

State Of Indiana Department of Financial Institutions  
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DRAFT-June 15, 2007

**2007 Legislative Amendments to the Indiana Code relating to  
Rental Purchase Agreements - Questions, Answers, and  
Administrative Interpretations**

Effective July 1, 2007

**1. How have the prohibitions against using rental purchase agreements for motor vehicles changed?**

Answer - The law has been expanded to prohibit rental purchase agreements for motor vehicles and any other titled property. Therefore, rental purchase agreements may not be used on trailers, semi-trailers, mobile homes, recreational vehicles and recreational trailers, [1C 24-7-1-5]

**2. How has the definition of rental purchase agreement changed?**

Answer - The basic definition of a rental purchase agreement is still an agreement which provides for the use of personal property by an individual primarily for personal, family, or household purposes; has an initial period of four (4) months or less; is automatically renewable with each rental payment; and permits the lessee to become the owner of the property. In addition, the definition includes an agreement or a transaction that the director determines to be a rental purchase agreement, despite efforts by a person to structure the transaction in a manner that the director determines is being used to avoid application of the rental purchase agreement law. [1C 24-7-2-9]

**3. What changes have been made to the provisions relating to late charges and delinquency fees?**

Answer - For rental purchase agreements with monthly renewal dates, the late charge has been increased to a maximum of eight dollars (\$8) on any rental payment not made within five (5) days of the renewal date or return of the property as required under the rental purchase agreement. For rental purchase agreements with weekly or biweekly renewal dates, the late charge has been increased to three dollars (\$3) for any payment not greater than twenty dollars (\$20) and five dollars (\$5) for any payment greater than twenty dollars (\$20). The late charges for weekly or biweekly renewal dates may be assessed on any rental payments not made within two (2) days after the renewal date or the return of the property as required under the rental purchase agreement. [1C 24-7-2-9]

**4. Can a lessor receive a fee for dishonored checks?**

Answer - Yes, a lessor may charge a return item fee (i.e., an NSF charge) in the maximum amount of \$25 for each returned or dishonored item. [1C 24-7-5-5.5]

SOURCE: 1C 24-7-1-5; (07)HE1557.1.27. -> SECTION 27.1C 24-7-1-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 5. Rental purchase agreements involving:

(1) motor vehicles (as defined in 1C 9-13-2-105(a)); or  
**(2) other titled property;**  
are prohibited under this article.

SOURCE: 1C 24-7-2-9; (07)HE1557.1.28. --> SECTION 28. 1C 24-7-2-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 9. (a) Rental purchase agreement means an agreement between a lessor and a lessee that:

(1) provides for the use of personal property by an individual primarily for personal, family, or household purposes;

(2) has an initial period of four (4) months or less;

(3) is automatically renewable with each rental payment; and

(4) permits the lessee to become the owner of the property.

**(b) The term includes:**

**(1) an agreement; or**

**(2) a transaction;**

**that the director determines to be a rental purchase agreement, despite efforts by a person to structure the transaction in a manner that the director determines is being used to avoid application of this article.**

SOURCE: 1C 24-7-5-S; (07)HE1557.1.29. ->

SOURCE: 1C 24-7-5-5. -> SECTION 29.1C 24-7-5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1,2007]: Sec. 5. (a) The parties may contract for late charges or delinquency fees as follows:

(1) For rental purchase agreements with monthly renewal dates, a late charge not exceeding ~~five~~ **eight dollars (\$5) (\$8)** may be assessed on any rental payment not made within five (5) days after:

(A) the renewal date for the agreement; or

(B) the return of the property is required under the rental purchase agreement.

(2) For rental purchase agreements with weekly or biweekly renewal dates, a late charge not exceeding the amount specified in subsection (e) may be assessed on any rental payments not made within ~~three~~ **(3) two (2)** days after:

- (A) the renewal date for the agreement; or
- (B) the return of the property is required under the rental purchase agreement.
- (b) A late charge on a rental purchase agreement may be collected only once on any accrued rental payment, no matter how long it remains unpaid-
- (c) A late charge may be collected at any time after it accrues.
- (d) A late charge may not be assessed against a rental payment that is timely made, even though an earlier late charge has not been paid in full.
- (e) The amount that may be assessed under subsection (a)(2) is as follows:
- (1) ~~One dollar (\$1)~~ **Three dollars (\$3)** for any payment not greater than ~~nine dollars and fifty cents (\$9.50)~~ **twenty dollars (\$20)**.
- (2) ~~Two dollars (\$2) for any payment greater than nine dollars and fifty cents (\$9.50) but not greater than nineteen dollars and fifty cents (\$19.50).~~
- (3) ~~Three~~ (2) **Five dollars (\$5)** for any payment greater than ~~nineteen dollars and fifty cents (\$19.50)~~ **twenty dollars (\$20)**.

SOURCE: 1C 24-7-5-5.5; (07)HE1557.1.30. --> **SECTION 30.1C 24-7-5-5.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 5.5. A lessor may contract for and receive a charge not to exceed twenty-five dollars (\$25) for each return by a bank or other depository institution of a dishonored check, negotiable order of withdrawal, or share draft issued by the lessee.**