



March 25, 2021

ILLINOIS PASSES LAW THAT CAPS INTEREST ON CONSUMER LOANS AT 36% MAPR EFFECTIVE IMMEDIATELY

On March 23, 2021, the Illinois Governor signed the Predatory Loan Prevention Act into law. The Act prohibits lenders from charging more than 36% APR on all consumer loans, including closed-end and open-end credit, retail installment sales contracts and motor vehicle retail installment sales contracts. The Act is effective immediately.

As previously reported in our prior ALERT dated [Jan. 20, 2021](#), the Act exempts federal and state-chartered banks but broadly defines "lender" to include any (i) affiliate or subsidiary of a lender or (ii) person or entity that buys a whole or partial interest in a loan, arranges a loan for a third party or acts as an agent for a third party in making a loan. The definition of "lender" also includes any other person or entity if the Department of Financial and Professional Regulation determines that the person or entity is engaged in a transaction that it is in substance a disguised loan or a subterfuge for the purpose of avoiding this Act.

The Act requires lenders subject to its requirements to calculate the 36% APR using the system for calculating a military APR under Section 232.4 of the Military Lending Act. The Act provides that any loan made in excess of 36% APR would be considered null and void and no entity will have any right to collect, attempt to collect, receive or retain any principal, fee, interest or charges related to the loan.

Trailer bills have been introduced to amend the Act to require that the 36% APR be calculated according to the Truth in Lending Act instead of the military APR. We will continue to monitor these bills and keep you updated. If you have any questions on how to comply with the Act or how to calculate the military APR, please let us know. □

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