



WISCONSIN CATHOLIC CONFERENCE

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WCC SAYS THAT STATE SHOULD PROTECT POOR AND VULNERABLE FROM RENT-TO-OWN BUSINESSES

The WCC expressed opposition to two companion bills that would re-classify rent-to-own businesses in the state of Wisconsin and encourage their expansion.

At two separate hearings held on August 9 on [Senate Bill 268](#) in the Senate Housing and Financial Institutions Committee and [Assembly Bill 587](#) in the Assembly State Affairs Committee, Associate Director Barbara Sella explained the basis for the WCC's concern:

“Catholic social teaching evaluates all areas of life in terms of their impact on the human person and the common good. In assessing the impact of economic policies, we are also called to take special note of how such policies affect the poor and vulnerable.”

Without requiring credit checks or down payments, the rent-to-own (RTO) industry offers consumers household goods such as appliances, furniture and audio-visual equipment on weekly or monthly self-renewing installments. Customers can cancel their payments at any time by returning the merchandise to the store or they may choose to purchase the goods by continuing their regular payments or by purchasing the goods outright.

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. If the bills were to go through, several hundred new stores are expected to open in Wisconsin.

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. However, should these bills pass, rent-to-own (RTO) businesses operating in Wisconsin would no longer be regulated as consumer credit institutions, but instead would be governed by a new and separate chapter in the Wisconsin Consumer Act (WCA). Consequently, RTOs would no longer be required to disclose the interest rates they are charging customers. Moreover, the bills would shorten the period within which a customer can be declared in default and permit self-help repossession, that is, repossession without judicial process—both of which are forbidden by law under the WCA.

Sella urged the committees to consider the precedent that would be set if the bills were to pass, “for if rent-to-own companies were to gain these concessions, why shouldn’t other industries be allowed to follow?”

She stressed that Catholic thought recognizes the benefits of the free market, but for these markets to be truly free and competitive, there must be true disclosure about prices, interest rates, financing, etc. so that customers can make truly informed choices.

“It is a tragic circumstance of poverty 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 tend to take undue advantage of the poor to proliferate in our state,” she concluded.

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