



OFFICE OF THE GOVERNOR

ROD R. BLAGOJEVICH – GOVERNOR

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Gov. Blagojevich signs new consumer protection laws for Illinois homeowners

Mortgage rescue protection measure gives homeowners new rights, helps them to retain a significant portion of the value of their home

Governor also signs two bills that provide homeowners additional protections against property fraud

SPRINGFIELD – Governor Rod R. Blagojevich today signed legislation to protect vulnerable homeowners from fraudulent actions by unscrupulous mortgage ‘rescue’ firms. **Senate Bill 2349**, an initiative of Illinois Attorney General Lisa Madigan sponsored by Sen. Jacqueline Y. Collins (D-Chicago) and Rep. Marlow H. Colvin (D-Chicago), gives homeowners new rights when dealing with companies that offer financial assistance to help them save their homes from foreclosure. It also guarantees that homeowners will receive a substantial portion of their equity in the home from the companies.

“It’s bad enough when homeowners are at risk of foreclosure. But it’s a nightmare when the very same companies they hired to help them save their home end up cheating them out of their most valuable asset,” said Gov. Blagojevich. “This law offers homeowners an opportunity to protect their families and their financial assets.”

The new law will provide consumer protections against property fraud for homeowners who are in default or foreclosure. The bill creates new disclosure requirements for mortgage rescue companies and guarantees that the homeowner will receive a substantial portion of the equity in the home.

“Mortgage rescue fraud has become a new favorite of predatory lending con artists,” Attorney General Lisa Madigan said. “I commend the Governor for signing this critical legislation so people trying to save their homes have a fighting chance. Without the protections afforded by the Mortgage Rescue Fraud Prevention Act, homeowners are vulnerable to the greediest of predators who take their money and strip the equity in their homes. We must act to stop the spread of this scam that is eating away at our neighborhoods.”

With the recent rise in foreclosures, Illinois has seen a huge growth in the mortgage rescue services offered to homeowners who are delinquent on their mortgages and at risk of foreclosure.

Currently in Illinois, there are two known types of mortgage rescue services: the first are consultants who promise the homeowner they can save the home by negotiating with lenders. These consultants can cost \$1,000 to \$2,500, and often do little or no work for the homeowner.

The second type of mortgage rescue service are property purchasers who offer to help by letting the homeowner rent the property until they can get back on their feet financially. Homeowners do not always understand that they are signing over ownership of the house to these purchasers. In some cases the rent payments end up being more costly than the mortgage payments, making it financially impossible for them to repurchase the house. Once the property purchaser has taken all of the homeowner’s equity out of the house they will resell the house and evict the homeowner. This type of fraud was documented in a recent Chicago Tribune series.

In the first quarter of 2006 there were over 13,000 foreclosures filed in Illinois, a 32% increase from the last quarter of 2005 according to another recent story in the Chicago Tribune.

The legislation:

- Limits the amount a mortgage rescuer can make if the homeowner is successful in buying back the home to 125% of the total debt on the home paid by the rescuer.
- Requires that all mortgage rescue companies provide disclosures and give homeowners the right to cancel contracts, and increases penalties for violations.
- Requires that the mortgage rescuer provide the homeowner with at least 82% of the value of their home if the homeowner is eventually unable to buy back the home from the mortgage rescuer.

“During the hearings held by my committee last summer, I heard terrible stories about families forced out of their homes by unscrupulous bailout companies. I’m proud to have sponsored this important legislation to protect Illinois families,” said Sen. Collins.

“Illinoisans work hard to own their own homes. When a predator can virtually take that home away, something is wrong. This legislation will give homeowners important consumer protections and allow them time to reconsider whether a bailout is the right answer,” said Rep. Colvin.

Senate Bill 2349 becomes effective January 1, 2007.

The Governor also signed today two bills that will provide homeowners with additional protections against property fraud.

Senate Bill 2569, sponsored by State Representative Richard T. Bradley (D-Chicago) and State Senator Miguel Del Valle (D-Chicago), requires that the Cook County Recorder of Deeds send a postcard to notify homeowners when a quitclaim deed has been filed. Quitclaim deeds are often used to transfer property without the legal property owner's knowledge. The Recorder's Office, who introduced this bill because of recent problems with mortgage fraud and fraudulent transfers of property, has reported an increase in quitclaim deed filings recently. This legislation becomes effective January 1, 2007.

House Bill 4760, sponsored by State Representative Kathleen A. Ryg (D-Vernon Hills) and State Senator Terry Link (D-Vernon Hills) requires that the signatures on any deed or other document that transfers property must be notarized. This legislation becomes effective January 1, 2007.

Throughout his administration, Gov. Blagojevich has taken numerous actions to assist homebuyers and protect consumers.

- **Reducing the number of high-risk home loans:** In August 2003, the Governor signed the High Risk Home Loan Act to protect consumers from predatory mortgage lending practices. As a result of the Act, the state has seen both a reduction in the number of high-risk home loans and a change in lenders' business practices so they are no longer offering high-risk loans as defined in the Act.
- **Protecting homebuyers in at-risk communities from predatory lenders:** In July 2005, Gov. Blagojevich signed into law HB 4050 that provides borrowers with critical information on home loans and helps state regulators and law enforcement track and crack down on dishonest lenders.
- **Regulating the payday loan industry:** In June 2005, the Governor signed into law the Payday Loan Reform Act that for the first time regulates the payday loan industry in Illinois and strengthens protections to consumers. Among its provisions, the groundbreaking legislation limits the interest that can be charged for each loan to \$15.50 per \$100, sets caps on total loan amounts, and prevents borrowers from having more than two loans at a time.
- **Giving homebuyers easy access to accurate information about their properties:** In August 2005, Gov. Blagojevich signed three bills to help homebuyers and homeowners obtain access to accurate and important information about their properties: **House Bill 1428**, which requires lenders to notify homebuyers of accurate and timely property tax payment from the buyer's escrow account; **House Bill 2462**, which requires property tax exemption information to be included on the seller's transfer declaration; and **House Bill 2594**, which requires home repair contracts to increase consumer awareness of contract clauses that waive the homeowner's right to trial by jury for repair disputes.
- **Protecting homebuyers from discrimination:** In 2005, Gov. Blagojevich announced a Fair Housing program to help protect homebuyers against discrimination in housing. The Illinois Department of Human Rights and other agencies conduct training seminars

around the state to inform homebuyers, tenants, landlords, property owners, advertisers, housing advocates, and community organizations about Illinois' anti-discrimination laws.

- **Helping first-time homebuyers:** In 2005, Gov. Blagojevich launched the I-Loan mortgage program, providing one more option for low and moderate-income residents who want to purchase their first home by offering an interest rate that is approximately a half percent below the market rate.