

# Rent-To-Own

Rent-to-own is a method whereby you "rent" or "lease" merchandise for a period of time. After such time, you may "own" or continue to "rent" the merchandise. The information provided in this guide can help you make a purchase determination.

The NYS Consumer Protection Board provides these tips to inform and empower consumers.



PROVIDED AS A PUBLIC SERVICE BY THE

**NYS CONSUMER  
PROTECTION BOARD**

Advocating for and  
Empowering NY Consumers



5 Empire State Plaza, Suite 2101  
Albany, New York 12223

[www.nysconsumer.gov](http://www.nysconsumer.gov)

## WHAT IS RENT-TO-OWN?

Typically, Rent-to-own (RTO) companies rent and sell new and used products for the home such as furniture, appliances and electronics. RTO companies offer contracts or "lease agreements" that differ from traditional credit transactions or other long-term leases in several ways. The contracts typically have purchase options allowing the consumer to obtain title to the goods at the end of the stated period. The payments are short term and are often due weekly or monthly. The contracts are "at will," meaning that they can be cancelled at any time by the consumer. For these reasons, RTO contracts are not classified as "credit sales" and thus, not subject to the federal Truth in Lending Act (TILA) or the Consumer Leasing Act (CLA).

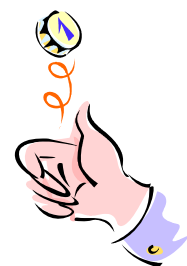
The attraction of RTO contracts is low periodic payments, usually no money down, no credit check, quick delivery, and usually no penalty for discontinuing the contract.

However, RTO contracts often result in higher total costs paid for items, and potential repossession if a payment is missed (even after a substantial amount has been paid).

## IS RENT-TO-OWN RIGHT FOR YOU?

If the decision to use an RTO store is right for you, the following questions and issues should be addressed prior to entering into the agreement.

- **Is this item a WANT or NEED?** Ask yourself if the item is one that you need to have immediately or can you wait until you can purchase it without having to make payments.
- **Is the merchandise new or used?**
- **Is there a credit and/or employment check?**
- **Can I afford to make this rental/purchase?**
- **How much is each installment payment?**
- **Are there other fees or charges in addition to the periodic payment?**
- **When is the payment due (weekly, bi-weekly, monthly)?**
- **Are there minimums?** Some RTO agreements require a minimum number of payments, or a minimum period of time to pass before merchandise can be returned without a penalty. Know these limits to make sure you are comfortable with them.
- **What is the total cost to own the item based on your payment method?**
- **At what point do you own the merchandise?**
- **Is there a penalty to pay off the contract early?**
- **Is there a grace period for late payments?** A grace period is the amount of time after a payment is late before an item is repossessed or late charges are assessed.
- **Is there a mechanism by which you can reinstate your RTO contract?** Reinstatement permits you to pay any missed or late payments owed and re-establish the RTO arrangement. This contractual provision is especially useful when you have made substantial payments towards ownership of the merchandise and do not want to lose that investment.
- **Who is responsible for repairs to the merchandise?**
- **Are owner manuals included with the item(s)?**
- **Who is responsible for damage or theft of the merchandise?** Are you required to



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## GET IT IN WRITING

Ask to have the following information appear in writing so that you know exactly how much you are paying for the item or items you are interested in renting.

- ⇒ Annual Percentage Rate of Interest
- ⇒ Additional Fees not already listed in the agreement such as:
  - Sales Tax
  - Delivery/Set-up/Installation
  - Lease Processing Fees
  - Collection Fees
  - Reinstatement Fees (if a customer wants to continue renting after a late or missed payment to retain equity)
  - Repossession Fees
- ⇒ Ask for receipts for all payments and keep them in a safe place with your initial paperwork, especially if you are paying in cash



## KNOW THE LAW

New York State law (General Business Law sections 500-507) requires the rental purchase agreement to describe:

- The merchandise;
- Whether the merchandise is new or used;
- The amount and date for rental-purchase payments;
- The total cost (i.e., total amount to be paid) to own the merchandise;
- The amount and purpose of any payments in addition to the regular payments;
- The maximum amount the consumer is liable for damages;
- That the consumer does not acquire ownership rights unless the consumer has complied with the terms of the agreement;
- The cash price of the merchandise; and,
- The conditions under which a consumer may exercise an early purchase option and under which the merchant may otherwise terminate the lease

The requirements for RTO advertisements in New York State provide for similar disclosures. Pursuant to NYS law, a RTO store can charge a consumer no more than twice the cash price to purchase the merchandise.



If you believe that an RTO establishment has violated the law, you may wish to consult an attorney about restitution. Consumers may be entitled to recover from the merchant actual damages, reasonable attorney's fees and court costs. The NYS Attorney General may also enforce the law's provisions. New York State consumers may contact the NYS Consumer Protection Board at 1-800-697-1220 to file a complaint or the Office of the NYS Attorney General at 1-800-771-7755 to file a complaint.

**REMEMBER** -- before you sign anything, make sure you understand the terms of the contract, responsibilities of the RTO establishment, and your obligations regarding payments, repossession, and total costs, among other things.