

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 Consumer Legal Funding Act is amended by  
5 changing Sections 5 and 55 as follows:

6 (815 ILCS 121/5)

7 Sec. 5. Definitions.

8 "Advertise" means publishing or disseminating any written,  
9 electronic, or printed communication, or any communication by  
10 means of recorded telephone messages or transmitted on radio,  
11 television, the Internet, or similar communications media,  
12 including film strips, motion pictures, and videos, published,  
13 disseminated, circulated, or placed before the public,  
14 directly or indirectly, for the purpose of inducing a consumer  
15 to enter into a consumer legal funding.

16 "Charges" means the fees, as set forth in Section 25, to be  
17 paid to the consumer legal funding company by or on behalf of  
18 the consumer above the funded amount provided by or on behalf  
19 of the company to an Illinois consumer pursuant to this Act.

20 "Consumer" means a natural person who has a pending legal  
21 claim and who resides or is domiciled in Illinois.

22 "Consumer legal funding" or "funding" means a nonrecourse  
23 transaction in which a company purchases and a consumer

1 transfers to the company an unvested, contingent future  
2 interest in the potential net proceeds of a settlement or  
3 judgment obtained from the consumer's legal claim; and in  
4 which, if no proceeds are obtained from the consumer's legal  
5 claim, the consumer is not required to repay the company the  
6 consumer legal funding amount or charges.

7 "Consumer legal funding company" or "company" means a  
8 person or entity that enters into, purchases, or services a  
9 consumer legal funding transaction with an Illinois consumer.

10 "Consumer legal funding company" does not include:

11 (1) an immediate family member of the consumer;

12 (2) a bank, lender, financing entity, or other special  
13 purpose entity:

14 (A) that provides financing to a consumer legal  
15 funding company; or

16 (B) to which a consumer legal funding company  
17 grants a security interest or transfers any rights or  
18 interest in a consumer legal funding; or

19 (3) an attorney or accountant who provides services to  
20 a consumer.

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

23 "Funded amount" means the amount of moneys provided to, or  
24 on behalf of, the consumer in the consumer legal funding.

25 "Funded amount" does not include charges except for charges  
26 that are deducted from the funded amount.

1 "Funding date" means the date on which the funded amount  
2 is transferred to the consumer by the consumer legal funding  
3 company either by personal delivery; via wire, ACH, or other  
4 electronic means; or mailed by insured, certified, or  
5 registered United States mail.

6 "Immediate family member" means a parent; sibling; child  
7 by blood, adoption, or marriage; spouse; grandparent; or  
8 grandchild.

9 "Legal claim" means a bona fide civil claim or cause of  
10 action.

11 "Resolution amount" means the funded amount plus the  
12 agreed-upon charges that are delivered to the consumer legal  
13 funding company on the resolution date.

14 "Resolution date" means the date the resolution amount is  
15 delivered to the consumer legal funding company.

16 "Secretary" means the Secretary of Financial and  
17 Professional Regulation or the Secretary's designee.

18 (Source: P.A. 102-987, eff. 5-27-22.)

19 (815 ILCS 121/55)

20 Sec. 55. Consumer legal funding license scope.

21 (a) It shall be unlawful for any person or entity to  
22 operate as a consumer legal funding provider in this State  
23 except as authorized by this Act and without first having  
24 obtained a license in accordance with this Act. No person or  
25 entity may engage in any device, subterfuge, or pretense to

1 evade the requirements of this Act. However, any company that  
2 has a license in good standing under the Consumer Installment  
3 Loan Act on the effective date of this Act shall be entitled to  
4 make consumer legal fundings under the terms of this Act upon  
5 the effective date of this Act if that company files an  
6 application for a consumer legal funding license within 60  
7 days after the Department issues forms for the filing of that  
8 application and until the Department approves or denies the  
9 application for a funding license. Any consumer legal funding  
10 contract made by any person or entity in violation of this  
11 subsection shall be null and void and the person or entity who  
12 entered into the consumer legal funding transaction shall have  
13 no right to collect, attempt to collect, receive, or retain  
14 any principal, interest, or charges related to the consumer  
15 legal funding transaction.

16 (b) The provisions of this Act do not apply to a bank,  
17 savings bank, savings association, or credit union organized  
18 under the laws of this State, any other state, or under the  
19 laws of the United States.

20 (b-1) The provisions of this Act do not apply to consumer  
21 legal funding if (i) the amount of funding is greater than  
22 \$500,000 and (ii) the consumer does not use or intend to use  
23 any of the proceeds for personal, family, or household  
24 expenses.

25 (c) Any consumer legal funding made by a person not  
26 licensed under this Act, including a person holding an

1 inactive license, and not exempt under this Act shall be null  
2 and void, and no person or entity shall have any right to  
3 collect, attempt to collect, receive, or retain any principal,  
4 fee, interest, or charges related to the funding.

5 (Source: P.A. 102-987, eff. 5-27-22.)