

**OPENING STATEMENT OF REP. SPENCER BACHUS  
SEPTEMBER 6, 2001, MARK-UP OF H.R. 1701,  
THE CONSUMER RENTAL PURCHASE AGREEMENT ACT**

The Subcommittee meets today to consider H.R. 1701, the Consumer Rental Purchase Agreement Act, bipartisan legislation authored by our colleagues on the Subcommittee, Mr. Jones of North Carolina and Mr. Maloney of Connecticut.

The Subcommittee held a hearing on this legislation on July 12<sup>th</sup>. A mark-up of the bill originally scheduled for early August was postponed at the request of the Ranking Minority Member, Ms. Waters, to give her additional time to get answers from the Federal Reserve to certain questions she had raised at the July 12<sup>th</sup> hearing. With the Subcommittee having received the Fed's responses to Ms. Waters over the August recess, we are prepared to move forward with a mark-up of this important legislation.

Rental-purchase arrangements provide consumers with immediate access to common household durable goods, such as furniture, appliances, and computers,

usually with no down payment required. Consumers rent the merchandise on a week-to-week or month-to-month basis, and are free to terminate the arrangement at the end of any rental period. A consumer who continues to lease the goods for a specified period of time eventually acquires ownership of the item, usually after about 18 months.

An estimated 3 million consumers enter into rent-to-own transactions every year. And yet currently, there is no Federal law governing such transactions. While most states have enacted laws regulating the industry, the level of consumer protections afforded by those statutes varies widely from state-to-state.

H.R. 1701 fills the void that presently exists in Federal law by imposing uniform standards requiring the merchant in a rent-to-own transaction to make a comprehensive set of disclosures regarding the total cost of the transaction to the consumer. These disclosures must appear on product labels or tags at the point-of-rental, as well as in the rental-purchase agreement itself.

Importantly, the legislation establishes a Federal floor of protections in rental-purchase transactions, raising the bar considerably in many states that currently offer consumers fewer protections than H.R. 1701, while according supremacy to those state laws that are determined by Federal regulators to offer greater protections to consumers. At the Subcommittee's July 12<sup>th</sup> hearing on H.R. 1701, the Federal Reserve questioned whether the preemption language in the bill as introduced matched the intent of its sponsors to create a Federal floor. I am pleased to report to the Subcommittee that the Federal Reserve staff has reviewed the preemption language in the substitute that will be offered by Mr. Jones and Mr. Maloney this morning, and has indicated that the new language fully addresses the concerns expressed by the Fed in its testimony at the July 12<sup>th</sup> hearing.

Finally, H.R. 1701 establishes as a matter of Federal law that rent-to-own transactions are leases rather than credit sales, which is consistent with their treatment

under the laws of 46 of the 50 states. Some have criticized this approach, arguing that rent-to-own arrangements should be considered credit sales, and that merchants should therefore be required to calculate and disclose to consumers annual percentage rates (APRs) on the transactions. In their testimony at the July 12<sup>th</sup> hearing, both the Federal Reserve and the Federal Trade Commission expressed the view that APR-type disclosures in the rent-to-own context were potentially misleading and not useful to consumers. Forty six state legislatures have apparently reached the same conclusion.

As I noted at the outset, H.R. 1701 commands broad bipartisan support. Of the bill's 51 cosponsors, 23 are Democrats, including 10 Members of this Committee. Mr. Jones and Mr. Maloney should be commended for drafting a bill that has brought together Members from all points on the political and ideological spectrum. While there are some issues that I am sure will be the subject of spirited debate this morning, I hope that we will not lose sight of Mr. Jones' and Mr. Maloney's overall objective in offering this legislation – providing rent-to-own customers greater

protections than they receive under current law, while at the same time giving some measure of legal uniformity to rent-to-own merchants.

I am now pleased to recognize the Ranking Member, Ms. Waters, for any opening statement she would like to make.