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S. 1208

To require meaningful disclosures of the terms of rental-purchase agreements, including disclosures of all costs to consumers under such agreements, to provide certain substantive rights to consumers under such agreements, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 20, 2013

Mr. TESTER (for himself and Mr. MORAN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require meaningful disclosures of the terms of rental-purchase agreements, including disclosures of all costs to consumers under such agreements, to provide certain substantive rights to consumers under such agreements, 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 “Consumer Rental Pur-
5 chase Agreement Act”.

6 **SEC. 2. FINDINGS AND DECLARATION OF PURPOSE.**

7 (a) FINDINGS.—Congress finds that—

1 (1) the rental-purchase industry provides a
2 service that meets and satisfies the demands of
3 many consumers;

4 (2) each year, approximately 2,300,000 United
5 States households enter into rental-purchase trans-
6 actions, and over a 5-year period, approximately
7 4,900,000 United States households will do so;

8 (3) competition among the various firms en-
9 gaged in the extension of rental-purchase trans-
10 actions would be strengthened by informed use of
11 rental-purchase transactions; and

12 (4) the informed use of rental-purchase trans-
13 actions results from an awareness of the cost thereof
14 by consumers.

15 (b) PURPOSE.—The purpose of this Act is to ensure
16 the availability of rental-purchase transactions and to en-
17 sure simple, meaningful, and consistent disclosure of rent-
18 al-purchase terms so that consumers will be able to more
19 readily compare the available rental-purchase terms and
20 avoid uninformed use of rental-purchase transactions, and
21 to protect consumers against unfair rental-purchase prac-
22 tices.

23 **SEC. 3. DEFINITIONS.**

24 For purposes of this Act, the following definitions
25 shall apply:

1 (1) ADVERTISEMENT.—The term “advertise-
2 ment” means—

3 (A) a commercial message in any medium
4 that promotes, directly or indirectly, a rental-
5 purchase agreement; and

6 (B) does not include any price tag, window
7 sign, or other in-store merchandising aid.

8 (2) AGRICULTURAL PURPOSE.—The term “agri-
9 cultural purpose” includes—

10 (A) the production, harvest, exhibition,
11 marketing, transformation, processing, or man-
12 ufacture of agricultural products by a natural
13 person who cultivates plants or propagates or
14 nurtures agricultural products; and

15 (B) the acquisition of farmlands, real prop-
16 erty with a farm residence, or personal property
17 and services used primarily in farming.

18 (3) CASH PRICE.—The term “cash price”
19 means the price at which a merchant, in the ordi-
20 nary course of business, offers to sell for cash the
21 property that is the subject of the rental-purchase
22 transaction.

23 (4) COMMISSION.—The term “Commission”
24 means the Federal Trade Commission.

1 (5) CONSUMER.—The term “consumer” means
2 a natural person who is offered or enters into a rent-
3 al-purchase agreement.

4 (6) DATE OF CONSUMMATION.—The term “date
5 of consummation” means the date on which a con-
6 sumer becomes contractually obligated under a rent-
7 al-purchase agreement.

8 (7) INITIAL PAYMENT.—The term “initial pay-
9 ment” means the amount to be paid before or at the
10 consummation of the agreement, or the delivery of
11 the property, if delivery occurs after consummation,
12 including—

13 (A) the rental payment;

14 (B) service, processing, or administrative
15 charges;

16 (C) any delivery fee;

17 (D) any refundable security deposit;

18 (E) taxes;

19 (F) mandatory fees or charges; and

20 (G) any optional fees or charges agreed to
21 by the consumer.

22 (8) MERCHANT.—The term “merchant” means
23 a person who provides the use of property through
24 a rental-purchase agreement in the ordinary course

1 of business and to whom an initial payment by the
2 consumer under the agreement is payable.

3 (9) PAYMENT SCHEDULE.—The term “payment
4 schedule” means the amount and timing of the peri-
5 odic payments and the total number of all periodic
6 payments that the consumer will make if the con-
7 sumer acquires ownership of the property by making
8 all periodic payments.

9 (10) PERIODIC PAYMENT.—The term “periodic
10 payment” means the total payment that a consumer
11 will make for a specific rental period after the initial
12 payment, including the rental payment, taxes, man-
13 datory fees or charges, and any optional fees or
14 charges agreed to by the consumer.

15 (11) PROPERTY.—The term “property” means
16 property that is not real property under the laws of
17 the State in which the property is located when it
18 is made available under a rental-purchase agree-
19 ment.

20 (12) RENTAL PAYMENT.—The term “rental
21 payment” means rent required to be paid by a con-
22 sumer for the possession and use of property for a
23 specific rental period, but does not include taxes or
24 any fees or charges.

1 (13) RENTAL PERIOD.—The term “rental pe-
 2 riod” means a week, month, or other specific period
 3 of time, during which the consumer has a right to
 4 possess and use property that is the subject of a
 5 rental-purchase agreement after paying the rental
 6 payment and any applicable taxes for such period.

7 (14) RENTAL-PURCHASE AGREEMENT.—

8 (A) IN GENERAL.—The term “rental-pur-
 9 chase agreement” means a contract in the form
 10 of a bailment or lease for the use of property
 11 by a consumer for an initial period of 4 months
 12 or less, that is renewable with each payment by
 13 the consumer, and that permits but does not
 14 obligate the consumer to become the owner of
 15 the property.

16 (B) EXCLUSIONS.—The term “rental-pur-
 17 chase agreement” shall not be construed to be,
 18 nor be governed by laws regulating, any of the
 19 following:

20 (i) A credit sale (as defined in section
 21 103(g) of the Truth in Lending Act (15
 22 U.S.C. 1602(g))).

23 (ii) A consumer lease (as defined in
 24 section 181(1) of the Truth in Lending Act
 25 (15 U.S.C. 1667(1))).

- 1 (iii) An extension of credit or a trans-
2 action giving rise to a debt incurred in
3 connection with the purchase of a thing of
4 value.

5 (15) RENTAL-PURCHASE COST.—

6 (A) IN GENERAL.—For purposes of sec-
7 tions 1010 and 1011, the term “rental-purchase
8 cost” means the sum of all rental payments and
9 mandatory fees or charges imposed by the mer-
10 chant as a condition of entering into a rental-
11 purchase agreement or acquiring ownership of
12 property under a rental-purchase agreement,
13 such as—

14 (i) a service, processing, or adminis-
15 trative charge;

16 (ii) a fee for an investigation or credit
17 report; or

18 (iii) a charge for delivery required by
19 the merchant.

20 (B) EXCLUDED ITEMS.—The following fees
21 or charges shall not be taken into account in
22 determining the rental-purchase cost with re-
23 spect to a rental-purchase transaction:

24 (i) Fees and charges prescribed by
25 law, which actually are or will be paid to

1 public officials or government entities, such
2 as sales tax.

3 (ii) Fees and charges for optional
4 products and services offered in connection
5 with a rental-purchase agreement.

6 (16) STATE.—The term “State” means any
7 State of the United States, the District of Columbia,
8 any territory of the United States, Puerto Rico,
9 Guam, American Samoa, the Trust Territory of the
10 Pacific Islands, the Virgin Islands, and the Northern
11 Mariana Islands.

12 (17) TOTAL COST.—The term “total cost”
13 means the sum of the initial payment and all peri-
14 odic payments in the payment schedule to be paid by
15 the consumer to acquire ownership of the property
16 that is the subject of a rental-purchase agreement.

17 **SEC. 4. EXEMPTED TRANSACTIONS.**

18 This Act shall not apply to rental-purchase agree-
19 ments primarily for business, commercial, or agricultural
20 purposes, or those made with Government agencies or in-
21 strumentalities.

22 **SEC. 5. GENERAL DISCLOSURE REQUIREMENTS.**

23 (a) RECIPIENT OF DISCLOSURE.—A merchant shall
24 disclose to any person who will be a signatory to a rental-

1 purchase agreement the information required by sections
2 6 and 7.

3 (b) TIMING OF DISCLOSURE.—The disclosures re-
4 quired under sections 6 and 7 shall be made—

5 (1) before the consummation of the rental-pur-
6 chase agreement; and

7 (2) clearly and conspicuously, in writing, as
8 part of the rental-purchase agreement to be signed
9 by the consumer.

10 (c) CLEARLY AND CONSPICUOUSLY.—As used in this
11 section, the term “clearly and conspicuously” means that
12 information required to be disclosed to the consumer shall
13 be worded plainly and simply, and appear in a type size,
14 prominence, and location as to be readily noticeable, read-
15 able, and comprehensible to an ordinary consumer.

16 **SEC. 6. RENTAL-PURCHASE DISCLOSURES.**

17 (a) IN GENERAL.—For each rental-purchase agree-
18 ment, the merchant shall clearly and conspicuously dis-
19 close to the consumer, to the extent applicable—

20 (1) the date of the consummation of the rental-
21 purchase transaction and the identities of the mer-
22 chant and the consumer;

23 (2) a brief description of the rental property,
24 which shall be sufficient to identify the property to
25 the consumer, including an identification or serial

1 number, if applicable, and a statement indicating
2 whether the property is new or used at the time of
3 the agreement;

4 (3) a description of any fee, charge, or penalty,
5 in addition to the periodic payment, that the con-
6 sumer may be required to pay under the agreement,
7 which shall be separately identified by type and
8 amount;

9 (4) a statement that—

10 (A) the transaction is a rental-purchase
11 agreement; and

12 (B) the consumer will not obtain ownership
13 of the property until the consumer has paid the
14 total dollar amount necessary to acquire owner-
15 ship;

16 (5) the amount of any initial payment;

17 (6) the amount of the cash price of the property
18 that is the subject of the rental-purchase agreement,
19 and, if the agreement involves the rental of 2 or
20 more items as a set (as may be defined by the Com-
21 mission, by regulation) a statement of the aggregate
22 cash price of all items shall satisfy this requirement;

23 (7) the payment schedule;

24 (8) the total cost, using that term, and a brief
25 description, such as “This is the amount you will

1 pay the merchant if you make all periodic payments
2 to acquire ownership of the property.”;

3 (9) a statement of the right of the consumer to
4 terminate the agreement without paying any fee or
5 charge not previously due under the agreement, by
6 voluntarily surrendering or returning the property in
7 good repair upon expiration of any rental period;

8 (10) a description of the reinstatement periods
9 of terminated rental-purchase agreements; and

10 (11) substantially the following statement:

11 “**OTHER IMPORTANT TERMS:** See your rental-pur-
12 chase agreement for additional important informa-
13 tion on early termination procedures, purchase op-
14 tion rights, responsibilities for loss, damage, or de-
15 struction of the property, warranties, maintenance
16 responsibilities, and other charges or penalties you
17 may incur.”.

18 (b) FORM OF DISCLOSURE.—The disclosures re-
19 quired by paragraphs (4) through (12) of subsection (a)—

20 (1) shall be segregated from other information
21 at the beginning of the rental-purchase agreement;

22 (2) shall contain only directly related informa-
23 tion; and

1 (3) shall be identified in boldface, upper-case
 2 letters as follows: “**IMPORTANT RENTAL-PUR-**
 3 **CHASE DISCLOSURES**”.

4 (c) DISCLOSURE REQUIREMENTS RELATING TO IN-
 5 SURANCE PREMIUMS AND LIABILITY WAIVERS.—

6 (1) IN GENERAL.—The merchant shall clearly
 7 and conspicuously disclose in writing to the con-
 8 sumer before the consummation of a rental-purchase
 9 agreement that the purchase of leased property in-
 10 surance or liability waiver coverage is not required
 11 as a condition for entering into the rental-purchase
 12 agreement.

13 (2) AFFIRMATIVE WRITTEN REQUEST AFTER
 14 COST DISCLOSURE.—A merchant may provide insur-
 15 ance or liability waiver coverage, directly or indi-
 16 rectly, in connection with a rental-purchase trans-
 17 action only if—

18 (A) the merchant clearly and conspicuously
 19 discloses to the consumer the cost of such cov-
 20 erage before the consummation of the rental-
 21 purchase agreement; and

22 (B) the consumer signs an affirmative
 23 written request for such coverage after receiving
 24 the disclosures required under paragraph (1)
 25 and subparagraph (A) of this paragraph.

1 (d) ACCURACY OF DISCLOSURE.—

2 (1) IN GENERAL.—The disclosures required to
3 be made under subsection (a) shall be accurate as of
4 the date on which the disclosures are made, based
5 on the information available to the merchant.

6 (2) INFORMATION SUBSEQUENTLY RENDERED
7 INACCURATE.—If information required to be dis-
8 closed under subsection (a) is rendered inaccurate as
9 a result of any agreement between the merchant and
10 the consumer subsequent to the delivery of the re-
11 quired disclosures, the resulting inaccuracy shall not
12 constitute a violation of this Act.

13 **SEC. 7. OTHER AGREEMENT PROVISIONS.**

14 (a) IN GENERAL.—Each rental-purchase agreement
15 shall—

16 (1) provide a statement specifying whether the
17 merchant or the consumer is responsible for loss,
18 theft, damage, or destruction of the property;

19 (2) provide a statement specifying whether the
20 merchant or the consumer is responsible for main-
21 taining or servicing the property, together with a
22 brief description of the responsibility;

23 (3) contain a provision for reinstatement of the
24 agreement, which, at a minimum—

1 (A) permits a consumer who fails to make
2 a timely rental payment to reinstate the agree-
3 ment, without losing any rights or options
4 which exist under the agreement, by the pay-
5 ment of all past due rental payments and any
6 other charges then due under the agreement
7 and a payment for the next rental period—

8 (i) within 7 business days after failing
9 to make a timely rental payment, if the
10 consumer pays monthly; or

11 (ii) within 3 business days after fail-
12 ing to make a timely rental payment, if the
13 consumer pays more frequently than
14 monthly;

15 (B) if the consumer returns or voluntarily
16 surrenders the property covered by the agree-
17 ment, other than through judicial process, dur-
18 ing the applicable reinstatement period set forth
19 in subparagraph (A), permits the consumer to
20 reinstate the agreement during a period of at
21 least 60 days after the date of the return or
22 surrender of the property by the payment of all
23 amounts previously due under the agreement,
24 any applicable fees, and a payment for the next
25 rental period;

1 (C) if the consumer has paid 50 percent or
2 more of the total cost necessary to acquire own-
3 ership and returns or voluntarily surrenders the
4 property, other than through judicial process,
5 during the applicable reinstatement period set
6 forth in subparagraph (A), permits the con-
7 sumer to reinstate the agreement during a pe-
8 riod of at least 120 days after the date of the
9 return of the property by the payment of all
10 amounts previously due under the agreement,
11 any applicable fees, and a payment for the next
12 rental period;

13 (D) if the consumer is a member of the
14 Armed Forces and returns or voluntarily sur-
15 renders property as set forth in subparagraph
16 (A) due to a permanent change of station or
17 other relocation of the member, provides that
18 the applicable reinstatement period set forth in
19 subparagraph (B) or (C) be tolled or otherwise
20 suspended until such time as the consumer re-
21 turns to the area where the property is located;
22 and

23 (E) permits the consumer, upon reinstate-
24 ment of the agreement to receive the same
25 property, if available, that was the subject of

1 the rental-purchase agreement, or if the same
2 property is not available, a substitute item of
3 comparable quality and condition may be pro-
4 vided to the consumer, except that, the Com-
5 mission may, by regulation or order, exempt
6 any independent small business (as defined by
7 the Commission, by regulation) from the re-
8 quirement of providing the same or comparable
9 product during the extended reinstatement pe-
10 riod provided in subparagraph (C), if the Com-
11 mission determines, taking into account such
12 standards as the Commission determines to be
13 appropriate, that the reinstatement right pro-
14 vided in such subparagraph would provide ex-
15 cessive hardship for such independent small
16 business;

17 (4) provide a statement specifying the terms
18 under which the consumer shall acquire ownership of
19 the property that is the subject of the rental-pur-
20 chase agreement, either by payment of the total cost
21 to acquire ownership, as provided in section 8, or by
22 exercise of any early purchase option provided in the
23 rental-purchase agreement;

24 (5) provide a statement disclosing that if any
25 part of an express warranty of the manufacturer

1 covers the property at the time the consumer ac-
 2 quires ownership of the property, the warranty will
 3 be transferred to the consumer, if allowed by the
 4 terms of the warranty; and

5 (6) provide, to the extent applicable, a descrip-
 6 tion of—

7 (A) any grace period for making any peri-
 8 odic payment;

9 (B) the amount of any security deposit, to
 10 be paid by the consumer upon initiation of the
 11 rental-purchase agreement; and

12 (C) the terms for refund of such security
 13 deposit to the consumer upon return, surrender,
 14 or purchase of the property.

15 (b) REPOSSESSION DURING REINSTATEMENT PE-
 16 RIOD.—Subsection (a)(3) may not be construed so as to
 17 prevent a merchant from attempting to repossess property
 18 during the reinstatement period pursuant to subsection
 19 (a)(3)(A), but such a repossession does not affect the con-
 20 sumer's right to reinstate in accordance with this Act.

21 **SEC. 8. RIGHT TO ACQUIRE OWNERSHIP.**

22 (a) IN GENERAL.—The consumer shall acquire own-
 23 ership of the property that is the subject of a rental-pur-
 24 chase agreement, and the rental-purchase agreement shall
 25 terminate, upon compliance by the consumer with the re-

1 quirements of subsection (b) or any early payment option
2 provided in the rental-purchase agreement, and upon pay-
3 ment of any past due payments and fees, as permitted
4 in regulation by the Commission.

5 (b) PAYMENT OF TOTAL COST.—The consumer shall
6 acquire ownership of the rental property upon payment
7 of the total cost of the subject rental-purchase agreement,
8 as disclosed to the consumer in the rental-purchase agree-
9 ment pursuant to section 6(a).

10 (c) ADDITIONAL FEES PROHIBITED.—

11 (1) IN GENERAL.—A merchant shall not require
12 the consumer to pay, as a condition for acquiring
13 ownership of the property that is the subject of a
14 rental-purchase agreement, any fee or charge in ad-
15 dition to, or in excess of, the regular periodic pay-
16 ments required by subsection (b), or any early pur-
17 chase option amount provided in the rental-purchase
18 agreement, as applicable.

19 (2) RULE OF CONSTRUCTION.—A requirement
20 that the consumer pay an unpaid late charge or
21 other fee that is past due shall not constitute an ad-
22 ditional fee or charge for purposes of this sub-
23 section.

24 (d) TRANSFER OF OWNERSHIP RIGHTS.—Upon pay-
25 ment by the consumer of all payments necessary to acquire

1 ownership under subsection (b) or any early purchase op-
2 tion amount provided in the rental-purchase agreement,
3 as appropriate, the merchant shall—

4 (1) deliver to the consumer, or mail to the con-
5 sumer's last known address, such documents or
6 other instruments, which the Commission has deter-
7 mined, by regulation, are necessary to acknowledge
8 full ownership by the consumer of the property ac-
9 quired pursuant to the rental-purchase agreement;
10 and

11 (2) transfer to the consumer the unexpired por-
12 tion of any warranties provided by the manufac-
13 turer, distributor, or seller of the property, which
14 shall apply as if the consumer were the original pur-
15 chaser of the property, except where such transfer is
16 prohibited by the terms of the warranty.

17 **SEC. 9. PROHIBITED PROVISIONS.**

18 A rental-purchase agreement may not contain—

19 (1) a confession of judgment;

20 (2) a negotiable instrument;

21 (3) a security interest or any other claim of a
22 property interest in any goods, except those goods,
23 the use of which is provided by the merchant pursu-
24 ant to the rental-purchase agreement;

25 (4) a wage assignment;

1 (5) a provision requiring the waiver of any legal
2 claim or remedy created by this Act or other provi-
3 sion of Federal or State law;

4 (6) a provision requiring the consumer, in the
5 event that the property subject to the rental-pur-
6 chase agreement is lost, stolen, damaged, or de-
7 stroyed, to pay an amount in excess of the least of—

8 (A) the fair market value of the property,
9 as determined by the Commission, by regula-
10 tion;

11 (B) any early purchase option amount pro-
12 vided in the rental-purchase agreement; or

13 (C) the actual cost of repair, as appro-
14 priate;

15 (7) a provision authorizing the merchant, or a
16 person acting on behalf of the merchant—

17 (A) to enter the consumer's dwelling or
18 other premises without obtaining the con-
19 sumer's consent; or

20 (B) to commit any breach of the peace in
21 connection with the repossession of the rental
22 property or the collection of any obligation or
23 alleged obligation of the consumer arising out
24 of the rental-purchase agreement;

1 (8) a provision requiring the purchase of insur-
2 ance or liability damage waiver to cover the property
3 that is the subject of the rental-purchase agreement,
4 except as permitted by the Commission, by regula-
5 tion; or

6 (9) a provision requiring the consumer to pay
7 more than 1 late fee or charge for an unpaid or de-
8 linquent periodic payment, regardless of the period
9 in which the payment remains unpaid or delinquent,
10 or to pay a late fee or charge for any periodic pay-
11 ment because a previously assessed late fee has not
12 been paid in full.

13 **SEC. 10. STATEMENT OF ACCOUNTS.**

14 Upon request of a consumer, a merchant shall pro-
15 vide a statement of the consumer's account. If a consumer
16 requests a statement for an individual account more than
17 4 times in any 12-month period, the merchant may charge
18 a reasonable fee for the additional statements.

19 **SEC. 11. RENEGOTIATIONS AND EXTENSIONS.**

20 (a) RENEGOTIATIONS.—With respect to any rental-
21 purchase agreement, a renegotiation occurs when the
22 agreement is satisfied and replaced by a new agreement
23 undertaken by the same consumer. A renegotiation re-
24 quires new disclosures in accordance with this Act, except
25 as provided in subsection (c).

1 (b) EXTENSIONS.—With respect to any rental-pur-
2 chase agreement, an extension is an agreement by the con-
3 sumer and the merchant, to continue an existing rental-
4 purchase agreement beyond the original end of the pay-
5 ment schedule, but does not include a continuation that
6 is the result of a renegotiation.

7 (c) EXCEPTIONS.—New disclosures under this Act
8 are not required in connection with a rental-purchase
9 agreement for the following events, even if the event meets
10 the definition of a renegotiation or an extension:

11 (1) A reduction in payments.

12 (2) A deferment of 1 or more payments.

13 (3) The extension of a rental-purchase agree-
14 ment.

15 (4) The substitution of property with property
16 that has a substantially equivalent or greater eco-
17 nomic value, provided the rental-purchase cost does
18 not increase.

19 (5) The deletion of property in a multiple-item
20 agreement.

21 (6) A change in rental period, provided the
22 rental-purchase cost does not increase.

23 (7) An agreement resulting from a court pro-
24 ceeding.

1 (8) Any other event described in regulations
2 prescribed by the Commission.

3 **SEC. 12. POINT-OF-RENTAL DISCLOSURES.**

4 (a) IN GENERAL.—For any item of property or set
5 of items displayed or offered for rental-purchase, the mer-
6 chant shall display on or next to the item or set of items
7 a card, tag, or label that clearly and conspicuously dis-
8 closes—

- 9 (1) a brief description of the property;
- 10 (2) whether the property is new or used;
- 11 (3) the cash price of the property;
- 12 (4) the amount of each rental payment;
- 13 (5) the total number of rental payments nec-
14 essary to acquire ownership of the property; and
- 15 (6) the rental-purchase cost.

16 (b) FORM OF DISCLOSURE.—

17 (1) IN GENERAL.—A merchant may make the
18 disclosures required by subsection (a) in the form of
19 a list, catalog, or electronic facsimile of the card,
20 tag, or label which is readily available to the con-
21 sumer at the point of rental if the merchandise is
22 not displayed in the merchant's showroom or if dis-
23 playing a card, tag, or label would be impractical
24 due to the size of the merchandise.

1 (2) CLEARLY AND CONSPICUOUSLY.—As used
2 in this section, the term “clearly and conspicuously”
3 means that information required to be disclosed to
4 the consumer shall appear in a type size, promi-
5 nence, and location as to be noticeable, readable,
6 and comprehensible to an ordinary consumer.

7 **SEC. 13. RENTAL-PURCHASE ADVERTISING.**

8 (a) IN GENERAL.—If an advertisement for a rental-
9 purchase transaction refers to or states the amount of any
10 payment for any specific item or set of items, the mer-
11 chant making the advertisement shall also clearly and con-
12 spicuously state in the advertisement, for the item or set
13 of items advertised—

14 (1) that the transaction advertised is a rental-
15 purchase agreement;

16 (2) the amount, timing, and total number of
17 rental payments necessary to acquire ownership
18 under the rental-purchase agreement;

19 (3) the amount of the rental-purchase cost;

20 (4) that, to acquire ownership of the property,
21 the consumer must pay the rental-purchase cost plus
22 applicable taxes; and

23 (5) whether the stated payment amount and ad-
24 vertised rental-purchase cost is for new or used
25 property.

1 (b) PROHIBITION.—An advertisement for a rental-
2 purchase agreement shall not state or imply that a specific
3 item or set of items is available at specific amounts or
4 terms, unless the merchant usually and customarily offers,
5 or will offer, the item or set of items at the stated amounts
6 or terms.

7 (c) CLEARLY AND CONSPICUOUSLY.—

8 (1) IN GENERAL.—For purposes of this section,
9 the term “clearly and conspicuously” means that re-
10 quired disclosures shall be presented in a type, size,
11 shade, contrast, prominence, location, and manner,
12 as applicable to different mediums for advertising,
13 so as to be readily noticeable and comprehensible to
14 the ordinary consumer.

15 (2) REGULATORY GUIDANCE.—The Commission
16 shall prescribe regulations on principles and factors
17 to meet the clear and conspicuous standard, as ap-
18 propriate to print, video, audio, and computerized
19 advertising, reflecting the principles and factors typi-
20 cally applied in each such medium by the Commis-
21 sion.

22 (3) LIMITATION.—Nothing contrary to, incon-
23 sistent with, or in mitigation of, the disclosures re-
24 quired by this section shall be used in any advertise-
25 ment in any medium, and no audio, video, or print

1 technique shall be used that is likely to obscure or
2 detract significantly from the communication of the
3 disclosures.

4 **SEC. 14. ENFORCEMENT BY COMMISSION.**

5 (a) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—

6 A violation of a provision of this Act or a rule or regulation
7 prescribed pursuant to this Act shall be treated as a viola-
8 tion of a rule defining an unfair or deceptive act or prac-
9 tice described under section 18(a)(1)(B) of the Federal
10 Trade Commission Act (15 U.S.C. 57a(a)(1)(B)).

11 (b) POWERS OF COMMISSION.—

12 (1) IN GENERAL.—Except as provided in para-
13 graph (3), the Commission shall enforce this Act in
14 the same manner, by the same means, and with the
15 same jurisdiction, powers, and duties as though all
16 applicable terms and provisions of the Federal Trade
17 Commission Act (15 U.S.C. 41 et seq.) were incor-
18 porated into and made a part of this Act.

19 (2) PRIVILEGES AND IMMUNITIES.—Except as
20 provided in paragraph (3), any person who violates
21 this Act shall be subject to the penalties and entitled
22 to the privileges and immunities provided in the
23 Federal Trade Commission Act (15 U.S.C. 41 et
24 seq.).

1 **SEC. 15. REGULATIONS.**

2 (a) IN GENERAL.—

3 (1) COMMISSION ACTION.—The Commission
4 shall prescribe regulations as necessary to carry out
5 this Act.

6 (2) CONTENT.—Regulations required by this
7 subsection may contain such additional require-
8 ments, classifications, differentiations, or other pro-
9 visions, and may provide for such adjustments and
10 exceptions for all or any class of transactions, as in
11 the judgment of the Commission are necessary or
12 proper to effectuate the purposes of this Act, to pre-
13 vent circumvention or evasion thereof, or to facilitate
14 compliance therewith.

15 (b) MODEL DISCLOSURE FORMS.—

16 (1) IN GENERAL.—The Commission may pub-
17 lish model disclosure forms and clauses for common
18 rental-purchase agreements to facilitate compliance
19 with the disclosure requirements of this Act and to
20 aid the consumer in understanding the transaction
21 by utilizing readily understandable language to sim-
22 plify the technical nature of the disclosures.

23 (2) CONSIDERATIONS.—In devising model
24 forms under this subsection, the Commission shall
25 consider the use by merchants of data processing or
26 similar automated equipment.

1 (3) VOLUNTARY USE OF MODEL FORMS.—Noth-
 2 ing in this Act may be construed to require a mer-
 3 chant to use any model form or clause prescribed by
 4 the Commission under this section.

5 (4) PRESUMPTION.—A merchant shall be
 6 deemed to be in compliance with the requirement to
 7 provide disclosure under section 5(a), if the mer-
 8 chant—

9 (A) uses any appropriate model form or
 10 clause as published by the Commission under
 11 this section; or

12 (B) uses any such model form or clause
 13 and changes it by—

14 (i) deleting any information which is
 15 not required by this Act; or

16 (ii) rearranging the format, if in mak-
 17 ing such deletion or rearranging the for-
 18 mat, the merchant does not affect the sub-
 19 stance, clarity, or meaningful sequence of
 20 the disclosure.

21 **SEC. 16. EFFECTIVE DATE OF REGULATIONS.**

22 (a) IN GENERAL.—Any regulation prescribed by the
 23 Commission under this Act, or any amendment or inter-
 24 pretation thereof, shall not be effective before the October

1 1 that follows the date of publication of the regulation in
 2 final form by at least 6 months.

3 (b) **AUTHORITY TO EXTEND TIME.**—The Commis-
 4 sion may, at its discretion—

5 (1) lengthen the period of time described in
 6 subsection (a) to permit merchants to adjust to ac-
 7 commodate new requirements; or

8 (2) shorten that period of time, if the Commis-
 9 sion makes a specific finding that such action is nec-
 10 essary to comply with the findings of a court or to
 11 prevent unfair or deceptive practices.

12 (c) **EARLY COMPLIANCE AUTHORIZED.**—Notwith-
 13 standing the time periods established under subsection (a)
 14 or (b), a merchant may comply with any newly prescribed
 15 disclosure requirement prior to such established date.

16 **SEC. 17. RELATION TO OTHER LAWS.**

17 (a) **RELATION TO STATE LAW.**—

18 (1) **NO EFFECT ON CONSISTENT STATE**
 19 **LAWS.**—Except as provided in subsection (b), this
 20 Act does not annul, alter, or affect in any manner
 21 the meaning, scope, or applicability of the laws of
 22 any State relating to rental-purchase agreements,
 23 except to the extent that those laws are inconsistent
 24 with any provision of this Act, and then only to the
 25 extent of the inconsistency.

1 (2) DETERMINATION OF INCONSISTENCY.—

2 Upon its own motion or upon the request of an in-
 3 terested party, which is submitted in accordance
 4 with procedures prescribed in regulations of the
 5 Commission, the Commission shall determine wheth-
 6 er any such inconsistency exists. If the Commission
 7 determines that a term or provision, of a State law
 8 is inconsistent, merchants located in that State need
 9 not follow such term or provision and shall incur no
 10 liability under the law of that State for failure to fol-
 11 low such term or provision, notwithstanding that
 12 such determination is subsequently amended, re-
 13 scinded, or determined by judicial or other authority
 14 to be invalid for any reason.

15 (3) GREATER PROTECTION UNDER STATE
 16 LAW.—Except as provided in subsection (b), for pur-
 17 poses of this section, a term or provision of a State
 18 law is not inconsistent with the provisions of this
 19 Act if the term or provision affords greater protec-
 20 tion and benefit to the consumer than the protection
 21 and benefit provided under this Act, as determined
 22 by the Commission, on its own motion or upon the
 23 petition of any interested party.

24 (b) STATE LAWS RELATING TO CHARACTERIZATION
 25 OF TRANSACTION.—Notwithstanding subsection (a), this

1 Act shall supersede any provision of State law, to the ex-
 2 tent that such law—

3 (1) regulates a rental-purchase agreement as a
 4 security interest, credit sale, retail installment sale,
 5 conditional sale or any other form of consumer cred-
 6 it, or that imputes to a rental-purchase agreement
 7 the creation of a debt or extension of credit; or

8 (2) requires the disclosure of a percentage rate
 9 calculation, including a time-price differential, an
 10 annual percentage rate, or an effective annual per-
 11 centage rate.

12 (c) RELATION TO FEDERAL TRADE COMMISSION
 13 ACT.—No provision of this Act shall be construed as lim-
 14 iting, superseding, or otherwise affecting the applicability
 15 of the Federal Trade Commission Act (15 U.S.C. 41 et
 16 seq.) to any merchant or rental-purchase transaction.

17 **SEC. 18. EFFECT ON GOVERNMENT AGENCIES.**

18 No civil liability or criminal penalty under this Act
 19 may be imposed on the United States or any of its depart-
 20 ments or agencies, any State or political subdivision, or
 21 any agency of a State or political subdivision.

22 **SEC. 19. COMPLIANCE DATE.**

23 Compliance with this Act and regulations issued
 24 under this Act is not required until 6 months after the
 25 date of enactment of this Act. In any case, merchants may

1 comply with this Act at any time after such date of enact-
2 ment.

