



OFFICE OF THE GOVERNOR

# NEWS

ROD R. BLAGOJEVICH – GOVERNOR

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## **Governor Blagojevich signs anti-predatory lending law, announces borrower outreach initiative to help fight foreclosures**

*Statewide ban on predatory mortgage products, counseling and face-to-face lenders' meetings will help families keep their homes*

**SPRINGFIELD** – As the nation's foreclosure rate continues to rise, Governor Rod R. Blagojevich today took action to provide Illinois homeowners facing foreclosure with opportunities to meet directly with lenders, community housing counselors and local, state and federal housing officials during a series of Homeowner Outreach Days scheduled for November and December. The Governor also signed legislation that will help reduce the risks of Illinois families seeking new mortgages. **Senate Bill 1167**, sponsored by State Senator Jacqueline Y. Collins, (D-Chicago) and State Representative Karen Yarbrough (D-Broadview), toughens standards that mortgage brokers must meet before completing loans for their customers. The bill also implements the counseling and pilot program changes to House Bill 4050 that Governor Blagojevich recommended earlier this year.

“Families who worked hard to become homeowners should not have to worry about losing their home. The Homeowner Outreach Days program will help homeowners get the information and counseling they need to protect their properties,” said Gov. Blagojevich. “We also need to help reduce the likelihood that borrowers will be offered predatory mortgages. This law should reduce the long-term risk of foreclosure for families who are able to purchase or refinance their homes now.”

The statewide Homeowner Outreach Days events, starting November 15 in Chicago, will create a forum where distressed borrowers can get help with trying to work through their loans and learn more about the foreclosure issue. Homeowners will have access to one-on-one loan counseling and workshops about refinancing, foreclosure prevention, legal rights, loss mitigation and credit counseling.

Co-sponsored by the Illinois Housing Development Authority (IHDA) and the Illinois Department of Financial and Professional Regulation (IDFPR), Homeowner Outreach Days will be held across the state over the next two months, with more events tentatively scheduled for early 2008. Each event will consist of a series of four 30-minute workshops that will repeat throughout the day. The workshops will cover: the alternatives to foreclosure and how the mortgage lending system works, including the various players; the foreclosure process and court procedure; what to expect in the workout process, including how a loan is analyzed and what is a realistic outcome; and what homeowners should be careful of, including a closer look at the so-called "rescue" schemes and some of the drawbacks of refinancing. The state will also offer homeowners the opportunity to get one-on-one counseling with lenders and loan servicers, and obtain additional materials and advice from credit counselors and attorneys at their booths.

"Governor Blagojevich recognizes the value of federal and state agencies, lenders and mortgage servicers, local and national community housing groups, counselors and attorneys working together to try to help the distressed homeowners of Illinois possibly get through the foreclosure crisis. We encourage all homeowners who are struggling to meet their monthly payments to take advantage of the Homeowner Outreach Days and to educate themselves about the issue. It could help save their home," said DeShana L. Forney, IHDA Executive Director.

The state-wide provisions of SB1167 limit the types of loans mortgage brokers may offer their clients by making sure that the proposed loan best meets the financial need of the potential homeowner. Mortgage brokers must verify that a borrower will be able to pay the costs of the loans, including principle, interest, insurance and taxes. Mortgage brokers will be held to a higher standard than they have in the past and must act in borrower's interest, by fully disclosing material facts about the loans being offered. They must also disclose how much money the broker will be paid. When comparing different loans, brokers must use apples-to-apples comparisons on monthly payments.

"Foreclosures devastate families, but they also devastate entire communities. That's why it's so important that Senate Bill 1167 has been signed into law. Now homeowners will be empowered to make informed decisions as they enter into a loan agreement. The American dream of homeownership should not become a nightmare," said Senator Collins.

"I am happy the Governor has signed this important legislation that will help more Illinois families become homeowners," said Rep. Yarbrough. "Under this law, people purchasing mortgage loans can get the best possible loan while being protected from fraud."

Other provisions of the act provide borrowers with protection against pre-payment penalties, equity stripping and loan flipping (selling a loan just to get fees without any benefit to the borrower). The borrower must also receive copies of appraisals done to obtain the mortgage, and must be notified of any material changes to the loan terms or conditions prior to the closing. The law prohibits a mortgage provider from encouraging the borrower to default on another mortgage or loan. Finally, the law gives the Attorney General the power to enforce this law under the Consumer Fraud statute.

SB 1167 also makes changes to the pilot program first created by HB 4050, creating a Cook County-wide pilot area and re-focusing the counseling requirement to depend on the type of loan being considered rather than the credit history of the borrower. Based on regulations drafted by

the Department of Financial and Professional Regulation, the pilot program will cover loans that are most likely to lead to repayment difficulties.

“The department looks forward to implementing this new law that better educates and protects new homebuyers from unscrupulous lenders,” said Dean Martinez, Secretary, IDFPR.

A first-time home buyer or anybody refinancing an existing mortgage in Cook County must be recommended for counseling if their loan is interest-only, has negative amortization, or points and fees that total more than 5%, the loan includes a pre-payment penalty, or the loan is an ARM of three years or less.

Like HB 4050, all sales within the pilot area will be recorded in a confidential database to ease enforcement and allow for analysis of the types of mortgages being offered to Cook County homebuyers. The Cook County Recorder of Deeds will record whether or not counseling was required or waived and, if required that the borrower completed the necessary counseling.

The Cook County provisions of SB 1167 take effect on July 1, 2008. The statewide provisions of the law will take effect on June 1, 2008.