

State of Misconsin 1999 - 2000 LEGISLATURE

ASSEMBLY SUBSTITUTE AMENDMENT 1, TO 1999 ASSEMBLY BILL 849

March 21, 2000 - Offered by COMMITTEE ON FINANCIAL INSTITUTIONS.

1	AN ACT to amend chapter 218 (title), 220.02 (2) (b) and 220.02 (3); and to create
2	subchapter XI of chapter 218 [precedes 218.61], 409.104 $\left(12m\right)$ and 421.202
3	(7m) of the statutes; relating to: regulating rental-purchase companies,
4	providing an exemption from emergency rule procedures, granting
5	rule–making authority and providing a penalty.
	The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:
6	SECTION 1. Chapter 218 (title) of the statutes is amended to read:
7	CHAPTER 218
8	FINANCE COMPANIES, AUTO
9	DEALERS, ADJUSTMENT COMPANIES
10	AND, COLLECTION AGENCIES,
11	RENTAL-PURCHASE COMPANIES AND
12	RENT-TO-OWN AGREEMENTS

1	SECTION 2. Subchapter XI of chapter 218 [precedes 218.61] of the statutes is
2	created to read:
3	CHAPTER 218
4	SUBCHAPTER XI
5	RENTAL-PURCHASE COMPANIES AND
6	RENT-TO-OWN AGREEMENTS
7	218.61 Scope. (1) INAPPLICABILITY OF OTHER LAWS. A rent-to-own agreement
8	under this subchapter is not governed by the laws relating to a security interest, as
9	defined in s. 401.201 (37), or a lease, as defined in s. 411.103 (1) (j), and is not
10	governed by chs. 421 to 427 and 429.
11	(2) EXCLUSIONS. This subchapter does not apply to any of the following:
12	(a) A lease or bailment of personal property that is incidental to the lease of real
13	property.
14	(b) A lease of a motor vehicle, as defined in s. 218.01 (1) (m).
15	(c) A credit sale, as defined in 15 USC 1602 (g) and in the regulations
16	promulgated under that section.
17	218.612 Territorial application. For the purposes of this subchapter, a
18	rent-to-own agreement is entered into in this state if any of the following applies:
19	(1) A writing signed by a lessee and evidencing the obligation under the
20	rent-to-own agreement or an offer of a lessee is received by a rental-purchase
21	company in this state.
22	(2) The rental-purchase company induces a lessee who is a resident of this
23	state to enter into the rent-to-own agreement by face-to-face solicitation or by mail
24	or telephone solicitation directed to the particular lessee in this state.

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1	218.614 Obligation of good faith. Every agreement or duty under this
2	subchapter imposes an obligation of good faith in its performance or enforcement.
3	In this section, "good faith" means honesty in fact in the conduct or transaction
4	concerned and the observance of reasonable commercial standards of fair dealing.
5	218.616 Definitions. In this subchapter:
6	(1) "Division" means the division of banking in the department of financial
7	institutions.
8	(2) "Lessee" means an individual who rents personal property under a
9	rent-to-own agreement.
10	(3) "Licensee" means a rental-purchase company holding a license issued by
11	the division under this subchapter.
12	(4) "Rental property" means personal property rented under a rent-to-own
13	agreement.
14	(5) "Rental-purchase company" means a person engaged in the business of
15	entering into rent-to-own agreements in this state or acquiring or servicing
16	rent-to-own agreements that are entered into in this state.
17	(6) "Rent-to-own agreement" means an agreement between a
18	rental-purchase company and a lessee for the use of personal property if all of the
19	following conditions are met:
20	(a) The personal property that is rented under the agreement is to be used
21	primarily for personal, family or household purposes.
22	(b) The agreement has an initial term of 4 months or less and is automatically
23	renewable with each payment after the initial term.
24	(c) The agreement does not obligate or require the lessee to renew the
25	agreement beyond the initial term.

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(d) The agreement permits, but does not obligate, the lessee to acquire ownership of the personal property.

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218.617 License required. No person may operate as a rental-purchase company without a valid license issued by the division under this subchapter.

- 5 **218.618 Application for license; fees; bond. (1)** APPLICATION. (a) An 6 application for a license under this subchapter shall be made to the division, in 7 writing, in the form prescribed by the division. An application for a license under this 8 subchapter shall include all of the following:
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1. If the applicant is an individual, the applicant's social security number.

- 10 2. If the applicant is not an individual, the applicant's federal employer11 identification number.
- 12 (b) The division may not disclose any information received under par. (a) 1. or13 2. to any person except as follows:
- The division may disclose information received under par. (a) 1. or 2. to the
 department of revenue for the sole purpose of requesting certifications under s.
 73.0301.
- 17 2. The division may disclose information received under par. (a) 1. to the
 18 department of workforce development in accordance with a memorandum of
 19 understanding entered into under s. 49.857.
- (2) APPLICATION FEES. At the time of applying to the division for a license under
 this subchapter, the applicant shall pay any applicable fee specified in the rules
 promulgated under s. 218.63 (3).
- (3) BOND. The division may require any applicant or licensee to file with the
 division and maintain in force a bond, in a form prescribed by and acceptable to the
 division, and in an amount determined by the division.

218.62 Issuance or denial of license. (1) INVESTIGATION. Upon the filing 1 2 of an application under s. 218.618 (1) and the payment of any applicable fee, the 3 division shall perform an investigation. Except as provided in sub. (3), if the division 4 finds that the character, general fitness and financial responsibility of the applicant; 5 the members of the applicant, if the applicant is a partnership, limited liability 6 company or association; and the officers and directors of the applicant, if the 7 applicant is a corporation; warrant the belief that the business will be operated in 8 compliance with this subchapter, the division shall issue a license to the applicant. 9 (2) DENIAL; NOTICE; HEARING. Except as provided in sub. (3), the division may 10 deny an application under s. 218.618 (1) by providing written notice to the applicant 11 stating the grounds for the denial. Except as provided in sub. (3), a person whose 12application has been denied may request a hearing under s. 227.44 within 30 days 13 after the date of denial. The division may appoint a hearing examiner under s. 227.46 14to conduct the hearing. 15(3) DENIAL; CHILD OR FAMILY SUPPORT OR TAX DELINQUENCY. The division may not 16 issue a license under this subchapter if any of the following applies: 17(a) The applicant fails to provide the information required under s. 218.618 (1) (a). 18 19 (b) The department of revenue certifies under s. 73.0301 that the applicant is 20 liable for delinquent taxes. An applicant for whom a license is not issued under this 21paragraph for delinquent taxes is entitled to a notice under s. 73.0301 (2) (b) 1. b. and 22a hearing under s. 73.0301 (5) (a) but is not entitled to any other notice or hearing

23 under this section.

(c) The applicant fails to comply, after appropriate notice, with a subpoena or
warrant issued by the department of workforce development or a county child

support agency under s. 59.53 (5) and related to paternity or child support 1 $\mathbf{2}$ proceedings or is delinquent in making court-ordered payments of child or family 3 support, maintenance, birth expenses, medical expenses or other expenses related 4 to the support of a child or former spouse, as provided in a memorandum of understanding entered into under s. 49.857. An applicant whose application is $\mathbf{5}$ 6 denied under this paragraph for delinquent payments is entitled to a notice and 7 hearing under s. 49.857 but is not entitled to any other notice or hearing under this 8 section.

9 218.622 License; other business. (1) LICENSED LOCATIONS. A license issued
10 under this subchapter shall specify the location at which the licensee is permitted
11 to conduct business. A separate license shall be required for each place of business
12 maintained by the licensee.

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(2) ASSIGNMENT. A license issued under this subchapter is not assignable.

14 (3) POSTING. A licensee shall post its license in a conspicuous place at the15 location specified in the license.

(4) TERM OF LICENSE; FEE. Every license shall remain in force until suspended
or revoked in accordance with this subchapter or surrendered by the licensee. Every
licensee shall, on or before June 1 of each year, pay to the division the annual license
fee specified in rules promulgated under s. 218.63 (3) and, if required by the division,
provide a rider or endorsement to increase the amount of any bond required under
s. 218.618 (3).

(5) OTHER BUSINESS PROHIBITED. No licensee may conduct business as a
rental-purchase company within any office, room or place of business in which any
other business is solicited or engaged in, unless the licensee is authorized to do so,
in writing, by the division.

1	218.624 Revocation, suspension and restriction of license. (1)
2	DISCRETIONARY SUSPENSION OR REVOCATION. The division may issue an order
3	suspending or revoking any license issued under this subchapter if the division finds
4	that any of the following applies:
5	(a) The licensee has violated any of the provisions of this subchapter, any rules
6	promulgated under s. 218.63 (3) or any lawful order of the division under s. 218.63
7	(1).
8	(b) A fact or condition exists that, if it had existed at the time of the original
9	application for the license, would have warranted the division in refusing to issue the
10	license.
11	(c) The licensee has made a material misstatement in an application for a
12	license or in information furnished to the division.
13	(d) The licensee has failed to pay the annual license fee required under s.
14	$218.622\ (4)$ or has failed to maintain in effect any bond required under s. $218.618\ (3).$
15	(e) The licensee has failed to provide any additional information, data and
16	records required by the division, within the time period prescribed under s. 218.626
17	(2).
18	(f) The licensee has failed to pay any penalties due under s. 218.682 (1) or (2)
19	within 30 days after receiving notice, by certified mail, that the penalties are due.
20	(2) MANDATORY RESTRICTION OR SUSPENSION; CHILD OR FAMILY SUPPORT. The
21	division shall restrict or suspend a license issued under this subchapter if the
22	division finds that the licensee is an individual who fails to comply, after appropriate
23	notice, with a subpoena or warrant issued by the department of workforce
24	development or a county child support agency under s. 59.53 (5) and related to
25	paternity or child support proceedings or who is delinquent in making court-ordered

payments of child or family support, maintenance, birth expenses, medical expenses
or other expenses related to the support of a child or former spouse, as provided in
a memorandum of understanding entered into under s. 49.857. A licensee whose
license is restricted or suspended under this subsection is entitled to a notice and
hearing only as provided in a memorandum of understanding entered into under s.
49.857 and is not entitled to any other notice or hearing under this section.

(3) MANDATORY REVOCATION; DELINQUENT TAXES. The division shall revoke a
license issued under this subchapter if the department of revenue certifies under s.
73.0301 that the licensee is liable for delinquent taxes. A licensee whose license is
revoked under this subsection for delinquent taxes is entitled to a notice under s.
73.0301 (2) (b) 1. b. and a hearing under s. 73.0301 (5) (a) but is not entitled to any
other notice or hearing under this section.

(4) REVOCATION AND SUSPENSION PROCEDURE. Except as provided in subs. (2) and
(3), the following procedure applies to every order of the division that suspends or
revokes a license issued under this subchapter:

(a) The division shall provide a written notice to the licensee of the division's
intent to issue an order suspending or revoking the licensee's license. The notice
shall specify the grounds for and the effective date of the proposed order.

(b) The licensee may file with the division a written response to the allegations
contained in the notice within 20 days after receiving the notice. The licensee's
written response may contain a request for a contested case hearing under s. 227.42.
If the written response does not contain a request for a contested case hearing under
s. 227.42, the right to a contested case hearing is waived.

(c) If a written response containing a request for a contested case hearing under
s. 227.42 is received by the division within the time provided under par. (b) and if,

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in the opinion of the division, the matter satisfies all of the conditions specified in s.
 227.42 (l) (a) to (d), the matter shall be scheduled for a contested case hearing to
 commence within 60 days after the date on which the division receives the written
 response.

5 (d) If the licensee fails to file a written response within the time provided under 6 par. (b), files a timely written response but fails to request a contested case hearing 7 under s. 227.42 or files a timely written response requesting a contested case hearing 8 but, in the opinion of the division, the matter fails to satisfy all of the conditions 9 specified in s. 227.42 (l) (a) to (d), the division may issue an order suspending or 10 revoking the license. If the licensee files a timely written response containing a 11 proper request for a contested case hearing under s. 227.42, any order of the division 12suspending or revoking the licensee's license shall be stayed pending completion of 13 proceedings under ch. 227.

14 **218.626 Modification of license. (1)** CHANGE IN PLACE OF BUSINESS. No 15 licensee may change its place of business to another location without the prior 16 approval of the division. A licensee shall provide the division with at least 15 days' 17 prior written notice of a proposed change under this subsection and shall pay any 18 applicable fees specified in the rules promulgated under s. 218.63 (3). Upon approval 19 by the division of the new location, the division shall issue an amended license, 20 specifying the date on which the amended license is issued and the new location.

(2) OTHER CHANGES. Except as provided in sub. (1), a licensee shall notify the
division of any material change to the information provided in the licensee's original
application for a license under this subchapter or provided in a previous notice of
change filed by the licensee with the division under this subsection. A licensee shall
provide the notice required under this subsection within 10 days after the change.

The licensee shall provide any additional information, data and records about the 1 $\mathbf{2}$ change to the division within 20 days after the division requests the information. 3 data or records. The division shall determine the cost of investigating and processing 4 the change. The licensee shall pay the division's cost within 30 days after the division 5 demands payment.

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(3) DIVISION APPROVAL OF OTHER CHANGES. Any change that is subject to the notice requirement under sub. (2) is subject to the approval of the division. In reviewing the change, the division shall apply the same criteria as the criteria for approval of an original license application.

10 **218.628** Annual report; records. (1) ANNUAL REPORT. On or before March 11 31 of each year, a licensee shall file a report with the division giving such reasonable and relevant information as the division may require concerning the business and 1213operations conducted by the licensee. The licensee shall make the report in the form 14 prescribed by the division.

15(2) BOOKS AND RECORDS. A licensee shall keep such books and records in the 16 licensed location as, in the opinion of the division, will enable the division to 17determine whether the provisions of this subchapter are being observed. Every 18 licensee shall preserve its records of a rent-to-own agreement for at least 3 years 19 after making the final entry with respect to the rent-to-own agreement.

20218.63 Powers and duties of division; administration. (1) ORDERS. The 21division may issue any general order, as defined in s. 217.02 (3), or special order, as 22defined in s. 217.02 (10), in execution of or supplementary to this subchapter, except 23that the division may not issue a general order or special order that conflicts with this subchapter. $\mathbf{24}$

(2) INVESTIGATIONS AND EXAMINATIONS. For the purpose of discovering violations 1 $\mathbf{2}$ of this subchapter, the division may cause an investigation or examination to be 3 made of the business of a licensee transacted under this subchapter. The place of business, books of accounts, papers, records, safes and vaults of the licensee shall be 4 $\mathbf{5}$ open to the division for the purpose of an investigation or examination, and the 6 division has authority to examine under oath all persons whose testimony is required 7 for an investigation or examination. The division shall determine the cost of an 8 investigation or examination. The licensee shall pay the cost of an investigation or 9 examination. The licensee shall pay the cost of any hearing held for the purpose of 10 this subsection, including witness fees, unless the division or a court finds that the 11 licensee has not violated any provision of this subchapter. The licensee shall pay all costs owing under this subsection within 30 days after the division demands 1213payment. The state may maintain an action for the recovery of any costs owing under 14 this subsection.

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(3) RULES. The division may promulgate rules for the administration of this 16 subchapter.

17(4) TESTIMONIAL POWERS AND POWERS TO SECURE EVIDENCE. The division has the 18 same power to conduct hearings, take testimony and secure evidence as is provided 19 in ss. 217.17 and 217.18.

20 (5) ENFORCEMENT. The division has the duty, power, jurisdiction and authority 21to investigate, ascertain and determine whether this subchapter or any lawful orders 22issued under sub. (1) are being violated. The division may report violations of this 23subchapter to the attorney general or the district attorney of the proper county for 24prosecution.

1	218.632 General requirements of disclosure. (1) Form, location, size and
2	TIME OF DISCLOSURE. The information required under s. 218.634 to be included in a
3	rent-to-own agreement shall satisfy all of the following requirements:
4	(a) The information shall be clearly and conspicuously disclosed.
5	(b) The information shall be disclosed in writing.
6	(c) The information shall be disclosed on the face of the rent-to-own agreement
7	above the line for the lessee's signature.
8	(d) The information shall be disclosed in not less than 8-point standard type.
9	(e) The information shall be disclosed before the time that the lessee becomes
10	legally obligated under the rent-to-own agreement.
11	(2) ACCURACY OF DISCLOSURE. The information required under s. 218.634 must
12	be accurate as of the time that it is disclosed to the lessee. If any information
13	subsequently becomes inaccurate as a result of any act, occurrence or agreement by
14	the lessee, the resulting inaccuracy is not a violation of this subchapter.
15	(3) COPY OF RENT-TO-OWN AGREEMENT. The rental-purchase company shall
16	provide the lessee with a copy of the completed rent-to-own agreement signed by the
17	lessee. If more than one lessee is legally obligated under the same rent-to-own
18	agreement, delivery of a copy of the completed rent-to-own agreement to one of the
19	lessees shall satisfy this subsection.
20	(4) SINGLE INSTRUMENT. In a rent-to-own agreement, the lessee's payment
91	obligations shall be evidenced by a single instrument, which shall include the

obligations shall be evidenced by a single instrument, which shall include the
signature of the rental-purchase company, the signature of the lessee and the date
on which the instrument is signed.

1 **218.634 Required provisions of rent-to-own agreement.** A 2 rental-purchase company shall include all of the following information, to the extent 3 applicable, in every rent-to-own agreement:

(1) DESCRIPTION. A brief description of the rental property, sufficient to identify
the rental property to the lessee and the rental-purchase company, including any
identification number, and a statement indicating whether the rental property is
new or used. A statement that incorrectly indicates that new rental property is used
is not a violation of this subchapter.

9 (2) CASH PRICE. The price at which the rental-purchase company would sell the 10 rental property to the lessee if the lessee were to pay for the rental property in full 11 on the date on which the rent-to-own agreement is executed, along with a statement 12 that, if the lessee intends to acquire ownership of the rental property and is able to 13 pay for the property in full or is able to obtain credit to finance the purchase, the 14 lessee may be able to purchase similar property from a retailer at a lower cost.

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(3) RENTAL PAYMENT. The periodic rental payment for the rental property.

(4) UP-FRONT PAYMENT. Any payment required of the lessee at the time that the
agreement is executed or at the time that the rental property is delivered, including
the initial rental payment, any application or processing charge, any delivery fee, the
applicable tax and any charge for a liability damage waiver or for other optional
services agreed to by the lessee.

(5) PERIODIC RENTAL PAYMENTS TO ACQUIRE OWNERSHIP. The total number, total
 dollar amount and timing of all periodic rental payments necessary to acquire
 ownership of the rental property.

(6) OTHER CHARGES AND FEES TO ACQUIRE OWNERSHIP. The dollar amount, both
itemized and in total, of all taxes, liability damage waiver fees, fees for optional

services, processing fees, application fees and delivery charges that the lessee would
 incur if the lessee were to rent the rental property until the lessee acquires
 ownership, assuming that the lessee does not add or decline the liability damage
 waiver or optional services after signing the rent-to-own agreement.

(7) TOTAL PAYMENTS TO ACQUIRE OWNERSHIP. The total of all charges to be paid 5 6 by the lessee to acquire ownership of the rental property, which shall consist of the 7 sum of the total dollar amount of all periodic rental payments disclosed under sub. 8 (5) and the total dollar amount of all other charges and fees disclosed under sub. (6), 9 along with a statement that this is the amount a lessee will pay to acquire ownership 10 of the rental property if the tax rates do not change and if the lessee does not add or 11 decline the liability damage waiver or optional services after signing the 12rent-to-own agreement.

(8) OTHER CHARGES. An itemized description of any other charges or fees that
the rental-purchase company may charge the lessee.

15(9) SUMMARY OF EARLY-PURCHASE OPTION. A statement summarizing the terms 16 of the lessee's option to acquire ownership of the rental property, including a 17statement indicating that the lessee has the right to acquire ownership of the rental property at any time after the first payment by paying all past-due payments and 18 19 fees and an amount not to exceed an amount equal to the cash price of the rental 20 property multiplied by a fraction that has as its numerator the number of periodic rental payments remaining under the rent-to-own agreement and that has as its 2122denominator the total number of periodic rental payments.

(10) RESPONSIBILITY FOR THEFT OR DAMAGE. A statement that, unless otherwise
agreed, the lessee is responsible for the fair market value of the rental property,
determined according to the early-purchase option formula under sub. (9), if the

rental property is stolen, damaged or destroyed while in the possession of or subject
 to the control of the lessee. The statement shall indicate that the fair market value
 will be determined as of the date on which the rental property is stolen, damaged or
 destroyed.

5 (11) SERVICE AND WARRANTY. A statement that during the term of the 6 rent-to-own agreement, the rental-purchase company is required to service the 7 rental property to maintain it in good working condition, as long as no other person 8 has serviced the rental property. In lieu of servicing the rental property, the 9 rental-purchase company may, at its option, replace the rental property. The 10 rental-purchase company's obligation to provide service is limited to defects in the 11 property not caused by improper use or neglect by the lessee or harmful conditions 12outside the control of the rental-purchase company or manufacturer.

13 (12) TERMINATION AT OPTION OF LESSEE. A statement that the lessee may
14 terminate the agreement at any time without penalty by voluntarily surrendering
15 or returning the rental property in good repair.

16 (13) RIGHT TO REINSTATE. A brief explanation of the lessee's right to reinstate
17 a rent-to-own agreement under s. 218.654.

18 (14) RENTAL, NOT PURCHASE. A statement that the lessee will not own the rental 19 property until the lessee has made all payments necessary to acquire ownership or 20 has exercised the lessee's early-purchase option. The rental-purchase company 21shall also include a notice reading substantially as follows: "You are renting this 22 property. You will not own the property until you make all payments necessary to 23acquire ownership or until you exercise your early-purchase option. If you do not 24make your payments as scheduled or exercise your early-purchase option, the lessor 25may repossess the property."

1 (15) INFORMATION ABOUT RENTAL-PURCHASE COMPANY AND LESSEE. The names of 2 the rental-purchase company and the lessee, the rental-purchase company's 3 business address and telephone number, the lessee's address and the date on which 4 the rent-to-own agreement is executed. $\mathbf{5}$ Prohibited provisions of rent-to-own agreement. 218.636 Α 6 rental-purchase company may not include any of the following provisions in a 7 rent-to-own agreement: 8 (1) CONFESSION. A confession of judgment. 9 (2) SECURITY. A provision granting the rental-purchase company a security 10 interest in any property except the rental property delivered by the rental-purchase 11 company under the rent-to-own agreement. 12(3) REPOSSESSION. A provision authorizing the rental-purchase company or an 13 agent of the rental-purchase company to enter the lessee's premises or to commit a 14breach of the peace in the repossession of rental property provided by the 15rental-purchase company under the rent-to-own agreement. 16 (4) WAIVER. A waiver of a defense or counterclaim, a waiver of any right to 17assert any claim that the lessee may have against the rental-purchase company or 18 against an agent of the rental-purchase company or a waiver of any provision of this subchapter. 19 20 (5) OVERPAYMENT. A provision requiring periodic rental payments totaling more 21than the total dollar amount of all periodic rental payments necessary to acquire 22ownership, as disclosed in the rental-purchase agreement. 23(6) INSURANCE. A provision requiring the lessee to purchase insurance from the $\mathbf{24}$ rental-purchase company to insure the rental property. 25(7) ATTORNEY'S FEES. A provision requiring the lessee to pay attorney fees.

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1 **218.638 Liability waiver.** A rental-purchase company may offer a liability 2 waiver to the lessee. The terms of the waiver shall be provided to the lessee in 3 writing, and the face of the writing shall clearly disclose that the lessee is not 4 required to purchase the waiver. The fee for the waiver may not exceed 10% of the 5 periodic rental payment due under the rent-to-own agreement. The lessee shall be 6 entitled to cancel the waiver at the end of any rental term.

7 **218.64 Early-purchase option.** An early-purchase option under a 8 rent-to-own agreement shall permit the lessee to purchase the rental property at 9 any time after the initial periodic rental payment for an amount determined 10 according to the early-purchase option formula under s. 218.634 (9). As a condition 11 of exercising the early-purchase option, the rental-purchase company may require 12 the lessee to be current on the payments under the lessee's rent-to-own agreement 13 or to pay any past-due rental charges and other outstanding fees that are owed.

14 **218.642 Receipts and statements. (1)** RECEIPTS. A rental-purchase 15 company shall provide a written receipt to a lessee for any payment made by the 16 lessee in cash, or upon the request of the lessee for any other type of payment.

17(2) STATEMENT DUE TO LESSEE. Subject to sub. (4), upon the request of a lessee, 18 a rental-purchase company shall provide a written statement to the lessee showing 19 the lessee's payment history under each rent-to-own agreement between the lessee 20 and the rental-purchase company. A rental-purchase company is not required to 21provide a statement covering any rent-to-own agreement that terminated more 22 than one year prior to the date of the lessee's request. A rental-purchase company 23may provide a single statement covering all rent-to-own agreements or separate 24statements for each rent-to-own agreement, at the rental-purchase company's option. 25

1 (3) STATEMENT DUE TO 3RD PARTY. Subject to sub. (4), upon the written request 2 of a lessee, made during the term of or no later than one year after the termination 3 of a rent-to-own agreement, a rental-purchase company shall provide a written 4 statement to any person designated by the lessee, showing the lessee's payment 5 history under the rent-to-own agreement. 6 (4) FEE FOR STATEMENT. A lesse is entitled to receive one statement under subs. 7 (2) and (3) without charge once every 12 months. A rental-purchase company shall 8 provide an additional statement if the lessee pays the rental-purchase company's 9 reasonable costs of preparing and furnishing the statement. 10 218.644 Price cards displayed. (1) PRICE CARDS; GENERALLY. Except as 11 provided under sub. (2), a rental-purchase company shall display a card or tag that 12clearly and conspicuously states all of the following information on or next to any 13 property displayed or offered by the rental-purchase company for rent under a 14rent-to-own agreement: 15(a) The cash price that an individual would pay to purchase the property. 16 (b) The amount of the periodic rental payment and the term over which the 17payment must be made. (c) The total number and total dollar amount of all periodic rental payments 18 19 necessary to acquire ownership of the property under a rent-to-own agreement. 20 (d) Whether the property is new or used. 21(2) EXCEPTIONS. If property is offered for rent under a rent-to-own agreement 22through a catalog or if the size of the property is such that displaying a card or tag 23on or next to the property is impractical, a rental-purchase company may make the $\mathbf{24}$ disclosures required under sub. (1) in a catalog or list that is readily available to 25prospective lessees.

1	218.646 Advertising. (1) DISCLOSURE REQUIRED. Except as provided under
2	sub. (2), if an advertisement for a rent-to-own agreement refers to or states the
3	amount of a payment for a specific item of property, the rental-purchase company
4	shall ensure that the advertisement clearly and conspicuously states all of the
5	following:
6	(a) That the transaction advertised is a rent-to-own agreement.
7	(b) The total number and total dollar amount of all periodic rental payments
8	necessary to acquire ownership of the property.
9	(c) That the lessee does not acquire ownership of the property if the lessee fails
10	to make all periodic rental payments or other payments necessary to acquire
11	ownership of the property.
12	(2) EXCEPTION. Subsection (1) does not apply to an in-store display or to an
13	advertisement that is published in the yellow pages of a telephone directory or in a
14	similar directory of businesses.
15	218.648 Referral transactions. (1) Prohibited referral transactions. No
16	rental-purchase company may induce any individual to enter into a rent-to-own
17	agreement by giving or offering to give a rebate or discount to the individual in
18	consideration of the individual giving to the rental-purchase company the names of
19	prospective lessees, if the earning of the rebate or discount is contingent on the
20	occurrence of any event that takes place after the time that the individual enters into
21	the rent-to-own agreement.

(2) AUTHORIZED REFERRAL TRANSACTIONS. After entering into a rent-to-own
 agreement, a rental-purchase company may give or offer to give a rebate or discount
 to the lessee under the rent-to-own agreement, in consideration of the lessee giving
 to the rental-purchase company the names of prospective lessees. A rebate or

discount under this subsection may be contingent on the occurrence of any event that 1 $\mathbf{2}$ takes place after the time that the names are given to the rental-purchase company. 3 218.65 Termination of rent-to-own agreement. The termination date of 4 a rent-to-own agreement is the earlier of the following: $\mathbf{5}$ (1) The day specified in the rent-to-own agreement as the day on which the 6 rental term ends, unless a different day has been established pursuant to the terms 7 of the rent-to-own agreement. 8 (2) The date on which the lessee voluntarily surrenders the rental property. 9 **218.652** Late payment, grace period and late fees. (1) LATE FEE: 10 GENERALLY. If a lessee fails to make a periodic rental payment when due under a 11 rent-to-own agreement or if, at the end of any rental term, the lessee fails to return 12the rental property or to renew the rent-to-own agreement for an additional term. 13the rental-purchase company may require the lessee to pay a late fee. Except as 14 provided under sub. (4), this subsection does not apply if the lessee's failure to return 15the rental property or failure to renew the rent-to-own agreement at the end of the 16 rental term is due to the lessee's exercise of an early-purchase option under the 17rent-to-own agreement or is due to the lessee making all periodic rental payments 18 necessary to acquire ownership of the rental property. 19 (2) GRACE PERIODS. The following grace periods shall apply to periodic rental 20payments made with respect to a rental-purchase agreement: 21(a) For an agreement that is renewed on a weekly basis, no late fee may be 22assessed for a periodic rental payment that is made within 2 days after the date on

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23 which the payment is due.

1	(b) For an agreement that is renewed for a term that is longer than one week,
2	no late fee may be assessed for a periodic rental payment that is made within 5 days
3	after the date on which the payment is due.
4	(3) COLLECTION, RECORDING AND LIMITATION OF LATE FEES. Late fees are subject
5	to all of the following limitations:
6	(a) A late fee may not exceed \$5 for each past-due periodic rental payment.
7	(b) A late fee may be collected only once on each periodic rental payment due,
8	regardless of how long the payment remains past due.
9	(c) Payments received shall be applied first to the payment of any rent that is
10	due and then to late fees and any other charges.
11	(d) A late fee may be collected at the time that the late fee accrues or at any time
12	afterward.
13	(4) EFFECT OF OUTSTANDING LATE FEE ON TRANSFER OF OWNERSHIP. A
14	rental-purchase company may require payment of any outstanding late fees before
15	transferring ownership of rental property to a lessee.
16	218.654 Reinstatement of terminated rent-to-own agreement. (1)
17	REINSTATEMENT, GENERALLY. A lessee may reinstate a terminated rent-to-own
18	agreement without losing any rights or options previously acquired if all of the
19	following conditions apply:
20	(a) The lessee returned or surrendered the rental property within 5 days after
21	the termination of the rent-to-own agreement.
22	(b) Not more than 21 days have passed after the date on which the rental
23	property was returned to the rental-purchase company or, if the lessee has paid
24	two-thirds or more of the total number of periodic rental payments necessary to

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acquire ownership of the rental property, not more than 45 days have passed since the date on which the rental property was returned to the rental-purchase company.
(2) AUTHORIZED CONDITIONS ON REINSTATEMENT. As a condition of reinstatement under this section, the rental-purchase company may require the payment of all past-due rental charges, any applicable late fees, a reinstatement fee not to exceed \$5 and the periodic rental payment for the next term.

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(3) EFFECT OF REPOSSESSION ON REINSTATEMENT. Nothing in this section prohibits
a rental-purchase company from attempting to repossess rental property upon
termination of a rent-to-own agreement, but repossession efforts do not affect the
lessee's right to reinstate the rent-to-own agreement as long as the rental property
is voluntarily returned or surrendered within 5 days after the termination of the
rent-to-own agreement.

(4) PROPERTY AVAILABLE UPON REINSTATEMENT. Upon reinstatement, the rental-purchase company shall provide the lessee with the same rental property, if the property is available and is in the same condition as when it was returned to the rental-purchase company, or with substitute rental property of comparable quality and condition.

18 218.656 Reduced periodic rental payment due to reduced income. (1) 19 REDUCTION IN AMOUNT OF PERIODIC RENTAL PAYMENTS; REQUIRED EVIDENCE. (a) 20 *Reduction in amount of periodic rental payments.* If a lessee's monthly income is 21reduced by 25% or more due to pregnancy, disability, involuntary job loss or 22involuntary reduction in the amount of hours worked or wages earned, the 23rental-purchase company shall reduce the amount of each periodic rental payment $\mathbf{24}$ due under the rent-to-own agreement by the same percentage that the lessee's monthly income is reduced or by 50%, whichever is less, for the period of time during 25

1 which the lessee's income is reduced. This subsection applies only if all of the2 following conditions are satisfied:

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- The total dollar amount of periodic rental payments made by the lessee
 under the rent-to-own agreement equals more than 50% of the total dollar amount
 of periodic rental payments necessary to acquire ownership of the rental property.
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2. The lessee has provided the rental-purchase company with reasonable evidence of the amount and cause of the reduction in the lessee's monthly income.

8 (b) *Evidence of continued reduction in income*. At reasonable intervals after 9 reducing the amount of a periodic rental payment under par. (a), a rental-purchase 10 company may require the lessee to provide evidence of the lessee's monthly income 11 and evidence that the cause of the reduction in the lessee's monthly income has not 12 abated.

(2) INCREASE IN NUMBER OF PERIODIC RENTAL PAYMENTS. Except as provided in
 sub. (4), if a rental-purchase company reduces the amount of a periodic rental
 payment under sub. (1) (a), the rental-purchase company may increase the total
 number of periodic rental payments necessary to acquire ownership of the rental
 property.

(3) INCREASE IN AMOUNT OF PERIODIC RENTAL PAYMENTS. Except as provided in
sub. (4), if a rental-purchase company reduces the amount of a periodic rental
payment under sub. (1) (a) and if, subsequently, the lessee's monthly income is
increased, the rental-purchase company may increase, by the same percentage that
the lessee's monthly income is increased, the amount of each periodic rental payment
due after the date on which the lessee's monthly income is increased.

(4) LIMITATION ON INCREASES. If a rental-purchase company, under sub. (2) or
(3), increases the amount or number of periodic rental payments due under a

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1	rent-to-own agreement, the increase affects only the rights or duties of the lessee
2	to the extent authorized in sub. (2) or (3). No rental-purchase company, acting under
3	sub. (2) or (3), may increase the total dollar amount of periodic rental payments
4	necessary to acquire ownership of the rental property, or the amount of a periodic
5	rental payment, to greater than the amount disclosed in the rent-to-own agreement.
6	218.658 Default and right to cure. (1) DEFAULT; GENERALLY. A lessee is in
7	default under a rent-to-own agreement if any of the following occurs:
8	(a) The lessee fails to return the rental property within 7 days after the date
9	on which the last term for which a periodic rental payment was made expires, unless
10	the lessee has exercised an early-purchase option or has made all periodic rental
11	payments necessary to acquire ownership of the rental property.
12	(b) The lessee materially breaches any other provision of the rent-to-own
13	agreement.
14	(2) DEFAULT; NECESSARY FOR LESSEE LIABILITY. No cause of action shall accrue
15	against a lessee with respect to the lessee's obligations under a rent-to-own
16	agreement except upon default and the expiration of any applicable period of time
17	allowed for cure of the default.
18	(3) NOTICE OF DEFAULT; GENERAL REQUIREMENT. Except as provided in sub. (4),
19	as a condition precedent to bringing an action against a lessee arising out of the
20	lessee's default, a rental-purchase company shall provide a written notice of the
21	default and of the right to cure the default to the lessee. The notice shall specify the
22	default and the action required to cure the default and shall inform the lessee that,
23	if the default is not cured within 15 days after the notice is given, the rental-purchase
24	company will have the right to bring an action against the lessee.

(4) NOTICE OF DEFAULT; EXCEPTION. A rental-purchase company is not required 1 2 to provide a notice of default and right to cure as a condition precedent to bringing 3 an action against a lessee if each of the following occurred twice during the 12 months 4 before the date of the current default with respect to the same rent-to-own 5 agreement: 6 (a) The lessee was in default. 7 (b) The rental-purchase company gave the lessee written notice of the default 8 and of the lessee's right to cure under sub. (3). 9 (c) The lessee cured the default. 10 REQUEST FOR VOLUNTARY SURRENDER OF PROPERTY. A rental-purchase (5) 11 company may request the voluntary return or surrender of rental property prior to 12the declaration of a default and the sending of written notice of default and right to

13 cure. A request under this subsection is subject to the requirements of s. 218.66.

14 218.66 Rental-purchase company collection practices. In attempting to
15 recover possession of rental property or to collect past-due periodic rental payments
16 or other charges owed under a rent-to-own agreement, a rental-purchase company
17 may not do any of the following:

(1) USE OF FORCE. Use or threaten to use force or violence to cause physical harm
to the lessee or the lessee's property or to a person related to the lessee.

(2) CRIMINAL PROSECUTION. Threaten criminal prosecution. It is not a violation
 of this subsection for a rental-purchase company to inform a lessee of the existence
 of s. 943.20 (1) (e) and the consequences of violating that statute.

(3) DISCLOSURE OF FALSE INFORMATION. Disclose or threaten to disclose
 information adversely affecting the lessee's reputation for creditworthiness with
 knowledge or reason to know that the information is false.

1 (4) COMMUNICATION WITH LESSEE'S EMPLOYER. Initiate or threaten to initiate 2 communication with the lessee's employer prior to obtaining final judgment against 3 the lessee, except for the purpose of enforcing an assignment of earnings authorized 4 under s. 218.68. This subsection does not prohibit a rental-purchase company from 5 communicating with a lessee's employer solely to verify employment status or 6 earnings or to determine if the employer has an established debt counseling service 7 or procedure.

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8 (5) DISCLOSURE OF INFORMATION RELATING TO LESSEE'S REPUTATION. Disclose or 9 threaten to disclose to a person other than the lessee or the lessee's spouse 10 information affecting the lessee's reputation, whether or not for credit worthiness, 11 with knowledge or reason to know that the other person does not have a legitimate 12 business need for the information, except that this subsection does not prohibit any 13 of the following:

14 (a) The disclosure to another person of information permitted to be disclosed15 to that person by statute.

16 (b) An inquiry solely for the purpose of determining the location of the lessee17 or the rental property.

(6) DISCLOSURE OF INFORMATION REGARDING A DISPUTED DEBT. Disclose or threaten
 to disclose information concerning the existence of a debt known to be reasonably
 disputed by the lessee without disclosing the fact that the lessee disputes the debt.

(7) HARASSMENT. Communicate with the lessee or a person related to the lessee
with such frequency, at such unusual hours or in such a manner as can reasonably
be expected to threaten or harass the lessee or a person related to the lessee, or
engage in any other conduct that can reasonably be expected to threaten or harass
the lessee or a person related to the lessee.

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1 (8) USE OF OBSCENE OR THREATENING LANGUAGE. Use obscene or threatening $\mathbf{2}$ language in communicating with the lessee or a person related to the lessee. 3 (9) USE OF THREAT TO ENFORCE FALSE RIGHT. Threaten to enforce a right with knowledge that the right does not exist. 4 5 (10) Use of false process. Use a communication that simulates legal or 6 judicial process or that gives the appearance of being authorized, issued or approved 7 by a government, government agency or attorney-at-law when it is not. 8 (11) Use of threat to sue. Threaten to file a civil action against the lessee 9 unless the civil action is of a type that the rental-purchase company files in the 10 regular course of business or unless the rental-purchase company intends to file the 11 civil action against the lessee. 12**218.68** Assignment of earnings. No rental-purchase company may take or 13arrange for an assignment of earnings of an individual for payment or as security for 14 payment of an obligation arising out of a rent-to-own agreement unless the 15assignment is revocable at will by the individual. 16 **218.682 Penalties. (1)** FAILURE TO PAY FEES AND PROVIDE REPORTS, INFORMATION 17AND NOTICES: GENERALLY. A licensee that fails to file its annual report by the date 18 specified in s. 218.628 (1), fails to pay the annual license fee by the date specified in 19 s. 218.622 (4), fails to provide any required rider or endorsement to increase the 20 amount of its bond by the date specified in s. 218.622 (4), fails to provide examination 21records by the date required by the division, fails to notify the division in writing of

23 or fails to provide notice to the division of other changes as required under s. 218.626

a relocation of the licensee's place of business by the date specified in s. 218.626 (1)

24 (2) by the date specified in s. 218.626 (2) may be required to forfeit not more than \$50.

Each day that a failure described in this subsection continues constitutes a separate
 offense.

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3 (2) FAILURE TO PROVIDE CERTAIN INFORMATION. A licensee that fails to provide any
additional information, data or records requested by the division under s. 218.626
(2) by the date specified in s. 218.626 (2) may be required to forfeit not more than
\$100. Each day that a failure described in this subsection continues constitutes a
separate offense.

- 8 (3) MISDEMEANORS. Any person who violates s. 218.63 (2) or any provision of
 9 s. 218.617 to 218.628 other than those provisions described in subs. (1) and (2) may
 10 be fined not more than \$1,000, imprisoned for not more than 6 months, or both.
- 11 **218.684 Civil actions and defenses. (1)** LIABILITY; GENERALLY. Except as 12 provided under subs. (2) to (6), a rental-purchase company that violates any 13 provision of this subchapter is liable to a lessee damaged as a result of that violation 14 for the costs of the action and, notwithstanding s. 814.04 (1), for reasonable attorney 15 fees as determined by the court, plus an amount equal to the greater of the following:
- 16 (a) The actual damages, including any incidental and consequential damages,
 17 sustained by the lessee as a result of the violation.
- (b) An amount equal to 25% of the total amount of payments due in one month
 under the lessee's rent-to-own agreement, except that liability under this
 paragraph may not be less than \$100 nor more than \$1,000.
- (2) LIABILITY; CERTAIN VIOLATIONS. Except as provided in subs. (4) and (5), if a
 rental-purchase company violates s. 218.636, the lessee may retain the rental
 property under the rent-to-own agreement without obligation to pay any amount
 and may recover any amounts paid to the rental-purchase company under the
 rent-to-own agreement.

1 (3) CLASS ACTION. In the case of a class action, a rental-purchase company that $\mathbf{2}$ violates this subchapter is liable to the members of the class in an amount 3 determined by the court, except that the total recovery for all lessees whose recovery 4 is computed under sub. (1) (b) may not exceed \$100,000 plus the costs of the action 5 and, notwithstanding s. 814.04 (1), reasonable attorney fees as determined by the 6 court. In determining the amount to award under this subsection, the court shall 7 consider, among other relevant factors, the amount of actual damages sustained by 8 the members of the class, the frequency and persistence of the violations by the 9 rental-purchase company, the resources of the rental-purchase company, the 10 number of persons damaged by the violation, the presence or absence of good faith 11 on the part of the rental-purchase company and the extent to which the violation was 12intentional.

13 (4) DEFENSE; ERROR NOTIFICATION AND CORRECTION. A rental-purchase company 14 is not liable for a violation of this subchapter resulting from an error by the 15 rental-purchase company if, within 60 days after discovering the error, the 16 rental-purchase company notifies the lessee of the error and makes any adjustments 17 necessary to correct the error.

18 (5) DEFENSE; UNINTENTIONAL ERROR. A rental-purchase company is not liable 19 for a violation of this subchapter if the rental-purchase company shows by a 20 preponderance of the evidence that the violation was not intentional, that the 21violation resulted from a bona fide error notwithstanding the maintenance of 22 procedures reasonably adopted to avoid the error and that the rental-purchase 23company has acted to correct the error. A bona fide error under this subsection 24includes a clerical error, an error in making calculations, an error due to computer 25malfunction or to computer programming or a printing error.

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1	(6) LIABILITY FOR MULTIPLE VIOLATIONS. Multiple violations of this subchapter
2	in connection with the same rent-to-own agreement shall entitle the lessee to only
3	a single recovery under sub. (1), except that a violation of s. 218.66 that occurs after
4	recovery has been granted with respect to that rent-to-own agreement may entitle
5	the lessee to an additional recovery under sub. (1).
6	(7) NECESSARY PARTIES. If more than one lessee is a party to the same
7	rent-to-own agreement, all of the lessees that are parties to the rent-to-own
8	agreement shall be joined as plaintiffs in any action under sub. (1) and the lessees
9	are entitled to only a single recovery under sub. (1).
10	218.686 Limitation on actions. An action brought by a lessee under this
11	subchapter shall be commenced within one year after the date on which the alleged
12	violation occurred, 2 years after the date on which the rent-to-own agreement was
13	entered into or one year after the date on which the last payment was made under
14	the rent-to-own agreement, whichever is later.
15	218.688 Venue. (1) GENERALLY. The venue for a claim arising out of a
16	rent-to-own agreement is any of the following counties:
17	(a) Where the lessee resides or is personally served.
18	(b) Where the rental property is located.
19	(c) Where the lessee sought or acquired the rental property or signed the
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	document evidencing his or her obligation under the terms of the rent-to-own
21	document evidencing his or her obligation under the terms of the rent-to-own agreement.
21 22	
	agreement.

improper venue, the court shall transfer the action to any county that is a proper
 place of trial.

3 (3) MULTIPLE DEFENDANTS. If there are several defendants in an action arising
4 out of a rent-to-own agreement, and if venue is based on residence, venue may be
5 in the county of residence of any of the defendants.

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SECTION 3. 220.02 (2) (b) of the statutes is amended to read:

220.02 (2) (b) The lending of money under s. 138.09 or those relating to finance
companies, motor vehicle dealers, adjustment service companies, community
currency exchanges, rental-purchase companies and collection agencies under ch.
218.

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SECTION 4. 220.02 (3) of the statutes is amended to read:

12220.02 (3) It is the intent of sub. (2) to give the division jurisdiction to enforce 13 and carry out all laws relating to banks or banking in this state, including those 14 relating to state banks, trust company banks, and also all laws relating to small loan 15companies or other loan companies or agencies, finance companies, motor vehicle dealers, adjustment service companies, community currency exchanges, 16 17rental-purchase companies and collection agencies and those relating to sellers of checks under ch. 217, whether doing business as corporations, individuals or 18 19 otherwise, but to exclude laws relating to credit unions.

20 **SECTION 5.** 409.104 (12m) of the statutes is created to read:

409.104 (12m) To a transfer of an interest under a rent-to-own agreement
under subch. XI of ch. 218; or

23 **SECTION 6.** 421.202 (7m) of the statutes is created to read:

24 421.202 (7m) A rent-to-own agreement under subch. XI of ch. 218;

25 SECTION 7. Nonstatutory provisions.

1 (1)EMERGENCY RULES GOVERNING LICENSING FEES FOR RENTAL-PURCHASE $\mathbf{2}$ COMPANIES. Using the procedure under section 227.24 of the statutes, the division of 3 banking may promulgate rules authorized under section 218.63 (3) of the statutes, 4 as created by this act, prescribing the fees under sections 218.618 (2), 218.622 (4) and $\mathbf{5}$ 218.626 (1) of the statutes, as created by this act, for the period before the date on 6 which permanent rules take effect, but not to exceed the period authorized under 7 section 227.24 (1) (c) and (2) of the statutes. Notwithstanding section 227.24 (1) (a), 8 (2) (b) and (3) of the statutes, the division of banking is not required to provide 9 evidence that promulgating a rule under this subsection as an emergency rule is 10 necessary for the preservation of the public peace, health, safety or welfare and is not 11 required to provide a finding of emergency for a rule promulgated under this 12subsection.

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SECTION 8. Initial applicability.

(1) RENT-TO-OWN AGREEMENTS. The treatment of sections 218.632 to 218.636,
218.64, 218.65 to 218.658, 218.682 (3), 218.688, 409.104 (12m) and 421.202 (7m) of
the statutes first applies to rent-to-own agreements entered into on the effective
date of this subsection.

18 (2) LIABILITY WAIVERS. The treatment of section 218.638 of the statutes first
applies to liability waivers entered into on the effective date of this subsection.

(3) REGULATION OF RENTAL-PURCHASE COMPANIES. The treatment of sections
21 218.617 to 218.628, 218.682 (1) and (2) and 220.02 (2) (b) and (3) and chapter 218
22 (title) of the statutes first applies to any person engaging in business as a
23 rental-purchase company on the effective date of this subsection.

- 1 (4) PRICE CARDS. The treatment of section 218.644 of the statutes first applies 2 to a rental-purchase company that displays property on the effective date of this 3 subsection.
- 4 (5) ADVERTISING. The treatment of section 218.646 of the statutes first applies 5 to a rental-purchase company that advertises a rent-to-own agreement on the 6 effective date of this subsection.
- (6) REFERRAL TRANSACTIONS. The treatment of section 218.648 of the statutes
 first applies to a rental-purchase company giving or offering to give a rebate or
 discount to an individual on the effective date of this subsection.
- (7) ASSIGNMENT OF EARNINGS. The treatment of section 218.68 of the statutes
 first applies to a rental-purchase company taking or arranging for an assignment
 of earnings on the effective date of this subsection.
- 13 SECTION 9. Effective dates. This act takes effect on the day after publication,
 14 except as follows:
- (1) RENT-TO-OWN AGREEMENTS. The treatment of sections 220.02 (2) (b) and (3),
 409.104 (12m) and 421.202 (7m), subchapter XI of chapter 218 and chapter 218 (title)
 of the statutes and SECTION 8 (1) to (7) of this act take effect on the first day of the
 6th month beginning after publication.
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(END)