

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 Illinois Financial Services Development Act  
5 is amended by changing Sections 3 and 8 and by adding Section  
6 8.5 as follows:

7 (205 ILCS 675/3) (from Ch. 17, par. 7003)

8 Sec. 3. As used in this Section:

9 (a) "Financial institution" means any bank with its main  
10 office or, after May 31, 1997, a branch in this State, any  
11 state or federal savings and loan association or savings bank  
12 with its main office or branch in this State, any state or  
13 federal credit union with its main office in this State, and  
14 any lender licensed under the Consumer Installment Loan Act or  
15 the Sales Finance Agency Act.

16 (b) "Revolving credit plan" or "plan" means a plan  
17 contemplating the extension of credit under an account governed  
18 by an agreement between a financial institution and a borrower  
19 who is a natural person pursuant to which:

20 (1) The financial institution permits the borrower  
21 and, if the agreement governing the plan so provides,  
22 persons acting on behalf of or with authorization from the  
23 borrower, from time to time to make purchases and to obtain

1 loans by any means whatsoever, including use of a credit  
2 device primarily for personal, family or household  
3 purposes;

4 (2) the amounts of such purchases and loans are charged  
5 to the borrower's account under the revolving credit plan;

6 (3) the borrower is required to pay the financial  
7 institution the amounts of all purchases and loans charged  
8 to such borrower's account under the plan but has the  
9 privilege of paying such amounts outstanding from time to  
10 time in full or installments; and

11 (4) interest may be charged and collected by the  
12 financial institution from time to time on the outstanding  
13 unpaid indebtedness under such plan.

14 (c) "Credit device" means any card, check, identification  
15 code or other means of identification contemplated by the  
16 agreement governing the plan.

17 (d) "Outstanding unpaid indebtedness" means on any day an  
18 amount not in excess of the total amount of purchases and loans  
19 charged to the borrower's account under the plan which is  
20 outstanding and unpaid at the end of the day, after adding the  
21 aggregate amount of any new purchases and loans charged to the  
22 account as of that day and deducting the aggregate amount of  
23 any payments and credits applied to that indebtedness as of  
24 that day and, if the agreement governing the plan so provides,  
25 may include the amount of any billed and unpaid interest and  
26 other charges.

1       (e) "Credit card" means any instrument or device, whether  
2       known as a credit card, credit device, credit plate, charge  
3       plate, or any other name, issued with or without fee by an  
4       issuer for the use of the borrower in obtaining money, goods,  
5       services, or anything else of value on credit, but does not  
6       include any negotiable instrument as defined in the Uniform  
7       Commercial Code, as now or hereafter amended, or a debit card  
8       that may indirectly access an overdraft line of credit through  
9       a debit to a deposit account.

10       (f) "Credit card account" means a revolving credit plan  
11       accessed by a credit card.

12       (Source: P.A. 89-208, eff. 9-29-95.)

13       (205 ILCS 675/8) (from Ch. 17, par. 7008)

14       Sec. 8. Amendment of ~~governing~~ agreement governing  
15       revolving credit plans other than credit card accounts.

16       (a) If the agreement governing a revolving credit plan  
17       other than a credit card account so provides or allows, a  
18       financial institution may at any time or from time to time  
19       amend the terms of such agreement in accordance with the  
20       further provisions of this Section 8. The financial institution  
21       shall notify each affected borrower of the amendment in the  
22       manner set forth in the agreement governing the plan and in  
23       compliance with the requirements of the Truth-in-Lending Act  
24       and regulations promulgated thereunder, as in effect from time  
25       to time, if applicable.

1           (b) Subject to subsection (c) below, if the terms of the  
2 agreement governing the plan, as originally drawn or as amended  
3 pursuant to this Section so provide, any amendment may, on and  
4 after the date upon which it becomes effective as to a  
5 particular borrower, apply to all then outstanding unpaid  
6 indebtedness in the borrower's account under the plan,  
7 including any such indebtedness which shall have arisen out of  
8 purchases made or loans obtained prior to the effective date of  
9 the amendment.

10           (c) If such amendment has the effect of increasing the  
11 interest or other charges to be paid by the borrower, the  
12 financial institution shall mail or deliver to the borrower, at  
13 least 30 days before the effective date of the amendment, a  
14 clear and conspicuous written notice which shall:

15           (1) describe the amendment and the existing term or  
16 terms of the agreement affected by the amendment,

17           (2) set forth the effective date of the amendment,

18           (3) state whether or not the amendment will apply to  
19 the outstanding unpaid indebtedness as of the effective  
20 date of the amendment,

21           (4) state that absent the borrower's written notice to  
22 the financial institution within 30 days of the earlier of  
23 the mailing or delivery of the notice of amendment that the  
24 borrower does not agree to accept the amendment, the  
25 amendment will become effective and apply to the borrower's  
26 account, and

1           (5) provide an address to which the borrower may send  
2 notice of the borrower's election not to accept the  
3 amendment and include an addressed postcard that the  
4 borrower may return to the financial institution for that  
5 purpose.

6           (c-5) If such amendment results in an unfavorable change in  
7 the interest or other charges on a revolving credit plan which:  
8 (i) relates to a change in the borrower's credit standing, (ii)  
9 does not affect all or a substantial portion of a class of the  
10 creditor's accounts, and (iii) does not relate to inactivity,  
11 default, or delinquency on that revolving credit plan, the  
12 financial institution shall include in the notice required by  
13 subsection (c) of this Section 8 a statement that is  
14 substantially similar to the following:

15                           Change in Credit Standing

16           The amendment to the terms of your account relates to a  
17 change in your credit standing. The change in your credit  
18 standing may have resulted from a default or delinquency on  
19 other accounts you may have, or other adverse changes in  
20 your financial circumstances. If you submit the enclosed  
21 postcard or otherwise notify us in a timely manner as  
22 provided in this notice that you do not accept the  
23 amendment, you will be able to pay off your existing  
24 balance at the rate in effect prior to the amendment.  
25 However, in that instance, you may not be eligible to  
26 obtain additional credit under this plan after the

1 effective date of the amendment. If you do not provide  
2 timely notice to us as provided in this notice that you do  
3 not accept the amendment, the amendment to the terms of  
4 your account will become effective and apply to your  
5 account.

6 (c-10) As a condition to the effectiveness of the  
7 borrower's notice not to accept the amendment, the financial  
8 institution may require the borrower to return all credit  
9 devices.

10 Any borrower who gives a timely notice electing not to  
11 accept the amendment shall be permitted to pay the outstanding  
12 unpaid indebtedness in the borrower's account under the plan in  
13 accordance with the terms of the agreement governing the plan  
14 without giving effect to the amendment.

15 Notwithstanding the financial institution's receipt of the  
16 borrower's notice under item (4) of subsection (c) that the  
17 borrower does not accept the amendment, the amendment shall be  
18 deemed to have been accepted and effective with respect to the  
19 borrower and the borrower's account if the borrower uses the  
20 credit device to obtain credit under the credit plan on or  
21 after the effective date of the amendment, and the amendment  
22 shall be deemed effective as of the effective date originally  
23 disclosed by the financial institution.

24 (d) For purposes of this Section, the following shall not  
25 be deemed an amendment which has the effect of increasing the  
26 interest to be paid by the borrower:

1 (1) a decrease in the required amount of periodic  
2 installment payments; and

3 (2) a change from a daily periodic rate to a periodic  
4 rate other than daily, or from a periodic rate other than  
5 daily to a daily periodic rate, provided that there is no  
6 resulting change in the annual percentage rate as  
7 determined in accordance with the Truth-in-Lending Act and  
8 regulations promulgated thereunder, as in effect from time  
9 to time.

10 (Source: P.A. 93-287, eff. 1-1-04.)

11 (205 ILCS 675/8.5 new)

12 Sec. 8.5. Amendment of agreement governing credit card  
13 accounts.

14 (a) Amendment of terms. If the agreement governing a credit  
15 card account so provides or allows, then a financial  
16 institution may at any time or from time to time amend the  
17 terms of such agreement in accordance with the further  
18 provisions of this Section. The financial institution shall  
19 notify each affected borrower of the amendment in the manner  
20 set forth in the agreement governing the credit card account  
21 and in compliance with the requirements of the Truth-in-Lending  
22 Act and regulations promulgated thereunder, as in effect from  
23 time to time, if applicable. The provisions of Section 8 of  
24 this Act shall not apply to the amendment of the terms of the  
25 agreement governing the credit card account.

1       (b) Interest rate increase limited to future transactions.  
2       An agreement governing a credit card account may be amended to  
3       increase the interest rate on future transactions which may  
4       take effect not less than 45 days after notice of the rate  
5       increase is provided to the borrower. The interest rate may  
6       only be applied to transactions that occur more than 14 days  
7       after provision of the notice to the borrower. The notice to  
8       the borrower shall disclose the interest rate applicable to new  
9       transactions, the date the interest rate will commence, the  
10       transactions subject to the increased interest rate, and the  
11       transactions subject to the current interest rate. A financial  
12       institution may not increase the interest rate under this  
13       subsection during the first year after the credit card account  
14       is opened.

15       (c) Advance notice and right to reject an increase in fees  
16       or charges. An agreement governing a credit card account may be  
17       amended to increase fees or charges on or after an effective  
18       date that is at least 45 days after provision of a notice to  
19       the borrower, provided a financial institution may not increase  
20       fees or charges on a credit card account during the first year  
21       after the credit card account is opened. The notice to the  
22       borrower shall:

23               (1) describe the change in terms contained in the  
24               amendment;

25               (2) set forth the effective date of the amendment;

26               (3) state that the borrower may reject the amendment



1 prior to the effective date of the amendment;

2 (4) provide an address to which the borrower may send  
3 notice of the borrower's election not to accept the  
4 amendment and include an addressed postcard that the  
5 borrower may return to the financial institution for that  
6 purpose, or provide a toll-free telephone number the  
7 borrower may use to notify the financial institution of the  
8 borrower's rejection of the amendment; and

9 (5) if applicable, a statement that if the borrower  
10 rejects the amendment, then the borrower's ability to use  
11 the account for further advances will be terminated or  
12 suspended.

13 (d) Interest rate increase applicable to current balances.

14 A financial institution may not increase the interest rate on  
15 the outstanding unpaid indebtedness under a credit card  
16 agreement, except as permitted in the following:

17 (1) Temporary rate exception. A financial institution  
18 may increase a promotional interest rate upon the  
19 expiration of a specified period of time of at least 6  
20 months, provided that prior to the commencement of that  
21 period, the financial institution has disclosed to the  
22 borrower the length of the period and the increased  
23 interest rate that would apply after the expiration of the  
24 period.

25 (2) Variable rate exception. A financial institution  
26 may increase the interest rate of a variable rate credit

1 card account, established in accordance with the  
2 provisions of Section 5 of this Act, resulting from  
3 increases in an index that is not under the financial  
4 institution's control and is available to the general  
5 public.

6 (3) Workout and temporary hardship exception. If an  
7 interest rate is reduced pursuant to a workout or temporary  
8 hardship arrangement, then the interest rate may be  
9 increased to the interest rate in effect prior to the  
10 reduction due to completion of the workout or temporary  
11 hardship arrangement by the borrower or the failure of the  
12 borrower to comply with the terms of the workout or  
13 temporary hardship arrangement, provided the financial  
14 institution has furnished the borrower with a clear and  
15 conspicuous disclosure of the terms of the arrangement  
16 prior to commencement of the arrangement.

17 (4) Delinquency exception. A financial institution may  
18 increase the interest rate if the borrower's required  
19 minimum payment has not been received by the financial  
20 institution within 60 days after the due date for the  
21 payment, provided that after the minimum payment is 60 days  
22 delinquent a notice is furnished to the borrower 45 days  
23 prior to the effective date of the increase stating the  
24 reason for the increase and that the increase will  
25 terminate not later than 6 months after the effective date  
26 of the increase if the financial institution receives the

1 required minimum payments on time during that 6 month  
2 period.

3 (5) Servicemember's Civil Relief Act exception. If an  
4 interest rate is decreased due to the provisions of 50  
5 U.S.C. App. 527 of the Servicemembers Civil Relief Act,  
6 then the financial institution may increase the interest  
7 rate once those provisions no longer apply, provided the  
8 financial institution may not apply to any transactions  
9 that occurred prior to the decrease an interest rate  
10 greater than the interest rate applied prior to the  
11 decrease.

12 (e) Universal default prohibited. A financial institution  
13 may not impose an unfavorable change in the interest or other  
14 charges on a credit card account which: (i) relates to a change  
15 in the borrower's credit standing, (ii) does not affect all or  
16 a substantial portion of a class of the creditor's accounts,  
17 and (iii) does not relate to inactivity, default, or  
18 delinquency on that credit card account.

19 (f) Any borrower who gives a timely notice under subsection  
20 (c) of this Section rejecting an amendment to increase fees or  
21 charges shall be permitted to pay the outstanding unpaid  
22 indebtedness in the borrower's credit card account, in  
23 accordance with the terms of the agreement governing the credit  
24 card account without giving effect to the amendment.

25 (g) For purposes of this Section, the following shall not  
26 be deemed an amendment that has the effect of increasing the

1 interest to be paid by the borrower:

2 (1) a decrease in the required amount of periodic  
3 installment payments; and

4 (2) a change from a daily periodic rate to a periodic  
5 rate other than daily, or from a periodic rate other than  
6 daily to a daily periodic rate, provided that there is no  
7 resulting change in the annual percentage rate as  
8 determined in accordance with the Truth-in-Lending Act and  
9 regulations promulgated thereunder, as in effect from time  
10 to time.

11 Section 10. The Credit Card Issuance Act is amended by  
12 changing Section 7.2 as follows:

13 (815 ILCS 140/7.2)

14 Sec. 7.2. No credit card issuer shall issue, provide,  
15 assign or deliver in any way a credit card account to and in  
16 the name of any person under the age of 21 unless the person  
17 has submitted a written application and the credit card issuer  
18 has:

19 (1) financial information that the person has an  
20 independent ability to make the required minimum periodic  
21 payments on the proposed extension of credit; or

22 (2) financial information that a cosigner, guarantor,  
23 or joint applicant who is at least 21 years old has an  
24 independent ability to make the required minimum periodic

1       payments on the proposed extension of credit, and a signed  
2       agreement of the cosigner, guarantor, or joint applicant to  
3       be either jointly liable for any debt on the account or  
4       secondarily liable for any debt on the account incurred by  
5       the person before the person has attained the age of 21 ~~18~~  
6       ~~without the written approval of that person's parent or~~  
7       ~~legal guardian.~~

8       Upon delivery of a credit card account to and in the name  
9       of any person under the age of 18, the credit card issuer shall  
10      also include a pamphlet which details the responsible use of a  
11      credit card, an explanation of applicable credit limits,  
12      payment requirements and the penalties for the misuse and  
13      fraudulent use of a credit card.

14      ~~A person under the age of 18 may be issued a credit card~~  
15      ~~account in that person's name without the written approval of a~~  
16      ~~parent or legal guardian if a person over the age of 18 agrees~~  
17      ~~to be a joint holder of the credit card account and accepts the~~  
18      ~~responsibility for any debt or cost associated with the credit~~  
19      ~~card.~~

20      This Section does not apply to a supplementary card issued  
21      to a person under the age of 21 ~~18~~ that allows that person to  
22      access a credit card account in the name of a person over the  
23      age of 21 ~~18~~ if the person over the age of 21 ~~18~~ requested  
24      orally or in writing that the supplementary card be issued to  
25      the person under the age of 21 ~~18~~.

26      (Source: P.A. 88-348.)

1           Section 99. Effective date. This Act takes effect upon  
2           becoming law.