

TO: Members, Joint Committee on Finance

CC: Senate Majority Leader Scott Fitzgerald, Assembly Speaker Robin Vos

RE: Oppose Rent-to-Own Exemptions in State Budget

Contact:

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September 5, 2017

Dear Members of the Joint Committee on Finance,

The undersigned groups respectfully urge you to oppose any motion to weaken consumer protections related to rent-to-own (“RTO”) financial transactions as the legislature finalizes the biennial budget. To preserve transparency in the financial marketplace and to maintain a level playing field between consumers and the RTO industry, RTO transactions must continue to be subject to the Wisconsin Consumer Act.

Rent-to-own transactions constitute high-interest loans marketed primarily to working- and middle-class families. Under RTO agreements, customers agree to make weekly, bi-weekly or monthly payments in order to immediately take home merchandise – commonly furniture, appliances or consumer electronics. Customers have the option to make a series of required payments in order to own the merchandise outright, or to return the merchandise at any time and cancel their contracts with no further obligations; the bulk of RTO marketing, however, is based on the promise of ownership. RTO stores do not require down payments, nor do they perform credit checks, which makes these agreements particularly attractive to customers with poor or no credit.

RTO transactions have been held by the Wisconsin Court of Appeals to be credit transactions. As such, the Wisconsin Consumer Act currently requires RTO businesses to disclose annual percentage rates (APR) related to these transactions. These APR disclosure requirements are critical in helping Wisconsinites compare financial products and allow consumers to make informed decisions – particularly when it comes to triple-digit-interest services like RTO.

In 2013, WISPIRG conducted a survey of five rent-to-own stores in the Rockford, Illinois area, where the important protections offered by the Wisconsin Consumer Act do not apply. WISPIRG staff compared the cost of rent-to-own products to the cost of buying the same or similar goods at major appliance and electronics retailers, finding that RTO businesses charged between two to seven times the market value of the products on offer. Additionally, the RTO stores surveyed charged an average effective APR of 221 percent, with effective APRs ranging from 138 percent to 370 percent for the products surveyed. All RTO stores surveyed charged effective APRs of over 100 percent -- more than five times the prevailing credit card rates of less than 20 percent.

In previous state budget negotiations, the RTO industry has sought Wisconsin Consumer Act exemptions that would treat rent-to-own transactions as leases, rather than credit sales. Doing so would reduce market transparency and strip consumers of vital protections, with detrimental impacts for Wisconsin families and individuals.

We respectfully urge you to resist any such attempts in order to maintain the fairness and transparency of Wisconsin’s consumer financial marketplace.

Sincerely,

Wisconsin Public Interest Research Group (WISPIRG)
Wisconsin Catholic Conference
Lutheran Office for Public Policy in Wisconsin
Wisconsin Council of Churches
UW Law School Consumer Law Clinic
End Domestic Abuse WI
Catholic Charities Bureau for the Diocese of Superior
Catholic Charities for the Diocese of Green Bay
Catholic Charities of the Diocese of La Crosse

Catholic Charities of Madison
Catholic Charities of the Archdiocese of Milwaukee*
Society of St. Vincent de Paul – Madison
St. Vincent de Paul Society of Milwaukee
St. Joseph Conference of the Society of St. Vincent de Paul
Milwaukee Archdiocesan St. Vincent de Paul Voice of the Poor Committee

**Added September 6, 2017*