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## **Analysis of Impact of Pending Bills on Rent-to-Own in the Wisconsin Legislature**

The [National Consumer Law Center](#) has been asked by consumer groups in Wisconsin<sup>1</sup> to provide an analysis of two bills, [2025 Assembly Bill 742](#) and [2025 Senate Bill 737](#), both of which would allow rent-to-own (RTO) transactions to escape regulation under the Wisconsin Consumer Act. I have been addressing RTO transactions for decades, having written about them, worked extensively with federal and state enforcement agencies and advocates regarding problems with them, and testified several times in Congress on the subject.<sup>2</sup>

In a nutshell, in most states which have passed legislation equivalent to these two bills, RTO transactions provide little benefit to consumers. The goal of this type of legislation is to exempt RTO transactions from the protections of statutes like the Wisconsin Consumer Act, without providing equivalent safeguards.

With legislation like these bills, the result is that RTO transactions create considerable risk to consumers. The installment payments and associated fees necessary to achieve ownership are required to be made for such long periods that the great majority of consumers fail to achieve ownership of the item rented. The result is that the new consumer goods first rented to one consumer are repossessed and re-rented to multiple other consumers, who all pay the same installment price to rent used goods (although the length of the contracts may be slightly shortened). This dynamic means that RTO dealers benefit when the transaction fails, as they get the property back to re-rent. For consumers, RTO transactions generally only create the illusion of potential ownership, as more than seven out of ten customers are unsuccessful.

**Meaningless consumer protections.** The consumer protection provisions of the two bills do *not* offer any significant benefit to consumers. Instead, the primary impact of these bills is to leave customers of these businesses without the currently applicable protections provided by the Wisconsin Consumer Act (Wis. Stat. §§ 421.101 to 427.105). This act limits fees and terms and includes valuable protections for consumers such as prohibiting unconscionable acts and predatory debt collection behavior and ensuring that consumers have a right to cure defaults. Like the industry bills passed in other states, the two pending RTO bills obscure the high cost of RTO transactions and avoid the application of state consumer protections for credit sales.<sup>3</sup>

**The real problem with RTOs is the very high costs.** The primary problem with RTO transactions is the extremely high costs associated with consumers' efforts to obtain ownership of home furnishings,

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<sup>1</sup> AARP Wisconsin, the Wisconsin Catholic Conference, and the Lutheran Office for Public Policy in Wisconsin.

<sup>2</sup> See e.g. <https://financialservices.house.gov/uploadedfiles/072611saunders2.pdf>

<sup>3</sup> This information is summarized in NCLC's chapter on rent-to-own transactions, [Chapter 14](#), National Consumer Law Center, Consumer Credit Regulation (4th ed. 2025), updated at [www.nclc.org/library](http://www.nclc.org/library).

appliances, and computers. Typically, the cost of purchasing an item through an RTO transaction is an effective annual percentage rate (APR) of more than 130%, sometimes climbing as high as 311% percent.<sup>4</sup>

**No meaningful disclosures.** Currently, Wisconsin law requires RTO providers to disclose the APR. There are four basic components of the price charged to purchase an item through an RTO contract: (1) the dealer’s actual cost for the item—the “wholesale price;” (2) the retail price that would be charged for the item if it were sold in a cash or traditional credit sale transaction—called the “cash price”; (3) the cost of renting to own the item—which is the difference between the cash price and the total of payments the consumer must pay in order to achieve ownership of the item; and (4) additional fees that the consumer must pay before and during the transaction.

The cost of renting to own an item is the difference between the cash price, plus taxes and fees, and the total of payments. Dealers refer to this difference as the cost of the lease services. If the Truth in Lending Act rules were applicable (as is required by the Wisconsin Consumer Act), the cost of lease services would be referred to as the finance charge, which would be disclosed as an annual percentage rate or APR. The APR is the gold standard for measuring the effective cost of the transaction to consumers and is a single number that can be compared to other credit options, to enable consumers to comparison shop. However, if these bills pass, these disclosures would no longer be required for RTO transactions in Wisconsin.

The APRs on these contracts are typically astronomical. The table below displays the effective APRs for some sample RTO transactions, applying the APR analysis to the difference between the cash price and the total of payments—or the cost of lease services.

	<b>Cash Price (Amount Financed)</b>	<b>Weekly Payment</b>	<b>Total of Payments</b>	<b>Effective APR</b>
52 weekly payments	\$500	\$20	\$624	<b>168%</b>
72 weekly payments	\$1,000	\$35	\$1,730	<b>133%</b>
104 weekly payments	\$1000	\$60	\$6,240	<b>95%</b>

The pending RTO bills only require disclosure of the cash price, taxes and fees, the amount of each payment, the number of installments required to obtain ownership, and the total of payments. Comparing the effective cost of credit between an RTO transaction and another credit transaction--or even another RTO transaction-- would be possible only if the customer is able to do the math and compute their own effective APR, which is highly unlikely.

**Hidden costs from unregulated fees.** The bills also do not address the many hidden costs charged in RTO transactions. These bills would allow unlimited late fees, delivery fees, reinstatement fees, and, most importantly, property insurance or waiver fees that the RTO seller can charge. The imposition of these extra fees throughout the transaction exacerbates customers’ difficulty making all the payments necessary to achieve ownership.

**RTO customers aim to purchase.** RTO companies maintain that an APR analysis is irrelevant because they are not providing credit. And, while it is true that customers can return the merchandise

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<sup>4</sup> *Id.*

and walk away from an RTO transaction—which cannot generally be done in a credit sale—the vast majority of RTO customers intend to accomplish the purchase and obtain ownership of the goods by renting to own. As a result, the full cost of purchasing consumer goods through an RTO agreement is a very relevant consideration for lawmakers. Disclosure of the high APR associated with RTO transactions helps consumers understand the challenge they will face in making all the payments to the end.

**Over 70% of RTO customers fail.** Most RTO customers pay and pay . . . and then generally still *lose* the property. Within four months, three-quarters of rent-to-own customers have let the store's van haul away the goods.<sup>5</sup> Because of their low incomes, most RTO customers are unable to keep making the required payments all the way through to achieve ownership.<sup>6</sup> Even the RTO industry's own study from 2019 shows that only 17% of RTO customers exercised the early purchase option and 8% completed the RTO contract to full term.<sup>7</sup>

**The RTO bills' provisions are no substitute for the Wisconsin Consumer Act.** The Wisconsin bills' provisions that purport to look like consumer protections do not provide any meaningful safeguards, while exempting these transactions from the considerable protections offered by the Wisconsin Consumer Act. If these bills pass, the following important protections, among many others, would not apply to RTO transactions:

1. A prohibition of unconscionability, including saying that merchants cannot take advantage of a consumer based on lack of knowledge or capacity, physical or mental infirmities, illiteracy, inability to understand the agreement, lack of education or similar factors. §§ 425.107(1), (3).
2. Disclosures about the cost of credit in line with the Truth in Lending Act including the APR. § 422.301.
3. A requirement that the seller notify a consumer 15 days before repossession and provide an opportunity to cure the default. § 425.105.
4. A prohibition of unfair, deceptive, or harassing conduct in collecting debts, with remedies a consumer can invoke for a violation. §§ 427.104, .105.

**RTO reinstatement is not equivalent to Wisconsin law's right to cure.** Under the Wisconsin Consumer Act, before a consumer's goods can be repossessed after default, the creditor must provide a notice of the right to cure. The consumer can then avoid repossession and the associated fees and costs by paying the past due installments and late fees within 15 days from receiving the notice.<sup>8</sup>

The right of “reinstatement” included in the RTO bills does not provide equivalent relief. If the goods have not been picked up by the dealer, the consumer has only 2 or 5 days (depending on the timing for installments) to pay all the past due amounts, plus multiple fees. Beyond those times, the consumer loses any right of reinstatement unless the consumer has *returned all the goods to the merchant* within 7 days from the date of the missed installment. If the consumer returns the goods to the merchant within 7 days, then—and only then—does the consumer have a period between 21 to 30 days to pay all past due payments, late fees, delivery fees, default fees and reinstatement fees (all of which are unlimited). However, under these bills, the dealer could repossess the goods at any time during the reinstalment

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<sup>5</sup> <https://policymattersohio.org/wp-content/uploads/2011/10/Rent-to-own.pdf> at 3.

<sup>6</sup> *Id.*

<sup>7</sup> See, APRO, [The Rent-to-Own Industry: About RTO](https://www.rtohq.org) 18 (2019), available at <https://www.rtohq.org> [<https://web.archive.org>].

<sup>8</sup> Wis. Stat. § 205.103; .105.

period, and a consumer who has met all of those conditions is not guaranteed to receive the same item that they had been trying to purchase, only one of “comparable quality and condition.”<sup>9</sup>

**Marketing is aimed at poor people.** According to an internal study, the RTO industry aims its marketing efforts at low-income consumers by advertising in minority media, on buses, and in public housing projects.<sup>10</sup> In 2019, the NAACP condemned these practices, noting that RTO customers are disproportionately low-income and members of ethnic and racial minorities, and “consumer rental stores are allowed to legally price goods more than triple the fair market price—knowing that customers will be seduced by a low-sounding rental price . . . .”<sup>11</sup>

**Potential criminal liability.** Consumers who try to buy goods through rent-to-own transactions risk criminal charges if they fail to return the property when they miss a required payment, as the rent-to-own industry often uses criminal courts to coerce payments.<sup>12</sup> Although the bills prohibit RTO contracts from including a provision that states that a “failure to return goods constitutes probable cause for a criminal action” (§420.05(8)), that does not protect consumers from criminal charges initiated by RTO companies when a consumer has failed to make a rental payment. In other states with rental theft laws, RTO companies routinely criminalize the failure to return rental property, even when customers have paid thousands of dollars on predatory contracts.<sup>13</sup> This risk of unwarranted criminal action makes it all the more important to maintain Wisconsin’s current protections.

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<sup>9</sup> Proposed § 420.06.

<sup>10</sup> <https://www.rtohq.org/2017/08/shape-rent-numbers/>

<sup>11</sup> <https://naacp.org/resources/rent-own-schemes-and-predatory-lending-practices>

<sup>12</sup> <https://www.nclc.org/new-report-highlights-how-the-rent-to-own-industry-coerces-payments-from-vulnerable-families/>

<sup>13</sup> <https://www.nclc.org/new-report-highlights-how-the-rent-to-own-industry-coerces-payments-from-vulnerable-families/>