

April 9, 2015

Dear Chairman Botzow and members of the committee

My name is Eric Filkowski, I have a brief statement to read, then am happy to answer questions as time allows.

I commend you on your willingness to consider this important bill. It will benefit a segment of our states population that has long been targeted by, in my opinion, what amounts to predatory practices by the RTO industry.

I was employed in the Burlington market for over 2 years. Near the end of my tenure I found that the moral dilemma operating this store created for me made it impossible for me to perform to the required company standards. I was embarrassed that this was how I made my living, effectively taking advantage of those that could least afford to pay the inflated prices that ultimately resulted from taking these "leases" to term. I was dismissed in June of 2013 for failing to report disciplining an employee for engaging in inappropriate banter in the workplace, I considered it to be a great favor. Its worth noting that I spoke with an Assistant Attorney General about 1 year into my time inquiring about how I might help to bring about reform, I can only surmise that the powerful RTO lobby prevented further pursuit of those objectives at that time.

My thoughts are as follows;

The world of finance is built around APR, it usually easily understood, why would regulation be tied to any other concept? With regards to APR, if the highest allowed in the state is 24% why would we entertain 36% Should these folks who some see as victims be further burdened with an addition 12%?

There exists here an opportunity to pass something with teeth, something that will truly help people. I'm absolutely convinced that we all want to see the best law we can get and I am hopeful that my input will help achieve that end.

Regarding pricing, if a limit is established some control of pricing must be agreed upon. Limiting the APR to 24% is no good if the merchant is allowed to inflate the selling price. The selling price should be based on the price the item is commonly available for in the local market. Its all well and good to lock your doors to keep burglar's out, but I want to use the best locks available. In my experience RTO commonly manipulates wholesale pricing either to create profit for the Franchisor, or to create additional upside for the Franchisee. If the local merchant buys a widget for \$100 and RTO says it costs them \$125 the burden to the consumer increases. With furniture, much of it is made, very poorly I might add, in plants owned by the Franchisor.

When price guarantees are considered its also worth noting that many RTO customers are concentrated within walking distance or on the bus lines. In Burlington, ordering that TV from Amazon with no credit or getting out to Wal Mart to see what it is presents an unsurmountable challenge. So instead for a 60"

TV they pay \$87.98 plus tax a month, for 24 months! \$2111.52 plus tax total cost, Amazon features that same TV today for \$799 with a "list" of \$1299. Wal Mart shows a 65" LED TV for \$749 with a list of \$1199.99. RTO total cost is almost twice what the list even is! After a few months that TV may come back, what is fair price for it once the cost has been more than covered? Some kind of residual wholesale formula should be applied, and disclosed, like book value in the auto industry.

When that TV does come back it is usually the result of calling Grandma a few days in a row, showing up at the residence, or leaving a message at work. Nobody wants to be a reference for a RTO customer, but that is the safety net to assure merchants that they have some recourse to collect payments or return goods. As a Manager we were reminded of Fair Credit Practices, seems like a pretty broad set of rules. Many times I waited outside for someone to come out to go to work, or til 8am when I could start knocking on their doors. I also saw many times as well someone run out the back while I knocked at the front.

There will always be an argument about not telling people how to spend their money. Well, where does that money come from? I am all for giving people a hand up when they fall, but not into their Mustang Convertibles. Give a man a fish he has a meal, teach a man to fish he has food for life. While I certainly feel we need to do more teaching I'm not sure that sticking folks with a system that is, simply put, usury, in exchange for that hand up is fair and reasonable. There may very well be a place for RTO in VT, but not in its current state. Let it be fair, transparent and adhere to the same rules other industries do.

Thank you