

"P 1".

L A U T E R C O . , P I A N O S

127 Newark Ave., Jersey City, New Jersey.

I certify that I have this Twenty-eighth day of November 1905 hired from LAUTER CO., one Llewellyn Mah up Piano, No. 41593 of the value of One Hundred & ninety five dollars (\$195.) for which I agree to pay By cash Ten dollars (\$10) on signing this Agreement, and to pay the balance in instalments of Five dollars (\$5) per month, monthly in advance (or sooner at my option) at their said warerooms. This Agreement to be a hiring contract only, until I pay for the instrument in full and they give me a receipted bill therefor: the instrument to remain meanwhile their property absolutely, and I to have no title to or ownership interest in the same.

I also agree to pay all damages sustained if the instrument be injured at any time by any fault or neglect on my part, and to retain it for my own use only and not to remove it or permit its removal from the premises now occupied by me at 357 Railroad Avenue without the written consent of LAUTER CO., unless in emergency on account of danger from the elements.

It is also agreed that upon due payments in full as aforesaid within 37 months from date of this Agreement, and only upon that condition, LAUTER CO., will thereupon sell said instrument to me for said price, and give me a receipted bill therefor; and that in case of any default on my part at any time, they are to be at liberty to enter said premises or any premises where said instrument may be, and take away the same as their own property; in which case all moneys paid by me shall be retained by LAUTER CO. as rent for my use of said instrument, and I shall in addition remain liable for all monthly arrears then due them hereunder and their charges for retaking the instrument.

Herbert Morton.

**RENTAL PURCHASE AGREEMENT**

Date: Apr 12, 2001    Lessor: Rent-A-Center, Inc.    Lessee: PEREZ, ILDA    Agreement #: 04414122

7411 S. CRESCENT BLVD  
PENNSAUKEN NJ 08109    813 STATE ST  
CAMDEN NJ 08102  
(609) 695-5910 LOC: 344M    (856) 953-9858    DT: 01

Description of Leased Property

Unit #	Category/Desc.	Serial #	New/Used
201832685	APPLIANCE /G/S DRYER	ML1386251	NEW
2004414770	APPLIANCE /FULL SIZE WAS	CL0257257	USED

INITIAL PAYMENT AND TERMS		THIS IS A RENTAL AGREEMENT ONLY
THE INITIAL TERM OF THIS AGREEMENT IS:	WEEKLY	This is a rental agreement only. You will not acquire any equity in the property by making rental payments. You have not agreed to purchase this property, and will not acquire any ownership rights in it unless you have, at your option, paid the cost of rental payments plus the option payment necessary to acquire ownership.
RENTAL RATE:	\$2.99	
TAX:	\$1.22	
OPTIONAL LDW: (See Attached Form)	1.00	As used in this Agreement, "you" and "your" means the person(s) signing this Agreement, "we", "us" and "our" means the Lessor/Owner (the Rental Company), "Agreement" means this rental agreement, and "property" means the rental property described above.
TOTAL:	\$23.21	

- RENEWAL PAYMENTS:** You are not obligated to renew this Agreement beyond the initial term. However, if you choose to renew this Agreement beyond the initial term, or beyond any subsequent renewal term, you may do so by making an advance rental payment on the 1st day of each week or successive weekdays, or on the 15th day of each month for successive monthly terms.
- The weekly rental payment is \$16.99, plus sales tax of \$1.14, subject to any change in the applicable tax rate.
- The semi-monthly rental payment is \$10.66, plus sales tax of \$2.44, subject to any change in the applicable tax rate.
- The monthly rental payment is \$75.99, plus sales tax of \$4.56, subject to any change in the applicable tax rate.
- TERMINATION:** You may terminate this Agreement at any time and of any weekly or monthly rental term. To do so, you must arrange to return the property and make all rental payments due through the date of return. If you do not renew this Agreement on or before the due date, or if you breach any other important term of this Agreement, this Agreement will automatically terminate for you will remain liable for the weekly or monthly rental charges (prepaid and accrued) for the property until it is returned. If you do not renew this Agreement, we have the right to take possession of the property. If you do not arrange to return the property to us, you will be required to pay proceeds for taking possession of and removing the property including, to the extent permitted by law, court costs and our attorney's fees.
- REINSTATEMENT:** If you fail to renew this Agreement on the due date shown above, this Agreement automatically terminates and we are entitled to the immediate return of the property. At our option, you may reinstate a terminated agreement by paying all rental charges due, plus an additional \$10.00 reinstatement fee if rental payment is not paid within 10 days of the renewal date. You must return the property to us during the reinstatement period if we ask you to do so.
  - OWNERSHIP:** We own the property you are renting. You will not acquire any ownership rights in the property unless, you have, at your option, paid the total of payments plus the purchase option price necessary to acquire ownership as set forth below, or exercise the early purchase option described below. If you want to purchase the unit on the property move, you may be able to get cash or credit from other sources which will result in a lower total cost than the rental payments, plus the purchase option price provided for below.
  - OPTION TO PURCHASE:** If you renew this Agreement for 24.0 successive weeks, you will pay a total of \$1,255.98 or if you renew this Agreement for 48.0 successive semi-months, you will pay a total of \$1,793.07 or if you renew this Agreement for 24.0 successive months, you will pay a total of \$1,471.12 and will have the option to purchase the property for its then fair market value. For purposes of this option, this price will not exceed \$164.57. Thus, in order to acquire ownership of the item, you must pay the total amount of \$1,584.90 if you pay weekly rental payments, or \$1,957.64 if you pay semi-monthly rental payments, or \$1,624.60 if you pay monthly rental payments. Figures do not include tax.
  - COST OF RENTAL WITH OPTION TO PURCHASE:** The difference between the amount of the cash price and the total amount of all the rental payments under this agreement is \$997.43 if you pay weekly, or \$921.17 if you pay semi-monthly, or \$948.23 if you pay monthly, which includes the option to purchase price described above. Figures do not include tax.
  - OUR CASH PRICE FOR THIS PROPERTY IS \$987.47.** This price may be different from the MSRP or other available retail prices.
  - EARLY PURCHASE OPTION:** If you wish to purchase the rental property, you may do so at any time by the payment of 50% of the remaining rental payments calculated at that time, plus 50% of the option to purchase amount described above.
  - LIABILITY:** You are liable for damage to the property in excess of normal wear and tear, and for the loss or destruction of the property from any cause including but not limited to theft and vandalism. You must pay us the fair market value of the property if, for any reason, you fail to return it to us when this Agreement ends.
  - POSSESSION:** You may not rent, sell or otherwise dispose of the property. If you do, this Agreement is terminated, and you must pay us the fair market value of the property.
  - LOCATION OF PROPERTY:** Except for repairs which are designed and intended to be made or carried out by the present, you agree to keep the property at your residence. You agree to notify us of any change in your address and to obtain our consent before you move the property to a new residence.
  - WARRANTY:** There are no express warranties other than our agreement to maintain the property in good working order during the initial and any subsequent renewal terms of this Agreement. Applicable manufacturer's warranties, if any, will be passed on to you if you acquire ownership of the property, and the warranty is still in effect and allows us to pass it on to you.
  - TITLE AND MAINTENANCE:** We retain title to the property at all times, and will maintain it in good working order. Our obligation to maintain the property shall continue for the initial term, and any subsequent renewal terms. We will not be responsible for the cost or results of our repairs done by others.
  - ASSIGNMENT OF RIGHTS:** We may sell, transfer or assign our rights under this Agreement without restriction. You may not sell, or assign your rights under this Agreement without our written consent.
  - NOTICE TO REPAIR SUPPLY:** DO NOT SIGN THIS CONTRACT IF BLANK. YOU ARE ENTITLED TO A COPY OF THE CONTRACT. YOU MUST KEEP IT TO PROTECT YOUR LEGAL RIGHTS.

PLEASE READ THE TERMS AND THE ABOVE RENTAL AGREEMENT AND ACKNOWLEDGE RECEIPT OF A SIGNED COPY

Lessor: *ILDA PEREZ*    Date: 11    Witness: *ILDA PEREZ*    NJ

Renter: \_\_\_\_\_    Date: 11    NJ

THIS AGREEMENT WAS SIGNED AT CUSTOMER'S HOME    STORE

Make sure you see a Cash Receipt on file when you return the unit to the store.



Description of Leased Property		Serial #	New/Used
Unit #	Categ./Descp.		
0018303686	APPLIANCE /GAS DRYER	ML1308091	NEW
0034404778	APPLIANCE /FULL SIZE WAS	CL0257207	USED

#### INITIAL PAYMENT AND TERMS

THE INITIAL TERM OF THIS AGREEMENT IS:	WEEKLY
RENTAL RATE:	\$21.99
TAX:	\$1.32
OPTIONAL LDW: (See Attached Form)	\$5.00
TOTAL:	\$28.31

#### THIS IS A RENTAL AGREEMENT ONLY

This is a rental agreement only. You will not acquire any equity in the property by making rental payments. You have not agreed to purchase this property, and will not acquire any ownership rights in it unless you have, at your option, paid the total of rental payments plus the option payment necessary to acquire ownership.

As used in this Agreement, "you" and "your" means the person(s) signing this Agreement, "we", "us" and "our" mean the Lessor/Owner (the Rental Company), "Agreement" means this rental agreement, and "property" means the rented property described above.

**RENEWAL PAYMENTS:** You are not obligated to renew this Agreement beyond the initial term. However, if you choose to renew this Agreement beyond the initial term, or beyond any subsequent renewal term, you may do so by making an advance rental payment on Friday of each week for successive weekly terms, or on the 3RD day of each month for successive monthly terms.

The weekly rental payment is \$18.99, plus sales tax of \$1.14, subject to any change in the applicable tax rate.

The semi-monthly rental payment is \$40.99, plus sales tax of \$2.44, subject to any change in the applicable tax rate.

The monthly rental payment is \$79.98, plus sales tax of \$4.58, subject to any change in the applicable tax rate.

**TERMINATION:** You may terminate this Agreement at the end of any weekly or monthly rental term. To do so, you must arrange to return the property and make all rental payments due through the date of return. If you do not renew this Agreement on or before the due date, or if you breach any other important term of this Agreement, this Agreement will automatically terminate but you will remain liable for the weekly or monthly rental charges (promised and accrued daily) for the property until it is returned. If you do not renew this Agreement, we have the right to take possession of the property. If you do not arrange to return the property to us, you will be required to pay our costs for taking possession of and removing the property including, to the extent permitted by law, court costs and our attorneys' fees.

**3. REINSTATEMENT:** If you fail to renew this Agreement on the due date shown above, this Agreement automatically terminates and we are entitled to the immediate return of the property. At our option, you may reinstate a terminated agreement by paying all rental charges due, plus an additional \$10.00 reinstatement fee if rental payment is not paid within 10 days of the renewal date. You must return the property to us during the reinstatement period if we ask you to do so.

**4. OWNERSHIP:** We own the property you are renting. You will not acquire any ownership rights in the property unless you have, at your option, paid the total of payments plus the purchase option price necessary to acquire ownership as set forth below, or exercise the early purchase option described below. If you want to purchase this or similar property now, you may be able to get cash or credit terms from other sources which will result in a lower total cost than the rental payments, plus the purchase option price provided for below.

**OPTION TO PURCHASE:** If you renew this Agreement for 96.3 successive weeks, you will pay a total of \$1,820.33

or if you renew this Agreement for 44.0 successive semi-months, you will pay a total of \$1,793.07

or if you renew this Agreement for 22.0 successive months, you will pay a total of \$1,671.12 and will have the option to purchase the property for its then fair market value. For purposes of this option, this price will not exceed \$184.57. Thus, in order to acquire ownership of this item, you must pay the total amount of \$1,984.90 if you pay weekly rental payments, or \$1,957.64 if you pay semi-monthly rental payments, or \$1,835.68 if you pay monthly rental payments. Figures do not include tax.

# Time price differentials in the rent-to-own industry: implications for empowering vulnerable consumers

Jane Kolodinsky<sup>1,2</sup>, Maaghan Murphy<sup>2</sup>, Anna Bach<sup>1</sup> and Seth Lerner<sup>3</sup>

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## Abstract

Rent-to-own enterprises represent a lucrative and rapidly growing industry. They are of particular concern to social service agencies, policy makers and consumers because they target a vulnerable, economically disadvantaged segment of the population. This article presents an investigation of a major player in the industry in one US state that fell under scrutiny by the courts because of a question of whether it is a retail enterprise covered by rent-increasing legislation. Findings indicate that the average time price differentials charged by the largest retailer in this state exceed by more than three times the regulated 20% cap on interest rates. Rent-to-own is an example where regulation must be put into place so consumers can make more informed decisions. Such regulation, however, must be accompanied by financial literacy education that will further empower vulnerable consumers in the marketplace.

**Keywords:** rent-to-own, time price differential, vulnerable consumers

## Introduction

The rent-to-own (RTO) industry provides customers lacking access to credit and ability to pay in full an option to access new and used appliances, electronics and furniture. This study quantifies the costs—exacerbated by consumers at a major RTO enterprise in an eastern US state and discusses the need for legislation and consumer education to work together.

A variety of influences factor into a consumer's decision: power, full price, and transparency of information.

### Correspondence

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and are fundamental to sound market transactions. Well-informed consumers are believed to be essential to a marketplace that benefits all participants. In the absence of full information legislation, policies consumers currently RTO purchases are generally not covered by the Federal Truth in Lending Act or the Consumer Leasing Act. At the state level, only four of 50 states in the United States have currently ruled that RTO transactions are credit sales and subject to the same state regulation as all credit transactions, including regulations for annual percentage rate (APR). However, in almost all other states, legislatures have occasionally exercised their broad retail installment agreements.

Using one of the regulated states as our sample, this article provides the background, methodology, and results of a study of time price differentials by consumers who purchase goods at a RTO chain. We examine the assertion that regulation helps to better protect consumers and make the market more transparent so as to help consumers make rational economic decisions.

## Background on rent-to-own industry and customers

The RTO industry is a part of the alternative financial sector that offers non-bankruptcy-installed financial services to consumers. Options from this sector appear to benefit the population who lack traditional credit options and the means or ability to pay up front. Alpert and Darity<sup>1</sup> point out there is a time market problem when it comes to retail access for economically disadvantaged and vulnerable consumers:

There is a large body of literature associated with vulnerable consumers, from early works by Americans and related specifically to the lack of market voice of this group, to more recent work related specifically to the financial industry, a correlation has been found between race, age, income, and education and vulnerability.<sup>2</sup>

price – weekly rate  $\times$  number of weeks + 9  $\times$  the weekly rate). By excluding the balloon payment at the end of the rental period, the time price differentials calculated are actually lower than would be the case if a balloon payment had been included.<sup>8</sup> We used the labelled cash price as the amount borrowed.

### **Results and findings**

Across five product categories, 16 locations, and just over 400 time price differential calculations (weekly and monthly options), we found the RTO time price differ-

ential across all products, based on a weekly rate average, is 106.78%. This is more than double the listed cash price of the product and approaching four times the trigger interest rate. The monthly rate average is 85.7%, nearly three times the trigger interest rate of 30%. These averages vary by product category and by individual product and are reported in Table 2. In every case, each calculated time price differential is significantly different than the 30% trigger rate at  $P < 0.01$ . Thus the time price differentials we found are significantly higher (both nominally and statistically) than the 30% trigger interest rate.

186 N.J. 188, 7, 892 A.2d 1255, 77,  
2006 N.J. LEXIS 176, 777

LEXSEE 186 NJ 209

**HILDA PEREZ, on Behalf of Herself and All Others Similarly  
Situated, Plaintiff-Appellant, v. RENT-A-CENTER, INC., De-  
fendant-Respondent.**

**A-124 September Term 2004**

**SUPREME COURT OF NEW JERSEY**

*186 N.J. 188; 892 A.2d 1255; 2006 N.J. LEXIS 176*

**November 7, 2005, Argued  
March 15, 2006, Decided**

**PRIOR HISTORY:** [\*\*\*1] On certifica-  
tion to the Superior Court, Appellate Divi-  
sion, whose opinion is reported at 375 N.J.  
*Super. 63, 866 A.2d 1000 (2005)*, *Perez v.*  
*Rent-A-Center, Inc.*, 375 N.J. *Super. 63,*  
*866 A.2d 1000, 2005 N.J. Super. LEXIS 45*  
*(App.Div., 2005)*

The issue before the Court is whether the  
following consumer protection statutes: the  
Retail Installment Sales Act (RISA),  
*N.J.S.A. 17:16C-1 to -6*; the interest rate  
cap in the criminal usury statute, *N.J.S.A.*  
*2C:21-19*; and the Consumer Fraud Act  
(CFA), *N.J.S.A. 56:8-1 to -135*, are applica-  
ble to rent-to-own contracts.

No.

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IN THE  
**Supreme Court of the United States**

.....  
RENT-A-CENTER, INC.,

*Petitioner,*

v.

HILDA PEREZ, ON BEHALF OF HERSELF AND ALL  
OTHERS SIMILARLY SITUATED,

*Respondent.*

.....  
**On Petition For A Writ Of Certiorari  
To The Supreme Court Of New Jersey**

.....  
**PETITION FOR A WRIT OF CERTIORARI**

EZRA D. ROSENBERG  
DAVID A. KATLER  
THOMAS KANE  
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*Counsel for Petitioner*

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# Perez v. Rent-A-Center Class Action Settlement

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- \$109 million settlement for class damages, administration and notice and counsel
- 80+ million paid to over 100,000 Rent-A-Center customers in New Jersey, 100% of damages
- Average of \$800+
- Money paid directly to class members
- Money paid last November-December
  - Paid Rent, Child Support, Saved families from eviction
  - “Thank you for making Christmas happen”