

# The politics of rent-to-own

To some extent, the politics of the rent-to-own industry are enmeshed with the politics of poverty. This is so because it is the poor—however one may choose to calibrate that economic stratum of the populace—who avail themselves of the goods and services offered through RTO more than any other identifiable group. Some readers will remember when President Lyndon Johnson declared a “War on Poverty” in 1964 and his intention to eradicate poverty in the country. Since then the federal government has spent trillions of dollars on this war and, to no one’s surprise, the poor are still with us. ¶ There is ample evidence of the persistence of poverty in the U.S. and that this war has not been won. And the political debate over why continues to rage. There are those who maintain that not enough of the country’s vast wealth has been redistributed to the poor. Others argue that the very act of redistribution harms the poor by killing initiative and adding an unnecessary and unproductive burden on overall economic productivity.

**A look back  
at the industry’s  
pursuit of  
federal  
legislation  
and what the  
recent shift  
in Washington  
means for  
rent-to-own**

**By ED WINN III**

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**O**ne result of the war on poverty has been the birth of scores of public and private social programs to fight this war. Employees of these programs, without admitting it, cannot afford to win this war lest they battle themselves right out of a job. Wright Lee, writing for the *Cato Journal*, calls them “poverty professionals.” Their role is to make decisions for the poor because the poor are not sufficiently responsible to make proper economic, nutritional, medical, housing or consumption decisions on their own.

What does the federal government’s war on poverty have to do with the politics of rent-to-own? For one thing, the poverty professionals have determined that using rent-to-own is one of those terrible financial de-

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isions—a misallocation of limited resources—that their clients, the poor, left to their own devices, will make. The poor must either be taught not to use RTO transactions, and if they are finally not educable, a belief of many of their champions, then the choice must be eliminated by outlawing the transaction altogether. This has been the consumer argument, more or less, since the Talley brothers began renting televisions in the 1960s.

In the political arena, consumer advocacy, particularly advocacy on behalf of the poor, is well-organized and well-funded, thanks in part to the money spent during the 40-plus-year war on poverty. Thousands of consumer lobbyists now have made this calling their career. They may not make as much money as lobbyists for Microsoft, Wal-Mart or the pharmaceutical or airline industries, but they have jobs for life and they go to work every day feeling good, even smug, about what they do.

By contrast, the RTO lobbying effort, while heroic at times, has not been particularly well organized or

well funded. When the industry goes to Washington every year during its legislative conference, fewer than 10 percent of rental dealers attend. According to the U.S. Public Interest Research Group, between 1997 and 2002, the RTO industry spent about \$800,000 per year in lobbying expenses, soft money and political action committee contributions on the federal effort. By contrast, the payday lending industry is raising between \$12 million and \$15 million for federal lobbying for the next year. Of course, the Republican-controlled Congress has just done away with payday lending to military personnel and that industry has a real concern that the new Democratic Congress may restrict the industry further.

The RTO industry has done a great deal with its limited political capital, particularly at the state level. The rent-to-own story is a persuasive one. The industry moves a lot of refrigerators and televisions. It employs a lot of people. It adds comfort and convenience to the lives of its customers. The very nature of the transaction ensures that doing business with an RTO store will never make a customer’s life worse by pushing him or her further into debt, which cannot be said of the many debt-related businesses that make up the “fringe banking” world.

When the RTO industry has presented its case to open-minded legislators, it has been remarkably successful at getting support for fair and balanced legislation, certainly at the state level. National politics are more complicated and more expensive and the best that can be said is that the industry

has protected itself against periodic attacks at the federal level and has made slow, incremental progress toward the fabled safe harbor of a federal RTO law.

Federal regulatory agencies whose job it is to protect consumers and whose staffs are peopled with no small number of career consumer advocates, have been largely nonplussed about the RTO issue. In the early 1980s, the Federal Reserve Board supported minimalist federal regulation of the RTO transaction, but since then has said, when asked, that there may not be a need for federal regulation of RTO. The Federal Trade Commission has had much the same opinion even after studying the industry in detail in 2000. Neither body has seen consumer complaints against RTO dealers in any great numbers and both agencies have expressed concern that adding regulation to a fragmented industry like RTO may favor the big companies over smaller start-ups.

Without the support of federal regulatory agencies whose mission it is to protect consumers—and in the face of private consumer advocacy groups who prefer

no federal legislation to a law that would recognize RTO without making it illegal—it has been difficult for the industry to advance an RTO bill in Washington.

In the late 1990s, another obstacle arose, in part due to the industry’s successes in the states, this time from conservative legislators who favor limited federal government and who champion states’ rights. The chief advantage of federal legislation to the RTO industry is that a federal bill would define RTO as a lease and prevent states from calling it a sale. This definition of the transaction has a pre-emptive aspect when viewed through the prism of court decisions in Wisconsin, Minnesota and New Jersey. The federal bills that the industry has supported would overrule decisions made by courts in these states and some conservatives, ordinarily staunch champions of small business and freedom of choice in the marketplace, have opposed even this limited intrusion of the federal government into what they view as state business.

When the stand-alone RTO bill hit the House floor in 2002, some 40 Republicans voted against the bill, which narrowly passed by a vote of 215 to 201, in part because of the pre-emption issue.

**R**ent-to-own legislative successes at the federal level have occurred in Republican-controlled bodies—the Senate in 1983 and the House in 2002. Democratic Congresses, in addition to raising taxes, have historically passed a lot of consumer protection legislation. And now the Democrats control both houses. Senator Charles Schumer introduced industry-killing legislation in the last Congress and there is no reason to suppose that he will not reintroduce it in the new Congress.

Rental dealers who ignore the new and potentially ominous events in Washington are naïve, in denial, or are relying heavily on the inertia that is a part of the legislative branch of the federal government. The industry has made good friends in Washington, both Republicans and Democrats. Those friends will not disappear with the changing of the guard in this new Congress. The safe bet is probably that nothing bad happens to the RTO industry. The safer bet is to invest a little time, money and energy in the process, however unpleasant the task may be to some dealers, to ensure that nothing bad happens over the next two years. There are some payday lenders who used to loan money around military bases who have closed their doors. They did not think that the federal government could put them out of business. They were wrong—dead wrong. ■

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Association of Progressive  
Rental Organizations

## RTO EMPLOYEE DISASTER RELIEF FUND

Rent-to-own families helping  
families of rent-to-own

In 2005, members of the Association of Progressive Rental Organizations contributed more than \$190,000 to help rent-to-own employees get back on their feet after the devastation caused by hurricanes Katrina and Rita. The rent-to-own community helped 159 employees recover from these natural disasters. Unfortunately, natural disasters have become all too common. The rent-to-own industry must be ready to help whenever a natural disaster occurs that affects our family of employees.

To address such needs, APRO has established a permanent disaster relief fund: RTO [Relief To Our] Employees Disaster Relief Fund. Every dollar raised will go directly to rent-to-own employees in need. RTO Employees Disaster Relief Fund organizers are asking every rent-to-own company owner to implement a voluntary payroll-deduction plan within his/her company—suggesting a small donation per month from each employee. We ask that each company match its employees’ monthly contributions. APRO can provide you with a template for paycheck stuffers to encourage your employees to participate.

Rent-to-own has always been a family of generosity. Please contribute to the RTO Employees Disaster Relief Fund and encourage your employees to do the same. A small contribution will make a big difference.

For more information, contact Bill Keese at [bkeese@aprovision.org](mailto:bkeese@aprovision.org) or call 800/204-2776, ext. 101.

