

**Consumer Federation of America  
Consumers League of New Jersey  
Consumers Union  
U.S. Public Interest Research Group**

15 August 2001

The Honorable Scott McCallum  
Governor  
State of Wisconsin  
115 East, State Capitol  
Madison, WI 53702

(VIA FAX AND MAIL)

**RE: Urge veto of budget provision exempting rent-to-own transactions from  
Wisconsin Consumer Act**

Dear Governor McCallum,

As nationally-based organizations<sup>1</sup> that have been fighting the predatory rent-to-own industry's ongoing efforts to exempt itself from well-balanced, fair consumer protection laws, we are writing to support the recommendations of Attorney General Doyle, Wisconsin PIRG, the Center for Public Representation and others that you veto a budget proposal exempting rent-to-own transactions from the Wisconsin Consumer Act.

Your action on this bill is critical, not only for Wisconsin consumers, but all consumers. Your veto of this anti-consumer proposal will aid our efforts to protect consumers nationally. If you allow it to become law, industry's national campaign to obtain unjustified special treatment for its predatory transactions gains added impetus.

As you may know, the industry is seeking national legislation to preempt stronger state laws, especially those such as Wisconsin's current law, treating rent-to-own as a credit transaction. If the Wisconsin budget provision is approved, our efforts to protect consumers nationally will be undermined. The industry-backed federal proposal, HR 1701, is opposed by both consumer groups and also by labor unions. The International Union, UAW and the United Steelworkers of America oppose the bill. A copy of our coalition letter to the House of Representatives on this bill is attached (the Steelworkers endorsed opposition after this letter was sent). Consumer groups and unions support alternative legislation. HR 2498, that treats rent to own as a credit sale, as Wisconsin's current law does. We would also refer you to our joint Congressional testimony, written and delivered by the National Consumer Law Center<sup>2</sup>, which also opposes the federal bill.

We agree with all of the points made to you in General Doyle's letter of 31 August 01, including the following:

Under the budget proposal, rent-to-own customers will be deprived of the following protections:

- Rent-to-own stores would not be required to disclose interest rates;
- Rent-to-own stores may imply "criminal prosecution" in order to collect debts;

- Public enforcement would be eliminated – violations of the rent-to-own law would not subject to injunctions or civil penalties;
- Customer remedies would be seriously limited—class action recovery limited to \$100,000 without regard to the amount unlawfully obtained by the rent-to-own company;
- Rent-to-own stores would be able to recover merchandise without a judicial process – merchants would not be required to obtain a court judgment before attempting to recover merchandise.

We understand from news reports that you are giving careful consideration to a veto of this special interest legislation that would allow predatory lenders to make loans to Wisconsin consumers without either adequate disclosures or other legal protections. We understand that the industry has argued that since some 45 states have already taken its self-serving advice to enact weak laws eviscerating consumer rights, Wisconsin should do the same. In our view, this is a specious defense. Instead, you should ask two questions: First, should Wisconsin rent to own customers have the same legal rights as other consumers who purchase products over time, or should they have lesser protections? Second, should Wisconsin become a national follower, rather than an established leader, on consumer protection issues? We think the answer is clear.

We urge you to protect Wisconsin's low and moderate-income consumers from the predatory rent to own industry. We urge a veto of legislation designed to protect special interests, not the public interest. Your action will have a national impact. For more information, please contact either any of us at the numbers below.

Sincerely,

Travis Plunkett, Consumer Federation of America 202-387-6121

Neil Fogarty, Consumers League of New Jersey 973-744-6449

Frank Torres, Consumers Union 202-462-6262

Edmund Mierzwinski, U.S. Public Interest Research Group 202-546-9707

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<sup>1</sup> The **Consumer Federation of America** is a nonprofit association of over 280 pro-consumer groups, with a combined membership of 50 million people in Wisconsin and around the nation. CFA was founded in 1968 to advance consumers' interests through advocacy and education. Founded in 1900, the **Consumers League of New Jersey** has published numerous reports on the rent-to-own industry. **Consumers Union** is the non-profit publisher of **Consumer Reports Magazine**. **U.S. PIRG** is the national lobbying office for **Wisconsin PIRG** and other State Public Interest Research Groups. State PIRGs are non-profit, non-partisan public interest advocacy groups.

<sup>2</sup> The **National Consumer Law Center** is a nonprofit organization specializing in consumer issues on behalf of low-income people. See testimony of Margot Saunders at <http://www.house.gov/financialservices/071201ms.pdf>.