

Recommendations for the Indiana UCCC

Chapter 2 Credit Sales (IC 24-4.5-2)

Chapter 3 Consumer Credit (IC 24-4.5-3)

- Require a maximum interest rate of 36% on loans of \$2000 or less, with a 25% cap on larger loans.
- Require simple interest.
- Make the non-refundable prepaid finance charge the lesser of 5% or \$50, and allow it to be charged one time per year.
- Do not allow credit insurance to be financed as part of the loan principal.

Chapter 7 (IC

- Allow a maximum number of

Criminal Loansharking (IC 35-45-7-2)

- Include ancillary products in the 72% cap

Enforcement Provisions

- Would modifying the language in IC 24-4.5-1-201 dealing with territorial application be useful in dealing with borrower seeking online loans?
- Increase penalties for unlicensed lenders
- Ensure both the Office or the Attorney General and the Department of Financial Institutions have authority and resources to pursue illegal lending and make consumer whole
- UDAP
- Ensure consumers can pursue a private right of action and class certification by prohibiting forced arbitration clauses in consumer credit contracts and credit sales. (Is IC 24-4.5-1-107 the appropriate place for this?)
- Confession of judgment
- Prohibit or limit wage garnishment for consumer credit

NATIONAL CONSUMER LAW CENTER RECOMMENDS:	INDIANA LAW CURRENTLY:	SB 416:
GET A CALCULATION OF THE FULL APR, INCLUDING ALL INTEREST, ALL FEES, AND ALL OTHER CHARGES, AND REJECT THE BILL IF IT IS OVER 36%.	<ul style="list-style-type: none"> • Enforces a 72% APR criminal loansharking cap • Allows 36% interest on loans up to \$2000, with lower interest on larger loans • Lenders can also charge \$50 non-refundable fee up to 2 times a year. 	<ul style="list-style-type: none"> • Exempts lenders from criminal loan sharking cap • All consumer loans (up to \$54k) would be allowed to charge up to 36% interest plus a fee. • Triples the non-refundable fee for loans under \$5000 (to \$150), and allows it to be charged 3 times per year. • Example loans: \$500, 4-month: 150%

		APR, \$300, 2-week: 600% APR
A MAXIMUM APR OF 36% IS APPROPRIATE FOR SMALLER LOANS, SUCH AS THOSE OF \$1000 OR LESS, WITH A LOWER RATE FOR LARGER LOANS.	<ul style="list-style-type: none"> Indiana allows loans up to \$2000 to charge 36% interest plus a \$50 fee. For larger loans, it's much less: <ul style="list-style-type: none"> 21% APR on part of unpaid balance between \$2,000 and \$4,000 15% APR on part of unpaid balance above \$4,000 Or a flat 25% interest rate. 	<ul style="list-style-type: none"> All consumer loans (up to \$54k) would be allowed to charge up to 36% interest plus a fee.
PROHIBIT OR STRICTLY LIMIT LOAN FEES IN ORDER TO PREVENT FEES FROM BEING USED TO UNDERMINE THE INTEREST RATE CAP AND ACTING AS AN INCENTIVE FOR LOAN FLIPPING.	<ul style="list-style-type: none"> The \$50 non-refundable prepaid finance charge can be layered on top of interest rates, resulting in higher APRs. 	<ul style="list-style-type: none"> The fee increases to \$150 on loans less than \$5000, and to \$250 on loans greater than \$5000. The fee is removed from consideration in application of the criminal loan sharking law. The fee is allowed to be charged three times per year, creating an incentive to flip loans.
REQUIRE FULL AND FAIR PROPORTIONATE REBATES OF ALL UP-FRONT LOAN CHARGES WHEN LOANS ARE REFINANCED OR PAID OFF EARLY.	<ul style="list-style-type: none"> The nonrefundable prepaid finance charge of \$50 is not rebated if the borrower pays the loan off early. 	<ul style="list-style-type: none"> The nonrefundable prepaid finance charge increases to \$150 on loans under \$5000 and \$250 on loans above \$5000.
BAN THE SALE OF CREDIT INSURANCE AND OTHER ADD-ON PRODUCTS, WHICH PRIMARILY BENEFIT THE LENDER AND INCREASE THE COST OF CREDIT.	<ul style="list-style-type: none"> Indiana currently allows for the sale of insurance products, which are not considered in the interest rate or the criminal loan sharking APR of 72%. 	<ul style="list-style-type: none"> No change.

