CLIENT ALERTS & INSIGHTS

The Illinois Receivership Act of 2026 Brings New Powers to Illinois Receivers

SEPTEMBER 18, 2025

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Key Takeaways:

- The Illinois Receivership Act, effective January 1, 2026, creates a comprehensive legal framework for appointing and empowering receivers in Illinois, expanding their authority and clarifying both receiver and property owner obligations.
- This new law significantly broadens when and how receivers can be appointed and gives receivers more autonomy and tools to manage distressed assets. Businesses, lenders, and property owners must be aware of new compliance requirements and the potential for expedited asset control and disposition.
- Stakeholders should review their current practices and documentation related to Illinois assets, update internal protocols to ensure compliance with the Act's new owner duties (such as timely information disclosure), and prepare for more proactive and flexible receivership proceedings.

On August 1, 2025, Governor J.B. Pritzker signed Illinois Bill HB 0028 (the "Illinois Receivership Act") into law. The Illinois Receivership Act, which becomes effective January 1, 2026, establishes an expansive, clear, and comprehensive statutory scheme for the appointment of a receiver under Illinois law. The Illinois Receivership Act builds from the foundations of the Uniform Commercial Real Estate Receivership Act (the "Uniform Receivership Act"), with meaningful modifications to the Uniform Receivership Act that not only expands the powers that receivers possess, but also provide clarity of those powers, ultimately allowing courts and receivers to achieve a more fulsome and efficient resolution of receiverships.

Existing Statutory Framework with Respect to Receivership in Illinois

Before the enactment of the Illinois Receivership Act, the law in Illinois with respect to receiverships was a limited patchwork of statutory provisions. Presently, 735 ILCS 5/2-415 provides limited guidance on the "Appointment of an action against receivers," generally providing for when a bond is required in appointing a receiver, when a party can take possession of subject assets in lieu of a receiver being appointed, and where a receiver can be sued for their actions concerning the receivership assets. Surrounding that limited existing statute are Illinois statutes that speak to, but do not primarily concern, a receiver's rights and responsibilities.

One such statute is the Illinois Mortgage Foreclosure Act, which provides the circumstances when appointment of a receiver is appropriate in a mortgage foreclosure action (735 ILCS 5/15-1702), along with the rights and obligations that receivers are subject to under the Illinois Mortgage Foreclosure Act (735 ILCS 5/15-1704). Specifically, Section 15-1702 mandates that a court is obligated to appoint a receiver "whenever a mortgagee entitled to possession [of the property] so requests," and delegates to the mortgagee the obligation to identify the receiver that the court appoints. Accordingly, when a mortgagee shows the court that it has satisfied the preconditions to appoint a receiver, that mortgagee is generally entitled to designate a receiver of their choosing.

Section 5/15-1704 of the Illinois Mortgage Foreclosure Act provides that "upon request of any party and a showing of good cause, the court shall appoint a receiver for the mortgaged real estate." 735 ILCS 5/15-1704(a). Section 5/15-1704 then goes on to identify the receiver's powers, which are to: "(1) secure tenants and execute leases for the real estate . . . (2) collect the rents, issues and profits from the mortgaged real estate; (3) insure the mortgaged real estate against loss by fire or other casualty; (4) employ counsel, custodians, janitors and other help; and (5) pay taxes which may have been or may be levied against the mortgaged real estate." 735 ILCS 5/15-1704(b). Section 5/15-1704 also identifies a receiver's duties, which include maintaining insurance, maintaining the condition of the property, paying certain association fees, and undertaking repairs and other actions "as may be reasonably necessary to conserve the mortgaged real estate." 735 ILCS 5/15-1704(c). At bottom, however, the existing law with respect to receivers and receiverships was substantially lacking, and the Illinois legislature recognized the necessity, and importance, of establishing a new legal construct.

Even so, the Illinois Receivership Act does not replace the current statutory structure. *See* Illinois Receivership Act § §4(c) (excluding the application of the Illinois Receivership Act to receivers appointed, among other things, "Section 15-1704 of the Illinois Mortgage Foreclosure Law."). Although the Illinois Receivership Act leaves the appointment of a receiver under the Illinois Mortgage Foreclosure Law intact, the Illinois Receivership Act will exist alongside the Illinois Mortgage Foreclosure Law by expanding the circumstances under which a receiver can be appointed.

The Illinois Receivership Act applies to a receivership over the interest of the following: (1) real property; (2) any personal property related to or used in operating the real property; (3) personal property and fixtures; and (4) persons that are not individuals. *See* Illinois Receivership Act § 4. In contrast, the Illinois Mortgage Foreclosure Law only provides for the appointment of a receiver "for the mortgaged real estate." *See* 735 ILCS 5/15-1704.

The Illinois Receivership Act expands the application of receivers beyond mortgage foreclosure actions, as were already provided for in the Illinois Mortgage Foreclosure Law, to "other enforcement of a lien." *See* Illinois Receivership Act § 6(b). And while receiver appointment was generally limited as an ancillary remedy, most often tied to mortgage foreclosure proceeding to protect the foreclosing party's interest in the receivership property until a judgment of foreclosure was obtained, Section 6(c) of the Illinois Receivership Act makes clear that a receiver can be appointed as a primary remedy "to prevent irreparable harm. This, along with the Uniform Receivership Act modifications discussed below, will materially expand how receivers are used in Illinois.

Powers of Receiver Under Illinois Receivership Act

Under the Illinois Receivership Act, the powers and duties that a receiver possess are identified in much greater detail and clarity than in the prior existing statutory structure. Specifically, Section 12 of the Illinois Receivership Act identifies the powers that a receiver can rely upon in carrying out its duties. Some of the powers that a receiver is granted can be exercised without court authority, including the receiver's ability to: operate a business constituting receivership property; incur unsecured debt; incur additional debt under any existing secured obligations; assert any rights, claims, causes of action, or defenses relating to the receivership property; and maintain any pre-existing actions to enforce any rights, claims, or causes of actions. *See* Illinois Receivership Act § 12(a). Additionally, the Illinois Receivership Act provides receivers with certain powers that are subject to court approval and oversight, including the ability to: incur debt outside of the ordinary course of business; make improvements to the receivership property; use, sell, lease, or transfer receivership property outside of the ordinary course of business; assume or reject executory contracts; pay compensation to the receiver and the receiver's professionals; recommend the allowance or disallowance of a claim of a creditor; settle or release any rights, claims, causes of action, or defenses; and abandon to the owner any receivership property that is burdensome or not of material value to the receivership. *See* Illinois Receivership Act § 12(b).

This expansive listing of powers that are available to receivers under the Illinois Receivership Act clarifies the tools that are available to receivers to operate receivership estates. And by granting receivers broad powers that they can pursue independently of court authority, while also providing receivers with other powers that courts can permit them to carry out, the Illinois Receivership Act provides receivers with the freedom and direction to best address the issues of the property that is subject to the receivership estate.

Express Duties of Owners

Another important change that the Illinois Receivership Act makes is establishing the express duties owners owe to the receivership estate. Prior to the passage of the Illinois Receivership Act, existing Illinois law did not expressly state what obligations that owners of property owed to a court appointed receiver. Those obligations were often left to the discretion of the court appointing the receiver. Now, the Illinois Receivership Act specifically details, in Section 13, the owner's obligations to the receiver. Chief among these obligations is the inclusion of a duty to cooperate, a duty to preserve and turn over all receivership property, a duty to identify all relevant records and to make such records available to the receiver. Notably, and as highlighted below, the Illinois Receivership Act expands an owner's obligations under the Uniform Receivership Act to require owners to produce, within 14 days of the appointment of the receiver, certain information relating to the receivership estate. By establishing an independent duty for owners to produce this information, the Illinois Receivership Act should uniformly enhance the ability of a receiver to quickly and efficiently understand the affairs of the receivership estate. And by including this independent duty, along with detailing the punitive measures a court may impose to remedy an owner's noncompliance, the Illinois Receivership Act will help claimants of the receivership estate efficiently obtain the owner's compliance with the receiver's powers over receivership estate.

Lien Creditor, Claims Estimation, and Stays

Beyond clarifying the powers and obligations that a receiver owes to the receivership estate, the Illinois Receivership Act enhances the tools that are available to Illinois receivers in administering the receivership estate. First, Section 9 of the Illinois Receivership Act provides a receiver with the status of a "lien creditor" as to receivership property that is personal property or fixtures. *See* Illinois Receivership Act § 9(a). The receiver also obtains the status of a lien creditor "under Section 1 to 39 of the Conveyances Act as to receivership property that is real property" with respect to people who have actual or constructive notice of the receiver's appointment, and all other persons after the order appointing the receiver has been recorded. *See* Illinois Receivership Act § 9(b). Finally, the receiver obtains status of a lien creditor "as if the receiver were a creditor that obtained a judicial lien on all receivership property." *See* Illinois Receivership Act § 9(c). This lien creditor status effectively puts the receiver in the position of a secured creditor, which gives the receiver priority over any unperfected security interests and any perfected security interests that are acquired after the receiver is appointed. As such, the receiver will be entitled to avoid any of these unperfected interests, which provides the receiver with the ability to administer the receivership estate in a uniform manner.

Similarly, the Illinois Receivership Act advances the administration of the receivership estate through the inclusion of Section 20(f), which provides receivers with the ability to estimate certain claims. *See* Illinois Receivership Act § 20(f). More specifically, the Illinois Receivership Act authorizes a receiver to estimate, for purposes of allowance, "any contingent or unliquidated claims, the fixing or liquidation of which would unduly delay the administration of the receivership;" or "any right to payment arising from a right to an equitable remedy for breach of performance." *See* Illinois Receivership Act § 20(f). And the estimation of these claims is given further force through Section 20(g), which provides for the allowance of such claims in the estimated amount "as determined by the court." *See* Illinois Receivership Act § 20(g). These estimation provisions should assist in overcoming any delays in a receivership case caused by pending litigation related to a creditor's claim, which should assist in the efficient and effective administration of a receiver's estate. Notably, this estimation provision is one of the several provisions that distinguishes the Illinois Receivership Act from the Uniform Receivership Act. And this estimation provision borrows heavily from a similar provision located within the United States Bankruptcy Code, which serves a similar purpose in bankruptcy proceedings. *See* 11 U.S.C. § 502(c).

Further borrowing from the United States Bankruptcy Code, the Illinois Receivership Act Section 14 provides receivers the power to stay acts or proceedings that could impair the receivership estate. Specifically, Section 14 of the Illinois Receivership Act provides that a court's order appointing a receiver acts as a stay, against all persons, of "an act, action, or proceeding: (1) to obtain possession of, exercise control over, or enforce a judgment against receivership property; and (2) to enforce a lien against receivership property to the extent the lien secures a claim against the owner which arose" before the entry of the order appointing the receiver. Illinois Receivership Act § 14(a). This stay allows the receiver to maintain control over all of the property that is in the receivership estate, and it allows the receiver to administer the receivership estate unimpeded. Furthermore, if the reach of the stay does not extend far enough, the Illinois Receivership Act also authorizes courts to enter injunctions that prohibit parties from pursuing actions or proceedings that may threaten the receivership property or may be necessary to facilitate the administration of the receivership. *See*

Illinois Receivership Act § 14(b). Claimants of the receivership estate may be entitled to escape the reach of the stay, as the Illinois Receivership Act provides claimants with a means to obtain "relief" from the stay if they can establish "cause." *See* Illinois Receivership Act § 14(c). Previously, the existing Illinois statutory scheme for receiverships did not contain any provision expressly "staying" proceedings against the receivership estate.

Use or Transfer of Receivership Property

In general, the Illinois Receivership Act authorizes a receiver to use or transfer property of the receivership estate in the ordinary course of business. *See* Illinois Receivership Act § 12. However, the Illinois Receivership Act also contemplates the ability of a receiver to use receivership property in circumstances other than the ordinary course of business. Specifically, under Section 16, a receiver is expressly authorized, with court approval, to "use receivership property other than in the ordinary course of business" and a receiver is also authorized to "transfer receivership property other than in the ordinary course of business by sale, lease, license exchange or other disposition." *See* Illinois Receivership Act §§ 16(b) - (c). Most importantly, the Illinois Receivership Act authorizes receivers to sell receivership property free and clear of certain liens, provided that the sale of receivership property under Section 16(c) is "free and clear of a lien of the person that obtained appointment of the receiver, any subordinate lien, and any right of redemption." Illinois Receivership Act § 16(c). Nonetheless, if any party that holds a lien that is senior to the lien of the person that obtained appointment of the receiver, then such sale shall be subject to any such senior lien unless the senior lienholder consents to the sale. *See* Illinois Receivership Act § 16(c)(1).

The addition of the receiver's ability to sell receivership property free and clear of liens is a significant addition to the Illinois receivership law-no such power existed under the current statutory scheme. As such, this provision of the Illinois Receivership Act provides receivers in Illinois with a new mechanism to sell receivership property for the benefit of the receivership estate.

Executory Contracts

The Illinois Receivership Act now provides receivers, in Section 17, the power to assume or reject executory contracts, a power that previously had been reserved to bankruptcy estates. *See* 11 U.S.C. § 365(c). Subject to court approval, receivers may now "assume or reject an executory contract of the owner relating to receivership property." Illinois Receivership Act § 17(b). Notably, under the terms of the Illinois Receivership Act, executory contracts that are not assumed or rejected by the termination of the receivership are deemed rejected. *See id.* Although the receiver is not obligated to assume or reject any executory contract during the term of the receivership, counterparties to executory contracts can obtain clarity with respect to the assumption or rejection of their contracts by requesting the court "set a reasonable time after the receiver's appointment to assume or reject an executory contract." *Id.* But the Illinois Receivership Act makes clear that a receiver's continued performance under a contract does not require the receiver to assume such contract. *See* Illinois Receivership Act § 17(c).

While a receiver is now provided few limitations on how it exercises its judgment as to which contracts to assume or reject, Section 17(h) does limit the receiver's ability to reject an unexpired lease where the landlord is the property owner. That section bars a receiver's ability to reject an unexpired lease in the following circumstances: (1) the leased property is the tenant's primary residence; (2) the appointment of the receiver was requested by a person other than the mortgagee; or (3) the appointment of the receiver was requested by the mortgagee but the lease is superior to the mortgage lien, the mortgagee previously agreed to not disturb the lease, the mortgagee consented to the lease, or the lease was commercially reasonable and the tenant had not notice that the lease violated the mortgage.

Through the broad power to assume or reject executory contracts which the Illinois Receivership Act grants receivers, a receiver now has significant flexibility in determining how the receivership estate will move forward after a receivership's termination.

Engagement and Compensation of Professionals

The terms of the Illinois Receivership Act also provide a receiver with access to professionals to assist in carrying out the receiver's duties. Specifically, Section 15 of the Illinois Receivership Act provides that a receiver can, with court approval, engage "one or more attorneys, accountants, appraisers, auctioneers, brokers, or other professionals on any reasonable terms and conditions of employment." *See* Illinois Receivership Act § 15(a). And, under the language of the Illinois Receivership Act, these professionals can be paid their reasonable compensation on an interim basis. *See* Illinois Receivership Act § 15(b). The inclusion of specific procedures that provide for the interim compensation of a receiver's professionals is a significant upgrade from the existing structure of the law and provides a mechanism to ensure that all of a receiver's professionals are compensated fairly and in a timely manner for their services.

Reporting Requirements

The statutory scheme that existed prior to the passage of the Illinois Receivership Act did not contain any specific direction as to whether an interim report was required or the content of that interim report. The Illinois Receivership Act now provides receivers with clarity as to their reporting requirements. First, Section 19 of the Illinois Receivership Act provides receivers with the option, unless ordered by the court, to file an interim report with the court. *See* Illinois Receivership Act § 19. In addition to recognizing the option, or obligation, to file an interim report, the Illinois Receivership Act clarifies the content that the receiver should provide in such an interim report.

Furthermore, Section 23 of the Illinois Receivership Act provides clarity concerning a receiver's obligation to file a final report. Specifically, Section 23 provides that "unless excused by the court, on completion of a receiver's duties, the receiver shall file a motion seeking approval of a final report and termination of the court's administration of the receivership property." *See* Illinois Receivership Act § 23(a). Similar to the interim report, the Illinois Receivership Act identifies the content that is required to be included in the final report. *See* Illinois Receivership Act § 23(b). Accordingly, the Illinois Receivership Act provides some much-needed clarity with respect to the expectations as to a receiver's obligation to file both interim and final reports, while also providing clarity as to the content to be included in such reports.

Illinois Receivership Acts Expansion of the Uniform Commercial Real Estate Receivership Act

While the Illinois Receivership Act is based on the Uniform Receivership Act, it contains substantial differences. For example, in detailing who is disqualified from serving as a receiver, the Illinois Receivership Act-unlike the Uniform Receivership Act-provides clearly that the receiver may be an out-of-state individual: "[a]ny person, whether or not a resident of this State, may serve as a receiver unless the person is disqualified under this Act." The Uniform Receivership Act does not address this matter.

Another distinguishing feature is that, unlike Uniform Receivership Act, the Illinois Receivership Act provides that, "for good cause shown, the court may waive the requirement that the receiver post with the court a bond or alternative security required by this Section." *See* Illinois Receivership Act § 8(c). The Illinois legislature also omits the provision of the Uniform Receivership Act requiring that "a claim against a receiver's bond or alternative security be made not later than one year after the date the receiver is discharged." *Compare* Illinois Receivership Act § 8 and Conn. Gen. Stat. § 52-626.

Another difference concerns a receiver's ability to collect on, and obtain turnover of, receivership property. The Illinois Receivership Act provides a receiver with tools to ensure that they can collect, and otherwise obtain possession of, all property that the receivership estate is entitled to. In fact, the Illinois Receivership Act provides directly that a receiver "may seek to compel a person to comply with the obligations of this Section by motion. The court may order a person that has possession, custody, or control of receivership property to turn over such property to the receiver." Illinois Receivership Act §11(d). In comparison, while the Uniform Receivership Act contains the same requirements that a creditor or other person in possession of receivership property "shall turn the property over to the receiver," the Uniform Receivership Act does not contain any explicit statutory authorization providing for a receiver to compel a party to turn property over, nor does it contain any explicit statutory provision authorizing a court order for a person to turn over such property. Although these tools may be otherwise available to a receiver through other tools available to

litigants, the express nature of such a provision in the Illinois Receivership Act strengthens the tools available to receivers and courts by making explicit the tools that are available to obtain possession of receivership property.

The Illinois Receivership Act expands a receiver's powers and duties beyond those in the Uniform Receivership Act. For example, unlike the Uniform Receivership Act, the Illinois Receivership Act expressly empowers receivers with the ability to "pay obligations incurred prior to the receiver's appointment if, in the receiver's business judgment, payment is necessary to preserve the value of receivership property using funds that are not subject to any lien or right of setoff in favor a creditor who has not consented to the payment." Illinois Receivership Act § 12(a)(3). In addition to authorizing a receiver to incur unsecured debt, the Illinois Receivership Act also extends a receiver's power beyond those provided for in the Uniform Receivership Act by authorizing receivers to "incur debt under a secured obligation in effect as of the receiver's appointment subject to the same terms, conditions, and lien priorities that existed as of the receiver's appointment." Illinois Receivership Act § 12(a)(4). The Illinois Receivership Act furthers the receiver's ability under the Uniform Receivership Act to assert "a right, claim, cause of action, or defense of the owner that relates to the receivership property," while providing the additional power to "maintain" an action brought in the name of either the owner or the receiver. The Illinois Receivership Act further authorizes the receiver to "intervene in actions in which owner is a party" in order to exercise any rights that the receiver may have to assert a right claim, cause of action or defense of the owner. Illinois Receivership Act § 12(a)(5).

The Illinois Receivership Act also expands the powers that a receiver may exercise with court authority. Unlike the Uniform Receivership Act, the Illinois Receivership Act expressly authorizes a receiver, with court approval, to: "settle or release any rights, claims, causes of action, or defenses o[f] the owner" that the receiver could have asserted or maintained pursuant to section 12(a)(5) of the Illinois Receivership Act. *See* Illinois Receivership Act § 12(b)(8). And unlike the Uniform Receivership Act, the Illinois Receivership Act authorizes receivers to "abandon to the owner any receivership property that is burdensome or is not of material value to the receivership." *See* Illinois Receivership Act § 12(b)(9). Section 12(d) of the Illinois Receivership Act expands the powers that a receiver has under the Uniform Receivership Act to include a provision establishing that the recording of a notice of receivership provides constructive notice to those parties that acquire an interest or lien on real property. And Section 12(e) of the Illinois Receivership Act expands a receiver's powers by providing that subordination agreements are "enforceable to the same extent" that such subordination agreements would have been enforceable under Illinois state law.

The Illinois Receivership Act's modifications to the Uniform Receivership Act reach beyond the receiver to the owner of property subject to the receivership. One example is Section 13(b) of the Illinois Receivership Act, which goes beyond the Uniform Receivership Act by obligating the owner of the property subject to the receivership to: "file with the court and provide the receiver within 14 days of the receiver's appointment: (1) a list of all receivership property and exempt property of the owner, identifying: (A) the location of the property, including the legal description of any real property; (B) a description of all liens to which the property is subject; and (C) the estimated value of the property." Illinois Receivership Act § 13(b)(1). Furthermore, the Illinois Receivership Act requires an owner to provide: "A list of all creditors, taxing authorities, and regulatory authorities having claims against the owner: (A) their mailing addresses; (B) the amount and nature of their respective claims as of the date of the receiver's appointment; (C) whether the claims are secured by liens; and

(D) whether the claims are dispute." Illinois Receivership Act § 13(b)(2). As such, by establishing a duty to produce such records within fourteen days from the appointment of the receiver, the Illinois Receivership Act shifts the burden of compiling and tracking down records from the receiver to the owner, which is expected to reduce the receiver's time and expense to chase down records and information readily available to the owner. Additionally, the Illinois Receivership Act adds an enforcement mechanism not available in the Uniform Receivership Act if the owner neglects to satisfy these obligations. Specifically, the Illinois Receivership Act provides Illinois courts with the ability to "impose other equitable remedies, including an injunction or constructive trust to address a person's failure to comply with a duty under this Section." Illinois Receivership Act § 13(d)(3).

The Illinois Receivership Act also improves upon-and clarifies-the Uniform Receivership Act's provisions for the engagement and compensation structure of the professionals that a receiver engages. The Illinois Receivership Act adds that: "The court may authorize the receiver's engagement of professionals on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, on a contingent fee basis or a combination of the foregoing." Illinois Receivership Act § 15(a). Unlike the Uniform Receivership Act, the Illinois Receivership Act also includes a specific structure for the payment of a professional's interim fees. *See* Illinois Receivership Act §§ 15(c)-(d).

Lastly, Illinois Receivership Act provides a mechanism for estimating contingent or unliquidated claims not available under the Uniform Receivership Act. Section 20(f) of the Illinois Receivership Act uniquely provides that, "[u]pon motion of the receiver or other person with an interest in the receivership, the following claims may be estimated for purposes of allowance under this Section." Illinois Receivership Act § 20(f). Section 20(f) identifies two kinds of claims that may be estimated: "(1) any contingent or unliquidated claims, the fixing or liquidation of which would unduly delay the administration of the receivership; or (2) any right to payment arising from a right to an equitable remedy for breach of performance." *Id.* The effect of the estimation of such claims is further enhanced by providing, in subsection (g), that "[c]laims subject to estimation under subsection (f) ***shall be allowed*** in the estimated amount as determined by the court." Illinois Receivership Act § 20(g) (emphasis added). Accordingly, the Illinois Receivership Act provides a mechanism to timely and efficiently address contingent and unliquidated claims of the receivership estate through the use of estimation. Interestingly, like many other provisions of receivership statutes, the Section 20(g) of the Illinois Receivership Act mirrors the language that the United States Bankruptcy Code employs to estimate claims of a bankruptcy estate. *Compare* Illinois Receivership Act § 20(g) and 11 U.S.C. § 502(c).



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