

IDFPR - The Illinois Department of Financial and Professional Regulation

To protect and educate the public

Mortgage Licensing Law

MUST have license - Any natural person who, for compensation or in the expectation of compensation, either directly or indirectly makes, offers to make, solicits, places, or negotiates a residential mortgage loan

- state-chartered banks
- trust companies
- mortgage bankers and brokers
- savings banks savings and loan associations
- private ATMs
- real estate brokers/salespersons
- check printers
- pawnbrokers

Exempt from licensing

- Federal, State Agencies, and employees . Federal Banks and employees. Private lenders not in lending business. Sellers held mortgages . Housing/Counseling Non-profits . Attorneys practicing law, court-appointed fiduciaries , Doc Prep services, Insurance companies, commercial lenders . Lenders making < 10 loans/yr for portfolio retention.

License Requirements and Business Practices

Application, payment of fees, passing the criminal and credit history background investigation; passing the Exam (exempt from fundamentals exam if national designation requiring at least 6 hrs/yr. CE)

- Applicant statement: has/has not been; convicted of any criminal offense; subject to any adverse judgment involving financial crimes or a criminal or civil act involving; monies; breach of trust; moral turpitude; misfeasance or malfeasance; convicted in any jurisdiction of a felony.
- **Originating Loans without a license** Brokers and bankers may be fined \$1,000 per day, Loan Originators \$500 per day
- **License is a pocket card** - must renew license up to 60 days prior to expiration, 6 Hours of CE annually
- If license expires, must reapply - new application, background checks, *and* Exam

Licensing Requirement

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| <ul style="list-style-type: none"> ▪ Mortgage brokers ▪ \$50,000 net worth, of which 20% (\$10,000) must be in cash, post a \$20,000 surety bond, ▪ Background check. ▪ Annual renewal fee: \$2,700 | <ul style="list-style-type: none"> ▪ Mortgage bankers ▪ \$150,000 net worth, of which 20% (\$30,000) must be in cash, post a \$20,000 surety bond and a \$100,000 fidelity bond. ▪ Annual renewal fee is \$2,700 |
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Loan Log

- Retain Loan Log, for 36 months from the date of closing or other termination of loan processing.
- For High Risk Home Loans, keep records for 60 months.
- Log includes application date, terms, amount of points and fees charged, and loan disposition.

Borrower Information Document

- provided to the borrower *before* borrower signs an application or pays any fees
- list all disclosures that could affect the processing of the loan, list all documents and disclosures that will be provided to the borrower and all documents borrowers can review upon request, including:
 - sample note and mortgage
 - a sample commitment letter, and
 - a description of the underwriting guidelines the lender will be using.

Loan Brokerage Agreement

- State that the licensee does not make mortgage loans, and that actual funds are provided by another entity
- Legal contract and must be provided to the borrower for review prior to signing, and must be completed and signed before the borrower signs an application or pays any fees .
- Describes the services that will be provided, all fees to be charged, and under what circumstances those fees could be higher or lower.
- loan originator's name and registration number

Loan Brokerage Disclosure

- Must state clearly that the licensee (if a broker) does not make loans, and actual funds are provided by another entity.

Rules

No False Statements

- Voids Agreement, Refund all monies, Collect Attorneys Fees
- Good-faith dealing no fraudulent or deceptive acts or practices

Advertising

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| <ul style="list-style-type: none"> ▪ Company name must be in ad – must be exactly as licensed ▪ Must State Company is Illinois Residential Mortgage Licensee | <ul style="list-style-type: none"> ▪ Must have Equal Housing Logo ▪ Advertised rate must be available ▪ Must contain APR pursuant to Reg Z ▪ Must be licensed to advertise |
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Fairness In Lending

- Prohibits equity stripping (decreasing the borrower's equity when qualification is in doubt)
- Loan Flipping (no tangible net benefit)
- Net Tangible benefits worksheet

Constituents

- Borrower, Regulator, Investors, Employer

High Risk Home Loan Act

Definitions

- Purchase/Commercial Loans – N/A
- Prepayment 3-2-1
- Rate > 6% than comparable T Bills 1st Mortgages > 8% on 2nd mortgages
- Points/Fees > 5% ALL points/fees/compensation paid directly OR INDIRECTLY

Prohibited Practices

- No single Premium Insurance Financing
- Must Verify borrower's Ability to repay
- No refinance within 12 months without tangible benefit
- No **financed** Points/Fees in excess of 6%
- No Direct payments to Contractors , No Balloon Loans, No Negative Amortization

Requirements

- High Cost Loan Disclosure 3 days Prior to Closing
- High Cost Loan Servicers must report quarterly, total number, number in default and dollar amount