Illinois Mortgage Community Reinvestment Act

August 20, 2024

Susana Soriano, Acting Director
Division of Banking

State of Illinois

IDFPR
Illinois Department of
Financial and Professional Regulation

DISCLAIMER

- The information and views shared in this presentation are those of the author, and do not represent those of the Illinois Department of Financial and Professional Regulation (IDFPR).

- The information contained in this presentation should not be construed as legal advice, or as a formal interpretation of the Illinois Community Reinvestment Act or Rules.

Agenda

- ❑Purpose of CRA
- ❑State CRA's
- ❑ILCRA Overview
- ❑IL Mortgage CRA Overview
- ❑Scope of Mortgage CRA
- ❑Assessment Factors
- ❑Performance Tests, Standards, and Context
- ❑Lending Test
- ❑Service Test
- ❑Assigned Ratings

AGENDA CONTINUED

- ❑Effect of Record of Performance on Applications
- ❑Data Collection, Reporting, and Disclosure
- ❑Content and Availability of Public Information
- ❑Publication of Planned Examination Schedule
- ❑Examination Authority and Cooperation
- ❑Examination Frequency and Coordination
- ❑Examination Fees
- ❑Enforcement
- ❑Examples of Community Development and Investments
- ❑Q&A

Purpose of the 1977 Community Reinvestment Act

- One of 4 financial industry anti-discrimination laws passed in 9-year period (1968 – Fair Housing Act, 1974 – Equal Credit Opportunity Act, 1975 – Home Mortgage Disclosure Act).

- CRA encourages financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income (LMI) neighborhoods.

- "The intent of these laws was to address redlining — the process of drawing a red line around entire communities that limited their access to credit — as well as other systemic inequities in access to credit, investment, and banking services faced by LMI and minority communities."

  – Former Federal Reserve Governor Lael Brainard

State Community Reinvestment Acts

- New York (1978, 2022), Connecticut (1989, 2001)
- Massachusetts (1982, 2007)
- Illinois (2021)
- See CFPB Report: “State Community Reinvestment Acts” (November 2023)



ILCRA Overview

- Coverage of other financial institutions, including credit unions and banks.
- Part of SB 1608, the Economic Opportunity Bill enacted on March 23, 2021.

Mortgage CRA Overview

Purpose of Mortgage CRA:

Ensures mortgage credit needs of the State, including low- and moderate-income neighborhoods and individuals, are met.

Implementation Date:

Loan Volume	Implementation	Initial Examination
Under 100 Loans	November 1, 2024	November 1, 2024*
100 or More Loans		February 1, 2025

** First Notice of this rule amendment was published in the August 2, 2024 Illinois Register. The public comment period for the proposed rulemaking is open through September 16th*

Scope of Mortgage CRA

- **Community Investment:**
  - Applies to mortgage lenders ensuring mortgage credit availability in the State, particularly in low- and moderate-income neighborhoods.
  - Focuses on maintaining safe and sound lending practices while meeting community credit needs.
- **Performance Evaluation:**
  - Involves assessing the mortgage lender's record in meeting the State's mortgage credit needs.
  - Evaluates activities such as underwriting, making credit decisions, and issuing commitments for home mortgage loans.

Assessment Factors (1055.200)

- The assessment of the following nine (9) factors to determine a covered financial institution's compliance with the ILCRA.
  1. Activities to ascertain the financial services needs of the community, including communication with community members regarding the financial services provided.
  2. Extent of marketing to make members of the community aware of the financial services offered.
  3. Origination of mortgage loans including, but not limited to, home improvement and rehabilitation loans, and other efforts to assist existing low-income and moderate-income residents to be able to remain in affordable housing in their neighborhoods.

Assessment Factors (1055.200)

4. Origination of small business loans to businesses with gross annual revenues of $1,000,000 or less, particularly those in low-income and moderate-income neighborhoods.

5. Participation, including investments, in community development and redevelopment programs, small business technical assistance programs, minority-owned depository institutions, community development financial institutions, and mutually owned financial institutions.

6. Evidence of discriminatory and prohibited practices.

Assessment Factors (1055.200)

7. Efforts working with delinquent customers to facilitate a resolution of the delinquency.

8. Origination of loans that show an under concentration and a systemic pattern of lending in the loss of affordable housing units.

9. Offering mortgage lending to unbanked and underbanked persons.

Performance Tests, Standards, Ratings (1055.210)

- **Performance Tests and Standards:**

Exam includes applying assessment factors and conducting lending and service tests as outlined in Sections 1055.220 and 1055.230.

- **Performance Context:**

The assessment is contextualized using a range of data, including (1) demographic information on median income levels, housing stock, and costs, (2) lending and service opportunities data from community organizations and local governments, (3) licensee's product offerings and business strategy, (4) capacity and constraints, and (5) past performance, including comparisons with similar lenders, are reviewed.

Performance Tests, Standards, Ratings (1055.210) Continued…

- **Assigned Ratings:**

Ratings are assigned based on the overall assessment of the licensee's performance. The possible ratings are:

- "**Outstanding**" for excellent performance in meeting credit needs and community investment,
- "**Satisfactory**" for meeting required standards,
- "**Needs to Improve**" for performance below satisfactory levels, and
- "**Substantial Noncompliance**" for significant deficiencies in meeting credit needs.

Performance Tests, Standards, Ratings (1055.210) Continued…

- **Safe and Sound Operations:**

This part does not mandate loans or investments that compromise safe and sound operations. Licensees are expected to adhere to safe and sound practices while meeting the standards. They are encouraged to develop flexible underwriting standards that benefit low- and moderate-income areas, provided these standards remain safe and sound.

Lending Test (1055.220)

- Assess mortgage licensee's record in meeting State mortgage credit needs through its lending activities.
- Originations and initial purchases reported under HMDA.
- Home mortgage loans in various income geographies.
- Distribution by borrower characteristics.
- Innovative practices for low-/moderate-income individuals.
- Special purpose credit programs (federal/state, non-profit, special purpose).
- Loss mitigation efforts.
- Fair Lending.
- Loss of affordable housing units.
- Third-party lending.

Service Test (1055.230)

- Evaluates covered mortgage licensee's effectiveness in meeting the State's mortgage credit needs.
- Licensees with <200 home mortgage loans in the last calendar year are exempt.
- Must benefit the State or broader regional area that includes the State.
- Innovativeness and responsiveness.
- Availability/effectiveness of delivery systems (internet, phone, mail) for low/moderate-income geographies.
- Range of services tailored to various income geographies.

Assigned Ratings (1055.240)

Effect of evidence of discriminatory or other illegal credit practices (section c)

- Includes citations to Illinois as well as federal anti-discrimination laws.
- Includes as an example of an ECOA or Fair Housing Act violation "relying on or giving force or effect to discriminatory appraisals to deny loan applications where the covered financial institution knew or should have known of the discrimination."

Effect of Record of Performance on Applications(1055.250)

- IDFPR evaluates performance records of mortgage licensees when submitting applications such as: license renewal, office establishment/ renewal, mergers, and acquisitions.
- IDFPR considers views from interested parties on licensee performance.
- Performance records can result in denial, deferral, or conditional approval of applications.
- Financial safety, soundness, and other policy considerations may also influence application decisions.

Data Collection, Reporting and Disclosure (1055.400)

- **Mandatory Data Collection and Reporting:**
  - Covered mortgage licensees shall be required to:
    - collect and report for examination purposes the data fields required under HMDA.
    - test its data collection and reporting as part of its routine internal controls to ensure compliance with all data reporting requirements as well as its own policies and procedures.
- **Optional Data Collection and Reporting:**
  - Covered mortgage licensees may, at their discretion, provide additional information about their lending performance, including additional loan distribution data.

Content and Availability of Public Information (1055.410)

- **Information to be made available:**
  - Public Comments.
  - Public section of performance evaluation.
  - HMDA Disclosure Statements.
- **Provision of Copies:**
  - Upon request, covered mortgage licensees must provide copies of the required information within five business days. These copies can be provided on paper or in another acceptable format, with a reasonable fee allowed for copying and mailing costs.

Publication of Planned Examination Schedule (1055.420)

IDFPR will publish a list of covered mortgage licensees scheduled for ILCRA examinations at least 30 days before the start of each calendar quarter.

Examination Authority and Cooperation (1055.440)

- **Authority:**
  - IDFPR can examine the full range of books, records, documents, and operations of covered mortgage licensees, including those of their directors, employees, and agents.
- **Cooperation Requirements:**
  - Covered mortgage licensees must promptly and fully provide books, records, and documents in any reasonable format requested by the Department.
  - Licensees must ensure that all officers, directors, employees, and agents are available for depositions or interviews with reasonable notice.

Examination Frequency and Coordination (1055.450)

- IDFPR to conduct examinations in coordination with authorities from other states who regulate home mortgage loans.
- **Examination Schedule:**
  - Licensees with 100+ Home Mortgage Loans:

Rating	Frequency	Examination Due
Outstanding	Every 3 years	Next examination within 3 years of prior report
Satisfactory	Every 3 years	Next examination within 3 years of prior report
Needs to Improve	Every 2 years	Next examination within 2 years of prior report
Substantial Noncompliance	Every 1 years	Next examination within 1 years of prior report

Examination Frequency and Coordination (1055.450) Continued...

- Licensees with Fewer Than 100 Home Mortgage Loans:

Rating	Frequency	Examination Due
Outstanding	Every 5 years	Next examination within 5 years of prior report
Satisfactory	Every 4 years	Next examination within 4 years of prior report
Needs to Improve	Every 2 years	Next examination within 2 years of prior report
Substantial Noncompliance	Every 1 years	Next examination within 1 years of prior report

Examination Frequency and Coordination (1055.450) Continued…

- **Reporting Requirements:**
  - Report the number of home mortgage loans made during the last calendar year on the Mortgage Call Report.

Examination Fees (1055.460)

- **Examination Fees (FY 2025 & 2026)*:**
  - $2,200 per day for up to 20 days per examination. Fees are billed after the examination, with payment required within 30 days of the billing date.

- **Out-of-State Travel Expenses:**
  - Responsibility: Covered mortgage licensee must reimburse the Department for all travel costs.
  - Covered Costs: Airfare, hotel, and per diem.
  - Compliance: Must adhere to travel regulations set by the Department of Central Management Services and the Governor's Travel Control Board (80 Ill. Adm. Code 2800).

** First Notice of this rule amendment was published in the August 2, 2024 Illinois Register. The public comment period for the proposed rulemaking is open through September 16th*

Enforcement (1055.480)

- Non-compliance with ILCRA or referenced laws can lead to enforcement actions under ILCRA and the Residential Mortgage License Act of 1987 (205 ILCS 635) and may be referred to law enforcement or an administrative authority.
- The Secretary may also use agreed orders, stipulations, or settlement agreements to address and resolve compliance issues.

Qualified Community Development Loans & Investments

- **Purpose:** Support community development, such as affordable housing or essential community facilities.
- **Examples:**
  - Loans to nonprofits serving LMI needs.
  - Financing for the construction or rehabilitation of community facilities in LMI geographies.
  - Loans to financial intermediaries (CDFIs, NMTC CDEs) that promote community development.
  - Financing for renewable energy or environmental cleanup in LMI areas.

Community Development Services & Technical Assistance:

- **Purpose:** Enhance access to financial services and support community development organizations in Low-to-Moderate Income (LMI) communities through expertise and resources.
- **Examples:**

  Financial Services:

  - Providing services through branches located in LMI areas.
  - Implementing foreclosure prevention programs for LMI homeowners.

Community Development Services & Technical Assistance Continued…

- **Examples Continued:**

  Technical Assistance:

  - Serving on boards or loan committees.
  - Developing financial service marketing and loan application standards.
  - Offering training in financial services, accounting, or fundraising.
  - Assisting in legal, IT, and HR services.

Appendix A - ILCRA Notice

- **Appendix A:** Appendix A: See Section 1055.Appendix B CRA Notice

Thank You

- If you have general questions or suggestions about ILCRA, you can contact IDFPR at

  FPR.CRA.MortgageLicensees@Illinois.gov

Sample Illinois CRA Notice

Section 345.APPENDIX B ILCRA Notice

a) Notice for main offices of covered mortgage licensees.

Community Reinvestment Act Notice

Under the Illinois Community Reinvestment Act (ILCRA), the Secretary of the Department of Financial and Professional Regulation (Secretary) evaluates our record of helping to meet the lending needs of this community consistent with safe and sound operations. The Secretary also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the ILCRA, including, for example, information about our additional full-service office(s), such as their location and services provided at them; the public section of our most recent ILCRA Performance Evaluation, prepared by the Secretary; and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the Secretary publishes a nationwide list of the covered mortgage licensees that are scheduled for ILCRA examination in that quarter. This list is available from the Secretary at 320 West Washington Street, 3rd Floor, Springfield, IL 62786 and at 555 West Monroe Street, Suite 500, Chicago, IL 60661. You may send written comments about our performance in helping to meet community lending needs to (name and address of official at covered mortgage licensee) and the Secretary. You may also submit comments electronically through the Department's Web site at https://idfpr.illinois.gov/admin/cra.html. Your letter, together with any response by us, will be considered by the Secretary in evaluating our ILCRA performance and may be made public.

You may ask to look at any comments received by the Secretary. You may also request from the Secretary an announcement of our applications covered by the ILCRA filed with the Secretary.

Sample Illinois CRA Notice

Section 345.APPENDIX B ILCRA Notice

a) Notice for additional full-service offices.

Community Reinvestment Act Notice

Under the Illinois Community Reinvestment Act (ILCRA), the Secretary evaluates our record of helping to meet the lending needs of this community consistent with safe and sound operations. The Secretary also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the ILCRA. You may review today the public section of our most recent ILCRA evaluation, prepared by the Secretary, and a list of services provided at this additional full-service office. You may also have access to the following additional information, which we will make available to you at this additional full-service office within five calendar days after you make a request to us:

1) a map showing the assessment area containing this additional full-service office, which is the area in which the Secretary evaluates our ILCRA performance in this community;

2) information about our additional full-service offices in this assessment area;

3) a list of services we provide at those locations;

4) data on our lending performance in this assessment area; and

5) copies of all written comments received by us that specifically relate to our ILCRA performance in this assessment area, and any responses we have made to those comments. If we are operating under an approved strategic plan, you may also have access to a copy of the plan.

Sample Illinois CRA Notice

Section 345.APPENDIX B ILCRA Notice

a) Notice for additional full-service offices continued.

Community Reinvestment Act Notice

At least 30 days before the beginning of each quarter, the Secretary publishes a nationwide list of the covered mortgage licensees that are scheduled for ILCRA examination in that quarter. This list is available from the Secretary. You may send written comments about our performance in helping to meet community credit needs to (name and address of official at covered mortgage licensee) and the Secretary. You may also submit comments electronically through the Department's Web site at https://idfpr.illinois.gov/admin/cra.html. Your letter, together with any response by us, will be considered by the Secretary in evaluating our ILCRA performance and may be made public.

You may ask to look at any comments received by the Secretary. You may also request from the Secretary an announcement of our applications covered by the ILCRA filed with the Secretary.