



STUDENT  
BORROWER  
PROTECTION  
CENTER



March 22, 2023

Representative Maurice A. West, III  
277-S Stratton Office Building  
Springfield, IL 62706

Dear Representative West:

We applaud your efforts to create more safe and affordable ways for students, especially students of color and lower-income students, to access higher education. Unfortunately, where financial needs exist, there also exist unscrupulous actors seeking to take advantage of those needs. The Income Share Agreement (ISA) industry is no exception:

- [CFPB Takes Action Against Student Lender for Misleading Borrowers about Income Share Agreements](#)
- [As Coronavirus Crisis Rages, ISA Companies Ramp Up to Reap the Reward](#)
- [Will Income Share Agreements Be the Next Payday Loans?](#)

Against this backdrop, any law that seeks to regulate the ISA industry must have strong consumer protections and no loopholes. This is especially important considering that no state has yet adopted a law establishing a regulatory framework for ISAs. Colorado and California have proposed rules placing ISAs under the Consumer Credit Code and the Student Loan Servicing Act respectively.

Thanks to the Illinois Legislative Black Caucus's Economic Equity Pillar, our state gained national recognition: See, e.g., American Banker, [How racial justice push sparked new CRA law in Illinois](#). **However, HB 1519 would draw national attention for codifying some of the industry's worst practices — practices that saddle low-income graduates with a mountain of high-interest debt.**

The leading advocate for this bill is an ISA provider called Better Future Forward (BFF). BFF delivered a presentation to Woodstock illustrating the terms of a BFF ISA. The slide reflecting the terms showed:

- Maximum APR - 6.71% - 6.72%
- Max Payments - 120 months
- Max time - 240 months
- Monthly Payment - 2.7% of income
- Income Triggering Repayment Obligation - \$48,500 per year

To our surprise, these terms do not reflect the terms in the bill (or H.A. #1). The bill shows:

- Maximum APR - 8% up to more than 20% based on a complex formula
- Max Payments - 180 months
- Monthly Payment - 20% of income
- Income Trigger Repayment Obligation - \$29,160 per year for household of 1<sup>1</sup>

This raises a fundamental question: *If BFF's terms are good enough for BFF in practice, why aren't they good enough for purposes of the nation's first-ever ISA law?*

In addition to the terms outlined above, there are other major unresolved issues:

- Is an ISA dischargeable in bankruptcy?
- What are the prepayment penalties, if any?
- What fees are not included in the annual percentage rate?
- Are court-ordered wage garnishments permitted?

Without addressing these questions in a way that puts consumers first, our state risks adopting a first-of-its-kind law that harms students and their families. Because no state has adopted a statutory framework devoted to ISAs, we believe it is especially important that our law be the gold standard of consumer protection. This can only happen if any ISA statute passed by the General Assembly is fully informed by the facts of how ISAs are structured in reality. Other states and Congress will point to Illinois, and we hope that, working together, we can set a good example.

Very truly yours,

WOODSTOCK INSTITUTE

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<sup>1</sup> 200% of the federal poverty guidelines for a single person.