

[COMMITTEE PRINT]

November 28, 2001

**[Showing H.R. 1701, As Adopted by the Subcommittee on
Financial Institution and Consumer Credit]**

107TH CONGRESS
1ST SESSION

H. R. 1701

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

[Strike out all after the enacting clause and insert in lieu thereof the part printed in roman]

[For text of introduced bill, see copy of bill as introduced on May 13, 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 substantive rights to consumers under such agreements, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*



1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Consumer Rental Pur-
3 chase Agreement Act”.

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

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

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

9 (2) Each year, approximately 2,300,000 United
10 States households enter into rental-purchase trans-
11 actions and over a 5-year period approximately
12 4,900,000 United States households will do so.

13 (3) Competition among the various firms en-
14 gaged in the extension of rental-purchase trans-
15 actions would be strengthened by informed use of
16 rental-purchase transactions.

17 (4) The informed use of rental-purchase trans-
18 actions results from an awareness of the cost thereof
19 by consumers.

20 (b) PURPOSE.—The purpose of this title is to assure
21 the availability of rental-purchase transactions and to as-
22 sure simple, meaningful, and consistent disclosure of rent-
23 al-purchase terms so that consumers will be able to more
24 readily compare the available rental-purchase terms and
25 avoid uninformed use of rental-purchase transactions, and



1 to protect consumers against unfair rental-purchase prac-
2 tices.

3 **SEC. 3. CONSUMER CREDIT PROTECTION ACT.**

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

6 **“TITLE X—RENTAL-PURCHASE**
7 **TRANSACTIONS**

8 **“SEC. 1001. DEFINITIONS.**

9 “For purposes of this title, the following definitions
10 shall apply:

11 “(1) ADVERTISEMENT.—The term ‘advertise-
12 ment’ means a commercial message in any medium
13 that promotes, directly or indirectly, a rental-pur-
14 chase agreement but does not include price tags,
15 window signs, or other in-store merchandising aids.

16 “(2) AGRICULTURAL PURPOSE.—The term ‘ag-
17 ricultural purpose’ includes—

18 “(A) the production, harvest, exhibition,
19 marketing, transformation, processing, or man-
20 ufacture of agricultural products by a natural
21 person who cultivates plants or propagates or
22 nurtures agricultural products; and

23 “(B) the acquisition of farmlands, real
24 property with a farm residence, or personal



1 property and services used primarily in farm-
2 ing.

3 “(3) BOARD.—The term ‘Board’ means the
4 Board of Governors of the Federal Reserve System.

5 “(4) CASH PRICE.—The term ‘cash price’
6 means the price at which a merchant, in the ordi-
7 nary course of business, offers to sell for cash the
8 property that is the subject of the rental-purchase
9 transaction.

10 “(5) CONSUMER.—The term ‘consumer’ means
11 a natural person who is offered or enters into a rent-
12 al-purchase agreement.

13 “(6) DATE OF CONSUMMATION.—The term
14 ‘date of consummation’ means the date on which a
15 consumer becomes contractually obligated under a
16 rental-purchase agreement.

17 “(7) INITIAL PAYMENT.—The term ‘initial pay-
18 ment’ means the amount to be paid before or at the
19 consummation of the agreement or the delivery of
20 the property if delivery occurs after consummation,
21 including the rental payment; service, processing, or
22 administrative charges; delivery fee; refundable secu-
23 rity deposit; taxes; mandatory fees or charges; and
24 any optional fees or charges agreed to by the con-
25 sumer.



1 “(8) MERCHANT.—The term ‘merchant’ means
2 a person who provides the use of property through
3 a rental-purchase agreement in the ordinary course
4 of business and to whom a consumer’s initial pay-
5 ment under the agreement is payable.

6 “(9) PAYMENT SCHEDULE.—The term ‘pay-
7 ment schedule’ means the amount and timing of the
8 periodic payments and the total number of all peri-
9 odic payments that the consumer will make if the
10 consumer acquires ownership of the property by
11 making all periodic payments.

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

18 “(11) PROPERTY.—The term ‘property’ means
19 property that is not real property under the laws of
20 the State where the property is located when it is
21 made available under a rental-purchase agreement.

22 “(12) RENTAL PAYMENT.—The term ‘rental
23 payment’ means rent required to be paid by a con-
24 sumer for the possession and use of property for a



1 specific rental period, but does not include taxes or
2 any fees or charges.

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

9 “(14) RENTAL-PURCHASE AGREEMENT.—

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

18 “(B) EXCLUSIONS.—The term ‘rental-pur-
19 chase agreement’ does not include—

20 “(i) a credit sale (as defined in section
21 103(g) of the Truth in Lending Act);

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



1 “(iii) a transaction giving rise to a
2 debt incurred in connection with the busi-
3 ness of lending money or a thing of value.

4 “(15) RENTAL-PURCHASE COST.—

5 “(A) IN GENERAL.—The term ‘rental-pur-
6 chase cost’ means the sum of all rental pay-
7 ments and mandatory fees or charges imposed
8 by the merchant as a condition of entering into
9 a rental-purchase agreement or acquiring own-
10 ership of property under a rental-purchase
11 agreement, such as the following:

12 “(i) Service, processing, or adminis-
13 trative charge.

14 “(ii) Fee for an investigation or credit
15 report.

16 “(iii) Charge for delivery required by
17 the merchant.

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

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



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

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

10 “(17) TOTAL OF PAYMENTS.—The term ‘total
11 of payments’ means the sum of the initial payment
12 and all periodic payments in the payment schedule.

13 **“SEC. 1002. EXEMPTED TRANSACTIONS.**

14 “‘This title shall not apply to rental-purchase agree-
15 ments primarily for business, commercial, or agricultural
16 purposes, or those made with Government agencies or in-
17 strumentalities.

18 **“SEC. 1003. GENERAL DISCLOSURE REQUIREMENTS.**

19 “(a) RECIPIENT OF DISCLOSURE.—A merchant shall
20 disclose to any person who will be a signatory to a rental-
21 purchase agreement the information required by sections
22 1004 and 1005.

23 “(b) TIMING OF DISCLOSURE.—The disclosures re-
24 quired under sections 1004 and 1005 shall be made before
25 the consummation of the rental-purchase agreement and



1 clearly and conspicuously in writing and in a form that
2 the consumer may keep.

3 “(c) INFORMATION SUBSEQUENTLY RENDERED IN-
4 ACCURATE.—If information disclosed in accordance with
5 this title is subsequently rendered inaccurate as a result
6 of any act, occurrence, or agreement subsequent to the
7 delivery of the required disclosures, the resulting inaccu-
8 racy does not constitute a violation of this title, unless it
9 is the result of an act undertaken by the merchant without
10 the consent of the consumer and not otherwise permitted
11 under the terms of the rental purchase agreement.

12 **“SEC. 1004. RENTAL-PURCHASE DISCLOSURES.**

13 “(a) IN GENERAL.—For each rental-purchase agree-
14 ment, the merchant shall disclose to the consumer the fol-
15 lowing, to the extent applicable:

16 “(1) The date of consummation of the trans-
17 action and the identities of the merchant and con-
18 sumer.

19 “(2) A description of the property and a state-
20 ment indicating whether the property is new or used,
21 except a statement indicating that new property is
22 used property is not a violation of this title.

23 “(3) A statement of the rental payment for
24 each item of property and the total rental payment
25 if multiple items are rented. If 2 or more items are



1 rented as a set, a statement of the aggregate rental
2 payment of all items satisfies this requirement.

3 “(4) A statement of the cash price of each item
4 of property and the total cash price if multiple items
5 are rented. If 2 or more items are rented as a set,
6 a statement of the aggregate cash price of all items
7 satisfies this requirement.

8 “(5) The ‘initial payment’, using that term, and
9 an itemization of each component of the initial pay-
10 ment by type and amount.

11 “(6) The ‘periodic payment’, using that term,
12 and an itemization of each component of the periodic
13 payment by type and amount. If the final periodic
14 payment is less than the regular periodic payments,
15 the components of the final periodic payment need
16 not be itemized. A merchant may disclose alternative
17 periodic payments based on different rental periods.

18 “(7) The ‘rental-purchase cost’, using that
19 term, and a brief description such as ‘The amount
20 you will pay the merchant to acquire ownership of
21 the property. This amount excludes taxes and other
22 charges not imposed by the merchant as a condition
23 of acquiring ownership.’



1 “(8) The difference between the cash price and
2 the rental-purchase cost, using the term ‘cost of
3 rental services’.

4 “(9) The ‘payment schedule’, using that term.

5 “(10) The ‘total of payments’, using that term,
6 and a brief description such as ‘This is the amount
7 you will have paid, including the rental-purchase
8 cost, taxes, and charges for other products or serv-
9 ices you may have elected to purchase, if you make
10 all periodic payments as scheduled.’ A merchant may
11 disclose alternative payment schedules based on dif-
12 ferent rental periods.

13 “(11) Substantially the following statement in
14 boldface, uppercase letters: ‘YOU ARE RENTING
15 THE PROPERTY. TO ACQUIRE OWNERSHIP
16 OF THE PROPERTY YOU MUST MAKE ALL
17 PAYMENTS NECESSARY TO ACQUIRE OWN-
18 ERSHIP.’

19 “(12) Substantially the following statement:
20 ‘Other Important Terms. See your rental-purchase
21 agreement for additional important information on
22 termination, purchase option rights, reinstatement
23 rights, warranties, maintenance responsibilities, your
24 liability for loss, theft, damage, or destruction of the
25 property, and other charges and fees you may incur.’



1 “(b) FORM OF DISCLOSURE.—The disclosures re-
2 quired by paragraphs (5) through (12) of subsection (a)
3 shall be segregated from other information and shall con-
4 tain only directly related information, and shall be identi-
5 fied in boldface, uppercase letters as ‘RENTAL-PUR-
6 CHASE DISCLOSURES’.

7 “(c) DISCLOSURE REQUIREMENTS RELATING TO IN-
8 SURANCE PREMIUMS AND LIABILITY WAIVERS.—

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

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

21 “(A) the merchant clearly and conspicu-
22 ously discloses to the consumer the cost of each
23 component of such coverage before the con-
24 summation of the rental-purchase agreement;
25 and



1 “(B) the consumer signs an affirmative
2 written request for such coverage after receiving
3 the disclosures required under subparagraph
4 paragraph (A) of this paragraph and paragraph
5 (1).

6 **“SEC. 1005. OTHER AGREEMENT PROVISIONS.**

7 “(a) IN GENERAL.—Each rental-purchase agreement
8 shall—

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

12 “(2) provide a statement specifying whether the
13 merchant or the consumer is responsible for main-
14 taining or servicing the property, together with a
15 brief description of the responsibility;

16 “(3) provide that the consumer may terminate
17 the agreement without paying any charges not pre-
18 viously due under the agreement by voluntarily sur-
19 rendering or returning the property that is the sub-
20 ject of the agreement upon expiration of any rental
21 period;

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

24 “(A) permits a consumer who fails to make
25 a timely rental payment to reinstate the agree-



1 ment, without losing any rights or options
2 which exist under the agreement, by the pay-
3 ment of all past due rental payments and any
4 other charges then due under the agreement
5 and a payment for the next rental period within
6 7 business days after failing to make a timely
7 rental payment if the consumer pays monthly,
8 or within 3 business days after failing to make
9 a timely rental payment if the consumer pays
10 more frequently than monthly;

11 “(B) if the consumer returns or voluntarily
12 surrenders the property covered by the agree-
13 ment, other than through judicial process, dur-
14 ing the applicable reinstatement period set forth
15 in subparagraph (A), permits the consumer to
16 reinstate the agreement during a period of at
17 least 30 days after the date of the return or
18 surrender of the property by the payment of all
19 amounts previously due under the agreement,
20 any applicable fees, and a payment for the next
21 rental period; and

22 “(C) if the consumer has paid 60 percent
23 or more of the rental-purchase cost and returns
24 or voluntarily surrenders the property, other
25 than through judicial process, during the appli-



1 cable reinstatement period set forth in subpara-
2 graph (A), permits the consumer to reinstate
3 the agreement during a period of at least 90
4 days after the date of the return of the property
5 by the payment of all amounts previously due
6 under the agreement, any applicable fees, and a
7 payment for the next rental period;

8 “(5) if the merchant offers a purchase option,
9 provide a statement of the consumer’s purchase op-
10 tion rights under the agreement, including the meth-
11 od of determining the purchase price at any point in
12 time if the property is acquired through the exercise
13 of the purchase option;

14 “(6) provide a statement disclosing that if any
15 part of a manufacturer’s express warranty covers
16 the property at the time the consumer acquires own-
17 ership of the property, the warranty will be trans-
18 ferred to the consumer if allowed by the terms of the
19 warranty; and

20 “(7) provide, to the extent applicable, a state-
21 ment of any payment grace period, the amount of
22 any late payment fee, any additional fees or require-
23 ments for reinstatement, and the amount of any
24 other charges and fees the consumer may incur.



1 “(b) REPOSSESSION DURING REINSTATEMENT PE-
2 RIOD.—Subsection (a)(4) shall not be construed so as to
3 prevent a merchant from attempting to repossess property
4 during the reinstatement period pursuant to subsection
5 (a)(4)(A), but such a repossession does not affect the con-
6 sumer’s right to reinstate. Upon reinstatement, the mer-
7 chant shall provide the consumer with the same property,
8 if available; if it is not available, the merchant shall sub-
9 stitute property of comparable quality and condition.

10 **“SEC. 1006. PROHIBITED PROVISIONS.**

11 “A rental-purchase agreement may not contain—

12 “(1) a confession of judgment;

13 “(2) a negotiable instrument;

14 “(3) a security interest or any other claim of a
15 property interest in any goods, except those goods
16 the use of which is provided by the merchant pursu-
17 ant to the agreement;

18 “(4) a wage assignment;

19 “(5) a waiver by the consumer of a claim or de-
20 fense; or

21 “(6) a provision requiring the consumer to pay
22 in excess of the lesser of the fair market value, any
23 purchase option amount, remaining rent, or cost of
24 repair if the property is lost, stolen, damaged, or de-
25 stroyed.



1 **“SEC. 1007. STATEMENT OF ACCOUNTS.**

2 “Upon request of a consumer, a merchant shall pro-
3 vide a statement of the consumer’s account. If a consumer
4 requests a statement for an individual account more than
5 4 times in any 12-month period, the merchant may charge
6 a reasonable fee for the additional statements.

7 **“SEC. 1008. RENEGOTIATIONS AND EXTENSIONS.**

8 “(a) RENEGOTIATIONS.—A renegotiation occurs
9 when a rental-purchase agreement is satisfied and re-
10 placed by a new agreement undertaken by the same con-
11 sumer. A renegotiation requires new disclosures, except as
12 provided in subsection (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
17 that 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-



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

3 “(5) The deletion of property in a multiple-item
4 agreement.

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

7 “(7) An agreement resulting from a court pro-
8 ceeding.

9 “(8) Any other event described in regulations
10 prescribed by the Board.

11 **“SEC. 1009. POINT-OF-RENTAL DISCLOSURES.**

12 “(a) IN GENERAL.—For any item of property or set
13 of items displayed or offered for rental-purchase, the mer-
14 chant shall display on or next to the item or set of items
15 a card, tag, or label that clearly and conspicuously discloses
16 the following:

17 “(1) A brief description of the property.

18 “(2) Whether the property is new or used.

19 “(3) The cash price of the property.

20 “(4) The amount of each rental payment.

21 “(5) The total number of rental payments nec-
22 essary to acquire ownership of the property.

23 “(6) The rental-purchase cost.

24 “(b) FORM OF DISCLOSURE.—A merchant may make
25 the disclosure required by subsection (a) in the form of



1 a list or catalog which is readily available to the consumer
2 at the point of rental if the merchandise is not displayed
3 in the merchant's showroom or if displaying a card, tag,
4 or label would be impractical due to the size of the mer-
5 chandise.

6 **“SEC. 1010. RENTAL-PURCHASE ADVERTISING.**

7 “If an advertisement refers to or states the amount
8 of any payment for any specific item or set of items, the
9 merchant making the advertisement shall also clearly and
10 conspicuously state in the advertisement the following:

11 “(1) The transaction advertised is a rental-pur-
12 chase agreement.

13 “(2) The amount, timing, and total number of
14 rental payments necessary to acquire ownership.

15 “(3) The amount of the rental-purchase cost.

16 “(4) To acquire ownership of the property the
17 consumer must pay the rental-purchase cost plus ap-
18 plicable taxes.

19 “(5) Whether the advertised rental-purchase
20 cost is for new or used property.

21 **“SEC. 1011. CIVIL LIABILITY.**

22 “(a) INDIVIDUAL OR CLASS ACTION FOR DAMAGES;
23 AMOUNT OF AWARD; FACTORS DETERMINING AMOUNT
24 OF AWARD.—Except as otherwise provided in this section,
25 any merchant who fails to comply with any requirement



1 imposed by section 1003, 1004, 1005, 1006, or 1007, with
2 respect to any consumer is liable to such consumer in an
3 amount equal to the sum of—

4 “(1) any actual damage sustained by such con-
5 sumer as a result of the failure;

6 “(2)(A) in the case of an individual action, 25
7 percent of the rental-purchase cost under the rental-
8 purchase agreement, except that the liability under
9 this subparagraph shall not be less than \$100 nor
10 greater than \$1,000;

11 “(B) in the case of a class action, such amount
12 as the court may allow, except that as to each mem-
13 ber of the class no minimum recovery shall be appli-
14 cable, and the total recovery under this subpara-
15 graph in any class action or series of class actions
16 arising out of the same failure to comply by the
17 same merchant shall not be more than the lesser of
18 \$500,000 or 1 percent of the net worth of the mer-
19 chant; and

20 “(3) in the case of any successful action to en-
21 force the foregoing liability, the costs of the action,
22 together with a reasonable attorney’s fee as deter-
23 mined by the court.

24 “(b) FACTORS TO BE CONSIDERED IN CLASS AC-
25 TIONS.—In determining the amount of award in any class

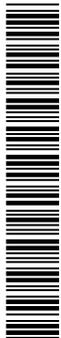


1 action, the court shall consider, among other relevant fac-
2 tors, the amount of any actual damages awarded, the fre-
3 quency and persistence of failures of compliance by the
4 merchant, the resources of the merchant, the number of
5 persons adversely affected, and the extent to which the
6 merchant's failure of compliance was intentional. With re-
7 spect to any failure to make disclosures required under
8 this title, liability shall be imposed only upon the merchant
9 required to make disclosure, except as provided in section
10 1013.

11 “(c) CORRECTION OF ERRORS.—A merchant or as-
12 signee has no liability under this section or section 1015
13 or 1016 for any failure to comply with any requirement
14 imposed under this title, if within 60 days after discov-
15 ering an error, and prior to the institution of an action
16 under this section or the receipt of written notice of the
17 error from the consumer, the merchant or assignee notifies
18 the consumer concerned of the error and makes whatever
19 adjustments in the appropriate account are necessary to
20 assure that the person will not be required to pay an
21 amount in excess of the charge actually disclosed.

22 “(d) UNINTENTIONAL VIOLATIONS; BONA FIDE ER-
23 RORS.—

24 “(1) IN GENERAL.—A merchant or assignee
25 may not be held liable in any action brought under



1 this title for a violation of this title if the merchant
2 or assignee shows by a preponderance of evidence
3 that the violation was not intentional and resulted
4 from a bona fide error notwithstanding the mainte-
5 nance of procedures reasonably adapted to avoid any
6 such error.

7 “(2) EXAMPLES OF BONA FIDE ERRORS.—Ex-
8 amples of a bona fide error include clerical, calcula-
9 tion, computer malfunction and programming, and
10 printing errors, except that an error of legal judg-
11 ment with respect to a person’s obligations under
12 this title is not a bona fide error.

13 “(e) LIABILITY IN TRANSACTIONS INVOLVING MUL-
14 TIPLE CONSUMERS.—When there are multiple consumers
15 in a single rental-purchase agreement there shall be no
16 more than 1 recovery of damages under subsection (a)(2)
17 of this section for a violation of this title.

18 “(f) JURISDICTION OF COURTS; LIMITATION OF AC-
19 TIONS.—

20 “(1) IN GENERAL.—Any action under this sec-
21 tion may be brought in any United States district
22 court, or in any other court of competent jurisdic-
23 tion, before the end of the 1-year period beginning
24 on the date the last payment was made by the con-
25 sumer under the rental-purchase agreement.



1 “(2) RECOUPMENT OR SET-OFF.—This sub-
2 section shall not bar a consumer from asserting a
3 violation of this title in an action to collect an obli-
4 gation arising from a rental-purchase agreement,
5 which was brought after the end of the 1-year period
6 described in paragraph (1) as a matter of defense by
7 recoupment or set-off in such action, except as oth-
8 erwise provided by State law.

9 “(g) GOOD FAITH COMPLIANCE WITH RULE, REGU-
10 LATION, OR INTERPRETATION OF BOARD.—No provision
11 of this section or section 1015 or 1016 imposing any liabil-
12 ity shall apply to any act done or omitted in good faith
13 in conformity with any rule, regulation, or interpretation
14 thereof by the Board or in conformity with any interpreta-
15 tion or approval by an official or employee of the Board
16 duly authorized by the Board to issue such interpretations
17 or approvals under such procedures as the Board may pre-
18 scribe therefor, notwithstanding that after such act or
19 omission has occurred, such rule, regulation, interpreta-
20 tion, or approval is amended, rescinded, or determined by
21 judicial or other authority to be invalid for any reason.

22 “(h) RECOVERY FOR MULTIPLE FAILURES TO DIS-
23 CLOSE.—The multiple failure to disclose to any person any
24 information required under this title in connection with
25 a single rental-purchase transaction shall entitle the per-



1 son to a single recovery under this section but continued
2 failure to disclose after a recovery has been granted shall
3 give rise to rights to additional recoveries.

4 “(i) OFFSET FROM AMOUNT OWED TO MERCHANT
5 OR ASSIGNEE; RIGHTS OF CONSUMER.—A person may not
6 take any action to offset any amount for which a merchant
7 or assignee is potentially liable to such person under sub-
8 section (a)(2) of this section against any amount owed by
9 such person, unless the amount of the merchant’s or as-
10 signee’s liability under this section has been determined
11 by judgment of a court of competent jurisdiction in an
12 action of which such person was a party. This subsection
13 does not bar a consumer from asserting a violation of this
14 title as an original action, or as a defense or counterclaim
15 to an action to collect amounts owed by the consumer
16 brought by a person liable under this section.

17 **“SEC. 1012. ADDITIONAL GROUNDS FOR CIVIL LIABILITY.**

18 “Any merchant who fails to comply with any require-
19 ments imposed under section 1009 or 1010 with respect
20 to any consumer who suffers actual damage from the vio-
21 lation is liable to such consumer as provided in section
22 1011.



1 **“SEC. 1013. LIABILITY OF ASSIGNEES.**

2 “(a) ASSIGNEES INCLUDED.—For purposes of sec-
3 tion 1011, and this section, the term ‘merchant’ includes
4 an assignee of a merchant.

5 “(b) LIABILITIES OF ASSIGNEES.—

6 “(1) APPARENT VIOLATION.—An action under
7 section 1011 for a violation of this title may be
8 brought against an assignee only if the violation is
9 apparent on the face of the rental-purchase agree-
10 ment to which it relates.

11 “(2) APPARENT VIOLATION DEFINED.—For
12 purposes of this subsection, a violation that is appar-
13 ent on the face of a rental-purchase agreement in-
14 cludes a disclosure that can be determined to be in-
15 complete or inaccurate from the face of the agree-
16 ment.

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

20 “(4) RULE OF CONSTRUCTION.—No provision
21 of this section shall be construed as limiting or alter-
22 ing the liability under section 1011 of a merchant
23 assigning a rental-purchase agreement.

24 “(b) PROOF OF DISCLOSURE.—In an action by or
25 against an assignee, the consumer’s written acknowledg-
26 ment of receipt of a disclosure shall be conclusive proof



1 that the disclosure was made, if the assignee had no
2 knowledge that the disclosure had not been made when
3 the assignee acquired the rental-purchase agreement to
4 which it relates.

5 **“SEC. 1014. REGULATIONS.**

6 “(a) IN GENERAL.—The Board may prescribe regu-
7 lations to carry out the purposes of this title, to prevent
8 its circumvention, and to facilitate compliance with its re-
9 quirements.

10 “(b) MODEL DISCLOSURE FORMS.—The Board may
11 publish model disclosure forms and clauses for common
12 rental-purchase agreements to facilitate compliance with
13 the disclosure requirements of this title and to aid the con-
14 sumer in understanding the transaction by utilizing read-
15 ily understandable language to simplify the technical na-
16 ture of the disclosures. In devising such forms, the Board
17 shall consider the use by merchants of data processing or
18 similar automated equipment. Nothing in this title may
19 be construed to require a merchant to use any such model
20 form or clause prescribed by the Board under this section.
21 A merchant shall be deemed to be in compliance with the
22 disclosure provisions of this title with respect to other than
23 numerical disclosures if the merchant—

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



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

3 “(A) deleting any information which is not
4 required by this title; or

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

9 “(c) **EFFECTIVE DATE OF REGULATIONS.**—Any reg-
10 ulation prescribed by the Board, or any amendment or in-
11 terpretation thereof, shall not be effective before the Octo-
12 ber 1 that follows the date of publication of the regulation
13 in final form by at least 6 months. The Board may at
14 its discretion lengthen that period of time to permit mer-
15 chants to adjust to accommodate new requirements. The
16 Board may also shorten that period of time, notwith-
17 standing the first sentence, if it makes a specific finding
18 that such action is necessary to comply with the findings
19 of a court or to prevent unfair or deceptive practices. In
20 any case, merchants may comply with any newly pre-
21 scribed disclosure requirement prior to its effective date.

22 **“SEC. 1015. ENFORCEMENT.**

23 “(a) **FEDERAL ENFORCEMENT.**—Compliance with
24 the requirements imposed under this title shall be enforced
25 under the Federal Trade Commission Act (15 U.S.C. 41



1 et seq.), and a violation of any requirements imposed
2 under this title shall be deemed a violation of a require-
3 ment imposed under that Act. All of the functions and
4 powers of the Federal Trade Commission under the Fed-
5 eral Trade Commission Act are available to the Commis-
6 sion to enforce compliance by any person with the require-
7 ments of this title, irrespective of whether that person is
8 engaged in commerce or meets any other jurisdictional
9 test in the Federal Trade Commission Act.

10 “(b) STATE ENFORCEMENT.—

11 “(1) IN GENERAL.—An action to enforce the re-
12 quirements imposed by this title may also be
13 brought by the appropriate State attorney general in
14 any appropriate United States district court, or any
15 other court of competent jurisdiction.

16 “(2) PRIOR WRITTEN NOTICE.—

17 “(A) IN GENERAL.—The State attorney
18 general shall provide prior written notice of any
19 such civil action to the Federal Trade Commis-
20 sion and shall provide the Commission with a
21 copy of the complaint.

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



1 “(3) FTC INTERVENTION.—The Commission
2 may—

3 “(A) intervene in the action;

4 “(B) upon intervening—

5 “(i) remove the action to the appro-
6 priate United States district court, if it
7 was not originally brought there; and

8 “(ii) be heard on all matters arising in
9 the action; and

10 “(C) file a petition for appeal.

11 **“SEC. 1016. CRIMINAL LIABILITY FOR WILLFUL AND KNOW-**
12 **ING VIOLATION.**

13 “Whoever willfully and knowingly gives false or inac-
14 curate information or fails to provide information which
15 he is required to disclose under the provisions of this title
16 or any regulation issued thereunder shall be fined not
17 more than \$5,000 or imprisoned not more than one year,
18 or both.

19 **“SEC. 1017. RELATION TO OTHER LAWS.**

20 “(a) RELATION TO STATE LAW.—

21 “(1) NO EFFECT ON CONSISTENT STATE
22 LAWS.—Except as provided in subsection (b), this
23 title does not annul, alter, or affect in any manner
24 the meaning, scope or applicability of the laws of
25 any State relating to rental-purchase agreements,



1 except to the extent those laws are inconsistent with
2 any provision of this title, and then only to the ex-
3 tent of the inconsistency.

4 “(2) DETERMINATION OF INCONSISTENCY.—

5 Upon its own motion or upon the request of an in-
6 terested party, which is submitted in accordance
7 with procedures prescribed in regulations of the
8 Board, the Board shall determine whether any such
9 inconsistency exists. If the Board determines that a
10 term or provision of a State law is inconsistent, mer-
11 chants located in that State need not follow such
12 term or provision and shall incur no liability under
13 the law of that State for failure to follow such term
14 or provision, notwithstanding that such determina-
15 tion is subsequently amended, rescinded, or deter-
16 mined by judicial or other authority to be invalid for
17 any reason.

18 “(3) GREATER PROTECTION UNDER STATE

19 LAW.—Except as provided in subsection (b), for pur-
20 poses of this section, a term or provision of a State
21 law is not inconsistent with the provisions of this
22 title if the term or provision affords greater protec-
23 tion and benefit to the consumer than the protection
24 and benefit provided under this title as determined



1 by the Board, on its own motion or upon the peti-
2 tion of any interested party.

3 “(b) STATE LAWS RELATING TO CHARACTERIZATION
4 OF TRANSACTION.—Notwithstanding the provisions of
5 subsection (a), this title shall supersede any State law
6 that—

7 “(1) regulates a rental-purchase agreement as a
8 security interest, credit sale, retail installment sale,
9 conditional sale or any other form of consumer cred-
10 it, or that imputes to a rental-purchase agreement
11 the creation of a debt or extension of credit, or

12 “(2) requires the disclosure of a percentage rate
13 calculation, including a time-price differential, an
14 annual percentage rate, or an effective annual per-
15 centage rate.

16 “(c) RELATION TO FEDERAL TRADE COMMISSION
17 ACT.—No provision of this title shall be construed as lim-
18 iting, superseding, or otherwise affecting the applicability
19 of the Federal Trade Commission Act to any merchant
20 or rental-purchase transaction.

21 **“SEC. 1018. EFFECT ON GOVERNMENT AGENCIES.**

22 “No civil liability or criminal penalty under this title
23 may be imposed on the United States or any of its depart-
24 ments or agencies, any State or political subdivision, or
25 any agency of a State or political subdivision.



1 **“SEC. 1019. COMPLIANCE DATE.**

2 “Compliance with this title shall not be required until
3 6 months after the date of the enactment of the Consumer
4 Rental Purchase Agreement Act. In any case, merchants
5 may comply with this title at any time after such date
6 of enactment.”.

