



OFFICE OF THE GOVERNOR

# NEWS

ROD R. BLAGOJEVICH - GOVERNOR

**FOR IMMEDIATE RELEASE**

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## **Governor Blagojevich Reminds Consumers to Avoid Predatory Installment and Title Loans**

CHICAGO – A tough economy and skyrocketing prices have left many families across the state looking for alternative ways to make ends meet. With fewer lending options available, Governor Rod R. Blagojevich today reminded consumers about the dangers of predatory lenders, particularly high-cost installment and title lending companies.

“The holiday season marks a time of giving, but with a weak national economy, many families are struggling to buy gifts or even pay for basic necessities. As many people are considering taking loans to get the money they need, we want to make sure they don’t rely on predatory lenders who offer enticing but dangerous loan options, and then plunge families into an endless cycle of debt,” said Governor Rod R. Blagojevich.

Since Governor Blagojevich signed the Payday Loan Reform Act (PLRA) in 2005, Illinois consumers have had some protections from high-cost payday loans, which are loans secured by a consumer’s future wages. The Act regulates the payday loan industry and stops unscrupulous lenders from luring customers into loans that they cannot afford to repay. Before this law took effect, consumers had to renew or “rollover” the loan and pay additional fees until they paid the loan back. Under the law, consumers can now opt for a no-interest payment plan which allows them to get caught up in their payments without adding extra interest and penalties. The law also caps interest payments and fees to \$15.50 per \$100 borrowed.

Loans with terms longer than 120 days fall outside the PLRA, however. The Governor has been working with members of the General Assembly, the industry, and consumer groups to better regulate these longer term installment loans. The Department of Financial and Professional Regulation (IDFPR) has seen interest rates on installment loans in excess of 1,000%.

Many families also borrow money against the value of their car. Title loans are short-term loans with interest rates that often exceed 300% per year and, if unpaid, can allow the lender to repossess the vehicle and leave the family without a car. To better protect consumers and help

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them keep their vehicles, state regulators moved to strengthen rules on title loans and recently sent revised proposed rules to the Joint Committee on Administrative Rules (JCAR) for review. If they take effect, the rules would: 1) fix a loophole in the current rules that limits the rules only to loans of 60 days or less, 2) require the loan to be cleared through a statewide database before it could be made, and 3) structure loan payments so that the borrower made progress on reducing the principal with each payment instead of only paying interest costs.

“We want to help prevent those who are excited about buying holiday gifts for their family and friends from relying on predatory lenders,” said Michael McRaith, Acting Secretary, IDFPR. “Consumers have protections under the law, and we stand with them against harmful lending practices.”

Further information on predatory lending protections is available in the Frequently Asked Questions (FAQ) section on payday loans on IDFPR’s website at: [www.idfpr.com](http://www.idfpr.com).