

1 AN ACT in relation to installment loans.

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

4 Section 5. The Consumer Installment Loan Act is amended
5 by changing Sections 15 and 17 as follows:

6 (205 ILCS 670/15) (from Ch. 17, par. 5415)

7 Sec. 15. Charges permitted.

8 (a) Every licensee may lend a principal amount not
9 exceeding \$40,000 ~~\$25,000~~ and may charge, contract for and
10 receive thereon interest at the rate agreed upon by the
11 licensee and the borrower, subject to the provisions of this
12 Act.

13 (b) For purpose of this Section, the following terms
14 shall have the meanings ascribed herein.

15 "Applicable interest" for a precomputed loan contract
16 means the amount of interest attributable to each monthly
17 installment period. It is computed as if each installment
18 period were one month and any interest charged for extending
19 the first installment period beyond one month is ignored.
20 The applicable interest for any monthly installment period is
21 that portion of the precomputed interest that bears the same
22 ratio to the total precomputed interest as the balances
23 scheduled to be outstanding during that month bear to the sum
24 of all scheduled monthly outstanding balances in the original
25 contract.

26 "Interest-bearing loan" means a loan in which the debt is
27 expressed as a principal amount plus interest charged on
28 actual unpaid principal balances for the time actually
29 outstanding.

30 "Precomputed loan" means a loan in which the debt is
31 expressed as the sum of the original principal amount plus

1 interest computed actuarially in advance, assuming all
2 payments will be made when scheduled.

3 (c) Loans may be interest-bearing or precomputed.

4 (d) To compute time for either interest-bearing or
5 precomputed loans for the calculation of interest and other
6 purposes, a month shall be a calendar month and a day shall
7 be considered 1/30th of a month when calculation is made for
8 a fraction of a month. A month shall be 1/12th of a year. A
9 calendar month is that period from a given date in one month
10 to the same numbered date in the following month, and if
11 there is no same numbered date, to the last day of the
12 following month. When a period of time includes a month and
13 a fraction of a month, the fraction of the month is
14 considered to follow the whole month. In the alternative,
15 for interest-bearing loans, the licensee may charge interest
16 at the rate of 1/365th of the agreed annual rate for each day
17 actually elapsed.

18 (e) With respect to interest-bearing loans:

19 (1) Interest shall be computed on unpaid principal
20 balances outstanding from time to time, for the time
21 outstanding, until fully paid. Each payment shall be
22 applied first to the accumulated interest and the
23 remainder of the payment applied to the unpaid principal
24 balance; provided however, that if the amount of the
25 payment is insufficient to pay the accumulated interest,
26 the unpaid interest continues to accumulate to be paid
27 from the proceeds of subsequent payments and is not added
28 to the principal balance.

29 (2) Interest shall not be payable in advance or
30 compounded. However, if part or all of the consideration
31 for a new loan contract is the unpaid principal balance
32 of a prior loan, then the principal amount payable under
33 the new loan contract may include any unpaid interest
34 which has accrued. The unpaid principal balance of a

1 precomputed loan is the balance due after refund or
2 credit of unearned interest as provided in paragraph (f),
3 clause (3). The resulting loan contract shall be deemed
4 a new and separate loan transaction for all purposes.

5 (3) Loans may be payable as agreed between the
6 parties, including payment at irregular times or in
7 unequal amounts and rates that may vary with an index
8 that is independently verifiable and beyond the control
9 of the licensee.

10 (4) The lender or creditor may, if the contract
11 provides, collect a delinquency or collection charge on
12 each installment in default for a period of not less than
13 10 days in an amount not exceeding 5% of the installment
14 on installments in excess of \$200, or \$10 on installments
15 of \$200 or less, but only one delinquency and collection
16 charge may be collected on any installment regardless of
17 the period during which it remains in default.

18 (f) With respect to precomputed loans:

19 (1) Loans shall be repayable in substantially equal
20 and consecutive monthly installments of principal and
21 interest combined, except that the first installment
22 period may be longer than one month by not more than 15
23 days, and the first installment payment amount may be
24 larger than the remaining payments by the amount of
25 interest charged for the extra days; and provided further
26 that monthly installment payment dates may be omitted to
27 accommodate borrowers with seasonal income.

28 (2) Payments may be applied to the combined total
29 of principal and precomputed interest until the loan is
30 fully paid. Payments shall be applied in the order in
31 which they become due, except that any insurance proceeds
32 received as a result of any claim made on any insurance,
33 unless sufficient to prepay the contract in full, may be
34 applied to the unpaid installments of the total of

1 payments in inverse order.

2 (3) When any loan contract is paid in full by cash,
3 renewal or refinancing, or a new loan, one month or more
4 before the final installment due date, a licensee shall
5 refund or credit the obligor with the total of the
6 applicable interest for all fully unexpired installment
7 periods, as originally scheduled or as deferred, which
8 follow the day of prepayment; provided, if the prepayment
9 occurs prior to the first installment due date, the
10 licensee may retain 1/30 of the applicable interest for a
11 first installment period of one month for each day from
12 the date of the loan to the date of prepayment, and shall
13 refund or credit the obligor with the balance of the
14 total interest contracted for. If the maturity of the
15 loan is accelerated for any reason and judgment is
16 entered, the licensee shall credit the borrower with the
17 same refund as if prepayment in full had been made on the
18 date the judgement is entered.

19 (4) The lender or creditor may, if the contract
20 provides, collect a delinquency or collection charge on
21 each installment in default for a period of not less than
22 10 days in an amount not exceeding 5% of the installment
23 on installments in excess of \$200, or \$10 on installments
24 of \$200 or less, but only one delinquency or collection
25 charge may be collected on any installment regardless of
26 the period during which it remains in default.

27 (5) If the parties agree in writing, either in the
28 loan contract or in a subsequent agreement, to a
29 deferment of wholly unpaid installments, a licensee may
30 grant a deferment and may collect a deferment charge as
31 provided in this Section. A deferment postpones the
32 scheduled due date of the earliest unpaid installment and
33 all subsequent installments as originally scheduled, or
34 as previously deferred, for a period equal to the

1 deferment period. The deferment period is that period
2 during which no installment is scheduled to be paid by
3 reason of the deferment. The deferment charge for a one
4 month period may not exceed the applicable interest for
5 the installment period immediately following the due date
6 of the last undeferred payment. A proportionate charge
7 may be made for deferment for periods of more or less
8 than one month. A deferment charge is earned pro rata
9 during the deferment period and is fully earned on the
10 last day of the deferment period. Should a loan be
11 prepaid in full during a deferment period, the licensee
12 shall credit to the obligor a refund of the unearned
13 deferment charge in addition to any other refund or
14 credit made for prepayment of the loan in full.

15 (6) If two or more installments are delinquent one
16 full month or more on any due date, and if the contract
17 so provides, the licensee may reduce the unpaid balance
18 by the refund credit which would be required for
19 prepayment in full on the due date of the most recent
20 maturing installment in default. Thereafter, and in lieu
21 of any other default or deferment charges, the agreed
22 rate of interest may be charged on the unpaid balance
23 until fully paid.

24 (7) Fifteen days after the final installment as
25 originally scheduled or deferred, the licensee, for any
26 loan contract which has not previously been converted to
27 interest-bearing under paragraph (f), clause (6), may
28 compute and charge interest on any balance remaining
29 unpaid, including unpaid default or deferment charges, at
30 the agreed rate of interest until fully paid. At the
31 time of payment of said final installment, the licensee
32 shall give notice to the obligor stating any amounts
33 unpaid.

34 (Source: P.A. 90-437, eff. 1-1-98.)

1 (205 ILCS 670/17) (from Ch. 17, par. 5423)

2 Sec. 17. Maximum term and amount. The loan contract shall
3 provide for repayment of the principal and charges within 181
4 months from the date of the loan contract or the last
5 advance, if any, required by the loan contract. No licensee
6 shall permit an obligor to owe such licensee or an affiliate
7 (including a corporation owned or managed by the licensee) or
8 agent of such licensee an aggregate principal amount of more
9 than \$40,000 ~~\$25,000~~ at any time for loans transacted
10 pursuant to this Act.

11 (Source: P.A. 90-437, eff. 1-1-98.)