Recent Changes in Illinois Consumer Law

–Payday Loan Reform

Starting December 6, 2005 a new Payday Loan Reform Act went into effect. The new law places prohibitions on loan providers that provide short-term loans that are secured with postdated checks. In the past most payday loans were lent at very high interest rates. The following provisions are now in place to protect Illinois consumers:

✓ Before a payday loan may be made, the borrower must be provided a pamphlet that explains his or her rights and responsibilities in plain English & Spanish;

✓ No loan may be made for less than 13 days;

✓ No loan may be made in which the borrower would be indebted for more than 45 days. If a borrower has a loan out past the 45 days, no new loan may be offered until seven days after the balance is paid in full on the loan(s) from the original 45 day period;

✓ Each loan can only have an interest rate set at a maximum of $15.50 per $100;

✓ The Act limits the total amount an individual can borrow at $1000 or 25% of the person’s salary, whichever is less;

✓ It prohibits borrowers from having more than two loans outstanding at any time;

✓ And prohibits criminal prosecution for unpaid loans, and from accessing attorney fees and court costs on the borrower;

✓ No lender may take interest in any borrowers personal property to secure a payday loan;
✓ A lender may not garnish the wages or salary or a borrower in the military or contact the borrower's chain of command in an effort to collect on the loan:

✓ And a lender may not proceed with collection activity against a borrower that has been deployed to a combat or combat support posting for the length of the deployment.

If you suspect that a payday loan agency is in violation of any of the above provisions or have questions regarding any of the above you may call the Illinois Attorney General’s Office at either of the following numbers:

1-800-243-0607, (618) 529-6400, or TDD (618) 529-6403