

1 AMENDMENT TO HOUSE BILL 2543

2 AMENDMENT NO. _____. Amend House Bill 2543 on page 1,
3 line 5, by replacing "Section" with "Sections 15 and"; and
4 on page 1, by inserting the following after line 5:

5 "(205 ILCS 670/15) (from Ch. 17, par. 5415)

6 Sec. 15. Charges permitted.

7 (a) Every licensee may lend a principal amount not
8 exceeding \$40,000 ~~\$25,000~~ and may charge, contract for and
9 receive thereon interest at the rate agreed upon by the
10 licensee and the borrower, subject to the provisions of this
11 Act.

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

14 "Applicable interest" for a precomputed loan contract
15 means the amount of interest attributable to each monthly
16 installment period. It is computed as if each installment
17 period were one month and any interest charged for extending
18 the first installment period beyond one month is ignored.
19 The applicable interest for any monthly installment period is
20 that portion of the precomputed interest that bears the same
21 ratio to the total precomputed interest as the balances
22 scheduled to be outstanding during that month bear to the sum

1 of all scheduled monthly outstanding balances in the original
2 contract.

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

7 "Precomputed loan" means a loan in which the debt is
8 expressed as the sum of the original principal amount plus
9 interest computed actuarially in advance, assuming all
10 payments will be made when scheduled.

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

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

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

27 (1) Interest shall be computed on unpaid principal
28 balances outstanding from time to time, for the time
29 outstanding, until fully paid. Each payment shall be
30 applied first to the accumulated interest and the
31 remainder of the payment applied to the unpaid principal
32 balance; provided however, that if the amount of the
33 payment is insufficient to pay the accumulated interest,
34 the unpaid interest continues to accumulate to be paid

1 from the proceeds of subsequent payments and is not added
2 to the principal balance.

3 (2) Interest shall not be payable in advance or
4 compounded. However, if part or all of the consideration
5 for a new loan contract is the unpaid principal balance
6 of a prior loan, then the principal amount payable under
7 the new loan contract may include any unpaid interest
8 which has accrued. The unpaid principal balance of a
9 precomputed loan is the balance due after refund or
10 credit of unearned interest as provided in paragraph (f),
11 clause (3). The resulting loan contract shall be deemed
12 a new and separate loan transaction for all purposes.

13 (3) Loans may be payable as agreed between the
14 parties, including payment at irregular times or in
15 unequal amounts and rates that may vary with an index
16 that is independently verifiable and beyond the control
17 of the licensee.

18 (4) The lender or creditor may, if the contract
19 provides, collect a delinquency or collection charge on
20 each installment in default for a period of not less than
21 10 days in an amount not exceeding 5% of the installment
22 on installments in excess of \$200, or \$10 on installments
23 of \$200 or less, but only one delinquency and collection
24 charge may be collected on any installment regardless of
25 the period during which it remains in default.

26 (f) With respect to precomputed loans:

27 (1) Loans shall be repayable in substantially equal
28 and consecutive monthly installments of principal and
29 interest combined, except that the first installment
30 period may be longer than one month by not more than 15
31 days, and the first installment payment amount may be
32 larger than the remaining payments by the amount of
33 interest charged for the extra days; and provided further
34 that monthly installment payment dates may be omitted to

1 accommodate borrowers with seasonal income.

2 (2) Payments may be applied to the combined total
3 of principal and precomputed interest until the loan is
4 fully paid. Payments shall be applied in the order in
5 which they become due, except that any insurance proceeds
6 received as a result of any claim made on any insurance,
7 unless sufficient to prepay the contract in full, may be
8 applied to the unpaid installments of the total of
9 payments in inverse order.

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

27 (4) The lender or creditor may, if the contract
28 provides, collect a delinquency or collection charge on
29 each installment in default for a period of not less than
30 10 days in an amount not exceeding 5% of the installment
31 on installments in excess of \$200, or \$10 on installments
32 of \$200 or less, but only one delinquency or collection
33 charge may be collected on any installment regardless of
34 the period during which it remains in default.

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

23 (6) If two or more installments are delinquent one
24 full month or more on any due date, and if the contract
25 so provides, the licensee may reduce the unpaid balance
26 by the refund credit which would be required for
27 prepayment in full on the due date of the most recent
28 maturing installment in default. Thereafter, and in lieu
29 of any other default or deferment charges, the agreed
30 rate of interest may be charged on the unpaid balance
31 until fully paid.

32 (7) Fifteen days after the final installment as
33 originally scheduled or deferred, the licensee, for any
34 loan contract which has not previously been converted to

1 interest-bearing under paragraph (f), clause (6), may
2 compute and charge interest on any balance remaining
3 unpaid, including unpaid default or deferment charges, at
4 the agreed rate of interest until fully paid. At the
5 time of payment of said final installment, the licensee
6 shall give notice to the obligor stating any amounts
7 unpaid.

8 (Source: P.A. 90-437, eff. 1-1-98.)".