

1 AN ACT creating the Short-term Loan Act.

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

4 Section 1. Short title. This Act may be cited as the
5 Short-term Loan Act.

6 Section 5. Definitions.

7 "Check" means a check, draft, or other negotiable
8 instrument used for payment of money.

9 "Department" means the Department of Financial
10 Institutions.

11 "Director" means the Director of the Department of
12 Financial Institutions.

13 "Interest bearing loan" means a loan in which the debt is
14 expressed as a principal amount plus interest charged on
15 actual unpaid principal balances for the time actually
16 outstanding.

17 "Lender" means an entity making loans subject to this
18 Act.

19 "Short-term loan" means a loan that:

20 (1) is made by a lender that does not accept
21 insured deposits;

22 (2) is secured by a post-dated check or by the
23 title to a motor vehicle; and

24 (3) has a term of not more than 30 days or upon
25 which interest is charged at an annual percentage rate
26 exceeding 36%.

27 Section 10. Contractual disclosures and prohibitions.

28 (a) A short-term loan contract must provide all
29 disclosures required by Regulation Z of the Federal
30 Truth-In-Lending Act. A copy of all loan documents must be

1 given to the borrower.

2 (b) Before entering into a short-term loan agreement, a
3 lender must give to the borrower a pamphlet describing the
4 borrower's rights and responsibilities in the transaction and
5 providing a toll-free number through which the borrower can
6 contact the Department of Financial Institutions regarding
7 questions and complaints.

8 (c) A lender may not provide for arbitration or
9 mediation in a venue other than the county in which the loan
10 was made. A loan contract may not contain a cognovit or
11 confession of judgement clause or provision. A short-term
12 loan may not require the borrower to deposit a set of vehicle
13 keys with the lender or an agent of the lender as a condition
14 of, or incident to, the loan. A loan contract must advise the
15 borrower that matters involving improprieties in the making
16 of the loan or in loan collection practices may be referred
17 to the Department and shall prominently display the
18 Department's address and telephone number. A lender may not
19 take possession of a motor vehicle for a loan default and
20 lease the vehicle back to the borrower. Any appraisal of the
21 value of a motor vehicle that has been used to secure a loan
22 shall be limited to the vehicle's Kelly Blue Book Used Car
23 Guide value.

24 Section 15. Debt management service; notice.

25 (a) At the time a lender conveys a notice to a borrower
26 indicating the borrower is in arrears or in default for a
27 legally constituted debt issued by the lender under this Act,
28 the lender shall include with the notice a statement
29 indicating the toll-free telephone number of the Department
30 of Financial Institutions which the borrower may contact for
31 the purpose of the borrower receiving information from the
32 Department on how to contact a debt management service for
33 assistance in resolving debt problems of the borrower. The

1 form and method of the notice provided by licensees shall be
2 subject to approval by the Department.

3 (b) The Department must establish a toll-free telephone
4 number as provided by subsection (a) of this Section. This
5 toll-free number may be the same as that disclosed under
6 subsection (b) of Section 10. The Department shall, in
7 cooperation with an organization representing debt management
8 services, establish a listing of debt management service
9 offices that the Department shall provide to borrowers who
10 are requesting the services of those offices. The Department
11 shall provide the list on an approximate geographic basis as
12 that relates to the borrower's residence.

13 (c) The Department, in cooperation with an organization
14 representing debt management services, shall prepare a notice
15 that describes the services provided by debt management
16 services. The notice shall include the address, telephone
17 number, and general area served by all debt management
18 services in Illinois. The notice shall be prominently
19 displayed by all lenders making loans under this Act.

20 (d) When a loan made under this Act is refinanced, the
21 lender shall provide to the borrower a copy of a statement
22 that contains the information set forth in subsection (c) of
23 this Section. The statement shall be provided to the
24 borrower separately from the loan refinancing contract at the
25 time the loan refinancing contract is signed by the borrower.

26 (e) Each loan refinancing contract executed by a lender
27 shall include a statement, which shall be initialed by the
28 borrower, as follows:

29 "I have received from (name of lender) a statement that
30 discloses information about debt management services and the
31 address and telephone number of the debt management service
32 nearest my residence."

33 (f) The Department shall adopt rules to implement the
34 requirements of this Section. For the purposes of this

1 Section "debt management service" has the meaning given that
2 term in the Debt Management Service Act.

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