



Rep. Maurice A. West, II

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10300HB1519ham001

LRB103 24976 RJT 59433 a

1 AMENDMENT TO HOUSE BILL 1519

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 1519 by replacing  
3 everything after the enacting clause with the following:

4 "Section 5. The Student Loan Servicing Rights Act is  
5 amended by changing Sections 1-5 and 25-5 and by adding  
6 Article 7 as follows:

7 (110 ILCS 992/1-5)

8 Sec. 1-5. Definitions. As used in this Act:

9 "Applicant" means a person applying for a license pursuant  
10 to this Act.

11 "Borrower" or "student loan borrower" means a person who  
12 has received or agreed to pay a student loan for his or her own  
13 educational expenses.

14 "Cosigner" means a person who has agreed to share  
15 responsibility for repaying a student loan with a borrower.

16 "Department" means the Department of Financial and

1 Professional Regulation.

2 "Division of Banking" means the Division of Banking of the  
3 Department of Financial and Professional Regulation.

4 "Federal loan borrower eligible for referral to a  
5 repayment specialist" means a borrower who possesses any of  
6 the following characteristics:

7 (1) requests information related to options to reduce  
8 or suspend his or her monthly payment;

9 (2) indicates that he or she is experiencing or  
10 anticipates experiencing financial hardship, distress, or  
11 difficulty making his or her payments;

12 (3) has missed 2 consecutive monthly payments;

13 (4) is at least 75 days delinquent;

14 (5) is enrolled in a discretionary forbearance for  
15 more than 9 of the previous 12 months;

16 (6) has rehabilitated or consolidated one or more  
17 loans out of default within the past 12 months; or

18 (7) has not completed a course of study, as reflected  
19 in the servicer's records, or the borrower identifies  
20 himself or herself as not having completed a program of  
21 study.

22 "Federal education loan" means any loan made, guaranteed,  
23 or insured under Title IV of the federal Higher Education Act  
24 of 1965.

25 "Income-driven payment plan certification" means the  
26 documentation related to a federal student loan borrower's

1 income or financial status the borrower must submit to renew  
2 an income-driven repayment plan.

3 "Income-driven repayment options" includes the  
4 Income-Contingent Repayment Plan, the Income-Based Repayment  
5 Plan, the Income-Sensitive Repayment Plan, the Pay As You Earn  
6 Plan, the Revised Pay As You Earn Plan, and any other federal  
7 student loan repayment plan that is calculated based on a  
8 borrower's income.

9 "Licensee" means a person licensed pursuant to this Act.

10 "Other repayment plans" means the Standard Repayment Plan,  
11 the Graduated Repayment Plan, the Extended Repayment Plan, or  
12 any other federal student loan repayment plan not based on a  
13 borrower's income.

14 "Private loan borrower eligible for referral to a  
15 repayment specialist" means a borrower who possesses any of  
16 the following characteristics:

17 (1) requests information related to options to reduce  
18 or suspend his or her monthly payments; or

19 (2) indicates that he or she is experiencing or  
20 anticipates experiencing financial hardship, distress, or  
21 difficulty making his or her payments.

22 "Requester" means any borrower or cosigner that submits a  
23 request for assistance.

24 "Request for assistance" means all inquiries, complaints,  
25 account disputes, and requests for documentation a servicer  
26 receives from borrowers or cosigners.

1           "Secretary" means the Secretary of Financial and  
2 Professional Regulation, or his or her designee, including the  
3 Director of the Division of Banking of the Department of  
4 Financial and Professional Regulation.

5           "Servicing" means: (1) receiving any scheduled periodic  
6 payments from a student loan borrower or cosigner pursuant to  
7 the terms of a student loan; (2) applying the payments of  
8 principal and interest and such other payments with respect to  
9 the amounts received from a student loan borrower or cosigner,  
10 as may be required pursuant to the terms of a student loan; and  
11 (3) performing other administrative services with respect to a  
12 student loan.

13           "Student loan" or "loan" means any federal education loan  
14 or other loan primarily for use to finance a postsecondary  
15 education and costs of attendance at a postsecondary  
16 institution, including, but not limited to, tuition, fees,  
17 books and supplies, room and board, transportation, and  
18 miscellaneous personal expenses. "Student loan" includes a  
19 loan made to refinance a student loan.

20           "Student loan" shall not include an extension of credit  
21 under an open-end consumer credit plan, a reverse mortgage  
22 transaction, a residential mortgage transaction, or any other  
23 loan that is secured by real property or a dwelling.

24           "Student loan" shall not include an extension of credit  
25 made by a postsecondary educational institution to a borrower  
26 if one of the following apply:

1           (1) The term of the extension of credit is no longer  
2 than the borrower's education program.

3           (2) The remaining, unpaid principal balance of the  
4 extension of credit is less than \$1,500 at the time of the  
5 borrower's graduation or completion of the program.

6           (3) The borrower fails to graduate or successfully  
7 complete his or her education program and has a balance  
8 due at the time of his or her disenrollment from the  
9 postsecondary institution.

10          "Student loan servicer" or "servicer" means any person  
11 engaged in the business of servicing student loans. "Student  
12 loan servicer" or "servicer" includes persons or entities  
13 acting on behalf of the State Treasurer. "Student loan  
14 servicer" includes an income share agreement provider as set  
15 forth under Article 7 of this Act.

16          "Student loan servicer" shall not include:

17           (1) a bank, savings bank, savings association, or  
18 credit union organized under the laws of the State or any  
19 other state or under the laws of the United States;

20           (2) a wholly owned subsidiary of any bank, savings  
21 bank, savings association, or credit union organized under  
22 the laws of the State or any other state or under the laws  
23 of the United States;

24           (3) an operating subsidiary where each owner of the  
25 operating subsidiary is wholly owned by the same bank,  
26 savings bank, savings association, or credit union

1 organized under the laws of the State or any other state or  
2 under the laws of the United States;

3 (4) the Illinois Student Assistance Commission and its  
4 agents when the agents are acting on the Illinois Student  
5 Assistance Commission's behalf;

6 (5) a public postsecondary educational institution or  
7 a private nonprofit postsecondary educational institution  
8 servicing a student loan it extended to the borrower;

9 (6) a licensed debt management service under the Debt  
10 Management Service Act, except to the extent that the  
11 organization acts as a subcontractor, affiliate, or  
12 service provider for an entity that is otherwise subject  
13 to licensure under this Act;

14 (7) any collection agency licensed under the  
15 Collection Agency Act that is collecting post-default  
16 debt;

17 (8) in connection with its responsibilities as a  
18 guaranty agency engaged in default aversion, a State or  
19 nonprofit private institution or organization having an  
20 agreement with the U.S. Secretary of Education under  
21 Section 428(b) of the Higher Education Act (20 U.S.C.  
22 1078(B));

23 (9) a State institution or a nonprofit private  
24 organization designated by a governmental entity to make  
25 or service student loans, provided in each case that the  
26 institution or organization services fewer than 20,000

1 student loan accounts of borrowers who reside in Illinois;

2 (10) a law firm or licensed attorney that is  
3 collecting post-default debt; or

4 (11) the State Treasurer.

5 (Source: P.A. 100-540, eff. 12-31-18; 100-635, eff. 12-31-18;  
6 101-586, eff. 8-26-19.)

7 (110 ILCS 992/Art. 7 heading new)

8 ARTICLE 7. EDUCATIONAL INCOME SHARE AGREEMENTS

9 (110 ILCS 992/7-1 new)

10 Sec. 7-1. Purpose and Construction. This Article shall be  
11 construed as a consumer protection law for all purposes. This  
12 Article shall be liberally construed to effectuate its  
13 purpose.

14 (110 ILCS 992/7-5 new)

15 Sec. 7-5. Definitions. As used in this Article:

16 "Amount financed" means the amounts advanced by the income  
17 share agreement provider to the consumer or on behalf of the  
18 consumer or, if the income share agreement provider is a  
19 merchant financing the sale of goods or services to the  
20 consumer using an income share agreement, "amount financed"  
21 means the amount credited by the income share agreement  
22 provider toward the purchase of such goods and services on  
23 behalf of the consumer.

1

2 "Annual percentage rate" or "APR" means the percentage3 rate calculated according to the Federal Reserve Board's4 methodology as set forth under Regulation Z, 12 CFR Part 1026.5 The "annual percentage rate" of an income share agreement is6 the measure of the cost of the income share agreement,7 expressed as a yearly rate, that relates to the amount and8 timing of value received by the consumer to the amount and9 timing of payments made. The "annual percentage rate" is10 determined in accordance with either the actuarial method or11 the United States rule method.12 "Cash price" means the price that the consumer would pay13 for the goods or services for which the educational income14 share agreement proceeds are advanced in an equivalent cash15 transaction between the consumer and the provider of goods or16 services. The Cash price excludes any amounts paid by the17 consumer as a down payment to the income share agreement18 provider.19 "Consumer" means a natural person who enters into an20 Educational Income Share Agreement for educational purposes.21 "Disposable earnings" means that part of the earnings of22 an individual remaining after the deduction from total23 earnings of amounts required by law to be withheld.24 "Educational Income Share Agreement" means an income share25 agreement that:26 (1) is not made, insured, or guaranteed under Title IV



1 of the Higher Education Act of 1965, 20 U.S.C. 1070 et  
2 seq., or another federally subsidized educational finance  
3 program; and

4 (2) is extended to a consumer expressly, in whole or  
5 in part, for postsecondary educational expenses, tuition,  
6 or other obligations of, or pays amounts to, or on behalf  
7 of, such individual for costs associated with a  
8 postsecondary training program or any other program  
9 designed to increase the individual's human capital,  
10 employability, or earning potential, and is not limited to  
11 programs eligible to participate as programs under Title  
12 IV of the Higher Education Act of 1965, 20 U.S.C. 1070 et  
13 seq., as well as any personal expenses, such as books,  
14 supplies, transportation, and living costs, incurred by  
15 the individual while enrolled in such a program and any  
16 other costs or expenses included in the definition of a  
17 "qualified higher education expense" as specified in 26  
18 U.S.C. 529(e)(3)(A), including refinancing of loans or  
19 income share agreements used for the purposes described in  
20 this paragraph, and regardless of whether the income share  
21 agreement is provided by the educational institution that  
22 the consumer attends.

23 "Federal poverty guidelines" means the poverty guidelines  
24 published by the federal Department of Health and Human  
25 Services under the authority of 42 U.S.C. 9902(2) in the  
26 Federal Register.

1       "Garnishment" means any legal or equitable procedure  
2 through which earnings of an individual are required to be  
3 withheld for payment of obligations to an income share  
4 agreement provider as set forth in the Code of Civil  
5 Procedure.

6       "Income share agreement" or "ISA" means an agreement  
7 between a consumer and an ISA provider under which:

8           (1) the ISA provider credits or advances a sum of  
9 money to the consumer or to a third party on the consumer's  
10 behalf or, if the ISA provider is a seller of goods or  
11 services to the consumer, the ISA provider credits or  
12 advances toward the purchase of such goods or services;

13           (2) the consumer is obligated to make periodic  
14 payments, if any become due, to the ISA provider  
15 calculated, based upon, or determined by the consumer's  
16 income;

17           (3) the consumer only incurs an obligation in each  
18 payment period if the individual's income in that period  
19 is above an income threshold specified in the ISA  
20 agreement;

21           (4) there is an ISA duration after which the  
22 obligation is complete regardless of how much has been  
23 paid, as long as the consumer has paid any prior amounts  
24 due; and

25           (5) each of these elements is available at the time of  
26 contracting of the income share agreement. For purposes of

1       this definition, an income share agreement shall be  
2       treated as "credit", within the meaning of that term under  
3       15 U.S.C. 1602(f), and as a "private education loan",  
4       within the meaning of that term under 15 U.S.C.  
5       1650(a)(8), to the extent the proceeds of the ISA are used  
6       for postsecondary educational expenses in a manner  
7       consistent with the definition of that term.

8       "Income threshold" means a fixed dollar amount that is the  
9       minimum income per payment period that an ISA recipient is  
10       required to earn before the ISA recipient is required to make a  
11       payment on an income share agreement for such payment period.

12       "Index" means the Consumer Price Index for Urban Wage  
13       Earners and Clerical Workers: U.S. City Average, All Items,  
14       1967=100, compiled by the Bureau of Labor Statistics, United  
15       States Department of Labor.

16       "ISA duration" means the maximum time during which a  
17       consumer could remain obligated on the income share agreement,  
18       other than periods when an income share agreement provider is  
19       attempting to collect past-due amounts and absent periods of  
20       payment relief pauses, forbearance, military service  
21       suspension, or other suspension of obligations at the request  
22       of the consumer, regardless of whether the consumer's income  
23       is greater than the minimum income.

24       "ISA maximum number of payments" means the maximum number  
25       of ISA payments during ISA payment periods in which the  
26       consumer's income is equal to or greater than the income

1 threshold that a consumer could be required to make pursuant  
2 to the terms of the income share agreement. "ISA maximum  
3 number of payments" does not include periods of payment relief  
4 pause.

5 "ISA payment" means a calculated monthly payment in excess  
6 of \$0.00 that counts toward the maximum income-based payments  
7 under the ISA. An "ISA payment" is required only for income  
8 earned during an ISA payment period in which the consumer's  
9 income was equal to or greater than the income threshold.

10 "ISA payment calculation method" means the mechanism,  
11 formula, percentage, dollar figure, or other means of  
12 calculating a student's payment obligation, based on the  
13 student's income, under the terms of the income share  
14 agreement.

15 "ISA payment cap" means the maximum amount of money a  
16 consumer must pay to satisfy the terms of an income share  
17 agreement, which may be expressed as a dollar value, a  
18 multiple of the amount funded to the student or on the  
19 student's behalf, or as a maximum effective annual percentage  
20 rate.

21 "ISA payment cap" does not include charges related to  
22 default or other charges and fees that are due under the income  
23 share agreement.

24 "Income share agreement provider" means:

25 (1) a person that provides money, payments, or credits  
26 to or on behalf of a consumer pursuant to the terms of an

1 income share agreement; or

2 (2) any other person engaged in the business of  
3 soliciting, making, funding, or extending income share  
4 agreements. This subsection does not apply to an entity  
5 that either: (A) has no direct interactions with the  
6 consumer and is not responsible for making credit  
7 decisions regarding the consumer, or (B) is the provider  
8 of the educational services to the consumer, even if these  
9 entities may qualify under subsection (1), or (C) whose  
10 role is solely limited to the marketing or advertising of  
11 the income share agreement to the consumer on behalf of a  
12 licensed income share agreement provider.

13 An income share agreement provider who is a student loan  
14 servicer as defined in the Student Loan Servicing Rights Act  
15 shall also comply with the provisions of this Article 7.

16 "Payment relief pause" means a period of time that is  
17 requested by the consumer during which the consumer is not  
18 required to make payments despite the consumer's income  
19 exceeding the income threshold.

20 "Sales price" means, for an educational income share  
21 agreement, the sum of the cash price and any other amounts  
22 financed by the educational income share agreement.

23 (110 ILCS 992/7-10 new)

24 Sec. 7-10. Monthly payment affordability.

25 (a) Maximum ISA income obligation. Each income share

1 agreement shall specify the ISA payment calculation method  
2 applicable to the income share agreement and shall comply with  
3 the following:

4 (1) An income share agreement provider shall not enter  
5 into an ISA with a consumer if the consumer would be  
6 committing more than a total of 20% of the consumer's  
7 future income toward the payment of the ISA.

8 (2) An income share agreement provider shall not enter  
9 into an educational ISA with a consumer if the consumer  
10 would be committing to pay more than 20% of his or her  
11 income at any time during the ISA duration, based on  
12 information available to the income share agreement  
13 provider at the time of the projection, inclusive of any  
14 payment obligations that the income share agreement  
15 provider knows will arise in the future for other  
16 educational ISAs and education loans upon which the  
17 consumer is obligated at the time of the projection. The  
18 ISA provider must confirm a consumer's educational ISA and  
19 education loan liabilities through a verifiable  
20 third-party source. At a minimum, the income share  
21 agreement provider must confirm such liabilities using  
22 information maintained by a nationwide consumer reporting  
23 agency, as defined by 15 U.S.C. 1681a(f), and doing so is  
24 sufficient for meeting the requirement in this paragraph;  
25 however, nothing in this paragraph shall prohibit an  
26 income share agreement provider from using other sources

1 to provide additional verification. For the purposes of  
2 calculating the portion of a student's future income that  
3 would be consumed by the educational ISA for which the  
4 student has applied and other educational ISAs and  
5 education loans known at the time, the ISA provider shall  
6 calculate the aggregate future burden of all such  
7 obligations, including the educational ISA for which the  
8 student is applying, at hypothetical future income levels  
9 ranging from the income threshold of the ISA for which the  
10 student has applied up to \$70,000, with such number  
11 adjusting for inflation each year, in increments of  
12 \$10,000. The terms of the educational ISA for which the  
13 student has applied cannot cause the student's aggregate  
14 future burden to exceed the limit in subsection (b) at any  
15 of the income increments stated in this paragraph. For the  
16 purpose of calculating the percentage burden of an  
17 educational ISA at a given future income level, the ISA  
18 provider shall use the ISA payment amount that would be  
19 applicable for the ISA at such income level. For the  
20 purpose of calculating the percentage burden of an  
21 educational loan at a given future income level, the ISA  
22 provider shall divide the annual payment obligation by  
23 income level using the most affordable payment plan or  
24 option which would yield the lowest monthly payments that  
25 would be available to the student at such income level  
26 under such loan. For students enrolled in a Title IV

1       program, as part of this analysis the ISA provider shall  
2       assume a federal loan balance equal to the larger of (1)  
3       the student's existing federal loan balance, and (2) the  
4       aggregate maximum amount the student is eligible to borrow  
5       under Federal Direct Stafford Loans for his or her status,  
6       dependent or independent.

7       (b) Protections during periods of low earnings. The income  
8       share agreement must state that when a consumer has income  
9       that is equal to or below the income threshold set forth in the  
10       income share agreement that the consumer's payment obligation  
11       is zero dollars. The income threshold at the time of  
12       origination must be high enough such that the consumer's gross  
13       income minus any income share agreement obligation must leave  
14       the consumer with gross income equal to at least 200% of the  
15       federal poverty guidelines for a single person.

16       (c) Required payment relief pauses. An income share  
17       agreement must offer at least 3 months of voluntary payment  
18       relief pauses, so long as a consumer's current income at the  
19       time of requesting the payment relief pause is equal to or less  
20       than 400% of the federal poverty guidelines for a single  
21       individual, for every 30 income-determined payments required  
22       under the income share agreement.

23       (110 ILCS 992/7-15 new)

24       Sec. 7-15. Maximum effective annual percentage rate. An  
25       income share agreement must specify that the maximum amount



1 that a consumer could be required to pay under the income share  
2 agreement will not result in a consumer ever being required to  
3 pay an effective annual percentage rate that is greater than  
4 36%. If at any time the provider accepts a payment of an amount  
5 that would cause the limit in this Section to apply, the  
6 provider shall refund any amounts, within 20 calendar days,  
7 necessary to ensure that the consumer's payments do not result  
8 in an effective annual percentage rate that is greater than  
9 the limit specified in this Section.

10 (110 ILCS 992/7-20 new)

11 Sec. 7-20. Limits on duration of income share agreements.

12 (a) ISA maximum number of payments shall not exceed 180  
13 monthly payments.

14 (b) The ISA duration shall not exceed 240 months,  
15 excluding any months in which a consumer has requested and  
16 received a payment relief pause.

17 (110 ILCS 992/7-25 new)

18 Sec. 7-25. Risk sharing.

19 (a) An income share agreement provider may not contract  
20 for income share agreement terms that would result in a  
21 consumer having income that is less than or equal to 300% of  
22 the federal poverty guidelines for a single person for the ISA  
23 duration being required to make a stream of ISA payments that  
24 would yield an effective APR greater than 8%, or the high yield

1 of the 10-year United States Constant Maturity Treasury Notes  
2 auctioned at the final auction held before the current  
3 calendar year in which an ISA offering is made plus 7%,  
4 whichever is greater.

5 (b) An income share agreement provider may not contract  
6 for income share agreement terms that would result in a  
7 consumer having income that is less than or equal to 400% of  
8 the federal poverty guidelines for a single person for the ISA  
9 duration being required to make a stream of ISA payments that  
10 would yield an effective APR greater than 12%, or the high  
11 yield of the 10-year United States Constant Maturity Treasury  
12 Notes auctioned at the final auction held before the current  
13 calendar year in which an ISA offering is made plus 11%,  
14 whichever is greater.

15 (c) An income share agreement provider may not contract  
16 for income share agreement terms that would result in a  
17 consumer having income that is less than or equal to 500% of  
18 the federal poverty guidelines for a single person for the ISA  
19 duration being required to make a stream of ISA payments that  
20 would yield an effective APR greater than 15%, or the high  
21 yield of the 10-year United States Constant Maturity Treasury  
22 Notes auctioned at the final auction held before the current  
23 calendar year in which an ISA offering is made plus 14%,  
24 whichever is greater.

25 (d) An income share agreement provider may not contract  
26 for income share agreement terms that would result in a

1 consumer having income that is less than or equal to 600% of  
2 the federal poverty guidelines for a single person for the ISA  
3 duration being required to make a stream of ISA payments that  
4 would yield an effective APR greater than 18%, or the high  
5 yield of the 10-year United States Constant Maturity Treasury  
6 Notes auctioned at the final auction held before the current  
7 calendar year in which an ISA offering is made plus 17%,  
8 whichever is greater.

9 (e) For the purposes of determining the various tiers set  
10 forth in this Section, an income share agreement provider  
11 shall calculate the effective APR by determining the various  
12 federal poverty guidelines tiers at the time the consumer's  
13 income share agreement is originated and assuming such amounts  
14 are fixed through the ISA duration.

15 (f) For the purposes of determining ISA duration in this  
16 Section: in the case of an educational ISA, an income share  
17 agreement provider shall assume the ISA duration started after  
18 a period equal to the expected length of the program for which  
19 a consumer is enrolling; or in the case of a non-educational  
20 ISA, an income share agreement provider shall assume the ISA  
21 duration started immediately.

22 (110 ILCS 992/7-30 new)

23 Sec. 7-30. Limits on covered income. An income share  
24 agreement must specify the definition of income to be used for  
25 the purposes of calculating a consumer's payment obligation

1 under the income share agreement. No income share agreement  
2 shall include any of the following in its definition of  
3 income:

4 (1) The income of the consumer's spouse, party to a  
5 civil union under the Illinois Religious Freedom and Civil  
6 Union Act, children or dependents.

7 (2) Any amount paid by the consumer under Title II or  
8 XVI of the Social Security Act, 42 U.S.C. 401 et seq., 42  
9 U.S.C. 1381 et seq.; or under a State program funded by  
10 Title IV of the Social Security Act, 42 U.S.C. 601 et seq.

11 (3) Individual retirement account distributions.

12 (4) Pensions and annuities.

13 (5) Social security benefits.

14 (6) Other sources of federal or State aid provided to  
15 individuals through any of the following:

16 (A) unemployment programs;

17 (B) disaster relief programs;

18 (C) Medicare or Medicaid benefits;

19 (D) benefits received through the Supplemental  
20 Nutrition Assistance Program; (E) economic impact  
21 payments;

22 (E) the earned income tax credit or child tax  
23 credit;

24 (F) other income excluded from the definition of  
25 taxable income set forth by the Internal Revenue  
26 Service; or

1           (G) passive income that is not derived as a result  
2           of a consumer's active participation in any trade or  
3           business.

4           (110 ILCS 992/7-35 new)

5           Sec. 7-35. Fees permitted. In addition to the ISA  
6           obligation permitted by this Act, an income share agreement  
7           provider may contract for and receive the following additional  
8           charges:

9           (1) government fees and taxes;

10           (2) a fee, which shall not exceed the sum of \$25, for  
11           failure to provide documentation to the income share  
12           agreement provider for the confirmation and reconciliation  
13           of the consumer's income;

14           (3) a fee for processing any forms to confirm the  
15           consumer's income with the United States Internal Revenue  
16           Service or a State department of revenue or taxation on a  
17           dollar-for-dollar, pass-through basis of the expenses  
18           incurred by the income share agreement provider;

19           (4) a late payment fee in an amount of \$20 or 5% of the  
20           late payment, whichever is greater, for any payment that  
21           is more than 15 days past due; no late payment fee may be  
22           charged more than once per late payment;

23           (5) an amount not exceeding \$25, plus any actual  
24           expenses incurred in connection with a check or draft that  
25           is not honored because of insufficient or uncollected

1 funds or because no such account exists;

2 (6) other fees authorized by the Secretary. In  
3 determining whether to authorize a charge, the Secretary  
4 shall consider whether the charge benefits the consumer  
5 and is reasonable;

6 (7) before or after default in payment of a scheduled  
7 payment of an income share agreement, the parties to the  
8 income share agreement may agree in writing to a deferral  
9 of all or part of one or more unpaid payments and the  
10 income share agreement provider may make, at the time of  
11 deferral and receive at that time or at any time  
12 thereafter, a deferral charge not exceeding an amount  
13 equal to 10% of the missed payment. Provided this  
14 subsection shall not apply to voluntary payment relief  
15 pauses.

16 (110 ILCS 992/7-40 new)

17 Sec. 7-40. Restriction on security interest. Under no  
18 circumstances shall an income share agreement provider take a  
19 security interest in any collateral in connection with an  
20 income share agreement.

21 (110 ILCS 992/7-45 new)

22 Sec. 7-45. Discharge of obligations.

23 (a) All further obligations under an income share  
24 agreement, shall terminate if the consumer is deemed totally

1 and permanently disabled by the applicable governmental  
2 agency.

3 (b) All further obligations under the income share  
4 agreement, except those accruing before the consumer's death,  
5 shall terminate upon the death of the consumer.

6 (110 ILCS 992/7-50 new)

7 Sec. 7-50. Prohibition on co-signers. No income share  
8 agreement shall include or permit the use of a co-signer in  
9 connection with any obligation related to an income share  
10 agreement.

11 (110 ILCS 992/7-55 new)

12 Sec. 7-55. Limitation on acceleration.

13 (a) Income share agreement providers may not attempt to  
14 accelerate or otherwise liquidate a future payment stream  
15 under an income share agreement.

16 (b) Notwithstanding subsection (a), nothing in this  
17 Section shall prevent an income share agreement provider from  
18 collecting or pursuing any other remedy available to the  
19 income share agreement provider for the collection of amounts  
20 that were due from the consumer under an income share  
21 agreement that were not paid or properly remitted to the  
22 income share agreement provider. Nothing in this Section shall  
23 prevent an income share agreement provider from calculating a  
24 projected future income for a consumer and calculating a

1 consumer's payment obligation using that projection if the  
2 consumer does not provide contractually obligated  
3 documentation of income.

4 (c) Notwithstanding subsection (a), an income share  
5 agreement may contain a provision that allows a consumer to  
6 terminate his or her income share agreement before the events  
7 terminating further obligations under the income share  
8 agreement. The early termination mechanisms, such as total  
9 caps on payments due to the income share agreement provider or  
10 other rights to partially or fully terminate further  
11 obligations under the income share agreement, must be optional  
12 to the consumer and within the consumer's control. In such  
13 circumstances, such mechanisms will not be deemed a form of  
14 acceleration, early termination penalty, or prepayment  
15 penalty.

16 (110 ILCS 992/7-60 new)

17 Sec. 7-60. No assignment of wages.

18 (a) An income share agreement provider may not take an  
19 assignment of earnings of the consumer for payment or as  
20 security for payment of a debt arising out of an income share  
21 agreement. An assignment of earnings in violation of this  
22 Section is unenforceable by the assignee of the earnings and  
23 revocable by the consumer. This Section does not prohibit a  
24 consumer from authorizing deductions from his or her earnings  
25 in favor of a licensee if the authorization complies with the



1 Illinois Wage Assignment Act.

2 (b) A sale of unpaid earnings made in consideration of the  
3 payment of money to or for the account of the seller of the  
4 earnings is deemed to be a loan to the seller secured by an  
5 assignment of earnings.

6 (110 ILCS 992/7-65 new)

7 Sec. 7-65. Limitations on garnishment. Before entry of  
8 judgment in an action against a consumer for a payment arising  
9 from an income share agreement, a licensee may not attach  
10 unpaid earnings of the consumer by garnishment or like  
11 proceedings.

12 (110 ILCS 992/7-70 new)

13 Sec. 7-70. Use of multiple agreements. An income share  
14 agreement provider shall not use multiple agreements with  
15 respect to a single income share agreement with intent to  
16 violate any limitations of this Act.

17 (110 ILCS 992/7-75 new)

18 Sec. 7-75. Required disclosures.

19 (a) An income share agreement provider shall disclose the  
20 following information to each consumer, clearly and  
21 conspicuously, in a form that the consumer can keep at the time  
22 the transaction is consummated:

23 (1) The date of the income share agreement.

1           (2) The dollar amount of the amount financed.

2           (3) The sales price of the transaction if different  
3 from the amount financed;

4           (4) The ISA payment calculation method. Any  
5 percentages used in the ISA payment calculation method  
6 shall be rounded to the nearest one-hundredth of 1% if the  
7 percentage is not a whole number.

8           (5) The maximum number of payments expressed as a  
9 whole number.

10          (6) The maximum duration expressed as a whole number  
11 of the period of time.

12          (7) The income threshold expressed as a dollar amount  
13 and a statement that payments will only be required during  
14 periods when the consumer's income is equal to or exceeds  
15 the income threshold.

16          (8) An itemization of the amount financed; if the ISA  
17 provider is a seller of goods or services, then the amount  
18 of any down payment and any additional fees or costs shall  
19 be itemized.

20          (9) The definition of income to be used for the  
21 purposes of calculating the consumer's obligations under  
22 the income share agreement.

23          (10) A description of the terms under which the  
24 obligations of the consumer under the income share  
25 agreement will be extinguished before the full ISA  
26 duration.

1           (11) A payment schedule that shows the date on which  
2           the first payment will be due and reflecting each date  
3           thereafter during the ISA duration that a payment may be  
4           due.

5           (12) An itemization of any permissible fees associated  
6           with the ISA.

7           (13) A description of the methods used by the ISA  
8           provider to engage in a process of reconciliation and  
9           verification to determine if the consumer's payments are  
10           more than, equal to, or less than the payments owed by the  
11           consumer under his or her income share agreement; this  
12           description shall include the following:

13                   (i) a description of the frequency or triggers for  
14                   the commencement of the income verification process;

15                   (ii) a description of the requirements and timing  
16                   of the process in which the consumer must participate  
17                   in order for the ISA provider to verify the consumer's  
18                   income; and

19                   (iii) a description of any records or forms,  
20                   including tax records, that the consumer may be  
21                   required to execute or submit.

22           (14) The name and address of the ISA provider.

23           (15) A table displaying the dollar amounts of each  
24           payment, the number of payments, the effective annual  
25           percentage rate, and the total of all payments that a  
26           consumer would be required to pay under the income share

1 agreement at a range of annual income levels based on the  
2 ISA duration. The comparison table shall include a  
3 statement that "This comparison table is for illustrative  
4 purposes only and may not reflect the amounts that you are  
5 likely to pay under this income share agreement. This  
6 table assumes you have the same income over the entire  
7 term of your income share agreement. It does not take into  
8 account changes in income. Your income will likely change  
9 over time. This table does not represent the income or  
10 range of incomes that you are likely to earn in the  
11 future.". In computing the APR, the ISA provider shall use  
12 the amount financed and may assume that the income share  
13 agreement will be disbursed in the amount and with the  
14 disbursement schedule that it reasonably expects to follow  
15 for such income share agreement and that payments would  
16 commence on the date set forth in the income share  
17 agreement. The income used in this disclosure shall  
18 include, at minimum, the obligations at the following  
19 incomes:

20 (i) no income;

21 (ii) income equal to the annual equivalent of the  
22 income threshold;

23 (iii) various income scenarios with at least  
24 calculations at annual incomes of \$40,000, \$60,000,  
25 \$80,000, \$100,000, \$125,000, \$150,000, \$175,000, and  
26 \$200,000; and

1           (iv) if known by the ISA provider, the consumer's  
2           current income.

3           (16) A statement that the income share agreement is  
4           not a fixed payment installment loan and that the amount  
5           the consumer will be required to pay under the income  
6           share agreement:

7           (i) may be more or less than the amount financed by  
8           the ISA provider; and

9           (ii) will vary in proportion with the consumer's  
10           income.

11           (b) The disclosures required by this Section shall be  
12           grouped together and segregated from all other information.

13           (c) The disclosures required by this Section may be  
14           provided to a consumer in electronic form, subject to  
15           compliance with the consumer's consent and other applicable  
16           provisions of the Electronic Signatures in Global and National  
17           Commerce Act, 15 U.S.C. 7001 et seq., and applicable State  
18           law.

19           (d) If model documents are established pursuant to any  
20           federal law covering income share agreements, compliance with  
21           those forms shall be considered compliance with this Act with  
22           respect to the disclosure requirements contained in this Act.

23           (110 ILCS 992/7-80 new)

24           Sec. 7-80. Early completion. An income share agreement  
25           shall specify the terms and conditions by which the consumer

1 may extinguish his or her obligations under the income share  
2 agreement before the end of the income share agreement's  
3 duration. An income share agreement may include any method to  
4 determine the early completion payment; however, a consumer  
5 may always cancel an income share agreement by making  
6 aggregate payments, excluding payments to fees, equal to the  
7 ISA payment cap. The consumer is entitled to this early  
8 completion regardless of whether the consumer makes this early  
9 completion payment by making regularly scheduled payments or  
10 by making a single lump sum payment in the amount of the early  
11 completion payment.

12 (110 ILCS 992/7-85 new)

13 Sec. 7-85. Assumption of increase in future income.

14 (a) If a consumer fails to provide income documentation as  
15 reasonably required by an income share agreement, an income  
16 share agreement provider may assign an amount of income to the  
17 consumer and compute the consumer's monthly payment amount by  
18 any of the following methods, to the extent disclosed in the  
19 income share agreement:

20 (1) assigning an income amount obtained from a  
21 reasonably reliable third party or a credit reporting  
22 agency;

23 (2) if the consumer previously provided income  
24 documentation or has had an income assigned in the prior  
25 12-month period that has increased by an amount not to

1 exceed 10%, but such increase may not be applied more than  
2 once per 12-month period;

3 (3) contacting the consumer's employer, or any person  
4 or entity reasonably believed to represent the consumer's  
5 employer, to obtain, verify, or update the consumer's  
6 income information;

7 (4) contacting the Department of Revenue or the  
8 Internal Revenue Service to obtain the most recent  
9 information available about the student's income; or

10 (5) for income share agreement providers providing  
11 educational income share agreements, assigning a  
12 reasonable qualified income based on the incomes of:

13 (A) the nearest reasonably relevant quantile of  
14 income for individuals working in the profession for  
15 which the consumer's educational program was intended  
16 to prepare the participant, as determined by  
17 information published by the Bureau of Labor  
18 Statistics or other reasonably reliable publicly  
19 available data sources; or

20 (B) the nearest reasonably relevant quantile of  
21 income of consumers who attended the same or a  
22 reasonably comparable covered educational program or  
23 course of study, as determined by information  
24 published by the Bureau of Labor Statistics or other  
25 reasonably reliable publicly available data sources.

26 (b) If an income share agreement provider assigns an

1 income to a consumer's income share agreement, then it shall  
2 notify the consumer in the monthly billing statement, and in  
3 each billing statement thereafter while the assigned income  
4 remains applicable to the consumer's income share agreement,  
5 that income has been assigned and of the consumer's rights  
6 under this Section.

7 (c) If the consumer does provide income information as  
8 reasonably required by the income share agreement within one  
9 year of the date on which the income share agreement provider  
10 notified the consumer that assigned income will be applied to  
11 the income share agreement, then, within 15 days after the  
12 income share agreement provider's receipt of such information,  
13 the income share agreement provider shall update each prior  
14 instance in which assigned income was applied using the income  
15 information provided by the consumer; if the consumer provides  
16 income information more than one year after the income share  
17 agreement provider first assigned income to the consumer's  
18 income share agreement, then the income share agreement  
19 provider may, but is not obligated to, update each prior  
20 instance in which assigned income was applied using the income  
21 information provided by the consumer.

22 (d) An income share agreement provider that assigns income  
23 to an income share agreement shall retain all applicable  
24 records relating to the method and data sources used to make  
25 such estimation for 3 years after the end of that income share  
26 agreement.



1 (110 ILCS 992/7-90 new)

2 Sec. 7-90. Receipts; statements of account; evidence of  
3 payment.

4 (a) The income share agreement provider shall deliver or  
5 mail to the consumer, without request, a written receipt for  
6 each payment made pursuant to an income share agreement. A  
7 periodic statement showing a payment received by mail complies  
8 with this subsection.

9 (b) Upon written request of a consumer, the income share  
10 agreement provider shall provide a written statement of the  
11 dates and amounts of payments made within the 12 months  
12 preceding the month in which the request is received. The  
13 statement shall be provided without charge once during each  
14 year of the term of the obligation. If additional statements  
15 are requested, the income share agreement provider may charge  
16 an amount not to exceed \$5.00 for each additional statement.

17 (c) After a consumer has fulfilled all obligations with  
18 respect to an income share agreement, the income share  
19 agreement provider, upon request of the consumer, shall  
20 deliver or mail to the consumer written evidence acknowledging  
21 termination of all obligations with respect to the income  
22 share agreement.

23 (110 ILCS 992/7-95 new)

24 Sec. 7-95. Adjustment of dollar amounts.

1       (a) From time to time the dollar amounts in this Act  
2 designated as subject to change shall change, as provided in  
3 this Section, according to and to the extent of changes in the  
4 index.

5       (b) The index for December of the year preceding the year  
6 in which this Act becomes effective is the reference base  
7 index.

8       (c) The designated dollar amounts shall change on July 1  
9 of each even-numbered year if the percentage of change,  
10 calculated to the nearest whole percentage point, between the  
11 index and the end of the preceding year and the reference base  
12 index is 10% or more, but:

13           (1) the portion of the percentage change in the index  
14 in excess of a multiple of 10% shall be disregarded and the  
15 dollar amounts shall change only in multiples of 10% of  
16 the amounts provided in this Act on the date of enactment;  
17 and

18           (2) the dollar amounts shall not change if the amounts  
19 required by this Section are those currently in effect  
20 pursuant to this Act as a result of earlier application of  
21 this Section.

22       (d) If the index is revised, the percentage of change  
23 pursuant to this Section shall be calculated on the basis of  
24 the revised index. If a revision of the index changes the  
25 reference base index, a revised reference base index shall be  
26 determined by multiplying the reference base index then

1 applicable by the rebasing factor furnished by the Bureau of  
2 Labor Statistics. If the index is superseded, the index  
3 referred to in this Section is the one represented by the  
4 Bureau of Labor Statistics as reflecting most accurately  
5 changes in the purchasing power of the dollar for consumers.

6 (e) The Department shall adopt a rule setting forth, on or  
7 before April 30 of each year in which dollar amounts are to  
8 change, the changes in dollar amounts required by this  
9 Section. As soon as practical after the changes occur, the  
10 Department shall adopt a rule setting forth the changes in the  
11 index required by subsection (d), including, if applicable,  
12 the numerical equivalent of the reference base index under a  
13 revised reference base index and the designation or title of  
14 any index superseding the index.

15 (f) A person does not violate this Act with respect to a  
16 transaction otherwise complying with this Act if he or she  
17 relies on dollar amounts either determined according to  
18 subsection (c) or appearing in the last rule of the Department  
19 announcing the then-current dollar amounts.

20 (110 ILCS 992/7-100 new)

21 Sec. 7-100. Construction against implicit authority. This  
22 Act is a general Act intended as a unified coverage of its  
23 subject matter; no part of this Act shall be construed to be  
24 impliedly repealed by subsequent legislation if that  
25 construction can reasonably be avoided.

1 (110 ILCS 992/7-105 new)

2 Sec. 7-105. Application of other Acts. Income share  
3 agreements and income share agreement providers are subject to  
4 other Articles of this Act, the Know Before You Owe Private  
5 Education Loan Act, and the Predatory Loan Prevention Act and  
6 shall comply with their requirements and any rules adopted by  
7 the Department of Financial and Professional Regulation  
8 pursuant to those Acts. Nothing herein is intended to imply  
9 that an education ISA: (i) is not a credit transaction or (ii)  
10 that, upon an obligation accruing, does not create a debt.

11 (110 ILCS 992/25-5)

12 Sec. 25-5. Enforcement; Consumer Fraud and Deceptive  
13 Business Practices Act. The Attorney General may enforce a  
14 violation of Article 5 or 7 of this Act as an unlawful practice  
15 under the Consumer Fraud and Deceptive Business Practices Act.  
16 (Source: P.A. 100-540, eff. 12-31-18.)

17 Section 10. The Consumer Installment Loan Act is amended  
18 by changing Section 1 as follows:

19 (205 ILCS 670/1) (from Ch. 17, par. 5401)

20 Sec. 1. License required to engage in business. No person,  
21 partnership, association, limited liability company, or  
22 corporation shall engage in the business of making loans of

1 money and charge, contract for, or receive on any such loan a  
2 greater annual percentage rate than 9% except as authorized by  
3 this Act after first obtaining a license from the Director of  
4 Financial Institutions (hereinafter called the Director). No  
5 licensee, or employee or affiliate thereof, that is licensed  
6 under the Payday Loan Reform Act shall obtain a license under  
7 this Act except that a licensee under the Payday Loan Reform  
8 Act may obtain a license under this Act for the exclusive  
9 purpose and use of making title-secured loans, as defined in  
10 subsection (a) of Section 15 of this Act and governed by Title  
11 38, Section 110.300 of the Illinois Administrative Code. For  
12 the purpose of this Section, "affiliate" means any person or  
13 entity that directly or indirectly controls, is controlled by,  
14 or shares control with another person or entity. A person or  
15 entity has control over another if the person or entity has an  
16 ownership interest of 25% or more in the other. A person or  
17 entity licensed as an Income Share Agreement provider is  
18 exempt from the requirements of this Act to the extent of their  
19 operation as an Income Share Agreement under Article 7 of the  
20 Student Loan Servicing Rights Act. In addition, Educational  
21 Income Share Agreements as provided under Article 7 of the  
22 Student Loan Servicing Rights Act are not subject to the  
23 requirements of this Act.

24 In this Act, "Director" means the Director of Financial  
25 Institutions of the Department of Financial and Professional  
26 Regulation.

1 (Source: P.A. 101-658, eff. 3-23-21.)

2 Section 15. The Interest Act is amended by changing  
3 Section 4 as follows:

4 (815 ILCS 205/4) (from Ch. 17, par. 6404)

5 Sec. 4. General interest rate.

6 (1) Except as otherwise provided in Section 4.05, in all  
7 written contracts it shall be lawful for the parties to  
8 stipulate or agree that an annual percentage rate of 9%, or any  
9 less sum, shall be taken and paid upon every \$100 of money  
10 loaned or in any manner due and owing from any person to any  
11 other person or corporation in this state, and after that rate  
12 for a greater or less sum, or for a longer or shorter time,  
13 except as herein provided.

14 The maximum rate of interest that may lawfully be  
15 contracted for is determined by the law applicable thereto at  
16 the time the contract is made. Any provision in any contract,  
17 whether made before or after July 1, 1969, which provides for  
18 or purports to authorize, contingent upon a change in the  
19 Illinois law after the contract is made, any rate of interest  
20 greater than the maximum lawful rate at the time the contract  
21 is made, is void.

22 It is lawful for a state bank or a branch of an  
23 out-of-state bank, as those terms are defined in Section 2 of  
24 the Illinois Banking Act, to receive or to contract to receive

1 and collect interest and charges at any rate or rates agreed  
2 upon by the bank or branch and the borrower. It is lawful for a  
3 savings bank chartered under the Savings Bank Act or a savings  
4 association chartered under the Illinois Savings and Loan Act  
5 of 1985 to receive or contract to receive and collect interest  
6 and charges at any rate agreed upon by the savings bank or  
7 savings association and the borrower.

8 It is lawful to receive or to contract to receive and  
9 collect interest and charges as authorized by this Act and as  
10 authorized by the Consumer Installment Loan Act, the Payday  
11 Loan Reform Act, the Retail Installment Sales Act, the  
12 Illinois Financial Services Development Act, the Motor Vehicle  
13 Retail Installment Sales Act, ~~or~~ the Consumer Legal Funding  
14 Act, or the Student Loan Servicing Rights Act. It is lawful to  
15 charge, contract for, and receive any rate or amount of  
16 interest or compensation, except as otherwise provided in the  
17 Predatory Loan Prevention Act, with respect to the following  
18 transactions:

19 (a) Any loan made to a corporation;

20 (b) Advances of money, repayable on demand, to an  
21 amount not less than \$5,000, which are made upon warehouse  
22 receipts, bills of lading, certificates of stock,  
23 certificates of deposit, bills of exchange, bonds or other  
24 negotiable instruments pledged as collateral security for  
25 such repayment, if evidenced by a writing;

26 (c) Any credit transaction between a merchandise

1 wholesaler and retailer; any business loan to a business  
2 association or copartnership or to a person owning and  
3 operating a business as sole proprietor or to any persons  
4 owning and operating a business as joint venturers, joint  
5 tenants or tenants in common, or to any limited  
6 partnership, or to any trustee owning and operating a  
7 business or whose beneficiaries own and operate a  
8 business, except that any loan which is secured (1) by an  
9 assignment of an individual obligor's salary, wages,  
10 commissions or other compensation for services, or (2) by  
11 his household furniture or other goods used for his  
12 personal, family or household purposes shall be deemed not  
13 to be a loan within the meaning of this subsection; and  
14 provided further that a loan which otherwise qualifies as  
15 a business loan within the meaning of this subsection  
16 shall not be deemed as not so qualifying because of the  
17 inclusion, with other security consisting of business  
18 assets of any such obligor, of real estate occupied by an  
19 individual obligor solely as his residence. The term  
20 "business" shall be deemed to mean a commercial,  
21 agricultural or industrial enterprise which is carried on  
22 for the purpose of investment or profit, but shall not be  
23 deemed to mean the ownership or maintenance of real estate  
24 occupied by an individual obligor solely as his residence;

25 (d) Any loan made in accordance with the provisions of  
26 Subchapter I of Chapter 13 of Title 12 of the United States



1 Code, which is designated as "Housing Renovation and  
2 Modernization";

3 (e) Any mortgage loan insured or upon which a  
4 commitment to insure has been issued under the provisions  
5 of the National Housing Act, Chapter 13 of Title 12 of the  
6 United States Code;

7 (f) Any mortgage loan guaranteed or upon which a  
8 commitment to guaranty has been issued under the  
9 provisions of the Veterans' Benefits Act, Subchapter II of  
10 Chapter 37 of Title 38 of the United States Code;

11 (g) Interest charged by a broker or dealer registered  
12 under the Securities Exchange Act of 1934, as amended, or  
13 registered under the Illinois Securities Law of 1953,  
14 approved July 13, 1953, as now or hereafter amended, on a  
15 debit balance in an account for a customer if such debit  
16 balance is payable at will without penalty and is secured  
17 by securities as defined in Uniform Commercial  
18 Code-Investment Securities;

19 (h) Any loan made by a participating bank as part of  
20 any loan guarantee program which provides for loans and  
21 for the refinancing of such loans to medical students,  
22 interns and residents and which are guaranteed by the  
23 American Medical Association Education and Research  
24 Foundation;

25 (i) Any loan made, guaranteed, or insured in  
26 accordance with the provisions of the Housing Act of 1949,

1 Subchapter III of Chapter 8A of Title 42 of the United  
2 States Code and the Consolidated Farm and Rural  
3 Development Act, Subchapters I, II, and III of Chapter 50  
4 of Title 7 of the United States Code;

5 (j) Any loan by an employee pension benefit plan, as  
6 defined in Section 3 (2) of the Employee Retirement Income  
7 Security Act of 1974 (29 U.S.C.A. Sec. 1002), to an  
8 individual participating in such plan, provided that such  
9 loan satisfies the prohibited transaction exemption  
10 requirements of Section 408 (b) (1) (29 U.S.C.A. Sec. 1108  
11 (b) (1)) or Section 2003 (a) (26 U.S.C.A. Sec. 4975 (d)  
12 (1)) of the Employee Retirement Income Security Act of  
13 1974;

14 (k) Written contracts, agreements or bonds for deed  
15 providing for installment purchase of real estate,  
16 including a manufactured home as defined in subdivision  
17 (53) of Section 9-102 of the Uniform Commercial Code that  
18 is real property as defined in the Conveyance and  
19 Encumbrance of Manufactured Homes as Real Property and  
20 Severance Act;

21 (l) Loans secured by a mortgage on real estate,  
22 including a manufactured home as defined in subdivision  
23 (53) of Section 9-102 of the Uniform Commercial Code that  
24 is real property as defined in the Conveyance and  
25 Encumbrance of Manufactured Homes as Real Property and  
26 Severance Act;

1           (m) Loans made by a sole proprietorship, partnership,  
2           or corporation to an employee or to a person who has been  
3           offered employment by such sole proprietorship,  
4           partnership, or corporation made for the sole purpose of  
5           transferring an employee or person who has been offered  
6           employment to another office maintained and operated by  
7           the same sole proprietorship, partnership, or corporation;

8           (n) Loans to or for the benefit of students made by an  
9           institution of higher education.

10          (2) Except for loans described in subparagraph (a), (c),  
11          (d), (e), (f) or (i) of subsection (1) of this Section, and  
12          except to the extent permitted by the applicable statute for  
13          loans made pursuant to Section 4a or pursuant to the Consumer  
14          Installment Loan Act:

15               (a) Whenever the rate of interest exceeds an annual  
16               percentage rate of 8% on any written contract, agreement  
17               or bond for deed providing for the installment purchase of  
18               residential real estate, or on any loan secured by a  
19               mortgage on residential real estate, it shall be unlawful  
20               to provide for a prepayment penalty or other charge for  
21               prepayment.

22               (b) No agreement, note or other instrument evidencing  
23               a loan secured by a mortgage on residential real estate,  
24               or written contract, agreement or bond for deed providing  
25               for the installment purchase of residential real estate,  
26               may provide for any change in the contract rate of

1 interest during the term thereof. However, if the Congress  
2 of the United States or any federal agency authorizes any  
3 class of lender to enter, within limitations, into  
4 mortgage contracts or written contracts, agreements or  
5 bonds for deed in which the rate of interest may be changed  
6 during the term of the contract, any person, firm,  
7 corporation or other entity not otherwise prohibited from  
8 entering into mortgage contracts or written contracts,  
9 agreements or bonds for deed in Illinois may enter into  
10 mortgage contracts or written contracts, agreements or  
11 bonds for deed in which the rate of interest may be changed  
12 during the term of the contract, within the same  
13 limitations.

14 (3) In any contract or loan which is secured by a mortgage,  
15 deed of trust, or conveyance in the nature of a mortgage, on  
16 residential real estate, the interest which is computed,  
17 calculated, charged, or collected pursuant to such contract or  
18 loan, or pursuant to any regulation or rule promulgated  
19 pursuant to this Act, may not be computed, calculated, charged  
20 or collected for any period of time occurring after the date on  
21 which the total indebtedness, with the exception of late  
22 payment penalties, is paid in full.

23 (4) For purposes of this Section, a prepayment shall mean  
24 the payment of the total indebtedness, with the exception of  
25 late payment penalties if incurred or charged, on any date  
26 before the date specified in the contract or loan agreement on

1 which the total indebtedness shall be paid in full, or before  
2 the date on which all payments, if timely made, shall have been  
3 made. In the event of a prepayment of the indebtedness which is  
4 made on a date after the date on which interest on the  
5 indebtedness was last computed, calculated, charged, or  
6 collected but before the next date on which interest on the  
7 indebtedness was to be calculated, computed, charged, or  
8 collected, the lender may calculate, charge and collect  
9 interest on the indebtedness for the period which elapsed  
10 between the date on which the prepayment is made and the date  
11 on which interest on the indebtedness was last computed,  
12 calculated, charged or collected at a rate equal to 1/360 of  
13 the annual rate for each day which so elapsed, which rate shall  
14 be applied to the indebtedness outstanding as of the date of  
15 prepayment. The lender shall refund to the borrower any  
16 interest charged or collected which exceeds that which the  
17 lender may charge or collect pursuant to the preceding  
18 sentence. The provisions of this amendatory Act of 1985 shall  
19 apply only to contracts or loans entered into on or after the  
20 effective date of this amendatory Act, but shall not apply to  
21 contracts or loans entered into on or after that date that are  
22 subject to Section 4a of this Act, the Consumer Installment  
23 Loan Act, the Payday Loan Reform Act, the Predatory Loan  
24 Prevention Act, or the Retail Installment Sales Act, or that  
25 provide for the refund of precomputed interest on prepayment  
26 in the manner provided by such Act.

1           (5) For purposes of items (a) and (c) of subsection (1) of  
2 this Section, a rate or amount of interest may be lawfully  
3 computed when applying the ratio of the annual interest rate  
4 over a year based on 360 days. The provisions of this  
5 amendatory Act of the 96th General Assembly are declarative of  
6 existing law.

7           (6) For purposes of this Section, "real estate" and "real  
8 property" include a manufactured home, as defined in  
9 subdivision (53) of Section 9-102 of the Uniform Commercial  
10 Code that is real property as defined in the Conveyance and  
11 Encumbrance of Manufactured Homes as Real Property and  
12 Severance Act.

13           (Source: P.A. 101-658, eff. 3-23-21; 102-987, eff. 5-27-22.)

14           Section 97. Severability. The provisions of this Act are  
15 severable under Section 1.31 of the Statute on Statutes.

16           Section 99. Effective date. This Act takes effect upon  
17 becoming law."