

## **New Law Increases Cap on Consumer Vehicle Financing**

A recent change to the Indiana Code sections governing maximum charges for consumer credit sales may have been overlooked by dealers. In April 2013, Indiana enacted Senate Bill 238 ([SB 238](#)) which amended the code sections that prescribe the maximum credit service charge for a consumer credit sale, other than a sale involving a revolving charge account, and supervised loans. Since most financing arrangements between a dealership and their customers fall outside of the scope of a supervised loan, close attention should be paid to the amendments made to maximum charges for consumer loans other than supervised loans.

Effective July 1, 2013, the maximum loan finance charge for consumer loans other than supervised loans has been increased from 21% to 25% ([IC 24-4.5-3-201](#)). Additionally, the lender may contract for and receive a loan origination fee of not more than \$50. If the lender does not assess a loan origination fee, a minimum loan finance charge of not more than \$30 may be imposed under certain other restrictions.

If the loan finance charge exceeds 25%, the loan is classified as a “supervised loan” and only a “supervised lender” may make or take assignments of supervised loans. Supervised lenders are subject to licensing and cannot engage in this activity until the license is obtained. Considering most dealerships or related financing companies are not supervised lenders, the maximum loan finance charge of 25% should not be exceeded.

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