



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB5455

Introduced 2/15/2012, by Rep. Luis Arroyo

SYNOPSIS AS INTRODUCED:

815 ILCS 122/2-5

Amends the Payday Loan Reform Act. Provides that a lender may not make a loan to a consumer if the total of all payday loan payments coming due within any month, rather than the first calendar month, during the term of the loan exceeds the lesser of \$1,000 or specified percentages of the consumer's gross monthly income.

LRB097 17997 JLS 63220 b

1 AN ACT concerning payday loans.

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

4 Section 5. The Payday Loan Reform Act is amended by
5 changing Section 2-5 as follows:

6 (815 ILCS 122/2-5)

7 Sec. 2-5. Loan terms.

8 (a) Without affecting the right of a consumer to prepay at
9 any time without cost or penalty, no payday loan may have a
10 minimum term of less than 13 days.

11 (b) Except for an installment payday loan as defined in
12 this Section, no payday loan may be made to a consumer if the
13 loan would result in the consumer being indebted to one or more
14 payday lenders for a period in excess of 45 consecutive days.
15 Except as provided under subsection (c) of this Section and
16 Section 2-40, if a consumer has or has had loans outstanding
17 for a period in excess of 45 consecutive days, no payday lender
18 may offer or make a loan to the consumer for at least 7
19 calendar days after the date on which the outstanding balance
20 of all payday loans made during the 45 consecutive day period
21 is paid in full. For purposes of this subsection, the term
22 "consecutive days" means a series of continuous calendar days
23 in which the consumer has an outstanding balance on one or more

1 payday loans; however, if a payday loan is made to a consumer
2 within 6 days or less after the outstanding balance of all
3 loans is paid in full, those days are counted as "consecutive
4 days" for purposes of this subsection.

5 (c) Notwithstanding anything in this Act to the contrary, a
6 payday loan shall also include any installment loan otherwise
7 meeting the definition of payday loan contained in Section
8 1-10, but that has a term agreed by the parties of not less
9 than 112 days and not exceeding 180 days; hereinafter an
10 "installment payday loan". The following provisions shall
11 apply:

12 (i) Any installment payday loan must be fully
13 amortizing, with a finance charge calculated on the
14 principal balances scheduled to be outstanding and be
15 repayable in substantially equal and consecutive
16 installments, according to a payment schedule agreed by the
17 parties with not less than 13 days and not more than one
18 month between payments; except that the first installment
19 period may be longer than the remaining installment periods
20 by not more than 15 days, and the first installment payment
21 may be larger than the remaining installment payments by
22 the amount of finance charges applicable to the extra days.
23 In calculating finance charges under this subsection, when
24 the first installment period is longer than the remaining
25 installment periods, the amount of the finance charges
26 applicable to the extra days shall not be greater than

1 \$15.50 per \$100 of the original principal balance divided
2 by the number of days in a regularly scheduled installment
3 period and multiplied by the number of extra days
4 determined by subtracting the number of days in a regularly
5 scheduled installment period from the number of days in the
6 first installment period.

7 (ii) An installment payday loan may be refinanced by a
8 new installment payday loan one time during the term of the
9 initial loan; provided that the total duration of
10 indebtedness on the initial installment payday loan
11 combined with the total term of indebtedness of the new
12 loan refinancing that initial loan, shall not exceed 180
13 days. For purposes of this Act, a refinancing occurs when
14 an existing installment payday loan is paid from the
15 proceeds of a new installment payday loan.

16 (iii) In the event an installment payday loan is paid
17 in full prior to the date on which the last scheduled
18 installment payment before maturity is due, other than
19 through a refinancing, no licensee may offer or make a
20 payday loan to the consumer for at least 2 calendar days
21 thereafter.

22 (iv) No installment payday loan may be made to a
23 consumer if the loan would result in the consumer being
24 indebted to one or more payday lenders for a period in
25 excess of 180 consecutive days. The term "consecutive days"
26 does not include the date on which a consumer makes the

1 final installment payment.

2 (d) (Blank).

3 (e) No lender may make a payday loan to a consumer if the
4 total of all payday loan payments coming due within any ~~the~~
5 ~~first~~ calendar month during the term of the loan, when combined
6 with the payment amount of all of the consumer's other
7 outstanding payday loans coming due within the same month,
8 exceeds the lesser of:

9 (1) \$1,000; or

10 (2) in the case of one or more payday loans, 25% of the
11 consumer's gross monthly income; or

12 (3) in the case of one or more installment payday
13 loans, 22.5% of the consumer's gross monthly income; or

14 (4) in the case of a payday loan and an installment
15 payday loan, 22.5% of the consumer's gross monthly income.

16 No loan shall be made to a consumer who has an outstanding
17 balance on 2 payday loans, except that, for a period of 12
18 months after the effective date of this amendatory Act of the
19 96th General Assembly, consumers with an existing CILA loan may
20 be issued an installment loan issued under this Act from the
21 company from which their CILA loan was issued.

22 (e-5) Except as provided in subsection (c)(i), no lender
23 may charge more than \$15.50 per \$100 loaned on any payday loan,
24 or more than \$15.50 per \$100 on the initial principal balance
25 and on the principal balances scheduled to be outstanding
26 during any installment period on any installment payday loan.

1 Except for installment payday loans and except as provided in
2 Section 2-25, this charge is considered fully earned as of the
3 date on which the loan is made. For purposes of determining the
4 finance charge earned on an installment payday loan, the
5 disclosed annual percentage rate shall be applied to the
6 principal balances outstanding from time to time until the loan
7 is paid in full, or until the maturity date, which ever occurs
8 first. No finance charge may be imposed after the final
9 scheduled maturity date.

10 When any loan contract is paid in full, the licensee shall
11 refund any unearned finance charge. The unearned finance charge
12 that is refunded shall be calculated based on a method that is
13 at least as favorable to the consumer as the actuarial method,
14 as defined by the federal Truth in Lending Act. The sum of the
15 digits or rule of 78ths method of calculating prepaid interest
16 refunds is prohibited.

17 (f) A lender may not take or attempt to take an interest in
18 any of the consumer's personal property to secure a payday
19 loan.

20 (g) A consumer has the right to redeem a check or any other
21 item described in the definition of payday loan under Section
22 1-10 issued in connection with a payday loan from the lender
23 holding the check or other item at any time before the payday
24 loan becomes payable by paying the full amount of the check or
25 other item.

26 (Source: P.A. 96-936, eff. 3-21-11; 97-421, eff. 1-1-12.)