



Interest and Usury

Chapman and Cutler routinely advises clients on interest and usury issues related to commercial and consumer transactions. Included among the issues on which the firm provides advice are federal preemption with respect to virtually every secured and unsecured lending product (mortgages, home equity loans, general and private label credit cards, student loans, retail installment loans, automobile loans and other installment and revolving credit).

The firm helped the Illinois Bankers Association write the Illinois statute deregulating home equity, credit card and other types of revolving lending.

Although many lenders have federal charters permitting the export of home state rates and fees to borrowers in other states, not all lenders are federally chartered. Our continuing involvement in this area allows us to help state-chartered clients (such as finance companies and mortgage lenders) that cannot take advantage of exportation authority.

Representative Transactions

- The firm is defending a class action lawsuit alleging violation of the Illinois Interest Act on federal preemption grounds. We achieved a victory in the trial court and the case is now on appeal to the Illinois Supreme Court. This is perhaps one of the most significant cases affecting consumer mortgage lenders in Illinois.
- We have successfully defended lenders against claims related to yield spread premiums and on the calculation of interest.
- Chapman and Cutler defended a mortgage lender accused of violating the Illinois Interest Act by charging a prepayment penalty. The Seventh Circuit Court of Appeals upheld the firm's victory at the lower court based on federal preemption.

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