of which are eligible to sign the petition, it shall be the duty of the election authority having jurisdiction over the municipality to submit the question of creating the program to the electors of each precinct within the territory at the regular election specified in the resolution, ordinance, or petition initiating the question. A petition initiating a question described in this

subsection shall be filed with the election authority having jurisdiction over the municipality. The petition shall be filed and objections to the petition shall be made in the manner provided in the Election Code. A resolution, ordinance, or petition initiating a question described in this subsection shall specify the election at which the question is to be submitted. The referendum on the question shall be held in accordance with the Election Code. The question shall be in substantially the following form:

"Shall the (name of the home equity program) implement a Low Interest Home Improvement Loan Program with money from the guarantee fund of the established guaranteed home equity program?"

The votes must be recorded as "Yes" or "No".

Whenever a majority of the voters on the public question approve the creation of the program as certified by the proper election authorities, the commission shall establish the program and administer the program with funds collected under the Guaranteed Home Equity Program, subject to the following conditions:

- (1) At any given time, the cumulative total of all loans and loan guarantees (if applicable) issued under this program may not reduce the balance of the guarantee fund to less than \$3,000,000.
- (2) Only eligible applicants may apply for a loan.
- (3) The loan must be used for the repair, maintenance,

remodeling, alteration, or improvement of a guaranteed residence. This condition is not intended to exclude the repair, maintenance, remodeling, alteration, or improvement of a guaranteed residence's landscape. This condition is intended to exclude the demolition of a current residence. This condition is also intended to exclude the construction of a new residence.

(4) An eligible applicant may not borrow more than the amount of equity value in his or her residence.

(5) A commission must ensure that loans issued are secured with collateral that is at least equal to the amount of the loan or loan guarantee.

(6) A commission shall charge an interest rate which it determines to be below the market rate of interest generally available to the applicant.

(7) A commission may, by resolution, establish other administrative rules and procedures as are necessary to implement this program including, but not limited to, loan dollar amounts and terms. A commission may also impose on loan applicants a one-time application fee for the purpose of defraying the costs of administering the program.

(d-5) A governing commission, with no less than \$4,000,000 in its guarantee fund, may, if authorized by referendum duly adopted by a majority of the voters, establish a Foreclosure Prevention Loan Fund to provide low interest emergency loans to eligible applicants that may be forced into foreclosure

proceedings.

Whenever the question of creating a Foreclosure Prevention Loan Fund is initiated by resolution or ordinance of the corporate authorities of the municipality or by a petition signed by not less than 10% of the total number of registered voters of each precinct in the territory, the registered voters of which are eligible to sign the petition, it shall be the duty of the election authority having jurisdiction over the municipality to submit the question of creating the program to the electors of each precinct within the territory at the regular election specified in the resolution, ordinance, or petition initiating the question. A petition initiating a question described in this subsection shall be filed with the election authority having jurisdiction over the municipality. The petition shall be filed and objections to the petition shall be made in the manner provided in the Election Code. A resolution, ordinance, or petition initiating a question described in this subsection shall specify the election at which the question is to be submitted. The referendum on the question shall be held in accordance with the Election Code. The question shall be in substantially the following form:

"Shall the (name of the home equity program) implement a Foreclosure Prevention Loan Fund with money from the guarantee fund of the established guaranteed home equity program?"

The votes must be recorded as "Yes" or "No".

Whenever a majority of the voters on the public question

approve the creation of a Foreclosure Prevention Loan Fund as certified by the proper election authorities, the commission shall establish the program and administer the program with funds collected under the Guaranteed Home Equity Program, subject to the following conditions:

(1) At any given time, the cumulative total of all loans and loan guarantees (if applicable) issued under this program may not exceed \$3,000,000.

(2) Only eligible applicants may apply for a loan. The Commission may establish, by resolution, additional criteria for eligibility.

(3) The loan must be used to assist with preventing foreclosure proceedings.

(4) An eligible applicant may not borrow more than the amount of equity value in his or her residence.

(5) A commission must ensure that loans issued are secured as a second lien on the property.

(6) A commission shall charge an interest rate which it determines to be below the market rate of interest generally available to the applicant.

(7) A commission may, by resolution, establish other administrative rules and procedures as are necessary to implement this program including, but not limited to, eligibility requirements for eligible applicants, loan dollar amounts, and loan terms.

(8) A commission may also impose on loan applicants a

one-time application fee for the purpose of defraying the costs of administering the program.

(e) The guarantee fund shall be maintained, invested, and expended exclusively by the governing commission of the program for whose purposes it was created. Under no circumstance shall the guarantee fund be used by any person or persons, governmental body, or public or private agency or concern other than the governing commission of the program for whose purposes it was created. Under no circumstances shall the guarantee fund be commingled with other funds or investments.

(e-1) No commissioner or family member of a commissioner, or employee or family member of an employee, may receive any financial benefit, either directly or indirectly, from the guarantee fund. Nothing in this subsection (e-1) shall be construed to prohibit payment of expenses to a commissioner in accordance with Section 4 or payment of salaries or expenses to an employee in accordance with this Section.

As used in this subsection (e-1), "family member" means a spouse, child, stepchild, parent, brother, or sister of a commissioner or a child, stepchild, parent, brother, or sister of a commissioner's spouse.

(f) An independent audit of the guarantee fund and the management of the program shall be conducted annually and made available to the public through any office of the governing commission or a public facility such as a local public library located within the territory of the program.

(Source: P.A. 91-492, eff. 1-1-00.)

Section 10. The Residential Mortgage License Act of 1987 is amended by changing Section 4-10 and by adding Sections 4-15, 4-16, 5-6, 5-7, 5-8, 5-9, 5-10, 5-11, 5-12, 5-14, 5-15, 5-16, and 5-17 as follows:

(205 ILCS 635/4-10) (from Ch. 17, par. 2324-10)

Sec. 4-10. Rules and Regulations of the Commissioner.

(a) In addition to such powers as may be prescribed by this Act, the Commissioner is hereby authorized and empowered to promulgate regulations consistent with the purposes of this Act, including but not limited to:

(1) Such rules and regulations in connection with the activities of licensees as may be necessary and appropriate for the protection of consumers in this State;

(2) Such rules and regulations as may be necessary and appropriate to define improper or fraudulent business practices in connection with the activities of licensees in making mortgage loans;

(3) Such rules and regulations as may define the terms used in this Act and as may be necessary and appropriate to interpret and implement the provisions of this Act; and

(4) Such rules and regulations as may be necessary for the enforcement of this Act.

(b) The Commissioner is hereby authorized and empowered to

make such specific rulings, demands and findings as he or she may deem necessary for the proper conduct of the mortgage lending industry.

(c) A person or entity may make a written application to the Department for a written interpretation of this Act. The Department may then, in its sole discretion, choose to issue a written interpretation. To be valid, a written interpretation must be signed by the Secretary, or his or her designated Director of Financial and Professional Regulation, and the Department's General Counsel. A written interpretation expires 2 years after the date that it was issued.

(d) No provision in this Act that imposes liability or establishes violations shall apply to any act taken by a person or entity in conformity with a written interpretation of this Act that is in effect at the time the act is taken, notwithstanding whether the written interpretation is later amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

(Source: P.A. 85-735.)

(205 ILCS 635/4-15 new)

Sec. 4-15. Enforcement and reporting provisions. The Attorney General may enforce any violation of Section 5-6, 5-7, 5-8, 5-9, 5-10, 5-11, 5-12, 5-14, or 5-15 of this Act as an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act.

(205 ILCS 635/4-16 new)

Sec. 4-16. Private right of action. A borrower injured by a violation of the standards, duties, prohibitions, or requirements of Sections 5-6, 5-7, 5-8, 5-9, 5-10, 5-11, 5-12, 5-14, 5-15, and 5-16 of this Act shall have a private right of action.

(a) A licensee is not liable for a violation of this Act if:

(1) within 30 days of the loan closing and prior to receiving any notice from the borrower of the violation, the licensee has made appropriate restitution to the borrower and appropriate adjustments are made to the loan; or

(2) the violation was not intentional and resulted from a bona fide error in fact, notwithstanding the maintenance of procedures reasonably adopted to avoid such errors, and within 60 days of the discovery of the violation and prior to receiving any notice from the borrower of the violation, the borrower is notified of the violation, appropriate restitution is made to the borrower, and appropriate adjustments are made to the loan.

(b) The remedies and rights provided for in this Act are not exclusive, but cumulative, and all other applicable claims are specifically preserved.

(205 ILCS 635/5-6 new)

Sec. 5-6. Verification of borrower's ability to repay.

(a) No licensee may make, provide, or arrange for a residential mortgage loan without verifying the borrower's reasonable ability to pay the principal and interest on the loan, real estate taxes, homeowner's insurance, assessments, and mortgage insurance premiums, if applicable.

For residential mortgage loans in which the interest rate may vary, the reasonable ability to pay the principal and interest on the loan shall be determined based on a fully indexed rate, which rate shall be calculated by using the index rate prevailing at the time of origination of the loan plus the margin that will apply when calculating the adjustable rate under the terms of the loan, assuming a fully amortizing repayment schedule based on the term of the loan.

For loans that allow for negative amortization, the principal amount of the loan shall be calculated by including the maximum amount the principal balance may increase due to negative amortization under the terms of the loan.

(b) For all residential mortgage loans made by a licensee, the borrower's income and financial resources must be verified by tax returns, payroll receipts, bank records, or other reasonably reliable methods, based upon the circumstances of the proposed loan. Nothing in this Section shall be construed to limit a licensee's ability to rely on criteria other than the borrower's income and financial resources to establish the

borrower's reasonable ability to repay a residential mortgage loan; however, such other criteria must be verified through reasonably reliable methods and documentation. A statement by the borrower to the licensee of the borrower's income and resources is not sufficient to establish the existence of the income or resources when verifying the reasonable ability to pay. Stated income should be accepted only if there are mitigating factors that clearly minimize the need for direct verification of ability to repay.

(205 ILCS 635/5-7 new)

Sec. 5-7. Broker agency relationship.

(a) A mortgage broker shall be considered to have created an agency relationship with the borrower in all cases and shall comply with the following duties:

(1) A mortgage broker shall act in the borrower's best interest and in good faith toward the borrower. A mortgage broker shall not accept, give, or charge any undisclosed compensation or realize any undisclosed remuneration, either through direct or indirect means, that inures to the benefit of the mortgage broker on an expenditure made for the borrower;

(2) mortgage brokers shall carry out all lawful instructions given by borrowers;

(3) mortgage brokers shall disclose to borrowers all material facts of which the mortgage broker has knowledge

which might reasonably affect the borrower's rights, interests, or ability to receive the borrower's intended benefit from the residential mortgage loan, but not facts which are reasonably susceptible to the knowledge of the borrower;

(4) mortgage brokers shall use reasonable care in performing duties; and

(5) mortgage brokers shall account to a borrower for all the borrower's money and property received as agent.

(b) Nothing in this Section prohibits a mortgage broker from contracting for or collecting a fee for services rendered and which had been disclosed to the borrower in advance of the provision of those services.

(c) Nothing in this Section requires a mortgage broker to obtain a loan containing terms or conditions not available to the mortgage broker in the mortgage broker's usual course of business, or to obtain a loan for the borrower from a mortgage lender with whom the mortgage broker does not have a business relationship.

(205 ILCS 635/5-8 new)

Sec. 5-8. Prepayment penalties.

(a) No licensee may make, provide, or arrange a mortgage loan with a prepayment penalty unless the licensee offers the borrower a loan without a prepayment penalty, the offer is in writing, and the borrower initials the offer to indicate that

the borrower has declined the offer. In addition, the licensee must disclose the discount in rate received in consideration for a mortgage loan with the prepayment penalty.

(b) If a borrower declines an offer required under subsection (a) of this Section, the licensee may include a prepayment penalty that extends no longer than three years or the first change date or rate adjustment of a variable rate mortgage, whichever comes earlier, provided that, if a prepayment is made during the fixed rate period, the licensee shall receive an amount that is no more than:

(1) 3% of the total loan amount if the prepayment is made within the first 12-month period following the date the loan was made;

(2) 2% of the total loan amount if the prepayment is made within the second 12-month period following the date the loan was made; or

(3) 1% of the total loan amount if the prepayment is made within the third 12-month period following the date the loan was made, if the fixed rate period extends 3 years.

(c) Notwithstanding any provision in this Section, prepayment penalties are prohibited in connection with the sale or destruction of a dwelling secured by a residential mortgage loan.

(d) This Section applies to loans made, refinanced, renewed, extended, or modified on or after the effective date

of this amendatory Act of the 95th General Assembly.

(205 ILCS 635/5-9 new)

Sec. 5-9. Notice of change in loan terms.

(a) No licensee may fail to do either of the following:

(1) Provide timely notice to the borrower of any material change in the terms of the residential mortgage loan prior to the closing of the loan. For purposes of this Section, a "material change means" any of the following:

(A) A change in the type of loan being offered, such as a fixed or variable rate loan or a loan with a balloon payment.

(B) A change in the term of the loan, as reflected in the number of monthly payments due before a final payment is scheduled to be made.

(C) An increase in the interest rate of more than 0.15%, or an equivalent increase in the amount of discount points charged.

(D) An increase in the regular monthly payment of principal and interest of more than 5%.

(E) A change regarding the requirement or amount of escrow of taxes or insurance.

(F) A change regarding the requirement or payment, or both, of private mortgage insurance.

(2) Timely inform the borrower if any fees payable by the borrower to the licensee increase by more than 10% or

\$100, whichever is greater.

(b) The disclosures required by this Section shall be deemed timely if the licensee provides the borrower with the revised information not later than 3 days after learning of the change or 24 hours before the residential mortgage loan is closed, whichever is earlier. If the licensee discloses a material change more than the 3 days after learning of the change but still 24 hours before the residential mortgage loan is closed, it will not be liable for penalties or forfeitures if the licensee cures in time for the borrower to avoid any damage.

(c) If an increase in the total amount of the fee to be paid by the borrower to the broker is not disclosed in accordance with this Section, the broker shall refund to the borrower the amount by which the fee was increased. If the fee is financed into the residential mortgage loan, the broker shall also refund to the borrower the interest charged to finance the fee.

(d) Licensees limited to soliciting residential mortgage loan applications as approved by the Director under Title 38, Section 1050.2115(c)(1) of the Illinois Administrative Code are not required to provide the disclosures under this Section as long as the solicitor does not discuss the terms and conditions with the potential borrower.

Sec. 5-10. Comparable monthly payment quotes. When comparing different loans, the licensee must not state or imply that monthly loan payments, if they include amounts escrowed for payment of property taxes and homeowner's insurance, are comparable with monthly loan payments that do not include these amounts.

(205 ILCS 635/5-11 new)

Sec. 5-11. Requirement to provide borrower with a copy of all appraisals. Licensees must provide to the borrower a complete copy of any appraisal, including any appraisal generated using the Automated Valuation Model, obtained by the lender for use in underwriting the residential mortgage loan within 3 business days of receipt by the licensee, but in no event less than 24 hours prior to the day of closing. The appraisal may be sent via first class mail, commercial carrier, by facsimile or by e-mail, if the borrower has supplied an e-mail address.

(205 ILCS 635/5-12 new)

Sec. 5-12. Disclosure of refinancing options. If the subject of a future loan is discussed by a licensee making, providing, or arranging a mortgage loan, the licensee shall disclose the circumstances under which a new loan could be considered. Such disclosure shall clearly state that it is not a contract and that the licensee is not representing or

promising that a new loan could or would be made at any time in the future.

(205 ILCS 635/5-14 new)

Sec. 5-14. Prohibition on equity stripping and loan flipping. No licensee may engage in equity stripping or loan flipping, as those terms are defined in the Illinois Fairness in Lending Act.

(205 ILCS 635/5-15 new)

Sec. 5-15. Prohibition on financing certain insurance premiums. No licensee may make, provide, or arrange for a residential mortgage loan that finances, directly or indirectly, any credit life, credit disability, or credit unemployment insurance; however, insurance premiums calculated and paid on a monthly basis shall not be considered to be financed by the lender.

(205 ILCS 635/5-16 new)

Sec. 5-16. Prohibition on encouraging default. A licensee may not recommend or encourage default or the failure to make timely payments on an existing residential mortgage loan or other debt prior to and in connection with the closing or planned closing of a residential mortgage loan that refinances all or any portion of the existing loan or debt.

(205 ILCS 635/5-17 new)

Sec. 5-17. Severability. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this Act that can be given effect without the invalid provision or application.

Section 15. The Residential Real Property Disclosure Act is amended by changing Sections 70, 72, and 74 and adding Sections 73 and 78 as follows:

(765 ILCS 77/70)

Sec. 70. Predatory lending database ~~pilot~~ program.

(a) As used in this Article:

"Adjustable rate mortgage" or "ARM" means a closed-end mortgage transaction that allows adjustments of the loan interest rate during the first 3 years of the loan term.

"Borrower" means a person seeking a mortgage loan.

"Broker" means a "broker" or "loan broker", as defined in subsection (p) of Section 1-4 of the Residential Mortgage License Act of 1987.

"Closing agent" means an individual assigned by a title insurance company or a broker or originator to ensure that the execution of documents related to the closing of a real estate sale or the refinancing of a real estate loan and the disbursement of closing funds are in conformity with the

instructions of the entity financing the transaction.

"Counseling" means in-person counseling provided by a counselor employed by a HUD-certified counseling agency to all borrowers, or documented telephone counseling where a hardship would be imposed on one or more borrowers. A hardship shall exist in instances in which the borrower is confined to his or her home due to medical conditions, as verified in writing by a physician, or the borrower resides 50 miles or more from the nearest participating HUD-certified housing counseling agency. In instances of telephone counseling, the borrower must supply all necessary documents to the counselor at least 72 hours prior to the scheduled telephone counseling session.

"Counselor" means a counselor employed by a HUD-certified housing counseling agency.

"Credit score" means a credit risk score as defined by the Fair Isaac Corporation, or its successor, and reported under such names as "BEACON", "EMPIRICA", and "FAIR ISAAC RISK SCORE" by one or more of the following credit reporting agencies or their successors: Equifax, Inc., Experian Information Solutions, Inc., and TransUnion LLC. If the borrower's credit report contains credit scores from 2 reporting agencies, then the broker or loan originator shall report the lower score. If the borrower's credit report contains credit scores from 3 reporting agencies, then the broker or loan originator shall report the middle score.

"Department" means the Department of Financial and

Professional Regulation.

"Exempt person" means that term as it is defined in subsections (d) (1) and (d) (1.5) of Section 1-4 of the Residential Mortgage License Act of 1987.

"First-time homebuyer" means a borrower who has not held an ownership interest in residential property.

"HUD-certified counseling" or "counseling" means counseling given to a borrower by a counselor employed by a HUD-certified housing counseling agency.

"Interest only" means a closed-end loan that permits one or more payments of interest without any reduction of the principal balance of the loan, other than the first payment on the loan.

"Lender" means that term as it is defined in subsection (g) of Section 1-4 of the Residential Mortgage License Act.

"Licensee" means that term as it is defined in subsection (e) of Section 1-4 of the Residential Mortgage License Act of 1987.

"Mortgage loan" means that term as it is defined in subsection (f) of Section 1-4 of the Residential Mortgage License Act of 1987.

"Negative amortization" means an amortization method under which the outstanding balance may increase at any time over the course of the loan because the regular periodic payment does not cover the full amount of interest due.

"Originator" means a "loan originator" as defined in

subsection (hh) of Section 1-4 of the Residential Mortgage License Act of 1987, except an exempt person.

~~"Pilot program area" means all areas within Cook County designated as such by the Department due to the high rate of foreclosure on residential home mortgages that is primarily the result of predatory lending practices. The Department shall designate the pilot program area within 30 days after the effective date of this amendatory Act of the 94th General Assembly.~~

"Points and fees" has the meaning ascribed to that term in Section 10 of the High Risk Home Loan Act.

"Prepayment penalty" means a charge imposed by a lender under a mortgage note or rider when the loan is paid before the expiration of the term of the loan.

"Refinancing" means a loan secured by the borrower's or borrowers' primary residence where the proceeds are not used as purchase money for the residence.

"Title insurance company" means any domestic company organized under the laws of this State for the purpose of conducting the business of guaranteeing or insuring titles to real estate and any title insurance company organized under the laws of another State, the District of Columbia, or a foreign government and authorized to transact the business of guaranteeing or insuring titles to real estate in this State.

(a-5) A predatory lending database program shall be established within Cook County. The program shall be

administered in accordance with this Article. The inception date of the program shall be July 1, 2008. ~~Inception date. The Secretary of Financial and Professional Regulation shall declare in writing the date of inception of the pilot program. The inception date shall be no later than September 1, 2006, and shall be at least 30 days after the date the Secretary issues a declaration establishing that date. The Secretary's declaration shall be posted on the Department's website, and the Department shall communicate the declaration to affected licensees of the Department.~~ Until the inception date, none of the duties, obligations, contingencies, or consequences of or from the ~~pilot~~ program shall be imposed. The ~~pilot~~ program shall apply to all mortgage applications that are governed by this Article and that are made or taken on or after the inception of the ~~pilot~~ program.

(b) ~~A predatory lending database pilot program is established within the pilot program area, effective upon the inception date established by the Secretary of the Department. The pilot program shall be in effect and operational for a total of 4 years and shall be administered in accordance with Article 3 of this Act.~~ The database created under this program shall be maintained and administered by the Department. The database shall be designed to allow brokers, originators, ~~credit~~ counselors, title insurance companies, and closing agents to submit information to the database online. The database shall not be designed to allow those entities to

retrieve information from the database, except as otherwise provided in this Article. Information submitted by the broker or originator to the Department may be used to populate the online form submitted by a ~~credit~~ counselor, title insurance company, or closing agent.

(c) Within 10 days after taking a mortgage application, the broker or originator for any mortgage on residential property within the ~~pilot~~ program area must submit to the predatory lending database all of the information required under Section 72 and any other information required by the Department by rule. Within 7 days after receipt of the information, the Department shall compare that information to the housing credit counseling standards in Section 73 ~~developed by the Department by rule~~ and issue to the borrower and the broker or originator a determination of whether ~~credit~~ counseling is recommended for the borrower. The borrower may not waive ~~credit~~ counseling. If at any time after submitting the information required under Section 72 the broker or originator (i) changes the terms of the loan or (ii) issues a new commitment to the borrower, then, within 5 days thereafter, the broker or originator shall re-submit all of the information required under Section 72 and, within 4 days after receipt of the information re-submitted by the broker or originator, the Department shall compare that information to the housing credit counseling standards in Section 73 ~~developed by the Department by rule~~ and shall issue to the borrower and the broker or originator a new

determination of whether re-counseling ~~credit counseling~~ is recommended for the borrower based on the information re-submitted by the broker or originator. The Department shall require re-counseling if the loan terms have been modified to meet another counseling standard in Section 73, or if the broker has increased the interest rate by more than 200 basis points.

(d) If the Department recommends ~~credit~~ counseling for the borrower under subsection (c), then the Department shall notify the borrower of all participating HUD-certified counseling agencies located within the State and direct the borrower to interview with a counselor associated with one of those agencies. Within 10 days after receipt of the notice of HUD-certified counseling agencies, the borrower shall select one of those agencies and shall engage in an interview with a counselor associated with that agency. Within 7 days after interviewing the borrower, the ~~credit~~ counselor must submit to the predatory lending database all of the information required under Section 74 and any other information required by the Department by rule. Reasonable and customary costs not to exceed \$300 ~~Any costs~~ associated with ~~credit~~ counseling provided under the ~~pilot~~ program shall be paid by the broker or originator. The Department shall annually calculate to the nearest dollar an adjusted rate for inflation. A counselor shall not recommend or suggest that a borrower contact any specific mortgage origination company, financial institution,

or entity that deals in mortgage finance to obtain a loan, another quote, or for any other reason related to the specific mortgage transaction; however, a counselor may suggest that the borrower seek an opinion or a quote from another mortgage origination company, financial institution, or entity that deals in mortgage finance. A ~~credit~~ counselor or housing counseling agency that ~~who~~ in good faith provides counseling ~~services~~ shall not be liable to a broker or originator or borrower for civil damages, except for willful or wanton misconduct on the part of the counselor in providing the counseling ~~services~~.

(e) The broker or originator and the borrower may not take any legally binding action concerning the loan transaction until the later of the following:

(1) the Department issues a determination not to recommend HUD-certified ~~credit~~ counseling for the borrower in accordance with subsection (c); or

(2) the Department issues a determination that HUD-certified ~~credit~~ counseling is recommended for the borrower and the ~~credit~~ counselor submits all required information to the database in accordance with subsection (d).

(f) Within 10 days after closing, the title insurance company or closing agent must submit to the predatory lending database all of the information required under Section 76 and any other information required by the Department by rule.

(g) The title insurance company or closing agent shall attach to the mortgage a certificate of compliance with the requirements of this Article, as generated by the database. If the title insurance company or closing agent fails to attach the certificate of compliance, then the mortgage is not recordable. In addition, if any lis pendens for a residential mortgage foreclosure is recorded on the property within the ~~pilot~~ program area, a certificate of service must be simultaneously recorded that affirms that a copy of the lis pendens was filed with the Department. If the certificate of service is not recorded, then the lis pendens pertaining to the residential mortgage foreclosure in question is not recordable and is of no force and effect.

(h) All information provided to the predatory lending database under the program is confidential and is not subject to disclosure under the Freedom of Information Act, except as otherwise provided in this Article. Information or documents obtained by employees of the Department in the course of maintaining and administering the predatory lending database are deemed confidential. Employees are prohibited from making disclosure of such confidential information or documents. Any request for production of information from the predatory lending database, whether by subpoena, notice, or any other source, shall be referred to the Department of Financial and Professional Regulation. Any borrower may authorize in writing the release of database information. The Department may use the

information in the database without the consent of the borrower: (i) for the purposes of administering and enforcing the ~~pilot~~ program; (ii) to provide relevant information to a ~~credit~~ counselor providing ~~credit~~ counseling to a borrower under the ~~pilot~~ program; or (iii) to the appropriate law enforcement agency or the applicable administrative agency if the database information demonstrates criminal, fraudulent, or otherwise illegal activity.

(i) Nothing in this Article is intended to prevent a borrower from making his or her own decision as to whether to proceed with a transaction.

(j) Any person who violates any provision of this Article commits an unlawful practice within the meaning of the Consumer Fraud and Deceptive Business Practices Act.

(k) During the existence of the program, the Department shall submit semi-annual reports to the Governor and to the General Assembly by May 1 and November 1 of each year detailing its findings regarding the program. The report shall include at least the following information for each reporting period:

- (1) the number of loans registered with the program;
- (2) the number of borrowers receiving counseling;
- (3) the number of loans closed;
- (4) the number of loans requiring counseling for each of the standards set forth in Section 73;
- (5) the number of loans requiring counseling where the mortgage originator changed the loan terms subsequent to

counseling.

~~Not later than one year after the Department designates the pilot program area and annually thereafter during the existence of the pilot program, the Department shall report to the Governor and to the General Assembly concerning its administration and the effectiveness of the pilot program.~~

(Source: P.A. 94-280, eff. 1-1-06; 94-1029, eff. 7-14-06.)

(765 ILCS 77/72)

Sec. 72. Originator; required information. As part of the predatory lending database ~~pilot~~ program, the broker or originator must submit all of the following information for inclusion in the predatory lending database for each loan for which the originator takes an application:

(1) The borrower's name, address, social security number or taxpayer identification number, date of birth, and income and expense information contained in the mortgage application.

(2) The address, permanent index number, and a description of the collateral and information about the loan or loans being applied for and the loan terms, including the amount of the loan, the rate and whether the rate is fixed or adjustable, amortization or loan period terms, and any other material terms.

(3) The borrower's credit score at the time of application.

(4) Information about the originator and the company the originator works for, including the originator's license number and address, fees being charged, whether the fees are being charged as points up front, the yield spread premium payable outside closing, and other charges made or remuneration required by the broker or originator or its affiliates or the broker's or originator's employer or its affiliates for the mortgage loans.

(5) Information about affiliated or third party service providers, including the names and addresses of appraisers, title insurance companies, closing agents, attorneys, and realtors who are involved with the transaction and the broker or originator and any moneys received from the broker or originator in connection with the transaction.

(6) All information indicated on the Good Faith Estimate and Truth in Lending statement disclosures given to the borrower by the broker or originator.

(7) Annual real estate taxes for the property, together with any assessments payable in connection with the property to be secured by the collateral and the proposed monthly principal and interest charge of all loans to be taken by the borrower and secured by the property of the borrower.

(8) Information concerning how the broker or originator obtained the client and the name of its referral

source, if any.

(9) Information concerning the notices provided by the broker or originator to the borrower as required by law and the date those notices were given.

(10) Information concerning whether a sale and leaseback is contemplated and the names of the lessor and lessee, seller, and purchaser.

(11) Any and all financing by the borrower for the subject property within 12 months prior to the date of application.

(12) Loan information, including interest rate, term, purchase price, down payment, and closing costs.

(13) Whether the buyer is a first-time homebuyer or refinancing a primary residence.

(14) Whether the loan permits interest only payments.

(15) Whether the loan may result in negative amortization.

(16) Whether the total points and fees payable by the borrowers at or before closing will exceed 5%.

(17) Whether the loan includes a prepayment penalty, and, if so, the terms of the penalty.

(18) Whether the loan is an ARM.

(Source: P.A. 94-280, eff. 1-1-06.)

(765 ILCS 77/73 new)

Sec. 73. Standards for counseling. A borrower or borrowers

subject to this Article shall be recommended for counseling if, after reviewing the information in the predatory lending database submitted under Section 72, the Department finds the borrower or borrowers are all first-time homebuyers or refinancing a primary residence and the loan is a mortgage that includes one or more of the following:

- (1) the loan permits interest only payments;
- (2) the loan may result in negative amortization;
- (3) the total points and fees payable by the borrower at or before closing will exceed 5%;
- (4) the loan includes a prepayment penalty; or
- (5) the loan is an ARM.

(765 ILCS 77/74)

Sec. 74. Counselor ~~Credit counselor~~; required information. As part of the predatory lending database ~~pilot~~ program, a ~~credit~~ counselor must submit all of the following information for inclusion in the predatory lending database:

- (1) The information called for in items (1), (6), (9), (11), (12), (13), (14), (15), (16), (17), and (18) of Section 72.
- (2) Any information from the borrower that confirms or contradicts the information called for under item (1) of this Section.
- (3) The name ~~and address~~ of the ~~credit~~ counselor and address of the HUD-certified housing counseling agency that

employs the counselor.

(4) Information pertaining to the borrower's monthly expenses that assists the ~~credit~~ counselor in determining whether the borrower can afford the loans or loans for which the borrower is applying.

(5) A list of the disclosures furnished to the borrower, as seen and reviewed by the ~~credit~~ counselor, and a comparison of that list to all disclosures required by law.

(6) Whether the borrower provided tax returns to the broker or originator or to the ~~credit~~ counselor, and, if so, who prepared the tax returns.

~~(7) The date the loan commitment expires and whether a written commitment has been given, together with the proposed date of closing.~~

(7) ~~(8)~~ A statement of the recommendations of the ~~credit~~ counselor that indicates the counselor's response to each of the following statements:

(A) The loan should not be approved due to indicia of fraud.

(B) The loan should be approved; no material problems noted.

(C) The borrower cannot afford the loan.

(D) The borrower does not understand the transaction.

(E) The borrower does not understand the costs

associated with the transaction.

(F) The borrower's monthly income and expenses have been reviewed and disclosed.

(G) The rate of the loan is above market rate.

(H) The borrower should seek a competitive bid from another broker or originator.

(I) There are discrepancies between the borrower's verbal understanding and the originator's completed form.

(J) The borrower is precipitously close to not being able to afford the loan.

(K) The borrower understands the true cost of debt consolidation and the need for credit card discipline.

(L) The information that the borrower provided the originator has been amended by the originator.

(Source: P.A. 94-280, eff. 1-1-06.)

(765 ILCS 77/78 new)

Sec. 78. Exemption. Borrowers applying for reverse mortgage financing of residential real estate including under programs regulated by the Federal Housing Authority (FHA) that require HUD-certified counseling are exempt from the program and may submit a HUD counseling certificate to comply with the program.

Section 20. The Mortgage Rescue Fraud Act is amended by

changing Section 5 as follows:

(765 ILCS 940/5)

Sec. 5. Definitions. As used in this Act:

"Distressed property" means residential real property consisting of one to 6 family dwelling units that is in foreclosure or at risk of loss due to nonpayment of taxes, or whose owner is more than 90 days delinquent on any loan that is secured by the property.

"Distressed property consultant" means any person who, directly or indirectly, for compensation from the owner, makes any solicitation, representation, or offer to perform or who, for compensation from the owner, performs any service that the person represents will in any manner do any of the following:

(1) stop or postpone the foreclosure sale or the loss of the home due to nonpayment of taxes;

(2) obtain any forbearance from any beneficiary or mortgagee, or relief with respect to a tax sale of the property;

(3) assist the owner to exercise any right of reinstatement or right of redemption;

(4) obtain any extension of the period within which the owner may reinstate the owner's rights with respect to the property;

(5) obtain any waiver of an acceleration clause contained in any promissory note or contract secured by a

mortgage on a distressed property or contained in the mortgage;

(6) assist the owner in foreclosure, loan default, or post-tax sale redemption period to obtain a loan or advance of funds;

(7) avoid or ameliorate the impairment of the owner's credit resulting from the recording of a notice of default or the conduct of a foreclosure sale or tax sale; or

(8) save the owner's residence from foreclosure or loss of home due to nonpayment of taxes.

A "distressed property consultant" does not include any of the following:

(1) a person or the person's authorized agent acting under the express authority or written approval of the Department of Housing and Urban Development;

(2) a person who holds or is owed an obligation secured by a lien on any distressed property, or a person acting under the express authorization or written approval of such person, when the person performs services in connection with the obligation or lien, if the obligation or lien did not arise as the result of or as part of a proposed distressed property conveyance;

(3) banks, savings banks, savings and loan associations, credit unions, and insurance companies organized, chartered, or holding a certificate of authority to do business under the laws of this State or

any other state or under the laws of the United States;

(4) licensed attorneys engaged in the practice of law;

(5) a Department of Housing and Urban Development approved mortgagee and any subsidiary or affiliate of these persons or entities, and any agent or employee of these persons or entities, while engaged in the business of these persons or entities;

(6) a 501(c)(3) nonprofit agency or organization, doing business for no less than 5 years, that offers counseling or advice to an owner of a distressed property, if they do not contract for services with for-profit lenders or distressed property purchasers, or any person who structures or plans such a transaction;

(7) licensees of the Residential Mortgage License Act of 1987;

(8) licensees of the Consumer Installment Loan Act who are authorized to make loans secured by real property; or

(9) licensees of the Real Estate License Act of 2000 when providing licensed activities.

"Distressed property purchaser" means any person who acquires any interest in fee in a distressed property or a beneficial interest in a trust holding title to a distressed property while allowing the owner to possess, occupy, or retain any present or future interest in fee in the property, or any person who participates in a joint venture or joint enterprise involving a distressed property conveyance. "Distressed

property purchaser" does not mean any person who acquires distressed property at a short sale or any person acting in participation with any person who acquires distressed property at a short sale, if that person does not promise to convey an interest in fee back to the owner or does not give the owner an option to purchase the property at a later date.

"Distressed property conveyance" means a transaction in which an owner of a distressed property transfers an interest in fee in the distressed property or in which the holder of all or some part of the beneficial interest in a trust holding title to a distressed property transfers that interest; the acquirer of the property allows the owner of the distressed property to occupy the property; and the acquirer of the property or a person acting in participation with the acquirer of the property conveys or promises to convey an interest in fee back to the owner or gives the owner an option to purchase the property at a later date.

"Person" means any individual, partnership, corporation, limited liability company, association, or other group or entity, however organized.

"Service" means, without limitation, any of the following:

- (1) debt, budget, or financial counseling of any type;
- (2) receiving money for the purpose of distributing it to creditors in payment or partial payment of any obligation secured by a lien on a distressed property;
- (3) contacting creditors on behalf of an owner of a

residence that is distressed property;

(4) arranging or attempting to arrange for an extension of the period within which the owner of a distressed property may cure the owner's default and reinstate his or her obligation;

(5) arranging or attempting to arrange for any delay or postponement of the time of sale of the distressed property;

(6) advising the filing of any document or assisting in any manner in the preparation of any document for filing with any court; or

(7) giving any advice, explanation, or instruction to an owner of a distressed property that in any manner relates to the cure of a default or forfeiture or to the postponement or avoidance of sale of the distressed property.

(Source: P.A. 94-822, eff. 1-1-07.)

Section 25. The Interest Act is amended by changing Section 4.1a as follows:

(815 ILCS 205/4.1a) (from Ch. 17, par. 6406)

Sec. 4.1a. Charges for and cost of the following items paid or incurred by any lender in connection with any loan shall not be deemed to be charges for or in connection with any loan of money referred to in Section 6 of this Act, or charges by the

lender as a consideration for the loan referred to in this Section:

(a) hazard, mortgage or life insurance premiums, survey, credit report, title insurance, abstract and attorneys' fees, recording charges, escrow and appraisal fees, and similar charges.

(b) in the case of construction loans, in addition to the matters referred to in clause (a) above, the actual cost incurred by the lender for services for making physical inspections, processing payouts, examining and reviewing contractors' and subcontractors' sworn statements and waivers of lien and the like.

(c) in the case of any loan made pursuant to the provisions of the Emergency Home Purchase Assistance Act of 1974 (Section 313 of the National Housing Act, Chapter B of Title 12 of the United States Code), in addition to the matters referred to in paragraphs (a) and (b) of this Section all charges required or allowed by the Government National Mortgage Association, whether designated as processing fees, commitment fees, loss reserve and marketing fees, discounts, origination fees or otherwise designated.

(d) in the case of a single payment loan, made for a period of 6 months or less, a regulated financial institution or licensed lender may contract for and receive a maximum charge of \$15 in lieu of interest. Such charge

may be collected when the loan is made, but only one such charge may be contracted for, received, or collected for any such loan, including any extension or renewal thereof.

(e) if the agreement governing the loan so provides, a charge not to exceed the rate permitted under Section 3-806 of the Uniform Commercial Code-Commercial Paper for any check, draft or order for the payment of money submitted in accordance with said agreement which is unpaid or not honored by a bank or other depository institution.

(f) if the agreement governing the loan so provides, for each loan installment in default for a period of not less than 10 days, a charge in an amount not in excess of 5% of such loan installment. Only one delinquency charge may be collected on any such loan installment regardless of the period during which it remains in default. Payments timely received by the lender under a written extension or deferral agreement shall not be subject to any delinquency charge.

Notwithstanding items (k) and (l) of subsection (1) of Section 4 of this Act, the lender, in the case of any nonexempt residential mortgage loan, as defined in Section 1-4 of the Residential Mortgage License Act of 1987, shall have the right to include a prepayment penalty that extends no longer than the fixed rate period of a variable rate mortgage provided that, if a prepayment is made during the fixed rate period and not in connection with the sale or destruction of the dwelling

securing the loan, the lender shall receive an amount that is no more than:

(1) 3% of the total loan amount if the prepayment is made within the first 12-month period following the date the loan was made;

(2) 2% of the total loan amount if the prepayment is made within the second 12-month period following the date the loan was made; or

(3) 1% of the total loan amount if the prepayment is made within the third 12-month period following the date the loan was made, if the fixed rate period extends 3 years.

This Section applies to loans made, refinanced, renewed, extended, or modified on or after the effective date of this amendatory Act of the 95th General Assembly.

Where there is a charge in addition to the stated rate of interest payable directly or indirectly by the borrower and imposed directly or indirectly by the lender as a consideration for the loan, or for or in connection with the loan of money, whether paid or payable by the borrower, the seller, or any other person on behalf of the borrower to the lender or to a third party, or for or in connection with the loan of money, other than as hereinabove in this Section provided, whether denominated "points," "service charge," "discount," "commission," or otherwise, and without regard to declining balances of principal which would result from any required or

optional amortization of the principal of the loan, the rate of interest shall be calculated in the following manner:

The percentage of the principal amount of the loan represented by all of such charges shall first be computed, which in the case of a loan with an interest rate in excess of 8% per annum secured by residential real estate, other than loans described in paragraphs (e) and (f) of Section 4, shall not exceed 3% of such principal amount. Said percentage shall then be divided by the number of years and fractions thereof of the period of the loan according to its stated maturity. The percentage thus obtained shall then be added to the percentage of the stated annual rate of interest.

~~The borrower in the case of nonexempt loan shall have the right to prepay the loan in whole or in part at any time, but, except as may otherwise be provided by Section 4, the lender may require payment of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.~~

(Source: P.A. 87-496.)

Section 970. Severability. If any provision of this amendatory Act of the 95th General Assembly or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this amendatory Act that can be

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given effect without the invalid provision or application.