

March 27, 2013

We write on behalf of the undersigned Wisconsin organizations to urge you to oppose Governor Walker's budget line item eliminating strong Wisconsin Consumer Act protections against the rent-to-own industry and replacing them with much weaker industry-approved regulations.

We consider the use of the budget process for anti-consumer legislation designed to benefit a powerful special interest extremely inappropriate. Just as importantly, in this uncertain economic climate, Wisconsin consumers need and deserve to retain what they already have: strong protections against triple-digit predatory lending schemes.

Rent-to-own transactions have been held by the Wisconsin Court of Appeals to be credit transactions. This is not surprising, as the products are purchased over time and the vast bulk of the marketing is based on the promise of the American dream of ownership. The industry seeks to treat the transactions as leases, not credit sales, which means consumers will have fewer protections.

The rent-to-own industry aims its marketing efforts at low-income consumers by advertising in minority media, buses, and in public housing projects. Statistics from the FTC show that the rent-to-own customer base is among the poorest and that the vast majority of their customers enter into these transactions with the expectation of buying an appliance and are seldom interested in the rental aspect of the contract. This attitude is encouraged by rent-to-own dealers who emphasize the purchase option in their marketing even while they are minimizing its importance in the written contract. Data also show that the rent-to-own industry targets military families. Increasingly, the industry is also targeting middle class consumers.

The chief problems with rent-to-own contracts are that these supposed leases are used to mask installment sales, and that these sales are made at astronomic, and undisclosed, annual percentage rates. Under most rent-to-own contracts, the customer will pay between \$1000 and \$2400 for a TV, stereo, or other major appliance worth as little as \$200 retail, if used, and seldom more than \$600 retail, if new. A recent study in Ohio found that the most vulnerable consumers were "in the position of paying three to four times the retail price for products that are sub-par to start with."

There should be no misunderstanding about this budget line item – it is not designed to protect consumers. The purpose of Governor Walker's proposal is to overturn our stronger state law that provides more meaningful consumer protections. A cursory reading of the bill might lead one to believe that some of the provisions would actually help consumers. However, a close evaluation reveals that there are no meaningful protections whatsoever in this proposal.

If the legislature wants to improve consumer protections for rent to own consumers, it could impose limits on maximum rent-to-own interest rates, as New Jersey requires. Recently, the New Jersey Supreme Court upheld these limits on rent-to-own interest rates. The industry's petition to the U.S. Supreme Court for review was rejected.

Thank you for your consideration of our views. Please feel free to contact Bruce Speight at WISPIRG at (608) 251-9501 or bspeight@wispirg.org with any questions.

Sincerely,

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