



Rep. Joseph M. Lyons

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LRB096 21038 RPM 39245 a

1 AMENDMENT TO HOUSE BILL 6412

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 6412 by replacing  
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Financial Services Development  
5 Act is amended by changing Sections 3 and 8 and by adding  
6 Section 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

1 contemplating the extension of credit under an account governed  
2 by an agreement between a financial institution and a borrower  
3 who is a natural person pursuant to which:

4 (1) The financial institution permits the borrower  
5 and, if the agreement governing the plan so provides,  
6 persons acting on behalf of or with authorization from the  
7 borrower, from time to time to make purchases and to obtain  
8 loans by any means whatsoever, including use of a credit  
9 device primarily for personal, family or household  
10 purposes;

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

13 (3) the borrower is required to pay the financial  
14 institution the amounts of all purchases and loans charged  
15 to such borrower's account under the plan but has the  
16 privilege of paying such amounts outstanding from time to  
17 time in full or installments; and

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

21 (c) "Credit device" means any card, check, identification  
22 code or other means of identification contemplated by the  
23 agreement governing the plan.

24 (d) "Outstanding unpaid indebtedness" means on any day an  
25 amount not in excess of the total amount of purchases and loans  
26 charged to the borrower's account under the plan which is

1 outstanding and unpaid at the end of the day, after adding the  
2 aggregate amount of any new purchases and loans charged to the  
3 account as of that day and deducting the aggregate amount of  
4 any payments and credits applied to that indebtedness as of  
5 that day and, if the agreement governing the plan so provides,  
6 may include the amount of any billed and unpaid interest and  
7 other charges.

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

17 (f) "Credit card account" means a revolving credit plan  
18 accessed by a credit card.

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

20 (205 ILCS 675/8) (from Ch. 17, par. 7008)

21 Sec. 8. Amendment of ~~governing~~ agreement governing  
22 revolving credit plans other than credit card accounts.

23 (a) If the agreement governing a revolving credit plan  
24 other than a credit card account so provides or allows, a  
25 financial institution may at any time or from time to time

1 amend the terms of such agreement in accordance with the  
2 further provisions of this Section 8. The financial institution  
3 shall notify each affected borrower of the amendment in the  
4 manner set forth in the agreement governing the plan and in  
5 compliance with the requirements of the Truth-in-Lending Act  
6 and regulations promulgated thereunder, as in effect from time  
7 to time, if applicable.

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

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

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

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

25 (3) state whether or not the amendment will apply to  
26 the outstanding unpaid indebtedness as of the effective

1 date of the amendment,

2 (4) state that absent the borrower's written notice to  
3 the financial institution within 30 days of the earlier of  
4 the mailing or delivery of the notice of amendment that the  
5 borrower does not agree to accept the amendment, the  
6 amendment will become effective and apply to the borrower's  
7 account, and

8 (5) provide an address to which the borrower may send  
9 notice of the borrower's election not to accept the  
10 amendment and include an addressed postcard that the  
11 borrower may return to the financial institution for that  
12 purpose.

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

22 Change in Credit Standing

23 The amendment to the terms of your account relates to a  
24 change in your credit standing. The change in your credit  
25 standing may have resulted from a default or delinquency on  
26 other accounts you may have, or other adverse changes in

1       your financial circumstances. If you submit the enclosed  
2       postcard or otherwise notify us in a timely manner as  
3       provided in this notice that you do not accept the  
4       amendment, you will be able to pay off your existing  
5       balance at the rate in effect prior to the amendment.  
6       However, in that instance, you may not be eligible to  
7       obtain additional credit under this plan after the  
8       effective date of the amendment. If you do not provide  
9       timely notice to us as provided in this notice that you do  
10      not accept the amendment, the amendment to the terms of  
11      your account will become effective and apply to your  
12      account.

13       (c-10) As a condition to the effectiveness of the  
14      borrower's notice not to accept the amendment, the financial  
15      institution may require the borrower to return all credit  
16      devices.

17       Any borrower who gives a timely notice electing not to  
18      accept the amendment shall be permitted to pay the outstanding  
19      unpaid indebtedness in the borrower's account under the plan in  
20      accordance with the terms of the agreement governing the plan  
21      without giving effect to the amendment.

22       Notwithstanding the financial institution's receipt of the  
23      borrower's notice under item (4) of subsection (c) that the  
24      borrower does not accept the amendment, the amendment shall be  
25      deemed to have been accepted and effective with respect to the  
26      borrower and the borrower's account if the borrower uses the

1 credit device to obtain credit under the credit plan on or  
2 after the effective date of the amendment, and the amendment  
3 shall be deemed effective as of the effective date originally  
4 disclosed by the financial institution.

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

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

10 (2) a change from a daily periodic rate to a periodic  
11 rate other than daily, or from a periodic rate other than  
12 daily to a daily periodic rate, provided that there is no  
13 resulting change in the annual percentage rate as  
14 determined in accordance with the Truth-in-Lending Act and  
15 regulations promulgated thereunder, as in effect from time  
16 to time.

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

18 (205 ILCS 675/8.5 new)

19 Sec. 8.5. Amendment of agreement governing credit card  
20 accounts.

21 (a) Amendment of terms. If the agreement governing a credit  
22 card account so provides or allows, then a financial  
23 institution may at any time or from time to time amend the  
24 terms of such agreement in accordance with the further  
25 provisions of this Section. The financial institution shall

1 notify each affected borrower of the amendment in the manner  
2 set forth in the agreement governing the credit card account  
3 and in compliance with the requirements of the Truth-in-Lending  
4 Act and regulations promulgated thereunder, as in effect from  
5 time to time, if applicable. The provisions of Section 8 of  
6 this Act shall not apply to the amendment of the terms of the  
7 agreement governing the credit card account.

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

22 (c) Advance notice and right to reject an increase in fees  
23 or charges. An agreement governing a credit card account may be  
24 amended to increase fees or charges on or after an effective  
25 date that is at least 45 days after provision of a notice to  
26 the borrower, provided a financial institution may not increase



1 fees or charges on a credit card account during the first year  
2 after the credit card account is opened. The notice to the  
3 borrower shall:

4 (1) describe the change in terms contained in the  
5 amendment;

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

7 (3) state that the borrower may reject the amendment  
8 prior to the effective date of the amendment;

9 (4) provide an address to which the borrower may send  
10 notice of the borrower's election not to accept the  
11 amendment and include an addressed postcard that the  
12 borrower may return to the financial institution for that  
13 purpose, or provide a toll-free telephone number the  
14 borrower may use to notify the financial institution of the  
15 borrower's rejection of the amendment; and

16 (5) if applicable, a statement that if the borrower  
17 rejects the amendment, then the borrower's ability to use  
18 the account for further advances will be terminated or  
19 suspended.

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

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

24 (1) Temporary rate exception. A financial institution  
25 may increase a promotional interest rate upon the  
26 expiration of a specified period of time of at least 6

1       months, provided that prior to the commencement of that  
2       period, the financial institution has disclosed to the  
3       borrower the length of the period and the increased  
4       interest rate that would apply after the expiration of the  
5       period.

6       (2) Variable rate exception. A financial institution  
7       may increase the interest rate of a variable rate credit  
8       card account, established in accordance with the  
9       provisions of Section 5 of this Act, resulting from  
10       increases in an index that is not under the financial  
11       institution's control and is available to the general  
12       public.

13       (3) Workout and temporary hardship exception. If an  
14       interest rate is reduced pursuant to a workout or temporary  
15       hardship arrangement, then the interest rate may be  
16       increased to the interest rate in effect prior to the  
17       reduction due to completion of the workout or temporary  
18       hardship arrangement by the borrower or the failure of the  
19       borrower to comply with the terms of the workout or  
20       temporary hardship arrangement, provided the financial  
21       institution has furnished the borrower with a clear and  
22       conspicuous disclosure of the terms of the arrangement  
23       prior to commencement of the arrangement.

24       (4) Delinquency exception. A financial institution may  
25       increase the interest rate if the borrower's required  
26       minimum payment has not been received by the financial

1 institution within 60 days after the due date for the  
2 payment, provided that after the minimum payment is 60 days  
3 delinquent a notice is furnished to the borrower 45 days  
4 prior to the effective date of the increase stating the  
5 reason for the increase and that the increase will  
6 terminate not later than 6 months after the effective date  
7 of the increase if the financial institution receives the  
8 required minimum payments on time during that 6 month  
9 period.

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

19 (e) Universal default prohibited. A financial institution  
20 may not impose an unfavorable change in the interest or other  
21 charges on a credit card account which: (i) relates to a change  
22 in the borrower's credit standing, (ii) does not affect all or  
23 a substantial portion of a class of the creditor's accounts,  
24 and (iii) does not relate to inactivity, default, or  
25 delinquency on that credit card account.

26 (f) Any borrower who gives a timely notice under subsection

1 (c) of this Section rejecting an amendment to increase fees or  
2 charges shall be permitted to pay the outstanding unpaid  
3 indebtedness in the borrower's credit card account, in  
4 accordance with the terms of the agreement governing the credit  
5 card account without giving effect to the amendment.

6 (g) For purposes of this Section, the following shall not  
7 be deemed an amendment that has the effect of increasing the  
8 interest to be paid by the borrower:

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

11 (2) a change from a daily periodic rate to a periodic  
12 rate other than daily, or from a periodic rate other than  
13 daily to a daily periodic rate, provided that there is no  
14 resulting change in the annual percentage rate as  
15 determined in accordance with the Truth-in-Lending Act and  
16 regulations promulgated thereunder, as in effect from time  
17 to time.

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

20 (815 ILCS 140/7.2)

21 Sec. 7.2. No credit card issuer shall issue, provide,  
22 assign or deliver in any way a credit card account to and in  
23 the name of any person under the age of 21 unless the person  
24 has submitted a written application and the credit card issuer

1 has:

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

5 (2) financial information that a cosigner, guarantor,  
6 or joint applicant who is at least 21 years old has an  
7 independent ability to make the required minimum periodic  
8 payments on the proposed extension of credit, and a signed  
9 agreement of the cosigner, guarantor, or joint applicant to  
10 be either jointly liable for any debt on the account or  
11 secondarily liable for any debt on the account incurred by  
12 the person before the person has attained the age of 21 ~~18~~  
13 ~~without the written approval of that person's parent or~~  
14 ~~legal guardian.~~

15 Upon delivery of a credit card account to and in the name  
16 of any person under the age of 18, the credit card issuer shall  
17 also include a pamphlet which details the responsible use of a  
18 credit card, an explanation of applicable credit limits,  
19 payment requirements and the penalties for the misuse and  
20 fraudulent use of a credit card.

21 ~~A person under the age of 18 may be issued a credit card~~  
22 ~~account in that person's name without the written approval of a~~  
23 ~~parent or legal guardian if a person over the age of 18 agrees~~  
24 ~~to be a joint holder of the credit card account and accepts the~~  
25 ~~responsibility for any debt or cost associated with the credit~~  
26 ~~card.~~

1           This Section does not apply to a supplementary card issued  
2 to a person under the age of 21 ~~18~~ that allows that person to  
3 access a credit card account in the name of a person over the  
4 age of 21 ~~18~~ if the person over the age of 21 ~~18~~ requested  
5 orally or in writing that the supplementary card be issued to  
6 the person under the age of 21 ~~18~~.

7           (Source: P.A. 88-348.)

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