

1 TO THE HONORABLE SENATE:

2 The Committee on Economic Development, Housing and General Affairs to
3 which was referred Senate Bill No. 73 entitled “An act relating to State
4 regulation of rent-to-own agreements for merchandise” respectfully reports
5 that it has considered the same and recommends that the bill be amended by
6 striking out all after the enacting clause and inserting in lieu thereof the
7 following:

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

9 § 41b. RENT-TO-OWN AGREEMENTS; DISCLOSURE OF TERMS

10 ~~(a) 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 ~~For purposes of this section a rent to own agreement means an agreement for~~
13 ~~the use of merchandise by a consumer for personal, family, or household~~
14 ~~purposes, for an initial period of four months or less, that is renewable with~~
15 ~~each payment after the initial period and that permits the lessee to become the~~
16 ~~owner of the property. An agreement that complies with this article is not a~~
17 ~~retail installment sales contract, agreement or obligation as defined in this~~
18 ~~chapter or a security interest as defined in section 1-201(37) of Title 9A.~~

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

1 (a) Definitions. In this section:

2 (1) “Advertisement” means a commercial message that solicits a
3 consumer to enter into a rent-to-own agreement for a specific item of
4 merchandise that is conveyed:

5 (A) at a merchant’s place of business;

6 (B) on a merchant’s website;

7 (C) on television or radio.

8 (2) “Cash price” means the price of merchandise available under a
9 rent-to-own agreement that the consumer may pay in cash to the merchant at
10 the inception of the agreement to acquire ownership of the merchandise.

11 (3) “Clear and conspicuous” means that the statement or term being
12 disclosed is of such size, color, contrast, or audibility, as applicable, so that the
13 nature, content, and significance of the statement or term is reasonably
14 apparent to the person to whom it is disclosed.

15 (4) “Consumer” has the same meaning as in subsection 2451a(a) of this
16 title.

17 (5) “Merchandise” means an item of a merchant’s property that is
18 available for use under a rent-to-own agreement. The term does not include:

19 (A) real property;

20 (B) a mobile home, as defined in section 2601 of this title;

21 (C) a motor vehicle, as defined in 23 V.S.A. § 4;

1 (D) an assistive device, as defined in section 41c of this title; or

2 (E) a musical instrument intended to be used primarily in an
3 elementary or secondary school.

4 (6) “Merchant” means a person who offers, or contracts for, the use of
5 merchandise under a rent-to-own agreement.

6 (7) “Merchant’s cost” means the documented actual cost, including
7 actual freight charges, of merchandise to the merchant from a wholesaler,
8 distributor, supplier, or manufacturer and net of any discounts, rebates, and
9 incentives that are vested and calculable as to a specific item of merchandise at
10 the time the merchant accepts delivery of the merchandise.

11 (8)(A) “Rent-to-own agreement” means a contract under which a
12 consumer agrees to pay a merchant for the right to use merchandise until:

13 (i) the consumer returns the merchandise to the merchant;

14 (ii) the merchant retakes possession of the merchandise; or

15 (iii) the consumer pays the total cost and acquires ownership of

16 the merchandise.

17 (B) A “rent-to-own agreement” as defined in subdivision (7)(A) of
18 this subsection is not:

19 (i) a sale subject to 9A V.S.A. Article 2;

20 (ii) a lease subject to 9A V.S.A. Article 2A;

1 (iii) a security interest as defined in section 9A V.S.A.

2 § 1-201(a)(35); or

3 (iv) a retail installment contract or retail charge agreement as
4 defined in chapter 61 of this title.

5 (9) “Rent-to-own charge” means the difference between the total cost
6 and the cash price of an item of merchandise.

7 (10) “Total cost” means the sum of all payments, charges, fees, and
8 taxes that a consumer must pay to acquire ownership of merchandise under a
9 rent-to-own agreement. The term does not include charges for optional
10 services or charges due only upon the occurrence of a contingency specified in
11 the agreement.

12 (b) General requirements.

13 (1) Prior to execution, a merchant shall give a consumer the opportunity
14 to review a written copy of a rent-to-own agreement that includes all of the
15 information required by this section for each item of merchandise covered by
16 the agreement and shall not refuse a consumer’s reasonable request to review
17 the agreement with a third party, either inside the merchant’s place of business
18 or at another location.

19 (2) A disclosure required by this section shall be clear and conspicuous.

20 (3) In an advertisement or rent-to-own agreement, a merchant shall state
21 a numerical amount or percentage as a figure and shall print or legibly

1 handwrite the figure in the equivalent of 12-point type or greater.

2 (4) A merchant may supply information not required by this section with
3 the disclosures required by this section, but shall not state or place additional
4 information in such a way as to cause the required disclosures to be misleading
5 or confusing, or to contradict, obscure, or detract attention from the required
6 disclosures.

7 (5) A merchant shall preserve an advertisement, or a digital copy of the
8 advertisement, for not less than two years after the date the advertisement
9 appeared. In the case of a radio, television, or Internet advertisement, a
10 merchant may preserve a copy of the script or storyboard.

11 (6) A merchant shall make merchandise available to all consumers on
12 the terms and conditions that appear in the advertisement.

13 (7) A rent-to-own agreement that is substantially modified, including a
14 change that increases the consumer's payments or other obligations or
15 diminishes the consumer's rights, shall be considered a new agreement subject
16 to the requirements of this chapter.

17 (8) For each item of merchandise available under a rent-to-own
18 agreement, a merchant shall keep an electronic or hard copy for a period of six
19 years following the date the merchant ceases to own the merchandise:

20 (A) each rent-to-own agreement covering the item; and

21 (B) a record that establishes the merchant's cost for the item.

1 (9) A rent-to-own agreement executed by a merchant doing business in
2 Vermont and a resident of Vermont shall be governed by Vermont law.

3 (10) If a rent-to-own agreement includes a provision requiring mediation
4 or arbitration in the event of a dispute, the mediation or arbitration shall occur
5 within Vermont.

6 (c) Cash price; total cost; maximum limits.

7 (1) The maximum cash price for an item of merchandise shall not
8 exceed:

9 (A) for an appliance, 1.75 times the merchant's cost;

10 (B) for an item of electronics that has a merchant's cost of less than
11 \$150.00, 1.75 times the merchant's cost;

12 (C) for an item of electronics that has a merchant's cost of \$150.00 or
13 more, 2.00 times the merchant's cost;

14 (D) for an item of furniture or jewelry, 2.50 times the merchant's
15 cost; and

16 (E) for any other item, 2.00 times the merchant's cost.

17 (2) The total cost for an item of merchandise shall not exceed two times
18 the maximum cash price for the item.

19 (d) Disclosures in advertising. An advertisement shall state:

20 (1) the cash price of the item;

21 (2) that the merchandise is available under a rent-to-own agreement;

1 (3) the amount, frequency, and total number of payments required for
2 ownership;

3 (4) the total cost for the item;

4 (5) the rent-to-own charge for the item; and

5 (6) that the consumer will not own the merchandise until the consumer
6 pays the total cost for ownership.

7 (e) Disclosures on site. In addition to the information required in
8 subsection (d) of this section, an advertisement at a merchant’s place of
9 business shall include:

10 (1) whether the item is new or used;

11 (2) when the merchant acquired the item; and

12 (3) the number of times a consumer has taken possession of the item
13 under a rent-to-own agreement.

14 (f) Disclosures in rent-to-own agreement.

15 (1) The first page of a rent-to-own agreement shall include:

16 (A) a heading in bold-face type that reads: “IMPORTANT
17 INFORMATION ABOUT THIS RENT-TO-OWN AGREEMENT.

18 Do Not Sign this Agreement Before You Read It or If It Contains any Blank
19 Spaces”; and

20 (B) the following information in the following order:

21 (i) the name, address, and contact information of the merchant;

1 (ii) the name, address, and contact information of the consumer;

2 (iii) the date of the transaction;

3 (iv) a description of the merchandise sufficient to identify the
4 merchandise to the consumer and the merchant, including any applicable
5 model and identification numbers;

6 (v) a statement whether the merchandise is new or used, and in the
7 case of used merchandise, a description of the condition of, and any damage to,
8 the merchandise.

9 (2) A rent-to-own agreement shall include the following cost
10 disclosures, printed and grouped as indicated below, immediately preceding
11 the signature lines:

12	(1) Cash Price:	\$ _____
13	(2) <u>Payments required to become owner:</u>	
14	\$ _____/(weekly)(biweekly)(monthly) × (# of payments) =	\$ _____
15	(3) <u>Mandatory charges, fees, and taxes required to become owner (itemize):</u>	
16	_____	\$ _____
17	_____	\$ _____
18	_____	\$ _____
19	<u>Total required taxes, fees, and charges:</u>	\$ _____
20	(4) <u>Total cost:</u>	(2) + (3) = \$ _____
21	(5) <u>Rent-to-Own Charge:</u>	(4) - (1) = \$ _____

1 (g) Required provisions of rent-to-own agreement. A rent-to-own
2 agreement shall provide:

3 (1) a statement of payment due dates;

4 (2) a line-item list of any other charges or fees the consumer could be
5 charged or have the option of paying in the course of acquiring ownership or
6 during or after the term of the agreement;

7 (3) that the consumer will not own the merchandise until he or she
8 makes all of the required payments for ownership;

9 (4) that the consumer has the right to receive a receipt for a payment
10 and, upon reasonable notice, a written statement of account;

11 (5) who is responsible for service, maintenance, and repair of an item of
12 merchandise;

13 (6) that, except in the case of the consumer's negligence or abuse, if the
14 merchant must retake possession of the merchandise for maintenance, repair,
15 or service, or the item cannot be repaired, the merchant is responsible for
16 providing the consumer with a replacement item of equal quality and
17 comparable design;

18 (7) the maximum amount of the consumer's liability for damage or loss
19 to the merchandise in the case of the consumer's negligence or abuse;

20 (8) a description of a manufacturer's warranty or other warranty on the
21 merchandise, which may be in a separate document furnished to the consumer;

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

4 (10) an explanation of the consumer’s options to purchase the
5 merchandise;

6 (11) an explanation of the merchant’s right to repossess the
7 merchandise; and

8 (12) an explanation of the parties’ respective rights to terminate the
9 agreement, and to reinstate the agreement.

10 (h) Prohibited provisions of rent-to-own agreement. A rent-to-own
11 agreement shall not contain a provision:

12 (1) requiring a confession of judgment;

13 (2) requiring a garnishment of wages;

14 (3) authorizing a merchant or its agent to enter unlawfully upon the
15 consumer’s premises or to commit any breach of the peace in the repossession
16 of property;

17 (4) requiring the consumer to waive any defense, counterclaim, or right
18 of action against the merchant or its agent in collection of payment under the
19 agreement or in the repossession of property; or

20 (5) requiring the consumer to purchase insurance from the merchant to
21 cover the property.

1 (i) Option to purchase. Notwithstanding any other provision of this
2 section, at any time after the first payment a consumer who is not in violation
3 of a rent-to-own agreement may acquire ownership of the merchandise covered
4 by the agreement by paying an amount equal to the cash price of the
5 merchandise minus 50 percent of the value of the consumer's previous
6 payments.

7 (j) Collections; repossession of merchandise; prohibited acts. When
8 attempting to collect a debt or enforce an obligation under a rent-to-own
9 agreement, a merchant shall not:

10 (1) call or visit a consumer's workplace after a request by the consumer
11 or his or her employer not to do so;

12 (2) use profanity or any language to abuse, ridicule, or degrade a
13 consumer;

14 (3) repeatedly call, leave messages, knock on doors, or ring doorbells;

15 (4) ask someone, other than a spouse, to make a payment on behalf of a
16 consumer;

17 (5) obtain payment through a consumer's bank, credit card, or other
18 account without authorization;

19 (6) speak with a consumer more than six times per week to discuss an
20 overdue account;

21 (7) engage in violence;

1 (8) trespass;

2 (9) call or visit a consumer at home or work after receiving legal notice
3 that the consumer has filed for bankruptcy;

4 (10) impersonate others;

5 (11) discuss a consumer's account with anyone other than a spouse of
6 the consumer;

7 (12) threaten unwarranted legal action; or

8 (13) leave a recorded message for a consumer that includes anything
9 other than the caller's name, contact information, and a courteous request that
10 the consumer return the call.

11 (k) Reinstatement of agreement.

12 (1) A consumer who fails to make a timely payment may reinstate a
13 rent-to-own agreement without losing any rights or options that exist under the
14 agreement by paying all past-due charges, the reasonable costs of pickup,
15 redelivery, and any refurbishing, and any applicable late fee:

16 (A) within five business days of the renewal date of the agreement if
17 the consumer pays monthly; or

18 (B) within three business days of the renewal date of the agreement if
19 the consumer pays more frequently than monthly.

20 (2) If a consumer promptly returns or voluntarily surrenders
21 merchandise upon a merchant's request, the consumer may reinstate a

1 rent-to-own agreement during a period of not less than 180 days after the date
2 the merchant retakes possession of the merchandise.

3 (3) In the case of a rent-to-own agreement that is reinstated pursuant to
4 this subsection, the merchant is not required to provide the consumer with the
5 identical item of merchandise and may provide the consumer with a
6 replacement item of equal quality and comparable design.

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

10 (m) Prohibition on rent-to-own businesses and licensed lenders. A person
11 engaged in the business of selling merchandise under a rent-to-own agreement
12 subject to this section shall not engage in any conduct or business at the same
13 physical location that would require a license under 8 V.S.A. chapter 73
14 (licensed lenders).

15 (n) Enforcement; remedies; damages. A person who violates this section
16 commits an unfair and deceptive act in commerce in violation of section 2453
17 of this title.

18 Sec. 2. EFFECTIVE DATE

19 This act shall take effect on July 1, 2015.

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2 (Committee vote: _____)

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Senator _____

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FOR THE COMMITTEE