

MARYLAND

Rental-Purchase Agreement Act

MD. Commercial Law Code § 12-1101 et seq.

Section 12-1101 - Definitions

- (a) In this subtitle the following words have the meanings indicated.
- (b) (1) “Advertisement” means a commercial message in any medium that aids, promotes, or assists, directly or indirectly, a rental–purchase agreement.
 - (2) “Advertisement” does not include in–store merchandising ads.
- (c) “Cash price” means the price at which the lessor would have sold rental property covered by a rental–purchase agreement to the consumer unconditionally for cash on the date of consummation.
- (d) “Consumer” means an individual who rents personal property under a rental–purchase agreement primarily for personal, family, or household purposes.
- (e) “Consummation” means the time at which a consumer enters into a rental–purchase agreement.
- (f) “Cost of lease services” means the difference between the final purchase price of rental property and the cash price of rental property.
- (g) “Lessor” means a person who regularly provides the use of personal property through rental–purchase agreements to consumers and to whom rental payments are initially payable on the face of a rental–purchase agreement.
- (h) “Rental property” means personal property that is the subject of a rental–purchase agreement.
- (i) “Rental–purchase agreement” means an agreement that:
 - (1) Is for the use of personal property by an individual primarily for personal, family, or household purposes;
 - (2) Is for an initial period of 4 months or less;
 - (3) Is automatically renewable for a weekly or monthly period with each rental payment after the initial period; and
 - (4) Allows but does not obligate the consumer to become the owner of the property.

Section 12-1102 - Effect and Applicability of Subtitle

- (a) A rental-purchase agreement that complies with this subtitle may not be deemed to be:
 - (1) A “retail sale”, as defined in § 12-601(s) of this title;
 - (2) An “installment sale agreement”, as defined in § 12-601(m) of this title; or
 - (3) A “security interest”, as defined in § 1-201(37) of this article.
- (b) This subtitle does not apply to:
 - (1) A rental-purchase agreement made primarily for business, commercial, or agricultural purposes, or made with governmental agencies, instrumentalities, or organizations;
 - (2) A rental of a safe deposit box;
 - (3) A lease or bailment of personal property that:
 - (i) Is incidental to the rental of real property; and
 - (ii) Provides that the consumer has no option to purchase the rented real property; or
 - (4) A lease of an automobile.

Section 12-1103 - Disclosures -- in General

- (a)
 - (1) A lessor shall disclose to a consumer the information required under this subtitle.
 - (2) In a transaction involving more than 1 lessor, only 1 lessor need make the disclosures required under this subtitle, but all lessors shall be bound by the disclosures made.
- (b) A lessor shall make the disclosures required under this subtitle before consummation of the rental–purchase agreement.
- (c) A lessor shall:
 - (1) Make the disclosures required under this subtitle in a written form that is simple and understandable and is written or typed in a size not less than 10 point type;
 - (2) Make the disclosures required under this subtitle in English or in any other language used by the lessor in advertisements related to the rental–purchase transaction;
 - (3) Make the disclosures required under this subtitle on the face of the rental–purchase

agreement and summary of costs chart above the consumer's signature lines; and

(4) Deliver a copy of the rental–purchase agreement and the summary of costs chart to the consumer.

(d) If a disclosure becomes inaccurate as a result of any act, occurrence, or agreement by the consumer after delivery of the rental property, the resulting inaccuracy is not a violation of this subtitle.

Section 12-1104 - Disclosures -- Specific Information; Tags

(a) The lessor shall disclose in each rental–purchase agreement, as applicable:

(1) The total number, total amount, and timing of all rental payments necessary to acquire ownership of the rental property;

(2) A statement that the consumer will not own the rental property until the consumer has paid the total of payments necessary to acquire ownership;

(3) A brief description of the rental property sufficient to identify the rental property to the consumer and the lessor, including an identification number and a statement indicating whether the rental property is new or used;

(4) (i) A statement of the cash price of the rental property; or

(ii) If a single rental–purchase agreement involves a lease of 2 or more items of rental property as a set, a statement of the aggregate cash price of all items;

(5) The cost of lease services of the rental property;

(6) The total of initial payments paid or required to be paid at or before consummation of the rental–purchase agreement or delivery of the rental property, whichever is later;

(7) A statement that the total of rental payments does not include other charges, such as reinstatement fees, damage fees, or pickup fees;

(8) A statement that the consumer has the right to exercise an early purchase option and the price, formula, or method for determining the early purchase option price;

(9) A statement that the consumer must pay the early purchase option price for the rental property if, and when, the rental property is lost, stolen, damaged, or destroyed;

(10) (i) A statement identifying the lessor as the party responsible for maintaining or servicing the rental property while it is being rented;

(ii) A description of that responsibility; and

- (iii) A statement that if any part of a manufacturer's express warranty covers the rental property at the time the consumer acquires ownership of the rental property, it shall be transferred to the consumer, if allowed by the terms of the warranty;
 - (11) The date of consummation and the identities of the lessor and consumer;
 - (12) A statement that the consumer may terminate the rental–purchase agreement without penalty by voluntarily surrendering or returning the rental property in good repair, normal wear and tear excepted, upon expiration of any rental term and payment of any past due rental payments;
 - (13) Notice of the consumer's right to reinstate an agreement as provided in § 12–1106 of this subtitle; and
 - (14) Any other charges, including reinstatement fees, damage fees, and pickup fees.
- (b) The lessor shall disclose in each summary of costs chart, as applicable:
- (1) The cash price of the rental property;
 - (2) The timing of the payments for the rental property;
 - (3) The total purchase price if the payment schedule under item (2) of this subsection is completed according to the schedule; and
 - (4) The cost of lease services of the rental property.
- (c) A lessor shall place on property which is to be leased as a part of a rental–purchase agreement and is displayed in the lessor's place of business a tag which shall indicate:
- (1) The number and amount of individual renewal payments necessary to purchase the property;
 - (2) The total amount necessary to purchase the property; and
 - (3) Whether the property is new or used.

Section 12-1105 - Prohibited Provisions

A rental-purchase agreement may not contain:

- (1) A confession of judgment;
- (2) A negotiable instrument;

- (3) A security interest or any other claim of a property interest in any goods except the rental property delivered by the lessor pursuant to the rental-purchase agreement;
- (4) A wage assignment;
- (5) A waiver by the consumer of claims or defenses; or
- (6) A provision authorizing the lessor or a person acting on the lessor's behalf to enter upon the consumer's premises or to commit any breach of the peace in the repossession of rental property.

Section 12-1106 - Reinstatement; Repossession of Property

(a) A consumer who fails to make a timely rental payment may reinstate the rental-purchase agreement, without losing any rights or options that exist under the rental-purchase agreement, if within 5 days of the renewal date, for a consumer who renews on a monthly basis, or within 2 days of the renewal date, for a consumer who renews on a weekly basis, the consumer pays:

- (1) All past due rental charges;
- (2) If the rental property has been picked up or repossessed, the reasonable costs of pickup and redelivery; and
- (3) Any applicable reinstatement fee, which may not exceed \$5.

(b) A consumer who has paid less than two-thirds of the total of payments necessary to acquire ownership of the rental property and who has returned or voluntarily surrendered the rental property without judicial process during the applicable reinstatement period under subsection (a) of this section or who has made the property available for pickup at the request of the lessor, whichever occurs last, may reinstate the rental-purchase agreement prior to a date not less than 21 days after the date of the return of the rental property.

(c) A consumer who has paid two-thirds or more of the total of payments necessary to acquire ownership of the rental property and who has returned or voluntarily surrendered the rental property without judicial process during the applicable period set forth in subsection (a) of this section or who has made the property available for pickup at the request of the lessor, whichever occurs last, may reinstate the rental-purchase agreement prior to a date not less than 45 days after the date of the return of the rental property.

(d) Nothing in this section shall prevent a lessor from repossessing the property during the reinstatement period, but a repossession may not affect the consumer's right to reinstate. After reinstatement, the lessor shall provide the consumer with the same rental property or a substitute property of comparable quality and condition.

(e) (1) A lessor may repossess property under a rental-purchase agreement if the consumer is in default of:

- (i) Any sum due under the agreement; or
 - (ii) The performance of any promise the breach of which is expressly made a ground for repossessing the property.
- (2) A lessor may repossess property only by legal process or self-help without the use of force. Nothing in this section authorizes a violation of criminal law.
- (3) At the time of repossession of the property, the lessor shall deliver to the consumer a written notice which states the right of the buyer to reinstate the rental-purchase agreement, the last date by which the consumer may reinstate the agreement, and the amount payable for reinstatement.
- (4) The consumer may reinstate the rental-purchase agreement within 15 days after the date of repossession by paying:
- (i) All past due rental charges;
 - (ii) The reasonable costs of pickup and redelivery; and
 - (iii) A reinstatement fee of \$5.

Section 12-1106.1 - Maintenance of Copy of Rental-Purchase Agreement

A lessor shall maintain a copy of the rental–purchase agreement for 3 years after the final payment on a rental–purchase agreement.

Section 12-1107 - Receipts

- (a) A lessor shall provide the consumer with a written receipt for each payment under a rental–purchase agreement made in person by cash or money order, or, if the payment is made in any other form, on request.
- (b) The written receipt shall contain the:
- (1) Total amount paid;
 - (2) Total amount due that week or month; and
 - (3) Total remaining rental payments necessary to acquire ownership of the item.
- (c) The lessor shall provide the consumer with a written statement of account within 3 days after the consumer’s request.

Section 12-1108 - New Rental-Purchase Agreements

- (a) When a rental-purchase agreement is satisfied and replaced by a new rental-purchase agreement between the lessor and consumer, the lessor and consumer shall negotiate a new rental-purchase agreement requiring new disclosures.
- (b) The following do not require the negotiation of a new rental-purchase agreement:
 - (1) The addition or return of rental property under a multiple-item agreement or the substitution of the rental property, if in either case the average payment allocable to a payment period is not changed by more than 25 percent;
 - (2) A deferral or extension of 1 or more rental payments, or portions of a rental payment;
 - (3) A reduction in charges in the rental-purchase agreement; or
 - (4) A rental-purchase agreement involved in a court proceeding.

Section 12-1109 - Advertisements

- (a) An advertisement for a rental-purchase agreement that refers to or states the dollar amount of any payment and the right to acquire ownership for any 1 specific item shall clearly and conspicuously state, as applicable:
 - (1) That the transaction advertised is a rental-purchase agreement;
 - (2) The total cost and the number of payments necessary to acquire ownership; and
 - (3) That the consumer acquires no ownership right if the total amount necessary to acquire ownership is not paid.
- (b) Any owner, employee, or agent of any medium in which an advertisement appears or through which it is disseminated may not be liable for violations under this section.
- (c) The requirements under subsection (a) of this section do not apply to an advertisement that:
 - (1) Does not refer to or state the amount of any payment; or
 - (2) Is published in the yellow pages of a telephone directory or in any similar directory of business.

Section 12-1110 - Penalties; Exceptions

- (a) A person who willfully and intentionally violates any provision of this subtitle is guilty of a

misdemeanor and on conviction is subject to a fine not to exceed \$500 per violation.

(b) For a violation of a provision of this subtitle, a consumer under a rental-purchase agreement may recover from the lessor committing the violation, or may set off by way of a counterclaim in an action brought by the lessor or its assignee, an amount equal to:

- (1) Actual damages; and
- (2) \$500 plus reasonable attorney's fees and court costs.

(c) A lessor or its assignee may not be held liable under this subtitle if the lessor or its assignee proves by a preponderance of the evidence:

- (1) That the violation was unintentional and resulted from a bona fide error, notwithstanding the maintenance of procedures reasonably adopted to avoid that type of error; and
- (2) That the lessor or its assignee corrected the error and refunded any money excessively charged due to the error, within 30 days after discovering or receiving notice of the error.

Section 12-1110.1 - Recovery of Property Subject to Rental-Purchase Agreement

(a) A lessor may not bring a court action to recover property subject to a rental-purchase agreement until 15 days after the consumer has been sent notice of a default.

(b) Notice of default sent by certified mail to the consumer's last known address constitutes notice.

(c) The notice shall include any amount the consumer must pay to reinstate the rental-purchase agreement, if applicable.

Section 12-1111 - Form for Disclosures

(a) The following is an example of a form which shall be used to satisfy the disclosure requirements of §§ 12-1103(c) and 12-1104(a) of this subtitle:

“Rental-Purchase Agreement

1. Lessor(s):	Lessee(s):
Name	Name
_____	_____
Address	Address
_____	_____
Telephone no.	Telephone no.
_____	_____

2. Description of Rental Property:

Item	Quantity	Identification Number	Condition
_____	_____	_____	New
_____	_____	_____	Used
_____	_____	_____	_____

Cash Price: _____

3. Total Initial Payment:

Rental Payment: \$ _____
Delivery Charge: \$ _____
Tax: \$ _____
Other (specify): \$ _____
Total: \$ _____

4. Rental Payments:

Total Weekly Rental Payment: _____
(includes tax)

Total Monthly Rental Payment: _____
(includes tax)

5. Other Charges:

In Home Pick-up Fee \$ _____
Reinstatement Fee: \$ _____
Other (specify): \$ _____

6. Total Cost To Acquire Ownership:

If you renew this rental agreement each week/month, for _____ weeks/months, you will pay a total of \$_____ to own the rental property. This amount includes your total initial payment but does not include other charges such as damage, reinstatement or pick-up fees for which you may be liable.

7. Cost of Lease Services:

The cost of lease services is the difference between the final purchase price of the rental property and the cash price of the rental property. The cost of lease services for the rental property is \$_____.

8. No Ownership Until Total Paid:

You will not acquire ownership of the rental property until you pay the total rental payments necessary to acquire ownership, or unless you exercise an early purchase option.

9. Early Purchase Option:

You may purchase the rental property at any time after your first rental payment.

(Describe formula or method here)

10. Maintenance:

We (lessor) are responsible for maintaining the rental property in good working condition while it is being rented. We will provide all necessary service, repair or replacement (specify if in home or in store) if you notify us by phone or mail that service is needed. We will not be responsible for repairs done by anyone other than us.

11. Warranty:

If allowed by the manufacturer, the manufacturer's express warranty covering the rental property rented under this agreement will be transferred to you if, and at the time, you acquire ownership of the rental property.

12. Damages:

You (lessee) are entirely responsible for loss, damages, theft or destruction of the rental property while it is in your possession. Your liability for such damage will not exceed the early purchase option price of the rental property as of the date it is lost, stolen, damaged or destroyed.

13. Termination:

You (lessee) may terminate this agreement without penalty at the end of any weekly or monthly term by returning the rental property to us in good condition. You will be liable for any unpaid rental payments due upon the date of return.

14. Reinstatement:

If you (lessee) fail to make a timely payment, you may reinstate the agreement without penalty, if:

- 1) You pay all past due rental charges and a reinstatement fee within 2 days (weekly renters) or 5 days (monthly renters) of your renewal date; or
- 2) You return or voluntarily surrender the rental property within 2 days (weekly renters) or 5 days (monthly renters) of your renewal date. If you choose to reinstate the agreement after returning the rental property, you will have up to 21 days (or longer depending on how long you have rented the rental property) to pay all past due rental charges, a reinstatement fee and a reasonable redelivery fee if we deliver the rental property.

I have read the above disclosures before signing this rental-purchase agreement.

Lessee(s): _____ Date: _____

(b) The following is an example of a form which shall be used to satisfy the disclosure requirements of §§ 12-1103(c) and 12-1104(b) of this subtitle:

Summary of Costs of Your Rental-Purchase Agreement

Cash Price	Scheduled Payments	Final Purchase Price	Cost of Lease Services
The price of the rental property if purchased in-store at the time of consummation.	The amount you pay per week/month.	The Amount you will have paid after you have made all payments as scheduled.	The cost of your rental-purchase transaction.
\$ _____	\$ _____	\$ _____	\$ _____

Timing of Payments: Payment in the amount of \$ _____ is due on a (Weekly/Bi-Weekly/Semi-Monthly/Monthly) basis.

Early Payment Option: You have the right to purchase the rental property prior to the date listed above for (enter formula).

Termination: You have the right to terminate this rental-purchase agreement at the end of any term by surrendering the rental property to the lessor.

The disclosures above are part of the terms and conditions of your rental-purchase agreement with (company name).

Lessee(s): _____ Date: _____

Section 12-1111.1 - Sample Forms on Web Site

The Attorney General's Web site shall include the sample forms in § 12-1111 of this subtitle.

Section 12-1112 - Short Title

This subtitle may be cited as the Maryland Rental-Purchase Agreement Act.