



Illinois Department of Financial and Professional Regulation

Division of Financial Institutions

BRUCE RAUNER
Governor

BRYAN A. SCHNEIDER
Secretary

FRANCISCO MENCHACA
Director
Division of Financial Institutions

Statement Regarding Usage of Third-Party Payment Processors

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 third-party payment processors may be used by customers to make loan payments to licensees.

At times, customers may choose to make their installment payments on a consumer installment loan to a licensee by using a third-party payment processor. Use of a third-party payment processor may incur a charge to the customer.

Section 16(f) of CILA provides that a CILA licensee must disclose the finance charge to the customer before the consummation of the loan transaction. Section 16(m) of CILA provides that the finance charge is determined by the sum of all charges whether paid or payable by the obligor to the licensee or to a third party.

Regulation Z, 12 CFR Part 226, of the Truth In Lending Act provides that the finance charge includes fees and amounts charged by someone other than the creditor, unless otherwise excluded, if the creditor: (i) requires the use of a third-party as a condition of or an incident to the extension of credit, even if the consumer can choose the third-party; or (ii) retains a portion of the third-party charge, to the extent of the portion retained. 12 CFR 1026.4.

DFI recognizes that at times it may be beneficial for both the customer and the licensee if the customer uses a third-party payment processor to make a loan payment, and it will not consider the *voluntary* use of these third-party services an infraction against the licensee under applicable law. However, the use of third-party payment services must be voluntary to the customer and not a mandatory condition of credit. Further, licensees may not retain any portion of the payment fee assessed by the third-party.

This guidance is provided as of December 2017 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.