Illinois Anti-Predatory Lending Database

Housing Action Illinois

October 2, 2018

11 - 12



Meet the Presenters



David Young
Housing Action Illinois
Director of Capacity Building



Illinois Department of Financial and Professional Regulation (IDFPR) Director of Anti-Predatory Lending Program

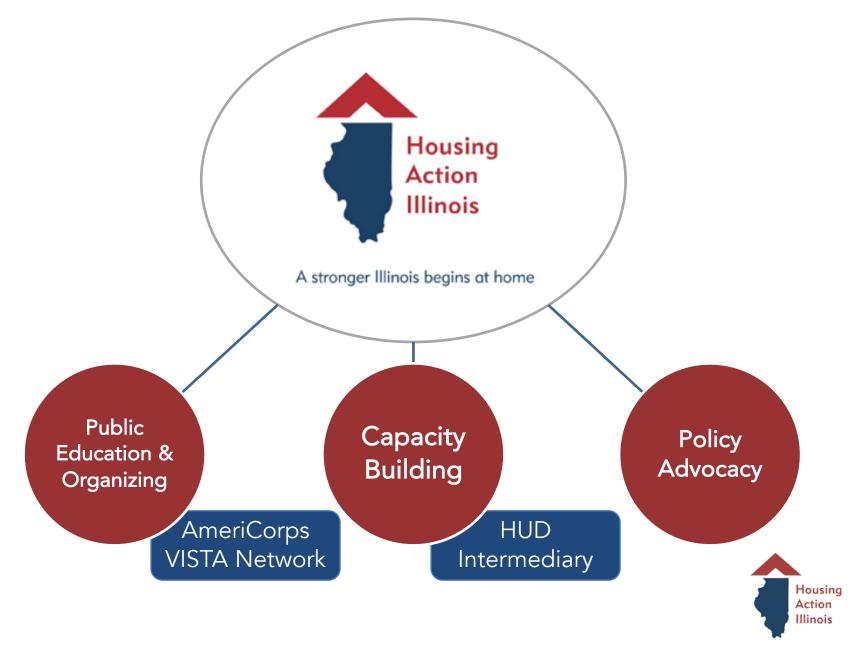
Housing Action Illinois



Everyone needs an affordable, stable place to call home.

That's why we unite 160+ organizations across Illinois in protecting and expanding access to affordable housing.

Housing Action Illinois



Housekeeping

- Submit questions through text box on the right of your screen
- Questions will be answered at designated points during the presentation
- A recording of the webinar will be available on www.housingactionil.org



Agenda

- Purpose of APLD
- Subject properties
- Loan types that trigger APLD
- How APLD works
- Role of housing counselors
- ☐ Which agencies can provide counseling
- Counseling fees
- ☐ IDFPR
- Closing remarks



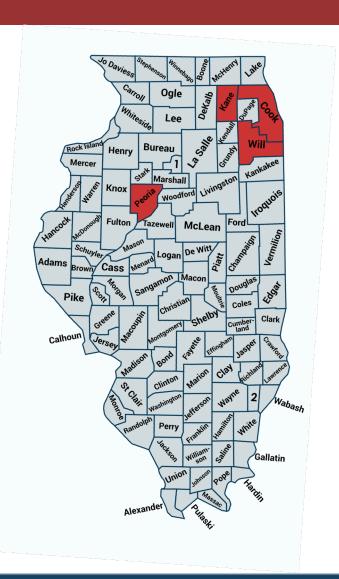
Purpose of APLD

Assist borrowers in understanding conditions of appliedfor loans *in order to* reduce predatory lending practices.





When & Where



July 1, 2008 - Cook

July 1, 2010 – Kane Peoria Will

Program **does not apply** to properties outside of these four counties.



What properties are impacted?

Property subject to Act:

 1-4 unit, owneroccupied residential



Properties not subject to Act:

- Non-owner occupied
- Commercial
- > 4 unit residential
- Government



What types of loans trigger APLD?

Applicable loans:

- Purchase-money mortgages for firsttime buyers
- Refinance transactions

Exempt loans:

Home equity conversion (HECM)



Conditions that Trigger APLD

- Loan permits interest-only payments
- Loan may result in negative amortization
- Total points & fees payable by the borrower at or prior to closing exceed 5% of the loan amount
- Loan includes pre-payment penalty
- Loan is an adjustable rate mortgage which allows adjustments of interest rate in the first 3 years

How does APLD work?

- 1. Loan originator enters loan details in database
- 2. Loan must be entered within **ten business days** after its origination
- 3. Database will first determine whether the property type is subject to APLD
- 4. If property is subject, the database will determine if its necessary for the prospective borrower to obtain counseling

How does APLD work?

5. If **no** counseling is required, loan may proceed to closing

6. If counseling is required, the borrower will be notified by the broker/originator and given a list of participating counseling agencies



Who can use the database?

Authorized database users include:

- Mortgage brokers and Loan Originators licensed by the Division of Banking
- Housing Counselors from HUDcertified agencies







Any Questions?



Role of Counselors

Counseling is required if you have 1+2

A purchase money transaction where the borrower is a **first-time purchaser** or **refinancing** a primary residence



Role of Counselors

2

Loan is a mortgage that includes one or more of the following:

- permits interest-only payments
- may result in negative amortization
- includes **prepayment penalty**
- allows adjustment of interest rate in first 3 years
- total points & fees payable by borrower at or before closing exceeds 5% of loan amount



How does the counseling process work?

- If counseling is required, borrower is given list of participating agencies
- Counselor compares info on database with loan documents and provides recommendations
- Regardless of counselor recommendations,
 borrower decides whether or not to proceed



What happens next?

- If consumer chooses to move forward with loan postcounseling, the loan moves to closing
- Closing agent will determine if the loan being closed is similar to the loan entered by the broker/originator
- If there have been no changes or increase of more than 200 basis points to the interest rate, the closing agent will mark the loan "ready to close"
- A certificate of compliance will be issued upon closing

Changes in loan terms would require another counseling session



Which agencies can provide counseling?

- Must be HUD-approved
- Mortgage broker will provide list of participating counseling agencies to client



Notify us at <u>intermediary@housingactionil.org</u> if you plan to provide these services, so we can send an updated list to IDFPR.



How to register for APLD?

Choose one individual per agency to become the administrator

Administrator can give other counselors access to the database

• Call 888-455-2753 or email <u>service@ilapld.com</u> to register

https://www.ilapld.com/contactus.aspx



Counseling Fees & Duration

- Counseling lasts 1-2 hours on average
- Fee cannot exceed \$300
- Mortgage broker is responsible for payment





Any Questions?



Ira Tangy

Director of Anti-Predatory Lending Program at IDFPR

- ☐ How does IDFPR work to protect consumers?
- APLD Statistics
- ☐ Financial Literacy Site
- More Information

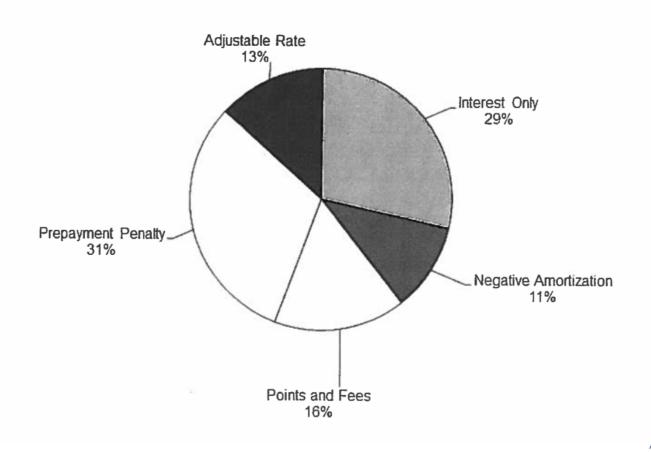


Role of IDFPR

 Work with the Governor, legislators, consumer groups, and the lending industry to develop and implement programs to protect consumers while ensuring vitality of mortgage industry



Types of Loans Triggering Counseling Requirement





Facts At a Glance

- Loans registered: 1,085,154
- Loans closed: 606,094
- Borrowers requiring counseling: 11,096
- Borrowers requiring counseling by county:
 - Cook (9,897); Kane (328); Peoria (72); and Will (554)
- Loan types requiring counseling:
 - Interest Only Loans: 2,479
 - Negative Amortization Loans: 946
 - Loans with Points and Fees Exceeding 5%: 1,410
 - Loans with Prepayment Penalty: 2,697
 - Adjustable Rate Loans: 1,160
- Loans requiring counseling that had loan terms changed after counseling:
 25,178
- Actively licensed mortgage brokers/loan originators who have entered loans:
 9,599

Action Illinois

Required Data Pursuant to Act:	April 2018 Reporting Period (10/1/17 - 3/31/18)	October 2017 Reporting Period (4/1/17 - 9/30/17)
Loans Registered with APLD ³	56,750	72,045
Refinancing Primary Residence	19,232	20,600
Purchasing Primary Residence	28,356	37,169
First Time Homebuyers	24,065	30,773
Loans Closed in APLD	29,832	37,803
Borrowers Requiring Counseling	606	483
Loans Requiring Counseling4	517	419
Interest Only Loans	50	36
Negative Amortization Loans	124	122
Loans with Points and Fees Exceeding 5%	334	208
Loans with Prepayment Penalty	1 1	
Adjustable Rate Loans	60	82
Loans Modified after Counseling	1,493	1,515
Loans Exempt from APLD	62,317	73,035

10/1/17 – 3/31/18:

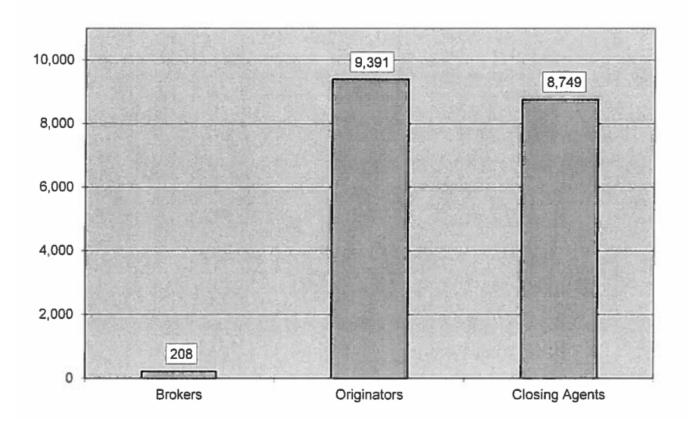
- Mortgage banking licenses (2)
- Mortgage loan originators (1)
- Title agents (2)



	April 2018 Reporting Period (10/1/17 - 3/31/18)			
Required Data Pursuant to Act:5	Cook County	Kane County	Peoria County	Will County
Loans Registered with APLD ⁶	28,591	3,498	431	5,324
Refinancing Primary Residence	10,447	1,247	149	2,091
Purchasing Primary Residence	12,215	1,714	234	2,457
First Time Homebuyers	10,412	1,371	182	1,968
Loans Closed in APLD	18,294	2,494	266	3,745
Borrowers Requiring Counseling	282	24	8	47
Loans Requiring Counseling ⁷	245	18	8	36
Interest Only Loans	20	3	1	6
Negative Amortization Loans	50	6	1	9
Loans with Points and Fees Exceeding 5%	166	11	6	18
Loans with Prepayment Penalty	0	0	0	0
Adjustable Rate Loans	24	4	1	10
Loans Modified to Avoid Counseling	761	76	20	133
Loans Exempt from APLD	41,345	3,898	1,045	4,980

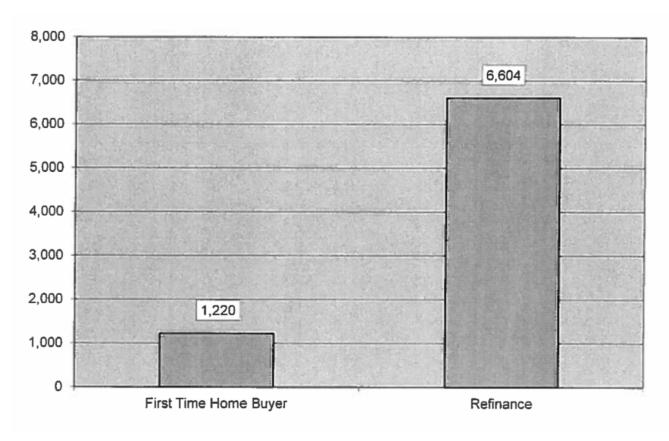


Breakdown of Access to APLD in the Four County Program Area



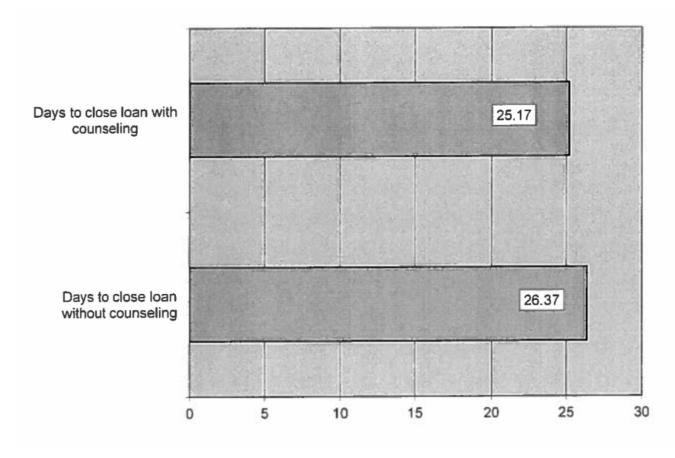


APLD Loan Profile





Average Time to Closing





Illinois Financial Literacy Initiative



https://www.idfpr.com/Consumers/IFLI/IFLI.asp



Illinois Financial Literacy Initiative

- Partners with nonprofit and state agencies to develop and provide education on free financial resources
- Examples:
 - The Center for Economic Progress
 - Heartland Alliance
 - Illinois Joining Forces
 - Illinois Department of Corrections
- Heartland Alliance's course catalogue for financial literacy workshops available in handouts section

Contact Information

Ira Tangy

Director – APLD, Real Property Program, Consumer Services

Illinois Department of Financial and Professional Regulation

<u>Ira.tangy@Illinois.gov</u>

Direct: 312-793-4532



Questions?



Closing Remarks

More Information:

www.ilapld.com

