

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.

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

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 farded 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 inconsis-
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.”.

○