The Rent-to-Own Industry
LEGISLATIVE INFORMATION

The Rent-to-Own Industry

RTO LEGISLATIVE ACTIVITY – WELCOME LEGISLATORS

AN INTRODUCTION TO RENT-TO-OWN

The multi-billion-dollar rent-to-own industry is relatively new to the American economy. This unique transaction arose in the 1960s in response to a growing consumer need for acquiring the use and enjoyment of household products – for the most part, the necessities of modern twenty-first-century life – without incurring debt or jeopardizing the family's credit. Rent-to-own customers come from all walks of life, desiring consumer durable goods, electronics, appliances, and furniture in their homes without the long-term financial obligations associated with credit sales. The RTO industry has grown rapidly with no signs of slowing down.

There are traditional brick-and-mortar rent-to-own stores that make occasional cash sales, but whose primary business model is RTO. There are growing numbers of virtual RTO merchants who either have websites offering products via the rent-to-own transaction or have a relationship with a retailer. Consumers who visit the retailer either in person or via the Internet can then choose the RTO option, in which case, the lessor RTO dealer will purchase the products chosen by the consumer from the retailer and then rent those products via a rent-to-own transaction. With this model, the consumer may have first seen and then selected the desired product from a retailer, but ultimately chooses to do business with an RTO merchant.

What distinguishes rent-to-own from a retail credit sale is that rent-to-own does not create debt. The customer is never obligated to make the next rental payment. The transaction can be terminated at any time by the customer. There is no interest charged to consumers, no credit checks involved, and customers can return the merchandise at any time for any reason and with no penalty. This no-obligation, no-debt feature is the cornerstone of RTO. It's easy, it's safe, and it's hassle-free – as free replacement, repair, and delivery are usually included.

The industry is primarily composed of dealers who rent furniture, electronics, major appliances, computers, and other products with an option – never an obligation – to buy. The rent-to-own transaction is one of the fastest-growing in today's marketplace.

While rent-to-own's major product categories are furniture, appliances, and electronics, cutting-edge industries from across the economic spectrum – including computers, musical instruments, portable buildings, wheels and tires, to name a few – are increasingly attracted to the RTO transaction. There are approximately 8,600 rent-to-own stores in 47 states. The industry serves 4.1 million customers (households) a year, and that number is growing with the advent of virtual RTO companies.

The no-obligation, no-debt rent-toown transaction is the most commonly used transaction that is undefined and unregulated at the federal level. This lack of definition between a credit sale, lease, or pure rental caused confusion in the courts in the early 1980s when the industry and the transaction started becoming popular and more widely used. The reason for its growing attraction was that the customer did not go into debt and did not need a "good" credit rating – or any credit rating at all – to do business with an RTO merchant.

As such, state legislators started addressing the lack of regulation at the federal level by enacting consumer rental-purchase statutes beginning in 1984. The crux of the legislation was that the rent-to-own transaction was defined as a rental first with the option to buy. Another significant component to these state laws was a mandate of pricing and other disclosures to consumers. The state laws also provided consumer protection, like reinstatement rights. Price disclosures in advertising, on contracts, and in stores represented the basic disclosures now in place in 47 states in the U.S.

Since 1983, there have been many attempts at passing federal rent-to-own definition and disclosure legislation. Many such efforts were supported by the industry. There have been multiple hearings and votes through the decades and a bill did pass the U.S. House of Representatives in 2002. But today, there is still no federal law recognizing and regulating RTO, and industry leaders still meet with their legislative members each year to explain the benefits the rent-to-own industry provides for its customers and the economy, as well as local taxes and employment.

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RTO VS. RETAIL

RENT-TO-OWN'S COMPETETIVE ADVANTAGES

Many Americans simply do not understand the rent-to-own transaction and the benefits it offers. Here are the "Big Nine" benefits and how RTO* stacks up in comparison to other business transactions.

	Rent-to-Own	Credit Card	Retail	Craigslist
Brand names, new and in stock	✓	✓	✓	
Return products any time without penalty	✓			
Flexible payment terms	✓	✓		
Won't affect credit rating	✓		✓	✓
Free delivery and setup	✓			
Free repairs	✓			
Upgrade to the latest technology	✓			
Try products before purchasing	✓			
No debt incurred	✓		✓	✓

**Comparisons made using RTO "same as cash" payment option. Most rent-to-own companies offer a 90- to 180-day "same as cash" payment option, where the customer is given that amount of time to pay for the item at the retail price, while still using the no-obligation RTO transaction.*

THE TRUTH ABOUT RENT-TO-OWN PROFITS

The following profit-comparison chart represents a sampling of public companies and their profit margins as reported in their SEC public filings. Included are two public rent-to-own companies: Rent-A-Center and Aaron's.

Corporation	Symbol	Revenue	Operating Margin	Net Profit Margin
Apple	AAPL	$347 billion	30%	27%
Microsoft	MSFT	$168 billion	41%	36%
McDonald's	MCD	$21 billion	44%	38%
Nike	NKE	$46 billion	17%	15%
Home Depot	HD	$144 billion	16%	12%
Aaron's	**AAN**	**$2 billion**	**14%**	**7%**
Rent-A-Center	**RCII**	**$4 billion**	**9%**	**5%**
Whirlpool	WHR	$21 billion	11%	11%

APRO: THE ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS – THE OFFICIAL VOICE OF THE RENT-TO-OWN INDUSTRY

Founded in 1980, APRO is the national, nonprofit trade association advocating for and representing the rent-to-own industry before the U.S. Congress, state legislatures, courts, the media, Wall Street, and the public.

For more information about APRO, please visit www.rtohq.org.

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RTO LEGISLATIVE ACTIVITY –
APRO'S POLITICAL ACTION COMMITTEE (PAC)

APRO'S LEGISLATIVE ACTIVITY SUPPORTS RENT-TO-OWN

APRO's Political Action Committee, or APRO PAC, supports candidates for political office who have demonstrated their support of the rent-to-own industry. APRO PAC is dedicated to the protection and preservation of the rent-to-own industry.

WHAT IS APRO PAC?

APRO PAC was organized by the Association of Progressive Rental Organizations to solicit and accept voluntary individual contributions from eligible rent-to-own industry owners and employees. These contributions are then directed to candidates seeking federal office whose political philosophies and positions are compatible with the interests of APRO members.

WHO IS ELIGIBLE TO RECEIVE APRO PAC FINANCIAL SUPPORT?

Only qualified candidates for the U.S. Senate and the U.S. House of Representatives are eligible to receive funds from APRO PAC.

WHO DECIDES WHICH CANDIDATES WILL GET APRO PAC SUPPORT?

The APRO PAC Board of Directors evaluates candidates to determine which ones will be supported. All PAC board decisions are shared with APRO PAC members.

DOES PARTY AFFILIATION INFLUENCE HOW CONTRIBUTIONS ARE MADE?

No. APRO PAC is a voluntary, bipartisan political association, independent of any political party. Our only concern is that the views and positions of the individual candidates are consistent with the interests of APRO's membership.

ARE MY CONTRIBUTIONS TAX-DEDUCTIBLE?

No. Under the federal tax laws, political contributions are no longer eligible for a tax credit.

HOW MUCH CAN I CONTRIBUTE?

Consistent with the practice of many corporate PACs, APRO PAC has established a suggested guideline of individuals contributing 0.5 percent to 1.5 percent of their salary, depending on their position and financial situation. However, you are free to contribute more or less as you desire, up to the yearly maximum of $5,000 per individual allowed by federal law. Federal Election Commission rules allow APRO PAC to accept only personal contributions, such as personal checks or credit cards. We can also accept checks from non-incorporated companies, but not from corporations.

MAY I DESIGNATE A PARTICULAR CANDIDATE TO RECEIVE MY CONTRIBUTION?

Yes, but we ask you not to “earmark” your contribution. APRO PAC is not intended as a substitute for an individual’s contributions to specific candidates. Rather, APRO PAC provides the rent-to-own industry an opportunity to pool its financial resources and thus increase the strength of APRO members in the political process. However, all contributors are encouraged to make their candidate recommendations known to the APRO PAC Board of Directors.

HOW TO CONTRIBUTE

If you’d like to join fellow rent-to-own industry colleagues in the pursuit of successful passage of legislation that protects this business, then **please click here** to download an APRO PAC pledge form (PDF).

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STATES WITH RTO LAWS

STATE RENT-TO-OWN LEGISLATIVE HISTORY

In 1984, Michigan lawmakers, rent-to-own industry owners, and consumer groups agreed to balanced legislation that would foster RTO industry security with specific consumer protections. Since then, the mutual agreement of balanced legislation has successfully created rent-to-own laws in 47 states.

Ninety-five percent of the U.S. population living in these 47 states are now subject to state laws defining the RTO transaction as a lease. Listed below are the states with rent-to-own laws and the years in which they were enacted:

Alabama	1995
Alaska	1999
Arizona	1995
Arkansas	1987
California	1994
Colorado	1990
Connecticut	1991
Delaware	1991
Florida	1988
Georgia	1985
Guam	1998
Hawaii	1997
Idaho	1993
Illinois	1987
Indiana	1987
Iowa	1987
Kansas	1991
Kentucky	1990
Louisiana	1991
Maine	1992
Maryland	1989
Massachusetts	1986
Michigan	1984
Minnesota	1990
Mississippi	1995
Missouri	1988
Montana	2001
Nebraska	1989
Nevada	1989
New Hampshire	1994
New Mexico	1995
New York	1986
North Dakota	1993
Ohio	1988
Oklahoma	1988
Oregon	1993
Pennsylvania	1996
Puerto Rico	1998
Rhode Island	1989
South Carolina	1985
South Dakota	1991
Tennessee	1987
Texas	1985
Utah	1993
Vermont	1994
Virginia	1988
Washington	1992
Washington, D.C.	2002
West Virginia	1993
Wyoming	1996

Popular Resources

Vendor Advisory Committee

Committees

Board & Staff

Timeline

The Pulse of the Industry

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