

105TH CONGRESS  
1ST SESSION

# H. R. 3060

To amend the Consumer Credit Protection Act to protect consumers from inadequate disclosures and certain abusive practices in rent-to-own transactions, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 13, 1997

Mr. KENNEDY of Massachusetts (for himself, Mr. BARRETT of Wisconsin, Mr. CLAY, Mr. EVANS, Mr. FILNER, Mr. GUTIERREZ, Mr. HINCHEY, Mr. OLVER, Mr. PALLONE, Mr. RUSH, Mr. SCHUMER, Mr. THOMPSON, Mr. TORRES, Mr. TOWNS, Ms. WATERS, and Mr. WATTS of Oklahoma) introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To amend the Consumer Credit Protection Act to protect consumers from inadequate disclosures and certain abusive practices in rent-to-own transactions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rent-To-Own Reform  
5 Act of 1997”.

1 **SEC. RENT-TO-OWN PROTECTION ACT.**

2 The Consumer Credit Protection Act (15 U.S.C.  
3 1601 et seq.) is amended by adding at the end the follow-  
4 ing new title:

5 **“TITLE X—RENT-TO-OWN**  
6 **TRANSACTIONS**

“Sec.

“1001. Short title.

“1002. Findings and purposes.

“1003. Definitions.

“1004. Application of State laws regarding fees, charges, guarantees, and war-  
ranties to rent-to-own transactions.

“1005. Application of Federal laws to rent-to-own transactions.

“1006. Disclosures.

“1007. Prohibitions and enforcement.

“1008. Civil liability.

“1009. Application of this title.

“1010. Regulations.

“1011. Relationship to other laws.

7 **“SEC. 1001. SHORT TITLE.**

8 “This title may be cited as the ‘Rent-to-Own Protec-  
9 tion Act’.

10 **“SEC. 1002. FINDINGS AND PURPOSES.**

11 “(a) FINDINGS.—The Congress finds the following:

12 “(1) The rent-to-own industry targets its prod-  
13 ucts primarily to low income and minority neighbor-  
14 hoods.

15 “(2) The majority of rent-to-own customers  
16 enter into rent-to-own contracts with the intention of  
17 owning the goods for which they are contracting.

1           “(3) Rent-to-own dealers often fail to disclose  
2           key terms of rent-to-own contracts, and engage in  
3           unfair collection practices.

4           “(4) Of primary significance, rent-to-own deal-  
5           ers do not provide customers with the protections af-  
6           forded purchasers in retail installment sales under  
7           State and Federal laws, and often charge excessive  
8           fees and interest rates.

9           “(b) PURPOSES.—The purposes of this title are the  
10          following:

11           “(1) Provide consumers in rent-to-own trans-  
12           actions the range of protections provided under  
13           State and Federal laws to individuals that acquire  
14           goods in other consumer credit sales, while recogniz-  
15           ing and preserving consumers’ unilateral right to  
16           terminate.

17           “(2) Require rent-to-own contracts, and tags  
18           affixed to items available for acquisition in rent-to-  
19           own transactions, to disclose material terms of those  
20           transactions.

21           “(3) Prohibit rent-to-own dealers and collection  
22           agents hired by those dealers from engaging in abu-  
23           sive collection practices.

1 **“SEC. 1003. DEFINITIONS.**

2 “For purposes of this title, the following definitions  
3 shall apply:

4 “(1) BOARD.—The term ‘Board’ means the  
5 Board of Governors of the Federal Reserve System.

6 “(2) CASH PRICE.—The term ‘cash price’  
7 means—

8 “(A) the bona fide retail price for an item  
9 or service in sales by a seller to consumers who  
10 pay the full price in one payment, respec-  
11 tively—

12 “(i) before taking possession of the  
13 item, or

14 “(ii) for receipt of the service other  
15 than in a rent-to-own transaction,  
16 as indicated by actual sales of such item or  
17 service by the seller; and

18 “(B) in the case of a seller that does not  
19 regularly engage in such sales of the item or  
20 service, respectively—

21 “(i) the average cash retail price of  
22 the item or a similar item in the commu-  
23 nity; or

24 “(ii) the estimated bona fide retail  
25 value of the service.

26 “(3) CONSUMER.—The term ‘consumer’—

1           “(A) when used as an adjective, means for  
2 use by an individual primarily for personal,  
3 family, or household purposes; and

4           “(B) when used as a noun, means an indi-  
5 vidual who is the lessee or bailee under a rent-  
6 to-own contract.

7           “(4) CREDIT.—The term ‘credit’—

8           “(A) includes the right granted by a seller  
9 to a consumer to obtain possession of an item  
10 of consumer goods under a rent-to-own contract  
11 before payment of the total amount that is re-  
12 quired to be paid to acquire ownership of the  
13 item; and

14           “(B) is deemed to be a fixed sum equal  
15 to—

16           “(i) the total of payments for the item  
17 required to obtain ownership of the item  
18 under the contract; minus

19           “(ii) the sum of—

20           “(I) the cash price;

21           “(II) any fees specifically allow-  
22 able under State law, except finance  
23 charges, interest, or a time price dif-  
24 ferential; and

1                   “(III) the termination fee under  
2                   section 1004.

3                   “(5) RENT-TO-OWN CONTRACT.—The term  
4                   ‘rent-to-own contract’ means a contract in the form  
5                   of a terminable lease or bailment of an item of  
6                   consumer goods, under which—

7                   “(A) a consumer—

8                   “(i) has the right of possession and  
9                   use of the item; and

10                  “(ii) has the option to renew the con-  
11                  tract periodically by making payments  
12                  specified in the contract; and

13                  “(B) a seller agrees, in writing or orally, to  
14                  transfer ownership of the item to the consumer  
15                  upon the fulfillment of all obligations of the  
16                  consumer under the contract for that transfer.

17                  “(6) RENT-TO-OWN TRANSACTION.—The term  
18                  ‘rent-to-own transaction’ means the lease or bail-  
19                  ment of an item of consumer goods under a rent-to-  
20                  own contract.

21                  “(7) SELLER.—The term ‘seller’ means—

22                  “(A) a person—

23                  “(i) who regularly makes consumer  
24                  goods available under rent-to-own con-  
25                  tracts; and

1                   “(ii) to whom payments are payable  
2                   under those contracts; and

3                   “(B) an assignee of such a person.

4                   “(8) STATE.—The term ‘State’ means any  
5                   State, the Commonwealth of Puerto Rico, the Dis-  
6                   trict of Columbia, and any territory or possession of  
7                   the United States.

8   **“SEC. 1004. APPLICATION OF STATE LAWS REGARDING**  
9                   **FEES, CHARGES, GUARANTEES, AND WARRANT-**  
10                   **TIES TO RENT-TO-OWN TRANSACTIONS.**

11                   “(a) IN GENERAL.—Subject to subsection (b), a sell-  
12                   er in a rent-to-own transaction may not take, receive, or  
13                   assess any interest, finance charge, or other fee for the  
14                   transaction that is in excess of the interest, fees, or fi-  
15                   nance charges that may be charged under the laws of the  
16                   State in which the seller is located which—

17                   “(1) establish a maximum rate or amount of in-  
18                   terest, finance charge, or time-price differential that  
19                   may be charged in connection with a credit sale or  
20                   retail installment sale for the same or a similar item;

21                   “(2) establish the types of fees and the maxi-  
22                   mum amount of fees that a seller may charge in  
23                   connection with a credit sale or retail installment  
24                   sale for the same or a similar item; or

1           “(3) establish the types of credit insurance and  
2           the maximum amount of premiums that can be  
3           charged for credit insurance in connection with a  
4           credit sale or a retail installment sale for the same  
5           or a similar item.

6           “(b) ADDITIONAL TERMINATION CHARGES AND  
7 FEES.—

8           “(1) CHARGES AND FEES AUTHORIZED.—In ad-  
9           dition to fees and charges authorized under sub-  
10          section (a), a seller in a rent-to-own transaction may  
11          charge—

12                   “(A) a termination fee in accordance with  
13                   paragraph (2), if in exchange the consumer is  
14                   given the right to terminate the rent-to-own  
15                   contract for the transaction at any time without  
16                   regard to whether the consumer has completed  
17                   payment of the fee; and

18                   “(B) fees that are reasonable in relation to  
19                   the cash price of the good, for recovery of the  
20                   items that are the subject of the contract and  
21                   that are not voluntarily returned to the seller  
22                   upon the termination of the contract.

23           “(2) TERMINATION FEE.—A termination fee  
24          under paragraph (1)(A)—

1           “(A) shall not exceed 5 percent of the cash  
2 price under the contract;

3           “(B) shall be disclosed in the contract;

4           “(C) may be paid at the time the contract  
5 is entered into or over the life of the contract;  
6 and

7           “(D) shall be calculated as part of the fi-  
8 nance charge as determined under section 106  
9 of the Truth in Lending Act.

10          “(3) RECOVERY FEES.—A recovery fee under  
11 paragraph (1)(B) shall be disclosed in the contract.

12          “(4) EFFECT OF TERMINATION.—The termi-  
13 nation of a rent-to-own contract by a consumer in  
14 accordance with a right of termination given to the  
15 consumer in exchange for a termination fee under  
16 subsection (a)(1) is deemed to satisfy the consumer’s  
17 obligation for all payments and fees due under the  
18 contract, except fees and charges under the contract  
19 that become due before the date of termination.

20          “(c) GUARANTEES AND WARRANTIES.—All guaran-  
21 tees and warranties established or required under the laws  
22 of a State for goods sold pursuant to a consumer credit  
23 sale or retail installment sale apply to goods which are  
24 the subject of a rent-to-own transaction in the State.

1 **“SEC. 1005. APPLICATION OF FEDERAL LAWS TO RENT-TO-**  
2 **OWN TRANSACTIONS.**

3 “The following Federal laws apply to a rent-to-own  
4 transaction, as follows:

5 “(1) TRUTH IN LENDING ACT.—The Truth in  
6 Lending Act applies as such Act applies to a  
7 consumer credit transaction that is a credit sale (as  
8 that term is defined in that Act).

9 “(2) EQUAL CREDIT OPPORTUNITY ACT.—The  
10 Equal Credit Opportunity Act applies as such Act  
11 applies to credit transactions. For purposes of that  
12 application—

13 “(A) a consumer shall be treated as an ap-  
14 plicant; and

15 “(B) a seller shall be treated as a creditor.

16 “(3) FAIR DEBT COLLECTION PRACTICES  
17 ACT.—The Fair Debt Collection Practices Act ap-  
18 plies to the collection of payments owed that arise  
19 from a rent-to-own transaction, unless those pay-  
20 ments are collected by any person specified in sec-  
21 tion 803(6) (A) through (F) of that Act. For pur-  
22 poses of that application, payments owed shall be  
23 treated as debt.

24 “(4) FAIR CREDIT REPORTING ACT.—The Fair  
25 Credit Reporting Act applies as such Act applies to

1 a credit transaction and to any extension or denial  
2 of credit.

3 **“SEC. 1006. DISCLOSURES.**

4 “(a) DISCLOSURES ON GOODS.—A seller shall include  
5 on each item in the place of business of the seller that  
6 is available for purchase pursuant to a rent-to-own trans-  
7 action the following information:

8 “(1) The cash price of the item.

9 “(2) An itemization of services offered under a  
10 rent-to-own contract for the item, and the cash price  
11 of each service.

12 “(3) The annual percentage rate of the item  
13 under a rent-to-own contract, determined under sec-  
14 tion 107 of the Truth in Lending Act.

15 “(4) The weekly, biweekly, monthly, or other in-  
16 cremental payment applicable under the rent-to-own  
17 contract for the transaction and the number of pay-  
18 ments.

19 “(5) The total of payments required to be paid  
20 to acquire ownership of the item under a rent-to-own  
21 contract for the transaction, determined under regu-  
22 lations under the Truth in Lending Act.

23 “(6) Specification of whether the item is new or  
24 used.

1       “(b) DISCLOSURES UPON CONTRACTING.—A seller  
2 shall provide to a consumer in writing, at the time the  
3 seller and consumer enter into a rent-to-own contract for  
4 an item, the information referred to in subsection (a) for  
5 the item and the contract.

6 **“SEC. 1007. PROHIBITIONS AND ENFORCEMENT.**

7       “(a) PROHIBITIONS.—A person who is a seller under  
8 a rent-to-own contract with a consumer shall not—

9           “(1) threaten or invoke criminal prosecution of  
10 a consumer for any matter related to the contract,  
11 unless there is clear and convincing evidence that  
12 the goods that are the subject of the contract are  
13 being held by the consumer with an intent to de-  
14 fraud the seller;

15           “(2) use threats or coercion to collect or at-  
16 tempt to collect any amounts alleged to be due from  
17 the consumer;

18           “(3) engage in any conduct, the natural con-  
19 sequence of which is to oppress, harass, or abuse  
20 any person in connection with an attempt to collect  
21 amounts owed by the consumer under the contract;

22           “(4) unreasonably disclose information to third  
23 parties regarding amounts owed by the consumer;

24           “(5) make any fraudulent, deceptive, or mis-  
25 leading representation to obtain information about

1 the consumer or to collect amounts owed by the  
2 consumer;

3 “(6) use any unconscionable means to collect or  
4 attempt to collect a debt owed to the seller;

5 “(7) advertise, announce, solicit, or otherwise  
6 represent as free or available without charge (includ-  
7 ing by use of other words of similar meaning) any  
8 service under the contract for which the seller  
9 charges the consumer, including any service for  
10 which a charge is collected by inclusion in the  
11 amount required to be paid under the contract;

12 “(8) use, for purposes of complying with any  
13 State or Federal law governing rent-to-own trans-  
14 actions (other than a State or Federal tax law) any  
15 definition of the term ‘cash price’ other than the def-  
16 inition under section 1003(2);

17 “(9) engage in any act or practice which is un-  
18 fair or deceptive in connection with a rent-to-own  
19 transaction; or

20 “(10) violate any regulation issued by the  
21 Board under subsection (c)(1).

22 “(b) ENFORCEMENT.—

23 “(1) ENFORCEMENT.—Compliance with the re-  
24 quirements under this title shall be enforced by the  
25 Federal Trade Commission. All functions and pow-

1       ers of the Federal Trade Commission under the  
2       Federal Trade Commission Act shall be available to  
3       the Commission to enforce compliance with this title  
4       by any person, irrespective of whether the person is  
5       engaged in commerce or meets any other jurisdic-  
6       tional tests in the Federal Trade Commission Act,  
7       including the power to enforce the provisions of this  
8       title in the same manner as if the violation had been  
9       a violation of a Federal Trade Commission trade  
10      regulation rule.

11           “(2) TREATMENT OF VIOLATIONS.—For the  
12      purpose of the exercise by the Federal Trade Com-  
13      mission of the functions and powers of such Com-  
14      mission under the Federal Trade Commission Act, a  
15      violation of any requirement or prohibition under  
16      this title is deemed to be an unfair or deceptive act  
17      or practice in commerce in violation of that Act.

18           “(c) REGULATIONS.—

19           “(1) BOARD.—The Board shall issue such regu-  
20      lations as are necessary or appropriate for imple-  
21      menting subsection (a), including regulations de-  
22      scribing specific practices by a seller that are prohib-  
23      ited by paragraphs (1) through (9) of that sub-  
24      section.

1           “(2) FEDERAL TRADE COMMISSION.—The Fed-  
2           eral Trade Commission shall issue regulations imple-  
3           menting subsection (b).

4   **“SEC. 1008. CIVIL LIABILITY.**

5           “(a) LIABILITY FOR FAILURE TO PROPERLY DIS-  
6           CLOSE TERMS.—Any seller who fails to comply with a re-  
7           quirement under section 1006 is liable to the consumer  
8           in an amount equal to the sum of—

9           “(1) actual damages sustained by the consumer  
10          as a result of the failure;

11          “(2) \$250 for each failure; and

12          “(3) all costs of the action and reasonable at-  
13          torney fees, as determined by the court.

14          “(b) OTHER LIABILITY.—A seller that violates this  
15          title or fails to comply with any requirement imposed  
16          under this title, other than under section 1006, shall be  
17          liable to the consumer in an amount equal to the sum of—

18          “(1) actual damages sustained by the consumer  
19          as a result of the violation;

20          “(2) \$2,500 for each violation; and

21          “(3) all costs of the action and reasonable at-  
22          torney fees, as determined by the court.

23          “(c) JURISDICTION AND LIMITATION.—An action  
24          under this title may be brought in any United States dis-  
25          trict court or in any other court of competent jurisdiction,

1 within 24 months after the date of the violation or failure  
2 that is the subject of the action. This subsection does not  
3 bar a person from asserting a violation of this title in an  
4 action to collect amounts alleged to be due from the person  
5 which is brought more than 2 years after the date of the  
6 occurrence of the violation as a matter of defense by  
7 recoupment or set-off in such action.

8 **“SEC. 1009. APPLICATION OF THIS TITLE.**

9       “(a) IN GENERAL.—This title shall apply to rent-to-  
10 own contracts entered into after the date of the issuance  
11 of regulations by the Board under section 1010.

12       “(b) MOTOR VEHICLES.—This title shall not apply  
13 to any lease or sale of a motor vehicle entered into after  
14 the date of the enactment of the Rent-to-Own Reform Act  
15 of 1997 that, if entered into on the day before that date  
16 of enactment, would have been subject to chapter 5 of the  
17 Truth in Lending Act.

18 **“SEC. 1010. REGULATIONS.**

19       “‘The Board shall issue such regulations as may be  
20 necessary to implement this Act (including regulations  
21 under section 1007(c)(1)), by not later than 12 months  
22 after the date of the enactment of the Rent-To-Own Re-  
23 form Act of 1997.

1 **“SEC. 1011. RELATIONSHIP TO OTHER LAWS.**

2       “(a) STATE LAW.—This title does not annul, alter,  
3 or affect, or exempt any person subject to the provisions  
4 of this title from complying with, the laws of any State  
5 with respect to rent-to-own transactions, except to the ex-  
6 tent that those laws are inconsistent with any provision  
7 of this title, and then only to the extent of the inconsist-  
8 ency.

9       “(b) CONSUMER LEASE PROVISIONS OF TRUTH IN  
10 LENDING ACT.—Chapter 5 of the Truth in Lending Act,  
11 relating to consumer leases, shall not apply to a rent-to-  
12 own transaction except the lease or sale of a motor vehicle  
13 that, if entered into on the day before the date of the en-  
14 actment of the Rent-To-Own Reform Act of 1997, would  
15 have been subject to that chapter.”.

○