

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 of merchandise available under a rent-
5 to-own agreement that the consumer may pay in cash to the merchant at the
6 inception of the agreement to acquire ownership of the merchandise.

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

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

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

15 (A) real property;

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

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

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

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

21 (6) “Merchant” means a person who offers, or contracts for, the use of

1 merchandise under a rent-to-own agreement.

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

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

9 (i) the consumer returns the merchandise to the merchant;
10 (ii) the merchant retakes possession of the merchandise; or
11 (iii) the consumer pays the total cost and acquires ownership of
12 the merchandise.

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

15 (i) a sale subject to 9A V.S.A. Article 2;
16 (ii) a lease subject to 9A V.S.A. Article 2A;
17 (iii) a security interest as defined in section 9A V.S.A. § 1-
18 201(a)(35); or

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

21 (9) “Rent-to-own charge” means the difference between the total cost

1 and the cash price of an item of merchandise.

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

7 (b) General requirements.

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

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

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

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

1 disclosures.

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

6 (6) A merchant shall make merchandise available to all consumers on
7 the terms and conditions advertised.

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

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

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

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

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

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

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

2 (1) The maximum cash price for an item of merchandise shall not
3 exceed two times the merchant's cost for the item.

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

6 (d) Disclosures in advertising. An advertisement for merchandise that is
7 available under a rent-to-own agreement shall state:

8 (1) the cash price of the item;

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

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

12 (5) the total cost for the item;

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

14 (7) that the consumer will not own the merchandise until the consumer
15 pays the total cost for ownership.

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

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

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

21 (3) the amount and frequency of each payment required under the rent-

1 to-own agreement and the total number of payments required for ownership;

2 (4) the cash price of the item;

3 (5) the total cost for the item;

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

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

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

7 (9) in the case of used merchandise, the condition of the merchandise.

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

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

10 (A) a heading in bold-face type that reads: “IMPORTANT

11 INFORMATION ABOUT THIS RENT-TO-OWN AGREEMENT. Do Not

12 Sign this Agreement Before You Read It or If It Contains any Blank Spaces”;

13 and

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

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

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

17 (iii) the date of the transaction;

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

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

20 model and identification numbers;

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

1 case of used merchandise, a description of the condition of, and any damage to,
2 the merchandise.

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

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

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

18 (1) a statement of payment due dates;

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

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

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

5 (5) that, beyond normal wear and tear, and except in the case of the
6 consumer's negligence or abuse:

7 (A) the merchant is responsible for maintaining, repairing, and
8 servicing the merchandise until the consumer acquires ownership; and

9 (B) if the merchant must retake possession of the merchandise for
10 maintenance, repair, or service, or the item cannot be repaired, the merchant is
11 responsible for providing the consumer with a replacement item of equal
12 quality and comparable design;

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

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

17 (8) a description of any insurance required of the consumer, or a
18 statement that the consumer is not required to purchase insurance and a
19 description of any insurance purchased by the consumer;

20 (9) an explanation of the consumer's options to purchase the
21 merchandise;

1 (10) an explanation of the merchant’s right to repossess the
2 merchandise; and

3 (11) an explanation of the parties’ respective rights to terminate the
4 agreement, and to reinstate the agreement.

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

7 (1) requiring a confession of judgment;

8 (2) requiring a garnishment of wages;

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

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

15 (5) requiring the consumer to purchase insurance from the merchant to
16 cover the property.

17 (i) Option to purchase. Notwithstanding any other provision of this
18 section:

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

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

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

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

10 (2) use profanity or any language meant to abuse, ridicule, or degrade a
11 consumer;

12 (3) attempt to harass a consumer to take action by repeatedly calling,
13 leaving messages, knocking on doors, or ringing doorbells;

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

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

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

20 (7) engage in violence;

21 (8) trespass;

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

3 (10) impersonate others;

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

6 (12) threaten unwarranted legal action; or

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

10 (k) Reinstatement of agreement.

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

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

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

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

1 own agreement during a period of not less than 180 days after the date the
2 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) Used merchandise. A merchant shall disclose when used merchandise
8 was purchased new, if known, and the number of times a consumer has taken
9 possession of the merchandise under a rent-to-own agreement.

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

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

18 (o) Enforcement; remedies; damages. A person who violates this section
19 commits an unfair and deceptive act in commerce in violation of section 2453
20 of this title.

21 Sec. 2. EFFECTIVE DATE

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

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8 (Committee vote: _____)

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Senator _____

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FOR THE COMMITTEE