

Rent-to-own

Are you thinking of buying a new TV, refrigerator, couch or other “big-ticket” item? You may be considering the rent-to-own choice. Rent-to-own ads are very inviting with low weekly or monthly payments, no credit checks and no down payments. We urge consumers to first call the company to see what kind of terms are offered, then compare those terms to other options.

Other options to consider include using a credit card, using layaway, shopping around and considering buying used. Interest rates on credit cards might be lower than you would pay for a rent-to-own deal. Many major retailers offer layaway programs where consumers can pay off purchases in small payments. Second-hand shops can have deeply discounted rates. People who check classifieds can even sometimes find items for free.

The rent-to-own alternative may be right if you want to try out an expensive gadget before buying one. Or, perhaps a move will leave you without furniture for a few weeks.

If you are interested in the owning part, renting to “own” can have some drawbacks. Payments spread over many months will

include a large amount of interest – increasing the price of the item more than two or three times. Also, the merchandise you rent may be used. If so, you may end up paying the same amount to purchase a used item as you would to buy a new one.

Tips

- Consider the real total price for a rent-to-own contract. Multiply the amount of each rental payment times the number of payments required to fulfill the lease.
- Does the company guarantee the item being rented is new?
- Some companies may provide repairs at no charge. Ask if a substitute item will be provided at no extra charge, or if payments are stopped during the repair period.
- Rent-to-own contracts generally do not allow any grace period for payments, and it is easy to miss a payment that must be made every week. Ask about any penalties.
- Does the company require the renter to purchase insurance on the rented item, even if the customer may already have homeowner’s coverage?

If you choose the rent-to-own option, remember that ownership does not occur until the last payment is made.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

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