



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4302

Introduced 1/14/2026, by Rep. Daniel Didech

SYNOPSIS AS INTRODUCED:

815 ILCS 205/4

from Ch. 17, par. 6404

Amends the Interest Act. Provides that, 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 made primarily for personal, family, or household purposes (rather than for the installment purchase of residential real estate), or on any loan secured by a mortgage on residential real estate made primarily for personal, family, or household purposes (rather than 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.

LRB104 16297 SPS 29682 b

1 AN ACT concerning business.

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

4 Section 5. The Interest Act is amended by changing Section
5 4 as follows:

6 (815 ILCS 205/4) (from Ch. 17, par. 6404)

7 Sec. 4. General interest rate.

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

16 The maximum rate of interest that may lawfully be
17 contracted for is determined by the law applicable thereto at
18 the time the contract is made. Any provision in any contract,
19 whether made before or after July 1, 1969, which provides for
20 or purports to authorize, contingent upon a change in the
21 Illinois law after the contract is made, any rate of interest
22 greater than the maximum lawful rate at the time the contract
23 is made, is void.

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

11 It is lawful to receive or to contract to receive and
12 collect interest and charges as authorized by this Act and as
13 authorized by the Consumer Installment Loan Act, the Payday
14 Loan Reform Act, the Retail Installment Sales Act, the
15 Illinois Financial Services Development Act, the Motor Vehicle
16 Retail Installment Sales Act, the Consumer Legal Funding Act,
17 or the Student Loan Servicing Rights Act. It is lawful to
18 charge, contract for, and receive any rate or amount of
19 interest or compensation, except as otherwise provided in the
20 Predatory Loan Prevention Act, with respect to the following
21 transactions:

22 (a) Any loan made to a corporation;

23 (b) Advances of money, repayable on demand, to an
24 amount not less than \$5,000, which are made upon warehouse
25 receipts, bills of lading, certificates of stock,
26 certificates of deposit, bills of exchange, bonds or other

1 negotiable instruments pledged as collateral security for
2 such repayment, if evidenced by a writing;

3 (c) Any credit transaction between a merchandise
4 wholesaler and retailer; any business loan to a business
5 association or copartnership or to a person owning and
6 operating a business as sole proprietor or to any persons
7 owning and operating a business as joint venturers, joint
8 tenants or tenants in common, or to any limited
9 partnership, or to any trustee owning and operating a
10 business or whose beneficiaries own and operate a
11 business, except that any loan which is secured (1) by an
12 assignment of an individual obligor's salary, wages,
13 commissions or other compensation for services, or (2) by
14 his household furniture or other goods used for his
15 personal, family or household purposes shall be deemed not
16 to be a loan within the meaning of this subsection; and
17 provided further that a loan which otherwise qualifies as
18 a business loan within the meaning of this subsection
19 shall not be deemed as not so qualifying because of the
20 inclusion, with other security consisting of business
21 assets of any such obligor, of real estate occupied by an
22 individual obligor solely as his residence. The term
23 "business" shall be deemed to mean a commercial,
24 agricultural or industrial enterprise which is carried on
25 for the purpose of investment or profit, but shall not be
26 deemed to mean the ownership or maintenance of real estate

1 occupied by an individual obligor solely as his residence;

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

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

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

14 (g) Interest charged by a broker or dealer registered
15 under the Securities Exchange Act of 1934, as amended, or
16 registered under the Illinois Securities Law of 1953,
17 approved July 13, 1953, as now or hereafter amended, on a
18 debit balance in an account for a customer if such debit
19 balance is payable at will without penalty and is secured
20 by securities as defined in Uniform Commercial
21 Code-Investment Securities;

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

1 Foundation;

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

8 (j) Any loan by an employee pension benefit plan, as
9 defined in Section 3(2) of the Employee Retirement Income
10 Security Act of 1974 (29 U.S.C.A. Sec. 1002), to an
11 individual participating in such plan, provided that such
12 loan satisfies the prohibited transaction exemption
13 requirements of Section 408(b)(1) (29 U.S.C.A. Sec.
14 1108(b)(1)) or Section 2003(a) (26 U.S.C.A. Sec.
15 4975(d)(1)) of the Employee Retirement Income Security Act
16 of 1974;

17 (k) Written contracts, agreements or bonds for deed
18 providing for installment purchase of real estate,
19 including a manufactured home as defined in subdivision
20 (53) of Section 9-102 of the Uniform Commercial Code that
21 is real property as defined in the Conveyance and
22 Encumbrance of Manufactured Homes as Real Property and
23 Severance Act;

24 (l) Loans secured by a mortgage on real estate,
25 including a manufactured home as defined in subdivision
26 (53) of Section 9-102 of the Uniform Commercial Code that

1 is real property as defined in the Conveyance and
2 Encumbrance of Manufactured Homes as Real Property and
3 Severance Act;

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

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

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

18 (a) Whenever the rate of interest exceeds an annual
19 percentage rate of 8% on any written contract, agreement
20 or bond for deed providing for the installment purchase of
21 residential real estate made primarily for personal,
22 family, or household purposes, or on any loan secured by a
23 mortgage on residential real estate made primarily for
24 personal, family, or household purposes, it shall be
25 unlawful to provide for a prepayment penalty or other
26 charge for prepayment.

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

19 (3) In any contract or loan which is secured by a mortgage,
20 deed of trust, or conveyance in the nature of a mortgage, on
21 residential real estate, the interest which is computed,
22 calculated, charged, or collected pursuant to such contract or
23 loan, or pursuant to any regulation or rule promulgated
24 pursuant to this Act, may not be computed, calculated, charged
25 or collected for any period of time occurring after the date on
26 which the total indebtedness, with the exception of late

1 payment penalties, is paid in full.

2 (4) For purposes of this Section, a prepayment shall mean
3 the payment of the total indebtedness, with the exception of
4 late payment penalties if incurred or charged, on any date
5 before the date specified in the contract or loan agreement on
6 which the total indebtedness shall be paid in full, or before
7 the date on which all payments, if timely made, shall have been
8 made. In the event of a prepayment of the indebtedness which is
9 made on a date after the date on which interest on the
10 indebtedness was last computed, calculated, charged, or
11 collected but before the next date on which interest on the
12 indebtedness was to be calculated, computed, charged, or
13 collected, the lender may calculate, charge and collect
14 interest on the indebtedness for the period which elapsed
15 between the date on which the prepayment is made and the date
16 on which interest on the indebtedness was last computed,
17 calculated, charged or collected at a rate equal to $1/360$ of
18 the annual rate for each day which so elapsed, which rate shall
19 be applied to the indebtedness outstanding as of the date of
20 prepayment. The lender shall refund to the borrower any
21 interest charged or collected which exceeds that which the
22 lender may charge or collect pursuant to the preceding
23 sentence. The provisions of this amendatory Act of 1985 shall
24 apply only to contracts or loans entered into on or after the
25 effective date of this amendatory Act, but shall not apply to
26 contracts or loans entered into on or after that date that are

1 subject to Section 4a of this Act, the Consumer Installment
2 Loan Act, the Payday Loan Reform Act, the Predatory Loan
3 Prevention Act, or the Retail Installment Sales Act, or that
4 provide for the refund of precomputed interest on prepayment
5 in the manner provided by such Act.

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

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

18 (Source: P.A. 104-383, eff. 8-15-25.)