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107TH CONGRESS, 2d Session | HOUSE OF REPRESENTATIVES | REPT. 107–590 Part 2

CONSUMER RENTAL PURCHASE AGREEMENT ACT

SEPTEMBER 9, 2002.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SENSENBRENNER, from the Committee on the Judiciary, submitted the following

R E P O R T

together with

DISSENTING AND SUPPLEMENTAL VIEWS

[To accompany H.R. 1701]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1701) to amend the Consumer Credit Protection Act to assure 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, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment (made to the committee print document containing the text of the amendment as reported by the Committee on Financial Services) is as follows:

In section 1014(b)(2) of the matter proposed to be added by section 3, strike "includes" and insert "includes, but is not limited to,".

PURPOSE AND SUMMARY

The purpose of H.R. 1701, the "Consumer Rental Purchase Agreement Act," is to set a "Federal floor" for consumer protection in rental-purchase transactions. Most States currently regulate rental-purchase transactions as leases; however, the scope and consumer protection requirements of these laws vary significantly by State. The bill improves consumer protections in 32 States, while allowing other States to adopt more stringent protections. Currently, there is no Federal oversight or regulation of the rent-to-own industry. This bill amends the Consumer Credit Protection Act to provide such oversight and regulation.[1]

BACKGROUND AND NEED FOR THE LEGISLATION

On July 18, 2002, the Committee on Financial Services reported H.R. 1701, the "Consumer Rental Purchase Agreement Act." (See H. Rept. 107–590 Part 1.) Thereafter the bill was sequentially referred to the Committee on the Judiciary for a period not later than September 9, 2002. The sections within the Committee's jurisdiction deal with civil liabilities, criminal liabilities, enforcement, and claims against the United States.

H.R. 1701 amends the Consumer Protection Act to provide new Federal requirements in all rent-to-own agreements. In a rent-to-own agreement the consumer typically leases a product for a month and has the option to return the product with no obligation or penalty, pay to keep the product another month, or purchase the product. The consumer usually acquires ownership of the product if it is leased for a specified amount of time, usually 18 months. Every year, millions of Americans enter "rent-to-own" agreements because they cannot otherwise afford the purchase price, qualify for credit, or need the product for a short period of time.

A recent Federal Trade Commission (FTC) staff report, "Survey of Rent-to-Own Consumers" (hereinafter Survey) has provided a comprehensive review of rent-to-own transactions and has served as the basis for H.R. 1701. While the Survey details many aspects of the typical consumer's rent-to-own experience, 75 percent of those surveyed were satisfied. Because the "rent-to-own" industry is not regulated by Federal law, a patchwork of State laws, regulations, and judicial interpretation currently serve as the only consumer protection for rent-to-own consumers. As a result, the Survey identifies the following inadequacies under the existing State based regulation of the "rent-to-own" industry: disclosure of total cost and other terms of purchase; annual percentage rate disclosures; price restrictions; regulation of collection practices; and regulation of reinstatement rights. While Federal legislation to regulate

[1] 15 U.S.C. 1601 *et seq.*

the "rent-to-own" industry has been considered by the Congress for more than a decade, H.R. 1701 provides consumers with more substantive rights than prior bills and addresses all of the inadequacies raised by the Survey.

HEARINGS

No hearings were held on H.R. 1701.

COMMITTEE CONSIDERATION

On Thursday, September 5, 2002, the Committee met in open session and ordered favorably reported the bill H.R. 1701, with amendment, 14 ayes to 12 nays, a quorum being present.

VOTE OF THE COMMITTEE

1. Motion to report favorably the bill H.R. 1701 with an amendment was agreed to 14 ayes to 12 nays.

ROLLCALL NO. 1

	Ayes	Nays	Present
Mr. Hyde	X		
Mr. Gekas	X		
Mr. Coble	X		
Mr. Smith (Texas)		X	
Mr. Gallegly	X		
Mr. Goodlatte	X		
Mr. Chabot	X		
Mr. Barr			
Mr. Jenkins	X		
Mr. Cannon	X		
Mr. Graham			
Mr. Bachus	X		
Mr. Hostettler	X		
Mr. Green			
Mr. Keller	X		
Mr. Issa	X		
Ms. Hart	X		
Mr. Flake		X	
Mr. Pence			
Mr. Forbes	X		
Mr. Conyers		X	
Mr. Frank		X	
Mr. Berman			
Mr. Boucher			
Mr. Nadler		X	
Mr. Scott		X	
Mr. Watt		X	
Ms. Lofgren			
Ms. Jackson Lee			
Ms. Waters		X	
Mr. Meehan		X	
Mr. Delahunt		X	
Mr. Wexler			
Ms. Baldwin			
Mr. Weiner			
Mr. Schiff		X	
Mr. Sensenbrenner, Chairman		X	
Total	14	12	

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

H.R. 1701 does not authorize funding. Therefore, clause 3(c) of rule XIII of the Rules of the House of Representatives is inapplicable.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House rule XIII is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 3951, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 6, 2002.

Hon. F. JAMES SENSENBRENNER, Jr., *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1701, the Consumer Rental Purchase Agreement Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Ken Johnson (for Federal costs), who can be reached at 226–2860, Greg Waring (for the State and local impact), who can be reached at 225–3220, and Paige Piper/Bach (for the private-sector impact), who can be reached at 226–2940.

Sincerely,

DAN L. CRIPPEN, *Director.*

Enclosure

cc: Honorable John Conyers, Jr.
Ranking Member

H.R. 1701—Consumer Rental Purchase Agreement Act.

SUMMARY

H.R. 1701 would impose several restrictions on "rent-to-own" transactions, wherein a consumer rents an item for a short time and retains the option to buy the item at the end of the rental period. For example, sellers would be required to disclose certain in-

formation about the terms of the rent-to-own contract and would be prohibited from assessing most fees for such contracts.

Regulations to implement H.R. 1701 would be developed by the Board of Governors of the Federal Reserve System. Also, the Federal Trade Commission (FTC) would enforce the bill's provisions under the authority provided by the Federal Trade Commission Act, which allows the FTC to punish violations with civil penalties. Finally, H.R. 1701 would create new criminal penalties for merchants who knowingly fail to provide information to rent-to-own consumers as required under the bill.

Assuming appropriation of the necessary amounts, CBO estimates that implementing

H.R. 1701 would cost the FTC about $650,000 a year. Because the bill would create new civil and criminal penalties and would impose costs on the Federal Reserve, we also estimate that the bill would have negligible effects on both direct spending and revenues. Therefore, pay-as-you-go procedures would apply.

H.R. 1701 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that complying with the mandates would result in no costs to State, local, or tribal governments. Therefore, the threshold established by UMRA ($58 million in 2002, adjusted annually for inflation) would not be exceeded.

H.R. 1701 would impose private-sector mandates, as defined by UMRA, but CBO estimates that the direct cost of those mandates would fall below the annual threshold established by UMRA ($115 million in 2002, adjusted annually for inflation).

BASIS OF ESTIMATE

According to the FTC, the agency would need to hire about five new attorneys and investigators to enforce the restrictions that would be imposed by H.R. 1701. CBO estimates that these new hires would cost about $650,000 a year, subject to the availability of appropriated funds.

The regulations to implement this bill would be written by the Federal Reserve. Budgetary effects on the Federal Reserve are recorded in the budget as changes in revenues (governmental receipts). Based on information from the Federal Reserve, CBO estimates that enacting H.R. 1701 would reduce such revenues by less than $500,000 a year.

Because those who violate the provisions of H.R. 1701 could be subject to civil and criminal fines, the Federal Government might collect additional fines if the bill is enacted. Collections of civil and criminal penalties are classified in the budget as revenues. Based on information from the FTC, however, CBO estimates that any such increase in collections would be less than $500,000 per year.

Collections of criminal fines are deposited in the Crime Victims Fund and spent in subsequent years. Because any increase in direct spending would equal the amount of fines collected (with a lag), the additional direct spending also would be negligible.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or

receipts. Although H.R. 1701 would affect both direct spending and receipts, CBO estimates that the net effects would be insignificant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1701 would annul State laws that are inconsistent with Federal regulations for rental-purchase agreements. Merchants would be held harmless from liability under the State law in question. The bill also would supersede any State law that treats a rental-purchase agreement as a form of consumer credit or a creation of debt, and States would no longer be able to make an independent determination of the nature of the rental-purchase agreement. Such preemptions would be intergovernmental mandates as defined in UMRA. CBO estimates, however, that the preemptions would not affect the budgets of State, local, or tribal governments because they would impose no duty on States that would result in additional spending. Therefore, the threshold established by UMRA ($58 million in 2002, adjusted annually for inflation) would not be exceeded.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1701 would impose private-sector mandates, as defined by UMRA, but CBO estimates that the direct cost of those mandates would fall below the annual threshold established by UMRA ($115 million in 2002, adjusted annually for inflation).

The bill would require merchants who provide the use of property through a rental-purchase agreement to provide certain disclosures to consumers in those agreements and in advertisements. Under the bill, such merchants also would be required to provide merchandise labeling and to furnish statements of account to customers. In addition, the bill would prohibit those merchants from charging certain additional fees and from entering the premises of customers to reclaim property without the customer's permission. Currently, there are 47 States that require some type of disclosure and labeling for such merchants. According to industry representatives, the cost for all such merchants to provide the required disclosures and adhere to the prohibitions in the bill would be small. Therefore, CBO estimates that the direct cost to comply with the mandates would fall below the annual threshold established by UMRA ($115 million in 2002, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On July 10, 2002, CBO transmitted a cost estimate for H.R. 1701 as ordered reported by the House Committee on Financial Services on June 27, 2002. The two versions of the bill are nearly identical, and the estimated costs are the same. The two versions of the bill contain the same mandates and the aggregate cost of those mandates fall below the annual thresholds established in UMRA.

ESTIMATE PREPARED BY:

Federal Spending: Ken Johnson (226–2860)
Impact on the Federal Reserve: Andrew Shaw (226–2680)
Impact on State, Local, and Tribal Governments: Greg Waring (225–3220)
Impact on the Private Sector: Paige Piper/Bach (226–2940)

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority for this legislation in article 1, section 8, clause 3 (relating to the power to regulate interstate commerce); and article 1, section 8, clause 18 (relating to making all laws necessary and proper for carrying into execution powers vested by the Constitution in the Government of the United States).

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

The following section by section analysis describes the sections of H.R. 1701 as reported by the Committee on the Judiciary. For an analysis of provisions contained in title X not referred to the Committee on the Judiciary, see H. Rept. 107–590 Part I for analysis.

TITLE X—RENTAL PURCHASE TRANSACTIONS

Section 1012. Civil Liability.

This section adopts civil liability provisions modeled after the Truth-in-Lending Act.[2] Any merchant that fails to comply with any requirement of this title, dealing with any consumer, is liable to the consumer. Any consumer may bring an action in any United States District Court or any other court of competent jurisdiction before the end of a 1-year period beginning on the date of the last payment made by the consumer under the rental-purchase agreement. In addition, this subsection is not a bar against a consumer from collecting an obligation pursuant to a rental-purchase agreement brought after the 1 year period, except as otherwise provided by State law.

Section 1013. Additional Grounds for Civil Liability.

This section provides that a merchant is liable for price tag and advertising violations, if a consumer suffers actual damages. In instances where a merchant engages in a pattern or practice of price tag or advertising violations, the FTC and State Attorney Generals are authorized to enforce sanctions against such merchant, including: an order to cease and desist from such practices; and civil money penalty of an amount the court may impose based on factors the court may determine to be appropriate.

Section 1014. Liability of Assignees.

This section provides that the term "merchant," includes an assignee, but limits an assignee's liability to violations apparent on the face of a rental-purchase agreement, and provides that there is no liability when the assignment is involuntary. A violation that is apparent on the face of a rental-purchase agreement includes but is not limited to a disclosure that can be determined to be incomplete or inaccurate from the face of the agreement. A consumer's

[2] *Id.*

written acknowledgment of receipt of disclosure is conclusive proof that disclosure was made even if the assignee has no knowledge whether the disclosure was in compliance with this title when the assignee acquired the rental-purchase agreement. This section does not limit or alter liability established in sections 1012 and 1013 of this title.

Section 1016. Enforcement.

This section provides that the Federal Trade Commission (FTC) has enforcement authority and establishes that a violation of the act is also a violation of the FTC Act.[3] It also allows State Attorney Generals to enforce the act in State or Federal court. State Attorney Generals are required to provide prior notice of any civil action pursuant to this section to the FTC, which may intervene in such action.

Section 1017. Criminal Liability for Willful and Knowing Violation.

This section provides criminal liability, $5,000 and 1 year imprsionment, for willful and knowing violations of the act in accordance with other violations of the Consumer Credit Protection Act.[4]

Section 1019. Effect on Government Agencies.

This section provides that no civil liabilities shall arise under this act for Federal or State government entities.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported by the Committee on Financial Services, are shown in Report 107–590 part 1, filed on July 18, 2002.

The Committee on the Judiciary adopted an amendment (shown at the beginning of this report) to the bill as reported by the Committee on Financial Services. Changes in provisions of existing law that would result from the amendment and differ from the changes that would result from the bill as reported by the Committee on Financial Services is shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

TITLE X OF THE CONSUMER CREDIT PROTECTION ACT

TITLE X—RENTAL-PURCHASE TRANSACTIONS

* * * * * * *

SEC. 1014. LIABILITY OF ASSIGNEES.

(a) * * *

(b) LIABILITIES OF ASSIGNEES.—

[3] 15 U.S.C. 41 *et seq.*
[4] 15 U.S.C. 1601 *et seq.*

*(1) * * **

(2) APPARENT VIOLATION DEFINED.—For purposes of this subsection, a violation that is apparent on the face of a rental-purchase agreement includes, but is not limited to, a disclosure that can be determined to be incomplete or inaccurate from the face of the agreement.

* * * * * * *

MARKUP TRANSCRIPT

BUSINESS MEETING

THURSDAY, SEPTEMBER 5, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Committee met, pursuant to notice, at 10:03 a.m., in Room 2141, Rayburn House Office Building, Hon. F. James Sensenbrenner, Jr. [Chairman of the Committee] presiding.

Chairman SENSENBRENNER. The Committee will be in order. The Chair notes the presence of a working quorum.

Let me say, as far as scheduling is concerned today, it is the Chair's intention only to bring up H.R. 1701. We have a sequential referral that expires on Monday, and we have to complete action on H.R. 1701, even if it means coming back after the lunch hour to do this.

It is the Chair's intention also not to take any other matters up today, because I am aware of several proposed amendments to H.R. 1701.

So pursuant to notice, I now call up the bill H.R. 1701, the "Consumer Rental Purchase Agreement Act," for purposes of markup and move its favorable recommendation to the House.

Mr. CONYERS. Mr. Chairman?

Chairman SENSENBRENNER. The gentleman from Michigan?

Mr. CONYERS. I have an amendment at the desk.

Chairman SENSENBRENNER. May I make an opening statement? And you may make an opening statement.

Mr. CONYERS. Okay. [Laughter.]

Chairman SENSENBRENNER. Okay.

Without objection, the bill will be considered as read and open for amendment at any point.

[The bill, H.R. 1701, follows:]

Union Calendar No.

107TH CONGRESS
2D SESSION

H. R. 1701

[Report No. 107–]

To amend the Consumer Credit Protection Act to assure 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 HOUSE OF REPRESENTATIVES

MAY 3, 2001

Mr. JONES of North Carolina (for himself, Mr. MALONEY of Connecticut, Mr. FROST, Mr. BOEHNER, Mr. JEFFERSON, Mr. KANJORSKI, Mr. WATTS of Oklahoma, Mr. ROSS, Mr. FORD, Mr. SESSIONS, Mr. SANDLIN, Mr. WAMP, Mr. BAKER, and Mr. ISAKSON) introduced the following bill; which was referred to the Committee on Financial Services

JULY , 2002

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 3, 2001]

A BILL

To amend the Consumer Credit Protection Act to assure meaningful disclosures of the terms of rental-purchase agreements, including disclosures of all costs to consumers under such agreements, to provide certain sub-

stantive rights to consumers under such agreements, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Consumer Rental Purchase Agreement Act".

SEC. 2. FINDINGS AND DECLARATION OF PURPOSE.

(a) FINDINGS.—The Congress finds as follows:

(1) The rental-purchase industry provides a service that meets and satisfies the demands of many consumers.

(2) Each year, approximately 2,300,000 United States households enter into rental-purchase transactions and over a 5-year period approximately 4,900,000 United States households will do so.

(3) Competition among the various firms engaged in the extension of rental-purchase transactions would be strengthened by informed use of rental-purchase transactions.

(4) The informed use of rental-purchase transactions results from an awareness of the cost thereof by consumers.

(b) PURPOSE.—The purpose of this title is to assure the availability of rental-purchase transactions and to assure simple, meaningful, and consistent disclosure of rental-

purchase terms so that consumers will be able to more readily compare the available rental-purchase terms and avoid uninformed use of rental-purchase transactions, and to protect consumers against unfair rental-purchase practices.

SEC. 3. CONSUMER CREDIT PROTECTION ACT.

The Consumer Credit Protection Act is amended by adding at the end the following new title:

"TITLE X—RENTAL-PURCHASE TRANSACTIONS

"Sec. 1001. Definitions.
"Sec. 1002. Exempted transactions.
"Sec. 1003. General disclosure requirements.
"Sec. 1004. Rental-purchase disclosures.
"Sec. 1005. Other agreement provisions.
"Sec. 1006. Right to acquire ownership.
"Sec. 1007. Prohibited provisions.
"Sec. 1008. Statement of accounts.
"Sec. 1009. Renegotiations and extensions.
"Sec. 1010. Point-of-rental disclosures.
"Sec. 1011. Rental-purchase advertising.
"Sec. 1012. Civil liability.
"Sec. 1013. Additional grounds for civil liability.
"Sec. 1014. Liability of assignees.
"Sec. 1015. Regulations.
"Sec. 1016. Enforcement.
"Sec. 1017. Criminal liability for willful and knowing violation.
"Sec. 1018. Relation to other laws.
"Sec. 1019. Effect on government agencies.
"Sec. 1020. Compliance date.

"SEC. 1001. DEFINITIONS.

"For purposes of this title, the following definitions shall apply:

"(1) ADVERTISEMENT.—The term 'advertisement' means a commercial message in any medium that promotes, directly or indirectly, a rental-pur-

chase agreement but does not include price tags, window signs, or other in-store merchandising aids.

"(2) AGRICULTURAL PURPOSE.—The term 'agricultural purpose' includes—

"(A) the production, harvest, exhibition, marketing, transformation, processing, or manufacture of agricultural products by a natural person who cultivates plants or propagates or nurtures agricultural products; and

"(B) the acquisition of farmlands, real property with a farm residence, or personal property and services used primarily in farming.

"(3) BOARD.—The term 'Board' means the Board of Governors of the Federal Reserve System.

"(4) CASH PRICE.—The term 'cash price' means the price at which a merchant, in the ordinary course of business, offers to sell for cash the property that is the subject of the rental-purchase transaction.

"(5) CONSUMER.—The term 'consumer' means a natural person who is offered or enters into a rental-purchase agreement.

"(6) DATE OF CONSUMMATION.—The term 'date of consummation' means the date on which a con-

sumer becomes contractually obligated under a rental-purchase agreement.

"(7) INITIAL PAYMENT.—The term 'initial payment' means the amount to be paid before or at the consummation of the agreement or the delivery of the property if delivery occurs after consummation, including the rental payment; service, processing, or administrative charges; delivery fee; refundable security deposit; taxes; mandatory fees or charges; and any optional fees or charges agreed to by the consumer.

"(8) MERCHANT.—The term 'merchant' means a person who provides the use of property through a rental-purchase agreement in the ordinary course of business and to whom a consumer's initial payment under the agreement is payable.

"(9) PAYMENT SCHEDULE.—The term 'payment schedule' means the amount and timing of the periodic payments and the total number of all periodic payments that the consumer will make if the consumer acquires ownership of the property by making all periodic payments.

"(10) PERIODIC PAYMENT.—The term 'periodic payment' means the total payment a consumer will make for a specific rental period after the initial payment, including the rental payment, taxes, manda-

tory fees or charges, and any optional fees or charges agreed to by the consumer.

"(11) PROPERTY.—The term 'property' means property that is not real property under the laws of the State where the property is located when it is made available under a rental-purchase agreement.

"(12) RENTAL PAYMENT.—The term 'rental payment' means rent required to be paid by a consumer for the possession and use of property for a specific rental period, but does not include taxes or any fees or charges.

"(13) RENTAL PERIOD.—The term 'rental period' means a week, month, or other specific period of time, during which the consumer has a right to possess and use property that is the subject of a rental-purchase agreement after paying the rental payment and any applicable taxes for such period.

"(14) RENTAL-PURCHASE AGREEMENT.—

"(A) IN GENERAL.—The term 'rental-purchase agreement' means a contract in the form of a bailment or lease for the use of property by a consumer for an initial period of 4 months or less, that is renewable with each payment by the consumer, and that permits but does not obligate

the consumer to become the owner of the property.

"(B) EXCLUSIONS.—The term 'rental-purchase agreement' does not include—

"(i) a credit sale (as defined in section 103(g) of the Truth in Lending Act);

"(ii) a consumer lease (as defined in section 181(1) of such Act); or

"(iii) a transaction giving rise to a debt incurred in connection with the business of lending money or a thing of value.

"(15) RENTAL-PURCHASE COST.—

"(A) IN GENERAL.—For purposes of sections 1010 and 1011, the term 'rental-purchase cost' means the sum of all rental payments and mandatory fees or charges imposed by the merchant as a condition of entering into a rental-purchase agreement or acquiring ownership of property under a rental-purchase agreement, such as the following:

"(i) Service, processing, or administrative charge.

"(ii) Fee for an investigation or credit report.

"(iii) Charge for delivery required by the merchant.

"(B) EXCLUDED ITEMS.—The following fees or charges shall not be taken into account in determining the rental-purchase cost with respect to a rental-purchase transaction:

"(i) Fees and charges prescribed by law, which actually are or will be paid to public officials or government entities, such as sales tax.

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

"(16) STATE.—The term 'State' means any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and the Northern Mariana Islands.

"(17) TOTAL COST.—The term 'total cost' means the sum of the initial payment and all periodic payments in the payment schedule to be paid by the consumer to acquire ownership of the property that is the subject of the rental-purchase agreement.

"SEC. 1002. EXEMPTED TRANSACTIONS.

"This title shall not apply to rental-purchase agreements primarily for business, commercial, or agricultural purposes, or those made with Government agencies or instrumentalities.

"SEC. 1003. GENERAL DISCLOSURE REQUIREMENTS.

"(a) RECIPIENT OF DISCLOSURE.—A merchant shall disclose to any person who will be a signatory to a rental-purchase agreement the information required by sections 1004 and 1005.

"(b) TIMING OF DISCLOSURE.—The disclosures required under sections 1004 and 1005 shall be made before the consummation of the rental-purchase agreement and clearly and conspicuously in writing as part of the rental-purchase agreement to be signed by the consumer.

"(c) CLEARLY AND CONSPICUOUSLY.—As used in this section, the term 'clearly and conspicuously' means that information required to be disclosed to the consumer shall be worded plainly and simply, and appear in a type size, prominence, and location as to be readily noticeable, readable, and comprehensible to an ordinary consumer.

"SEC. 1004. RENTAL-PURCHASE DISCLOSURES.

"(a) IN GENERAL.—For each rental-purchase agreement, the merchant shall disclose to the consumer the following, to the extent applicable:

"(1) The date of the consummation of the rental-purchase transaction and the identities of the merchant and the consumer.

"(2) A brief description of the rental property, which shall be sufficient to identify the property to the consumer, including an identification or serial number, if applicable, and a statement indicating whether the property is new or used.

"(3) A description of any fee, charge or penalty, in addition to the periodic payment, that the consumer may be required to pay under the agreement, which shall be separately identified by type and amount.

"(4) A clear and conspicuous statement that the transaction is a rental-purchase agreement and that the consumer will not obtain ownership of the property until the consumer has paid the total dollar amount necessary to acquire ownership.

"(5) The amount of any initial payment, which includes the first periodic payment, and the total amount of any fees, taxes, or other charges, required to be paid by the consumer.

"(6) The amount of the cash price of the property that is the subject of the rental-purchase agreement, and, if the agreement involves the rental of 2

or more items as a set (as may be defined by the Board in regulation) a statement of the aggregate cash price of all items shall satisfy this requirement.

"(7) The amount and timing of periodic payments, and the total number of periodic payments necessary to acquire ownership of the property under the rental-purchase agreement.

"(8) The total cost, using that term, and a brief description, such as 'This is the amount you will pay the merchant if you make all periodic payments to acquire ownership of the property.'.

"(9) A statement of the consumer's right to terminate the agreement without paying any fee or charge not previously due under the agreement by voluntarily surrendering or returning the property in good repair upon expiration of any lease term.

*"(10) Substantially the following statement: '**OTHER IMPORTANT TERMS**: See your rental-purchase agreement for additional important information on early termination procedures, purchase option rights, responsibilities for loss, damage or destruction of the property, warranties, maintenance responsibilities, and other charges or penalties you may incur.'.*

*"(b) FORM OF DISCLOSURE.—The disclosures required by paragraphs (4) through (10) of subsection (a) shall be segregated from other information at the beginning of the rental-purchase agreement and shall contain only directly related information, and shall be identified in boldface, upper-case letters as follows: "**IMPORTANT RENTAL-PURCHASE DISCLOSURES**".*

"(c) DISCLOSURE REQUIREMENTS RELATING TO INSURANCE PREMIUMS AND LIABILITY WAIVERS.—

"(1) IN GENERAL.—A merchant shall clearly and conspicuously disclose in writing to the consumer before the consummation of a rental-purchase agreement that the purchase of leased property insurance or liability waiver coverage is not required as a condition for entering into the rental-purchase agreement.

"(2) AFFIRMATIVE WRITTEN REQUEST AFTER COST DISCLOSURE.—A merchant may provide insurance or liability waiver coverage, directly or indirectly, in connection with a rental-purchase transaction only if—

"(A) the merchant clearly and conspicuously discloses to the consumer the cost of each component of such coverage before the consummation of the rental-purchase agreement; and

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

"(d) ACCURACY OF DISCLOSURE.—

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

"(2) INFORMATION SUBSEQUENTLY RENDERED INACCURATE.—If information required to be disclosed under subsection (a) is subsequently rendered inaccurate as a result of any agreement between the merchant and the consumer subsequent to the delivery of the required disclosures, the resulting inaccuracy shall not constitute a violation of this title.

"SEC. 1005. OTHER AGREEMENT PROVISIONS.

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

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

"(2) provide a statement specifying whether the merchant or the consumer is responsible for main-

taining or servicing the property, together with a brief description of the responsibility;

"(3) provide that the consumer may terminate the agreement without paying any charges not previously due under the agreement by voluntarily surrendering or returning the property that is the subject of the agreement upon expiration of any rental period;

"(4) contain a provision for reinstatement of the agreement, which at a minimum—

"(A) permits a consumer who fails to make a timely rental payment to reinstate the agreement, without losing any rights or options which exist under the agreement, by the payment of all past due rental payments and any other charges then due under the agreement and a payment for the next rental period within 7 business days after failing to make a timely rental payment if the consumer pays monthly, or within 3 business days after failing to make a timely rental payment if the consumer pays more frequently than monthly;

"(B) if the consumer returns or voluntarily surrenders the property covered by the agreement, other than through judicial process, during

the applicable reinstatement period set forth in subparagraph (A), permits the consumer to reinstate the agreement during a period of at least 60 days after the date of the return or surrender of the property by the payment of all amounts previously due under the agreement, any applicable fees, and a payment for the next rental period;

"(C) if the consumer has paid 50 percent or more of the total cost necessary to acquire ownership and returns or voluntarily surrenders the property, other than through judicial process, during the applicable reinstatement period set forth in subparagraph (A), permits the consumer to reinstate the agreement during a period of at least 120 days after the date of the return of the property by the payment of all amounts previously due under the agreement, any applicable fees, and a payment for the next rental period; and

"(D) permits the consumer, upon reinstatement of the agreement to receive the same property, if available, that was the subject of the rental-purchase agreement, or if the same property is not available, a substitute item of comparable

quality and condition may be provided to the consumer; except that, the Board may, by regulation or order, exempt any independent small business (as defined by the Board by regulation) from the requirement of providing the same or comparable product during the extended reinstatement period provided in subparagraph (C), if the Board determines, taking into account such standards as the Board determines to be appropriate, that the reinstatement right provided in such subparagraph would provide excessive hardship for such independent small business.

"(5) provide a statement specifying the terms under which the consumer shall acquire ownership of the property that is the subject of the rental-purchase agreement either by payment of the total cost to acquire ownership, as provided in section 1006, or by exercise of any early purchase option provided in the rental-purchase agreement;

"(6) provide a statement disclosing that if any part of a manufacturer's express warranty covers the property at the time the consumer acquires ownership of the property, the warranty will be transferred to the consumer if allowed by the terms of the warranty; and

"(7) provide, to the extent applicable, a description of any grace period for making any periodic payment, the amount of any security deposit, if any, to be paid by the consumer upon initiation of the rental-purchase agreement, and the terms for refund of such security deposit to the consumer upon return, surrender or purchase of the property.

"(b) REPOSSESSION DURING REINSTATEMENT PERIOD.—Subsection (a)(4) shall not be construed so as to prevent a merchant from attempting to repossess property during the reinstatement period pursuant to subsection (a)(4)(A), but such a repossession does not affect the consumer's right to reinstate.

"SEC. 1006. RIGHT TO ACQUIRE OWNERSHIP.

"(a) IN GENERAL.—The consumer shall acquire ownership of the property that is the subject of the rental-purchase agreement, and the rental-purchase agreement shall terminate, upon compliance by the consumer with the requirements of subsection (b) or any early payment option provided in the rental purchase agreement, and upon payment of any past due payments and fees, as permitted in regulation by the Board.

"(b) PAYMENT OF TOTAL COST.—The consumer shall acquire ownership of the rental property upon payment of the total cost of the rental-purchase agreement, as such term

is defined in section 1001(17), and as disclosed to the consumer in the rental-purchase agreement pursuant to section 1004(a).

"(c) ADDITIONAL FEES PROHIBITED.—A merchant shall not require the consumer to pay, as a condition for acquiring ownership of the property that is the subject of the rental-purchase agreement, any fee or charge in addition to, or in excess of, the regular periodic payments required by subsection (b), or any early purchase option amount provided in the rental-purchase agreement, as applicable. A requirement that the consumer pay an unpaid late charge or other fee or charge which the merchant has previously billed to the consumer shall not constitute an additional fee or charge for purposes of this subsection.

"(d) TRANSFER OF OWNERSHIP RIGHTS.—Upon payment by the consumer of all payments necessary to acquire ownership under subsection (b) or any early purchase option amount provided in the rental-purchase agreement, as appropriate, the merchant shall—

"(1) deliver, or mail to the consumer's last known address, such documents or other instruments, which the Board has determined by regulation, are necessary to acknowledge full ownership by the consumer of the property acquired pursuant to the rental-purchase agreement; and

"(2) transfer to the consumer the unexpired portion of any warranties provided by the manufacturer, distributor, or seller of the property, which shall apply as if the consumer were the original purchaser of the property, except where such transfer is prohibited by the terms of the warranty.

"SEC. 1007. PROHIBITED PROVISIONS.

"A rental-purchase agreement may not contain—

"(1) a confession of judgment;

"(2) a negotiable instrument;

"(3) a security interest or any other claim of a property interest in any goods, except those goods the use of which is provided by the merchant pursuant to the agreement;

"(4) a wage assignment;

"(5) a provision requiring the waiver of any legal claim or remedy created by this title or other provision of Federal or State law;

"(6) a provision requiring the consumer, in the event the property subject to the rental-purchase agreement is lost, stolen, damaged, or destroyed, to pay an amount in excess of the least of—

"(A) the fair market value of the property, as determined by the Board in regulation;

"(B) any early purchase option amount provided in the rental-purchase agreement; or

"(C) the actual cost of repair, as appropriate;

"(7) a provision authorizing the merchant, or a person acting on behalf of the merchant, to enter the consumer's dwelling or other premises without obtaining the consumer's consent or to commit any breach of the peace in connection with the repossession of the rental property or the collection of any obligation or alleged obligation of the consumer arising out of the rental-purchase agreement;

"(8) a provision requiring the purchase of insurance or liability damage waiver to cover the property that is the subject of the rental-purchase agreement, except as permitted by the Board in regulation;

"(9) a provision requiring the consumer to pay more than 1 late fee or charge for an unpaid or delinquent periodic payment, regardless of the period in which the payment remains unpaid or delinquent, or to pay a late fee or charge for any periodic payment because a previously assessed late fee has not been paid in full.

1 ***"SEC. 1008. STATEMENT OF ACCOUNTS.***

2 *"Upon request of a consumer, a merchant shall provide*
3 *a statement of the consumer's account. If a consumer re-*
4 *quests a statement for an individual account more than 4*
5 *times in any 12-month period, the merchant may charge*
6 *a reasonable fee for the additional statements.*

7 ***"SEC. 1009. RENEGOTIATIONS AND EXTENSIONS.***

8 *"(a) RENEGOTIATIONS.—A renegotiation occurs when*
9 *a rental-purchase agreement is satisfied and replaced by a*
10 *new agreement undertaken by the same consumer. A renego-*
11 *tiation requires new disclosures, except as provided in sub-*
12 *section (c).*

13 *"(b) EXTENSIONS.—An extension is an agreement by*
14 *the consumer and the merchant, to continue an existing*
15 *rental-purchase agreement beyond the original end of the*
16 *payment schedule, but does not include a continuation that*
17 *is the result of a renegotiation.*

18 *"(c) EXCEPTIONS.—New disclosures are not required*
19 *for the following, even if they meet the definition of a re-*
20 *negotiation or an extension:*

21 *"(1) A reduction in payments.*

22 *"(2) A deferment of 1 or more payments.*

23 *"(3) The extension of a rental-purchase agree-*
24 *ment.*

25 *"(4) The substitution of property with property*
26 *that has a substantially equivalent or greater eco-*

nomic value provided the rental-purchase cost does not increase.

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

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

"(7) An agreement resulting from a court proceeding.

"(8) Any other event described in regulations prescribed by the Board.

"SEC. 1010. POINT-OF-RENTAL DISCLOSURES.

"(a) IN GENERAL.—For any item of property or set of items displayed or offered for rental-purchase, the merchant shall display on or next to the item or set of items a card, tag, or label that clearly and conspicuously discloses the following:

"(1) A brief description of the property.

"(2) Whether the property is new or used.

"(3) The cash price of the property.

"(4) The amount of each rental payment.

"(5) The total number of rental payments necessary to acquire ownership of the property.

"(6) The rental-purchase cost.

"(b) FORM OF DISCLOSURE.—

"(1) IN GENERAL.—A merchant may make the disclosure required by subsection (a) in the form of a list or catalog which is readily available to the consumer at the point of rental if the merchandise is not displayed in the merchant's showroom or if displaying a card, tag, or label would be impractical due to the size of the merchandise.

"(2) CLEARLY AND CONSPICUOUSLY.—As used in this section, the term 'clearly and conspicuously' means that information required to be disclosed to the consumer shall appear in a type size, prominence, and location as to be noticeable, readable, and comprehensible to an ordinary consumer.

"SEC. 1011. RENTAL-PURCHASE ADVERTISING.

"(a) IN GENERAL.—If an advertisement for a rental-purchase transaction refers to or states the amount of any payment for any specific item or set of items, the merchant making the advertisement shall also clearly and conspicuously state in the advertisement the following for the item, or set of items, advertised:

"(1) The transaction advertised is a rental-purchase agreement.

"(2) The amount, timing, and total number of rental payments necessary to acquire ownership under the rental-purchase agreement.

1 *"(3) The amount of the rental-purchase cost.*

2 *"(4) To acquire ownership of the property the*
3 *consumer must pay the rental-purchase cost plus ap-*
4 *plicable taxes.*

5 *"(5) Whether the stated payment amount and*
6 *advertised rental-purchase cost is for new or used*
7 *property.*

8 *"(b) PROHIBITION.—An advertisement for a rental-*
9 *purchase agreement shall not state or imply that a specific*
10 *item, or set of items, is available at specific amounts or*
11 *terms unless the merchant usually and customarily offers,*
12 *or will offer, the item or set of items at the stated amounts*
13 *or terms.*

14 *"(c) CLEARLY AND CONSPICUOUSLY.—*

15 *"(1) IN GENERAL.—For purposes of this section,*
16 *the term 'clearly and conspicuously' means that re-*
17 *quired disclosures shall be presented in a type, size,*
18 *shade, contrast, prominence, location, and manner, as*
19 *applicable to different mediums for advertising, so as*
20 *to be readily noticeable and comprehensible to the or-*
21 *dinary consumer.*

22 *"(2) REGULATORY GUIDANCE.—The Board shall*
23 *prescribe regulations on principles and factors to*
24 *meet the clear and conspicuous standard as appro-*
25 *priate to print, video, audio, and computerized adver-*

tising, reflecting the principles and factors typically applied in each medium by the Federal Trade Commission.

"(3) LIMITATION.—Nothing contrary to, inconsistent with, or in mitigation of, the required disclosures shall be used in any advertisement in any medium, and no audio, video, or print technique shall be used that is likely to obscure or detract significantly from the communication of the disclosures.

"SEC. 1012. CIVIL LIABILITY.

"(a) IN GENERAL.—Except as otherwise provided in section 1013, any merchant who fails to comply with any requirement of this title with respect to any consumer is liable to such consumer as provided for leases in section 130. For purposes of this section, the term 'creditor' as used in section 130 shall include a 'merchant', as defined in section 1001.

"(b) JURISDICTION OF COURTS; LIMITATION ON ACTIONS.—

"(1) IN GENERAL.—Notwithstanding section 130(e), any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, before the end of the 1-year period beginning on the date the last payment

was made by the consumer under the rental-purchase agreement.

"(2) RECOUPMENT OR SET-OFF.—This subsection shall not bar a consumer from asserting a violation of this title in an action to collect an obligation arising from a rental-purchase agreement, which was brought after the end of the 1-year period described in paragraph (1) as a matter of defense by recoupment or set-off in such action, except as otherwise provided by State law.

"SEC. 1013. ADDITIONAL GROUNDS FOR CIVIL LIABILITY.

"(a) INDIVIDUAL CASES WITH ACTUAL DAMAGES.—Any merchant who fails to comply with any requirements imposed under section 1010 or 1011 with respect to any consumer who suffers actual damage from the violation shall be liable to such consumer as provided in section 130.

"(b) PATTERN OR PRACTICE OF VIOLATIONS.—If a merchant engages in a pattern or practice of violating any requirement imposed under section 1010 or 1011, the Federal Trade Commission or an appropriate State attorney general, in accordance with section 1016, may initiate an action to enforce sanctions against the merchant, including—

"(1) an order to cease and desist from such practices; and

"(2) a civil money penalty of such amount as the court may impose, based on such factors as the court may determine to be appropriate.

"SEC. 1014. LIABILITY OF ASSIGNEES.

"(a) ASSIGNEES INCLUDED.—For purposes of section 1013, and this section, the term 'merchant' includes an assignee of a merchant.

"(b) LIABILITIES OF ASSIGNEES.—

"(1) APPARENT VIOLATION.—An action under section 1012 or 1013 for a violation of this title may be brought against an assignee only if the violation is apparent on the face of the rental-purchase agreement to which it relates.

"(2) APPARENT VIOLATION DEFINED.—For purposes of this subsection, a violation that is apparent on the face of a rental-purchase agreement includes a disclosure that can be determined to be incomplete or inaccurate from the face of the agreement.

"(3) INVOLUNTARY ASSIGNMENT.—An assignee has no liability in a case in which the assignment is involuntary.

"(4) RULE OF CONSTRUCTION.—No provision of this section shall be construed as limiting or altering the liability under section 1012 or 1013 of a merchant assigning a rental-purchase agreement.

1 *"(b) PROOF OF DISCLOSURE.—In an action by or*
2 *against an assignee, the consumer's written acknowledg-*
3 *ment of receipt of a disclosure, made as part of the rental-*
4 *purchase agreement, shall be conclusive proof that the dis-*
5 *closure was made, if the assignee had no knowledge that*
6 *the disclosure had not been made when the assignee acquired*
7 *the rental-purchase agreement to which it relates.*

8 ***"SEC. 1015. REGULATIONS.***

9 *"(a) IN GENERAL.—The Board shall prescribe regula-*
10 *tions as necessary to carry out the purposes of this title,*
11 *to prevent its circumvention, and to facilitate compliance*
12 *with its requirements.*

13 *"(b) MODEL DISCLOSURE FORMS.—The Board may*
14 *publish model disclosure forms and clauses for common*
15 *rental-purchase agreements to facilitate compliance with*
16 *the disclosure requirements of this title and to aid the con-*
17 *sumer in understanding the transaction by utilizing readily*
18 *understandable language to simplify the technical nature*
19 *of the disclosures. In devising such forms, the Board shall*
20 *consider the use by merchants of data processing or similar*
21 *automated equipment. Nothing in this title may be con-*
22 *strued to require a merchant to use any such model form*
23 *or clause prescribed by the Board under this section. A mer-*
24 *chant shall be deemed to be in compliance with the require-*

ment to provide disclosure under section 1003(a) if the merchant—

"(1) uses any appropriate model form or clause as published by the Board; or

"(2) uses any such model form or clause and changes it by—

"(A) deleting any information which is not required by this title; or

"(B) rearranging the format, if in making such deletion or rearranging the format, the merchant does not affect the substance, clarity, or meaningful sequence of the disclosure.

"(c) EFFECTIVE DATE OF REGULATIONS.—Any regulation prescribed by the Board, or any amendment or interpretation thereof, shall not be effective before the October 1 that follows the date of publication of the regulation in final form by at least 6 months. The Board may at its discretion lengthen that period of time to permit merchants to adjust to accommodate new requirements. The Board may also shorten that period of time, notwithstanding the first sentence, if it makes a specific finding that such action is necessary to comply with the findings of a court or to prevent unfair or deceptive practices. In any case, merchants may comply with any newly prescribed disclosure requirement prior to its effective date.

1 ***"SEC. 1016. ENFORCEMENT.***

2 *"(a) FEDERAL ENFORCEMENT.—Compliance with the*
3 *requirements imposed under this title shall be enforced*
4 *under the Federal Trade Commission Act (15 U.S.C. 41 et*
5 *seq.), and a violation of any requirements imposed under*
6 *this title shall be deemed a violation of a requirement im-*
7 *posed under that Act. All of the functions and powers of*
8 *the Federal Trade Commission under the Federal Trade*
9 *Commission Act are available to the Commission to enforce*
10 *compliance by any person with the requirements of this*
11 *title, irrespective of whether that person is engaged in com-*
12 *merce or meets any other jurisdictional test in the Federal*
13 *Trade Commission Act.*

14 *"(b) STATE ENFORCEMENT.—*

15 *"(1) IN GENERAL.—An action to enforce the re-*
16 *quirements imposed by this title may also be brought*
17 *by the appropriate State attorney general in any ap-*
18 *propriate United States district court, or any other*
19 *court of competent jurisdiction.*

20 *"(2) PRIOR WRITTEN NOTICE.—*

21 *"(A) IN GENERAL.—The State attorney gen-*
22 *eral shall provide prior written notice of any*
23 *such civil action to the Federal Trade Commis-*
24 *sion and shall provide the Commission with a*
25 *copy of the complaint.*

"(B) EMERGENCY ACTION.—If prior notice is not feasible, the State attorney general shall provide notice to the Commission immediately upon instituting the action.

"(3) FTC INTERVENTION.—The Commission may—

"(A) intervene in the action;

"(B) upon intervening—

"(i) remove the action to the appropriate United States district court, if it was not originally brought there; and

"(ii) be heard on all matters arising in the action; and

"(C) file a petition for appeal.

"SEC. 1017. CRIMINAL LIABILITY FOR WILLFUL AND KNOWING VIOLATION.

"Whoever willfully and knowingly gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder shall be subject to the penalty provisions as provided in section 112.

"SEC. 1018. RELATION TO OTHER LAWS.

"(a) RELATION TO STATE LAW.—

"(1) NO EFFECT ON CONSISTENT STATE LAWS.—Except as otherwise provided in subsection (b), this

title does not annul, alter, or affect in any manner the meaning, scope or applicability of the laws of any State relating to rental-purchase agreements, except to the extent those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency.

"(2) DETERMINATION OF INCONSISTENCY.—Upon its own motion or upon the request of an interested party, which is submitted in accordance with procedures prescribed in regulations of the Board, the Board shall determine whether any such inconsistency exists. If the Board determines that a term or provision of a State law is inconsistent, merchants located in that State need not follow such term or provision and shall incur no liability under the law of that State for failure to follow such term or provision, notwithstanding that such determination is subsequently amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

"(3) GREATER PROTECTION UNDER STATE LAW.—Except as provided in subsection (b), for purposes of this section, a term or provision of a State law is not inconsistent with the provisions of this title if the term or provision affords greater protection and benefit to the consumer than the protection and ben-

efit provided under this title as determined by the Board, on its own motion or upon the petition of any interested party.

"(b) STATE LAWS RELATING TO CHARACTERIZATION OF TRANSACTION.—Notwithstanding the provisions of subsection (a), this title shall supersede any State law to the extent that such law—

"(1) regulates a rental-purchase agreement as a security interest, credit sale, retail installment sale, conditional sale or any other form of consumer credit, or that imputes to a rental-purchase agreement the creation of a debt or extension of credit, or

"(2) requires the disclosure of a percentage rate calculation, including a time-price differential, an annual percentage rate, or an effective annual percentage rate.

"(c) RELATION TO FEDERAL TRADE COMMISSION ACT.—No provision of this title shall be construed as limiting, superseding, or otherwise affecting the applicability of the Federal Trade Commission Act to any merchant or rental-purchase transaction.

"SEC. 1019. EFFECT ON GOVERNMENT AGENCIES.

"No civil liability or criminal penalty under this title may be imposed on the United States or any of its depart-

ments or agencies, any State or political subdivision, or any agency of a State or political subdivision.

"SEC. 1020. COMPLIANCE DATE.

"Compliance with this title shall not be required until 6 months after the date of the enactment of the Consumer Rental Purchase Agreement Act. In any case, merchants may comply with this title at any time after such date of enactment.".

Chairman SENSENBRENNER. And the Chair recognizes himself for 5 minutes to explain the bill.

This bill, the Consumer Rental Purchase Agreement Act, was reported by the Committee on Financial Services on July 18. The Speaker sequentially referred the bill to this Committee to consider several provisions that fall within the Judiciary Committee's jurisdiction. This referral expires next Monday, September 9.

H.R. 1701 amends the Consumer Protection Act to provide new Federal requirements in all rent-to-own agreements. In a rent-to-own agreement, the consumer typically leases a product for a month and has the option to return the product with no obligation or penalty, pay to keep the product for another month, or purchase the product. Also, the consumer usually acquires ownership of the product if it is leased for a specified amount of time, usually 18 months.

Each year, millions of Americans enter rent-to-own agreements because they can't otherwise afford the purchase price, qualify for credit, or don't need the product for more than a short period of time. While these agreements have grown in popularity, they are regulated by numerous State-based consumer protection laws. Although a recent survey by the FTC staff indicated that 75 percent of rent-to-own consumers were satisfied by their experience, that survey identified a number of inadequacies in State rental-purchase disclosure laws.

H.R. 1701 attempts to address these concerns by establishing consistent disclosure requirements and substantive rights for consumers, which enhance the existing law of some States and permits others to adopt or maintain more stringent laws. Provisions of the bill within the jurisdiction of this Committee include sections 1012, 1013, 1014, 1016, 1017, and 1019. Although I am not aware of any amendments from our side, only these sections will be open for amendment.

I would point out that it is my intention to vote against this bill because I am opposed to the Federal preemption of the States' discretion in this area.

And I yield to the gentleman from Michigan, Mr. Conyers, for whatever remarks he wishes to make.

Mr. CONYERS. Thank you, Mr. Chairman and Members of the Committee.

This is a bill that has gone through very important changes, and it's almost getting to be acceptable, but it's probably not quite there yet.

The controlling question for some of us is, why do we want to tell States how to protect their own consumers? Where are the States rights people when we need them?

Chairman SENSENBRENNER. Right here.

Mr. CONYERS. "Right here," says the Chairman. [Laughter.]

Okay, that's one. And I see one more in the audience.

But the point is that I know we have a lot of Federal jurisdiction to explore, but this is one of the most exotic grabs, at the Federal level, that I have heard of lately.

Now, a word about rent-to-own chains. They are not your ideal kind of businesspeople, by and large. I immediately exempt the five firms that are good. But the rest of them leave a lot to be desired.

Their rationale for charging more than they ought to is that nobody would work in the poor communities if it weren't for them, with their right to pick up a little extra money as a premium for working in neighborhoods and communities that might not have anything at all there. So they would like us to salute them for that.

But they have been sued—$16 million worth of lawsuits in Wisconsin, $60 million in New Jersey, $30 million in Minnesota, and so on. So consumers need more protection from those who engage in predatory financial practices. And I'm hopeful that the part of the bill that we have jurisdiction over will serve to improve this bill. And I hope that the Committee that has the rest of it will do likewise.

And I ask that my entire statement be inserted in the record.

Chairman SENSENBRENNER. Without objection, so ordered.

Mr. CONYERS. I yield back.

Chairman SENSENBRENNER. And without objection, all Members' opening statements may be inserted in the record at this point.

[The prepared statement of Mr. Conyers follows:]

PREPARED STATEMENT OF THE HONORABLE JOHN CONYERS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Although the version of H.R. 1701 that is before us is an improvement over the bill that was introduced, I still have significant concerns with the legislation because it ties the hands of States in protecting consumers.

It is ironic that although the Majority professes to respect States' Rights, in the area of tort reform and consumer protections, the Committee brings up bills that would undermine States' ability to perform their traditional duties in these areas.

As it stands now, H.R. 1701 would preempt States' ability to treat rent-to-own contracts as a credit sale, retail installment sale, or any other form of consumer credit. This means that the States cannot require rent-to-own companies to comply with applicable usury and finance charge limits.

The bill also prevents States from requiring rent-to-own companies to disclose a percentage rate calculation or an annual percentage rate, or "APR."

The fact is that the bill preempts State laws in Wisconsin, New Jersey, Minnesota, North Carolina, and Vermont. The bill also prohibits States from adopting similar regimes in the future.

Why are we telling States how to protect their own consumers?

Maybe it's because State consumer law violations have produced legal judgments or settlements against rent-to-own chains amounting to $16 million in Wisconsin, $60 million in New Jersey, and $30 million in Minnesota.

Unable to win under these state laws, or to overturn them at the State level, the Majority would like Congress to preempt them.

It is not surprising, then, that the bill is opposed by every major consumer organization.

Consumers need more—not less—protection from predatory financial practices. I cannot support a bill that undermines State pro-consumer laws.

[The prepared statement of Ms. Jackson Lee follows:]

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Today I speak out in opposition to H.R. 1701. This bill does great harm to our nation's consumers while protecting the rent-to-own industry with weak regulations that are not suited to the true nature of the type of transaction these contracts really represent—credit-sales contracts.

Once again, we hasten to pass a bill that unfairly places the interests of common consumers below the interests of industry and business. Unfortunately, there are those in the rent-to-own business who create these contracts without providing full disclosure to the consumers who use them—consumers who ultimately intend to own the television, furniture or other good contemplated in the rent-to-own agreement. When these consumers fail to make payment, instead of giving them reasonable terms and conditions prolonging the contract, or reinstating the contract owners of these contracts often take possession of these goods—even after the con-

sumers has made significant payments under the contract in excess of the actual cost of the goods.

The measure also raises another issue that Republicans often use as a battle cry when they support regulation that oppresses the rights of individuals or threatens what they term as undue burdens on business and industry. I cannot count the number of times that I have heard Republicans raise the issue of states rights arguing that states know best and decrying Federal encroachment upon state matters. However, when they want to elevate the rights of our nation's industries over the rights of individual consumers, states rights goes right out of the door. This measure tramples on the decisions of state regulators to regulate rent-to- own contracts as credit sales and turns federalism on its head. H.R. 1701 would preempt strong state laws regulating rent-to-own contracts from New Jersey, Minnesota, Wisconsin and Vermont. This measure preempts stronger state laws regulating rent-to-own contracts and is opposed by 52 state and territorial Attorneys General.

Consumer advocates oppose this measure. Furthermore, all of the government witnesses during the Judiciary Subcommittee on Commercial and Administrative Law on this bill, including witnesses representing the Wisconsin Attorney General, the Federal Trade Commission and the Federal Reserve declined to recommend action on H.R. 1701, further making the argument that this is nothing more than a giveaway to the industry. Yet, we still see this measure progressing in the House.

I do not believe at this juncture, in our nation's history, that this legislation reflects Congressional concern for a nation with a stagnant economy and teetering on the brink of war. At a time when all of our nation's citizens are particularly concerned for their well being we should not pass legislation that will allow industry to capitalize on those citizens with the most exposure to these turbulent times. For these reasons I do not support H.R. 1701, and if present, I would have voted no.

Chairman SENSENBRENNER. Are there amendments?

Mr. CONYERS. I have an amendment at the desk.

Chairman SENSENBRENNER. The clerk will report the amendment.

The CLERK. Amendment to H.R. 1701, offered by Mr. Conyers. On page 27, line 16, strike "includes" and insert the following——

Mr. CONYERS. I ask unanimous consent that the amendment be considered as read.

Chairman SENSENBRENNER. Without objection.

[The amendment follows:]

AMENDMENT TO H.R. 1701
OFFERED BY Mr. Conyers

On page 27, line 16, strike "includes" and insert the following:

"includes, but is not limited to,".

Chairman SENSENBRENNER. And the gentleman is recognized for 5 minutes.

Mr. CONYERS. I thank the Chair.

This is the most friendly amendment that I could possibly put together to offer for this bill. It makes the liability provisions of the bill consistent with the Truth in Lending Act. Under Truth in Lending, a prerequisite for assigning liability is that the violation be apparent on the face of the disclosure, but not limited to a disclosure. And in H.R. 1701, the definition of "apparent violation" leaves out the critical terms "but is not limited to."

What this provision does, ladies and gentlemen, is add these terms to make the provision consistent with the Truth in Lending Act, and it's no more or less than that. And I would return any time I have, unless there are any questions from my colleagues.

Chairman SENSENBRENNER. The gentleman yields back the balance of his time.

The question is on agreeing to the amendment offered by the gentleman from Michigan, Mr. Conyers.

Those in favor will say aye.

Opposed, no.

The ayes appear to have it. The ayes have it, and the amendment is agreed to.

Are there further amendments? There are no further amendments. Is there a reporting quorum? Without objection, the previous question is ordered on reporting the bill. And the Chair would ask Members to stay put, and we will get the dragnet out for Members who are absent.

[Intervening business.]

Chairman SENSENBRENNER. The Chair notes the presence of a reporting quorum. The unfinished business is the motion to favorably report the bill H.R. 1701 as amended.

Those in favor will say aye.

Ms. WATERS. Recorded vote, Mr. Chairman.

Chairman SENSENBRENNER. Okay.

Those opposed, no.

The ayes appear to have it. A recorded vote is demanded. Those in favor of reporting the bill H.R. 1701 favorably as amended will, as your names are called, answer aye. Those opposed, no. And the clerk will call the role.

The CLERK. Mr. Hyde?

Mr. HYDE. Aye.

The CLERK. Mr. Hyde, aye.

Mr. Gekas?

[No response.]

The CLERK. Mr. Coble?

Mr. COBLE. Aye.

The CLERK. Mr. Coble, aye.

Mr. Smith?

Mr. SMITH. No.

The CLERK. Mr. Smith, no.

Mr. Gallegly?

Mr. GALLEGLY. No.

The CLERK. Mr. Gallegly, no.

Mr. Goodlatte?

[No response.]

The CLERK. Mr. Chabot?

Mr. CHABOT. Aye.

The CLERK. Mr. Chabot, aye.

Mr. Barr?

[No response.]

The CLERK. Mr. Jenkins?

Mr. JENKINS. Aye.

The CLERK. Mr. Jenkins, aye.

Mr. Cannon?

Mr. CANNON. Aye.

The CLERK. Mr. Cannon, aye.

Mr. Graham?

[No response.]

The CLERK. Mr. Bachus?

Mr. BACHUS. Aye.
The CLERK. Mr. Bachus, aye.
Mr. Hostettler?
Mr. HOSTETTLER. Aye.
The CLERK. Mr. Hostettler, aye.
Mr. Green?
[No response.]
The CLERK. Mr. Keller?
Mr. KELLER. Aye.
The CLERK. Mr. Keller, aye.
Mr. Issa?
Mr. ISSA. Aye.
The CLERK. Mr. Issa, aye.
Ms. Hart?
Ms. HART. Aye.
The CLERK. Ms. Hart, aye.
Mr. Flake?
[No response.]
The CLERK. Mr. Pence?
[No response.]
The CLERK. Mr. Forbes?
Mr. FORBES. Aye.
The CLERK. Mr. Forbes, aye.
Mr. Conyers?
Mr. CONYERS. No.
The CLERK. Mr. Conyers, no.
Mr. Frank?
Mr. FRANK. No.
The CLERK. Mr. Frank, no.
Mr. Berman?
[No response.]
The CLERK. Mr. Boucher?
[No response.]
The CLERK. Mr. Nadler?
Mr. NADLER. No.
The CLERK. Mr. Nadler, no.
Mr. Scott?
Mr. SCOTT. No.
The CLERK. Mr. Scott, no.
Mr. Watt?
Mr. WATT. No.
The CLERK. Mr. Watt, no.
Ms. Lofgren?
[No response.]
The CLERK. Ms. Jackson Lee?
[No response.]
The CLERK. Ms. Waters?
Ms. WATERS. No.
The CLERK. Ms. Waters, no.
Mr. Meehan?
[No response.]
The CLERK. Mr. Delahunt?
Mr. DELAHUNT. No.
The CLERK. Mr. Delahunt, no.
Mr. Wexler?

[No response.]

The CLERK. Ms. Baldwin?

[No response.]

The CLERK. Mr. Weiner?

[No response.]

The CLERK. Mr. Schiff?

Mr. SCHIFF. No.

The CLERK. Mr. Schiff, no.

Mr. Chairman?

Chairman SENSENBRENNER. No.

The CLERK. Mr. Chairman, no.

Chairman SENSENBRENNER. Are there additional Members who wish to cast or change their vote?

The gentleman from Arizona, Mr. Flake?

Mr. FLAKE. No.

The CLERK. Mr. Flake, no.

Chairman SENSENBRENNER. The gentleman from California, Mr. Gallegly.

Mr. GALLEGLY. How am I recorded?

The CLERK. Mr. Chairman, Mr. Gallegly is recorded as a no.

Mr. GALLEGLY. Aye.

The CLERK. Mr. Gallegly, aye.

Chairman SENSENBRENNER. The gentleman from Pennsylvania, Mr. Gekas.

Mr. GEKAS. Aye.

The CLERK. Mr. Gekas, aye.

Chairman SENSENBRENNER. Further Members who wish to cast or change—the gentleman from Virginia, Mr. Goodlatte.

Mr. GOODLATTE. Aye.

The CLERK. Mr. Goodlatte, aye.

Chairman SENSENBRENNER. The gentleman from Massachusetts, Mr. Meehan.

Mr. MEEHAN. Mr. Meehan, no.

Chairman SENSENBRENNER. Any further Members who wish to cast or change their votes?

If not, the clerk will report.

The CLERK. Mr. Chairman, there are 14 ayes and 12 noes.

Chairman SENSENBRENNER. And the motion to report favorably is agreed to.

Without objection, the bill will be reported favorably to the House in the form of a single amendment in the nature of a substitute, incorporating the amendments adopted here today.

Without objection, the Chairman is authorized to move to go to conference pursuant to House rules. Without objection, the staff is directed to make any technical and conforming changes. And all Members will be given 2 days, as provided by the House rules, in which to submit additional, dissenting, supplemental, or minority views.

The Chair said as soon as we got rid of H.R. 1701, we would postpone consideration of the other items on the agenda until the next markup.

The Committee is adjourned.

Ms. WATERS. Mr. Chairman? Mr. Chairman, unanimous consent to place into the record explanation of the opposition to the recently passed 1701.

Chairman SENSENBRENNER. Those statements were already granted by unanimous consent. Without objection, unanimous consent is granted to put any additional statements either by Members of the Committee or by outside groups into the record.

[The prepared statement of the U.S. Public Interest Research Group follows:]

5 September 2002

TO: Members of House Judiciary Committee
FR: Ed Mierzwinski, Consumer Program Director (ed@pirg.org)

RE: OPPOSE HR 1701, Rent-to-own (Jones-NC, Maloney-CT) Financial Services Committee Referral

Please do not believe representations by its industry supporters and Congressional sponsors that the Financial Services Committee markup has cured this anti-consumer bill's gross deficiencies. The sole intent of HR 1701 has always been to preempt stronger state consumer protection laws, especially those of Wisconsin, New Jersey, Minnesota and Vermont. The industry has tried and failed for years to repeal these tough consumer laws. Most recently, in 2001, Republican Governor Scott McCallum of Wisconsin vetoed a proposed law similar to HR 1701.

These states treat rent to own as a credit sale, subjecting its unfair triple-digit (but generally undisclosed) interest rate contracts to purchase televisions and furniture over a period of time to state consumer protection, small loan usury and APR disclosure rules. If HR 1701 is enacted, these strong state laws would be repealed.

HR 1701 is opposed by 52 state and territorial attorneys general. We know of no attorney general who has withdrawn his or her opposition since the Financial Services Committee made its cosmetic changes to this bill.

HR 1701 is opposed by every national consumer group and several labor unions, as well as dozens of state and local consumer groups. Its opponents include Consumer Federation of America, Consumers Union, UAW, United Steelworkers, National Consumer Law Center, ACORN, National Community Reinvestment Coalition, Consumer Action and Consumers League of New Jersey.

The industry's leading players have a sordid recent history of administrative enforcement actions and investigations against them. Rent-A-Center was found by the New York City Department of Consumer Affairs to have committed 310 violations of city consumer law in 2001. Rent-A-Center is also the subject of current consumer protection litigation with the Wisconsin Attorney General. In 2001, it paid $47 million in a court-ordered, U.S. EEOC-negotiated settlement of sexual discrimination claims by female employees. Rent-Way, the other major player, is under a current SEC investigation of a $98 million restatement of its books.

Congress should not enact legislation immunizing the rent to own industry from stronger state consumer laws. For more information, see <http://www.pirg.org/consumer/#rent>

U.S. Public Interest Research Group, 218 D St SE, Washington, DC 20003
Phone 202-546-9707 Fax 202-546-2461

Chairman SENSENBRENNER. And the Committee is adjourned.
[Whereupon, at 10:39 a.m., the Committee was adjourned.]

DISSENTING VIEWS

Although the version of H.R. 1701 that the Committee on the Judiciary considered is an improvement over the bill that was introduced, we still have significant concerns with the legislation because it preempts strong State consumer protection laws, particularly those of Wisconsin, New Jersey, Minnesota, and Vermont.

It is ironic that although many in the Majority profess to respect States' rights, this bill would undermine States' ability to perform their traditional functions with respect to consumer protection. Although federal regulation is appropriate to set minimum standards, we should not prohibit States from protecting their own consumers in the manner they see fit. This is especially true for the rental-purchase or "rent-to-own" industry,[1] whose low-income customer base is most in need of protection from usurious costs and unfair practices.

H.R. 1701 *expressly supersedes* State laws that treat a rent-to-own agreement as a credit sale, and that require the disclosure of a percentage rate calculation, time-price differential, or an annual percentage rate ("APR").[2] As such, rent-to-own transactions cannot be subjected to state usury laws and finance charge limits, as well as APR and other meaningful disclosures.

H.R. 1701 is opposed by 52 Attorneys General, which criticized the bill's preemption of State laws that regulate rent-to-own transactions as a credit sale or similar arrangement or that require the disclosure to consumers of effective interest or annual percentage rates.[3] The National Association of Attorneys General wrote, in opposition to H.R. 1701,

"Consumer protection, including in the area of consumer credit, has historically been an appropriate matter for State regulation, alone or in concert with federal authorities. Thus, a number of federal consumer statutes—including the statute of which H.R. 1701 would become a part—expressly exempt from preemption State laws that are more protective of consumers than related federal

[1] The two largest, nationwide rent-to-own chains have been subject to numerous investigations and lawsuits in the past several years. Rent-Way, Inc. has been the subject of both internal and external investigations for long-term accounting improprieties that substantially understated the company's expenses, reportedly by as much as $127 million during one two-year period. Queena Sook Kim, *Rent-Way Details Improper Bookkeeping, Expenses Were Artificially Cut by $127 Million, Report Says*, Wall St. J., June 8, 2001. Likewise, a number of shareholder suits were filed earlier this year against Rent-A-Center, Inc., charging the company with making false statements regarding quarterly earnings and future prospects that were intended to mislead the public and benefit secondary stock offerings by company executives. *Cauley Geller Bowman & Coates, LLP Announces Class Action Lawsuit Against Rent-A-Center Inc. on Behalf of Investors,* www.morningstar.com, Jan. 30, 2002. Furthermore, Rent-A-Center also recently paid millions of dollars to settle class action lawsuit alleging both racial and gender discrimination. *Rent-A-Center, Inc. Announces Settlement in Principle of Gender Litigation*, www.yahoo.com, Nov. 1, 2001; *Rent-A-Center Settles Suit Alleging Racial Discrimination*, www.kansascity.bcentral.com, Oct. 26, 1998.

[2] H.R. 1701, Sec. 1018.

[3] Letter from National Association of Attorneys General to House Committee on Financial Institutions, Subcommittee on Financial Institutions and Consumer Credit, Sept. 5, 2001.

standards. [Citations omitted.] This same approach should be adopted in connection with H.R. 1701: to set a federal "floor" for rent-to-own disclosures, but not to bar the States from responding to local conditions and concerns through the enactment of more protective standards. In that way, the goal of protecting consumers can be advanced within a federalist framework.[4]"

Likewise, H.R. 1701 is opposed by every national consumer group and several labor unions, as well as dozens of state and local consumer groups. Its opponents include Consumer Federation of America, Consumers Union, UAW, United Steelworkers, National Consumer Law Center, U.S. PIRG, ACORN, National Community Reinvestment Coalition, and Consumer Action.[5] All of these groups oppose the bill's preemption of strong State consumer protection laws that treat rent-to-own transactions as credit sales and, therefore, require the disclosure of the cost of credit and often-exorbitant 100–250% APRs.[6]

Consumers need more—not less—protection from predatory financial practices. We cannot support a bill that undermines State pro-consumer laws.

JOHN CONYERS, JR.
BARNEY FRANK.
ROBERT C. SCOTT.
SHEILA JACKSON LEE.
MAXINE WATERS.
WILLIAM D. DELAHUNT.
TAMMY BALDWIN.

[4] *Id.*
[5] Letter from Ed Mierzwinski, Consumer Program Director, U.S. PIRG, to Members of House Judiciary Committee, Sept. 5, 2002.
[6] Letter from ACORN, *et. al.* to U.S. Representatives, June 12, 2002.

DISSENTING VIEWS

Regulation of the rent-to-own industry is a "States rights" issue and should not be preempted by Federal law. Virtually every State, with the exception of North Carolina, has regulated the rent-to-own industry for decades, and each State has developed its own expertise and knowledge of this industry through enforcement and internal review. Because there is no national need or comprehensive policy concern over how the States have regulated this industry, to do so at this time would usurp State's authority and undermine the fundamental principle of federalism. The only effective way to address this conflict would be to grandfather the entire country, except North Carolina. This is unnecessary and unwise, and should be rejected by every Representative of a State that regulates the rent-to-own industry.

In Wisconsin, H.R. 1701 undermines the Wisconsin Consumer Act,[1] which has successfully regulated the Wisconsin rent-to-own industry for 29 years by treating rent-to-own transactions as credit sales rather than leases. In addition, the established law of Minnesota and New Jersey treat rent-to-own transactions as credit sales. H.R. 1701 federalizes all rent-to-own transactions as leases and completely invalidates the existing rent-to-own consumer protection laws of Wisconsin, Minnesota, and New Jersey because they are based on the premise that rent-to-own transactions are credit sales. While the Federal Trade Commission staff survey, which is the purported basis of H.R. 1701, demonstrates that most rent-to-own transactions result in a sale rather than a return, there is no finding in this survey supporting a change in Wisconsin, Minnesota, or New Jersey law. If H.R. 1701 were enacted, it would completely invalidate long standing and successful regulation of the rent-to-own industry and require the states to take on the enormous task of re-regulating the rent-to-own industry.

H.R. 1701 is a affront to Wisconsin's efforts to regulate the rent-to-own industry, which has a pugnacious history in Wisconsin politics. The rent-to-own industry has been the subject of repeated enforcement actions in Wisconsin and has sought State legislation to exempt its transactions from the Wisconsin Consumer Act. This proposal was recently vetoed by Governor Scott McCallum. Enacting H.R. 1701 would undo Governor McCallum's veto and fulfill the goals of the rent-to-own industry. I believe regulation of the rent-to-own industry is a state matter and H.R. 1701 is a misguided attempt to preempt the existing law of virtually every State.

F. JAMES SENSENBRENNER, JR.

[1] Wis. State. chs. 421–427.

SUPPLEMENTAL VIEWS

The Consumer Rental Purchase Agreement Act is special interest legislation at its very worst. The bill is falsely presented by its industry proponents as pro-consumer and as not pre-emptive of state law. Neither is true. The bill has one purpose and one purpose only: to circumvent stronger consumer protections in the Federal Truth-in-Lending Act and in the statutes of a handful of States that the rent-to-own industry has not been able to overturn.

As originally introduced, H.R. 1701 sought to preempt all inconsistent State laws. This included all current or future State laws that attempt to regulate rent-to-own transactions as credit or installment sales, as well as any industry-enacted State rent-to-own statutes that provide stronger, but inconsistent protections for consumers. Although the amended Committee bill has narrowed the scope of the bill's preemption, the bill would still preempt the best of the State laws in New Jersey, Minnesota, Wisconsin and Vermont that seek to provide meaningful protections against unfair predatory practices. And it would still prevent these and other states from strengthening consumer protections in the future by treating rent-to-own transactions as credit sales.

What is behind this bill? Not a desire to create a "Federal floor" of consumer protections for rent-to-own customers, as the majority views allege. It is an effort to avoid hundreds of millions of dollars in legal penalties imposed by courts in precisely those States whose laws would be preempted. Since 1997, legal actions responding to State consumer law violations have produced legal judgements or settlements against the nation's largest rent-to-own chain, Rent-A-Center, Inc., amounting to $30 million in Minnesota, $16 million in Wisconsin and more than $60 million in New Jersey. Unable to win under these State laws, or to overturn them at the State level, the rent-to-own industry is simply calling on Congress to preempt them.

All national consumer organizations oppose H.R. 1701 as an inadequate standard to protect vulnerable consumers from misleading lease arrangements that really mask installment sales at exorbitant rates of interest. Consumer advocates object to rent-to-own operations as enticing vulnerable consumers to acquire electronic equipment, appliances, furniture and other household items with promises of no credit checks, no qualification and low payments that disguise the true cost of the transaction. Most rent-to-own stores encourage consumers to focus only on the affordability of the low weekly or monthly lease payment and ignore the total cost of actually acquiring merchandise over the term of the rental-purchase contract.

Every market comparison done by consumer organizations of the cost of acquiring comparable merchandise under rent-to-own contracts and alternative credit or installment sales typically show the

total rent-to-own cost as averaging three to five times higher than both the retail price of the merchandise and the comparable credit price. This imposes an excessive cost burden on low-income families who have no other means of acquiring basic household items other than local rent-to-own stores.

Rent-to-own merchants are not the only ones targeting this same group of vulnerable consumers. Low-income communities are besieged by predatory mortgage companies, payday lenders, check cashiers, pawnshops and other quasi-financial companies that are all trying to rob the same families of their meager dollars. The results have been devastating for struggling families and for entire neighborhoods.

H.R. 1701 does nothing to restrict the exorbitant costs of acquiring merchandise under rent-to-own contracts. Moreover, it fails to meet the basic standard for full cost disclosure under the Truth-in-Lending Act by preventing consumers from using annual percentage rate (APR) calculations or other common market measures of total costs to compare the total cost of rent-to-own transactions with alternative credit and installment sales options.

The Consumer Rental Purchase Agreement Act should be defeated for several important reasons. It contradicts all arguments of States' rights and denies States the opportunity to regulation commercial transactions as they think best. It promotes and encourages business transactions that target and prey upon our most vulnerable citizens. And, it seeks to impose an industry-approved standard of consumer protection in place of long-established principles of Federal and State laws that have proven effective over four decades.

MAXINE WATERS.

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