This bill involves the rent-to-own industry. Consumers who obtain furniture, appliances, or other goods on a rent-to-own basis make regular payments that are rent in the sense that the consumer may at any time stop renting the item and have no further obligation, other than to return it. The payments also can function as installment purchase payments, because they count toward the consumer eventually owning the item if the consumer continues to make the payments. A Minnesota Supreme Court decision in 1994 held that these are consumer credit transactions (sales rather than pure rentals) under current Minnesota statutes, and that they must therefore comply with state usury laws. Usury laws are laws setting maximum interest rates that may be charged for credit sales transactions. This bill provides that rent-to-own transactions are not subject to the state usury laws and provides limits on the amounts that may be charged for these transactions. The calculation of what may be charged under this bill seems complex, but it may be roughly summarized as limiting the total payments required for ownership to about four times what the merchant paid for the item or two times the price for which the item could be purchased on an immediate purchase basis from another merchant, whichever is greater.

### Section

1. **Cash price.** Amends the definition of "cash price" to make it the amount the merchant would have charged for a cash sale of the item. Makes the cash price subject to the new limits enacted in section 5 of this bill.

2. **Cost-of-lease services.** Defines this new term to refer to the total amount of certain charges that are in addition to the cash price, which is defined in the preceding section. Specifies that this term includes only the charges listed in this definition and not other types of charges.

3. **Application of other law.** Provides that state usury law (chapter 334) and two sections regulating consumer credit sales do not apply to rent-to-own transactions.

4. **Disclosures.** Provides that the regular periodic payments to be disclosed under paragraph (a) are called rental payments. (These rental payments consist of the cash price defined in section 1...
plus the cost-of-lease services defined in section 2.) Revises the description of advance payments by adding processing fees and application fees and by removing delivery charge. (The delivery charges and similar charges would now be included in the new term "cost-of-lease services," created in section 2 of this bill.) Amends the list of charges that are in addition to the rental payments disclosed under paragraph (a). Adds, as a new paragraph (m), a required statement disclosing to consumers that they might be able to purchase the item for cash or credit on better terms elsewhere.

5 **Cash price calculations.** Limits the cash price, which is the amount defined in section 1 and which is added to the cost-of-lease services to obtain the regular periodic payment amount. Provides that the cash price must not exceed the greater of:
   (1) the manufacturer's suggested or list price;
   (2) two times the merchant's cost of obtaining the item, subject to a limit on shipping charges; or
   (3) the published or advertised selling price of the item in the area.

6 **Cost-of-lease services.** Limits cost-of-lease payments, defined in section 2, to no more than the amount of the cash price, which is defined in section 1 and limited in section 5. The result is to limit the regular rental/installment payments to twice the cash price, which in turn is limited under section 5.

7 **Effective date.** Effective immediately and applies to transactions entered into on or after that date.