

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2700

with Assembly Floor Amendments
(Proposed By Assemblyman GREGG)

ADOPTED: DECEMBER 18, 1997

The amendments to Assembly, No. 2700 (1R) limit the cash price that can be set for property sold through rental-purchase agreements to one of the following: (a) the manufacturers' suggested list or retail price; (b) two times the documented acquisition cost from the manufacturer plus the actual cost of shipping, which cost shall not exceed 10% of the acquisition cost; or (c) the published or advertised price of the same merchandise selling in the same trade area. The amendments also require this information to be included in the disclosure of the cash price.

The amendments also require the merchant during the rental term to maintain the personal property in good working condition under certain circumstances, including repairing or replacing the property if the repair cannot be completed within a reasonable time. They require all disclosures made to be signed by the merchant and the consumer. During the initial term of a rental-purchase agreement whose term is longer than one week the consumer may return the property for any reason, cancel the remainder of the agreement and receive a prorated refund for the weeks remaining in the initial term.

Furthermore, the amendments require a disclosure on a separate page in 10-point bold type that provides the consumer with information on: (1) the difference, in a dollar amount, between the retail price and the amount the consumer would pay if the consumer makes all the payments to own the property under a rental purchase agreement; and (2) a statement that if the consumer intends to own the property and can obtain conventional financing, that the purchase of the property from a retail store would be a less expensive alternative. This disclosure is to be signed separately from the rental purchase agreement, a copy given to the consumer and one kept by the merchant.

In addition to this disclosure in the agreement, the owner is required to include on the merchandise being sold an attachment that informs the consumer of the cash price, the retail price and the difference, as a dollar amount, between the retail price and the amount the person will pay to own the merchandise if the person makes all the payments required under the rental-purchase agreement.

The amendments also require a grace period before a payment is considered late, which varies according to the payment period: two days for a weekly payment period, and five days for any payment

period longer than one week. In addition, no late fee may exceed five dollars. Periodic payments made are to be applied first to the periodic payment due, then to any outstanding late fee or other charges. Finally, the amendments provide for a reduction in the periodic payment amount if the consumer experiences a reduction or loss of income due to circumstances beyond the consumer's control. A violation of any provision of this bill is an unlawful practice and a violation of the consumer fraud act. The Director of the Division of Consumer Affairs is required to promulgate regulations necessary to effectuate the provisions of the bill.

As amended, this bill is identical to Senate, No. 2062 (2R).