

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 778
Finance

(Senator Pugh)

Economic Matters

Commercial Law - Rental-Purchase Agreements - Disclosures

The bill alters provisions of the Maryland Rental-Purchase Agreement Act relating to consumer disclosure, recordkeeping, and enforcement.

Fiscal Summary

State Effect: The bill's requirements may be handled within existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Consumer Disclosure Requirements: The bill requires the Attorney General's website to include a sample rental-purchase agreement.

Recordkeeping Requirements: The bill requires a lessor to maintain a copy of the rental-purchase agreement for three years after final payment. Additionally, a lessor must provide the consumer with a written receipt for each payment under a rental-purchase agreement made in person by cash, money order, or, if the payment is made in any other form, on request. The bill requires the written receipt to contain the total amount paid, total amount due that week or month, and the total remaining rental payments necessary to acquire ownership of the item. For any receipt provided by the lessor for a payment

made under the agreement, the lessor must provide the consumer with a receipt within three days of the payment.

Enforcement Actions: A lessor may not bring a court action to recover property subject to a rental-purchase agreement until 15 days after the consumer has been sent actual notice of a default. The notice must be sent by certified mail to the consumer's last known address. If applicable, the notice must include any amount the consumer must pay to reinstate the rental-purchase agreement.

Current Law:

General Prohibitions: A rental-purchase agreement may not contain:

- a confession of judgment;
- a negotiable instrument;
- a security interest or any other claim of a property interest in any goods, except the rental property delivered by the lessor;
- a wage assignment;
- a waiver by the consumer of claims or defenses; or
- a provision authorizing the lessor or a person acting on the lessor's behalf to enter upon the consumer's premises or to commit any breach of the peace in the repossession of rental property.

Consumer Disclosure Requirements: A lessor must disclose specified information on the face of each rental-purchase agreement in a written form that is simple and understandable and is written or typed in at least 10 point type. If a disclosure becomes inaccurate as a result of any act, occurrence, or agreement by the consumer after delivery of the rental property, the resulting inaccuracy is not a violation of the Maryland Rental-Purchase Agreement Act.

Reinstatement of Rental-Purchase Agreement: A consumer may reinstate an agreement within five days of the renewal date if the agreement is renewed on a monthly basis. If the agreement is renewed on a weekly basis, the consumer must reinstate the agreement within two days of the renewal date. In order to reinstate an agreement, the consumer must pay all past-due rental charges, reasonable costs of pickup and redelivery, if applicable, and any applicable reinstatement fee of up to \$5.

If a consumer has paid less than two-thirds of the total amount of payments necessary to acquire ownership of the rental property and has returned or voluntarily surrendered the property, the consumer may reinstate the agreement within 21 days after the date of the return of the rental property. However, if the consumer has paid at least two-thirds, the consumer has 45 days after the date of return of the rental property to reinstate the agreement.

If a lessor has repossessed the property subject to the agreement, a consumer may reinstate the agreement within 15 days after the date of repossession if the consumer makes specified payments.

Enforcement Actions: A person who willfully and intentionally violates the Maryland Rental-Purchase Agreement Act is guilty of a misdemeanor and on conviction is subject to a fine of up to \$500 per violation. A consumer may recover actual damages, as well as \$500 plus reasonable attorney's fees and court costs.

Additional Information

Prior Introductions: None.

Cross File: HB 997 (Delegate Washington, *et al.*) - Economic Matters.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Judiciary (Administrative Office of the Courts), Department of Legislative Services

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