



Reprinted  
February 13, 2013

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## HOUSE BILL No. 1083

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DIGEST OF HB 1083 (Updated February 12, 2013 1:58 pm - DI 101)

**Citations Affected:** IC 24-4.5.

**Synopsis:** Charges for consumer loans and credit sales. Makes the following changes for purposes of the statutes that prescribe the maximum credit service charge for a consumer credit sale (other than a sale involving a revolving charge account) and the maximum loan finance charge for a supervised loan: (1) Increases the applicable amounts financed that are subject to the graduated service charge or loan finance charge percentages. (2) Increases the service charge or loan finance charge percentage that applies if the graduated percentages do not apply from 21% to 25%. Increases from 21% to 25% the permitted loan finance charge for consumer loans other than supervised loans. Provides that a lender may contract for and receive a loan origination fee of not more than \$50 for consumer loans other than supervised loans and for supervised loans. (Current law provides that the permitted origination fee is 2% of the loan amount (or 2% of the line of credit for a revolving loan) for consumer loans other than supervised loans, and does not provide for any origination fee for supervised loans.) Specifies that a lender may impose the permitted minimum loan finance charge only if the lender does not assess a loan origination fee. Provides that if a lender retains any part of a loan origination fee charged on a loan that is paid in full by a new loan from the lender within three months of the prior loan, the lender may not charge a loan origination fee on the new loan.

**Effective:** July 1, 2013.

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### Burton, GiaQuinta

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January 7, 2013, read first time and referred to Committee on Financial Institutions.  
February 7, 2013, amended, reported — Do Pass.  
February 12, 2013, read second time, amended, ordered engrossed.

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HB 1083—LS 6601/DI 101+



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First Regular Session 118th General Assembly (2013)

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 2012 Regular Session of the General Assembly.

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## HOUSE BILL No. 1083

A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

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

- 1 SECTION 1. IC 24-4.5-2-201, AS AMENDED BY P.L.145-2008,  
2 SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2013]: Sec. 201. Credit Service Charge for Consumer Credit  
4 Sales other than Revolving Charge Accounts — (1) With respect to a  
5 consumer credit sale, other than a sale pursuant to a revolving charge  
6 account, a seller may contract for and receive a credit service charge  
7 not exceeding that permitted by this section.  
8 (2) The credit service charge, calculated according to the actuarial  
9 method, may not exceed the equivalent of the greater of: ~~either of the~~  
10 ~~following~~:  
11 (a) the total of:  
12 (i) thirty-six percent (36%) per year on that part of the unpaid  
13 balances of the amount financed which is ~~three hundred two~~  
14 **thousand** dollars ~~(\$300)~~ **(\$2,000)** or less;  
15 (ii) twenty-one percent (21%) per year on that part of the  
16 unpaid balances of the amount financed which is more than  
17 ~~three hundred two thousand~~ **thousand** dollars ~~(\$300)~~ **(\$2,000)** but does

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1 not exceed ~~one~~ **four** thousand dollars (~~\$1,000~~); (**\$4,000**); and  
 2 (iii) fifteen percent (15%) per year on that part of the unpaid  
 3 balances of the amount financed which is more than ~~one~~ **four**  
 4 thousand dollars (~~\$1,000~~); (**\$4,000**); or  
 5 (b) ~~twenty-one~~ **twenty-five** percent (~~21%~~) (**25%**) per year on the  
 6 unpaid balances of the amount financed.

7 (3) This section does not limit or restrict the manner of contracting  
 8 for the credit service charge, whether by way of add-on, discount, or  
 9 otherwise, so long as the rate of the credit service charge does not  
 10 exceed that permitted by this section. If the sale is precomputed:

11 (a) the credit service charge may be calculated on the assumption  
 12 that all scheduled payments will be made when due; and

13 (b) the effect of prepayment is governed by the provisions on  
 14 rebate upon prepayment (~~HC 24-4.5-2-210~~): **in section 210 of this**  
 15 **chapter.**

16 (4) For the purposes of this section, the term of a sale agreement  
 17 commences with the date the credit is granted or, if goods are delivered  
 18 or services performed more than thirty (30) days after that date, with  
 19 the date of commencement of delivery or performance except as set  
 20 forth below:

21 (a) Delays attributable to the customer. Where the customer  
 22 requests delivery after the thirty (30) day period or where delivery  
 23 occurs after the thirty (30) day period for a reason attributable to  
 24 the customer (including but not limited to failure to close on a  
 25 residence or failure to obtain lease approval), the term of the sale  
 26 agreement shall commence with the date credit is granted.

27 (b) Partial Deliveries. Where any portion of the order has been  
 28 delivered within the thirty (30) day period, the term of the sale  
 29 agreement shall commence with the date credit is granted.

30 Differences in the lengths of months are disregarded and a day may be  
 31 counted as one-thirtieth (1/30) of a month. Subject to classifications  
 32 and differentiations the seller may reasonably establish, a part of a  
 33 month in excess of fifteen (15) days may be treated as a full month if  
 34 periods of fifteen (15) days or less are disregarded and that procedure  
 35 is not consistently used to obtain a greater yield than would otherwise  
 36 be permitted.

37 (5) Subject to classifications and differentiations the seller may  
 38 reasonably establish, the seller may make the same credit service  
 39 charge on all amounts financed within a specified range. A credit  
 40 service charge so made does not violate subsection (2) if:

41 (a) when applied to the median amount within each range, it does  
 42 not exceed the maximum permitted by subsection (2); and

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(b) when applied to the lowest amount within each range, it does not produce a rate of credit service charge exceeding the rate calculated according to paragraph (a) by more than eight percent (8%) of the rate calculated according to paragraph (a).

(6) Notwithstanding subsection (2), the seller may contract for and receive a minimum credit service charge of not more than thirty dollars (\$30). The minimum credit service charge allowed under this subsection may be imposed only if:

(a) the debtor prepays in full a consumer credit sale, refinancing, or consolidation, regardless of whether the sale, refinancing, or consolidation is precomputed;

(b) the sale, refinancing, or consolidation prepaid by the debtor is subject to a credit service charge that:

(i) is contracted for by the parties; and

(ii) does not exceed the rate prescribed in subsection (2); and

(c) the credit service charge earned at the time of prepayment is less than the minimum credit service charge contracted for under this subsection.

(7) The amounts of ~~three hundred two thousand~~ dollars (~~\$300~~) (**\$2,000**) and ~~one four thousand~~ dollars (~~\$1,000~~) (**\$4,000**) in subsection (2) are subject to change pursuant to the provisions on adjustment of dollar amounts (IC 24-4.5-1-106). **However, notwithstanding IC 24-4.5-1-106(1), the Reference Base Index to be used under this subsection is the Index for October 2012.**

(8) The amount of thirty dollars (\$30) in subsection (6) is subject to change under the provisions on adjustment of dollar amounts (IC 24-4.5-1-106). However, notwithstanding IC 24-4.5-1-106(1), the Reference Base Index to be used under this subsection is the Index for October 1992.

SECTION 2. IC 24-4.5-3-201, AS AMENDED BY P.L.145-2008, SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 201. Loan Finance Charge for Consumer Loans other than Supervised Loans—(1) Except as provided in subsections (6) and (8), with respect to a consumer loan other than a supervised loan (~~IC 24-4.5-3-501~~), **(as defined in section 501 of this chapter)**, a lender may contract for a loan finance charge, calculated according to the actuarial method, not exceeding ~~twenty-one~~ **twenty-five** percent (~~21%~~) (**25%**) per year on the unpaid balances of the principal.

(2) This section does not limit or restrict the manner of contracting for the loan finance charge, whether by way of add-on, discount, or otherwise, so long as the rate of the loan finance charge does not exceed that permitted by this section. If the loan is precomputed:

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1 (a) the loan finance charge may be calculated on the assumption  
2 that all scheduled payments will be made when due; and

3 (b) the effect of prepayment is governed by the provisions on  
4 rebate upon prepayment (~~HC 24-4.5-3-210~~). **in section 210 of this**  
5 **chapter.**

6 (3) For the purposes of this section, the term of a loan commences  
7 with the date the loan is made. Differences in the lengths of months are  
8 disregarded, and a day may be counted as one-thirtieth (1/30) of a  
9 month. Subject to classifications and differentiations the lender may  
10 reasonably establish, a part of a month in excess of fifteen (15) days  
11 may be treated as a full month if periods of fifteen (15) days or less are  
12 disregarded and if that procedure is not consistently used to obtain a  
13 greater yield than would otherwise be permitted. For purposes of  
14 computing average daily balances, the creditor may elect to treat all  
15 months as consisting of thirty (30) days.

16 (4) With respect to a consumer loan made pursuant to a revolving  
17 loan account:

18 (a) the loan finance charge shall be deemed not to exceed the  
19 maximum annual percentage rate if the loan finance charge  
20 contracted for and received does not exceed a charge in each  
21 monthly billing cycle which is ~~one two and three-fourths~~  
22 **eighty-three thousandths** percent (~~± 3/4%~~) **(2.083%)** of an  
23 amount not greater than:

- 24 (i) the average daily balance of the debt;  
25 (ii) the unpaid balance of the debt on the same day of the  
26 billing cycle; or  
27 (iii) subject to subsection (5), the median amount within a  
28 specified range within which the average daily balance or the  
29 unpaid balance of the debt, on the same day of the billing  
30 cycle, is included; for the purposes of this subparagraph and  
31 subparagraph (ii), a variation of not more than four (4) days  
32 from month to month is "the same day of the billing cycle";

33 (b) if the billing cycle is not monthly, the loan finance charge  
34 shall be deemed not to exceed the maximum annual percentage  
35 rate if the loan finance charge contracted for and received does  
36 not exceed a percentage which bears the same relation to  
37 one-twelfth (1/12) the maximum annual percentage rate as the  
38 number of days in the billing cycle bears to thirty (30); and

39 (c) notwithstanding subsection (1), if there is an unpaid balance  
40 on the date as of which the loan finance charge is applied, the  
41 lender may contract for and receive a charge not exceeding fifty  
42 cents (\$0.50) if the billing cycle is monthly or longer, or the pro

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1 rata part of fifty cents (\$0.50) which bears the same relation to  
 2 fifty cents (\$0.50) as the number of days in the billing cycle bears  
 3 to thirty (30) if the billing cycle is shorter than monthly, but no  
 4 charge may be made pursuant to this paragraph if the lender has  
 5 made an annual charge for the same period as permitted by the  
 6 provisions on additional charges (~~paragraph (c) of subsection (1)~~  
 7 ~~of IC 24-4.5-3-202~~). **in section 202(1)(c) of this chapter.**

8 (5) Subject to classifications and differentiations the lender may  
 9 reasonably establish, ~~and the lender may~~ make the same loan finance  
 10 charge on all amounts financed within a specified range. A loan finance  
 11 charge does not violate subsection (1) if:

- 12 (a) when applied to the median amount within each range, it does  
 13 not exceed the maximum permitted by subsection (1); and  
 14 (b) when applied to the lowest amount within each range, it does  
 15 not produce a rate of loan finance charge exceeding the rate  
 16 calculated according to paragraph (a) by more than eight percent  
 17 (8%) of the rate calculated according to paragraph (a).

18 (6) With respect to a consumer loan not made pursuant to a  
 19 revolving loan account, the lender may contract for and receive a  
 20 minimum loan finance charge of not more than thirty dollars (\$30). The  
 21 minimum loan finance charge allowed under this subsection may be  
 22 imposed only if **the lender does not assess a loan origination fee**  
 23 **under subsection (8) and:**

- 24 (a) the debtor prepays in full a consumer loan, refinancing, or  
 25 consolidation, regardless of whether the loan, refinancing, or  
 26 consolidation is precomputed;  
 27 (b) the loan, refinancing, or consolidation prepaid by the debtor  
 28 is subject to a loan finance charge that:  
 29 (i) is contracted for by the parties; and  
 30 (ii) does not exceed the rate prescribed in subsection (1); and  
 31 (c) the loan finance charge earned at the time of prepayment is  
 32 less than the minimum loan finance charge contracted for under  
 33 this subsection.

34 (7) The amount of thirty dollars (\$30) in subsection (6) is subject to  
 35 change under the provisions on adjustment of dollar amounts  
 36 (IC 24-4.5-1-106). However, notwithstanding IC 24-4.5-1-106(1), the  
 37 Reference Base Index to be used under this subsection is the Index for  
 38 October 1992.

39 (8) **Except as provided in subsection (6), in addition to the loan**  
 40 **finance charge provided for in this section, any other charges and fees**  
 41 **permitted by this chapter, a lender may contract for the following:** (a)  
 42 ~~With respect to a consumer loan that is not made under a revolving~~

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1 loan account; a loan origination fee of not more than two percent (2%)  
 2 of the loan amount. (b) With respect to a consumer loan that is made  
 3 under a revolving loan account, **and receive** a loan origination fee of  
 4 not more than two percent (2%) of the line of credit that was contracted  
 5 for: **fifty dollars (\$50).**

6 (9) The ~~charges fee~~ provided for in subsection (8) (a) ~~are is~~  
 7 subject to refund or rebate. (b) ~~are not permitted~~ if a lender makes a  
 8 settlement charge under IC 24-4.5-3-202(d)(ii); and (c) are limited to  
 9 two percent (2%) of the part of the loan that does not exceed two  
 10 thousand dollars (\$2,000); if the loan is not primarily secured by an  
 11 interest in land.

12 (10) Notwithstanding ~~subdivision (a);~~ **subsection (9)**, if a lender  
 13 retains any part of a loan origination fee charged on a loan that is paid  
 14 in full by a new loan from the same lender within three (3) months after  
 15 the date of the prior loan, the lender may **not** charge a loan origination  
 16 fee ~~only on that part of the new loan, not used to pay the amount due on~~  
 17 ~~the prior loan;~~ or, in the case of a revolving loan, ~~the lender may charge~~  
 18 ~~a loan origination fee only on the difference between the amount of the~~  
 19 ~~existing credit line and the increased credit line. This subsection does~~  
 20 ~~not prohibit a lender from contracting for and receiving a fee for~~  
 21 ~~preparing deeds, mortgages, reconveyance, and similar documents~~  
 22 ~~under IC 24-4.5-3-202(d)(ii); in addition to the charges provided for in~~  
 23 ~~subsection (8):~~

24 SECTION 3. IC 24-4.5-3-501 IS AMENDED TO READ AS  
 25 FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 501. Definitions:

26 (1) "Supervised loan" means a consumer loan in which the rate of  
 27 the loan finance charge exceeds ~~twenty-one~~ **twenty-five** percent (21%)  
 28 **(25%)** per year as determined according to the provisions on loan  
 29 finance charge for consumer loans (~~IC 24-4.5-3-201~~): **in section 201**  
 30 **of this chapter.**

31 (2) "Supervised lender" means a person authorized to make or take  
 32 assignments of supervised loans.

33 SECTION 4. IC 24-4.5-3-508, AS AMENDED BY P.L.145-2008,  
 34 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 35 JULY 1, 2013]: Sec. 508. Loan Finance Charge for Supervised Loans  
 36 – (1) With respect to a supervised loan, including a loan pursuant to a  
 37 revolving loan account, a supervised lender may contract for and  
 38 receive a loan finance charge not exceeding that permitted by this  
 39 section.

40 (2) The loan finance charge, calculated according to the actuarial  
 41 method, may not exceed the equivalent of the greater of: ~~either of the~~  
 42 ~~following:~~



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- 1 (a) the total of:
- 2 (i) thirty-six percent (36%) per year on that part of the unpaid
- 3 balances of the principal which is ~~three hundred two thousand~~
- 4 dollars ~~(\$300)~~ **(\$2,000)** or less;
- 5 (ii) twenty-one percent (21%) per year on that part of the
- 6 unpaid balances of the principal which is more than ~~three~~
- 7 ~~hundred two thousand~~ dollars ~~(\$300)~~ **(\$2,000)** but does not
- 8 exceed ~~one four~~ thousand dollars ~~(\$1,000)~~; **(\$4,000)**; and
- 9 (iii) fifteen percent (15%) per year on that part of the unpaid
- 10 balances of the principal which is more than ~~one four~~
- 11 thousand dollars ~~(\$1000)~~; **(\$4,000)**; or
- 12 (b) ~~twenty-one~~ **twenty-five** percent ~~(21%)~~ **(25%)** per year on the
- 13 unpaid balances of the principal.
- 14 (3) This section does not limit or restrict the manner of contracting
- 15 for the loan finance charge, whether by way of add-on, discount, or
- 16 otherwise, so long as the rate of the loan finance charge does not
- 17 exceed that permitted by this section. If the loan is precomputed:
- 18 (a) the loan finance charge may be calculated on the assumption
- 19 that all scheduled payments will be made when due; and
- 20 (b) the effect of prepayment is governed by the provisions on
- 21 rebate upon prepayment ~~(HC 24-4.5-3-210)~~; **in section 210 of this**
- 22 **chapter.**
- 23 (4) The term of a loan for the purposes of this section commences
- 24 on the date the loan is made. Differences in the lengths of months are
- 25 disregarded, and a day may be counted as one-thirtieth (1/30) of a
- 26 month. Subject to classifications and differentiations the lender may
- 27 reasonably establish, a part of a month in excess of fifteen (15) days
- 28 may be treated as a full month if periods of fifteen (15) days or less are
- 29 disregarded and that procedure is not consistently used to obtain a
- 30 greater yield than would otherwise be permitted.
- 31 (5) Subject to classifications and differentiations the lender may
- 32 reasonably establish, ~~and the lender may~~ make the same loan finance
- 33 charge on all principal amounts within a specified range. A loan
- 34 finance charge does not violate subsection (2) if:
- 35 (a) when applied to the median amount within each range, it does
- 36 not exceed the maximum permitted in subsection (2); and
- 37 (b) when applied to the lowest amount within each range, it does
- 38 not produce a rate of loan finance charge exceeding the rate
- 39 calculated according to paragraph (a) by more than eight percent
- 40 (8%) of the rate calculated according to paragraph (a).
- 41 (6) The amounts of ~~three hundred two thousand~~ dollars ~~(\$300)~~
- 42 **(\$2,000)** and ~~one four~~ thousand dollars ~~(\$1,000)~~ **(\$4,000)** in subsection

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1 (2) and thirty dollars (\$30) in subsection (7) are subject to change  
 2 pursuant to the provisions on adjustment of dollar amounts  
 3 (IC 24-4.5-1-106). **However, notwithstanding IC 24-4.5-1-106(1),** for  
 4 the adjustment of the amount of thirty dollars (\$30), the Reference  
 5 Base Index to be used is the Index for October 1992. **Notwithstanding**  
 6 **IC 24-4.5-1-106(1), for the adjustment of the amounts of two**  
 7 **thousand dollars (\$2,000) and four thousand dollars (\$4,000), the**  
 8 **Reference Base Index to be used is the Index for October 2012.**

9 (7) With respect to a supervised loan not made pursuant to a  
 10 revolving loan account, the lender may contract for and receive a  
 11 minimum loan finance charge of not more than thirty dollars (\$30). The  
 12 minimum loan finance charge allowed under this subsection may be  
 13 imposed only if **the lender does not assess a loan origination fee**  
 14 **under subsection (8) and:**

15 (a) the debtor prepays in full a consumer loan, refinancing, or  
 16 consolidation, regardless of whether the loan, refinancing, or  
 17 consolidation is precomputed;

18 (b) the loan, refinancing, or consolidation prepaid by the debtor  
 19 is subject to a loan finance charge that:

20 (i) is contracted for by the parties; and

21 (ii) does not exceed the rate prescribed in subsection (2); and

22 (c) the loan finance charge earned at the time of prepayment is  
 23 less than the minimum loan finance charge contracted for under  
 24 this subsection.

25 **(8) Except as provided in subsection (7), in addition to any other**  
 26 **charges and fees permitted by this chapter, the lender may**  
 27 **contract for and receive a loan origination fee of not more than**  
 28 **fifty dollars (\$50).**

29 **(9) The fee provided for in subsection (8) is not subject to refund**  
 30 **or rebate.**

31 **(10) Notwithstanding subsection (9), if a lender retains any part**  
 32 **of a loan origination fee charged on a loan that is paid in full by a**  
 33 **new loan from the same lender within three (3) months after the**  
 34 **date of the prior loan, the lender may not charge a loan origination**  
 35 **fee on the new loan, or, in the case of a revolving loan, on the**  
 36 **increased credit line.**

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Financial Institutions, to which was referred House Bill 1083, 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:

Page 1, line 13, delete "five" and insert "**two**".

Page 1, line 14, delete "\$5,000" and insert "**(\$2,000)**".

Page 1, line 17, delete "five" and insert "**two**".

Page 1, line 17, delete "\$5,000" and insert "**(\$2,000)**".

Page 2, line 1, delete "seven" and insert "**four**".

Page 2, line 1, delete "five hundred".

Page 2, line 2, delete "\$7,500);" and insert "**(\$4,000);**".

Page 2, line 4, delete "seven" and insert "**four**".

Page 2, line 5, delete "five hundred".

Page 2, line 5, delete "\$7,500);" and insert "**(\$4,000);**".

Page 3, line 19, delete "five" and insert "**two**".

Page 3, line 20, delete "\$5,000" and insert "**(\$2,000)**".

Page 3, line 20, delete "seven" and insert "**four**".

Page 3, line 20, delete "five hundred".

Page 3, line 21, delete "\$7,500" and insert "**(\$4,000)**".

Page 3, delete lines 28 through 42, begin a new paragraph and insert:

"SECTION 2. IC 24-4.5-3-201, AS AMENDED BY P.L.145-2008, SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 201. Loan Finance Charge for Consumer Loans other than Supervised Loans—(1) Except as provided in subsections (6) and (8), with respect to a consumer loan other than a supervised loan (IC 24-4.5-3-501), a lender may contract for a loan finance charge, calculated according to the actuarial method, not exceeding ~~twenty-one~~ **twenty-five** percent (~~21%~~) (**25%**) per year on the unpaid balances of the principal.

(2) This section does not limit or restrict the manner of contracting for the loan finance charge, whether by way of add-on, discount, or otherwise, so long as the rate of the loan finance charge does not exceed that permitted by this section. If the loan is precomputed:

(a) the loan finance charge may be calculated on the assumption that all scheduled payments will be made when due; and

(b) the effect of prepayment is governed by the provisions on rebate upon prepayment (IC 24-4.5-3-210).

(3) For the purposes of this section, the term of a loan commences with the date the loan is made. Differences in the lengths of months are

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disregarded, and a day may be counted as one-thirtieth (1/30) of a month. Subject to classifications and differentiations the lender may reasonably establish, a part of a month in excess of fifteen (15) days may be treated as a full month if periods of fifteen (15) days or less are disregarded and if that procedure is not consistently used to obtain a greater yield than would otherwise be permitted. For purposes of computing average daily balances, the creditor may elect to treat all months as consisting of thirty (30) days.

(4) With respect to a consumer loan made pursuant to a revolving loan account:

(a) the loan finance charge shall be deemed not to exceed the maximum annual percentage rate if the loan finance charge contracted for and received does not exceed a charge in each monthly billing cycle which is ~~one two and three-fourths~~ **eighty-three thousandths** percent (~~† 3/4%~~) **(2.083%)** of an amount no greater than:

- (i) the average daily balance of the debt;
- (ii) the unpaid balance of the debt on the same day of the billing cycle; or
- (iii) subject to subsection (5), the median amount within a specified range within which the average daily balance or the unpaid balance of the debt, on the same day of the billing cycle, is included; for the purposes of this subparagraph and subparagraph (ii), a variation of not more than four (4) days from month to month is "the same day of the billing cycle";

(b) if the billing cycle is not monthly, the loan finance charge shall be deemed not to exceed the maximum annual percentage rate if the loan finance charge contracted for and received does not exceed a percentage which bears the same relation to one-twelfth (1/12) the maximum annual percentage rate as the number of days in the billing cycle bears to thirty (30); and

(c) notwithstanding subsection (1), if there is an unpaid balance on the date as of which the loan finance charge is applied, the lender may contract for and receive a charge not exceeding fifty cents (\$0.50) if the billing cycle is monthly or longer, or the pro rata part of fifty cents (\$0.50) which bears the same relation to fifty cents (\$0.50) as the number of days in the billing cycle bears to thirty (30) if the billing cycle is shorter than monthly, but no charge may be made pursuant to this paragraph if the lender has made an annual charge for the same period as permitted by the provisions on additional charges (~~paragraph (c) of subsection (†) of IC 24-4.5-3-202~~). **(IC 24-4.5-3-202(1)(c))**.

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(5) Subject to classifications and differentiations the lender may reasonably establish, ~~and the lender may~~ make the same loan finance charge on all amounts financed within a specified range. A loan finance charge does not violate subsection (1) if:

- (a) when applied to the median amount within each range, it does not exceed the maximum permitted by subsection (1); and
- (b) when applied to the lowest amount within each range, it does not produce a rate of loan finance charge exceeding the rate calculated according to paragraph (a) by more than eight percent (8%) of the rate calculated according to paragraph (a).

(6) With respect to a consumer loan not made pursuant to a revolving loan account, the lender may contract for and receive a minimum loan finance charge of not more than thirty dollars (\$30). The minimum loan finance charge allowed under this subsection may be imposed only if:

- (a) the debtor prepays in full a consumer loan, refinancing, or consolidation, regardless of whether the loan, refinancing, or consolidation is precomputed;
- (b) the loan, refinancing, or consolidation prepaid by the debtor is subject to a loan finance charge that:
  - (i) is contracted for by the parties; and
  - (ii) does not exceed the rate prescribed in subsection (1); and
- (c) the loan finance charge earned at the time of prepayment is less than the minimum loan finance charge contracted for under this subsection.

(7) The amount of thirty dollars (\$30) in subsection (6) is subject to change under the provisions on adjustment of dollar amounts (IC 24-4.5-1-106). However, notwithstanding IC 24-4.5-1-106(1), the Reference Base Index to be used under this subsection is the Index for October 1992.

(8) In addition to the loan finance charge provided for in this section, a lender may contract for ~~the following:~~ ~~(a) With respect to a consumer loan that is not made under a revolving loan account, a loan origination fee of not more than two percent (2%) of the loan amount.~~ ~~(b) With respect to a consumer loan that is made under a revolving loan account, a loan origination fee of not more than two percent (2%) of the line of credit that was contracted for.~~ **fifty dollars (\$50).**

(9) The ~~charges fee~~ provided for in subsection (8):

- (a) ~~are is~~ not subject to refund or rebate; ~~and~~
- (b) ~~are is~~ not permitted if a lender makes a settlement charge under IC 24-4.5-3-202(d)(ii). ~~and~~
- (c) are limited to two percent (2%) of the part of the loan that

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does not exceed two thousand dollars (\$2,000); if the loan is not primarily secured by an interest in land:

Notwithstanding subdivision (a), if a lender retains any part of a loan origination fee charged on a loan that is paid in full by a new loan from the same lender within three (3) months after the date of the prior loan, the lender may charge a loan origination fee only on that part of the new loan not used to pay the amount due on the prior loan, or in the case of a revolving loan, the lender may charge a loan origination fee only on the difference between the amount of the existing credit line and the increased credit line. This subsection does not prohibit a lender from contracting for and receiving a fee for preparing deeds, mortgages, reconveyance, and similar documents under IC 24-4.5-3-202(d)(ii), in addition to the charges provided for in subsection (8).

SECTION 3. IC 24-4.5-3-508, AS AMENDED BY P.L.145-2008, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 508. Loan Finance Charge for Supervised Loans – (1) With respect to a supervised loan, including a loan pursuant to a revolving loan account, a supervised lender may contract for and receive a loan finance charge not exceeding that permitted by this section.

(2) The loan finance charge, calculated according to the actuarial method, may not exceed the equivalent of the greater of either of the following:

- (a) the total of:
  - (i) thirty-six percent (36%) per year on that part of the unpaid balances of the principal which is ~~three hundred two thousand dollars (\$300)~~ **(\$2,000)** or less;
  - (ii) twenty-one percent (21%) per year on that part of the unpaid balances of the principal which is more than ~~three hundred two thousand dollars (\$300)~~ **(\$2,000)** but does not exceed ~~one four thousand dollars (\$1,000);~~ **(\$4,000)**; and
  - (iii) fifteen percent (15%) per year on that part of the unpaid balances of the principal which is more than ~~one four thousand dollars (\$1000);~~ **(\$4,000)**; or
- (b) ~~twenty-one~~ **twenty-five** percent (~~21%~~) **(25%)** per year on the unpaid balances of the principal.

(3) This section does not limit or restrict the manner of contracting for the loan finance charge, whether by way of add-on, discount, or otherwise, so long as the rate of the loan finance charge does not exceed that permitted by this section. If the loan is precomputed:

- (a) the loan finance charge may be calculated on the assumption



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that all scheduled payments will be made when due; and  
 (b) the effect of prepayment is governed by the provisions on rebate upon prepayment (IC 24-4.5-3-210).

(4) The term of a loan for the purposes of this section commences on the date the loan is made. Differences in the lengths of months are disregarded, and a day may be counted as one-thirtieth (1/30) of a month. Subject to classifications and differentiations the lender may reasonably establish, a part of a month in excess of fifteen (15) days may be treated as a full month if periods of fifteen (15) days or less are disregarded and that procedure is not consistently used to obtain a greater yield than would otherwise be permitted.

(5) Subject to classifications and differentiations the lender may reasonably establish, **and the lender may** make the same loan finance charge on all principal amounts within a specified range. A loan finance charge does not violate subsection (2) if:

- (a) when applied to the median amount within each range, it does not exceed the maximum permitted in subsection (2); and
- (b) when applied to the lowest amount within each range, it does not produce a rate of loan finance charge exceeding the rate calculated according to paragraph (a) by more than eight percent (8%) of the rate calculated according to paragraph (a).

(6) The amounts of ~~three hundred two thousand~~ **two thousand** dollars (~~\$300~~) (**\$2,000**) and ~~one four~~ **four** thousand dollars (~~\$1,000~~) (**\$4,000**) in subsection (2) and thirty dollars (\$30) in subsection (7) are subject to change pursuant to the provisions on adjustment of dollar amounts (IC 24-4.5-1-106). For the adjustment of the amount of thirty dollars (\$30), the Reference Base Index to be used is the Index for October 1992.

(7) With respect to a supervised loan not made pursuant to a revolving loan account, the lender may contract for and receive a minimum loan finance charge of not more than thirty dollars (\$30). The minimum loan finance charge allowed under this subsection may be imposed only if:

- (a) the debtor prepays in full a consumer loan, refinancing, or consolidation, regardless of whether the loan, refinancing, or consolidation is precomputed;
- (b) the loan, refinancing, or consolidation prepaid by the debtor is subject to a loan finance charge that:
  - (i) is contracted for by the parties; and
  - (ii) does not exceed the rate prescribed in subsection (2); and
- (c) the loan finance charge earned at the time of prepayment is less than the minimum loan finance charge contracted for under

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this subsection.

**(8) In addition to any other charges and fees permitted by this chapter, the lender may contract for and receive a loan origination fee of not more than fifty dollars (\$50).**

**(9) The fee provided for in subsection (8):**

**(a) is not subject to refund or rebate; and**

**(b) is not permitted if a lender makes a settlement charge under IC 24-4.5-3-202(d)(ii).**

**Notwithstanding subdivision (a), if a lender retains any part of a loan origination fee charged on a loan that is paid in full by a new loan from the same lender within three (3) months after the date of the prior loan, the lender may charge a loan origination fee only on that part of the new loan not used to pay the amount due on the prior loan, or in the case of a revolving loan, the lender may charge a loan origination fee only on the difference between the amount of the existing credit line and the increased credit line. This subsection does not prohibit a lender from contracting for and receiving a fee for preparing deeds, mortgages, reconveyance, and similar documents under IC 24-4.5-3-202(d)(ii), in addition to the charge provided for in subsection (8)."**

Delete pages 4 through 8.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1083 as introduced.)

BURTON, Chair

Committee Vote: yeas 10, nays 1.

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HOUSE MOTION

Mr. Speaker: I move that House Bill 1083 be amended to read as follows:

Page 1, line 9, after "greater of" insert ":",

Page 1, line 9, strike "either of the".

Page 1, strike line 10.

Page 2, line 14, strike "(IC 24-4.5-2-210)." and insert "**in section 210 of this chapter.**"

Page 3, line 21, after "(IC 24-4.5-1-106)." insert "**However, notwithstanding IC 24-4.5-1-106(1), the Reference Base Index to be used under this subsection is the Index for October 2012.**"

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Page 3, delete lines 27 through 42, begin a new paragraph and insert:

"SECTION 2. IC 24-4.5-3-201, AS AMENDED BY P.L.145-2008, SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 201. Loan Finance Charge for Consumer Loans other than Supervised Loans—(1) Except as provided in subsections (6) and (8), with respect to a consumer loan other than a supervised loan (~~IC 24-4.5-3-501~~); **(as defined in section 501 of this chapter)**, a lender may contract for a loan finance charge, calculated according to the actuarial method, not exceeding ~~twenty-one~~ **twenty-five** percent (~~21%~~) **(25%)** per year on the unpaid balances of the principal.

(2) This section does not limit or restrict the manner of contracting for the loan finance charge, whether by way of add-on, discount, or otherwise, so long as the rate of the loan finance charge does not exceed that permitted by this section. If the loan is precomputed:

- (a) the loan finance charge may be calculated on the assumption that all scheduled payments will be made when due; and
- (b) the effect of prepayment is governed by the provisions on rebate upon prepayment (~~IC 24-4.5-3-210~~); **in section 210 of this chapter.**

(3) For the purposes of this section, the term of a loan commences with the date the loan is made. Differences in the lengths of months are disregarded, and a day may be counted as one-thirtieth (1/30) of a month. Subject to classifications and differentiations the lender may reasonably establish, a part of a month in excess of fifteen (15) days may be treated as a full month if periods of fifteen (15) days or less are disregarded and if that procedure is not consistently used to obtain a greater yield than would otherwise be permitted. For purposes of computing average daily balances, the creditor may elect to treat all months as consisting of thirty (30) days.

(4) With respect to a consumer loan made pursuant to a revolving loan account:

- (a) the loan finance charge shall be deemed not to exceed the maximum annual percentage rate if the loan finance charge contracted for and received does not exceed a charge in each monthly billing cycle which is ~~one two and three-fourths~~ **eighty-three thousandths** percent (~~1 3/4%~~) **(2.083%)** of an amount not greater than:
  - (i) the average daily balance of the debt;
  - (ii) the unpaid balance of the debt on the same day of the billing cycle; or
  - (iii) subject to subsection (5), the median amount within a



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specified range within which the average daily balance or the unpaid balance of the debt, on the same day of the billing cycle, is included; for the purposes of this subparagraph and subparagraph (ii), a variation of not more than four (4) days from month to month is "the same day of the billing cycle";

(b) if the billing cycle is not monthly, the loan finance charge shall be deemed not to exceed the maximum annual percentage rate if the loan finance charge contracted for and received does not exceed a percentage which bears the same relation to one-twelfth (1/12) the maximum annual percentage rate as the number of days in the billing cycle bears to thirty (30); and

(c) notwithstanding subsection (1), if there is an unpaid balance on the date as of which the loan finance charge is applied, the lender may contract for and receive a charge not exceeding fifty cents (\$0.50) if the billing cycle is monthly or longer, or the pro rata part of fifty cents (\$0.50) which bears the same relation to fifty cents (\$0.50) as the number of days in the billing cycle bears to thirty (30) if the billing cycle is shorter than monthly, but no charge may be made pursuant to this paragraph if the lender has made an annual charge for the same period as permitted by the provisions on additional charges ~~(paragraph (c) of subsection (1) of IC 24-4.5-3-202)~~. **in section 202(1)(c) of this chapter.**

(5) Subject to classifications and differentiations the lender may reasonably establish, ~~and the lender may~~ make the same loan finance charge on all amounts financed within a specified range. A loan finance charge does not violate subsection (1) if:

(a) when applied to the median amount within each range, it does not exceed the maximum permitted by subsection (1); and

(b) when applied to the lowest amount within each range, it does not produce a rate of loan finance charge exceeding the rate calculated according to paragraph (a) by more than eight percent (8%) of the rate calculated according to paragraph (a).

(6) With respect to a consumer loan not made pursuant to a revolving loan account, the lender may contract for and receive a minimum loan finance charge of not more than thirty dollars (\$30). The minimum loan finance charge allowed under this subsection may be imposed only if **the lender does not assess a loan origination fee under subsection (8) and:**

(a) the debtor prepays in full a consumer loan, refinancing, or consolidation, regardless of whether the loan, refinancing, or consolidation is precomputed;

(b) the loan, refinancing, or consolidation prepaid by the debtor

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is subject to a loan finance charge that:

- (i) is contracted for by the parties; and
- (ii) does not exceed the rate prescribed in subsection (1); and
- (c) the loan finance charge earned at the time of prepayment is less than the minimum loan finance charge contracted for under this subsection.

(7) The amount of thirty dollars (\$30) in subsection (6) is subject to change under the provisions on adjustment of dollar amounts (IC 24-4.5-1-106). However, notwithstanding IC 24-4.5-1-106(1), the Reference Base Index to be used under this subsection is the Index for October 1992.

(8) **Except as provided in subsection (6), in addition to the loan finance charge provided for in this section, any other charges and fees permitted by this chapter,** a lender may contract for the following: (a) ~~With respect to a consumer loan that is not made under a revolving loan account, a loan origination fee of not more than two percent (2%) of the loan amount.~~ (b) ~~With respect to a consumer loan that is made under a revolving loan account, and receive a loan origination fee of not more than two percent (2%) of the line of credit that was contracted for: fifty dollars (\$50).~~

(9) ~~The charges fee provided for in subsection (8) (a) are is not subject to refund or rebate. (b) are not permitted if a lender makes a settlement charge under IC 24-4.5-3-202(d)(ii); and (c) are limited to two percent (2%) of the part of the loan that does not exceed two thousand dollars (\$2,000); if the loan is not primarily secured by an interest in land.~~

(10) ~~Notwithstanding subdivision (a); subsection (9), if a lender retains any part of a loan origination fee charged on a loan that is paid in full by a new loan from the same lender within three (3) months after the date of the prior loan, the lender may not charge a loan origination fee only on that part of the new loan, not used to pay the amount due on the prior loan; or, in the case of a revolving loan, the lender may charge a loan origination fee only on the difference between the amount of the existing credit line and the increased credit line. This subsection does not prohibit a lender from contracting for and receiving a fee for preparing deeds, mortgages, reconveyance, and similar documents under IC 24-4.5-3-202(d)(ii); in addition to the charges provided for in subsection (8).~~

SECTION 3. IC 24-4.5-3-501 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 501. Definitions:

(1) "Supervised loan" means a consumer loan in which the rate of the loan finance charge exceeds ~~twenty-one~~ **twenty-five** percent (21%)

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(25%) per year as determined according to the provisions on loan finance charge for consumer loans (~~IC 24-4.5-3-201~~): **in section 201 of this chapter.**

(2) "Supervised lender" means a person authorized to make or take assignments of supervised loans.

SECTION 4. IC 24-4.5-3-508, AS AMENDED BY P.L.145-2008, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 508. Loan Finance Charge for Supervised Loans – (1) With respect to a supervised loan, including a loan pursuant to a revolving loan account, a supervised lender may contract for and receive a loan finance charge not exceeding that permitted by this section.

(2) The loan finance charge, calculated according to the actuarial method, may not exceed the equivalent of the greater of: **either of the following:**

(a) the total of:

(i) thirty-six percent (36%) per year on that part of the unpaid balances of the principal which is ~~three hundred two thousand~~ **three hundred two thousand** dollars (~~\$300~~) (**\$2,000**) or less;

(ii) twenty-one percent (21%) per year on that part of the unpaid balances of the principal which is more than ~~three hundred two thousand~~ **three hundred two thousand** dollars (~~\$300~~) (**\$2,000**) but does not exceed ~~one four~~ **one four** thousand dollars (~~\$1,000~~); (**\$4,000**); and

(iii) fifteen percent (15%) per year on that part of the unpaid balances of the principal which is more than ~~one four~~ **one four** thousand dollars (~~\$1000~~); (**\$4,000**); or

(b) ~~twenty-one~~ **twenty-five** percent (~~21%~~) (**25%**) per year on the unpaid balances of the principal.

(3) This section does not limit or restrict the manner of contracting for the loan finance charge, whether by way of add-on, discount, or otherwise, so long as the rate of the loan finance charge does not exceed that permitted by this section. If the loan is precomputed:

(a) the loan finance charge may be calculated on the assumption that all scheduled payments will be made when due; and

(b) the effect of prepayment is governed by the provisions on rebate upon prepayment (~~IC 24-4.5-3-210~~): **in section 210 of this chapter.**

(4) The term of a loan for the purposes of this section commences on the date the loan is made. Differences in the lengths of months are disregarded, and a day may be counted as one-thirtieth (1/30) of a month. Subject to classifications and differentiations the lender may reasonably establish, a part of a month in excess of fifteen (15) days

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may be treated as a full month if periods of fifteen (15) days or less are disregarded and that procedure is not consistently used to obtain a greater yield than would otherwise be permitted.

(5) Subject to classifications and differentiations the lender may reasonably establish, **and the lender may** make the same loan finance charge on all principal amounts within a specified range. A loan finance charge does not violate subsection (2) if:

- (a) when applied to the median amount within each range, it does not exceed the maximum permitted in subsection (2); and
- (b) when applied to the lowest amount within each range, it does not produce a rate of loan finance charge exceeding the rate calculated according to paragraph (a) by more than eight percent (8%) of the rate calculated according to paragraph (a).

(6) The amounts of ~~three hundred two thousand~~ dollars (~~\$300~~) (**\$2,000**) and ~~one four thousand~~ dollars (~~\$1,000~~) (**\$4,000**) in subsection (2) and thirty dollars (\$30) in subsection (7) are subject to change pursuant to the provisions on adjustment of dollar amounts (IC 24-4.5-1-106). **However, notwithstanding IC 24-4.5-1-106(1), for the adjustment of the amount of thirty dollars (\$30), the Reference Base Index to be used is the Index for October 1992. Notwithstanding IC 24-4.5-1-106(1), for the adjustment of the amounts of two thousand dollars (\$2,000) and four thousand dollars (\$4,000), the Reference Base Index to be used is the Index for October 2012.**

(7) With respect to a supervised loan not made pursuant to a revolving loan account, the lender may contract for and receive a minimum loan finance charge of not more than thirty dollars (\$30). The minimum loan finance charge allowed under this subsection may be imposed only if **the lender does not assess a loan origination fee under subsection (8) and:**

- (a) the debtor prepays in full a consumer loan, refinancing, or consolidation, regardless of whether the loan, refinancing, or consolidation is precomputed;
- (b) the loan, refinancing, or consolidation prepaid by the debtor is subject to a loan finance charge that:
  - (i) is contracted for by the parties; and
  - (ii) does not exceed the rate prescribed in subsection (2); and
- (c) the loan finance charge earned at the time of prepayment is less than the minimum loan finance charge contracted for under this subsection.

**(8) Except as provided in subsection (7), in addition to any other charges and fees permitted by this chapter, the lender may contract for and receive a loan origination fee of not more than**

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fifty dollars (\$50).

**(9) The fee provided for in subsection (8) is not subject to refund or rebate.**

**(10) Notwithstanding subsection (9), if a lender retains any part of a loan origination fee charged on a loan that is paid in full by a new loan from the same lender within three (3) months after the date of the prior loan, the lender may not charge a loan origination fee on the new loan, or, in the case of a revolving loan, on the increased credit line."**

Delete pages 4 through 8.

(Reference is to HB 1083 as printed February 8, 2013.)

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