United States Bankruptcy Court
Northern District of Illinois
Eastern Division

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Bankruptcy Caption: In re Jennifer Smith

Bankruptcy No. 24 B 07529

Adversary Caption: Jennifer Smith v. S.A.I.L., LLC

Adversary No. 24 A 00243

Date of Issuance: June 26, 2025

Judge: Donald R. Cassling

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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:	)	
	)	Bankruptcy No. 24 B 07529
JENNIFER SMITH,	)	Chapter 13
	)	Honorable Donald R. Cassling
Debtor.	)	
	)	
	)	
JENNIFER SMITH,	)	
	)	
Plaintiff,	)	Adversary No. 24 A 00243
	)	
v.	)	
	)	
S.A.I.L., LLC,	)	
	)	
Defendant.	)	

ORDER DENYING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT AND GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT (DOCKET NOS. 9 & 12)

These matters are before the Court on the cross-motions of plaintiff, Jennifer Smith ("Debtor") and defendant, S.A.I.L., LLC ("SAIL") for summary judgment under Federal Rule of Civil Procedure 56 (made applicable by FED. R. BANKR. P. 7056) on the two-count complaint filed by Debtor which objects to proof of claim number 10 filed by SAIL. Count I of the complaint is brought under the Illinois Predatory Loan Prevention Act and the Illinois Consumer Fraud and Deceptive Business Practices Act. Count II seeks relief under the Illinois Interest Act. Debtor alleges that the loan made to her by SAIL exceeds the 36% maximum interest rate allowed under Illinois law.

At the oral argument on the cross-motions, the Court questioned whether it had jurisdiction to rule on the merits of the complaint. The parties filed supplemental briefs on this issue.[1] The Court will first address its jurisdiction before turning its attention to the merits of the summary judgment motions.

JURISDICTION

Initially, the Court must determine whether it has jurisdiction to rule on Debtor's complaint. "[C]ourts . . . have an independent obligation to determine whether subject-matter jurisdiction exists, even in the absence of a challenge from any party." *Arbaugh v. Y&H Corp.*, 546 U.S. 500, 514 (2006); s*ee Dexia Credit Local v. Rogan*, 602 F.3d 879,

[1] Those briefs were filed at Docket Nos. 34 & 35.

883 (7th Cir. 2010). Under Federal Rule of Civil Procedure 12(h)(3), incorporated by Federal Rule of Bankruptcy Procedure 7012, if a court lacks that jurisdiction, then it must dismiss the complaint.

"'Federal courts are courts of limited jurisdiction.'" *Qin v. Deslongchamps*, 31 F.4th 576, 582 (7th Cir. 2022) (quoting *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994)). The bankruptcy court's jurisdiction arises from 28 U.S.C. § 1334(b). This statute provides that "the district courts shall have original but not exclusive jurisdiction of all civil proceedings arising under title 11, or arising in or related to cases under title 11." The district courts may refer "any or all cases under title 11 and any or all proceedings arising under title 11 or arising in or related to a case under title 11 . . . to the bankruptcy judges for the district." 28 U.S.C. § 157(a). Bankruptcy judges may hear and determine all "core proceedings arising under title 11, or arising in a case under title 11. . . ." 28 U.S.C. § 157(b).[2] The statute lists numerous "core proceedings," including the "allowance or disallowance of claims against the estate" and "counterclaims by the estate against persons filing claims against the estate." 28 U.S.C. § 157(b)(2)(B) & (C).

The Supreme Court, however, distinguished between statutorily core claims and constitutionally core claims. *Stern v. Marshall*, 564 US. 462, 482 (2011). A disputed matter that "stems from the bankruptcy itself or would necessarily be resolved in the claims allowance process" is constitutionally core. *Id.* at 499. The Court agrees with the following analysis of how that determination should be made:

> [C]ourts generally look to see if a "common nucleus of law and fact" exists to inextricably intertwine the claims and counterclaims. Furthermore, for a counterclaim to be necessarily resolved in ruling on the proof of claim, the relationship must be such that resolution of the counterclaim would alter the amount sought by the claimant. Moreover, a counterclaim that seeks to reduce the amount that debtors owe to a claimant should be contrasted with the situation where a bankruptcy estate is seeking affirmative monetary relief from a claimant to augment the bankruptcy estate. In other words, a counterclaim by the estate based in state law must seek to directly reduce or recoup the amount claimed in order to be resolved in ruling on the proof of claim.

Johnson v. S.A.I.L. LLC (In re Johnson), 649 B.R. 735, 748-49 (Bankr. N.D. Ill. 2023) (quoting *TP, Inc. v. Bank of Am., N.A. (In re TP, Inc.)*, 479 B.R. 373, 384-85 (Bankr. E.D.N.C. 2012)).

Count I of the complaint is Debtor's objection to Claim No. 10 filed by SAIL based on a violation of the Illinois Predatory Loan Prevention Act, 815 ILCS 123/15-1 *et seq*. (the "PLPA") and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.* (the "CFDBPA"). In Count II of the complaint, Debtor asserts a counterclaim against SAIL under the Illinois Interest Act, 815 ILCS 205/4 and 205/6.

It is clear that this Court has core jurisdiction over Debtor's objection to SAIL's claim under Section 157(b)(2)(B). *See Johnson*, 649 B.R. at 749 ("An objection to claim

[2] The Supreme Court noted in *Stern v. Marshall* that Section 157 of title 28 reduces the three categories of bankruptcy proceedings in Section 1334 into two: "core" and "non-core." 564 U.S. 462, 476 (2011).

under section 502, which is a dispute that would not exist but for the Bankruptcy Code, is constitutionally core."). Debtor objects to that claim under 11 U.S.C. § 502(b)(1) alleging that SAIL's claim is unenforceable against Debtor and her property under Illinois law—the PLPA and the CFDBPA. In addition to objecting to SAIL's claim, Debtor seeks a refund of all sums paid on the loan, punitive damages, and attorney fees and costs. "This request must be resolved to determine the amount due on SAIL's [c]laim." *Id.* at 752. Therefore, the Court finds that it has core jurisdiction of Count I of Debtor's complaint.

By contrast, the relief sought in Count II of the complaint under the Illinois Interest Act goes beyond allowance or disallowance of SAIL's claim. Under this count, Debtor seeks a finding that SAIL violated the Illinois Interest Act by charging more than 36% interest on the loan made to her. Debtor seeks damages for violation of this Act as well as attorney fees and costs. Indeed, Debtor is seeking affirmative monetary relief from SAIL to augment her estate. Resolution of Count II would not alter the amount sought by SAIL in its proof of claim. Debtor is not seeking a declaration that SAIL's claim is unenforceable under Illinois law. Thus, the Court concludes that Debtor's counterclaim under Count II of the complaint is not constitutionally core because it does not seek to directly reduce or recoup the amount claimed by SAIL. *Id.* at 753.

This conclusion, however, does not end the Court's inquiry. The Court must determine whether Count II arises in title 11 or is related to the bankruptcy case and therefore a non-core proceeding. If Count II meets one of these criteria, then the Court can address the merits, but only by submitting proposed findings of fact and conclusions of law to the district court. *See* 28 U.S.C. § 157(c)(1).

In determining whether Debtor's action under Count II "arises in" the bankruptcy case, the matter must "be exclusive to bankruptcy law and practice." *Bush v. U.S.*, 100 F.4th 807, 811 (7th Cir. 2024). Debtor's requested relief under the Illinois Interest Act is not exclusive to bankruptcy law and practice, and therefore does not arise in the case. That still leaves the question of whether Count II is "related to" the bankruptcy case.

The Seventh Circuit, unlike some other circuits, has adopted a narrow approach to "related to" jurisdiction and has repeatedly stated that bankruptcy courts should interpret their jurisdiction narrowly. *In re Aearo Techs. LLC*, 642 B.R. 891, 909 (Bankr. S.D. Ind. 2022) (citing *Zerand-Bernal Grp., Inc. v. Cox*, 23 F.3d 159, 161 (7th Cir. 1994)). Under this approach, "[a] case is 'related' to a bankruptcy when the dispute 'affects the amount of property for distribution . . . or the allocation of property among creditors.'" *In re Mem'l Estates, Inc.*, 950 F.2d 1364, 1368 (7th Cir. 1991) (quoting *In re Xonics, Inc.*, 813 F.2d 127, 131 (7th Cir. 1987)); *see Bush*, 100 F.4th at 812-14. Just because a dispute may have some type of nexus to a bankruptcy case is not enough to give courts "related to" jurisdiction over that dispute. *Aearo*, 642 B.R. at 909 (citing *Home Ins. Co. v. Cooper & Cooper, Ltd.*, 889 F.2d 746, 749 (7th Cir. 1989)).

The Court finds that the resolution of Count II of the complaint would not affect the amount of property for distribution or the allocation of property among Debtor's creditors. Because the Court does not have "related to" jurisdiction to hear the dispute, Count II of the complaint is dismissed for lack of jurisdiction. The Court now turns to the merits of Count I.

STANDARDS

A. Summary Judgment

Summary judgment is appropriate when there is no genuine issue of material fact and the movant is entitled to judgment as a matter of law. FED. R. CIV. P. 56(a) (made applicable by FED. R. BANKR. P. 7056); *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). On a motion for summary judgment, "the court has one task and one task only: to decide, based on the evidence of record, whether there is any material dispute of fact that requires trial." *Egan v. Freedom Bank*, 659 F.3d 639, 643 (7th Cir. 2011) (quoting *Waldrige v. Am. Hoechst Corp.*, 24 F.3d 918, 920 (7th Cir. 1994)).

The movant bears the initial burden of demonstrating the absence of a genuine issue of material fact. *Celotex*, 477 U.S. at 323. The plaintiff, if it is the movant, can meet this burden by adducing evidence sufficient to make out each element of its claim. *McKinney v. Am. River Transp. Co.*, 954 F. Supp.2d 799, 803 (S.D. Ill. 2013). If the plaintiff accomplishes this then the defendant must adduce evidence to show some genuine issue of fact for trial. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 585-87 (1986).

When faced with cross-motions for summary judgment, the court must view all facts and draw all reasonable inferences in favor of the party against whom the motion under consideration is made. *Schlaf v. Safeguard Prop., LLC*, 899 F.3d 459, 465 (7th Cir. 2018). The court must "look to the burden of proof that each party would bear on an issue of trial; . . . then require that party to go beyond the pleadings and affirmatively to establish a genuine issue of material fact." *Diaz v. Prudential Ins. Co. of Am.*, 499 F.3d 640, 643 (7th Cir. 2007) (internal quotation omitted). Cross-motions for summary judgment do not alter each party's burdens in the analysis; each party must establish a triable issue of fact to defeat the moving party's cross-motion for summary judgment. *McKinney v. Cadleway Props., Inc.*, 548 F.3d 496, 504 n.4 (7th Cir. 2008), *abrogated on other grounds by Henson v. Santander Consumer USA Inc.*, 582 U.S. 79 (2017).

Rule 56 describes not only the standard but the procedures for summary judgment motions. *Sojka v. Bovis Lend Lease, Inc.*, 686 F.3d 394, 397 (7th Cir. 2012). This bankruptcy court's Local Rules also set out summary judgment procedures. Under Local Rule 7056-1, the movant must submit a separate statement of material facts consisting of short, numbered paragraphs with references to evidentiary material supporting each statement. L.R. 7056-1A & C. Both parties have complied with this requirement.

The opposing party must then respond to each of the movant's statement of facts, admitting or denying the statement, and including in the case of any denial, references to evidentiary material. L.R. 7056-2A(2) & C. SAIL complied with this requirement (Dkt. No. 24), but Debtor did not comply. Because Debtor failed to respond to SAIL's statement of facts, those facts are deemed admitted. L.R. 7056-2D. Even so, the parties agree that there are no disputed material facts and that this matter involves a purely legal question.

B. Objecting to a Proof of Claim

A proof of claim filed in accordance with 11 U.S.C. § 501 constitutes prima facie evidence of the claim's validity and amount. FED. R. BANKR. P. 3001(f). The party objecting to a claim carries the burden of rebutting the validity and amount of the proof of

claim. *In re Woodruff*, 600 B.R. 619, 629 (Bankr. N.D. Ill. 2019). "To rebut the presumption of validity of a claim, an objection must be premised on the grounds for disallowance set forth in [11 U.S.C. §] 502(b)." *Ebner v. Kaiser (In re Kaiser)*, 525 B.R. 697, 704 (Bankr. N.D. Ill. 2014). Debtor asserts SAIL's claim should be disallowed because it is unenforceable under Illinois law by violating the PLPA and the CFDBPA. *See* 11 U.S.C. § 502(b)(1).

BACKGROUND

The parties do not dispute the facts in this matter as evidenced by their Local Rule 7056-1 statements. SAIL is a Delaware limited liability company. (SAIL L.R. 7056-1 Stmt. ¶ 1.) SAIL holds a license issued by the Illinois Department of Financial and Professional Regulation under the Illinois Consumer Installment Loan Act, under which it makes loans to consumers. (*Id.*) SAIL was authorized to do business in Illinois on April 18, 2021. (Debtor L.R. 7056-1 Stmt. ¶¶ 2 & 7.)

This matter concerns a particular type of loan known in the industry as a "credit builder" loan. (SAIL L.R. 7056-1 Stmt. ¶ 3.) Credit builder loans provide borrowers, like Debtor, with immediate access to cash proceeds and the ability to build positive credit history as borrowers make monthly payments on the loan. (*Id.* ¶ 4.) In addition, credit builder loans facilitate and encourage the building of cash savings, which is important to consumers with restricted access to credit. (*Id.* ¶ 5.) The federal Consumer Financial Protection Bureau has published studies and reports suggesting that credit builder loans increase the likelihood of a borrower obtaining a credit score, increase a borrower's existing credit score, and increase a borrower's savings balance. (*Id.* ¶ 7.)

SAIL's credit builder loan addresses these goals by distributing the smaller portion of the loan proceeds directly to the borrower in cash (usually between 20% to 35% of the total loan amount). (*Id.* ¶ 8.) These cash proceeds to the borrower are typically referred to as the "spending" portion of the loan. (*Id.*) The larger remaining portion is placed in a segregated omnibus account at an FDIC-insured bank titled as "for the benefit of" SAIL's borrowers. (*Id.*) This segregated portion is referred to as the "savings" portion of the loan or the collateral deposit. (*Id.*) Once the loan is fully repaid, that portion of the collateral deposit attributable to a particular borrower, plus interest, is distributed directly to that borrower. (*Id.*)

SAIL has no ability to use a borrower's collateral deposit except in one instance: Upon the borrower's default, SAIL is contractually entitled to apply funds to the unpaid balance of the loan. (*Id.* ¶ 9.) In the event of an uncured payment default, the collateral deposit is applied to then-existing unpaid principal, interest, and fees, and any remaining amount is returned to the borrower. (*Id.*) The collateral deposit therefore serves a dual role as both a portion of the loan that may eventually be turned over to the borrower and as security for SAIL's loan. (*Id.*)

Debtor is one of SAIL's borrowers. On February 19, 2022, Debtor took out a loan from SAIL. (*Id.* ¶ 10.) That loan was documented by the Consumer Loan Agreement, Security Agreement, and Truth-in-Lending Act Disclosure (the "Loan Agreement"), which was executed by Debtor, as borrower, and SAIL, as lender. (*Id.* ¶ 10.) Debtor also executed a Loan Application and an Optional, Revocable Electronic Fund Transfer Authorization. (*Id.*)

Under the Loan Agreement, Debtor borrowed a total of $3,000 from SAIL. (*Id.* ¶ 11.) Of that amount, $750 was given directly to Debtor and $2,250 was deposited for the benefit of Debtor with SAIL's bank. (*Id.* ¶¶ 11 & 12.) The Loan Agreement discloses both the spending and collateral deposit/savings portions on the first page of that document. (*Id.* ¶ 12.) The Loan Agreement explains how the loan proceeds will be delivered to Debtor and how the collateral deposit will be set aside for her benefit in an omnibus account. Specifically, the Loan Agreement states that:

> **Delivery of Loans Proceeds:** After funding the required Collateral Deposit amount … with all or a portion of the loan proceeds into an omnibus deposit account at [SAIL]'s bank . . . held by [SAIL] for the benefit of you and other borrowers, and making any payments to others as directed by you on your behalf, we will deliver the remaining proceeds of this loan, if any, directly to you. . . .

(*Id.* ¶ 13.)

The Loan Agreement also discloses the annual percentage rate ("APR"), the finance charge, the amount financed, the total payments, and the number of payments. (*Id.* ¶ 14.) Significantly, the APR is calculated with reference to the entire loan amount ($3,000 in this case), not just the smaller portion initially given to the borrower ($750 in this case). The interest rate charged on that $3,000 is set just under the 36% interest rate permitted under the Illinois Predatory Loan Prevention Act: "[Y]our loan will accrue interest at a rate of 35.7000% per annum on the actual unpaid principal balance … with interest computed based upon a 365 day year. . . ." (*Id.* ¶ 15.)

The Loan Agreement also describes how the collateral deposit can be used as SAIL's security in the event of a default or, if no default arises, how it will be released to Debtor.

> **Security Agreement and Collateral Deposit.** When you apply for and receive this loan, you agree that $2,250.00 of the loan proceeds ("Collateral Deposit") will be retained by us to secure all of your present and future obligations to us that you incur in connection with this loan. . . . Your Collateral Deposit along with all other SAIL's customers' collateral deposits will be held in an omnibus, custodial deposit account maintained by us with our Bank for the benefit of our customers.… When your last scheduled payment date is approaching, we will provide instructions through your customer portal regarding the process for release of your remaining Collateral, if any, to You.
>
> …
>
> If (1) you are in default of any Obligation under this Agreement; or (2) your loan is closed for any reason, we shall have the right (and you irrevocably authorize us) to withdraw all or any part of the Collateral from the Collateral Account and apply such amounts to the Obligations without sending you notice or demand for payment.

(*Id.* ¶ 16.)

The collateral deposit is held for the benefit of Debtor at SAIL's bank, and that collateral deposit amount incurs interest, not at the 35.7000% rate charged by SAIL, but at the considerably smaller interest rate applicable to savings accounts at SAIL's bank. ("Any interest paid on your Collateral Deposit will be deposited to the Collateral Account as proceeds of your Collateral Deposit, and added to your Collateral Deposit."). (*Id.* ¶ 17.)

On May 21, 2024, Debtor filed a Chapter 13 bankruptcy petition. (*Id.* ¶ 18.) A bankruptcy filing is an event of default under the Loan Agreement, which results in automatic acceleration of the loan. (*Id.* ¶ 19.) On July 28, 2024, SAIL filed proof of claim number 10 in the amount of $1,142.77. (*Id.* ¶ 20.) This amount comprises the $1,038.32 unpaid principal balance of the loan, interest of $29.45, and fees and expenses of $75.00.

On August 16, 2024, Debtor filed this adversary proceeding objecting to SAIL's proof of claim on the grounds that the loan violates: (1) the PLPA; (2) the CFDBPA; and (3) the Illinois Interest Act. (*Id.* ¶ 21.) SAIL filed its answer to the complaint on September 16, 2024. (*Id.* ¶ 22.) The parties then filed cross-motions for summary judgment.

ANALYSIS

Effective March 23, 2021, Illinois enacted the Predatory Loan Prevention Act (the "PLPA"). The purpose of the PLPA *"is to protect consumers from predatory loans consistent with federal law* and the Military Lending Act which protects active duty members of the military. This Act shall be construed as a consumer protection law for all purposes. This Act shall be liberally construed to effectuate its purpose." 815 ILCS 123/15-1-5 (emphasis added).

The PLPA limits the annual percentage rate on loans to 36%. 815 ILCS 123/15-5-5. It also prevents any person or entity from "engag[ing] in any device, subterfuge, or pretense to evade the requirements of this Act. . . ." 815 ILCS 123/15-5-15. Any loan made in violation of the PLPA is null and void. 815 ILCS 123/15-5-10. Finally, the PLPA provides that this 36% rate cap imposed by the PLPA applies to "the unpaid balance of the *amount financed* for a loan." 815 ILCS 123/15-5-5 (emphasis added).

Untangling the legal dispute between the parties in this case requires figuring out what the PLPA means when it refers to the "amount financed." Why is this term critically important? Because if the "amount financed" is only $750, then the interest rate being charged to Debtor far exceeds 36%. Conversely, if the "amount financed" is $3,000, then the interest rate falls within the 36% permitted by the PLPA. Unfortunately, the PLPA does not define the term "amount financed."

Debtor argues in Count I of her complaint that interest under the SAIL loan should have been assessed only against the $750 that was actually given to her, not to the $2,250 that was withheld from her. She maintains that, by assessing interest against the entire $3,000 face amount of the loan, SAIL has used a "device, subterfuge, or pretense to evade the requirements of [the PLPA]. . . ." 815 ILCS 123/15-5-15.

In response, SAIL argues that the term "amount financed" *is* defined in the federal Truth in Lending Act ("TILA," 15 U.S.C. § 1601 *et seq.*), the PLPA incorporates TILA's definition of that term, and, in any event, TILA preempts the PLPA to the extent of any inconsistency between the two acts.

Debtor does not dispute that SAIL has complied with the disclosure requirements of TILA. It is also undisputed that the Loan Agreement discloses and calculates the "amount financed" in accordance with TILA, its implementing Regulation Z, and the Official Commentary.

Regulation Z[3] implements TILA's requirement that the "amount financed" be disclosed as follows:

> For each transaction other than a mortgage transaction subject to § 1026.19(e) and (f), the creditor shall disclose the following information as applicable:
> (a) Creditor. The identity of the creditor making the disclosures.
> (b) Amount financed. The amount financed, using that term, and a brief description such as the amount of credit provided to you or on your behalf. The amount financed is calculated by:
>
> > (1) Determining the principal loan amount or the cash price (subtracting any downpayment);
> > (2) Adding any other amounts that are financed by the creditor and are not part of the finance charge; and
> > (3) Subtracting any prepaid finance charge.

12 C.F.R. § 1026.18(b).

Significantly, the Official Commentary to this section of Regulation Z states:

> 1. Amounts paid to consumer. This encompasses funds given to the consumer in the form of cash or a check, including joint proceeds checks, *as well as funds placed in an asset account. It may include money in an interest-bearing account even if that amount is considered a required deposit under § 1026.18(r). For example, in a transaction with total loan proceeds of $500, the consumer receives a check for $300 and $200 is required by the creditor to be put into an interest-bearing account. Whether or not the $200 is a required deposit, it is part of the amount financed.* At the creditor's option, it may be broken out and labeled in the itemization of the amount financed.

FRB Official Staff Commentary, Consumer Cred. Guide 230657, ¶ 18(c)(1)(i) (emphasis added).

Accordingly, it cannot be disputed that TILA considers funds placed in an interest-bearing account as a required deposit included in the "amount financed." 12 C.F.R. § 1026.18(c)(1)(i) ("Amounts paid to consumer. This encompasses . . . funds placed in an asset account . . . includ[ing] money in an interest-bearing account even if that amount is considered a required deposit.")

Does this provision of TILA also apply in the PLPA? The Illinois legislature appears to think so, since it clearly stated that the PLPA should be interpreted in harmony

[3] Regulation Z is a set of rules created to implement TILA. It helps consumers understand the true cost of borrowing money and offers protection from misleading or harmful lending practices.

with federal law. 815 ILCS 123/15-1-5 ("The purpose of this Act is to protect consumers from predatory loans consistent with federal law. . . ."). In light of the Illinois legislature's express statement of the PLPA's purpose, the Court rejects Debtor's argument that a loan that complies with TILA nonetheless violates the PLPA, since that argument would defeat the express purpose of the PLPA. Consequently, the Court will read the PLPA's use of the term "amount financed" in harmony with TILA's use of that term.

Therefore, by interpreting the PLPA's use of the term "amount financed" in harmony with TILA's interpretation of that term, the Court finds that SAIL's loan complies with the PLPA's requirement that the interest rate not exceed 36%.

But Debtor argues that the Court should not rely on Regulation Z and the Official Commentary to help define the term "amount financed" in the PLPA, because that reliance would violate the mandate set forth by the Supreme Court in *Loper Bright Enters. v. Raimondo*, 603 U.S. 369 (2024). The *Loper Bright* case overruled the longstanding doctrine known as "Chevron deference"[4] and expanded the power of courts to review and reject interpretations of statutes adopted by federal administrative agencies. But the Supreme Court did not hold in *Loper Bright* that courts must reject all agency statutory interpretations. If the Court concludes that the agency's statutory interpretation is within reasonable bounds and is in fact the best reading of statutory language, the Court is free to adopt the agency's interpretation. *Id.* at 394-95. In fact, courts are expressly directed to afford "due respect" to the interpretation executive branch agencies have given to a statute, especially when that interpretation is reasonable and consistent with statutory language. *Id.* at 403.

The Court rejects Debtor's argument that SAIL's reliance on Regulation Z and the Official Commentary violates *Loper Bright*. The Court affords due respect to the definition given to the term "amount financed" by Regulation Z and the Official Commentary. In exercising its independent judgment, the Court finds that interpretation consistent with what a reasonable person would understand the words to mean. Accordingly, the Court will apply the definition of "amount financed," as set forth by TILA, to that same term used in the PLPA.

Even if the Court was inclined to read the term "amount financed" used in the PLPA differently from TILA's interpretation of that term, TILA preempts state law with respect to these matters. Specifically, Section 1026.28 states:

> State law requirements that are inconsistent with the requirements contained in chapter 1 (General Provisions), chapter 2 (Credit Transactions), or chapter 3 (Credit Advertising) of the Act and the implementing provisions of this part are preempted to the extent of the inconsistency. A State law is inconsistent if it requires a creditor to make disclosures or take actions that contradict the requirements of the Federal law. *A State law is contradictory if it requires the use of the same term to represent a different amount or a*

[4] Under *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984), the Supreme Court instructed reviewing courts to defer to "permissible" agency interpretations of statutes those agencies administer, even when a court reads the statute differently. *Id.* at 843.

> *different meaning than the Federal law*, or if it requires the use of a term different from that required in the Federal law to describe the same item….

12 C.F.R. § 1026.28 (emphasis added).

Based on this clear and unambiguous language, the Court finds that TILA preempts any state law that would require a different interpretation of the meaning of the phrase "amount financed." In short, the Court holds that the PLPA's definition of "amount financed" is the same as that term is defined in TILA.[5]

Having determined that SAIL's loan to Debtor does not exceed the statutory interest rate cap, the Court must then decide whether this credit builder loan is nonetheless a "device, subterfuge, or pretense" to evade the requirements of the PLPA. Based on a review of the document executed by SAIL and Debtor—the Loan Agreement, Security Agreement, and Truth-in-Lending Act Disclosure—the Court finds that SAIL's loan is not a device, subterfuge, or pretense to evade the requirements of the PLPA. This document fully discloses the terms and conditions of the loan, including the APR, the finance charge amount, the amount financed, the total number of payments, and the amount of those payments. In addition, this document explains the collateral deposit and how SAIL may access that deposit only in the event of a default. Thus, because the terms and conditions of the loan are fully disclosed, SAIL's loan to Debtor does not constitute a device, subterfuge, or pretense to evade the requirements of the PLPA.[6]

CONCLUSION

For the reasons previously articulated, the Court finds that it has jurisdiction to determine Debtor's objection to SAIL's claim under Count I of the complaint. The Court grants summary judgment in favor of SAIL under Count I and overrules Debtor's objection to Claim No. 10 filed by SAIL. The Court denies Debtor's motion for summary judgment.

The Court does not have jurisdiction of Count II of the complaint. Thus, Count II is dismissed.

ENTERED:

DATE: June 26, 2025

Donald R. Cassling

Donald R. Cassling
United States Bankruptcy Judge

[5] Because the Court has ruled that SAIL's loan does not violate the PLPA on other grounds, the Court need not address SAIL's argument that its compliance with the Illinois Consumer Installment Loan Act establishes compliance with the PLPA.

[6] Because the Court has ruled that SAIL has not violated the PLPA, it need not address Debtor's argument that SAIL violated the CFDBPA, since that argument is dependent upon a finding that a PLPA violation has occurred. Accordingly, Debtor's claim under the CFDBPA fails as a matter of law.