

SENATE STATE MANAGEMENT, INVESTMENT AND
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 2062

with committee amendments

STATE OF NEW JERSEY

DATED: December 15, 1997

The Senate State Management, Investment and Financial Institutions Committee reports favorably and with committee amendments Senate, No. 2062.

This bill defines and regulates rental-purchase agreements involving personal property used for personal, family or household purposes.

The bill provides that rental-purchase agreements are not to be treated as retail installment contracts, retail charge accounts, credit sales, or consumer leases.

The bill specifies disclosures required both in the agreement and attached to the property offered for rental and prohibits the inclusion of certain provisions in rental-purchase agreements; provides for the reinstatement of the rental-purchase agreement after failure of the consumer to make a timely payment; establishes a grace period during which time a payment is not considered late; requires a merchant to provide delivery and pickup of merchandise which is too large to be transported by the consumer; provides for a lowering of the payments required if a consumer suffers an involuntary loss or reduction in income; requires a disclosure on the merchandise being rented of the cash price, the retail price and the difference as a dollar amount between the retail price and the total amount a consumer would pay under the rental-purchase agreement to own the merchandise; provides an early purchase option after initial payment; and provides the conditions under which a consumer, who has suffered loss due to a violation of any provision of the act by a merchant, may seek to recover certain costs.

The bill further defines what a rental-purchase agreement is by excluding credit sales and consumer rentals or leases as defined in federal law or regulation and provides that, for those rental or lease-purchase agreements specifically subject to the provisions of the federal Consumer Credit Protection Act, compliance with the disclosure requirements of that act satisfies disclosure requirements of the bill.

COMMITTEE AMENDMENTS

The committee amended the bill to: (1) limit the cash price that can be set for property sold through rental-purchase agreement to one of the following: the manufacturers' suggested list or retail price; two times the documented acquisition cost from the manufacturer, and the actual cost of shipping which cost shall not exceed 10% of the acquisition cost; or the published or advertised price of the same merchandise selling in the same trade area; (2) require this information to be included in the disclosure of the cash price; and (3) require a disclosure on a separate page in 10-point bold type that provides the consumer with information on the difference 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 in a dollar amount. Additionally, the rental agreement must contain 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 and 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 weekly. In addition, no late fee may exceed five dollars. Payments made are to be applied first to the 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.