

1 AN ACT concerning regulation.

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

4 Section 5. The Credit Card Issuance Act is amended by
5 adding Section 1d as follows:

6 (815 ILCS 140/1d new)

7 Sec. 1d. Universal default provisions prohibited. No
8 issuer of a credit card shall include in the issuer's credit
9 card contract or agreement a universal default clause.

10 For purposes of this Section, "universal default clause"
11 means any clause or provision included within a credit card
12 agreement or contract that allows an issuer of a credit card to
13 increase the interest rate on the issuer's credit card if a
14 holder is late with a payment to another credit card issuer or
15 creditor.

16 Section 10. The Interest Act is amended by changing Section
17 4.2 as follows:

18 (815 ILCS 205/4.2) (from Ch. 17, par. 6407)

19 Sec. 4.2. Revolving credit; billing statements;
20 disclosures. On a revolving credit which complies with
21 subparagraphs (a), (b), (c), (d) and (e) of this Section 4.2,

1 it is lawful for any bank that has its main office or, after
2 May 31, 1997, a branch in this State, a state or federal
3 savings and loan association with its main office in this
4 State, a state or federal credit union with its main office in
5 this State, or a lender licensed under the Consumer Finance
6 Act, the Consumer Installment Loan Act or the Sales Finance
7 Agency Act, as such Acts are now and hereafter amended, to
8 receive or contract to receive and collect interest in any
9 amount or at any rate agreed upon by the parties to the
10 revolving credit arrangement. It is lawful for any other lender
11 to receive or contract to receive and collect interest in an
12 amount not in excess of 1 1/2% per month of either the average
13 daily unpaid balance of the principal of the debt during the
14 billing cycle, or of the unpaid balance of the debt on
15 approximately the same day of the billing cycle. If a lender
16 under a revolving credit arrangement notifies the debtor at
17 least 30 days in advance of any lawful increase in the amount
18 or rate of interest to be charged under the revolving credit
19 arrangement, and the debtor, after the effective date of such
20 notice, incurs new debt pursuant to the revolving credit
21 arrangement, the increased interest amount or rate may be
22 applied only to any such new debt incurred under the revolving
23 credit arrangement. For purposes of determining the balances to
24 which the increased interest rate applies, all payments and
25 other credits may be deemed to be applied to the balance
26 existing prior to the change in rate until that balance is paid

1 in full. The face amount of the drafts, items, orders for the
2 payment of money, evidences of debt, or similar written
3 instruments received by the lender in connection with the
4 revolving credit, less the amounts applicable to principal from
5 time to time paid thereon by the debtor, are the unpaid balance
6 of the debt upon which the interest is computed. If the billing
7 cycle is not monthly, the maximum interest rate for the billing
8 cycle is the percentage which bears the same relation to the
9 monthly percentage provided for in the preceding sentence as
10 the number of days in the billing cycle bears to 30. For the
11 purposes of the foregoing computation, a "month" is deemed to
12 be any time of 30 consecutive days. In addition to the interest
13 charge provided for, it is lawful to receive, contract for or
14 collect a charge not exceeding 25 cents for each transaction in
15 which a loan or advance is made under the revolving credit or
16 in lieu of this additional charge an annual fee for the
17 privilege of receiving and using the revolving credit in an
18 amount not exceeding \$20. In addition, with respect to
19 revolving credit secured by an interest in real estate, it is
20 also lawful to receive, contract for or collect fees lawfully
21 paid to any public officer or agency to record, file or release
22 the security, and costs and disbursements actually incurred for
23 any title insurance, title examination, abstract of title,
24 survey, appraisal, escrow fees, and fees paid to a trustee in
25 connection with a trust deed.

26 (a) At or before the date a bill or statement is first

1 rendered to the debtor under a revolving credit arrangement,
2 the lender must mail or deliver to the debtor a written
3 description of the conditions under which a charge for interest
4 may be made and the method, including the rate, of computing
5 these interest charges. The rate of interest must be expressed
6 as an annual percentage rate.

7 (b) If during any billing cycle any debit or credit entry
8 is made to a debtor's revolving credit account, and if at the
9 end of that billing cycle there is an unpaid balance owing to
10 the lender from the debtor, the lender must give to the debtor
11 the following information within a reasonable time after the
12 end of the billing cycle:

13 (i) the unpaid balance at the beginning of the billing
14 cycle;

15 (ii) the date and amount of all loans or advances made
16 during the billing cycle, which information may be supplied
17 by enclosing a copy of the drafts, items, orders for the
18 payment of money, evidences of debt or similar written
19 instruments presented to the lender during the billing
20 cycle;

21 (iii) the payments by the debtor to the lender and any
22 other credits to the debtor during the billing cycle;

23 (iv) the amount of interest and other charges, if any,
24 charged to the debtor's account during the billing cycle;

25 (v) the amount which must be currently paid by the
26 debtor and the date on which that amount must be paid in

1 order to avoid delinquency;

2 (vi) the total amount remaining unpaid at the end of
3 the billing cycle and the right of the debtor to prepay
4 that amount in full without penalty; and

5 (vii) information required by (iv), (v) and (vi) must
6 be set forth in type of equal size and equal
7 conspicuousness.

8 (b-5) In the case of any credit card account under a
9 revolving credit arrangement containing a universal default
10 provision, no increase in the annual percentage rate of
11 interest, applicable to the account or any portion of an
12 outstanding balance on the account may be made to a credit card
13 account because the holder is late with a payment to another
14 credit card issuer or creditor.

15 (c) The revolving credit arrangement may provide for the
16 payment by the debtor and receipt by the lender of all costs
17 and disbursements, including reasonable attorney's fees,
18 incurred by the lender in legal proceedings to collect or
19 enforce the debt in the event of delinquency by the debtor or
20 in the event of a breach of any obligation of the debtor under
21 the arrangement.

22 (d) The lender under a revolving credit arrangement may
23 provide credit life insurance or credit accident and health
24 insurance, or both, with respect to the debtor and may charge
25 the debtor therefor. Credit life insurance and credit accident
26 and health insurance, and any charge therefor made to the

1 debtor, shall comply with Article IX 1/2 of the Illinois
2 Insurance Code, as now or hereafter amended, and all lawful
3 requirements of the Director of Insurance related thereto. This
4 insurance is in force with respect to each loan or advance made
5 under a revolving credit arrangement as soon as the loan or
6 advance is made. The purchase of this insurance from an agent,
7 broker or insurer specified by the lender may not be a
8 condition precedent to the revolving credit arrangement or to
9 the making of any loan or advance thereunder.

10 (e) Whenever interest is contracted for or received under
11 this Section, no amount in addition to the charges authorized
12 by this Act may be directly or indirectly charged, contracted
13 for or received whether as interest, service charges, costs of
14 investigations or enforcements or otherwise.

15 (f) The lender under a revolving credit arrangement must
16 compute at year end the total amount charged to the debtor's
17 account during the year, including service charges, finance
18 charges, late charges and any other charges authorized by this
19 Act, and upon request must furnish such information to the
20 debtor within 30 days after the end of the year, or if the
21 account has been terminated during such year, may give such
22 requested information within 30 days after such termination.
23 The lender shall annually inform the debtor of his right to
24 obtain such information.

25 (g) A lender who complies with the federal Truth in Lending
26 Act, amendments thereto, and any regulations issued or which

1 may be issued thereunder, shall be deemed to be in compliance
2 with the provisions of subparagraphs (a) and (b) of this
3 Section.

4 (h) Anything in this Section 4.2 to the contrary
5 notwithstanding, if the Congress of the United States or any
6 federal agency authorizes any class of lenders to enter, within
7 limitations, into a revolving credit arrangement secured by a
8 mortgage or deed of trust on residential real property, any
9 person, firm, corporation or other entity, not otherwise
10 prohibited by the Congress of the United States or any federal
11 agency from entering into revolving credit arrangements
12 secured by a mortgage or deed of trust on residential real
13 property, may enter into such arrangements within the same
14 limitations.

15 (Source: P.A. 89-208, eff. 9-29-95.)