Meet the Presenters

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Housing Action Illinois
Director of Capacity Building

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Director of Anti-Predatory Lending Program
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.
• 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
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 applied-for 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, owner-occupied 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 first-time 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 HUD-certified agencies

• Closing Agents

Users must register, obtain a log-in, and receive training.
Any Questions?
Counseling is required if you have 1 + 2

1. A purchase money transaction where the borrower is a **first-time purchaser** or **refinancing** a primary residence.
Role of Counselors

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 post-counseling, 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 intermediary@housingactionil.org 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 service@ilapld.com 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?
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.
APLD Statistics

Types of Loans Triggering Counseling Requirement

- Adjustable Rate: 13%
- Interest Only: 29%
- Prepayment Penalty: 31%
- Points and Fees: 18%
- Negative Amortization: 11%
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**
### APLD Statistics

<table>
<thead>
<tr>
<th>Required Data Pursuant to Act:</th>
<th>April 2018 Reporting Period (10/1/17 - 3/31/18)</th>
<th>October 2017 Reporting Period (4/1/17 - 9/30/17)</th>
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<tbody>
<tr>
<td>Loans Registered with APLD$^1$</td>
<td>56,750</td>
<td>72,045</td>
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<td>Refinancing Primary Residence</td>
<td>19,232</td>
<td>20,600</td>
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<td>Purchasing Primary Residence</td>
<td>28,356</td>
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<td>First Time Homebuyers</td>
<td>24,065</td>
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<td>Loans Closed in APLD</td>
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<td>Loans Requiring Counseling$^4$</td>
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<td>Interest Only Loans</td>
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<td>Negative Amortization Loans</td>
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<td>Loans with Points and Fees Exceeding 5%</td>
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<td>Loans with Prepayment Penalty</td>
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<td>Adjustable Rate Loans</td>
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<td>Loans Modified after Counseling</td>
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<td>1,515</td>
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<tr>
<td>Loans Exempt from APLD</td>
<td>62,317</td>
<td>73,035</td>
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10/1/17 – 3/31/18:
- Mortgage banking licenses (2)
- Mortgage loan originators (1)
- Title agents (2)
<table>
<thead>
<tr>
<th>Required Data Pursuant to Act: (^5)</th>
<th>Cook County</th>
<th>Kane County</th>
<th>Peoria County</th>
<th>Will County</th>
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<td>Purchasing Primary Residence</td>
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<td>First Time Homebuyers</td>
<td>10,412</td>
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<td>1,968</td>
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<td>Loans Closed in APLD</td>
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<td>Borrowers Requiring Counseling</td>
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<td>Loans Requiring Counseling(^7)</td>
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<td>Interest Only Loans</td>
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<td>Negative Amortization Loans</td>
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<td>Loans with Points and Fees Exceeding 5%</td>
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<td>Loans Modified to Avoid Counseling</td>
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<td>Loans Exempt from APLD</td>
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<td>3,898</td>
<td>1,045</td>
<td>4,980</td>
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APLD Statistics

Breakdown of Access to APLD in the Four County Program Area

- Brokers: 208
- Originators: 9,391
- Closing Agents: 8,749
APLD Statistics

APLD Loan Profile

- First Time Home Buyer: 1,220
- Refinance: 6,604
APLD Statistics

Average Time to Closing

- Days to close loan with counseling: 25.17 days
- Days to close loan without counseling: 26.37 days
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
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Direct: 312-793-4532
Questions?
Closing Remarks

More Information:
www.ilapld.com