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HOUSE FILE 585

Place On Calendar

BY COMMITTEE ON SMALL BUSINESS
AND COMMERCE

(Formerly House Study Bill 250)

Passed House, Date 3-26-87 (p. 864) Passed Senate, Date 4-13-87 (p. 1260)

Vote: Ayes 96 Nays 0 Vote: Ayes 49 Nays 0

Approved April 23, 1987 (p. 1876)

A BILL FOR

1 An Act relating to including consumer rental purchase agreements
2 in the consumer credit code.

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

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HF 585

1 Section 1. NEW SECTION. 537.3601 SHORT TITLE.

2 This part of article 3 may be known and may be cited as the
3 "Consumer Rental Purchase Agreement Act".

4 Sec. 2. NEW SECTION. 537.3602 PURPOSES -- RULES OF
5 CONSTRUCTION.

6 1. This part shall be liberally construed and applied to
7 promote its underlying purposes and policies.

8 2. The underlying purposes and policies of this part are
9 to:

10 a. Define, simplify, and clarify the law governing
11 consumer rental purchase agreements.

12 b. Provide certain disclosures to consumers who enter into
13 consumer rental purchase agreements, and further consumer
14 understanding of the terms of consumer rental purchase
15 agreements.

16 c. Protect consumers against unfair practices.

17 d. Permit and encourage the development of fair and
18 economically sound rental purchase practices.

19 e. Make the law on consumer rental purchase agreements,
20 including administrative rules, more uniform among the various
21 uniform consumer credit code jurisdictions.

22 3. A reference to a requirement imposed by this part
23 includes a reference to a related rule of the administrator
24 adopted pursuant to this chapter.

25 Sec. 3. NEW SECTION. 537.3603 EXCLUSIONS.

26 This part does not apply to, and an agreement which
27 complies with this part is not governed by, the provisions
28 regarding:

29 1. A consumer credit sale as defined in section 537.1301,
30 subsection 12.

31 2. A consumer lease as defined in section 537.1301,
32 subsection 13.

33 3. A consumer loan as defined in section 537.1301,
34 subsection 14.

35 4. A lease or agreement which constitutes a "credit sale"

1 as defined in 12 C.F.R. § 226.2(a)(6), and the Truth In Lending
2 Act, 15 U.S.C. § 1602(g), or an agreement which constitutes a
3 "sale of goods" under section 537.1301, subsection 35.

4 5. A lease which constitutes a consumer lease as defined
5 in 12 C.F.R. § 226.2(a)(6).

6 6. A lease or agreement which constitutes a security
7 interest as defined in section 554.1201, subsection 37.

8 Sec. 4. NEW SECTION. 537.3604 GENERAL DEFINITIONS.

9 As used in this part, unless otherwise required by the
10 context:

11 1. "Administrator" means the administrator as designated
12 in section 537.6103.

13 2. "Advertisement" means a commercial message in any
14 medium, including signs, window displays, and price tags, that
15 promotes, directly or indirectly, a consumer rental purchase
16 agreement.

17 3. "Cash price" means the price at which the lessor in the
18 ordinary course of business would offer to sell the personal
19 property to the lessee for cash on the date of the consumer
20 rental purchase agreement.

21 4. "Consummation" means the time at which the lessee
22 enters into a consumer rental purchase agreement.

23 5. "Lessee" means a natural person who rents personal
24 property under a consumer rental purchase agreement for
25 personal, family, or household use.

26 6. "Lessor" means a person who, in the ordinary course of
27 business, regularly leases, offers to lease, or arranges for
28 the leasing of property under a consumer rental purchase
29 agreement.

30 7. "Personal property" means any property that is not real
31 property under the laws of this state when it is made
32 available for a consumer rental purchase agreement.

33 8. "Consumer rental purchase agreement" means an agreement
34 for the use of personal property in which all of the following
35 are applicable:

1 a. The lessor is regularly engaged in the rental purchase
2 business.

3 b. The agreement is for an initial period of four months
4 or less, whether or not there is any obligation beyond the
5 initial period, that is automatically renewable with each
6 payment and that permits the lessee to become the owner of the
7 property.

8 c. The lessee is a person other than an organization.

9 d. The lessee takes under the consumer rental purchase
10 agreement primarily for a personal, family, or household
11 purpose.

12 e. The amount payable under the consumer rental purchase
13 agreement does not exceed twenty-five thousand dollars.

14 Sec. 5. NEW SECTION. 537.3605 DISCLOSURES.

15 In a consumer rental purchase agreement, the lessor shall
16 disclose the following items, as applicable:

17 1. The total of scheduled payments accompanied by an
18 explanation that this term means the "total dollar amount of
19 lease payments you will have to make to acquire ownership".

20 2. By item, the total number, amounts, and timing of all
21 lease payments and other charges including taxes or official
22 fees paid to or through the lessor which are necessary to
23 acquire ownership of the property.

24 3. Any initial or advance payment such as a delivery
25 charge, security deposit, or trade-in allowance.

26 4. A statement that the lessee will not own the property
27 until the lessee has made the total of payments necessary to
28 acquire ownership of the property.

29 5. A statement that the total of payments does not include
30 additional charges such as late payment charges, and a
31 separate listing and explanation of these charges as
32 applicable.

33 6. If applicable, a statement that the lessee is
34 responsible for the fair market value of the property if and
35 as of the time it is lost, stolen, damaged, or destroyed.

1 7. A description of the goods or merchandise including
2 model numbers as applicable and a statement indicating whether
3 the property is new or used. It is not a violation of this
4 subsection to indicate that the property is used if it is
5 actually new.

6 8. A statement that at any time after the first periodic
7 payment is made, the lessee may acquire ownership of the
8 property by tendering fifty-five percent of the difference
9 between the total of scheduled payments necessary to acquire
10 ownership and the total amount of lease payments paid on the
11 account at that time. It is not a violation of this
12 subsection for the lessor and the lessee to agree in writing
13 to allow the lessee to acquire ownership of the property for
14 less than the amounts referred to in this subsection.

15 9. The cash price of the merchandise.

16 Sec. 6. NEW SECTION. 537.3606 FORM REQUIREMENTS.

17 1. The disclosure information required by section 537.3605
18 and this section shall be disclosed in a consumer rental
19 purchase agreement, and shall meet the following requirements:

20 a. Be made clearly and conspicuously with items appearing
21 in logical order and segregated as appropriate for readability
22 and clarity.

23 b. Be made in writing.

24 c. Except as provided in subsection 2 or in rules adopted
25 by the administrator, need not be contained in a single
26 writing or made in the order set forth in section 537.3605.

27 d. May be supplemented by additional information or
28 explanations supplied by the lessor, but none shall be stated,
29 used or placed so as to mislead or confuse the lessee, or to
30 contradict, obscure, or detract attention from the information
31 required by section 537.3605, and so long as the additional
32 information or explanations do not have the effect of
33 circumventing, evading, or unduly complicating the information
34 required to be disclosed by section 537.3605.

35 2. The lessor shall disclose all information required by

1 section 537.3605 before the consumer rental purchase agreement
2 is consummated. These disclosures shall be made on the face
3 of the writing evidencing the consumer rental purchase
4 agreement.

5 3. Before any payment is due, the lessor shall furnish the
6 lessee with an exact copy of each consumer rental purchase
7 agreement, which shall be signed by the lessee and which shall
8 evidence the lessee's agreement. If there is more than one
9 lessee in a consumer rental purchase agreement, delivery of a
10 copy of the consumer rental purchase agreement to one of the
11 lessees constitutes compliance with this part; however, a
12 lessee not signing the agreement is not liable under it.

13 4. The administrator may adopt by rule requirements for
14 the order, acknowledgement by initialing, and conspicuousness
15 of the disclosures set forth in section 537.3605. These rules
16 may allow these disclosures to be made in accordance with
17 model forms prepared by the administrator.

18 5. The terms of the consumer rental purchase agreement,
19 except as otherwise provided in this part, shall be set forth
20 in not less than eight-point standard type, or such similar
21 type as prescribed in rules adopted by the administrator.

22 6. Every consumer rental purchase agreement shall contain
23 immediately above or adjacent to the place for the signature
24 of the lessee, a clear, conspicuous, printed or typewritten
25 notice in substantially the following language:

26 NOTICE TO LESSEE -- READ BEFORE SIGNING

27 a. DO NOT SIGN THIS BEFORE YOU READ THE ENTIRE AGREEMENT
28 INCLUDING ANY WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE
29 ADVISED.

30 b. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

31 c. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU
32 SIGN.

33 d. YOU HAVE THE RIGHT TO EXERCISE ANY EARLY BUY-OUT OPTION
34 AS PROVIDED IN THIS AGREEMENT. EXERCISE OF THIS OPTION MAY
35 RESULT IN A REDUCTION OF YOUR TOTAL COST TO ACQUIRE OWNERSHIP

1 UNDER THIS AGREEMENT.

2 e. IF YOU ELECT TO MAKE WEEKLY RATHER THAN MONTHLY
3 PAYMENTS AND EXERCISE YOUR PURCHASE OPTION, YOU MAY PAY MORE
4 FOR THE LEASED PROPERTY.

5 7. The notice described in subsection 6 shall be in bold
6 face, ten-point type.

7 Sec. 7. NEW SECTION. 537.3607 RECEIPTS.

8 The lessor shall furnish the lessee, without request, an
9 itemized written receipt for each payment in cash, or any
10 other time the method of payment itself does not provide
11 evidence of payment.

12 Sec. 8. NEW SECTION. 537.3608 ACQUIRING OWNERSHIP.

13 At any time after the first lease payment is made, the
14 lessee may acquire ownership of the property by tendering
15 fifty-five percent of the difference between the total of
16 lease payments necessary to acquire ownership and the total
17 amount of lease payments made. The lessor shall then provide
18 written evidence to the lessee that the lessee has acquired
19 ownership of the property. It is not a violation of this
20 section for the lessor and the lessee to agree in writing to
21 allow the lessee to acquire ownership of the property for less
22 than the amounts referred to in this section.

23 Sec. 9. NEW SECTION. 537.3609 RENEGOTIATION.

24 i. A renegotiation occurs when an existing consumer rental
25 purchase agreement is satisfied and replaced by a new consumer
26 rental purchase agreement undertaken by the same lessor and
27 lessee. A renegotiation is a new lease requiring new
28 disclosures.

29 2. However, the following events are not renegotiations:

30 a. The addition or return of property in a multi-item
31 agreement or the substitution of the leased property, if in
32 either case the lease payment is not changed by more than
33 twenty-five percent.

34 b. A deferral or extension of one or more lease payments,
35 or portions of a lease payment.

1 c. A reduction in charges in the agreement.

2 d. A lease or agreement involved in a court proceeding.

3 Sec. 10. NEW SECTION. 537.3610 BALLOON PAYMENTS

4 PROHIBITED.

5 A lessee shall not be required, as a condition to acquiring
6 ownership, to make a payment that is more than twice the
7 amount of a regular rental payment, or to pay lease payments
8 totaling more than the cost to acquire ownership as disclosed
9 pursuant to section 537.3605. This section does not apply to
10 payments made pursuant to section 537.3608, 537.3612, or
11 537.3619.

12 Sec. 11. NEW SECTION. 537.3611 PROHIBITED CHARGES.

13 A lessor shall not make a charge for any of the following:

14 1. Any insurance whether in connection with the
15 transaction or otherwise, except that a charge may be made for
16 property insurance on the leased property if the charge is
17 clearly disclosed as optional and all other requirements of
18 section 537.2501, subsection 2, paragraph "a", are met.

19 2. A penalty for early termination of a consumer rental
20 purchase agreement or for the return of an item at any point,
21 except for those charges authorized by sections 537.3612 and
22 537.3613.

23 3. Payment by a cosigner of the consumer rental purchase
24 agreement of any fees or charges which could not be imposed
25 upon the lessee as part of the consumer rental purchase
26 agreement.

27 Sec. 12. NEW SECTION. 537.3612 ADDITIONAL CHARGES.

28 1. In a consumer rental purchase agreement, the lessor may
29 contract for and receive an initial nonrefundable
30 administrative fee not to exceed ten dollars. If a security
31 deposit is required by the lessor, the amount and conditions
32 under which it is returned must be disclosed with the
33 disclosures required by sections 537.3605 and 537.3606.

34 2. In a consumer rental purchase agreement, the lessor may
35 contract for and receive a delivery charge not to exceed ten

1 dollars or, in the case of a consumer rental purchase
2 agreement covering more than five items, a delivery charge not
3 to exceed twenty-five dollars. A delivery charge may be
4 assessed only if the lessor actually delivers the items to the
5 lessee's dwelling and the delivery charge is disclosed with
6 the disclosures required by sections 537.3605 and 537.3606.
7 The delivery charge may be assessed in lieu of and not in
8 addition to the initial administrative charge in subsection 1
9 of this section.

10 3. In a consumer rental purchase agreement, a lessor may
11 contract for and receive a charge for picking up payments from
12 the lessee if the lessor is required or requested to visit the
13 lessee's dwelling to pick up a payment. In a consumer rental
14 purchase agreement with payment or renewal dates which are
15 more frequent than monthly, this charge shall not be assessed
16 more than three times in any three-month period. In consumer
17 rental purchase agreements with payments or renewal options
18 which are at least monthly, this charge shall not be assessed
19 more than three times in any six-month period. A charge
20 assessed pursuant to this subsection shall not exceed seven
21 dollars. This charge is in lieu of any delinquency charge
22 assessed for the applicable payment period.

23 4. In a consumer rental purchase agreement, the parties
24 may contract for late charges or delinquency fees as follows:

25 a. For consumer rental purchase agreements with monthly
26 renewal dates, a late charge not exceeding five dollars may be
27 assessed on any payment not made within five business days
28 after either payment is due or the return of the property is
29 required.

30 b. For consumer rental purchase agreements with weekly or
31 biweekly renewal dates, a late charge not exceeding three
32 dollars may be assessed on any payments not made within three
33 business days after either payment is due or the return of the
34 property is required.

35 A late charge on a consumer rental purchase agreement may

1 be collected only once on any accrued payment, no matter how
2 long it remains unpaid. A late charge may be collected at the
3 time it accrues or at any time thereafter. A late charge
4 shall not be assessed against a payment that is timely made,
5 even though an earlier late charge has not been paid in full.

6 Sec. 13. NEW SECTION. 537.3613 REINSTATEMENT FEES.

7 A reinstatement fee as provided for in section 537.3616
8 shall not equal more than the outstanding balance of any
9 missed payments and delinquency charges on those missed
10 payments plus an additional reinstatement fee that shall not
11 exceed five dollars.

12 Sec. 14. NEW SECTION. 537.3614 TAXES AND OFFICIAL FEES.

13 1. If the amount is separately disclosed in the agreement,
14 the lessor may require the lessee to pay all applicable state
15 and county sales, use, and personal property taxes levied as a
16 result of the execution of the consumer rental purchase
17 agreement, provided that the lessor pays the full amount of
18 these taxes to the appropriate authorities.

19 2. If the amount is separately disclosed in the agreement,
20 the lessor may contract for and receive from the lessee an
21 amount equal to all official fees required to be paid under
22 the consumer rental purchase agreement provided that the
23 lessor pays the full amount of these fees to the appropriate
24 authorities.

25 Sec. 15. NEW SECTION. 537.3615 ADVERTISING.

26 1. An advertisement for a consumer rental purchase
27 agreement shall not state or imply that a specific item is
28 available at specific amounts or terms unless the lessor
29 usually and customarily offers or will offer that item at
30 those amounts or terms.

31 2. If an advertisement for a consumer rental purchase
32 agreement refers to or states the amount of any payment, or
33 the right to acquire ownership, for a specific item, the
34 advertisement must also clearly and conspicuously state the
35 following terms as applicable:

1 a. That the transaction advertised is a consumer rental
2 purchase agreement.

3 b. The total of payments necessary to acquire ownership.

4 c. That the lessee will not own the property until the
5 total amount necessary to acquire ownership is paid in full or
6 by prepayment as provided for by law.

7 3. Notwithstanding the requirements of subsection 1, if
8 the advertisement is published by way of radio announcement or
9 on a roadside billboard, the lessor need only make the
10 disclosures required by subsection 2, paragraphs "a" and "c".

11 4. With respect to any matters specifically governed by
12 the advertising provisions of the federal Consumer Credit
13 Protection Act, compliance with that Act satisfies the
14 requirements of this section.

15 5. This section does not apply to the owner or personnel,
16 as such, of any medium in which an advertisement appears or
17 through which it is disseminated.

18 Sec. 16. NEW SECTION. 537.3616 LESSEE'S REINSTATEMENT
19 RIGHTS.

20 1. A lessee who fails to make timely rental payments has
21 the right to reinstate the original consumer rental purchase
22 agreement without losing any rights or options previously
23 acquired under the consumer rental purchase agreement if both
24 of the following apply:

25 a. Subsequent to having failed to make a timely rental
26 payment, the lessee has surrendered the property to the
27 lessor, if and when requested by the lessor.

28 b. Not more than sixty days has passed since the lessee
29 has returned the property.

30 2. As a condition precedent to reinstatement of a consumer
31 rental purchase agreement, a lessor may charge the outstanding
32 balance of any accrued payments and delinquency charges, a
33 reinstatement fee, and the delivery charges allowable by
34 section 537.3612, subsection 2, if redelivery of the item is
35 necessary.

1 3. If reinstatement occurs pursuant to this section, the
2 lessor shall provide the lessee with the same item, if
3 available, leased by the lessee prior to reinstatement. If
4 the same item is not available, a substitute item of
5 comparable worth, quality, and condition may be used. If a
6 substitute item is provided, the lessor shall provide the
7 lessee with all the information required by section 537.3605.

8 Sec. 17. NEW SECTION. 537.3617 UNCONSCIONABILITY.

9 Unconscionability in consumer rental purchase agreements is
10 governed by section 537.5108.

11 Sec. 18. NEW SECTION. 537.3618 DEFAULT.

12 An agreement of the parties to a consumer rental purchase
13 agreement with respect to default on the part of the lessee is
14 enforceable only to the extent that one of the following
15 apply:

16 1. The lessee both fails to renew an agreement and also
17 fails to return the rented property or make arrangements for
18 its return as provided by the agreement.

19 2. The prospect of payment, performance, or return of the
20 property is materially impaired due to a breach of the
21 consumer rental purchase agreement; the burden of establishing
22 the prospect of material impairment is on the lessor.

23 Sec. 19. NEW SECTION. 537.3619 CURE OF DEFAULT.

24 1. In a consumer rental purchase agreement, after a lessee
25 has been in default for three business days and has not
26 voluntarily surrendered possession of the rented property, a
27 lessor may give the lessee the notice provided in subsection 3
28 when the consumer has the right to cure a default. A lessor
29 gives the notice to the lessee under this section when the
30 lessor delivers notice to the lessee or mails the notice to
31 the last known address of the lessee.

32 2. For the purpose of this section, there is no right to
33 cure and no limitation on the lessor's rights with respect to
34 a default that occurs within twelve months after an earlier
35 default as to which a lessor has given a proper notice of the

1 lessee's right to cure.

2 3. The notice of right to cure must be in writing and
3 conspicuously state all of the following:

4 a. The name, address, and telephone number of the lessor
5 to whom payment is to be made.

6 b. A brief identification of the transaction.

7 c. The lessee's right to cure the default.

8 d. The amount of payment and date by which payment must be
9 made to cure the default. A notice in substantially the
10 following form complies with this subsection:

11 THE NAME, ADDRESS, & TELEPHONE NUMBER OF THE LESSOR
12 ACCOUNT NUMBER, IF ANY

13 BRIEF IDENTIFICATION OF TRANSACTION

14 (_____) is the last date for payment, (_____) is the
15 amount now due. You have failed to renew your rental purchase
16 agreement(s). If you pay the amount now due (above) by the
17 last date for payment (above), you may continue with the
18 agreement as though you had renewed on time. If you do not
19 pay by that date, we may exercise our rights under the law.
20 If you are late again during the next twelve months of your
21 agreement, in either returning the property or renewing your
22 agreement, we may exercise our rights without sending you
23 another notice like this one. If you have questions, you may
24 write or telephone the lessor promptly.

25 4. With respect to a consumer rental purchase agreement,
26 except as provided in subsection 5, after a default consisting
27 of the lessee's failure to renew and failure to return the
28 property, a lessor, because of that default, may not instigate
29 court action to recover the rented property until five
30 business days after the notice of the lessee's right to cure
31 is given. In the case of an agreement with weekly or biweekly
32 renewal dates, such action shall not be taken until three
33 business days after the notice of the lessee's right to cure
34 is given.

35 5. With respect to defaults on the same consumer rental

1 purchase agreement and subject to subsection 4, after a lessor
2 has once given a proper notice of the lessee's right to cure,
3 this section does not give the consumer a right to cure or
4 impose any additional limitations beyond those otherwise
5 imposed by this part on the lessor's right to proceed against
6 the lessee or the lessor's right to recover the property.

7 6. Until expiration of the minimum applicable periods
8 contained in subsection 4 after notice is given, the lessee
9 may cure all defaults consisting of failure to renew and
10 failure to return the property by tendering the amount of all
11 unpaid sums due at the time of the tender plus any unpaid
12 delinquency charges or other charges authorized by section
13 537.3616.

14 7. This section and the provisions on limitations of
15 agreements do not prohibit a lessee from voluntarily
16 surrendering possession of the rented property, and the lessor
17 from enforcing any past due obligation which the lessee may
18 have at any time after default. However, in an enforcement
19 proceeding, the lessor shall affirmatively plead and prove
20 either that the notice to cure is not required or that the
21 lessor has given the required notice, but the failure to so
22 plead does not invalidate any action taken by the lessor that
23 is lawful and if the lessor has rightfully repossessed any
24 property the repossession is not conversion.

25 8. A repossession of rented property in violation of this
26 section is void.

27 Sec. 20. NEW SECTION. 537.3620 WILLFUL VIOLATIONS.

28 A person who willfully and intentionally violates a
29 provision of this part is guilty of a serious misdemeanor.

30 Sec. 21. NEW SECTION. 537.3621 DAMAGES.

31 In case of a violation of a provision of this part with
32 respect to a consumer rental purchase agreement, the lessee in
33 the agreement may recover from the person committing the
34 violation, or may set off or counterclaim in an action by that
35 person, actual damages, with a minimum recovery of three

1 hundred dollars or twenty-five percent of the total cost to
2 acquire ownership under the consumer rental purchase
3 agreement, whichever is greater; attorneys' fees; and court
4 costs.

5 Sec. 22. NEW SECTION. 537.3622 EFFECT OF CORRECTION.

6 Notwithstanding sections 537.3620 and 537.3621, a failure
7 to comply with a provision of this part which is due to a bona
8 fide error may be corrected within thirty days after the date
9 of execution of the consumer rental purchase agreement by the
10 lessee. If so corrected, neither the lessor nor any holder is
11 subject to penalty under this section if, where appropriate, a
12 new written agreement and disclosures are provided to the
13 lessee and any excess charges are refunded to the lessee.

14 Sec. 23. NEW SECTION. 537.3623 STATUTE OF LIMITATIONS.

15 An action shall not be brought under this part more than
16 two years after the occurrence of the alleged violation.

17 Sec. 24. NEW SECTION. 537.3624 ENFORCEMENT.

18 1. The provisions of this part are subject to the powers
19 and functions of the administrator as provided in article 6 of
20 this chapter and to the debt collection practices as provided
21 in article 7 of this chapter. However, section 537.6113,
22 subsection 2, does not apply to violations of this part.

23 2. If a court finds in an action brought by the
24 administrator pursuant to section 537.6113 that it is proven
25 that a lessor has intentionally acted in bad faith in its
26 performance under this part, the lessor is subject to a civil
27 penalty of not less than one hundred dollars nor more than one
28 thousand dollars for each violation. However, no more than
29 one penalty may be imposed in any one action against a lessor
30 for repeated violations of the same provision. A civil
31 penalty pursuant to this subsection shall not be imposed for a
32 violation of this part occurring more than two years before
33 the action is brought, or for making unconscionable agreements
34 or engaging in a course of fraudulent or unconscionable
35 conduct.

1 Sec. 25. Section 639.3, Code 1987, is amended by adding
2 the following new subsections:

3 NEW SUBSECTION. 13. That the defendant is about to
4 dispose of property belonging to the plaintiff.

5 NEW SUBSECTION. 14. That the defendant is about to
6 convert the plaintiff's property or a part thereof into money
7 for the purpose of placing it beyond the reach of the
8 plaintiff.

9 NEW SUBSECTION. 15. That the defendant is about to move
10 permanently out of state, and refuses to return property
11 belonging to the plaintiff.

12 Sec. 26. Section 537.1301, subsection 8, Code 1987, is
13 amended to read as follows:

14 8. "Cash price" of goods, services, or an interest in land
15 means, except in the case of a consumer rental purchase
16 agreement, the price at which they are sold by the seller to
17 cash buyers in the ordinary course of business, and may
18 include the cash price of accessories or services related to
19 the sale, such as delivery, installation, alterations,
20 modifications, and improvements, and taxes to the extent
21 imposed on a cash sale of the goods, services, or interest in
22 land.

23 Sec. 27. Section 537.1301, subsection 11, Code 1987, is
24 amended to read as follows:

25 11. "Consumer credit transaction" means a consumer credit
26 sale or consumer loan, or a refinancing or consolidation
27 thereof, or a consumer lease, or a consumer rental purchase
28 agreement.

29 Sec. 28. Section 537.1301, subsection 12, paragraph b,
30 Code 1987, is amended by adding the following new
31 subparagraph:

32 NEW SUBPARAGRAPH. (3) A consumer rental purchase
33 agreement as defined in section 537.3604.

34 Sec. 29. Section 537.1301, subsection 13, Code 1987, is
35 amended by striking the subsection and inserting in lieu

1 thereof the following:

2 13. CONSUMER LEASE.

3 a. Except as provided in paragraph "b", a consumer lease
4 is a lease of goods in which all of the following are
5 applicable:

6 (1) The lessor is regularly engaged in the business of
7 leasing.

8 (2) The lessee is a person other than an organization.

9 (3) The lessee takes under the lease primarily for a
10 personal, family, or household purpose.

11 (4) The amount payable under the lease does not exceed
12 twenty-five thousand dollars.

13 (5) The lease is for a term exceeding four months.

14 b. A consumer lease does not include a consumer rental
15 purchase agreement as defined in section 537.3604.

16 Sec. 30. Section 537.1301, subsection 14, paragraph b,
17 Code 1987, is amended by adding the following new
18 subparagraph:

19 NEW SUBPARAGRAPH. (4) A consumer rental purchase
20 agreement as defined in section 537.3604.

21 Sec. 31. Section 537.1301, subsection 19, paragraph b,
22 Code 1987, is amended by adding the following new
23 subparagraph:

24 NEW SUBPARAGRAPH. (4) Lease payments for a consumer
25 rental purchase agreement, or charges specifically authorized
26 by this chapter for consumer rental purchase agreements.

27 Sec. 32. Section 537.1301, subsection 28, unnumbered
28 paragraph 1, Code 1987, is amended to read as follows:

29 "Open-end credit" means an arrangement, other than a
30 consumer rental purchase agreement, pursuant to which all of
31 the following are applicable:

32 Sec. 33. Section 537.1301, subsection 33, Code 1987, is
33 amended to read as follows:

34 33. A "precomputed consumer credit transaction" is a
35 consumer credit transaction, other than a consumer lease or a

1 consumer rental purchase agreement, in which the debt is a sum
2 comprising the amount financed and the amount of the finance
3 charge computed in advance. A disclosure required by the
4 Truth in Lending Act does not in itself make a finance charge
5 or transaction precomputed.

6 Sec. 34. Section 537.1301, subsection 35, Code 1987, is
7 amended to read as follows:

8 35. "Sale of goods" includes, but is not limited to, any
9 agreement in the form of a bailment or lease of goods if the
10 bailee or lessee pays or agrees to pay as compensation for use
11 a sum substantially equivalent to or in excess of the
12 aggregate value of the goods involved and it is agreed that
13 the bailee or lessee will become, or for no other or a nominal
14 consideration has the option to become, the owner of the goods
15 upon full compliance with the terms of the agreement. "Sale
16 of goods" does not include a consumer rental purchase
17 agreement.

18 Sec. 35. Section 537.2504, unnumbered paragraph 1, Code
19 1987, is amended to read as follows:

20 With respect to a consumer credit transaction in which the
21 rate of finance charge required to be disclosed in the
22 transaction pursuant to section 537.3201 does not exceed
23 eighteen percent per year, other than a consumer lease or a
24 consumer rental purchase agreement, the creditor may, by
25 agreement with the consumer, refinance the unpaid balance and
26 may contract for and receive a finance charge based on the
27 amount financed resulting from the refinancing at a rate not
28 exceeding that permitted by the provisions on finance charge
29 for consumer credit sales other than open end credit in
30 section 537.2201 if a consumer credit sale is refinanced, the
31 provisions on finance charge for a consumer loan other than a
32 supervised loan in section 537.2401, subsection 1, or the
33 provisions on finance charge for a supervised loan not
34 pursuant to open end credit in section 537.2401, subsection 2,
35 as applicable, if a consumer loan is refinanced. With respect

1 to a consumer credit transaction in which the rate of finance
2 charge required to be disclosed in the transaction to the
3 consumer pursuant to section 537.3201 exceeds eighteen percent
4 per year, other than a consumer lease or a consumer rental
5 purchase agreement, the creditor may by agreement with the
6 consumer, refinance the unpaid balance and may contract for
7 and receive a finance charge based on the amount financed
8 resulting from the refinancing at a rate of finance charge not
9 to exceed that which was required to be disclosed in the
10 original transaction to the consumer pursuant to section
11 537.3201. For the purpose of determining the finance charge
12 permitted, the amount financed resulting from the refinancing
13 consists of:

14 Sec. 36. Section 537.2505, subsection 1, Code 1987, is
15 amended to read as follows:

16 1. In this section, "consumer credit transaction" does not
17 include a consumer lease or a consumer rental purchase
18 agreement.

19 Sec. 37. Section 537.2506, subsection 1, Code 1987, is
20 amended to read as follows:

21 1. If the agreement with respect to a consumer credit
22 transaction other than a consumer lease or a consumer rental
23 purchase agreement contains covenants by the consumer to
24 perform certain duties pertaining to insuring or preserving
25 collateral and the creditor pursuant to the agreement pays for
26 performance of the duties on behalf of the consumer, the
27 creditor may add the amounts paid to the debt. Within a
28 reasonable time after advancing any sums, the creditor shall
29 state to the consumer in writing the amount of the sums
30 advanced, any charges with respect to this amount, and any
31 revised payment schedule and, if the duties of the consumer
32 performed by the creditor pertain to insurance, a brief
33 description of the insurance paid for by the creditor
34 including the type and amount of coverages. No further
35 information need be given.

1 Sec. 38. Section 537.2508, Code 1987, is amended to read
2 as follows:

3 537.2508 CONVERSION TO OPEN END CREDIT.

4 The parties may agree at or within ten days prior to the
5 time of conversion to add the unpaid balance of a consumer
6 credit transaction, other than a consumer lease or a consumer
7 rental purchase agreement, not made pursuant to open end
8 credit to the consumer's open end credit account with the
9 creditor. The unpaid balance so added is an amount equal to
10 the amount financed determined according to the provisions on
11 finance charge on refinancing under section 537.2504.

12 Sec. 39. Section 537.2509, Code 1987, is amended to read
13 as follows:

14 537.2509 RIGHT TO PREPAY.

15 Subject to the provisions on prepayment and minimum charge
16 under section 537.2510, the consumer may prepay in full the
17 unpaid balance of a consumer credit transaction, other than a
18 consumer lease or a consumer rental purchase agreement, at any
19 time.

20 Sec. 40. Section 537.2510, subsection 3, unnumbered
21 paragraph 1, Code 1987, is amended to read as follows:

22 Upon prepayment, but not otherwise, of a consumer credit
23 transaction whether or not precomputed, other than a consumer
24 lease, a consumer rental purchase agreement, or one a
25 transaction pursuant to open end credit:

26 Sec. 41. Section 537.3102, Code 1987, is amended to read
27 as follows:

28 537.3102 SCOPE.

29 Part 2 applies to disclosure with respect to consumer
30 credit transactions, other than consumer rental purchase
31 agreements, and the provision in section 537.3201 applies to a
32 sale of an interest in land or a loan secured by an interest
33 in land, without regard to the rate of finance charge, if the
34 sale or loan is otherwise a consumer credit sale or consumer
35 loan. Parts 3 and 4 apply, respectively, to disclosure,

1 limitations on agreements and practices, and limitations on
2 consumer's liability with respect to certain consumer credit
3 transactions. Part 5 applies to home solicitation sales.
4 Part 6 applies to consumer rental agreements.

5 Sec. 42. Section 537.3301, subsection 2, Code 1987, is
6 amended to read as follows:

7 2. With respect to a consumer lease, a lessor may not take
8 a security interest in property to secure the debt arising
9 from the lease. This subsection does not apply to a security
10 deposit for a consumer lease or a consumer rental purchase
11 agreement.

12 Sec. 43. Section 537.3308, subsection 2, Code 1987, is
13 amended by adding the following new lettered paragraph:

14 NEW LETTERED PARAGRAPH. f. A consumer rental purchase
15 agreement.

16 Sec. 44. Section 537.3310, subsection 1, Code 1987, is
17 amended to read as follows:

18 1. In a consumer credit transaction, other than a consumer
19 rental purchase agreement, if performance by a creditor is by
20 delivery of goods, services, or both, in four or more
21 installments, either on demand of the consumer or by
22 prearranged scheduled performance, the consumer ~~shall have the~~
23 ~~right to~~ may cancel the obligation with respect to that part
24 which has not been performed on the date of cancellation.

25 Sec. 45. Section 537.5108, subsection 4, paragraph a, Code
26 1987, is amended to read as follows:

27 a. Belief by the seller, lessor, or lender at the time a
28 transaction is entered into that there is no reasonable
29 probability of payment in full of the obligation by the
30 consumer or debtor. However, the rental renewals necessary to
31 acquire ownership in a consumer rental purchase agreement
32 shall not be construed to be the obligation contemplated in
33 this subsection if the consumer may terminate the agreement
34 without penalty at any time. As used in this paragraph,
35 "obligation" means the initial periodic lease payments and any

1 other additional advance payments required at the consummation
2 of the transaction.

3 Sec. 46. Section 537.5108, subsection 4, paragraph b, Code
4 1987, is amended to read as follows:

5 b. In the case of a consumer credit sale, or consumer
6 lease, or consumer rental purchase agreement, knowledge by the
7 seller or lessor at the time of the sale or lease of the
8 inability of the consumer to receive substantial benefits from
9 the property or services sold or leased.

10 Sec. 47. Section 537.5108, subsection 4, paragraph c, Code
11 1987, is amended to read as follows:

12 c. In the case of a consumer credit sale, or consumer
13 lease, or consumer rental purchase agreement, gross disparity
14 between the price of the property or services sold or leased
15 and the value of the property or services measured by the
16 price at which similar property or services are readily
17 obtainable in consumer credit transactions by like consumers.

18 Sec. 48. Section 537.5109, subsection 1, Code 1987, is
19 amended to read as follows:

20 1. Failure to make a payment within ten days of the time
21 required by agreement, or in a consumer rental purchase
22 agreement, failure to renew an agreement and failure to return
23 the rented property or make arrangements for its return as
24 provided by the agreement.

25 Sec. 49. Section 537.5110, subsection 1, Code 1987, is
26 amended to read as follows:

27 1. Notwithstanding any term or agreement to the contrary,
28 the obligation of a consumer in a consumer credit transaction
29 is enforceable by a creditor only after compliance with this
30 section, except that in a consumer rental purchase agreement,
31 default is governed by section 537.3618.

32 Sec. 50. Section 537.5111, Code 1987, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. 5. This section does not apply to a
35 consumer rental purchase agreement, which is governed by

1 section 537.3618.

2 Sec. 51. Section 537.5201, paragraph 1, Code 1987, is
3 amended to read as follows:

4 1. The consumer, other than a lessee in a consumer rental
5 purchase agreement, has a cause of action to recover actual
6 damages and in addition a right in an action other than a
7 class action to recover from the person violating this chapter
8 a penalty in an amount determined by the court, but not less
9 than one hundred dollars nor more than one thousand dollars,
10 if a person has violated the provisions of this chapter
11 relating to:

12 Sec. 52. Section 537.5301, subsection 3, Code 1987, is
13 amended to read as follows:

14 3. A person, other than a lessor in a consumer rental
15 purchase agreement, who willfully and knowingly engages in the
16 business of entering into consumer credit transactions, or of
17 taking assignments of rights against consumers arising
18 therefrom and undertaking direct collection of payments or
19 enforcement of these rights, without complying with the
20 provisions of this chapter concerning notification under
21 section 537.6202 or payment of fees under section 537.6203, is
22 guilty of a simple misdemeanor.

23 Sec. 53. Sections 1 through 24 of this Act will be
24 codified as a new part 6 of article 3 of chapter 537.

25 EXPLANATION

26 This bill amends the consumer credit code to cover consumer
27 rental purchase (rent-to-own) agreements. A new part six is
28 added to the consumer credit code. Key definitions for the
29 consumer rental purchase agreement part are provided. Lessors
30 are required to provide certain disclosures in a consumer
31 rental purchase agreement, including a schedule of payments
32 and an explanation of the total dollar amount required to
33 acquire ownership. Consumer rental purchase agreements are
34 required to adhere to certain form and procedure requirements,
35 including delivery of a conforming written contract to the

1 lessor. Lessors are required to provide written receipts for
2 each rental payment. Minimum terms for the lessee's
3 acquisition of ownership during the term of the lease are
4 provided. Reinstatement rights are provided. Charges, such
5 as late charges, are limited.

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SMALL BUSINESS AND COMMERCE

*Now
H.F. 5025*

HOUSE FILE _____

BY (PREFILED DEPARTMENT OF JUSTICE BILL)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to including consumer rental purchase agreements
2 in the consumer credit code.

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

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Chapman*

COMMITTEE: *Small Business*

3/9/87

1 Section 1. NEW SECTION. 537.3601 SHORT TITLE.

2 This part of article 3 may be known and may be cited as the
3 "Consumer Rental Purchase Agreement Act".

4 Sec. 2. NEW SECTION. 537.3602 PURPOSES -- RULES OF
5 CONSTRUCTION.

6 1. This part shall be liberally construed and applied to
7 promote its underlying purposes and policies.

8 2. The underlying purposes and policies of this part are
9 to:

10 a. Define, simplify, and clarify the law governing
11 consumer rental purchase agreements.

12 b. Provide certain disclosures to consumers who enter into
13 consumer rental purchase agreements, and further consumer
14 understanding of the terms of consumer rental purchase
15 agreements.

16 c. Protect consumers against unfair practices.

17 d. Permit and encourage the development of fair and
18 economically sound rental purchase practices.

19 e. Make the law on consumer rental purchase agreements,
20 including administrative rules, more uniform among the various
21 uniform consumer credit code jurisdictions.

22 3. A reference to a requirement imposed by this part
23 includes a reference to a related rule of the administrator
24 adopted pursuant to this chapter.

25 Sec. 3. NEW SECTION. 537.3603 EXCLUSIONS.

26 This part does not apply to, and an agreement which
27 complies with this part is not governed by, the provisions
28 regarding:

29 1. A consumer credit sale as defined in section 537.1301,
30 subsection 12.

31 2. A consumer lease as defined in section 537.1301,
32 subsection 13.

33 3. A consumer loan as defined in section 537.1301,
34 subsection 14.

35 4. A lease or agreement which constitutes a "credit sale"

1 as defined in 12 C.F.R. § 226.2(a16), and the Truth In Lending
2 Act, 15 U.S.C. § 1602(g), or an agreement which constitutes a
3 "sale of goods" under section 537.1301, subsection 35.

4 5. A lease which constitutes a consumer lease as defined
5 in 12 C.F.R. § 226.2(a6).

6 6. A lease or agreement which constitutes a security
7 interest as defined in section 554.1201, subsection 37.

8 Sec. 4. NEW SECTION. 537.3604 GENERAL DEFINITIONS.

9 As used in this part, unless otherwise required by the
10 context:

11 1. "Administrator" means the administrator as designated
12 in section 537.6103.

13 2. "Advertisement" means a commercial message in any
14 medium, including signs, window displays, and price tags, that
15 promotes, directly or indirectly, a consumer rental purchase
16 agreement.

17 3. "Cash price" means the price at which the lessor in the
18 ordinary course of business would offer to sell the personal
19 property to the lessee for cash on the date of the consumer
20 rental purchase agreement.

21 4. "Consummation" means the time at which the lessee
22 enters into a consumer rental purchase agreement.

23 5. "Lessee" means a natural person who rents personal
24 property under a consumer rental purchase agreement for
25 personal, family, or household use.

26 6. "Lessor" means a person who, in the ordinary course of
27 business, regularly leases, offers to lease, or arranges for
28 the leasing of property under a consumer rental purchase
29 agreement.

30 7. "Personal property" means any property that is not real
31 property under the laws of this state when it is made
32 available for a consumer rental purchase agreement.

33 8. "Consumer rental purchase agreement" means an agreement
34 for the use of personal property in which all of the following
35 are applicable:

1 a. The lessor is regularly engaged in the rental purchase
2 business.

3 b. The agreement is for an initial period of four months
4 or less, whether or not there is any obligation beyond the
5 initial period, that is automatically renewable with each
6 payment and that permits the lessee to become the owner of the
7 property.

8 c. The lessee is a person other than an organization.

9 d. The lessee takes under the consumer rental purchase
10 agreement primarily for a personal, family, or household
11 purpose.

12 e. The amount payable under the consumer rental purchase
13 agreement does not exceed twenty-five thousand dollars.

14 Sec. 5. NEW SECTION. 537.3605 DISCLOSURES.

15 In a consumer rental purchase agreement, the lessor shall
16 disclose the following items, as applicable:

17 1. The total of scheduled payments accompanied by an
18 explanation that this term means the "total dollar amount of
19 lease payments you will have to make to acquire ownership".

20 2. By item, the total number, amounts, and timing of all
21 lease payments and other charges including taxes or official
22 fees paid to or through the lessor which are necessary to
23 acquire ownership of the property.

24 3. Any initial or advance payment such as a delivery
25 charge, security deposit, or trade-in allowance.

26 4. A statement that the lessee will not own the property
27 until the lessee has made the total of payments necessary to
28 acquire ownership of the property.

29 5. A statement that the total of payments does not include
30 additional charges such as late payment charges, and a
31 separate listing and explanation of these charges as
32 applicable.

33 6. If applicable, a statement that the lessee is
34 responsible for the fair market value of the property if and
35 as of the time it is lost, stolen, damaged, or destroyed.

1 7. A description of the goods or merchandise including
2 model numbers as applicable and a statement indicating whether
3 the property is new or used. It is not a violation of this
4 subsection to indicate that the property is used if it is
5 actually new.

6 8. A statement that at any time after the first periodic
7 payment is made, the lessee may acquire ownership of the
8 property by tendering fifty-five percent of the difference
9 between the total of scheduled payments necessary to acquire
10 ownership and the total amount of lease payments paid on the
11 account at that time. It is not a violation of this
12 subsection for the lessor and the lessee to agree in writing
13 to allow the lessee to acquire ownership of the property for
14 less than the amounts referred to in this subsection.

15 9. The cash price of the merchandise.

16 Sec. 6. NEW SECTION. 537.3606 FORM REQUIREMENTS.

17 1. The disclosure information required by section 537.3605
18 and this section shall be disclosed in a consumer rental
19 purchase agreement, and shall meet the following requirements:

20 a. Be made clearly and conspicuously with items appearing
21 in logical order and segregated as appropriate for readability
22 and clarity.

23 b. Be made in writing.

24 c. Except as provided in subsection 2 or in rules adopted
25 by the administrator, need not be contained in a single
26 writing or made in the order set forth in section 537.3605.

27 d. May be supplemented by additional information or
28 explanations supplied by the lessor, but none shall be stated,
29 used or placed so as to mislead or confuse the lessee, or to
30 contradict, obscure, or detract attention from the information
31 required by section 537.3605, and so long as the additional
32 information or explanations do not have the effect of
33 circumventing, evading, or unduly complicating the information
34 required to be disclosed by section 537.3605.

35 2. The lessor shall disclose all information required by

1 section 537.3605 before the consumer rental purchase agreement
2 is consummated. These disclosures shall be made on the face
3 of the writing evidencing the consumer rental purchase
4 agreement.

5 3. Before any payment is due, the lessor shall furnish the
6 lessee with an exact copy of each consumer rental purchase
7 agreement, which shall be signed by the lessee and which shall
8 evidence the lessee's agreement. If there is more than one
9 lessee in a consumer rental purchase agreement, delivery of a
10 copy of the consumer rental purchase agreement to one of the
11 lessees constitutes compliance with this part; however, a
12 lessee not signing the agreement is not liable under it.

13 4. The administrator may adopt by rule requirements for
14 the order, acknowledgement by initialing, and conspicuousness
15 of the disclosures set forth in section 537.3605. These rules
16 may allow these disclosures to be made in accordance with
17 model forms prepared by the administrator.

18 5. The terms of the consumer rental purchase agreement,
19 except as otherwise provided in this part, shall be set forth
20 in not less than eight-point standard type, or such similar
21 type as prescribed in rules adopted by the administrator.

22 6. Every consumer rental purchase agreement shall contain
23 immediately above or adjacent to the place for the signature
24 of the lessee, a clear, conspicuous, printed or typewritten
25 notice in substantially the following language:

26 NOTICE TO LESSEE -- READ BEFORE SIGNING

27 a. DO NOT SIGN THIS BEFORE YOU READ THE ENTIRE AGREEMENT
28 INCLUDING ANY WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE
29 ADVISED.

30 b. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

31 c. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU
32 SIGN.

33 d. YOU HAVE THE RIGHT TO EXERCISE ANY EARLY BUY-OUT OPTION
34 AS PROVIDED IN THIS AGREEMENT. EXERCISE OF THIS OPTION MAY
35 RESULT IN A REDUCTION OF YOUR TOTAL COST TO ACQUIRE OWNERSHIP

1 UNDER THIS AGREEMENT.

2 e. IF YOU ELECT TO MAKE WEEKLY RATHER THAN MONTHLY
3 PAYMENTS AND EXERCISE YOUR PURCHASE OPTION, YOU MAY PAY MORE
4 FOR THE LEASED PROPERTY.

5 7. The notice described in subsection 6 shall be in bold
6 face, ten-point type.

7 Sec. 7. NEW SECTION. 537.3607 RECEIPTS.

8 The lessor shall furnish the lessee, without request, an
9 itemized written receipt for each payment in cash, or any
10 other time the method of payment itself does not provide
11 evidence of payment.

12 Sec. 8. NEW SECTION. 537.3608 ACQUIRING OWNERSHIP.

13 At any time after the first lease payment is made, the
14 lessee may acquire ownership of the property by tendering
15 fifty-five percent of the difference between the total of
16 lease payments necessary to acquire ownership and the total
17 amount of lease payments made. The lessor shall then provide
18 written evidence to the lessee that the lessee has acquired
19 ownership of the property. It is not a violation of this
20 section for the lessor and the lessee to agree in writing to
21 allow the lessee to acquire ownership of the property for less
22 than the amounts referred to in this section.

23 Sec. 9. NEW SECTION. 537.3609 RENEGOTIATION.

24 1. A renegotiation occurs when an existing consumer rental
25 purchase agreement is satisfied and replaced by a new consumer
26 rental purchase agreement undertaken by the same lessor and
27 lessee. A renegotiation is a new lease requiring new
28 disclosures.

29 2. However, the following events are not renegotiations:

30 a. The addition or return of property in a multi-item
31 agreement or the substitution of the leased property, if in
32 either case the lease payment is not changed by more than
33 twenty-five percent.

34 b. A deferral or extension of one or more lease payments,
35 or portions of a lease payment.

- 1 c. A reduction in charges in the agreement.
- 2 d. A lease or agreement involved in a court proceeding.

3 Sec. 10. NEW SECTION. 537.3610 BALLOON PAYMENTS
4 PROHIBITED.

5 A lessee shall not be required, as a condition to acquiring
6 ownership, to make a payment that is more than twice the
7 amount of a regular rental payment, or to pay lease payments
8 totaling more than the cost to acquire ownership as disclosed
9 pursuant to section 537.3605. This section does not apply to
10 payments made pursuant to section 537.3608, 537.3612, or
11 537.3619.

12 Sec. 11. NEW SECTION. 537.3611 PROHIBITED CHARGES.

13 A lessor shall not make a charge for any of the following:

14 1. Any insurance whether in connection with the
15 transaction or otherwise, except that a charge may be made for
16 property insurance on the leased property if the charge is
17 clearly disclosed as optional and all other requirements of
18 section 537.2501, subsection 2, paragraph "a", are met.

19 2. A penalty for early termination of a consumer rental
20 purchase agreement or for the return of an item at any point,
21 except for those charges authorized by sections 537.3612 and
22 537.3613.

23 3. Payment by a cosigner of the consumer rental purchase
24 agreement of any fees or charges which could not be imposed
25 upon the lessee as part of the consumer rental purchase
26 agreement.

27 Sec. 12. NEW SECTION. 537.3612 ADDITIONAL CHARGES.

28 1. In a consumer rental purchase agreement, the lessor may
29 contract for and receive an initial nonrefundable
30 administrative fee not to exceed ten dollars. If a security
31 deposit is required by the lessor, the amount and conditions
32 under which it is returned must be disclosed with the
33 disclosures required by sections 537.3605 and 537.3606.

34 2. In a consumer rental purchase agreement, the lessor may
35 contract for and receive a delivery charge not to exceed ten

1 dollars or, in the case of a consumer rental purchase
2 agreement covering more than five items, a delivery charge not
3 to exceed twenty-five dollars. A delivery charge may be
4 assessed only if the lessor actually delivers the items to the
5 lessee's dwelling and the delivery charge is disclosed with
6 the disclosures required by sections 537.3065 and 537.3606.
7 The delivery charge may be assessed in lieu of and not in
8 addition to the initial administrative charge in subsection 1
9 of this section.

10 3. In a consumer rental purchase agreement, a lessor may
11 contract for and receive a charge for picking up payments from
12 the lessee if the lessor is required or requested to visit the
13 lessee's dwelling to pick up a payment. In a consumer rental
14 purchase agreement with payment or renewal dates which are
15 more frequent than monthly, this charge shall not be assessed
16 more than three times in any three-month period. In consumer
17 rental purchase agreements with payments or renewal options
18 which are at least monthly, this charge shall not be assessed
19 more than three times in any six-month period. A charge
20 assessed pursuant to this subsection shall not exceed seven
21 dollars. This charge is in lieu of any delinquency charge
22 assessed for the applicable payment period.

23 4. In a consumer rental purchase agreement, the parties
24 may contract for late charges or delinquency fees as follows:

25 a. For consumer rental purchase agreements with monthly
26 renewal dates, a late charge not exceeding five dollars may be
27 assessed on any payment not made within five business days
28 after either payment is due or the return of the property is
29 required.

30 b. For consumer rental purchase agreements with weekly or
31 biweekly renewal dates, a late charge not exceeding three
32 dollars may be assessed on any payments not made within three
33 business days after either payment is due or the return of the
34 property is required.

35 A late charge on a consumer rental purchase agreement may

1 be collected only once on any accrued payment, no matter how
2 long it remains unpaid. A late charge may be collected at the
3 time it accrues or at any time thereafter. A late charge
4 shall not be assessed against a payment that is timely made,
5 even though an earlier late charge has not been paid in full.

6 Sec. 13. NEW SECTION. 537.3613 REINSTATEMENT FEES.

7 A reinstatement fee as provided for in section 537.3616
8 shall not equal more than the outstanding balance of any
9 missed payments and delinquency charges on those missed
10 payments plus an additional reinstatement fee that shall not
11 exceed five dollars.

12 Sec. 14. NEW SECTION. 537.3614 TAXES AND OFFICIAL FEES.

13 1. If the amount is separately disclosed in the agreement,
14 the lessor may require the lessee to pay all applicable state
15 and county sales, use, and personal property taxes levied as a
16 result of the execution of the consumer rental purchase
17 agreement, provided that the lessor pays the full amount of
18 these taxes to the appropriate authorities.

19 2. If the amount is separately disclosed in the agreement,
20 the lessor may contract for and receive from the lessee an
21 amount equal to all official fees required to be paid under
22 the consumer rental purchase agreement provided that the
23 lessor pays the full amount of these fees to the appropriate
24 authorities.

25 Sec. 15. NEW SECTION. 537.3615 ADVERTISING.

26 1. An advertisement for a consumer rental purchase
27 agreement shall not state or imply that a specific item is
28 available at specific amounts or terms unless the lessor
29 usually and customarily offers or will offer that item at
30 those amounts or terms.

31 2. If an advertisement for a consumer rental purchase
32 agreement refers to or states the amount of any payment, or
33 the right to acquire ownership, for a specific item, the
34 advertisement must also clearly and conspicuously state the
35 following terms as applicable:

1 a. That the transaction advertised is a consumer rental
2 purchase agreement.

3 b. The total of payments necessary to acquire ownership.

4 c. That the lessee will not own the property until the
5 total amount necessary to acquire ownership is paid in full or
6 by prepayment as provided for by law.

7 3. Notwithstanding the requirements of subsection 1, if
8 the advertisement is published by way of radio announcement or
9 on a roadside billboard, the lessor need only make the
10 disclosures required by subsection 2, paragraphs "a" and "c".

11 4. With respect to any matters specifically governed by
12 the advertising provisions of the federal Consumer Credit
13 Protection Act, compliance with that Act satisfies the
14 requirements of this section.

15 5. This section does not apply to the owner or personnel,
16 as such, of any medium in which an advertisement appears or
17 through which it is disseminated.

18 Sec. 16. NEW SECTION. 537.3616 LESSEE'S REINSTATEMENT
19 RIGHTS.

20 1. A lessee who fails to make timely rental payments has
21 the right to reinstate the original consumer rental purchase
22 agreement without losing any rights or options previously
23 acquired under the consumer rental purchase agreement if both
24 of the following apply:

25 a. Subsequent to having failed to make a timely rental
26 payment, the lessee has surrendered the property to the
27 lessor, if and when requested by the lessor.

28 b. Not more than sixty days has passed since the lessee
29 has returned the property.

30 2. As a condition precedent to reinstatement of a consumer
31 rental purchase agreement, a lessor may charge the outstanding
32 balance of any accrued payments and delinquency charges, a
33 reinstatement fee, and the delivery charges allowable by
34 section 537.3612, subsection 2, if redelivery of the item is
35 necessary.

1 3. If reinstatement occurs pursuant to this section, the
2 lessor shall provide the lessee with the same item, if
3 available, leased by the lessee prior to reinstatement. If
4 the same item is not available, a substitute item of
5 comparable worth, quality, and condition may be used. If a
6 substitute item is provided, the lessor shall provide the
7 lessee with all the information required by section 537.3605.

8 Sec. 17. NEW SECTION. 537.3617 UNCONSCIONABILITY.

9 Unconscionability in consumer rental purchase agreements is
10 governed by section 537.5108.

11 Sec. 18. NEW SECTION. 537.3618 DEFAULT.

12 An agreement of the parties to a consumer rental purchase
13 agreement with respect to default on the part of the lessee is
14 enforceable only to the extent that one of the following
15 apply:

16 1. The lessee both fails to renew an agreement and also
17 fails to return the rented property or make arrangements for
18 its return as provided by the agreement.

19 2. The prospect of payment, performance, or return of the
20 property is materially impaired due to a breach of the
21 consumer rental purchase agreement; the burden of establishing
22 the prospect of material impairment is on the lessor.

23 Sec. 19. NEW SECTION. 537.3619 CURE OF DEFAULT.

24 1. In a consumer rental purchase agreement, after a lessee
25 has been in default for three business days and has not
26 voluntarily surrendered possession of the rented property, a
27 lessor may give the lessee the notice provided in subsection 3
28 when the consumer has the right to cure a default. A lessor
29 gives the notice to the lessee under this section when the
30 lessor delivers notice to the lessee or mails the notice to
31 the last known address of the lessee.

32 2. For the purpose of this section, there is no right to
33 cure and no limitation on the lessor's rights with respect to
34 a default that occurs within twelve months after an earlier
35 default as to which a lessor has given a proper notice of the

1 lessee's right to cure.

2 3. The notice of right to cure must be in writing and
3 conspicuously state all of the following:

4 a. The name, address, and telephone number of the lessor
5 to whom payment is to be made.

6 b. A brief identification of the transaction.

7 c. The lessee's right to cure the default.

8 d. The amount of payment and date by which payment must be
9 made to cure the default. A notice in substantially the
10 following form complies with this subsection:

11 THE NAME, ADDRESS, & TELEPHONE NUMBER OF THE LESSOR
12 ACCOUNT NUMBER, IF ANY

13 BRIEF IDENTIFICATION OF TRANSACTION

14 (_____) is the last date for payment, (_____) is the
15 amount now due. You have failed to renew your rental purchase
16 agreement(s). If you pay the amount now due (above) by the
17 last date for payment (above), you may continue with the
18 agreement as though you had renewed on time. If you do not
19 pay by that date, we may exercise our rights under the law.
20 If you are late again during the next twelve months of your
21 agreement, in either returning the property or renewing your
22 agreement, we may exercise our rights without sending you
23 another notice like this one. If you have questions, you may
24 write or telephone the lessor promptly.

25 4. With respect to a consumer rental purchase agreement,
26 except as provided in subsection 5, after a default consisting
27 of the lessee's failure to renew and failure to return the
28 property, a lessor, because of that default, may not instigate
29 court action to recover the rented property until five
30 business days after the notice of the lessee's right to cure
31 is given. In the case of an agreement with weekly or biweekly
32 renewal dates, such action shall not be taken until three
33 business days after the notice of the lessee's right to cure
34 is given.

35 5. With respect to defaults on the same consumer rental

1 purchase agreement and subject to subsection 4, after a lessor
2 has once given a proper notice of the lessee's right to cure,
3 this section does not give the consumer a right to cure or
4 impose any additional limitations beyond those otherwise
5 imposed by this part on the lessor's right to proceed against
6 the lessee or the lessor's right to recover the property.

7 6. Until expiration of the minimum applicable periods
8 contained in subsection 4 after notice is given, the lessee
9 may cure all defaults consisting of failure to renew and
10 failure to return the property by tendering the amount of all
11 unpaid sums due at the time of the tender plus any unpaid
12 delinquency charges or other charges authorized by section
13 537.3616.

14 7. This section and the provisions or limitations of
15 agreements do not prohibit a lessee from voluntarily
16 surrendering possession of the rented property, and the lessor
17 from enforcing any past due obligation which the lessee may
18 have at any time after default. However, in an enforcement
19 proceeding, the lessor shall affirmatively plead and prove
20 either that the notice to cure is not required or that the
21 lessor has given the required notice, but the failure to so
22 plead does not invalidate any action taken by the lessor that
23 is lawful and if the lessor has rightfully repossessed any
24 property the repossession is not conversion.

25 8. A repossession of rented property in violation of this
26 section is void.

27 Sec. 20. NEW SECTION. 537.3620 WILLFUL VIOLATIONS.

28 A person who willfully and intentionally violates a
29 provision of this part is guilty of a serious misdemeanor.

30 Sec. 21. NEW SECTION. 537.3621 DAMAGES.

31 In case of a violation of a provision of this part with
32 respect to a consumer rental purchase agreement, the lessee in
33 the agreement may recover from the person committing the
34 violation, or may set off or counterclaim in an action by that
35 person, actual damages, with a minimum recovery of three

1 hundred dollars or twenty-five percent of the total cost to
2 acquire ownership under the consumer rental purchase
3 agreement, whichever is greater; attorneys' fees; and court
4 costs.

5 Sec. 22. NEW SECTION. 537.3622 EFFECT OF CORRECTION.

6 Notwithstanding sections 537.3620 and 537.3621, a failure
7 to comply with a provision of this part which is due to a bona
8 fide error may be corrected within thirty days after the date
9 of execution of the consumer rental purchase agreement by the
10 lessee. If so corrected, neither the lessor nor any holder is
11 subject to penalty under this section if, where appropriate, a
12 new written agreement and disclosures are provided to the
13 lessee and any excess charges are refunded to the lessee.

14 Sec. 23. NEW SECTION. 537.3623 STATUTE OF LIMITATIONS.

15 An action shall not be brought under this part more than
16 two years after the occurrence of the alleged violation.

17 Sec. 24. NEW SECTION. 537.3624 ENFORCEMENT.

18 1. The provisions of this part are subject to the powers
19 and functions of the administrator as provided in article 6 of
20 this chapter and to the debt collection practices as provided
21 in article 7 of this chapter. However, section 537.6113,
22 subsection 2, does not apply to violations of this part.

23 2. If a court finds in an action brought by the
24 administrator pursuant to section 537.6113 that it is proven
25 that a lessor has intentionally acted in bad faith in its
26 performance under this part, the lessor is subject to a civil
27 penalty of not less than one hundred dollars nor more than one
28 thousand dollars for each violation. However, no more than
29 one penalty may be imposed in any one action against a lessor
30 for repeated violations of the same provision. A civil
31 penalty pursuant to this subsection shall not be imposed for a
32 violation of this part occurring more than two years before
33 the action is brought, or for making unconscionable agreements
34 or engaging in a course of fraudulent or unconscionable
35 conduct.

1 Sec. 25. Section 639.3, Code 1987, is amended by adding
2 the following new subsections:

3 NEW SUBSECTION. 13. That the defendant is about to
4 dispose of property belonging to the plaintiff.

5 NEW SUBSECTION. 14. That the defendant is about to
6 convert the plaintiff's property or a part thereof into money
7 for the purpose of placing it beyond the reach of the
8 plaintiff.

9 NEW SUBSECTION. 15. That the defendant is about to move
10 permanently out of state, and refuses to return property
11 belonging to the plaintiff.

12 Sec. 26. Section 537.1301, subsection 8, Code 1987, is
13 amended to read as follows:

14 8. "Cash price" of goods, services, or an interest in land
15 means, except in the case of a consumer rental purchase
16 agreement, the price at which they are sold by the seller to
17 cash buyers in the ordinary course of business, and may
18 include the cash price of accessories or services related to
19 the sale, such as delivery, installation, alterations,
20 modifications, and improvements, and taxes to the extent
21 imposed on a cash sale of the goods, services, or interest in
22 land.

23 Sec. 27. Section 537.1301, subsection 11, Code 1987, is
24 amended to read as follows:

25 11. "Consumer credit transaction" means a consumer credit
26 sale or consumer loan, or a refinancing or consolidation
27 thereof, or a consumer lease, or a consumer rental purchase
28 agreement.

29 Sec. 28. Section 537.1301, subsection 12, paragraph b,
30 Code 1987, is amended by adding the following new
31 subparagraph:

32 NEW SUBPARAGRAPH. (3) A consumer rental purchase
33 agreement as defined in section 537.3601.

34 Sec. 29. Section 537.1301, subsection 13, Code 1987, is
35 amended by striking the subsection and inserting in lieu

1 thereof the following:

2 13. CONSUMER LEASE.

3 a. Except as provided in paragraph "b", a consumer lease
4 is a lease of goods in which all of the following are
5 applicable:

6 (1) The lessor is regularly engaged in the business of
7 leasing.

8 (2) The lessee is a person other than an organization.

9 (3) The lessee takes under the lease primarily for a
10 personal, family, or household purpose.

11 (4) The amount payable under the lease does not exceed
12 twenty-five thousand dollars.

13 (5) The lease is for a term exceeding four months.

14 b. A consumer lease does not include a consumer rental
15 purchase agreement as defined in section 537.3601.

16 Sec. 30. Section 537.1301, subsection 14, paragraph b,
17 Code 1987, is amended by adding the following new
18 subparagraph:

19 NEW SUBPARAGRAPH. (4) A consumer rental purchase
20 agreement as defined in section 537.3601.

21 Sec. 31. Section 537.1301, subsection 19, paragraph b,
22 Code 1987, is amended by adding the following new
23 subparagraph:

24 NEW SUBPARAGRAPH. (4) Lease payments for a consumer
25 rental purchase agreement, or charges specifically authorized
26 by this chapter for consumer rental purchase agreements.

27 Sec. 32. Section 537.1301, subsection 28, unnumbered
28 paragraph 1, Code 1987, is amended to read as follows:

29 "Open-end credit" means an arrangement, other than a
30 consumer rental purchase agreement, pursuant to which all of
31 the following are applicable:

32 Sec. 33. Section 537.1301, subsection 33, Code 1987, is
33 amended to read as follows:

34 33. A "precomputed consumer credit transaction" is a
35 consumer credit transaction, other than a consumer lease or a

1 consumer rental purchase agreement, in which the debt is a sum
2 comprising the amount financed and the amount of the finance
3 charge computed in advance. A disclosure required by the
4 Truth in Lending Act does not in itself make a finance charge
5 or transaction precomputed.

6 Sec. 34. Section 537.1301, subsection 35, Code 1987, is
7 amended to read as follows:

8 35. "Sale of goods" includes, but is not limited to, any
9 agreement in the form of a bailment or lease of goods if the
10 bailee or lessee pays or agrees to pay as compensation for use
11 a sum substantially equivalent to or in excess of the
12 aggregate value of the goods involved and it is agreed that
13 the bailee or lessee will become, or for no other or a nominal
14 consideration has the option to become, the owner of the goods
15 upon full compliance with the terms of the agreement. "Sale
16 of goods" does not include a consumer rental purchase
17 agreement.

18 Sec. 35. Section 537.2504, unnumbered paragraph 1, Code
19 1987, is amended to read as follows:

20 With respect to a consumer credit transaction in which the
21 rate of finance charge required to be disclosed in the
22 transaction pursuant to section 537.3201 does not exceed
23 eighteen percent per year, other than a consumer lease or a
24 consumer rental purchase agreement, the creditor may, by
25 agreement with the consumer, refinance the unpaid balance and
26 may contract for and receive a finance charge based on the
27 amount financed resulting from the refinancing at a rate not
28 exceeding that permitted by the provisions on finance charge
29 for consumer credit sales other than open end credit in
30 section 537.2201 if a consumer credit sale is refinanced, the
31 provisions on finance charge for a consumer loan other than a
32 supervised loan in section 537.2401, subsection 1, or the
33 provisions on finance charge for a supervised loan not
34 pursuant to open end credit in section 537.2401, subsection 2,
35 as applicable, if a consumer loan is refinanced. With respect

1 to a consumer credit transaction in which the rate of finance
2 charge required to be disclosed in the transaction to the
3 consumer pursuant to section 537.3201 exceeds eighteen percent
4 per year, other than a consumer lease or a consumer rental
5 purchase agreement, the creditor may by agreement with the
6 consumer, refinance the unpaid balance and may contract for
7 and receive a finance charge based on the amount financed
8 resulting from the refinancing at a rate of finance charge not
9 to exceed that which was required to be disclosed in the
10 original transaction to the consumer pursuant to section
11 537.3201. For the purpose of determining the finance charge
12 permitted, the amount financed resulting from the refinancing
13 consists of:

14 Sec. 36. Section 537.2505, subsection 1, Code 1987, is
15 amended to read as follows:

16 1. In this section, "consumer credit transaction" does not
17 include a consumer lease or a consumer rental purchase
18 agreement.

19 Sec. 37. Section 537.2506, subsection 1, Code 1987, is
20 amended to read as follows:

21 1. If the agreement with respect to a consumer credit
22 transaction other than a consumer lease or a consumer rental
23 purchase agreement contains covenants by the consumer to
24 perform certain duties pertaining to insuring or preserving
25 collateral and the creditor pursuant to the agreement pays for
26 performance of the duties on behalf of the consumer, the
27 creditor may add the amounts paid to the debt. Within a
28 reasonable time after advancing any sums, the creditor shall
29 state to the consumer in writing the amount of the sums
30 advanced, any charges with respect to this amount, and any
31 revised payment schedule and, if the duties of the consumer
32 performed by the creditor pertain to insurance, a brief
33 description of the insurance paid for by the creditor
34 including the type and amount of coverages. No further
35 information need be given.

1 Sec. 38. Section 537.2508, Code 1987, is amended to read
2 as follows:

3 537.2508 CONVERSION TO OPEN END CREDIT.

4 The parties may agree at or within ten days prior to the
5 time of conversion to add the unpaid balance of a consumer
6 credit transaction, other than a consumer lease or a consumer
7 rental purchase agreement, not made pursuant to open end
8 credit to the consumer's open end credit account with the
9 creditor. The unpaid balance so added is an amount equal to
10 the amount financed determined according to the provisions on
11 finance charge on refinancing under section 537.2504.

12 Sec. 39. Section 537.2509, Code 1987, is amended to read
13 as follows:

14 537.2509 RIGHT TO PREPAY.

15 Subject to the provisions on prepayment and minimum charge
16 under section 537.2510, the consumer may prepay in full the
17 unpaid balance of a consumer credit transaction, other than a
18 consumer lease or a consumer rental purchase agreement, at any
19 time.

20 Sec. 40. Section 537.2510, subsection 3, unnumbered
21 paragraph 1, Code 1987, is amended to read as follows:

22 Upon prepayment, but not otherwise, of a consumer credit
23 transaction whether or not precomputed, other than a consumer
24 lease, a consumer rental purchase agreement, or one a
25 transaction pursuant to open end credit:

26 Sec. 41. Section 537.3102, Code 1987, is amended to read
27 as follows:

28 537.3102 SCOPE.

29 Part 2 applies to disclosure with respect to consumer
30 credit transactions, other than consumer rental purchase
31 agreements, and the provision in section 537.3201 applies to a
32 sale of an interest in land or a loan secured by an interest
33 in land, without regard to the rate of finance charge, if the
34 sale or loan is otherwise a consumer credit sale or consumer
35 loan. Parts 3 and 4 apply, respectively, to disclosure,

1 limitations on agreements and practices, and limitations on
2 consumer's liability with respect to certain consumer credit
3 transactions. Part 5 applies to home solicitation sales.
4 Part 6 applies to consumer rental agreements.

5 Sec. 42. Section 537.3301, subsection 2, Code 1987, is
6 amended to read as follows:

7 2. With respect to a consumer lease, a lessor may not take
8 a security interest in property to secure the debt arising
9 from the lease. This subsection does not apply to a security
10 deposit for a consumer lease or a consumer rental purchase
11 agreement.

12 Sec. 43. Section 537.3308, subsection 2, Code 1987, is
13 amended by adding the following new lettered paragraph:

14 NEW LETTERED PARAGRAPH. f. A consumer rental purchase
15 agreement.

16 Sec. 44. Section 537.3310, subsection 1, Code 1987, is
17 amended to read as follows:

18 1. In a consumer credit transaction, other than a consumer
19 rental purchase agreement, if performance by a creditor is by
20 delivery of goods, services, or both, in four or more
21 installments, either on demand of the consumer or by
22 prearranged scheduled performance, the consumer ~~shall have the~~
23 ~~right to~~ may cancel the obligation with respect to that part
24 which has not been performed on the date of cancellation.

25 Sec. 45. Section 537.5108, subsection 4, paragraph a, Code
26 1987, is amended to read as follows:

27 a. Belief by the seller, lessor, or lender at the time a
28 transaction is entered into that there is no reasonable
29 probability of payment in full of the obligation by the
30 consumer or debtor. However, the rental renewals necessary to
31 acquire ownership in a consumer rental purchase agreement
32 shall not be construed to be the obligation contemplated in
33 this subsection if the consumer may terminate the agreement
34 without penalty at any time. As used in this paragraph,
35 "obligation" means the initial periodic lease payments and any

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1 other additional advance payments required at the consummation
2 of the transaction.

3 Sec. 46. Section 537.5108, subsection 4, paragraph b, Code
4 1987, is amended to read as follows:

5 b. In the case of a consumer credit sale, or consumer
6 lease, or consumer rental purchase agreement, knowledge by the
7 seller or lessor at the time of the sale or lease of the
8 inability of the consumer to receive substantial benefits from
9 the property or services sold or leased.

10 Sec. 47. Section 537.5108, subsection 4, paragraph c, Code
11 1987, is amended to read as follows:

12 c. In the case of a consumer credit sale, or consumer
13 lease, or consumer rental purchase agreement, gross disparity
14 between the price of the property or services sold or leased
15 and the value of the property or services measured by the
16 price at which similar property or services are readily
17 obtainable in consumer credit transactions by like consumers.

18 Sec. 48. Section 537.5109, subsection 1, Code 1987, is
19 amended to read as follows:

20 1. Failure to make a payment within ten days of the time
21 required by agreement, or in a consumer rental purchase
22 agreement, failure to renew an agreement and failure to return
23 the rented property or make arrangements for its return as
24 provided by the agreement.

25 Sec. 49. Section 537.5110, subsection 1, Code 1987, is
26 amended to read as follows:

27 1. Notwithstanding any term or agreement to the contrary,
28 the obligation of a consumer in a consumer credit transaction
29 is enforceable by a creditor only after compliance with this
30 section, except that in a consumer rental purchase agreement,
31 default is governed by section 537.3618.

32 Sec. 50. Section 537.5111, Code 1987, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. 5. This section does not apply to a
35 consumer rental purchase agreement, which is governed by

1 section 537.3618.

2 Sec. 51. Section 537.5201, paragraph 1, Code 1987, is
3 amended to read as follows:

4 1. The consumer, other than a lessee in a consumer rental
5 purchase agreement, has a cause of action to recover actual
6 damages and in addition a right in an action other than a
7 class action to recover from the person violating this chapter
8 a penalty in an amount determined by the court, but not less
9 than one hundred dollars nor more than one thousand dollars,
10 if a person has violated the provisions of this chapter
11 relating to:

12 Sec. 52. Section 537.5301, subsection 3, Code 1987, is
13 amended to read as follows:

14 3. A person, other than a lessor in a consumer rental
15 purchase agreement, who willfully and knowingly engages in the
16 business of entering into consumer credit transactions, or of
17 taking assignments of rights against consumers arising
18 therefrom and undertaking direct collection of payments or
19 enforcement of these rights, without complying with the
20 provisions of this chapter concerning notification under
21 section 537.6202 or payment of fees under section 537.6203, is
22 guilty of a simple misdemeanor.

23 Sec. 53. Sections 1 through 24 of this Act will be
24 codified as a new part 6 of article 3 of chapter 537.

25 EXPLANATION

26 This bill amends the consumer credit code to cover consumer
27 rental purchase (rent-to-own) agreements. A new part six is
28 added to the consumer credit code. Key definitions for the
29 consumer rental purchase agreement part are provided. Lessors
30 are required to provide certain disclosures in a consumer
31 rental purchase agreement, including a schedule of payments
32 and an explanation of the total dollar amount required to
33 acquire ownership. Consumer rental purchase agreements are
34 required to adhere to certain form and procedure requirements,
35 including delivery of a conforming written contract to the

1 lessor. Lessors are required to provide written receipts for
2 each rental payment. Minimum terms for the lessee's
3 acquisition of ownership during the term of the lease are
4 provided. Reinstatement rights are provided. Charges, such
5 as late charges, are limited.

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HOUSE FILE 585

AN ACT
RELATING TO INCLUDING CONSUMER RENTAL PURCHASE AGREEMENTS
IN THE CONSUMER CREDIT CODE.

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

Section 1. NEW SECTION. 537.3601 SHORT TITLE.

This part of article 3 may be known and may be cited as the
"Consumer Rental Purchase Agreement Act".

Sec. 2. NEW SECTION. 537.3602 PURPOSES -- RULES OF
CONSTRUCTION.

1. This part shall be liberally construed and applied to
promote its underlying purposes and policies.

2. The underlying purposes and policies of this part are
to:

a. Define, simplify, and clarify the law governing
consumer rental purchase agreements.

b. Provide certain disclosures to consumers who enter into
consumer rental purchase agreements, and further consumer
understanding of the terms of consumer rental purchase
agreements.

c. Protect consumers against unfair practices.

d. Permit and encourage the development of fair and
economically sound rental purchase practices.

e. Make the law on consumer rental purchase agreements,
including administrative rules, more uniform among the various
uniform consumer credit code jurisdictions.

3. A reference to a requirement imposed by this part
includes a reference to a related rule of the administrator
adopted pursuant to this chapter.

Sec. 3. NEW SECTION. 537.3603 EXCLUSIONS.

This part does not apply to, and an agreement which
complies with this part is not governed by, the provisions
regarding:

1. A consumer credit sale as defined in section 537.1301,
subsection 12.

2. A consumer lease as defined in section 537.1301,
subsection 13.

3. A consumer loan as defined in section 537.1301,
subsection 14.

4. A lease or agreement which constitutes a "credit sale"
as defined in 12 C.P.R. § 226.2(a16), and the Truth In Lending
Act, 15 U.S.C. § 1602(g), or an agreement which constitutes a
"sale of goods" under section 537.1301, subsection 35.

5. A lease which constitutes a consumer lease as defined
in 12 C.P.R. § 226.2(a6).

6. A lease or agreement which constitutes a security
interest as defined in section 554.1201, subsection 37.

Sec. 4. NEW SECTION. 537.3604 GENERAL DEFINITIONS.

As used in this part, unless otherwise required by the
context:

1. "Administrator" means the administrator as designated
in section 537.6103.

2. "Advertisement" means a commercial message in any
medium, including signs, window displays, and price tags, that
promotes, directly or indirectly, a consumer rental purchase
agreement.

3. "Cash price" means the price at which the lessor in the ordinary course of business would offer to sell the personal property to the lessee for cash on the date of the consumer rental purchase agreement.

4. "Consummation" means the time at which the lessee enters into a consumer rental purchase agreement.

5. "Lessee" means a natural person who rents personal property under a consumer rental purchase agreement for personal, family, or household use.

6. "Lessor" means a person who, in the ordinary course of business, regularly leases, offers to lease, or arranges for the leasing of property under a consumer rental purchase agreement.

7. "Personal property" means any property that is not real property under the laws of this state when it is made available for a consumer rental purchase agreement.

8. "Consumer rental purchase agreement" means an agreement for the use of personal property in which all of the following are applicable:

- a. The lessor is regularly engaged in the rental purchase business.
- b. The agreement is for an initial period of four months or less, whether or not there is any obligation beyond the initial period, that is automatically renewable with each payment and that permits the lessee to become the owner of the property.
- c. The lessee is a person other than an organization.
- d. The lessee takes under the consumer rental purchase agreement primarily for a personal, family, or household purpose.
- e. The amount payable under the consumer rental purchase agreement does not exceed twenty-five thousand dollars.

Sec. 5. NEW SECTION. 537.3605 DISCLOSURES.

In a consumer rental purchase agreement, the lessor shall disclose the following items, as applicable:

1. The total of scheduled payments accompanied by an explanation that this term means the "total dollar amount of lease payments you will have to make to acquire ownership".

2. By item, the total number, amounts, and timing of all lease payments and other charges including taxes or official fees paid to or through the lessor which are necessary to acquire ownership of the property.

3. Any initial or advance payment such as a delivery charge, security deposit, or trade-in allowance.

4. A statement that the lessee will not own the property until the lessee has made the total of payments necessary to acquire ownership of the property.

5. A statement that the total of payments does not include additional charges such as late payment charges, and a separate listing and explanation of these charges as applicable.

6. If applicable, a statement that the lessee is responsible for the fair market value of the property if and as of the time it is lost, stolen, damaged, or destroyed.

7. A description of the goods or merchandise including model numbers as applicable and a statement indicating whether the property is new or used. It is not a violation of this subsection to indicate that the property is used if it is actually new.

8. A statement that at any time after the first periodic payment is made, the lessee may acquire ownership of the property by tendering fifty-five percent of the difference between the total of scheduled payments necessary to acquire ownership and the total amount of lease payments paid on the account at that time. 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.

9. The cash price of the merchandise.

Sec. 6. NEW SECTION. 537.3606 FORM REQUIREMENTS.

1. The disclosure information required by section 537.3605 and this section shall be disclosed in a consumer rental purchase agreement, and shall meet the following requirements:

a. Be made clearly and conspicuously with items appearing in logical order and segregated as appropriate for readability and clarity.

b. Be made in writing.

c. Except as provided in subsection 2 or in rules adopted by the administrator, need not be contained in a single writing or made in the order set forth in section 537.3605.

d. May be supplemented by additional information or explanations supplied by the lessor, but none shall be stated, used or placed so as to mislead or confuse the lessee, or to contradict, obscure, or detract attention from the information required by section 537.3605, and so long as the additional information or explanations do not have the effect of circumventing, evading, or unduly complicating the information required to be disclosed by section 537.3605.

2. The lessor shall disclose all information required by section 537.3605 before the consumer rental purchase agreement is consummated. These disclosures shall be made on the face of the writing evidencing the consumer rental purchase agreement.

3. Before any payment is due, the lessor shall furnish the lessee with an exact copy of each consumer rental purchase agreement, which shall be signed by the lessee and which shall evidence the lessee's agreement. If there is more than one lessee in a consumer rental purchase agreement, delivery of a copy of the consumer rental purchase agreement to one of the lessees constitutes compliance with this part; however, a lessee not signing the agreement is not liable under it.

4. The administrator may adopt by rule requirements for the order, acknowledgement by initialing, and conspicuousness of the disclosures set forth in section 537.3605. These rules may allow these disclosures to be made in accordance with model forms prepared by the administrator.

5. The terms of the consumer rental purchase agreement, except as otherwise provided in this part, shall be set forth in not less than eight-point standard type, or such similar type as prescribed in rules adopted by the administrator.

6. Every consumer rental purchase agreement shall contain immediately above or adjacent to the place for the signature of the lessee, a clear, conspicuous, printed or typewritten notice in substantially the following language:

NOTICE TO LESSEE -- READ BEFORE SIGNING

a. DO NOT SIGN THIS BEFORE YOU READ THE ENTIRE AGREEMENT INCLUDING ANY WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE ADVISED.

b. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

c. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU SIGN.

d. YOU HAVE THE RIGHT TO EXERCISE ANY EARLY BUY-OUT OPTION AS PROVIDED IN THIS AGREEMENT. EXERCISE OF THIS OPTION MAY RESULT IN A REDUCTION OF YOUR TOTAL COST TO ACQUIRE OWNERSHIP UNDER THIS AGREEMENT.

e. IF YOU ELECT TO MAKE WEEKLY RATHER THAN MONTHLY PAYMENTS AND EXERCISE YOUR PURCHASE OPTION, YOU MAY PAY MORE FOR THE LEASED PROPERTY.

7. The notice described in subsection 6 shall be in bold face, ten-point type.

Sec. 7. NEW SECTION. 537.3607 RECEIPTS.

The lessor shall furnish the lessee, without request, an itemized written receipt for each payment in cash, or any other time the method of payment itself does not provide evidence of payment.

Sec. 8. NEW SECTION. 537.3608 ACQUIRING OWNERSHIP.

At any time after the first lease payment is made, the lessee may acquire ownership of the property by tendering fifty-five percent of the difference between the total of lease payments necessary to acquire ownership and the total amount of lease payments made. The lessor shall then provide

written evidence to the lessee that the lessee has acquired ownership of the property. 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. 9. NEW SECTION. 537.3609 RENEGOCIATION.

1. A renegotiation occurs when an existing consumer rental purchase agreement is satisfied and replaced by a new consumer rental purchase agreement undertaken by the same lessor and lessee. A renegotiation is a new lease requiring new disclosures.

2. However, the following events are not renegotiations:

- a. The addition or return of property in a multi-item agreement or the substitution of the leased property, if in either case the lease payment is not changed by more than twenty-five percent.
- b. A deferral or extension of one or more lease payments, or portions of a lease payment.
- c. A reduction in charges in the agreement.
- d. A lease or agreement involved in a court proceeding.

Sec. 10. NEW SECTION. 537.3610 BALLOON PAYMENTS PROHIBITED.

A lessee shall not be required, as a condition to acquiring ownership, to make a payment that is more than twice the amount of a regular rental payment, or to pay lease payments totaling more than the cost to acquire ownership as disclosed pursuant to section 537.3605. This section does not apply to payments made pursuant to section 537.3608, 537.3612, or 537.3619.

Sec. 11. NEW SECTION. 537.3611 PROHIBITED CHARGES.

A lessor shall not make a charge for any of the following:

1. Any insurance whether in connection with the transaction or otherwise, except that a charge may be made for property insurance on the leased property if the charge is clearly disclosed as optional and all other requirements of section 537.2501, subsection 2, paragraph "a", are met.

2. A penalty for early termination of a consumer rental purchase agreement or for the return of an item at any point, except for those charges authorized by sections 537.3612 and 537.3613.

3. Payment by a cosigner of the consumer rental purchase agreement of any fees or charges which could not be imposed upon the lessee as part of the consumer rental purchase agreement.

Sec. 12. NEW SECTION. 537.3612 ADDITIONAL CHARGES.

1. In a consumer rental purchase agreement, the lessor may contract for and receive an initial nonrefundable administrative fee not to exceed ten dollars. If a security deposit is required by the lessor, the amount and conditions under which it is returned must be disclosed with the disclosures required by sections 537.3605 and 537.3606.

2. In a consumer rental purchase agreement, the lessor may contract for and receive a delivery charge not to exceed ten dollars or, in the case of a consumer rental purchase agreement covering more than five items, a delivery charge not to exceed twenty-five dollars. A delivery charge may be assessed only if the lessor actually delivers the items to the lessee's dwelling and the delivery charge is disclosed with the disclosures required by sections 537.3605 and 537.3606. The delivery charge may be assessed in lieu of and not in addition to the initial administrative charge in subsection 1 of this section.

3. In a consumer rental purchase agreement, a lessor may contract for and receive a charge for picking up payments from the lessee if the lessor is required or requested to visit the lessee's dwelling to pick up a payment. In a consumer rental purchase agreement with payment or renewal dates which are more frequent than monthly, this charge shall not be assessed more than three times in any three-month period. In consumer rental purchase agreements with payments or renewal options which are at least monthly, this charge shall not be assessed

more than three times in any six-month period. A charge assessed pursuant to this subsection shall not exceed seven dollars. This charge is in lieu of any delinquency charge assessed for the applicable payment period.

4. In a consumer rental purchase agreement, the parties may contract for late charges or delinquency fees as follows:

a. For consumer rental purchase agreements with monthly renewal dates, a late charge not exceeding five dollars may be assessed on any payment not made within five business days after either payment is due or the return of the property is required.

b. For consumer rental purchase agreements with weekly or biweekly renewal dates, a late charge not exceeding three dollars may be assessed on any payments not made within three business days after either payment is due or the return of the property is required.

A late charge on a consumer rental purchase agreement may be collected only once on any accrued payment, no matter how long it remains unpaid. A late charge may be collected at the time it accrues or at any time thereafter. A late charge shall not be assessed against a payment that is timely made, even though an earlier late charge has not been paid in full.

Sec. 13. NEW SECTION. 537.3613 REINSTATEMENT FEES.

A reinstatement fee as provided for in section 537.3616 shall not equal more than the outstanding balance of any missed payments and delinquency charges on those missed payments plus an additional reinstatement fee that shall not exceed five dollars.

Sec. 14. NEW SECTION. 537.3614 TAXES AND OFFICIAL FEES.

1. If the amount is separately disclosed in the agreement, the lessor may require the lessee to pay all applicable state and county sales, use, and personal property taxes levied as a result of the execution of the consumer rental purchase agreement, provided that the lessor pays the full amount of these taxes to the appropriate authorities.

2. If the amount is separately disclosed in the agreement, the lessor may contract for and receive from the lessee an amount equal to all official fees required to be paid under the consumer rental purchase agreement provided that the lessor pays the full amount of these fees to the appropriate authorities.

Sec. 15. NEW SECTION. 537.3615 ADVERTISING.

1. An advertisement for a consumer rental purchase agreement shall not state or imply that a specific item is available at specific amounts or terms unless the lessor usually and customarily offers or will offer that item at those amounts or terms.

2. If an advertisement for a consumer rental purchase agreement refers to or states the amount of any payment, or the right to acquire ownership, for a specific item, the advertisement must also clearly and conspicuously state the following terms as applicable:

- a. That the transaction advertised is a consumer rental purchase agreement.
- b. The total of payments necessary to acquire ownership.
- c. That the lessee will not own the property until the total amount necessary to acquire ownership is paid in full or by prepayment as provided for by law.

3. Notwithstanding the requirements of subsection 1, if the advertisement is published by way of radio announcement or on a roadside billboard, the lessor need only make the disclosures required by subsection 2, paragraphs "a" and "c".

4. With respect to any matters specifically governed by the advertising provisions of the federal Consumer Credit Protection Act, compliance with that Act satisfies the requirements of this section.

5. This section does not apply to the owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

Sec. 16. NEW SECTION. 537.3616 LESSEE'S REINSTATEMENT RIGHTS.

1. A lessee who fails to make timely rental payments has the right to reinstate the original consumer rental purchase agreement without losing any rights or options previously acquired under the consumer rental purchase agreement if both of the following apply:

a. Subsequent to having failed to make a timely rental payment, the lessee has surrendered the property to the lessor, if and when requested by the lessor.

b. Not more than sixty days has passed since the lessee has returned the property.

2. As a condition precedent to reinstatement of a consumer rental purchase agreement, a lessor may charge the outstanding balance of any accrued payments and delinquency charges, a reinstatement fee, and the delivery charges allowable by section 537.3612, subsection 2, if redelivery of the item is necessary.

3. If reinstatement occurs pursuant to this section, the lessor shall provide the lessee with the same item, if available, leased by the lessee prior to reinstatement. If the same item is not available, a substitute item of comparable worth, quality, and condition may be used. If a substitute item is provided, the lessor shall provide the lessee with all the information required by section 537.3605.

Sec. 17. NEW SECTION. 537.3617 UNCONSCIONABILITY.

Unconscionability in consumer rental purchase agreements is governed by section 537.5108.

Sec. 18. NEW SECTION. 537.3618 DEFAULT.

An agreement of the parties to a consumer rental purchase agreement with respect to default on the part of the lessee is enforceable only to the extent that one of the following apply:

1. The lessee both fails to renew an agreement and also fails to return the rented property or make arrangements for its return as provided by the agreement.

2. The prospect of payment, performance, or return of the property is materially impaired due to a breach of the consumer rental purchase agreement; the burden of establishing the prospect of material impairment is on the lessor.

Sec. 19. NEW SECTION. 537.3619 CURE OF DEFAULT.

1. In a consumer rental purchase agreement, after a lessee has been in default for three business days and has not voluntarily surrendered possession of the rented property, a lessor may give the lessee the notice provided in subsection 3 when the consumer has the right to cure a default. A lessor gives the notice to the lessee under this section when the lessor delivers notice to the lessee or mails the notice to the last known address of the lessee.

2. For the purpose of this section, there is no right to cure and no limitation on the lessor's rights with respect to a default that occurs within twelve months after an earlier default as to which a lessor has given a proper notice of the lessee's right to cure.

3. The notice of right to cure must be in writing and conspicuously state all of the following:

- a. The name, address, and telephone number of the lessor to whom payment is to be made.
- b. A brief identification of the transaction.
- c. The lessee's right to cure the default.
- d. The amount of payment and date by which payment must be made to cure the default. A notice in substantially the following form complies with this subsection:

THE NAME, ADDRESS, & TELEPHONE NUMBER OF THE LESSOR

ACCOUNT NUMBER, IF ANY

BRIEF IDENTIFICATION OF TRANSACTION

(_____) is the last date for payment, (_____) is the amount now due. You have failed to renew your rental purchase agreement(s). If you pay the amount now due (above) by the last date for payment (above), you may continue with the agreement as though you had renewed on time. If you do not

pay by that date, we may exercise our rights under the law. If you are late again during the next twelve months of your agreement, in either returning the property or renewing your agreement, we may exercise our rights without sending you another notice like this one. If you have questions, you may write or telephone the lessor promptly.

4. With respect to a consumer rental purchase agreement, except as provided in subsection 5, after a default consisting of the lessee's failure to renew and failure to return the property, a lessor, because of that default, may not instigate court action to recover the rented property until five business days after the notice of the lessee's right to cure is given. In the case of an agreement with weekly or biweekly renewal dates, such action shall not be taken until three business days after the notice of the lessee's right to cure is given.

5. With respect to defaults on the same consumer rental purchase agreement and subject to subsection 4, after a lessor has once given a proper notice of the lessee's right to cure, this section does not give the consumer a right to cure or impose any additional limitations beyond those otherwise imposed by this part on the lessor's right to proceed against the lessee or the lessor's right to recover the property.

6. Until expiration of the minimum applicable periods contained in subsection 4 after notice is given, the lessee may cure all defaults consisting of failure to renew and failure to return the property by tendering the amount of all unpaid sums due at the time of the tender plus any unpaid delinquency charges or other charges authorized by section 537.3616.

7. This section and the provisions on limitations of agreements do not prohibit a lessee from voluntarily surrendering possession of the rented property, and the lessor from enforcing any past due obligation which the lessee may have at any time after default. However, in an enforcement

proceeding, the lessor shall affirmatively plead and prove either that the notice to cure is not required or that the lessor has given the required notice, but the failure to so plead does not invalidate any action taken by the lessor that is lawful and if the lessor has rightfully repossessed any property the repossession is not conversion.

8. A repossession of rented property in violation of this section is void.

Sec. 20. NEW SECTION. 537.3620 WILLFUL VIOLATIONS.

A person who willfully and intentionally violates a provision of this part is guilty of a serious misdemeanor.

Sec. 21. NEW SECTION. 537.3621 DAMAGES.

In case of a violation of a provision of this part with respect to 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. 22. NEW SECTION. 537.3622 EFFECT OF CORRECTION.

Notwithstanding sections 537.3620 and 537.3621, a failure to comply with a provision of this part which is due to a bona fide error may be corrected within thirty days after the date of execution of the consumer rental purchase agreement by the lessee. If so corrected, neither the lessor nor any holder is subject to penalty under this section if, where appropriate, a new written agreement and disclosures are provided to the lessee and any excess charges are refunded to the lessee.

Sec. 23. NEW SECTION. 537.3623 STATUTE OF LIMITATIONS.

An action shall not be brought under this part more than two years after the occurrence of the alleged violation.

Sec. 24. NEW SECTION. 537.3624 ENFORCEMENT.

1. The provisions of this part are subject to the powers and functions of the administrator as provided in article 6 of this chapter and to the debt collection practices as provided in article 7 of this chapter. However, section 537.6113, subsection 2, does not apply to violations of this part.

2. If a court finds in an action brought by the administrator pursuant to section 537.6113 that it is proven that a lessor has intentionally acted in bad faith in its performance under this part, the lessor is subject to a civil penalty of not less than one hundred dollars nor more than one thousand dollars for each violation. However, no more than one penalty may be imposed in any one action against a lessor for repeated violations of the same provision. A civil penalty pursuant to this subsection shall not be imposed for a violation of this part occurring more than two years before the action is brought, or for making unconscionable agreements or engaging in a course of fraudulent or unconscionable conduct.

Sec. 25. Section 639.3, Code 1987, is amended by adding the following new subsections:

NEW SUBSECTION. 13. That the defendant is about to dispose of property belonging to the plaintiff.

NEW SUBSECTION. 14. That the defendant is about to convert the plaintiff's property or a part thereof into money for the purpose of placing it beyond the reach of the plaintiff.

NEW SUBSECTION. 15. That the defendant is about to move permanently out of state, and refuses to return property belonging to the plaintiff.

Sec. 26. Section 537.1301, subsection 8, Code 1987, is amended to read as follows:

8. "Cash price" of goods, services, or an interest in land means, except in the case of a consumer rental purchase agreement, the price at which they are sold by the seller to cash buyers in the ordinary course of business, and may

include the cash price of accessories or services related to the sale, such as delivery, installation, alterations, modifications, and improvements, and taxes to the extent imposed on a cash sale of the goods, services, or interest in land.

Sec. 27. Section 537.1301, subsection 11, Code 1987, is amended to read as follows:

11. "Consumer credit transaction" means a consumer credit sale or consumer loan, or a refinancing or consolidation thereof, or a consumer lease, or a consumer rental purchase agreement.

Sec. 28. Section 537.1301, subsection 12, paragraph b, Code 1987, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A consumer rental purchase agreement as defined in section 537.3604.

Sec. 29. Section 537.1301, subsection 13, Code 1987, is amended by striking the subsection and inserting in lieu thereof the following:

13. CONSUMER LEASE.

a. Except as provided in paragraph "b", a consumer lease is a lease of goods in which all of the following are applicable:

(1) The lessor is regularly engaged in the business of leasing.

(2) The lessee is a person other than an organization.

(3) The lessee takes under the lease primarily for a personal, family, or household purpose.

(4) The amount payable under the lease does not exceed twenty-five thousand dollars.

(5) The lease is for a term exceeding four months.

b. A consumer lease does not include a consumer rental purchase agreement as defined in section 537.3604.

Sec. 30. Section 537.1301, subsection 14, paragraph b, Code 1987, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) A consumer rental purchase agreement as defined in section 537.3604.

Sec. 31. Section 537.1301, subsection 19, paragraph b, Code 1987, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) Lease payments for a consumer rental purchase agreement, or charges specifically authorized by this chapter for consumer rental purchase agreements.

Sec. 32. Section 537.1301, subsection 28, unnumbered paragraph 1, Code 1987, is amended to read as follows:

"Open-end credit" means an arrangement, other than a consumer rental purchase agreement, pursuant to which all of the following are applicable:

Sec. 33. Section 537.1301, subsection 33, Code 1987, is amended to read as follows:

33. A "precomputed consumer credit transaction" is a consumer credit transaction, other than a consumer lease or a consumer rental purchase agreement, in which the debt is a sum comprising the amount financed and the amount of the finance charge computed in advance. A disclosure required by the Truth in Lending Act does not in itself make a finance charge or transaction precomputed.

Sec. 34. Section 537.1301, subsection 35, Code 1987, is amended to read as follows:

35. "Sale of goods" includes, but is not limited to, any agreement in the form of a bailment or lease of goods if the bailee or lessee pays or agrees to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the goods involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the goods upon full compliance with the terms of the agreement. "Sale of goods" does not include a consumer rental purchase agreement.

Sec. 35. Section 537.2504, unnumbered paragraph 1, Code 1987, is amended to read as follows:

With respect to a consumer credit transaction in which the rate of finance charge required to be disclosed in the transaction pursuant to section 537.3201 does not exceed eighteen percent per year, other than a consumer lease or a consumer rental purchase agreement, the creditor may, by agreement with the consumer, refinance the unpaid balance and may contract for and receive a finance charge based on the amount financed resulting from the refinancing at a rate not exceeding that permitted by the provisions on finance charge for consumer credit sales other than open end credit in section 537.2201 if a consumer credit sale is refinanced, the provisions on finance charge for a consumer loan other than a supervised loan in section 537.2401, subsection 1, or the provisions on finance charge for a supervised loan not pursuant to open end credit in section 537.2401, subsection 2, as applicable, if a consumer loan is refinanced. With respect to a consumer credit transaction in which the rate of finance charge required to be disclosed in the transaction to the consumer pursuant to section 537.3201 exceeds eighteen percent per year, other than a consumer lease or a consumer rental purchase agreement, the creditor may by agreement with the consumer, refinance the unpaid balance and may contract for and receive a finance charge based on the amount financed resulting from the refinancing at a rate of finance charge not to exceed that which was required to be disclosed in the original transaction to the consumer pursuant to section 537.3201. For the purpose of determining the finance charge permitted, the amount financed resulting from the refinancing consists of:

Sec. 36. Section 537.2505, subsection 1, Code 1987, is amended to read as follows:

1. In this section, "consumer credit transaction" does not include a consumer lease or a consumer rental purchase agreement.

Sec. 37. Section 537.2506, subsection 1, Code 1987, is amended to read as follows:

1. If the agreement with respect to a consumer credit transaction other than a consumer lease or a consumer rental purchase agreement contains covenants by the consumer to perform certain duties pertaining to insuring or preserving collateral and the creditor pursuant to the agreement pays for performance of the duties on behalf of the consumer, the creditor may add the amounts paid to the debt. Within a reasonable time after advancing any sums, the creditor shall state to the consumer in writing the amount of the sums advanced, any charges with respect to this amount, and any revised payment schedule and, if the duties of the consumer performed by the creditor pertain to insurance, a brief description of the insurance paid for by the creditor including the type and amount of coverages. No further information need be given.

Sec. 38. Section 537.2508, Code 1987, is amended to read as follows:

537.2508 CONVERSION TO OPEN END CREDIT.

The parties may agree at or within ten days prior to the time of conversion to add the unpaid balance of a consumer credit transaction, other than a consumer lease or a consumer rental purchase agreement, not made pursuant to open end credit to the consumer's open end credit account with the creditor. The unpaid balance so added is an amount equal to the amount financed determined according to the provisions on finance charge on refinancing under section 537.2504.

Sec. 39. Section 537.2509, Code 1987, is amended to read as follows:

537.2509 RIGHT TO PREPAY.

Subject to the provisions on prepayment and minimum charge under section 537.2510, the consumer may prepay in full the unpaid balance of a consumer credit transaction, other than a consumer lease or a consumer rental purchase agreement, at any time.

Sec. 40. Section 537.2510, subsection 3, unnumbered paragraph 1, Code 1987, is amended to read as follows:

Upon prepayment, but not otherwise, of a consumer credit transaction whether or not precomputed, other than a consumer lease, a consumer rental purchase agreement, or one a transaction pursuant to open end credit:

Sec. 41. Section 537.3102, Code 1987, is amended to read as follows:

537.3102 SCOPE.

Part 2 applies to disclosure with respect to consumer credit transactions, other than consumer rental purchase agreements, and the provision in section 537.3201 applies to a sale of an interest in land or a loan secured by an interest in land, without regard to the rate of finance charge, if the sale or loan is otherwise a consumer credit sale or consumer loan. Parts 3 and 4 apply, respectively, to disclosure, limitations on agreements and practices, and limitations on consumer's liability with respect to certain consumer credit transactions. Part 5 applies to home solicitation sales. Part 6 applies to consumer rental agreements.

Sec. 42. Section 537.3301, subsection 2, Code 1987, is amended to read as follows:

2. With respect to a consumer lease, a lessor may not take a security interest in property to secure the debt arising from the lease. This subsection does not apply to a security deposit for a consumer lease or a consumer rental purchase agreement.

Sec. 43. Section 537.3308, subsection 2, Code 1987, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. f. A consumer rental purchase agreement.

Sec. 44. Section 537.3310, subsection 1, Code 1987, is amended to read as follows:

1. In a consumer credit transaction, other than a consumer rental purchase agreement, if performance by a creditor is by

delivery of goods, services, or both, in four or more installments, either on demand of the consumer or by prearranged scheduled performance, the consumer shall have the right to may cancel the obligation with respect to that part which has not been performed on the date of cancellation.

Sec. 45. Section 537.5108, subsection 4, paragraph a, Code 1987, is amended to read as follows:

a. Belief by the seller, lessor, or lender at the time a transaction is entered into that there is no reasonable probability of payment in full of the obligation by the consumer or debtor. However, the rental renewals necessary to acquire ownership in a consumer rental purchase agreement shall not be construed to be the obligation contemplated in this subsection if the consumer may terminate the agreement without penalty at any time. As used in this paragraph, "obligation" means the initial periodic lease payments and any other additional advance payments required at the consummation of the transaction.

Sec. 46. Section 537.5108, subsection 4, paragraph b, Code 1987, is amended to read as follows:

b. In the case of a consumer credit sale, or consumer lease, or consumer rental purchase agreement, knowledge by the seller or lessor at the time of the sale or lease of the inability of the consumer to receive substantial benefits from the property or services sold or leased.

Sec. 47. Section 537.5108, subsection 4, paragraph c, Code 1987, is amended to read as follows:

c. In the case of a consumer credit sale, or consumer lease, or consumer rental purchase agreement, gross disparity between the price of the property or services sold or leased and the value of the property or services measured by the price at which similar property or services are readily obtainable in consumer credit transactions by like consumers.

Sec. 48. Section 537.5109, subsection 1, Code 1987, is amended to read as follows:

1. Failure to make a payment within ten days of the time required by agreement, or in a consumer rental purchase agreement, failure to renew an agreement and failure to return the rented property or make arrangements for its return as provided by the agreement.

Sec. 49. Section 537.5110, subsection 1, Code 1987, is amended to read as follows:

1. Notwithstanding any term or agreement to the contrary, the obligation of a consumer in a consumer credit transaction is enforceable by a creditor only after compliance with this section, except that in a consumer rental purchase agreement, default is governed by section 537.3618.

Sec. 50. Section 537.5111, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 5. This section does not apply to a consumer rental purchase agreement, which is governed by section 537.3618.

Sec. 51. Section 537.5201, paragraph 1, Code 1987, is amended to read as follows:

1. The consumer, other than a lessee in a consumer rental purchase agreement, has a cause of action to recover actual damages and in addition a right in an action other than a class action to recover from the person violating this chapter a penalty in an amount determined by the court, but not less than one hundred dollars nor more than one thousand dollars, if a person has violated the provisions of this chapter relating to:

Sec. 52. Section 537.5301, subsection 3, Code 1987, is amended to read as follows:

3. A person, other than a lessor in a consumer rental purchase agreement, who willfully and knowingly engages in the business of entering into consumer credit transactions, or of taking assignments of rights against consumers arising therefrom and undertaking direct collection of payments or enforcement of these rights, without complying with the

provisions of this chapter concerning notification under section 537.6202 or payment of fees under section 537.6203, is guilty of a simple misdemeanor.

Sec. 53. Sections 1 through 24 of this Act will be codified as a new part 6 of article 3 of chapter 537.

DONALD D. AVENSON
Speaker of the House

JO ANN ZIMMERMAN
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 585, Seventy-second General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved April 30, 1987

TERRY E. BRANSTAD
Governor