

AN ACT concerning education.

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

Section 5. The Student Loan Servicing Rights Act is amended by changing Sections 1-5 and 25-5 and by adding Article 7 as follows:

(110 ILCS 992/1-5)

Sec. 1-5. Definitions. As used in this Act:

"Applicant" means a person applying for a license pursuant to this Act.

"Borrower" or "student loan borrower" means a person who has received or agreed to pay a student loan for his or her own educational expenses.

"Cosigner" means any individual who is liable for the obligation of another without compensation, regardless of how the individual is designated in the contract or instrument with respect to that obligation, including an obligation under a private education loan extended to consolidate a borrower's preexisting student loans. The term includes any individual whose signature is requested, as a condition, to grant credit or to forbear on collection. The term does not include a spouse of an individual if the spouse's signature is needed solely to perfect the security interest in a loan.

"Department" means the Department of Financial and Professional Regulation.

"Division of Banking" means the Division of Banking of the Department of Financial and Professional Regulation.

"Federal loan borrower eligible for referral to a repayment specialist" means a borrower who possesses any of the following characteristics:

(1) requests information related to options to reduce or suspend his or her monthly payment;

(2) indicates that he or she is experiencing or anticipates experiencing financial hardship, distress, or difficulty making his or her payments;

(3) has missed 2 consecutive monthly payments;

(4) is at least 75 days delinquent;

(5) is enrolled in a discretionary forbearance for more than 9 of the previous 12 months;

(6) has rehabilitated or consolidated one or more loans out of default within the past 12 months; or

(7) has not completed a course of study, as reflected in the servicer's records, or the borrower identifies himself or herself as not having completed a program of study.

"Federal education loan" means any loan made, guaranteed, or insured under Title IV of the federal Higher Education Act of 1965.

"Income-driven payment plan certification" means the

documentation related to a federal student loan borrower's income or financial status the borrower must submit to renew an income-driven repayment plan.

"Income-driven repayment options" includes the Income-Contingent Repayment Plan, the Income-Based Repayment Plan, the Income-Sensitive Repayment Plan, the Pay As You Earn Plan, the Revised Pay As You Earn Plan, and any other federal student loan repayment plan that is calculated based on a borrower's income.

"Licensee" means a person licensed pursuant to this Act.

"Other repayment plans" means the Standard Repayment Plan, the Graduated Repayment Plan, the Extended Repayment Plan, or any other federal student loan repayment plan not based on a borrower's income.

"Private education loan" has the meaning ascribed to the term in Section 140 of the federal Truth in Lending Act (15 U.S.C. 1650). In addition, "private education loan" includes an income share agreement and student financing.

"Private loan borrower eligible for referral to a repayment specialist" means a borrower who possesses any of the following characteristics:

(1) requests information related to options to reduce or suspend his or her monthly payments; or

(2) indicates that he or she is experiencing or anticipates experiencing financial hardship, distress, or difficulty making his or her payments.

"Requester" means any borrower or cosigner that submits a request for assistance.

"Request for assistance" means all inquiries, complaints, account disputes, and requests for documentation a servicer receives from borrowers or cosigners.

"Secretary" means the Secretary of Financial and Professional Regulation, or his or her designee, including the Director of the Division of Banking of the Department of Financial and Professional Regulation.

"Servicing" means: (1) receiving any scheduled periodic payments from a student loan borrower or cosigner pursuant to the terms of a student loan; (2) applying the payments of principal and interest and such other payments with respect to the amounts received from a student loan borrower or cosigner, as may be required pursuant to the terms of a student loan; and (3) performing other administrative services with respect to a student loan.

"Student loan" or "loan" means any federal education loan or other loan primarily for use to finance a postsecondary education and costs of attendance at a postsecondary institution, including, but not limited to, tuition, fees, books and supplies, room and board, transportation, and miscellaneous personal expenses. "Student loan" includes a loan made to refinance a student loan.

"Student loan" shall not include an extension of credit under an open-end consumer credit plan, a reverse mortgage

transaction, a residential mortgage transaction, or any other loan that is secured by real property or a dwelling.

"Student loan" shall not include an extension of credit made by a postsecondary educational institution to a borrower if one of the following apply:

(1) The term of the extension of credit is no longer than the borrower's education program.

(2) The remaining, unpaid principal balance of the extension of credit is less than \$1,500 at the time of the borrower's graduation or completion of the program.

(3) The borrower fails to graduate or successfully complete his or her education program and has a balance due at the time of his or her disenrollment from the postsecondary institution.

"Student loan servicer" or "servicer" means any person engaged in the business of servicing student loans. "Student loan servicer" or "servicer" includes persons or entities acting on behalf of the State Treasurer. "Student loan servicer" includes an EISA provider covered under Article 7 of this Act.

"Student loan servicer" shall not include:

(1) a bank, savings bank, savings association, or credit union organized under the laws of the State or any other state or under the laws of the United States;

(2) a wholly owned subsidiary of any bank, savings bank, savings association, or credit union organized under

the laws of the State or any other state or under the laws of the United States;

(3) an operating subsidiary where each owner of the operating subsidiary is wholly owned by the same bank, savings bank, savings association, or credit union organized under the laws of the State or any other state or under the laws of the United States;

(4) the Illinois Student Assistance Commission and its agents when the agents are acting on the Illinois Student Assistance Commission's behalf;

(5) a public postsecondary educational institution or a private nonprofit postsecondary educational institution servicing a student loan it extended to the borrower;

(6) a licensed debt management service under the Debt Management Service Act, except to the extent that the organization acts as a subcontractor, affiliate, or service provider for an entity that is otherwise subject to licensure under this Act;

(7) any collection agency licensed under the Collection Agency Act that is collecting post-default debt;

(8) in connection with its responsibilities as a guaranty agency engaged in default aversion, a State or nonprofit private institution or organization having an agreement with the U.S. Secretary of Education under Section 428(b) of the Higher Education Act (20 U.S.C.

1078(B));

(9) a State institution or a nonprofit private organization designated by a governmental entity to make or service student loans, provided in each case that the institution or organization services fewer than 20,000 student loan accounts of borrowers who reside in Illinois;

(10) a law firm or licensed attorney that is collecting post-default debt; or

(11) the State Treasurer.

"Total and permanent disability" means a physical or mental impairment, disease, or loss of a permanent nature that prevents employment with or without reasonable accommodation, with proof of disability being in the form of a declaration from the United States Social Security Administration, the Illinois Workers' Compensation Commission, the United States Department of Defense, or an insurer authorized to transact business in this State who is providing disability insurance coverage to a contractor. The term does not include a condition that has not progressed or been exacerbated or that the individual did not acquire until after the closing of the loan agreement. In addition, documentation sufficient to establish a total and permanent disability for a federal student loan made pursuant to Title IV of the federal Higher Education Act of 1965 is sufficient to establish a total and permanent disability under this Act.

(Source: P.A. 103-748, eff. 8-2-24.)

(110 ILCS 992/Art. 7 heading new)

ARTICLE 7. EDUCATIONAL INCOME SHARE AGREEMENTS

(110 ILCS 992/7-1 new)

Sec. 7-1. Purpose and construction. This Article shall be construed as a consumer-protection law for all purposes and shall be liberally construed to effectuate its purpose.

(110 ILCS 992/7-3 new)

Sec. 7-3. Applicability. This Article applies only to educational income share agreements.

(110 ILCS 992/7-5 new)

Sec. 7-5. Definitions. As used in this Article:

"Amount financed" means the amounts advanced by the EISA provider to the consumer or on behalf of the consumer, or if the EISA provider is a merchant financing the sale of goods or services to the consumer using an EISA, "amount financed" means the amount credited by the EISA provider toward the purchase of expenses described in the definition of "educational income share agreement".

"Annual percentage rate" or "APR" means the percentage rate calculated according to the Federal Reserve Board's methodology as set forth under Regulation Z, 12 CFR Part 1026. The "annual percentage rate" of an EISA is the measure of the

cost of the EISA, expressed as a yearly rate, that relates to the amount and timing of value received by the consumer to the amount and timing of payments made, including any charges or fees that would be included in the APR as set forth under Regulation Z, 12 CFR Part 1026. The "annual percentage rate" is determined in accordance with either the actuarial method or the United States rule method.

"Cash price" has the meaning given in 12 CFR 1026.2(a)(9).

"Consumer" means a natural person who enters into an EISA.

"Educational income share agreement" or "EISA" means an agreement between a consumer and an EISA provider under which:

(1) the EISA provider credits or advances a sum of money to the consumer or to a third party on the consumer's behalf or, if the EISA provider is a seller of goods or services to the consumer, the EISA provider credits or advances toward the purchase of such goods or services;

(2) the consumer is obligated to make periodic payments, if any become due, to the EISA provider calculated, based upon, or determined by the consumer's income;

(3) the consumer incurs an obligation in each payment period only if the individual's income in that period is above an income threshold specified in the EISA;

(4) there is an EISA duration after which the obligation is complete, regardless of how much has been paid, as long as the consumer has paid any prior amounts

due;

(5) each of these elements is available at the time the agreement is executed;

(6) the agreement is not made, insured, or guaranteed under Title IV of the federal Higher Education Act of 1965 or another federally subsidized educational finance program; and

(7) the agreement is extended to a consumer expressly, in whole or in part, for postsecondary educational expenses, tuition, or other obligations of, or pay amounts to or on behalf of such an individual, for the costs associated with a postsecondary training program or any other program designed to increase the individual's human capital, employability, or earning potential, including, but not limited to, a program eligible to participate as a program under Title IV of the federal Higher Education Act of 1965, as well as any personal expenses, such as books, supplies, transportation, and living costs, incurred by the individual while enrolled in such a program and any other costs or expenses included in the definition of "qualified higher education expenses" under 26 U.S.C. 529(e)(3)(A), including the refinancing of loans or agreements used for the purposes described in this paragraph (7) and regardless of whether the agreement is provided by the educational institution that the consumer attends.

For purposes of this definition, an EISA shall be treated as a credit, within the meaning of that term under 15 U.S.C. 1602(f), and as a "private education loan", within the meaning of that term under 15 U.S.C. 1650(a)(8), to the extent the proceeds of the EISA are used for postsecondary educational expenses in a manner consistent with the definition of that term.

"EISA duration" means the maximum time during which a consumer could remain obligated on the EISA, other than periods when an EISA provider is attempting to collect past-due amounts and absent periods of payment relief pauses, forbearance, military service suspension, or other suspension of obligations at the request of the consumer, regardless of whether the consumer's income is greater than the minimum income.

"EISA maximum number of payments" means the maximum number of EISA payments during EISA payment periods in which the consumer's income is equal to or greater than the income threshold that a consumer could be required to make under the terms of the EISA. "EISA maximum number of payments" does not include periods of payment relief pause.

"EISA payment" means a calculated monthly payment in excess of \$0.00 that counts toward the maximum income-based payments under the EISA. An "EISA payment" is required only for income earned during an EISA payment period in which the consumer's income was equal to or greater than the income

threshold.

"EISA payment calculation method" means the mechanism, formula, percentage, dollar figure, or other means of calculating a student's payment obligation, based on the student's income, under the terms of the EISA.

"EISA payment cap" means the maximum amount of money a consumer must pay to satisfy the terms of an EISA, which may be expressed as a dollar value, a multiple of the amount funded to the student or on the student's behalf, or as a maximum effective annual percentage rate.

"EISA payment cap" does not include charges that would be excluded from the definition of the term "finance charge" under 12 CFR 1026.

"EISA provider" means:

(1) a person or entity that provides money, payments, or credits to or on behalf of a consumer pursuant to the terms of an EISA;

(2) any person or entity engaged in the business of soliciting, making, funding, or extending EISAs; or

(3) any person or entity that is providing educational services to the consumer and receiving compensation from an EISA provider (separate from proceeds of the EISA to cover educational expenses of the consumer) for advertising, marketing, or recommending EISAs, on behalf of an EISA provider, for those educational services.

This definition does not apply to an entity that either

(i) has no direct interactions with the consumer and is not responsible for making credit decisions regarding the consumer or (ii) is the provider of the educational services to the consumer, unless the entity qualifies under paragraph (1), (2), or (3).

"Federal poverty guidelines" means the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2).

"Garnishment" means any legal or equitable procedure through which earnings of an individual are required to be withheld for payment of obligations to an EISA provider as set forth in the Code of Civil Procedure.

"Income threshold" means a fixed dollar amount that is the minimum income per payment period that an EISA recipient is required to earn before the EISA recipient is required to make a payment on an EISA for such payment period.

"Index" means the Consumer Price Index for Urban Wage Earners and Clerical Workers: U.S. City Average, All Items, 1967=100, compiled by the Bureau of Labor Statistics, United States Department of Labor.

"Payment relief pause" means a period of time that is requested by the consumer during which the consumer is not required to make payments despite the consumer's income exceeding the income threshold.

"Sales price" means the "total sale price" as set forth in

12 CFR 1026.18(j).

(110 ILCS 992/7-10 new)

Sec. 7-10. Monthly payment affordability.

(a) Each EISA shall specify the EISA payment calculation method applicable to the EISA. An EISA shall not require payments from the consumer toward that EISA that exceed 8% of the consumer's income. An EISA provider shall not enter into an EISA with a consumer if the consumer would be committing to pay more than 15% of the consumer's income at any time during the EISA duration, based on information available to the EISA provider at the time of the projection, inclusive of any payment obligations that the EISA provider knows will arise in the future for other EISAs and education loans upon which the consumer is obligated at the time of the projection. The EISA provider must confirm a consumer's EISA and education loan liabilities through a verifiable third-party source. At a minimum, the EISA provider must confirm such liabilities using information maintained by a nationwide consumer reporting agency, as defined by 15 U.S.C. 1681a(f), and doing so is sufficient for meeting the requirement in this subsection. However, nothing in this subsection shall prohibit an EISA provider from using other sources to provide additional verification. For the purposes of calculating the portion of a student's future income that would be consumed by the EISA for which the student has applied and other EISAs and education

loans known at the time, the EISA provider shall calculate the aggregate future burden of all such obligations, including the EISA for which the student is applying, at the hypothetical future income levels described in subdivision (a)(15)(iii) of Section 7-75, ranging from the income threshold of the EISA for which the student has applied up to the maximum income described in subdivision (a)(15)(iii) of Section 7-75. The terms of the EISA for which the student has applied cannot cause the student's aggregate future burden to exceed the percentage limits in this subsection at any of the income increments stated in this Section. For the purpose of calculating the percentage burden of an EISA at a given future income level, the EISA provider shall use the EISA payment amount that would be applicable for the EISA at such income level. For the purpose of calculating the percentage burden of an educational loan at a given future income level, the EISA provider shall divide the annual payment obligation by income level using the most affordable payment plan or option which would yield the lowest monthly payments that would be available to the student at such income level under such loan. For students enrolled in a program eligible to receive federal student loans under Title IV of the federal Higher Education Act of 1965, as part of this analysis the EISA provider shall assume a federal loan balance equal to the larger of (1) the student's existing federal loan balance and (2) the aggregate maximum amount the student is eligible to borrow under Federal

Direct Stafford Loans for the student's status, dependent or independent.

(b) The EISA must state that when a consumer has income that is equal to or below the income threshold set forth in the EISA that the consumer's payment obligation is zero dollars. The income threshold must be equal to or greater than \$47,000; however, that amount shall be increased on January 1, 2026, and every other January 1 thereafter, by the annual unadjusted percentage increase (but not less than zero) in the index for the 12 months ending with the preceding September, including all previous adjustments.

(c) An EISA must offer at least 3 months of voluntary payment relief pauses for every 30 income-determined payments required under the EISA.

(d) During the payment process for the EISA, the consumer may request that the income threshold on the EISA be adjusted upward to ensure the consumer's income, less any payments required by the EISA, would be greater than or equal to the minimum essential income based on the consumer's current place of residence.

As used in this subsection (d), the consumer's minimum essential income is equal to 275% of the federal poverty guidelines for a single person (for the year in which the calculation is performed), multiplied by a cost-of-living adjustment factor equal to the ratio of (i) one plus the current locality payment percentage issued by the U.S. Office

of Personnel Management for the locality pay area in which the consumer resides, divided by (ii) one plus the current locality payment percentage issued by the U.S. Office of Personnel Management for the "Rest of U.S." locality pay area. The locality pay areas described in this subsection (d) are the locality pay areas described in 5 CFR 531.603.

An EISA provider must notify consumers of this option on each monthly billing statement. Nothing in this provision shall prevent an EISA provider from taking reasonable steps to confirm a consumer's place of residence (such as requiring a copy of a utility bill or a driver's license) for the purpose of establishing the consumer's minimum essential income, including if the EISA provider believes a consumer's place of residence has changed. Furthermore, an EISA provider may require that a consumer has resided at a location for at least 90 days before adjusting the consumer's minimum essential income.

The requirements for repayment options in subsection (k) of Section 5-30 apply to this Section.

(110 ILCS 992/7-15 new)

Sec. 7-15. Maximum effective annual percentage rate. An EISA must specify that the maximum amount that a consumer could be required to pay under the EISA will not result in a consumer ever being required to pay an effective annual percentage rate that is greater than 9% or the high yield of

the 10-year United States Constant Maturity Treasury Notes auctioned at the final auction held before the current calendar year in which the EISA is originated plus 6%, whichever is greater. If at any time the EISA provider accepts a payment of an amount that would cause the limit in this Section to apply, the EISA provider shall, within 20 calendar days, refund any amounts necessary to ensure that the consumer's payments do not result in an effective annual percentage rate that is greater than the limit specified in this Section.

(110 ILCS 992/7-20 new)

Sec. 7-20. Limits on duration of EISAs.

(a) The EISA maximum number of payments shall not exceed 180 monthly payments.

(b) The EISA duration shall not exceed 240 months, excluding any months in which a consumer has requested and received a payment relief pause.

(110 ILCS 992/7-25 new)

Sec. 7-25. Risk sharing.

(a) An EISA provider may not contract for EISA terms that would result in a consumer having income that is less than or equal to 450% of the federal poverty guidelines for a single person for the EISA duration being required to make a stream of EISA payments that would yield an effective APR greater than

8.5%, or the high yield of the 10-year United States Constant Maturity Treasury Notes auctioned at the final auction held before the current calendar year in which an EISA offering is made plus 4.5%, whichever is greater.

(b) An EISA provider shall calculate the effective APR in subsection (a) by determining the federal poverty guidelines at the time the consumer's EISA is originated and assuming such amount is fixed through the EISA duration.

(c) For the purposes of determining EISA duration in this Section, an EISA provider shall assume the EISA duration started after a period equal to the expected length of the program for which a consumer is enrolling.

(d) If there is a discrepancy between the effective annual percentage rate as calculated in this Section and the maximum effective annual percentage rate as calculated in Section 7-15, the lower effective annual percentage rate shall apply in this Section 7-25.

(110 ILCS 992/7-30 new)

Sec. 7-30. Limits on covered income. An EISA must specify the definition of income to be used for the purposes of calculating a consumer's payment obligation under the EISA. No EISA shall include any of the following in its definition of income:

(1) the income of the consumer's spouse, children, or dependents or a party to a civil union with the consumer

under the Illinois Religious Freedom and Civil Union Act;

or

(2) any amount paid by the consumer under Title II or XVI of the Social Security Act, 42 U.S.C. 401 et seq. or 42 U.S.C. 1381 et seq., or under a State program funded by Title IV of the Social Security Act, 42 U.S.C. 601 et seq;

(3) individual retirement account distributions;

(4) pensions and annuities;

(5) social security benefits;

(6) any sources of government aid provided to individuals, including, but not limited to:

(A) unemployment programs;

(B) disaster relief programs;

(C) Medicare or Medicaid benefits;

(D) benefits received through the Supplemental Nutrition Assistance Program;

(E) economic impact payments;

(F) the earned income tax credit or child tax credit;

(G) other income excluded from the definition of taxable income set forth by the Internal Revenue Service; or

(H) passive income that is not derived as a result of a consumer's active participation in any trade or business.

(110 ILCS 992/7-35 new)

Sec. 7-35. Fees permitted. (a) In addition to the EISA obligation permitted by this Act, an EISA provider may contract for and receive the following additional charges:

(1) government fees and taxes;

(2) a fee, which shall not exceed the sum of \$25, for a failure to provide documentation to the EISA provider for the confirmation and reconciliation of the consumer's income within 30 days after the date on which such documentation is due, as reflected in the written notice to the consumer;

(3) a fee for processing any forms to confirm the consumer's income with the United States Internal Revenue Service or a state department of revenue or taxation on a dollar-for-dollar, pass-through basis of the expenses incurred by the EISA provider;

(4) a late payment fee in the amount of \$15 or 5% of the late payment, whichever is less, for any payment that is more than 15 days past due; no late payment fee may be charged more than once per late payment;

(5) an amount not exceeding \$25, plus any actual expenses incurred in connection with a check or draft that is not honored because of insufficient or uncollected funds or because no such account exists; and

(6) other fees authorized by the Secretary.

In determining whether to authorize a charge, the

Secretary shall consider whether the charge benefits the consumer and is reasonable.

(b) Before or after default in payment of a scheduled payment of an EISA, the parties to the EISA may agree in writing to a deferral of all or part of one or more unpaid payments and the EISA provider may make, at the time of deferral and receive at that time or at any time thereafter, a deferral charge not exceeding an amount equal to 5% of the missed payment, except that this subsection (b) shall not apply to voluntary payment relief pauses.

(110 ILCS 992/7-40 new)

Sec. 7-40. Restriction on security interest. Under no circumstances shall an EISA provider take a security interest in any collateral in connection with an EISA.

(110 ILCS 992/7-41 new)

Sec. 7-41. Refinancing. Before offering a person an EISA that is being used to refinance an existing loan, an EISA provider shall provide the person with a disclosure explaining that the benefits and protections applicable to the existing loan may be lost due to the refinancing. The disclosure must be provided on a one-page information sheet in at least 12-point type and must be written in simple, clear, understandable, and easily readable language.

(110 ILCS 992/7-45 new)

Sec. 7-45. Discharge of obligations.

(a) All obligations under an EISA shall terminate if the consumer is deemed totally and permanently disabled by the applicable governmental agency.

(b) All obligations under an EISA shall terminate upon the death of the consumer.

(c) The requirements for total and permanent disability of a borrower or cosigner in subsections (b) through (e) of Section 5-85 that apply to borrowers apply to this Section.

(110 ILCS 992/7-50 new)

Sec. 7-50. Prohibition on cosigners. No EISA shall include or permit the use of a cosigner in connection with any obligation related to an EISA.

(110 ILCS 992/7-55 new)

Sec. 7-55. Limitation on acceleration.

(a) EISA providers shall not attempt to accelerate or otherwise liquidate a future payment stream under an EISA.

(b) Notwithstanding subsection (a), nothing in this Section shall prevent an EISA provider from collecting or pursuing any other remedy available to the EISA provider for the collection of amounts that were due from the consumer under an EISA that were not paid or properly remitted to the EISA provider. Nothing in this Section shall prevent an EISA

provider from calculating a projected future income for a consumer and calculating a consumer's payment obligation using that projection if the consumer does not provide contractually obligated documentation of income.

(c) Notwithstanding subsection (a), an EISA may contain a provision that allows a consumer to terminate the consumer's EISA before the events terminating further obligations under the EISA. The early termination mechanisms, such as total caps on payments due to the EISA provider or other rights to partially or fully terminate further obligations under the EISA, must be optional to the consumer and within the consumer's control. In such circumstances, such mechanisms shall not be deemed a form of acceleration.

(110 ILCS 992/7-60 new)

Sec. 7-60. No assignment of wages.

(a) An EISA provider may not take an assignment of earnings or wages of the consumer for payment or as security for payment of a debt arising out of an EISA. An assignment of earnings in violation of this Section is unenforceable by the assignee of the earnings and revocable by the consumer. This Section does not limit the ability of the consumer to voluntarily elect to use a revocable payroll deduction mechanism, such as one offered by an employer or payroll provider, provided that the consumer is not assigning the consumer's earnings or wages.

(b) A sale of unpaid earnings made in consideration of the payment of money to or for the account of the seller of the earnings is deemed to be a loan to the seller secured by an assignment of earnings.

(110 ILCS 992/7-65 new)

Sec. 7-65. Limitations on garnishment. Before entry of judgment in an action against a consumer for a payment arising from an EISA, a licensee may not attach unpaid earnings of the consumer by garnishment or like proceedings.

(110 ILCS 992/7-70 new)

Sec. 7-70. Use of multiple agreements. An EISA provider shall not use multiple agreements with respect to a single EISA with intent to violate any limitations of this Act.

(110 ILCS 992/7-75 new)

Sec. 7-75. Required disclosures.

(a) An EISA provider shall disclose the following information to each consumer, clearly and conspicuously, in a form that the consumer can keep at the time the transaction is consummated:

- (1) the date of the EISA;
- (2) the dollar amount of the amount financed;
- (3) the sales price of the transaction if different from the amount financed;

(4) the EISA payment calculation method, including any percentages used in the EISA payment calculation method, which shall be rounded to the nearest one-hundredth of 1% if the percentage is not a whole number;

(5) the maximum number of payments expressed as a whole number;

(6) the maximum duration expressed as a whole number of the period of time;

(7) the income threshold expressed as a dollar amount and a statement that payments will only be required during periods when the consumer's income is equal to or exceeds the income threshold;

(8) an itemization of the amount financed and, if the EISA provider is a seller of goods or services, an itemization of the amount of any down payment and any additional fees or costs;

(9) the definition of "income" to be used for the purposes of calculating the consumer's obligations under the EISA;

(10) a description of the terms under which the obligations of the consumer under the EISA will be extinguished before the full EISA duration;

(11) a payment schedule that shows the date on which the first payment will be due and reflects each date thereafter during the EISA duration that a payment may be due;

(12) an itemization of any permissible fees associated with the EISA;

(13) a description of the methods used by the EISA provider to engage in a process of reconciliation and verification to determine if the consumer's payments are more than, equal to, or less than the payments owed by the consumer under the consumer's EISA; this description shall include the following:

(i) a description of the frequency or triggers for the commencement of the income verification process;

(ii) a description of the requirements and timing of the process in which the consumer must participate in order for the EISA provider to verify the consumer's income; and

(iii) a description of any records or forms, including tax records, that the consumer may be required to execute or submit;

(14) the name and address of the EISA provider;

(15) a table that displays the dollar amounts of each payment, the number of payments, the effective annual percentage rate, and the total of all payments that a consumer would be required to pay under the EISA at a range of annual income levels based on the EISA duration and that includes a statement that "This comparison table is for illustrative purposes only and may not reflect the amounts that you are likely to pay under this educational

income share agreement. This table assumes you have the same income over the entire term of your educational income share agreement. It does not take into account changes in income. Your income will likely change over time. This table does not represent the income or range of incomes that you are likely to earn in the future.". In computing the APR, the EISA provider shall use the amount financed and may assume that the EISA will be disbursed in the amount and with the disbursement schedule that it reasonably expects to follow for such EISA and that payments would commence on the date set forth in the EISA. The income used in this disclosure shall include, at minimum, the obligations at the following incomes:

(i) no income;

(ii) income equal to the annual equivalent of the income threshold;

(iii) various income scenarios with at least calculations at annual incomes of \$40,000, \$60,000, \$80,000, \$100,000, \$125,000, \$150,000, \$175,000, and \$200,000; and

(iv) if known by the EISA provider, the consumer's current income;

(16) a statement that the EISA is not a fixed payment installment loan and that the amount the consumer will be required to pay under the EISA:

(i) may be more or less than the amount financed by

the EISA provider; and

(ii) will vary in proportion with the consumer's income; and

(17) a statement relating to the bankruptcy treatment of the EISA consistent with the requirements set forth in 12 CFR 1026.47(a)(3)(iv), as it may be amended or interpreted.

(b) The disclosures required by this Section shall be grouped together and segregated from all other information.

(c) The disclosures required by this Section may be provided to a consumer in electronic form, subject to compliance with the consumer's consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. 7001 et seq., and applicable State law.

(d) If model documents are established pursuant to any federal law covering income share agreements, compliance with those forms shall be considered compliance with this Act with respect to the disclosure requirements contained in this Act.

(110 ILCS 992/7-80 new)

Sec. 7-80. Early completion. An EISA shall specify the terms and conditions by which the consumer may extinguish the consumer's obligations under the EISA before the end of the EISA's duration. An EISA must not include a prepayment penalty that violates the prohibition found in 15 U.S.C. 1650(e), as

it may be amended or interpreted. A consumer may always cancel an EISA by making aggregate payments, excluding payments to fees, equal to the EISA payment cap. The consumer is entitled to this early completion regardless of whether the consumer makes this early completion payment by making regularly scheduled payments or by making a single lump-sum payment in the amount of the early completion payment.

This Section shall create an early completion mechanism for EISAs that is in lieu of other State laws regarding prepayment penalties.

(110 ILCS 992/7-85 new)

Sec. 7-85. Assumption of increase in future income.

(a) If a consumer fails to provide income documentation as reasonably required by an EISA, an EISA provider may assign an amount of income to the consumer and compute the consumer's monthly payment amount by any of the following methods, to the extent disclosed in the EISA:

(1) assigning an income amount obtained from a reasonably reliable third party or a credit reporting agency;

(2) if the consumer previously provided income documentation or has had an income assigned in the prior 12-month period that has increased by an amount not to exceed 10%, but such increase may not be applied more than once per 12-month period;

(3) contacting the Department of Revenue or the Internal Revenue Service to obtain the most recent information available about the student's income; or

(4) assigning a reasonable qualified income based on the incomes of the nearest reasonably relevant quantile of income of consumers who attended the same or a reasonably comparable covered educational program or course of study, as determined by information published by the Bureau of Labor Statistics or other reasonably reliable publicly available data sources.

(b) If an EISA provider assigns an income to a consumer's EISA, then it shall notify the consumer in the monthly billing statement, and in each billing statement thereafter while the assigned income remains applicable to the consumer's EISA, that income has been assigned and of the consumer's rights under this Section.

(c) If the consumer does provide income information as reasonably required by the EISA within one year of the date on which the EISA provider notified the consumer that assigned income will be applied to the EISA, then, within 15 days after the EISA provider's receipt of such information, the EISA provider shall update each prior instance in which assigned income was applied using the income information provided by the consumer; if the consumer provides income information more than one year after the EISA provider first assigned income to the consumer's EISA, then the EISA provider may, but is not

obligated to, update each prior instance in which assigned income was applied using the income information provided by the consumer.

(d) An EISA provider that assigns income to an EISA shall retain all applicable records relating to the method and data sources used to make such estimation for 3 years after the end of that EISA.

(110 ILCS 992/7-90 new)

Sec. 7-90. Receipts; statements of account; evidence of payment.

(a) The EISA provider shall deliver or mail to the consumer, without request, a written receipt for each payment made pursuant to an EISA. A periodic statement showing a payment received by mail complies with this subsection (a).

(b) An EISA provider shall provide a written payment history to a borrower upon request at no cost within 21 calendar days of receiving the request.

(c) An EISA provider shall indicate on its website that a borrower may request a payoff statement. An EISA provider shall provide the payoff statement within 10 days, including information the requester needs to pay off the loan. If a payoff is made, the EISA provider must send a paid-in-full notice within 30 days.

(110 ILCS 992/7-95 new)

Sec. 7-95. Adjustment of dollar amounts.

(a) From time to time, the dollar amounts in this Act designated as subject to change shall change, as provided in this Section, according to and to the extent of changes in the index.

(b) The index for December of the year preceding the year in which this Act becomes effective is the reference base index.

(c) The designated dollar amounts shall change on July 1 of each even-numbered year if the percentage of change, calculated to the nearest whole percentage point, between the index and the end of the preceding year and the reference base index is 10% or more, but:

(1) the portion of the percentage change in the index in excess of a multiple of 10% shall be disregarded and the dollar amounts shall change only in multiples of 10% of the amounts provided in this Act on the date of enactment; and

(2) the dollar amounts shall not change if the amounts required by this Section are those currently in effect pursuant to this Act as a result of earlier application of this Section.

(d) If the index is revised, the percentage of change pursuant to this Section shall be calculated on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index shall be

determined by multiplying the reference base index then applicable by the rebasing factor furnished by the Bureau of Labor Statistics. If the index is superseded, the index referred to in this Section is the one represented by the Bureau of Labor Statistics as reflecting most accurately changes in the purchasing power of the dollar for consumers.

(e) The Department shall adopt a rule setting forth, on or before April 30 of each year in which dollar amounts are to change, the changes in dollar amounts required by this Section. As soon as practical after the changes occur, the Department shall adopt a rule setting forth the changes in the index required by subsection (d), including, if applicable, the numerical equivalent of the reference base index under a revised reference base index and the designation or title of any index superseding the index.

(f) A person does not violate this Act with respect to a transaction otherwise complying with this Act if the person relies on dollar amounts either determined according to subsection (c) or appearing in the last rule of the Department announcing the then-current dollar amounts.

(110 ILCS 992/7-100 new)

Sec. 7-100. Construction against implicit authority. This Act is a general Act intended as a unified coverage of its subject matter. No part of this Act shall be construed to be impliedly repealed by subsequent law if that construction can

reasonably be avoided.

(110 ILCS 992/7-105 new)

Sec. 7-105. Application of other Acts. EISAs and EISA providers are subject to other Articles of this Act, the Know Before You Owe Private Education Loan Act, and the Predatory Loan Prevention Act and shall comply with their requirements and any rules adopted by the Department of Financial and Professional Regulation pursuant to those Acts. Nothing in this Section is intended to imply that: (i) an EISA is not a credit transaction or (ii) an EISA does not create a debt upon the accrual of an obligation under the EISA.

(110 ILCS 992/7-110 new)

Sec. 7-110. Rulemaking. Notwithstanding any other provision of this Act, the Secretary may adopt rules for the regulation of any EISA provider that does not engage in the servicing of student loans, including, but not limited to, EISAs. The Secretary's authority to adopt rules shall include, but is not limited to, licensure, examination, supervision, investigation, confidentiality, and enforcement. The rules adopted by the Secretary shall not incorporate any provision of Article 1, 5, 10, 15, 20, or 25 of this Act if that provision conflicts with this Article.

(110 ILCS 992/25-5)

Sec. 25-5. Enforcement; Consumer Fraud and Deceptive Business Practices Act. The Attorney General may enforce a violation of Article 5 or 7 of this Act as an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. (Source: P.A. 100-540, eff. 12-31-18.)

Section 10. The Consumer Installment Loan Act is amended by changing Section 1 as follows:

(205 ILCS 670/1) (from Ch. 17, par. 5401)

Sec. 1. License required to engage in business. No person, partnership, association, limited liability company, or corporation shall engage in the business of making loans of money and charge, contract for, or receive on any such loan a greater annual percentage rate than 9% except as authorized by this Act after first obtaining a license from the Director of Financial Institutions (hereinafter called the Director). No licensee, or employee or affiliate thereof, that is licensed under the Payday Loan Reform Act shall obtain a license under this Act except that a licensee under the Payday Loan Reform Act may obtain a license under this Act for the exclusive purpose and use of making title-secured loans, as defined in subsection (a) of Section 15 of this Act and governed by Title 38, Section 110.300 of the Illinois Administrative Code. For the purpose of this Section, "affiliate" means any person or entity that directly or indirectly controls, is controlled by,

or shares control with another person or entity. A person or entity has control over another if the person or entity has an ownership interest of 25% or more in the other. A person or entity licensed to provide educational income share agreements is exempt from the requirements of this Act to the extent of its operation under Article 7 of the Student Loan Servicing Rights Act.

In this Act, "Director" means the Director of Financial Institutions of the Department of Financial and Professional Regulation.

(Source: P.A. 101-658, eff. 3-23-21.)

Section 15. The Interest Act is amended by changing Section 4 as follows:

(815 ILCS 205/4) (from Ch. 17, par. 6404)

Sec. 4. General interest rate.

(1) Except as otherwise provided in Section 4.05, in all written contracts it shall be lawful for the parties to stipulate or agree that an annual percentage rate of 9%, or any less sum, shall be taken and paid upon every \$100 of money loaned or in any manner due and owing from any person to any other person or corporation in this state, and after that rate for a greater or less sum, or for a longer or shorter time, except as herein provided.

The maximum rate of interest that may lawfully be

contracted for is determined by the law applicable thereto at the time the contract is made. Any provision in any contract, whether made before or after July 1, 1969, which provides for or purports to authorize, contingent upon a change in the Illinois law after the contract is made, any rate of interest greater than the maximum lawful rate at the time the contract is made, is void.

It is lawful for a state bank or a branch of an out-of-state bank, as those terms are defined in Section 2 of the Illinois Banking Act, to receive or to contract to receive and collect interest and charges at any rate or rates agreed upon by the bank or branch and the borrower. It is lawful for a savings bank chartered under the Savings Bank Act or a savings association chartered under the Illinois Savings and Loan Act of 1985 to receive or contract to receive and collect interest and charges at any rate agreed upon by the savings bank or savings association and the borrower.

It is lawful to receive or to contract to receive and collect interest and charges as authorized by this Act and as authorized by the Consumer Installment Loan Act, the Payday Loan Reform Act, the Retail Installment Sales Act, the Illinois Financial Services Development Act, the Motor Vehicle Retail Installment Sales Act, ~~or~~ the Consumer Legal Funding Act, or the Student Loan Servicing Rights Act. It is lawful to charge, contract for, and receive any rate or amount of interest or compensation, except as otherwise provided in the

Predatory Loan Prevention Act, with respect to the following transactions:

(a) Any loan made to a corporation;

(b) Advances of money, repayable on demand, to an amount not less than \$5,000, which are made upon warehouse receipts, bills of lading, certificates of stock, certificates of deposit, bills of exchange, bonds or other negotiable instruments pledged as collateral security for such repayment, if evidenced by a writing;

(c) Any credit transaction between a merchandise wholesaler and retailer; any business loan to a business association or copartnership or to a person owning and operating a business as sole proprietor or to any persons owning and operating a business as joint venturers, joint tenants or tenants in common, or to any limited partnership, or to any trustee owning and operating a business or whose beneficiaries own and operate a business, except that any loan which is secured (1) by an assignment of an individual obligor's salary, wages, commissions or other compensation for services, or (2) by his household furniture or other goods used for his personal, family or household purposes shall be deemed not to be a loan within the meaning of this subsection; and provided further that a loan which otherwise qualifies as a business loan within the meaning of this subsection shall not be deemed as not so qualifying because of the

inclusion, with other security consisting of business assets of any such obligor, of real estate occupied by an individual obligor solely as his residence. The term "business" shall be deemed to mean a commercial, agricultural or industrial enterprise which is carried on for the purpose of investment or profit, but shall not be deemed to mean the ownership or maintenance of real estate occupied by an individual obligor solely as his residence;

(d) Any loan made in accordance with the provisions of Subchapter I of Chapter 13 of Title 12 of the United States Code, which is designated as "Housing Renovation and Modernization";

(e) Any mortgage loan insured or upon which a commitment to insure has been issued under the provisions of the National Housing Act, Chapter 13 of Title 12 of the United States Code;

(f) Any mortgage loan guaranteed or upon which a commitment to guaranty has been issued under the provisions of the Veterans' Benefits Act, Subchapter II of Chapter 37 of Title 38 of the United States Code;

(g) Interest charged by a broker or dealer registered under the Securities Exchange Act of 1934, as amended, or registered under the Illinois Securities Law of 1953, approved July 13, 1953, as now or hereafter amended, on a debit balance in an account for a customer if such debit balance is payable at will without penalty and is secured

by securities as defined in Uniform Commercial Code-Investment Securities;

(h) Any loan made by a participating bank as part of any loan guarantee program which provides for loans and for the refinancing of such loans to medical students, interns and residents and which are guaranteed by the American Medical Association Education and Research Foundation;

(i) Any loan made, guaranteed, or insured in accordance with the provisions of the Housing Act of 1949, Subchapter III of Chapter 8A of Title 42 of the United States Code and the Consolidated Farm and Rural Development Act, Subchapters I, II, and III of Chapter 50 of Title 7 of the United States Code;

(j) Any loan by an employee pension benefit plan, as defined in Section 3 (2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C.A. Sec. 1002), to an individual participating in such plan, provided that such loan satisfies the prohibited transaction exemption requirements of Section 408 (b) (1) (29 U.S.C.A. Sec. 1108 (b) (1)) or Section 2003 (a) (26 U.S.C.A. Sec. 4975 (d) (1)) of the Employee Retirement Income Security Act of 1974;

(k) Written contracts, agreements or bonds for deed providing for installment purchase of real estate, including a manufactured home as defined in subdivision

(53) of Section 9-102 of the Uniform Commercial Code that is real property as defined in the Conveyance and Encumbrance of Manufactured Homes as Real Property and Severance Act;

(l) Loans secured by a mortgage on real estate, including a manufactured home as defined in subdivision (53) of Section 9-102 of the Uniform Commercial Code that is real property as defined in the Conveyance and Encumbrance of Manufactured Homes as Real Property and Severance Act;

(m) Loans made by a sole proprietorship, partnership, or corporation to an employee or to a person who has been offered employment by such sole proprietorship, partnership, or corporation made for the sole purpose of transferring an employee or person who has been offered employment to another office maintained and operated by the same sole proprietorship, partnership, or corporation;

(n) Loans to or for the benefit of students made by an institution of higher education.

(2) Except for loans described in subparagraph (a), (c), (d), (e), (f) or (i) of subsection (1) of this Section, and except to the extent permitted by the applicable statute for loans made pursuant to Section 4a or pursuant to the Consumer Installment Loan Act:

(a) Whenever the rate of interest exceeds an annual percentage rate of 8% on any written contract, agreement

or bond for deed providing for the installment purchase of residential real estate, or on any loan secured by a mortgage on residential real estate, it shall be unlawful to provide for a prepayment penalty or other charge for prepayment.

(b) No agreement, note or other instrument evidencing a loan secured by a mortgage on residential real estate, or written contract, agreement or bond for deed providing for the installment purchase of residential real estate, may provide for any change in the contract rate of interest during the term thereof. However, if the Congress of the United States or any federal agency authorizes any class of lender to enter, within limitations, into mortgage contracts or written contracts, agreements or bonds for deed in which the rate of interest may be changed during the term of the contract, any person, firm, corporation or other entity not otherwise prohibited from entering into mortgage contracts or written contracts, agreements or bonds for deed in Illinois may enter into mortgage contracts or written contracts, agreements or bonds for deed in which the rate of interest may be changed during the term of the contract, within the same limitations.

(3) In any contract or loan which is secured by a mortgage, deed of trust, or conveyance in the nature of a mortgage, on residential real estate, the interest which is computed,

calculated, charged, or collected pursuant to such contract or loan, or pursuant to any regulation or rule promulgated pursuant to this Act, may not be computed, calculated, charged or collected for any period of time occurring after the date on which the total indebtedness, with the exception of late payment penalties, is paid in full.

(4) For purposes of this Section, a prepayment shall mean the payment of the total indebtedness, with the exception of late payment penalties if incurred or charged, on any date before the date specified in the contract or loan agreement on which the total indebtedness shall be paid in full, or before the date on which all payments, if timely made, shall have been made. In the event of a prepayment of the indebtedness which is made on a date after the date on which interest on the indebtedness was last computed, calculated, charged, or collected but before the next date on which interest on the indebtedness was to be calculated, computed, charged, or collected, the lender may calculate, charge and collect interest on the indebtedness for the period which elapsed between the date on which the prepayment is made and the date on which interest on the indebtedness was last computed, calculated, charged or collected at a rate equal to $1/360$ of the annual rate for each day which so elapsed, which rate shall be applied to the indebtedness outstanding as of the date of prepayment. The lender shall refund to the borrower any interest charged or collected which exceeds that which the

lender may charge or collect pursuant to the preceding sentence. The provisions of this amendatory Act of 1985 shall apply only to contracts or loans entered into on or after the effective date of this amendatory Act, but shall not apply to contracts or loans entered into on or after that date that are subject to Section 4a of this Act, the Consumer Installment Loan Act, the Payday Loan Reform Act, the Predatory Loan Prevention Act, or the Retail Installment Sales Act, or that provide for the refund of precomputed interest on prepayment in the manner provided by such Act.

(5) For purposes of items (a) and (c) of subsection (1) of this Section, a rate or amount of interest may be lawfully computed when applying the ratio of the annual interest rate over a year based on 360 days. The provisions of this amendatory Act of the 96th General Assembly are declarative of existing law.

(6) For purposes of this Section, "real estate" and "real property" include a manufactured home, as defined in subdivision (53) of Section 9-102 of the Uniform Commercial Code that is real property as defined in the Conveyance and Encumbrance of Manufactured Homes as Real Property and Severance Act.

(Source: P.A. 101-658, eff. 3-23-21; 102-987, eff. 5-27-22.)

Section 97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.

Public Act 104-0383

SB1537 Enrolled

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

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