

1 TO THE HONORABLE SENATE:

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

4 (2) “Cash price” means the price at which a merchant would in good
5 faith offer to sell merchandise for cash at the time the merchant offers a
6 consumer the opportunity to use the merchandise under a rent-to-own
7 agreement.

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

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

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

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

18 (A) real property;

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

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

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

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

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

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

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

7 (iii) the consumer pays the total cost and acquires ownership of
8 the merchandise.

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

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

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

13 (iii) a security interest as defined in section 9A V.S.A. § 1-
14 201(a)(35); or

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

17 (8) “Rent-to-own charge” means the difference between the total cost
18 and the cash price of an item of merchandise.

19 (9) “Rent-to-own rate” means a percentage calculated by dividing the
20 rent-to-own charge by the number of years of payments that a consumer must
21 make under a rent-to-own agreement to acquire ownership of the merchandise.

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

5 (b) General requirements.

6 (1) A disclosure required by this section shall be clear and conspicuous.

7 (2) A merchant shall state a numerical amount or percentage as a figure
8 and shall print or legibly handwrite the figure in the equivalent of 12-point type
9 or greater.

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

15 (4) A merchant shall preserve a copy of an advertisement for not less
16 than two years after the date the advertisement appeared. In the case of a
17 radio, television, or Internet advertisement, a merchant may preserve a copy of
18 the script or story board.

19 (5) A merchant shall make merchandise available to all consumers on
20 the terms and conditions advertised.

21 (6) A rent-to-own agreement that is substantially modified, including a

1 change that increases the consumer's payments or other obligations or
2 diminishes the consumer's rights, shall be considered a new agreement subject
3 to the disclosure requirements of this chapter.

4 (7) A merchant shall preserve a copy of a rent-to-own agreement for not
5 less than six years from the date:

6 (A) the consumer returns the merchandise to the merchant;

7 (B) the merchant retakes possession of the merchandise; or

8 (C) the consumer pays the total cost and acquires ownership of the
9 merchandise.

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

12 (9) If a rent-to-own agreement includes a provision requiring binding
13 arbitration in the event of a dispute, the arbitration shall occur within Vermont.

14 (c) Disclosures in advertising. An advertisement for merchandise shall
15 state:

16 (1) that the merchandise is available under a rent-to-own agreement;

17 (2) that the consumer will not own the merchandise until the consumer
18 pays the total cost for ownership;

19 (3) the amount and frequency of each payment required under the rent-
20 to-own agreement and the total number of payments required for ownership;

21 (4) the cash price for the item;

1 (5) the total cost for the item;

2 (6) the rent-to-own charge for the item; and

3 (7) the rent-to-own rate for the item.

4 (d) Disclosures on site. An advertisement at a merchant's business site that
5 is located in proximity to, or affixed to, an item of merchandise shall state:

6 (1) that the merchandise is available under a rent-to-own agreement;

7 (2) that the consumer will not own the merchandise until the total cost is
8 paid;

9 (3) the amount and frequency of each payment required under the rent-
10 to-own agreement and the total number of payments required for ownership;

11 (4) the cash price of the item;

12 (5) the total cost for the item;

13 (6) the rent-to-own charge for the item;

14 (7) the rent-to-own rate for the item;

15 (8) whether the merchandise is new or used; and

16 (9) in the case of used merchandise, the condition of the merchandise
17 and the number of consumers who have previously used the merchandise.

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

19 (1) Prior to executing a rent-to-own agreement, a merchant shall give
20 the consumer the opportunity to review a written copy of the agreement.

21 (2) The first page of a rent-to-own agreement shall include:

1 (A) a heading in bold-face type that reads: “IMPORTANT
2 INFORMATION ABOUT THIS RENT-TO-OWN AGREEMENT. Do Not
3 Sign this Agreement Before You Read It or If It Contains any Blank Spaces”;
4 and

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

6 (i) the name, address, and telephone number of the merchant;

7 (ii) the name, address, and telephone number of the consumer;

8 (iii) the date of the transaction;

9 (iv) a description of the merchandise sufficient to identify the
10 merchandise to the consumer and the merchant, including any applicable
11 model and identification numbers;

12 (v) a statement whether the merchandise is new or used, and in the
13 case of used merchandise, a description of the condition of, and any damage to,
14 the merchandise.

15 (3) A rent-to-own agreement shall include the following cost
16 disclosures, printed and grouped as indicated below, immediately preceding
17 the signature lines:

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(1) Cash Price:	\$	_____
(2) Payments required to become owner:		
\$	/(weekly)(biweekly)(monthly) ×	(# of payments) = \$ _____
(3) Taxes, fees, and charges required to become owner (itemize):		
		_____ \$
		_____ \$
		_____ \$
<u>Total required taxes, fees, and charges:</u>		_____ \$
(4) Total cost:	(2) + (3) =	_____ \$
(5) Rent-to-Own Charge:	(4) - (1) =	_____ \$
<u>Rent-to-Own Rate:</u>	$\frac{\text{Rent-to-Own Charge}}{\text{Number of years of payments}} = \% \text{ _____}$	

(4) A rent-to-own agreement shall also provide:

(A) a statement of payment due dates;

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

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

(D) that the consumer has the right to receive a receipt for a payment

1 and, upon reasonable notice, a written statement of account;

2 (E) that, except in the case of the consumer's negligence or abuse, the
3 merchant is responsible for maintaining, repairing, and servicing the
4 merchandise until the consumer acquires ownership;

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

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

10 (H) a description of any insurance required of the consumer, or a
11 statement that the consumer is not required to purchase insurance and a
12 description of any insurance purchased by the consumer;

13 (I) an explanation of the consumer's options to purchase the
14 merchandise;

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

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

19 (f) Option to purchase. Notwithstanding any other provision of this
20 section;

1 (1) When a consumer makes payments that total 200 percent of the cash
2 price, the merchant shall notify the consumer and give the consumer the option
3 to purchase the merchandise upon payment of \$1.00.

4 (2) At any time after the first payment the consumer may acquire
5 ownership of the merchandise by paying an amount equal to the cash price of
6 the merchandise minus 50 percent of the value of the consumer's previous
7 payments.

8 (g) Reinstatement of agreement.

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

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

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

17 (2)(A) If a consumer promptly returns or voluntarily surrenders
18 merchandise upon a merchant's request, the consumer may reinstate a rent-to-
19 own agreement during a period of not less than 30 days after the date the
20 merchant retakes possession of the merchandise.

1 (B) If the consumer has paid at least 50 percent of the total of
2 payments to acquire ownership, the reinstatement period shall be extended to a
3 total of 90 days after the date the merchant retakes possession.

4 (h) Used merchandise.

5 (1) A merchant shall disclose when used merchandise was purchased
6 new, if known.

7 (2) A rent-to-own agreement shall provide for the same number of
8 payments for ownership of used merchandise as would be required for the
9 consumer to acquire ownership of the merchandise if new.

10 (3) A merchant shall not reduce the number of payments to reflect the
11 reduced cost of used merchandise, but rather, shall reduce the amount of each
12 periodic payment.

13 (i) Prohibited provisions of rent-to-own agreement. A rent-to-own
14 agreement shall not contain a provision:

15 (1) requiring a confession of judgment;

16 (2) requiring a garnishment of wages;

17 (3) authorizing a merchant or its agent to enter unlawfully upon the
18 consumer's premises or to commit any breach of the peace in the repossession
19 of property;

20 (4) requiring the consumer to waive any defense, counterclaim, or right
21 of action against the merchant or its agent in collection of payment under the

1 agreement or in the repossession of property; or

2 (5) requiring the consumer to purchase insurance from the merchant to
3 cover the property.

4 (j) Rent-to-own rate. The rent-to-own rate for a rent-to-own agreement
5 subject to this section shall not exceed 36 percent.

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

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

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

17 Sec. 2. EFFECTIVE DATE

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

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(Committee vote: _____)

Senator _____

FOR THE COMMITTEE