

BILL ANALYSIS

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C.S.H.B. 1859
By: Simmons (Taylor, Van)
Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Rent-to-own stores offer goods such as electronics, appliances, and furniture that consumers obtain by way of rental-purchase agreements. These agreements allow a consumer to obtain an item on a rental basis with options to secure ownership at any time during the rental, or by making all payments set forth on the agreement. The rent-to-own transaction has been recognized in Texas since 1985 and is regulated by Chapter 92, Business and Commerce Code.

While consumers have traditionally entered into a rental-purchase agreement in a rent-to-own store, recent developments in the industry have allowed consumers to enter into such agreements outside of traditional rent-to-own stores. Thus, a consumer can visit a large department store with a larger selection of merchandise than a rent-to-own store, and still enter into a rent-to-own transaction.

H.B. 1859 creates a new disclosure for rent-to-own consumers entering into rental-purchase agreements in a traditional retail store. The disclosure clarifies that if the property is not displayed or offered primarily for rental-purchase (as is the case in traditional stores), yet the consumer enters into a rental purchase agreement, the cash price of the property, the amount of the periodic rental payment, and the total number and amount of periodic rental payments necessary to acquire ownership of the property must be disclosed to a consumer. Further, the disclosure must make clear that the customer is entering into a rental-purchase agreement and not a credit transaction; that the lessee does not own the merchandise, but can obtain ownership by using ownership options provided in the agreement; the agreement is not a credit transaction; the lessee has the right to return the merchandise to the lessor without additional charge or penalty at any time and will owe nothing further except unpaid rent charges and fees; if the lessee returns the property the agreement offers reinstatement rights that allow the lessee to get the property back if the lessee has complied with the agreement and the law; and the lessee has reviewed and understands the agreement, including the purchase option rights and the total cost if all scheduled payments are made. (Original Author's / Sponsor's Statement of Intent)

C.S.H.B. 1859 amends current law relating to certain rental-purchase agreements.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 92.001, Business & Commerce Code, as follows:

Sec. 92.001. DEFINITIONS. (a) Creates this subsection from existing text and makes no further changes to this subsection.

(b) Provides that, for purposes of this chapter (Rental-Purchase Agreements), merchandise is displayed or offered to consumers primarily for lease under a rental-purchase agreement (agreement) if the merchandise is displayed or offered at a place of business that derives at least 50 percent of its revenue from agreements.

SECTION 2. Amends Subchapter A, Chapter 92, Business & Commerce Code, by adding Section 92.003, as follows:

Sec. 92.003. PONT-OF-RENTAL DISCLOSURES. (a) Requires the merchant, if merchandise is not displayed or offered to consumers primarily for lease under an agreement, to make the following disclosures to a consumer before presenting an agreement for specific merchandise to the consumer for execution:

- (1) the price for which the merchant would sell the merchandise to the consumer for cash on the date of the disclosure;
- (2) the amount of the periodic payments that would be provided for in the agreement if it is executed on the date of the disclosure; and
- (3) the total number and amount of periodic payments necessary to acquire ownership of the merchandise under the agreement if it is executed on the date of the disclosure.

(b) Requires that the required disclosures be made separately from the agreement.

SECTION 3. Amends Subchapter B, Chapter 92, Business & Commerce Code, by adding Section 92.0535, as follows:

Sec. 92.0535. ACKNOWLEDGMENT REQUIRED FOR CERTAIN AGREEMENTS. Requires the merchant, if merchandise is not displayed or offered to consumers primarily for lease under an agreement, to provide to the consumer at the time the agreement is presented to the consumer the additional disclosures prescribed by this section. Requires the disclosures to:

- (1) be entitled “Acknowledgment of Rental-Purchase Transaction”;
- (2) be on a separate page;
- (3) be signed by the consumer; and
- (4) include an acknowledgment that the consumer understands the consumer is entering into an agreement and that:
 - (A) under the agreement, the consumer does not own the merchandise but is authorized to acquire ownership rights by complying with the ownership option terms specified in the agreement;
 - (B) the agreement is not a credit transaction;
 - (C) if provided by the agreement, the consumer has the right to return the merchandise at any time without additional charge or penalty, and, on the merchandise’s return, the consumer will owe only unpaid rental charges and fees;
 - (D) if the consumer fails to make a timely payment, the consumer has a right to reinstate the agreement as provided by the agreement and, if the merchandise is returned, the consumer is entitled to rent the same merchandise or substitute merchandise of comparable quality and condition if the consumer complies with the agreement and any applicable law; and
 - (E) the consumer has reviewed and understands the agreement, including the consumer’s right and options to acquire ownership of the merchandise and the total cost of the merchandise if all scheduled payments are made.

SECTION 4. Makes application of Section 92.0535, Business & Commerce Code, as added by this Act, prospective.

SECTION 5. Effective date: September 1, 2017.