

WITH

TO OWN

RENT Your Paycheck's Blown!

**NO
DOWN
PAYMENT**

**NO
CREDIT
CHECK**

**LOW
PAYMENTS**

Need a TV?
Don't have
the cash?

Sound too
good to be
true?
You're right!

TOTAL PRICE: \$1,000!

- Years of payments
- High interest rates
- Pay \$600 and they can still take the TV back!



I need a
19 inch TV

Easy! Only \$12
per week! And
you can return
it anytime with
no obligation!

Actual cost
to own:
 $\$12 \times 87 \text{ weeks}$
 $= \$1,044$

*“With rent to own,
your paycheck’s blown.
You keep on paying ’til you turn to stone...”*

If you're thinking of buying a TV by using rent to own — **watch out!**

Rent to own stores say that they are “renting” TVs, appliances and furniture. But to buy the TV, you have to finish paying a **long payment schedule**, such as 78 or 87 weeks. The weekly payments sound low, but weekly payments add up to **high total cost**. To own the TV, you would pay **enormously high effective interest rates!** If you miss a payment, the store will take the TV back — even if you have already paid more than the TV would cost to buy at a regular store.

Rent to own is a bad way to buy a TV or furniture.

How much do things cost when

you “rent to own?” While every store sets its own price, here are some “deals” which were exposed in New Jersey in 1990-91:

- A \$329 washer which cost \$1,166 to buy through rent to own.
- A \$280 microwave sold for \$719 through rent to own.
- A 19" TV worth \$200, which costs over \$1,000 through rent to own.

If you think any of these prices is a good deal, we have a bridge we'd like to sell you.

What the rent to own store in the cartoon did not disclose, is that selling a \$200 TV on time for: \$12 per week for 87 weeks amounts to an *effective*

annual percentage rate of 310%!

There are many better ways to buy a TV. Paying \$200 cash is the cheapest way. Some merchants have layaway plans, in which you pay gradually, then get the goods at the end. Credit cards and department stores charge interest, usually in the 18% to 21% range. Those rates are not as high as rent to own. The effective interest rates on rent to own sales in New Jersey may run from 75% to over 309%.

The same \$200 TV could be bought for far less if you use a credit card or department store credit. Even at 21.6% interest (which is high enough), the total cost at a department store would be only \$12 per month — a total of \$240. So

One year later—
Missed payments and
back it goes

But I've
already paid
\$600 for
that \$200 TV!

With the
convenience of
returning it
with no further
obligation!

With weekly payments, your dough will go— A grand for a TV? No, No, No!*

which would you rather pay: \$240 or \$1044 for the same TV? If you can afford to pay \$12 per week, (\$48/month) you could easily afford \$12 per month.

What do you get for your money when you buy using rent to own? The industry says that you get the "convenience" of returning the goods when you want to.

But there is no advantage to paying \$600 for a \$200 TV, then losing everything if the store takes it back.

A lot of consumers do not finish their rent to own contracts, and lose the goods. A particularly bad example happened in Paterson, N.J. This con-

sumer alleged in a suit that she was buying \$2,785 worth of appliances and furniture. This woman states that she had already paid \$3,950 when she missed payments while she was in the hospital.

But the company wasted \$6,679 total to buy it, and repossessed everything. After spending nearly \$4,000, the woman lost all the furniture and had nothing to show for all the money she spent.

Is this the "convenient return policy" some Rent to own stores offer?

Passaic Legal Aid Society has filed suit in that case, and the N.J. Attorney General and the Consumers League of New Jersey joined the suit.

If you have a complaint about a rent to own store, you can call the N.J. Division of Consumer Affairs, 201-648-3622, or the N.J. Attorney General's office.

You may need a lawyer. If your income is low, you might be able to get free legal help: call Legal Services of New Jersey, 908-246-0770, to find the closest Legal Services office. You can also call the county Bar Association for a referral to a private lawyer.

If the amount involved is less than \$1,000, you can go to the Small Claims Court at the county court house.

So if you need the convenience of renting a \$200 TV for \$1,000, then rent to own is for you!

What is the effective annual percentage rate?

To find out what the effective interest rate would be, look at the chart. For example, if you bought a \$200 item at \$15 per week for 78 weeks, the effective interest rate is 388%!

Cash Price (Amount Financed)	Weekly Payment	Annual Percentage Rate	Total of Payments
\$200	\$12	309%	\$936
\$200	\$15	388%	\$1,170
\$400	\$15	182%	\$1,170
\$400	\$20	254%	\$1,560
\$600	\$15	101%	\$1,170
\$600	\$20	156%	\$1,560

IF YOU BUY USING RENT TO OWN YOU COULD PAY \$1,000 FOR ONE SMALL TV

That's right folks — this is not a misprint! You can buy one small TV for \$200 cash at a department store — or you can buy the same one small TV for \$1,000 by **RENTING** it from Rent-to-Own! Which would you rather pay: \$12 per week at Rent-to-Own — or \$12 per month on your credit card?

\$1,000 COULD BUY YOU FIVE TVs

The choice is yours!

Method	Cost
CASH	\$200
RENT TO OWN	\$1,000
CREDIT CARD	\$2,400

For more information, send a stamped, self-addressed envelope to:
Consumers League Education Fund
 60 South Fullerton Ave., Montclair, N.J. 07042

Copies of the poster (left) are available free to public interest and social agencies, and government offices which will post it for the public. Other people can obtain a copy of the large size poster (17" x 22") by sending a check for \$10 to the address below:

**Consumers League
 Education Fund**
 60 South Fullerton Ave.
 Montclair, N.J. 07042

Updates

After this pamphlet was published, some of the events which happened in New Jersey:

In the Passaic County suit, *Green v. Continental Rentals*, 292 N.J. Super 241 (1994) Madeline Houston, Esq. (Paterson, N.J.) won a victory from the N.J. Superior Court holding that rent to own violated the 30% criminal usury law, violated the N.J. Consumer Fraud Act, the N.J. Retail Installment Sales Act, and the Truth in Lending Act. Several class action suits were filed in Camden County by Lisa Rodriguez and Donna Siegel Moffa (Cherry Hill), which resulted in two other decisions holding basic RTO operations illegal under N.J. law. In one of those suits, a triple damages judgment in a class action against Rent a Center was estimated as being worth \$120 million. Rent a Center appealed, but then settled the case, we are told, promising to pay \$40 million in damages to its customers in New Jersey.

The RTO industry has been trying for ten years to persuade the N.J. Legislature to legalize their practices (and to nullify the above Court decisions). Consumer advocates have described this practice as asking the Legislature to vote in favor of fraud. Newspapers call this an attempt to legalize loansharking. The Kean and Florio administrations sent officials to testify against the RTO bills to legalize 100% interest. At first Governor Whitman's Consumer Affairs Director Mark Herr appeared against the bills. Whenever he appeared, the bills were pulled. Since 1997, Attorney General Peter Verniero has not permitted Mark Herr to testify, and so the bills to legalize frauds are gaining.

The phone numbers for Legal Services of N.J. are now 888-576-5529 or 732-572-9100.

The New Jersey Division of Consumer Affairs encourages you to complain in writing, with a copy of all documents to: N.J. Office of Consumer Protection, PO Box 45025, Newark N.J. 07101. Their phone number is 973-504-6200.

If you like a printed copy of the Consumers League's pamphlet or poster, call:

973-744-6449