

SUBJECT: CONSUMER PROTECTION – RENT-TO-OWN DISCLOSURES
ATTORNEY GENERAL – PUBLIC PROTECTION UNIT
ADOPTED PURSUANT TO 9 V.S.A. SECTION 41b

RULE CP 115
Effective Date: 1/1/97

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CP 115.01 Obligation to Disclose

It shall constitute an unfair and deceptive trade act and practice in commerce under 9 V.S.A. §2453(a) for any person engaged in the rent-to-own business to rent, or offer to rent, merchandise of any kind on a rent-to-own basis without fully and conspicuously disclosing the terms of the rent-to-own agreement as required by this rule.

CP 115.02 General Disclosure Requirements

(a) All disclosures required by this rule shall be made clearly, conspicuously, in meaningful sequence, and in accordance with the further requirements of this section. All numerical amounts and percentages shall be stated in figures and shall be printed or legibly handwritten in not less than the equivalent of 10-point type.

(b) Any information not required by this rule may be supplied with any disclosure required by this rule, but none shall be stated or placed in such a way as to cause the disclosures as a whole to be misleading or confusing, or to contradict, obscure or detract attention from the required disclosures.

(c) If any rent-to-own transaction is renegotiated or modified in a substantial or material way after the effective date of this rule, including, but not limited to, any change that increases the consumer's payments or other obligations, or diminishes the consumer's rights, such renegotiation or modification shall be considered a new transaction subject to the disclosure requirements of this rule.

(d) Unless stated otherwise in a clear and conspicuous manner, all terms and conditions required to be disclosed by this rule shall be actually available to all consumers.

CP 115.03 Disclosures in Advertising

An advertisement for a rent-to-own transaction that states or refers to the amount of a payment or the right to acquire ownership of one or more specific items of merchandise shall state:

- (a) that the transaction advertised is a rent-to-own transaction;
- (b) that the consumer will not own the property until the total amount to be paid to acquire ownership is paid in full; and
- (c) for each specific item advertised, the total amount to be paid to acquire ownership, which amount shall be labeled "total cost."

CP 115.04 Disclosures in Proximity to Merchandise

(a) In the same general vicinity as any merchandise overtly displayed or offered on a rent-to-own basis there shall be disclosed, with sufficient prominence that a consumer inspecting the merchandise would be likely to see the disclosure:

- (1) that the transaction advertised is a rent-to-own transaction; and
- (2) that the consumer will not own the property until the total amount to be paid to acquire ownership is paid in full.

(b) In immediate proximity to each specific item of merchandise overtly displayed or offered on a rent-to-own basis there shall be disclosed:

- (1) the cash price of the item;
- (2) the amount of the periodic payment and the total number of periodic payments required for ownership;
- (3) the total amount to be paid to acquire ownership, which amount shall be labeled "total cost";
- (4) the effective annual percentage rate associated with the item (which may be accompanied by a statement that this rate applies only if the consumer acquires ownership by making all rental payments);
- (5) a statement as to whether the item is new or used.

CP 115.05 Disclosures in Rent-to-Own Contract

Prior to consummation of any rent-to-own transaction, the consumer shall be given a written agreement with the heading, in no less than 12-point, bold-face type,

IMPORTANT INFORMATION ABOUT RENT-TO-OWN

Do Not Sign This Agreement Before You Read It or If It Contains Any Blank Spaces.

The agreement must also contain:

(a) The following general disclosures on the front side of the agreement above the line for the consumer's signature:

- (1) the name, address and telephone number of the person offering the merchandise;
- (2) the name and address of the consumer;
- (3) the date of the transaction;
- (4) a description of the merchandise, including any applicable model and identification numbers;
- (5) whether the merchandise is new or used, and a description of any damage to the merchandise.

(b) The following cost disclosures, printed and grouped together as indicated below in no less than 10-point, bold-face type on the front of the agreement above the line for the consumer's signature:

Total initial payment for rent-to-own merchandise (A)\$

Amount & total of regular payments:

\$____/week [mo.] x weeks [mos.] (B)\$

Other charges to acquire ownership

(itemize):

_____ \$

_____ \$

Total of "Other Charges" (C)\$_____

TOTAL OF PAYMENTS TO ACQUIRE

OWNERSHIP (total of A, B & C) (D)\$_____

CASH PRICE (E)\$_____

COST OF RENT-TO-OWN SERVICE (D minus E) \$_____

EFFECTIVE ANNUAL PERCENTAGE RATE (*applies only if you acquire ownership by making all rental payments*) _____%

(c) The following additional disclosures:

- (1) that the consumer will not own the merchandise until all necessary payments have been made;
- (2) who is responsible for damage to the merchandise and the maximum amount of the consumer's liability;
- (3) who is responsible for servicing the merchandise;
- (4) a description of any manufacturer's or other warranties on the merchandise, if any, which may be in a separate document furnished to the consumer;
- (5) a description of any insurance required of the consumer, or a statement that the consumer is not required to purchase insurance and a description of any insurance purchased by the consumer;
- (6) an explanation of all options to purchase, including any early option to purchase;
- (7) all deadlines for payments, and the nature and amount of all charges for late payment, default, pickup of merchandise, reinstatement and any other contingency;
- (8) an explanation of any right to repossess the merchandise; and
- (9) an explanation of the right of any party to terminate the agreement, and to reinstate the agreement.

CP 115.06 Disclosure of Age of Merchandise

Upon the request of a consumer who has entered into a rent-to-own agreement with respect to used merchandise, the person offering the merchandise shall, without unreasonable delay, disclose when the merchandise was purchased new, if known to said person.

CP 115.07 Preservation of Disclosures

Any person offering merchandise on a rent-to-own basis shall preserve copies or facsimiles of all disclosures in advertising, and all rent-to-own agreements containing disclosures required by this rule, for a period of not less than two years after the date the disclosures are made. In the case of a radio or television advertisement, it shall be sufficient to preserve a copy of the script or story board.

CP 115.08 Definitions

The following definitions apply to this rule:

(a) “Advertising” means a commercial message in any medium that directly or indirectly promotes or assists a rent-to-own transaction. Advertising includes, but is not limited to, newspapers, magazines, flyers, mailings, radio, and television. Advertising does not include such commercial messages to the extent that they are displayed exclusively inside the premises where the merchandise being offered is located.

(b) “Cash price” means:

(1) the bona fide retail price at which the person offering merchandise on a rent-to-own basis would sell the item in question to the consumer for cash on the date of the rent-to-own transaction, or

(2) if the item is not offered for sale for cash, then the estimated average cash retail price of the item or a similar item in the market area.

(c) “Clear and conspicuous” means that the statement or term being disclosed is of such size, color, contrast and/or audibility, and is so presented, as to be readily apparent to the person to whom it is being disclosed.

(d) “Effective annual percentage rate” means the annual percentage rate of the merchandise subject to a rent-to-own transaction, calculated in the same manner as an annual percentage rate under section 107 of the federal Truth in Lending Act, 15 U.S.C. §1606, except that (a) in place of the finance charge, there shall be substituted the difference between the total of payments to acquire ownership and the cash price, less any amounts specifically excluded from the finance charge under the Truth in Lending Act; (b) in place of the amount financed, there shall be substituted the cash price less any down payment; and (c) it shall be assumed that the consumer will pay the total of payments to acquire ownership in the merchandise.

(e) “Rent-to-own” refers to a transaction in which a person agrees to make merchandise available for the use of a consumer for personal, family, or household purposes, for an initial period of four months or less, where the agreement is renewable with each payment after the initial period, and where the consumer is permitted to become the owner of the property.

CP 115.09 Exemption for Certain Musical Instruments

This rule shall not apply to any transaction to the extent that it relates to a musical instrument that is intended to be used in whole or in part in an elementary or secondary school.

CP 115.10 Effective Date

This rule shall take effect on January 1, 1997.