



WISCONSIN CATHOLIC CONFERENCE

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WCC TESTIFIES ON RENT-TO-OWN LEGISLATION

The Wisconsin Catholic Conference voiced its opposition to legislation that would exempt rent-to-own (RTO) businesses from key provisions of Wisconsin's Consumer Act (WCA) at a February 28 hearing before the Assembly Committee on Financial Institutions.

Assembly Bill 582 exempts rent-to-own (RTO) businesses from provisions in the Wisconsin Consumer Act that currently limit the amount of interest that may be charged on consumer loans and prohibit repossession without judicial process.

Sella noted that Catholic teaching affirms the benefits of free market policies. She recalled that Pope John Paul II wrote in his encyclical *Centesimus annus* that the "free market is the most efficient instrument for utilizing resources and effectively responding to needs."

"However," she added, "the Pope also understood that a free economy 'presumes a certain equality between the parties, such that one party would not be so powerful as practically to reduce the other to subservience.' For this reason, the government 'has the task of determining the juridical framework within which economic affairs are to be conducted, and thus of safeguarding the prerequisites of a free economy.'"

In her testimony, Sella also cited the experience of staff at Catholic Charities and St. Vincent de Paul agencies, who routinely observe that those who are poor often end up paying the most for goods and services. "Public policy," she argued, "should not compound that tragedy by encouraging businesses that depend on ignorance and indebtedness."

Without requiring credit checks or down payments, the RTO industry offers consumers household goods such as appliances, furniture, and audio-visual equipment on weekly or monthly self-renewing installments. The interest rates charged on these transactions can be as high as 200-300 percent. Customers can cancel their payments at any time by returning the merchandise to the store. They may choose to purchase the goods by continuing their regular payments or by purchasing the goods outright. National studies indicate that 70 percent of consumers end up buying the goods at prices that are significantly higher than what the same goods would cost if purchased in cash or on credit at a local retailer.

Supporters of RTOs point out that they are particularly attractive to customers who lack good credit, have no savings, or simply need or wish to have certain goods immediately. Opponents counter that RTOs locate in poor neighborhoods and lure the working poor into renting and buying goods at interest rates far higher than normal retail.

Currently, Wisconsin is one of a handful of states that treats rent-to-own transactions like credit transactions and requires the disclosure of interest rates. As a result, there are only a few Wisconsin-based RTOs because most of the national chains have opted not to open stores here. If Assembly Bill 582 were to become law, several hundred new stores are expected to open in Wisconsin.

Sella urged the committee to consider the implications of passing legislation that exempts this industry from the WCA. “If RTOs were to gain these concessions, what other industries would seek identical or similar exemptions?”

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