

Governor Quinn Signs Law to Crack Down on Loan Sharking

Written by Ryan C. Woods
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New law protects consumers from unlicensed lenders

CHICAGO – August 20, 2012. Governor Pat Quinn today signed a new law to shield consumers from unlicensed lenders. House Bill 3935 imposes a Class 4 felony on lenders who have not been licensed by the Illinois Department of Financial and Professional Regulation (IDFPR), and protects consumers trapped in these high-interest loan deals from having to pay back the debt. Today's action is the latest by the governor to crack down on predatory lending and help consumers.

"Two years ago, we signed new laws to curb predatory lending and make the payday loan industry more transparent," Governor Quinn said. "Today's action is the next step in protecting consumers from unscrupulous, unlicensed lenders."

Sponsored by Sen. William Haine (D-Alton) and Rep. Greg Harris (D-Chicago), HB 3935 provides consumers with greater protections by putting teeth into the penalty and declaring any such loan as "null and void." Under existing law, the IDFPR may issue a cease-and-desist order to anyone doing business without the required license. Currently, 522 payday lenders are licensed and regulated by the IDFPR, which also regulates 1,054 Consumer Installment Loan Act lenders and 240 Sales Finance lenders.

Often called "loan sharks," unlicensed lenders charge extremely high interest rates and impose short-term repayment deadlines under threat of violence for non-payment. They are often associated with organized crime or street gangs.

The effort to increase regulation of predatory lending began with the "Monsignor John Egan Campaign for Payday Loan Reform," launched in 1999 after the Catholic priest heard the confession of a woman whose life was being ripped apart by usurious interest rates. The resulting reforms – *The Consumer Installment Loan Act* and *Payday Loan Reform Act* – are amended by this law.

The law is supported by Illinois Citizen Action and the Illinois Small Business Loan Association, and is effective on Jan. 1, 2013.

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