

SENATE BILL No. 415

DIGEST OF INTRODUCED BILL

Citations Affected: IC 24-4.5-7.

Synopsis: Small loan finance charges. Changes the current incremental finance charge limits that apply to a small loan to a maximum annual rate. Prohibits making, or taking other actions with respect to, a small loan with a greater rate or amount of interest, or other fees and charges, than allowed under the statute governing small loans.

Effective: July 1, 2020.

Melton

January 14, 2020, read first time and referred to Committee on Insurance and Financial Institutions.



Second Regular Session of the 121st General Assembly (2020)

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 2019 Regular Session of the General Assembly.

SENATE BILL No. 415

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 24-4.5-7-201, AS AMENDED BY P.L.217-2007,
2 SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2020]: Sec. 201. (1) Finance charges on the first two hundred
4 fifty dollars (\$250) of a small loan are limited to fifteen percent (15%)
5 of the principal:
6 (2) Finance charges on the amount of a small loan greater than two
7 hundred fifty dollars (\$250) and less than or equal to four hundred
8 dollars (\$400) are limited to thirteen percent (13%) of the amount over
9 two hundred fifty dollars (\$250) and less than or equal to four hundred
10 dollars (\$400):
11 (3) Finance charges on the amount of the small loan greater than
12 four hundred dollars (\$400) and less than or equal to five hundred fifty
13 dollars (\$550) are limited to ten percent (10%) of the amount over four
14 hundred dollars (\$400) and less than or equal to five hundred fifty
15 dollars (\$550):
16 (4) The amount of five hundred fifty dollars (\$550) in subsection (3)
17 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 2006.

(1) For purposes of this section, "charge or fee incident to making or collecting a small loan" does not include a permissible fee described in section 406(2)(b) through 406(2)(d) of this chapter incurred upon default by a debtor.

(2) For purposes of this section, "finance charges" includes all charges for an ancillary product or service and any other charge or fee incident to making or collecting a small loan.

(3) Finance charges on a small loan may not exceed an annual rate of thirty-six percent (36%) of the principal.

SECTION 2. IC 24-4.5-7-410, AS AMENDED BY P.L.90-2008, SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2020]: Sec. 410. A lender making small loans, or an assignee of a small loan, shall not commit nor cause to be committed any of the following acts:

- (a) Threatening to use or using the criminal process in any state to collect on a small loan.
- (b) Threatening to take action against a borrower that is prohibited by this chapter.
- (c) Making a misleading or deceptive statement regarding a small loan or a consequence of taking a small loan.
- (d) Contracting for or collecting attorney's fees on small loans made under this chapter.
- (e) Altering the date or any other information on a check or an authorization to debit the borrower's account held as security.
- (f) Using a device or agreement that ~~the department determines~~ would have the effect of charging or collecting more fees, charges, or interest than allowed by this chapter, including, but not limited to:
 - (i) entering a different type of transaction with the borrower;
 - (ii) entering into a sales/leaseback arrangement;
 - (iii) catalog sales;
 - (iv) entering into transactions in which a customer receives a purported cash rebate that is advanced by someone offering Internet content services, or some other product or service, when the cash rebate does not represent a discount or an adjustment of the purchase price for the product or service; or
 - (v) entering any other transaction with the borrower that is designed to evade the applicability of this chapter.
- (g) Engaging in unfair, deceptive, or fraudulent practices in the



making or collecting of a small loan.

(h) Charging to cash a check representing the proceeds of a small loan.

(i) Except as otherwise provided in this chapter:

(i) accepting the proceeds of a new small loan as payment of an existing small loan provided by the same lender; or

(ii) renewing, refinancing, or consolidating a small loan with the proceeds of another small loan made by the same lender.

(j) Including any of the following provisions in a loan document:

(i) A hold harmless clause.

(ii) A confession of judgment clause.

(iii) A mandatory arbitration clause, unless the terms and conditions of the arbitration have been approved by the director of the department.

(iv) An assignment of or order for payment of wages or other compensation for services.

(v) A provision in which the borrower agrees not to assert a claim or defense arising out of contract.

(vi) A waiver of any provision of this chapter.

(k) Selling insurance of any kind in connection with the making or collecting of a small loan.

(l) Entering into a renewal with a borrower.

(m) Making, offering, arranging, or guaranteeing (or assisting in making, offering, arranging, or guaranteeing) a small loan:

(i) with a greater rate or amount of interest, consideration, fees, or charges than permitted by this chapter; and

(ii) by any method, including mail, telephone, Internet, or electronic means;

regardless of whether the lender or assignee has a physical location in Indiana.

