

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, 25, 30, 55, 65, 135, 165, and 170 as  
6 follows:

7 (815 ILCS 121/5)

8 Sec. 5. Definitions.

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

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

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

23 "Consumer legal funding" or "funding" means a nonrecourse

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

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

11 "Consumer legal funding company" does not include:

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

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

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

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

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

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

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

26 "Funded amount" does not include charges except for charges

1 that are deducted from the funded amount.

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

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

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

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

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

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

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

20 (815 ILCS 121/25)

21 Sec. 25. Fees.

22 (a) The fee charged by a consumer legal funding company to  
23 the consumer shall be calculated as not more than 18% of the  
24 funded amount, assessed on the outset of every 6 months.

25 (b) In addition, a consumer legal funding company may

1 charge a document preparation fee not to exceed \$75, which may  
2 be deducted from the funded amount. This fee is to be used to  
3 defray the ordinary cost of opening, administering, and  
4 terminating a consumer legal funding.

5 (c) A consumer legal funding company shall not collect any  
6 additional fees unless otherwise specified in this Act.

7 (d) No charges may accrue on a consumer legal funding for  
8 more than 42 months after the funding date of the consumer  
9 legal funding. No consumer legal funding may be refinanced  
10 except as authorized by rule. Notwithstanding the foregoing, a  
11 consumer legal funding company may assess charges on any  
12 additional amounts provided after the funding date for 42  
13 months after the additional funding date.

14 (e) Notwithstanding any other law, a consumer legal  
15 funding may be refinanced as authorized by rule. The  
16 Department shall publish first notice of a rule concerning the  
17 refinancing of consumer legal fundings in the Illinois  
18 Register in accordance with the Illinois Administrative  
19 Procedure Act within 120 days after the effective date of this  
20 amendatory Act of the 103rd General Assembly.

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

22 (815 ILCS 121/30)

23 Sec. 30. Disclosures. All consumer legal funding contracts  
24 shall contain the disclosures specified in this Section, which  
25 shall constitute material terms of the contract. Unless

1 otherwise specified, the disclosures shall be typed in at  
2 least 12-point bold-type font and be placed clearly and  
3 conspicuously within the contract as follows:

4 (1) On the front page under appropriate headings,  
5 language specifying:

6 (A) the funded amount to be paid to the consumer or  
7 on the consumer's behalf by the consumer legal funding  
8 company;

9 (B) an itemization of charges;

10 (C) the maximum total amount to be paid by the  
11 consumer to the company, including the funded amount  
12 and all fees; and

13 (D) a payment schedule to include the resolution  
14 amount, listing dates, and the amount due at the end of  
15 each 6-month period from the funding date, until the  
16 date the maximum amount is due to the company by the  
17 consumer to satisfy the amount due pursuant to the  
18 contract.

19 (2) Pursuant to the provisions set forth in paragraph  
20 (2) of subsection (a) of Section 10, within the body of the  
21 contract: "CONSUMER'S RIGHT TO CANCELLATION: You may  
22 cancel this contract without penalty or further obligation  
23 within 14 business days after the funding date if you  
24 either:

25 (A) return to the consumer legal funding company  
26 the full amount of the funds disbursed to you or on

1           your behalf by delivering the company's uncashed check  
2           to the company's office in person; or

3                   (B) place in the mail, by mail service materially  
4                   equivalent to United States Postal Service certified  
5                   mail, addressed to the company at the address  
6                   specified in the contract, a notice of cancellation  
7                   and include in such mailing a return of the full amount  
8                   of funds disbursed to you or on your behalf in the form  
9                   of the company's uncashed check or a registered or  
10                  certified check or money order."

11                  (3) Within the body of the contract: "The consumer  
12                  legal funding company shall have no role in deciding  
13                  whether, when, and how much the legal claim is settled  
14                  for, however, the consumer and consumer's attorney must  
15                  notify the company of the outcome of the legal claim by  
16                  settlement or adjudication before the resolution date. The  
17                  company may seek updated information about the status of  
18                  the legal claim but in no event shall the company  
19                  interfere with the independent professional judgment of  
20                  the attorney in the handling of the legal claim or any  
21                  settlement thereof."

22                  (4) Within the body of the contract, in all capital  
23                  letters in at least 12-point bold-type font contained  
24                  within a box: "THE FUNDED AMOUNT AND AGREED-UPON CHARGES  
25                  SHALL BE PAID ONLY FROM THE PROCEEDS OF YOUR LEGAL CLAIM,  
26                  AND SHALL BE PAID ONLY TO THE EXTENT THAT THERE ARE

1 AVAILABLE PROCEEDS FROM YOUR LEGAL CLAIM. YOU WILL NOT OWE  
2 [INSERT NAME OF THE CONSUMER LEGAL FUNDING COMPANY]  
3 ANYTHING IF THERE ARE NO REMAINING PROCEEDS AVAILABLE FROM  
4 YOUR LEGAL CLAIM, UNLESS YOU OR YOUR ATTORNEY HAVE  
5 COMMITTED FRAUD AGAINST THE CONSUMER LEGAL FUNDING  
6 COMPANY. NOTWITHSTANDING ANYTHING TO THE CONTRARY, YOU MAY  
7 REFINANCE THE FUNDED AMOUNT AND AGREED UPON CHARGES AS  
8 AUTHORIZED BY RULE."

9 (5) Located immediately above the place on the  
10 contract where the consumer's signature is required, in  
11 12-point font: "Do not sign this contract before you read  
12 it completely or if it contains any blank spaces. You are  
13 entitled to a completely filled-in copy of the contract.  
14 Before you sign this contract, you should obtain the  
15 advice of an attorney. Depending on the circumstances, you  
16 may want to consult a tax, public or private benefits  
17 planning, or financial professional. You acknowledge that  
18 your attorney in the legal claim has provided no tax,  
19 public or private benefit planning, or financial advice  
20 regarding this transaction."

21 (6) The consumer legal funding company shall provide  
22 the consumer with information on accessing a financial  
23 coaching program no later than the funding date.

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

25 (815 ILCS 121/55)

1           Sec. 55. Consumer legal funding license scope.

2           (a) It shall be unlawful for any person or entity to  
3 operate as a consumer legal funding company ~~provider~~ in this  
4 State except as authorized by this Act and without first  
5 having obtained a license in accordance with this Act. No  
6 person or entity may engage in any device, subterfuge, or  
7 pretense to evade the requirements of this Act. However, any  
8 company that has a license in good standing under the Consumer  
9 Installment Loan Act on the effective date of this Act shall be  
10 entitled to make consumer legal fundings under the terms of  
11 this Act upon the effective date of this Act if that company  
12 files an application for a consumer legal funding license  
13 within 60 days after the Department issues forms for the  
14 filing of that application and until the Department approves  
15 or denies the application for a funding license. Any consumer  
16 legal funding contract made by any person or entity in  
17 violation of this subsection shall be null and void and the  
18 person or entity who entered into the consumer legal funding  
19 transaction shall have no right to collect, attempt to  
20 collect, receive, or retain any principal, interest, or  
21 charges related to the consumer legal funding transaction.

22           (b) The provisions of this Act do not apply to a bank,  
23 savings bank, savings association, or credit union organized  
24 under the laws of this State, any other state, or under the  
25 laws of the United States.

26           (c) Any consumer legal funding made by a person not



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

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

7 (815 ILCS 121/65)

8 Sec. 65. License application process; investigation.

9 (a) The Secretary may issue a license upon completion of  
10 all of the following:

11 (1) the filing of an application for a license with  
12 the Secretary or the Nationwide Multistate Licensing  
13 System and Registry as required by the Secretary;

14 (2) the filing with the Secretary of a listing of  
15 judgments entered against and bankruptcy petitions by the  
16 license applicant for the preceding 10 years;

17 (3) the filing of an audited balance sheet, including  
18 all footnotes prepared by a certified public accountant in  
19 accordance with generally accepted accounting principles  
20 and generally accepted auditing standards; notwithstanding  
21 the requirements of this subsection, an applicant that is  
22 a subsidiary may submit audited consolidated financial  
23 statements of its parent, intermediary parent, or ultimate  
24 parent if the consolidated statements are supported by  
25 consolidating statements that include the applicant's

1 financial statement; if the consolidating statements are  
2 unaudited, the applicant's chief financial officer shall  
3 attest to the applicant's financial statements disclosed  
4 in the consolidating statements; and

5 (4) an investigation of the averments required by  
6 Section 80, which investigation must allow the Secretary  
7 to issue positive findings stating that the financial  
8 responsibility, experience, character, and general fitness  
9 of the license applicant; of the members thereof if the  
10 license applicant is a partnership or association; of the  
11 officers and directors thereof if the license applicant is  
12 a corporation; and of the managers and members that retain  
13 any authority or responsibility under the operating  
14 agreement if the license applicant is a limited liability  
15 company are such as to command the confidence of the  
16 community and to warrant belief that the business will be  
17 operated honestly, fairly, and efficiently within the  
18 purpose of this Act; if the Secretary does not so find, he  
19 or she shall not issue the license and shall notify the  
20 license applicant of the denial. The Secretary may impose  
21 conditions on a license if the Secretary determines that  
22 those conditions are necessary or appropriate. These  
23 conditions shall be imposed in writing and shall continue  
24 in effect for a period prescribed by the Secretary.

25 (b) All licenses shall be issued to the license applicant.

26 Upon receipt of the license, a consumer legal funding licensee

1 shall be authorized to engage in the business regulated by  
2 this Act. The license shall remain in full force and effect  
3 until it expires, it is surrendered by the licensee, or it is  
4 revoked or suspended as provided by this Act.

5 (c) The Secretary may, for good cause shown, waive, in  
6 part, any of the requirements of this Section.

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

8 (815 ILCS 121/135)

9 Sec. 135. Suspension; revocation of licenses; fines.

10 (a) Upon written notice to a licensee, the Secretary may  
11 suspend or revoke any license issued pursuant to this Act if,  
12 in the notice, he or she makes a finding of one or more of the  
13 following:

14 (1) that through separate acts or an act or a course of  
15 conduct, the licensee has violated any provisions of this  
16 Act, any rule adopted by the Department, or any other law,  
17 rule, or regulation of this State or the United States;

18 (2) that any fact or condition exists that, if it had  
19 existed at the time of the original application for the  
20 license, would have warranted the Secretary in refusing  
21 originally to issue the license; or

22 (3) that if a licensee is other than an individual,  
23 any ultimate equitable owner, officer, director, or member  
24 of the licensed partnership, association, corporation, or  
25 other entity has acted or failed to act in a way that would

1           be cause for suspending or revoking a license to that  
2           party as an individual.

3           (b) No license shall be suspended or revoked, except as  
4           provided in this Section, nor shall any licensee be fined  
5           without notice of his or her right to a hearing as provided in  
6           subsection (n).

7           (c) The Secretary, on good cause shown that an emergency  
8           exists, may suspend any license for a period not exceeding 180  
9           days, pending investigation.

10          (d) The provisions of subsection (d) of Section 95 shall  
11          not affect a licensee's civil or criminal liability for acts  
12          committed before surrender of a license.

13          (e) No revocation, suspension, or surrender of any license  
14          shall impair or affect the obligation of any preexisting  
15          lawful contract between the licensee and any person.

16          (f) Every license issued under this Act shall remain in  
17          force and effect until the license expires without renewal, is  
18          surrendered, is revoked, or is suspended in accordance with  
19          the provisions of this Act, but the Secretary shall have  
20          authority to reinstate a suspended license or to issue a new  
21          license to a licensee whose license has been revoked if no fact  
22          or condition then exists which would have warranted the  
23          Secretary in refusing originally to issue that license under  
24          this Act.

25          (g) Whenever the Secretary revokes or suspends a license  
26          issued pursuant to this Act or fines a licensee under this Act,

1 he or she shall execute a written order to that effect. The  
2 Secretary shall serve a copy of the order upon the licensee.  
3 Any such order may be reviewed in the manner provided by  
4 Section 170.

5 (h) If the Secretary finds any person in violation of the  
6 grounds set forth in subsection (p), he or she may enter an  
7 order imposing one or more of the following penalties:

8 (1) revocation of license;

9 (2) suspension of a license subject to reinstatement  
10 upon satisfying all reasonable conditions the Secretary  
11 may specify;

12 (3) placement of the licensee or applicant on  
13 probation for a period of time and subject to all  
14 reasonable conditions as the Secretary may specify;

15 (4) issuance of a reprimand;

16 (5) imposition of a fine not to exceed \$25,000 for  
17 each count of separate offense; except that a fine may be  
18 imposed that shall not exceed \$75,000 for each separate  
19 count of offense in violation of paragraph (2) or (14) of  
20 subsection (p) ~~(i)~~;

21 (6) denial of a license; or

22 (7) restitution for the benefit of consumers.

23 (i) (Blank). ~~The Secretary may, after 10 days' notice by~~  
24 ~~certified mail to the licensee at the address set forth in the~~  
25 ~~license stating the contemplated action and in general the~~  
26 ~~grounds therefor, fine the licensee an amount not exceeding~~

1 ~~\$10,000 per violation or revoke or suspend any license issued~~  
2 ~~under this Act if he or she finds that:~~

3 ~~(1) the licensee has failed to comply with any~~  
4 ~~provision of this Act, any rule adopted pursuant to this~~  
5 ~~Act, or any order, decision, finding, or direction of the~~  
6 ~~Secretary lawfully made pursuant to the authority of this~~  
7 ~~Act; or~~

8 ~~(2) any fact or condition exists which, if it had~~  
9 ~~existed at the time of the original application for the~~  
10 ~~license, clearly would have warranted the Secretary in~~  
11 ~~refusing to issue the license.~~

12 (j) The Secretary may fine, suspend, or revoke only the  
13 particular license with respect to which grounds for the fine,  
14 revocation, or suspension occur or exist, but if the Secretary  
15 finds that grounds for revocation are of general application  
16 to all offices or to more than one office of the licensee, the  
17 Secretary shall fine, suspend, or revoke every license to  
18 which the grounds apply.

19 (k) No revocation, suspension, or surrender of any license  
20 shall impair or affect the obligation of any preexisting  
21 lawful contract between the licensee and any obligor.

22 (l) The Secretary may issue a new license to a licensee  
23 whose license has been revoked when facts or conditions which  
24 clearly would have warranted the Secretary in refusing  
25 originally to issue the license no longer exist.

26 (m) In every case in which a license is suspended or

1     revoked or an application for a license or renewal of a license  
2     is denied, the Secretary shall serve the licensee with notice  
3     of his or her action, including a statement of the reasons for  
4     his or her actions, either personally or by certified mail.  
5     Service by certified mail shall be deemed completed when the  
6     notice is deposited in the U.S. mail.

7           (n) An order assessing a fine, an order revoking or  
8     suspending a license, or an order denying renewal of a license  
9     shall take effect upon service of the order unless the  
10    licensee requests a hearing, in writing, within 10 days after  
11    the date of service. If a hearing is requested, the order shall  
12    be stayed until a final administrative order is entered.

13           (1) If the licensee requests a hearing, the Secretary  
14    shall schedule a hearing within 30 days after the request  
15    for a hearing unless otherwise agreed to by the parties.

16           (2) The hearing shall be held at the time and place  
17    designated by the Secretary. The Secretary and any  
18    administrative law judge designated by him or her shall  
19    have the power to administer oaths and affirmations,  
20    subpoena witnesses and compel their attendance, take  
21    evidence, and require the production of books, papers,  
22    correspondence, and other records or information that he  
23    or she considers relevant or material to the inquiry.

24           (o) The costs of administrative hearings conducted  
25    pursuant to this Section shall be paid by the licensee.

26           (p) The following acts shall constitute grounds for which

1 the disciplinary actions specified in subsection (h) may be  
2 taken:

3 (1) being convicted or found guilty, regardless of  
4 pendency of an appeal, of a crime in any jurisdiction that  
5 involves fraud, dishonest dealing, or any other act of  
6 moral turpitude;

7 (2) fraud, misrepresentation, deceit, or negligence in  
8 any relation to any consumer legal funding;

9 (3) a material or intentional misstatement of fact on  
10 an initial or renewal application;

11 (3.5) any fact or condition exists that, if it had  
12 existed at the time of the original application for the  
13 license, would have warranted the Secretary in refusing to  
14 originally issue the license;

15 (4) insolvency or filing under any provision of the  
16 United States Bankruptcy Code as a debtor;

17 (5) failure to account or deliver to any person any  
18 property, such as any money, fund, deposit, check, draft,  
19 or other document or thing of value, that has come into his  
20 or her hands and that is not his or her property or that he  
21 or she is not in law or equity entitled to retain, under  
22 the circumstances and at the time which has been agreed  
23 upon or is required by law, or, in the absence of a fixed  
24 time, upon demand of the person entitled to such  
25 accounting and delivery;

26 (6) failure to disburse funds in accordance with



1 agreements;

2 (7) having a license, or the equivalent, to practice  
3 any profession or occupation revoked, suspended, or  
4 otherwise acted against, including the denial of licensure  
5 by a licensing authority of this State or another state,  
6 territory, or country, for fraud, dishonest dealing, or  
7 any other act of moral turpitude;

8 (8) failure to comply with an order of the Secretary  
9 or rule adopted under the provisions of this Act;

10 (9) engaging in activities regulated by this Act  
11 without a current, active license unless specifically  
12 exempted by this Act;

13 (10) failure to pay in a timely manner any fee,  
14 charge, or fine under this Act;

15 (11) failure to maintain, preserve, and keep available  
16 for examination all books, accounts, or other documents  
17 required by the provisions of this Act and the rules of the  
18 Department;

19 (12) refusing, obstructing, evading, or unreasonably  
20 delaying an investigation, information request, or  
21 examination authorized under this Act, or refusing,  
22 obstructing, evading, or unreasonably delaying compliance  
23 with the Secretary's subpoena or subpoena duces tecum;

24 (13) failure to comply with or a violation of any  
25 provision of this Act; and

26 (14) any unfair, deceptive, or abusive business

1 practice.

2 (q) A licensee shall be subject to the disciplinary  
3 actions specified in this Act for violations of subsection (i)  
4 by any officer, director, shareholder, joint venture, partner,  
5 ultimate equitable owner, or employee of the licensee.

6 (r) A licensee shall be subject to suspension or  
7 revocation for unauthorized employee actions only if there is  
8 a pattern of repeated violations by employees, the licensee  
9 has knowledge of the violations, or there is substantial harm  
10 to a consumer. A licensee may be subject to fine for employee  
11 actions, whether authorized or unauthorized, whether there is  
12 a pattern of repeated violations or no pattern of repeated  
13 violations.

14 (s) Any licensee may submit an application to surrender a  
15 license, but, upon the Secretary approving the surrender, it  
16 shall not affect the licensee's civil or criminal liability  
17 for acts committed before surrender or entitle the licensee to  
18 a return of any part of the license fee.

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

20 (815 ILCS 121/165)

21 Sec. 165. Rules of the Department.

22 (a) In addition to such powers as may be prescribed by this  
23 Act, the Department is hereby authorized and empowered to  
24 adopt rules consistent with the purposes of this Act,  
25 including, but not limited to:

1 (1) rules in connection with the activities of  
2 licensees or unlicensed consumer legal funding companies  
3 as may be necessary and appropriate for the protection of  
4 consumers in this State;

5 (2) rules as may be necessary and appropriate to  
6 define improper or fraudulent business practices in  
7 connection with the activities of licensees in servicing  
8 consumer legal fundings;

9 (3) rules that define the terms used in this Act and as  
10 may be necessary and appropriate to interpret and  
11 implement the provisions of this Act; ~~and~~

12 (4) rules as may be necessary for the enforcement and  
13 administration of this Act; and -

14 (5) rules to permit the refinancing of consumer legal  
15 fundings.

16 (b) The Secretary is hereby authorized and empowered to  
17 make specific rulings, demands, and findings that he or she  
18 deems necessary for the proper conduct of the consumer legal  
19 funding company industry.

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

21 (815 ILCS 121/170)

22 Sec. 170. Appeal and review.

23 (a) The Department may, in accordance with the Illinois  
24 Administrative Procedure Act, adopt rules to provide for  
25 review within the Department of the Secretary's decisions

1 affecting the rights of persons or entities under this Act.

2 The review shall provide for, at a minimum:

3 (1) appointment of a hearing officer other than a  
4 regular employee of the Division of Financial Institutions  
5 ~~Department~~;

6 (2) appropriate procedural rules, specific deadlines  
7 for filings, and standards of evidence and of proof; and

8 (3) provision for apportioning costs among parties to  
9 the appeal.

10 (b) All final agency determinations of appeals to  
11 decisions of the Secretary may be reviewed in accordance with  
12 and under the provisions of the Administrative Review Law.  
13 Appeals from all final orders and judgments entered by a court  
14 in review of any final administrative decision of the  
15 Secretary or of any final agency review of a decision of the  
16 Secretary may be taken as in other civil cases.

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