

# MAINE STATE LEGISLATURE

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# 115th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1991

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Legislative Document

No. 1717

H.P. 1176

House of Representatives, April 25, 1991

Reference to the Committee on Business Legislation suggested and ordered printed.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative FARNSWORTH of Hallowell.  
Cosponsored by Representative LARRIVEE of Gorham.

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STATE OF MAINE

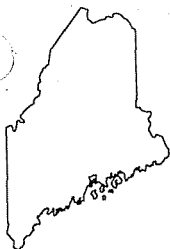
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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND NINETY-ONE

---

**An Act to Prohibit Unfair Sale Practices by Rent-to-own Businesses.**

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Be it enacted by the People of the State of Maine as follows:

2  
3 Sec. 1. 9-A MRSA §1-301, sub-§11, ¶A, as amended by PL 1987, c.  
4 396, §4, is further amended to read:

5 A. Except as provided in paragraph B, a "consumer credit  
6 sale" is a sale of goods, services or an interest in land in  
7 which:

8  
9 (i) credit is granted either pursuant to a credit card  
10 other than a lender credit card or by a seller who  
11 regularly engages as a seller in credit transactions of  
12 the same kind;

13 (ii) the buyer is a person other than an organization;

14 (iii) the goods, services or interest in land are  
15 purchased primarily for a personal, family or household  
16 purpose;

17 (iv) either the debt is payable in installments or a  
18 finance charge is made; and

19 (v) with respect to a sale of goods or services not  
20 including manufactured housing, the amount financed  
21 does not exceed \$25,000; and

22  
23 Sec. 2. 9-A MRSA §1-301, sub-§11, ¶D is enacted to read:

24 D. "Consumer credit sale" includes rental purchase  
25 agreements.

26  
27 Sec. 3. 9-A MRSA §1-301, sub-§32-A is enacted to read:

28 32-A. Rental-purchase agreement. "Rental-purchase  
29 agreement" means an agreement for the use of merchandise by a  
30 consumer primarily for personal, family or household purposes for  
31 an initial period of 4 months or less that is automatically  
32 renewable with each payment after the initial period and that  
33 permits the consumer to become the owner of the merchandise.

34  
35 Sec. 4. 9-A MRSA §1-301, sub-§33, as amended by PL 1983, c.  
36 720, §5, is further amended to read:

37  
38 33. "Sale of goods" includes any agreement in the form of a  
39 bailment or lease of goods if the bailee or lessee pays, will pay  
40 or agrees to pay as compensation for use a sum substantially  
41 equivalent to or in excess of the aggregate value of the goods  
42 involved and it is agreed that the bailee or lessee will become,  
43 or ~~for no other or a nominal consideration~~ has the option to  
44 become, the owner of the goods upon full compliance with the  
45 terms of the agreement, including any optional renewals thereof.  
46

2           Sec. 5. 9-A MRSA §2-201, sub-§2, ¶A, as amended by PL 1985, c.  
4       763, §21, is further amended to read:

6           A. The total of:

8                   (i) 30% per year on that part of the unpaid balances  
of the amount financed which is \$700 or less;

10                   (ii) 21% per year on that part of the unpaid balances  
of the amount financed which is more than \$700 but does  
12                   not exceed \$2,000; and

14                   (iii) 15% per year on that part of the unpaid balances  
of the amount financed which is more than \$2,000; ~~e~~ and

16                   (iv) 40% per year on that part of the unpaid balance  
18                   of the amount financed in a rental-purchase agreement;  
or

20           Sec. 6. 9-A MRSA art. XI is enacted to read:

22                                   **Article XI**  
24                                   **RENTAL-PURCHASE PRACTICES**

26           **§11-101. Definitions**

28                   As used in this article, unless the context otherwise  
indicates, the following terms have the following meanings.

30                   1. Advertisement. "Advertisement" means a commercial  
32                   message in any medium that directly or indirectly promotes or  
assists a rental-purchase agreement.

34                   2. Cash price. "Cash price" means the price for which the  
36                   merchant in the normal course of business would have sold the  
38                   merchandise to the consumer for cash on the date of the  
rental-purchase agreement.

40                   3. Consumer. "Consumer" means an individual who leases for  
personal property under a rental-purchase agreement.

42                   4. Merchandise. "Merchandise" means the person's property  
44                   that is the subject of a rental-purchase agreement.

46                   5. Merchant. "Merchant" means a person who in the ordinary  
48                   course of business regularly leases, offers to lease or arranges  
50                   for the leasing of merchandise under a rental-purchase agreement  
and includes a person who is assigned an interest in a  
rental-purchase agreement.

2           6. Rental-purchase agreement. "Rental-purchase agreement"  
3           means an agreement for the use of merchandise by a consumer  
4           primarily for personal, family or household purposes for an  
5           initial period of 4 months or less that is automatically  
6           renewable with each payment after the initial period and that  
7           permits the consumer to become the owner of the merchandise.

8  
9           §11-102. Cash price limits

10           The cash price must be reasonably related to the fair market  
11           value of the merchandise. Evidence of fair market value may be  
12           the manufacturer's suggested retail price.

13           §11-103. Rental-purchase form

14           1. Clarity. A rental-purchase agreement must be written in  
15           plain English. Numerical amounts must be stated in figures. A  
16           disclosure required by this article must be printed or typed in  
17           each rental-purchase agreement in a size equal to at least 10  
18           point bold-faced type.

19           2. Prohibited provisions. A rental-purchase agreement may  
20           not contain a provision:

21           A. Authorizing a merchant or an agent of the merchant to  
22           commit a breach of the peace in the repossession of  
23           merchandise;

24           B. Waiving a defense, counterclaim or right the consumer  
25           may have against the merchant or an agent of the merchant;

26           C. Requiring the purchase of insurance from the merchant to  
27           insure the merchandise;

28           D. Requiring the payment of a late charge or reinstatement  
29           fee unless a periodic payment is delinquent for 3 days and  
30           the charge or fee is in an amount not more than \$5; or

31           E. Requiring a payment at the end of the scheduled  
32           rental-purchase term in excess of or in addition to a  
33           regular periodic payment in order to acquire ownership of  
34           the merchandise.

35           Only one late charge or reinstatement fee may be collected on a  
36           payment regardless of the period during which the payment remains  
37           in default.

38           3. Rental-purchase agreement. A rental-purchase agreement  
39           must provide that:

2           A. A charge in addition to periodic payments, if any, must  
4           be reasonably related to the service performed; and

6           B. A consumer who fails to make a timely payment may  
8           reinstate an agreement without losing rights or options  
previously acquired by taking the required action before 2  
weeks after the due date of the payment.

10           4. Notice of right to reinstate. Notice of the right to  
12           reinstate an agreement must be disclosed in the agreement. This  
14           article does not prevent a merchant from attempting repossession  
16           of merchandise during the reinstatement period and the consumer's  
18           right to reinstate an agreement does not expire because of such a  
20           repossession. If the merchandise is returned to the merchant  
22           during the applicable reinstatement period, other than through  
judicial process, the right to reinstate the agreement must be  
extended for a period of not less than 30 days after the date of  
the return of the merchandise. On reinstatement, the merchant  
shall provide the consumer with the same merchandise or  
substitute merchandise of comparable quality and condition. If  
substitute merchandise is provided, the merchant shall provide  
the consumer with the disclosures required in subsection 5.

24           5. Disclosures. In addition to the disclosures required by  
26           the Maine Consumer Credit Code, a rental-purchase agreement must  
28           disclose:

30           A. Whether the merchandise is new or used;

32           B. The amount and timing of all payments;

34           C. The total number of payments necessary and the total  
amount to be paid to acquire ownership of the merchandise;

36           D. The amount and purpose of any payment, charge or fee in  
addition to the regular periodic payments;

38           E. Whether the consumer is liable for loss or damage to  
40           merchandise and if so, the maximum amount for which the  
42           consumer may be liable;

44           F. That the consumer does not acquire ownership rights  
unless the consumer has complied with the ownership terms of  
the agreement; and

46           G. The cash price of the merchandise.

48           §11-104. Advertisements

50           In addition to disclosures required by the Maine Consumer  
52           Credit Code, an advertisement for a rental-purchase agreement

2 that refers to or states the amount of a payment or the right to  
4 acquire ownership of any particular item under the agreement must  
6 clearly and conspicuously state:

8 1. Rental-purchase agreement. That the transaction  
10 advertised is a rental-purchase agreement;

12 2. Payments. The total amount and number of payments  
14 necessary to acquire ownership; and

16 3. Ownership rights. That the consumer does not acquire  
18 ownership rights unless the merchandise is rented for a specified  
20 number of payment periods.

22 **§11-105. Penalty**

24 In addition to the penalties set forth in the Maine Consumer  
26 Credit Code, violation of this article is an unfair trade  
28 practice in violation of Title 5, section 207.

30 **STATEMENT OF FACT**

Rent-to-own businesses charge people high prices to rent and purchase appliances and furniture.

The purpose of this bill is to prohibit unfair sale practices by "rent-to-own" businesses and to place these businesses within the Maine Consumer Credit Code.