Testimony of Patricia Kelmar, Associate State Director – Advocacy
AARP New Jersey
Assembly Consumer Affairs Committee, June 5, 2008
On A695, a bill regulating the "rent to own" industry.

Good Morning. Thank you Chairwoman Cruz-Perez and members of the Committee for this opportunity to testify. My name is Patricia Kelmar. I am here representing the 1.4 million New Jersey members of AARP, an organization working on behalf of citizens ages 50 and up.

On first blush, A 695 appears to be a strong consumer protection bill that would help citizens understand the terms of contracts in "rent to own" transactions. However, things are not as they seem. I am here to urge you to vote against this bill and protect the citizens of the state, and in particular, our members, from the unscrupulous sales practices utilized by rent to own sales centers.

As you know, rent to own centers are concentrated in urban, highly populated areas. They are seen as a convenient place for citizens without transportation and without a lot of savings to obtain essential items like appliances and furniture. The payments are stated in terms of weekly fees in order to perpetuate the myth that these items are a "good buy" and easy for the consumer to purchase. The unfortunate truth is that for years, these centers have been preying on the poor and elderly, reaping large profits from selling and then repossessing sometimes substandard goods. As you will hear in detail from other consumer groups here today, the amounts charged for finally owning a washing machine or a couch can be more than 100% of a normal retail price.

Our state's Supreme Court took action to end this practice on March 15, 2006 (*Perez v. Rent-A-Center*). The state's highest court ruled that the rent to own contract of Rent-a-Center was a Retail Installment Sales contract, and ruled that the maximum legal interest rate was the 30% limit of New Jersey's Criminal Usury Law. Therefore the day to day practice of rent to own centers of charging interest rates in great excess of 30% is illegal. The court's decision is supported by an earlier decision in *Green v. Continental Rentals* (1994) holding that charging more than 30% interest was unconscionable and illegal. Our state's highest court has addressed this violation of consumer rights by clearly stating that rent to own contracts must follow the same laws as other sellers who offer sales through long term contracts. Therefore rather than establishing a new law that would legalize rent to own practices and effectively overturn the high court's decision, this Committee should consider legislation that would require our state agencies to enforce the 2006 state Supreme Court holdings.

It is not time to set up a new set of rules for the rent to own industry and allow them to continue to charge excessive fees. For example, this bill does not require disclosure of the Annual Percentage Rate (APR), a tool to measure the amount of interest charged in credit situations. The APR is a standard term that consumers are familiar with --- we use it in deciding which savings account to open, which credit card to obtain, which mortgage company to borrow from. If rent to own were required to show their APR, rates like 100% APR would be disclosed and consumers would be able to know the true deal they are getting. The APR has worked well to control outright fraud in interest disclosures, and to eliminate unfair calculation methods. This bill does not require fee disclosure in this simple way.

A695 looks like a consumer protection bill, but the consumer groups are here to explain why it is not. To better protect consumers and especially AARP members, we urge the members of this Committee to allow the state Supreme Court's decision to stand and to oppose A695. We urge you to ask the State to begin to enforce the Retail Installment Sales laws in rent to own situations. Thank you very much for your time and attention.