



# Illinois Department of Financial and Professional Regulation

## Division of Financial Institutions

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### **Statement Regarding Assessment of Finance Charges on Small Consumer Loans**

The Illinois Department of Financial and Professional Regulation, Division of Financial Institutions (“DFI”), has received requests for clarification under the Consumer Installment Loan Act (“CILA”), 205 ILCS 670, and all related laws governing the issuance of loans. Specifically, the question has arisen as to whether finance charges that are not outlined in CILA may be assessed on small consumer loans between the amounts of \$1,500 and \$4,000, per Section 17.2(b) of CILA.

Per Section 15(b) of CILA, a “small consumer loan” is a loan upon which interest is charged at an annual percentage rate exceeding 36% and with an amount financed of \$4,000 or less. With respect to a small consumer loan over \$1,500, CILA [Section 17.2(b)(1)] permits lenders to charge the following finance charges: 1) an acquisition charge for making the original loan, not to exceed \$100; 2) an acquisition charge for the first time that an original loan is refinanced, not to exceed \$50; 3) an acquisition charge for any subsequent refinancing not to exceed \$25; and 4) monthly installment account handling charges in specified amounts per the amount financed [see Section 17.2(b)(1)(D) for the specific monthly account handling charges allowed].

CILA further states that “[i]n no event shall the annual percentage rate on the loan transaction as calculated in accordance with the federal Truth in Lending Act exceed 99%.” 205 ILCS 670/17.2(b)(3).

DFI recognizes that even with assessing account handling charges [per Section 17.2(b)(1)(d)] and acquisition charges [per Section 17.2(b)(1)(A-C)], the annual percentage rate on a small consumer loan may equate to less than 99%. In those cases, DFI permits licensees to assess finance charges, such as daily simple interest, on a small consumer loan per Section 17.2(b) of the Act. However, in no event shall the annual percentage rate on the small consumer loan exceed 99%, as calculated by the Truth in Lending Act, regardless of whether a licensee assesses additional finance charges not outlined in CILA.

DFI further recognizes that licensees may choose to assess only daily simple interest and not those finance charges outlined in CILA per Section 17.2(b)(1). Again, in no event shall the annual percentage rate on the small consumer loan exceed 99%, regardless of the type of finance charges assessed.

This guidance is provided as of January 2018 and may be modified at any time. This guidance is not meant to alter any current laws or rules to which licensees are still subject.