

AN ACT concerning financial regulation.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Residential Mortgage License Act of 1987 is amended by changing Sections 1-3, 1-4, 1-5, 2-2, 2-6, 3-2, 3-4, 4-1, 4-2, 4-5, and 6-2 and by adding Section 4-8.3 as follows:

(205 ILCS 635/1-3) (from Ch. 17, par. 2321-3)

Sec. 1-3. Necessity for License; Scope of Act.

(a) No person, partnership, association, corporation or other entity shall engage in the business of brokering, funding, originating, servicing or purchasing of residential mortgage loans without first obtaining a license from the Commissioner in accordance with the licensing procedure provided in this Article I and such regulations as may be promulgated by the Commissioner. The licensing provisions of this Section shall not apply to any entity engaged solely in commercial mortgage lending or to any person, partnership, association, corporation or other entity exempted pursuant to Section 1-4, subsection (d), of this Act or in accordance with regulations promulgated by the Commissioner hereunder.

(b) No person, partnership, association, corporation, or other entity except a licensee under this Act or an entity exempt from licensing pursuant to Section 1-4, subsection (d), of this Act shall do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies activity within the scope of this Act.

(c) The Commissioner may, through the Attorney General, request the circuit court of either Cook or Sangamon County to issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this Section.

(d) When the Commissioner has reasonable cause to believe that any entity which has not submitted an application for licensure is conducting any of the activities described in subsection (a) hereof, the Commissioner shall have the power to examine all books and records of the entity and any additional documentation necessary in order to determine whether such entity should become licensed under this Act.

(d-1) The Commissioner may issue orders against any person if the Commissioner has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the Commissioner, or for the purposes of administering the provisions of this Act and any rule adopted in accordance with this Act.

(e) Any person, partnership, association, corporation or other entity who violates any provision of this Section commits a business offense and shall be fined an amount not to exceed \$25,000 ~~\$5,000~~.

(f) Each person, partnership, association, corporation or other entity conducting activities regulated by this Act shall be issued one license. Each office, place of business or location at which a residential mortgage licensee conducts any part of his or her business must be recorded with the Commissioner pursuant to Section 2-8 of this Act.

(g) Licensees under this Act shall solicit, broker, fund, originate, service and purchase residential mortgage loans only in conformity with the provisions of this Act and such rules and regulations as may be promulgated by the Commissioner.

(h) This Act applies to all entities doing business in Illinois as residential mortgage bankers, as defined by "An Act to provide for the regulation of mortgage bankers", approved September 15, 1977, as amended, regardless of whether licensed under that or any prior Act. Any existing residential mortgage lender or residential mortgage broker in Illinois whether or

not previously licensed, must operate in accordance with this Act.

(i) This Act is a successor Act to and a continuance of the regulation of residential mortgage bankers provided in, "An Act to provide for the regulation of mortgage bankers", approved September 15, 1977, as amended.

Entities and persons subject to the predecessor Act shall be subject to this Act from and after its effective date.

(Source: P.A. 86-137; 87-642.)

(205 ILCS 635/1-4) (from Ch. 17, par. 2321-4)

Sec. 1-4. Definitions.

(a) "Residential real property" or "residential real estate" shall mean real property located in this State improved by a one-to-four family dwelling used or occupied, wholly or partly, as the home or residence of one or more persons and may refer, subject to regulations of the Commissioner, to unimproved real property upon which those kinds dwellings are to be constructed.

(b) "Making a residential mortgage loan" or "funding a residential mortgage loan" shall mean for compensation or gain, either directly or indirectly, advancing funds or making a commitment to advance funds to a loan applicant for a residential mortgage loan.

(c) "Soliciting, processing, placing, or negotiating a residential mortgage loan" shall mean for compensation or gain, either directly or indirectly, accepting or offering to accept an application for a residential mortgage loan, assisting or offering to assist in the processing of an application for a residential mortgage loan on behalf of a borrower, or negotiating or offering to negotiate the terms or conditions of a residential mortgage loan with a lender on behalf of a borrower including, but not limited to, the submission of credit packages for the approval of lenders, the preparation of residential mortgage loan closing documents, including a closing in the name of a broker.

(d) "Exempt person or entity" shall mean the following:

(1) (i) Any banking organization or foreign banking corporation licensed by the Illinois Commissioner of Banks and Real Estate or the United States Comptroller of the Currency to transact business in this State; (ii) any national bank, federally chartered savings and loan association, federal savings bank, federal credit union; (iii) any pension trust, bank trust, or bank trust company; (iv) any bank, savings and loan association, savings bank, or credit union organized under the laws of this or any other state; (v) any Illinois Consumer Installment Loan Act licensee; (vi) any insurance company authorized to transact business in this State; (vii) any entity engaged solely in commercial mortgage lending; (viii) any service corporation of a savings and loan association or savings bank organized under the laws of this State or the service corporation of a federally chartered savings and loan association or savings bank having its principal place of business in this State, other than a service corporation licensed or entitled to reciprocity under the Real Estate License Act of 2000; or (ix) any first tier subsidiary of a bank, the charter of which is issued under the Illinois Banking Act by the Illinois Commissioner of Banks and Real Estate, or the first tier subsidiary of a bank chartered by the United States Comptroller of the Currency and that has its principal place of business in this State, provided that the first tier subsidiary is regularly examined by the Illinois Commissioner of Banks and Real Estate or the Comptroller of the Currency, or a consumer compliance examination is regularly conducted by the Federal Reserve Board.

(1.5) Any employee of a person or entity mentioned in item (1) of this subsection.

(2) Any person or entity that does not originate mortgage loans in the ordinary course of business making or acquiring residential mortgage loans with his or her or its

own funds for his or her or its own investment without intent to make, acquire, or resell more than 10 residential mortgage loans in any one calendar year.

(3) Any person employed by a licensee to assist in the performance of the activities regulated by this Act who is compensated in any manner by only one licensee.

(4) Any person licensed pursuant to the Real Estate License Act of 2000, who engages only in the taking of applications and credit and appraisal information to forward to a licensee or an exempt entity under this Act and who is compensated by either a licensee or an exempt entity under this Act, but is not compensated by either the buyer (applicant) or the seller.

(5) Any individual, corporation, partnership, or other entity that originates, services, or brokers residential mortgage loans, as these activities are defined in this Act, and who or which receives no compensation for those activities, subject to the Commissioner's regulations with regard to the nature and amount of compensation.

(6) A person who prepares supporting documentation for a residential mortgage loan application taken by a licensee and performs ministerial functions pursuant to specific instructions of the licensee who neither requires nor permits the preparer to exercise his or her discretion or judgment; provided that this activity is engaged in pursuant to a binding, written agreement between the licensee and the preparer that:

(A) holds the licensee fully accountable for the preparer's action; and

(B) otherwise meets the requirements of this Section and this Act, does not undermine the purposes of this Act, and is approved by the Commissioner.

(e) "Licensee" or "residential mortgage licensee" shall mean a person, partnership, association, corporation, or any other entity who or which is licensed pursuant to this Act to engage in the activities regulated by this Act.

(f) "Mortgage loan" "residential mortgage loan" or "home mortgage loan" shall mean a loan to or for the benefit of any natural person made primarily for personal, family, or household use, primarily secured by either a mortgage on residential real property or certificates of stock or other evidence of ownership interests in and proprietary leases from, corporations, partnerships, or limited liability companies formed for the purpose of cooperative ownership of residential real property, all located in Illinois.

(g) "Lender" shall mean any person, partnership, association, corporation, or any other entity who either lends or invests money in residential mortgage loans.

(h) "Ultimate equitable owner" shall mean a person who, directly or indirectly, owns or controls an ownership interest in a corporation, foreign corporation, alien business organization, trust, or any other form of business organization regardless of whether the person owns or controls the ownership interest through one or more persons or one or more proxies, powers of attorney, nominees, corporations, associations, partnerships, trusts, joint stock companies, or other entities or devices, or any combination thereof.

(i) "Residential mortgage financing transaction" shall mean the negotiation, acquisition, sale, or arrangement for or the offer to negotiate, acquire, sell, or arrange for, a residential mortgage loan or residential mortgage loan commitment.

(j) "Personal residence address" shall mean a street address and shall not include a post office box number.

(k) "Residential mortgage loan commitment" shall mean a contract for residential mortgage loan financing.

(l) "Party to a residential mortgage financing transaction" shall mean a borrower, lender, or loan broker in a residential mortgage financing transaction.

(m) "Payments" shall mean payment of all or any of the following: principal, interest and escrow reserves for taxes, insurance and other related reserves, and reimbursement for

lender advances.

(n) "Commissioner" shall mean the Commissioner of Banks and Real Estate or a person authorized by the Commissioner, the Office of Banks and Real Estate Act, or this Act to act in the Commissioner's stead.

(o) "Loan brokering", "brokering", or "brokerage service" shall mean the act of helping to obtain from another entity, for a borrower, a loan secured by residential real estate situated in Illinois or assisting a borrower in obtaining a loan secured by residential real estate situated in Illinois in return for consideration to be paid by either the borrower or the lender including, but not limited to, contracting for the delivery of residential mortgage loans to a third party lender and soliciting, processing, placing, or negotiating residential mortgage loans.

(p) "Loan broker" or "broker" shall mean a person, partnership, association, corporation, or limited liability company, other than those persons, partnerships, associations, corporations, or limited liability companies exempted from licensing pursuant to Section 1-4, subsection (d), of this Act, who performs the activities described in subsections (c) and (o) of this Section.

(q) "Servicing" shall mean the collection or remittance for or the right or obligation to collect or remit for any lender, noteowner, noteholder, or for a licensee's own account, of payments, interests, principal, and trust items such as hazard insurance and taxes on a residential mortgage loan in accordance with the terms of the residential mortgage loan; and includes loan payment follow-up, delinquency loan follow-up, loan analysis and any notifications to the borrower that are necessary to enable the borrower to keep the loan current and in good standing.

(r) "Full service office" shall mean office and staff in Illinois reasonably adequate to handle efficiently communications, questions, and other matters relating to any application for, or an existing home mortgage secured by

residential real estate situated in Illinois with respect to which the licensee is brokering, funding originating, purchasing, or servicing. The management and operation of each full service office must include observance of good business practices such as adequate, organized, and accurate books and records; ample phone lines, hours of business, staff training and supervision, and provision for a mechanism to resolve consumer inquiries, complaints, and problems. The Commissioner shall issue regulations with regard to these requirements and shall include an evaluation of compliance with this Section in his or her periodic examination of each licensee.

(s) "Purchasing" shall mean the purchase of conventional or government-insured mortgage loans secured by residential real estate situated in Illinois from either the lender or from the secondary market.

(t) "Borrower" shall mean the person or persons who seek the services of a loan broker, originator, or lender.

(u) "Originating" shall mean the issuing of commitments for and funding of residential mortgage loans.

(v) "Loan brokerage agreement" shall mean a written agreement in which a broker or loan broker agrees to do either of the following:

(1) obtain a residential mortgage loan for the borrower or assist the borrower in obtaining a residential mortgage loan; or

(2) consider making a residential mortgage loan to the borrower.

(w) "Advertisement" shall mean the attempt by publication, dissemination, or circulation to induce, directly or indirectly, any person to enter into a residential mortgage loan agreement or residential mortgage loan brokerage agreement relative to a mortgage secured by residential real estate situated in Illinois.

(x) "Residential Mortgage Board" shall mean the Residential Mortgage Board created in Section 1-5 of this Act.

(y) "Government-insured mortgage loan" shall mean any

mortgage loan made on the security of residential real estate insured by the Department of Housing and Urban Development or Farmers Home Loan Administration, or guaranteed by the Veterans Administration.

(z) "Annual audit" shall mean a certified audit of the licensee's books and records and systems of internal control performed by a certified public accountant in accordance with generally accepted accounting principles and generally accepted auditing standards.

(aa) "Financial institution" shall mean a savings and loan association, savings bank, credit union, or a bank organized under the laws of Illinois or a savings and loan association, savings bank, credit union or a bank organized under the laws of the United States and headquartered in Illinois.

(bb) "Escrow agent" shall mean a third party, individual or entity charged with the fiduciary obligation for holding escrow funds on a residential mortgage loan pending final payout of those funds in accordance with the terms of the residential mortgage loan.

(cc) "Net worth" shall have the meaning ascribed thereto in Section 3-5 of this Act.

(dd) "Affiliate" shall mean:

(1) any entity that directly controls or is controlled by the licensee and any other company that is directly affecting activities regulated by this Act that is controlled by the company that controls the licensee;

(2) any entity:

(A) that is controlled, directly or indirectly, by a trust or otherwise, by or for the benefit of shareholders who beneficially or otherwise control, directly or indirectly, by trust or otherwise, the licensee or any company that controls the licensee; or

(B) a majority of the directors or trustees of which constitute a majority of the persons holding any such office with the licensee or any company that controls the licensee;

(3) any company, including a real estate investment trust, that is sponsored and advised on a contractual basis by the licensee or any subsidiary or affiliate of the licensee.

The Commissioner may define by rule and regulation any terms used in this Act for the efficient and clear administration of this Act.

(ee) "First tier subsidiary" shall be defined by regulation incorporating the comparable definitions used by the Office of the Comptroller of the Currency and the Illinois Commissioner of Banks and Real Estate.

(ff) "Gross delinquency rate" means the quotient determined by dividing (1) the sum of (i) the number of government-insured residential mortgage loans funded or purchased by a licensee in the preceding calendar year that are delinquent and (ii) the number of conventional residential mortgage loans funded or purchased by the licensee in the preceding calendar year that are delinquent by (2) the sum of (i) the number of government-insured residential mortgage loans funded or purchased by the licensee in the preceding calendar year and (ii) the number of conventional residential mortgage loans funded or purchased by the licensee in the preceding calendar year.

(gg) "Delinquency rate factor" means the factor set by rule of the Commissioner that is multiplied by the average gross delinquency rate of licensees, determined annually for the immediately preceding calendar year, for the purpose of determining which licensees shall be examined by the Commissioner pursuant to subsection (b) of Section 4-8 of this Act.

(hh) "Loan originator" means 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.

(ii) "Confidential supervisory information" means any report of examination, visitation, or investigation prepared

by the Commissioner under this Act, any report of examination visitation, or investigation prepared by the state regulatory authority of another state that examines a licensee, any document or record prepared or obtained in connection with or relating to any examination, visitation, or investigation, and any record prepared or obtained by the Commissioner to the extent that the record summarizes or contains information derived from any report, document, or record described in this subsection. "Confidential supervisory information" does not include any information or record routinely prepared by a licensee and maintained in the ordinary course of business or any information or record that is required to be made publicly available pursuant to State or federal law or rule.

(Source: P.A. 93-561, eff. 1-1-04.)

(205 ILCS 635/1-5) (from Ch. 17, par. 2321-5)

Sec. 1-5. Residential Mortgage Board.

(a) Board composition, compensation. There is created the Residential Mortgage Board composed of 5 members appointed by the Commissioner of Banks and Real Estate. The majority of persons on the Board shall have no financial interest in any residential mortgage business and one member shall be a representative of the Mortgage Banking Trade Association and one member shall be a representative of the Mortgage Broker Trade Association. Members of the Board serving on the effective date of this amendatory Act of 1996 shall continue to serve their unexpired terms as members of the Residential Mortgage Board. Thereafter, on or before January 15 of each year, the Commissioner shall appoint one or more board members, as shall be necessary to maintain a 5 member Board, whose terms shall be for 3 years commencing February 1 of the year in which they are respectively appointed.

If a vacancy occurs on the Residential Mortgage Board, the Commissioner shall within 60 days appoint a new member who shall hold office for the remainder of the vacated term.

The Board shall meet at the call of the chairman, who along

with a Secretary, shall be selected by the Board from among its members.

~~Members of the Board shall be entitled to receive a per diem allowance of \$25 for each day or part of a day spent on Board work and shall be entitled to their expenses actually and necessarily incurred in the performance of their duties.~~ The members of the Board serve at the pleasure of the Commissioner.

(b) Duties of Board. The Residential Mortgage Board shall assist the Commissioner by:

(1) submitting recommendations to the Commissioner for the efficient administration of this Act; and

(2) performing other duties as are prescribed by the Commissioner.

(c) Conflict of interest declarations. Each member of the Residential Mortgage Board shall file annually, no later than February 1, with the Commissioner a statement of his or her current business transactions or other affiliations with any licensee under this Act. The Commissioner may adopt rules to avoid conflicts of interest on the part of members of the Residential Mortgage Board in connection with their position on the Board.

(Source: P.A. 89-355, eff. 8-17-95; 89-508, eff. 7-3-96.)

(205 ILCS 635/2-2) (from Ch. 17, par. 2322-2)

Sec. 2-2. Application process; investigation; fee.

(a) The Commissioner shall issue a license upon completion of all of the following:

(1) The filing of an application for license.

(2) The filing with the Commissioner of a listing of judgments entered against, and bankruptcy petitions by, the license applicant for the preceding 10 years.

(3) The payment, in certified funds, of investigation and application fees, the total of which shall be in an amount equal to \$2,700 annually, however, the Commissioner may increase the investigation and application fees by rule as provided in Section 4-11.

(4) Except for a broker applying to renew a license, the filing of an audited balance sheet including all footnotes prepared by a certified public accountant in accordance with generally accepted accounting principles and generally accepted auditing principles which evidences that the applicant meets the net worth requirements of Section 3-5.

(5) The filing of proof satisfactory to the Commissioner that the applicant, the members thereof if the applicant is a partnership or association, the members or managers thereof that retain any authority or responsibility under the operating agreement if the applicant is a limited liability company, or the officers thereof if the applicant is a corporation have 3 years experience preceding application in real estate finance. Instead of this requirement, the applicant and the applicant's officers or members, as applicable, may satisfactorily complete a program of education in real estate finance and fair lending, as approved by the Commissioner, prior to receiving the initial license. The Commissioner shall promulgate rules regarding proof of experience requirements and educational requirements and the satisfactory completion of those requirements. The Commissioner may establish by rule a list of duly licensed professionals and others who may be exempt from this requirement.

(6) An investigation of the averments required by Section 2-4, which investigation must allow the Commissioner to issue positive findings stating that the financial responsibility, experience, character, and general fitness of the license applicant and of the members thereof if the license applicant is a partnership or association, of the officers and directors thereof if the license applicant is a corporation, and of the managers and members that retain any authority or responsibility under the operating agreement if the license applicant is a

limited liability company are such as to command the confidence of the community and to warrant belief that the business will be operated honestly, fairly and efficiently within the purpose of this Act. If the Commissioner shall not so find, he or she shall not issue such license, and he or she shall notify the license applicant of the denial.

The Commissioner may impose conditions on a license if the Commissioner determines that the conditions are necessary or appropriate. These conditions shall be imposed in writing and shall continue in effect for the period prescribed by the Commissioner.

(b) All licenses shall be issued in duplicate with one copy being transmitted to the license applicant and the second being retained with the Commissioner.

Upon receipt of such license, a residential mortgage licensee shall be authorized to engage in the business regulated by this Act. Such license shall remain in full force and effect until it expires without renewal, is surrendered by the licensee or revoked or suspended as hereinafter provided.

(Source: P.A. 93-32, eff. 7-1-03.)

(205 ILCS 635/2-6) (from Ch. 17, par. 2322-6)

Sec. 2-6. License issuance and renewal; fee.

(a) Beginning July 1, 2003, licenses shall be renewed every year on the anniversary of the date of issuance of the original license. Properly completed renewal application forms and filing fees must be received by the Commissioner 60 days prior to the renewal date.

(b) It shall be the responsibility of each licensee to accomplish renewal of its license; failure of the licensee to receive renewal forms absent a request sent by certified mail for such forms will not waive said responsibility. Failure by a licensee to submit a properly completed renewal application form and fees in a timely fashion, absent a written extension from the Commissioner, will result in the assessment of additional fees, as follows:

(1) A fee of \$750 will be assessed to the licensee 30 days after the proper renewal date and \$1,500 each month thereafter, until the license is either renewed or expires pursuant to Section 2-6, subsections (c) and (d), of this Act.

(2) Such fee will be assessed without prior notice to the licensee, but will be assessed only in cases wherein the Commissioner has in his or her possession documentation of the licensee's continuing activity for which the unexpired license was issued.

(c) A license which is not renewed by the date required in this Section shall automatically become inactive. No activity regulated by this Act shall be conducted by the licensee when a license becomes inactive. The Commissioner may require the licensee to provide a plan for the disposition of any residential mortgage loans not closed or funded when the license becomes inactive. The Commissioner may allow a licensee with an inactive license to conduct activities regulated by this Act for the sole purpose of assisting borrowers in the closing or funding of loans for which the loan application was taken from a borrower while the license was active. An inactive license may be reactivated by ~~filing a completed reactivation application with~~ the Commissioner upon ~~7~~ payment of the renewal fee, and payment of a reactivation fee equal to the renewal fee.

(d) A license which is not renewed within one year of becoming inactive shall expire.

(e) A licensee ceasing an activity or activities regulated by this Act and desiring to no longer be licensed shall so inform the Commissioner in writing and, at the same time, convey the license and all other symbols or indicia of licensure. The licensee shall include a plan for the withdrawal from regulated business, including a timetable for the disposition of the business. Upon receipt of such written notice, the Commissioner shall issue a certified statement canceling the license.

(Source: P.A. 93-32, eff. 7-1-03; 93-561, eff. 1-1-04; revised 9-23-03.)

(205 ILCS 635/3-2) (from Ch. 17, par. 2323-2)

Sec. 3-2. Annual audit.

(a) At the licensee's fiscal year-end, but in no case more than 12 months after the last audit conducted pursuant to this Section, except as otherwise provided in this Section, it shall be mandatory for each residential mortgage licensee to cause its books and accounts to be audited by a certified public accountant not connected with such licensee. The books and records of all licensees under this Act shall be maintained on an accrual basis. The audit must be sufficiently comprehensive in scope to permit the expression of an opinion on the financial statements, which must be prepared in accordance with generally accepted accounting principles, and must be performed in accordance with generally accepted auditing standards. Notwithstanding the requirements of this subsection, a licensee that is a first tier subsidiary may submit audited consolidated financial statements of its parent as long as the consolidated statements are supported by consolidating statements. The licensee's chief financial officer shall attest to the licensee's financial statements disclosed in the consolidating statements.

(b) As used herein, the term "expression of opinion" includes either (1) an unqualified opinion, (2) a qualified opinion, (3) a disclaimer of opinion, or (4) an adverse opinion.

(c) If a qualified or adverse opinion is expressed or if an opinion is disclaimed, the reasons therefore must be fully explained. An opinion, qualified as to a scope limitation, shall not be acceptable.

(d) The most recent audit report shall be filed with the Commissioner within 90 days after the end of the licensee's fiscal year. The report filed with the Commissioner shall be certified by the certified public accountant conducting the

audit. The Commissioner may promulgate rules regarding late audit reports.

(e) If any licensee required to make an audit shall fail to cause an audit to be made, the Commissioner shall cause the same to be made by a certified public accountant at the licensee's expense. The Commissioner shall select such certified public accountant by advertising for bids or by such other fair and impartial means as he or she establishes by regulation.

(f) In lieu of the audit or compilation financial statement required by this Section, a licensee shall submit and the Commissioner may accept any audit made in conformance with the audit requirements of the U.S. Department of Housing and Urban Development.

(g) With respect to licensees who solely broker residential mortgage loans as defined in subsection (o) of Section 1-4, instead of the audit required by this Section, the Commissioner may accept compilation financial statements prepared at least every 12 months, and the compilation financial statement must be prepared by an independent certified public accountant licensed under the Illinois Public Accounting Act or by an equivalent state licensing law with full disclosure in accordance with generally accepted accounting principals and must be submitted within 90 days after the end of the licensee's fiscal year. If a licensee under this Section fails to file a compilation as required, the Commissioner shall cause an audit of the licensee's books and accounts to be made by a certified public accountant at the licensee's expense. The Commissioner shall select the certified public accountant by advertising for bids or by such other fair and impartial means as he or she establishes by rule. A licensee who files false or misleading compilation financial statements is guilty of a business offense and shall be fined not less than \$5,000.

(h) The workpapers of the certified public accountants employed by each licensee for purposes of this Section are to be made available to the Commissioner or the Commissioner's

designee upon request and may be reproduced by the Commissioner or the Commissioner's designee to enable to the Commissioner to carry out the purposes of this Act.

(i) Notwithstanding any other provision of this Section, if a licensee relying on subsection (g) of this Section causes its books to be audited at any other time or causes its financial statements to be reviewed, a complete copy of the audited or reviewed financial statements shall be delivered to the Commissioner at the time of the annual license renewal payment following receipt by the licensee of the audited or reviewed financial statements. All workpapers shall be made available to the Commissioner upon request. The financial statements and workpapers may be reproduced by the Commissioner or the Commissioner's designee to carry out the purposes of this Act.

(Source: P.A. 93-561, eff. 1-1-04.)

(205 ILCS 635/3-4) (from Ch. 17, par. 2323-4)

Sec. 3-4. Office and staff within the State.

(a) A licensee whose principal place of business is located in the State of Illinois shall maintain at least one full service office with staff reasonably adequate to handle efficiently communications, questions, and all other matters relating to any application for a home mortgage or an existing home mortgage with respect to which such licensee is performing services, regardless of kind, for any borrower or lender, note owner or holder, or for himself or herself while engaged in the residential mortgage business. The location and operation of a full service office shall be in compliance with any applicable zoning laws or ordinances and home office or business regulations.

(b) In lieu of maintaining a full service office in the State of Illinois, a licensee whose principal place of business is located outside the State of Illinois must submit a certified audit as required in Section 3-2 of this Act evidencing a minimum net worth of \$100,000, which must be maintained at all times, and shall submit and maintain a

fidelity bond in the amount of \$100,000.

(Source: P.A. 89-355, eff. 8-17-95; 90-301, eff. 8-1-97; 90-772, eff. 1-1-99.)

(205 ILCS 635/4-1) (from Ch. 17, par. 2324-1)

Sec. 4-1. Commissioner of Banks and Real Estate; functions, powers, and duties. The functions, powers, and duties of the Commissioner of Banks and Real Estate shall include the following:

(a) To issue or refuse to issue any license as provided by this Act;

(b) To revoke or suspend for cause any license issued under this Act;

(c) To keep records of all licenses issued under this Act;

(d) To receive, consider, investigate, and act upon complaints made by any person in connection with any residential mortgage licensee in this State;

(e) To consider and act upon any recommendations from the Residential Mortgage Board;

(f) To prescribe the forms of and receive:

(1) applications for licenses; and

(2) all reports and all books and records required to be made by any licensee under this Act, including annual audited financial statements and annual reports of mortgage activity;

(g) To adopt rules and regulations necessary and proper for the administration of this Act;

(h) To subpoena documents and witnesses and compel their attendance and production, to administer oaths, and to require the production of any books, papers, or other materials relevant to any inquiry authorized by this Act;

(h-1) To issue orders against any person, if the Commissioner has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the

Commissioner, or for the purpose of administering the provisions of this Act and any rule adopted in accordance with the Act;

(h-2) To address any inquiries to any licensee, or the officers thereof, in relation to its activities and conditions, or any other matter connected with its affairs, and it shall be the duty of any licensee or person so addressed, to promptly reply in writing to such inquiries. The Commissioner may also require reports from any licensee at any time the Commissioner may deem desirable;

(i) To require information with regard to any license applicant as he or she may deem desirable, with due regard to the paramount interests of the public as to the experience, background, honesty, truthfulness, integrity, and competency of the license applicant as to financial transactions involving primary or subordinate mortgage financing, and where the license applicant is an entity other than an individual, as to the honesty, truthfulness, integrity, and competency of any officer or director of the corporation, association, or other entity, or the members of a partnership;

(j) To examine the books and records of every licensee under this Act at intervals as specified in Section 4-2;

(k) To enforce provisions of this Act;

(l) To levy fees, fines, and charges for services performed in administering this Act; the aggregate of all fees collected by the Commissioner on and after the effective date of this Act shall be paid promptly after receipt of the same, accompanied by a detailed statement thereof, into the Savings and Residential Finance Regulatory Fund; the amounts deposited into that Fund shall be used for the ordinary and contingent expenses of the Office of Banks and Real Estate. Nothing in this Act shall prevent continuing the practice of paying expenses involving salaries, retirement, social security, and State-paid insurance of State officers by appropriation from the General Revenue Fund.

(m) To appoint examiners, supervisors, experts, and

special assistants as needed to effectively and efficiently administer this Act; ~~and~~

(n) To conduct hearings for the purpose of:

(1) appeals of orders of the Commissioner;

(2) suspensions or revocations of licenses, or fining of licensees;

(3) investigating:

(i) complaints against licensees; or

(ii) annual gross delinquency rates; and

(4) carrying out the purposes of this Act; ~~and~~

(o) To exercise exclusive visitorial power over a licensee unless otherwise authorized by this Act or as vested in the courts, or upon prior consultation with the Commissioner, a foreign residential mortgage regulator with an appropriate supervisory interest in the parent or affiliate of a licensee;

(p) To enter into cooperative agreements with state regulatory authorities of other states to provide for examination of corporate offices or branches of those states and to accept reports of such examinations;

(q) To assign an examiner or examiners to monitor the affairs of a licensee with whatever frequency the Commissioner determines appropriate and to charge the licensee for reasonable and necessary expenses of the Commissioner, if in the opinion of the Commissioner an emergency exists or appears likely to occur; and

(r) To impose civil penalties of up to \$50 per day against a licensee for failing to respond to a regulatory request or reporting requirement.

(Source: P.A. 89-355, eff. 8-17-95; 89-508, eff. 7-3-96.)

(205 ILCS 635/4-2) (from Ch. 17, par. 2324-2)

Sec. 4-2. Examination; prohibited activities.

(a) The business affairs of a licensee under this Act shall be examined for compliance with this Act as often as the Commissioner deems necessary and proper. The Commissioner shall promulgate rules with respect to the frequency and manner

of examination. The Commissioner shall appoint a suitable person to perform such examination. The Commissioner and his appointees may examine the entire books, records, documents, and operations of each licensee and may examine any of the licensee's officers, directors, employees and agents under oath.

(b) The Commissioner shall prepare a sufficiently detailed report of each licensee's examination, shall issue a copy of such report to each licensee's principals, officers, or directors and shall take appropriate steps to ensure correction of violations of this Act.

(c) Affiliates of a licensee shall be subject to examination by the Commissioner on the same terms as the licensee, but only when reports from, or examination of a licensee provides for documented evidence of unlawful activity between a licensee and affiliate benefiting, affecting or deriving from the activities regulated by this Act.

(d) The expenses of any examination of the licensee and affiliates shall be borne by the licensee and assessed by the Commissioner as established by regulation.

(e) Upon completion of the examination, the Commissioner shall issue a report to the licensee. All confidential supervisory information, including the ~~The~~ examination report, and the work papers of the report, shall belong to the Commissioner's office and may not be disclosed to anyone other than the licensee, law enforcement officials or other regulatory agencies that have an appropriate regulatory interest as determined by the Commissioner ~~shall be defined in rules promulgated by the Commissioner~~, or to a party presenting a lawful subpoena to the Office of the Commissioner. The Commissioner may immediately appeal to the court of jurisdiction the disclosure of such confidential supervisory information and seek a stay of the subpoena pending the outcome of the appeal. Reports required of licensees by the Commissioner under this Act and results of examinations performed by the Commissioner under this Act shall be the

property of only ~~the licensee and~~ the Commissioner, but may be shared with the licensee. Access under this Act to the books and records of each licensee shall be limited to the Commissioner and his agents as provided in this Act and to the licensee and its authorized agents and designees. No other person shall have access to the books and records of a licensee under this Act. Any person upon whom a demand for production of confidential supervisory information is made, whether by subpoena, order, or other judicial or administrative process, must withhold production of the confidential supervisory information and must notify the Commissioner of the demand, at which time the Commissioner is authorized to intervene for the purpose of enforcing the limitations of this Section or seeking the withdrawal or termination of the attempt to compel production of the confidential supervisory information. The Commissioner may impose any conditions and limitations on the disclosure of confidential supervisory information that are necessary to protect the confidentiality of such information. Except as authorized by the Commissioner, no person obtaining access to confidential supervisory information may make a copy of the confidential supervisory information. The Commissioner may condition a decision to disclose confidential supervisory information on entry of a protective order by the court or administrative tribunal presiding in the particular case or on a written agreement of confidentiality. In a case in which a protective order or agreement has already been entered between parties other than the Commissioner, the Commissioner may nevertheless condition approval for release of confidential supervisory information upon the inclusion of additional or amended provisions in the protective order. The Commissioner may authorize a party who obtained the records for use in one case to provide them to another party in another case, subject to any conditions that the Commissioner may impose on either or both parties. The requestor shall promptly notify other parties to a case of the release of confidential supervisory information obtained and, upon entry of a protective order,

shall provide copies of confidential supervisory information to the other parties.

(f) The Commissioner, deputy commissioners, and employees of the Office of Banks and Real Estate shall be subject to the restrictions provided in Section 2.5 of the Office of Banks and Real Estate Act including, without limitation, the restrictions on (i) owning shares of stock or holding any other equity interest in an entity regulated under this Act or in any corporation or company that owns or controls an entity regulated under this Act; (ii) being an officer, director, employee, or agent of an entity regulated under this Act; and (iii) obtaining a loan or accepting a gratuity from an entity regulated under this Act.

(g) After the initial examination for those licensees whose only mortgage activity is servicing fewer than 1,000 Illinois residential loans, the examination required in subsection (a) may be waived upon submission of a letter from the licensee's independent certified auditor that the licensee serviced fewer than 1,000 Illinois residential loans during the year in which the audit was performed.

(Source: P.A. 90-301, eff. 8-1-97; 91-586, eff. 8-14-99.)

(205 ILCS 635/4-5) (from Ch. 17, par. 2324-5)

Sec. 4-5. Suspension, revocation of licenses; fines.

(a) Upon written notice to a licensee, the Commissioner may suspend or revoke any license issued pursuant to this Act if he or she shall make a finding of one or more of the following in the notice that:

(1) Through separate acts or an act or a course of conduct, the licensee has violated any provisions of this Act, any rule or regulation promulgated by the Commissioner or of any other law, rule or regulation of this State or the United States.

(2) Any fact or condition exists which, if it had existed at the time of the original application for such license would have warranted the Commissioner in refusing

originally to issue such license.

(3) If a licensee is other than an individual, any ultimate equitable owner, officer, director, or member of the licensed partnership, association, corporation, or other entity has so acted or failed to act as would be cause for suspending or revoking a license to that party as an individual.

(b) No license shall be suspended or revoked, except as provided in this Section, nor shall any licensee be fined without notice of his or her right to a hearing as provided in Section 4-12 of this Act.

(c) The Commissioner, on good cause shown that an emergency exists, may suspend any license for a period not exceeding 180 days, pending investigation. Upon a showing that a licensee has failed to meet the experience or educational requirements of Section 2-2 or the requirements of subsection (g) of Section 3-2, the Commissioner shall suspend, prior to hearing as provided in Section 4-12, the license until those requirements have been met.

(d) The provisions of subsection (e) of Section 2-6 of this Act shall not affect a licensee's civil or criminal liability for acts committed prior to surrender of a license.

(e) No revocation, suspension or surrender of any license shall impair or affect the obligation of any pre-existing lawful contract between the licensee and any person.

(f) Every license issued under this Act shall remain in force and effect until the same shall have expired without renewal, have been surrendered, revoked or suspended in accordance with the provisions of this Act, but the Commissioner shall have authority to reinstate a suspended license or to issue a new license to a licensee whose license shall have been revoked if no fact or condition then exists which would have warranted the Commissioner in refusing originally to issue such license under this Act.

(g) Whenever the Commissioner shall revoke or suspend a license issued pursuant to this Act or fine a licensee under

this Act, he or she shall forthwith execute in duplicate a written order to that effect. The Commissioner shall publish notice of such order in the Illinois Register and post notice of the order on an agency Internet site maintained by the Commissioner ~~a newspaper of general circulation in the county in which the license is located~~ and shall forthwith serve a copy of such order upon the licensee. Any such order may be reviewed in the manner provided by Section 4-12 of this Act.

(h) When the Commissioner finds any person in violation of the grounds set forth in subsection (i), he or she may enter an order imposing one or more of the following penalties:

- (1) Revocation of license;
- (2) Suspension of a license subject to reinstatement upon satisfying all reasonable conditions the Commissioner may specify;
- (3) Placement of the licensee or applicant on probation for a period of time and subject to all reasonable conditions as the Commissioner may specify;
- (4) Issuance of a reprimand;
- (5) Imposition of a fine not to exceed \$25,000 for each count of separate offense; and
- (6) Denial of a license.

(i) The following acts shall constitute grounds for which the disciplinary actions specified in subsection (h) above may be taken:

- (1) Being convicted or found guilty, regardless of pendency of an appeal, of a crime in any jurisdiction which involves fraud, dishonest dealing, or any other act of moral turpitude;
- (2) Fraud, misrepresentation, deceit or negligence in any mortgage financing transaction;
- (3) A material or intentional misstatement of fact on an initial or renewal application;
- (4) Failure to follow the Commissioner's regulations with respect to placement of funds in escrow accounts;
- (5) Insolvency or filing under any provision of the

Bankruptcy Code as a debtor;

(6) Failure to account or deliver to any person any property such as any money, fund, deposit, check, draft, mortgage, or other document or thing of value, which has come into his or her hands and which is not his or her property or which he or she is not in law or equity entitled to retain, under the circumstances and at the time which has been agreed upon or is required by law or, in the absence of a fixed time, upon demand of the person entitled to such accounting and delivery;

(7) Failure to disburse funds in accordance with agreements;

(8) Any misuse, misapplication, or misappropriation of trust funds or escrow funds;

(9) Having a license, or the equivalent, to practice any profession or occupation revoked, suspended, or otherwise acted against, including the denial of licensure by a licensing authority of this State or another state, territory or country for fraud, dishonest dealing or any other act of moral turpitude;

(10) Failure to issue a satisfaction of mortgage when the residential mortgage has been executed and proceeds were not disbursed to the benefit of the mortgagor and when the mortgagor has fully paid licensee's costs and commission;

(11) Failure to comply with any order of the Commissioner or rule made or issued under the provisions of this Act;

(12) Engaging in activities regulated by this Act without a current, active license unless specifically exempted by this Act;

(13) Failure to pay in a timely manner any fee, charge or fine under this Act;

(14) Failure to maintain, preserve, and keep available for examination, all books, accounts or other documents required by the provisions of this Act and the rules of the

Commissioner;

(15) Refusal to permit an investigation or examination of the licensee's or its affiliates' books and records or refusal to comply with the Commissioner's subpoena or subpoena duces tecum;

(16) A pattern of substantially underestimating the maximum closing costs;

(17) Failure to comply with or violation of any provision of this Act.

(j) A licensee shall be subject to the disciplinary actions specified in this Act for violations of subsection (i) by any officer, director, shareholder, joint venture, partner, ultimate equitable owner, or employee of the licensee.

(k) Such licensee shall be subject to suspension or revocation for employee actions only if there is a pattern of repeated violations by employees or the licensee has knowledge of the violations.

(l) Procedure for surrender of license:

(1) The Commissioner may, after 10 days notice by certified mail to the licensee at the address set forth on the license, stating the contemplated action and in general the grounds therefor and the date, time and place of a hearing thereon, and after providing the licensee with a reasonable opportunity to be heard prior to such action, fine such licensee an amount not exceeding \$25,000 ~~\$10,000~~ per violation, or revoke or suspend any license issued hereunder if he or she finds that:

(i) The licensee has failed to comply with any provision of this Act or any order, decision, finding, rule, regulation or direction of the Commissioner lawfully made pursuant to the authority of this Act; or

(ii) Any fact or condition exists which, if it had existed at the time of the original application for the license, clearly would have warranted the Commissioner in refusing to issue the license.

(2) Any licensee may surrender a license by delivering

to the Commissioner written notice that he or she thereby surrenders such license, but surrender shall not affect the licensee's civil or criminal liability for acts committed prior to surrender or entitle the licensee to a return of any part of the license fee.

(Source: P.A. 93-561, eff. 1-1-04.)

(205 ILCS 635/4-8.3 new)

Sec. 4-8.3. Annual report of mortgage and servicing activity. On or before March 1 of each year, each licensee, except residential mortgage brokers, shall file a report with the Commissioner that shall disclose such information as the Commissioner requires. Exempt entities as defined in subsection (d) of Section 1-4 shall not file the annual report of mortgage and servicing activity required by this Section.

(205 ILCS 635/6-2) (from Ch. 17, par. 2326-2)

Sec. 6-2. Removal and prohibition.

(a) Upon making any one or more of the following findings, the Commissioner may issue a notice of intent to issue an order of removal or prohibition, or an order of removal and prohibition, which order may remove a named person, persons, or entity or entities from participating in the affairs of one or more licensees and may be permanent or for a specific shorter period of time. The findings required under this Section may be any one or more of the following:

(1) A finding that the party or entity subject to the order has been convicted of a crime involving material financial loss to a licensee, a federally insured depository institution, a government sponsored enterprise, a Federal Home Loan Bank, a Federal Reserve Bank, or any other person.

(2) A finding that the person or entity subject to the order has submitted or caused to be submitted any document that contains multiple willful and material misstatements of facts, and that includes the signature of the person or

entity specified in the Commissioner's order, or that is notarized, certified, verified or is in any other way attested to, as to its veracity. An application for licensure or license renewal may be considered such a document.

(3) Conviction of a business offense under subsection (e) of Section 1-3 or subsection (g) of Section 3-2.

(4) A finding prepared by a hearing officer pursuant to a hearing held under Section 4-1(n) of this Act that the person subject to the order, while an employee of a licensee, has knowingly submitted or caused to be submitted any document that contains willful and material misstatement of facts and which is used in connection with any licensable activity as defined in Section 1-3(a) of this Act.

(b) Whenever, in the opinion of the Commissioner, any director, officer, or employee of a licensee shall have violated any law, rule, or order relating to that licensee or shall have obstructed or impeded any examination or investigation by the Commissioner, shall have engaged in an unsafe, unsound, or unlawful practice in conducting the business of the licensee, or shall have violated any law or engaged or participated in any unsafe, unsound or unlawful practice in connection with any licensee or other business entity such that the character and fitness of the director, officer, or employee does not assure reasonable promise of safe, sound, and lawful operation of the licensee, the Commissioner may issue an order of removal. If, in the opinion of the Commissioner, any former director, officer, or employee of a licensee, prior to the termination of his or her service with that licensee, violated any law, rule, or order relating to that licensee, obstructed or impeded any examination or investigation by the Commissioner, engaged in an unsafe or unsound practice in conducting the business of that licensee or any subsidiary or holding company of the licensee, or violated any law or engaged or participated in any unsafe, unsound, or

unlawful practice in connection with any financial institution or other business entity such that the character and fitness of the director, officer, or employee would not have assured reasonable promise of safe, sound, and lawful operation of the licensee, the Commissioner may issue an order prohibiting that person from further service with a licensee as a director, officer, or employee. An order issued pursuant to this subsection shall be served upon the director, officer, or employee. A copy of the order shall be sent to each owner or director of the licensee affected by registered mail. The person affected by the action may make a request to the Commissioner for a hearing pursuant to Section 4-1(n) within 10 days after receipt of the order. The hearing shall be held before a hearing officer within 30 days after the request has been received by the Commissioner. The hearing officer shall prepare a finding and report the same to the Commissioner who shall consider the finding in making his determination approving, modifying, or disapproving his order as a final administrative decision. If a hearing is held before a hearing officer, the Commissioner shall make his determination within 60 days from the conclusion of the hearing. Any person affected by a decision of the Commissioner under this subsection (b) may have the decision reviewed only under and in accordance with the Administrative Review Law and the rules adopted pursuant thereto. A copy of the order shall also be served upon the licensee of which he is a director, officer, or employee, whereupon he shall cease to be a director, officer, or employee of that licensee. The Commissioner may institute a civil action against the director, officer, or employee of the licensee to enforce compliance with or to enjoin any violation of the terms of the order. Any person who has been the subject of an order of removal or an order of prohibition issued by the Commissioner under this subsection may not thereafter serve as director, officer, or employee of any licensee, or of any other entity that is subject to licensure or regulation by the Commissioner unless the Commissioner has granted prior

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approval in writing.

(Source: P.A. 89-355, eff. 8-17-95; 90-772, eff. 1-1-99.)