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S.73

Introduced by Senators Mullin, Balint, Baruth, Campbell, Cummings, and
Doyle

Referred to Committee on

Date:

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

Statement of purpose of bill as introduced: This bill proposes to strengthen
State regulation of the rent-to-own industry.

An act relating to State regulation of rent-to-own agreements for
merchandise

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

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

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

~~(a) The attorney general shall adopt by rule standards for the full and
conspicuous disclosure to consumers of the terms of rent to own agreements.
For purposes of this section a rent to own agreement means an agreement for
the use of merchandise by a consumer for personal, family, or household
purposes, for an initial period of four months or less, that is renewable with
each payment after the initial period and that permits the lessee to become the
owner of the property. An agreement that complies with this article is not a~~

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

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

6 (a) Definitions. In this section:

7 (1) "Advertising" means a commercial message in any medium that
8 directly or indirectly promotes or assists a rent-to-own transaction.

9 Advertising includes newspapers, magazines, flyers, mailings, radio, and
10 television. Advertising does not include commercial messages to the extent
11 that they are displayed exclusively inside the premises where the merchandise
12 being offered is located.

13 (2) "Cash price" means:

14 (A) the bona fide retail price at which a merchant would sell the item
15 in question to the consumer for cash on the date of the rent-to-own transaction,
16 which price shall be representative of, and competitive with, the price at which
17 similar merchandise is currently available for purchase at other stores in the
18 area; or

19 (B) if the item is not offered for sale for cash, the estimated average
20 cash retail price of the item or a similar item in the market area.

1 (3) “Clear and conspicuous” means that the statement or term being
2 disclosed is of such size, color, contrast, or audibility, and is so presented, as to
3 be readily apparent to the person to whom it is being disclosed.

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

6 (5) “Effective annual percentage rate” means the annual percentage rate
7 of the merchandise subject to a rent-to-own transaction, calculated in the same
8 manner as an annual percentage rate under section 107 of the federal Truth in
9 Lending Act, 15 U.S.C. § 1606, except that:

10 (A) in place of the finance charge, there shall be substituted the
11 difference between the total of payments to acquire ownership and the cash
12 price, less any amounts specifically excluded from the finance charge under
13 the Truth in Lending Act;

14 (B) in place of the amount financed, there shall be substituted the
15 cash price less any down payment; and

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

18 (6) “Merchant” means a person who offers, or contracts for, the use of
19 merchandise on a rent-to-own basis with a consumer.

1 (7)(A) “Rent-to-own” refers to the use of merchandise under an
2 agreement that is renewable with each payment after the initial period and
3 where the consumer is permitted to become the owner of the property.

4 (B) This section shall not apply to a transaction for the use of:

5 (i) a musical instrument that is intended to be used in whole or in
6 part in an elementary or secondary school; or

7 (ii) a motor vehicle.

8 (b) General disclosure requirements.

9 (1)(A) A merchant shall make the disclosures required by this section
10 clearly, conspicuously, in meaningful sequence, and in accordance with the
11 further requirements of this section.

12 (B) A merchant shall present numerical amounts and percentages as
13 figures that shall be printed or legibly handwritten in not less than the
14 equivalent of 10-point type.

15 (2) A merchant may supply additional information with a disclosure
16 required by this section, but shall not state or place the additional information
17 in such a way as to cause the disclosures as a whole to be misleading or
18 confusing, or to contradict, obscure, or detract attention from the required
19 disclosures.

20 (3) If a merchant and consumer renegotiate or modify an agreement in a
21 substantial or material way after the effective date of this section, including

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

5 (4) Unless stated otherwise in a clear and conspicuous manner, all terms
6 and conditions required to be disclosed by this section shall be actually
7 available to all consumers.

8 (c) Disclosures in advertising. An advertisement for a rent-to-own
9 transaction that states or refers to the amount of a payment or the right to
10 acquire ownership of one or more specific items of merchandise shall state:

11 (1) that the transaction advertised is a rent-to-own transaction;

12 (2) that the consumer will not own the property until the consumer pays
13 the full amount required for ownership;

14 (3) for each specific item advertised, the total amount the consumer
15 must pay to acquire ownership, which a merchant shall designate as "total
16 cost"; and

17 (4) the effective annual percentage rate associated with the item, which
18 may be accompanied by a statement that this rate applies only if the consumer
19 acquires ownership by making all the payments.

1 (d) Disclosures in proximity to merchandise.

2 (1) In the same general vicinity as any merchandise overtly displayed or
3 offered on a rent-to-own basis, a merchant shall disclose, with sufficient
4 prominence that a consumer inspecting the merchandise would be likely to see
5 the disclosure:

6 (A) that the transaction advertised is a rent-to-own transaction; and

7 (B) that the consumer will not own the property until the consumer
8 pays the full amount required for ownership.

9 (2) In immediate proximity to each specific item of merchandise overtly
10 displayed or offered on a rent-to-own basis a merchant shall disclose:

11 (A) the cash price of the item;

12 (B) the amount of the periodic payment and the total number of
13 periodic payments a consumer must make to acquire ownership;

14 (C) the total amount the consumer must pay to acquire ownership,
15 which a merchant shall designate as “total cost”;

16 (D) the effective annual percentage rate associated with the item,
17 which may be accompanied by a statement that this rate applies only if the
18 consumer acquires ownership by making all payments; and

19 (E) a statement as to whether the item is new or used.

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

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

3 (2) The agreement shall include:

4 (A) a heading in no less than 12-point, bold-face type, that reads:
5 “IMPORTANT INFORMATION ABOUT THIS RENT-TO-OWN
6 AGREEMENT. Do Not Sign this Agreement Before You Read It or If It
7 Contains any Blank Spaces”; and

8 (B) the following general disclosures on the front side of the
9 agreement above the line for the consumer’s signature:

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

11 (ii) the name and address of the consumer;

12 (iii) the date of the transaction;

13 (iv) a description of the merchandise, including any applicable
14 model and identification numbers;

15 (v) a statement whether the merchandise is new or used; and

16 (vi) a description of any damage to the merchandise.

17 (3) A rent-to-own agreement shall at minimum include the following
18 cost disclosures, printed and grouped as indicated below in no less than
19 12-point, bold-face type on the front of the agreement above the line for the
20 consumer’s signature:

21 (A) Initial payment for rent-to-own merchandise: \$ _____

1 (B) Subsequent regular payments:
2 \$ _____ /week [month] × _____ weeks [months] \$ _____

3 (C) Other charges or fees required to acquire ownership (itemize):
4 _____ \$ _____
5 _____ \$ _____
6 _____ \$ _____

7 Total required charges or fees: \$ _____

8 (D) Total payments to acquire ownership: (A) + (B) + (C) \$ _____

9 (E) Cash price: \$ _____

10 (F) Costs of ownership exceeding cash price: (D) – (E) \$ _____

11 (G) Number of years of payments to acquire ownership: _____

12 (H) Effective annual percentage rate (if you acquire ownership by
13 making all rental payments): [(F) ÷ (G)] ÷ (E) _____ %

14 (4) A rent-to-own agreement shall also include the following additional
15 disclosures:

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

19 (B) that the consumer will not own the merchandise until all
20 necessary payments have been made;

1 (C) who is responsible for damage to the merchandise and the
2 maximum amount of the consumer's liability;

3 (D) who is responsible for servicing the merchandise;

4 (E) a description of any manufacturer's or other warranties on the
5 merchandise, if any, which may be in a separate document furnished to
6 the consumer;

7 (F) a description of any insurance required of the consumer, or a
8 statement that the consumer is not required to purchase insurance and a
9 description of any insurance purchased by the consumer;

10 (G) an explanation of all options to purchase, including any early
11 option to purchase;

12 (H) all deadlines for payments, and the nature and amount of all
13 charges for late payment, default, pickup of merchandise, reinstatement, and
14 any other contingency;

15 (I) an explanation of any right to repossess the merchandise; and

16 (J) an explanation of the right of any party to terminate the agreement
17 and to reinstate the agreement.

18 (f) Disclosure of age of merchandise. Upon the request of a consumer who
19 has entered into a rent-to-own agreement with respect to used merchandise, the
20 merchant shall, without unreasonable delay, disclose when the merchandise
21 was purchased new, if known.

- 1 (g) 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) authorizing a merchant or its agent to enter unlawfully upon the
6 consumer's premises or to commit any breach of the peace in the repossession
7 of property;
8 (4) requiring the consumer to waive any defense, counterclaim, or right
9 of action against the merchant or its agent in collection of payment under the
10 agreement or in the repossession of property; or
11 (5) requiring the consumer to purchase insurance from the merchant to
12 cover the property.
- 13 (h) Preservation of disclosures. A merchant shall preserve copies or
14 facsimiles of all disclosures in advertising, and all rent-to-own agreements
15 containing disclosures required by this section, for a period of not less than two
16 years after the date the disclosures are made. In the case of a radio or
17 television advertisement, it shall be sufficient to preserve a copy of the script
18 or storyboard.
- 19 (i) Reinstatement of agreement. A rent-to-own agreement shall include
20 a provision:

1 (1) Permitting a consumer who fails to make a timely lease payment to
2 reinstate the agreement without losing any rights or options that exist under the
3 agreement by the payment of all past-due lease charges, the reasonable costs of
4 pickup, redelivery, and any refurbishing, and any applicable late fee within
5 five business days of the renewal date of the agreement if the consumer pays
6 monthly or within three business days of the renewal date of the agreement if
7 the consumer pays more frequently than monthly.

8 (2) Permitting the consumer to reinstate the agreement during a period
9 of not less than 30 days after the date of the return of the property if the
10 consumer promptly returns or voluntarily surrenders the property upon request
11 by the lessor or its agent. In the event the consumer has paid at least
12 50 percent of the total of payments to acquire ownership, the reinstatement
13 period shall be extended to a total of 90 days after the date of the return of
14 the property.

15 (j) Effective annual percentage rate. The effective annual percentage rate
16 of a rent-to-own agreement subject to this section shall not exceed 24 percent.

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

20 (l) Prohibition on rent-to-own businesses and licensed lenders. A person
21 engaged in the business of selling merchandise under a rent-to-own agreement

1 subject to this section shall not engage in any conduct or business at the same
2 physical location that would require a license under 8 V.S.A. chapter 73
3 (licensed lenders).

4 (m) Enforcement; remedies; damages

5 (1) A person who violates this section commits an unfair and deceptive
6 act in commerce in violation of section 2453 of this title.

7 (2) The Attorney General shall have the same authority under this
8 section to make rules, conduct civil investigations, bring civil actions, and
9 enter into assurances of discontinuance as provided under chapter 63 of this
10 title. In an action brought by the Attorney General under this section, the court
11 may award or impose any relief available under chapter 63 of this title.

12 (3) This section shall not be construed to limit rights and remedies
13 available to the State of Vermont or to any person under chapter 63 of this title
14 or any other law and shall not alter or restrict the Attorney General's authority
15 under chapter 63 of this title with regard to conduct involving assertions of
16 violations of this section.

17 Sec. 2. EFFECTIVE DATE

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