

1 S.270

2 Introduced by Senator White

3 Referred to Committee on

4 Date:

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

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

8 An act relating to state regulation of rent-to-own agreements for
9 merchandise

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

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

12 § 41b. RENT-TO-OWN AGREEMENTS; DISCLOSURE OF TERMS

13 (a) ~~The attorney general shall adopt by rule standards for the full and~~
14 ~~conspicuous disclosure to consumers of the terms of rent to own agreements.~~

15 ~~For purposes of~~ In this section:

16 (1) a A rent-to-own agreement means an agreement for the use of
17 merchandise by a consumer for personal, family, or household purposes, for an
18 initial period of four months or less, that is renewable with each payment after
19 the initial period and that permits the lessee to become the owner of the
20 property. An agreement that complies with this article is not a retail

1 installment sales contract, agreement, or obligation as defined in this chapter or
2 a security interest as defined in section 1-201(37) of Title 9A.

3 (2) Cash price means the bona fide retail price at which the merchant
4 would sell to the consumer the merchandise in question for cash on the date of
5 the rent-to-own transaction or if the merchandise is not offered for sale for
6 cash, the estimated average cash retail price of the merchandise.

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

10 (c) The attorney general shall adopt by rule standards for the full and
11 conspicuous disclosure to consumers of the terms of rent-to-own agreements.
12 These standards shall require that a rent-to-own agreement disclose the
13 following information in a useful and obvious manner:

14 (1) A description of the merchandise provided.

15 (2) A statement of whether the merchandise is new or used.

16 (3) The amount and timing of the rent-to-own payments, including the
17 amount of the periodic payment and the total number of periodic payments
18 required for ownership under the agreement.

19 (4) The total amount that must be paid to acquire ownership of the
20 merchandise, which shall be explicitly labeled "total cost."

1 (5) The amount and purpose of any payment, charge, or fee in addition
2 to the regular periodic payments.

3 (6) A statement of whether the consumer is liable for loss or damage to
4 the merchandise and, if so, the maximum amount for which the consumer may
5 be liable, which for loss shall not exceed the price the consumer would have
6 paid to exercise an early purchase option, and for damage (other than ordinary
7 wear and tear) shall not exceed the lesser of the cost of repair or the price the
8 consumer would have paid to exercise an early purchase option.

9 (7) A statement, if applicable, that the consumer does not acquire
10 ownership rights unless the consumer has complied with the ownership terms
11 of the agreement.

12 (8) The cash price of the merchandise.

13 (9) A statement of the conditions under which a consumer may exercise
14 an early purchase option and under which the merchant or consumer may
15 otherwise terminate the lease.

16 (10) An itemized list of services offered under the rent-to-own
17 agreement and the price for each service.

18 (11) The effective annual percentage rate associated with the
19 merchandise under the rent-to-own agreement, which may be accompanied by
20 a statement that this rate applies only if the consumer acquires ownership by
21 making all payments.

1 (d) The attorney general shall adopt by rule standards to ensure that
2 rent-to-own agreements are non-predatory and written in a clear fashion.
3 These rules shall be consistent with the Truth in Lending Act, 15 U.S.C.
4 § 1601 et seq., the Equal Credit Opportunity Act, 15 U.S.C. § 1691 et seq.,
5 15 U.S.C. § 1692 et seq., and the Fair Credit Reporting Act 15 U.S.C. § 1681
6 et seq. as such acts may from time to time be amended and any regulations that
7 flow from these acts. Under these rules, rent-to-own agreements shall:

8 (1) Present a cash price that is competitive and comparable in price to
9 similar merchandise for retail in the area.

10 (2) Terminate, and the consumer shall acquire ownership of the
11 merchandise when periodic payments equal 150 percent of the cash price. A
12 rent-to-own agreement shall not require periodic payments or fees totaling
13 more than 150 percent of the cash price.

14 (3) Present reasonable opportunity for a consumer to reinstate the
15 agreement after merchandise has been returned by the consumer or
16 repossession has occurred. The minimum time that a consumer's right to
17 reinstatement is extended shall increase based on the proximity of the total
18 payments made to the payments necessary to acquire ownership, but shall be
19 extended for a period of no less than 30 days after the return of the
20 merchandise.

21 (4) Assess interest at a rate at or below 25 percent per year.

1 Sec. 2. EFFECTIVE DATE

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