

1 AN ACT concerning regulation.

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

4 Section 5. The Illinois Financial Services Development Act
5 is amended by changing Sections 3 and 8 and by adding Section
6 8.5 as follows:

7 (205 ILCS 675/3) (from Ch. 17, par. 7003)

8 Sec. 3. As used in this Section:

9 (a) "Financial institution" means any bank with its main
10 office or, after May 31, 1997, a branch in this State, any
11 state or federal savings and loan association or savings bank
12 with its main office or branch in this State, any state or
13 federal credit union with its main office in this State, and
14 any lender licensed under the Consumer Installment Loan Act or
15 the Sales Finance Agency Act.

16 (b) "Revolving credit plan" or "plan" means a plan
17 contemplating the extension of credit under an account governed
18 by an agreement between a financial institution and a borrower
19 who is a natural person pursuant to which:

20 (1) The financial institution permits the borrower
21 and, if the agreement governing the plan so provides,
22 persons acting on behalf of or with authorization from the
23 borrower, from time to time to make purchases and to obtain

1 loans by any means whatsoever, including use of a credit
2 device primarily for personal, family or household
3 purposes;

4 (2) the amounts of such purchases and loans are charged
5 to the borrower's account under the revolving credit plan;

6 (3) the borrower is required to pay the financial
7 institution the amounts of all purchases and loans charged
8 to such borrower's account under the plan but has the
9 privilege of paying such amounts outstanding from time to
10 time in full or installments; and

11 (4) interest may be charged and collected by the
12 financial institution from time to time on the outstanding
13 unpaid indebtedness under such plan.

14 (c) "Credit device" means any card, check, identification
15 code or other means of identification contemplated by the
16 agreement governing the plan.

17 (d) "Outstanding unpaid indebtedness" means on any day an
18 amount not in excess of the total amount of purchases and loans
19 charged to the borrower's account under the plan which is
20 outstanding and unpaid at the end of the day, after adding the
21 aggregate amount of any new purchases and loans charged to the
22 account as of that day and deducting the aggregate amount of
23 any payments and credits applied to that indebtedness as of
24 that day and, if the agreement governing the plan so provides,
25 may include the amount of any billed and unpaid interest and
26 other charges.

1 (e) "Credit card" means any instrument or device, whether
2 known as a credit card, credit device, credit plate, charge
3 plate, or any other name, issued with or without fee by an
4 issuer for the use of the borrower in obtaining money, goods,
5 services, or anything else of value on credit, but does not
6 include any negotiable instrument as defined in the Uniform
7 Commercial Code, as now or hereafter amended, or a debit card
8 that may indirectly access an overdraft line of credit through
9 a debit to a deposit account.

10 (f) "Credit card account" means a revolving credit plan
11 accessed by a credit card.

12 (Source: P.A. 89-208, eff. 9-29-95.)

13 (205 ILCS 675/8) (from Ch. 17, par. 7008)

14 Sec. 8. Amendment of ~~governing~~ agreement governing
15 revolving credit plans other than credit card accounts.

16 (a) If the agreement governing a revolving credit plan
17 other than a credit card account so provides or allows, a
18 financial institution may at any time or from time to time
19 amend the terms of such agreement in accordance with the
20 further provisions of this Section 8. The financial institution
21 shall notify each affected borrower of the amendment in the
22 manner set forth in the agreement governing the plan and in
23 compliance with the requirements of the Truth-in-Lending Act
24 and regulations promulgated thereunder, as in effect from time
25 to time, if applicable.

1 (b) Subject to subsection (c) below, if the terms of the
2 agreement governing the plan, as originally drawn or as amended
3 pursuant to this Section so provide, any amendment may, on and
4 after the date upon which it becomes effective as to a
5 particular borrower, apply to all then outstanding unpaid
6 indebtedness in the borrower's account under the plan,
7 including any such indebtedness which shall have arisen out of
8 purchases made or loans obtained prior to the effective date of
9 the amendment.

10 (c) If such amendment has the effect of increasing the
11 interest or other charges to be paid by the borrower, the
12 financial institution shall mail or deliver to the borrower, at
13 least 30 days before the effective date of the amendment, a
14 clear and conspicuous written notice which shall:

15 (1) describe the amendment and the existing term or
16 terms of the agreement affected by the amendment,

17 (2) set forth the effective date of the amendment,

18 (3) state whether or not the amendment will apply to
19 the outstanding unpaid indebtedness as of the effective
20 date of the amendment,

21 (4) state that absent the borrower's written notice to
22 the financial institution within 30 days of the earlier of
23 the mailing or delivery of the notice of amendment that the
24 borrower does not agree to accept the amendment, the
25 amendment will become effective and apply to the borrower's
26 account, and

1 (5) provide an address to which the borrower may send
2 notice of the borrower's election not to accept the
3 amendment and include an addressed postcard that the
4 borrower may return to the financial institution for that
5 purpose.

6 (c-5) If such amendment results in an unfavorable change in
7 the interest or other charges on a revolving credit plan which:
8 (i) relates to a change in the borrower's credit standing, (ii)
9 does not affect all or a substantial portion of a class of the
10 creditor's accounts, and (iii) does not relate to inactivity,
11 default, or delinquency on that revolving credit plan, the
12 financial institution shall include in the notice required by
13 subsection (c) of this Section 8 a statement that is
14 substantially similar to the following:

15 Change in Credit Standing

16 The amendment to the terms of your account relates to a
17 change in your credit standing. The change in your credit
18 standing may have resulted from a default or delinquency on
19 other accounts you may have, or other adverse changes in
20 your financial circumstances. If you submit the enclosed
21 postcard or otherwise notify us in a timely manner as
22 provided in this notice that you do not accept the
23 amendment, you will be able to pay off your existing
24 balance at the rate in effect prior to the amendment.
25 However, in that instance, you may not be eligible to
26 obtain additional credit under this plan after the

1 effective date of the amendment. If you do not provide
2 timely notice to us as provided in this notice that you do
3 not accept the amendment, the amendment to the terms of
4 your account will become effective and apply to your
5 account.

6 (c-10) As a condition to the effectiveness of the
7 borrower's notice not to accept the amendment, the financial
8 institution may require the borrower to return all credit
9 devices.

10 Any borrower who gives a timely notice electing not to
11 accept the amendment shall be permitted to pay the outstanding
12 unpaid indebtedness in the borrower's account under the plan in
13 accordance with the terms of the agreement governing the plan
14 without giving effect to the amendment.

15 Notwithstanding the financial institution's receipt of the
16 borrower's notice under item (4) of subsection (c) that the
17 borrower does not accept the amendment, the amendment shall be
18 deemed to have been accepted and effective with respect to the
19 borrower and the borrower's account if the borrower uses the
20 credit device to obtain credit under the credit plan on or
21 after the effective date of the amendment, and the amendment
22 shall be deemed effective as of the effective date originally
23 disclosed by the financial institution.

24 (d) For purposes of this Section, the following shall not
25 be deemed an amendment which has the effect of increasing the
26 interest to be paid by the borrower:

1 (1) a decrease in the required amount of periodic
2 installment payments; and

3 (2) a change from a daily periodic rate to a periodic
4 rate other than daily, or from a periodic rate other than
5 daily to a daily periodic rate, provided that there is no
6 resulting change in the annual percentage rate as
7 determined in accordance with the Truth-in-Lending Act and
8 regulations promulgated thereunder, as in effect from time
9 to time.

10 (Source: P.A. 93-287, eff. 1-1-04.)

11 (205 ILCS 675/8.5 new)

12 Sec. 8.5. Amendment of agreement governing credit card
13 accounts.

14 (a) Amendment of terms. If the agreement governing a credit
15 card account so provides or allows, then a financial
16 institution may at any time or from time to time amend the
17 terms of such agreement in accordance with the further
18 provisions of this Section. The financial institution shall
19 notify each affected borrower of the amendment in the manner
20 set forth in the agreement governing the credit card account
21 and in compliance with the requirements of the Truth-in-Lending
22 Act and regulations promulgated thereunder, as in effect from
23 time to time, if applicable. The provisions of Section 8 of
24 this Act shall not apply to the amendment of the terms of the
25 agreement governing the credit card account.

1 (b) Interest rate increase limited to future transactions.
2 An agreement governing a credit card account may be amended to
3 increase the interest rate on future transactions which may
4 take effect not less than 45 days after notice of the rate
5 increase is provided to the borrower. The interest rate may
6 only be applied to transactions that occur more than 14 days
7 after provision of the notice to the borrower. The notice to
8 the borrower shall disclose the interest rate applicable to new
9 transactions, the date the interest rate will commence, the
10 transactions subject to the increased interest rate, and the
11 transactions subject to the current interest rate. A financial
12 institution may not increase the interest rate under this
13 subsection during the first year after the credit card account
14 is opened.

15 (c) Advance notice and right to reject an increase in fees
16 or charges. An agreement governing a credit card account may be
17 amended to increase fees or charges on or after an effective
18 date that is at least 45 days after provision of a notice to
19 the borrower, provided a financial institution may not increase
20 fees or charges on a credit card account during the first year
21 after the credit card account is opened. The notice to the
22 borrower shall:

23 (1) describe the change in terms contained in the
24 amendment;

25 (2) set forth the effective date of the amendment;

26 (3) state that the borrower may reject the amendment

1 prior to the effective date of the amendment;

2 (4) provide an address to which the borrower may send
3 notice of the borrower's election not to accept the
4 amendment and include an addressed postcard that the
5 borrower may return to the financial institution for that
6 purpose, or provide a toll-free telephone number the
7 borrower may use to notify the financial institution of the
8 borrower's rejection of the amendment; and

9 (5) if applicable, a statement that if the borrower
10 rejects the amendment, then the borrower's ability to use
11 the account for further advances will be terminated or
12 suspended.

13 (d) Interest rate increase applicable to current balances.
14 A financial institution may not increase the interest rate on
15 the outstanding unpaid indebtedness under a credit card
16 agreement, except as permitted in the following:

17 (1) Temporary rate exception. A financial institution
18 may increase a promotional interest rate upon the
19 expiration of a specified period of time of at least 6
20 months, provided that prior to the commencement of that
21 period, the financial institution has disclosed to the
22 borrower the length of the period and the increased
23 interest rate that would apply after the expiration of the
24 period.

25 (2) Variable rate exception. A financial institution
26 may increase the interest rate of a variable rate credit

1 card account, established in accordance with the
2 provisions of Section 5 of this Act, resulting from
3 increases in an index that is not under the financial
4 institution's control and is available to the general
5 public.

6 (3) Workout and temporary hardship exception. If an
7 interest rate is reduced pursuant to a workout or temporary
8 hardship arrangement, then the interest rate may be
9 increased to the interest rate in effect prior to the
10 reduction due to completion of the workout or temporary
11 hardship arrangement by the borrower or the failure of the
12 borrower to comply with the terms of the workout or
13 temporary hardship arrangement, provided the financial
14 institution has furnished the borrower with a clear and
15 conspicuous disclosure of the terms of the arrangement
16 prior to commencement of the arrangement.

17 (4) Delinquency exception. A financial institution may
18 increase the interest rate if the borrower's required
19 minimum payment has not been received by the financial
20 institution within 60 days after the due date for the
21 payment, provided that after the minimum payment is 60 days
22 delinquent a notice is furnished to the borrower 45 days
23 prior to the effective date of the increase stating the
24 reason for the increase and that the increase will
25 terminate not later than 6 months after the effective date
26 of the increase if the financial institution receives the

1 required minimum payments on time during that 6 month
2 period.

3 (5) Servicemember's Civil Relief Act exception. If an
4 interest rate is decreased due to the provisions of 50
5 U.S.C. App. 527 of the Servicemembers Civil Relief Act,
6 then the financial institution may increase the interest
7 rate once those provisions no longer apply, provided the
8 financial institution may not apply to any transactions
9 that occurred prior to the decrease an interest rate
10 greater than the interest rate applied prior to the
11 decrease.

12 (e) Universal default prohibited. A financial institution
13 may not impose an unfavorable change in the interest or other
14 charges on a credit card account which: (i) relates to a change
15 in the borrower's credit standing, (ii) does not affect all or
16 a substantial portion of a class of the creditor's accounts,
17 and (iii) does not relate to inactivity, default, or
18 delinquency on that credit card account.

19 (f) Any borrower who gives a timely notice under subsection
20 (c) of this Section rejecting an amendment to increase fees or
21 charges shall be permitted to pay the outstanding unpaid
22 indebtedness in the borrower's credit card account, in
23 accordance with the terms of the agreement governing the credit
24 card account without giving effect to the amendment.

25 (g) For purposes of this Section, the following shall not
26 be deemed an amendment that has the effect of increasing the

1 interest to be paid by the borrower:

2 (1) a decrease in the required amount of periodic
3 installment payments; and

4 (2) a change from a daily periodic rate to a periodic
5 rate other than daily, or from a periodic rate other than
6 daily to a daily periodic rate, provided that there is no
7 resulting change in the annual percentage rate as
8 determined in accordance with the Truth-in-Lending Act and
9 regulations promulgated thereunder, as in effect from time
10 to time.

11 Section 10. The Credit Card Issuance Act is amended by
12 changing Section 7.2 as follows:

13 (815 ILCS 140/7.2)

14 Sec. 7.2. No credit card issuer shall issue, provide,
15 assign or deliver in any way a credit card account to and in
16 the name of any person under the age of 21 unless the person
17 has submitted a written application and the credit card issuer
18 has:

19 (1) financial information that the person has an
20 independent ability to make the required minimum periodic
21 payments on the proposed extension of credit; or

22 (2) financial information that a cosigner, guarantor,
23 or joint applicant who is at least 21 years old has an
24 independent ability to make the required minimum periodic

1 payments on the proposed extension of credit, and a signed
2 agreement of the cosigner, guarantor, or joint applicant to
3 be either jointly liable for any debt on the account or
4 secondarily liable for any debt on the account incurred by
5 the person before the person has attained the age of 21 ~~18~~
6 ~~without the written approval of that person's parent or~~
7 ~~legal guardian.~~

8 Upon delivery of a credit card account to and in the name
9 of any person under the age of 18, the credit card issuer shall
10 also include a pamphlet which details the responsible use of a
11 credit card, an explanation of applicable credit limits,
12 payment requirements and the penalties for the misuse and
13 fraudulent use of a credit card.

14 ~~A person under the age of 18 may be issued a credit card~~
15 ~~account in that person's name without the written approval of a~~
16 ~~parent or legal guardian if a person over the age of 18 agrees~~
17 ~~to be a joint holder of the credit card account and accepts the~~
18 ~~responsibility for any debt or cost associated with the credit~~
19 ~~card.~~

20 This Section does not apply to a supplementary card issued
21 to a person under the age of 21 ~~18~~ that allows that person to
22 access a credit card account in the name of a person over the
23 age of 21 ~~18~~ if the person over the age of 21 ~~18~~ requested
24 orally or in writing that the supplementary card be issued to
25 the person under the age of 21 ~~18~~.

26 (Source: P.A. 88-348.)

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.