

1                   \* \* \* Consumer Rent-to-Own Agreements \* \* \*

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

3           § 41b. RENT-TO-OWN AGREEMENTS; DISCLOSURE OF TERMS

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

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

16           (a) Definitions. In this section:

17                   (1) "Advertisement" means a commercial message that solicits a  
18                   consumer to enter into a rent-to-own agreement for a specific item of  
19                   merchandise that is conveyed:

20                           (A) at a merchant's place of business;

21                           (B) on a merchant's website;

1           (C) on television or radio.

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

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

9           (4) “Effective annual percentage rate means the annual percentage rate of  
10           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 cash  
18           price less any down payment; and

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

1 ~~(4)~~ (5) “Consumer” has the same meaning as in subsection 2451a(a) of  
2 this title.

3 ~~(5)~~ (6) “Merchandise” means an item of a merchant’s property that is  
4 available for use under a rent-to-own agreement. The term does not include:

5 (A) real property;

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

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

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

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

11 ~~(6)~~ (7) “Merchant” means a person who offers, or contracts for, the use  
12 of merchandise under a rent-to-own agreement.

13 ~~(7)~~ (8) “Merchant’s cost” means the documented actual cost, including  
14 actual freight charges, of merchandise to the merchant from a wholesaler,  
15 distributor, supplier, or manufacturer and net of any discounts, rebates, and  
16 incentives that are vested and calculable as to a specific item of merchandise at  
17 the time the merchant accepts delivery of the merchandise.

18 ~~(8)~~ (9) ~~(A)~~ “Rent-to-own agreement” means a contract under which a  
19 consumer agrees to pay a merchant for the right to use merchandise until:

20 (i) (A) the consumer returns the merchandise to the merchant;

21 (ii) (B) the merchant retakes possession of the merchandise; or

1           ~~(iii)~~ (C) the consumer pays the total cost and acquires ownership of  
2 the merchandise.

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

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

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

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

8 ~~§ 1-201(a)(35); or~~

9           ~~(iv) a retail installment contract or retail charge agreement as~~  
10 ~~defined in chapter 61 of this title.~~

11           ~~(9)~~ (10) “Rent-to-own charge” means the difference between the total  
12 cost and the cash price of an item of merchandise.

13           ~~(10)~~ (11) “Total cost” means the sum of all payments, charges, fees, and  
14 taxes that a consumer must pay to acquire ownership of merchandise under a  
15 rent-to-own agreement. The term does not include charges for optional  
16 services or charges due only upon the occurrence of a contingency specified in  
17 the agreement.

18           (b) General requirements.

19           (1) Prior to execution, a merchant shall give a consumer the opportunity  
20 to review a written, unsigned copy of a rent-to-own agreement that includes all  
21 of the information required by this section for each item of merchandise

1 covered by the agreement and shall not refuse a consumer's **reasonable** request  
2 to review the agreement with a third party, either inside the merchant's place  
3 of business or at another location.

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

5 (3) In an advertisement or rent-to-own agreement, a merchant shall state  
6 a numerical amount or percentage as a figure and shall print or legibly  
7 handwrite the figure in the equivalent of 12-point type or greater.

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

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

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

19 (7) A rent-to-own agreement that is substantially modified, including a  
20 change that increases the consumer's payments or other obligations or

1 diminishes the consumer's rights, shall be considered a new agreement subject  
2 to the requirements of this chapter.

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

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

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

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

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

13 ~~(c) Cash price; total cost; maximum limits reduction for used merchandise;~~  
14 ~~effective annual percentage rate; maximum limits.~~

15 ~~(1) The maximum cash price for an a new item of merchandise shall be~~  
16 ~~competitive with the price of the same or similar merchandise for sale by retail~~  
17 ~~merchants in the general area and shall not exceed:~~

18 ~~(A) for an appliance, 1.75 times the merchant's cost; and~~

19 ~~(B) for an item of electronics that has a merchant's cost of less than~~  
20 ~~\$150.00, 1.75 times the merchant's cost; and~~

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

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

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

6            (2) The cash price for used merchandise shall not exceed 75 percent of  
7 the cash price when new; a merchant shall reduce the amount of the periodic  
8 payment in a rent-to-own agreement by the percentage of the cash price  
9 reduction for used merchandise established by the merchant.

10           (3) The effective annual percentage rate of a rent-to-own agreement  
11 subject to this section shall not exceed 24 percent.

12           ~~(2)~~(4) The total cost for an item of merchandise shall not exceed two  
13 times the maximum cash price for the item.

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

15           (1) An advertisement shall state:

16           ~~(1)~~ (A) the cash price of the item;

17           ~~(2)~~ (B) that the merchandise is available under a rent-to-own  
18 agreement;

19           ~~(3)~~ (C) the amount, frequency, and total number of payments  
20 required for ownership;

21           ~~(4)~~ (D) the total cost for the item;

1 ~~(5)~~ (E) the rent-to-own charge for the item; and

2 ~~(6)~~ (F) that the consumer will not own the merchandise until the  
3 consumer pays the total cost for ownership.

4 (2) Prohibited disclosures in advertising. A merchant shall not advertise  
5 that no credit check is required or performed or that all consumers are  
6 approved for transactions if the merchant subjects the consumer to  
7 employment, reference, income, or credit inquiries.

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

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

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

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

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

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

17 (A) a heading **and clause** in bold-face type that reads: "IMPORTANT  
18 INFORMATION ABOUT THIS RENT-TO-OWN AGREEMENT.

19 Do Not Sign this Agreement Before You Read It or If It Contains any Blank

20 Spaces. **You Have a Right to Review This Agreement or Compare Costs Away**

21 from the Store Before you Sign"; and



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

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

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

4 (iii) the date of the transaction;

5 (iv) a description of the merchandise sufficient to identify the

6 merchandise to the consumer and the merchant, including any applicable

7 model and identification numbers;

8 (v) a statement whether the merchandise is new or used, and in the

9 case of used merchandise, a description of the condition of, and any damage to,

10 the merchandise.

11 (2) A rent-to-own agreement shall include the following cost

12 disclosures, printed and grouped as indicated below, immediately preceding

13 the signature lines:

14 (1)(a) Cash Price (New)\*: \_\_\_\_\_ \$ \_\_\_\_\_

15 \* MUST BE COMPETITIVE WITH LOCAL PRICES IN THE AREA

16 (1)(b) Cash Price (Used)\*: \_\_\_\_\_ \$ \_\_\_\_\_

17 \* MINIMUM DISCOUNT OF 25%

18 (2) Payments required to become owner:

19 \$ \_\_\_\_\_ /((weekly)(biweekly)(monthly) × (# of payments) = \$ \_\_\_\_\_

20 (3) Mandatory charges, fees, and taxes required to become owner (itemize):

21 \_\_\_\_\_ \$ \_\_\_\_\_

1 \_\_\_\_\_ \$

2 \_\_\_\_\_ \$

3 Total required taxes, fees, and charges: \$

4 (4) Total cost: \_\_\_\_\_ (2) + (3) = \$

5 (5) Rent-to-Own Charge: \_\_\_\_\_ (4) - (1) = \$

6 (6) Effective annual percentage rate (NOT TO EXCEED 24%) =

7 (7) DO NOT SIGN BEFORE READING THIS AGREEMENT CAREFULLY.

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

10 (1) a statement of payment due dates;

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

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

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

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

20 (6) that, except in the case of the consumer's negligence or abuse, if the  
21 merchant must retake possession of the merchandise for maintenance, repair,

1 or service, or the item cannot be repaired, the merchant is responsible for  
2 providing the consumer with a replacement item of equal quality and  
3 comparable design;

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

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

8 (9) a description of any ~~damage waiver or insurance required of~~  
9 ~~purchased by~~ the consumer, or a statement that the consumer is not required to  
10 purchase ~~any damage waiver or insurance and a description of any insurance~~  
11 ~~purchased by the consumer;~~

12 (10) an explanation of the consumer's options to purchase the  
13 merchandise;

14 (11) an explanation of the merchant's right to repossess the  
15 merchandise; and

16 (12) an explanation of the parties' respective rights to terminate the  
17 agreement, and to reinstate the agreement.

18 (h) Warranties.

19 (1) Upon transfer of ownership of merchandise to a consumer, a  
20 merchant shall transfer to the consumer any manufacturer's or other warranty  
21 on the merchandise.

1           (2) A merchant creates an implied warranty to a consumer, which may  
2 not be waived, in the following circumstances:

3           (A) an affirmation of fact or promise made by the merchant to the  
4 consumer which relates to merchandise creates an implied warranty that the  
5 merchandise will substantially conform to the affirmation or promise;

6           (B) a description of the merchandise by the merchant creates an  
7 implied warranty that the merchandise will substantially conform to the  
8 description; and

9           (C) a sample or model exhibited to the consumer by the merchant  
10 creates an implied warranty that the merchandise actually delivered to the  
11 consumer will substantially conform to the sample or model.

12           (i) Maintenance and repairs.

13           (1) During the term of a rent-to-own agreement the merchant shall  
14 maintain the merchandise in good working condition.

15           (2) If a repair cannot be completed within three days, the merchant shall  
16 provide a replacement to the consumer to use until the original merchandise is  
17 repaired. Replacement merchandise shall be at least comparable in quality, age,  
18 condition, and warranty coverage to the replaced original merchandise.

19           (3) A merchant is not required to repair or replace merchandise that has  
20 been damaged as a result of negligence or an intentional act by the consumer.

1 ~~(h)~~ (j) Prohibited provisions of rent-to-own agreement. A rent-to-own  
2 agreement shall not contain a provision:

3 (1) requiring a confession of judgment;

4 (2) requiring a garnishment of wages;

5 ~~(3)~~ (3) requiring arbitration or mediation of any complaint;

6 ~~(3)~~ (4) authorizing a merchant or its agent to enter unlawfully upon the  
7 consumer's premises or to commit any breach of the peace in the repossession  
8 of property;

9 ~~(4)~~ (5) requiring the consumer to waive any defense, counterclaim, or  
10 right of action against the merchant or its agent in collection of payment under  
11 the agreement or in the repossession of property; or

12 ~~(5)~~ (6) requiring the consumer to purchase ~~damage waiver or~~ insurance  
13 from the merchant to cover the property.

14 ~~(i)~~ (k) Option to purchase. Notwithstanding any other provision of this  
15 section, at any time after the first payment a consumer who is not in violation  
16 of a rent-to-own agreement may acquire ownership of the merchandise covered  
17 by the agreement by paying an amount equal to the cash price of the  
18 merchandise minus 50 percent of the value of the consumer's previous  
19 payments.

20 (l) Payment; default.

1           (1) A periodic payment required by a rent-to-own agreement shall be  
2 timely if postmarked or delivered to the merchant's place of business not later  
3 than the first business day of each period.

4           (2) The merchant shall deliver to the consumer a notice of default and  
5 right to cure no earlier than the fourth day after the due date.

6           (3) A notice of default shall state the amount and due date of payment  
7 required to cure the default and shall explain the merchant's right to repossess,  
8 and the consumer's right, if the merchandise is repossessed, to reinstate the  
9 agreement.

10           (4) If the consumer cures the default, the rent-to-own agreement shall  
11 continue as if the payment had been made when due.

12           (5) Any payment received shall be applied to current or past due periodic  
13 payments prior to payment of other charges or fees.

14           ~~(j)~~ (m) Collections; repossession of merchandise; prohibited acts. When  
15 attempting to collect a debt or enforce an obligation under a rent-to-own  
16 agreement, a merchant shall not:

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

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

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

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

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

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

7           (7) engage in violence;

8           (8) trespass;

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

11          (10) impersonate others;

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

14          (12) threaten unwarranted legal action; or

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

18          ~~(k)~~ (n) Reinstatement of agreement.

19           (1) A consumer who fails to make a timely payment may reinstate a  
20          rent-to-own agreement without losing any rights or options that exist under the

1 agreement by paying all past-due charges, the reasonable costs of pickup,  
2 redelivery, and any refurbishing, and any applicable late fee:

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

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

7 (2) If a consumer promptly returns or voluntarily surrenders  
8 merchandise upon a merchant's request, the consumer may reinstate a  
9 rent-to-own agreement during a period of not less than 180 days after the date  
10 the merchant retakes possession of the merchandise.

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

15 ~~(4)~~ (o) Reasonable charges and fees.

16 (1) Any charge or fee assessed under a rent-to-own agreement shall be  
17 reasonably related to the actual cost to the merchant of the service or hardship  
18 for which it is charged;

19 (2) Late fees. Only one late fee may be assessed for each payment  
20 regardless of how long the payment remains due.

21



1 ~~(m)~~ (p) Prohibition on rent-to-own businesses and licensed lenders. A  
2 person engaged in the business of selling merchandise under a rent-to-own  
3 agreement subject to this section shall not engage in any conduct or business at  
4 the same physical location that would require a license under 8 V.S.A. chapter  
5 73 (licensed lenders).

6 (q) Attempt to circumvent. No rent-to-own agreement shall contain any  
7 provision which attempts to circumvent or circumvents obligations and  
8 remedies established by this chapter and any such provision shall be  
9 unenforceable and void.

10 ~~(n)~~ (r) Enforcement; remedies; damages. A person who violates this section  
11 commits an unfair and deceptive act in commerce in violation of section 2453  
12 of this title.