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FILED MAR 17 1989

SENATE FILE 486  
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO SSB 214)

Passed Senate, Date 3-27-89 (p. 1020) Passed House, Date \_\_\_\_\_  
Vote: Ayes 49 Nays 0 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved May 4, 1989

**A BILL FOR**

1 An Act relating to rent-to-own regulations.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SENATE FILE 486

S-3412

Amend Senate File 486 as follows:

1 Amend Senate File 486 as follows:  
2 1. Page 1, line 8, by inserting after the word  
3 "determined." the following: "It is not a violation  
4 of this subsection for the lessor and the lessee to  
5 agree in writing to allow the lessee to acquire  
6 ownership of the property for less than the amounts  
7 referred to in this subsection."

8 2. Page 1, by inserting after line 26, the  
9 following:

10 "3. It is not a violation of this section for the  
11 lessor and the lessee to agree in writing to allow the  
12 lessee to acquire ownership of the property for less  
13 than the amounts referred to in this section."

By MICHAEL GRONSTAL

17 S-3412 FILED MARCH 27, 1989  
18 ADOPTED 3-27-89 (p. 1020)

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1 Section 1. Section 537.3605, subsection 8, Code 1989, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 8. A statement that at any time after the first periodic  
5 payment is made, the lessee may acquire ownership of the  
6 property by exercising the option to purchase the property,  
7 and at what price, or by what formula or method the purchase  
8 price will be determined.

3412-

9 Sec. 2. Section 537.3608, Code 1989, is amended by  
10 striking the section and inserting in lieu thereof the  
11 following:

12 537.3608 ACQUIRING OWNERSHIP.

13 1. A lessor shall not offer a consumer rental purchase  
14 agreement in which fifty percent of all lease payments  
15 necessary to acquire ownership of the leased property exceed  
16 the cash price of the leased property. When fifty percent of  
17 all lease payments made by a lessee equals the cash price of  
18 the property disclosed to the lessee pursuant to section  
19 537.3605, subsection 9, the lessee shall acquire ownership of  
20 the leased property and the agreement shall terminate.

21 2. At any time after tendering an initial lease payment, a  
22 lessee may acquire ownership of the property that is the  
23 subject of the consumer rental purchase agreement by tendering  
24 an amount equal to the amount by which the cash price of the  
25 leased property exceeds fifty percent of all lease payments  
26 made by the lessee.

3412

27 Sec. 3. Section 537.3621, Code 1989, is amended to read as  
28 follows:

29 537.3621 DAMAGES.

30 In case of a violation of a provision of this part with  
31 respect to a consumer rental purchase agreement, or a  
32 violation of the Iowa debt collection practices Act, article 7  
33 of this chapter, where a debt arises in connection with a  
34 consumer rental purchase agreement, the lessee in the  
35 agreement may recover from the person committing the

1 violation, or may set off or counterclaim in an action by that  
2 person, actual damages, with a minimum recovery of three  
3 hundred dollars or twenty-five percent of the total cost to  
4 acquire ownership under the consumer rental purchase  
5 agreement, whichever is greater; attorneys' fees; and court  
6 costs.

7 Sec. 4. Section 537.7102, subsection 1, Code 1989, is  
8 amended to read as follows:

9 1. "Debt" means an actual or alleged obligation arising  
10 out of a consumer credit transaction, consumer rental purchase  
11 agreement, or a transaction which would have been a consumer  
12 credit transaction either if a finance charge was made, if the  
13 obligation was not payable in installments, if a lease was for  
14 a term of four months or less, or if a lease was of an  
15 interest in land. A debt includes a check as defined in  
16 section 554.3104 given in a transaction in connection with a  
17 consumer rental purchase agreement, in a transaction which was  
18 a consumer credit sale or in a transaction which would have  
19 been a consumer credit sale if credit was granted and if a  
20 finance charge was made.

21 EXPLANATION

22 Section 1 requires the rent-to-own contract to detail the  
23 method and price or price formula to exercise the option to  
24 purchase the property prior to the end of the lease term.

25 Section 2 changes the maximum buy-out percentage from the  
26 current fifty-five percent to fifty percent.

27 Section 3 permits the award of damages for a violation of  
28 the Iowa debt collection practices Act in connection with a  
29 consumer rental purchase agreement.

30 Section 4 changes the definition of "debt" in the Iowa debt  
31 collection practices Act to include a debt arising out of a  
32 consumer rental purchase agreement.

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House Jud Law  
DO PASS 4-5-89 (p. 1296)

SENATE FILE 486  
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO SSB 214)  
(AS AMENDED AND PASSED BY THE SENATE MARCH 27, 1989)  
\_\_\_\_\_ - New Language by the Senate

Passed Senate, Date 3/27/89 (p. 1020) Passed House, Date 4/13/89 (p. 1567)  
Vote: Ayes 49 Nays 0 Vote: Ayes 94 Nays 0  
Approved 5-4-89 (p. 1945)

A BILL FOR

1 An Act relating to rent-to-own regulations.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 486

1 Section 1. Section 537.3605, subsection 8, Code 1989, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 8. A statement that at any time after the first periodic  
5 payment is made, the lessee may acquire ownership of the  
6 property by exercising the option to purchase the property,  
7 and at what price, or by what formula or method the purchase  
8 price will be determined. It is not a violation of this  
9 subsection for the lessor and the lessee to agree in writing  
10 to allow the lessee to acquire ownership of the property for  
11 less than the amounts referred to in this subsection.

12 Sec. 2. Section 537.3608, Code 1989, is amended by  
13 striking the section and inserting in lieu thereof the  
14 following:

15 537.3608 ACQUIRING OWNERSHIP.

16 1. A lessor shall not offer a consumer rental purchase  
17 agreement in which fifty percent of all lease payments  
18 necessary to acquire ownership of the leased property exceed  
19 the cash price of the leased property. When fifty percent of  
20 all lease payments made by a lessee equals the cash price of  
21 the property disclosed to the lessee pursuant to section  
22 537.3605, subsection 9, the lessee shall acquire ownership of  
23 the leased property and the agreement shall terminate.

24 2. At any time after tendering an initial lease payment, a  
25 lessee may acquire ownership of the property that is the  
26 subject of the consumer rental purchase agreement by tendering  
27 an amount equal to the amount by which the cash price of the  
28 leased property exceeds fifty percent of all lease payments  
29 made by the lessee.

30 3. It is not a violation of this section for the lessor  
31 and the lessee to agree in writing to allow the lessee to  
32 acquire ownership of the property for less than the amounts  
33 referred to in this section.

34 Sec. 3. Section 537.3621, Code 1989, is amended to read as  
35 follows:

1 537.3621 DAMAGES.

2 In case of a violation of a provision of this part with  
3 respect to a consumer rental purchase agreement, or a  
4 violation of the Iowa debt collection practices Act, article 7  
5 of this chapter, where a debt arises in connection with a  
6 consumer rental purchase agreement, the lessee in the  
7 agreement may recover from the person committing the  
8 violation, or may set off or counterclaim in an action by that  
9 person, actual damages, with a minimum recovery of three  
10 hundred dollars or twenty-five percent of the total cost to  
11 acquire ownership under the consumer rental purchase  
12 agreement, whichever is greater; attorneys' fees; and court  
13 costs.

14 Sec. 4. Section 537.7102, subsection 1, Code 1989, is  
15 amended to read as follows:

16 1. "Debt" means an actual or alleged obligation arising  
17 out of a consumer credit transaction, consumer rental purchase  
18 agreement, or a transaction which would have been a consumer  
19 credit transaction either if a finance charge was made, if the  
20 obligation was not payable in installments, if a lease was for  
21 a term of four months or less, or if a lease was of an  
22 interest in land. A debt includes a check as defined in  
23 section 554.3104 given in a transaction in connection with a  
24 consumer rental purchase agreement, in a transaction which was  
25 a consumer credit sale or in a transaction which would have  
26 been a consumer credit sale if credit was granted and if a  
27 finance charge was made.

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GRONSTAL, CH.  
COLEMAN  
HOSTER

SSB 214  
JUDICIARY

SENATE FILE 466  
BY (PROPOSED COMMITTEE ON  
JUDICIARY BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to rent-to-own regulations.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 537.3604, subsection 3, Code 1989, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 3. "Basis price" means the price at which the lessor in  
5 the ordinary course of business would offer to sell the  
6 personal property to the lessee for cash on the date of the  
7 consumer rental purchase agreement; provided that the basis  
8 price shall not exceed two hundred percent of the lessor's  
9 actual purchase price for the merchandise or the customary  
10 retail cost of the merchandise in the community, whichever is  
11 less.

12 Sec. 2. Section 537.3605, subsection 8, Code 1989, is  
13 amended to read as follows:

14 8. A statement that at any time after the first periodic  
15 payment is made, the lessee may acquire ownership of the  
16 property by tendering fifty-five the specified percent of the  
17 difference between the total of scheduled payments necessary  
18 to acquire ownership and the total amount of lease payments  
19 paid on the account at that time. ~~It is not a violation of~~  
20 ~~this subsection for the lessor and the lessee to agree in~~  
21 ~~writing to allow the lessee to acquire ownership of the~~  
22 ~~property for less than the amounts referred to in this~~  
23 ~~subsection.~~

24 Sec. 3. Section 537.3605, subsection 9, Code 1989, is  
25 amended by striking the subsection and inserting in lieu  
26 thereof the following:

27 9. The lease service cost as the difference between the  
28 total of scheduled payments, plus any initial or advance  
29 payment such as a trade-in allowance, and the basis price.

30 10. The rental transaction interest rate in terms of an  
31 annual percentage rate where the amount financed is the basis  
32 price, the finance charge is the lease service cost, and the  
33 schedule of payments is as provided for in the consumer rental  
34 purchase agreement to acquire ownership.

35 Sec. 4. NEW SECTION. 537.3605A RENTAL TRANSACTION

1 INTEREST RATE.

2 The rental transaction interest rate shall not exceed the  
3 maximum charge permitted for finance charges pursuant to  
4 section 537.2201.

5 Sec. 5. NEW SECTION. 537.3606A TERM OF THE CONSUMER  
6 RENTAL PURCHASE AGREEMENT.

7 The term of the consumer rental purchase agreement shall  
8 not exceed the time period, i.e., weekly, monthly, or other  
9 increment up to four months, in which rental payments are  
10 made.

11 Sec. 6. Section 537.3608, Code 1989, is amended to read as  
12 follows:

13 537.3608 ACQUIRING OWNERSHIP.

14 ~~At any time after the first lease payment is made, the~~  
15 ~~lessee may acquire ownership of the property by tendering~~  
16 ~~fifty-five percent of the difference between the total of~~  
17 ~~lease payments necessary to acquire ownership and the total~~  
18 ~~amount of lease payments made. The consumer rental purchase~~  
19 agreement shall specify the percent of the difference between  
20 the total of lease payments necessary to acquire ownership and  
21 the total amount of lease payments made, as the amount that  
22 the lessee may tender after the first lease payment in order  
23 to acquire ownership of the property. At any time after the  
24 first lease payment is made, the lessee may acquire ownership  
25 of the property by tendering the specified percent of the  
26 difference between the total of the lease payments necessary  
27 to acquire ownership and the total amount of lease payments  
28 made. The lessor shall then provide written evidence to the  
29 lessee that the lessee has acquired ownership of the property.  
30 ~~It is not a violation of this section for the lessor and the~~  
31 ~~lessee to agree in writing to allow the lessee to acquire~~  
32 ~~ownership of the property for less than the amounts referred~~  
33 ~~to in this section.~~

34 Sec. 7. Section 537.3621, Code 1989, is amended to read as  
35 follows:

1 537.3621 DAMAGES.

2 In case of a violation of a provision of this part with  
3 respect to a consumer rental purchase agreement, or a  
4 violation of the Iowa Debt Collection Practices Act, article 7  
5 of this chapter, where a debt arises in connection with a  
6 consumer rental purchase agreement, the lessee in the  
7 agreement may recover from the person committing the  
8 violation, or may set off or counterclaim in an action by that  
9 person, actual damages, with a minimum recovery of three  
10 hundred dollars or twenty-five percent of the total cost to  
11 acquire ownership under the consumer rental purchase  
12 agreement, whichever is greater; attorneys' fees; and court  
13 costs.

14 Sec. 8. Section 537.7102, subsection 1, Code 1989, is  
15 amended to read as follows:

16 1. "Debt" means an actual or alleged obligation arising  
17 out of a consumer credit transaction, consumer rental purchase  
18 agreement, or a transaction which would have been a consumer  
19 credit transaction either if a finance charge was made, if the  
20 obligation was not payable in installments, if a lease was for  
21 a term of four months or less, or if a lease was of an  
22 interest in land. A debt includes a check as defined in  
23 section 554.3104 given in a transaction in connection with a  
24 consumer rental purchase agreement, in a transaction which was  
25 a consumer credit sale, or in a transaction which would have  
26 been a consumer credit sale if credit was granted and if a  
27 finance charge was made.

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#### EXPLANATION

29 Sections 1 and 3 eliminate the term "cash price" and  
30 substitute in its place "basis price", a term with a different  
31 meaning but similar function. The basis price is disclosed in  
32 the rental contract, and other important terms, "lease service  
33 cost" and "rental transaction interest rate" are derived in  
34 part from the "basis price" to facilitate comparisons with  
35 both cash purchase prices and ordinary consumer credit

1 transactions.

2 Sections 2 and 6 eliminate the fixed maximum buy-out  
3 percentage, currently set at fifty-five percent, and provides  
4 for the maximum buy-out percentage to be fixed and disclosed  
5 in the contract. The protection provision of the buy-out  
6 percentage limit is assumed in part by the new definition of  
7 "basis price" which limits the markup imposed on the  
8 merchandise to the lesser of two hundred percent of the  
9 wholesale price or the customary retail cost in the community.

10 Section 4 limits the rental transaction interest rate to no  
11 more than the maximum charge permitted for finance charges  
12 pursuant to section 537.2201, currently twenty-one percent at  
13 an annual percentage rate.

14 Section 5 provides that the term of the rental purchase  
15 agreement cannot exceed the time period or increment in which  
16 rental payments are made.

17 Sections 7 and 8 subject rent-to-own transactions to the  
18 Iowa Debt Collection Practices Act.

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SENATE FILE 486

AN ACT  
RELATING TO RENT-TO-OWN REGULATIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 537.3605, subsection 8, Code 1989, is amended by striking the subsection and inserting in lieu thereof the following:

8. A statement that at any time after the first periodic payment is made, the lessee may acquire ownership of the property by exercising the option to purchase the property, and at what price, or by what formula or method the purchase price will be determined. It is not a violation of this subsection for the lessor and the lessee to agree in writing to allow the lessee to acquire ownership of the property for less than the amounts referred to in this subsection.

Sec. 2. Section 537.3608, Code 1989, is amended by striking the section and inserting in lieu thereof the following:

537.3608 ACQUIRING OWNERSHIP.

1. A lessor shall not offer a consumer rental purchase agreement in which fifty percent of all lease payments necessary to acquire ownership of the leased property exceed the cash price of the leased property. When fifty percent of all lease payments made by a lessee equals the cash price of the property disclosed to the lessee pursuant to section 537.3605, subsection 9, the lessee shall acquire ownership of the leased property and the agreement shall terminate.

2. At any time after tendering an initial lease payment, a lessee may acquire ownership of the property that is the subject of the consumer rental purchase agreement by tendering an amount equal to the amount by which the cash price of the leased property exceeds fifty percent of all lease payments made by the lessee.

3. It is not a violation of this section for the lessor and the lessee to agree in writing to allow the lessee to acquire ownership of the property for less than the amounts referred to in this section.

Sec. 3. Section 537.3621, Code 1989, is amended to read as follows:

537.3621 DAMAGES.

In case of a violation of a provision of this part with respect to a consumer rental purchase agreement, or a violation of the Iowa debt collection practices Act, article 7 of this chapter, where a debt arises in connection with a consumer rental purchase agreement, the lessee in the agreement may recover from the person committing the violation, or may set off or counterclaim in an action by that person, actual damages, with a minimum recovery of three hundred dollars or twenty-five percent of the total cost to acquire ownership under the consumer rental purchase agreement, whichever is greater; attorneys' fees; and court costs.

Sec. 4. Section 537.7102, subsection 1, Code 1989, is amended to read as follows:

1. "Debt" means an actual or alleged obligation arising out of a consumer credit transaction, consumer rental purchase agreement, or a transaction which would have been a consumer credit transaction either if a finance charge was made, if the obligation was not payable in installments, if a lease was for a term of four months or less, or if a lease was of an interest in land. A debt includes a check as defined in section 554.3104 given in a transaction in connection with a

consumer rental purchase agreement, in a transaction which was a consumer credit sale or in a transaction which would have been a consumer credit sale if credit was granted and if a finance charge was made.

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JO ANN ZIMMERMAN  
President of the Senate

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DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 486, Seventy-third General Assembly.

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JOHN F. DWYER  
Secretary of the Senate

Approved May 4, 1989

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TERRY E. BRANSTAD  
Governor