

corporate scam. I urge my colleagues to stand up for consumers and vote down this misguided bill.

Ms. SCHAKOWSKY. Mr. Chairman, today I rise in strong opposition to H.R. 1701. I urge my colleagues to join me in opposing this anti-consumer legislation. I want to thank Representative WATERS for her tireless work on behalf of consumers. Every national consumer rights organization and 52 state and extraterritorial Attorney Generals oppose this bill. I should also note that there is bipartisan opposition to this bill. The Judiciary Committee Chairman has stated that "H.R. 1701 is a misguided attempt to preempt the existing laws of virtually every state." I could not agree more.

This legislation sacrifices consumer protections for the sake of a politically connected industry that is notorious for exploiting consumers. We should not preempt strong consumer protection laws in Minnesota, New Jersey, Wisconsin, and Vermont. This bill would also effectively stop states from passing strong consumer protections in the future.

The \$5 billion a year rent to own industry offers goods and services to people who do not have the credit or money to buy goods at the regular sales price. I should note that this industry that already receives special treatment by the IRS. The IRS grants the Rent to Own Industry a three-year depreciation schedule. The horse racing business is the only other industry that has a three-year depreciation schedule. This legislation will give this industry even more "special treatment."

H.R. 1701 effectively allows the rent to own industry to hide the true costs of its transactions by hiding interest rates. Consumers should know the final cost of a deal they have agreed to.

This industry provides goods to those who are unable to conventionally purchase goods. We in Congress should work to strengthen and not weaken protections for families that are struggling to make ends meet. Low-income people predominately use this market. It is estimated that over 30% receive some form of public assistance, 59% earn less than \$25,000 and 73% have a high school degree or less. These consumers frequently end up paying 10 to 15 times of the rental price. On average it takes a consumer 77 weeks to own the good.

Consumers are deceived by low monthly installment rates. People should absolutely know what they are getting into when they agree to buy an item over a long period of time. This legislation will make it even harder for consumers to get fair and accurate information about their obligations. We in Congress should work to strengthen, not weaken protections for working families. This legislation will effectively increase low-income people's debt. Join me in voting against this anti-consumer legislation and voting for the motion to recommit that is being offered by the gentlelady from California.

Mr. PAUL. Mr. Chairman, H.R. 1701, the Consumer Rental Purchase Agreement bill, rewrites every rent-to-own contract in the nation to conform to the dictates of federal politicians and bureaucrats. This bill thus represents another usurpation by Congress of powers reserved by the 9th and 10th amendments of the Constitution to the states and the people.

Rent-to-own transactions provide many low-income individuals an affordable means of obtaining durable goods, such as furniture, appli-

ances and computers. Rent-to-own also provides a way of obtaining luxury items for a short time. For example, someone who cannot afford a big screen TV can use a rent-to-own contract to obtain such a TV to watch the Super Bowl.

Proponents of H.R. 1701 admit the benefits of rent-to-own but fret that rent-to-own transactions are regulated by the states, not the federal government. Proponents of this legislation claim that state regulations are inadequate, thus making federal regulations necessary. My well-intentioned colleagues ignore the fact that Congress has no legitimate authority to judge whether or not state regulations are adequate. This is because the Constitution gives the federal government no authority to regulate this type of transaction. Thus, whether or not state regulations are adequate is simply not for Congress to judge.

Some may claim that H.R. 1701 respects states' rights, because it does not preempt those state regulations acceptable to federal regulators. However, Mr. Chairman, this turns the constitutional meaning of federalism on its head. After all, the 10th amendment does not limit its protections to state laws approved of by the federal bureaucracy.

In addition to exceeding Congress's constitutional authority, H.R. 1701, like all federal regulatory schemes, could backfire and harm the very people it was intended to help. This is because any regulation inevitably raises the cost of doing business. These higher costs are passed along to the consumer in the form of either higher prices or fewer choices. The result of this is that marginal customers are priced out of the market. These consumers may prefer to sign contracts that do not meet federal standards as opposed to not having access to any rent-to-own contracts, but the Congress will deny them that option. According to the proponents of H.R. 1701, if people cannot obtain desired goods and services under terms satisfactory to the government, they are better off being denied those goods and services. Mr. Chairman, this type of "government knows best" legislation represents the worst type of paternalism and is totally inappropriate for a free society.

In conclusion, H.R. 1701 exceeds Congress's constitutional authority by regulating areas constitutionally left to the states. It also raises the cost of forming rent-to-own contracts and thus will deny those contracts to consumers who desire them. I therefore urge my colleagues to reject this paternalistic and unconstitutional bill.

Mr. SHOWS. Mr. Chairman, the rent-to-own industry provides an important service for those who cannot afford the initial expense of durable good purchases, such as furniture, washing machines, and televisions, and for those who are looking for temporary home furnishings. Many Mississippians rely on the convenience and accessibility of rent-to-own products. Nationally, rental and rent-to-own transactions total \$5.3 billion each year. Because the rent-to-own industry provides such a vital service to so many people across the U.S., I am proud to support the Consumer Rental-Purchase Agreement Act on the floor of the House today.

The Consumer Rental-Purchase Agreement Act of 2002 (H.R. 1701) protects those consumers who opt to rent or rent-to-own. Because these types of transactions are short-term leases not covered by the Consumer

Leasing Act or the Truth in Lending Act, H.R. 1701 fills a gap in federal regulation of consumer transactions.

H.R. 1701 regulates the rent-to-own industry by establishing federal regulatory framework for rent-to-own transactions. The legislation establishes a federal "floor" of minimum consumer protection for rent-to-own consumers in every state. This federal "floor" provides for consumer disclosures while still allowing states to impose price caps, fee limits, and other protections.

H.R. 1701 protects consumer rights. The bill extends the reinstatement period that preserves a consumer's acquisition rights after missing payments. It restricts the types of fees that merchants may charge, such as balloon payments for multiple late fees. The bill prevents merchants from requiring that customers purchase their damage waiver or insurance as a condition of the rental. It also prohibits abusive collection practices and protects customers from waiving their legal claims.

H.R. 1701 protects states' rights to regulate and establish business standards in the rent-to-own industry. The bill improves on the existing rent-to-own retail standards in more than 40 states but assures that more protective state laws continue in force. States can and do restrict rental costs and require further disclosures. H.R. 1701 also ensures the uniform definition of the transaction as a short-term lease with a purchase option (not an outright sale or secured transaction), consistent with current federal tax treatment and statutes in 46 states. The bill does not prevent states from imposing on rent-to-own transactions economic limits like those applied in state regulation of long-term leases or consumer credit.

The bill provides for more complete and accurate consumer disclosures, adopting several policy recommendations made by the Federal Trade Commission in a recent study of the industry. For example, H.R. 1701 requires that merchandise bear a price tag or label disclosing the "total cost" of the rental, including mandatory fees or charges, as well as the rental payment amount and number of payments to acquire ownership. Only 18 states currently require any type of price tag or label disclosure, and even fewer include all of the information mandated by H.R. 1701.

I am a proud cosponsor of this bipartisan legislation, which raises the standards of disclosure in the rent-to-own industry and ensures that consumers are protected during these transactions. As a member of the Committee on Financial Services, I voted in favor of this legislation on June 27th, which passed the committee with bipartisan support and was reported favorably to the full House, 29-9.

I am proud to support this bill on the floor of the House today because it guarantees that the relationship between rent-to-own retailers and consumers maintains its integrity and best serves each side's financial stake in rent or rent-to-own transactions.

Ms. JACKSON-LEE of Texas. Mr. Chairman, today I speak out in opposition to H.R. 1701. This bill does great harm to our nation's consumers while protecting the rent-to-own industry with weak regulations that are not suited to the true nature of the type of transaction these contracts really represent—credit-sales contracts.

Once again, we hasten to pass a bill that unfairly places the interests of common consumers below the interests of industry and