

SEPTEMBER 18, 2002

SCHAKOWSKY WARNS LEGISLATION WILL INCREASE DEBT FOR LOW-INCOME CONSUMERS

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL) today opposed the Consumer Rental Purchase Agreement Act, a bill that fails to increase consumer safeguards in the rent-to-own industry. The bill does not provide adequate ownership rights for consumers, does nothing to limit the exorbitant costs that some consumers must pay over time to acquire rental-purchase merchandise, and it continues to pre-empt states from applying the legal principles and cost standards appropriate for rent-to-own transactions.

Below is Schakowsky's Congressional Record statement:□

The Consumer Rental Purchase Agreement Act, H.R 1701, is an anti-consumer bill that is opposed by every national consumer rights organizations and 52 state and extraterritorial Attorneys General.□ I should also note that there is bipartisan opposition to this bill.□ The Judiciary Committees Chairman Sensenbrenner opposes this legislation because in his own words "HR 1701 is a misguided attempt to preempt the existing laws of virtually every state." I could not agree more.□

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This legislation sacrifices consumer protections for the sake of a politically connected industry that is notorious for exploiting consumers.□ We should not preempt strong consumer protection laws in Minnesota, New Jersey, Wisconsin, and Vermont.□ This bill would also effectively stop states from passing strong consumer protections in the future.□□

The \$5 billion a year rent to own industry offers goods and services to people who do not have the credit or money to buy goods at the regular sales price. I should note that this industry that already receives special treatment by the IRS.□ The IRS grants the Rent to Own Industry a three-year depreciation schedule.□ The race horsing business is the only other industry that has a three-year depreciation schedule. This legislation will give this industry even more "special treatment."

H.R. 1701 effectively allows the rent to own industry to hide the true costs of its transactions by hiding interest rates.□□ Consumers should know the final cost of a deal they have agreed to.□ This legislation defines Rent-to own transactions as separate title under the Truth in Lending act.□□ There are not treated as credit and installments sales transactions even though that is exactly what they are.

This industry provides goods to those who are unable to conventionally purchase goods. We in Congress should work to strengthen and not weaken protections for families that are struggling to make ends meet.□ Low-income people predominately use

this market. It is estimated that over 30% receive some form of public assistance, 59% earn less than \$25,000 and 73% have a high school degree or less. These consumers frequently end up paying 10 to 15 times of the sales price. On average it takes a consumer 77 weeks to own the good.

Worse yet according to the industry only twenty five percent of rent to own transactions are completed. Therefore consumer rarely end up owning the items that they are purchasing.

Consumers are deceived by low monthly installment rates. People should absolutely know what they are getting into when they agree to buy an item over a long period of time. This legislation will make it even harder for consumers to get a fair and accurate information about their obligations. We in Congress should work to strengthen, not weaken protections for working families. This legislation will effectively increase low-income people's debt. Join me in voting to against this legislation in its current form.