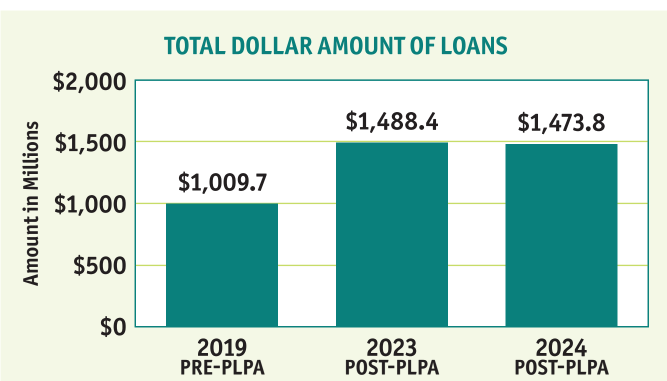
Illinois's Predatory Loan Prevention Act: The Impacts of the State's 36% Rate Cap

The PLPA is *Still* Working

1 Around the time Illinois began to license payday lenders in 2005, the State was estimated to have more payday lenders than McDonald's. In 2011, there were 518 licensed payday loan stores in Illinois. Now there are zero.

2 Contrary to predictions by the predatory lending industry, consumer lending has been robust since the PLPA was enacted. In 2019—the last full year of reporting before the PLPA and before COVID—the total principal amount of all loans reported to the statewide database was a little over $1 billion. In 2023 and 2024, the total principal amount reported to the database was $1.4 billion for each year.



3 Annually, Illinois consumers save an estimated $663.9 million on high-cost loan interest and fees (high-cost means more than 36% APR). Additional research is necessary to determine how consumers are utilizing these savings.

4 Illinois voters, by a margin of 88% to 4%, support an interest rate cap of 36% or lower. The margin of support is even higher among former high-cost loan borrowers.

Payday lenders are not on our side. People find alternatives to payday loans. They do Uber, Doordash, Lyft, Gopuff... There are other ways to make ends meet.

— Courtney Thompson

5 Predatory lenders are evading the PLPA and making loans with triple-digit APRs by colluding with banks based in states with no rate caps. The PLPA was written to stop such "rent-a-bank" evasions. One of the nation's most notorious evaders of state rate caps, Opportunity Financial ("OppFi"), is based in Chicago. There are strong indications that OppFi's lending operation violates the PLPA's "No Evasion" provisions.

Continued ▶

6 Since the PLPA was passed in 2021, the predatory lending industry has successfully lobbied state legislators to file at least seven bills that weaken the PLPA and/or raise the amount of interest and fees allowable under the PLPA. The most recent piece of legislation (SB 1853/HB 3455), which was filed in 2025, would have increased interest and fees by approximately $1 billion for loans originated in 2023 and 2024.

The Truth-In-Lending disclosure box on a November 2023 loan contract from OppFi (highlight added).

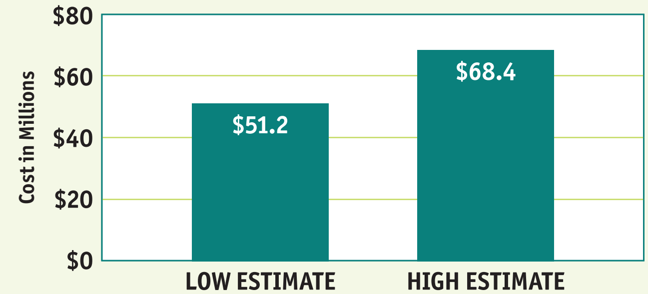
ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate. 159.51%	FINANCE CHARGE The dollar amount the credit will cost you. $1,362.80
AMOUNT FINANCED The amount of credit provided to you or on your behalf. $1,800.00	TOTAL OF PAYMENTS The amount you will have paid after you have made all payments as scheduled. $3,162.80

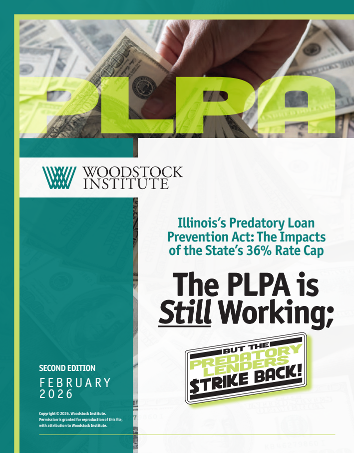
7 Because of arbitration clauses and "choice of law" provisions, Illinois consumers who fall prey to internet loans that charge triple-digit APRs can wind up in arbitration with an arbitrator applying the laws of a state or country with no rate caps and/or weaker consumer protections than Illinois'. The law permits arbitrators to disregard Illinois public policy in favor of the company's intent. This has implications beyond consumer finance with the internet becoming more like the Wild West.

I had to quit working at a payday loan company after one month once I learned what they were doing. They purposely had us call folks on the 1st and the 3rd to try and get people's disability checks. How can you in good conscience sell them something you know they can't afford? — **Susan H.**

8 The "Pawnbroker Carveout," under which pawnbrokers are not required to comply with the PLPA, even though it was written to encompass all forms of high-cost consumer lending, has not caused lenders to migrate to that industry. However, it still allows pawnbrokers to charge as much as 240% APR on most loans, costing Illinois consumers in 2024 between $51 and $68 million more than they would have paid under the PLPA.

ADDED COST OF PAWN LOOPHOLE TO BORROWERS





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