

AN ACT concerning regulation.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

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

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

Sec. 3. As used in this Section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Change in Credit Standing

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

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

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

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

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

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

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

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

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

(205 ILCS 675/8.5 new)

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

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

(b) Interest rate increase limited to future transactions.

An agreement governing a credit card account may be amended to increase the interest rate on future transactions which may take effect not less than 45 days after notice of the rate increase is provided to the borrower. The interest rate may only be applied to transactions that occur more than 14 days after provision of the notice to the borrower. The notice to the borrower shall disclose the interest rate applicable to new transactions, the date the interest rate will commence, the transactions subject to the increased interest rate, and the transactions subject to the current interest rate. A financial institution may not increase the interest rate under this subsection during the first year after the credit card account is opened.

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

- (1) describe the change in terms contained in the amendment;
- (2) set forth the effective date of the amendment;
- (3) state that the borrower may reject the amendment

prior to the effective date of the amendment;

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

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

(d) Interest rate increase applicable to current balances.

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

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

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

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

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

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

required minimum payments on time during that 6 month period.

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

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

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

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

interest to be paid by the borrower:

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

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

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

(815 ILCS 140/7.2)

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

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

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

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

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

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

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

(Source: P.A. 88-348.)

Public Act 096-1193

HB6412 Enrolled

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