**Section 160.110 Hypothecation of Security Instruments**

a) All instruments held by licensees as evidence of indebtedness may be pledged without the prior consent of the Department, except the pledgee must provide the Department, in writing, in a form satisfactory to the Department that the Director or the Director's representatives may at any time examine the pledged instruments, and such pledgee shall also agree, in writing, to provide suitable working quarters for the examiner of the Department to make such examination.

b) Should the physical records or documents of the accounts pledged be located outside of the geographic boundaries of the State of Illinois, the licensee must pay all of the expense of examination by the representatives of this Department, in addition to the examination fees as specified in Section 160.210.

c) Each instrument hypothecated must bear the following endorsement or substantially similar language:

"This instrument is non-negotiable in form but may be pledged as collateral security. If so pledged, any payment made to the pledgor, upon the debt evidenced by this obligation, shall be considered and construed as a payment on this instrument, the same as though it were still in the possession and under the control of the pledgor named herein; and the pledgee holding this instrument as collateral security hereby makes said pledgor its agent to accept and receive payments hereon, either of installments or charges."

(Source: Amended at 47 Ill. Reg. 9324, effective June 20, 2023)