

**Consumer Federation of America  
Consumers Union  
International Union, UAW  
National Consumer Law Center  
New Jersey Consumers League  
U.S. Public Interest Research Group**

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

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

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

Dear Representative:

We 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 those better state laws that provide meaningful protections against this predatory industry’s unfair practices.<sup>1</sup>

Instead of helping the rent-to-own industry achieve its goal of eliminating numerous strong consumer protection laws around the country, consumer groups 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 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.

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

During the 1980's and 1990's, about 45 states enacted modest industry-supported rent-to-own laws that use a 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. The other 5 states protect their consumers even better, generally by treating rent-to-own contracts as credit sales (loans) and imposing the requirements of state Retail Installment Sales Acts, interest rate ceilings (in some cases) and APR disclosures.

The clear intent of the industry proponents of the Jones bill is to preempt the laws in the 5 states that protect their consumers the best (VT, MN, NC, NJ and WI). The bill is also designed to preempt any stronger provisions in the other 45 states, as our testimony and that of the Wisconsin Attorney General's office makes clear.

Whether or not it is the sponsors' intent to eviscerate state laws that give consumers greater protection (and some discussion at the hearing indicates that not all sponsors were aware of this effect), it is clearly the industry proponents' goal to do so. HR 1701 doesn't raise all laws to a new federal floor; it chops them down to a very low, unacceptable federal ceiling.

It should 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."

Consumers around the country are already protected better than HR 1701 would provide. Worse, HR 1701 is not only unnecessary, it is a blatant federal fix for an industry that wants to immunize itself from having to comply with stronger state laws at the expense of its low and moderate-income customers.

Consumer groups strongly oppose passage of HR 1701, which is designed to preempt all stronger provisions of state law. We urge you to reject HR 1701, a bill that assists predatory lenders, and instead to support HR 2498, a bill designed to help consumers by treating rent-to-own transactions as credit transactions and giving consumers the tools they need to compare the costs of rent-to-own to other forms of credit. Please contact any of us with questions.

Sincerely,

Travis Plunkett, Consumer Federation of America

Frank Torres, Consumers Union

Alan Reuther, International Union, UAW

Margot Saunders, National Consumer Law Center

Neil Fogarty, New Jersey Consumers League

Edmund Mierzwinski, U.S. Public Interest Research Group (PIRG)