

AN ACT concerning education.

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

Section 5. The Know Before You Owe Private Education Loan Act is amended by changing Sections 5 and 10 as follows:

(110 ILCS 983/5)

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

"Annual percentage rate" means the percentage rate calculated according to the Federal Reserve Board's methodology as set forth under Regulation Z, 12 CFR Part 1026.

"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.

"Default amount" means the loan amount of each outstanding loan at the time the loan is declared in default.

"Default rate" means the default amount required to be

reported during a reporting period divided by the loan amount of all outstanding loans required to be reported at the beginning of the reporting period.

"Educational expense" means any expense, in whole or in part, expressly used to finance postsecondary education, regardless of whether the debt incurred by a student to pay that expense is owed to the provider of postsecondary education whose school, program, or facility the student attends.

"Income share agreement" means an agreement under which a borrower commits to pay a percentage of his or her future income in exchange for money, payments, or credits applied to or on behalf of a borrower. An income share agreement constitutes a loan and debt within the meaning of this Act.

"Income share agreement provider" means:

(1) a person that provides money, payments, or credits to or on behalf of a borrower pursuant to the terms of an income share agreement; or

(2) any other person engaged in the business of soliciting, making, funding, or extending income share agreements.

"Institution of higher education" includes, but is not limited to, institutions falling under the Private Business and Vocational Schools Act of 2012, the Private College Act, and public institutions of higher education as defined in Section 1 of the Board of Higher Education Act. "Institution

of higher education" also includes a person engaged in the business of providing postsecondary education, via correspondence, online, or in this State, to a person located in this State, regardless of whether the person has obtained authorization from the Illinois Board of Higher Education to operate in this State or is accredited.

"Loan amount" means the total outstanding balance on each loan owed by a borrower to a lender at any given time.

"Private educational lender" and "private education loan" have the meanings ascribed to the terms in Section 140 of the Truth in Lending Act (15 U.S.C. 1650). In addition, "private educational lender" includes an income share agreement provider and a student financing company and "private education loan" includes an income share agreement and student financing.

"Student financing company" means a person engaged in the business of securing, making, or extending student financing. "Student financing company" does not include the following persons, only to the extent that State regulation is preempted by federal law:

- (1) a federally chartered bank, savings bank, savings and loan association, or credit union;
- (2) a wholly owned subsidiary of a federally chartered bank or credit union; and
- (3) an operating subsidiary where each owner of the operating subsidiary is wholly owned by the same federally

chartered bank or credit union.

"Student financing" means an extension of credit that:

(1) is not made, insured, or guaranteed under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.);

(2) is extended to a consumer expressly, in whole or in part, for postsecondary educational expenses, regardless of whether the extension of credit is provided by the institution of higher education that the student attends;

(3) does not include a private education loan;

(4) does not include an income share agreement; and

(5) does not include a loan that is secured by real property or a dwelling.

(Source: P.A. 102-583, eff. 8-26-21; 103-748, eff. 8-2-24.)

(110 ILCS 983/10)

Sec. 10. Institutional certification required.

(a) In general. Except as provided in subsection (b) of this Section, before a private educational lender may disburse any funds with respect to a private education loan described in this Act, the private educational lender shall obtain from the relevant institution of higher education where such loan is to be used on the behalf of the borrower, such institution's certification of:

(1) the enrollment status of the borrower;

(2) the borrower's cost of attendance at the institution as determined by the institution under Title IV, Part F, of the Higher Education Act of 1965 as amended; and

(3) the difference between:

(A) such cost of attendance; and

(B) the borrower's estimated financial assistance, including such assistance received under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) and other financial assistance known to the institution, as applicable.

(b) Notwithstanding subsection (a), a private educational lender may disburse funds with respect to a private education loan described in this subsection without obtaining the institution's certification if the institution fails to provide the certification within 15 business days of the private educational lender's request for the certification if the private educational lender has received:

(1) notification of the institution's refusal to certify the request; or

(2) notification that the institution has received the request for certification and will need additional time to comply with the certification request.

(c) Loans disbursed without certification. If a private educational lender disburses funds without obtaining the certification as described in subsection (b), the private

educational lender shall report the disbursement of the funds in a manner determined by the Student Loan Ombudsman.

(d) Notification of loans disbursed without certification. On or before the date a private educational lender issues any funds with respect to a private education loan described in this Section, the private educational lender shall notify the relevant institution of higher education, in writing, of the amount of the extension of credit and the borrower on whose behalf credit is extended.

(e) Annual report. A private educational lender that disburses funds with respect to a private education loan described in this Section shall prepare and submit an annual report to the Department of Financial and Professional Regulation and the Student Loan Ombudsman containing the required information about private education loans to be determined by the Student Loan Ombudsman. Such a report shall include, at a minimum, the following information about private education loans described in this Section, including any private education loans disbursed without certification:

(1) ~~(A)~~ a list of all institutions of higher education at which a private educational lender disburses funds with respect to a private education loan described in this Section;

(2) ~~(B)~~ the total number and dollar amount ~~volume~~ of private education loans described in this Section made annually by a private educational lender;

(3) ~~(C)~~ the total number and dollar amount ~~volume~~ of private education loans described in this Section made annually at each school identified under paragraph (1) ~~(A)~~;

(4) the total number and dollar amount of private education loans made annually with a cosigner;

(5) ~~(D)~~ the historical lifetime default rate for borrowers obtaining a private education loan described in this Section from the private educational lender; ~~and~~

(6) the default rate for the private education loans reported by the private educational lender pursuant to paragraph (3) for the previous reporting period under this Act;

(7) the default rate for the private education loans reported by the private educational lender pursuant to paragraph (4) for the previous reporting period under this Act; and

(8) ~~(E)~~ a copy of each model or template promissory note, agreement, contract or other instrument used by a private educational lender during the previous year to substantiate that a private education loan described in this Section has been extended to the borrower or that a borrower owes a debt to the private educational lender.

(f) Annual report exemption. A private educational lender that funds 10 or fewer new private education loans in a calendar year shall be exempt from submitting the

annual report for that year. Any lender claiming this exemption shall submit a statement to the Department of Financial and Professional Regulation and the Student Loan Ombudsman certifying the number of private education loans made in that calendar year.

(Source: P.A. 102-583, eff. 8-26-21.)

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