

104TH CONGRESS  
2D SESSION

# H. R. 3003

To establish requirements applicable to rent-to-own transactions.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1996

Mr. GONZALEZ introduced the following bill; which was referred to the  
Committee on Banking and Financial Services

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## A BILL

To establish requirements applicable to rent-to-own  
transactions.

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 1996”.

6 **SEC. 2. RENT-TO-OWN PROTECTION ACT.**

7 The Consumer Credit Protection Act (15 U.S.C.  
8 1601 et seq.) is amended by adding at the end the follow-  
9 ing new title:

# 1 **“TITLE X—RENT-TO-OWN TRANSACTIONS**

“Sec.

“1001. Short title.

“1002. Findings and purposes.

“1003. Definitions.

“1004. Application of State laws regarding fees, charges, guarantees, and warranties 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.

## 2 **“§ 1001. Short title**

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

## 5 **“§ 1002. Findings and purposes**

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

7 “(1) The rent-to-own industry targets its prod-  
8 ucts primarily to low income and minority neighbor-  
9 hoods.

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

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

16 “(4) Of primary significance, rent-to-own deal-  
17 ers do not provide customers with the protections af-  
18 farded purchasers in retail installment sales under

1 State and Federal laws, and often charge excessive  
2 fees and interest rates.

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

5 “(1) Provide consumers in rent-to-own trans-  
6 actions the range of protections provided under  
7 State and Federal laws to individuals that acquire  
8 goods in other consumer credit sales, while recogniz-  
9 ing and preserving consumers’ unilateral right to  
10 terminate.

11 “(2) Require rent-to-own contracts, and tags  
12 affixed to items available for acquisition in rent-to-  
13 own transactions, to disclose material terms of those  
14 transactions.

15 “(3) Prohibit rent-to-own dealers and collection  
16 agents hired by those dealers from engaging in abu-  
17 sive collection practices.

18 **“§ 1003. Definitions**

19 “In this title:

20 “(1) The term ‘Board’ means the Board of  
21 Governors of the Federal Reserve System.

22 “(2) The term ‘cash price’ means—

23 “(A) the bona fide retail price for an item  
24 or service in sales by a seller to consumers who

1 pay the full price in one payment, respec-  
2 tively—

3 “(i) before taking possession of the  
4 item, or

5 “(ii) for receipt of the service other  
6 than in a rent-to-own transaction,

7 as indicated by actual sales of such item or  
8 service by the seller; and

9 “(B) in the case of a seller that does not  
10 regularly engage in such sales of the item or  
11 service, respectively—

12 “(i) the average cash retail price of  
13 the item or a similar item in the commu-  
14 nity; or

15 “(ii) the estimated bona fide retail  
16 value of the service.

17 “(3) The term ‘consumer’—

18 “(A) when used as an adjective, means for  
19 use by an individual primarily for personal,  
20 family, or household purposes; and

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

24 “(4) The term ‘credit’—

1           “(A) includes the right granted by a seller  
2           to a consumer to obtain possession of an item  
3           of consumer goods under a rent-to-own contract  
4           before payment of the total amount that is re-  
5           quired to be paid to acquire ownership of the  
6           item; and

7           “(B) is deemed to be a fixed sum equal  
8           to—

9                   “(i) the total of payments for the item  
10                  required to obtain ownership of the item  
11                  under the contract; minus

12                   “(ii) the sum of (I) the cash price,  
13                  (II) any fees specifically allowable under  
14                  State law, except finance charges, interest,  
15                  or a time price differential, and (III) the  
16                  termination fee under section 1004.

17           “(5) The term ‘rent-to-own contract’ means a  
18           contract in the form of a terminable lease or bail-  
19           ment of an item of consumer goods, under which—

20                   “(A) a consumer—

21                   “(i) has the right of possession and  
22                   use of the item; and

23                   “(ii) has the option to renew the con-  
24                  tract periodically by making payments  
25                  specified in the contract; and

1           “(B) a seller agrees, in writing or orally, to  
2           transfer ownership of the item to the consumer  
3           upon the fulfillment of all obligations of the  
4           consumer under the contract for that transfer.

5           “(6) The term ‘rent-to-own transaction’ means  
6           the lease or bailment of an item of consumer goods  
7           under a rent-to-own contract.

8           “(7) The term ‘seller’ means—

9           “(A) a person—

10           “(i) who regularly makes consumer  
11           goods available under rent-to-own con-  
12           tracts; and

13           “(ii) to whom payments are payable  
14           under those contracts; and

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

16           “(8) The term “State” means any State, the  
17           Commonwealth of Puerto Rico, the District of Co-  
18           lumbia, and any territory or possession of the  
19           United States.

20   **“§1004. Application of State laws regarding fees,**  
21           **charges, guarantees, and warranties to**  
22           **rent-to-own transactions**

23           “(a) IN GENERAL.—Subject to subsection (b), a sell-  
24           er in a rent-to-own transaction may not take, receive, or  
25           assess any interest, finance charge, or other fee for the

1 transaction that is in excess of the interest, fees, or fi-  
2 nance charges that may be charged under the laws of the  
3 State in which the seller is located which—

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

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

12 “(3) establish the types of credit insurance and  
13 the maximum amount of premiums that can be  
14 charged for credit insurance in connection with a  
15 credit sale or a retail installment sale for the same  
16 or a similar item.

17 “(b) ADDITIONAL TERMINATION CHARGES AND  
18 FEES.—

19 “(1) CHARGES AND FEES AUTHORIZED.—In ad-  
20 dition to fees and charges authorized under sub-  
21 section (a), a seller in a rent-to-own transaction may  
22 charge—

23 “(A) a termination fee in accordance with  
24 paragraph (2), if in exchange the consumer is  
25 given the right to terminate the rent-to-own

1 contract for the transaction at any time without  
2 regard to whether the consumer has completed  
3 payment of the fee; and

4 “(B) fees that are reasonable in relation to  
5 the cash price of the good, for recovery of the  
6 items that are the subject of the contract and  
7 that are not voluntarily returned to the seller  
8 upon the completion or termination of the con-  
9 tract.

10 “(2) TERMINATION FEE.—A termination fee  
11 under paragraph (1)(A)—

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

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

15 “(C) may be paid at the time the contract  
16 is entered into or over the life of the contract;  
17 and

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

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

23 “(4) EFFECT OF TERMINATION.—The termi-  
24 nation of a rent-to-own contract by a consumer in  
25 accordance with a right of termination given to the

1 consumer in exchange for a termination fee under  
2 subsection (a)(1) is deemed to satisfy the consumer's  
3 obligation for all payments and fees due under the  
4 contract, except fees and charges under the contract  
5 that become due before the date of termination.

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

11 **“§ 1005. Application of Federal laws to rent-to-own**  
12 **transactions**

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

15 “(1) TRUTH IN LENDING ACT.—The Truth in  
16 Lending Act applies as it applies to a consumer  
17 credit transaction that is a credit sale (as that term  
18 is defined in that Act).

19 “(2) EQUAL CREDIT OPPORTUNITY ACT.—The  
20 Equal Credit Opportunity Act applies as it applies  
21 to credit transactions. For purposes of that applica-  
22 tion—

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

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

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

9           “(4) FAIR CREDIT REPORTING ACT.—The Fair  
10 Credit Reporting Act applies as it applies to a credit  
11 transaction and to any extension or denial of credit.

12 **“§ 1006. Disclosures**

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

17           “(1) The cash price of the item.

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

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

24           “(4) The weekly, biweekly, monthly, or other in-  
25 cremental payment applicable under the rent-to-own

1 contract for the transaction and the number of pay-  
2 ments.

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

7 “(6) Specification of whether the item is new or  
8 used.

9 “(b) DISCLOSURES UPON CONTRACTING.—A seller  
10 shall provide to a consumer in writing, at the time the  
11 seller and consumer enter into a rent-to-own contract for  
12 an item, the information referred to in subsection (a) for  
13 the item and the contract.

14 **“§ 1007. Prohibitions and enforcement**

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

17 “(1) threaten or invoke criminal prosecution of  
18 a consumer for any matter related to the contract,  
19 unless there is clear and convincing evidence that  
20 the goods that are the subject of the contract are  
21 being held by the consumer with an intent to de-  
22 fraud the seller;

23 “(2) use threats or coercion to collect or at-  
24 tempt to collect any amounts alleged to be due from  
25 the consumer;

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

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

7           “(5) make any fraudulent, deceptive, or mis-  
8           leading representation to obtain information about  
9           the consumer or to collect amounts owed by the  
10          consumer;

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

13          “(7) advertise, announce, solicit, or otherwise  
14          represent as free or available without charge (includ-  
15          ing by use of other words of similar meaning) any  
16          service under the contract for which the seller  
17          charges the consumer, including any service for  
18          which a charge is collected by inclusion in the  
19          amount required to be paid under the contract;

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

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

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

6           “(b) ENFORCEMENT.—

7           “(1) ENFORCEMENT.—Compliance with the re-  
8 quirements under this title shall be enforced by the  
9 Federal Trade Commission. All functions and pow-  
10 ers of the Federal Trade Commission under the  
11 Federal Trade Commission Act shall be available to  
12 the Commission to enforce compliance with this title  
13 by any person, irrespective of whether the person is  
14 engaged in commerce or meets any other jurisdic-  
15 tional tests in the Federal Trade Commission Act,  
16 including the power to enforce the provisions of this  
17 title in the same manner as if the violation had been  
18 a violation of a Federal Trade Commission trade  
19 regulation rule.

20           “(2) TREATMENT OF VIOLATIONS.—For the  
21 purpose of the exercise by the Federal Trade Com-  
22 mission of its functions and powers under the Fed-  
23 eral Trade Commission Act, a violation of any re-  
24 quirement or prohibition under this title is deemed

1 to be an unfair or deceptive act or practice in com-  
2 merce in violation of that Act.

3 “(c) REGULATIONS.—

4 “(1) BOARD.—The Board shall issue such regu-  
5 lations as are necessary or appropriate for imple-  
6 menting subsection (a), including regulations de-  
7 scribing specific practices by a seller that are prohib-  
8 ited by paragraphs (1) through (9) of that sub-  
9 section.

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

13 **“§ 1008. Civil liability**

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

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

20 “(2) \$250 for each failure; and

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

23 “(b) OTHER LIABILITY.—A seller that violates this  
24 title or fails to comply with any requirement imposed

1 under this title, other than under section 1006, shall be  
2 liable to the consumer in an amount equal to the sum of—

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

5 “(2) \$2,500 for each violation; and

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

8 “(c) JURISDICTION AND LIMITATION.—An action  
9 under this title may be brought in any United States dis-  
10 trict court or in any other court of competent jurisdiction,  
11 within 24 months after the date of the violation or failure  
12 that is the subject of the action. This subsection does not  
13 bar a person from asserting a violation of this title in an  
14 action to collect amounts alleged to be due from the person  
15 which is brought more than 2 years after the date of the  
16 occurrence of the violation as a matter of defense by  
17 recoupment or set-off in such action.

18 **“§ 1009. Application of this title**

19 “(a) IN GENERAL.—This title applies to rent-to-own  
20 contracts entered into after the date of the issuance of  
21 regulations by the Board under section 1010.

22 “(b) MOTOR VEHICLES.—This title does not apply to  
23 any lease or sale of a motor vehicle entered into after the  
24 date of the enactment of the Rent-to-Own Reform Act of  
25 1996 that, if entered into on the day before that date of

1 enactment, would have been subject to chapter 5 of the  
2 Truth in Lending Act.

3 **“§ 1010. Regulations**

4 “The Board shall issue such regulations as may be  
5 necessary to implement this Act (including regulations  
6 under section 1007(c)(1)), by not later than 12 months  
7 after the date of the enactment of the Rent-To-Own Re-  
8 form Act of 1996.

9 **“§ 1011. Relationship to other laws**

10 “(a) STATE LAW.—This title does not annul, alter,  
11 or affect, or exempt any person subject to the provisions  
12 of this title from complying with, the laws of any State  
13 with respect to rent-to-own transactions, except to the ex-  
14 tent that those laws are inconsistent with any provision  
15 of this title, and then only to the extent of the inconsis-  
16 tency.

17 “(b) CONSUMER LEASE PROVISIONS OF TRUTH IN  
18 LENDING ACT.—Chapter 5 of the Truth in Lending Act,  
19 relating to consumer leases, shall not apply to a rent-to-  
20 own transaction except the lease or sale of a motor vehicle  
21 that, if entered into on the day before the date of the en-  
22 actment of the Rent-To-Own Reform Act of 1996, would  
23 have been subject to that chapter.”.

○