



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

HB0418

Introduced 2/3/2009, by Rep. Monique D. Davis

#### SYNOPSIS AS INTRODUCED:

205 ILCS 635/5-10.5 new  
215 ILCS 157/20  
220 ILCS 5/8-101.5 new

Amends the Residential Mortgage License Act of 1987. In a Section concerning lending procedures, provides that a licensee may not deny an application for a mortgage solely on the basis of credit information of prospective customers. Provides that if a licensee denies a mortgage application based on credit information, it must provide the affected party with an explanation for the licensee's action and an opportunity for the affected party to explain its credit information. Amends the Use of Credit Information in Personal Insurance Act. In a Section concerning the use of personal credit information, provides that if an insurer denies, cancels, or does not renew a policy of personal insurance based on credit information, it must provide the affected party with an explanation for the insurer's action and an opportunity for the affected party to explain its credit information. Amends the Public Utilities Act. Provides that a public utility may not deny, cancel, or nonrenew utility service solely on the basis of credit information of prospective or existing customers. Provides that if a public utility denies, cancels, or does not renew service based on credit information, it must provide the affected party with an explanation for the public utility's action and an opportunity for the affected party to explain its credit information. Effective immediately.

LRB096 07541 MJR 17636 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

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 Residential Mortgage License Act of 1987 is  
5 amended by adding Section 5-10.5 as follows:

6 (205 ILCS 635/5-10.5 new)

7 Sec. 5-10.5. Licensee actions with respect to credit  
8 information. A licensee may not deny an application for a  
9 mortgage solely on the basis of credit information of  
10 prospective customers. If a licensee denies a mortgage  
11 application based on credit information, it must provide the  
12 affected party with an explanation for the licensee's action  
13 and an opportunity for the affected party to explain its credit  
14 information.

15 Section 10. The Use of Credit Information in Personal  
16 Insurance Act is amended by changing Section 20 as follows:

17 (215 ILCS 157/20)

18 Sec. 20. Use of credit information. An insurer authorized  
19 to do business in this State that uses credit information to  
20 underwrite or rate risks shall not:

21 (1) Use an insurance score that is calculated using

1 income, gender, address, ethnic group, religion, marital  
2 status, or nationality of the consumer as a factor.

3 (2) Deny, cancel, or nonrenew a policy of personal  
4 insurance solely on the basis of credit information,  
5 without consideration of any other applicable underwriting  
6 factor independent of credit information and not expressly  
7 prohibited by item (1). An insurer shall not be considered  
8 to have denied, cancelled, or nonrenewed a policy if  
9 coverage is available through an affiliate. If an insurer  
10 denies, cancels, or does not renew a policy of personal  
11 insurance based on credit information, it must provide the  
12 affected party with an explanation for the insurer's action  
13 and an opportunity for the affected party to explain its  
14 credit information.

15 (3) Base an insured's renewal rates for personal  
16 insurance solely upon credit information, without  
17 consideration of any other applicable factor independent  
18 of credit information. An insurer shall not be considered  
19 to have based rates solely on credit information if  
20 coverage is available in a different tier of the same  
21 insurer.

22 (4) Take an adverse action against a consumer solely  
23 because he or she does not have a credit card account,  
24 without consideration of any other applicable factor  
25 independent of credit information.

26 (5) Consider an absence of credit information or an

1 inability to calculate an insurance score in underwriting  
2 or rating personal insurance, unless the insurer does one  
3 of the following:

4 (A) Treats the consumer as otherwise filed with the  
5 Department, if the insurer presents information that  
6 such an absence or inability relates to the risk for  
7 the insurer and submits a filing certification form  
8 signed by an officer for the insurer certifying that  
9 such treatment is actuarially justified.

10 (B) Treats the consumer as if the applicant or  
11 insured had neutral credit information, as defined by  
12 the insurer.

13 (C) Excludes the use of credit information as a  
14 factor and uses only other underwriting criteria.

15 (6) Take an adverse action against a consumer based on  
16 credit information, unless an insurer obtains and uses a  
17 credit report issued or an insurance score calculated  
18 within 90 days from the date the policy is first written or  
19 renewal is issued.

20 (7) Use credit information unless not later than every  
21 36 months following the last time that the insurer obtained  
22 current credit information for the insured, the insurer  
23 recalculates the insurance score or obtains an updated  
24 credit report. Regardless of the other requirements of this  
25 Section:

26 (A) At annual renewal, upon the request of a

1 consumer or the consumer's agent, the insurer shall  
2 re-underwrite and re-rate the policy based upon a  
3 current credit report or insurance score. An insurer  
4 need not recalculate the insurance score or obtain the  
5 updated credit report of a consumer more frequently  
6 than once in a 12-month period.

7 (B) The insurer shall have the discretion to obtain  
8 current credit information upon any renewal before the  
9 expiration of 36 months, if consistent with its  
10 underwriting guidelines.

11 (C) An insurer is not required to obtain current  
12 credit information for an insured, despite the  
13 requirements of subitem (A) of item (7) of this Section  
14 if one of the following applies:

15 (a) The insurer is treating the consumer as  
16 otherwise filed with the Department.

17 (b) The insured is in the most  
18 favorably-priced tier of the insurer, within a  
19 group of affiliated insurers. However, the insurer  
20 shall have the discretion to order credit  
21 information, if consistent with its underwriting  
22 guidelines.

23 (c) Credit was not used for underwriting or  
24 rating the insured when the policy was initially  
25 written. However, the insurer shall have the  
26 discretion to use credit for underwriting or

1 rating the insured upon renewal, if consistent  
2 with its underwriting guidelines.

3 (d) The insurer re-evaluates the insured  
4 beginning no later than 36 months after inception  
5 and thereafter based upon other underwriting or  
6 rating factors, excluding credit information.

7 (8) Use the following as a negative factor in any  
8 insurance scoring methodology or in reviewing credit  
9 information for the purpose of underwriting or rating a  
10 policy of personal insurance:

11 (A) Credit inquiries not initiated by the consumer  
12 or inquiries requested by the consumer for his or her  
13 own credit information.

14 (B) Inquiries relating to insurance coverage, if  
15 so identified on a consumer's credit report.

16 (C) Collection accounts with a medical industry  
17 code, if so identified on the consumer's credit report.

18 (D) Multiple lender inquiries, if coded by the  
19 consumer reporting agency on the consumer's credit  
20 report as being from the home mortgage industry and  
21 made within 30 days of one another, unless only one  
22 inquiry is considered.

23 (E) Multiple lender inquiries, if coded by the  
24 consumer reporting agency on the consumer's credit  
25 report as being from the automobile lending industry  
26 and made within 30 days of one another, unless only one

1 inquiry is considered.

2 (Source: P.A. 93-114, eff. 10-1-03; 93-477, eff. 10-1-03.)

3 Section 15. The Public Utilities Act is amended by adding  
4 Section 8-101.5 as follows:

5 (220 ILCS 5/8-101.5 new)

6 Sec. 8-101.5. Use of credit information of prospective and  
7 existing customers. A public utility may not deny, cancel, or  
8 nonrenew utility service solely on the basis of credit  
9 information of prospective or existing customers. If a public  
10 utility denies, cancels, or does not renew service based on  
11 credit information, it must provide the affected party with an  
12 explanation for the public utility's action and an opportunity  
13 for the affected party to explain its credit information.

14 Section 99. Effective date. This Act takes effect upon  
15 becoming law.