Anti-Predatory Lending Database
Semi-Annual Summary Report
May 1, 2023

Governor JB Pritzker
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.
Secretary

May 1, 2023

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.

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 14,104 loans required borrower counseling. Of these, 4,015 (28%) loans were closed, and 10,089 (72%) were not closed. In comparison, for *all* loans registered with the APLD since inception the closing rate was 56%.

- On average, it takes 4.3 *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: **2,005,650**
- Loans closed: **1,128,639**
- Borrowers requiring counseling: **18,408**
- Borrowers receiving counseling: **7,254**
- Borrowers requiring counseling by county: Cook (**14,991**); Kane (**828**); Peoria (**248**); Will (**1,588**); n/a (**753**)[2]
- Borrowers receiving counseling by county: Cook (**6,473**); Kane (**153**); Peoria (**19**); Will (**207**); n/a (**402**)[3]
- Loan types requiring counseling:[4]
    - Interest-Only Loans: **3,295**
    - Negative Amortization Loans: **2,120**
    - Loans with Points and Fees Exceeding 5%: **5,642**
    - Loans with Prepayment Penalty: **2,720**
    - Adjustable Rate Loans: **1,962**
- **38,835** 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: **11,145**[5]

Investigations and Other Regulatory Actions Based on APLD Information

During the current reporting period of October 1, 2022, through March 31, 2023, IDFPR investigated several types of APLD compliance issues. Specifically, IDFPR entered into one consent order with a title company for failing to comply with a previous consent order for APLD violations. The consent order assessed fines against the title company, as well as imposed other obligations. IDFPR initiated nine additional title company investigations for failure to comply with APLD. Six investigations addressed loans which may have closed without the required housing counseling. IDFPR also initiated investigations into ten mortgage banking companies for

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.

APLD non-compliance. Five of those investigations involved loans which may have closed without the required housing counseling. One of those investigations resulted from a housing counselor noting indicia of fraud after interviewing a borrower. Finally, three of those investigations resulted from APLD violations discovered during a mortgage banking licensee's examination.

In addition, IDFPR worked to strengthen relationships with the APLD's users during the current reporting period. In response to the increasing number of loans requiring housing counseling during the last two reporting periods, IDFPR held a live training session for housing counselors new to the APLD. Finally, IDFPR recorded a webinar training for closing agents on how to obtain a certificate of compliance. The goal of these projects was to improve users' understanding of how to enter the required data into APLD and increase compliance.

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

For the current reporting period of October 1, 2022, through March 31, 2023, loan applications registered with APLD declined by more than 15,000 since the last reporting period. During the current reporting period, 45,627 loan applications were registered with APLD in the program area. The current reporting period had the lowest number of loan applications registered in the last four years. The April 2019 reporting period loan application totals registered at similar levels, with just over 45,000 loan applications. Despite the declining number of loan applications during the current reporting period, the total number of loan applications registered with APLD since the inception of the program has reached over two million.

While there was a larger decline in the last reporting period of April 1, 2022, through September 30, 2022, compared to the prior reporting period of October 1, 2021, through March 31, 2022, that decline was tied to a decrease in the number of refinance loan applications. During the current reporting period, total number of loan applications decreased in all categories: refinance loans, loans to purchase a primary residence, and loans to first time home buyers. During the current reporting period, refinance loans accounted for approximately 18% of loan applications registered with APLD and loans to purchase a primary residence accounted for approximately 72% of loan applications registered with APLD. During the current reporting period, 55% of loan applications registered involved first time home buyers. During the last reporting period of April 1, 2022, though September 30, 2022, refinance loans accounted for approximately 24% of loans registered with APLD, while loans to purchase a primary residence accounted for 68% of loans registered with APLD. Once again, 55% of loans registered with APLD during the last reporting period involved first time home buyers.

Unlike the last two reporting periods, the current reporting period saw a decline in the overall number of loans requiring housing counseling. Similar to the last reporting period, however, the largest number of loans requiring housing counseling during the current reporting period was due to points and fees exceeding 5% of the loan amount. In the current reporting period, despite the declining overall number of loan applications, there was an increase in the number of adjustable rate loans requiring housing counseling. This was the only loan term requiring housing counseling which saw an increase during the current reporting period over last reporting period. During the last reporting period, 9% of the loans requiring housing counseling were adjustable rate loans, while during the current reporting period, 17% of the loans requiring housing counseling were adjustable rate loans. Finally, during the current reporting period, 1% of loans required housing counseling due to a prepayment penalty and no loans required housing counseling due to negative amortization. In contrast, data since the program's inception demonstrates that these terms accounted for, respectively, 17% and 14% of the loans requiring housing counseling. Finally, during the current reporting period, 52% of the loans requiring housing counseling were modified to remove predatory terms, and no longer required housing counseling before closing.

Consistent with APLD data, the Consumer Financial Protection Bureau's Home Mortgage Disclosure Act data likewise reported another quarterly decline in loan applications for conventional loans in its most recent available data for the third quarter of 2022.[6] Home Mortgage Disclosure Act data for the third quarter of 2022 also showed an increase in the median total loan costs, which figure has been on the rise for four consecutive quarters.[7] The increase in the third quarter of 2022 was not as large, however, as the increase from the first quarter of 2022 to the second quarter of 2022.[8] The median total loan cost for a conventional conforming loan for the second quarter of 2022 was $5,279.81 and for the third quarter of 2022 was $5,645.71.[9]

During the last reporting period, IDFPR received an increase in the number of *lis pendens* notices of new foreclosure filings in the APLD program areas of Cook, Kane, Peoria, and Will Counties. During the current reporting period, the number of *lis pendens* notices for new foreclosure filings has held steady, with IDFPR receiving between 800 and 1,000 notices for the majority of the months in the current reporting period. National reports show a decline in foreclosure starts in February of 2023, after four consecutive months of increases.[10] Loan forbearances for struggling borrowers, affecting approximately 350,000 loans, remained flat for the last three months of 2022, with new forbearances on pace with forbearance exits.[11]

Interest rates for thirty-year fixed rate mortgages during this reporting period reached a high of 7.08% for the weeks ending October 27, 2022 and November 10, 2022 and a low of 6.09% for the week ending February 2, 2023, according to Freddie Mac's Primary Mortgage Market Survey.[12] Freddie Mac reports that between 2021 and 2022, mortgage rates doubled within a year, which has never happened before.[13] The rise in interest rates has driven a rise in average monthly principal and interest mortgage payments for conventional, thirty-year, fixed-rate loans, with the average in December of 2021 being $1,446 and in June of 2022 being $1,974, a 36% increase.[14] Moreover, borrowers' overall debt payments, including mortgage payments along

[6] HMDA Data Browser (cfpb.gov)
[7] HMDA Data Browser (cfpb.gov)
[8] HMDA Data Browser (cfpb.gov)
[9] HMDA Data Browser (cfpb.gov)
[10] BKI_MM_FEB2023_Report.pdf (blackknightinc.com), p. 3.
[11] Share of Mortgage Loans in Forbearance Remains Flat at 0.70% in December | MBA
[12] Mortgage Rates - Freddie Mac
[13] Quarterly Forecast: Rapidly Rising Rates & Declining Demand Driving a Housing Market Slowdown - Freddie Mac
[14] Office of Research blog: Higher interest rates leading to higher debt burdens for mortgage borrowers | Consumer Financial Protection Bureau (consumerfinance.gov)

with other debts, are making up a higher percentage of their gross income.[15] Finally, Forbes reports that, as of April 2023, the 52-week high for a five-year adjustable rate mortgage was 5.82% while the low was 5.36%.[16]

Freddie Mac studied mortgage rate dispersion, or variability, in 2022, by comparing mortgage rates for similar mortgage applications offered by different lenders on the same day.[17] Freddie Mac found that, in 2022 when interest rates were high, variability in mortgage rates had more than doubled compared to the time period of 2010 to 2021.[18] The average mortgage rate dispersion for 2010 to 2021 was .2%, while the average mortgage rate dispersion in 2022 was .5%.[19] The study concluded that, in 2022's higher interest rate environment, borrowers who shopped around to different lenders could save money over the life of their loans.[20]

With the percentage of adjustable-rate mortgages on the rise in the program area, and with borrowers facing increasing loan costs for the first three quarters of 2022 nationwide, the APLD is an important borrower protection against predatory lending. Moreover, APLD data shows that mortgage banking licensees are removing predatory terms after registering loan applications with the APLD. Finally, with the increase in rate dispersion, borrowers' understanding of the loan terms they are being offered and their ability to compare offers is more important than ever. Individualized housing counseling required by the APLD affords borrowers a great opportunity to seek out the best terms through informed decision-making, which is essential under current market conditions.

IDFPR Utilization of APLD Data to Combat Mortgage Fraud, Predatory Lending, and Other Questionable Practices

IDFPR audits APLD data to ensure mortgage banking and title companies are complying with the APLD housing counseling requirements. In addition, IDFPR performs quarterly reviews of borrower interview data entered into APLD by housing counselors. IDFPR also monitors companies who have consent orders with IDFPR resulting from failure to comply with APLD. In cooperation with IDFPR's examination team, APLD staff investigate APLD violations discovered during the mortgage banking licensee exam process. Finally, IDFPR utilizes the data available in APLD to enhance other types of investigations into mortgage banking licensees.

[15] Office of Research blog: Higher interest rates leading to higher debt burdens for mortgage borrowers | Consumer Financial Protection Bureau (consumerfinance.gov)
[16] Current ARM Rates – Forbes Advisor
[17] When Rates Are Higher, Borrowers Who Shop Around Save More - Freddie Mac
[18] When Rates Are Higher, Borrowers Who Shop Around Save More - Freddie Mac
[19] When Rates Are Higher, Borrowers Who Shop Around Save More - Freddie Mac
[20] When Rates Are Higher, Borrowers Who Shop Around Save More - Freddie Mac

STATISTICAL INFORMATION

Required Data Pursuant to Act:	April 2023 Reporting Period (10/01/22 - 03/31/23)	October 2022 Reporting Period (04/01/22 - 09/30/22)
Loans Registered with APLD[21]	**45,627**	**66,885**
Refinancing Primary Residence	8,407	16,161
Purchasing Primary Residence	32,646	45,555
First Time Home Buyers	25,215	36,837
Loans Closed in APLD	**21,020**	**37,916**
Borrowers Requiring Counseling	**622**	**1,242**
Borrowers Receiving Counseling	**20**	**38**
Loans Requiring Counseling[22]	**537**	**1,076**
Interest Only Loans	96	99
Negative Amortization Loans	0	0
Loans with Points and Fees Exceeding 5%	423	948
Loans with Prepayment Penalty	3	9
Adjustable Rate Loans	109	105
Loans Modified to No Longer Require Counseling	**590**	**1,247**
Loans Exempt from APLD	**32,278**	**57,609**

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

22 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:[23]	**April 2023 Reporting Period (10/01/22 - 03/31/23)**			
	Cook County	**Kane County**	**Peoria County**	**Will County**
Loans Registered with APLD[24]	**34,016**	**4,047**	**905**	**6,282**
Refinancing Primary Residence	6,108	747	114	1,339
Purchasing Primary Residence	24,258	2,981	739	4,488
First Time Home Buyers	18,954	2,152	642	3,326
Loans Closed in APLD	**15,239**	**2,098**	**532**	**3,133**
Borrowers Requiring Counseling	**467**	**36**	**17**	**82**
Borrowers Receiving Counseling	**11**	**4**	**3**	**2**
Loans Requiring Counseling[25]	**407**	**27**	**17**	**67**
Interest Only Loans	78	2	3	12
Negative Amortization Loans	0	0	0	0
Loans with Points and Fees Exceeding 5%	317	24	11	52
Loans with Prepayment Penalty	3	0	0	0
Adjustable Rate Loans	82	3	7	14
Loans Modified to No Longer Require Counseling	**422**	**60**	**10**	**89**
Loans Exempt from APLD	**24,488**	**2,685**	**595**	**3,649**

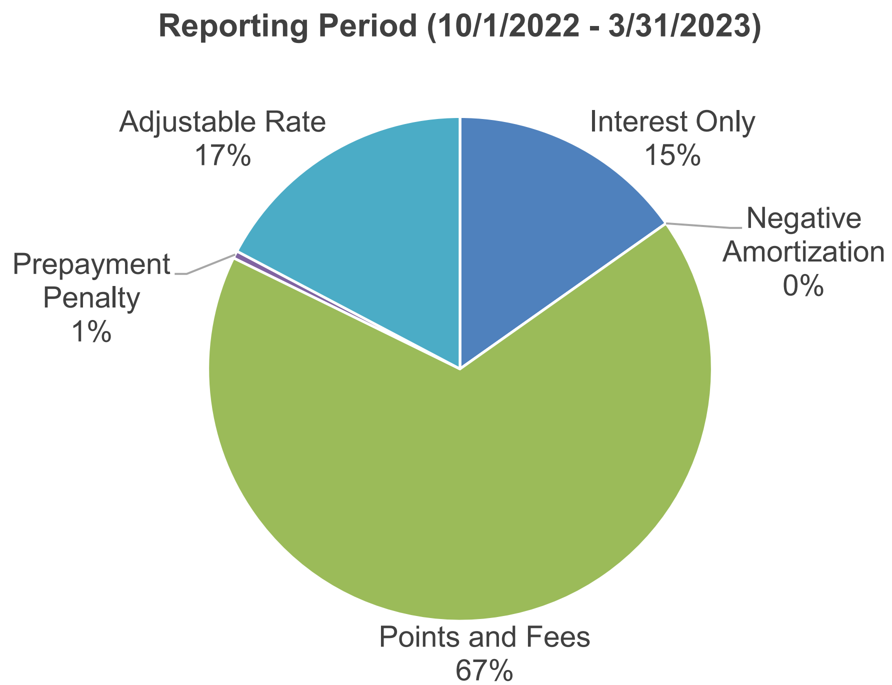
[23] County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

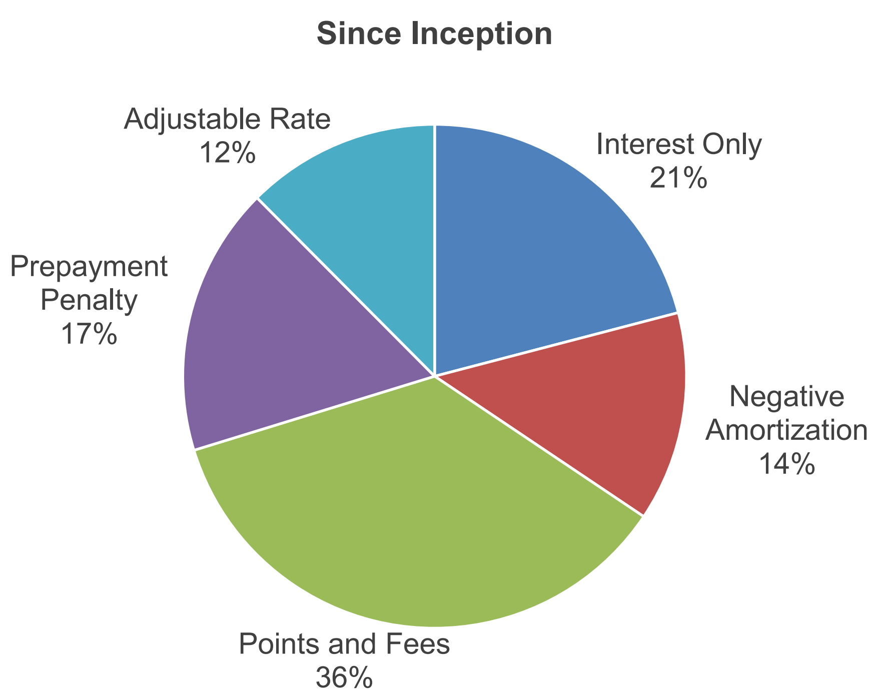
[24] The totals may include loans that are in process or have been abandoned.

[25] 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

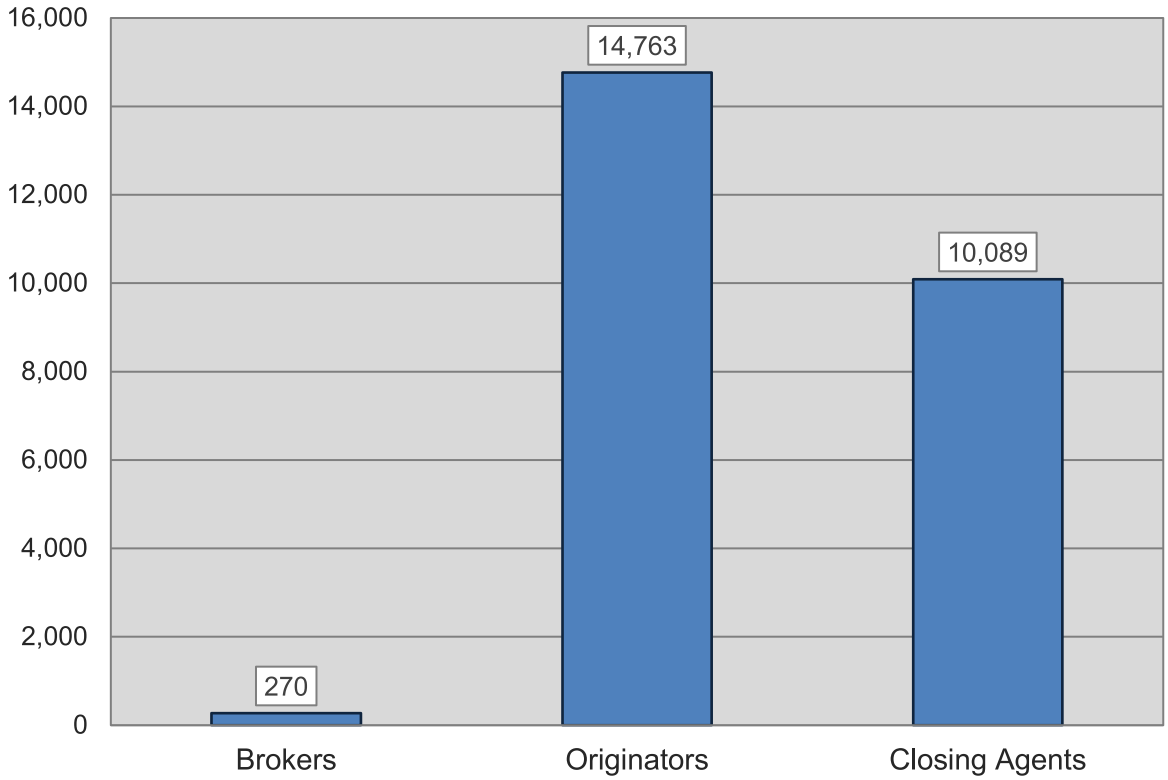
Types of Loans Triggering the Counseling Requirement





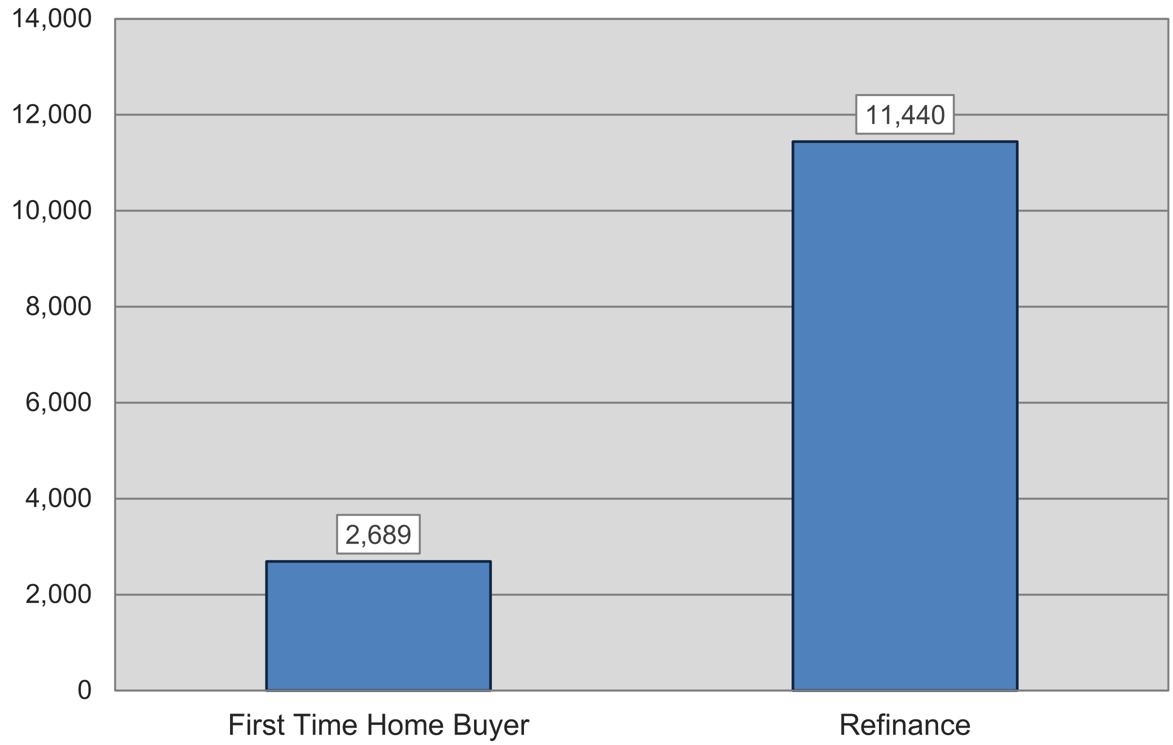
APLD User Summary

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)



Summary of Average Time to Closing

Counseling requirement decreased time to close by 4.3 days on average.
(Since program inception)