

COMMITTEE ON JUDICIARY, CONSUMER AFFAIRS,
AND CAMPAIGN FINANCE REFORM

David J. Gilles
Assistant Attorney General
March 5, 2002

Senate Bill 473

Chairperson George, members of the committee, on behalf of Attorney General Jim Doyle, I want to thank you for the opportunity to testify regarding S.B. 473, a proposal to remove rent-to-own transactions from the Wisconsin Consumer Act.

The Attorney General has asked me to testify in opposition to the proposal because it is not needed, it would be bad for consumers, and is not based on sound public policy.

The legislation is unneeded because rent-to-own transactions are covered by the Wisconsin Consumer Act.

- The Act was intended to cover all types of transactions where consumers could obtain merchandise by making installment payments . . . rent-to-own transactions were present at the time the Act was passed.
- Three appellate court decisions have ruled that rent-to-own contracts are covered by the Act.
- Rent-to-own firms have paid about \$20 million to settle class actions based on violations of the Act.
- Most recently, on January 22, 2002, Milwaukee Circuit Court Judge Dominic Amato made a preliminary ruling that Rent-A-Center's contract was subject to the Act.

The proposed legislation will hurt consumers.

- This is industry-sponsored legislation – no consumer advocacy group supports this bill.
- Rent-to-own companies will not be governed by the same rules that apply to other retailers that provide customers with the option to make time payments.

- Specific consumer protections are conspicuously absent – for example, the bill does not prohibit unconscionable practices and involuntary repossession.
- Consumer remedies and private enforcement are significantly curtailed.

The proposal is not based on sound public policy.

- Interest rate disclosure would promote competition by facilitating comparison-shopping.
- Undermine level playing field by treating different installment purchase programs differently.
- The proposal is based on the false claim that interest for a rent-to-own transaction cannot be determined because a customer is uncertain whether he/she will purchase the merchandise.

FTC study showed 77% intend to purchase and 70% do purchase.

All credit disclosures – mortgage lenders, pay-day lenders (disclose an APR of as much as 500%), in-store finance programs and credit cards make disclosures *assuming* that payments will be made on schedule.

No one has suggested that the fact that some customers default, others pay off early or refinance is an excuse for not giving credit information to consumers.

- The bill provides no meaningful public enforcement remedies such as injunctive relief, restitution and civil penalties. Unscrupulous rent-to-own companies that violate the so-called consumer protection provisions in the bill would only be subject to administrative remedies.

Civil and criminal sanctions only apply to administrative provisions.

In all other consumer protection areas, statutes provide for public enforcement and unscrupulous operators run the risk of state prosecution.

Thank you for your attention. I would be pleased to respond to any questions that you may have.

**S.B. 473: THE WISCONSIN RENTAL-PURCHASE REGULATION BILL
TESTIMONY OF CHRISTOPHER A. KORST
RENT-A-CENTER, INC.**

Good morning, Mr. Chairman and members of the Committee. My name is Chris Korst and I am Senior Vice President of Rent-A-Center, Inc. I appear today to speak in favor of SB 473, the Wisconsin Rental-Purchase Regulation Bill. My company owns and operates 27 rental stores here in Wisconsin. I have worked with Rent-A-Center since 1985, and have enjoyed the privilege of working closely with state legislators in nearly every state on rental-purchase legislation. Before I describe what SB 473 is and does, I'd like to provide this Committee with a short background on our industry and the state of rental-purchase legislation in the US.

The typical rental-purchase transaction is a week-to-week or month-to-month rental agreement for household durable goods—furniture, electronics and appliances. Customers complete simple rental application forms telling our merchants who they are, where they live and where they work. We don't do credit checks, or require detailed personal or financial information, since our transactions do not involve the extension of credit. In addition to the use of our products, we provide free delivery and set up, and free service during the rental. If we cannot repair the rented item in our customers' homes, we provide replacement items for them to use until the original is repaired. Finally, our customers have the absolute right to terminate the rental agreements and return the merchandise to us without penalty and without further financial obligation.

We serve all different kinds of customers with all different kinds of needs. Military personnel moving from base to base, football fans that want to watch the Packers in the Super Bowl, families with limited credit, bad credit or no credit at all, who need and want beds for their children to sleep on, computers so the kids can keep up in school, washers and dryers so that mom and dad don't spend all day or night down at the Laundromat, but who may not have a lot of choices other than garage sales and

flea markets. This bill is about allowing these Wisconsin consumers the same opportunities to enjoy nice things in their homes as folks with good credit and plenty of cash.

Most of our customers rent for only a short period of time—typically less than 4 months. Just 25% of all rental transactions end with the customer purchasing the rented goods—in the other 75%, the agreement is terminated and the property returned to us. It is obvious that we are predominantly in the rental business, although a significant subset of our customers want and use the option to acquire ownership.

SB 473 is similar in substance to legislation enacted in 47 other states. A working group that included the Michigan Attorney General's office, Legal Services, union attorneys, legislators and industry representatives in Michigan in 1984 drafted the very first rent-to-own state law. That comprehensive consumer protection statute became the model for the following 46 other state rent-to-own laws, most of which have been in effect for more than 5 years. If enacted, SB 473 would go further in regulating the rent-to-own industry and providing rental customers with real, substantive consumer protection, than any other state law in effect today.

1. SB 473 is comprehensive consumer protection legislation. If enacted, SB 473 would require:

- Full disclosure in contracts, advertisements and on display merchandise at the stores**
- Limitations on total charges**
- Mandatory early purchase options that require substantial discounts**
- Grace periods on late payments, up to 180 days for contract reinstatement, and significant other substantive provisions**
- Tough collection practice regulations**
- Exceptional DFI oversight of industry practices**

- **WCA remedies for injured consumers**

473 would go as far in governing the practices of rental merchants as the WCA goes in regulating consumer credit—in a way that is specifically tailored to respond to the unique needs and concerns of rental customers and merchants.

It may be significant to also note that the WCA, which is rightfully referred to as the “Gold Standard” of consumer protection, does not mandate the disclosure of APRs in long-term lease agreements with initial terms in excess of 4 months. One example of this type of lease would be an automobile lease. Again, the WCA does not require APRs to be disclosed in those lease agreements, even though the consumer is legally obligated to make all the lease payments! Yet here—in the rental-purchase setting where our customers can and do terminate their rental agreements with us after just a few short weeks or months, opponents of SB 473 insist that the bill is wholly inadequate because it does not mandate disclosure of an imputed APR.

2. 47 states, the District of Columbia, Puerto Rico and Guam have enacted rental-purchase legislation similar to SB 473. All of these statutes treat rental-purchase transactions as something different and unique, apart from consumer credit transactions. None of these statutes require the disclosure of an imputed APR.

3. The IRS, the Federal Reserve Board and the Federal Trade Commission agree that rental-purchase transactions are not consumer credit and should be regulated separately.

4. The FTC recommends the key financial disclosures contained in SB 473. In its seminal study of the rent-to-own industry conducted at the direction of the Clinton Administration and published in April of 2000, the Federal Trade Commission found all of the following to be true:

- **APRs are inappropriate in rental-purchase transactions**

- **The best financial disclosures are:**
 - 1. The cash price of the rented goods;**
 - 2. The total of rental payments necessary to acquire ownership of the rented goods; and**
 - 3. The total of payments minus the cash price, an amount called 'cost of lease services'.**
- **Competition in the rental-purchase industry is strong, barriers to entry are low, profitability is normal, and prices reflect the higher cost of doing business in rental-purchase**
- **Customers throughout the United States are pleased with the goods and services that they receive from rental-purchase merchants**

5. SB 473 will add 750 to 1000 new jobs in Wisconsin within 2 to 3 years of enactment.

6. My company, Rent-A-Center, Inc., is Ashley Furniture's largest single customer, with purchases in excess of \$80 million annually. The rent-to-own industry purchases nearly \$100 million of furniture from Ashley every year.

Thank you, Mr. Chairman and members of the Committee, for your time and attention. I would be glad to answer any questions that you may have.

Subject: Chief Executive in Madison, Wisconsin

Date: Mon, 04 Mar 2002 20:40:16 -0500

From: Bill Uffelman <ufffam@cox.rr.com>

To: pap@dewittross.com

Peter I have submitted an application for this position. If you know anyone of influence with the WSTA leadership, I would appreciate your dropping a word of support with them. Bill Uffelman

Chief Executive in Madison, Wisconsin

Salary: Open

Type: Full Time - Experienced

Since 1910, the Wisconsin State Telecommunications Association (WSTA) has served as a unified voice for its members in matters of interest to legislators, regulators and the public. The Association serves as a clearinghouse for pertinent and accurate information for its members. Located in Madison, WI, the WSTA represents 82 local telecommunications carriers, 54 Internet Service Providers (ISPs) and 9 wireless carriers.

The WSTA is looking for an individual to lead the organization following the retirement of the current Chief Executive. This individual will have as a primary responsibility securing policy direction from the Association's Board and developing strategies and tactics for its legislative and regulatory efforts, including direct contact with legislative and regulatory contacts and overseeing others with the same responsibilities. This person will also develop, present and be responsible for the association's overall budget performance.

Additional responsibilities include acting as the Association's spokesperson, leading its public relations efforts and supervising the Association's staff and day-to-day operations. Other responsibilities include the oversight of association activities e.g., Conventions, Conferences and Trade Shows.

Requirements:

Candidates should possess a minimum of a Bachelor's Degree, five years in a leadership role, and three years working in or with the legislature or PSC. Telecommunications industry experience, trade association experience or possession of a law degree is a plus.

Preferred Education:

NOTES: US Residents Only. The position has a competitive salary with excellent benefits, including: medical, dental, long term disability and life insurance, 401(k), and use of a vehicle.

Apply online at <http://asaenet.jobcontrolcenter.com/jobdetail.cfm?job=1147320.32>

ATTACHMENT 3

WISCONSIN RENTAL-PURCHASE AGREEMENT

DATE: _____ CONTRACT No. _____
STORE: _____ CUSTOMER: _____

Item	Description	Model	Serial	New or Used	Base Payment

Total of Base Payments: \$ _____ *

This agreement is for one weekly/bi-weekly/monthly (circle one) period. You may renew this agreement for an additional period by paying the amount of the periodic payment in advance for each period you wish to rent the property. If you rent the property for _____ periods you will become the owner as provided in the OWNERSHIP PROVISION. In that event, the following disclosures will apply to this transaction:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	CASH PRICE	TOTAL OF PAYMENTS
The cost of rental as a yearly rate	Amount over cash price you will pay if you make all regular payments.	The price for which we would sell the property listed above if you would pay cash today	The total dollar amount you will have to pay to own the property unless you exercise the early purchase option.
%	\$	\$	\$

Rental Period: Weekly/Biweekly/Monthly (circle one)

PERIODIC RENTAL TERMS:

*Total of Base Payments: _____
Protection Plan Fee: + _____
Sales Tax: + _____
Periodic Payment: = _____

FIRST PAYMENT ONLY:

Periodic Payment: _____
Delivery Fee: _____
Total First Payment: _____

To obtain ownership, your payment schedule will be:

Number of Payments	Amount of Payments	When Payments are Due
		Weekly/Biweekly/Monthly (circle one) beginning on _____

Termination: You may terminate this agreement at any time by complying with the TERMINATION PROVISION.

Protection Plan: A protection plan is not required to enter into this agreement, and will not be provided unless you sign and agree to pay the additional cost.
Cost of Protection Plan \$ _____ If you want to purchase the protection plan, sign here _____

Late Charge: If a payment is late, you will be charged 5% of the unpaid amount due or \$10, whichever is less.

Title: The property is owned by us until you buy it or get ownership as stated in this agreement. You cannot sell, pledge, mortgage, pawn or otherwise dispose of or encumber the property.

Other important terms: See the remainder of this contract for information regarding ownership, termination, late payments, default, early purchase option, maintenance of the property, etc.

NOTICE TO CUSTOMER

1. Do not sign this agreement before you read the entire agreement including any writing on the reverse side or on additional pages, even if otherwise advised.
2. Do not sign this if it has any blank spaces.
3. You are entitled to an exact copy of any agreement you sign.

Customer: (sign) _____ Date: _____
Customer: (sign) _____ Date: _____
Company: (sign) _____ Date: _____

TERMS OF AGREEMENT

OWNERSHIP PROVISION: You will not own the property until you have made the stated number of payments and the total dollar amount of payments necessary to acquire ownership (plus any other obligations pursuant to this agreement), unless you exercise the early purchase option.

LIABILITY FOR DAMAGE OR LOSS: You are responsible for the safety of the item until it is returned to us. If the rented property is stolen, lost or damaged in excess of normal wear and tear, you are liable to the company the lesser of (1) the value of the property at the time of the loss, as determined under the early purchase option or (2) our cost to repair the property

PROTECTION PLAN: You may, but are not required to, purchase a protection plan from us to protect you against liability for theft, damage or loss to the rental property.

TERMINATION PROVISION: You may terminate this agreement without penalty by voluntarily surrendering or returning the property upon expiration of any rental period along with any past due rental payments.

EARLY PURCHASE OPTION: At any time after the first periodic payment is made, you may acquire ownership of the property by paying fifty-five percent (55%) of the difference between the total of payments necessary to acquire ownership and the total of rental payments you have paid on the property.

TITLE: The property is owned by us until you buy it or get ownership as stated in this agreement. You cannot sell, pledge, mortgage, pawn or otherwise dispose of or encumber the property.

LOCATION OF THE PROPERTY: You agree to keep the property at the address shown in this agreement. If you remove it without first receiving our written permission, you will be considered in default under this agreement and the default provision below will apply.

LATE CHARGE: You will be required to pay a late charge in the amount of five percent (5%) of any past due payment (not to exceed ten dollars (\$10.00)) with respect to any payment not paid in full on or before the tenth day after its scheduled or deferred due date.

MAINTENANCE AND WARRANTY: We are responsible for maintaining or servicing the property while it is being rented. If any part of a manufacturer's warranty covers the rental property at the time you acquire ownership, such warranty will be transferred to you.

RETURNED CHECK CHARGE: A charge of fifteen dollars (\$15.00) will be made for each check presented for payment that is returned unsatisfied because you do not have an account with the drawee, do not have sufficient funds in your account or have insufficient credit with the drawee.

RIGHTS OF COMPANY: Without affecting the liability of any customer or impairing the company's rights under the agreement, the company may, without notice, accept partial payments or agree to renew or extend the time for any payment.

DEFAULT:

1. You will be in default under this agreement if any of the following occurs:
 - (a) You have not paid an amount exceeding one full payment for more than 10 days after the scheduled or deferred due date.
 - (b) You fail to observe any other covenant of this agreement, breach of which materially impairs the condition, value or protection of the company's right in the goods rented under this agreement or materially impairs your ability to pay amounts due under this agreement.
2. If you are in default, we will give you notice of the default and 15 days to cure, if applicable. You may cure within the 15-day period by paying the total amount owed or taking other required action. You may then, at your option, either 1. continue making payments under this agreement, keeping the goods as long as payments are made or 2. return the goods under the TERMINATION PROVISION, above. If you fail to cure the default within the 15 day cure period, we may terminate this agreement. Your obligation upon termination will be the total of payments and charges due up to the date of termination and return of any goods obtained under this agreement that are still in your possession. The company may waive its rights pursuant to any default without waiving its rights pursuant to any subsequent or prior default by the customer.

ATTACHMENT 1

	Customer A	Customer B
Contract Date	7/23/98	5/17/99
Total of Rental Payments (24 Months or 104 Weeks of Rent)	2599.48	2591.04
Downpayment	-49.99	-107.96
Net Rental Payments	2549.49	2483.08
Optional Purchase Price (20% of Cash Price)	105.00	130.50
Total of Payments (TOP)	2654.49	2613.58
Cash Price	525.00	652.50
Downpayment	-49.99	-107.96
Amount Financed	475.01	544.54
Finance Charge (TOP-AF)	2179.48	2069.04
APR	272.3%	234.8%

Agreement # 111007

RENTAL AGREEMENT

CUSTOMER
A

RENTED BY

DATE:
II. LESSEE

7/23/98

[Signature]

As used in this agreement, "you" and "your" mean the person(s) signing the agreement as renter, "we" and "our" mean LESSOR (see item one above).

2. DESCRIPTION OF PROPERTY:

2 PC Fans S/L \$1715
TABLES 300 \$1519

THE CONDITION OF THIS PROPERTY IS _____ NEW USED

3. RENTAL RATE:

	RENT	WAIVER	TAX	TOTAL
MONTHLY	\$ 7	\$ 2.75	\$ 2.75	\$ 12.50
WEEKLY	\$ 49.99	\$ 17.50	\$ 17.50	\$ 84.99

OTHER CHARGES:

- 1. IN-HOME COLLECTION CHARGE \$10.00
- 2. REINSTATEMENT FEE \$5.00
- 3. DAMAGE WAIVER \$3.50
- 4. DELIVERY CHARGE N/A

THIS IS A RENTAL AGREEMENT ONLY.
PAYMENTS WILL NOT APPLY TO
PURCHASE.
90 DAYS SAME AS CASH \$29.00

SELF-RENEWING: You're renting from us the property described above. You may keep the property for the term covered by this lease payment. At your option, you may renew this lease for successive terms of one week or one month each. To do this, you must make a rental payment in advance for each week or month you wish to rent the property. The rental rates and first renewal date are shown above. Time is of the essence in this lease and there are no grace periods.

SELF-TERMINATING: In addition to your three (3) day right to rescind this agreement, you are not obligated to renew this lease and may voluntarily terminate it at the end of any weekly or monthly rental period. To do so, you must make arrangements with us for the timely return of the property and make all rental payments due through the date of return. If you do not renew this lease by making a weekly or monthly payment on or before the renewal date (or you breach any other important term of this lease), the lease will automatically terminate but you will remain liable for the rental value of the property until you make arrangements for us to have immediate possession of the property. All property returned must be in its present condition, fair wear and tear excepted.

DAMAGE WAIVER: ACCEPT XTD DECLINE _____: You may by initials hereon accept or decline the damage waiver benefits. If you pay the damage waiver charge (DWC) as specified, subject to the limitations and exclusions below, the Lessor agrees to modify the terms of this agreement and relieve you of liability for accidental damage to the rented item(s) in item two above, and for loss due to fire, flood, windstorm and burglary (provided there is evidence of forced entry). We exclude from this waiver, however, any loss or damage due to theft (other than by burglary), misuse or abuse. Theft by conversion, intentional damage, mysterious disappearance or other loss due to your failure to care for the rented item(s) as a prudent man would his own property, such as property securing your home. If any such loss tends to indicate a crime may have been committed, you must file a report to the proper law enforcement authorities and furnish us with a copy. In addition, if you have insurance for the loss or damage, you shall exercise, and empower us to exercise, all your rights to obtain recovery under insurance, and to obtain recovery and all insurance proceeds which will be given or assigned to ColorTyme.

REINSTATEMENT FEE: If you retain possession of the leased goods beyond the rental term and should want to renew this lease, we at our option, may either (1) refuse to renew and collect rental due at that time, or (2) renew and charge reinstatement fee as provided herein. Should we, at our option, elect to allow you to renew for any additional rental term after you have failed to exercise your option to renew, we may charge a fee for this privilege or reinstatement not to exceed \$5.00 for any reinstatement.

LOCATION OF PROPERTY: You agree to keep the property in your possession, at the residence shown above. You agree that you won't remove the property from that address without our written consent. If you remove the property without our consent, you'll have breached this lease and we'll have the immediate right to possession of the property.

LIABILITY: You are liable for damage to the property in excess of normal wear and tear, and for loss or destruction of the property by any cause, including but not limited to theft and vandalism. You must pay us the full value of the property if you fail to return it to us when this lease ends.

ASSIGNMENT: We may sell, transfer or assign this lease. You may not sell, transfer, assign or sublease your rights under this lease without our written consent.

TITLE MAINTENANCE AND TAXES: We retain title to the property at all times. We'll pay any personal property taxes on the property, and maintain it in good working order. We won't be responsible for costs or results of repair done by others. We will attempt to provide a unit for you to use while yours is being serviced by our service technician, based on availability.

FORBIDDEN ACTS: You may not pawn, sell or otherwise dispose of the property. If you do, this lease is terminated and you must pay us the full value of the property.

THIS IS A RENTAL AGREEMENT ONLY: This lease is for weekly or monthly rental of the property only. You won't acquire any ownership in the property by making rental payments. You have not agreed to purchase this property. If you want to purchase this or similar property now, you may be able to get cash or credit terms from other sources which may cost less than under the terms of this agreement.

ENTIRE AGREEMENT: This is our entire agreement. No oral statements or agreements will be valid or binding on you or on us. This agreement may not be changed or amended nor may any provision be waived except in writing signed by both parties.

EFFECT OF SIGNING: By signing this agreement you admit that you have read it and that you understand it. You also admit that you received the property in satisfactory condition. The property is not represented to be new.

TIME IS OF THE ESSENCE IN THIS LEASE

NOTICE TO RENTER: 1) Do not sign this agreement before you read and understand it, or if it contains any blank spaces. 2) You are entitled to a copy of this agreement completely filled in.

I HAVE READ AND UNDERSTAND THE ABOVE RENTAL AGREEMENT AND ACKNOWLEDGE RECEIPT OF A SIGNED COPY.

IMPORTANT NOTICE

If this Agreement is signed in your residence, we are giving you the following rights: YOU MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION (See attached form).

no...

Date 8-7-98 Witness

May 17 1999
MONTH DAY YEAR

RENTAL AGREEMENT NO.

RENTAL AGREEMENT

This is a Rental Agreement Only. Payment will not Apply to Purchase

CUSTOMER
B

2. Lessee

As used in this agreement, "you" and "your" mean the person(s) signing the agreement as renter, "we" and "our" mean LESSOR (See item one above.)

2. DESCRIPTION OF PROPERTY:

Item #	DESCRIPTION	Serial #	CONDITION	MONTHLY	WEEKLY
P9400533	STEREO / RACK STEREO	47AN1818	NEW	107.96	26.99

THE CONDITION OF THE PROPERTY IS NEW USED

3. RENTAL RATE:

AFTER THE FIRST PAYMENT

	FIRST PAYMENT	WEEKLY	MONTHLY	ADDITIONAL FEES:
Rental Payment	\$ 26.99	\$ 26.99	\$ 107.96	Reinstatement Fee <u>100</u>
Damage Waiver	\$ 2.00	\$ 2.00	\$ 8.00	
Sales Tax	\$ 1.51	\$ 1.51	\$ 6.05	
TOTAL	\$ 30.50	\$ 30.50	\$ 122.01	

SELF-RENEWING: You're renting from us the property described above. You may keep the property for the term covered by this lease payment. At your option, you may renew this for successive terms of one week or one month each. To do this, you must make a rental payment in advance for each week or month you wish to rent the property. The rental rates and first renewal date are shown above. Time is of the essence in this lease and there is no grace periods.

SELF-TERMINATING: In addition to your three (3) day right to rescind this agreement, you are not obligated to renew this lease and may voluntarily terminate it at the end of any weekly or monthly rental period. To do so, you must make arrangements with us for the timely return of the property and make all rental payments due through the date of return. If you do not renew this lease by making a weekly or monthly payment on or before the renewal date, (or you breach any other important term of this lease) the lease will automatically terminate but you will remain liable for the rental value of the property until you make arrangements for us to have immediate possession of the property. All property returned must be in its present condition, fair wear and tear expected.

DAMAGE WAIVER; ACCEPT/DECLINE: You may by initials hereon accept or decline the damage waiver benefits. If you pay the damage waiver charge (DWC) as specified subject to the limitations and exclusions below, the Lessor agrees to modify the terms of his agreement and relieve you of liability for accidental damage to the rented item(s) in item 2 above, and for the loss due to fire, flood, windstorm, and burglary (provided there is evidence of forced entry). We exclude from this waiver, however, any loss or damage due to theft (other than burglary) misuse or abuse, theft by conversion, intentional damage, mysterious disappearance or other loss due to your failure to care for the rented item(s) as a prudent man would his own property, such as properly securing your home. If any such loss tends to indicate a crime may be committed, you must file a report to the proper law enforcement authorities and furnish us a copy of the report. In addition, if you have insurance for the loss or damage, you shall exercise, and empower us to exercise, all your rights to obtain recovery under insurance, and to obtain recovery and all insurance proceeds which will be given or assigned to the Lessor.

REINSTATEMENT FEE: If you retain possession of leased goods beyond the rental term and should want to renew this lease, we at our option, may either (1) refuse to renew and collect rental due at that time, or (2) renew and charge a reinstatement fee as provided herein. Should we, at our option, elect to allow you to renew for any additional rental term after you failed to exercise your option to renew, we may charge a fee for this privilege of reinstatement not to exceed \$ 100.00.

LOCATION OF PROPERTY: You agree to keep in your possession, at the residence shown above. You agree that you won't remove property from that address without written consent. If you remove the property without our consent, you'll have breached this lease and we'll have the immediate right to the possession of the property.

LIABILITY: You are liable for the damages to the property in excess of normal wear and tear, and for loss or damage of the property by any cause, including but not limited to theft and vandalism. You must pay us the Fair Market value of the property if you fail to return it to us when this lease ends. The Fair Market value of the property is \$ 300.00.

ASSIGNMENT: We may sell, transfer or assign this lease. You may not sell, transfer, assign or sublease your rights under this lease without written consent.

TITLE MAINTENANCE AND TAXES: We retain title to the property at all times. We'll pay any personal property taxes on the property, and maintain it in good working order. We won't be responsible for costs or results of repair done by others. We will attempt to provide a unit for you to use while yours is being serviced by our service technician, based on availability.

FORBIDDEN ACTS: You may not pawn, sell or otherwise dispose of the property. If you do, this lease is terminated and you must pay us the full value of the property.

THIS IS A RENTAL AGREEMENT ONLY: This lease is for weekly or monthly rental of the property only. You won't acquire any ownership of the property by making rental payments. You have not agreed to purchase this property.

ENTIRE AGREEMENT: This is our entire agreement. No oral statements will be valid or binding on you or us. This agreement may not be changed or amended nor may any provisions be waived except in writing signed by both parties.

EFFECT OF SIGNING: By signing this agreement you admit that you have read it and that you understand it. You also admit that you received the property in satisfactory condition. The property is not represented to be new.

TIME IS OF THE ESSENCE IN THIS LEASE

NOTICE TO RENTER: 1. Do not sign this agreement before you read and understand it, or if it contains any blank spaces. 2. You are entitled to a copy of this agreement completely filled in.

I HAVE READ AND UNDERSTAND THE ABOVE RENTAL AGREEMENT and acknowledge receipt of a signed copy.

IMPORTANT NOTICE

If this Agreement is signed in your residence, we are giving you the following rights: YOU MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION.

Rental contract assigned to Chase Merchant as an administrator agent for the BANK group.

Renter: _____ Date: 5-14-99 Witness: _____
Renter: _____ Date: _____



STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

JAMES E. DOYLE
ATTORNEY GENERAL

Burneatta L. Bridge
Deputy Attorney General

17 W. Main Street
P.O. Box 7857
Madison, WI 53707-7857
www.doj.state.wi.us

David J. Gilles
Assistant Attorney General
gillesdj@doj.state.wi.us
608/266-1792
FAX 608/267-2778

March 6, 2002

The Honorable Gary George
Chairman
Senate Committee on Judiciary
Consumer Affairs, and Campaign Finance Reform
Room 118 South, State Capitol
Madison, WI 53702

Re: S.B. 473

Dear Senator George:

This letter is to supplement the testimony provided at the March 5, 2002, hearing regarding S.B. 473 exempting rent-to-own transactions from the Wisconsin Consumer Act.

I note that the proposal before the committee is almost identical to a part of the Budget Act (Section 3020, 2001 Act 16) that was vetoed. I am enclosing a copy of Attorney General Jim Doyle's letter of July 31, 2001, requesting that the Governor veto this section of the bill. This letter sets out in greater detail the concerns that I expressed at the hearing.

In response to a question regarding the status of rent-to-own legislation in other states, I am enclosing a copy of correspondence from several consumer organizations opposing federal legislation proposed by the rent-to-own industry. This correspondence provides a context to evaluate the effectiveness of rent-to-own legislation in other states.

In order to emphasize the need for interest rate disclosure, I distributed at the hearing two examples of rent-to-own transactions where an APR had been calculated. To illustrate how APR could be disclosed in a rent-to-own transaction, a copy of a "Wisconsin Rental-Purchase Contract" approved by the Department of Financial Institutions in connection with one of the enforcement actions was also provided. (Copies of these materials are also enclosed.)

When arguing against APR disclosure, rent-to-own spokespersons conveyed the impression that the FTC study concluded that interest rate disclosure for rent-to-own transactions was not appropriate. This characterization is inaccurate because the FTC did not undertake to

The Honorable Gary George
March 6, 2002
Page 2

empirically investigate whether interest rate disclosures would be useful for consumers. In fact, the FTC study (copy enclosed) concluded that.

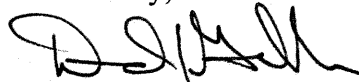
APR disclosures for rent-to-own transactions raise more difficult questions. While an APR disclosure would allow consumers to compare the cost of a rent-to-own transaction to a credit card purchase or other source of credit, APR calculations could be subject to manipulation by rent-to-own dealers, possibly resulting in inaccurate disclosures that mislead consumers. . . . These issues should be considered carefully if APR disclosures are contemplated. *Survey of Rent-to-Own Customers*, page ES-5 (Federal Trade Commission, April 2000).

The requirements of the Consumer Act together with the use of approved forms ensure that accurate credit information including APR be provided to consumers in Wisconsin. This Act provides meaningful sanctions to deter misrepresentation by unscrupulous companies.

The rent-to-own industry has tried for years to attain special legislative status. In the past, their proposals have been rejected when subjected to public scrutiny. Rather than complying with the law or working with consumer representatives to fashion a balanced legislative proposal, this industry has intensified lobbying efforts. If enacted, this proposal would shelter unscrupulous rent-to-own businesses from meaningful remedies and enable them to take advantage of unsuspecting and vulnerable customers.

Please do not hesitate to contact me in the event you have further questions regarding this matter. Thank you for your consideration.

Sincerely,



David J. Gilles
Assistant Attorney General

DJG:kh

Enclosures

c w/ enc.: The Honorable Fred Risser
The Honorable Robert Wirch
The Honorable Scott Fitzgerald
The Honorable Joanne Huelsman
Dan Rossmiller
Ronald Sklansky



STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

JAMES E. DOYLE
ATTORNEY GENERAL

Burneatta L. Bridge
Deputy Attorney General

114 East, State Capitol
P.O. Box 7857
Madison, WI 53707-7857
608/266-1221
TTY 1-800-947-3529

July 31, 2001

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

Dear Governor McCallum:

I am writing to urge you to veto the legislative budget proposal to remove rent-to-own transactions from the Wisconsin Consumer Act. This ill-conceived plan was advanced by lobbyists for the rent-to-own industry and included in the budget bill without the benefit of a public hearing. The measure falsely promises to provide rent-to-own customers with protection, but in fact shields the industry from the requirements of the Wisconsin Consumer Act. If enacted, rent-to-own businesses would obtain special treatment, and rent-to-own customers would be stripped of consumer protections afforded by Wisconsin law for over twenty-five years.

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 (enclosed are collection letters used by rent-to-own businesses that would be legitimized by this measure);
- 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.

For more than twenty-five years trial and appellate courts have held that rent-to-own customers are entitled to protections under the Wisconsin Consumer Act. The Act was designed to include all types of consumer transactions in which a customer could acquire ownership of merchandise through a time-payment plan. Three appellate courts in Wisconsin have upheld the Act's application to rent-to-own transactions. Palacios v. ABC TV & Stereo Rental, 123 Wis. 2d 79, 65 N.W.2d 882 (Ct. App. 1985); Rent-A-Center v. Hall, 181 Wis. 2d 143, 510 N.W.2d 789 (Ct. App. 1993); LeBakken Rent-To-Own v. Warnell, 223 Wis. 2d. 582, 589 N.W.2d 425 (Ct. App. 1998).

The Wisconsin Department of Justice successfully prosecuted four rent-to-own companies for violations of the Wisconsin Consumer Act. These enforcement actions concluded with the entry of consent judgments that imposed monetary penalties, required restitution to customers and ordered compliance with the law including the disclosure of interest rates.

The Wisconsin Consumer Act has provided meaningful private remedies for rent-to-own customers who have been injured by companies that violated this law. During the last four years, three class actions based on consumer law violations against rent-to-own companies have settled. In a case resolved in 1998, Rent-A-Center, Inc. paid 16 million dollars to settle a class action involving about 20,000 customers.

The class action settlement with Rent-A-Center, Inc. did not involve injunctive relief and the company continued to offer a rent-to-own program that did not include interest rate disclosures. In August 1999 the state filed civil charges that Rent-A-Center, Inc., was engaging in "unconscionable practices" and other "knowing and willful" violations of the Consumer Act. If proven at trial, which is expected early next year, forfeitures up to \$10,000 may be imposed for each "knowing and willful" violation of the Act. If this budget proposal becomes law, Rent-A-Center, Inc. will undoubtedly argue that penalties for past violations should not be imposed because the legislature has determined rent-to-own companies are not under the Consumer Act.

There do not appear to be sound public policies supporting separate treatment for rent-to-own transactions other than convenience of the industry. The Wisconsin Consumer Act was intended to provide a level field for merchants and consumers alike with respect to the offer of deferred payment for consumer goods. Under the Act, consumers are able to compare the cost of goods and credit among competing sellers of similar merchandise.

In the past, rent-to-own industry proponents maintained separate treatment was necessary because state usury laws inappropriately limited the amount that could be charged for rent-to-own plans to customers with bad credit histories. However, during the last decade Wisconsin deregulated credit. Consequently, payday lenders presently disclose to their customers interest rates as high as 500% and reportedly are expanding operations in Wisconsin. The disclosure of interest rates and other credit information should not prove an obstacle for rent-to-own businesses

The Honorable Scott McCallum
Page 3

in Wisconsin. In fact, the Wisconsin Department of Financial Institutions has approved a form contract that includes credit disclosures for rent-to-own companies to use (copy enclosed).

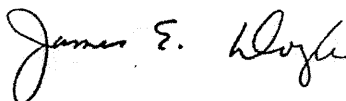
The unfair and abusive practices of the rent-to-own industry have been documented by consumer complaints for years. The use of unfair collection tactics, implicit interest rates of more than 200 percent, excessive delinquency charges, ambiguous default terms and extra-judicial repossession are reminiscent of practices before truth-in-lending and other credit laws were enacted.

The rent-to-own industry has tried for years to attain special legislative status. In the past, their proposals have been rejected when subjected to public scrutiny. Rather than complying with the law or working with consumer representatives to fashion a balanced legislative proposal, this industry intensified lobbying efforts and buried the matter in the budget bill. If enacted, this proposal would shelter unscrupulous rent-to-own businesses from meaningful remedies and enable them to take advantage of unsuspecting and vulnerable customers.

Wisconsin's most vulnerable citizens deserve strong consumer protection laws, too. I urge you to veto this legislative proposal that effectively deprives rent-to-own customers of effective protections, permits sellers to withhold information about actual interest rates and treats rent-to-own transactions apart from other consumer credit sales.

If you have questions or need additional information, please feel free to contact me. Thank you for your consideration.

Sincerely,



James E. Doyle
Attorney General

encs.

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**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

Wendy Weinberg, National Association of Consumer Agency Administrators

Margot Saunders, National Consumer Law Center

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

William J. Klinefelter, United Steelworkers of America

	Customer A	Customer B
Contract Date	7/23/98	5/17/99
Total of Rental Payments (24 Months or 104 Weeks of Rent)	2599.48	2591.04
Downpayment	-49.99	-107.96
Net Rental Payments	2549.49	2483.08
Optional Purchase Price (20% of Cash Price)	105.00	130.50
Total of Payments (TOP)	2654.49	2613.58
Cash Price	525.00	652.50
Downpayment	-49.99	-107.96
Amount Financed	475.01	544.54
Finance Charge (TOP-AF)	2179.48	2069.04
APR	272.3%	234.8%

Agreement # 111007

RENTAL AGREEMENT

CUSTOMER
A

ED BY

DATE:
II. LESSEE

7/23/98

[Signature]

As used in this agreement, "you" and "your" mean the person(s) signing the agreement as renter, "we" and "our" mean LESSOR (see item one above).

2. DESCRIPTION OF PROPERTY:

2 PC Ferns/L #1715
TABLES 30CS #1519

THE CONDITION OF THIS PROPERTY IS NEW USED

3. RENTAL RATE: RENT WAIVER TAX TOTAL

	RENT	WAIVER	TAX	TOTAL
MONTHLY	\$ 49.95	\$ 0.00	\$ 0.00	\$ 49.95
WEEKLY	\$ 11.98	\$ 0.00	\$ 0.00	\$ 11.98

OTHER CHARGES:

1. IN-HOME COLLECTION CHARGE \$10.00
2. REINSTATEMENT FEE \$5.00
3. DAMAGE WAIVER \$3.50
4. DELIVERY CHARGE N/A

THIS IS A RENTAL AGREEMENT ONLY.
PAYMENTS WILL NOT APPLY TO
PURCHASE.
90 DAYS SAME AS CASH

SELF-RENEWING: You're renting from us the property described above. You may keep the property for the term covered by this lease payment. At your option, you may renew this lease for successive terms of one week or one month each. To do this, you must make a rental payment in advance for each week or month you wish to rent the property. The rental rates and first renewal date are shown above. Time is of the essence in this lease and there are no grace periods.

SELF-TERMINATING: In addition to your three (3) day right to rescind this agreement, you are not obligated to renew this lease and may voluntarily terminate it at the end of any weekly or monthly rental period. To do so, you must make arrangements with us for the timely return of the property and make all rental payments due through the date of return. If you do not renew this lease by making a weekly or monthly payment on or before the renewal date (or you breach any other important term of this lease), the lease will automatically terminate but you will remain liable for the rental value of the property until you make arrangements for us to have immediate possession of the property. All property returned must be in its present condition, fair wear and tear excepted.

DAMAGE WAIVER: ACCEPT X / TD / DECLINE _____: You may by initials hereon accept or decline the damage waiver benefits. If you pay the damage waiver charge (DWC) as specified, subject to the limitations and exclusions below, the Lessor agrees to modify the terms of this agreement and relieve you of liability for accidental damage to the rented item(s) in item two above, and for loss due to fire, flood, windstorm and burglary (provided there is evidence of forced entry). We exclude from this waiver, however, any loss or damage due to theft (other than by burglary), misuse or abuse. Theft by conversion, intentional damage, mysterious disappearance or other loss due to your failure to care for the rented item(s) as a prudent man would his own property, such as property securing your home. If any such loss tends to indicate a crime may have been committed, you must file a report to the proper law enforcement authorities and furnish us with a copy. In addition, if you have insurance for the loss or damage, you shall exercise, and empower us to exercise, all your rights to obtain recovery under insurance, and to obtain recovery and all insurance proceeds which will be given or assigned to Colortyme.

REINSTATEMENT FEE: If you retain possession of the leased goods beyond the rental term and should want to renew this lease, we at our option, may either (1) refuse to renew and collect rental due at that time, or (2) renew and charge reinstatement fee as provided herein. Should we, at our option, elect to allow you to renew for any additional rental term after you have failed to exercise your option to renew, we may charge a fee for this privilege or reinstatement not to exceed \$5.00 for any reinstatement.

LOCATION OF PROPERTY: You agree to keep the property in your possession, at the residence shown above. You agree that you won't remove the property from that address without our written consent. If you remove the property without our consent, you'll have breached this lease and we'll have the immediate right to possession of the property.

LIABILITY: You are liable for damage to the property in excess of normal wear and tear, and for loss or destruction of the property by any cause, including but not limited to theft and vandalism. You must pay us the full value of the property if you fail to return it to us when this lease ends.

ASSIGNMENT: We may sell, transfer or assign this lease. You may not sell, transfer, assign or sublease your rights under this lease without our written consent.

TITLE MAINTENANCE AND TAXES: We retain title to the property at all times. We'll pay any personal property taxes on the property, and maintain it in good working order. We won't be responsible for costs or results of repair done by others. We will attempt to provide a unit for you to use while yours is being serviced by our service technician, based on availability.

FORBIDDEN ACTS: You may not pawn, sell or otherwise dispose of the property. If you do, this lease is terminated and you must pay us the full value of the property.

THIS IS A RENTAL AGREEMENT ONLY: This lease is for weekly or monthly rental of the property only. You won't acquire any ownership in the property by making rental payments. You have not agreed to purchase this property. If you want to purchase this or similar property now, you may be able to get cash or credit terms from other sources which may cost less than under the terms of this agreement.

ENTIRE AGREEMENT: This is our entire agreement. No oral statements or agreements will be valid or binding on you or on us. This agreement may not be changed or amended nor may any provision be waived except in writing signed by both parties.

EFFECT OF SIGNING: By signing this agreement you admit that you have read it and that you understand it. You also admit that you received the property in satisfactory condition. The property is not represented to be new.

TIME IS OF THE ESSENCE IN THIS LEASE

NOTICE TO RENTER: 1) Do not sign this agreement before you read and understand it, or if it contains any blank spaces. 2) You are entitled to a copy of this agreement completely filled in.

I HAVE READ AND UNDERSTAND THE ABOVE RENTAL AGREEMENT AND ACKNOWLEDGE RECEIPT OF A SIGNED COPY.

IMPORTANT NOTICE

If this Agreement is signed in your residence, we are giving you the following rights: YOU MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION (See attached form.)

May 17 1999

MONTH DAY YEAR

RENTAL AGREEMENT NO.

RENTAL AGREEMENT

This is a Rental Agreement Only. Payment will not Apply to Purchase

2. Lessee(s)

CUSTOMER
B

As used in this agreement, "you" and "your" mean the person(s) signing the agreement as renter, "we" and "our" mean LESSOR (See item one above.)

2. DESCRIPTION OF PROPERTY:

Item #	DESCRIPTION	Serial #	CONDITION	MONTHLY	WEEKLY
P9400533	STEREO TRACK STEREO	074N1818	NEW	107.96	26.99

THE CONDITION OF THE PROPERTY IS NEW XXX USED

3. RENTAL RATE:

AFTER THE FIRST PAYMENT

	FIRST PAYMENT	WEEKLY	MONTHLY	ADDITIONAL FEES:
Rental Payment	\$ 26.99	\$ 26.99	\$ 107.96	Reinstatement fee (100)
Damage Waiver	\$ 2.00	\$ 2.00	\$ 8.00	
Sales Tax	\$ 1.51	\$ 1.51	\$ 6.05	
TOTAL	\$ 30.50	\$ 30.50	\$ 122.01	

SELF-RENEWING: You're renting from us the property described above. You may keep the property for the term covered by this lease payment. At your option, you may renew this for successive terms of one week or one month each. To do this, you must make a rental payment in advance for each week or month you wish to rent the property. The rental rates and last renewal date are shown above. Time is of the essence in this lease and there is no grace periods.

SELF-TERMINATING: In addition to your three (3) day right to rescind this agreement, you are not obligated to renew this lease and may voluntarily terminate it at the end of any weekly or monthly rental period. To do so, you must make arrangements with us for the timely return of the property and make all rental payments due through the date of return. If you do not renew this lease by making a weekly or monthly payment on or before the renewal date, (or you breach any other important term of this lease) the lease will automatically terminate but you will remain liable for the rental value of the property until you make arrangements for us to have immediate possession of the property. All property returned must be in its present condition, fair wear and tear expected.

DAMAGE WAIVER/ACCEPT/DECLINE: You may by initials hereon accept or decline the damage waiver benefits. If you pay the damage waiver charge (DWC) as specified, subject to the limitations and exclusions below, the Lessor agrees to modify the terms of his agreement and relieve you of liability for accidental damage to the rental item(s) in item 2 above, and for the loss due to fire, flood, windstorm, and burglary (provided there is evidence of forced entry). We exclude from this waiver, however, any loss or damage due to theft (other than burglary) misuse or abuse, theft by conversion, intentional damage, mysterious disappearance or other loss due to your failure to care for the rental item(s) as a prudent man would his own property, such as property securing your home. If any such loss tends to indicate a crime may be committed, you must file a report to the proper law enforcement authorities and furnish us a copy of the report. In addition, if you have insurance for the loss or damage, you shall execute, and empower us to execute, all your rights to obtain recovery under insurance, and to obtain recovery and all insurance proceeds which will be given or assigned to the Lessor.

REINSTATEMENT FEE: If you retain possession of leased goods beyond the rental term and should want to renew this lease, we at our option, may either (1) refuse to renew and collect rental due at that time, or (2) renew and charge a reinstatement fee as provided herein. Should we, at our option, elect to allow you to renew for any additional rental term after you failed to exercise your option to renew, we may charge a fee for this privilege of reinstatement not to exceed \$100.00 for any reinstatement.

LOCATION OF PROPERTY: You agree to keep in your possession, at the residence shown above. You agree that you won't remove property from that address without written consent. If you remove the property without our consent, you'll have breached this lease and we'll have the immediate right to the possession of the property.

LIABILITY: You are liable for the damages to the property in excess of normal wear and tear, and for loss or damage of the property by any cause, including but not limited to theft and vandalism. You must pay us the Fair Market value of the property if you fail to return it to us when this lease ends. The Fair Market value of the property is \$300.00.

ASSIGNMENT: We may sell, transfer or assign this lease. You may not sublease, assign or otherwise transfer your rights under this lease without written consent.

TITLE MAINTENANCE AND TAXES: We retain title to the property at all times. We'll pay any personal property taxes on the property, and maintain it in good working order. We won't be responsible for costs or results of repair done by others. We will attempt to provide a unit for you to use while yours is being serviced by our service technician, based on availability.

FORBIDDEN ACTS: You may not pawn, sell or otherwise dispose of the property. If you do, this lease is terminated and you must pay us the full value of the property.

THIS IS A RENTAL AGREEMENT ONLY: This lease is for weekly or monthly rental of the property only. You won't acquire any ownership of the property by making rental payments. You have not agreed to purchase the property.

ENTIRE AGREEMENT: This is our entire agreement. No oral statements will be valid or binding on you or us. This agreement may not be changed or amended or may any provisions be waived except in writing signed by both parties.

EFFECT OF SIGNING: By signing this agreement you admit that you have read it and that you understand it. You also admit that you received the property in satisfactory condition. The property is not represented to be new.

TIME IS OF THE ESSENCE IN THIS LEASE

NOTICE TO RENTER: 1. Do not sign this agreement before you read and understand it, or if it contains any blank spaces. 2. You are entitled to a copy of this agreement completely filled in.

I HAVE READ AND UNDERSTAND THE ABOVE RENTAL AGREEMENT and acknowledge receipt of a signed copy.

IMPORTANT NOTICE

If this Agreement is signed in your residence, we are giving you the following rights: YOU MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION.

Rental contract assigned to Chase Merchant Bank as an administrator agent for the BANK group.

Renter

Date: 5-14-99

Witness: [Signature]

Renter

Date:

Signed at

Home

Store

REV. 10/98

RAC-WI

WISCONSIN RENTAL-PURCHASE AGREEMENT

DATE: _____ CONTRACT No. _____
 STORE: _____ CUSTOMER: _____

Item	Description	Model	Serial	New or Used	Base Payment

Total of Base Payments: \$ _____ *

This agreement is for one weekly/bi-weekly/monthly (circle one) period. You may renew this agreement for an additional period by paying the amount of the periodic payment in advance for each period you wish to rent the property. If you rent the property for _____ periods you will become the owner as provided in the OWNERSHIP PROVISION. In that event, the following disclosures will apply to this transaction:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	CASH PRICE	TOTAL OF PAYMENTS
The cost of rental as a yearly rate	Amount over cash price you will pay if you make all regular payments.	The price for which we would sell the property listed above if you would pay cash today	The total dollar amount you will have to pay to own the property unless you exercise the early purchase option.
%	\$	\$	\$

Rental Period: Weekly/Biweekly/Monthly (circle one)

PERIODIC RENTAL TERMS: *Total of Base Payments: _____ Protection Plan Fee: + _____ Sales Tax: + _____ Periodic Payment: = _____	FIRST PAYMENT ONLY: Periodic Payment: _____ Delivery Fee: _____ Total First Payment: _____
--	--

To obtain ownership, your payment schedule will be:

Number of Payments	Amount of Payments	When Payments are Due
		Weekly/Biweekly/Monthly (circle one) beginning on _____

Termination: You may terminate this agreement at any time by complying with the TERMINATION PROVISION.

Protection Plan: A protection plan is not required to enter into this agreement, and will not be provided unless you sign and agree to pay the additional cost.
 Cost of Protection Plan \$ _____ If you want to purchase the protection plan, sign here _____

Late Charge: If a payment is late, you will be charged 5% of the unpaid amount due or \$10, whichever is less.

Title: The property is owned by us until you buy it or get ownership as stated in this agreement. You cannot sell, pledge, mortgage, pawn or otherwise dispose of or encumber the property.

Other important terms: See the remainder of this contract for information regarding ownership, termination, late payments, default, early purchase option, maintenance of the property, etc.

NOTICE TO CUSTOMER

1. Do not sign this agreement before you read the entire agreement including any writing on the reverse side or on additional pages, even if otherwise advised.
2. Do not sign this if it has any blank spaces.
3. You are entitled to an exact copy of any agreement you sign.

Customer: (sign) _____ Date: _____
 Customer: (sign) _____ Date: _____
 Company: (sign) _____ Date: _____

TERMS OF AGREEMENT

OWNERSHIP PROVISION: You will not own the property until you have made the stated number of payments and the total dollar amount of payments necessary to acquire ownership (plus any other obligations pursuant to this agreement), unless you exercise the early purchase option.

LIABILITY FOR DAMAGE OR LOSS: You are responsible for the safety of the item until it is returned to us. If the rented property is stolen, lost or damaged in excess of normal wear and tear, you are liable to the company the lesser of (1) the value of the property at the time of the loss, as determined under the early purchase option or (2) our cost to repair the property.

PROTECTION PLAN: You may, but are not required to, purchase a protection plan from us to protect you against liability for theft, damage or loss to the rental property.

TERMINATION PROVISION: You may terminate this agreement without penalty by voluntarily surrendering or returning the property upon expiration of any rental period along with any past due rental payments.

EARLY PURCHASE OPTION: At any time after the first periodic payment is made, you may acquire ownership of the property by paying fifty-five percent (55%) of the difference between the total of payments necessary to acquire ownership and the total of rental payments you have paid on the property.

TITLE: The property is owned by us until you buy it or get ownership as stated in this agreement. You cannot sell, pledge, mortgage, pawn or otherwise dispose of or encumber the property.

LOCATION OF THE PROPERTY: You agree to keep the property at the address shown in this agreement. If you remove it without first receiving our written permission, you will be considered in default under this agreement and the default provision below will apply.

LATE CHARGE: You will be required to pay a late charge in the amount of five percent (5%) of any past due payment (not to exceed ten dollars (\$10.00)) with respect to any payment not paid in full on or before the tenth day after its scheduled or deferred due date.

MAINTENANCE AND WARRANTY: We are responsible for maintaining or servicing the property while it is being rented. If any part of a manufacturer's warranty covers the rental property at the time you acquire ownership, such warranty will be transferred to you.

RETURNED CHECK CHARGE: A charge of fifteen dollars (\$15.00) will be made for each check presented for payment that is returned unsatisfied because you do not have an account with the drawee, do not have sufficient funds in your account or have insufficient credit with the drawee.

RIGHTS OF COMPANY: Without affecting the liability of any customer or impairing the company's rights under the agreement, the company may, without notice, accept partial payments or agree to renew or extend the time for any payment.

DEFAULT:

1. You will be in default under this agreement if any of the following occurs:
 - (a) You have not paid an amount exceeding one full payment for more than 10 days after the scheduled or deferred due date.
 - (b) You fail to observe any other covenant of this agreement, breach of which materially impairs the condition, value or protection of the company's right in the goods rented under this agreement or materially impairs your ability to pay amounts due under this agreement.
2. If you are in default, we will give you notice of the default and 15 days to cure, if applicable. You may cure within the 15-day period by paying the total amount owed or taking other required action. You may then, at your option, either 1. continue making payments under this agreement, keeping the goods as long as payments are made or 2. return the goods under the **TERMINATION PROVISION**, above. If you fail to cure the default within the 15 day cure period, we may terminate this agreement. Your obligation upon termination will be the total of payments and charges due up to the date of termination and return of any goods obtained under this agreement that are still in your possession. The company may waive its rights pursuant to any default without waiving its rights pursuant to any subsequent or prior default by the customer.

COMMITTEE ON JUDICIARY, CONSUMER AFFAIRS,
AND CAMPAIGN FINANCE REFORM

David J. Gilles
Assistant Attorney General
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Senate Bill 473

Chairperson George, members of the committee, on behalf of Attorney General Jim Doyle, I want to thank you for the opportunity to testify regarding S.B. 473, a proposal to remove rent-to-own transactions from the Wisconsin Consumer Act.

The Attorney General has asked me to testify in opposition to the proposal because it is not needed, it would be bad for consumers, and is not based on sound public policy.

The legislation is unneeded because rent-to-own transactions are covered by the Wisconsin Consumer Act.

- The Act was intended to cover all types of transactions where consumers could obtain merchandise by making installment payments . . . rent-to-own transactions were present at the time the Act was passed.
- Three appellate court decisions have ruled that rent-to-own contracts are covered by the Act.
- Rent-to-own firms have paid about \$20 million to settle class actions based on violations of the Act.
- Most recently, on January 22, 2002, Milwaukee Circuit Court Judge Dominic Amato made a preliminary ruling that Rent-A-Center's contract was subject to the Act.

The proposed legislation will hurt consumers.

- This is industry-sponsored legislation – no consumer advocacy group supports this bill.
- Rent-to-own companies will not be governed by the same rules that apply to other retailers that provide customers with the option to make time payments.

- Specific consumer protections are conspicuously absent – for example, the bill does not prohibit unconscionable practices and involuntary repossession.
- Consumer remedies and private enforcement are significantly curtailed.

The proposal is not based on sound public policy.

- Interest rate disclosure would promote competition by facilitating comparison-shopping.
- Undermine level playing field by treating different installment purchase programs differently.
- The proposal is based on the false claim that interest for a rent-to-own transaction cannot be determined because a customer is uncertain whether he/she will purchase the merchandise.

FTC study showed 77% intend to purchase and 70% do purchase.

All credit disclosures – mortgage lenders, pay-day lenders (disclose an APR of as much as 500%), in-store finance programs and credit cards make disclosures *assuming* that payments will be made on schedule.

No one has suggested that the fact that some customers default, others pay off early or refinance is an excuse for not giving credit information to consumers.

- The bill provides no meaningful public enforcement remedies such as injunctive relief, restitution and civil penalties. Unscrupulous rent-to-own companies that violate the so-called consumer protection provisions in the bill would only be subject to administrative remedies.

Civil and criminal sanctions only apply to administrative provisions.

In all other consumer protection areas, statutes provide for public enforcement and unscrupulous operators run the risk of state prosecution.

Thank you for your attention. I would be pleased to respond to any questions that you may have.