



April 14, 2023

Illinois Senate
State Capitol Building
Springfield, IL 62706

Re: Oppose HB 1519 - Income Share Agreements (ISAs)

Dear Senator:

HB 1519 is a bill backed by the ISA industry that would codify some of the industry's worst practices — practices that saddle students who attend college, vocational schools, or other postsecondary schools with a mountain of high-interest debt. ISAs are a form of private student loan in which funds are provided to the student in exchange for the student's agreement to pay the lender a certain portion of their future income for a certain length of time.

The leading proponent of the bill is Better Future Forward (BFF). In 2021, the federal Consumer Financial Protection Bureau (CFPB) found that BFF engaged in deceptive conduct by telling borrowers that ISAs are not loans and do not create debt. BFF also failed to make required disclosures and imposed illegal prepayment penalties on borrowers.¹ They made loans to students in the Chicago area without obtaining a license.

Against this backdrop, any law that seeks to regulate the ISA industry must have strong consumer protections. This is especially important considering that no state has adopted a law specific to the ISA industry. Colorado and California have proposed rules placing ISAs under the Consumer Credit Code and the Student Loan Servicing Act respectively. Similarly, Illinois could develop rules under the Consumer Installment Loan Act and/or the Student Loan Servicing Rights Act.

Advocates maintain that critical consumer protections must apply to any ISA offered in Illinois, and that existing state and federal laws are sufficient to regulate this market. Still, advocates have prepared and proffered a comprehensive markup of the bill to demonstrate how these protections could be applied. To access the advocates' markup and other ISA materials, visit

¹ Remarkably, HB 1519 would not make BFF or any other ISA provider compliant with federal law. The bill would allow prepayment penalties and fails to include a required disclosure regarding bankruptcy – both of which were components of the CFPB consent order with BFF.

Woodstock’s website at www.woodstockinst.org/income-share-agreements. The following side-by-side details how the markup compares to the current bill:

	HB 1519 ISA terms	Proposed consumer protections
Max. effective APR	18% APR or 17% + high yield of the 10-year United States Constant Maturity Treasury Notes, whichever is greater*	7% APR or 6% + high yield of the 10-year United States Constant Maturity Treasury Notes, whichever is greater*
Max. percentage of income paid to lender	20%	10% of discretionary income
Minimum income to trigger payment obligation	200% Federal Poverty Line after ISA payments (\$29,160/year)	300% Federal Poverty Line after ISA payments (\$43,740/year)
Late fees	\$25 or 5% of the late payment, whichever is <i>greater</i>	\$15 or 5% of the late payment, whichever is <i>less</i>
Prepayment penalties	Allowed	Prohibited
Complies with Federal Law & Federal Consent Order	No	Yes

*Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity in December 2022 = 3.62%
<https://fred.stlouisfed.org/series/GS10>

We’re happy to answer any questions you may have about the need for strong consumer protections, which the current bill fails to reflect, or to discuss this issue further. To connect with the advocates, please contact Brent Adams via email (badams@woodstockinst.org) or by phone (773-844-5544).

With HB 1519 in its current form, 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 the Legislature take the time to review existing law and only enact new legislation to provide additional protections where needed. If we adopt an ISA law, 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

STUDENT BORROWER PROTECTION CENTER

LEGAL ACTION CHICAGO

(cont.)

CITIZEN ACTION/ILLINOIS

FINANCIAL INCLUSION FOR ALL ILLINOIS

HEARTLAND ALLIANCE

JEWISH FREE LOAN CHICAGO

NAACP ILLINOIS STATE CONFERENCE

NATIONAL CONSUMER LAW CENTER

NEW AMERICA CHICAGO

SHRIVER CENTER ON POVERTY LAW

STUDENT DEBT CRISIS CENTER (SDCC)

THE INSTITUTE FOR COLLEGE ACCESS & SUCCESS (TICAS)

UNITED WAY OF ILLINOIS

WOMEN EMPLOYED

WORKING CREDIT NFP