



Consumer Protection

*February 25, 2015
Senate Economic
Development, Housing and
General Affairs Committee*

Testimony by Daniel Barlow, Public Policy Manager

Re: S. 73 - An act relating to State regulation of rent-to-own agreements for merchandise

VBSR was founded 25 years ago by a group of businesses dedicated to the triple bottom line - people, planet, and profits. Our companies strive to make Vermont a better place to live and work. This means protecting our natural and economic environments. VBSR members are testament to the idea that you can turn a profit and be good corporate citizens. Unfortunately, there are some businesses models that actually hurt our communities.

Rent to own is big business in the United States and is making a lot of money off Vermonters. These companies are predatory¹ and target customers who are low income or don't have access to traditional lending. These arrangements often leave their customers with nothing to show for months and sometimes years of payments, and sometimes in debt to the industry.

We believe that rent to own stores should not play by special rules - Due to a loophole in the law, these stores can charge effective interest rates of more than 300%. State law has the maximum interest rate of 24% on installment loans. Rent to own should follow the same lending rules that other companies

¹

http://www.defense.gov/pubs/pdfs/Report_to_Congress_final.pdf

and institutions have followed for decades – and have reasonable limits on how much they can charge. Nine other states, including neighboring New York impose such limits and the industry continues to thrive. Vermont should do the same.

Transparency in pricing - Rent to own businesses also rely on confusing advertising to make their products appear more affordable than they are or brand new. A \$600 laptop, at weekly payments of \$38.99 for 48 weeks, costs the consumer nearly \$1,872². Informed consumers make better economic choices. The true and total cost of the merchandise, and whether it has been sold before, should be disclosed in advertisements and in the stores. Consumers have a right to know the cost of the item they are purchasing.

These common sense reforms will not damage the rent to town industry - rent to own businesses are still thriving and growing in other states that have passed similar legislation. But they will provide much-needed protections and transparency for consumers, allowing them to make smarter economic choices.

²

<http://www.consumerreports.org/cro/money/shopping/rentacenter/overview/index.htm>