

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1566

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

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 19 (legislative day, OCTOBER 13), 1993

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

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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  
5       Consumer Credit Protection Act of 1993”.

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.

“1005. Application of Federal laws.

“1006. Disclosures on goods.

“1007. Prohibitions; enforcement.

“1008. Civil liability.

“1009. Regulations.

“1010. Relationship to other laws.

2 **“§ 1001. Short title**

3 “This title may be cited as the ‘Rent-To-Own  
4 Consumer Credit Protection Act’.

5 **“§ 1002. Findings and purposes**

6 “(a) FINDINGS.—The Congress finds that—

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 debt collection practices; and

16 “(4) rent-to-own dealers do not provide cus-  
17 tomers with the protections afforded purchasers in  
18 retail installment sales under State and Federal

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

3 “(b) PURPOSES.—The purposes of this title are—

4 “(1) to provide consumers in rent-to-own trans-  
5 actions the range of protections provided under  
6 State and Federal laws to individuals who acquire  
7 goods in other consumer credit sales;

8 “(2) to require rent-to-own contracts, and tags  
9 affixed to items available for acquisition in rent-to-  
10 own transactions, to disclose the material terms of  
11 those transactions; and

12 “(3) to prohibit rent-to-own dealers and collec-  
13 tion agents hired by such dealers from engaging in  
14 abusive collection practices.

15 **“§ 1003. Definitions**

16 “As used in this title—

17 “(1) the term ‘cash price’ means—

18 “(A) with respect to any item of consumer  
19 goods—

20 “(i) the bona fide retail price for the  
21 item as offered for sale by a seller to a  
22 consumer who pays the full price in one  
23 payment before taking possession of the  
24 item, as indicated by actual sales of such  
25 item; or

1           “(ii) the average cash retail price of  
2           the item or a similar item in the commu-  
3           nity; and

4           “(B) with respect to a service—

5           “(i) the bona fide retail value of the  
6           service if provided independently to a  
7           consumer; or

8           “(ii) the estimated bona fide retail  
9           value of the service;

10           “(2) the term ‘Commission’ means the Federal  
11           Trade Commission;

12           “(3) the term ‘consumer’—

13           “(A) when used as an adjective, means for  
14           use by an individual primarily for personal,  
15           family, or household purposes; and

16           “(B) when used as a noun, means an indi-  
17           vidual who is the lessee or bailee under a rent-  
18           to-own contract;

19           “(4) the term ‘credit’—

20           “(A) includes the right granted by a seller  
21           to a consumer to obtain possession of an item  
22           of consumer goods under a rent-to-own contract  
23           before payment of the total amount that is re-  
24           quired to be paid to acquire ownership of the  
25           item; and

1           “(B) is deemed to be a fixed sum equal to  
2           the difference of—

3                   “(i) the total of payments for the item  
4                   required to obtain ownership of the item  
5                   under the contract; minus

6                   “(ii) the sum of—

7                           “(I) the cash price;

8                           “(II) any fees specifically allow-  
9                           able under State law, except finance  
10                           charges, interest, or a time price dif-  
11                           ferential; and

12                           “(III) the termination fee under  
13                           section 1004;

14           “(5) the term ‘organization’ means a corpora-  
15           tion, trust, estate, partnership, cooperative, or asso-  
16           ciation;

17           “(6) the term ‘person’ means a natural person  
18           or an organization;

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

22                   “(A) the consumer—

23                           “(i) has the right of possession and  
24                           use of the item; and

1           “(ii) has the option to renew the con-  
2           tract periodically by making payments  
3           specified in the contract; and

4           “(B) the seller agrees, orally or in writing,  
5           to transfer ownership of the item to the  
6           consumer upon the fulfillment of all obligations  
7           of the consumer under the contract for that  
8           transfer;

9           “(8) the term ‘rent-to-own transaction’ means  
10          the lease or bailment of an item of consumer goods  
11          under a rent-to-own contract;

12          “(9) the term ‘seller’ means—

13               “(A) a person—

14                       “(i) who regularly makes consumer  
15                       goods available under rent-to-own con-  
16                       tracts; and

17                       “(ii) to whom payments are payable  
18                       under those contracts; and

19               “(B) an assignee of such a person; and

20          “(10) the term ‘State’ means any State, the  
21          Commonwealth of Puerto Rico, the District of Co-  
22          lumbia, and any territory or possession of the Unit-  
23          ed States.

1 **“§ 1004. Application of State laws regarding fees,**  
2 **charges, guarantees, and warranties**

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

9 “(1) establish a maximum rate or amount of in-  
10 terest, finance charge, or time-price differential that  
11 may be charged in connection with a credit sale or  
12 retail installment sale;

13 “(2) establish the types of fees and the maxi-  
14 mum amount of fees that a seller may charge in  
15 connection with a credit sale or retail installment  
16 sale; or

17 “(3) establish the types of credit insurance and  
18 the maximum amount of premiums that may be  
19 charged for credit insurance in connection with a  
20 credit sale or a retail installment sale.

21 “(b) ADDITIONAL TERMINATION CHARGES AND  
22 FEES.—

23 “(1) CHARGES AND FEES AUTHORIZED.—In ad-  
24 dition to charges and fees authorized under sub-  
25 section (a), a seller in a rent-to-own transaction may  
26 charge—

1           “(A) a termination fee in accordance with  
2 paragraph (2), if in exchange the consumer is  
3 given the right to terminate the rent-to-own  
4 contract for the transaction at any time without  
5 regard to whether the consumer has completed  
6 payment of the fee; and

7           “(B) reasonable fees for recovery of the  
8 items that are the subject of the contract and  
9 that are not voluntarily returned to the seller  
10 upon the completion or termination of the con-  
11 tract.

12           “(2) TERMINATION FEE.—A termination fee  
13 under paragraph (1)(A)—

14           “(A) shall not exceed 5 percent of the cash  
15 price disclosed under the contract;

16           “(B) shall be disclosed in the contract; and

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

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

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

1           “(4) EFFECT OF TERMINATION.—The termi-  
2           nation of a rent-to-own contract by a consumer in  
3           accordance with a right of termination given to the  
4           consumer in exchange for a termination fee under  
5           subsection (a)(1) shall be deemed to satisfy the con-  
6           sumer’s obligations for all payments and fees due  
7           under the contract, except for payments and fees  
8           under the contract that were due prior to the date  
9           of termination.

10          “(c) GUARANTEES AND WARRANTIES.—All guaran-  
11         tees and warranties established or required under the laws  
12         of a State for goods sold pursuant to a consumer credit  
13         sale or retail installment sale shall apply to goods that  
14         are the subject of a rent-to-own transaction in the State.

15         **“§ 1005. Application of Federal laws**

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

18                 “(1) TRUTH IN LENDING ACT.—The Truth in  
19                 Lending Act applies as it applies to consumer credit  
20                 transactions other than consumer credit transactions  
21                 under an open end credit plan.

22                 “(2) EQUAL CREDIT OPPORTUNITY ACT.—The  
23                 Equal Credit Opportunity Act applies as it applies  
24                 to credit transactions. For purposes of this applica-  
25                 tion—

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

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

4           “(3) FAIR DEBT COLLECTION PRACTICES  
5           ACT.—The Fair Debt Collection Practices Act ap-  
6           plies to the collection of overdue payments arising  
7           from a rent-to-own transaction, unless the payments  
8           are collected by any person specified in subpara-  
9           graphs (A) through (F) of section 803(6) of such  
10          Act. For purposes of this application, overdue pay-  
11          ments shall be treated as debt.

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

15        **“§ 1006. Disclosures on goods**

16          “A seller shall include on each item in the place of  
17          business of the seller that is available for purchase pursu-  
18          ant to a rent-to-own transaction—

19               “(1) the cash price of the item;

20               “(2) an itemization of services offered under a  
21               rent-to-own contract for the item, and the cash price  
22               of each service;

23               “(3) the annual percentage rate of the item  
24               under a rent-to-own contract, determined under sec-  
25               tion 107 of the Truth in Lending Act;

1           “(4) the weekly, biweekly, monthly, or other in-  
2           cremental payment applicable under the rent-to-own  
3           contract for the transaction and the number of pay-  
4           ments;

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

9           “(6) specification of whether the item is new or  
10          used.

11       **“§ 1007. Prohibitions; enforcement**

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

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

20               “(2) use threats or coercion to collect or at-  
21               tempt to collect any amounts alleged to be due from  
22               the consumer;

23               “(3) engage in any conduct, the natural con-  
24               sequence of which is to oppress, harass, or abuse

1 any person in connection with an attempt to collect  
2 amounts owed by the consumer under the contract;

3 “(4) unreasonably publicize information to third  
4 parties regarding amounts owed by the consumer;

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

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

11 “(7) engage in any act or practice that is unfair  
12 or deceptive in making, servicing, or collecting pay-  
13 ment pursuant to a rent-to-own contract;

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

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

1           “(10) attempt to evade the provisions of this  
2 title by any devise or subterfuge.

3           “(b) ENFORCEMENT.—

4           “(1) IN GENERAL.—Compliance with the re-  
5 quirements under this title shall be enforced by the  
6 Commission. All functions and powers of the Com-  
7 mission under the Federal Trade Commission Act  
8 shall be available to the Commission to enforce com-  
9 pliance with this title by any person, irrespective of  
10 whether the person is engaged in commerce or meets  
11 any other jurisdictional tests in the Federal Trade  
12 Commission Act, including the power to enforce the  
13 provisions of this title in the same manner as if the  
14 violation had been a violation of a Commission trade  
15 regulation rule.

16           “(2) TREATMENT OF VIOLATIONS.—For the  
17 purpose of the exercise by the Commission of its  
18 functions and powers under the Federal Trade Com-  
19 mission Act, a violation of any requirement or prohi-  
20 bition under this title is deemed to be an unfair or  
21 deceptive act or practice in commerce in violation of  
22 that Act.

23 **“§ 1008. Civil liability**

24           “(a) LIABILITY FOR FAILURE TO PROPERLY DIS-  
25 CLOSE TERMS.—A seller who fails to comply with a re-

1 quirement under section 1006 shall be liable to the  
2 consumer in an amount equal to the sum of—

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

5 “(2) \$500 for each failure; and

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

8 “(b) OTHER LIABILITY.—A seller who violates this  
9 title or fails to comply with any requirement imposed  
10 under this title, other than under section 1005, shall be  
11 liable to the consumer in an amount equal to the sum of—

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

14 “(2) \$5,000 for each violation; and

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

17 “(c) JURISDICTION; LIMITATION.—

18 “(1) IN GENERAL.—An action under this title  
19 may be brought in any United States district court  
20 or in any other court of competent jurisdiction, not  
21 later than 2 years after the date of the violation or  
22 failure that is the subject of the action.

23 “(2) OTHER ACTIONS.—The 2-year statute of  
24 limitations in paragraph (1) shall not prohibit any  
25 person from asserting a violation of this title as a

1 defense in an action to collect amounts alleged to be  
2 due from such person, if such action is brought more  
3 than 2 years after the date of the occurrence of the  
4 violation.

5 “(d) REMEDIES.—Nothing in this title shall be con-  
6 strued to limit any remedy otherwise available under State  
7 or Federal law.

8 **“§ 1009. Regulations**

9 “Not later than 6 months after the date of enactment  
10 of this title, the Commission shall issue such regulations  
11 as may be necessary to implement this title.

12 **“§ 1010. Relationship to other laws**

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

19 “(b) CONSUMER LEASE PROVISIONS OF TRUTH IN  
20 LENDING ACT.—Chapter 5 of the Truth in Lending Act,  
21 relating to consumer leases, shall not apply to a rent-to-  
22 own transaction to the extent application of that Act to  
23 the transaction is inconsistent with this title.”.

1 **SEC. 3. RECOMMENDATIONS TO CONGRESS.**

2 Not later than 2 years after the date of enactment  
3 of this Act, the Federal Trade Commission shall submit  
4 to the Congress any recommendations for further legisla-  
5 tive or administrative action with respect to the regulation  
6 of rent-to-own transactions.

7 **SEC. 4. EFFECTIVE DATE.**

8 The provisions of this Act and the amendments made  
9 by this Act shall take effect on the date of enactment of  
10 this Act.

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