**Section 210.270 Violation of Federal Law – Section 670 of the John Warner National Defense Authorization Act**

Payday Loans to Covered Military Members and Covered Dependents

The following requirements are substantially taken from Section 670 of the Warner Act, with the Warner Act's references to "covered member" substituted with "covered military members" and the Warner Act's references to "dependent" substituted with "covered dependent". The substitutions of the above-referenced terms are meant to more clearly identify the targeted group (military personnel and their dependents) of potential payday loan borrowers to whom the Warner Act provisions apply:

a) Annual Percentage Rate

A lender may not impose an annual percentage rate of interest greater than 36% with respect to any loan extended to a covered military member or a covered dependent of a covered member. (See 10 USC 987(b).)

b) Mandatory Loan Disclosures − Information Required

With respect to any payday loan made to a covered military member or a covered dependent, a lender shall provide to the covered military member or a covered dependent the following information, orally and in writing, before the issuance of the loan:

1) A statement of the annual percentage rate of interest applicable to the loan (see 10 USC 987(c)(1)(A));

2) Any disclosures required under the Truth in Lending Act (15 USC 1601 et seq.) (see 10 USC 987(c)(1)(B));

3) A clear description of the payment obligations of the covered military member or a covered dependent, as applicable (see 10 USC 987(c)(1)(C)).

c) A lender shall not:

1) Roll over, renew, repay, refinance or consolidate any loan made to a covered member or dependent by the same lender with the proceeds of any other loan made to the same covered member or dependent (see 10 USC 987(e)(1));

2) Require the covered member's or dependent to waive the covered member's or dependent's right to legal recourse under any otherwise applicable provision of State or federal law, including any provision of the Servicemembers Civil Relief Act (50 USC App. 501 et seq.) (see 10 USC 987(e)(2));

3) Require the covered member or dependent to submit to arbitration or impose onerous legal notice provisions in the case of a dispute (see 10 USC 987(e)(3));

4) Demand unreasonable notice from a covered member or dependent (see 10 USC 987(e)(4));

5) Use a check or other method of access to a deposit, savings or other financial account maintained by the covered member or dependent or the title of a vehicle as security for the obligation (see 10 USC 987(e)(5));

6) Require as a condition for the loan that the covered member or dependent establish an allotment to repay an obligation (see 10 USC 987(e)(6));

7) Prohibit a covered member or dependent from prepaying the loan or charge a penalty or fee for prepaying all or part of the loan (see 10 USC 987(e)(7)).

d) Forms Provided by Licensee

All loans made pursuant to the Act must include a signed form by the debtor stating that the debtor is either a covered military member or a covered dependent, or that the debtor is not considered a covered military member or covered dependent as defined in Section 210.1. Licensees need not seek form approval from the Department when using language identical to the covered borrower identification statement contained in the Warner Act Regulations (32 CFR 232.5(a)(1) (2012)). Department approval is required if a licensee seeks to use any other form language.

(Source: Added at 37 Ill. Reg. 216, effective February 19, 2013)