

FINAL BILL REPORT

SHB 2299

C 134 L 92
Synopsis As Enacted

Brief Description: Adopting the Washington lease-purchase agreement act.

By House Committee on Commerce & Labor (originally sponsored by Representatives Heavey, Franklin, McLean, R. King, Lisk and Jones).

House Committee on Commerce & Labor
Senate Committee on Commerce & Labor

Background: In the 1980s, the number of stores in the rent-to-own business increased by approximately 300 percent. A rent-to-own transaction or lease-purchase agreement is an agreement for the use of personal property for a short initial period that does not obligate or require the consumer to continue leasing the property beyond the initial period and that permits the consumer to become the owner of the property after a certain number of payments. Because of the unique nature of rent-to-own transactions, it is not clear which of the regulatory laws in Washington apply to these transactions.

Washington law regulates consumer leases of personal property if the lease is for a period of more than four months and a value of less than \$25,000. The retail installment sales statute regulates transactions in which a retail buyer purchases goods or services from a retail seller pursuant to a retail installment contract, a retail charge agreement, or certain credit card agreements. The uniform commercial code regulates secured transactions, which include most transactions intended to create a security interest in personal property. The state usury law regulates the interest rate that may be charged on any loan or forbearance of money, goods, or certain rights, other than those that are specifically excluded by the statute.

Summary: Many of the terms and conditions of rent-to-own or lease-purchase agreements are specifically regulated. "Lease-purchase agreement" is defined as an agreement for the use of personal property for an initial period of four months or less that is automatically renewable with each payment, but that does not obligate or require the consumer to continue leasing the property beyond the initial period,

and that permits the consumer to become the owner of the property.

Lease-purchase agreements that comply with the act are exempted from the statutes relating to consumer leases, retail installment sales, secured transactions, and usury. Business leases, leases of safe deposit boxes, leases that are incidental to the lease of real property with no option to purchase, and automobile leases are not covered.

The lessor must make the following disclosures, among others, at or before the consummation of a lease-purchase agreement:

- (1) The total number, amount, and timing of all payments necessary to acquire the property;
- (2) A statement that the consumer is responsible for the fair market value of the property if it is lost, stolen, damaged, or destroyed;
- (3) A description of the property including an identification number, if applicable, a statement indicating whether the property is new or used, and a brief description of any damage;
- (4) A statement of the cash price;
- (5) The total of initial payments required;
- (6) A statement clearly summarizing the terms of the consumer's option to purchase;
- (7) A statement identifying the party responsible for service, and a description of applicable manufacturer's warranties;
- (8) A statement that the consumer may terminate the agreement without penalty by voluntarily surrendering the property in good repair along with any past due payments; and
- (9) Notice of the right to reinstate the agreement.

Lease-purchase agreements may not contain certain provisions, including a waiver by the consumer of claims or defenses.

A consumer who fails to make a payment may reinstate the agreement by the payment of all past due charges, the reasonable costs of pickup and delivery if the property has been picked up, and any applicable late fee within 10 days

of the renewal date if the consumer pays monthly or five days if the consumer pays more frequently than monthly. When the consumer has paid less than two-thirds of the total payments necessary to acquire ownership and has voluntarily surrendered the property in a timely manner, the consumer may reinstate the agreement during the 21 days after the date of the return of the property. When the consumer has paid two-thirds or more of the payments necessary to acquire ownership the reinstatement period is 45 days.

Advertisements that refer to the dollar amount of any payment and the right to acquire ownership must state that the transaction is a lease-purchase agreement, that a special total number of payments are necessary to acquire ownership, and that the consumer acquires no ownership rights until the total number of payments have been made.

A violation of the act constitutes a violation of the Consumer Protection Act.

Votes on Final Passage:

House	95	0
Senate	48	0

Effective: June 11, 1992