premiums of the policy for its first three years. The first year's premium is paid to the agent by the delivery to the agent of the insured's promissory note for the amount of the premium on the policy. The second year's premium is to be financed by the payment in cash to the agent of one-half of said premium, the other half to be represented by a certificate of indebtedness on the form of the Penn Mutual Life Insurance Company and a promissory note maturing two years after date. The third year's premium is to be financed in a similar manner, except that the promissory note matures in one year after date instead of in two years as is provided in the case of the second annual premium. All certificates of indebtedness and notes are to bear interest at the rate of six per cent. An assignment of the policy is made to the agent to secure him for the advances made. I do not find anything in the agreement expressly stating the maturity of the note given for the first premium except the language "on .........., 1938." I assume that when the form is filled in there will be contained an exact maturity date so that there is an absolute agreement to pay it.

You inquire whether this agreement is a violation of the Indiana Insurance Law of 1935 and especially Section 273 thereof in that it constitutes inducement not stated in the policy. Section 273 has provided against the giving or accepting of rebates or the giving or accepting of inducements that are not stated in the policy. It also expressly provides that the Section shall not be construed "to prevent the taking of a bona fide obligation, with legal interest, in payment of any premium." In view of the above provision of the Section I do not think the contract is in violation of that Section.

FINANCIAL INSTITUTIONS, DEPARTMENT OF: Small loans—Amount of loan authorized.

Honorable Homer O. Stone,
Supervisor, Division of Small Loans,
Department of Financial Institutions,
Indianapolis, Indiana.

July 8, 1936.

Dear Sir:

I have before me your letter of June 23, 1936, requesting that an unofficial opinion written on April 18, 1934, be clari-
fied and made official. This opinion concerned the amount of loans allowed by the Small Loan Act, the question being whether or not a licensee under said Act could lend one person more than three hundred dollars if the licensee charged only eight per cent per annum on the amount in excess of three hundred dollars.

Chapter 154, Acts of 1933, commonly known as the “Small Loan Act,” was passed to facilitate small loans to persons where the usual security and collateral could not be provided. Paragraph 1, Section 1, contains the following: “Except as otherwise authorized by this Act *** no person *** shall engage in the business of making loans *** in the amount or of the value of three hundred dollars or less and charge *** a greater rate than permitted by law *** if he were not a licensee hereunder.” Paragraph 3, Section 1, “license shall authorize the applicant to engage in the business of making loans *** in the amount or of the value of three hundred dollars or less ***”. Section 2, page 814. “Every licensee hereunder may lend any sum of money not exceeding three hundred dollars in amount ***”. Paragraph 5, Section 2, sheared of part of its language reads as follows: “No licensee shall directly or indirectly charge *** any interest *** greater than he would be permitted by law to charge if he were not a licensee hereunder, upon the loan *** of the amount or value of more than three hundred dollars. The foregoing prohibition shall also apply to any licensee who permits any person, as borrower ***, to owe *** at any time the sum of more than three hundred dollars for principal.”

In view of the above excerpts from the “Small Loan Act” it is my opinion that a licensee under this law cannot loan any one person more than three hundred dollars and charge the small loan rate on three hundred dollars, and eight per cent per annum on the amount over three hundred dollars. It is evident that the “Small Loan Act” intended to license a certain class of loans and allow the lender the privilege of charging a higher rate on sums under a certain amount. A person who applies for and is granted a license under that Act limits himself, as such licensee, to loans under three hundred dollars.