

SENATE BILL REPORT

SHB 2299

AS REPORTED BY COMMITTEE ON COMMERCE & LABOR, FEBRUARY 28, 1992

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

SPONSORS: 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

Majority Report: Do pass.

Signed by Senators Anderson, Vice Chairman; Bluechel, McMullen, Moore, Murray, and Skratek.

Staff: Jonathan Seib (786-7427)

Hearing Dates: February 26, 1992; February 28, 1992

BACKGROUND:

A lease-purchase agreement, or rent-to-own transaction, is an agreement for the use of personal property for a short initial period that does not obligate a consumer to continue leasing the property beyond that period, but that permits the consumer to become the owner of the property after a certain number of payments. The number of stores in this business has increased substantially in the past several years, and it is unclear by which, if any, Washington law they are regulated.

SUMMARY:

The terms and conditions of lease-purchase agreements are regulated. A lease-purchase agreement is an agreement for the use of personal property for an initial period of four months or less that is automatically renewable, but that does not obligate renewal and that permits the consumer to become owner of the property.

Agreements that comply with the act are exempt from the laws governing consumer leases, retail installment sales, secured transactions, and usury. The act does not apply to business leases, leases of safe deposit boxes, leases incidental to the lease of real property with no purchase option, and car leases.

Disclosure requirements are imposed on lessors, requiring that every lease-purchase agreement contain certain specified provisions which describe in detail the property to be leased, the payment obligations of the consumer, and the rights and

responsibilities of each party, including the terms of the consumer's option to purchase.

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 rental payment may reinstate the agreement by paying past due charges, any applicable redelivery fee, and any late fee within a specified time depending on frequency of payment. A consumer who voluntarily returns the property may reinstate the agreement within a specified time after the return, depending on the number of payments already made towards ownership.

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, the number of payments necessary to acquire ownership, and that the consumer requires no ownership rights if that amount is not paid.

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

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

This industry wants to be regulated to assure professionalism and consumer protection. The bill is model legislation similar to that adopted in other states.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Kevin Quin, Chris Korst, Bill Fritz, Washington Rental Dealers Association