COMMITTEE REPORT

MADAM PRESIDENT:

The Senate Committee on Financial Institutions, to which was referred Senate Bill No. 238, 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 1, line 9, after "greater of" insert ":".
Page 1, line 9, strike "either of the".
Page 1, strike line 10.
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 2, line 6, delete "twenty-eight" and insert "**twenty-five**".
Page 2, line 6, delete "(28%)" and insert "**(25%)**".
Page 2, line 15, strike "(IC 24-4.5-2-210)." and insert "**in section 210 of this chapter.**".
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, line 22, 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.**".

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),~~ **(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 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 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 **and to 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.~~ **the following:**

(a) In the case of a consumer loan that is secured by an interest in land and that:

(i) is not made under a revolving loan account, two percent (2%) of the loan amount; or

(ii) is made under a revolving loan account, two percent (2%) of the line of credit.

(b) In the case of consumer loan that is not secured by an interest in land, fifty dollars ($50).

(9) The ~~charges~~ **loan origination 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),~~ **subsections (8) and (9), in the case of a consumer loan that is not secured by an interest in land,** 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, **the**

following apply:

(a) If the loan is paid in full by the new loan 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).~~

(b) The lender may not assess more than two (2) loan origination fees in any twelve (12) month period.

(11) In the case of a consumer loan that is secured by an interest in land, this section does not prohibit a lender from contracting for and receiving a fee for preparing deeds, mortgages, reconveyances, and similar documents under section 202(1)(d)(ii) of this chapter, in addition to the loan origination fee 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%)~~ **(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**

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 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 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 the loan finance charge provided for in this section and 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 loan origination fee provided for in subsection (8) is not subject to refund or rebate.

(10) Notwithstanding subsections (8) and (9), in the case of a supervised loan that is not secured by an interest in land, 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, the following apply:

(a) If the loan is paid in full by the new loan 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.

(b) The lender may not assess more than two (2) loan origination fees in any twelve (12) month period.

(11) In the case of a supervised loan that is secured by an interest in land, this section does not prohibit a lender from contracting for and receiving a fee for preparing deeds, mortgages, reconveyances, and similar documents under section 202(1)(d)(ii)

of this chapter, in addition to the loan origination fee provided for in subsection (8).".

Delete pages 4 through 8.

(Reference is to SB 238 as introduced.)

and when so amended that said bill do pass .

Committee Vote: Yeas 8, Nays 1.

Senator Holdman, Chairperson