

Legislative Analysis



RENTAL-PURCHASE AGREEMENTS

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House Bill 5892

Sponsor: Rep. Wayne Schmidt

(Enacted as Public Act 584 of 2012)

Committee: Commerce

Complete to 9-26-12

A SUMMARY OF HOUSE BILL 5892 AS INTRODUCED 9-12-12

The bill would amend the Rental-Purchase Agreement Act (MCL 445.957 et al.) That act defines a "rental-purchase agreement" as an agreement for the use of personal property by a lessee (i.e., renter) primarily for personal, family, or household purposes, for an initial period of four months or less that is automatically renewable with each payment after the initial period and that permits the lessee to become the owner of the property. The term does not apply leases for agricultural, business, or commercial purposes, nor to certain other consumer arrangements regulated under other acts. Generally speaking, the act is enforced by the state's Attorney General and by civil actions.

The bill would amend the act in the following ways:

- The bill would prohibit a lessor from requiring a periodic payment or late fee for a rental period that begins after the lessee has returned or surrendered the leased property to the lessor or the lessor's agent.
- A lessor would also be prohibited from requiring any charge or fee for reinstatement of the rental-purchase agreement in addition to or in excess of those specifically permitted in the bill.
- The bill allows a lessee who fails to make a timely periodic payment to reinstate the original agreement without losing any rights or options previously acquired under the agreement by paying the past due periodic payment, any applicable late fee, and, if redelivery of an item is necessary, a delivery fee not to exceed the original delivery fee.
- These payments must be made by the later of the following dates: (1) seven days after failing to make the timely periodic payment or (2) 90 days after failing to make the timely periodic payment, if the lessee returns or voluntarily surrenders the item, other than through the judicial process, within seven days after failing to make the timely periodic payment.
- This new language replaces current provisions regarding reinstatements; current law says a lessee has the right to reinstate the original agreement if both (1) the lessee has not missed more than three payments and (2) more than one scheduled

payment has been missed and the lessee has surrendered the item during the time the payments were missed.

- Current law also says a reinstatement fee cannot be charged unless the lessee has missed more than one periodic payment. A reinstatement fee currently must equal the outstanding balance of any missed payments plus five percent of that balance or \$5, whichever is less.
- Under the bill, a lessee could not be charged a late fee for failure to make a timely periodic payment unless the payment is (1) more than five days past due for payments due monthly or less frequently or (2) more than two days past due for payments due more frequently than monthly.
- A late fee could not exceed the greater of \$10 or five percent of the amount of the missed payment.
- The bill requires the information described above to be spelled out in the rental-purchase agreement.

FISCAL IMPACT:

A fiscal analysis is in process.

Legislative Analyst: Chris Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.