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February 19, 2015

Gov. Shumlin, Legislators & Advocates Rally Support to Crack Down On Rent-To-Own Practices

MONTPELIER – Gov. Peter Shumlin, legislators, and advocates gathered today at the State House to rally support for legislation to crack down on rent-to-own enterprises that target lower and middle income Vermonters.

“There is running a business and then there is ripping people off. What’s going on here clearly appears to be the latter,” said Gov. Shumlin. “Some of these rent-to-own practices seem to be designed to prey on those who can least afford it, extract from them as much profit as possible, and leave them with nothing in return. That’s not the way we do business in Vermont.”

Rent-to-own stores market to lower and middle income individuals with troubled credit histories by promising a no-interest, hassle-free way to own consumer electronics, furniture, and other household items. The rent-to-own model works by giving consumers products upfront in exchange for a small monthly rental fee, which, if paid for the duration of the contract period can result in ownership. That small monthly rental fee can add up, however, inflating the cost of some products by 300 to 400 percent. And with only 25 percent of rent-to-own transactions actually leading to ownership, many consumers may find themselves paying full price or more for a product they won’t own.

The growing rent-to-own industry is currently valued at \$8.5 billion and seems to have its sights set on lower and middle income individuals: About 72 percent of rent-to-own consumers make less than \$35,000 per year. In Vermont, there are 14 rent-to-own stores in nine towns: Barre, Bennington, Brattleboro, Burlington, Morrisville, Rutland, Springfield, St. Albans, and St. Johnsbury.

“When low-income Vermonters enter into rent-to-own transactions they often fall behind in payments, and are left with the impossible choice of either paying the industry or paying for rent, heat, or putting food on the table. That’s really no choice at all,” said Christopher Curtis, Staff Attorney at Vermont Legal Aid. “Yet, often the bare necessities of life are neglected in favor of the industry for two reasons: first, because the industry will repossess the household goods and the family loses both the goods and any money paid towards them; and second, because families are afraid that the industry will take them to court or ruin their credit. These are burdens that families will carry with them for years.”

The Governor, legislators, and advocates gathered today to support legislation to provide greater disclosure requirements about the real cost of rent-to-own transactions and cap the total amount that may be charged by the industry – something at least 9 other states, including New York, have done. Sen. Kevin Mullin (R-Rutland) has introduced legislation in the Senate, S.73, to do just that.

“It’s clear from testimony before the Senate Economic Development committee that lower income Vermonters and those lacking financial literacy skills are being taken advantage of,” said Senator Mullin. “It is time to create a playing field that doesn’t disadvantage some of our most vulnerable neighbors.”

Cracking down on rent-to-own practices has broad, tri-partisan support, including from House Speaker Shap Smith (D-Morristown) and Senate President Pro Tem John Campbell (D-Windsor).

“These practices are not consistent with Vermont Values. I am supportive of passing a bill to create a fair process that protects consumers,” said Speaker Smith.

“I commend Senator Mullin and the Senate Economic Development committee for their work on S.73,” said Senator Campbell. “We have an obligation to make sure Vermont consumers understand the real costs of rent-to-own agreements and this bill moves us in that direction.”

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