

**SENATE BILL No. 515**

**DIGEST OF INTRODUCED BILL**

**Citations Affected:** IC 24-7.

**Synopsis:** Rental purchase agreements. Requires that certain disclosures in rental purchase agreements be in at least 14 point font size. Prohibits a lessor from requiring that, to acquire ownership of property under a rental purchase agreement, a lessee make rental payments that total more than two times the retail price of the property. Prohibits a lessor from requiring the lessee to pay certain fees, charges, amounts equal to official fees, and state sales and use taxes. Provides that a lessee who fails to make timely rental payments has the right to reinstate the original rental purchase agreement without losing any rights or options previously acquired under the rental purchase agreement if: (1) the lessee surrenders the property to the lessor not later than seven days after the lessor requests the surrender of the property; and (2) not more than: (A) 30 days if the lessee has paid less than one-half of the payments under the rental purchase agreement; (B) 60 days if the lessee has paid at least one-half of the payments under the rental purchase agreement; or (C) 180 days under the rental purchase agreement; elapse after the date the lessee surrenders the property. (Current law provides that a lessee may reinstate the original purchase agreement if the lessee promptly surrenders the property upon the request of the lessor and not more than 60 days elapse after the lessee surrenders the property.) Defines "cash price". Provides that a lessee may acquire ownership of the property by paying the amount equal to the cash price of the property minus 50% of all previous rental payments made pursuant to the rental purchase agreement. Repeals provisions that allows a lessor to: (1) contract for and receive an initial nonrefundable processing fee, a reasonable delivery charge, a charge  
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**Effective:** July 1, 2011.

**Taylor**

January 18, 2011, read first time and referred to Committee on Judiciary.



Digest Continued

for picking up rental or other payments from the lessee, or amounts equal to all official fees required to be paid under a rental purchase agreement; and (2) require the lessee to pay any state sales and use taxes levied in connection with a rental purchase agreement.

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Introduced

First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

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## SENATE BILL No. 515



A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 24-7-2-2.5 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
- 3 1, 2011]: **Sec. 2.5. "Cash price" means the price of the property**
- 4 **described in a rental purchase agreement that the lessee may pay**
- 5 **in cash to the lessor at the inception of the rental purchase**
- 6 **agreement to acquire ownership of the property.**
- 7 SECTION 2. IC 24-7-3-3 IS AMENDED TO READ AS FOLLOWS
- 8 [EFFECTIVE JULY 1, 2011]: Sec. 3. The lessor shall disclose the
- 9 following:
- 10 (1) A brief description of the property sufficient to identify the
- 11 property to the lessee and lessor.
- 12 (2) The total number, total amount, and timing of all rental
- 13 payments ~~including taxes paid to or through the lessor~~, necessary
- 14 to acquire ownership of the property.
- 15 (3) A statement that the lessee will not own the property until the



- 1 lessee has:
- 2 (A) made the number of rental payments and the total of rental
- 3 payments necessary to acquire ownership of the property; or
- 4 (B) exercised an early purchase option.
- 5 (4) A statement that charges in addition to the total rental
- 6 payments necessary to acquire ownership of the leased property
- 7 may be imposed under the agreement and that the lessee should
- 8 read the contract for an explanation of these charges.
- 9 (5) A brief explanation of all additional charges that may be
- 10 imposed under the agreement. If a security deposit is required, the
- 11 explanation must include an explanation of the conditions under
- 12 which the deposit will be returned to the lessee.
- 13 (6) A statement indicating who is responsible for property if it is
- 14 lost, stolen, damaged, or destroyed.
- 15 (7) A statement indicating that the value of lost, stolen, damaged,
- 16 or destroyed property is its fair market value on the date that it is
- 17 lost, stolen, damaged, or destroyed.
- 18 (8) A statement indicating whether the property is new or used.
- 19 However, property that is new may be described as used.
- 20 (9) A statement that the lessee has an early purchase option to
- 21 purchase the property at any time during the period that the rental
- 22 purchase agreement is in effect. The statement must specify the
- 23 price or the formula or other method for determining the price at
- 24 which the property may be purchased.
- 25 (10) A brief explanation of the lessee's right to reinstate a rental
- 26 purchase agreement and a description of the amount, or method
- 27 of determining the amount, of any penalty or other charge
- 28 applicable under IC 24-7-5 to the reinstatement of a rental
- 29 purchase agreement.

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30 SECTION 3. IC 24-7-3-4 IS AMENDED TO READ AS FOLLOWS  
 31 [EFFECTIVE JULY 1, 2011]: Sec. 4. (a) The disclosures required  
 32 under section 3 of this chapter shall be stated:

- 33 (1) clearly and conspicuously **in at least 14 point type**; and
- 34 (2) in words and phrases that have a nontechnical meaning.
- 35 (b) Except as provided in the rules adopted by the department, the
- 36 disclosures required under section 3 of this chapter may be included in
- 37 the rental purchase agreement or in a separate writing that references
- 38 the rental purchase agreement.
- 39 (c) Except as provided in the rules adopted by the department, the
- 40 disclosures required under section 3 of this chapter may be provided in
- 41 a different sequence than the sequence set forth in section 3 of this
- 42 chapter.



1 (d) Additional information or explanations supplied by the lessor  
 2 may not have the effect of circumventing, evading, or unduly  
 3 complicating the information required to be disclosed.  
 4 SECTION 4. IC 24-7-3-7 IS AMENDED TO READ AS FOLLOWS  
 5 [EFFECTIVE JULY 1, 2011]: Sec. 7. **Except as otherwise required**  
 6 **under section 4 of this chapter**, the terms of the rental purchase  
 7 agreement shall be set forth in not less than 8 point type.  
 8 SECTION 5. IC 24-7-4-1 IS AMENDED TO READ AS FOLLOWS  
 9 [EFFECTIVE JULY 1, 2011]: Sec. 1. At any time after the first rental  
 10 payment is made, the lessee may acquire ownership of the property  
 11 under the terms specified in the rental purchase agreement: **by paying**  
 12 **the amount equal to the cash price of the property minus fifty**  
 13 **percent (50%) of all previous rental payments made under the**  
 14 **rental purchase agreement.**  
 15 SECTION 6. IC 24-7-4-2.5 IS ADDED TO THE INDIANA CODE  
 16 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 17 1, 2011]: Sec. 2.5. **A lessor may not require that, to acquire**  
 18 **ownership of property under a rental purchase agreement, a lessee**  
 19 **make rental payments that total more than two (2) times the retail**  
 20 **price of the property.**  
 21 SECTION 7. IC 24-7-4-12 IS AMENDED TO READ AS  
 22 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 12. (a) A lessor may  
 23 not require any of the following:  
 24 (1) The mandatory purchase of insurance by the lessee from the  
 25 lessor.  
 26 (2) A penalty for early termination of a rental purchase agreement  
 27 or for the return of an item at any point, except charges authorized  
 28 under IC 24-7-5.  
 29 (3) A payment by a cosigner of the rental purchase agreement for  
 30 any fees or charges that may not be imposed on the lessee as part  
 31 of the rental purchase agreement.  
 32 (4) **The lessee to pay the state sales and use taxes levied in**  
 33 **connection with a rental purchase agreement.**  
 34 (b) **A lessor may not contract for or receive the following from**  
 35 **the lessee:**  
 36 (1) **A nonrefundable processing fee.**  
 37 (2) **A delivery charge.**  
 38 (3) **A charge for picking up rental or other payments from the**  
 39 **lessee.**  
 40 (4) **An amount equal to all official fees required to be paid**  
 41 **under a rental purchase agreement.**  
 42 SECTION 8. IC 24-7-6-1 IS AMENDED TO READ AS FOLLOWS

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1 [EFFECTIVE JULY 1, 2011]: Sec. 1. A lessee who fails to make timely  
2 rental payments has the right to reinstate the original rental purchase  
3 agreement without losing any rights or options previously acquired  
4 under the rental purchase agreement if:

5 (1) subsequent to having failed to make a timely rental payment,  
6 the lessee promptly surrenders the property to the lessor if  
7 requested by the lessor; and not later than seven (7) days after  
8 the lessor requests the surrender of the property; and

9 (2) not more than: sixty (60) days

10 (A) thirty (30) days if the lessee has paid less than one-half  
11 (1/2) of the total payments necessary to acquire ownership  
12 of the property under the rental purchase agreement;

13 (B) sixty (60) days if the lessee has paid at least one-half  
14 (1/2) of the total payments necessary to acquire ownership  
15 of the property under the rental purchase agreement; or

16 (C) one hundred eighty (180) days if the lessee has paid at  
17 least three-fourths (3/4) of the total payments necessary to  
18 acquire ownership of the property under the rental  
19 purchase agreement;

20 elapse after the date the lessee returns the property.

21 SECTION 9. IC 24-7-6-2 IS AMENDED TO READ AS FOLLOWS  
22 [EFFECTIVE JULY 1, 2011]: Sec. 2. (a) As a condition precedent to  
23 reinstatement of the rental purchase agreement, a lessor may charge:

24 (1) the outstanding balance of any accrued rental payments and  
25 delinquency charges; and

26 (2) a reinstatement fee not exceeding the amount allowed under  
27 IC 24-7-5-6. and

28 ~~(3) delivery charges not exceeding the amounts allowed under~~  
29 ~~IC 24-7-5-3 if redelivery of the item is necessary.~~

30 (b) A reinstatement fee may not be charged under subsection (a)(2)  
31 unless the property has been returned to the lessor and is in the lessor's  
32 possession.

33 SECTION 10. THE FOLLOWING ARE REPEALED [EFFECTIVE  
34 JULY 1, 2011]: IC 24-7-5-1; IC 24-7-5-3; IC 24-7-5-4; IC 24-7-5-7;  
35 IC 24-7-5-8.

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