



## Illinois Department of Financial and Professional Regulation

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### Office of Legal Affairs

PAT QUINN  
Governor

Manuel Flores  
Acting Secretary  
Richard DiDomenico  
General Counsel

September 12, 2014

Kristina Gamez  
Executive Director  
East Bluff Neighborhood Housing Services, Inc.  
1839 N. Wisconsin Ave.  
Peoria, IL 61603

Re: Health and Safety Loan Program

Dear Ms. Gamez:

On July 9, 2014 the Illinois Department of Financial and Professional Regulation, Division of Banking (the "Department") received a request from East Bluff Neighborhood Housing Services Inc. ("EBNHS") related to its proposed Health and Safety Loan Program ("Loan Program"). Specifically, EBNHS requests that the Department offer a written interpretation opining upon whether the EBNHS Loan Program is subject to regulation pursuant to the Residential Mortgage Licensing Act of 1987 (the "Act") [205 ILCS 635]. Upon inspection of the loan documents included in your correspondence; related discussions by and between Department legal staff, David M. A. Gill, Director of Facilities Planning & Construction Management, and yourself, it is the opinion of the Department that the program as submitted is not subject to regulation pursuant to the Act.<sup>1</sup>

As a brief summary of events, EBNHS submitted multiple drafts of its Loan Program and engaged in dialogue with Department legal staff beginning in or about the fourth quarter of calendar year 2012. As of June 6, 2014, you represent that the Loan Program is a zero-interest rate home repair funding program that is administered through the use of a Loan Officer Committee. The Loan Officer Committee is comprised of unpaid personnel who perform their duties voluntarily. The Loan Officer Committee is responsible for underwriting and processing all loans free of EBNHS charge to the borrower.

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<sup>1</sup> Section 4-10 of the Act provides that a person or entity may make a written application to the Department for a written interpretation of the Act. The Department is not required to respond to or otherwise offer an interpretation of the Act when requested. However, in instances where the Department does offer an interpretation of the Act, the interpretation must be signed by the Secretary and his General Counsel, and expires 2 years after the date of its issuance.

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Although the Loan Committee does not receive compensation for its service, early Department reviews required clarification as to whether certain elements of the Loan Program would result in "compensation or gain" to EBNHS. In July 2013 the Department raised concerns with EBNHS related to open-ended references in early program documents, which permitted EBNHS to charge for loan initiation costs and receive funds for placing late charges on borrowers' accounts. The program documents, if left unchanged, would result in a finding of "compensation or gain" and would require Department regulation of the Loan Program. EBNHS responded to the concerns raised by the Department and submitted a new draft of the Loan Program along with a request from the City of Peoria (which provides a Special Service District Tax for the Loan Program) for a written interpretation confirming the Loan Program is not subject to regulation under the Act. In the new draft, the references to late charges and other costs of concern have been removed.

However, certain administrative costs not accruing to EBNHS will be passed on to borrowers. These costs emanate from third-party entities responsible for, amongst other things, title search, recording fees, credit report processing, and appraisal costs. Provided that EBNHS does not mark-up any of these third-party charges and/or receive any compensation or fee for its own account tied to these third-party services, a finding of "compensation or gain" is no longer a going concern. Therefore, it is the opinion of the Department that EBNHS in operating its Loan Program is exempt from licensure under the Act.

Accordingly, this interpretation will expire two years from the date provided below pursuant to Section 4-10 of the Act.

SIGNED THIS 12<sup>th</sup> DAY OF SEPTEMBER, 2014.

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION;  
MANUEL FLORES, ACTING SECRETARY

Manuel Flores by Susan J. Hall  
Manuel Flores  
Acting Secretary  
*Acting Chief of Staff*  
Richard DiDomenico  
Richard DiDomenico  
General Counsel

9-12-2014  
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