

**OPENING STATEMENT OF REP. SPENCER BACHUS
JULY 12, 2001, HEARING ON H.R. 1701, THE CONSUMER
RENTAL PURCHASE AGREEMENT ACT**

The Subcommittee meets today to consider the merits of bipartisan legislation introduced by our colleague from North Carolina, Walter Jones, to establish uniform national standards for so-called rent-to-own transactions.

The rent-to-own industry, which has experienced dramatic growth in recent years, provides consumers with immediate access to household durable goods such as furniture, appliances, and computers, usually with no down payment required. In a standard rental-purchase agreement, a customer leases the product for a week or a month, and at the end of this period, can do one of three things: (a) return the product with no obligation or penalty, (b) keep the goods and rent for another period, or (c) purchase the item. A customer who continues to lease the goods for a specified period of time eventually acquires ownership of the item, usually after about 18 months.

An estimated 3 million consumers enter into rent-to-own transactions every year. The typical customer for these services is someone who cannot afford to purchase the property outright, and may not qualify for credit. In addition, some consumers rent merchandise to meet short-term needs, or for the purpose of trying out a product before deciding whether to buy it.

Some consumer advocates have questioned whether the rent-to-own industry exploits consumers who may not have access to lower-cost alternatives, either because of bad credit histories or because they live in neighborhoods forsaken by traditional retailers. Prompted by these concerns, the Federal Trade Commission staff conducted a nationwide survey of rent-to-own customers, releasing its findings in April 2000. While I will defer to the FTC representative who is here this morning to summarize the agency's work, it is worth noting that the FTC staff's conclusions contradict many of the claims of the industry's critics. For example, according to the survey, 75% of customers expressed satisfaction with their rent-to-own experience, causing the FTC staff to conclude that

“the rent-to-own industry provides a service that meets and satisfies the demands of most of its customers.”

Currently, there is no Federal law governing rent-to-own transactions. While most states have enacted laws regulating the industry, the level of consumer protections afforded by those statutes varies widely from state-to-state.

Mr. Jones’ bill, H.R. 1701, fills the void that presently exists in Federal law by imposing uniform standards requiring the merchant in a rent-to-own transaction to make a comprehensive set of disclosures regarding the total cost of the transaction to the consumer. These disclosures must appear on product labels or tags, and in advertising and the rental-purchase agreement itself. The consumer protections included in H.R. 1701 are drawn largely from recommendations made by the FTC staff in its April 2000 report on the rent-to-own industry.

The bill also establishes as a matter of Federal law that rent-to-own transactions are leases rather than credit sales, which is consistent with their treatment under the laws of 46 of the 50 states. Consumer advocates take exception to this approach, arguing that rent-to-own arrangements should be considered credit sales, subject to the wide range of Federal and State consumer credit laws, including the Truth in Lending Act.

The Subcommittee, in close consultation with the Minority, has invited both proponents and critics of H.R. 1701 to testify at today's hearing, as well as representatives of the Federal Reserve and the FTC, which would be responsible for interpreting and enforcing the legislation if enacted.

Before recognizing other Members for opening statements, let me commend the gentleman from North Carolina, Mr. Jones, and the gentleman from Connecticut, Mr. Maloney, for tackling what has historically been a contentious issue in this body, and crafting a bipartisan

bill that has attracted 20 Democrat cosponsors, including eight Members of this Committee.

I am now pleased to recognize the Ranking Member, Ms. Waters, for any opening statement she would like to make.