Dear Member 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 2015-17 biennial budget. After failing in past legislative sessions to enact laws that would water down Wisconsin consumer protections in RTO transactions, predatory lenders have in recent years attempted to win back-door changes through the budget process.

Rent-to-own transactions constitute high-interest loans marketed primarily to low-income consumers, including military families, and increasingly to middle-class Americans. Under RTO agreements, customers agree to make weekly or monthly payments in order to immediately take home merchandise – usually 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 -- a crucial requirement to maintain transparency and fairness in the marketplace.

In 2013, WISPIRG conducted a survey of five rent-to-own stores in the Rockford, Illinois area, where RTO businesses are exempt from the important protections offered by the Wisconsin Consumer Act. 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 particularly for low-income 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 Catholic Conference
WISDOM
Madison-Area Urban Ministry
Catholic Charities of the Milwaukee Archdiocese
Diocese of Superior Catholic Charities Bureau
Diocese of Green Bay Catholic Charities
Diocese of La Crosse Catholic Charities
Diocese of Madison Catholic Charities
Society of St. Vincent de Paul Archdiocesan Council of Milwaukee
Society of St. Vincent de Paul Diocesan Council of Madison
Legal Aid Society of Milwaukee, Inc.
University of Wisconsin Law School Consumer Law Clinic
Fair Housing Center of Greater Madison
Fair Housing Center of Northeast Wisconsin
Metropolitan Milwaukee Fair Housing Council
Community Advocates Public Policy Institute
Urban Economic Development Association of Wisconsin, Inc.
End Domestic Abuse Wisconsin
Wisconsin Community Action Program Association (WISCAP)
League of Women Voters of Wisconsin
Wisconsin Coalition Against Domestic Abuse (WCADA)
WISPIRG
Citizen Action of Wisconsin
One Wisconsin Now