**Section 110.110 Hypothecation at the Time of the Sale of Obligor's Notes**

a) A licensee may pledge, hypothecate, or sell a note made under the provisions of the Act without the prior approval of the Director provided that said transaction is with another licensee under the Act, Sales Finance Agency Act, a bank, savings bank, savings and loan association or credit union created under the laws of this State or the United States and that the following conditions are satisfied:

1) the licensee notifies the Division in writing within ten days of the transaction indicating the name of the purchaser/pledgee, location where the related notes can be examined, and that the licensee shall be responsible for all examination costs.

2) the licensee will provide the Division with an executed agreement entered into by the licensee and the purchaser/pledgee authorizing the Director to conduct an examination of these notes.

b) All pledges, hypothecations, or sales to entities other than those listed in subsection (a) require the prior approval of the Director after submission of documents required in subsection (a).

c) Each instrument hypothecated must bear the following endorsement:

"This instrument is non-negotiable in form but may be pledged as collateral security. If so pledged, any payment made to the payee, either of principal or of interest, upon the debt evidenced by this obligation, shall be considered and construed as a payment on this instrument, the same as though it were still in the possession and under the control of the payee named herein; and the pledgee holding this instrument as collateral security hereby makes said payee its agent to accept and receive payments hereon, either of principal or of interest."

d) The licensee shall keep in the licensed office a record or list of all account records of all loans sold to another affiliated or non-affiliated licensee at the time of the sale. The account shall be maintained in such file until examined and released by the examiner. This record or list shall indicate the date of transaction, account name and number, and the names of the other buyer in the transaction.

(Source: Amended at 47 Ill. Reg. 9271, effective June 20, 2023)