



Jewish Community  
Relations Council  
**MILWAUKEE**  
JEWISH FEDERATION



**LUTHERAN  
OFFICE  
FOR PUBLIC  
POLICY**  
*in Wisconsin*

**TO:** Senator Terry Moulton and Representative Warren Petryk  
**FROM:** Wisconsin Faith Groups  
**DATE:** December 7, 2017  
**RE:** Opposition to LRB 4307: Rent-to-Own Contracts  
**CONTACT:** Kim Wadas, Executive Director, Wisconsin Catholic Conference; (608) 257-0004,  
[kim@wisconsincatholic.org](mailto:kim@wisconsincatholic.org)

---

Dear Senator Moulton and Representative Petryk,

The undersigned organizations, representing people of faith across the state, respectfully urge you not to forward LRB 4307, which would exempt rent-to-own (RTO) transactions from the Wisconsin Consumer Act (WCA), create a separate chapter for RTOs, and treat these transactions as leases rather than credit sales. LRB 4307 would significantly increase the number of national RTO stores in our state, strip consumers of vital protections, and deepen financial hardships for thousands of Wisconsin residents.

Wisconsin, like New Jersey, Vermont, and Minnesota, is more protective of consumers when it comes to RTOs. The WCA currently requires RTO businesses to disclose annual percentage rates (APR) related to their transactions – just as department stores and other merchants do – so consumers can weigh their options when purchasing expensive products like appliances, furniture, and electronics. Requiring APR disclosures allows the consumer to make educated choices based on overall cost and payment options. These requirements, and other WCA provisions, empower Wisconsin residents to make sound financial decisions while fostering a business environment where reputable RTO companies can grow and profit.

Some national RTO companies have chosen not to operate in Wisconsin, presumably due to APR disclosure requirements. However, public policies should foster fair competition among business owners, not exempt one industry from transparent practices. Should LRB 4307 become law, Wisconsin residents would no longer be able to make easy and necessary comparisons among various types of retail transactions, including credit card purchases, payment plans, and rent-to-own contracts. While several required disclosures under LRB 4307 are useful, there is no easy calculation of cost over time like that provided by an APR. Nor does the legislation require a disclosure of total out-of-pocket costs attributable to the life of a rental contract leading to purchase. Consumers would be required to analyze data from within the contract to adequately determine total out-of-pocket cost over time.

The WCA was created to ensure that consumers, especially vulnerable consumers, are protected from predatory or deceptive practices. RTO stores do not require down payments, nor do they perform credit checks. This makes them particularly attractive to customers with poor or no credit. The WCA must continue to ensure that those who have the least to spare are provided with the information necessary to freely and accurately determine whether an RTO transaction is truly worth the cost.

We are not alone in our concerns. In 2011 testimony before the House Financial Institutions and Consumer Credit Subcommittee, the U.S. Federal Trade Commission (FTC) noted that, according to their own internal studies, national RTO customers “ultimately purchased 70% of the merchandise they obtained through RTO transactions.”<sup>1</sup> In addition, “nearly half of all RTO customers had made at least one late payment.” The FTC concluded that consumers make better financial decisions the more disclosures states require, and that “the market will function properly only if the practices of RTO businesses are transparent, fair, and honest.”

We recognize that there are higher-income RTO consumers who simply rent short-term and do not purchase. We also recognize that there are Wisconsin-based RTOs who diligently abide by the WCA. Clearly Wisconsin law makes it possible to protect consumers and to run a successful RTO business.

As faith groups that provide material aid and financial counseling to persons in need, we respectfully urge you to ensure that all RTOs wishing to operate in Wisconsin abide by our fair, transparent, and fiscally responsible laws. Just last month, Governor Walker enacted Assembly Bill 280, which mandates academic standards for financial literacy in grades Kindergarten to 12. However, LRB 4307 fails to offer the kind of information and assurances that students will be trained to seek out in financial transactions.

We will be sending you further recent research on RTOs in the coming days, along with a detailed comparison of LRB 4307 and current law. The comparison reveals a number of other issues of concern. We would welcome the opportunity to discuss these with you in person.

---

<sup>1</sup> [https://www.ftc.gov/sites/default/files/documents/public\\_statements/prepared-statement-federal-trade-commission-rent-own-transactions/110726renttoowntestimony.pdf](https://www.ftc.gov/sites/default/files/documents/public_statements/prepared-statement-federal-trade-commission-rent-own-transactions/110726renttoowntestimony.pdf)