STATE OF INDIANA **DEPARTMENT OF FINANCIAL INSTITUTIONS**

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CONSUMER CREDIT DIVISION
ADVISORY LETTER 2026-01
June 24, 2026

TO: All Indiana State-Chartered Financial Institutions and all creditors who purchase consumer credit sales originated under Ind. Code (collectively, "Purchasers") secured by motor vehicles or other titled assets

FROM: Scott Conner, Consumer Credit Division Deputy Director

RE: Responsibilities of Purchasers of consumer credit sales that include credit insurance and/or guaranteed auto/asset protection ("GAP") sold by originating dealers.

The Consumer Credit Division of the Indiana Department of Financial Institutions ("DFI") hereby issues this Advisory regarding the statutory responsibilities of Purchasers of consumer credit sales that include credit insurance and/or GAP sold by the originating dealer. This Advisory was prompted by a recent increase in the number of new automobile dealerships that have sold their assets (but have retained their liabilities) and have subsequently ceased operations.

Purchasers or assignees of consumer credit sales are advised that upon prepayment in full of the consumer credit sale, Ind. Code § 24-4.5-2-202(4)(g) and Ind. Code § 24-4.5-4-108(3) require the seller[1]/creditor or the creditor's assignee to promptly make an appropriate refund to the debtor for any separate charge made for credit insurance or GAP[2].

Because there is a statutory obligation placed equally on the seller/creditor and the creditor's assignee, Purchasers should review their internal policies and procedures to ensure dealer agreements clearly identify the party contractually obligated to make refunds.

If the dealer agreement requires the assignee to make refunds, the Purchaser should provide the seller/creditor with periodic reports outlining all refunds made to include the name of consumer, the date of refund, type of refund (credit insurance or GAP), and the amount of the refund.

If the agreement requires the seller/creditor to make refunds, the Purchaser should have procedures to promptly notify the seller/creditor upon prepayment in full of the consumer credit sale. Purchasers should also conduct due diligence periodically to ensure each dealer is making refunds as agreed. Additionally, Purchasers should have a procedure in place to ensure consumers are provided refunds should the

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[1] "Seller" is defined in Ind. Code § 24-4.5-2-107.

[2] If the charge for the GAP agreement is $400 or less and the agreement does not specifically provide for a refund to the consumer upon cancelation (other than during the free-look period) or prepayment in full of the consumer credit sale, a refund is not required. See Ind. Code § 24-4.5-2-202.

seller/creditor cease operations. Concerning sellers/creditors that have sold their assets and ceased operations, Purchasers must:

- Confirm dealers that ceased operations will continue to issue credit insurance and/or GAP refunds to consumers upon prepayment in full as set forth in dealer agreements and confirm the method for delivery (to include updated address if applicable) of all future prepayment notifications, or

- If the Purchaser cannot confirm a dealer that ceased operations will continue to issue refunds, the Purchaser must issue credit insurance and/or GAP refunds to consumers that prepaid their agreement in full early, to satisfy its statutory obligations.

Purchasers may choose to pursue legal action against the dealer for breach of the dealer agreement entered into with the Purchaser.

As a result, Purchasers are advised to review internal policies and procedures relating to the Purchaser's obligations under Indiana Code and to make any necessary changes.

Requests to DFI for further assistance and guidance

We are committed to assisting Purchasers with the help they may need. We are available to you as a resource and can assist you by discussing the information contained in this Advisory.

Should you have any questions regarding the above, please contact: Consumer Credit Division Supervisor Scott J. Imbus at simbus@dfi.in.gov or 317-460-9126.

Disclaimer:

This Advisory applies to all Creditors subject to Ind. Code IC 24-4.5 and is in effect unless later amended or withdrawn. This Advisory is intended to provide a clarification of statutory requirements and is not a substitute for advice from a Creditor's legal counsel.

Consumer Credit Division 317-232-3955