



Legislation Text

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Preconsidered Res. No. 1779

Resolution calling upon the State Legislature to increase consumer protections for customers of rent-to-own stores.

By Council Members Comrie, Gonzalez, Jackson, Fidler, Gerson, Koppell and White Jr.

Whereas, The rent-to-own industry generates nearly seven billion dollars in annual revenue and serves three million customers at 8,500 stores nationwide; and

Whereas, Rent-to-own stores advertise their services as attractive to consumers with poor or no credit history, nearly 60% of whom earn less than \$25,000 annually; and

Whereas, Rent-to-own stores in New York City tend to be concentrated in predominately black and Latino neighborhoods; and

Whereas, Rent-to-own transactions are governed by rental purchase agreements between the customer and the store that allow the customer to use the merchandise for a set period of time, provided the customer makes monthly payments, and permit the customer to become the owner of the merchandise after paying a predetermined price; and

Whereas, Current New York State Law permits rent-to-own stores to determine the “cash price” for merchandise, or the price at which the store would offer to sell the merchandise directly to the consumer on the date of the rental purchase agreement; and

Whereas, Rent-to-own stores may charge customers paying periodic installments up to 50% more than the stated “cash price”; and

Whereas, A New York City Council report found that rent-to-own stores consistently set the “cash

price” substantially higher than the average retail price for the item; and

Whereas, Rent-to-own customers may end up paying up to 300% more for an item than if they were to buy the same item directly from a retailer; and

Whereas, New York State requires very few disclosures in rental purchase agreements as compared to other states; and

Whereas, In New York State rent-to-own retailers need not disclose, among other things, whether the item is damaged, an explanation of the maintenance and service responsibilities during the agreement, an explanation of the reinstatement rights of the customer should he make up a missed payment within a certain period of time, and a statement that the total cost of the merchandise may not include additional taxes or fees; and

Whereas, Protections for rent-to-own customers would be greatly increased by legislating a fair and equitable formula to set the “cash price” of merchandise offered by rent-to-own stores; and

Whereas, Additional disclosure requirements would further ensure that consumers are fully aware of the their rights and obligations prior to entering into rental purchase agreements; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the State Legislature to increase consumer protections for customers of rent-to-own stores.

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