



WISCONSIN CATHOLIC CONFERENCE

FOR IMMEDIATE RELEASE

March 28, 2013

WCC JOINS OTHERS IN OPPOSING STATE BUDGET RENT-TO-OWN EXEMPTIONS

The Wisconsin Catholic Conference is part of a broad coalition of consumer, faith-based, aging, family, and public interest organizations urging state lawmakers to remove language in Governor Walker's budget proposal that exempts the rent-to-own (RTO) industry from Wisconsin's consumer protection laws. WCC Executive Director John Huebscher and 11 other advocates for families stated their opposition to the RTO exemption in a March 27 letter to legislators and the Governor.

In a RTO contract, the customer agrees to make a weekly or monthly payment in order to immediately take home merchandise, usually furniture, electronics, or computers. If the customer makes all the required payments, he or she then owns the product outright. The customer can also return the product at any time and cancel the contract with no further obligations.

RTO businesses are appliance and furniture retailers that arrange lease agreements rather than typical installment sales contracts. The chief problem with RTO agreements are that these leases mask installment sales made at astronomic and undisclosed annual percentage rates. RTOs do not require down payments, nor do they perform credit checks, so the agreements are especially attractive to customers with poor or no credit.

In Wisconsin, these leases are regulated as a form of credit because the consumer is buying a product over time and paying a very high amount over the product's value. As such, RTOs have to abide by the Wisconsin Consumer Act (WCA) and post annual percentage rates (APR), helping customers to make informed decisions.

Under most RTO contracts, the customer will pay between \$1,000 and \$2,400 for a television, stereo, or other major appliance worth as little as \$200 retail, if used, and seldom more than \$600 retail, if new. Customers end up paying at least twice (and as much as four times) the market value in order to own a RTO item. If a customer misses a payment, the RTO can repossess the merchandise and the customer will have nothing to show for all his or her payments.

Huebscher noted that the Catholic Church has always condemned selling at excessively high interest rates as usury.

“Catholic social teaching – with its emphasis on the dignity of the human person, the common good, and special concern for the poor and vulnerable – leads us to oppose any practice or policy that harms those least able to defend themselves,” he said.

Huebscher also observed that Catholic Charities and Society of St. Vincent de Paul agencies have direct experience helping clients who are trapped and impoverished by predatory contracts. They confirm that one of the tragic circumstances of poverty is that those who are least able to pay for goods often end up paying the most.

“Public policy should not compound that tragedy by encouraging businesses that prey on ignorance and indebtedness,” Huebscher said. “The WCA represents what our teaching calls a ‘juridical framework’ that keeps consumer transactions in our state free and fair. RTOs should continue to be regulated by it.”

The WCC is urging Catholics who attend the upcoming Joint Finance Committee hearings on the state budget to testify or register their opposition to this proposal. Those Catholics who cannot attend are encouraged to write or contact their legislators with the same message. Huebscher added the issue will be one of those raised at the WCC’s *Catholics at the Capitol* event in Madison on April 10.

Other organizations that signed the letter include the Wisconsin Public Interest Research Group, (WISPIRG), the Wisconsin Council of Churches, the Wisconsin Council on Children and Families, Legal Aid Society of Milwaukee, Citizen Action of Wisconsin, Community Action Coalition for South Central WI, Inc., Wisconsin Association for Justice, the Consumer Law Litigation Clinic of the University of Wisconsin Law School, WISDOM, Wisconsin Community Action Program Association, Inc., and Coalition of Wisconsin Aging Groups.

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