
CITY OF CHICAGO

RULES



LICENSE BROKER RULES

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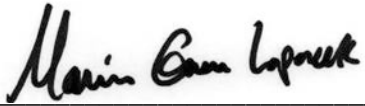


Mayor Rahm Emanuel

Commissioner Maria Guerra Lapacek

BY AUTHORITY VESTED IN THE COMMISSIONER OF THE DEPARTMENT OF BUSINESS AFFAIRS AND CONSUMER PROTECTION PURSUANT TO **CHAPTERS 2-25 AND 9-112**, THE FOLLOWING RULES REGARDING **LICENSE BROKERS** ARE ADOPTED HEREIN.

By Order of the Commissioner:

Signed: 
Commissioner Maria Guerra Lapacek

Date: July 28, 2015

Published: **May 1, 2001**

Effective: **May 1, 2001**

Rule 1 License broker license required

No person shall, for another and whether or not acting for a fee, commission or other valuable consideration, act as an agent or intermediary in negotiating the transfer of a public passenger vehicle license, and/or negotiating a loan secured or to be secured by an encumbrance upon or transfer of a public passenger vehicle license, without first having been licensed as a license broker with the Department of Consumer Services.

Rule 2 Application for license—license fee

All applicants for a license broker license must fully complete an application for license provided by the Department of Consumer Services, and supply additional documentation as required. Applicants must provide proof that the license broker has its principal place of business in Chicago. Applicants must also provide information regarding whether the applicant, or any officer, director, or other person owning 25% or more of the stock or other interest in the applicant, has any financial interest in any lender, insurance brokerage firm, or automobile dealership. An applicant may be any natural individual, firm, trust, partnership, association, joint venture, corporation or other legal entity. The annual fee for each license broker license is \$300.

Rule 3 Bond

All applicants must deposit with the Commissioner a bond, in the penal sum of one hundred thousand dollars (\$100,000). Such bond shall be payable to the city of Chicago and shall be conditioned that the license broker shall comply with the provisions of the Municipal Code of Chicago and the rules and regulations promulgated thereunder, and shall pay all fines, orders of restitution, or judgments for damages ordered by the Department of Administrative Hearings, or a court of competent jurisdiction, based on a violation of the Municipal Code of Chicago and the rules and regulations promulgated thereunder, committed by the registered license broker, or his agents or employees, while acting within the scope of their employment. The license broker is immediately liable for satisfaction upon determination of the fine or award judgment, or, if timely appeal is taken, upon final determination of the appeal. No bond shall be subject to cancellation except on thirty days' previous notice to the Commissioner. All bonds shall be subject to review and approval by the City of Chicago Law Department and the Comptroller's Office.

Rule 4 Renewal of license broker license

All license broker licenses shall expire on October 31. Renewal of license broker licenses must be made during the month preceding expiration of the license.

Rule 5 Display of license

- a. A license broker shall conspicuously display a license or copy thereof at all times in every place of business maintained by such broker.
- b. Any flyer, informational sheet, or other advertisement disseminated by or on behalf of a license broker in conjunction with the solicitation of business or the offering for sale of any medallion shall identify the name of the license broker, and his city of Chicago license broker number.
- c. Any contract or document prepared by or negotiated on behalf of any party by a license broker shall be also be signed by the broker and indicate his broker license number.
- d. No license broker shall display any license broker license which is expired, suspended, revoked, or altered in any way. No license broker shall include in any flyer, informational sheet, or other advertisement disseminated by or on behalf of said broker any indication that he has a license broker license unless such license has been issued and is in good standing.
- e. In the event that a license broker license expires or is suspended or revoked, the licensee shall surrender their license to the Commissioner immediately.

Rule 6 Relationship to license manager registration

A license broker shall not undertake any activities for which a license manager registration is required unless the license broker is also registered as a license manager.

Rule 7 Sale of license–listing agreements

- a. No license broker shall advertise or offer for sale a public passenger vehicle license without having a current listing agreement, in a form approved by the Commissioner, from the owner of such a license authorizing the broker to act on his behalf in the sale of such license.
- b. No exclusive listing agreement relating to the sale of a public passenger vehicle license shall be for a term of more than thirty days’ duration. While an exclusive listing agreement may be renewed by the parties, such renewal may only be upon the execution by the parties of a new agreement after the expiration of the previous agreement. No exclusive listing agreement may provide for the automatic renewal of said agreement.

- c. No listing agreement shall provide compensation to the license broker until the sale of the license is final and the license is issued to the purchaser by the Department of Consumer Services.
- d. The license broker shall furnish a copy of the listing agreement to the public passenger vehicle license holder at the time of signing.
- e. If the negotiations for the entry of a listing agreement are conducted in a language other than English, the license broker shall provide a copy of the listing agreement in the language in which the negotiations were conducted at least 24 hours prior to the signing of the listing agreement.
- f. If, prior to the signing of a listing agreement, the license broker has an agreement with another party whereby the license broker has been authorized to act on behalf of said party to arrange for the purchase of a public passenger vehicle license(s) and will receive compensation from such prospective purchaser upon the sale, the license broker must disclose the existence of such agreement prior to the signing of the listing agreement. Such disclosure shall include the fact that an agreement exists, and the general terms of such agreement, including the compensation to be paid the broker by the prospective purchaser in conjunction with the purchase of the license. The license broker is not required, however, to provide information regarding the identity of the prospective purchaser.

Rule 8 Maximum commission for sale of public passenger vehicle license

- a. The total commission and other compensation shall include payment for the preparation of all documents relating to the transfer of the license prepared by the broker. In the event that the broker is a licensed attorney, or if either party decides to use an attorney, attorney fees charged for work other than the initial preparation of the transfer documents shall be in addition to the commission paid to the broker(s).
- b. In the event that a broker to the sale also acts as a broker in conjunction with the negotiation of a loan secured by an encumbrance on the license, the broker may charge an additional amount, provided such activities and charges are also in accordance with these rules and regulations.

Rule 9 Mandatory disclosures by a license broker

- a. Every license broker, prior to entering into any agreement with any client or potential client, shall disclose in writing the following information:
 1. If the broker has any ownership interest, either directly or indirectly, in an entity which has made loans secured by an encumbrance of a public passenger vehicle license, the broker shall disclose the extent of said ownership interest;
 2. If the broker has any ownership interest, either directly or indirectly, in an insurance brokerage which has been involved in securing insurance coverage for a public passenger vehicle license, the broker shall disclose the extent of said ownership interest;
 3. If the broker has any ownership interest, either directly or indirectly, in an automobile dealership which has purchased or sold a vehicle which was, immediately previous to or subsequent to such sale, licensed as a public passenger vehicle in the city of Chicago, the broker shall disclose the extent of said ownership interest;
 4. If the broker has any ownership interest, either directly or indirectly, in any public passenger vehicle license, affiliation license, radio dispatch system license, or registered license manager, the broker shall disclose the extent of said ownership interest;
 5. If the broker has or has had, within the past twenty-four months, a written or oral agreement with any lender who has encumbered a public passenger vehicle license as security for a loan, or with any insurance broker who has secured insurance coverage for a public passenger vehicle license, or with any automobile dealer who has purchased or sold a vehicle used as a public passenger vehicle in the city of Chicago, to provide service or business to such entities and has received money or other compensation from any such entity, the broker shall disclose the existence and terms of such agreements.
- b. Prior to the entry of an agreement by which a broker will represent a client in the sale of a public passenger vehicle license, the broker shall disclose in writing the following information:
 1. The existence and number of any other listing agreements for the sale of a license entered into by the broker which are currently in effect. The broker need not disclose the identity of the other client nor any

minimum selling price indicated in the listing agreements.

2. The existence and number of any agreements, currently in effect, by which the broker has undertaken efforts to act as an intermediary or agent in the sale or purchase of a public passenger vehicle license. The broker need not disclose the identity of the other client or the price which the client is willing to pay for the license.

Rule 10 Resolution of potential conflicts in the sale of public passenger vehicle licenses

Brokers have a fiduciary duty to their clients. Brokers must represent all similarly situated clients as equally as possible. Brokers should avoid, whenever possible, representing one client to the detriment of another client.

Rule 11 Procedures for transferring public passenger vehicle licenses

- a. All contracts for the transfer of public passenger vehicle licenses shall be memorialized in writing on a Purchase and Sale Agreement form subject to review and approval by the Department of Consumer Services.
- b. No transfer shall be approved by the Department of Consumer Services unless the purchaser meets the licensing requirements for the public passenger vehicle license, completes an application for such license, submits all required documentation in support of said license application, and pays all required fees to the Department.
- c. No right or responsibility to operate the public passenger vehicle license may be transferred to a prospective purchaser until such time as the transfer is approved by the Department of Consumer Services.
- d. Any monies paid in connection with the transfer of a license, including any security deposit paid at the time of the signing of a purchase and sale agreement, must be held in a separate interest-bearing escrow account until such time as the transfer of the license is approved by the department, the agreement is canceled by mutual agreement of the parties, or the agreement is invalidated by a court of competent jurisdiction.
- e. The parties to the transfer shall appear in person and shall provide a signed and notarized settlement agreement, on a form subject to review and approval by the Department of Consumer Services, at the time of the approval and transfer of the license. Such settlement agreement shall include, but is not limited to,

evidence of all money paid in connection with the transfer of the license, specifying each individual item of expense, how each such item was paid and to whom, and the amount and location of any escrow account created to insure payment of all outstanding financial obligations owing but not yet paid. A fully funded escrow must be created for the payment of all outstanding financial obligations owing but not yet paid, including, but not limited to, financial obligations due to the city of Chicago such as unpaid taxes, fines and licensing fees. Any escrow account shall be on a form subject to review and approval by the Department of Consumer Services that delineates the term and length of the escrow, the obligations of the escrowee, and provisions for withdrawal of funds from the escrow. Any unpaid obligation to the city of Chicago shall become the obligation of the escrowee and purchaser of the medallion and shall become a priority lien on the medallion which supercedes the lien of any lender to a party to the transaction.

Rule 12 Disclosures of loan terms

No broker, acting as an agent or intermediary in negotiating a loan secured or to be secured by an encumbrance upon or transfer of a public passenger vehicle license, shall receive or accept from any person a fee, commission or other valuable consideration for his services to any party in connection with the negotiating of such loan unless seventy-two hours prior to the signing of any loan documents or disbursement of any moneys, the broker provides, or arranges the provision of, in writing to the borrower:

- a. The amounts of all compensation paid or to be paid the broker for his services relating to the loan, and the identity of the party making the payment;
- b. Disclosure of the terms of the loan, in a form as required for closed-end credit transactions by Regulation Z (12 C.F.R. § 226.18) promulgated pursuant to the Truth In Lending Act (15 U.S.C. § 1601 et seq.), including, but not limited to:
 1. The amount financed which is the principal loan amount plus any other amounts that are to be financed by the creditor and are not part of the finance charge minus any prepaid finance charge;
 2. The finance charge, indicating the cost of obtaining the loan apart from any costs in the repayment of the principal loan amount and the interest;
 3. The annual percentage rate to be charged for the loan;
 4. The number, amounts, and timing of payments scheduled to repay the

loan;

5. The total cost of the loan indicating the full amount of money the creditor will have paid when he has made all scheduled payments.

Rule 13 Contracts negotiated in a language other than English

In the event that a broker negotiates, in a language other than English, either a sale of a public passenger vehicle license or a loan secured by an encumbrance of a public passenger vehicle license, the broker shall have the affirmative duty to provide to his client copies of all contracts, statements, disclosures, and other papers in conjunction with such transactions, translated into such language.

Rule 14 Powers of attorney

No broker may request or permit a party to sign a power of attorney or any other instrument in blank or accept any such instrument signed in blank.

Rule 15 Copies of documents

- a. A broker who requests any instrument or document to be signed by any interested party and returned to said broker, shall provide said interested party with a duplicate copy of the instrument for the party's own records.
- b. Upon completion of a closing or other transaction, a broker shall, within ten business days of such completion, deliver to the interested party copies of all documents prepared by the broker or under the broker's supervision on behalf of such party.
- c. A broker may request any party receiving any papers in accordance with this rule to acknowledge, in writing, receipt of same.

Rule 16 Maintenance of records—submission to the department

A license broker shall keep and maintain for a period of three years all records involving the sale or encumbrance of a license and shall furnish to the Commissioner copies of any said documents within three business days of such request.

Rule 17 Unauthorized practice of law prohibited

In performing the functions of a license broker, no license broker may directly or indirectly

accept any fee for services performed that would constitute the practice of law, nor may any license broker engage in the unauthorized practice of law, including but not limited to drafting contracts or forming corporations, consistent with the law of Illinois.

Rule 18 Penalties

- a. License brokers, following notice and hearing before the Department of Administrative Hearings, found to have violated any of these rules and regulations, shall be subject to:
 - 1. A minimum fine of \$250 and a maximum fine of \$750 and a suspension of up to one week for the first violation of these rules committed within a two-year period;
 - 2. A minimum fine of \$500 and a maximum fine of \$750 and a suspension of up to thirty days for each subsequent violation of these rules committed within a two-year period;
- b. In addition to any fines or suspensions imposed by the Department of Administrative Hearings, the Department of Consumer Services may seek revocation of a license broker license.
- c. Each day that a violation of these rules exists shall constitute a separate offense.

**City of Chicago
Department of Consumer Services
Public Vehicle Operations Division**

**RULES AND REGULATIONS
FOR
LICENSE MANAGERS**

effective 1 May 2001

**City of Chicago
Richard M. Daley
Mayor**

**Norma I. Reyes
Commissioner**

**RULES AND REGULATIONS
FOR
LICENSE MANAGERS**

effective 1 May 2001

**Caroline O. Shoenberger
Commissioner**

**As promulgated by the Commissioner of Consumer Services
pursuant to the provisions of Chapter
2-24 of the Municipal Code of Chicago**

Authority and Usages

These rules and regulations are promulgated by the Commissioner of Consumer Services under the authority granted in Chapter 2-24, Section 2-24-040 of the Municipal Code of Chicago (hereinafter MCC).

been revoked or was an officer, director or person having 25% or more of the stock or other interest of any entity which held a public passenger vehicle license, an affiliation license, a radio dispatch license, or a license broker license which has been revoked by the city of Chicago.

- c. No corporate registrant will be approved if any officer, director, or person having 25% or more of the stock or other interest in the corporation has within the five years immediately preceding the date of the registration been either convicted, in custody, under parole or under any other noncustodial supervision resulting from a conviction in a court of any jurisdiction for the commission of any felony as defined by Article 2 of the Illinois Criminal Code, as amended.

Rule 4

Grounds for disqualification of registration–partnership applicants

- a. With respect to any partnership registrant as a license manager, each partner shall meet the qualifications as if he were an individual applicant, and the partnership shall maintain its principal place of business in the city of Chicago.
- b. No partnership registrant will be approved if any partner having 25% or more interest in the partnership has within the five years immediately preceding the date of the registration held a public chauffeur license or a public passenger vehicle license which has been revoked or was an officer, director, or person having 25% or more of the stock or other interest of any entity which held a public passenger vehicle license, an affiliation license, a radio dispatch license, or a license broker license which has been revoked by the city of Chicago.
- c. No partnership registrant will be approved if any partner having 25% or more interest in the partnership has within the five years immediately preceding the date of the registration been either convicted, in custody, under parole or under any other noncustodial supervision resulting from a conviction in a court of any jurisdiction for the commission of any felony as defined by Article 2 of the Illinois Criminal Code, as amended.

Rule 5

Grounds for disqualification of registration–individual applicants

- a. With respect to any individual registrant as a license manager, the individual shall be a citizen or legal resident of the United States residing and domiciled in the city of Chicago.
- b. No individual registrant will be approved if the registrant has within the five

license holders as provided in Section 9-112-030(b)(6) of the Municipal Code of Chicago.

Rule 8 Bond

All registrants must deposit with the Commissioner a bond, in the penal sum of one hundred thousand dollars (\$100,000). Such bond shall be payable to the city of Chicago and shall be conditioned that the registered license manager shall comply with the provisions of the Municipal Code of Chicago and the rules and regulations promulgated thereunder, and shall pay all fines, orders of restitution, or judgments for damages ordered by the Department of Administrative Hearings, or a court of competent jurisdiction, based on a violation of the Municipal Code of Chicago and the rules and regulations promulgated thereunder, committed by the registered license manager, his agents or employees, while acting within the scope of their employment. The registered license manager is immediately liable for satisfaction upon determination of the fine or award judgment, or, if timely appeal is taken, upon final determination of the appeal. No bond shall be subject to cancellation except on thirty days' previous notice to the Commissioner. All bonds shall be subject to review and approval by the City of Chicago Law Department and the Comptroller's Office.

Rule 9 Amendments to registration

In the event that there is a change to any information filed by the license manager in conjunction with the application for registration, the license manager shall file amendments to their registration with the Department of Consumer Services within one business day of such change taking effect.

Rule 10 Relationship to license broker license

A license manager shall not undertake any activities for which a license broker license is required unless the license manager is also licensed as a license broker.

Rule 11 Compliance with rules and regulations for public passenger vehicle license holders

All license managers are required to conduct their activities in compliance with the provisions of the Municipal Code, particularly Chapters 9-104 and 9-112, and the rules and regulations promulgated thereunder. In the event that there is a violation of the Municipal Code or the rules and regulations promulgated thereunder in conjunction with the operation of a public passenger vehicle managed by a license manager, the license holder and the license manager shall be jointly and severally liable for any penalties assessed for such violations.

Rule 12 Penalties

- a. License managers, following notice and hearing before the Department of Administrative Hearings, found to have violated any of these rules and regulations shall be subject to:
 - 1. A minimum fine of \$200 and a maximum fine of \$750 and a suspension of up to one week for the first offense of these rules committed within a twelve-month period;
 - 2. A minimum fine of \$350 and a maximum fine of \$750 and a suspension of up to two weeks for the second offense of these rules committed within a twelve-month period;
 - 3. A minimum fine of \$500 and a maximum fine of \$750 and a suspension of up to thirty days for the third offense of these rules committed within a twelve-month period.
- b. In addition to any fines or suspensions imposed by the Department of Administrative Hearings, the Commissioner of Consumer Services may cancel a license manager's registration in the event that the license manager has been found to have violated these rules and regulations five times within a twelve-month period.
- c. Each day that a violation of these rules exists shall constitute a separate offense.