

1 H.682

2 Introduced by Representatives Edwards of Brattleboro, Burke of Brattleboro,
3 Davis of Washington, Deen of Westminster, Donovan of
4 Burlington, Fisher of Lincoln, Haas of Rochester, Larson of
5 Burlington, Macaig of Williston, Marek of Newfane,
6 McCullough of Williston, Milkey of Brattleboro, Mrowicki of
7 Putney, Obuchowski of Rockingham, Partridge of Windham,
8 Sharpe of Bristol, Stevens of Waterbury, Weston of Burlington,
9 Young of St. Albans City and Zuckerman of Burlington

10 Referred to Committee on

11 Date:

12 Subject: Commerce and trade; rent-to-own; regulation

13 Statement of purpose: This bill proposes to strengthen state regulation of the
14 rent-to-own industry.

15 An act relating to state regulation of rent-to-own agreements for
16 merchandise

17 It is hereby enacted by the General Assembly of the State of Vermont:

18 Sec. 1. 9 V.S.A. § 41b is amended to read:

19 § 41b. RENT-TO-OWN AGREEMENTS; DISCLOSURE OF TERMS

20 (a) ~~The attorney general shall adopt by rule standards for the full and~~

1 ~~conspicuous disclosure to consumers of the terms of rent-to-own agreements.~~
2 ~~For purposes of this section a rent to own agreement means an agreement for~~
3 ~~the use of merchandise by a consumer for personal, family, or household~~
4 ~~purposes, for an initial period of four months or less, that is renewable with~~
5 ~~each payment after the initial period and that permits the lessee to become the~~
6 ~~owner of the property. An agreement that complies with this article is not a~~
7 ~~retail installment sales contract, agreement or obligation as defined in this~~
8 ~~chapter or a security interest as defined in section 1-201(37) of Title 9A.~~

9 (b) ~~The attorney general, or an aggrieved person, may enforce a violation~~
10 ~~of the rules adopted pursuant to this section as an unfair or deceptive act or~~
11 ~~practice in commerce under section 2453 of this title.~~

12 (a) Definitions. In this section:

13 (1) “Advertising” means a commercial message in any medium that
14 directly or indirectly promotes or assists a rent-to-own transaction.
15 Advertising includes newspapers, magazines, flyers, mailings, radio, and
16 television. Advertising does not include such commercial messages to the
17 extent that they are displayed exclusively inside the premises where the
18 merchandise being offered is located.

19 (2) “Cash price” means:

20 (A) the bona fide retail price at which the person offering
21 merchandise on a rent-to-own basis would sell the item in question to the

1 consumer for cash on the date of the rent-to-own transaction, which price shall
2 be representative of, and competitive with, the price at which similar
3 merchandise is currently available for purchase at other stores in the area; or

4 (B) if the item is not offered for sale for cash, the estimated average
5 cash retail price of the item or a similar item in the market area.

6 (3) "Clear and conspicuous" means that the statement or term being
7 disclosed is of such size, color, contrast, or audibility, or both, and is so
8 presented, as to be readily apparent to the person to whom it is being disclosed.

9 (4) "Effective annual percentage rate" means the annual percentage rate
10 of the merchandise subject to a rent-to-own transaction, calculated in the same
11 manner as an annual percentage rate under section 107 of the federal Truth in
12 Lending Act, 15 U.S.C. § 1606, except that:

13 (A) in place of the finance charge, there shall be substituted the
14 difference between the total of payments to acquire ownership and the cash
15 price, less any amounts specifically excluded from the finance charge under
16 the Truth in Lending Act;

17 (B) in place of the amount financed, there shall be substituted the
18 cash price less any down payment; and

19 (C) it shall be assumed that the consumer will pay the total of
20 payments to acquire ownership in the merchandise.

21 (5) "Rent-to-own" refers to a transaction in which a person agrees to

1 make merchandise available for the use of a consumer for personal, family, or
2 household purposes, for an initial period of four months or less, where the
3 agreement is renewable with each payment after the initial period, and where
4 the consumer is permitted to become the owner of the property. This shall not
5 apply to any transaction to the extent that it relates to a musical instrument that
6 is intended to be used in whole or in part in an elementary or secondary school.

7 (b) General disclosure requirements.

8 (1) It shall constitute an unfair and deceptive trade act and practice in
9 commerce under subsection 2453(a) of this title for any person engaged in the
10 rent-to-own business to rent, or offer to rent, merchandise of any kind on a
11 rent-to-own basis without fully and conspicuously disclosing the terms of the
12 rent-to-own agreement as required by this rule.

13 (2) All disclosures required by this rule shall be made clearly,
14 conspicuously, in meaningful sequence, and in accordance with the further
15 requirements of this section. All numerical amounts and percentages shall be
16 stated in figures and shall be printed or legibly handwritten in not less than the
17 equivalent of 10-point type.

18 (3) Any information not required by this rule may be supplied with any
19 disclosure required by this rule, but none shall be stated or placed in such a
20 way as to cause the disclosures as a whole to be misleading or confusing, or to
21 contradict, obscure, or detract attention from the required disclosures.

1 (4) If any rent-to-own transaction is renegotiated or modified in a
2 substantial or material way after the effective date of this rule, including any
3 change that increases the consumer's payments or other obligations or
4 diminishes the consumer's rights, such renegotiation or modification shall be
5 considered a new transaction subject to the disclosure requirements of this rule.

6 (5) Unless stated otherwise in a clear and conspicuous manner, all terms
7 and conditions required to be disclosed by this rule shall be actually available
8 to all consumers.

9 (c) Disclosures in advertising. An advertisement for a rent-to-own
10 transaction that states or refers to the amount of a payment or the right to
11 acquire ownership of one or more specific items of merchandise shall state:

12 (1) that the transaction advertised is a rent-to-own transaction;

13 (2) that the consumer will not own the property until the total amount to
14 be paid to acquire ownership is paid in full;

15 (3) for each specific item advertised, the total amount to be paid to
16 acquire ownership, which amount shall be labeled "total cost"; and

17 (4) the effective annual percentage rate associated with the item (which
18 may be accompanied by a statement that this rate applies only if the consumer
19 acquires ownership by making all the payments).

20 (d) Disclosures in proximity to merchandise.

21 (1) In the same general vicinity as any merchandise overtly displayed or

1 offered on a rent-to-own basis there shall be disclosed, with sufficient
2 prominence that a consumer inspecting the merchandise would be likely to see
3 the disclosure:

4 (A) that the transaction advertised is a rent-to-own transaction; and

5 (B) that the consumer will not own the property until the total amount
6 to be paid to acquire ownership is paid in full.

7 (2) In immediate proximity to each specific item of merchandise overtly
8 displayed or offered on a rent-to-own basis there shall be disclosed:

9 (A) the cash price of the item;

10 (B) the amount of the periodic payment and the total number of
11 periodic payments required for ownership;

12 (C) the total amount to be paid to acquire ownership, which amount
13 shall be labeled “total cost”;

14 (D) the effective annual percentage rate associated with the item
15 (which may be accompanied by a statement that this rate applies only if the
16 consumer acquires ownership by making all rental payments);

17 (E) a statement as to whether the item is new or used.

18 (e) Disclosures in rent-to-own agreement.

19 (1) Prior to consummation of any rent-to-own transaction, the consumer
20 shall be given a written agreement with:

21 (A) the heading in no less than 12-point, bold-face type the words:

1 IMPORTANT INFORMATION ABOUT RENT-TO-OWN. Do Not Sign this
2 Agreement Before You Read It or If It Contains any Blank Spaces; and

3 (B) the following general disclosures on the front side of the
4 agreement above the line for the consumer's signature:

5 (i) the name, address, and telephone number of the person offering
6 the merchandise;

7 (ii) the name and address of the consumer;

8 (iii) the date of the transaction;

9 (iv) a description of the merchandise, including any applicable
10 model and identification numbers;

11 (v) a statement whether the merchandise is new or used; and

12 (vi) a description of any damage to the merchandise.

13 (2) A rent-to-own agreement shall at minimum include the following
14 cost disclosures, printed and grouped as indicated below in no less than
15 12-point, bold-face type on the front of the agreement above the line for the
16 consumer's signature:

17 (A) Initial payment for rent-to-own merchandise _____ \$ _____

18 (B) Subsequent regular payments:

19 \$ _____ /week [month] × _____ weeks [months] _____ \$ _____

20 (C) Other charges or fees required to acquire ownership (itemize):

21 _____ \$ _____

1 _____ \$

2 _____ \$

3 Total required charges or fees _____ \$

4 (D) Total payments to acquire ownership: (A) + (B) + (C) \$ _____

5 (E) Cash price _____ \$

6 (F) Costs of ownership exceeding cash price: (D) – (E) \$ _____

7 (G) Number of years of payments to acquire ownership: _____

8 (H) Effective annual percentage rate (if you acquire ownership by

9 making all rental payments): [(F) ÷ (G)] ÷ (E) _____ %

10 (3) A rent-to-own agreement shall also include the following additional
11 disclosures:

12 (A) a line-item list of any other charges or fees the consumer could
13 be charged or have the option of paying in the course of acquiring ownership
14 or during or after the term of the contract.

15 (B) that the consumer will not own the merchandise until all
16 necessary payments have been made;

17 (C) who is responsible for damage to the merchandise and the
18 maximum amount of the consumer's liability;

19 (D) who is responsible for servicing the merchandise;

20 (E) a description of any manufacturer's or other warranties on the
21 merchandise, if any, which may be in a separate document furnished to the

1 consumer:

2 (F) a description of any insurance required of the consumer, or a
3 statement that the consumer is not required to purchase insurance and a
4 description of any insurance purchased by the consumer;

5 (G) an explanation of all options to purchase, including any early
6 option to purchase;

7 (H) all deadlines for payments, and the nature and amount of all
8 charges for late payment, default, pickup of merchandise, reinstatement, and
9 any other contingency;

10 (I) an explanation of any right to repossess the merchandise;

11 (J) an explanation of the right of any party to terminate the
12 agreement, and to reinstate the agreement.

13 (f) Disclosure of age of merchandise. Upon the request of a consumer who
14 has entered into a rent-to-own agreement with respect to used merchandise, the
15 person offering the merchandise shall, without unreasonable delay, disclose
16 when the merchandise was purchased new, if known.

17 (g) Prohibited provisions of rent-to-own agreement. A rent-to-own
18 agreement shall not contain any provision:

19 (1) Requiring a confession of judgment;

20 (2) Requiring a garnishment of wages;

21 (3) Granting authorization to the lessor or a person acting on the lessor's

1 behalf to enter unlawfully upon the consumer's premises or to commit any
2 breach of the peace in the repossession of property;

3 (4) Requiring the consumer to waive any defense, counterclaim, or right
4 of action against the lessor or a person acting on the lessor's behalf in
5 collection of payment under the consumer rental purchase agreement or in the
6 repossession of property; or

7 (5) Requiring purchase of insurance from the lessor to cover the
8 property.

9 (h) Preservation of disclosures. Any person offering merchandise on a
10 rent-to-own basis shall preserve copies or facsimiles of all disclosures in
11 advertising, and all rent-to-own agreements containing disclosures required by
12 this rule, for a period of not less than two years after the date the disclosures
13 are made. In the case of a radio or television advertisement, it shall be
14 sufficient to preserve a copy of the script or story board.

15 (i) Reinstatement of agreement. A rent-to-own agreement shall include a
16 provision:

17 (1) Permitting a consumer who fails to make a timely lease payment to
18 reinstate the agreement without losing any rights or options which exist under
19 the agreement by the payment of all past-due lease charges, the reasonable
20 costs of pickup, redelivery, and any refurbishing, and any applicable late fee
21 within five business days of the renewal date of the agreement if the consumer

1 pays monthly or within three business days of the renewal date of the
2 agreement if the consumer pays more frequently than monthly; and

3 (2) Permitting the consumer to reinstate the agreement during a period
4 of not less than 30 days after the date of the return of the property if the
5 consumer promptly returns or voluntarily surrenders the property upon request
6 by the lessor or its agent. In the event the consumer has paid at least 50
7 percent of the total of payments to acquire ownership, the reinstatement period
8 shall be extended to a total of 90 days after the date of the return of the
9 property.

10 (j) Effective annual percentage rate. The effective annual percentage rate
11 of a rent-to-own agreement subject to this section shall not exceed 36 percent.

12 (k) Reasonable charges and fees. Any charge or fee assessed under a
13 rent-to-own agreement shall be reasonably related to the actual cost to the
14 merchant of the service or hardship for which it is charged.

15 (l) Prohibition on rent-to-own businesses and licensed lenders. A person
16 engaged in the business of selling merchandise under a rent-to-own agreement
17 subject to this section shall not engage in any conduct or business at the same
18 physical location that would require a license under chapter 73 of Title 8
19 (licensed lenders).

20 Sec. 2. EFFECTIVE DATE

21 This act shall take effect on July 1, 2010.