

There is a law in Indiana which regulates how much you can be charged for credit, restricts what can happen to you if you pay late, and defines what information must be provided to you before you commit to any credit transaction. The name of that law is the Indiana Uniform Consumer Credit Code ("UCCC"), IC 24-4.5. Some of the UCCC's more important provisions are given below.

While you have the duty to pay your debts, you also have certain rights:

You have the right to be informed in advance about the costs of credit so that you have the opportunity to find the best deal or to decide against using credit;

You have the right to use credit at rates that do not exceed the limits set by law;

You have the right to shop around for insurance and to refuse to purchase credit and other types of insurance from the lender;

You have the right to cancel certain door-to-door contracts and certain real estate transactions.

WHAT IS CONSUMER CREDIT?

Consumer credit is a credit sale or loan which meets all of the following conditions:

- * the credit is extended by a person who does so regularly;
- * the borrower is an individual or individuals;
- * the credit is primarily for a personal, family, or household purpose, and **not** primarily for a business, investment, or agricultural purpose;
- * either a finance charge is made or the debt is payable in five or more installments besides the down payment; and
- * the amount borrowed does not exceed Fifty thousand dollars (\$50,000) or the credit is secured by real estate.

Consumer credit is a credit sale if the seller of goods or services arranges or extends the credit, such as when an automobile dealer sells you a car and obtains financing for you.

Consumer credit is a loan if a lender, such as a bank or finance company, extends the credit directly to you.

Consumer credit may be either closed-end or open-end. With closed-end credit, you borrow a fixed amount for a set term and pay that amount back in installments with interest. The most common example of open-end credit, sometimes referred to as revolving credit, is a credit card.

DISCLOSURES

The privilege of borrowing money to be repaid at a later date will cost you something. This cost is called a finance charge, commonly known as interest. It is possible that on some loans you could end

up paying more in finance charges than you borrowed in the first place.

Both the Federal Truth-in-Lending Act and the Indiana Uniform Consumer Credit Code require that the finance charge be disclosed to you in terms of a dollar amount and as an annual percentage rate (APR). The APR is the cost of credit expressed as a yearly rate of interest.

Creditors are required to disclose the cost of credit so that you can compare costs from several different creditors. Different creditors will charge different amounts and rates even for the same types of credit. It is up to YOU, as a consumer concerned about the costs associated with credit, to shop around for the best deal.

The creditor usually will not give you this disclosure until you are just about ready to sign the loan papers. You should begin your comparison shopping much sooner than that.

THE COST OF CREDIT

You can start shopping early by calling, writing, or visiting different types of creditors. Ask the merchants or sellers what they will finance and at what cost. Next contact banks, credit unions, and finance companies to see who will give you the best deal. You may have to provide credit information. Depending upon the results of your investigation, you may decide that using credit is too expensive and perhaps will choose to wait awhile. If it is an option, you may decide to pay cash or to make a larger down payment in order to reduce the costs of credit.

Maximum Rates... The Indiana Uniform Consumer Credit Code limits the amount of finance charge a creditor in Indiana can receive.

Credit Sales/ Loans

The following rates can be charged on credit sales or loans:
36 % on amounts financed up to \$960, plus
21 % on the portion of the amount financed from \$960.01 to \$3,200, plus 15 % on the portion of the amount financed over \$3,200; or 21%, whichever is greater.

A seller/lender can collect a minimum finance charge of \$36.

These are the highest rates that a creditor in Indiana can charge. However, many creditors charge much lower rates. If you take the time to shop around, and if you have a sound credit history, you should be able to negotiate a much lower rate. You should not borrow at the maximum rates unless absolutely necessary.

Out-of-state credit card issuers can export their state's higher rates.

Delinquency Charges... The maximum delinquency charge allowed is \$16.00. The account must be delinquent more than 10 days for a delinquency charge to be imposed. Payments are applied to current installments, then to delinquent ones. Only one delinquency charge may be imposed on a delinquent installment no

matter how long it is past due.

INSURANCE

Credit Insurance... When you buy something on credit or borrow money from a lender, you may be asked if you want to purchase credit insurance. This is insurance which will pay your debt if you die, become disabled, or are involuntarily unemployed. If you purchase this insurance from a creditor, it can be expensive. So, if you think that you might need credit life, accident and health, or involuntary unemployment insurance, you should first review your current insurance coverage to see if any additional coverage is necessary. If after reviewing your current coverage you still believe that you need credit insurance, you should consult your own insurance agent who may be able to offer you similar coverage at lower rates.

Under most circumstances, a creditor cannot require you to purchase its credit insurance. A creditor cannot condition a lower rate or more favorable terms upon the purchase of credit insurance.

Your decision to purchase credit insurance must be completely voluntary for the premium to be an additional charge. Be prepared to say "no" if you do not want and do not need credit insurance.

If a creditor required credit insurance, the premium must be included in the finance charge and reflected in the Annual Percentage Rate. It cannot be an allowable additional charge.

Property Insurance... Property insurance covers losses on damaged, lost, or stolen property. A creditor can require you to maintain property insurance on personal or real property that you have pledged as collateral. For example, a creditor will most likely require that you have insurance (collision as well as liability) on your car in connection with an automobile loan. However, you cannot be required to purchase property insurance through the creditor.

If you already have property insurance (such as homeowner's, renter's, or automobile insurance) which covers the collateral, you can have your insurance company add a loss payable clause. The loss payable clause will make the creditor a beneficiary on the policy. If you do not have property insurance, you should check with an insurance agent who can probably offer you coverage at a lower price than that offered by the creditor.

Other Insurance... You may be offered the opportunity to purchase other insurance, such as standard life insurance, from the creditor. This life insurance is not credit insurance in that it does not pay off the balance of your loan in the event something happens to you. Rather, a standard life insurance policy will pay proceeds directly to your designated beneficiary. In most cases, the creditor will not require you to purchase other insurance. Once again, before agreeing to purchase any other insurance coverage from the creditor, check to see if your own insurance agent can offer you a better deal.

GUARANTEED AUTO PROTECTION

Guaranteed auto protection ("GAP") is very similar to insurance. In the event your vehicle is declared a total loss due to accident or theft, GAP will pay any deficiency between your insurance reimbursement and the balance outstanding on your loan at the time of the loss. If your vehicle depreciates in value faster than you are able to reduce the balance of your loan, GAP may reduce your risk of being left with a balance owing after your car has been totaled or stolen and not retrieved.

Like most insurance sold by the creditor, GAP products can be expensive. The creditor cannot require you to purchase GAP. As always, you should check with your own insurance agent to find out if similar, less costly coverage is available.

LOANS SECURED BY REAL ESTATE

If you are shopping for a second mortgage or home equity loan, you may encounter the following costs or additional charges:

Loan Origination Fee... A lender may contract for and receive a loan origination fee of 2% of the loan amount on loans secured by an interest in land or 2% of the loan amount not to exceed \$40.00 on other Indiana consumer loans. The loan origination fee is in addition to any maximum rate and not subject to any refund or rebate upon prepayment. It is not allowed on loans with a rate in excess of 21%.

Points... Prepaid finance charges, or points, are part of the finance charge but are usually financed or added to the principal balance at the time you take out your loan. A point is simply one percent of the loan amount.

To illustrate: A lender offers to loan you \$8,000 at 16 percent interest plus 2 points for 36 months. Points would be (\$160 (\$8,000 x 2%); Amount Financed \$8,000; Amount of loan \$8,160; finance charge would be \$2,327.68 (\$160 plus \$2,167.68 Interest) and Total payments \$10,327.68. Your monthly payments would be \$286.88 and the Annual Percentage Rate would be 17.42 percent.

Variable Rates... You may run into variable rates in connection with some credit cards as well as on loans secured by real estate. With variable or adjustable rate transactions, the interest rate can increase or decrease over the life of the loan. You should ask the following questions with respect to variable rate loans:

- * when and by how much can the interest rate or finance charge change;
- * is there any limit or cap on the amount by which the interest rate can be increased over the life of the loan;
- * will increases in the interest rate result in increases in payments, negative amortization, or both; and
- * has the initial interest rate been discounted, and if so, by how much and for how long?

Closing Costs... Fees may be added to the amount financed on a loan secured by real estate if they are bona fide and reasonable in amount:

Prepayment Penalty... Indiana consumer loans secured by an interest in land may have a prepayment penalty of 2% of the unpaid principal balance at the time of prepayment less any rebates. It may not be imposed: after three years from the contract date; if refinanced or consolidated by the same creditor; or if prepaid by insurance or accelerated after default.

At the time of prepayment on a simple interest account, the total finance charge, including the prepaid finance charge but excluding the loan origination fee allowed under IC 24-4.5-3-201, may not exceed the maximum charge allowed for the period the loan was in effect.

REVOLVING CREDIT

Revolving credit is a plan under which the creditor will allow you to borrow amounts up to a set limit as you need the money. You may borrow funds, repay those funds, and borrow them back again. A finance charge will be computed from time to time on the unpaid balance.

The most common example of revolving credit is a credit card. Interest rates, annual fees, transaction fees, and other charges can vary widely from credit card to credit card. It is up to you to shop around for the best deal.

RIGHT TO CANCEL

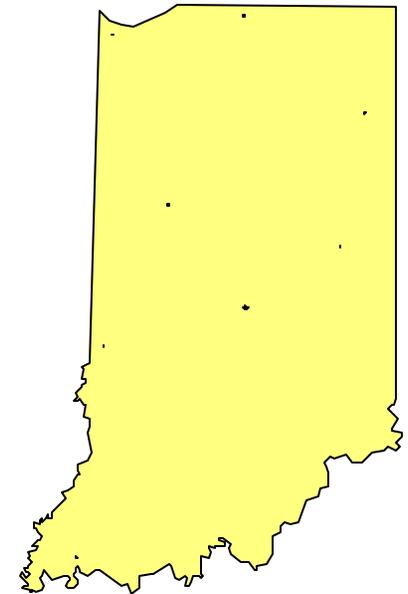
Once you have signed a contract, you are legally bound. You do not have the right to cancel except under the following special circumstances:

Home Solicitation Sales - You have until midnight of the third business day after you have signed an agreement to cancel a home solicitation sale. A home solicitation sale is a sale in which you sign the purchase agreement at your residence, you have not negotiated the sale previously at a business establishment, and you do not use a credit card.

Loans Secured by Your Home - If a creditor takes a security interest in your home, you have the right to cancel the agreement until midnight of the third business day after the contract is signed. This right to cancel is also known as your right to rescind. Your loan proceeds may not be disbursed until your right to rescind has expired. You may waive your right to rescind in certain emergency situations. Interest cannot be imposed during the rescission period.

Protect your credit rating and don't get in over your head. If you run into problems paying your debts, try to work things out with the creditor or seek help from a licensed debt management company. If you feel that you need legal assistance, contact a private attorney. If you suspect that a creditor has violated Indiana's credit laws, send your complaint to Indiana Department of Financial Institutions.

INDIANA CONSUMER CREDIT



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