TESTIMONY OF THE ILLINOIS SMALL LOAN ASSOCIATION
ILLINOIS GENERAL ASSEMBLY
HOUSE EXECUTIVE COMMITTEE
HEARING DATE: JANUARY 10, 2020
HEARING TIME: 10:00 A.M.
SUBJECT MATTER ON: HB5871 OPPOSE

Dear Chairperson Welch:

On behalf of the Illinois Small Loan Association (ISLA), I am writing to voice strong opposition to the HB2685 (Amendment 3). This bill would deny access to credit to hard working Illinois residents, will allow unregulated predatory lenders to thrive and will eliminate a regulated industry that employs Illinois residents.

1. The Current Law Is Working. In 2011, the General Assembly reformed the short term small dollar loan market in Illinois. The Payday Loan Reform Act (PLRA) was amended to make loans and loan terms more favorable for consumers. The industry worked with Governor Pat Quinn, Attorney General Madigan, and various consumer groups led by the Woodstock Institute, almost unanimously (one vote shy) to amend the Act. The reforms also created new products under the PLRA and the Consumer Installment Loan Act (CILA). Under the PLRA the “Installment Payday Loan” (IPL) was created and under CILA, the “Small Consumer Loan” (SCL) was created. The IPL has a fee cap of $15.50 per $100 borrowed and the SCL has a rate cap of 99% APR. Auto-title lending was not amended in 2011 because that product had gone through a rulemaking in 2009. Illinois is already a leader in consumer protection while ensuring access to credit.

2. The Amendment Would Eliminate Credit to Hard-working Illinois Families. Many Illinois families struggle to make ends meet and live paycheck to paycheck. The 36% rate cap significantly impairs access to credit by ceasing small dollar loans from regulated providers and will eliminate critical access to credit. Approximately 1000 of the 1578 licensed and regulated loan stores will close upon the Governor’s signature and no other licensed lenders will be left to serve the short-term small dollar needs of consumers.

3. The Amendment Would Lead to Closure of Illinois Businesses. If the language were to pass many in-state lending businesses (tax paying employers) would close. Unregulated lenders with no consumer protection or government oversight would now be the only source of credit for families in need. This industry is regulated at the state and federal levels, and our members operate in strict compliance with all applicable laws. Illinois’ existing payday lending laws feature a number of protections for consumers such as a red light/green light database check system that guarantees no consumer with take on too much debt or exceed 22% of their monthly income. In the absence of regulated small-dollar loans, unregulated options stand to fill the void, as they have in other states that have implemented prohibitions and restrictions on regulated lending.

Unlike other states Illinois current law prevents a never-ending cycle of debt and unpaid principal on small dollar loans. For this reason, ISLA opposes Amendment 3 to HB2685.

Sincerely,

Steve Brubaker
Executive Director
Illinois Small Loan Association
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