

# MAINE STATE LEGISLATURE

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# 115th MAINE LEGISLATURE

## SECOND REGULAR SESSION-1992

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Legislative Document

No. 2248

H.P. 1594

House of Representatives, January 28, 1992

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 26.  
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 CARROLL of Gray.

Cosponsored by Senator RICH of Cumberland and Representative POULIOT of Lewiston.

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STATE OF MAINE

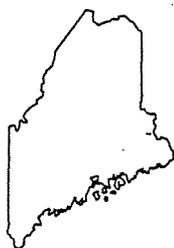
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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND NINETY-TWO

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**An Act to Clarify Maine's Rent-to-own Laws.**

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

2  
4 9-A MRSA Art. XI is enacted to read:

6 Article XI

8 RENTAL-PURCHASE PRACTICES

10 §11-101. Short title

12 This Article may be known and cited as the "Maine Rental-purchase Agreement Act."

14 §11-102. Definitions

16 As used in this Article, unless the context otherwise indicates, the following terms have the following meanings.

18  
20 1. "Advertisement" means a commercial message in any medium that directly or indirectly aids, promotes or assists a rental-purchase agreement.

22  
24 2. "Cash price" means the price for which the merchant would sell the property to the consumer for cash on the date of the rental-purchase agreement.

26  
28 3. "Consumer" means an individual who rents personal property under a rental-purchase agreement to be used primarily for personal, family or household purposes.

30  
32 4. "Consummation" means the time at which a consumer becomes contractually obligated under a rental-purchase agreement for personal property to be used primarily for personal, family or household purposes.

36  
38 5. "Merchant" means a person who regularly provides the use of property through rental-purchase agreements and to whom rental payments are initially payable on the face of the rental-purchase agreement.

40  
42 6. "Rental-purchase agreement" means an agreement for the use of personal property by an individual primarily for personal, family or household purposes for an initial period of 4 months or less that is automatically renewable with each payment after the initial period and that permits the consumer to become the owner of the property, but does not obligate or require the consumer to continue renting or using the property beyond the initial period.

48  
50 §11-103. Inapplicability of other laws; exempted transactions

2 1. A rental-purchase agreement that complies with this  
Article is not considered or governed by the laws relating to:

4 A. A home solicitation sale as defined in section 3-501;

6 B. A consumer credit sale as defined in section 1-301,  
subsection 11;

8 C. A consumer lease as defined in section 1-301, subsection  
10 13;

12 D. A sale of goods as defined in section 1-301, subsection  
14 33; or

16 E. A security interest as defined in Title 11, section  
1-201, subsection (37).

18 2. This Article does not apply to:

20 A. A rental-purchase agreement made primarily for business,  
commercial or agricultural purposes or made with a  
22 governmental agency or instrumentality or with an  
organization;

24 B. A lease of a safe-deposit box;

26 C. A lease or bailment of personal property that is  
28 incidental to the lease of real property and does not  
provide the consumer with an option to purchase the leased  
30 property; or

32 D. A lease of an automobile.

34 **§11-104. General requirements of disclosure**

36 1. The merchant shall disclose to the consumer the  
information required by this Article. In a transaction involving  
38 more than one merchant, only one merchant need make the  
disclosures but all merchants are bound by the disclosures.

40 2. The disclosure must be made during or before  
42 consummation of the rental-purchase agreement.

44 3. The disclosure must be made clearly and conspicuously in  
writing and a copy of the rental-purchase agreement must be  
46 provided to the consumer. The disclosure required under section  
11-105 must be made on the face of the contract above the line  
48 for the consumer's signature.

2 4. If a disclosure becomes inaccurate as the result of any  
3 act, occurrence or agreement by the consumer after delivery of  
4 the required disclosures, the resulting inaccuracy is not a  
5 violation of this Article.

6 **§11-105. Disclosure**

8 1. For each rental-purchase agreement, the merchant shall  
9 disclose in the agreement the following items, as applicable:

10 A. The total number, total amount and timing of all  
11 payments necessary to acquire ownership of the property;

12 B. A statement that the consumer does not acquire ownership  
13 rights to the property until the consumer has made the total  
14 payment necessary to acquire ownership;

15 C. A statement that the consumer is responsible for the  
16 fair market value of the property if, and as of the time, it  
17 is stolen, damaged or destroyed;

18 D. A brief description of the rented property sufficient to  
19 identify the property to the consumer and the merchant,  
20 including an identification number if applicable and a  
21 statement indicating whether the property is new or used. A  
22 statement that indicates that new property is used is not a  
23 violation of this Article;

24 E. A statement of the cash price of the property. A  
25 statement of the aggregate cash price of all items involving  
26 the rental of 2 or more items as a set satisfies this  
27 requirement;

28 F. The total amount of initial payments paid at or required  
29 before consummation of the agreement or delivery of the  
30 property, whichever is later;

31 G. A statement that the total amount of payments does not  
32 include other charges, such as late-payment, default, pickup  
33 and reinstatement fees. Late-payment, default, pickup and  
34 reinstatement fees must be separately disclosed in the  
35 agreement;

36 H. A statement clearly summarizing the terms of the  
37 consumer's option to purchase, including a statement that  
38 the consumer has the right to exercise an early-purchase  
39 option, the price at which the property may be purchased and  
40 the formula or method for determining that price;

2 I. A statement identifying the party responsible for  
3 maintaining or servicing the property while it is rented,  
4 together with a description of that responsibility, and a  
5 statement that if any part of a manufacturer's express  
6 warranty covers the rental property at the time the consumer  
7 acquires ownership of the property, that warranty is  
8 transferred to the consumer, if allowed by the terms of the  
9 warranty;

10 J. The date of the transaction and the identities of the  
11 merchant and the consumer;

12 K. A statement that the consumer may terminate the  
13 agreement without penalty by voluntarily surrendering or  
14 returning the property in good repair upon expiration of any  
15 rental term along with any past due rental payments; and

16 L. Notice of the right to reinstate an agreement as  
17 provided in this Article.

18  
19  
20 2. Compliance with the federal Consumer Credit Protection  
21 Act, 15 United States Code, Section 1601 et seq. satisfies the  
22 requirements of this section for items in this section  
23 specifically governed by that Act.

24  
25 **§11-106. Prohibited practices**

26  
27 A rental-purchase agreement may not contain:

28  
29 1. A confession of judgment;

30  
31 2. A negotiable instrument;

32  
33 3. A security interest or any other claim of a property  
34 interest in any goods except those goods delivered by the  
35 merchant pursuant to the rental-purchase agreement;

36  
37 4. A wage assignment;

38  
39 5. A waiver by the consumer of claims or defenses;

40  
41 6. A provision authorizing the merchant or a person acting  
42 on the merchant's behalf to enter on the consumer's premises or  
43 commit any breach of the peace in repossession of goods;

44  
45 7. A provision requiring the purchase from the merchant of  
46 a liability damage waiver or insurance for the merchandise;

47  
48 8. A provision requiring the payment of a late charge  
49 unless a rental payment is at least 2 days late for an agreement  
50

2 that is renewed on a weekly basis or at least 5 days late for an  
3 agreement that is renewed less frequently than on a weekly basis;  
4 or

5 9. A provision requiring a payment at the end of the  
6 rental-purchase agreement period in excess of or in addition to a  
7 regular periodic payment in order for the consumer to acquire  
8 ownership of the property.

10 **§11-107. Calculation of late charges**

11 Any late charge assessed pursuant to section 11-106,  
12 subsection 8 may not exceed 5% of the delinquent payment amount,  
13 with a minimum charge of \$2. Only one late charge may be  
14 assessed on any delinquent payment, regardless of how long the  
15 payment remains unpaid.

16 **§11-108. Reinstatement**

17 1. A consumer who fails to make a timely rental payment may  
18 reinstate the agreement without losing any rights or options that  
19 exist under the agreement if:

20 A. Subsequent to having failed to make a timely rental  
21 payment, the consumer promptly returns or surrenders the  
22 property upon the merchant's request; and

23 B. The consumer reinstates the agreement within 60 days  
24 after the property is returned to the merchant, except that  
25 if the consumer has paid 60% or more of the total amount of  
26 payments necessary to acquire ownership of the property, the  
27 reinstatement period is extended to 180 days.

28 2. As a condition precedent to reinstatement under this  
29 section, the merchant may require the payment of all past due  
30 rental charges, any applicable late fee and a reinstatement fee  
31 not to exceed \$5.

32 Nothing in this section prevents a merchant from attempting  
33 to repossess property during the reinstatement period, but such a  
34 repossession does not affect the consumer's right to reinstate.  
35 Upon reinstatement, the merchant shall provide the consumer with  
36 the same property or substitute property of comparable quality  
37 and condition.

38 **§11-109. Consumer's right to acquire ownership when 50% or less**  
39 **of payments equals cash price**

40 1. A merchant may not offer a rental-purchase agreement in  
41 which 50% or less of all rental payments exceeds the cash price  
42 of the property.

2 of the rented property. When 50% or less of all rental payments  
3 made by a consumer equals the cash price of the property  
4 disclosed to the consumer pursuant to section 11-105, subsection  
5 1, paragraph E, the consumer acquires ownership of the leased  
6 property and the lease-purchase agreement terminates.

7 2. At any time after tendering an initial lease payment, a  
8 consumer may acquire ownership of the property that is the  
9 subject of the rental-purchase agreement by tendering an amount  
10 equal to the amount by which the cash price of the rented  
11 property exceeds 50% of all rental payments made by the consumer.

12 **§11-110. Liability damage waivers; fees**

13 In addition to the other charges permitted by this Article,  
14 the parties may contract for a liability damage waiver. The fee  
15 for the liability damage waiver may not exceed the greater of 10%  
16 of any periodic rental payment due or \$2 in the case of any  
17 rental-purchase agreement with weekly or biweekly renewal dates  
18 or the greater of 10% of any periodic rental payment due or \$5 in  
19 the case of any rental-purchase agreement with monthly renewal  
20 dates. The selling or offering for sale of a liability damage  
21 waiver pursuant to this Article is subject to the following  
22 prohibitions and requirements.

23 1. The restrictions, conditions and exclusions of the  
24 liability damage waiver must be disclosed on a separate contract,  
25 sheet or handout given to the consumer prior to entering into the  
26 rental-purchase agreement. The separate contract, sheet or  
27 handout must be signed or otherwise acknowledged as received by  
28 the consumer prior to entering into the rental-purchase agreement.

29 2. A merchant may not sell or offer to sell a liability  
30 damage waiver unless all restrictions, conditions and exclusions  
31 are printed in the rental-purchase agreement or in a separate  
32 agreement in 8-point type or larger, written in ink or  
33 typewritten on the face of the rental-purchase agreement in a  
34 blank space provided for them. The liability damage waiver may  
35 exclude only loss or damage to the property that is the subject  
36 of the rental-purchase agreement that is due to moisture,  
37 scratches, mysterious disappearance, vandalism, abandonment or  
38 any other damages caused intentionally by the consumer or  
39 resulting from the consumer's willful or wanton misconduct.

40 3. The liability damage waiver agreement must include a  
41 statement of the total charge for the liability damage waiver and  
42 must display in 8-point boldface type the following notice:

43 NOTICE: THIS CONTRACT OFFERS FOR AN ADDITIONAL CHARGE A  
44 LIABILITY DAMAGE WAIVER TO COVER YOUR RESPONSIBILITY FOR DAMAGE  
45 TO THE RENTED PROPERTY.

2 TO THE PROPERTY. BEFORE DECIDING WHETHER TO PURCHASE THE  
3 LIABILITY DAMAGE WAIVER, YOU MAY WISH TO DETERMINE WHETHER YOUR  
4 HOMEOWNERS OR CASUALTY INSURANCE AFFORDS YOU COVERAGE FOR DAMAGE  
5 TO THE RENTAL PROPERTY AND THE AMOUNT OF THE DEDUCTIBLE UNDER  
6 YOUR INSURANCE COVERAGE. THE PURCHASE OF THIS LIABILITY DAMAGE  
7 WAIVER IS NOT MANDATORY AND MAY BE DECLINED.

8 **§11-111. Receipts and accounts**

10 A merchant shall provide the consumer upon request a written  
11 receipt for each payment made by cash or money order.

12 **§11-112. Renegotiations and extensions**

14 1. A renegotiation occurs when an existing rental-purchase  
15 agreement is satisfied and replaced by a new agreement undertaken  
16 by the same merchant and consumer. A renegotiation is considered  
17 a new agreement requiring new disclosures. The following are not  
18 considered renegotiations:

20 A. The addition or return of property in a multiple-item  
21 agreement or the substitution of the rental property, if in  
22 either case the average payment allocable to a payment  
23 period is not changed by more than 25%;

26 B. A deferral or extension of one or more periodic payments  
27 or portions of a periodic payment;

28 C. A reduction in charges in the agreement; and

30 D. An agreement involved in a court proceeding.

32 2. Disclosures are not required for any extension of a  
33 rental-purchase agreement.

34 **§11-113. Advertising**

36 1. An advertisement for a rental-purchase agreement that  
37 refers to or states the amount of any payment and the right to  
38 acquire ownership for any one specific item under the agreement  
39 must clearly and conspicuously state:

40 A. That the transaction advertised is a rental-purchase  
41 agreement;

42 B. The total amount of payments necessary to acquire  
43 ownership; and

44 C. That the consumer does not acquire ownership rights if  
45 the total amount necessary to acquire ownership is not paid.

