



ERIC JAHWE

ENEMY MINE:

THE NATIONAL CONSUMER LAW CENTER, RENT-TO-OWN AND THE MILITARY

In May 2003, the National Consumer Law Center published a new study entitled *In Harm's Way—At Home: Consumer Scams and the Direct Targeting of America's Military and Veterans* (available as a PDF download at www.consumerlaw.org). The main thrust of the lengthy exposé is the practice of buying veterans' military retirement benefits for a lump sum payment made to the veteran. The NCLC decries this practice as depriving retired soldiers of their retirement benefits for a fraction of what they are really worth.

WHAT THE NCLC REALLY SAID ABOUT RTO AND THE MILITARY • BY ED WINN III

In addition, the piece goes on to chronicle other businesses located around military bases whose main customer base includes military personnel. Some of these companies use military sounding names in an apparent effort to seem affiliated with the armed services and, thereby, enhance their credibility with soldiers. The kinds of businesses criticized in the article include pawnshops, payday loan companies, small loan companies, title pawn and auto pawn companies, "buy here, pay here" used car lots, tax refund services and, yes, an RTO store. These are businesses that exist everywhere in the country and also exist around military bases. ★ In the 66-page article, the discussion of RTO takes up one paragraph, exactly six lines, in which the business is attacked because of its high prices when those prices are compared to retail. It is at best a glancing blow and in no way the focus of the exposé.

WHAT IS THE NCLC?

The National Consumer Law Center is a non-profit corporation based in Boston, MA, that is primarily funded by federal tax dollars and describes itself as "America's foremost advocate for low-income consumer justice and its leading expert on low-income consumer issues." The NCLC can best be described as a legal think tank for legal aid lawyers and other consumer advocates around the country and is no friend of the RTO business or any other industry whose customers can ever be identified as "low-income." In times past, the NCLC has been sharply critical of RTO and has included anti-RTO information in its 16-volume *Consumer Credit and Sales Legal Practice Series*, the cornerstone of the NCLC's consumer advocacy work.

Twenty years ago, RTO industry representatives met with the NCLC in Boston to discuss the then-fledgling RTO industry and its efforts in Washington, D.C., to gain legal recognition. There have not been a lot of

such meetings, but there have been several over the years and always at the request of the industry in an effort to establish communication across the consumer protection divide and to learn what, exactly, were these consumer lawyers' complaints against RTO and whether they could be meaningfully addressed.

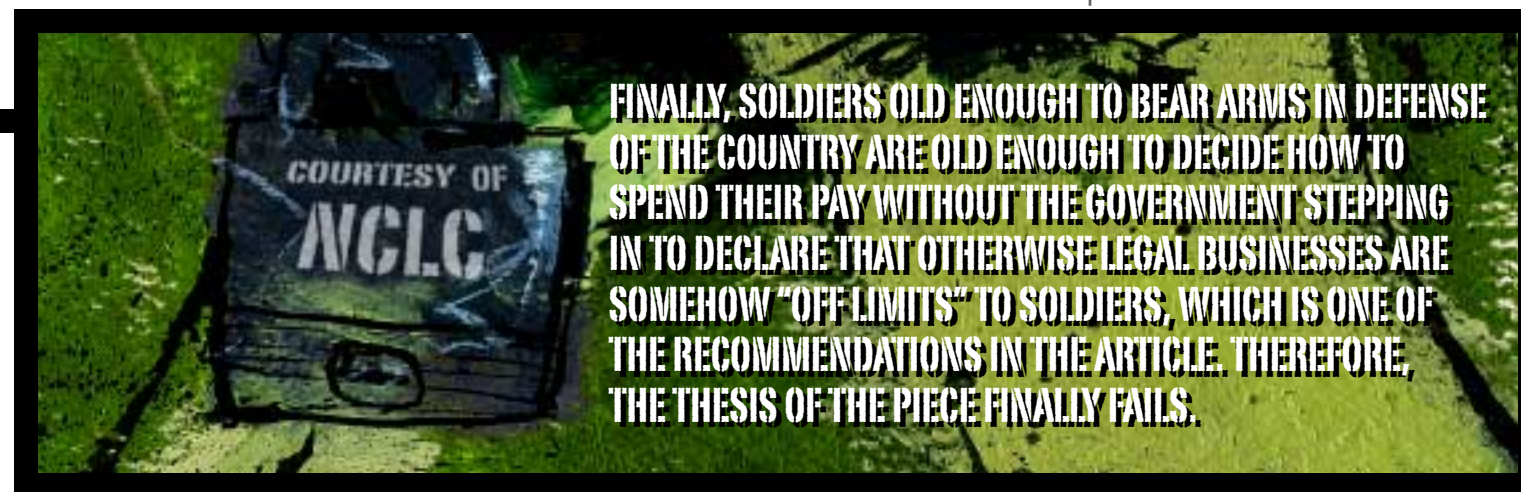
Then, as now, the chief complaint was that RTO pricing is "too high." One of the staff attorneys for the NCLC opined that there should be a law in America capping all corporate profits at 15 percent. That was the mindset of the opposition then and it has not changed much over the past 20 years.

Whenever RTO issues have ripened in legislative or legal forums around the country, the NCLC has used resources to oppose whatever it was that the industry was supporting. The NCLC has appeared in a handful of state legislative RTO initiatives over the years, but because its consumer protection issues are many and its funding more limited since the Reagan

era, the NCLC has confined itself mainly to the federal debate, at least insofar as the RTO issue is concerned.

The NCLC was there during the Gonzalez hearings in 1993, speaking out against the industry and was there again during the hearings on HR 1701 in the House of Representatives in 2001. In this latest scuffle, the NCLC joined forces with the Consumer Federation of America, Consumers' Union and U.S. Public Interest Research Group to oppose the Jones-Maloney bill.

The position of these four groups at the hearings was that they were "unequivocally and unalterably" opposed to the industry-supported federal initiative. Nothing short of legislation making RTO transactions



subject to Truth-In-Lending and every other consumer credit protection statute at both the federal and state levels will ever get the NCLC's support. They are ideologically opposed to how the industry does business and do not want RTO to be an option in the marketplace for consumers, at least not their consumers.

Rent-to-own is not the only industry in the NCLC's sights. The group has other, often larger, and to them more villainous, industries to attack. The payday loan industry, in particular, and the subprime lending industry, in general, has attracted a lot of NCLC ink and wrath over the past few years.

BEARING THE BRUNT OF FINANCIAL RESPONSIBILITY

This most recent study addresses some valid issues about financial strains on military personnel due to the nature of their work. Soldiers are often young, inexperienced, mobile, away from home for the first time and may not have developed disciplined financial habits yet. The piece argues that it is still the case that financial trouble for a soldier means career trouble in the military, which can add to the pressure that a soldier already feels, especially during wartime.

Rental dealers with a heavy military customer base, of course, know that RTO can actually relieve a soldier's

dictably hyperbolic. One would think that the country's military infrastructure was on the verge of collapse because small loan companies have set up shop outside military bases and are advertising in military newspapers. Amid the hysteria, the piece nonetheless raises some valid points about financial responsibility, military pay and the culture on military bases.

Finally, soldiers old enough to bear arms in defense of the country are old enough to decide how to spend their pay without the government stepping in to declare that otherwise legal businesses are somehow "off limits" to soldiers, which is one of the recommendations in the article. Therefore, the thesis of the piece finally fails. A part of military training might well include

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financial pressure. In every business analyzed in the NCLC piece, the soldier is taking on debt, sometimes at high interest rates. Defaults can have serious consequences to lifestyles, finances and advancement in the military. With an RTO agreement, however, the absolute worst thing that can happen is that the soldier returns an item because he or she can no longer keep making payments. Loss of a big screen television may have a negative impact on lifestyle, to be sure, but it will in no way affect the soldier's finances or chances for career advancement.

The NCLC's military exposé is pre-

some rudimentary financial schooling, but soldiers should already have this information from having lived for at least 18 years and the main thrust of military training is and must be that of learning to be a good soldier.

Rental dealers should know that while RTO is surely always on the NCLC's radar and the industry will never get a thoughtful and balanced appraisal from this group, for the moment, the NCLC invective is aimed elsewhere. ■

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