

HOUSE BILL No. 6444

September 15, 2010, Introduced by Reps. Dean, Stanley, Young, Cushingberry, Hammel, Smith, Lemmons, Clemente, Sheltroun, Melton, Gonzales, Lipton, Donigan, Bennett, Leland, Huckleberry, Bettie Scott, Roy Schmidt, Gregory, Jackson and Johnson and referred to the Committee on Regulatory Reform.

A bill to amend 1984 PA 424, entitled
"Rental-purchase agreement act,"
by amending sections 2, 3, and 4 (MCL 445.952, 445.953, and
445.954), and by adding section 4a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. As used in this act:

2 (A) "CASH PRICE" MEANS THE AMOUNT FOR WHICH A LESSOR WOULD
3 SELL PERSONAL PROPERTY DESCRIBED IN A RENTAL-PURCHASE AGREEMENT TO
4 THE LESSEE AT THE INCEPTION OF THE RENTAL-PURCHASE AGREEMENT IF THE
5 LESSEE PURCHASED RATHER THAN LEASED THE PROPERTY.

6 (B) ~~(a)~~ "Lessee" means a person who leases **PERSONAL** property
7 ~~pursuant to~~ **UNDER** a rental-purchase agreement.

8 (C) ~~(b)~~ "Lessor" means a person ~~who,~~ **THAT**, in the ordinary

1 course of business, regularly leases, offers to lease, or arranges
 2 for the leasing of **PERSONAL** property under a rental-purchase
 3 agreement.

4 (D) ~~(e)~~ "Period" means a day, week, 1 month, or other
 5 subdivision of a year.

6 (E) "PERIODIC PAYMENT" MEANS THE AMOUNT A LESSEE IS REQUIRED
 7 TO PAY EACH PERIOD UNDER A RENTAL-PURCHASE AGREEMENT FOR THE RIGHT
 8 OF POSSESSION AND USE OF LEASED PROPERTY UNDER A RENTAL-PURCHASE
 9 AGREEMENT FOR THAT PERIOD. THE TERM DOES NOT INCLUDE ANY AMOUNTS
 10 PAID ON A PERIODIC BASIS FOR TAXES.

11 (F) ~~(d)~~ "Rental-purchase agreement" means an agreement for the
 12 use of personal property by a lessee primarily for personal,
 13 family, or household purposes, for an initial period of 4 months or
 14 less that is automatically renewable with each payment after the
 15 initial period and that permits the lessee to become the owner of
 16 the property. Rental-purchase agreements shall not include any of
 17 the following:

18 (i) A lease or agreement ~~which~~ **THAT** constitutes a credit sale
 19 as defined in 12 C.F.R. ~~CFR~~ 226.2(a)(16) and ~~section 1602(g) of the~~
 20 ~~truth in lending act,~~ 15 U.S.C. **USC** 1602(g).

21 (ii) A lease ~~which~~ **THAT** constitutes a consumer lease as defined
 22 in 12 C.F.R. ~~213.2(a)(6).~~ **CFR 213.2(E)**.

23 (iii) Any lease for agricultural, business, or commercial
 24 purposes.

25 (iv) Any lease made to an organization.

26 (v) Any lease of money or intangible personal property.

27 (vi) A lease or agreement ~~which~~ **THAT** constitutes a retail

1 installment transaction as defined in section 2 of the retail
2 installment sales act, ~~Act No. 224 of the Public Acts of 1966,~~
3 ~~being section 445.852 of the Michigan Compiled Laws.1966 PA 224,~~
4 **MCL 445.852.**

5 (G) "TOTAL OF PAYMENTS" MEANS THE TOTAL AMOUNT OF PERIODIC
6 PAYMENTS NECESSARY TO ACQUIRE OWNERSHIP OF PERSONAL PROPERTY THAT
7 IS SUBJECT OF A RENTAL-PURCHASE AGREEMENT IF THE LESSEE MAKES ALL
8 OF THE REGULARLY SCHEDULED PAYMENTS.

9 Sec. 3. (1) A rental-purchase agreement shall be in the form
10 of a written statement ~~which shall include~~ **THAT INCLUDES** all of the
11 following:

12 (a) A brief description of the leased property, sufficient to
13 identify the property to the lessee and lessor including whether
14 the property is new or previously rented. If a lease is for
15 multiple items, a description of each item may be provided in a
16 separate statement ~~which~~ **THAT** is incorporated by reference in the
17 primary disclosure statement.

18 (b) The total amount of any initial payment, including any
19 advance payment, delivery charge, or any trade-in allowance to be
20 paid by the lessee at or before consummation of the rental-purchase
21 agreement.

22 (c) The amount and timing of **PERIODIC** payments.

23 (d) The amount of all other charges, individually itemized,
24 payable by the lessee to the lessor, which are not included in the
25 periodic payments.

26 (e) A statement of the party liable for loss, damage in excess
27 of normal wear and tear, or destruction to the leased property.

1 (f) The lessee's right to reinstate and the amount or method
2 of determining the amount of any penalty or other charge for
3 reinstatement as established in section 8.

4 (g) The party responsible for maintaining or servicing the
5 leased property together with a brief description of this
6 responsibility.

7 (h) A statement of the conditions under which the lessee or
8 lessor may terminate the lease.

9 (i) A statement of the **TOTAL OF PAYMENTS EXPRESSED AS THE**
10 product of the number of **PERIODIC** payments times the amount of each
11 payment necessary to acquire ownership of the leased property.

12 (j) A statement that the lessee has the option to purchase the
13 leased property during the term of the rental purchase agreement
14 and, at what price, formula, or by what method the price is
15 determined.

16 (k) The cash price of the property. ~~if purchased rather than~~
17 ~~leased.~~

18 (l) A statement that if any part of a manufacturer's warranty
19 remains on the leased property at the point that a lessee assumes
20 ownership of the property, the warranty will be passed on to the
21 lessee.

22 (m) A notice in a prominent place in type not smaller than the
23 size of 12-point type, or in legible print with letters not smaller
24 than 1/8 inch, in substantially the following form:

25 NOTICE: THIS AGREEMENT IS REGULATED BY STATE LAW AND MAY BE
26 ENFORCED BY THE ATTORNEY GENERAL OR BY PRIVATE LEGAL ACTION.

27 (2) All information required ~~by~~ **UNDER** this section shall be

1 stated in a clear and coherent manner, using words and phrases of
2 common meaning. The information shall be appropriately divided and
3 captioned by its sections. All numerical amounts and percentages
4 shall be stated in figures. The information shall also be disclosed
5 by the lessor ~~prior to~~ **BEFORE** the signing of the lease by the
6 lessee on a dated written statement which identifies the lease or
7 rental-purchase agreement and the parties to it. The written
8 statement shall contain all of the information required ~~by~~ **UNDER**
9 this section and shall be provided directly on the lease contract
10 or instrument, or on a separate form ~~. A separate form~~ **THAT** may
11 utilize the format provided for in section 19.

12 (3) At the lessor's option, **A RENTAL-PURCHASE AGREEMENT MAY**
13 **DISCLOSE** information in addition to that required ~~by~~ **UNDER** this
14 section ~~may be disclosed~~ if the additional information is not
15 stated, utilized, or placed in a manner ~~which~~ **THAT** will contradict,
16 obscure, or distract attention from the required information.

17 Sec. 4. (1) The amount to be paid by ~~the~~ **A** lessee to acquire
18 ownership **OF PERSONAL PROPERTY UNDER A RENTAL-PURCHASE AGREEMENT** as
19 disclosed ~~in~~ **UNDER** section 3(j) shall not be greater than the cash
20 price as disclosed under section 3(k) minus an amount equal to 45%
21 of all periodic ~~rental~~ payments made by the lessee.

22 (2) If at any time an amount equal to 45% of the total
23 periodic ~~rental~~ payments paid by ~~the~~ **A** lessee to ~~the~~ **A** lessor **FOR**
24 **PERSONAL PROPERTY UNDER A RENTAL-PURCHASE AGREEMENT** equals the cash
25 purchase price disclosed under section 3(k), then the lessee shall
26 acquire ownership of the rental property.

27 (3) This section ~~shall~~ **DOES** not prohibit a lessor from

1 offering a rental-purchase agreement ~~which~~**THAT** provides that an
2 amount equal to 45% or more of the periodic rental payments is
3 applied toward the purchase price disclosed ~~in~~**UNDER** section 3(k) .

4 **SEC. 4A. THE MAXIMUM TOTAL OF PAYMENTS FOR LEASED PROPERTY**
5 **UNDER A RENTAL-PURCHASE AGREEMENT SHALL NOT EXCEED 2.25 TIMES THE**
6 **CASH PRICE FOR THAT PROPERTY, AS DISCLOSED UNDER SECTION 3(K) .**