

## Small Consumer Loans

Small consumer loans can offer quick and easy access to money for consumers who need to borrow funds for a short length of time.



Although these loans are convenient to obtain, borrowers are strongly advised to carefully review the contract before signing to ensure that they fully understand their obligations as well as the fees charged for these loans. In addition, it

is important that consumers be aware of the significant additional costs they can incur if they are unable to repay these loans when they are due.

### Using This Guide

This brochure is designed to help you better understand small consumer loans in order to assist you with making well-informed decisions based on your own personal financial circumstances. Inside you will find a brief explanation of small consumer loans, as well as your rights and responsibilities.

### What You Need To Know

Small consumer loans essentially are short-term loans. To obtain a small consumer loan, consumers may be asked to give the lender various forms of security, such as wage assignments, in order to obtain the loan. If the loan is secured by a wage assignment and is not repaid, the borrower runs the risk of having their wages deducted. Consequently, consumers must be certain that they can fully repay the loan according to its terms before agreeing to its terms.

In exchange for this quick and easy access to cash, borrowers typically pay higher interest rates and fees than are charged on more traditional forms of credit such as credit cards. Problems commonly arise when borrowers are unable to repay the loan when it's due. Many opt to "roll over" the loan for a longer period of time, which compounds the interest rate leading to rapidly mounting debt for the consumer.

## Consumer Rights & Responsibilities

### **PAY BACK YOUR LOAN**

Know when your payment is due. Repay the loan on time and in full. Failure to repay the loan on or before its due date can lead to rapidly mounting debt. Additional costs might include: daily interest charges, late charges, collection fees. These costs could lead to legal action against you including wage deductions.

### **PREPAY WITHOUT PENALTY**

You have a right to repay the loan before its due date without any prepayment penalty. When a loan is paid in full prior to the due date, the amount of interest paid by the consumer is reduced.

### **TAKE ONLY WHAT YOU CAN AFFORD**

Borrow only as much money as you can afford to fully repay when the payment is due. This may be less than the amount you may be eligible to receive.

### **COSTS MUST BE FULLY DISCLOSED**

Before you sign the loan contract, understand all interest charges, the Annual Percentage Rate (APR) of the loan, and all fees.

### **READ THE CONTRACT THOROUGHLY**

Before you take out a small consumer loan, read the contract thoroughly. Be sure that you understand all the terms of the loan. Once the loan agreement is signed, you are legally responsible to fulfill the obligations in the contract.

### **UNDERSTAND SHORT-TERM NATURE OF THESE LOANS**

Small consumer loans are intended to be taken out only for short periods of time. Although these loans are quick and easy to obtain, customers sometimes pay considerably higher prices for the convenience of these loans.



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*If you have questions about small consumer loans, call the Illinois Department of Financial & Professional Regulation (IDFPR), Division of Financial Institutions at 1-888-298-8089.*  
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## Consider Your Options



Small consumer loans are designed for consumers who need to borrow money only for a short length of time. Due to the short-term nature of these loans, these services are not intended to be used by consumers who need to borrow money for a longer period of time.

If you need to borrow money you should explore several different lending options. Contact various lending institutions and compare fees to find the most economical loan that best suits your financial needs. If you are not absolutely certain you can repay the loan at the end of the term, you should seriously consider not taking out a small consumer loan.

Consumers who are experiencing financial difficulty or serious financial setback may wish to obtain assistance from a consumer credit counselor or a debt management company prior to taking out a loan, but beware of unlicensed debt management companies and unlicensed lenders.

To obtain a list of licensed lenders and debt management companies contact the Department of Financial and Professional Regulation, Division of Financial Institutions at 1-888-298-8089, or visit the department's website, [www.idfpr.com](http://www.idfpr.com), where a list of licensees is posted and you can search for individual licensees.

## Contact The Division of Financial Institutions

If you have questions about small consumer loans, please contact the Illinois Division of Financial Institutions at:

Illinois Division of Financial Institutions  
Consumer Credit Section  
100 West Randolph, 9th Floor  
Chicago, Illinois 60601

Or

1-888-298-8089



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# *Borrower's Guide To* Small Consumer Loans



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