



Sen. Elgie R. Sims, Jr.

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10300HB1519sam001

LRB103 24976 RJT 60694 a

1 AMENDMENT TO HOUSE BILL 1519

2 AMENDMENT NO. _____. Amend House Bill 1519 by replacing
3 everything after the enacting clause with the following:

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

1 Professional Regulation.

2 "Division of Banking" means the Division of Banking of the
3 Department of Financial and Professional Regulation.

4 "Federal loan borrower eligible for referral to a
5 repayment specialist" means a borrower who possesses any of
6 the following characteristics:

7 (1) requests information related to options to reduce
8 or suspend his or her monthly payment;

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

12 (3) has missed 2 consecutive monthly payments;

13 (4) is at least 75 days delinquent;

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

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

18 (7) has not completed a course of study, as reflected
19 in the servicer's records, or the borrower identifies
20 himself or herself as not having completed a program of
21 study.

22 "Federal education loan" means any loan made, guaranteed,
23 or insured under Title IV of the federal Higher Education Act
24 of 1965.

25 "Income-driven payment plan certification" means the
26 documentation related to a federal student loan borrower's

1 income or financial status the borrower must submit to renew
2 an income-driven repayment plan.

3 "Income-driven repayment options" includes the
4 Income-Contingent Repayment Plan, the Income-Based Repayment
5 Plan, the Income-Sensitive Repayment Plan, the Pay As You Earn
6 Plan, the Revised Pay As You Earn Plan, and any other federal
7 student loan repayment plan that is calculated based on a
8 borrower's income.

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

10 "Other repayment plans" means the Standard Repayment Plan,
11 the Graduated Repayment Plan, the Extended Repayment Plan, or
12 any other federal student loan repayment plan not based on a
13 borrower's income.

14 "Private loan borrower eligible for referral to a
15 repayment specialist" means a borrower who possesses any of
16 the following characteristics:

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

19 (2) indicates that he or she is experiencing or
20 anticipates experiencing financial hardship, distress, or
21 difficulty making his or her payments.

22 "Requester" means any borrower or cosigner that submits a
23 request for assistance.

24 "Request for assistance" means all inquiries, complaints,
25 account disputes, and requests for documentation a servicer
26 receives from borrowers or cosigners.

1 "Secretary" means the Secretary of Financial and
2 Professional Regulation, or his or her designee, including the
3 Director of the Division of Banking of the Department of
4 Financial and Professional Regulation.

5 "Servicing" means: (1) receiving any scheduled periodic
6 payments from a student loan borrower or cosigner pursuant to
7 the terms of a student loan; (2) applying the payments of
8 principal and interest and such other payments with respect to
9 the amounts received from a student loan borrower or cosigner,
10 as may be required pursuant to the terms of a student loan; and
11 (3) performing other administrative services with respect to a
12 student loan.

13 "Student loan" or "loan" means any federal education loan
14 or other loan primarily for use to finance a postsecondary
15 education and costs of attendance at a postsecondary
16 institution, including, but not limited to, tuition, fees,
17 books and supplies, room and board, transportation, and
18 miscellaneous personal expenses. "Student loan" includes a
19 loan made to refinance a student loan.

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

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

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

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

6 (3) The borrower fails to graduate or successfully
7 complete his or her education program and has a balance
8 due at the time of his or her disenrollment from the
9 postsecondary institution.

10 "Student loan servicer" or "servicer" means any person
11 engaged in the business of servicing student loans. "Student
12 loan servicer" or "servicer" includes persons or entities
13 acting on behalf of the State Treasurer. "Student loan
14 servicer" includes an income share agreement provider covered
15 under Article 7 of this Act.

16 "Student loan servicer" shall not include:

17 (1) a bank, savings bank, savings association, or
18 credit union organized under the laws of the State or any
19 other state or under the laws of the United States;

20 (2) a wholly owned subsidiary of any bank, savings
21 bank, savings association, or credit union organized under
22 the laws of the State or any other state or under the laws
23 of the United States;

24 (3) an operating subsidiary where each owner of the
25 operating subsidiary is wholly owned by the same bank,
26 savings bank, savings association, or credit union

1 organized under the laws of the State or any other state or
2 under the laws of the United States;

3 (4) the Illinois Student Assistance Commission and its
4 agents when the agents are acting on the Illinois Student
5 Assistance Commission's behalf;

6 (5) a public postsecondary educational institution or
7 a private nonprofit postsecondary educational institution
8 servicing a student loan it extended to the borrower;

9 (6) a licensed debt management service under the Debt
10 Management Service Act, except to the extent that the
11 organization acts as a subcontractor, affiliate, or
12 service provider for an entity that is otherwise subject
13 to licensure under this Act;

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

17 (8) in connection with its responsibilities as a
18 guaranty agency engaged in default aversion, a State or
19 nonprofit private institution or organization having an
20 agreement with the U.S. Secretary of Education under
21 Section 428(b) of the Higher Education Act (20 U.S.C.
22 1078(B));

23 (9) a State institution or a nonprofit private
24 organization designated by a governmental entity to make
25 or service student loans, provided in each case that the
26 institution or organization services fewer than 20,000

1 student loan accounts of borrowers who reside in Illinois;

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

4 (11) the State Treasurer.

5 (Source: P.A. 100-540, eff. 12-31-18; 100-635, eff. 12-31-18;
6 101-586, eff. 8-26-19.)

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

8 ARTICLE 7. EDUCATIONAL INCOME SHARE AGREEMENTS

9 (110 ILCS 992/7-1 new)

10 Sec. 7-1. Purpose and construction. This Article shall be
11 construed as a consumer protection law for all purposes. This
12 Article shall be liberally construed to effectuate its
13 purpose.

14 (110 ILCS 992/7-3 new)

15 Sec. 7-3. Applicability. This Article applies only to
16 educational income share agreements that:

17 (1) are not made, insured, or guaranteed under Title
18 IV of the federal Higher Education Act of 1965 or another
19 federally subsidized educational finance program; and

20 (2) are extended to a consumer expressly, in whole or
21 in part, for postsecondary educational expenses, tuition,
22 or other obligations of, or pay amounts to or on behalf of
23 such an individual, for the 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, including, but not
4 limited to, a program eligible to participate as a program
5 under Title IV of the federal Higher Education Act of
6 1965, 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
10 "qualified higher education expenses" under 26 U.S.C.
11 529(e) (3) (A), including the refinancing of loans or income
12 share agreements used for the purposes described in this
13 paragraph (2) and regardless of whether the income share
14 agreement is provided by the educational institution that
15 the consumer attends.

16 (110 ILCS 992/7-5 new)

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

18 "Amount financed" means the amounts advanced by the income
19 share agreement provider to the consumer or on behalf of the
20 consumer or, if the income share agreement provider is a
21 merchant financing the sale of goods or services to the
22 consumer using an income share agreement, "amount financed"
23 means the amount credited by the income share agreement
24 provider toward the purchase of such goods and services on
25 behalf of the consumer.

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2 "Annual percentage rate" or "APR" means the percentage3 rate calculated according to the Federal Reserve Board's4 methodology as set forth under Regulation Z, 12 CFR Part 1026.5 The "annual percentage rate" of an income share agreement is6 the measure of the cost of the income share agreement,7 expressed as a yearly rate, that relates to the amount and8 timing of value received by the consumer to the amount and9 timing of payments made. The "annual percentage rate" is10 determined in accordance with either the actuarial method or11 the United States rule method.12 "Cash price" means the price that the consumer would pay13 for the goods or services for which the educational income14 share agreement proceeds are advanced in an equivalent cash15 transaction between the consumer and the provider of goods or16 services. The Cash price excludes any amounts paid by the17 consumer as a down payment to the income share agreement18 provider.19 "Consumer" means a natural person who enters into an20 Educational Income Share Agreement for educational purposes.21 "Disposable earnings" means that part of the earnings of22 an individual remaining after the deduction from total23 earnings of amounts required by law to be withheld.24 "Federal poverty guidelines" means the poverty guidelines25 published by the federal Department of Health and Human26 Services under the authority of 42 U.S.C. 9902(2) in the

1 Federal Register.

2 "Garnishment" means any legal or equitable procedure
3 through which earnings of an individual are required to be
4 withheld for payment of obligations to an income share
5 agreement provider as set forth in the Code of Civil
6 Procedure.

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

9 (1) the ISA provider credits or advances a sum of
10 money to the consumer or to a third party on the consumer's
11 behalf or, if the ISA provider is a seller of goods or
12 services to the consumer, the ISA provider credits or
13 advances toward the purchase of such goods or services;

14 (2) the consumer is obligated to make periodic
15 payments, if any become due, to the ISA provider
16 calculated, based upon, or determined by the consumer's
17 income;

18 (3) the consumer only incurs an obligation in each
19 payment period if the individual's income in that period
20 is above an income threshold specified in the ISA
21 agreement;

22 (4) there is an ISA duration after which the
23 obligation is complete regardless of how much has been
24 paid, as long as the consumer has paid any prior amounts
25 due; and

26 (5) each of these elements is available at the time of

1 contracting of the income share agreement. For purposes of
2 this definition, an income share agreement shall be
3 treated as "credit", within the meaning of that term under
4 15 U.S.C. 1602(f), and as a "private education loan",
5 within the meaning of that term under 15 U.S.C.
6 1650(a)(8), to the extent the proceeds of the ISA are used
7 for postsecondary educational expenses in a manner
8 consistent with the definition of that term.

9 "Income threshold" means a fixed dollar amount that is the
10 minimum income per payment period that an ISA recipient is
11 required to earn before the ISA recipient is required to make a
12 payment on an income share agreement for such payment period.

13 "Index" means the Consumer Price Index for Urban Wage
14 Earners and Clerical Workers: U.S. City Average, All Items,
15 1967=100, compiled by the Bureau of Labor Statistics, United
16 States Department of Labor.

17 "ISA duration" means the maximum time during which a
18 consumer could remain obligated on the income share agreement,
19 other than periods when an income share agreement provider is
20 attempting to collect past-due amounts and absent periods of
21 payment relief pauses, forbearance, military service
22 suspension, or other suspension of obligations at the request
23 of the consumer, regardless of whether the consumer's income
24 is greater than the minimum income.

25 "ISA maximum number of payments" means the maximum number
26 of ISA payments during ISA payment periods in which the

1 consumer's income is equal to or greater than the income
2 threshold that a consumer could be required to make pursuant
3 to the terms of the income share agreement. "ISA maximum
4 number of payments" does not include periods of payment relief
5 pause.

6 "ISA payment" means a calculated monthly payment in excess
7 of \$0.00 that counts toward the maximum income-based payments
8 under the ISA. An "ISA payment" is required only for income
9 earned during an ISA payment period in which the consumer's
10 income was equal to or greater than the income threshold.

11 "ISA payment calculation method" means the mechanism,
12 formula, percentage, dollar figure, or other means of
13 calculating a student's payment obligation, based on the
14 student's income, under the terms of the income share
15 agreement.

16 "ISA payment cap" means the maximum amount of money a
17 consumer must pay to satisfy the terms of an income share
18 agreement, which may be expressed as a dollar value, a
19 multiple of the amount funded to the student or on the
20 student's behalf, or as a maximum effective annual percentage
21 rate.

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

25 "Income share agreement provider" means:

26 (1) a person that provides money, payments, or credits

1 to or on behalf of a consumer pursuant to the terms of an
2 income share agreement; or

3 (2) any other person engaged in the business of
4 soliciting, making, funding, or extending income share
5 agreements. This definition does not apply to an entity
6 that either (i) has no direct interactions with the
7 consumer and is not responsible for making credit
8 decisions regarding the consumer or (ii) is the provider
9 of the educational services to the consumer, even if the
10 entity may qualify under paragraph (1), or whose role is
11 solely limited to the marketing or advertising of the
12 income share agreement to the consumer on behalf of a
13 licensed income share agreement provider.

14 "Payment relief pause" means a period of time that is
15 requested by the consumer during which the consumer is not
16 required to make payments despite the consumer's income
17 exceeding the income threshold.

18 "Sales price" means, for an educational income share
19 agreement, the sum of the cash price and any other amounts
20 financed by the educational income share agreement.

21 (110 ILCS 992/7-10 new)

22 Sec. 7-10. Monthly payment affordability.

23 (a) Each educational income share agreement shall specify
24 the ISA payment calculation method applicable to the
25 educational income share agreement. An income share agreement

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

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

22 (b) The income share agreement must state that when a
23 consumer has income that is equal to or below the income
24 threshold set forth in the educational income share agreement
25 that the consumer's payment obligation is zero dollars. The
26 income threshold at the time of origination must be high

1 enough such that the consumer's gross income minus any
2 educational income share agreement obligation must leave the
3 consumer with gross income equal to at least 200% of the
4 federal poverty guidelines for a single person.

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

12 (110 ILCS 992/7-15 new)

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

1 (110 ILCS 992/7-20 new)

2 Sec. 7-20. Limits on duration of educational income share
3 agreements.

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

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

9 (110 ILCS 992/7-25 new)

10 Sec. 7-25. Risk sharing.

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

21 (b) An educational income share agreement provider may not
22 contract for educational income share agreement terms that
23 would result in a consumer having income that is less than or
24 equal to 400% of the federal poverty guidelines for a single
25 person for the ISA duration being required to make a stream of

1 ISA payments that would yield an effective APR greater than
2 12%, or the high yield of the 10-year United States Constant
3 Maturity Treasury Notes auctioned at the final auction held
4 before the current calendar year in which an ISA offering is
5 made plus 11%, whichever is greater.

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

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

26 (e) For the purposes of determining the various tiers set

1 forth in this Section, an income share agreement provider
2 shall calculate the effective APR by determining the various
3 federal poverty guidelines tiers at the time the consumer's
4 educational income share agreement is originated and assuming
5 such amounts are fixed through the ISA duration.

6 (f) For the purposes of determining ISA duration in this
7 Section, an income share agreement provider shall assume the
8 ISA duration started after a period equal to the expected
9 length of the program for which a consumer is enrolling.

10 (110 ILCS 992/7-30 new)

11 Sec. 7-30. Limits on covered income. An educational income
12 share agreement must specify the definition of income to be
13 used for the purposes of calculating a consumer's payment
14 obligation under the educational income share agreement. No
15 educational income share agreement shall include any of the
16 following in its definition of income:

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

20 (2) Any amount paid by the consumer under Title II or
21 XVI of the Social Security Act, 42 U.S.C. 401 et seq., 42
22 U.S.C. 1381 et seq.; or under a State program funded by
23 Title IV of the Social Security Act, 42 U.S.C. 601 et seq.

24 (3) Individual retirement account distributions.

25 (4) Pensions and annuities.

1 (5) Social security benefits.

2 (6) Any sources of government aid provided to
3 individuals, including, but not limited to:

4 (A) unemployment programs;

5 (B) disaster relief programs;

6 (C) Medicare or Medicaid benefits;

7 (D) benefits received through the Supplemental
8 Nutrition Assistance Program;

9 (E) economic impact payments;

10 (F) the earned income tax credit or child tax
11 credit;

12 (G) other income excluded from the definition of
13 taxable income set forth by the Internal Revenue
14 Service; or

15 (H) passive income that is not derived as a result
16 of a consumer's active participation in any trade or
17 business.

18 (110 ILCS 992/7-35 new)

19 Sec. 7-35. Fees permitted. In addition to the ISA
20 obligation permitted by this Act, an income share agreement
21 provider may contract for and receive the following additional
22 charges:

23 (1) government fees and taxes;

24 (2) a fee, which shall not exceed the sum of \$25, for a
25 failure to provide documentation to the income share

1 agreement provider for the confirmation and reconciliation
2 of the consumer's income within 30 days after the date on
3 which such documentation is due, as reflected in the
4 written notice to the consumer;

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

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

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

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

22 (7) before or after default in payment of a scheduled
23 payment of an educational income share agreement, the
24 parties to the educational income share agreement may
25 agree in writing to a deferral of all or part of one or
26 more unpaid payments and the income share agreement

1 provider may make, at the time of deferral and receive at
2 that time or at any time thereafter, a deferral charge not
3 exceeding an amount equal to 5% of the missed payment.
4 Provided this subsection shall not apply to voluntary
5 payment relief pauses.

6 (110 ILCS 992/7-40 new)

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

11 (110 ILCS 992/7-45 new)

12 Sec. 7-45. Discharge of obligations.

13 (a) All obligations under an educational income share
14 agreement shall terminate if the consumer is deemed totally
15 and permanently disabled by the applicable governmental
16 agency.

17 (b) All obligations under an educational income share
18 agreement shall terminate upon the death of the consumer.

19 (110 ILCS 992/7-50 new)

20 Sec. 7-50. Prohibition on co-signers. No educational
21 income share agreement shall include or permit the use of a
22 co-signer in connection with any obligation related to an
23 educational income share agreement.

1 (110 ILCS 992/7-55 new)

2 Sec. 7-55. Limitation on acceleration.

3 (a) Income share agreement providers shall not attempt to
4 accelerate or otherwise liquidate a future payment stream
5 under an educational income share agreement.

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

18 (c) Notwithstanding subsection (a), an educational income
19 share agreement may contain a provision that allows a consumer
20 to terminate his or her educational income share agreement
21 before the events terminating further obligations under the
22 income share agreement. The early termination mechanisms, such
23 as total caps on payments due to the income share agreement
24 provider or other rights to partially or fully terminate
25 further obligations under the educational income share

1 agreement, must be optional to the consumer and within the
2 consumer's control. In such circumstances, such mechanisms
3 shall not be deemed a form of acceleration.

4 (110 ILCS 992/7-60 new)

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

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

15 (b) A sale of unpaid earnings made in consideration of the
16 payment of money to or for the account of the seller of the
17 earnings is deemed to be a loan to the seller secured by an
18 assignment of earnings.

19 (110 ILCS 992/7-65 new)

20 Sec. 7-65. Limitations on garnishment. Before entry of
21 judgment in an action against a consumer for a payment arising
22 from an educational income share agreement, a licensee may not
23 attach unpaid earnings of the consumer by garnishment or like
24 proceedings.

1 (110 ILCS 992/7-70 new)

2 Sec. 7-70. Use of multiple agreements. An income share
3 agreement provider shall not use multiple agreements with
4 respect to a single educational income share agreement with
5 intent to violate any limitations of this Act.

6 (110 ILCS 992/7-75 new)

7 Sec. 7-75. Required disclosures.

8 (a) An income share agreement provider shall disclose the
9 following information to each consumer, clearly and
10 conspicuously, in a form that the consumer can keep at the time
11 the transaction is consummated:

12 (1) The date of the educational income share
13 agreement.

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

15 (3) The sales price of the transaction if different
16 from the amount financed;

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

21 (5) The maximum number of payments expressed as a
22 whole number.

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

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

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

9 (9) The definition of income to be used for the
10 purposes of calculating the consumer's obligations under
11 the educational income share agreement.

12 (10) A description of the terms under which the
13 obligations of the consumer under the educational income
14 share agreement will be extinguished before the full ISA
15 duration.

16 (11) A payment schedule that shows the date on which
17 the first payment will be due and reflects each date
18 thereafter during the ISA duration that a payment may be
19 due.

20 (12) An itemization of any permissible fees associated
21 with the ISA.

22 (13) A description of the methods used by the ISA
23 provider to engage in a process of reconciliation and
24 verification to determine if the consumer's payments are
25 more than, equal to, or less than the payments owed by the
26 consumer under his or her educational income share

1 agreement; this description shall include the following:

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

4 (ii) a description of the requirements and timing
5 of the process in which the consumer must participate
6 in order for the ISA provider to verify the consumer's
7 income; and

8 (iii) a description of any records or forms,
9 including tax records, that the consumer may be
10 required to execute or submit.

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

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

1 the APR, the ISA provider shall use the amount financed
2 and may assume that the educational income share agreement
3 will be disbursed in the amount and with the disbursement
4 schedule that it reasonably expects to follow for such
5 educational income share agreement and that payments would
6 commence on the date set forth in the educational income
7 share agreement. The income used in this disclosure shall
8 include, at minimum, the obligations at the following
9 incomes:

10 (i) no income;

11 (ii) income equal to the annual equivalent of the
12 income threshold;

13 (iii) various income scenarios with at least
14 calculations at annual incomes of \$40,000, \$60,000,
15 \$80,000, \$100,000, \$125,000, \$150,000, \$175,000, and
16 \$200,000; and

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

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

23 (i) may be more or less than the amount financed by
24 the ISA provider; and

25 (ii) will vary in proportion with the consumer's
26 income.

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

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

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

13 (110 ILCS 992/7-80 new)

14 Sec. 7-80. Early completion. An educational income share
15 agreement shall specify the terms and conditions by which the
16 consumer may extinguish his or her obligations under the
17 educational income share agreement before the end of the
18 educational income share agreement's duration. An educational
19 income share agreement may include any method to determine the
20 early completion payment; however, a consumer may always
21 cancel an educational income share agreement by making
22 aggregate payments, excluding payments to fees, equal to the
23 ISA payment cap, and an ISA must include at least one
24 time-value cap that may not exceed the limits specified in
25 Section 7-15. 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 This Section shall create an early completion mechanism
6 for educational income share agreements that is in lieu of
7 other State laws regarding prepayment penalties.

8 (110 ILCS 992/7-85 new)

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

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

16 (1) assigning an income amount obtained from a
17 reasonably reliable third party or a credit reporting
18 agency;

19 (2) if the consumer previously provided income
20 documentation or has had an income assigned in the prior
21 12-month period that has increased by an amount not to
22 exceed 10%, but such increase may not be applied more than
23 once per 12-month period;

24 (3) contacting the consumer's employer, or any person
25 or entity reasonably believed to represent the consumer's

1 employer, to obtain, verify, or update the consumer's
2 income information;

3 (4) contacting the Department of Revenue or the
4 Internal Revenue Service to obtain the most recent
5 information available about the student's income; or

6 (5) assigning a reasonable qualified income based on
7 the incomes of:

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

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

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

1 assigned and of the consumer's rights under this Section.

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

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

23 (110 ILCS 992/7-90 new)

24 Sec. 7-90. Receipts; statements of account; evidence of
25 payment.

1 (a) The income share agreement provider shall deliver or
2 mail to the consumer, without request, a written receipt for
3 each payment made pursuant to an educational income share
4 agreement. A periodic statement showing a payment received by
5 mail complies with this subsection (a).

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

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

20 (110 ILCS 992/7-95 new)

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

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

1 (b) The index for December of the year preceding the year
2 in which this Act becomes effective is the reference base
3 index.

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

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

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

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

1 changes in the purchasing power of the dollar for consumers.

2 (e) The Department shall adopt a rule setting forth, on or
3 before April 30 of each year in which dollar amounts are to
4 change, the changes in dollar amounts required by this
5 Section. As soon as practical after the changes occur, the
6 Department shall adopt a rule setting forth the changes in the
7 index required by subsection (d), including, if applicable,
8 the numerical equivalent of the reference base index under a
9 revised reference base index and the designation or title of
10 any index superseding the index.

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

16 (110 ILCS 992/7-100 new)

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

22 (110 ILCS 992/7-105 new)

23 Sec. 7-105. Application of other Acts. Educational income
24 share agreements and income share agreement providers are

1 subject to other Articles of this Act, the Know Before You Owe
2 Private Education Loan Act, and the Predatory Loan Prevention
3 Act and shall comply with their requirements and any rules
4 adopted by the Department of Financial and Professional
5 Regulation pursuant to those Acts. Nothing in this Section is
6 intended to imply that an educational income share agreement
7 (i) is not a credit transaction or (ii) upon an obligation
8 accruing, does not create a debt.

9 (110 ILCS 992/7-110 new)

10 Sec. 7-110. Rulemaking. Notwithstanding any other
11 provision of this Act, the Secretary may enact rules for the
12 regulation of any educational income share agreement provider
13 that does not engage in the servicing of student loans,
14 including, but not limited to, educational income share
15 agreements. The Secretary's authority to adopt rules shall
16 include, but is not limited to, licensure, examination,
17 supervision, investigation, confidentiality, and enforcement.
18 Such rules may supersede and expressly waive the application
19 of any provision of this Act that conflicts with such rules,
20 except the provisions in this Article.

21 (110 ILCS 992/25-5)

22 Sec. 25-5. Enforcement; Consumer Fraud and Deceptive
23 Business Practices Act. The Attorney General may enforce a
24 violation of Article 5 or 7 of this Act as an unlawful practice

1 under the Consumer Fraud and Deceptive Business Practices Act.
2 (Source: P.A. 100-540, eff. 12-31-18.)

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

5 (205 ILCS 670/1) (from Ch. 17, par. 5401)

6 Sec. 1. License required to engage in business. No person,
7 partnership, association, limited liability company, or
8 corporation shall engage in the business of making loans of
9 money and charge, contract for, or receive on any such loan a
10 greater annual percentage rate than 9% except as authorized by
11 this Act after first obtaining a license from the Director of
12 Financial Institutions (hereinafter called the Director). No
13 licensee, or employee or affiliate thereof, that is licensed
14 under the Payday Loan Reform Act shall obtain a license under
15 this Act except that a licensee under the Payday Loan Reform
16 Act may obtain a license under this Act for the exclusive
17 purpose and use of making title-secured loans, as defined in
18 subsection (a) of Section 15 of this Act and governed by Title
19 38, Section 110.300 of the Illinois Administrative Code. For
20 the purpose of this Section, "affiliate" means any person or
21 entity that directly or indirectly controls, is controlled by,
22 or shares control with another person or entity. A person or
23 entity has control over another if the person or entity has an
24 ownership interest of 25% or more in the other. A person or

1 entity licensed to provide educational income share agreements
2 is exempt from the requirements of this Act to the extent of
3 its operation under Article 7 of the Student Loan Servicing
4 Rights Act.

5 In this Act, "Director" means the Director of Financial
6 Institutions of the Department of Financial and Professional
7 Regulation.

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

9 Section 15. The Interest Act is amended by changing
10 Section 4 as follows:

11 (815 ILCS 205/4) (from Ch. 17, par. 6404)

12 Sec. 4. General interest rate.

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

21 The maximum rate of interest that may lawfully be
22 contracted for is determined by the law applicable thereto at
23 the time the contract is made. Any provision in any contract,
24 whether made before or after July 1, 1969, which provides for

1 or purports to authorize, contingent upon a change in the
2 Illinois law after the contract is made, any rate of interest
3 greater than the maximum lawful rate at the time the contract
4 is made, is void.

5 It is lawful for a state bank or a branch of an
6 out-of-state bank, as those terms are defined in Section 2 of
7 the Illinois Banking Act, to receive or to contract to receive
8 and collect interest and charges at any rate or rates agreed
9 upon by the bank or branch and the borrower. It is lawful for a
10 savings bank chartered under the Savings Bank Act or a savings
11 association chartered under the Illinois Savings and Loan Act
12 of 1985 to receive or contract to receive and collect interest
13 and charges at any rate agreed upon by the savings bank or
14 savings association and the borrower.

15 It is lawful to receive or to contract to receive and
16 collect interest and charges as authorized by this Act and as
17 authorized by the Consumer Installment Loan Act, the Payday
18 Loan Reform Act, the Retail Installment Sales Act, the
19 Illinois Financial Services Development Act, the Motor Vehicle
20 Retail Installment Sales Act, ~~or~~ the Consumer Legal Funding
21 Act, or the Student Loan Servicing Rights Act. It is lawful to
22 charge, contract for, and receive any rate or amount of
23 interest or compensation, except as otherwise provided in the
24 Predatory Loan Prevention Act, with respect to the following
25 transactions:

26 (a) Any loan made to a corporation;

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

7 (c) Any credit transaction between a merchandise
8 wholesaler and retailer; any business loan to a business
9 association or copartnership or to a person owning and
10 operating a business as sole proprietor or to any persons
11 owning and operating a business as joint venturers, joint
12 tenants or tenants in common, or to any limited
13 partnership, or to any trustee owning and operating a
14 business or whose beneficiaries own and operate a
15 business, except that any loan which is secured (1) by an
16 assignment of an individual obligor's salary, wages,
17 commissions or other compensation for services, or (2) by
18 his household furniture or other goods used for his
19 personal, family or household purposes shall be deemed not
20 to be a loan within the meaning of this subsection; and
21 provided further that a loan which otherwise qualifies as
22 a business loan within the meaning of this subsection
23 shall not be deemed as not so qualifying because of the
24 inclusion, with other security consisting of business
25 assets of any such obligor, of real estate occupied by an
26 individual obligor solely as his residence. The term

1 "business" shall be deemed to mean a commercial,
2 agricultural or industrial enterprise which is carried on
3 for the purpose of investment or profit, but shall not be
4 deemed to mean the ownership or maintenance of real estate
5 occupied by an individual obligor solely as his residence;

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

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

14 (f) Any mortgage loan guaranteed or upon which a
15 commitment to guaranty has been issued under the
16 provisions of the Veterans' Benefits Act, Subchapter II of
17 Chapter 37 of Title 38 of the United States Code;

18 (g) Interest charged by a broker or dealer registered
19 under the Securities Exchange Act of 1934, as amended, or
20 registered under the Illinois Securities Law of 1953,
21 approved July 13, 1953, as now or hereafter amended, on a
22 debit balance in an account for a customer if such debit
23 balance is payable at will without penalty and is secured
24 by securities as defined in Uniform Commercial
25 Code-Investment Securities;

26 (h) Any loan made by a participating bank as part of

1 any loan guarantee program which provides for loans and
2 for the refinancing of such loans to medical students,
3 interns and residents and which are guaranteed by the
4 American Medical Association Education and Research
5 Foundation;

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

12 (j) Any loan by an employee pension benefit plan, as
13 defined in Section 3 (2) of the Employee Retirement Income
14 Security Act of 1974 (29 U.S.C.A. Sec. 1002), to an
15 individual participating in such plan, provided that such
16 loan satisfies the prohibited transaction exemption
17 requirements of Section 408 (b) (1) (29 U.S.C.A. Sec. 1108
18 (b) (1)) or Section 2003 (a) (26 U.S.C.A. Sec. 4975 (d)
19 (1)) of the Employee Retirement Income Security Act of
20 1974;

21 (k) Written contracts, agreements or bonds for deed
22 providing for installment purchase of real estate,
23 including a manufactured home as defined in subdivision
24 (53) of Section 9-102 of the Uniform Commercial Code that
25 is real property as defined in the Conveyance and
26 Encumbrance of Manufactured Homes as Real Property and

1 Severance Act;

2 (l) Loans secured by a mortgage on real estate,
3 including a manufactured home as defined in subdivision
4 (53) of Section 9-102 of the Uniform Commercial Code that
5 is real property as defined in the Conveyance and
6 Encumbrance of Manufactured Homes as Real Property and
7 Severance Act;

8 (m) Loans made by a sole proprietorship, partnership,
9 or corporation to an employee or to a person who has been
10 offered employment by such sole proprietorship,
11 partnership, or corporation made for the sole purpose of
12 transferring an employee or person who has been offered
13 employment to another office maintained and operated by
14 the same sole proprietorship, partnership, or corporation;

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

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

22 (a) Whenever the rate of interest exceeds an annual
23 percentage rate of 8% on any written contract, agreement
24 or bond for deed providing for the installment purchase of
25 residential real estate, or on any loan secured by a
26 mortgage on residential real estate, it shall be unlawful

1 to provide for a prepayment penalty or other charge for
2 prepayment.

3 (b) No agreement, note or other instrument evidencing
4 a loan secured by a mortgage on residential real estate,
5 or written contract, agreement or bond for deed providing
6 for the installment purchase of residential real estate,
7 may provide for any change in the contract rate of
8 interest during the term thereof. However, if the Congress
9 of the United States or any federal agency authorizes any
10 class of lender to enter, within limitations, into
11 mortgage contracts or written contracts, agreements or
12 bonds for deed in which the rate of interest may be changed
13 during the term of the contract, any person, firm,
14 corporation or other entity not otherwise prohibited from
15 entering into mortgage contracts or written contracts,
16 agreements or bonds for deed in Illinois may enter into
17 mortgage contracts or written contracts, agreements or
18 bonds for deed in which the rate of interest may be changed
19 during the term of the contract, within the same
20 limitations.

21 (3) In any contract or loan which is secured by a mortgage,
22 deed of trust, or conveyance in the nature of a mortgage, on
23 residential real estate, the interest which is computed,
24 calculated, charged, or collected pursuant to such contract or
25 loan, or pursuant to any regulation or rule promulgated
26 pursuant to this Act, may not be computed, calculated, charged

1 or collected for any period of time occurring after the date on
2 which the total indebtedness, with the exception of late
3 payment penalties, is paid in full.

4 (4) For purposes of this Section, a prepayment shall mean
5 the payment of the total indebtedness, with the exception of
6 late payment penalties if incurred or charged, on any date
7 before the date specified in the contract or loan agreement on
8 which the total indebtedness shall be paid in full, or before
9 the date on which all payments, if timely made, shall have been
10 made. In the event of a prepayment of the indebtedness which is
11 made on a date after the date on which interest on the
12 indebtedness was last computed, calculated, charged, or
13 collected but before the next date on which interest on the
14 indebtedness was to be calculated, computed, charged, or
15 collected, the lender may calculate, charge and collect
16 interest on the indebtedness for the period which elapsed
17 between the date on which the prepayment is made and the date
18 on which interest on the indebtedness was last computed,
19 calculated, charged or collected at a rate equal to 1/360 of
20 the annual rate for each day which so elapsed, which rate shall
21 be applied to the indebtedness outstanding as of the date of
22 prepayment. The lender shall refund to the borrower any
23 interest charged or collected which exceeds that which the
24 lender may charge or collect pursuant to the preceding
25 sentence. The provisions of this amendatory Act of 1985 shall
26 apply only to contracts or loans entered into on or after the

1 effective date of this amendatory Act, but shall not apply to
2 contracts or loans entered into on or after that date that are
3 subject to Section 4a of this Act, the Consumer Installment
4 Loan Act, the Payday Loan Reform Act, the Predatory Loan
5 Prevention Act, or the Retail Installment Sales Act, or that
6 provide for the refund of precomputed interest on prepayment
7 in the manner provided by such Act.

8 (5) For purposes of items (a) and (c) of subsection (1) of
9 this Section, a rate or amount of interest may be lawfully
10 computed when applying the ratio of the annual interest rate
11 over a year based on 360 days. The provisions of this
12 amendatory Act of the 96th General Assembly are declarative of
13 existing law.

14 (6) For purposes of this Section, "real estate" and "real
15 property" include a manufactured home, as defined in
16 subdivision (53) of Section 9-102 of the Uniform Commercial
17 Code that is real property as defined in the Conveyance and
18 Encumbrance of Manufactured Homes as Real Property and
19 Severance Act.

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

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

23 Section 99. Effective date. This Act takes effect upon
24 becoming law."