**OFFICE OF GOVERNOR PAT QUINN** **NEWS**

**FOR IMMEDIATE RELEASE:**
Monday, June 21, 2010

**CONTACT:** Bill Cunningham (o. 312-814-3158; c. 312-590-1557)
Annie Thompson (o. 217-782-7355; c. 217-720-1853)
Sue Hofer, DFPR(o. 312-814-8197; c. 312-497-7559)

# Governor Quinn Signs Law to Protect Individuals Obtaining Consumer Loans

## *Law Caps Loan Interest Rates, Closes Loopholes*

CHICAGO – June 21, 2010. Governor Pat Quinn today signed a bill into law that will increase protections for Illinois residents obtaining consumer installment loans. The new law caps interest rates charged by consumer finance companies, which can sometimes be as high as 1,000 percent.

“Many consumers who take out short-term loans are doing so as a last resort to pay their bills and provide for their families. It is all too easy for lenders to take advantage of them by raising interest rates and setting very short repayment periods,” said Governor Quinn. “It is important that we do everything we can to protect these consumers who are already hurting, by helping to make these loans more affordable.”

House Bill 537 sponsored by Rep. Lou Lang (D-Skokie) and Sen. Kimberly Lightford (D-Westchester) protects consumers by setting reasonable interest rates for loans. Current interest rates for consumer installment loans can be exorbitantly high. Under the new law, rates on consumer installment loans will be capped at 99 percent rate for loans $4,000 and less and 36 percent for loans greater than $4,000.

"For too long, Wild West lending practices have dominated the marketplace in Illinois and consumers have suffered as a result - saddled with costly loans that they could never repay," said Attorney General Madigan. "Now that has changed. House Bill 537 reigns in abusive and predatory lending practices and protects consumers. I want to thank Senator Lightford, Representative Lang, the Governor's Office and consumer advocates for their hard work on this important consumer protection legislation."

The new law also includes provisions to help borrowers repay loans more easily. For example, lending is based upon the borrower’s ability to repay the loan. Monthly payments on consumer installment loans are limited to 22.5 percent of the borrower’s gross monthly income. In order to give borrowers enough time to repay the loan, the new minimum loan term will be set at six months – an increase from the previous four month term.

“We look forward to working with licensed lenders and their customers to make sure this law is strictly enforced,” said Secretary of Financial and Professional Regulation Brent Adams. “For too long, Illinois borrowers have been at the mercy of lenders who were free to charge quadruple-digit interest rates.”

The law expands the existing statewide database that tracks payday loans to also track consumer installment loans, which will enable the state to ensure that lenders are complying with the new law. The law also eliminates balloon payments and prevents lenders from penalizing borrowers for paying off loans early.

House Bill 537 was supported by numerous consumer groups and lenders alike, and it passed through the Illinois General Assembly almost unanimously.

Governor Quinn signed the legislation in Chicago. It goes into effect nine months after becoming law.

###