



Reprinted
February 25, 2000

ENGROSSED HOUSE BILL No. 1010

DIGEST OF HB 1010 (Updated February 24, 2000 4:51 PM - DI 100)

Citations Affected: IC 24-4.5; IC 28-10; IC 33-16.

Synopsis: Financial institutions and consumer credit. Provides that in the Indiana law based on the Uniform Consumer Credit Code, a reference to a federal law is a reference to the federal law in effect December 31, 1999. Specifies that the maximum rate of interest may not be exceeded upon prepayment for the period a credit sale or loan was in effect for a simple interest transaction that includes prepaid credit service charges or finance charges. Requires a creditor to provide accurate payoff information to the debtor. Specifies that a person may not regularly engage in the business of making consumer loans unless the person is a supervised financial institution or is licensed by the department of financial institutions. Specifies that the three month window to operate without an approved license to make consumer loans applies only to lenders taking assignment of mortgages. Defines mortgage servicer. Adds mortgage servicer to creditor penalty provisions concerning a failure to provide accurate payoff information. Provides that a penalty for a creditor or mortgage servicer who fails to provide accurate payoff information to a debtor is an excess charge under the Uniform Consumer Credit Code. Allows the department of financial institutions to obtain a criminal record history from certain license applicants. Provides that in the Indiana financial institutions law, a reference to a federal law or federal regulation is a reference to the federal law or regulation in effect January 1, 2000. Allows a bank officer to serve as a notary public.

Effective: Upon passage; July 1, 2000.

Bodiker, Burton, Ruppel

(SENATE SPONSORS — PAUL, LANANE)

November 23, 1999, read first time and referred to Committee on Financial Institutions.
January 24, 2000, amended, reported — Do Pass.
January 27, 2000, read second time, amended, ordered engrossed.
January 28, 2000, engrossed.
January 31, 2000, read third time, passed. Yeas 88, nays 0.

SENATE ACTION

February 1, 2000, read first time and referred to Committee on Insurance and Financial Institutions.
February 21, 2000, amended, reported favorably — Do Pass.
February 24, 2000, read second time, amended, ordered engrossed.

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Second Regular Session 111th General Assembly (2000)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

ENGROSSED HOUSE BILL No. 1010

A BILL FOR AN ACT to amend the Indiana Code concerning financial institutions.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 24-4.5-1-102 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 102. Purposes;
3 Rules of Construction) (1) This article shall be liberally construed and
4 applied to promote its underlying purposes and policies.
5 (2) The underlying purposes and policies of this article are:
6 (a) to simplify, clarify, and modernize the law governing retail
7 installment sales, consumer credit, small loans, and usury;
8 (b) to provide rate ceilings to assure an adequate supply of credit
9 to consumers;
10 (c) to further consumer understanding of the terms of credit
11 transactions and to foster competition among suppliers of
12 consumer credit so that consumers may obtain credit at
13 reasonable cost;
14 (d) to protect consumer buyers, lessees, and borrowers against
15 unfair practices by some suppliers of consumer credit, having due
16 regard for the interests of legitimate and scrupulous creditors;

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1 (e) to permit and encourage the development of fair and
2 economically sound consumer credit practices;

3 (f) to conform the regulation of consumer credit transactions to
4 the policies of the Federal Consumer Credit Protection Act; and

5 (g) to make uniform the law including administrative rules among
6 the various jurisdictions.

7 (3) A reference to a requirement imposed by this article includes
8 reference to a related rule of the department adopted pursuant to this
9 article.

10 (4) A reference to a federal law in IC 24-4.5 is a reference to the law
11 in effect December 31, ~~1997~~ 1999.

12 SECTION 2. IC 24-4.5-1-301 IS AMENDED TO READ AS
13 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 301. General
14 Definitions) In addition to definitions appearing in subsequent chapters
15 in this article:

16 (1) "Agreement" means the bargain of the parties in fact as found in
17 their language or by implication from other circumstances, including
18 course of dealing or usage of trade or course of performance.

19 (2) "Agricultural purpose" means a purpose related to the
20 production, harvest, exhibition, marketing, transportation, processing,
21 or manufacture of agricultural products by a natural person who
22 cultivates, plants, propagates, or nurtures the agricultural products;
23 "Agricultural products" includes agricultural, horticultural, viticultural,
24 and dairy products, livestock, wildlife, poultry, bees, forest products,
25 fish and shellfish, and any and all products raised or produced on farms
26 and any processed or manufactured products thereof.

27 (3) "Average daily balance" means the sum of each of the daily
28 balances in a billing cycle divided by the number of days in the billing
29 cycle, and if the billing cycle is a month, the creditor may elect to treat
30 the number of days in each billing cycle as thirty (30).

31 (4) "Closing costs" with respect to a debt secured by an interest in
32 land includes:

33 (a) fees or premiums for title examination, title insurance, or
34 similar purposes, including surveys;

35 (b) fees for preparation of a deed, settlement statement, or other
36 documents;

37 (c) escrows for future payments of taxes and insurance;

38 (d) fees for notarizing deeds and other documents;

39 (e) appraisal fees; and

40 (f) credit reports.

41 (5) "Conspicuous": A term or clause is conspicuous when it is so
42 written that a reasonable person against whom it is to operate ought to

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- 1 have noticed it.
- 2 (6) "Consumer credit" means credit offered or extended to a
3 consumer primarily for a personal, family, or household purpose.
- 4 (7) "Credit" means the right granted by a creditor to a debtor to
5 defer payment of debt or to incur debt and defer its payment.
- 6 (8) "Creditor" means a person:
- 7 (a) who regularly engages in the extension of consumer credit that
8 is subject to a credit service charge or loan finance charge, as
9 applicable, or is payable in installments; and
- 10 (b) to whom the obligation is initially payable, either on the face
11 of the note or contract, or by agreement when there is not a note
12 or contract.
- 13 (9) "Earnings" means compensation paid or payable for personal
14 services, whether denominated as wages, salary, commission, bonus,
15 or otherwise, and includes periodic payments under a pension or
16 retirement program.
- 17 (10) "Lender credit card or similar arrangement" means an
18 arrangement or loan agreement, other than a seller credit card, pursuant
19 to which a lender gives a debtor the privilege of using a credit card,
20 letter of credit, or other credit confirmation or identification in
21 transactions out of which debt arises:
- 22 (a) by the lender's honoring a draft or similar order for the
23 payment of money drawn or accepted by the debtor;
- 24 (b) by the lender's payment or agreement to pay the debtor's
25 obligations; or
- 26 (c) by the lender's purchase from the obligee of the debtor's
27 obligations.
- 28 (11) "Official fees" means:
- 29 (a) fees and charges prescribed by law which actually are or will
30 be paid to public officials for determining the existence of or for
31 perfecting, releasing, or satisfying a security interest related to a
32 consumer credit sale, consumer lease, or consumer loan; or
- 33 (b) premiums payable for insurance in lieu of perfecting a security
34 interest otherwise required by the creditor in connection with the
35 sale, lease, or loan, if the premium does not exceed the fees and
36 charges described in paragraph (a) which would otherwise be
37 payable.
- 38 (12) "Organization" means a corporation, government or
39 governmental subdivision or agency, trust, estate, partnership, limited
40 liability company, cooperative, or association.
- 41 (13) "Payable in installments" means that payment is required or
42 permitted by written agreement to be made in more than four (4)

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- 1 installments not including a down payment.
- 2 (14) "Person" includes a natural person or an individual, and an
3 organization.
- 4 (15) "Person related to" with respect to an individual means:
5 (a) the spouse of the individual;
6 (b) a brother, brother-in-law, sister, sister-in-law of the individual;
7 (c) an ancestor or lineal descendants of the individual or the
8 individual's spouse; and
9 (d) any other relative, by blood or marriage, of the individual or
10 the individual's spouse who shares the same home with the
11 individual.
- 12 "Person related to" with respect to an organization means:
13 (a) a person directly or indirectly controlling, controlled by, or
14 under common control with the organization;
15 (b) an officer or director of the organization or a person
16 performing similar functions with respect to the organization or
17 to a person related to the organization;
18 (c) the spouse of a person related to the organization; and
19 (d) a relative by blood or marriage of a person related to the
20 organization who shares the same home with him.
- 21 (16) "Presumed" or "presumption" means that the trier of fact must
22 find the existence of the fact presumed unless and until evidence is
23 introduced which would support a finding of its nonexistence.
- 24 (17) "Mortgage transaction" means a transaction in which a first
25 mortgage or a land contract which constitutes a first lien is created or
26 retained against land.
- 27 (18) "Regularly engaged" means a person who extends consumer
28 credit more than:
29 (a) twenty-five (25) times; or
30 (b) five (5) times for transactions secured by a dwelling;
31 in the preceding calendar year. If a person did not meet these numerical
32 standards in the preceding calendar year, the numerical standards shall
33 be applied to the current calendar year.
- 34 (19) "Seller credit card" means an arrangement which gives to a
35 buyer or lessee the privilege of using a credit card, letter of credit, or
36 other credit confirmation or identification for the purpose of purchasing
37 or leasing goods or services from that person, a person related to that
38 person, or from that person and any other person. The term includes a
39 card that is issued by a person, that is in the name of the seller, and that
40 can be used by the buyer or lessee only for purchases or leases at
41 locations of the named seller.
- 42 (20) "Supervised financial organization" means a person, other than

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1 an insurance company or other organization primarily engaged in an
2 insurance business:

3 (a) organized, chartered, or holding an authorization certificate
4 under the laws of a state or of the United States which authorizes
5 the person to make loans and to receive deposits, including a
6 savings, share, certificate, or deposit account; and

7 (b) subject to supervision by an official or agency of a state or of
8 the United States.

9 **(21) "Mortgage servicer" means the last person to whom a**
10 **mortgagor or the mortgagor's successor in interest has been**
11 **instructed by a mortgagee to send payments on a loan secured by**
12 **a mortgage.**

13 SECTION 3. IC 24-4.5-2-104 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 104. (1) Except as
15 provided in subsection (2), "consumer credit sale" is a sale of goods,
16 services, or an interest in land in which:

17 (a) credit is granted by a person who regularly engages as a seller
18 in credit transactions of the same kind;

19 (b) the buyer is a person other than an organization;

20 (c) the goods, services, or interest in land are purchased primarily
21 for a personal, family, or household purpose;

22 (d) either the debt is payable in installments or a credit service
23 charge is made; and

24 (e) with respect to a sale of goods or services, either the amount
25 financed does not exceed fifty thousand dollars (\$50,000) or the
26 debt is secured by personal property used or expected to be used
27 as the principal dwelling of the buyer.

28 (2) Unless the sale is made subject to this article by agreement
29 (IC 24-4.5-2-601), "consumer credit sale" does not include:

30 (a) a sale in which the seller allows the buyer to purchase goods
31 or services pursuant to a lender credit card or similar
32 arrangement; or

33 (b) except as provided with respect to disclosure
34 (IC 24-4.5-2-301), debtors' remedies (IC 24-4.5-5-201),
35 **providing payoff amounts (IC 24-4.5-3-209)**, and powers and
36 functions of the department (IC 24-4.5-6-101), a sale of an
37 interest in land which is a mortgage transaction (as defined in
38 IC 24-4.5-1-301(17)).

39 SECTION 4. IC 24-4.5-3-105 IS AMENDED TO READ AS
40 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 105. Unless the loan is
41 made subject to IC 24-4.5-3 by agreement (IC 24-4.5-3-601), and
42 except with respect to disclosure (IC 24-4.5-3-301), debtors' remedies



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(IC 24-4.5-5-201), **providing payoff amounts (IC 24-4.5-3-209)**, and powers and functions of the department (IC 24-4.5-6-101), "consumer loan" does not include a loan primarily secured by an interest in land which is a mortgage transaction (as defined in IC 24-4.5-1-301(17)).

SECTION 5. IC 24-4.5-2-209 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 209. Right to Prepay -

(1) Subject to the provisions on rebate upon prepayment (IC 24-4.5-2-210), the buyer may prepay in full the unpaid balance of a consumer credit sale, refinancing, or consolidation at any time without penalty.

(2) **At the time of prepayment of a credit sale not subject to the provisions of rebate upon prepayment (IC 24-4.5-2-210), the total credit service charge, including the prepaid credit service charge but excluding the loan origination fee allowed under IC 24-4.5-3-201, may not exceed the maximum charge allowed under this chapter for the period the credit sale was in effect.**

(3) **The creditor or mortgage servicer shall provide an accurate payoff of the consumer credit sale to the debtor within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's written request for the accurate consumer credit sale payoff amount. A creditor or mortgage servicer who fails to provide the accurate consumer credit sale payoff amount is liable for:**

(A) one hundred dollars (\$100) if an accurate consumer credit sale payoff amount is not provided by the creditor or mortgage servicer within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's first written request; and

(B) the greater of:

(i) one hundred dollars (\$100); or

(ii) the credit service charge that accrues on the sale from the date the creditor or mortgage servicer receives the first written request until the date on which the accurate consumer credit sale payoff amount is provided;

if an accurate consumer credit sale payoff amount is not provided by the creditor or mortgage servicer within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's second written request, and the creditor or mortgage servicer failed to comply with clause (A).

A liability under this subsection is an excess charge under



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1 **IC 24-4.5-5-202.**

2 SECTION 6. IC 24-4.5-3-209 IS AMENDED TO READ AS
 3 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 209. Right to Prepay -
 4 (1) Subject to the provisions on rebate upon prepayment
 5 (IC 24-4.5-3-210), the debtor may prepay in full the unpaid balance of
 6 a consumer loan, refinancing, or consolidation at any time without
 7 penalty. With respect to a consumer loan that is primarily secured by
 8 an interest in land, a lender may contract for a penalty for prepayment
 9 of the loan in full, not to exceed two percent (2%) of the net unpaid
 10 balance after deducting all refunds and rebates as of the date of the
 11 prepayment. However, the penalty may not be imposed:

- 12 (1) (a) if the loan is refinanced or consolidated with the same
 13 creditor;
 14 (2) (b) for prepayment by proceeds of any insurance or
 15 acceleration after default; or
 16 (3) (c) after three (3) years from the contract date.

17 (2) **At the time of prepayment of a consumer loan not subject to**
 18 **the provisions of rebate upon prepayment (IC 24-4.5-3-210), the**
 19 **total finance charge, including the prepaid finance charge but**
 20 **excluding the loan origination fee allowed under IC 24-4.5-3-201,**
 21 **may not exceed the maximum charge allowed under this chapter**
 22 **for the period the loan was in effect.**

23 (3) **The creditor or mortgage servicer shall provide an accurate**
 24 **payoff of the consumer loan to the debtor within ten (10) calendar**
 25 **days after the creditor or mortgage servicer receives the debtor's**
 26 **written request for the accurate consumer loan payoff amount. A**
 27 **creditor or mortgage servicer who fails to provide the accurate**
 28 **consumer loan payoff amount is liable for:**

- 29 (A) **one hundred dollars (\$100) if an accurate consumer**
 30 **loan payoff amount is not provided by the creditor or**
 31 **mortgage servicer within ten (10) calendar days after the**
 32 **creditor or mortgage servicer receives the debtor's first**
 33 **written request; and**
 34 (B) **the greater of:**
 35 (i) **one hundred dollars (\$100); or**
 36 (ii) **the loan finance charge that accrues on the loan from**
 37 **the date the creditor or mortgage servicer receives the**
 38 **first written request until the date on which the accurate**
 39 **consumer loan payoff amount is provided;**
 40 **if an accurate consumer loan payoff amount is not**
 41 **provided by the creditor or mortgage servicer within ten**
 42 **(10) calendar days after the creditor or mortgage servicer**



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1 receives the debtor's second written request, and the
 2 creditor or mortgage servicer failed to comply with clause
 3 (A).

4 **A liability under this subsection is an excess charge under**
 5 **IC 24-4.5-5-202.**

6 SECTION 7. IC 24-4.5-3-502 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 502. Authority to Make
 8 Consumer Loans - Unless a person is a supervised financial
 9 organization or has first obtained a license from the department, the
 10 person shall not **regularly** engage in this state in the business of:

11 (†) (a) making consumer loans; or

12 (‡) (b) taking assignments of and undertaking direct collection of
 13 payments from or enforcement of rights against debtors arising
 14 from consumer loans. ~~but the person~~

15 **However, an assignee** may collect and enforce for three (3) months
 16 without a license if the ~~person~~ **assignee** promptly applies for a license
 17 and the ~~person's~~ **assignee's** application has not been denied.

18 SECTION 8. IC 24-4.5-3-503 IS AMENDED TO READ AS
 19 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 503. License to Make
 20 Consumer Loans) (1) The department shall receive and act on all
 21 applications for licenses to make consumer loans. Applications must
 22 be as prescribed by the director of the department of financial
 23 institutions.

24 (2) A license shall not be issued unless the department finds that the
 25 financial responsibility, character, and fitness of the applicant and of
 26 the members of the applicant (if the applicant is a co-partnership or an
 27 association) and of the officers and directors of the applicant (if the
 28 applicant is a corporation) are such as to warrant belief that the
 29 business will be operated honestly and fairly within the purposes of this
 30 article. The director is entitled to request evidence of compliance with
 31 this section **at the time of application or after a license is issued. The**
 32 **evidence requested includes, but is not limited to, an official report**
 33 **of criminal activity of the applicant from the state law enforcement**
 34 **agency or criminal history records repository of the state in which**
 35 **the applicant resides.**

36 (3) Upon written request, the applicant is entitled to a hearing on the
 37 question of the qualifications of the applicant for a license as provided
 38 in IC 4-21.5.

39 (4) The applicant shall pay the following fees at the time designated
 40 by the department:

41 (a) An initial license fee as established by the department under
 42 IC 28-11-3-5.



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1 (b) An initial investigation fee as established by the department
2 under IC 28-11-3-5.

3 (c) An annual renewal fee as established by the department under
4 IC 28-11-3-5.

5 (d) A fee as established by the department under IC 28-11-3-5
6 may be charged for each day the annual renewal fee is delinquent.

7 (5) The applicant may deduct the fees required under subsection
8 4(a) through 4(c) from the filing fees paid under IC 24-4.5-6-203.

9 **(6) A loan license issued under this section is not assignable or**
10 **transferable.**

11 SECTION 9. IC 24-4.5-5-204 IS AMENDED TO READ AS
12 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 204. Debtor's Right to
13 Rescind Certain Transactions) (1) A violation by a creditor of Section
14 125 of the Federal Consumer Credit Protection Act (IC 24-4.5-1-302)
15 concerning the debtor's right to rescind a transaction that is a consumer
16 credit sale or a consumer loan constitutes a violation of IC 24-4.5. A
17 creditor may not accrue interest during the period when a consumer
18 loan may be rescinded under Section 125 of the Federal Consumer
19 Protection Act (15 U.S.C. 1635).

20 **(2) A creditor must make available for disbursement the**
21 **proceeds of a transaction subject to subsection (1) on the later of:**

22 **(A) the date the creditor is reasonably satisfied that the**
23 **consumer has not rescinded the transaction; or**

24 **(B) the first business day after the expiration of the rescission**
25 **period under subsection (1).**

26 SECTION 10. IC 28-10-1-1, AS AMENDED BY P.L.215-1999,
27 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
28 JULY 1, 2000]: Sec. 1. A reference to a federal law or federal
29 regulation in IC 28 is a reference to the law or regulation in effect
30 January 1, ~~1999~~: **2000**.

31 SECTION 11. IC 33-16-2-7 IS AMENDED TO READ AS
32 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 7. ~~No person, being an~~
33 ~~officer in any corporation or association possessed of any banking~~
34 ~~powers, shall act as a notary public in the business of such corporation~~
35 ~~or association. The aforesaid prohibition shall not apply to employees~~
36 ~~of any such corporation or association. However, a person who is a~~
37 ~~shareholder or member of a savings association may act as a notary~~
38 ~~public in the business of such association and an officer and employee~~
39 ~~of a bank may become and act as a notary public in the business of the~~
40 ~~bank. No person holding any lucrative office or appointment under the~~
41 ~~United States or under this state, and prohibited by the Constitution of~~
42 ~~this state from holding more than one (1) such lucrative office, shall~~



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1 serve as a notary public, and his acceptance of any such office shall
2 vacate his appointment as such notary; but this provision shall not
3 apply to any person holding any lucrative office or appointment under
4 any civil or school city or town of this state. No person, being a public
5 official, or a deputy or appointee acting for or serving under the same,
6 shall make any charge for services as a notary public in connection
7 with any official business of such office, or of any other office in the
8 governmental unit in which such persons are serving, unless such
9 charges are specifically authorized by some statute other than the
10 statute fixing generally the fees and charges of notaries public.

11 **SECTION 12. An emergency is declared for this act.**

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Financial Institutions, to which was referred House Bill 1010, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective date in SECTION 1 with "[EFFECTIVE UPON PASSAGE]".

Page 2, after line 16, begin a new paragraph and insert:

"SECTION 3. **An emergency is declared for this act.**".

and when so amended that said bill do pass.

(Reference is to HB 1010 as introduced.)

BODIKER, Chair

Committee Vote: yeas 13, nays 0.

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HOUSE MOTION

Mr. Speaker: I move that House Bill 1010 be amended to read as follows:

Page 2, between lines 16 and 17, begin a new paragraph and insert the following:

"SECTION 3. IC 33-16-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 7. ~~No person, being an officer in any corporation or association possessed of any banking powers, shall act as a notary public in the business of such corporation or association. The aforesaid prohibition shall not apply to employees of any such corporation or association. However, a person who is a shareholder or member of a savings association may act as a notary public in the business of such association and an officer and employee of a bank may become and act as a notary public in the business of the bank.~~ No person holding any lucrative office or appointment under the United States or under this state, and prohibited by the Constitution of this state from holding more than one (1) such lucrative office, shall serve as a notary public, and his acceptance of any such office shall vacate his appointment as such notary; but this provision shall not apply to any person holding any lucrative office or appointment under any civil or school city or town of this state. No person, being a public official, or a deputy or appointee acting for or serving under the same, shall make any charge for services as a notary public in connection with any official business of such office, or of any other office in the governmental unit in which such persons are serving, unless such charges are specifically authorized by some statute other than the statute fixing generally the fees and charges of notaries public."

Re-number all SECTIONS consecutively.

(Reference is to HB 1010 as printed January 25, 2000.)

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COMMITTEE REPORT

Mr. President: The Senate Committee on Insurance and Financial Institutions, to which was referred House Bill No. 1010, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, between lines 11 and 12, begin a new paragraph and insert:

"SECTION 2. IC 24-4.5-1-301 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 301. General Definitions) In addition to definitions appearing in subsequent chapters in this article:

(1) "Agreement" means the bargain of the parties in fact as found in their language or by implication from other circumstances, including course of dealing or usage of trade or course of performance.

(2) "Agricultural purpose" means a purpose related to the production, harvest, exhibition, marketing, transportation, processing, or manufacture of agricultural products by a natural person who cultivates, plants, propagates, or nurtures the agricultural products; "Agricultural products" includes agricultural, horticultural, viticultural, and dairy products, livestock, wildlife, poultry, bees, forest products, fish and shellfish, and any and all products raised or produced on farms and any processed or manufactured products thereof.

(3) "Average daily balance" means the sum of each of the daily balances in a billing cycle divided by the number of days in the billing cycle, and if the billing cycle is a month, the creditor may elect to treat the number of days in each billing cycle as thirty (30).

(4) "Closing costs" with respect to a debt secured by an interest in land includes:

- (a) fees or premiums for title examination, title insurance, or similar purposes, including surveys;
- (b) fees for preparation of a deed, settlement statement, or other documents;
- (c) escrows for future payments of taxes and insurance;
- (d) fees for notarizing deeds and other documents;
- (e) appraisal fees; and
- (f) credit reports.

(5) "Conspicuous": A term or clause is conspicuous when it is so written that a reasonable person against whom it is to operate ought to have noticed it.

(6) "Consumer credit" means credit offered or extended to a consumer primarily for a personal, family, or household purpose.

(7) "Credit" means the right granted by a creditor to a debtor to

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defer payment of debt or to incur debt and defer its payment.

(8) "Creditor" means a person:

- (a) who regularly engages in the extension of consumer credit that is subject to a credit service charge or loan finance charge, as applicable, or is payable in installments; and
- (b) to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is not a note or contract.

(9) "Earnings" means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments under a pension or retirement program.

(10) "Lender credit card or similar arrangement" means an arrangement or loan agreement, other than a seller credit card, pursuant to which a lender gives a debtor the privilege of using a credit card, letter of credit, or other credit confirmation or identification in transactions out of which debt arises:

- (a) by the lender's honoring a draft or similar order for the payment of money drawn or accepted by the debtor;
- (b) by the lender's payment or agreement to pay the debtor's obligations; or
- (c) by the lender's purchase from the obligee of the debtor's obligations.

(11) "Official fees" means:

- (a) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, or satisfying a security interest related to a consumer credit sale, consumer lease, or consumer loan; or
- (b) premiums payable for insurance in lieu of perfecting a security interest otherwise required by the creditor in connection with the sale, lease, or loan, if the premium does not exceed the fees and charges described in paragraph (a) which would otherwise be payable.

(12) "Organization" means a corporation, government or governmental subdivision or agency, trust, estate, partnership, limited liability company, cooperative, or association.

(13) "Payable in installments" means that payment is required or permitted by written agreement to be made in more than four (4) installments not including a down payment.

(14) "Person" includes a natural person or an individual, and an organization.

(15) "Person related to" with respect to an individual means:

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- (a) the spouse of the individual;
- (b) a brother, brother-in-law, sister, sister-in-law of the individual;
- (c) an ancestor or lineal descendants of the individual or the individual's spouse; and
- (d) any other relative, by blood or marriage, of the individual or the individual's spouse who shares the same home with the individual.

"Person related to" with respect to an organization means:

- (a) a person directly or indirectly controlling, controlled by, or under common control with the organization;
- (b) an officer or director of the organization or a person performing similar functions with respect to the organization or to a person related to the organization;
- (c) the spouse of a person related to the organization; and
- (d) a relative by blood or marriage of a person related to the organization who shares the same home with him.

(16) "Presumed" or "presumption" means that the trier of fact must find the existence of the fact presumed unless and until evidence is introduced which would support a finding of its nonexistence.

(17) "Mortgage transaction" means a transaction in which a first mortgage or a land contract which constitutes a first lien is created or retained against land.

(18) "Regularly engaged" means a person who extends consumer credit more than:

- (a) twenty-five (25) times; or
- (b) five (5) times for transactions secured by a dwelling;

in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year.

(19) "Seller credit card" means an arrangement which gives to a buyer or lessee the privilege of using a credit card, letter of credit, or other credit confirmation or identification for the purpose of purchasing or leasing goods or services from that person, a person related to that person, or from that person and any other person. The term includes a card that is issued by a person, that is in the name of the seller, and that can be used by the buyer or lessee only for purchases or leases at locations of the named seller.

(20) "Supervised financial organization" means a person, other than an insurance company or other organization primarily engaged in an insurance business:

- (a) organized, chartered, or holding an authorization certificate under the laws of a state or of the United States which authorizes

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the person to make loans and to receive deposits, including a savings, share, certificate, or deposit account; and

(b) subject to supervision by an official or agency of a state or of the United States.

(21) "Mortgage servicer" means the last person to whom a mortgagor or the mortgagor's successor in interest has been instructed by a mortgagee to send payments on a loan secured by a mortgage.

SECTION 3. IC 24-4.5-2-104 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 104. (1) Except as provided in subsection (2), "consumer credit sale" is a sale of goods, services, or an interest in land in which:

(a) credit is granted by a person who regularly engages as a seller in credit transactions of the same kind;

(b) the buyer is a person other than an organization;

(c) the goods, services, or interest in land are purchased primarily for a personal, family, or household purpose;

(d) either the debt is payable in installments or a credit service charge is made; and

(e) with respect to a sale of goods or services, either the amount financed does not exceed fifty thousand dollars (\$50,000) or the debt is secured by personal property used or expected to be used as the principal dwelling of the buyer.

(2) Unless the sale is made subject to this article by agreement (IC 24-4.5-2-601), "consumer credit sale" does not include:

(a) a sale in which the seller allows the buyer to purchase goods or services pursuant to a lender credit card or similar arrangement; or

(b) except as provided with respect to disclosure (IC 24-4.5-2-301), debtors' remedies (IC 24-4.5-5-201), **providing payoff amounts (IC 24-4.5-3-209)**, and powers and functions of the department (IC 24-4.5-6-101), a sale of an interest in land which is a mortgage transaction (as defined in IC 24-4.5-1-301(17)).

SECTION 4. IC 24-4.5-3-105 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 105. Unless the loan is made subject to IC 24-4.5-3 by agreement (IC 24-4.5-3-601), and except with respect to disclosure (IC 24-4.5-3-301), debtors' remedies (IC 24-4.5-5-201), **providing payoff amounts (IC 24-4.5-3-209)**, and powers and functions of the department (IC 24-4.5-6-101), "consumer loan" does not include a loan primarily secured by an interest in land which is a mortgage transaction (as defined in IC 24-4.5-1-301(17)).



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SECTION 5. IC 24-4.5-2-209 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 209. Right to Prepay -

(1) Subject to the provisions on rebate upon prepayment (IC 24-4.5-2-210), the buyer may prepay in full the unpaid balance of a consumer credit sale, refinancing, or consolidation at any time without penalty.

(2) **At the time of prepayment of a credit sale not subject to the provisions of rebate upon prepayment (IC 24-4.5-2-210), the total credit service charge, including the prepaid credit service charge but excluding the loan origination fee allowed under IC 24-4.5-3-201, may not exceed the maximum charge allowed under this chapter for the period the credit sale was in effect.**

(3) **The creditor or mortgage servicer shall provide an accurate payoff of the consumer credit sale to the debtor within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's written request for the accurate consumer credit sale payoff amount. A creditor or mortgage servicer who fails to provide the accurate consumer credit sale payoff amount is liable for:**

(A) one hundred dollars (\$100) if an accurate consumer credit sale payoff amount is not provided by the creditor or mortgage servicer within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's first written request; and

(B) the greater of:

(i) one hundred dollars (\$100); or

(ii) the credit service charge that accrues on the sale from the date the creditor or mortgage servicer receives the first written request until the date on which the accurate consumer credit sale payoff amount is provided;

if an accurate consumer credit sale payoff amount is not provided by the creditor or mortgage servicer within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's second written request, and the creditor or mortgage servicer failed to comply with clause (A).

A liability under this subsection is an excess charge under IC 24-4.5-5-202.

SECTION 6. IC 24-4.5-3-209 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 209. Right to Prepay -

(1) Subject to the provisions on rebate upon prepayment



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(IC 24-4.5-3-210), the debtor may prepay in full the unpaid balance of a consumer loan, refinancing, or consolidation at any time without penalty. With respect to a consumer loan that is primarily secured by an interest in land, a lender may contract for a penalty for prepayment of the loan in full, not to exceed two percent (2%) of the net unpaid balance after deducting all refunds and rebates as of the date of the prepayment. However, the penalty may not be imposed:

- (1) (a) if the loan is refinanced or consolidated with the same creditor;
- (2) (b) for prepayment by proceeds of any insurance or acceleration after default; or
- (3) (c) after three (3) years from the contract date.

(2) At the time of prepayment of a consumer loan not subject to the provisions of rebate upon prepayment (IC 24-4.5-3-210), the total finance charge, including the prepaid finance charge but excluding the loan origination fee allowed under IC 24-4.5-3-201, may not exceed the maximum charge allowed under this chapter for the period the loan was in effect.

(3) The creditor or mortgage servicer shall provide an accurate payoff of the consumer loan to the debtor within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's written request for the accurate consumer loan payoff amount. A creditor or mortgage servicer who fails to provide the accurate consumer loan payoff amount is liable for:

(A) one hundred dollars (\$100) if an accurate consumer loan payoff amount is not provided by the creditor or mortgage servicer within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's first written request; and

(B) the greater of:

(i) one hundred dollars (\$100); or

(ii) the loan finance charge that accrues on the loan from the date the creditor or mortgage servicer receives the first written request until the date on which the accurate consumer loan payoff amount is provided;

if an accurate consumer loan payoff amount is not provided by the creditor or mortgage servicer within ten (10) calendar days after the creditor or mortgage servicer receives the debtor's second written request, and the creditor or mortgage servicer failed to comply with clause (A).

A liability under this subsection is an excess charge under



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IC 24-4.5-5-202.

SECTION 7. IC 24-4.5-3-502 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 502. Authority to Make Consumer Loans - Unless a person is a supervised financial organization or has first obtained a license from the department, the person shall not **regularly** engage in this state in the business of:

- (+) (a) making consumer loans; or
- (-) (b) taking assignments of and undertaking direct collection of payments from or enforcement of rights against debtors arising from consumer loans. ~~but the person~~

However, an assignee may collect and enforce for three (3) months without a license if the ~~person~~ **assignee** promptly applies for a license and the ~~person's assignee's~~ application has not been denied.

SECTION 8. IC 24-4.5-3-503 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 503. License to Make Consumer Loans) (1) The department shall receive and act on all applications for licenses to make consumer loans. Applications must be as prescribed by the director of the department of financial institutions.

(2) A license shall not be issued unless the department finds that the financial responsibility, character, and fitness of the applicant and of the members of the applicant (if the applicant is a co-partnership or an association) and of the officers and directors of the applicant (if the applicant is a corporation) are such as to warrant belief that the business will be operated honestly and fairly within the purposes of this article. The director is entitled to request evidence of compliance with this section **at the time of application or after a license is issued. The evidence requested includes, but is not limited to, an official report of criminal activity of the applicant from the state law enforcement agency or criminal history records repository of the state in which the applicant resides.**

(3) Upon written request, the applicant is entitled to a hearing on the question of the qualifications of the applicant for a license as provided in IC 4-21.5.

(4) The applicant shall pay the following fees at the time designated by the department:

- (a) An initial license fee as established by the department under IC 28-11-3-5.
- (b) An initial investigation fee as established by the department under IC 28-11-3-5.
- (c) An annual renewal fee as established by the department under IC 28-11-3-5.

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(d) A fee as established by the department under IC 28-11-3-5 may be charged for each day the annual renewal fee is delinquent.

(5) The applicant may deduct the fees required under subsection 4(a) through 4(c) from the filing fees paid under IC 24-4.5-6-203.

(6) A loan license issued under this section is not assignable or transferable.

SECTION 9. IC 24-4.5-5-204 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 204. Debtor's Right to Rescind Certain Transactions) (1) A violation by a creditor of Section 125 of the Federal Consumer Credit Protection Act (IC 24-4.5-1-302) concerning the debtor's right to rescind a transaction that is a consumer credit sale or a consumer loan constitutes a violation of IC 24-4.5. A creditor may not accrue interest during the period when a consumer loan may be rescinded under Section 125 of the Federal Consumer Protection Act (15 U.S.C. 1635).

(2) A creditor must make available for disbursement the proceeds of a transaction subject to subsection (1) on the later of:

(A) the date the creditor is reasonably satisfied that the consumer has not rescinded the transaction; or

(B) the first business day after the expiration of the rescission period under subsection (1).

SECTION 10. IC 24-7-1-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 5. ~~This article does not apply to~~ Rental purchase agreements **under this article** involving motor vehicles (as defined in IC 9-13-2-105(a)) **are prohibited.**

SECTION 11. IC 28-1-1-6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 6. For purposes of IC 28-1-23-16, "depository financial institution" means a financial institution that is:**

(1) a commercial bank, organized or reorganized under the law of another state (as defined in IC 28-2-17-19) or United States law;

(2) a trust company, organized or reorganized under the law of another state (as defined in IC 28-2-17-19) or United States law;

(3) a credit union, organized or reorganized under the law of another state (as defined in IC 28-2-17-19) or United States law;

(4) a savings bank, organized or reorganized under the law of another state (as defined in IC 28-2-17-19) or United States law;

(5) a savings association, organized or reorganized under



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Indiana law, the law of another state (as defined in IC 28-2-17-19), or United States law;

(6) a bank of discount and deposit, organized or reorganized under the law of another state (as defined in IC 28-2-17-19) or United States law;

(7) an industrial loan and investment company, organized or reorganized under Indiana law, the law of another state (as defined in IC 28-2-17-19), or United States law; or

(8) a financial institution similar to those listed in subdivisions (1) through (7), organized or reorganized under Indiana law, the law of another state (as defined in IC 28-2-17-19), or United States law.

SECTION 12. IC 28-1-20-5, AS AMENDED BY P.L.19-1999, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 5. All persons, regardless of age, may become depositors in any bank or trust company and shall be subject to the same duties and liabilities respecting their deposits. ~~When any~~ **Whenever a deposit shall have been** is accepted by any bank or trust company in the name of any person, regardless of age, ~~it~~ **the deposit** may be withdrawn by ~~such person by:~~ **the depositor by either of the following methods:**

(1) Check or other instrument in writing. ~~which~~ **The** check or other instrument in writing ~~shall constitute~~ **constitutes** a receipt or acquittance, if the ~~same check or other instrument in writing~~ is signed by ~~such person;~~ **the depositor,** and ~~shall be constitutes~~ a valid release and discharge to the bank or trust company for all payments so made. ~~or~~

(2) Electronic means through:

(A) preauthorized direct withdrawal;

(B) an automated teller machine;

(C) a debit card; ~~or~~

(D) a transfer by telephone;

(E) a network, including the Internet; or

(F) any:

(i) electronic terminal;

(ii) computer;

(iii) magnetic tape; or

(iv) other electronic means.

subject to the terms and conditions of the

However, this section may not be construed to affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C.



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1693 et. seq.).

SECTION 13. IC 28-1-23-16 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 16. All persons, regardless of age, may become depositors in a depository financial institution (as defined in IC 28-1-1-6) and shall be subject to the same duties and liabilities respecting their deposits. Whenever a deposit is accepted by a depository financial institution in the name of any person, regardless of age, the deposit may be withdrawn by the depositor by either of the following methods:**

- (1) **Check or other instrument in writing. The check or other instrument in writing constitutes a receipt or acquittance, if the check or other instrument in writing is signed by the depositor, and constitutes a valid release and discharge to the depository financial institution for all payments so made.**
- (2) **Electronic means through:**
 - (A) **preauthorized direct withdrawal;**
 - (B) **an automated teller machine;**
 - (C) **a debit card;**
 - (D) **a transfer by telephone;**
 - (E) **a network, including the Internet; or**
 - (F) **any:**
 - (i) **electronic terminal;**
 - (ii) **computer;**
 - (iii) **magnetic tape; or**
 - (iv) **other electronic means.**

However, this section may not be construed to affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.).

SECTION 14. IC 28-7-1-37 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 37. All members, regardless of age, may become depositors in a credit union and shall be subject to the same duties and liabilities respecting their deposits. Whenever a deposit is accepted by a credit union in the name of any person, regardless of age, the deposit may be withdrawn by the depositor by either of the following methods:**

- (1) **Check or other instrument in writing. The check or other instrument in writing constitutes a receipt or acquittance, if the check or other instrument in writing is signed by the depositor, and constitutes a valid release and discharge to the**



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credit union for all payments so made.

(2) Electronic means through:

- (A) preauthorized direct withdrawal;
- (B) an automated teller machine;
- (C) a debit card;
- (D) a transfer by telephone;
- (E) a network, including the Internet; or
- (F) any:
 - (i) electronic terminal;
 - (ii) computer;
 - (iii) magnetic tape; or
 - (iv) other electronic means.

However, this section may not be construed to affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.)."

Page 2, between lines 16 and 17, begin a new paragraph and insert:

"SECTION 16. IC 28-15-5-3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 3. All persons, regardless of age, may become depositors in a savings association and shall be subject to the same duties and liabilities respecting their deposits. Whenever a deposit is accepted by a savings association in the name of any person, regardless of age, the deposit may be withdrawn by the depositor by either of the following methods:**

(1) Check or other instrument in writing. The check or other instrument in writing constitutes a receipt or acquittance, if the check or other instrument in writing is signed by the depositor, and constitutes a valid release and discharge to the savings association for all payments so made.

(2) Electronic means through:

- (A) preauthorized direct withdrawal;
- (B) an automated teller machine;
- (C) a debit card;
- (D) a transfer by telephone;
- (E) a network, including the Internet; or
- (F) any:
 - (i) electronic terminal;
 - (ii) computer;
 - (iii) magnetic tape; or
 - (iv) other electronic means.

However, this section may not be construed to affect the rights,



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liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.)."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1010 as reprinted January 28, 2000.)

PAUL, Chairperson

Committee Vote: Yeas 9, Nays 0.

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SENATE MOTION

Mr. President: I move that Engrossed House Bill 1010 be amended to read as follows:

Page 9, delete lines 26 through 42.

Delete pages 10 through 11.

Page 12, delete lines 1 through 20.

Page 12, delete lines 26 through 42.

Page 13, delete lines 1 through 11.

Renumber all SECTIONS consecutively.

(Reference is to EHB 1010 as printed February 22, 2000.)

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