

**Consumer Federation of America
Consumers League of New Jersey
Consumers Union
International Union, United Auto Workers (UAW)
National Association of Consumer Advocates
National Association of Consumer Agency Administrators
National Consumer Law Center
U.S. Public Interest Research Group (PIRG)
United Steelworkers of America**

27 November 2001

Support The Consumer-Friendly Rent-to-own Bill: HR 2498 (Waters)

Oppose The Industry-Supported Rent-to-own Bill: HR 1701 (Jones)

HR 1701 Not Pro-Consumer, Designed To Preempt Numerous Better State Laws

Dear Representative:

We, the undersigned consumer and labor organizations, are writing on behalf of low and moderate-income consumers who may consider buying their piece of the American dream by “renting-to-own” a television or living room set. While the onerous terms of rent-to-own contracts are quite enough to shatter dreams, passage of the unneeded, misrepresented, industry-supported proposal, HR 1701 (Jones), will only make things worse. This wolf-in-sheep’s clothing is not a “pro-consumer” bill, as its industry proponents allege. Actually, HR 1701 is cleverly designed for one purpose, and one purpose only: to eliminate existing stronger state law protections against industry abuses.

Consumers need protections from the exorbitant prices charged to purchase items through rent-to-own dealers. Consumers need protections from high fees. Consumers need assurances that they can reinstate their contract with reasonable fees and under reasonable conditions after they have spent considerable sums trying to purchase the items. Unfortunately, HR 1701 won’t help consumers, who are already better protected in many states. Worse, HR 1701 would preempt the best of the state laws in New Jersey, Minnesota, Wisconsin and Vermont that provide meaningful protections against this predatory industry’s unfair practices.¹

¹ For more information see 12 July 01 testimony of Margot Saunders, NCLC, on behalf of consumer groups <http://www.house.gov/financialservices/071201ms.pdf>

Instead of helping the rent-to-own industry achieve its goal of eliminating numerous strong consumer protection laws around the country, we urge you to help the victims of the rent-to-own industry by supporting the balanced consumer-supported alternative, HR 2498 (Waters). Instead of giving industry protection from state consumer laws, the Waters proposal properly treats rent-to-own as a credit transaction and gives consumers the tools they need to decide how much a “\$9.99/week” rent-to-own television really costs. Importantly, the Waters bill also gives consumers protection against egregious industry practices that have been the subject of numerous complaints.

During the 1980’s and 1990’s, about 46 states enacted modest industry-supported rent-to-own laws that use a weak disclosure-based approach similar to that of HR 1701. Importantly, a number of these states also enforce substantially stronger rules against some of the industry’s most onerous practices than HR 1701 would provide, as our testimony points out. As introduced, this industry-supported bill would have preempted all stronger provisions in all 50 states. In a markup begun in September, the bill was modified to let some modestly stronger provisions in some states stand, but the bill’s overarching preemptive intent did not change: The Jones bill still preempts the strongest state laws -- in Minnesota, New Jersey Wisconsin and Vermont -- that treat rent-to-own as a credit transaction. Since the bill’s intent has always been to roll back those laws, it is disingenuous of proponents of this legislation to claim otherwise or to claim that the bill creates a floor, not a ceiling, for state action.

It should also be noted that none of three government witnesses at a June hearing supported passage of HR 1701. The Wisconsin Attorney General’s office emphatically opposed the bill. The Federal Trade Commission stated “Based on the (FTC) Bureau of Economics’ report, the Commission does not recommend federal legislation regarding the rent-to-own industry at this juncture.” The Federal Reserve said that the board has “not taken a position on HR 1701.”

Even before 9/11 and the related economic decline, consideration of HR 1701 was nothing more than a special-interest attempt to eliminate tough state consumer laws. Now, at a time when the American people want the Congress to focus on legislation to rebuild the nation’s economy and security, we are frankly both surprised and disappointed that attempts are being made to move this unnecessary, extremely controversial, special interest legislation. Please contact any of us with questions.

Sincerely,

Travis Plunkett, Consumer Federation of America

Neil Fogarty, Consumers League of New Jersey

Frank Torres, Consumers Union

Alan Reuther, International Union, United Auto Workers (UAW)

Ira Rheingold, National Association of Consumer Advocates

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