

107TH CONGRESS  
1ST SESSION

# 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.

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## 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

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## 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) MERCHANT.—The term ‘merchant’ means  
18 a person who provides the use of property through  
19 a rental-purchase agreement in the ordinary course  
20 of business and to whom a consumer’s initial pay-  
21 ment under the agreement is payable.

22 “(8) PERIODIC PAYMENT.—The term ‘periodic  
23 payment’ means the total payment a consumer will  
24 make for a specific rental period, including the rent-

1 al payment, taxes, and fees or charges that may be  
2 excluded from the rental-purchase cost.

3 “(9) PROPERTY.—The term ‘property’ means  
4 property that is not real property under the laws of  
5 the State where the property is located when it is  
6 made available under a rental-purchase agreement.

7 “(10) RENTAL PAYMENT.—The term ‘rental  
8 payment’ means a payment required to be made by  
9 a consumer for the possession and use of property  
10 for a specific rental period, but does not include  
11 taxes that may be imposed on such payment.

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

18 “(12) RENTAL-PURCHASE AGREEMENT.—

19 “(A) IN GENERAL.—The term ‘rental-pur-  
20 chase agreement’ means a contract in the form  
21 of a bailment or lease for the use of property  
22 by a consumer for an initial period of 4 months  
23 or less, that is renewable with each payment by  
24 the consumer, and that permits but does not

1 obligate the consumer to become the owner of  
2 the property.

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

5 “(i) a credit sale (as defined in section  
6 103(g) of the Truth in Lending Act);

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

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

12 “(13) STATE.—The term ‘State’ means any  
13 State of the United States, the District of Columbia,  
14 any territory of the United States, Puerto Rico,  
15 Guam, American Samoa, the Trust Territory of the  
16 Pacific Islands, the Virgin Islands, and the Northern  
17 Mariana Islands.

18 **“SEC. 1002. DETERMINATION OF RENTAL-PURCHASE COST.**

19 “(a) IN GENERAL.—

20 “(1) BASIS FOR DETERMINATION.—Except as  
21 otherwise provided in this section, the amount of the  
22 rental-purchase cost in connection with a rental-pur-  
23 chase transaction shall be determined as the sum of  
24 all charges that are payable directly or indirectly by  
25 the person to whom the rental-purchase transaction

1 is extended, and are imposed directly or indirectly by  
2 the merchant as a condition of entering into a rental-  
3 purchase agreement or acquiring ownership of  
4 property under a rental-purchase agreement.

5 “(2) TAXES AND OTHER COSTS NOT IN-  
6 CLUDED.—The amount of any charge, cost, or fee of  
7 a type that is imposed on or otherwise payable by,  
8 a consumer in a cash transaction for comparable  
9 property shall not be taken into account for pur-  
10 poses of the determination under paragraph (1) with  
11 respect to any rental-purchase transaction.

12 “(3) EXAMPLES OF CHARGES, COSTS, AND  
13 FEES TAKEN INTO ACCOUNT.—The following are ex-  
14 amples of charges, costs, and fees that shall be  
15 taken into account in determining in the rental-pur-  
16 chase cost with respect to any rental-purchase trans-  
17 action:

18 “(A) Rental payment.

19 “(B) Service, processing, or administrative  
20 charge.

21 “(C) Fee for an investigation or credit re-  
22 port.

23 “(D) Charge for delivery required by the  
24 merchant.

1           “(E) Charge for waiver of the consumer’s  
2           liability in the event of loss, damage, or de-  
3           struction of the property.

4           “(F) Premium or other charge for insur-  
5           ance.

6           “(b) INSURANCE PREMIUMS AND CHARGES FOR LI-  
7           ABILITY WAIVER.—

8           “(1) INCLUSION IN RENTAL-PURCHASE COST.—  
9           Charges or premiums for insurance or liability waiv-  
10          er written in connection with any rental-purchase  
11          agreement shall be included in determining the rent-  
12          al-purchase cost with respect to any rental-purchase  
13          transaction unless—

14               “(A) coverage of the consumer by the in-  
15               surance or liability waiver is not a factor in the  
16               merchant’s approval of the rental-purchase  
17               transaction, and this fact is clearly disclosed in  
18               writing to the consumer at or before con-  
19               summation of the rental-purchase transaction;  
20               and

21               “(B) before obtaining the insurance or li-  
22               ability waiver, the consumer has initialed or  
23               signed an affirmative written request for the in-  
24               surance or liability waiver after receiving a writ-  
25               ten disclosure of the cost thereof.



1           “(2) MANNER OF DISCLOSURE.—The disclo-  
2           sures required under paragraph (1) with respect to  
3           rental-purchase transaction may be included in the  
4           rental-purchase agreement or made on a separate  
5           form that the consumer may keep.

6           “(c) RESTATEMENT OF CERTAIN EXCLUDED  
7           ITEMS.—The following fees or charges shall not be taken  
8           into account in determining the rental-purchase cost with  
9           respect to a rental-purchase transaction:

10           “(1) Fees and charges prescribed by law, which  
11           actually are or will be paid to public officials or gov-  
12           ernment entities need not be included in the com-  
13           putation of the rental-purchase cost, such as sales  
14           tax.

15           “(2) Fees and charges for optional products  
16           and services made available in connection with a  
17           rental-purchase agreement.

18           **“SEC. 1003. EXEMPTED TRANSACTIONS.**

19           “‘This title shall not apply to rental-purchase agree-  
20           ments primarily for business, commercial, or agricultural  
21           purposes, or those made with Government agencies or in-  
22           strumentalities.

23           **“SEC. 1004. GENERAL DISCLOSURE REQUIREMENTS.**

24           “(a) RECIPIENT OF DISCLOSURE.—A merchant shall  
25           disclose to the person who will be obligated on a rental-

1 purchase agreement the information required by sections  
2 1005 and 1006. In a transaction involving more than 1  
3 person who will be obligated on a rental-purchase agree-  
4 ment, a merchant need not disclose to more than 1 of such  
5 persons.

6 “(b) TIMING OF DISCLOSURE.—The disclosures re-  
7 quired under sections 1005 and 1006 shall be made at  
8 or before the date of consummation of the rental-purchase  
9 agreement and clearly and conspicuously in writing and  
10 in a form that the consumer may keep.

11 “(c) INFORMATION SUBSEQUENTLY RENDERED IN-  
12 ACCURATE.—If information disclosed in accordance with  
13 this title is subsequently rendered inaccurate as a result  
14 of any act, occurrence, or agreement subsequent to the  
15 delivery of the required disclosures, the resulting inaccu-  
16 racy does not constitute a violation of this title.

17 **“SEC. 1005. RENTAL-PURCHASE DISCLOSURES.**

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

21 “(1) The date of consummation of the trans-  
22 action and the identities of the merchant and con-  
23 sumer.

24 “(2) A description of the property and a state-  
25 ment indicating whether the property is new or used,

1       except a statement indicating that new property is  
2       used property is not a violation of this title.

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

8           “(4) A statement of the cash price of each item  
9       of property and the total cash price if multiple items  
10      are rented. If 2 or more items are rented as a set,  
11      a statement of the aggregate cash price of all items  
12      satisfies this requirement.

13          “(5) The amount to be paid before or at the  
14      consummation of the agreement or the delivery of  
15      the property, using the phrase ‘initial payment’. The  
16      merchant shall itemize each component of the initial  
17      payment by type and amount, including any service,  
18      processing, or administrative charge, delivery fee, re-  
19      fundable security deposit, rental payment, and fees  
20      or charges that may be excluded from the rental-  
21      purchase cost.

22          “(6) A statement of the amount of the periodic  
23      payment including an itemization of each component  
24      of the periodic payment by type and amount, using  
25      the phrase ‘periodic payment’. If the final periodic

1 payment is less than the regular periodic payments,  
2 the components of the final periodic payment need  
3 not be itemized. A merchant may disclose alternative  
4 periodic payments based on different rental periods.

5 “(7) The ‘rental-purchase cost’, using that  
6 term, and a brief description such as ‘The amount  
7 you will pay the merchant to acquire ownership of  
8 the property. This amount excludes taxes and other  
9 charges not imposed by the merchant as a condition  
10 of acquiring ownership.’

11 “(8) The difference between the cash price and  
12 the rental-purchase cost, using the term ‘cost of  
13 rental services’, and a brief description such as ‘the  
14 difference between the cash price and the rental-pur-  
15 chase cost’.

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

22 “(10) Substantially the following statement:  
23 ‘Other Important Terms. See your rental-purchase  
24 agreement for additional important information on  
25 termination, purchase option rights, reinstatement

1 rights, warranties, maintenance responsibilities, your  
2 liability for loss, theft, damage, or destruction of the  
3 property, and other charges and fees you may incur.’

4 “(11) Using the term ‘payment schedule’, the  
5 amount, number, and timing of all periodic pay-  
6 ments the consumer will make if the consumer ac-  
7 quires ownership of the property by making all peri-  
8 odic payments, the total of the initial payment and  
9 all periodic payments, and a brief description such  
10 as ‘This is the amount you will have paid, including  
11 the rental-purchase cost, taxes, and charges for  
12 other products or services you may have elected to  
13 purchase, if you make all Periodic Payments as  
14 scheduled.’ A merchant may disclose alternative pay-  
15 ment schedules based on different rental periods.

16 “(b) FORM OF DISCLOSURE.—The disclosures re-  
17 quired by paragraphs (5) through (11) of subsection (a)  
18 shall be segregated from other information and shall con-  
19 tain only directly related information, and shall be identi-  
20 fied in boldface, uppercase letters as ‘RENTAL-PUR-  
21 CHASE DISCLOSURES’.

22 **“SEC. 1006. OTHER AGREEMENT PROVISIONS.**

23 “(a) IN GENERAL.—Each rental-purchase agreement  
24 shall—

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

4           “(2) provide a statement specifying whether the  
5 merchant or the consumer is responsible for main-  
6 taining or servicing the property, together with a  
7 brief description of the responsibility;

8           “(3) provide that the consumer may terminate  
9 the agreement without paying any charges not pre-  
10 viously due under the agreement by voluntarily sur-  
11 rendering or returning the property that is the sub-  
12 ject of the agreement upon expiration of any rental  
13 period;

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

16           “(A) permits a consumer who fails to make  
17 a timely rental payment to reinstate the agree-  
18 ment, without losing any rights or options  
19 which exist under the agreement, by the pay-  
20 ment of all past due rental payments and any  
21 other charges then due under the agreement  
22 and a payment for the next rental period within  
23 7 business days after failing to make a timely  
24 rental payment if the consumer pays monthly,  
25 or within 3 business days after failing to make

1 a timely rental payment if the consumer pays  
2 more frequently than monthly;

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

14 “(C) if the consumer has paid 60 percent  
15 or more of the rental-purchase cost and returns  
16 or voluntarily surrenders the property, other  
17 than through judicial process, during the appli-  
18 cable reinstatement period set forth in subpara-  
19 graph (A), permits the consumer to reinstate  
20 the agreement during a period of at least 90  
21 days after the date of the return of the property  
22 by the payment of all amounts previously due  
23 under the agreement, any applicable fees, and a  
24 payment for the next rental period;

1           “(5) if the merchant offers a purchase option,  
2           provide a statement of the consumer’s purchase op-  
3           tion rights under the agreement, including the meth-  
4           od of determining the purchase price at any point in  
5           time if the property is acquired through the exercise  
6           of the purchase option;

7           “(6) provide a statement disclosing that if any  
8           part of a manufacturer’s express warranty covers  
9           the property at the time the consumer acquires own-  
10          ership of the property, the warranty will be trans-  
11          ferred to the consumer if allowed by the terms of the  
12          warranty; and

13          “(7) provide, to the extent applicable, a state-  
14          ment of any payment grace period, the amount of  
15          any late payment fee, any additional fees or require-  
16          ments for reinstatement, and the amount of any  
17          other charges and fees the consumer may incur.

18          “(b) REPOSSESSION DURING REINSTATEMENT PE-  
19          RIOD.—Subsection (a)(4) shall not be construed so as to  
20          prevent a merchant from attempting to repossess property  
21          during the reinstatement period pursuant to subsection  
22          (a)(4)(A), but such a repossession does not affect the con-  
23          sumer’s right to reinstate. Upon reinstatement, the mer-  
24          chant shall provide the consumer with the same property,



1 if available; if it is not available, the merchant shall sub-  
2 stitute property of comparable quality and condition.

3 **“SEC. 1007. PROHIBITED PROVISIONS.**

4 “A rental-purchase agreement may not contain—

5 “(1) a confession of judgment;

6 “(2) a negotiable instrument;

7 “(3) a security interest or any other claim of a  
8 property interest in any goods, except those goods  
9 the use of which is provided by the merchant pursu-  
10 ant to the agreement;

11 “(4) a wage assignment;

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

14 “(6) a provision requiring the consumer to pay  
15 in excess of the lesser of the fair market value, any  
16 purchase option amount, remaining rent, or cost of  
17 repair if the property is lost, stolen, damaged, or de-  
18 stroyed.

19 **“SEC. 1008. STATEMENT OF ACCOUNTS.**

20 “Upon request of a consumer, a merchant shall pro-  
21 vide a statement of the consumer’s account. If a consumer  
22 requests a statement for an individual account more than  
23 4 times in any 12-month period, the merchant may charge  
24 a reasonable fee for the additional statements.

1 **“SEC. 1009. RENEGOTIATIONS AND EXTENSIONS.**

2 “(a) RENEGOTIATIONS.—A renegotiation occurs  
3 when a rental-purchase agreement is satisfied and re-  
4 placed by a new agreement undertaken by the same con-  
5 sumer. A renegotiation requires new disclosures, except as  
6 provided in subsection (c).

7 “(b) EXTENSIONS.—An extension is an agreement by  
8 the consumer and the merchant, to continue an existing  
9 rental-purchase agreement beyond the original end of the  
10 payment schedule, but does not include a continuation  
11 that is the result of a renegotiation.

12 “(c) EXCEPTIONS.—New disclosures are not required  
13 for the following, even if they meet the definition of a re-  
14 negotiation or an extension:

15 “(1) A reduction in payments.

16 “(2) A deferment of 1 or more payments.

17 “(3) The extension of a rental-purchase agree-  
18 ment.

19 “(4) The substitution of property with property  
20 that has a substantially equivalent or greater eco-  
21 nomic value provided the rental-purchase cost does  
22 not increase.

23 “(5) The deletion of property in a multiple-item  
24 agreement.

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

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

3           “(8) Any other event described in regulations  
4           prescribed by the Board.

5   **“SEC. 1010. POINT-OF-RENTAL DISCLOSURES.**

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

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

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

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

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

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

17           “(6) The rental-purchase cost.

18          “(b) FORM OF DISCLOSURE.—A merchant may make  
19          the disclosure required by subsection (a) in the form of  
20          a list or catalog which is readily available to the consumer  
21          at the point of rental if the merchandise is not displayed  
22          in the merchant’s showroom or if displaying a card, tag,  
23          or label would be impractical due to the size of the mer-  
24          chandise.

1 **“SEC. 1011. RENTAL-PURCHASE ADVERTISING.**

2       “(a) IN GENERAL.—If an advertisement refers to or  
3 states the amount of any payment for any specific item  
4 or set of items, the merchant making the advertisement  
5 shall also clearly and conspicuously state in the advertise-  
6 ment the following:

7           “(1) The transaction advertised is a rental-pur-  
8 chase agreement.

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

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

12           “(4) To acquire ownership of the property the  
13 consumer must pay the rental-purchase cost plus ap-  
14 plicable taxes.

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

17       “(b) RADIO AND TELEVISION ADVERTISING.—

18           (1) IN GENERAL.—An advertisement made  
19 through television or radio, which states the amount  
20 of any payment for any specific item or set of items,  
21 complies with this section if the advertisement lists  
22 a toll-free telephone number along with a reference  
23 that such number may be used by consumers to ob-  
24 tain the additional information required by sub-  
25 section (a).

1           “(2) AVAILABILITY OF NUMBER.—The toll-free  
2 telephone number required under subsection what  
3 shall be available beginning on the date of the  
4 broadcast and continue until the earlier of—

5           “(A) the end of the 10-day period begin-  
6 ning on the day of the last broadcast; or

7           “(B) if the offer expires before the end of  
8 such 10-day period and the advertisement dis-  
9 closes that the offer expires before the end of  
10 such period, the date the offer expires.

11 **“SEC. 1012. CIVIL LIABILITY.**

12           “(a) INDIVIDUAL OR CLASS ACTION FOR DAMAGES;  
13 AMOUNT OF AWARD; FACTORS DETERMINING AMOUNT  
14 OF AWARD.—Except as otherwise provided in this section,  
15 any merchant who fails to comply with any requirement  
16 imposed by section 1004, 1005, 1006, 1007, or 1008, with  
17 respect to any consumer is liable to such consumer in an  
18 amount equal to the sum of—

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

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

1           “(B) in the case of a class action, such amount  
2           as the court may allow, except that as to each mem-  
3           ber of the class no minimum recovery shall be appli-  
4           cable, and the total recovery under this subpara-  
5           graph in any class action or series of class actions  
6           arising out of the same failure to comply by the  
7           same merchant shall not be more than the lesser of  
8           \$500,000 or 1 percent of the net worth of the mer-  
9           chant; and

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

14           “(b) FACTORS TO BE CONSIDERED IN CLASS AC-  
15           TIONS.—In determining the amount of award in any class  
16           action, the court shall consider, among other relevant fac-  
17           tors, the amount of any actual damages awarded, the fre-  
18           quency and persistence of failures of compliance by the  
19           merchant, the resources of the merchant, the number of  
20           persons adversely affected, and the extent to which the  
21           merchant’s failure of compliance was intentional. With re-  
22           spect to any failure to make disclosures required under  
23           this title, liability shall be imposed only upon the merchant  
24           required to make disclosure, except as provided in section  
25           1014.

1       “(c) CORRECTION OF ERRORS.—A merchant or as-  
2       signee has no liability under this section or section 1016  
3       or 1017 for any failure to comply with any requirement  
4       imposed under this title, if within 60 days after discov-  
5       ering an error, and prior to the institution of an action  
6       under this section or the receipt of written notice of the  
7       error from the consumer, the merchant or assignee notifies  
8       the consumer concerned of the error and makes whatever  
9       adjustments in the appropriate account are necessary to  
10      assure that the person will not be required to pay an  
11      amount in excess of the charge actually disclosed.

12      “(d) UNINTENTIONAL VIOLATIONS; BONA FIDE ER-  
13      RORS.—

14           “(1) IN GENERAL.—A merchant or assignee  
15      may not be held liable in any action brought under  
16      this title for a violation of this title if the merchant  
17      or assignee shows by a preponderance of evidence  
18      that the violation was not intentional and resulted  
19      from a bona fide error notwithstanding the mainte-  
20      nance of procedures reasonably adapted to avoid any  
21      such error.

22           “(2) EXAMPLES OF BONA FIDE ERRORS.—Ex-  
23      amples of a bona fide error include clerical, calcula-  
24      tion, computer malfunction and programming, and  
25      printing errors, except that an error of legal judg-

1       ment with respect to a person’s obligations under  
2       this title is not a bona fide error.

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

8       “(f) JURISDICTION OF COURTS; LIMITATION OF AC-  
9       TIONS.—Any action under this section may be brought in  
10      any United States district court, or in any other court of  
11      competent jurisdiction, within 1 year from the date of the  
12      occurrence of the violation. This subsection shall not bar  
13      a consumer from asserting a violation of this title in an  
14      action to collect an obligation arising from a rental-pur-  
15      chase agreement, which was brought more than 1 year  
16      from the date of the occurrence of the violation as a mat-  
17      ter of defense by recoupment or set-off in such action, ex-  
18      cept as otherwise provided by State law.

19      “(g) GOOD FAITH COMPLIANCE WITH RULE, REGU-  
20      LATION, OR INTERPRETATION OF BOARD.—No provision  
21      of this section or section 1016 or 1017 imposing any liabil-  
22      ity shall apply to any act done or omitted in good faith  
23      in conformity with any rule, regulation, or interpretation  
24      thereof by the Board or in conformity with any interpreta-  
25      tion or approval by an official or employee of the Board



1 duly authorized by the Board to issue such interpretations  
2 or approvals under such procedures as the Board may pre-  
3 scribe therefor, notwithstanding that after such act or  
4 omission has occurred, such rule, regulation, interpreta-  
5 tion, or approval is amended, rescinded, or determined by  
6 judicial or other authority to be invalid for any reason.

7       “(h) RECOVERY FOR MULTIPLE FAILURES TO DIS-  
8 CLOSE.—The multiple failure to disclose to any person any  
9 information required under this title in connection with  
10 a single rental-purchase transaction shall entitle the per-  
11 son to a single recovery under this section but continued  
12 failure to disclose after a recovery has been granted shall  
13 give rise to rights to additional recoveries.

14       “(i) OFFSET FROM AMOUNT OWED TO MERCHANT  
15 OR ASSIGNEE; RIGHTS OF CONSUMER.—A person may not  
16 take any action to offset any amount for which a merchant  
17 or assignee is potentially liable to such person under sub-  
18 section (a)(2) of this section against any amount owed by  
19 such person, unless the amount of the merchant’s or as-  
20 signee’s liability under this section has been determined  
21 by judgment of a court of competent jurisdiction in an  
22 action of which such person was a party. This subsection  
23 does not bar a consumer from asserting a violation of this  
24 title as an original action, or as a defense or counterclaim

1 to an action to collect amounts owed by the consumer  
2 brought by a person liable under this section.

3 **“SEC. 1013. ADDITIONAL GROUNDS FOR CIVIL LIABILITY.**

4 “Any merchant who fails to comply with any require-  
5 ments imposed under section 1010 or 1011 with respect  
6 to any consumer who suffers actual damage from the vio-  
7 lation is liable to such consumer as provided in section  
8 1012.

9 **“SEC. 1014. LIABILITY OF ASSIGNEES.**

10 “(a) ASSIGNEES INCLUDED.—For purposes of sec-  
11 tion 1012, and this section, the term ‘merchant’ includes  
12 an assignee of a merchant.

13 “(b) LIABILITIES OF ASSIGNEES.—

14 “(1) APPARENT VIOLATION.—An action under  
15 section 1012 for a violation of this title may be  
16 brought against an assignee only if the violation is  
17 apparent on the face of the rental-purchase agree-  
18 ment to which it relates.

19 “(2) APPARENT VIOLATION DEFINED.—For  
20 purposes of this subsection, a violation that is appar-  
21 ent on the face of a rental-purchase agreement in-  
22 cludes a disclosure that can be determined to be in-  
23 complete or inaccurate from the face of the agree-  
24 ment.

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

4           “(4) RULE OF CONSTRUCTION.—No provision  
5           of this section shall be construed as limiting or alter-  
6           ing the liability under section 1012 of a merchant  
7           assigning a rental-purchase agreement.

8           “(b) PROOF OF DISCLOSURE.—In an action by or  
9           against an assignee, the consumer’s written acknowledg-  
10          ment of receipt of a disclosure shall be conclusive proof  
11          that the disclosure was made, if the assignee had no  
12          knowledge that the disclosure had not been made when  
13          the assignee acquired the rental-purchase agreement to  
14          which it relates.

15       **“SEC. 1015. REGULATIONS.**

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

20          “(b) EFFECTIVE DATE OF REGULATIONS.—Any reg-  
21          ulation prescribed by the Board, or any amendment or in-  
22          terpretation thereof, shall not be effective before the Octo-  
23          ber 1 that follows the date of publication of the regulation  
24          in final form by at least 6 months. The Board may at  
25          its discretion lengthen that period of time to permit mer-

1 chants to adjust to accommodate new requirements. The  
2 Board may also shorten that period of time, notwith-  
3 standing the first sentence, if it makes a specific finding  
4 that such action is necessary to comply with the findings  
5 of a court or to prevent unfair or deceptive practices. In  
6 any case, merchants may comply with any newly pre-  
7 scribed disclosure requirement prior to its effective date.

8 **“SEC. 1016. ENFORCEMENT.**

9       “(a) FEDERAL ENFORCEMENT.—Compliance with  
10 the requirements imposed under this title shall be enforced  
11 under the Federal Trade Commission Act (15 U.S.C. 41  
12 et seq.), and a violation of any requirements imposed  
13 under this title shall be deemed a violation of a require-  
14 ment imposed under that Act. All of the functions and  
15 powers of the Federal Trade Commission under the Fed-  
16 eral Trade Commission Act are available to the Commis-  
17 sion to enforce compliance by any person with the require-  
18 ments of this title, irrespective of whether that person is  
19 engaged in commerce or meets any other jurisdictional  
20 test in the Federal Trade Commission Act.

21       “(b) STATE ENFORCEMENT.—

22               “(1) IN GENERAL.—An action to enforce the re-  
23 quirements imposed by this title may also be  
24 brought by the appropriate State attorney general in

1 any appropriate United States district court, or any  
2 other court of competent jurisdiction.

3 “(2) PRIOR WRITTEN NOTICE.—

4 “(A) IN GENERAL.—The State attorney  
5 general shall provide prior written notice of any  
6 such civil action to the Federal Trade Commis-  
7 sion and shall provide the Commission with a  
8 copy of the complaint.

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

13 “(3) FTC INTERVENTION.—The Commission  
14 may—

15 “(A) intervene in the action;

16 “(B) upon intervening—

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

20 “(ii) be heard on all matters arising in  
21 the action; and

22 “(C) file a petition for appeal.

1 **“SEC. 1017. CRIMINAL LIABILITY FOR WILLFUL AND KNOW-**  
2 **ING VIOLATION.**

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

9 **“SEC. 1018. RELATION TO STATE LAW.**

10 “(a) Except as provided in subsection (b), this title  
11 shall not be construed as annulling, altering, or affecting  
12 in any manner the meaning, scope, or applicability of the  
13 laws of any State relating to rental-purchase agreements,  
14 except to the extent that those laws are inconsistent with  
15 any provision of this title, and then only to the extent of  
16 the inconsistency. The Board is authorized to determine  
17 whether such inconsistencies exist. Any State law that reg-  
18 ulates a rental-purchase agreement as a security interest,  
19 credit sale, retail installment sale, conditional sale, or  
20 other form of credit or imputes to such agreements the  
21 creation of a debt or extension of credit, or requires the  
22 disclosure of a time-price differential, an annual percent-  
23 age rate, an effective annual percentage rate or a percent-  
24 age rate of any kind, or similar disclosure that might sug-  
25 gest the existence of a debt, an extension of credit, or the  
26 payment of interest, is inconsistent with this title.

1           “(b) CERTAIN DISCLOSURE REQUIREMENTS SUPER-  
2 SEDED.—The disclosures required by paragraphs (5), (6),  
3 (7), (8), and (11) of subsection (a) of section 1005 shall  
4 supersede any provisions of any State law relating to dis-  
5 closure of the cost of a rental-purchase transaction.

6 **“SEC. 1019. EFFECT ON GOVERNMENT AGENCIES.**

7           “No civil liability or criminal penalty under this title  
8 may be imposed on the United States or any of its depart-  
9 ments or agencies, any State or political subdivision, or  
10 any agency of a State or political subdivision.

11 **“SEC. 1020. COMPLIANCE DATE.**

12           “Compliance with this title shall not be required until  
13 6 months after the date of the enactment of the Consumer  
14 Rental Purchase Agreement Act. In any case, merchants  
15 may comply with this title at any time after such date  
16 of enactment.”.

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