**Section 1050.425 Examination**

a) As part of each regularly scheduled examination, the Director shall evaluate and rate licensees, for purposes of scheduling the next regular examination, in accordance with uniform rating factors.

b) Composite ratings shall include but not be limited to:

1) Composite "1". Licensees in this group had no violations noted during the examination; any findings or comments were of a minor nature. Such licensees evidence strong financial condition and management skills.

2) Composite "2". Licensees in this group had violations noted that are correctable in the normal course of business.

3) Composite "3". Licensees in this category exhibit either compliance, financial or operational weaknesses that give cause for remedial action to correct the weaknesses.

4) Composite "4". Licensees in this group have compliance violations that are not being addressed or resolved by the licensee. Licensees in this category require urgent and decisive corrective measures.

5) Composite "5". This category is reserved for licensees with deficiencies or uncorrected violations critical enough to support conservatorship, suspension, or revocation. Some examples might include, but are not limited to: ability to demonstrate net worth, failure to procure required bonds, fraudulent mortgage practices, fraudulent application for licensure, and being subject to other regulators' disciplinary or enforcement actions.

c) All licensees shall be subject to examination by the Director. The Director may enter into cooperative agreements with other regulatory authorities and contract with others to provide for examinations and the Director may accept examination reports from those regulatory authorities and under such contracts as meet the requirements of this Section. The examination shall result in a rating as referenced in subsection (b) and will be charged at the rate referenced. Thereafter, licensees shall have a frequency of regular examinations at least as follows:

|  |  |
| --- | --- |
| Rating | Frequency of Examination  At least once every |
| 1 | 36 months |
| 2 | 36 months |
| 3 | 24 months |
| 4 | 12 months |
| 5 | Continual monitoring for immediate remedial action |

d) The Director may conduct an examination at any time at the Director's sole discretion. In determining whether to conduct an examination, the Director may consider information such as an allegation or evidence that a licensee is engaged in fraudulent, unsafe, unsound, or unlawful activities, evidence of loan repurchase demands made upon the licensee, receipt of complaints regarding a licensee, a change in ownership of a licensee, other governmental inquiries, failure to maintain or demonstrate net worth, notice of cancellation of surety bond or fidelity bond, and vendor complaints.

(Source: Amended at 29 Ill. Reg. 14808, effective September 26, 2005)