

- SUBJECT:** Requiring certain disclosure for rental-purchase agreements
- COMMITTEE:** Business and Industry — committee substitute recommended
- VOTE:** 6 ayes — Oliveira, Shine, Collier, Romero, Villalba, Workman
1 nay — Stickland
- WITNESSES:** For — Mathew Grynwald, Rent-A-Center, Inc.; (*Registered, but did not testify*: Mark Vane, Gardere Wynne Sewell LLP; Scott Pospisil, Texas Association of Rental Agencies, Inc.)
Against — None
- BACKGROUND:** Business and Commerce Code, sec. 92.001 defines a "rental-purchase agreement" as an agreement that allows a consumer to use merchandise for personal use for an initial period of four months or less, is automatically renewable with each payment after the initial period, and permits the consumer to become the owner of the merchandise.
Sec. 92.052 requires contracts for rental-purchase agreements to make certain disclosures, including the market cash value of the merchandise, amount and timing of payments, total number of payments necessary to acquire ownership, and notice of the right to reinstate the agreement.
- DIGEST:** CSHB 1859 would require merchants that do not derive at least 50 percent of revenue from rental-purchase agreements to make certain disclosures to a consumer before presenting a rental-purchase agreement for merchandise.
These merchants would be required to make the following disclosures to the consumer separately from the agreement:
- the current cash market value of the merchandise;
 - the amount of periodic payments that would be provided for in the agreement; and

- the total number and amount of periodic payments needed to acquire ownership of the merchandise.

When the agreement was presented, these merchants also would be required to issue a disclosure entitled "Acknowledgement of Rental-Purchase Transaction" to be signed by consumers on a separate page from the agreement. This disclosure would have to include an acknowledgement that:

- consumers understood they were entering into a rental-purchase agreement;
- consumers did not own the merchandise but could acquire ownership;
- the agreement was not a credit transaction;
- consumers could return the merchandise and pay out the remainder of the rental charges, if authorized by the agreement;
- consumers had the right to reinstate the agreement if they failed to make a timely payment, as provided by the agreement; and
- consumers had reviewed the agreement and understood their right and options to acquire ownership, as well as the total cost of the merchandise.

The bill also would amend definitions pertaining to rental-purchase agreements.

The bill would take effect September 1, 2017, and would apply only to agreements entered into on or after that date.

**SUPPORTERS
SAY:**

CSHB 1859 would be an important modernization of the law governing rental-purchase agreements. In the past, these agreements were conducted solely through rental-purchase companies, making disclosures about the purpose of the agreements unnecessary. Now, however, many furniture and appliance retailers have begun to offer a rental-purchase option, often marketed to consumers who were denied for credit agreements. The Legislature should take steps to account for these new transactions.

The bill would ensure transparency for consumers entering into rental-purchase agreements. Many customers who sign rental-purchase agreements with traditional retailers believe that they are agreeing to a credit transaction providing them ownership of the merchandise. Requiring consumers to sign that they understood the provisions of the agreement would provide legal clarity to all parties.

The bill would not unfairly favor traditional rental-purchase stores. Because these stores deal only in rental-purchase agreements, their customers already are aware of the type of contract they are entering into. Requiring retail stores to disclose the terms of rental-purchase agreements would level the playing field for such agreements.

**OPPONENTS
SAY:**

CSHB 1859 would inhibit free market competition and give traditional rental-purchase stores an advantage by requiring disclosure only for merchants that derive less than half of their income from rental-purchase agreements. The market, not government, should determine best practices for these agreements, and consumers should be responsible for reading and understanding the contracts they sign.

NOTES:

A companion bill, SB 938 by V. Taylor, was considered in a public hearing of the Senate Committee on Business and Commerce on April 25.