



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB4603

Introduced 2/1/2012, by Rep. Naomi D. Jakobsson

SYNOPSIS AS INTRODUCED:

205 ILCS 670/15	from Ch. 17, par. 5415
205 ILCS 670/17	from Ch. 17, par. 5423
205 ILCS 670/19.3 new	

Amends the Consumer Installment Loan Act in relation to title-secured loans. Limits interest on title-secured loans to 36% per year. Provides that the term of a title-secured loan may not be less than 4, nor more than 12, months. Prohibits repossession of a vehicle securing a title-secured loan after an amount equal to 100% of the principal has been repaid. Requires a licensee under the Act to comply with the Fair Debt Collection Practices Act. Prohibits the debiting of bank accounts in connection with title-secured loans and prohibits the making of title-secured loans with respect to motor vehicles that are titled in a state other than Illinois or owned by an obligor who is not a resident of Illinois.

LRB097 18014 JLS 63237 b

1 AN ACT concerning business.

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

4 Section 5. The Consumer Installment Loan Act is amended by
5 changing Sections 15 and 17 and by adding Section 19.3 as
6 follows:

7 (205 ILCS 670/15) (from Ch. 17, par. 5415)

8 Sec. 15. Charges permitted.

9 (a) Every licensee may lend a principal amount not
10 exceeding \$40,000 and, except as to small consumer loans as
11 defined in this Section, may charge, contract for and receive
12 thereon interest at an annual percentage rate of no more than
13 36%, subject to the provisions of this Act. ~~The ; provided,~~
14 ~~however, that the~~ limitation on the annual percentage rate
15 contained in this subsection (a) applies ~~does not apply~~ to
16 title-secured loans, which are loans upon which interest is
17 charged at an annual percentage rate not exceeding 36%, in
18 which, at commencement, an obligor provides to the licensee, as
19 security for the loan, physical possession of the obligor's
20 title to a motor vehicle, and upon which a licensee may charge,
21 contract for, and receive thereon interest at the rate agreed
22 upon by the licensee and borrower. For purposes of this
23 Section, the annual percentage rate shall be calculated in

1 accordance with the federal Truth in Lending Act.

2 (b) For purpose of this Section, the following terms shall
3 have the meanings ascribed herein.

4 "Applicable interest" for a precomputed loan contract
5 means the amount of interest attributable to each monthly
6 installment period. It is computed as if each installment
7 period were one month and any interest charged for extending
8 the first installment period beyond one month is ignored. The
9 applicable interest for any monthly installment period is, for
10 loans other than small consumer loans as defined in this
11 Section, that portion of the precomputed interest that bears
12 the same ratio to the total precomputed interest as the
13 balances scheduled to be outstanding during that month bear to
14 the sum of all scheduled monthly outstanding balances in the
15 original contract. With respect to a small consumer loan, the
16 applicable interest for any installment period is that portion
17 of the precomputed monthly installment account handling charge
18 attributable to the installment period calculated based on a
19 method at least as favorable to the consumer as the actuarial
20 method, as defined by the federal Truth in Lending Act.

21 "Interest-bearing loan" means a loan in which the debt is
22 expressed as a principal amount plus interest charged on actual
23 unpaid principal balances for the time actually outstanding.

24 "Precomputed loan" means a loan in which the debt is
25 expressed as the sum of the original principal amount plus
26 interest computed actuarially in advance, assuming all

1 payments will be made when scheduled.

2 "Small consumer loan" means a loan upon which interest is
3 charged at an annual percentage rate exceeding 36% and with an
4 amount financed of \$4,000 or less. "Small consumer loan" does
5 not include a title-secured loan as defined by subsection (a)
6 of this Section or a payday loan as defined by the Payday Loan
7 Reform Act.

8 (c) Loans may be interest-bearing or precomputed.

9 (d) To compute time for either interest-bearing or
10 precomputed loans for the calculation of interest and other
11 purposes, a month shall be a calendar month and a day shall be
12 considered 1/30th of a month when calculation is made for a
13 fraction of a month. A month shall be 1/12th of a year. A
14 calendar month is that period from a given date in one month to
15 the same numbered date in the following month, and if there is
16 no same numbered date, to the last day of the following month.
17 When a period of time includes a month and a fraction of a
18 month, the fraction of the month is considered to follow the
19 whole month. In the alternative, for interest-bearing loans,
20 the licensee may charge interest at the rate of 1/365th of the
21 agreed annual rate for each day actually elapsed.

22 (d-5) No licensee or other person may condition an
23 extension of credit to a consumer on the consumer's repayment
24 by preauthorized electronic fund transfers. Payment options,
25 including, but not limited to, electronic fund transfers and
26 Automatic Clearing House (ACH) transactions may be offered to

1 consumers as a choice and method of payment chosen by the
2 consumer.

3 (e) With respect to interest-bearing loans:

4 (1) Interest shall be computed on unpaid principal
5 balances outstanding from time to time, for the time
6 outstanding, until fully paid. Each payment shall be
7 applied first to the accumulated interest and the remainder
8 of the payment applied to the unpaid principal balance;
9 provided however, that if the amount of the payment is
10 insufficient to pay the accumulated interest, the unpaid
11 interest continues to accumulate to be paid from the
12 proceeds of subsequent payments and is not added to the
13 principal balance.

14 (2) Interest shall not be payable in advance or
15 compounded. However, if part or all of the consideration
16 for a new loan contract is the unpaid principal balance of
17 a prior loan, then the principal amount payable under the
18 new loan contract may include any unpaid interest which has
19 accrued. The unpaid principal balance of a precomputed loan
20 is the balance due after refund or credit of unearned
21 interest as provided in paragraph (f), clause (3). The
22 resulting loan contract shall be deemed a new and separate
23 loan transaction for all purposes.

24 (3) Loans must be fully amortizing and be repayable in
25 substantially equal and consecutive weekly, biweekly,
26 semimonthly, or monthly installments. Notwithstanding this

1 requirement, rates may vary according to an index that is
2 independently verifiable and beyond the control of the
3 licensee.

4 (4) The lender or creditor may, if the contract
5 provides, collect a delinquency or collection charge on
6 each installment in default for a period of not less than
7 10 days in an amount not exceeding 5% of the installment on
8 installments in excess of \$200, or \$10 on installments of
9 \$200 or less, but only one delinquency and collection
10 charge may be collected on any installment regardless of
11 the period during which it remains in default.

12 (f) With respect to precomputed loans:

13 (1) Loans shall be repayable in substantially equal and
14 consecutive weekly, biweekly, semimonthly, or monthly
15 installments of principal and interest combined, except
16 that the first installment period may be longer than one
17 month by not more than 15 days, and the first installment
18 payment amount may be larger than the remaining payments by
19 the amount of interest charged for the extra days; and
20 provided further that monthly installment payment dates
21 may be omitted to accommodate borrowers with seasonal
22 income.

23 (2) Payments may be applied to the combined total of
24 principal and precomputed interest until the loan is fully
25 paid. Payments shall be applied in the order in which they
26 become due, except that any insurance proceeds received as

1 a result of any claim made on any insurance, unless
2 sufficient to prepay the contract in full, may be applied
3 to the unpaid installments of the total of payments in
4 inverse order.

5 (3) When any loan contract is paid in full by cash,
6 renewal or refinancing, or a new loan, one month or more
7 before the final installment due date, a licensee shall
8 refund or credit the obligor with the total of the
9 applicable interest for all fully unexpired installment
10 periods, as originally scheduled or as deferred, which
11 follow the day of prepayment; provided, if the prepayment
12 occurs prior to the first installment due date, the
13 licensee may retain 1/30 of the applicable interest for a
14 first installment period of one month for each day from the
15 date of the loan to the date of prepayment, and shall
16 refund or credit the obligor with the balance of the total
17 interest contracted for. If the maturity of the loan is
18 accelerated for any reason and judgment is entered, the
19 licensee shall credit the borrower with the same refund as
20 if prepayment in full had been made on the date the
21 judgement is entered.

22 (4) The lender or creditor may, if the contract
23 provides, collect a delinquency or collection charge on
24 each installment in default for a period of not less than
25 10 days in an amount not exceeding 5% of the installment on
26 installments in excess of \$200, or \$10 on installments of

1 \$200 or less, but only one delinquency or collection charge
2 may be collected on any installment regardless of the
3 period during which it remains in default.

4 (5) If the parties agree in writing, either in the loan
5 contract or in a subsequent agreement, to a deferment of
6 wholly unpaid installments, a licensee may grant a
7 deferment and may collect a deferment charge as provided in
8 this Section. A deferment postpones the scheduled due date
9 of the earliest unpaid installment and all subsequent
10 installments as originally scheduled, or as previously
11 deferred, for a period equal to the deferment period. The
12 deferment period is that period during which no installment
13 is scheduled to be paid by reason of the deferment. The
14 deferment charge for a one month period may not exceed the
15 applicable interest for the installment period immediately
16 following the due date of the last undeferred payment. A
17 proportionate charge may be made for deferment for periods
18 of more or less than one month. A deferment charge is
19 earned pro rata during the deferment period and is fully
20 earned on the last day of the deferment period. Should a
21 loan be prepaid in full during a deferment period, the
22 licensee shall credit to the obligor a refund of the
23 unearned deferment charge in addition to any other refund
24 or credit made for prepayment of the loan in full.

25 (6) If two or more installments are delinquent one full
26 month or more on any due date, and if the contract so

1 provides, the licensee may reduce the unpaid balance by the
2 refund credit which would be required for prepayment in
3 full on the due date of the most recent maturing
4 installment in default. Thereafter, and in lieu of any
5 other default or deferment charges, the agreed rate of
6 interest or, in the case of small consumer loans, interest
7 at the rate of 18% per annum, may be charged on the unpaid
8 balance until fully paid.

9 (7) Fifteen days after the final installment as
10 originally scheduled or deferred, the licensee, for any
11 loan contract which has not previously been converted to
12 interest-bearing under paragraph (f), clause (6), may
13 compute and charge interest on any balance remaining
14 unpaid, including unpaid default or deferment charges, at
15 the agreed rate of interest or, in the case of small
16 consumer loans, interest at the rate of 18% per annum,
17 until fully paid. At the time of payment of said final
18 installment, the licensee shall give notice to the obligor
19 stating any amounts unpaid.

20 (Source: P.A. 96-936, eff. 3-21-11.)

21 (205 ILCS 670/17) (from Ch. 17, par. 5423)

22 Sec. 17. Maximum term and amount.

23 (a) Except as provided in subsection (b), the ~~The~~ loan
24 contract shall provide for repayment of the principal and
25 charges within 181 months from the date of the loan contract or

1 the last advance, if any, required by the loan contract. No
2 licensee shall permit an obligor to owe such licensee or an
3 affiliate (including a corporation owned or managed by the
4 licensee) or agent of such licensee an aggregate principal
5 amount of more than \$40,000 at any time for loans transacted
6 pursuant to this Act.

7 (b) A contract for a title-secured loan may provide for
8 repayment of the principal and charges within no fewer than 4
9 months, and no more than 12 months, from the date of the loan
10 contract.

11 (Source: P.A. 93-264, eff. 1-1-04.)

12 (205 ILCS 670/19.3 new)

13 Sec. 19.3. Title-secured loans; procedures.

14 (a) A licensee may not repossess a motor vehicle used as
15 collateral for a title-secured loan at any time after the
16 obligor has repaid an amount equal to 100% of the principal
17 loan amount.

18 (b) A licensee must comply with the Fair Debt Collection
19 Practices Act. A licensee may not debit bank accounts in
20 connection with a title-secured loan. A licensee may not accept
21 as security for a title-secured loan any motor vehicle at any
22 time during which the motor vehicle is subject to an
23 outstanding lien. A licensee may not accept as security for a
24 title-secured loan any motor vehicle the title of which is
25 issued by a state other than Illinois or that is owned by an

1 obligor who is not a resident of this State.