

Opening Statement – The Honorable Lynn Westmoreland (GA)

Hearing entitled – “Examining Rental Purchase Agreements and the Potential Role for Federal Regulation”

Subcommittee on Financial Institutions and Consumer Credit

July 26, 2011

As a cosponsor of this important legislation (H.R. 1588) over the last several Congresses, I am pleased the Financial Institutions and Consumer Credit Subcommittee is holding a hearing on this important legislation.

The “rent-to-own” industry provides household goods including furniture, appliances, and electronic products to a growing segment of the American population by way of flexible short-term leases as an alternative to cash purchases or debt financing. As everyone knows, the excessive use of credit has been one of the main causes of our recent economic problems. Often, these products are leased to individuals who may not qualify for traditional financing.

These transactions are unique in that consumers have the voluntary option to change their rental agreement to make payments on ownership. Unfortunately, in today’s uncertain regulatory environment there is a great deal of legal ambiguity surrounding regulation of these contracts. Since its inception, the rent-to-own industry has had robust State regulation. With the passage of Dodd-Frank last year, there is ambiguity regarding jurisdiction of federal regulation for this industry. Specifically, the CFPB’s broad-ranging and untested authority could preempt existing state regulation that has been working, even during the recession.

H.R. 1588 does two things. First, H.R. 1588 adopts the common sense and long-standing approach of the Federal Reserve Board, the FTC and the IRS that the rental agreements of the rent-to-own business are leases. Forty-six states have already enacted laws distinguishing these transactions as separate from credit or installment loans, and this H.R. 1588 takes the final step to make this distinction with respect to federal regulations. It is important to note that this legislation would not infringe upon any stronger state laws regulating rent-to-own agreements. Secondly, the bill includes, for the first time, specific federal consumer protections for this type of transaction, while allowing those states with additional consumer safeguards to retain those protections as well. These consumer safeguards ensure transparent and fair transactions and protect both the lessee and the merchant.

I want to thank the Chairman Capito for moving forward on H.R. 1588 and look forward to further Committee action on this important legislation.