

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 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
17 Professional Regulation.

18 "Division of Banking" means the Division of Banking of the
19 Department of Financial and Professional Regulation.

20 "Federal loan borrower eligible for referral to a
21 repayment specialist" means a borrower who possesses any of
22 the following characteristics:

23 (1) requests information related to options to reduce

1 or suspend his or her monthly payment;

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

5 (3) has missed 2 consecutive monthly payments;

6 (4) is at least 75 days delinquent;

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

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

11 (7) has not completed a course of study, as reflected
12 in the servicer's records, or the borrower identifies
13 himself or herself as not having completed a program of
14 study.

15 "Federal education loan" means any loan made, guaranteed,
16 or insured under Title IV of the federal Higher Education Act
17 of 1965.

18 "Income-driven payment plan certification" means the
19 documentation related to a federal student loan borrower's
20 income or financial status the borrower must submit to renew
21 an income-driven repayment plan.

22 "Income-driven repayment options" includes the
23 Income-Contingent Repayment Plan, the Income-Based Repayment
24 Plan, the Income-Sensitive Repayment Plan, the Pay As You Earn
25 Plan, the Revised Pay As You Earn Plan, and any other federal
26 student loan repayment plan that is calculated based on a

1 borrower's income.

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

3 "Other repayment plans" means the Standard Repayment Plan,
4 the Graduated Repayment Plan, the Extended Repayment Plan, or
5 any other federal student loan repayment plan not based on a
6 borrower's income.

7 "Private loan borrower eligible for referral to a
8 repayment specialist" means a borrower who possesses any of
9 the following characteristics:

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

12 (2) indicates that he or she is experiencing or
13 anticipates experiencing financial hardship, distress, or
14 difficulty making his or her payments.

15 "Requester" means any borrower or cosigner that submits a
16 request for assistance.

17 "Request for assistance" means all inquiries, complaints,
18 account disputes, and requests for documentation a servicer
19 receives from borrowers or cosigners.

20 "Secretary" means the Secretary of Financial and
21 Professional Regulation, or his or her designee, including the
22 Director of the Division of Banking of the Department of
23 Financial and Professional Regulation.

24 "Servicing" means: (1) receiving any scheduled periodic
25 payments from a student loan borrower or cosigner pursuant to
26 the terms of a student loan; (2) applying the payments of

1 principal and interest and such other payments with respect to
2 the amounts received from a student loan borrower or cosigner,
3 as may be required pursuant to the terms of a student loan; and
4 (3) performing other administrative services with respect to a
5 student loan.

6 "Student loan" or "loan" means any federal education loan
7 or other loan primarily for use to finance a postsecondary
8 education and costs of attendance at a postsecondary
9 institution, including, but not limited to, tuition, fees,
10 books and supplies, room and board, transportation, and
11 miscellaneous personal expenses. "Student loan" includes a
12 loan made to refinance a student loan.

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

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

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

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

25 (3) The borrower fails to graduate or successfully
26 complete his or her education program and has a balance

1 due at the time of his or her disenrollment from the
2 postsecondary institution.

3 "Student loan servicer" or "servicer" means any person
4 engaged in the business of servicing student loans. "Student
5 loan servicer" or "servicer" includes persons or entities
6 acting on behalf of the State Treasurer. "Student loan
7 servicer" includes an income share agreement provider as set
8 forth under Article 7 of this Act.

9 "Student loan servicer" shall not include:

10 (1) a bank, savings bank, savings association, or
11 credit union organized under the laws of the State or any
12 other state or under the laws of the United States;

13 (2) a wholly owned subsidiary of any bank, savings
14 bank, savings association, or credit union organized under
15 the laws of the State or any other state or under the laws
16 of the United States;

17 (3) an operating subsidiary where each owner of the
18 operating subsidiary is wholly owned by the same bank,
19 savings bank, savings association, or credit union
20 organized under the laws of the State or any other state or
21 under the laws of the United States;

22 (4) the Illinois Student Assistance Commission and its
23 agents when the agents are acting on the Illinois Student
24 Assistance Commission's behalf;

25 (5) a public postsecondary educational institution or
26 a private nonprofit postsecondary educational institution

1 servicing a student loan it extended to the borrower;

2 (6) a licensed debt management service under the Debt
3 Management Service Act, except to the extent that the
4 organization acts as a subcontractor, affiliate, or
5 service provider for an entity that is otherwise subject
6 to licensure under this Act;

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

10 (8) in connection with its responsibilities as a
11 guaranty agency engaged in default aversion, a State or
12 nonprofit private institution or organization having an
13 agreement with the U.S. Secretary of Education under
14 Section 428(b) of the Higher Education Act (20 U.S.C.
15 1078(B));

16 (9) a State institution or a nonprofit private
17 organization designated by a governmental entity to make
18 or service student loans, provided in each case that the
19 institution or organization services fewer than 20,000
20 student loan accounts of borrowers who reside in Illinois;

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

23 (11) the State Treasurer.

24 (Source: P.A. 100-540, eff. 12-31-18; 100-635, eff. 12-31-18;
25 101-586, eff. 8-26-19.)

1 (110 ILCS 992/Art. 7 heading new)

2 ARTICLE 7. EDUCATIONAL INCOME SHARE AGREEMENTS

3 (110 ILCS 992/7-1 new)

4 Sec. 7-1. Purpose and Construction. This Article shall be
5 construed as a consumer protection law for all purposes. This
6 Article shall be liberally construed to effectuate its
7 purpose.

8 (110 ILCS 992/7-5 new)

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

10 "Amount financed" means the amounts advanced by the income
11 share agreement provider to the consumer or on behalf of the
12 consumer or, if the income share agreement provider is a
13 merchant financing the sale of goods or services to the
14 consumer using an income share agreement, "amount financed"
15 means the amount credited by the income share agreement
16 provider toward the purchase of such goods and services on
17 behalf of the consumer.

18
19 "Annual percentage rate" or "APR" means the percentage
20 rate calculated according to the Federal Reserve Board's
21 methodology as set forth under Regulation Z, 12 CFR Part 1026.
22 The "annual percentage rate" of an income share agreement is
23 the measure of the cost of the income share agreement,
24 expressed as a yearly rate, that relates to the amount and

1 timing of value received by the consumer to the amount and
2 timing of payments made. The "annual percentage rate" is
3 determined in accordance with either the actuarial method or
4 the United States rule method.

5 "Cash price" means the price that the consumer would pay
6 for the goods or services for which the educational income
7 share agreement proceeds are advanced in an equivalent cash
8 transaction between the consumer and the provider of goods or
9 services. The Cash price excludes any amounts paid by the
10 consumer as a down payment to the income share agreement
11 provider.

12 "Consumer" means a natural person who enters into an
13 Educational Income Share Agreement for educational purposes.

14 "Disposable earnings" means that part of the earnings of
15 an individual remaining after the deduction from total
16 earnings of amounts required by law to be withheld.

17 "Educational Income Share Agreement" means an income share
18 agreement that:

19 (1) is not made, insured, or guaranteed under Title IV
20 of the Higher Education Act of 1965, 20 U.S.C. 1070 et
21 seq., or another federally subsidized educational finance
22 program; and

23 (2) is extended to a consumer expressly, in whole or
24 in part, for postsecondary educational expenses, tuition,
25 or other obligations of, or pays amounts to, or on behalf
26 of, such individual for costs associated with a

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

16 "Federal poverty guidelines" means the poverty guidelines
17 published by the federal Department of Health and Human
18 Services under the authority of 42 U.S.C. 9902(2) in the
19 Federal Register.

20 "Garnishment" means any legal or equitable procedure
21 through which earnings of an individual are required to be
22 withheld for payment of obligations to an income share
23 agreement provider as set forth in the Code of Civil
24 Procedure.

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

1 (1) the ISA provider credits or advances a sum of
2 money to the consumer or to a third party on the consumer's
3 behalf or, if the ISA provider is a seller of goods or
4 services to the consumer, the ISA provider credits or
5 advances toward the purchase of such goods or services;

6 (2) the consumer is obligated to make periodic
7 payments, if any become due, to the ISA provider
8 calculated, based upon, or determined by the consumer's
9 income;

10 (3) the consumer only incurs an obligation in each
11 payment period if the individual's income in that period
12 is above an income threshold specified in the ISA
13 agreement;

14 (4) there is an ISA duration after which the
15 obligation is complete regardless of how much has been
16 paid, as long as the consumer has paid any prior amounts
17 due; and

18 (5) each of these elements is available at the time of
19 contracting of the income share agreement. For purposes of
20 this definition, an income share agreement shall be
21 treated as "credit", within the meaning of that term under
22 15 U.S.C. 1602(f), and as a "private education loan",
23 within the meaning of that term under 15 U.S.C.
24 1650(a)(8), to the extent the proceeds of the ISA are used
25 for postsecondary educational expenses in a manner
26 consistent with the definition of that term.

1 "Income threshold" means a fixed dollar amount that is the
2 minimum income per payment period that an ISA recipient is
3 required to earn before the ISA recipient is required to make a
4 payment on an income share agreement for such payment period.

5 "Index" means the Consumer Price Index for Urban Wage
6 Earners and Clerical Workers: U.S. City Average, All Items,
7 1967=100, compiled by the Bureau of Labor Statistics, United
8 States Department of Labor.

9 "ISA duration" means the maximum time during which a
10 consumer could remain obligated on the income share agreement,
11 other than periods when an income share agreement provider is
12 attempting to collect past-due amounts and absent periods of
13 payment relief pauses, forbearance, military service
14 suspension, or other suspension of obligations at the request
15 of the consumer, regardless of whether the consumer's income
16 is greater than the minimum income.

17 "ISA maximum number of payments" means the maximum number
18 of ISA payments during ISA payment periods in which the
19 consumer's income is equal to or greater than the income
20 threshold that a consumer could be required to make pursuant
21 to the terms of the income share agreement. "ISA maximum
22 number of payments" does not include periods of payment relief
23 pause.

24 "ISA payment" means a calculated monthly payment in excess
25 of \$0.00 that counts toward the maximum income-based payments
26 under the ISA. An "ISA payment" is required only for income

1 earned during an ISA payment period in which the consumer's
2 income was equal to or greater than the income threshold.

3 "ISA payment calculation method" means the mechanism,
4 formula, percentage, dollar figure, or other means of
5 calculating a student's payment obligation, based on the
6 student's income, under the terms of the income share
7 agreement.

8 "ISA payment cap" means the maximum amount of money a
9 consumer must pay to satisfy the terms of an income share
10 agreement, which may be expressed as a dollar value, a
11 multiple of the amount funded to the student or on the
12 student's behalf, or as a maximum effective annual percentage
13 rate.

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

17 "Income share agreement provider" means:

18 (1) a person that provides money, payments, or credits
19 to or on behalf of a consumer pursuant to the terms of an
20 income share agreement; or

21 (2) any other person engaged in the business of
22 soliciting, making, funding, or extending income share
23 agreements. This subsection does not apply to an entity
24 that either: (A) has no direct interactions with the
25 consumer and is not responsible for making credit
26 decisions regarding the consumer, or (B) is the provider

1 of the educational services to the consumer, even if these
2 entities may qualify under subsection (1), or (C) whose
3 role is solely limited to the marketing or advertising of
4 the income share agreement to the consumer on behalf of a
5 licensed income share agreement provider.

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

9 "Payment relief pause" means a period of time that is
10 requested by the consumer during which the consumer is not
11 required to make payments despite the consumer's income
12 exceeding the income threshold.

13 "Sales price" means, for an educational income share
14 agreement, the sum of the cash price and any other amounts
15 financed by the educational income share agreement.

16 (110 ILCS 992/7-10 new)

17 Sec. 7-10. Monthly payment affordability.

18 (a) Maximum ISA income obligation. Each income share
19 agreement shall specify the ISA payment calculation method
20 applicable to the income share agreement and shall comply with
21 the following:

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

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

1 student is applying, at hypothetical future income levels
2 ranging from the income threshold of the ISA for which the
3 student has applied up to \$70,000, with such number
4 adjusting for inflation each year, in increments of
5 \$10,000. The terms of the educational ISA for which the
6 student has applied cannot cause the student's aggregate
7 future burden to exceed the limit in subsection (b) at any
8 of the income increments stated in this paragraph. For the
9 purpose of calculating the percentage burden of an
10 educational ISA at a given future income level, the ISA
11 provider shall use the ISA payment amount that would be
12 applicable for the ISA at such income level. For the
13 purpose of calculating the percentage burden of an
14 educational loan at a given future income level, the ISA
15 provider shall divide the annual payment obligation by
16 income level using the most affordable payment plan or
17 option which would yield the lowest monthly payments that
18 would be available to the student at such income level
19 under such loan. For students enrolled in a Title IV
20 program, as part of this analysis the ISA provider shall
21 assume a federal loan balance equal to the larger of (1)
22 the student's existing federal loan balance, and (2) the
23 aggregate maximum amount the student is eligible to borrow
24 under Federal Direct Stafford Loans for his or her status,
25 dependent or independent.

26 (b) Protections during periods of low earnings. The income

1 share agreement must state that when a consumer has income
2 that is equal to or below the income threshold set forth in the
3 income share agreement that the consumer's payment obligation
4 is zero dollars. The income threshold at the time of
5 origination must be high enough such that the consumer's gross
6 income minus any income share agreement obligation must leave
7 the consumer with gross income equal to at least 200% of the
8 federal poverty guidelines for a single person.

9 (c) Required payment relief pauses. An income share
10 agreement must offer at least 3 months of voluntary payment
11 relief pauses, so long as a consumer's current income at the
12 time of requesting the payment relief pause is equal to or less
13 than 400% of the federal poverty guidelines for a single
14 individual, for every 30 income-determined payments required
15 under the income share agreement.

16 (110 ILCS 992/7-15 new)

17 Sec. 7-15. Maximum effective annual percentage rate. An
18 income share agreement must specify that the maximum amount
19 that a consumer could be required to pay under the income share
20 agreement will not result in a consumer ever being required to
21 pay an effective annual percentage rate that is greater than
22 36%. If at any time the provider accepts a payment of an amount
23 that would cause the limit in this Section to apply, the
24 provider shall refund any amounts, within 20 calendar days,
25 necessary to ensure that the consumer's payments do not result

1 in an effective annual percentage rate that is greater than
2 the limit specified in this Section.

3 (110 ILCS 992/7-20 new)

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

5 (a) ISA maximum number of payments shall not exceed 180
6 monthly payments.

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

10 (110 ILCS 992/7-25 new)

11 Sec. 7-25. Risk sharing.

12 (a) An income share agreement provider may not contract
13 for income share agreement terms that would result in a
14 consumer having income that is less than or equal to 300% of
15 the federal poverty guidelines for a single person for the ISA
16 duration being required to make a stream of ISA payments that
17 would yield an effective APR greater than 8%, or the high yield
18 of the 10-year United States Constant Maturity Treasury Notes
19 auctioned at the final auction held before the current
20 calendar year in which an ISA offering is made plus 7%,
21 whichever is greater.

22 (b) An income share agreement provider may not contract
23 for income share agreement terms that would result in a
24 consumer having income that is less than or equal to 400% of

1 the federal poverty guidelines for a single person for the ISA
2 duration being required to make a stream of ISA payments that
3 would yield an effective APR greater than 12%, or the high
4 yield of the 10-year United States Constant Maturity Treasury
5 Notes auctioned at the final auction held before the current
6 calendar year in which an ISA offering is made plus 11%,
7 whichever is greater.

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

18 (d) An income share agreement provider may not contract
19 for income share agreement terms that would result in a
20 consumer having income that is less than or equal to 600% of
21 the federal poverty guidelines for a single person for the ISA
22 duration being required to make a stream of ISA payments that
23 would yield an effective APR greater than 18%, or the high
24 yield of the 10-year United States Constant Maturity Treasury
25 Notes auctioned at the final auction held before the current
26 calendar year in which an ISA offering is made plus 17%,

1 whichever is greater.

2 (e) For the purposes of determining the various tiers set
3 forth in this Section, an income share agreement provider
4 shall calculate the effective APR by determining the various
5 federal poverty guidelines tiers at the time the consumer's
6 income share agreement is originated and assuming such amounts
7 are fixed through the ISA duration.

8 (f) For the purposes of determining ISA duration in this
9 Section: in the case of an educational ISA, an income share
10 agreement provider shall assume the ISA duration started after
11 a period equal to the expected length of the program for which
12 a consumer is enrolling; or in the case of a non-educational
13 ISA, an income share agreement provider shall assume the ISA
14 duration started immediately.

15 (110 ILCS 992/7-30 new)

16 Sec. 7-30. Limits on covered income. An income share
17 agreement must specify the definition of income to be used for
18 the purposes of calculating a consumer's payment obligation
19 under the income share agreement. No income share agreement
20 shall include any of the following in its definition of
21 income:

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

25 (2) Any amount paid by the consumer under Title II or

1 XVI of the Social Security Act, 42 U.S.C. 401 et seq., 42
2 U.S.C. 1381 et seq.; or under a State program funded by
3 Title IV of the Social Security Act, 42 U.S.C. 601 et seq.

4 (3) Individual retirement account distributions.

5 (4) Pensions and annuities.

6 (5) Social security benefits.

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

9 (A) unemployment programs;

10 (B) disaster relief programs;

11 (C) Medicare or Medicaid benefits;

12 (D) benefits received through the Supplemental
13 Nutrition Assistance Program; (E) economic impact
14 payments;

15 (E) the earned income tax credit or child tax
16 credit;

17 (F) other income excluded from the definition of
18 taxable income set forth by the Internal Revenue
19 Service; or

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

23 (110 ILCS 992/7-35 new)

24 Sec. 7-35. Fees permitted. In addition to the ISA
25 obligation permitted by this Act, an income share agreement

1 provider may contract for and receive the following additional
2 charges:

3 (1) government fees and taxes;

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

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

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

17 (5) an amount not exceeding \$25, plus any actual
18 expenses incurred in connection with a check or draft that
19 is not honored because of insufficient or uncollected
20 funds or because no such account exists;

21 (6) other fees authorized by the Secretary. In
22 determining whether to authorize a charge, the Secretary
23 shall consider whether the charge benefits the consumer
24 and is reasonable;

25 (7) before or after default in payment of a scheduled
26 payment of an income share agreement, the parties to the

1 income share agreement may agree in writing to a deferral
2 of all or part of one or more unpaid payments and the
3 income share agreement provider may make, at the time of
4 deferral and receive at that time or at any time
5 thereafter, a deferral charge not exceeding an amount
6 equal to 10% of the missed payment. Provided this
7 subsection shall not apply to voluntary payment relief
8 pauses.

9 (110 ILCS 992/7-40 new)

10 Sec. 7-40. Restriction on security interest. Under no
11 circumstances shall an income share agreement provider take a
12 security interest in any collateral in connection with an
13 income share agreement.

14 (110 ILCS 992/7-45 new)

15 Sec. 7-45. Discharge of obligations.

16 (a) All further obligations under an income share
17 agreement, shall terminate if the consumer is deemed totally
18 and permanently disabled by the applicable governmental
19 agency.

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

23 (110 ILCS 992/7-50 new)

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

5 (110 ILCS 992/7-55 new)

6 Sec. 7-55. Limitation on acceleration.

7 (a) Income share agreement providers shall not attempt to
8 accelerate or otherwise liquidate a future payment stream
9 under an income share agreement.

10 (b) Notwithstanding subsection (a), nothing in this
11 Section shall prevent an income share agreement provider from
12 collecting or pursuing any other remedy available to the
13 income share agreement provider for the collection of amounts
14 that were due from the consumer under an income share
15 agreement that were not paid or properly remitted to the
16 income share agreement provider. Nothing in this Section shall
17 prevent an income share agreement provider from calculating a
18 projected future income for a consumer and calculating a
19 consumer's payment obligation using that projection if the
20 consumer does not provide contractually obligated
21 documentation of income.

22 (c) Notwithstanding subsection (a), an income share
23 agreement may contain a provision that allows a consumer to
24 terminate his or her income share agreement before the events
25 terminating further obligations under the income share

1 agreement. The early termination mechanisms, such as total
2 caps on payments due to the income share agreement provider or
3 other rights to partially or fully terminate further
4 obligations under the income share agreement, must be optional
5 to the consumer and within the consumer's control. In such
6 circumstances, such mechanisms will not be deemed a form of
7 acceleration, early termination penalty, or prepayment
8 penalty.

9 (110 ILCS 992/7-60 new)

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

11 (a) An income share agreement provider may not take an
12 assignment of earnings of the consumer for payment or as
13 security for payment of a debt arising out of an income share
14 agreement. An assignment of earnings in violation of this
15 Section is unenforceable by the assignee of the earnings and
16 revocable by the consumer. This Section does not prohibit a
17 consumer from authorizing deductions from his or her earnings
18 in favor of a licensee if the authorization complies with the
19 Illinois Wage Assignment Act.

20 (b) A sale of unpaid earnings made in consideration of the
21 payment of money to or for the account of the seller of the
22 earnings is deemed to be a loan to the seller secured by an
23 assignment of earnings.

24 (110 ILCS 992/7-65 new)

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

6 (110 ILCS 992/7-70 new)

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

11 (110 ILCS 992/7-75 new)

12 Sec. 7-75. Required disclosures.

13 (a) An income share agreement provider shall disclose the
14 following information to each consumer, clearly and
15 conspicuously, in a form that the consumer can keep at the time
16 the transaction is consummated:

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

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

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

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

1 (5) The maximum number of payments expressed as a
2 whole number.

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

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

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

13 (9) The definition of income to be used for the
14 purposes of calculating the consumer's obligations under
15 the income share agreement.

16 (10) A description of the terms under which the
17 obligations of the consumer under the income share
18 agreement will be extinguished before the full ISA
19 duration.

20 (11) A payment schedule that shows the date on which
21 the first payment will be due and reflecting each date
22 thereafter during the ISA duration that a payment may be
23 due.

24 (12) An itemization of any permissible fees associated
25 with the ISA.

26 (13) A description of the methods used by the ISA

1 provider to engage in a process of reconciliation and
2 verification to determine if the consumer's payments are
3 more than, equal to, or less than the payments owed by the
4 consumer under his or her income share agreement; this
5 description shall include the following:

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

8 (ii) a description of the requirements and timing
9 of the process in which the consumer must participate
10 in order for the ISA provider to verify the consumer's
11 income; and

12 (iii) a description of any records or forms,
13 including tax records, that the consumer may be
14 required to execute or submit.

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

16 (15) A table displaying the dollar amounts of each
17 payment, the number of payments, the effective annual
18 percentage rate, and the total of all payments that a
19 consumer would be required to pay under the income share
20 agreement at a range of annual income levels based on the
21 ISA duration. The comparison table shall include a
22 statement that "This comparison table is for illustrative
23 purposes only and may not reflect the amounts that you are
24 likely to pay under this income share agreement. This
25 table assumes you have the same income over the entire
26 term of your income share agreement. It does not take into

1 account changes in income. Your income will likely change
2 over time. This table does not represent the income or
3 range of incomes that you are likely to earn in the
4 future." In computing the APR, the ISA provider shall use
5 the amount financed and may assume that the income share
6 agreement will be disbursed in the amount and with the
7 disbursement schedule that it reasonably expects to follow
8 for such income share agreement and that payments would
9 commence on the date set forth in the income share
10 agreement. The income used in this disclosure shall
11 include, at minimum, the obligations at the following
12 incomes:

13 (i) no income;

14 (ii) income equal to the annual equivalent of the
15 income threshold;

16 (iii) various income scenarios with at least
17 calculations at annual incomes of \$40,000, \$60,000,
18 \$80,000, \$100,000, \$125,000, \$150,000, \$175,000, and
19 \$200,000; and

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

22 (16) A statement that the income share agreement is
23 not a fixed payment installment loan and that the amount
24 the consumer will be required to pay under the income
25 share agreement:

26 (i) may be more or less than the amount financed by

1 the ISA provider; and

2 (ii) will vary in proportion with the consumer's
3 income.

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

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

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

16 (110 ILCS 992/7-80 new)

17 Sec. 7-80. Early completion. An income share agreement
18 shall specify the terms and conditions by which the consumer
19 may extinguish his or her obligations under the income share
20 agreement before the end of the income share agreement's
21 duration. An income share agreement may include any method to
22 determine the early completion payment; however, a consumer
23 may always cancel an income share agreement by making
24 aggregate payments, excluding payments to fees, equal to the
25 ISA payment cap. The consumer is entitled to this early

1 completion regardless of whether the consumer makes this early
2 completion payment by making regularly scheduled payments or
3 by making a single lump sum payment in the amount of the early
4 completion payment.

5 (110 ILCS 992/7-85 new)

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

7 (a) If a consumer fails to provide income documentation as
8 reasonably required by an income share agreement, an income
9 share agreement provider may assign an amount of income to the
10 consumer and compute the consumer's monthly payment amount by
11 any of the following methods, to the extent disclosed in the
12 income share agreement:

13 (1) assigning an income amount obtained from a
14 reasonably reliable third party or a credit reporting
15 agency;

16 (2) if the consumer previously provided income
17 documentation or has had an income assigned in the prior
18 12-month period that has increased by an amount not to
19 exceed 10%, but such increase may not be applied more than
20 once per 12-month period;

21 (3) contacting the consumer's employer, or any person
22 or entity reasonably believed to represent the consumer's
23 employer, to obtain, verify, or update the consumer's
24 income information;

25 (4) contacting the Department of Revenue or the

1 Internal Revenue Service to obtain the most recent
2 information available about the student's income; or

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

6 (A) the nearest reasonably relevant quantile of
7 income for individuals working in the profession for
8 which the consumer's educational program was intended
9 to prepare the participant, as determined by
10 information published by the Bureau of Labor
11 Statistics or other reasonably reliable publicly
12 available data sources; or

13 (B) the nearest reasonably relevant quantile of
14 income of consumers who attended the same or a
15 reasonably comparable covered educational program or
16 course of study, as determined by information
17 published by the Bureau of Labor Statistics or other
18 reasonably reliable publicly available data sources.

19 (b) If an income share agreement provider assigns an
20 income to a consumer's income share agreement, then it shall
21 notify the consumer in the monthly billing statement, and in
22 each billing statement thereafter while the assigned income
23 remains applicable to the consumer's income share agreement,
24 that income has been assigned and of the consumer's rights
25 under this Section.

26 (c) If the consumer does provide income information as

1 reasonably required by the income share agreement within one
2 year of the date on which the income share agreement provider
3 notified the consumer that assigned income will be applied to
4 the income share agreement, then, within 15 days after the
5 income share agreement provider's receipt of such information,
6 the income share agreement provider shall update each prior
7 instance in which assigned income was applied using the income
8 information provided by the consumer; if the consumer provides
9 income information more than one year after the income share
10 agreement provider first assigned income to the consumer's
11 income share agreement, then the income share agreement
12 provider may, but is not obligated to, update each prior
13 instance in which assigned income was applied using the income
14 information provided by the consumer.

15 (d) An income share agreement provider that assigns income
16 to an income share agreement shall retain all applicable
17 records relating to the method and data sources used to make
18 such estimation for 3 years after the end of that income share
19 agreement.

20 (110 ILCS 992/7-90 new)

21 Sec. 7-90. Receipts; statements of account; evidence of
22 payment.

23 (a) The income share agreement provider shall deliver or
24 mail to the consumer, without request, a written receipt for
25 each payment made pursuant to an income share agreement. A

1 periodic statement showing a payment received by mail complies
2 with this subsection.

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

11 (c) After a consumer has fulfilled all obligations with
12 respect to an income share agreement, the income share
13 agreement provider, upon request of the consumer, shall
14 deliver or mail to the consumer written evidence acknowledging
15 termination of all obligations with respect to the income
16 share agreement.

17 (110 ILCS 992/7-95 new)

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

19 (a) From time to time the dollar amounts in this Act
20 designated as subject to change shall change, as provided in
21 this Section, according to and to the extent of changes in the
22 index.

23 (b) The index for December of the year preceding the year
24 in which this Act becomes effective is the reference base
25 index.

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

6 (1) the portion of the percentage change in the index
7 in excess of a multiple of 10% shall be disregarded and the
8 dollar amounts shall change only in multiples of 10% of
9 the amounts provided in this Act on the date of enactment;

10 and

11 (2) the dollar amounts shall not change if the amounts
12 required by this Section are those currently in effect
13 pursuant to this Act as a result of earlier application of
14 this Section.

15 (d) If the index is revised, the percentage of change
16 pursuant to this Section shall be calculated on the basis of
17 the revised index. If a revision of the index changes the
18 reference base index, a revised reference base index shall be
19 determined by multiplying the reference base index then
20 applicable by the rebasing factor furnished by the Bureau of
21 Labor Statistics. If the index is superseded, the index
22 referred to in this Section is the one represented by the
23 Bureau of Labor Statistics as reflecting most accurately
24 changes in the purchasing power of the dollar for consumers.

25 (e) The Department shall adopt a rule setting forth, on or
26 before April 30 of each year in which dollar amounts are to

1 change, the changes in dollar amounts required by this
2 Section. As soon as practical after the changes occur, the
3 Department shall adopt a rule setting forth the changes in the
4 index required by subsection (d), including, if applicable,
5 the numerical equivalent of the reference base index under a
6 revised reference base index and the designation or title of
7 any index superseding the index.

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

13 (110 ILCS 992/7-100 new)

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

19 (110 ILCS 992/7-105 new)

20 Sec. 7-105. Application of other Acts. Income share
21 agreements and income share agreement providers are subject to
22 other Articles of this Act, the Know Before You Owe Private
23 Education Loan Act, and the Predatory Loan Prevention Act and
24 shall comply with their requirements and any rules adopted by

1 the Department of Financial and Professional Regulation
2 pursuant to those Acts. Nothing herein is intended to imply
3 that an education ISA: (i) is not a credit transaction or (ii)
4 that, upon an obligation accruing, does not create a debt.

5 (110 ILCS 992/25-5)

6 Sec. 25-5. Enforcement; Consumer Fraud and Deceptive
7 Business Practices Act. The Attorney General may enforce a
8 violation of Article 5 or 7 of this Act as an unlawful practice
9 under the Consumer Fraud and Deceptive Business Practices Act.

10 (Source: P.A. 100-540, eff. 12-31-18.)

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

13 (205 ILCS 670/1) (from Ch. 17, par. 5401)

14 Sec. 1. License required to engage in business. No person,
15 partnership, association, limited liability company, or
16 corporation shall engage in the business of making loans of
17 money and charge, contract for, or receive on any such loan a
18 greater annual percentage rate than 9% except as authorized by
19 this Act after first obtaining a license from the Director of
20 Financial Institutions (hereinafter called the Director). No
21 licensee, or employee or affiliate thereof, that is licensed
22 under the Payday Loan Reform Act shall obtain a license under
23 this Act except that a licensee under the Payday Loan Reform

1 Act may obtain a license under this Act for the exclusive
2 purpose and use of making title-secured loans, as defined in
3 subsection (a) of Section 15 of this Act and governed by Title
4 38, Section 110.300 of the Illinois Administrative Code. For
5 the purpose of this Section, "affiliate" means any person or
6 entity that directly or indirectly controls, is controlled by,
7 or shares control with another person or entity. A person or
8 entity has control over another if the person or entity has an
9 ownership interest of 25% or more in the other. A person or
10 entity licensed as an Income Share Agreement provider is
11 exempt from the requirements of this Act to the extent of their
12 operation as an Income Share Agreement under Article 7 of the
13 Student Loan Servicing Rights Act. In addition, Educational
14 Income Share Agreements as provided under Article 7 of the
15 Student Loan Servicing Rights Act are not subject to the
16 requirements of this Act.

17 In this Act, "Director" means the Director of Financial
18 Institutions of the Department of Financial and Professional
19 Regulation.

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

21 Section 15. The Interest Act is amended by changing
22 Section 4 as follows:

23 (815 ILCS 205/4) (from Ch. 17, par. 6404)

24 Sec. 4. General interest rate.

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

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

17 It is lawful for a state bank or a branch of an
18 out-of-state bank, as those terms are defined in Section 2 of
19 the Illinois Banking Act, to receive or to contract to receive
20 and collect interest and charges at any rate or rates agreed
21 upon by the bank or branch and the borrower. It is lawful for a
22 savings bank chartered under the Savings Bank Act or a savings
23 association chartered under the Illinois Savings and Loan Act
24 of 1985 to receive or contract to receive and collect interest
25 and charges at any rate agreed upon by the savings bank or
26 savings association and the borrower.

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

12 (a) Any loan made to a corporation;

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

19 (c) Any credit transaction between a merchandise
20 wholesaler and retailer; any business loan to a business
21 association or copartnership or to a person owning and
22 operating a business as sole proprietor or to any persons
23 owning and operating a business as joint venturers, joint
24 tenants or tenants in common, or to any limited
25 partnership, or to any trustee owning and operating a
26 business or whose beneficiaries own and operate a

1 business, except that any loan which is secured (1) by an
2 assignment of an individual obligor's salary, wages,
3 commissions or other compensation for services, or (2) by
4 his household furniture or other goods used for his
5 personal, family or household purposes shall be deemed not
6 to be a loan within the meaning of this subsection; and
7 provided further that a loan which otherwise qualifies as
8 a business loan within the meaning of this subsection
9 shall not be deemed as not so qualifying because of the
10 inclusion, with other security consisting of business
11 assets of any such obligor, of real estate occupied by an
12 individual obligor solely as his residence. The term
13 "business" shall be deemed to mean a commercial,
14 agricultural or industrial enterprise which is carried on
15 for the purpose of investment or profit, but shall not be
16 deemed to mean the ownership or maintenance of real estate
17 occupied by an individual obligor solely as his residence;

18 (d) Any loan made in accordance with the provisions of
19 Subchapter I of Chapter 13 of Title 12 of the United States
20 Code, which is designated as "Housing Renovation and
21 Modernization";

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

26 (f) Any mortgage loan guaranteed or upon which a

1 commitment to guaranty has been issued under the
2 provisions of the Veterans' Benefits Act, Subchapter II of
3 Chapter 37 of Title 38 of the United States Code;

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

12 (h) Any loan made by a participating bank as part of
13 any loan guarantee program which provides for loans and
14 for the refinancing of such loans to medical students,
15 interns and residents and which are guaranteed by the
16 American Medical Association Education and Research
17 Foundation;

18 (i) Any loan made, guaranteed, or insured in
19 accordance with the provisions of the Housing Act of 1949,
20 Subchapter III of Chapter 8A of Title 42 of the United
21 States Code and the Consolidated Farm and Rural
22 Development Act, Subchapters I, II, and III of Chapter 50
23 of Title 7 of the United States Code;

24 (j) Any loan by an employee pension benefit plan, as
25 defined in Section 3 (2) of the Employee Retirement Income
26 Security Act of 1974 (29 U.S.C.A. Sec. 1002), to an

1 individual participating in such plan, provided that such
2 loan satisfies the prohibited transaction exemption
3 requirements of Section 408 (b) (1) (29 U.S.C.A. Sec. 1108
4 (b) (1)) or Section 2003 (a) (26 U.S.C.A. Sec. 4975 (d)
5 (1)) of the Employee Retirement Income Security Act of
6 1974;

7 (k) Written contracts, agreements or bonds for deed
8 providing for installment purchase of real estate,
9 including a manufactured home as defined in subdivision
10 (53) of Section 9-102 of the Uniform Commercial Code that
11 is real property as defined in the Conveyance and
12 Encumbrance of Manufactured Homes as Real Property and
13 Severance Act;

14 (l) Loans secured by a mortgage on real estate,
15 including a manufactured home as defined in subdivision
16 (53) of Section 9-102 of the Uniform Commercial Code that
17 is real property as defined in the Conveyance and
18 Encumbrance of Manufactured Homes as Real Property and
19 Severance Act;

20 (m) Loans made by a sole proprietorship, partnership,
21 or corporation to an employee or to a person who has been
22 offered employment by such sole proprietorship,
23 partnership, or corporation made for the sole purpose of
24 transferring an employee or person who has been offered
25 employment to another office maintained and operated by
26 the same sole proprietorship, partnership, or corporation;

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

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

8 (a) Whenever the rate of interest exceeds an annual
9 percentage rate of 8% on any written contract, agreement
10 or bond for deed providing for the installment purchase of
11 residential real estate, or on any loan secured by a
12 mortgage on residential real estate, it shall be unlawful
13 to provide for a prepayment penalty or other charge for
14 prepayment.

15 (b) No agreement, note or other instrument evidencing
16 a loan secured by a mortgage on residential real estate,
17 or written contract, agreement or bond for deed providing
18 for the installment purchase of residential real estate,
19 may provide for any change in the contract rate of
20 interest during the term thereof. However, if the Congress
21 of the United States or any federal agency authorizes any
22 class of lender to enter, within limitations, into
23 mortgage contracts or written contracts, agreements or
24 bonds for deed in which the rate of interest may be changed
25 during the term of the contract, any person, firm,
26 corporation or other entity not otherwise prohibited from

1 entering into mortgage contracts or written contracts,
2 agreements or bonds for deed in Illinois may enter into
3 mortgage contracts or written contracts, agreements or
4 bonds for deed in which the rate of interest may be changed
5 during the term of the contract, within the same
6 limitations.

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

16 (4) For purposes of this Section, a prepayment shall mean
17 the payment of the total indebtedness, with the exception of
18 late payment penalties if incurred or charged, on any date
19 before the date specified in the contract or loan agreement on
20 which the total indebtedness shall be paid in full, or before
21 the date on which all payments, if timely made, shall have been
22 made. In the event of a prepayment of the indebtedness which is
23 made on a date after the date on which interest on the
24 indebtedness was last computed, calculated, charged, or
25 collected but before the next date on which interest on the
26 indebtedness was to be calculated, computed, charged, or

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

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

26 (6) For purposes of this Section, "real estate" and "real

1 property" include a manufactured home, as defined in
2 subdivision (53) of Section 9-102 of the Uniform Commercial
3 Code that is real property as defined in the Conveyance and
4 Encumbrance of Manufactured Homes as Real Property and
5 Severance Act.

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

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

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.