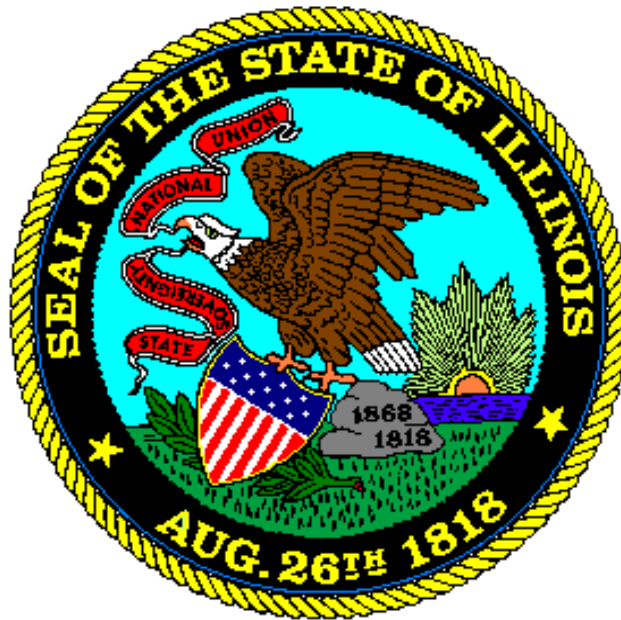


**Anti-Predatory Lending Database
Semi-Annual Summary Report
November 1, 2023**



**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

November 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,

A handwritten signature in blue ink that reads "Mario Treto, Jr." with a stylized flourish at the end.

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 14,577 loans required borrower counseling. Of these, 4,022 (28%) loans were closed, and 10,555 (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 GLANCE¹

(Cumulative to date since program inception on July 1, 2008)

- Loans registered with the APLD: **2,059,679**
- Loans closed: **1,156,202**
- Borrowers requiring counseling: **18,972**
- Borrowers receiving counseling: **7,265**
- Borrowers requiring counseling by county: Cook (**15,420**); Kane (**883**); Peoria (**259**); Will (**1,647**); n/a (**763**)²
- Borrowers receiving counseling by county: Cook (**6,480**); Kane (**154**); Peoria (**19**); Will (**210**); n/a (**402**)³
- Loan types requiring counseling:⁴
 - Interest-Only Loans: **3,375**
 - Negative Amortization Loans: **2,121**
 - Loans with Points and Fees Exceeding 5%: **6,013**
 - Loans with Prepayment Penalty: **2,720**
 - Adjustable Rate Loans: **2,033**
- **39,446** 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: **10,883**⁵

Investigations and Other Regulatory Actions Based on APLD Information

During the current reporting period of April 1, 2023, through September 30, 2023, IDFPR continues to investigate APLD compliance issues with both title companies and mortgage banking companies. IDFPR initiated four new title company investigations for failure to comply with APLD. Two of those investigations involved possible failure to provide borrowers with required housing counseling before closing on their loans. IDFPR also initiated five new investigations into mortgage banking companies. There are several ongoing investigations into

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.

mortgage banking companies for failure to provide borrowers with housing counseling before closing on their loans.

In addition, during the current reporting period, IDFPR has implemented changes to the APLD website to improve data collection and security. The APLD website has increased capacity for uploading documents. This allows IDFPR to access higher quality data in APLD, which can support investigations and enforcement actions. Finally, the APLD website has enhanced security through the implementation of multi-factor authentication.

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

For the current reporting period of April 1, 2023, through September 30, 2023, there has been a slight increase in loan applications registered with APLD since the last reporting period. Loan applications this reporting period increased by 8,396 applications, an 18.4% increase from the last reporting period. The last reporting period had the lowest number of loan applications of all reporting periods over the last four years. Although loan applications increased from the last reporting period, the number of loan applications registered with APLD in the current reporting period still remained lower than both reporting periods in 2022.

The increase in loan applications this reporting period shows an increase in borrowers purchasing a primary residence. The amount of first time home buyer loan applications has also risen during the current reporting period. Loan applications for refinancing continue to remain a low percentage of overall applications, consistent with the last two reporting periods. In fact, refinance loan applications make up only 15.3% of loan applications registered with APLD for the current reporting period, which is a lower percentage than the last two reporting periods. In the current reporting period, the amount of loan applications from first time home buyers increased to 62% of loan applications registered in APLD. During the previous two reporting periods, 55% of the loan applications registered in APLD were attributable to first time home buyers.

For the two reporting periods in 2022, each period saw an increase in loans requiring housing counseling from the previous reporting period. On the other hand, in the first reporting period in 2023, the amount of loans requiring housing counseling decreased. During the current reporting period, the amount of loans requiring housing counseling further decreased, despite the higher total number of loan applications. During the current reporting period, only 0.9% of the loans registered in APLD required housing counseling. During the previous reporting period, 1.2% of loans registered in APLD required housing counseling. In both the current and previous reporting periods, the majority of loans initially requiring housing counseling were modified to remove predatory or non-traditional loan term(s).

For the last four reporting periods, as well as the current reporting period, the largest number of loans requiring housing counseling was due to points and fees exceeding 5% of the loan amount. 67% of the loans requiring housing counseling last reporting period contained points and fees exceeding 5% of the loan amount. During the current reporting period, however, 71% of the loans requiring housing counseling were due to points and fees exceeding 5% of the loan amount. The percentage of loans registered in APLD with points and fees exceeding 5% of the

loan amount remains historically high. The percentage of loans with points and fees exceeding 5% of the loan amount since the APLD program's inception is 37%. In the current reporting period, there was a decrease from the last reporting period in the total number of loans requiring housing counseling for points and fees exceeding 5% of the loan amount, as well as a decrease in interest-only loans and adjustable rate loans.

The Consumer Financial Protection Bureau (CFPB) collects mortgage data pursuant to the Home Mortgage Disclosure Act. The CFPB's data for the first quarter of 2023 shows another quarterly decline in mortgage loan applications for all types of loans.⁶ The data illustrates that mortgage loan applications decreased by 38% between 2021 and 2022.⁷ The CFPB found that applications declined in 2022 for both purchase loans and refinance loans, although the decline in applications for refinance loans was greater.⁸

The types of refinance loans borrowers are obtaining are also changing. According to Freddie Mac, nine out of ten conventional refinance loans involved cash-out in the first half of 2023.⁹ Freddie Mac also found that, in the second quarter of 2023, more refinance borrowers are extending their loan term, to reduce monthly payment amounts in the face of higher interest rates.¹⁰

CFPB's Home Mortgage Disclosure Act data also tracks median total loan costs. The CFPB's data shows the first documented report of a sharp rise in total loan costs paid by borrowers upfront.¹¹ Median total loan costs increased for conventional conforming and non-conforming loans in the last quarter of 2022, and then decreased slightly for the first quarter of 2023.¹² The CFPB notes, however, that median total loan costs for all types of loans have increased significantly since the third quarter of 2021.¹³ For conventional conforming loans, the median total loan cost in the third quarter of 2021 was \$3,645.20, while the median total loan cost in the first quarter of 2023 was \$5,653.84, a 55% increase. Additionally, the CFPB's Data Point: 2022 Mortgage Market Activity and Trends Report noted that "[a] higher percentage of borrowers reported paying discount points in 2022 than in any other year since this data point was collected."¹⁴ The median dollar amount for discount points for home purchase loans was \$2,370, which is over \$1,000 more than the median dollar amounts for discount points in 2021, 2020, 2019, and 2018.¹⁵ The median dollar amount for discount points for refinance loans was also

⁶ <https://ffiec.cfpb.gov/data-browser/graphs/quarterly/applications?periodLow=2019-Q1&periodHigh=2023-Q1&visibleSeries=Conventional%20Conforming,Conventional%20Non-Conforming,FHA,HELOC,RHS/FSA,VA> (the most recent available data covers the first quarter of 2023)

⁷ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 7.

⁸ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 13.

⁹ [Economic, Housing and Mortgage Market Outlook – August 2023 - Freddie Mac](#)

¹⁰ [Economic, Housing and Mortgage Market Outlook – August 2023 - Freddie Mac](#)

¹¹ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 22.

¹² <https://ffiec.cfpb.gov/data-browser/graphs/quarterly/tlc?periodLow=2019-Q1&periodHigh=2023-Q1&visibleSeries=Conventional%20Conforming,Conventional%20Non-Conforming,FHA,HELOC,RHS/FSA,VA>

¹³ <https://ffiec.cfpb.gov/data-browser/graphs/quarterly/tlc?periodLow=2019-Q1&periodHigh=2023-Q1&visibleSeries=Conventional%20Conforming,Conventional%20Non-Conforming,FHA,HELOC,RHS/FSA,VA>

¹⁴ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 5.

¹⁵ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), pp. 23-24 (data represents "closed-end loans secured by site-built single-family homes, 1st lien principal residence, not for business or commercial purpose.")

over \$1,000 more than the previous four years, with the 2022 median dollar amount being \$2,878.¹⁶

Mortgage loan interest rates have been rising steadily. According to the Freddie Mac Primary Mortgage Market Survey, for the first week of the current reporting period, the week ending Thursday, April 6, 2023, the weekly average interest rate was 6.28% for a thirty-year, fixed rate mortgage.¹⁷ During the last week of the current reporting period, the week ending September 28, 2023, the weekly average interest rate was 7.31% for a thirty-year, fixed rate mortgage.¹⁸ Freddie Mac stated that interest rates have not been this high since 2001.¹⁹

According to CFPB data, the rise in interest rates throughout 2022 also contributed to an increase in borrower average monthly payment amount.²⁰ Home purchase loans had an average monthly payment of \$1,400 in December of 2021 and \$2,045 in December of 2022, a 46.1% increase.²¹ Borrowers average debt-to-income ratio also increased significantly during this time.²² Thus, overall, mortgage payment affordability has declined.²³ Finally, the CFPB reports that borrowers were denied loans at higher rates in 2022.²⁴ The overall denial rate for refinance loans especially increased, moving from 14.2% in 2021 to 24.7% in 2022.²⁵ The CFPB further found that denials for the reason of debt-to-income ratio were more frequent in 2022.²⁶

Through APLD, IDFPR receives *lis pendens* notices for new foreclosure filings in the four-county program area. During the current reporting period, the number of *lis pendens* notices for new foreclosure filings is slightly lower than the previous reporting period. For the first three months of the current reporting period, IDFPR received over 800 notices of new foreclosure filings per month. For the last three months, IDFPR received between 400 and 700 notices of new foreclosure filings each month. Nationwide, mortgage delinquency rates have remained near historic lows at the beginning of 2023.²⁷ In March of 2023, the Illinois mortgage delinquency rate for loans between 30-89 days delinquent was 1.3%, consistent with the national rate.²⁸ Nationally, for the first quarter of 2023, foreclosure actions started on .16% of loans, while in the second quarter of 2023, foreclosure actions started on .13% of loans.²⁹

¹⁶ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), pp. 23-24 (data represents “closed-end loans secured by site-built single-family homes, 1st lien principal residence, not for business or commercial purpose.”)

¹⁷ [Mortgage Rates - Freddie Mac](#)

¹⁸ [Mortgage Rates - Freddie Mac](#)

¹⁹ [Economic, Housing and Mortgage Market Outlook – September 2023 - Freddie Mac](#)

²⁰ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 53.

²¹ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 53.

²² [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 54.

²³ [CFPB Mortgage Report Finds Jumps in Closing Costs and Denials for Insufficient Income, Growing Proportion of Cash-Out Refinances | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)

²⁴ [CFPB Mortgage Report Finds Jumps in Closing Costs and Denials for Insufficient Income, Growing Proportion of Cash-Out Refinances | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)

²⁵ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 31.

²⁶ [cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf \(consumerfinance.gov\)](#), p. 6.

²⁷ [Mortgage Delinquency Rate in First-Quarter 2023 Declines to Second-Lowest Level in MBA's Survey | MBA](#)

²⁸ [Mortgages 30-89 days delinquent | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)

²⁹ [Mortgage Delinquencies Decrease in the Second Quarter of 2023 | MBA](#); [Mortgage Delinquency Rate in First-Quarter 2023 Declines to Second-Lowest Level in MBA's Survey | MBA](#)

The APLD is an important tool against predatory lending when borrowers may be considering options for cash out refinancing. Additionally, in the current mortgage market, borrowers are facing increasing monthly payments and higher loan costs. The housing counseling interviews required by the APLD can provide borrowers with essential information in the decision-making process, such as a greater understanding of costs, discount points, and other loan terms. Moreover, the APLD continues to deter mortgage banking companies from offering predatory or nontraditional terms.

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

IDFPR utilizes APLD data in a variety of situations. The APLD unit and the examination unit work together to address mortgage banking companies' compliance with the requirements of the APLD. In addition, IDFPR monitors both mortgage banking and title companies who have previously failed to comply with APLD requirements. IDFPR also reviews APLD data quarterly to check for compliance with the housing counseling requirements. Finally, APLD data is available to assist with other types of investigations into mortgage banking companies' practices, including fraud and predatory lending.

STATISTICAL INFORMATION

Required Data Pursuant to Act:	October 2023 Reporting Period (04/01/23 - 09/30/23)	April 2023 Reporting Period (10/01/22 - 03/31/23)
Loans Registered with APLD³⁰	54,023	45,627
Refinancing Primary Residence	8,261	8,407
Purchasing Primary Residence	40,659	32,646
First Time Home Buyers	33,510	25,215
Loans Closed in APLD	27,563	21,020
Borrowers Requiring Counseling	599	622
Borrowers Receiving Counseling	11	20
Loans Requiring Counseling³¹	503	537
Interest Only Loans	82	96
Negative Amortization Loans	1	0
Loans with Points and Fees Exceeding 5%	397	423
Loans with Prepayment Penalty	0	3
Adjustable Rate Loans	76	109
Loans Modified to No Longer Require Counseling	621	590
Loans Exempt from APLD	46,371	32,278

³⁰ The totals may include loans that are in process or have been abandoned.

³¹ 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:³²	October 2023 Reporting Period (04/01/23 - 09/30/23)			
	Cook County	Kane County	Peoria County	Will County
Loans Registered with APLD³³	40,314	4,857	1,182	7,233
Refinancing Primary Residence	5,918	756	160	1,324
Purchasing Primary Residence	30,190	3,804	977	5,455
First Time Home Buyers	25,204	3,096	825	4,194
Loans Closed in APLD	20,252	2,623	719	3,951
Borrowers Requiring Counseling	455	58	12	64
Borrowers Receiving Counseling	7	1	0	3
Loans Requiring Counseling³⁴	388	38	12	55
Interest Only Loans	55	19	1	6
Negative Amortization Loans	1	0	0	0
Loans with Points and Fees Exceeding 5%	315	18	11	44
Loans with Prepayment Penalty	0	0	0	0
Adjustable Rate Loans	61	5	1	9
Loans Modified to No Longer Require Counseling	454	62	13	81
Loans Exempt from APLD	30,193	3,270	741	4,590

³² County totals may be lower than the overall totals because some loans do not have county information recorded in the database.

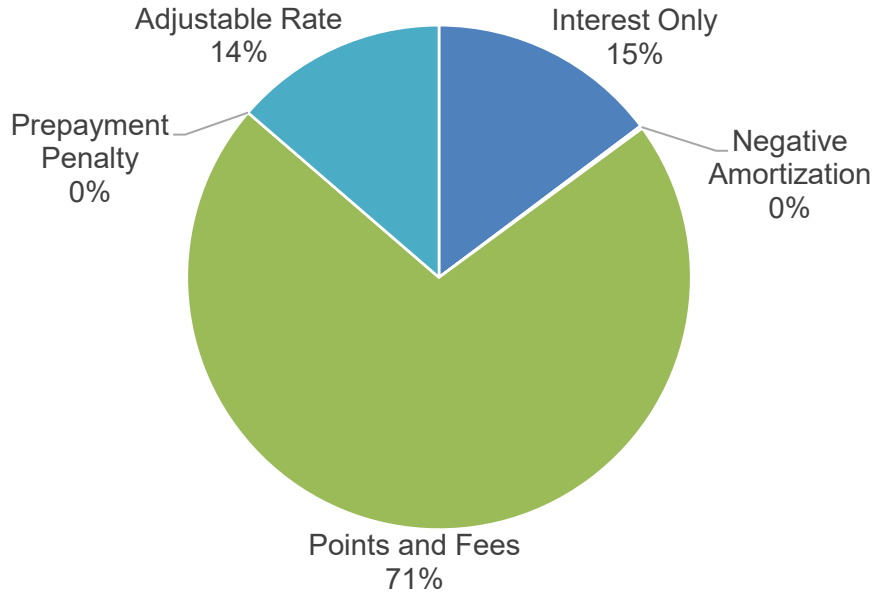
³³ The totals may include loans that are in process or have been abandoned.

³⁴ The number of loans requiring counseling is often less than the number of borrowers requiring counseling because there may be multiple borrowers per loan.

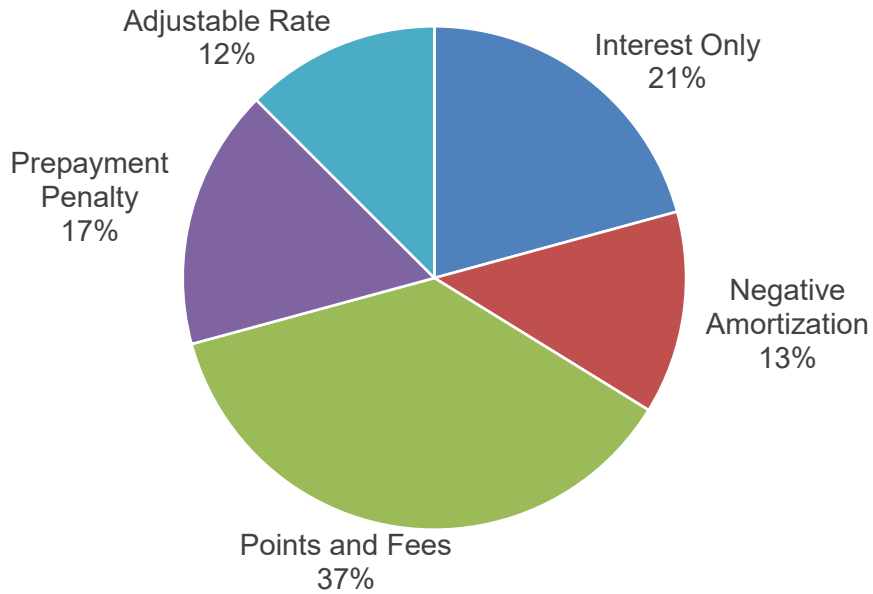
APLD Product Summary

Types of Loans Triggering the Counseling Requirement

Reporting Period (4/1/2023 - 9/30/2023)

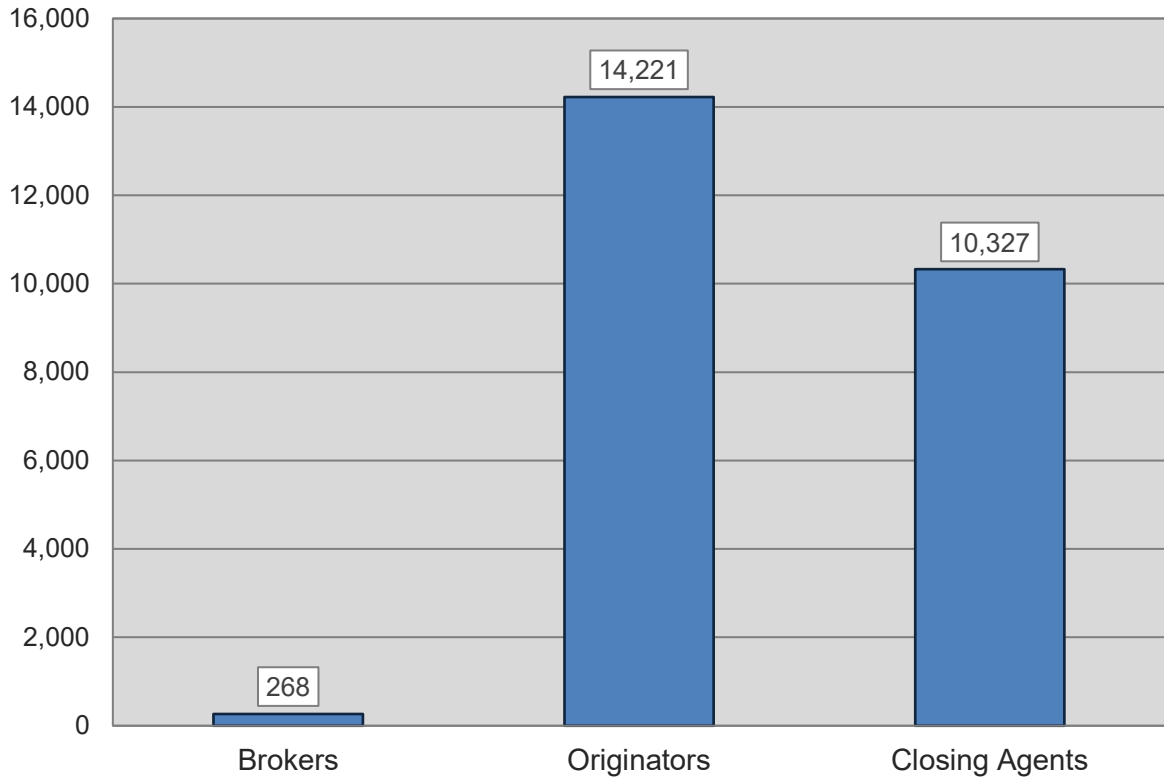


Since Inception



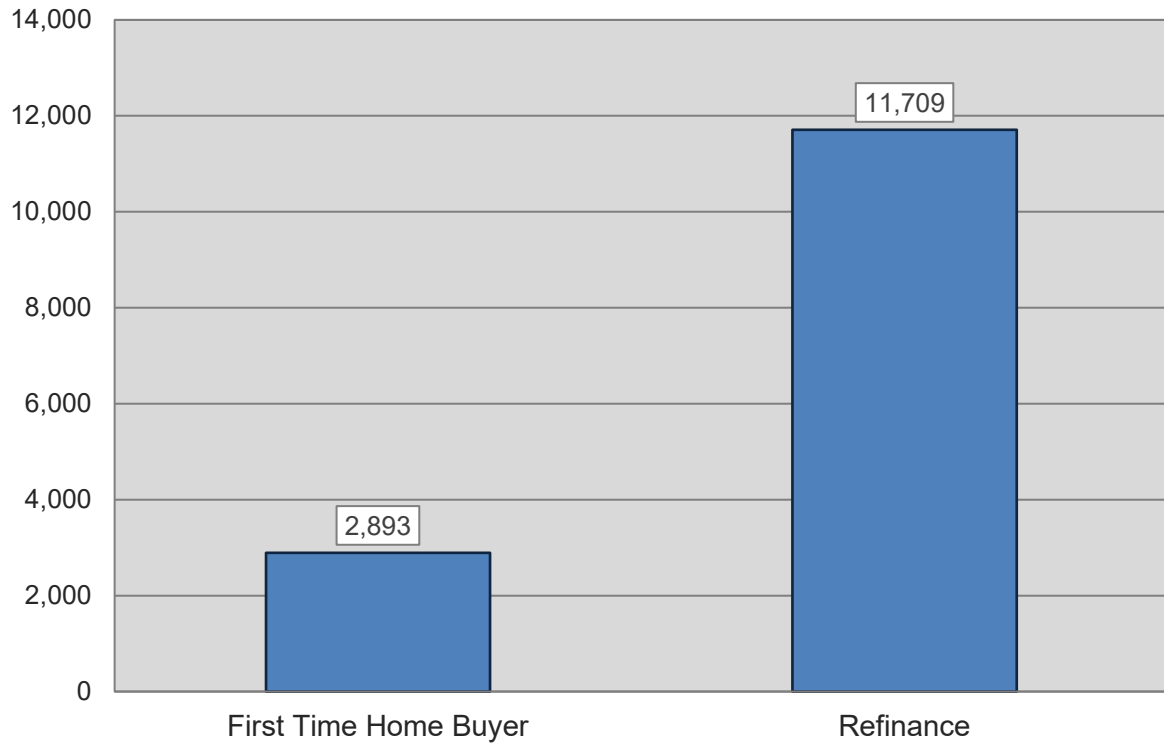
APLD User Summary

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)

