

Rent-to-own at the federal level

HOW ONGOING RENT-TO-OWN REFORM INITIATIVES COULD DESTROY THE INDUSTRY | BY ED WINN III

Despite the great strides that the rent-to-own industry was able to accomplish during the previous Congress—with the able support of industry champions Representative William Lacy Clay of Missouri, Louisiana Senator Mary Landrieu and all of their co-sponsors—there is a new game in Washington, D.C. in 2009. No one yet knows what President Obama's attitude is toward the rent-to-own industry. What *is* known is that with Democratic control of both houses in Congress, consumer advocates are salivating over the prospects of new regulations for any number of industries, including rent-to-own. Consumer advocates have long chafed at the Congress' unwillingness to impose price controls and soon we may see them imposed on payday loans and rent-to-own as a new, more liberal Congress seeks to expand its power and rein it what some of its members view as "rogue" industries. The rent-to-own issue will almost certainly get considered in this new Congress and the industry must be unified and prepared to meet the challenges that lay ahead. In order to put the current struggle into perspective, some legislative history may be in order.

The rent-to-own industry has faced hostility from members of Congress on and off for almost as long as the industry has been around. In 1979, before there was a trade association to represent the industry's interests, Illinois Democratic Congressman Frank Annunzio offered a brief amendment to the Truth In Lending Simplification Act bill that redefined RTO transactions as credit sales for all purposes. In order to work, the Annunzio language added the legal presumption that, for the purposes of calculating interest rates and making TILA disclosures, every consumer would make all rental payments called for in the rent-to-own agreement and become the owner of the property.

To some extent, the industry was

lucky in 1979. It offered no resistance to the Annunzio bill, which nonetheless died in committee, although the *TILA Simplification Act* bill was enacted the next year.

In 1984, Democratic Representative Bruce Morrison of Connecticut reintroduced the Annunzio language. Morrison had been head of the New Haven Legal Services office before running for Congress and was a devoted champion of consumer interests during his tenure in Washington. He reintroduced anti-RTO legislation in several Congresses in the 1980s, but none bore any fruit. The industry, with its own legislative champions—Democratic Representative Doug Barnard of Georgia, Democratic Representative Larry LaRocco of Idaho and Republican Representative J.C. Watts of Oklahoma—and consumer advocates fought to a draw during those

years. Neither side was able to advance legislation much beyond getting a bill introduced and gathering a handful of co-sponsors.

In 1993, Democratic Representative Henry B. Gonzalez from Texas held public hearings on the RTO industry, "Rent-to-Own: Providing Opportunities or Gouging Consumers?" Gonzalez concluded that the latter description was more apt and introduced an anti-RTO bill in the fall of 1993. Democratic Senator Howard Metzenbaum of Ohio introduced a companion bill in the Senate.

The Gonzalez/Metzenbaum bills differed from previous anti-RTO iterations. By 1993, more than half of the states had enacted RTO statutes that distinguished rent-to-own transactions from credit or installment sales under state law. Merely to declare RTO transactions to be credit sales under



federal law would have overruled dozens of state enactments, made the federal government look heavy-handed and been difficult to accomplish politically. Instead, the Gonzalez/Metzenbaum bills proposed to regulate RTO transactions as unique transactions distinct from credit sales, but to regulate them out of existence. To do this, the bills fixed prices rental dealers could charge at unprofitable levels. When the Republicans gained control of both houses in 1994 for the first time in 50 years, the Gonzalez/Metzenbaum bills died quiet deaths.

Since then, the industry has soldiered on supporting fair and balanced RTO legislation. In the past, such legislation had been met with stiff, unyielding resistance from Democratic Senator Paul Sarbanes from Maryland who repeatedly refused to negotiate with the industry over federal legislation for rent-to-own.

It is not true that a single senator, passionately devoted to a cause, can always stop legislation to which he or she is opposed, but in this case, it *was* true.

Now Democratic Senator Charles Schumer of New York chooses that role. With the introduction of his Senate Bill 1530, the *Rent-to-Own Reform Act of 2007*, it appears that Schumer has chosen to adorn himself with the consumer advocate mantle that Sarbanes left behind. It is too early to tell what Schumer really wants; however, if his bill were to pass as introduced, the rent-to-own industry would shortly disappear.

In the previous Congress, Schumer picked up Sarbanes' anti-rent-to-own mantle and introduced legislation that would have crippled the industry, Senate Bill 1530, *The Rent-to-Own Reform Act of 2007*. That bill failed to garner any co-sponsors—as opposed to the industry-supported bill introduced by Landrieu, which had 24 co-sponsors when the Congress adjourned. While it is too early to predict whether Schumer will reintroduce his bill or

one like it, it is important for dealers to understand how he intended to regulate the industry. Here is a summary of the most unworkable features of the Schumer bill:

Cash price: The definition of cash price is set at the “fair-market price” as defined by retail sellers, not other rental dealers, in the trade area. “Fair-market price” is not further defined. The problem with the fair-market value of anything is that it is an after-the-fact determination. There is no way to know what the fair-market value of an item is until a jury finally comes back and declares, as a matter of fact, what the fair-market value was on some date in the past. Fair-market price may well work the same way. There is no publication listing the fair-market price of televisions, appliances or furniture. There is no exchange where these items are traded with the prices of actual sales published. And “fair,” after all, is much like beauty—it is in the eyes of the beholder. If the Wal-Mart price is the fair-market price, does that make the higher price for the same item at Bloomingdale’s “unfair”?

It might be a lovely thought to some to require rental dealers to offer to sell their products for the same prices as retailers, but there is no way to make it work. Retailers change their cash prices often, sometimes several times a week. There is no way for rental dealers to track the prices offered by retailers in their trade area with any certainty or reliability, nor can they know that the prices being offered or even at which items are actually being bought and sold are “fair market prices.” Consumers are surely buying TVs, appliances and furniture at prices above and below the mythical “fair-market price” everyday.

Nor is there any guidance in the bill about how to price used goods, often two-thirds or more of a rental dealer’s inventory. The bill makes no distinction between new and used goods.

Rental dealers would have the obligation of locating “the same or similar” property for sale in the trade area and set the cash prices of used property accordingly. They would really only know after the fact whether they got it right.

Every price that a dealer misses subjects him to a statutory penalty of \$2,500 plus court costs and attorney fees.

Credit: The term credit is redefined to include what a rental dealer gives to a customer in a no-obligation rent-to-own agreement. Then the term is further defined as everything between the fair-market price and the total RTO price except fees allowed under state retail installment sales laws and an additional 5-percent-of-the-cash-price termination fee that the bill allows.

In 1993, some consumer advocates decided that a fair price for allowing consumers to walk away from a retail installment sale with no penalty and no further obligation was 5 percent of the cash price. This notion was first unveiled in the Gonzalez/Metzenbaum bills and has been picked up in all of the federal anti-RTO bills since.

The termination fee is most closely akin to retailers’ restocking fees. Not all retailers give refunds. Increasingly, those who do allow returns charge a restocking fee, which can vary from 10 percent to 30 percent of the purchase price. Most retail refund policies, with or without restocking fees, have time limits—the right to return something usually lasts for 20 to 30 days after the purchase. The Schumer bill would require rental dealers to continue to offer the customer the right to terminate the RTO agreement at any time for which the dealer can add 5 percent of the cash price of the goods to the cost of the transaction.

In addition, the total rent-to-own price is limited to the cash price plus any limit, state by state, placed on “interest, fees or finance charges” if the state caps the amount that may be

charged “in connection with a credit sale or retail installment sale for the same or similar item.” Twenty-one states have no caps on finance charges in retail installment sales contracts, other than as may be agreed upon between the buyer and the seller. The Minnesota Supreme Court has declared that the state’s 8 percent usury cap applies to RTO transactions. The New Jersey Supreme Court has declared that its state 30 percent criminal usury cap applies to rent-to-own transactions. The other 27 states that have finance charge limits fall somewhere between these two percentages.

The five percent termination fee can be added on top of the finance charge limit, although this amount would have to be added into the annual percentage rate calculation for TILA disclosure purposes.

Other fees: Rental dealers would be further limited to charging only those “other fees” that are specifically permitted under a credit sale or a retail installment sale under state law. That provision would do away with processing fees, liability damage waiver fees, in-home collection fees, club fees and late fees greater than 5 percent of the missed payment, and then only if the payment is more than 10 days late. That would be the case in most states.

The bill would allow rental dealers to contract for collection fees “reasonable in relation to the cash price” for the recovery of property when the customer refuses to return an item voluntarily. However, it may not be reasonable to hire an attorney to sue for the return of a TV worth \$500.

Other laws: The bill declares that the *Truth in Lending Act*, the *Equal Credit Opportunity Act*, the *Fair Debt Collection Practices Act* and the *Fair Credit Reporting Act* all will apply to RTO transactions. Today, none does.

Disclosures: Disclosures under the Schumer bill are minimal. They are in essence the TILA disclosures required for credit sales, although these are added to whatever disclosures are already required by any state RTO statute.

Prohibitions: Rental dealers cannot file criminal charges against customers who steal their merchandise unless: 1) there is “clear and convincing evidence” of the customer’s intent to defraud the dealer, and 2) the goods “are being held by the consumer.” Customers who pawn merchandise or abandon it or simply give it away cannot be prosecuted because they are no longer holding the goods.

The bill prohibits use of the word “free” in any advertising by rental dealers if there is a charge for the product or service “collected by inclusion in the amount required to be paid under the contract.” Since there is, finally, no free lunch, rental dealers, singled out for this prohibition in the marketplace nationwide, would not be able to advertise anything as free without risking class-action litigation and a war of the cost accountants, which the dealer would likely lose.

Exemptions: The bill exempts vehicle leasing to the extent that those transactions are covered by the *Consumer Leasing Act*, but otherwise, the bill would cover every other rental transaction with any opportunity for ownership. The bill specifically provides that the *Consumer Leasing Act* will only apply to vehicles, so that rental dealers would not be able to write agreements with lengthy initial terms and escape coverage under the Schumer bill.

The struggle over regulation of rent-to-own at the federal level has been ongoing for 30 years. Over that time, the industry has made some good friends in Congress—legislators who have taken the time to study and understand the industry and who support reasonable regulation of the transaction. If it has been difficult for the industry to draw attention to the rent-to-own issue recently, that problem will almost certainly go away in the new Congress. The industry fully expects hearings on RTO in one or both houses sometime in 2009 and anticipates that Schumer will reintroduce his bill. The rent-to-own industry remains ready to negotiate with all parties interested in achieving fair and reasonable regulation of the transaction at the federal level. Rental dealers do not intend to sit idly by and let this new Congress legislate them out of business. It is likely to be an active year on the federal legislative front. Every dealer will need to get involved in the process to ensure the future of RTO. ●

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In-store price tag disclosures

	Cash price	Amount of periodic paym.	No. of paymtns. for ownership	Total R-P price	R-P charge	EAPR	Rental period	Retail value	New or used?	ID transaction as R-P agreement	Brief description of property
FEDERAL BILL	▲	▲	▲	▲					▲		▲
ARIZONA	▲	▲	▲	▲	▲						
CALIFORNIA	S E E D E T A I L E D I N F O R M A T I O N B E L O W										
CONNECTICUT	▲	▲		▲							
DELAWARE	▲	▲		▲							
ILLINOIS	▲	▲	▲	▲					▲		
MAINE			▲	▲					▲		
MARYLAND		▲	▲	▲							
MICHIGAN	▲	▲	▲	▲							
MINNESOTA	▲	▲		▲							
NEW HAMPSHIRE	▲	▲	▲	▲							
NEW MEXICO	▲	▲	▲	▲							
NEW YORK	▲	▲	▲	▲							
OHIO	▲	▲	▲	▲							
OREGON	▲	▲	▲	▲							
PENNSYLVANIA	▲	▲	▲	▲							
VERMONT	▲	▲	▲	▲		▲			▲	▲	
WEST VIRGINIA		▲	▲	▲	▲		▲	▲	▲		
WYOMING	▲	▲	▲	▲							

CALIFORNIA TOTAL OF PAYMENTS \$ _____ You must pay this amount to own the property if you make all the regular payments. You can buy property for less under the early purchase option.			COST OF RENTAL \$ _____ Amount over cash price you will pay if you make all regular payments AMOUNT OF EACH PAYMENT \$ _____ per _____ (Insert period)			CASH PRICE \$ _____ Property available at this price for cash from retailers in this area. NUMBER OF PAYMENTS _____ RENTAL PERIOD _____			CALIFORNIA NOTICE: ▶ You are renting the property. You will not own it until you make all of the regularly scheduled payments or you use the early purchase option. ▶ You do not have the right to keep the property if you do not make required payments or do not use the early purchase option. If you miss a payment, the lessor can repossess the property, but, you may have the right to the return of the same or similar property. ▶ See the contract for an explanation of your rights.		
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NOTICES TO CONSUMERS

FEDERAL BILL

- ▶ You are renting the property.
- ▶ To acquire ownership of the property, you must pay all payments necessary.

COLORADO

- ▶ Do not sign this before you read the entire agreement including any writing on the reverse side, even if otherwise advised.
- ▶ Do not sign this if it contains any blank spaces.
- ▶ You are entitled to an exact copy of any agreement you sign.
- ▶ You have the right to exercise early buy-out option as provided in this agreement. Exercise of this option may result in a reduction of your total cost to acquire ownership under this agreement.
- ▶ If you elect to make weekly rather than monthly payments and exercise your purchase option, you may pay more for the leased property.

DELAWARE

- ▶ Do not sign this lease-purchase agreement before you read it or if it contains any blank space.
- ▶ You are entitled to a completely filled in copy of this agreement.
- ▶ Under the law, you have the right to exercise an early purchase option which will result in a lower cost to acquire ownership

FLORIDA

- ▶ Do not sign this rental-purchase agreement before you read it or if it contains any blank spaces.
- ▶ You are entitled to an exact copy of the rental-purchase agreement you sign. Keep it to protect your legal rights.

HAWAII

- ▶ Do not sign this before you read the entire agreement, including any writing on the reverse side, even if told you do not need to.
- ▶ Do not sign this if it contains any blank spaces.
- ▶ You are entitled to an exact copy of any agreement you sign.

IOWA

- ▶ Do not sign this before you read the entire agreement including any writing on the reverse side, even if otherwise advised.
- ▶ Do not sign this if it contains any blank spaces.
- ▶ You are entitled to an exact copy of any agreement you sign.
- ▶ You have the right to exercise any early buy-out option as provided in this agreement. Exercise of this option may result in a reduction of your total cost to acquire ownership under this agreement.
- ▶ If you elect to make weekly rather than monthly payments and exercise your purchase option, you may pay more for the leased property.

MAINE

- ▶ Do not sign this agreement before you read it.
- ▶ You are entitled to a copy of this agreement.
- ▶ You will be renting the property. You will not acquire equity or ownership rights on the property unless you make all payments necessary to acquire ownership.

MICHIGAN

- ▶ Notice: This agreement is regulated by state law and may be enforced by the attorney general or by private legal action.

NEBRASKA

- ▶ Do not sign this before you read the entire agreement, including any writing on the reverse side, even if otherwise advised.
- ▶ Do not sign this if it contains any blank spaces.
- ▶ You are entitled to an exact copy of any agreement you sign.

NEW MEXICO

- ▶ Do not sign this agreement before you read it or if it contains blank spaces. You are entitled to a copy of the agreement you sign.

NORTH DAKOTA

- ▶ Do not sign this before you read the entire agreement, including any writing on the reverse side, even if told you do not need to.
- ▶ Do not sign this if it contains any blank spaces.
- ▶ You are entitled to an exact copy of any agreement you sign.

OHIO

- ▶ Notice: This lease-purchase agreement is regulated by state law and may be enforced by the attorney general or by private legal action.

PENNSYLVANIA

- ▶ Notice: You are renting this property. You will not own it until you make all of the regularly scheduled payments or you use the early-purchase option. You do not have the right to keep the property if you do not make required payments or do not use the early-purchase option. Subject to your grace periods and reinstatement rights, the lessor may repossess the property if you fail to make rental payments as scheduled. Your rights and responsibilities are fully explained in this rental-purchase agreement.

VERMONT

- ▶ Important information about rent-to-own: Do not sign this agreement before you read it or if it contains blank spaces.

WYOMING

- ▶ Do not sign this agreement before you read it or if it contains blank spaces. You are entitled to a copy of the agreement you sign.

Reinstatement rights

	1. Weekly Payments	2. Monthly Payments	3. Statutory "cure period" after notice before suit can be filed	
			Monthly	Weekly
MODEL	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
FEDERAL BILL	3 bus. days if property returned; then 30 to 90 days more; depends on payments made	7 bus. days if property returned, then 30 to 90 days more; depends on payments made		
ALABAMA	2 days; then 30 more days if property returned	5 days; then 30 more days if property returned		
ALASKA	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
ARIZONA	7 days; if property returned then 60-180 days; depends on payments made	7 days if property returned, then 60-180 days; depends on payments made		
ARKANSAS	2 bus. days, then 30 more days if property returned	5 bus. days; then 30 more days if property returned		
CALIFORNIA	7 days; if property returned then 1 year	10 days; if property returned then 1 year		
COLORADO	60 days; then 120; depends on payments made	60 days; then 120; depends on payments made		
CONNECTICUT	Upon return of property 30 to 180 days; depends on payments made	Upon return of property 30 to 180 days; depends on payments made		
DELAWARE	Upon return of property 30 to 180 days; depends on payments made	Upon return of property 30 to 180 days; depends on payments made		
FLORIDA	60 days	60 days		
GEORGIA	21 days	90 days		
HAWAII	30 to 60 days; depends on payments made	30 to 60 days; depends on payments made		
IDAHO	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
ILLINOIS	7 days; then 30 days more; if property returned	16 days; then 30 days more; if property returned		
INDIANA	60 days	60 days		
IOWA	60 days	60 days	5 business days	3 business days
KANSAS	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
KENTUCKY	2 days; then 30 more days if property returned	5 days; then 30 more days if property returned		
LOUISIANA	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
MAINE	Later of 7 days or 2 business days; then 180 days	Later of 7 days or 2 business days; then 180 days		
MARYLAND	2 days; then 15, then 21, or 45 days more; depends on payments made	5 days; then 15, then 21, or 45 days more; depends on payments made		
MASSACHUSETTS	No statutory reinstatement	No statutory reinstatement		
MICHIGAN	21 days	90 days		
MINNESOTA	7 days; then 60-180 days; depends on payments made	7 days; then 60-180 days; depends on payments made	7 days	7 days
MISSISSIPPI	2 days; then 21 or 45 days more; depends on payments made	5 days; then 21 or 45 days more depends on payments made		
MISSOURI	21 days	90 days		
MONTANA	2 days; then 21 or 45 days more; depends on payments made	5 days; then 21 or 45 days more; depends on payments made		
NEBRASKA	3 bus. days if property returned, then 30, 90, or 180 days; depends on payments made	5 bus. days if property returned, then 30, 90, or 180 days; depends on payments made		
NEVADA	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
NEW HAMPSHIRE	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
NEW MEXICO	2 days if property returned, then 21 or 30 more; depends on payments made	5 days if property returned, then 21 or 30 more; depends on payments made		
NEW YORK	7 days if property returned, then 30, 60, or 180 days; depends on payments made	15 days if property returned, then 30, 60, or 180 days; depends on payments made		
NORTH DAKOTA	2 days; then 21 or 45 days more; depends on payments made	5 days; then 21 or 45 days more; depends on payments made		
OHIO	21 days	90 days		
OKLAHOMA	2 days; then 30 more days if property returned	2 days; then 30 more days if property returned		
OREGON	2 days; then 21-30 days; depends on payments made	5 days; then 21-30 days; depends on payments made		
PENNSYLVANIA	7 days if property returned, then 90-120 days; depends on payments made	7 days if property returned, then 90-120 days; depends on payments made		
RHODE ISLAND	21 days	90 days		
SOUTH CAROLINA	60 days	60 days	5 days	5 days
SOUTH DAKOTA	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
TENNESSEE	2 days if property returned, then 30, 60, or 180 days; depends on payments made	5 days; if property returned, then 30, 60, or 180 days; depends on payments made		
TEXAS	7 days; then 30 more days if property returned	16 days; then 30 more days if property returned		
UTAH	2 days; then 45 days to 90 days more; depends on payments made	5 days; then 45 days to 90 days more; depends on payments made		
VIRGINIA	2 days if property returned, then 21 or 45 days more; depends on payments made	5 days if property returned, then 21 or 45 days more; depends on payments made		
WASHINGTON	5 days if property returned, then 21 or 45 days more; depends on payments made	10 days if property returned, then 21 or 45 days more; depends on payments made		
WEST VIRGINIA	60 days to 90 days; depends on payments made	60 days to 90 days; depends on payments made	7 days	7 days
WYOMING	7 days if property returned, then 21 or 30 days more; depends on payments made	7 days if property returned, then 21 or 30 days more; depends on payments made	5 business days	3 business days

Agreement disclosures

Charts for comparison only.

For details of any state's rent-to-own requirements, refer to statutes.

	FEDERAL BILL	MODEL	ALABAMA	ALASKA	ARIZONA	ARKANSAS	CALIFORNIA	COLORADO	CONNECTICUT	DELAWARE	FLORIDA	GEORGIA	HAWAII	IDAHO	ILLINOIS	INDIANA	IOWA
1. Total cost of rental-purchase ownership	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
2. Statement that the total cost does not include other charges		▲		▲	▲		▲		▲		▲	▲	▲				▲
3. Amount and timing of payments	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
4. "No equity" statement [no ownership until total of payments made]	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
5. Explanation of risk or loss during term of agreement	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
6. Statutory limit on consumer's risk of loss [fair market value, cash price, purchase option price or other limit]		▲		▲	▲		▲	▲	▲			▲	▲			▲	▲
7. Description of the leased property	▲	▲		▲	▲		▲	▲	▲	▲	▲	▲	▲			▲	▲
8. Whether property is new or used	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
9. Description of any damages to property		▲		▲								▲					
10. Cash price of property [or fair market value]	▲	▲		▲	▲		▲	▲	▲	▲	▲	▲		▲			▲
11. Total initial payment due before delivery or consummation	▲	▲		▲	▲			▲	▲	▲	▲	▲	▲				▲
12. Disclosure of any early buy-out options or formulas	▲	▲		▲	▲		▲	▲	▲	▲	▲	▲	▲				▲
13. Early buy-out option required by statute		▲		▲	▲		▲	▲	▲	▲	▲	▲					▲
14. Early buy-out formula set by statute							▲	▲	▲			▲					▲
15. Explanation of maintenance and service responsibilities during agreement	▲	▲			▲		▲	▲	▲	▲	▲	▲	▲				
16. Disclosure of any manufacturer's warranty coverage after ownership	▲	▲			▲		▲	▲	▲	▲	▲	▲	▲				
17. Requirement to transfer any unexpired manufacturer's warranty after ownership	▲	▲			▲		▲	▲	▲	▲	▲	▲	▲				
18. Identities of the parties and date of the transaction	▲	▲		▲	▲		▲			▲		▲	▲				
19. Statement that consumer may terminate at any time without penalty		▲		▲	▲				▲	▲		▲					
20. Explanation or notice of reinstatement rights of consumer	▲	▲		▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	
21. Disclosure of amounts of "other charges"	▲		▲		▲	▲	▲	▲	▲	▲	▲	▲		▲	▲	▲	▲
22. Explanation of purpose of "other charges"			▲		▲	▲	▲	▲							▲	▲	▲
23. Limit on "other charges"—must be "reasonably related to the cost"							▲								▲		
24. Statement concerning how agreement can be terminated									▲		▲						
25. Cost of lease service	▲				▲		▲	▲				▲					
26. Statement that the transaction is regulated under state law																	
27. Statement of any fees or taxes payable by lessee							▲										
28. Statement of amount of any lessee liability at end of lease term [compare with termination penalty in long-term lease]																	
29. Description of any insurance required of lessee																	
30. Description of any security interest retained by lessor		▲					▲										
31. Statement that consumer is not required to buy insurance from merchant			▲								▲						
32. Any in-home collection charge must be disclosed and separately agreed to											▲						
33. Description of any insurance paid for by lessor		▲															
34. Statement that consumer not required to purchase damage waiver fee																	
35. Statement re: default notice																	
36. Statement re: consumer warranties																	
37. Statement re: rights if rental agreement sold as negotiable instrument									▲								
38. Statement re: liability damage waiver									▲								
39. Statement regarding written receipt																	
40. Statement: If you want to purchase this or similar property now, you should consider cash or credit terms that might be available to you																	
41. EAPR [effective annual percentage rate]																	

California: Model year of rental property must be on agreement.

Specifications on fees and payments

	Late charges/ reinstatement fees/ delinquency charges permitted	Statutory amount [per missed payment]:	Grace period on late fees, etc.		Separate reinstatement fee permitted. Statutory fee limits:	In-home collection fees permitted. Statutory fee limits:		Processing fees permitted. Statutory fee limits:	Delivery charges permitted. Statutory fee limits:
			Monthly	Weekly		Monthly	Weekly		
MODEL	Yes				Yes			Yes	Yes
ALABAMA	Yes					Yes		Yes	Yes
ALASKA	Yes	\$5	5 days	2 days	No				
ARIZONA	\$5 max.		7 days	2 days	No	Yes		Yes	Yes
ARKANSAS	Yes				Yes	Yes		Yes	Yes
CALIFORNIA	\$2-\$5		7 days	3 days	No	Yes		Yes	Yes
COLORADO	Yes	\$5 monthly; \$3 weekly	5 days	3 days	\$5 max.	\$10 [3x/6 mo.]	\$10 [3x/6 mo.]	\$10	\$15-5 items or less \$45-over 5 items
CONNECTICUT	Yes	Lesser of 5% or \$5	5 days	3 days	\$5 max.	\$5 [3x/6 mo.]	\$5 [3x/6 mo.]	\$10/agreement	Yes
DELAWARE	Yes	Gtr. of 10% or \$3	2 bus. days	2 bus. days	\$5 max.	Yes		Yes	Yes
FLORIDA	Yes	\$5 max.			\$5 max.	Yes		Yes	Yes
GEORGIA	Yes	\$5 max.			Yes			Yes	Yes
HAWAII	Yes	\$5 monthly; \$3 weekly	5 days	3 days	\$5 max.	\$10 [3x/6 mo.]	\$10 [6x/6 mo.]	\$10	\$15
IDAHO	Yes							Yes	Yes
ILLINOIS	Yes	\$5 max.	3 days	3 days		Yes		Yes	Yes
INDIANA	Yes	\$8 monthly; \$3-\$5 weekly	5 days	3 days	\$5 max.	\$10	\$10	\$10	Yes
IOWA	Yes	\$5 monthly; \$3 weekly	5 bus. days	3 bus. days	\$5 max.	\$7/trip lmt.	\$7/trip lmt.	\$10/agreement	\$10 [\$25-over 5 items]
KANSAS	Yes				Yes			Yes	Yes
KENTUCKY	Yes							Yes	Yes
LOUISIANA	Yes							Yes	Yes
MAINE	Yes	Greater of 5% or \$2	5 days	3 days		\$7.50	\$7.50	\$15/customer	\$30-\$60
MARYLAND	Yes	\$5 max.						Yes	Yes
MASSACHUSETTS	Yes				Yes	Yes		Yes	Yes
MICHIGAN	Yes	Lesser of 5% or \$5	1 month	1 week	No	Yes		No	Yes
MINNESOTA	Yes	Greater of 5% or \$3	3 bus. days	2 bus. days	\$5 max.	\$7 3 times/ 3 mo.	\$7 3 times/ 3 mo.	Yes	\$15 [\$30-over 5 items]
MISSISSIPPI	Yes				No	Yes		Yes	Yes
MISSOURI	Yes	\$5 max.			\$5 max.	Yes		Yes	Yes
MONTANA	Yes							Yes	
NEBRASKA	Yes	\$5 monthly; \$3 weekly	5 bus. days	3 bus. days	\$5	No		\$10	\$10 [\$25-over 5 items]
NEVADA	Yes					Yes		Yes	Yes
NEW HAMPSHIRE	Yes	\$5	5 days	2 days	No			Yes	Yes
NEW MEXICO	Yes				No	Yes		Yes	Yes
NEW YORK	Yes	Gtr. of \$3 or 10% wkly. or gtr. of \$5 or 10% mo.	7 days	3 days		Yes		Yes	Yes
NORTH DAKOTA	Yes	Gtr. of \$3 or 5%						Yes	Yes
OHIO	Yes		5 days	2 days	\$5 max.	Yes		No	Yes
OKLAHOMA	Yes	\$5 monthly; \$3 weekly			Yes	\$10 [3x/6 mo.]	\$10 [3x/6 mo.]	\$10	Yes \$15-\$45/agreement
OREGON	Yes	\$5 max.	5 days	2 days	No			Yes	Yes
PENNSYLVANIA	Yes	Gtr. of \$5 or 10%	5 days	2 days		Yes			
RHODE ISLAND	Yes				\$5 max.	Yes		Yes	Yes
SOUTH CAROLINA	Yes	\$9.20 monthly; \$5 weekly	5 bus. days	3 bus. days		\$7/trip [limit 3/6 mo.]	\$7/trip [limit 3/6mo.]	\$5	\$15 [\$45-over 5 items]
SOUTH DAKOTA	Yes				Yes	Yes		Yes	Yes
TENNESSEE	Yes				Yes	Yes		Yes	Yes
TEXAS	Yes	Lesser of 10% or or \$10; \$5 minimum	3 days	7 days		Yes		Yes	Yes
UTAH	Yes				Yes	Yes		Yes	Yes
VIRGINIA	Yes				Yes	Yes		Yes	Yes
WASHINGTON	Yes				Yes	Yes		Yes	Yes
WEST VIRGINIA	Yes	Lesser of 5% or \$15 wkly. or mo.	5 days	3 days	\$5	Yes		No	Yes
WYOMING	Yes		5 days	2 days	Yes	Yes		Yes	Yes

Redelivery fee after repossession permitted	Fees or penalties for return of the merchandise or termination of the agreement permitted	Security deposit permitted	Final "balloon payments" permitted	Requiring insurance to be purchased from RTO dealer	Limits on R-P pricing	Optional damage waiver fee permitted by statute. Statutory fee limits:	Optional leased property insurance permitted by statute. Statutory fee limits:
Yes	No	Yes	Yes	No	No		Yes
Yes		Yes	No	No	No	Yes; 15% of rental pymt.	
Yes	No		No	No	No		
Yes	No	Yes	No	No	No		
Yes	Yes	Yes	Yes	No			
Yes	No	Yes	No	No	R-P price cannot be greater than 2.25 times cash price	No	No
	No	Yes	No	No		Greater of 10% or \$2 wkly.; 10% or \$5 mo.	No
Yes	No	No	No		R-P price cannot be greater than 2 times cash price	7.5% of payment	5% of payment
Yes	No	Yes	No	No			
Yes	No	Yes	No	No			
Yes	No	Yes	Yes	No			
Yes	No	Yes	No	No	R-P price cannot be greater than 2 times cash price		
	Yes	Yes	No	No			
Yes	No	Yes	Yes	No		Greater of 10% or \$2 wkly.; 10% or \$5 mo.	
Yes	No	Yes	No	No	R-P price cannot be greater than 2 times cash price		
Yes	Yes	No	Yes	No			
	Yes	Yes	Yes	No			
Yes	No	Yes	Yes	No			
No	No		No	No	R-P price cannot be greater than 2 times cash price	Greater of 5% or \$3 wkly.; 5% or \$7.50 mo.	No
Yes	Yes	Yes	No				
Yes	No	Yes	No	No	R-P price cannot be greater than 2.2 times cash price		
Yes	No	No	No	No		Required by statute 10% of payment	No
Yes	No	Yes	Yes	No			
Yes	Yes	Yes	No	No			
						Yes	Yes
No	No	Yes	Yes	No		Greater of 8% or \$2 wkly.; 8% or \$5 mo.	No
No	Yes	Yes	No			Yes	Yes
Yes	No	Yes	No	No		Yes	Yes
No	No	Yes	No	No			
Yes	No	Yes	No	No	R-P price cannot be greater than 2 times cash price		
Yes	No	Yes	No	No	R-P price cannot be greater than 2 times cash price		
No	No	No	No	No		Greater of \$1 or 5% of payment	Yes
Yes	Yes	Yes	No	No	No		
	No		No	No	R-P price cannot be greater than 2 times cash price	Yes	Yes
Yes	Yes	Yes	Yes	No			
Yes	No	Yes	No	No			
Yes	No	Yes	Yes	No			
Yes	No	Yes	No				
Yes	Yes	Yes	No	No		Yes; 10% of rental payment	
				No			
Yes	Yes	Yes	Yes	No			
Yes	No						
Yes					R-P price cannot be greater than 2.4 times retail value		Yes
Yes	No						

Advertising disclosures

	1. Triggering term[s] If an advertisement contains these items, then the disclosures must also appear in the advertisement:	A. Disclosures. Must make all of the following disclosures:	B	C
MODEL	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
FEDERAL BILL	Reference to or statement of any payment	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
ALABAMA	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	
ALASKA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
ARIZONA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and amount of payments necessary for ownership	No equity statement
ARKANSAS	Rental-Purchase Agreement	ID transaction as an R-P agreement		
CALIFORNIA	Amount of any payment	ID transaction as an R-P agreement	Total number and amount of payments for ownership	No equity statement
COLORADO	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
CONNECTICUT	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total number and amount of payments for ownership	Ownership options
DELAWARE	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
FLORIDA	Reference to or statement of a rental rate OR Reference to R-P of a specific item			
GEORGIA	Rental rate due at start of lease of a specific item	Amount of initial payment due		Cost of services
HAWAII	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
IDAHO	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
ILLINOIS	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
INDIANA	No advertising requirement in statute			
IOWA	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
KANSAS	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
KENTUCKY	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
LOUISIANA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
MAINE	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
MARYLAND	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
MASSACHUSETTS	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total initial payment due	Security deposit if applicable
MICHIGAN	Rental rate due at start of lease	Amount of initial payment due	Total of all payments necessary to acquire ownership	Periodic payment
MINNESOTA	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
MISSISSIPPI	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
MISSOURI	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
MONTANA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
NEBRASKA	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
NEVADA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
NEW HAMPSHIRE	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
NEW MEXICO	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
NEW YORK	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total and number of payments necessary to acquire ownership labeled total cost	Availability of early buy-out ownership options
NORTH DAKOTA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
OHIO	Amount of initial payment	Amount of initial payment due	Amount of regular payment	Total number of payments necessary to acquire ownership
OKLAHOMA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	
OREGON	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
PENNSYLVANIA	Reference to or statement of a rental rate OR Reference to R-P of a specific item	Total initial payment due	Rental payment	Total number and total amount of payments
RHODE ISLAND	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total initial payment due	Security deposit if applicable
SOUTH CAROLINA	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
SOUTH DAKOTA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
TENNESSEE	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
TEXAS	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total of payments necessary to acquire ownership	No equity statement
UTAH	No advertising requirements in statute			
VERMONT	Reference to or statement of a rental rate OR Reference to R-P of a specific item	ID transaction as an R-P agreement		No equity statement
VIRGINIA	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
WASHINGTON	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement
WEST VIRGINIA	Price of the item		All seven of the disclosures required in the rental agreement	
WYOMING	Reference to or statement of a rental rate AND Reference to R-P of a specific item	ID transaction as an R-P agreement	Total amount and number of payments necessary to acquire ownership	No equity statement

D	2. Triggering Term[s], and, if the advertisement also contains the following items, then the disclosures listed must also appear in the advertisement	Disclosures [E]	[F]	[G]
[Yellow Pages exception]				
New or used				
Total of all payments necessary to acquire ownership				
[Yellow Pages exception]				
[Yellow Pages exception]				
[Yellow Pages exception]				
Number amts. and timing of payments; possible extra charge at lease end All other charges payable by lessee	Amount of lease payments and rate necessary to acquire ownership of a particular item	Total of payments necessary to acquire ownership	Early buy-out formula rental purchase agreement	No equity statement
[Yellow Pages exception]				
[Yellow Pages exception]				
[Yellow Pages exception]				
[Yellow Pages exception]				
[Yellow Pages exception]				
[Yellow Pages exception]				
	Multiple terms and rate information	New or used	ID transaction as rental-purchase agreement	No equity statement
[Yellow Pages exception]				
Number amounts and timing of payments	Amount of lease payments and rate necessary to acquire ownership of a particular item	Total of payments necessary to acquire ownership	Early buy-out formula rental-purchase agreement	No equity statement
Total cost				
[Yellow Pages exception]				
[Yellow Pages exception]				
[Yellow Pages exception]				

The price-cap trap in rent-to-own

DESIGNED TO HELP CONSUMERS, THE RESULT IS ACTUALLY MORE LIKELY TO CONFUSE THEM | BY ED WINN III

In early 2009, the New York City Council held a public hearing on rent-to-own in that state and called for new controls on cash prices and total RTO prices that dealers can charge. There have been seven bills introduced in the New York State legislature, each of which proposes caps on cash prices in rent-to-own stores and also limits on RTO pricing. The issue of cash prices in rent-to-own stores is likely to loom larger across the country before it goes away.

What do prices do? “Prices impose the most effective kind of rationing—self-rationing,” according to Thomas Sowell, author of “Pricing 101,” published in the National Review Online, February 21, 2007 (www.nationalreview.com). “Why is rationing necessary? Because what everybody wants usually adds up to more than there is.

“It doesn’t matter whether you are talking about a capitalist economy, a socialist economy, a feudal economy or whatever. Resources are limited but desires are not. That is the basic and defining problem of economics.

“Prices force you to limit your claims on what other people have produced to the value of what you have produced for other people. Prices force you to limit how much of product A you buy because you need to keep some money to buy product B.

“While prices convey these limitations, they do not cause them. No economy—capitalist, socialist, feudal or whatever—can keep consuming more than it produces. Producing more of product A means using up resources needed to produce product B.

“Simple and obvious as all of this may seem, politicians blithely ignore it when they promise to make the prices of housing or health care or other things ‘reasonable’ or ‘affordable.’”

Despite the futility of government efforts to correct various perceived societal ills and inequalities by fixing prices, governments continue to do it. The notion has an undeniable, albeit

illogical, appeal to many people, especially consumers. It especially appeals to people who do not have to make payrolls and who otherwise favor big government as the answer to society’s shortcomings.

The latest example of price fixing in the rent-to-own context comes from California. California rental dealers ultimately acquiesced to this scheme because they were being threatened with ruinous litigation from the attorney general in the state and from the plaintiff’s bar as well.

California is hardly the first state to deem price controls an appropriate response to the perceived abuses of rent-to-own. The very first state rental-purchase statute, enacted in Michigan in 1984, imposed a price cap on the total RTO price of 2.2 times the cash price, and the history of state regulation of rent-to-own ever since has been a battle over, among other things, RTO pricing, which opponents repeatedly insist is “too high.”

There are two different levels of

prices that have been fixed here and there in the RTO industry: the cash price and the total RTO price. Politicians have seen fit to fix both. Early on, when negotiating state rental-purchase legislation, rental dealers resisted the mandatory disclosure of cash prices at all. Dealers argued that they never actually sold any merchandise for cash and that the cash price was irrelevant to the RTO transaction. Opponents argued that the cash price was an important disclosure to allow consumers to comparison shop and to understand how much more than retail the RTO transaction cost. Disclosing the cash price was an issue for rental dealers, but it was never *the* issue for rental dealers. Getting legal recognition of the transaction was always the issue for dealers and in exchange for that legal recognition, dealers agreed to make numerous disclosures, including the cash price of the merchandise in most states. To date, only 10 of the 47 states with rental-purchase statutes do not require a cash price disclosure



or some variant of it (“estimated fair market value” in Georgia; “retail value” in West Virginia).

Every state rental-purchase statute, on the other hand, requires disclosure of the total RTO price and the industry has no quarrel with making this disclosure. Merely disclosing this amount is not enough, however, in 10 states where the total RTO price is fixed by law. These are the states with price caps on the total RTO price: California, Connecticut, Hawaii, Iowa, Maine, Michigan, New York, Ohio, Pennsylvania and West Virginia.

Most of these states have fixed the total rent-to-own price at two times the cash price (although in California it is at 2.25 times the cash price; in Michigan it is 2.2 times the cash price; and in West Virginia it is 2.4 times the cash price). Rental dealers in those 10 states face a Hobson’s choice on some items in their stores. Suppose, for example, that the market rental rate for an item is \$100 per month. That means that the RTO marketplace is a competitive one with several rental stores in the trade area all battling it out for customers, the item is a popular, readily available one and rental dealers are charging, on average, \$100 per month for the item on an 18-month agreement. In order to write this agreement, a dealer would have to set the cash price for the item at \$900 by law (in a two-times-cash-price state). The dilemma for the dealers is that \$900 may or may not approximate the real cash selling price for the item in that market at that time. Sometimes, with rapidly declining retail prices for certain electronics, the real cash selling price among retailers may have declined significantly below \$900. This can occur because the price cap inserted by the politicians is a wholly artificial one and has never borne any necessary relationship to real prices in the marketplace. Nor can it ever because the legislature swooped in to fix prices once 20 years ago in some

cases and the price for some electronics is changing monthly, sometimes more often than that. Rental dealers, then, either must drop rental rates below market, which they cannot do for long without going out of business, or they must disclose an artificial cash price with the potential ill-will such inaccurate prices can cause. The goal of the price fix was to help consumers by holding down prices in RTO stores. The result, which is the result every time the government steps in to fix prices, has been skewed, inaccurate pricing information that is as likely to mislead consumers as it is to make products more affordable for them.

Unfortunately, there is no market fix once the legislature has done its damage. The only fix is to go back to the legislatures that thought it was such a good idea to fix prices in the first place and persuade them to unfix them so that the marketplace can do its job.

Fixing the total RTO price has not been enough for some states. Four of the 10 have also determined that fixing cash prices in RTO stores would further the cause of consumer protection in those states.

The first state to fix cash prices was West Virginia in 1994. Maine and Hawaii followed suit shortly thereafter, and most recently, California. All four states limit cash prices to a percentage over the rental dealer’s wholesale cost. There is no uniformity among the states regarding where cash prices in RTO stores should be fixed. Politicians have not agreed as to the level at which RTO cash prices should be fixed, only that they should be fixed by law. The chart below shows the different levels at which cash prices have been fixed in the four states by category of goods.

California’s price fixing scheme is the most restrictive. The new California statute goes on to fix not only the prices of new goods, but the prices of used goods, as well, with a statutory depreciation formula. West Virginia has a similar depreciation formula for

STATUTORY LIMITS ON CASH PRICES*

CALIFORNIA

Computers and appliances	1.65
Electronics.....	1.7
Auto, jewelry, furniture and music.....	1.9
Other.....	1.9

HAWAII

Appliances	2.0
Electronics.....	2.0
Furniture	2.0
Other.....	2.0

MAINE

Appliances	1.75
Electronics (less than \$150).....	1.75
Electronics (more than \$150)	2.0
Furniture and jewelry.....	2.5
Other.....	2.0

WEST VIRGINIA

Appliances	1.56
Electronics.....	1.56
Jewelry.....	1.82
Other.....	1.67

* All multiples are times the dealer cost, including freight and excluding rebates, discounts and the like.

pricing used goods in RTO stores.

When the dual price caps are applied in these four states, the range of overall turns as a function of dealer cost that rental dealers can get looks like this:

- ▶ California: $1.65 \times 2.25 = 3.71$ turns;
 $1.9 \times 2.25 = 4.27$ turns
- ▶ Hawaii: $2 \times 2 = 4.0$ turns
- ▶ Maine: $1.75 \times 2 = 3.0$ turns;
 $2.5 \times 2 = 5.0$ turns
- ▶ West Virginia: $1.56 \times 2.4 = 3.74$ turns;
 $1.82 \times 2.4 = 4.37$ turns

The buyers and sellers who make up the marketplace and who are responsible, finally, for producing, distributing and consuming goods and services, understand that there is no free lunch. If only politicians could accept this fundamental economic truth, then maybe they would get out of the price fixing business once and for all and let those buyers and sellers set prices where they ought to be. ●

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