

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

JOINT COMMITTEES ON CONSUMER AFFAIRS & CIVIL RIGHTS

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January 26, 2009

Start: 10:06 am

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HELD AT: Council Chambers  
City Hall

B E F O R E:

LEROY G. COMRIE, JR.  
Chairperson

LARRY B. SEABROOK  
Chairperson

COUNCIL MEMBERS:

- Charles Barron
- G. Oliver Koppell
- John C. Liu
- Eric N. Gioia
- Simcha Felder
- Letitia James
- James Sanders, Jr.
- Robert Jackson
- Michael C. Nelson
- Darlene Mealy
- Mathieu Eugene

## A P P E A R A N C E S (CONTINUED)

Jonathan Mintz  
Commissioner  
NYC Department of Consumer Affairs

Audrey Pheffer  
Assembly Member  
23rd Assembly District

Jeffrey O'Donnell  
Committee Analyst

Xavier Dominicis  
Vice President of Public Affairs  
Rent-A-Center

Jimmy Orozco  
District Manager  
Rent-A-Center

David Edwards  
President  
New York Rental Dealers Association

Dwight Dumler  
Rent-A-Center

Thu Tuyen T. To  
Neighborhood Economic Development Advocacy Project

Reginald Bowman  
President  
Citywide Council of the Presidents of the New York  
City Housing Authority

Joshua Lockwood  
Executive Director  
Habitat for Humanity New York City

## A P P E A R A N C E S (CONTINUED)

Minister Robinson  
Position  
Organization

John Foy  
National Action Network

Linda O'Toole  
Bushwick Houses

Amanda Richardson

Harold Hammond

Gregory Smith

Matthew Shepard

CHAIRPERSON COMRIE: Good morning.

My name is Leroy Comrie, I'm the Chair of the Committee on Consumer Affairs, I'm joined by Council Member Larry Seabrook, Chair of the Committee on Civil Rights. We are also joined today by Council Member Charles Barron from Brooklyn and Council Member Eric Gioia from Queens.

Today, we are holding a joint oversight hearing on rent-to-own stores in New York City. We will also be considering a Pre-considered resolution that would call upon the New York State Legislature to increase consumer protections for the rent-to-own customers.

I'd like to begin by thanking my co-chair, Council Member Seabrook, for agreeing to hold this hearing with me. This is not the first time that we have held hearings together on questionable business practices and I am certain, sadly, that it will not be the last.

I'd also like to thank Council Member Eric Gioia for bringing this matter to the Committee's attention.

I would just like to thank the

1 Administration for their attendance here today.  
2  
3 The Commissioner, we will hear from him shortly,  
4 as well as community development groups, and  
5 members of the rent-to-own industry. I'd also  
6 like to thank Assembly Member Audrey Pheffer, who  
7 has been working extremely hard at the state level  
8 to bring more attention to this issue.

9 Rent-to-own stores serve a purpose  
10 in today's market for customers who have no credit  
11 or poor credit renting a piece of furniture or  
12 electronic equipment at a monthly or weekly rate  
13 with an option to own at the end of the contract  
14 can be a risk-free way of obtaining goods that one  
15 wants. In many instances, the terms of the lease  
16 include delivery, setup, and pick up.

17 The rent-to-own option is not  
18 without major drawbacks however. For example, if  
19 a customer misses a single payment, the retailer  
20 is within its rights to reclaim the merchandise  
21 immediately without refunding any money that had  
22 been paid up until that point. The price of the  
23 merchandise, moreover, goes to a severe markup  
24 under the terms of the rental contract. While the  
25 agreement may seem like a good deal initially

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2 because the customer is paying a weekly or monthly  
3 installment, the total cost of the item upon  
4 completion of the agreement always greatly exceeds  
5 its actual retail cost. An investigation  
6 conducted by Council Member Gioia in 2007 found  
7 that a flat-panel television that would only  
8 retail for \$1,297.65 ends up costing over  
9 \$5,181.61 at Rent-A-Center after 142 weekly  
10 payments of \$36.35.

11 As I previously mentioned, failure  
12 to meet a scheduled payment will result in  
13 immediate seizure of the merchandise. So it's  
14 possible one could have their goods taken back  
15 after paying the actual retail price or more for  
16 an item.

17 New York State has already has  
18 existing regulating rent-to-own stores--sorry, New  
19 York State has already has existing law regulating  
20 rent-to-own stores enacted under in 1986 under  
21 formal governor Mario Cuomo, the state legislature  
22 passed a bill that limited total price on rent-to-  
23 own merchandise to be no more than twice the  
24 actual credit cash price of the item, with cash  
25 price being defined as what the store would charge

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2 to sell the item right away. Poor language in the  
3 bill, however, left the responsibility of  
4 determining the cash price with the rent-to-own  
5 retailers themselves, essentially allowing them to  
6 set whatever price they want.

7 My resolution would call on the  
8 state legislature to correct the loophole in this  
9 bill by passing legislation that would more  
10 clearly and fairly define an item's cash price and  
11 require clearer disclosure of customers' rights  
12 and responsibilities under the rental purchase  
13 agreements.

14 I look forward to hearing from the  
15 various parties assembled here today. With that,  
16 I'll turn over the mic to my esteemed co-chair,  
17 Council Member Larry Seabrook.

18 CHAIRPERSON SEABROOK: Good morning.  
19 I'd like to thank the Committee on Consumer  
20 Affairs and Chair Comrie for inviting the  
21 Committee on Civil Rights to participate in this  
22 morning's hearing.

23 Today's hearing on the rent-to-own  
24 industry in New York City is of particular  
25 importance to the Committee on Civil Rights, as

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2 are all hearings on issues that we find  
3 disproportionately impact members of our  
4 community. The Committee on Civil Rights and  
5 Consumer Affairs have held hearings in 207 and 208  
6 on predatory lending practices and the importance  
7 of financial empowerment in hopes of preventing  
8 economic damage. Despite of our efforts, it is  
9 apparent that not enough has been done.

10 The focus of this morning's hearing  
11 is on rent-to-own stores and their  
12 disproportionate impact on low income and minority  
13 city residents. I'm sure that we will hear  
14 testimony this morning that praises the rent-to-  
15 own industry and the opportunities that the  
16 industry gives to those who are cash-strapped and  
17 may have no credit at all, and I believe that this  
18 industry does, in fact, have the potential to  
19 benefit certain people, but all benefits are lost  
20 when rent-to-own businesses use fraudulent and  
21 deceitful practices akin to those of other  
22 predatory lenders that the committee has held  
23 oversight hearings on. For example, rent-to-own  
24 stores are often conveniently placed in low-income  
25 neighborhoods where the residents are on a fixed



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2 income and live paycheck to paycheck. In fact it  
3 has been reported that, of the 38 Rent-A-Center  
4 chains in New York City, most stores are located  
5 near public housing developments and cluster and  
6 low-income communities of color. Further, rent-  
7 to-own stores in New York state are able to charge  
8 up to 200% more than the average retail price of  
9 an item by leasing it to a client over a long  
10 period of time at a low fixed rate weekly or  
11 monthly rate. As a result, rent-to-own customers  
12 pay more than their peers do for the same products  
13 with greater risk.

14 New Yorkers continue to suffer as a  
15 result of the fraudulent and deceitful practices  
16 of predatory lenders, allegedly like the rent-to-  
17 own business. Despite the continuous efforts of  
18 the City Council the severity of these practices  
19 have yet to reach the ears of the state  
20 legislature, who need to be aware of this issue  
21 and make every effort to find a solution to this  
22 problem. Until the state legislature acts, the  
23 Council will continue to urge them to do so and  
24 educate city residents about the dangers of  
25 entering into contracts with rent-to-own stores.

2 I would like to thank everyone for  
3 attending this morning's important hearing, and I  
4 look forward to hearing everyone's testimony. And  
5 it certainly gives us an opportunity today--I do  
6 not admit that I do not know a lot about the rent-  
7 to-own business, although they are located in my  
8 district--to give us an opportunity to see what  
9 this industry is about. And I had the opportunity  
10 to look and find their location, so I am here to  
11 find out information about the business because it  
12 is located within my district, and certainly other  
13 members of the council's district as well.

14 So I look forward to the testimony  
15 that we're going to hear today. And thank you  
16 very much, Mr. Chairman.

17 CHAIRPERSON COMRIE: Thank you.  
18 Before we hear from the testimony, I know that  
19 Councilman Gioia, who was part of the initial  
20 investigation in Rent-A-Center would like to say a  
21 few words.

22 COUNCIL MEMBER GIOIA: Thank you  
23 very much, Mr. Chairs, thank you both for your  
24 hard work on civil rights and consumer affairs.  
25 I'll be very brief.

2 This topic is going to be new to a  
3 lot of New Yorkers. Now since I started working  
4 on it, people would say to me, I read what you're  
5 working on and I have no idea what you're talking  
6 about, because this is not something that is in  
7 every neighborhood in New York City. It is  
8 something that you find in African-American and  
9 Latino neighborhoods and in low income  
10 neighborhoods, but if you're living on the upper  
11 East Side, there's a good chance you have never  
12 driven past or seen a rent-to-own store. Yet this  
13 is something that should be of importance to every  
14 New Yorker because economic justice is something  
15 that every New Yorker should care about.

16 And when we talk about justice,  
17 particularly economic justice, what it really  
18 means is that everybody has a fair shot. And what  
19 part of this hearing is I think is determining  
20 whether or not you actually do have a fair shot  
21 when you walk into one of these stores, whether or  
22 not if you actually did follow all the rules, if  
23 you'd be treated fairly or if it is so rigged that  
24 it is a broken system that becomes a larger  
25 symptom that keeps people in poverty, no matter

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2 how hard they're working.

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So I'm very much looking forward to the testimony from both the commissioners from the Mayor's office, as well as from the industry.

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Thank you.

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CHAIRPERSON COMRIE: Thank you.

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Well, okay, I'm just checking. You want to make an opening statement? Okay. You didn't give me that body language, you just--oh, oh, okay.

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Council Member Barron would like to make an opening statement.

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COUNCIL MEMBER BARRON: Yeah, what I would just like to say, you know, it's very, very disheartening that we have to come and be protected, ask for protection from those who are supposed to be regulated by the state. I have some sense of regulation of--I don't know what the city's level of or enforcement or regulation is involved in this, but to have an industry that makes \$6.8 billion, 2.7 million customers across the country, 8,300 stores, and in New York City 60% are--customers make \$25,000 or less. They're in black communities, Latino communities, and we're talking about hearings and oversight--

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2 somebody needs to go to jail, this is predatory  
3 lending. These are predators in our community. I  
4 believe it's racist, and our communities that they  
5 select us, like we don't have enough foreclosures,  
6 now we got to get ripped off by some people that  
7 are making \$6.8 billion nationally. We need some  
8 kind of protection 'cause this is ridiculous that  
9 we have to have time out of people who want to  
10 rent you stuff and make you pay 10 times as much  
11 for the item and then have all kinds of things set  
12 up just like in predatory lending, whether it's  
13 the balloon payments or the fees and fines and all  
14 of that stuff, setting poor people up when we're  
15 already in an economic crises. Now we've got to  
16 come here to figure out a way that we can stop  
17 folks from ripping us off, it's just, it's absurd,  
18 it's just absurd that we have to always come back.

19 So I'm glad that you all are having  
20 this hearing. I got one in my neighborhood, we're  
21 going to make sure that that's going to be taken  
22 care of, but we're going to have to do all kinds  
23 of unorthodox things to get them to do the right  
24 thing, and then I'll be called a militant and this  
25 and that, but they rip off artists will get away

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2 with it, and this just has to stop. And I'm  
3 hoping today that we could do something concrete,  
4 other than some new oversight.

5 If people knew they were going to  
6 get punished, there were some laws in place like  
7 they have in 47 other states that show that this  
8 is a violation, then they'll get the message. Any  
9 slap on the wrist or something that comes lighter  
10 than that is not going to get the effect that we  
11 really need.

12 Thank you very much, Chairs, I  
13 appreciate the opportunity.

14 CHAIRPERSON COMRIE: We've been  
15 joined by Councilman John Liu from Queens.

16 At this time, we're going to hear  
17 from Commissioner Jonathan Mintz and Assembly  
18 Member Audrey Pheffer is here, so Commissioner  
19 we're going to ask you to testify, then we're  
20 going to go right to the Assembly Member because  
21 she has to be in Albany today, so I know she  
22 didn't want to stay long. And then, if you don't  
23 mind, if anybody has questions for you, we'll come  
24 back to you, just to give her an opportunity to  
25 make her statement and get on the road.

1  
2 So, with that, appreciate you being  
3 here and look forward to your testimony.

4 COMMISSIONER MINTZ: Thank you.  
5 Good morning.

6 SERGEANT-AT-ARMS: [Crosstalk] your  
7 cell phone.

8 CHAIRPERSON COMRIE: Yes, can you  
9 please put all cell phones on vibrate or turn them  
10 off? Whoever's... thank you.

11 COMMISSIONER MINTZ: It's not me.

12 CHAIRPERSON COMRIE: Not me either  
13 thank you.

14 COMMISSIONER MINTZ: Good morning,  
15 Chairman Comrie, Chairman Seabrook, Committee  
16 Members. I am Jonathan Mintz, Commissioner of the  
17 City's Department of Consumer Affairs. I'm joined  
18 this morning by DCA's Director of Legislative  
19 Affairs, Andy Eiler.

20 I appreciate the opportunity to  
21 comment about rent-to-own activities in New York  
22 City.

23 As its name implies, and as you've  
24 already indicated, the rent-to-own business  
25 occupies a troublesome niche in the consumer

1 marketplace. On the one hand, it's a short-term  
2 rental for an initial period of up to four months,  
3 after which the consumer renews with each periodic  
4 payment or terminates the agreement by simply  
5 returning the product. On the other hand, it is a  
6 retail purchase of a product that a consumer  
7 automatically owns after making the last scheduled  
8 payment under the rental agreement. Combined,  
9 these rent-to-own activities are beyond the reach  
10 of laws which govern credit sales even though, to  
11 own the product, consumers must make periodic  
12 payments until they have fully paid the cost of  
13 the purchase just as they would in a retail credit  
14 sale.  
15

16 As noted in a report issued by the  
17 Association of Progressive Rental Organizations,  
18 rent-to-own transactions quote sprang up in the  
19 1960s in response to a growing consumer need for  
20 acquiring the use of household products without  
21 incurring debt or jeopardizing the family credit,  
22 unquote. The industry's customers quote come from  
23 all walks of life, desiring consumer durable goods  
24 without the long-term financial obligations  
25 associated with credit sales. What distinguishes



1  
2 rent-to-own from a retail credit sale is the term  
3 rent. There is no interest charged to consumers,  
4 no credit checks involved, and customers can  
5 return the merchandise at any time. This no-  
6 obligation, no-debt feature is the cornerstone of  
7 rental purchase, unquote. That's the industry's  
8 public relations story.

9           The profile data about the industry  
10 shows some disturbing facts. Even though its  
11 national customer base grew only slightly from 2.7  
12 to 3 million during the 12 years between 1995  
13 through 2007, the industry's annual revenues  
14 leapfrogged nearly 80% from 3.8 to 6.8 billion.

15           A Federal Trade Commission survey  
16 of 12,000 households a few years back tells us  
17 quite a bit about the rent-to-own customer base.  
18 Fifty-nine percent of rent-to-own customers had  
19 household incomes of less than 25,000; 62% rented  
20 their residences; 68% lived in non-suburban areas;  
21 31% were African-Americans; and 73% had a high  
22 school education or less.

23           The FTC study also made clear that  
24 the vast bulk of customers really were purchasing,  
25 not renting. Fully 70% of rent-to-own merchandise

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was purchased by the customer.

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Once customers have made a significant investment in their payments, they almost never walk away from the merchandise as though it had in fact been rented. Customers that have made six months or more of payments are 90% likely to follow through and complete the full contract and purchase the merchandise.

Comprising the vast bulk of the industry, there are currently 38 Rent-A-Centers in New York City.

In New York state, the rent-to-own industry is governed by Article 11 of the Personal Property Law. This specifically distinguishes such transactions from credit sales, noting that contrary to a consumer's obligation to pay the full purchase price and related finance charges under a credit sales contract, consumers under rent-to-own agreements can terminate the contract at any time after four months without any further legal obligation to pay in full the cash price of the rented product. Under state law, if the consumer makes payments under the contract that equal twice the declared cash price, the renter

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2 then automatically becomes the owner of the  
3 product as though it had been sold.

4           Now that may sound reasonable on  
5 first blush, but consider the significance of the  
6 difference between the rental characterization and  
7 the sales characterization. Here's a case in  
8 point of a rent-to-own contract for a used  
9 computer, much like you mentioned earlier: the  
10 cash price for the computer with sales tax was  
11 listed as just under \$2,000. Along with some  
12 initial fees, the payment schedule called for 20  
13 monthly payments of about \$165. After 20  
14 payments, that's a total cost to the consumer of  
15 \$3,600. That means that the convenience of the  
16 rental of a \$2,000 computer was \$1,600, or the  
17 equivalent of an annual percentage rate equaling  
18 70.9%. Remember that New York state's criminal  
19 usury ceiling is 25% for the extensions of credit.

20           Unfortunately, state disclosure  
21 requirements don't make the impact of these  
22 numbers clear. Mandated disclosures list the cash  
23 price, the number and amount of the periodic  
24 payments, and the total cost of acquiring  
25 ownership, which can, as I mentioned, be no more

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2 than twice the initial sales price. But customers  
3 don't think they're renting a product and they  
4 don't assess whether the rental charges and rates  
5 are reasonable. Instead, they think they're  
6 purchasing the product over time.

7           We have other concerns with the  
8 scope of protection offered by the state's law.  
9 For instance, despite the clear reality that these  
10 transactions end up as sales, not rentals,  
11 consumers have limited property rights.

12           In a rent-to-own agreement, a  
13 consumer's failure to pay the next scheduled  
14 payment automatically terminates the agreement.  
15 These consequences are more grave than a missed  
16 payment of a credit card. Among other  
17 consequences, termination would immediately end a  
18 consumer's right to possession of a product and  
19 would also entitle the business to immediately  
20 reclaim it. Since, as a renter, the consumer had  
21 no ownership rights in the goods, termination  
22 would also deprive the consumer of the value of  
23 the payments that they had made toward the price,  
24 unless consumers could invoke their rights to  
25 reinstate the contract under the very short window

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of opportunity that Article 11 makes available to them.

Of even greater concern is the limited protection offered by the state's price ceiling. State law sets a cap on payments at twice the declared cash price. But enforcement of whether that declared cash price is reasonable is problematic, which is likely why the state appears to have done so little of it.

Article 11 requires that the declared cash price of a product reflect a market-based objective price that's intended to prevent sellers from arbitrarily quoting inflated prices as the baseline for the cap of the total amount that consumers have to pay in order to own the product. The law however sets that baseline as the price at which a merchant would offer to sell the product in the ordinary course of business to the consumer on the day of the rental. It is almost impossible for an enforcement agent to determine such prices, let alone to verify their compliance retroactively.

Now this all sounds pretty discouraging. There are several state-level

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2 proposals that exist, including the recasting of  
3 these transactions as credit sales, and thus  
4 subject to the usury cap. The state could also  
5 always step up enforcement.

6 But the city, with its heightened  
7 focus on leveraging city protections to help  
8 financially empower New Yorkers, has an idea  
9 closer to home. We believe that one way to tackle  
10 the issues is through local licensure.

11 Licensing by the New York City  
12 Department of Consumer Affairs would make it  
13 possible for us to do the following: New York City  
14 could require stores engaged in rent-to-own  
15 activities to make additional disclosures to more  
16 fully inform consumers about the nature of the  
17 transactions, including requiring the distribution  
18 of a consumer Bill of Rights. That Bill of Rights  
19 would delineate the most relevant characteristics  
20 and costs of the transaction, and thereby empower  
21 consumers to compare the proposed transaction with  
22 other forms of purchasing.

23 New York City could also require  
24 stores to use a contract template to ensure that  
25 required disclosures are made in plain language;

1 we would also require that contracts be written in  
 2 the same language used to negotiate the  
 3 transaction. To aid enforcement, DCA would  
 4 mandate recordkeeping requirements that validate  
 5 that the declared cash price was in fact based on  
 6 the market, and require licensed stores to produce  
 7 such records upon demand. Licensing requirements  
 8 could also mandate compliance with key product  
 9 recalls in order to protect consumers from harm.  
 10 Local licensing means that DCA mediators would be  
 11 able to address the complaints, such as those  
 12 concerning delivery and collection issues. And  
 13 finally, local licensing means real and  
 14 accountable enforcement.  
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16 Requiring the licensing of rent-to-  
 17 own activities would be a first by any  
 18 municipality. It would put New York City in the  
 19 vanguard, leading the way for local and effective  
 20 consumer protections in this troublesome industry.

21 We look forward to working with the  
 22 Council to craft appropriate legislation to  
 23 implement our licensing recommendation. Thank you  
 24 for the opportunity to testify here and I will  
 25 answer questions whenever you'd like.

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CHAIRPERSON COMRIE: Thank you.

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We've been joined by Councilman Mathieu Eugene from Brooklyn and Councilman Oliver Koppell from the Bronx.

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Assembly Member Audrey Pheffer is here and then she has to go to Albany,

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Commissioner, so I appreciate you waiting for a

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couple minutes while we hear her testimony. It

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may help with the answers we give to you also.

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I want to thank Assembly Member

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Pheffer for staying downstate for a little while

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so she could share her testimony and insight with

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us and I look forward to hearing from her. Thank

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you for being here.

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COUNCIL MEMBER KOPPELL: Mr.

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Chairman, I'd just like to welcome my former

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colleague, Audrey Pheffer. I was delighted to see

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you.

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ASSEMBLYWOMAN PHEFFER: Thank you.

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CHAIRPERSON COMRIE: You have to

23

touch the--hit the mic. - -

24

ASSEMBLYWOMAN PHEFFER: Okay.

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First, I'd like to say good morning and I just



1  
2 want to introduce Jeff O'Donnell who is the  
3 Committee Analyst, who is going to sit here with  
4 me.

5 Good morning, and my name is Audrey  
6 Pheffer and I represent the 23rd Assembly  
7 District, which includes the Rockaways, Ozone  
8 Park, Howard Beach, and Lindenwood. I also chair  
9 the New York City State Assembly's Committee on  
10 Consumer Affairs And Protection.

11 I would like to thank Chairs Comrie  
12 and Seabrook for inviting me to present testimony  
13 on this important consumer issue.

14 First, I would like to start by  
15 stating that I am committed to enacting  
16 legislation that will significantly increase  
17 consumer protections for rent-to-own customers.  
18 After years of putting forth rent-to-own  
19 legislation in the assembly, I am pleased to  
20 report that for the first time I have a partner in  
21 the state Senate. I will be working with the new  
22 Senate Democratic Majority and Senator Eric Adams  
23 to enact strong, workable rent-to-own legislation  
24 this year.

25 As you know, rent-to-own stores

1  
2 offer a unique product, which is neither a credit  
3 sale, lease, or traditional rental. Rent-to-own  
4 is popular with many consumers, despite the fact  
5 that it is expensive. It is not uncommon for  
6 rent-to-own customers to pay a significantly  
7 higher amount to acquire ownership than a consumer  
8 purchasing the same merchandise outright for cash  
9 or credit. Rent-to-own customers pay higher  
10 prices for the flexibility of renting merchandise  
11 with the option of returning it at any time during  
12 the rental period, also the flexibility of  
13 acquiring ownership of the merchandise at any time  
14 during the rental period. Customers are also  
15 paying for the convenience of free delivery,  
16 installation, repair, and pickup of the  
17 merchandise. Thousands of New Yorkers choose  
18 rent-to-own, even though they have other options.  
19 Thus, our challenge is to increase consumer  
20 protection while preserving the ability of  
21 consumers with limited credit to choose how they  
22 acquire merchandise.

23 [Clears throat]

24 Excuse me.

25 In 1986, New York State enacted,

1  
2 Article 11 of the Personal Property Law, which  
3 regulates rent-to-own transactions. In the decade  
4 following the law's enactment, 44 other states  
5 enacted substantially similar legislation. The  
6 law regulates the content of rent-to-own  
7 agreements, requires certain consumer disclosures,  
8 and caps the amount required to obtain ownership  
9 of merchandise at twice the cash price. The cash  
10 price is roughly defined as the price at which the  
11 rent-to-own store would sell the merchandise to  
12 the consumer outright for cash. The  
13 interpretation of this definition is at the crux  
14 of the argument over rent-to-own pricing. At the  
15 time of the law's enactment, the Attorney General,  
16 the State Bar Association, the Greater Upstate Law  
17 Project, now known as the Empire Justice Center,  
18 expressed concern that the language of the  
19 definition would permit rent-to-own stores to  
20 arbitrarily inflate cash prices, and, therefore,  
21 inflate the total cost of ownership.

22 According to recent reports,  
23 including the City Council's Kick-Off To A Rip-  
24 Off, and the testimony received at my committee's  
25 hearings in the fall of 2006 on financial services

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2 for low-income consumers, rent-to-own stores often  
3 sidestep the intent of the law. They set cash  
4 prices as high as twice the price found for the  
5 same merchandise as nearby retail outlets.

6 It is clear that the existing rent-  
7 to-own law is not working as intended. The price  
8 control mechanism is flawed and the required  
9 consumer disclosures are insufficient. In 2007,  
10 my committee staff reviewed the testimony received  
11 at my hearings and conducted extensive research on  
12 the rent-to-own industry and other state rent-to-  
13 own laws.

14 Based on this research and input  
15 from stakeholders, I introduced A.66. This bill  
16 underwent several revisions over the course of the  
17 past legislative sessions. Unfortunately, the  
18 bill did not attract any interest in the Senate  
19 and without a majority partner to sponsor the  
20 bill, it had no chance of passing in the Senate.

21 I have reintroduced my bill,  
22 A.3083, and am pleased to report that Senator Eric  
23 Adams has introduced a matching bill in the  
24 Senate, S.557. The latest version of my bill  
25 takes a reasonable approach to solving the problem

1  
2 of how rent-to-own merchants can determine the  
3 cash price. This bill would require the Consumer  
4 Protection Board and the Department of Economic  
5 Development, in conjunction with consumer  
6 advocates, and representatives from the rent-to-  
7 own industry and business community to perform a  
8 detailed retail survey that would serve as the  
9 basis for establishing fair and reasonable  
10 formulas for rent-to-own merchants to use in  
11 determining cash prices. This would ensure that  
12 rent-to-own customers pay fair prices and provide  
13 much-needed regulatory guidance to merchants.

14 This bill would also significantly  
15 strengthen existing law by implementing several  
16 new and enhanced consumer disclosures. For  
17 example, rent-to-own merchants would be required  
18 to include a disclosure box containing important  
19 information for consumers that is similar to the  
20 Schumer Box currently required to be included in  
21 credit card solicitations. Among other  
22 improvements, the legislation would provide  
23 consumers the right to acquire ownership of the  
24 merchandise within three months of signing an  
25 agreement by paying the cash price minus all

1  
2 payments paid. It would also exempt Sundays and  
3 federally recognized holidays from the time  
4 periods used to determine late charges or  
5 reinstatement fees, and require rent-to-own stores  
6 to offer customers extended reinstatement rights  
7 and the option of entering into weekly or monthly  
8 leases.

9           We must ensure that consumers are  
10 aware of their rights and obligations prior to  
11 entering into a rent-to-own agreement. We must  
12 also protect rent-to-own customers by establishing  
13 reasonable price controls. My bill will serve as  
14 a starting point for discussions with Senator  
15 Adams, consumer advocates, and the rent-to-own  
16 industry. I must say also I look forward to  
17 working to working with Commissioner Mintz and the  
18 City, we've worked together on many, many  
19 different and other existing legislation.

20           My committee staff will continue  
21 their dialogue with consumer advocates and  
22 industry representatives in other states with  
23 strong rent-to-own regulations, including New  
24 Jersey, California, Minnesota, and Wisconsin, to  
25 examine the effectiveness of these regulations. I

1  
2 am particularly interested in New Jersey and  
3 California, two heavily populated states that  
4 implemented new, stricter regulations in 2006. I  
5 have been monitoring the rent-to-own market in  
6 these states since 2007 and believe that after two  
7 years, we can now evaluate the effects of strict  
8 regulation on the rent-to-own industry. The data  
9 and information received from these states will be  
10 invaluable as we move forward to rent-to-own  
11 legislation this year.

12 In addition to statutory changes, I  
13 believe efforts to educate consumers on the costs  
14 and benefits of various methods available to  
15 acquire goods, including rent-to-own transactions,  
16 should be expanded. Studies have shown that many  
17 rent-to-own customers reside in low income and  
18 moderate income communities. Consumers residing  
19 in these communities often have limited access to  
20 credit, making them more likely to choose  
21 alternative financial services, such as rent-to-  
22 own transactions. State and local consumer  
23 protection agencies, consumer advocacy  
24 organizations, community groups, faith-based  
25 organizations and others are to be commended for

2 their efforts to educate consumers about the costs  
3 and benefits of alternative financial services. I  
4 am committed to supporting and enhancing these  
5 efforts.

6 Thank you again for inviting me to  
7 participate in this hearing. I look forward to  
8 working with the City Council and all the  
9 stakeholders gathered here today to enhance  
10 consumer protections for rent-to-own customers. I  
11 am confident that with my new partner in the  
12 Senate Majority, we will be able to enact strong,  
13 workable rent-to-own legislation this year. And I  
14 thank you and we can have any questions if you  
15 have, otherwise...

16 CHAIRPERSON SEABROOK: Thank you  
17 very much, Assemblywoman, and it's certainly good  
18 to see you here, one of my former colleagues--

19 ASSEMBLY MEMBER PHEFFER: That's  
20 right.

21 CHAIRPERSON SEABROOK: You had  
22 raised the issue in reference to New Jersey and  
23 California, what are those regulations that they  
24 have put into place that New York does not have  
25 and how best it serves to deal with the



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2 constituents here in New York City?

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ASSEMBLY MEMBER PHEFFER: I'm going  
to have--I know that New Jersey has a 30%, but  
I'll let Jeff--

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CHAIRPERSON COMRIE: Oh.

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ASSEMBLY MEMBER PHEFFER: --because  
he has that, so...

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MR. JEFFREY O'DONNELL: Pursuant to  
a [crosstalk]--

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CHAIRPERSON SEABROOK: [Interposing]  
You got to put the mic--

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MR. O'DONNELL: Oh, sorry,  
Councilman. Pursuant to New Jersey, there was a  
Supreme Court ruling that implemented essentially  
a 30% cap on interest rates and that went into  
effect, I believe, in 2006. And in California,  
they have a similar law to ours, but they recently  
updated it to include more disclosures and  
stricter limits on cash prices.

21

22

CHAIRPERSON SEABROOK: And at  
present, what exists in New York?

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24

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MR. O'DONNELL: In New York, right  
now we have Article 11 sets a definition for cash  
price that was discussed earlier, where it's

1  
2 basically the price at which the merchant would  
3 sell it to the consumer for cash and then rent-to-  
4 own merchants are allowed to go twice that price  
5 for the total cost of ownership.

6 ASSEMBLY MEMBER PHEFFER: But as we  
7 said, the real issue is determining that cash  
8 price and that's where the two states, as well as-  
9 -we've been looking at them and I think now after  
10 two years have passed, we have some real data to  
11 see how it effected the industry and the amount of  
12 business has been done and then we'll be able to  
13 compare it and work on our piece of legislation.

14 CHAIRPERSON SEABROOK: And have your  
15 committee actually looked at the demographics and  
16 the census of what percentages of these Rent-A-  
17 Center participants are African American, Latino?

18 ASSEMBLY MEMBER PHEFFER: I could  
19 say that we had hearings, we had it in Buffalo,  
20 Albany, and it was determined that they are  
21 predominantly in low-income different communities,  
22 but they were African American, Spanish, and  
23 different low-income communities, the majority of  
24 these stores.

25 CHAIRPERSON SEABROOK: And has it

1  
2 been with the state Office of Consumer Affairs,  
3 have there been any complaints or concerns that  
4 have been raised on the state level?

5 MR. O'DONNELL: There probably are,  
6 but they haven't talked - -

7 ASSEMBLY MEMBER PHEFFER: Right,  
8 right. We thought they were going to be speaking  
9 today, so I don't know if they're here, but they  
10 haven't had a formal process really where they  
11 have had any documentation on that, but we're sure  
12 that they've had some complaints, we know they've  
13 had complaints.

14 CHAIRPERSON SEABROOK: Oh, thank you  
15 very much.

16 CHAIRPERSON COMRIE: We've been  
17 joined by Council Member Michael Nelson from  
18 Brooklyn.

19 We also for the record have a  
20 testimony from MFY Legal Services that will be put  
21 into the record. Just wanted to get those  
22 technical pieces out of the way.

23 Assembly Member, I want to thank  
24 you for coming and testifying and letting us know  
25 that you finally have traction with the new Senate

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Majority to actually get a bill passed.

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You had an opportunity to hear from Commissioner Mintz and some of his ideas, which I think are reasonable. But, as you said, the main issue is developing a cash price and how quickly we can develop a cash price and with all of the different articles and items that come out on a regular basis, how we can quickly get to establishing what affect cash price would be, I think would be critical for the industry. Did you get a chance--would you like to comment about anything that Commissioner Mintz offered?

ASSEMBLY MEMBER PHEFFER: Well, as always, we'll review it and further talk, but we like the Bill of Rights which we've implemented previously in different pieces of legislation. Just recently we did that on the tax preparer, so that we very much favor the condensed version, a very clear Bill of Rights. So that and plus many of his other items which we will further talk about.

CHAIRPERSON COMRIE: Okay. And also the issue of creating the Bill of Rights that's similar to, I guess, the Schumer Box and also

1  
2 creating the opportunity for exempting holidays  
3 and federally recognized holidays I think is a  
4 positive idea.

5           The issue of setting the sales  
6 price, I think, clearly does not need to be a  
7 major technical problem at all. I think with the  
8 advent of the Internet and the ability to look at  
9 what retailers are offering on a lot quicker basis  
10 to come up with a price that I think would be fair  
11 and equitable.

12           The issue of also creating--I'm  
13 trying to find the language you put in here--the  
14 rights and obligations making it clearer for the  
15 consumers is something that we really need to make  
16 sure that is done as open and as close to other  
17 things that we have in the industry as possible.  
18 Clearly, as you know, we've been working with the  
19 wireless companies and make sure that there's a  
20 clear Bill of Rights, they've been working on a  
21 national level. The other entities that are  
22 selling and processing long-term contracts to make  
23 sure that there is a consumer opportunity to  
24 understand all the fees and obligations--

25           [Sneeze]

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ASSEMBLY MEMBER PHEFFER: Bless you.

CHAIRPERSON COMRIE: --God bless you--to the consumer and for the consumer to protect the consumer is helpful, but I'm glad that Senator Adams is working with you and I look forward to coming to Albany to testify when you have your committee hearing.

ASSEMBLY MEMBER PHEFFER: That would be great. And I thank you for bringing this forward, look forward to working with it. And there are many, the Bill of Rights we have found in many different contracts, because when that information is there--and we realize that we need much more disclosures which our a new bill will have--when it's lost in the contract, which usually is quite a few pages, our intent is not really as visible. So that the Bill of Rights we believe in many things we work on which we certainly would like this afford on debt collections, debt planners, and many of the items that will be an issue, unfortunately, in the future.

Again, people's Bill of Rights, the things that we've put into law, which we think is

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important should be as visible and as easy for the consumer to see, so we look for that on many pieces of legislation.

CHAIRPERSON COMRIE: Council Member Barron has a question.

COUNCIL MEMBER BARRON: Yes, thank you very much.

You know, I'm very, very upset about this whole topic, I really let people know I'm sick of us getting ripped off and then I'm also tired of legislators that might have a conflict of interest. I'm going to ask you a straight up question only because of what I heard, is it true that on 5/10/2007 that you received campaign contributions from the very industry that you're trying to legislate against?

ASSEMBLY MEMBER PHEFFER: You know, yes, but--

COUNCIL MEMBER BARRON: Now, okay, I'm going to let you explain.

ASSEMBLY MEMBER PHEFFER: --no, no, no, no, no, no, no--

COUNCIL MEMBER BARRON: I'm going to let you explain.

1  
2 ASSEMBLY MEMBER PHEFFER: --but let  
3 me--

4 COUNCIL MEMBER BARRON: I'm going to  
5 let you explain, I just want to finish.

6 ASSEMBLY MEMBER PHEFFER: Oh, go  
7 ahead.

8 COUNCIL MEMBER BARRON: I want to  
9 finish. That is a serious, serious problem for me  
10 'cause this is how legislation gets watered down,  
11 this is how amendments come in, and this is how  
12 our people don't get the protections that they  
13 need when there's that conflict of interest when  
14 people are getting donations from the very  
15 industry that we are supposed to be legislating  
16 against.

17 So you can have the floor and  
18 explain it any way you'd like, but I just wanted  
19 to let you know that my feelings and concerns  
20 about genuine legislation to protect our people--  
21 we're already getting ripped off from  
22 foreclosures, now we got these predatory lender,  
23 renters and now we've got legislators that are  
24 receiving campaign contributions from the very  
25 industry that we need protection from is a real



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2 concern of mine.

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ASSEMBLY MEMBER PHEFFER: Well, I

think that the campaign contributions that I

received are very much in the scope of the law and

I resent the fact that you would think that it

would sway me either way. I think it's very

obvious we've been working on this issue, looking

for legislation to pass, you know as well--you

know--

COUNCIL MEMBER BARRON: You--

ASSEMBLY MEMBER PHEFFER: --excuse

me--

COUNCIL MEMBER BARRON: You resent--

CHAIRPERSON COMRIE: [Interposing]

Okay. We have [crosstalk]--

ASSEMBLY MEMBER PHEFFER: --excuse

me--

COUNCIL MEMBER BARRON: --you resent

that I would think someone paying you on your

campaign would have any influence? You resent

that?

ASSEMBLY MEMBER PHEFFER: I do

[crosstalk]--

COUNCIL MEMBER BARRON: To me, it's

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2 a conflict of interest.

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ASSEMBLY MEMBER PHEFFER: Okay.

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5 COUNCIL MEMBER BARRON: That we  
6 should understand. How could you resent me--

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ASSEMBLY MEMBER PHEFFER: Well

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[crosstalk]--

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9 COUNCIL MEMBER BARRON: --thinking  
10 that someone paying you--

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CHAIRPERSON COMRIE: [Interposing]

11

Okay.

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COUNCIL MEMBER BARRON: --in your

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campaign--

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CHAIRPERSON COMRIE: So you

15

expressed your opinion--

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COUNCIL MEMBER BARRON: --would have

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any influence on [crosstalk]--

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CHAIRPERSON COMRIE: --she's

19

entitled to express hers--

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ASSEMBLY MEMBER PHEFFER:

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[Interposing] Your implication--

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CHAIRPERSON COMRIE: --she didn't

23

cut you off, so [crosstalk]--

24

ASSEMBLY MEMBER PHEFFER: --your

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implication is what I resent, and the fact is, is

1  
2 that now I'm very happy and the colleagues--the  
3 Democratic colleagues in the assembly are very  
4 happy that we now have partners for many, many  
5 pieces of legislation that will be picked up and  
6 become law with the state Democratic Majority and  
7 that's what this bill is about, not whether the  
8 contributions and--

9 COUNCIL MEMBER BARRON: Yeah, that's  
10 [crosstalk]--

11 ASSEMBLY MEMBER PHEFFER: --that, so  
12 I disagree with you, but I look forward to working  
13 with the Democratic Majority and I'm sure you will  
14 be very happy and feel very confident in the piece  
15 of legislation that we put forward to become law  
16 for the state of New York.

17 COUNCIL MEMBER BARRON: Well let me  
18 ask you this about the legislation--

19 ASSEMBLY MEMBER PHEFFER: Thank you.

20 COUNCIL MEMBER BARRON: --let me ask  
21 you this about the legislation, and I just can't  
22 fathom that someone cannot see that as a conflict  
23 of interest at the least, a conflict of interest,  
24 and there's a correlation, if not a causation, but  
25 certainly a correlation when the legislatures get

1  
2 campaign contributions with how a bill is shaped  
3 and formed, it's really some really concerns.

4 But let me ask you this, the--

5 ASSEMBLY MEMBER PHEFFER:

6 [Interposing] You should re-look at the  
7 committee's agenda and the committee's bills and  
8 the laws that we've passed and not only on this  
9 one but on others that we have been very  
10 successful for whether the contributions made any  
11 difference.

12 COUNCIL MEMBER BARRON:

13 [Interposing] I'm not--all right, well let me say  
14 this--

15 ASSEMBLY MEMBER PHEFFER: No, go  
16 ahead.

17 COUNCIL MEMBER BARRON: --that since  
18 you instructed me what I should do, you shouldn't  
19 take campaign contributions from people that are  
20 ripping us off. So we both have some things that  
21 we should and should not do. About the  
22 legislation--

23 CHAIRPERSON COMRIE: Okay.

24 COUNCIL MEMBER BARRON: --let me  
25 just understand, was there passed legislation that

1  
2 allowed for twice as much of the cash price,  
3 allowed the industry to charge that or get that  
4 out of it?

5 ASSEMBLY MEMBER PHEFFER: That's  
6 existing law that was passed.

7 COUNCIL MEMBER BARRON: Right. Now  
8 I'm just trying to get some understanding on that.  
9 So there is a law that said, whatever the cash  
10 value--and how did they determine that cash value?  
11 Because if it's like, say the computer that's  
12 \$2,000 and then we just heard that they can at  
13 least make 3,600, which is allowing them to make  
14 more than the value of something, but there was a  
15 way of determining that. So why can't, if you can  
16 determine twice as much, why can't you say, well  
17 you can't make more than 5% or 2%, you know, of  
18 the cash value as opposed to we'll see and leave  
19 it loose and say people have to determine that,  
20 there'll be a committee put in place, and we have  
21 to go through all this? Why can't the law just as  
22 it said you can make twice as much, why can't the  
23 law so, you can only make 1% more than the cash  
24 value?

25 ASSEMBLY MEMBER PHEFFER: Right.

1  
2 First of all, that's what we determine is the  
3 problem with the cash price, the way the law now  
4 is defined, we realize that that is the issue and  
5 now we're looking at different laws. California  
6 is 1%, New Jersey caps it at 30%, the Supreme  
7 Court just--but the bottom line is that's what  
8 we're looking at, we have to figure out a way that  
9 we can determine the cash price.

10 COUNCIL MEMBER BARRON: I understand  
11 that, but what's there to figure out? Just say  
12 whatever the cash price is whatever the cash value  
13 is--if other states have done it, correct?

14 ASSEMBLY MEMBER PHEFFER: Right.

15 COUNCIL MEMBER BARRON: Why can't we  
16 say whatever the determination of the cash price  
17 is, you can only charge 1% more, 2% more, or  
18 something like that? Why can't that happen?

19 ASSEMBLY MEMBER PHEFFER: That could  
20 happen when we--

21 COUNCIL MEMBER BARRON:  
22 [Interposing] So in your law now, not waiting, why  
23 can't that be in this legislation?

24 ASSEMBLY MEMBER PHEFFER: It's not a  
25 law, it's a legislation--

1  
2 COUNCIL MEMBER BARRON: Legislation,  
3 right.

4 ASSEMBLY MEMBER PHEFFER: --that  
5 Senator Adams and I will be looking at. He has  
6 just taken over the Majority, he has just taken  
7 over this bill. I think I want to thank him  
8 because what he's done is taken the bill, maybe  
9 it's not perfect and maybe there has to be work to  
10 be done, but he's introduced it so that he is now  
11 saying I agree with Assemblywoman Pheffer, this is  
12 an important issue and I am going to work with her  
13 on it.

14 So this is something that was done  
15 before alone, now we now have a partner and it  
16 might not look at all like this, but we now have a  
17 partner to work with and that's we're looking at.  
18 So whatever suggestions you have, we'll be more  
19 than happy to look at [crosstalk]--

20 COUNCIL MEMBER BARRON:  
21 [Interposing] Yeah, well, I have plenty  
22 suggestions, and I'm glad that Senator Adams is on  
23 this bill and I'm hoping that it can really  
24 protect us. Thank you.

25 ASSEMBLY MEMBER PHEFFER: You're

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2 welcome.

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CHAIRPERSON SEABROOK: Well just a point that I think that one of the things we have to look at that the Senate in the past had never any desires to entertain any changes of this at all.

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ASSEMBLY MEMBER PHEFFER: Right.

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CHAIRPERSON SEABROOK: Well that's who had it at last, it wasn't Democrats.

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COUNCIL MEMBER JAMES: Not the Senate as a whole.

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ASSEMBLY MEMBER PHEFFER: Right, because we--

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CHAIRPERSON SEABROOK: [Interposing] My point is the people who--

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ASSEMBLY MEMBER PHEFFER: Go ahead.

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CHAIRPERSON SEABROOK: --were in charge were--

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ASSEMBLY MEMBER PHEFFER: Right.

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CHAIRPERSON SEABROOK: --had no desire. The people who now are in charge have a desire.

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ASSEMBLY MEMBER PHEFFER: Right.

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CHAIRPERSON SEABROOK: Okay. So if



1  
2 people don't understand, then there's something  
3 wrong, but it's my dime, hold on.

4           So what I'm saying is that the  
5 opportunity as bills are raised on the basis of  
6 the Assembly and the Senate and there is  
7 negotiation because the bills have to be the same  
8 bills. They don't necessarily--the Senate Bill  
9 one version, the Senate--and so there's a coming  
10 together to deal with these issues. So we need to  
11 understand how the process work and once we  
12 understand how the process work, then we can move  
13 to what has to be done.

14           ASSEMBLY MEMBER PHEFFER: Thank you.  
15 And I think what's so important and the statement  
16 that was made is when Senator Adams took the bill  
17 that was from last year and introduced the same  
18 bill and I did the same, it was to show that we  
19 were working together. He could have taken a bill  
20 with all kinds of different information and  
21 introduced it and then you have two conflicting  
22 and competition. Right now, what he did is said  
23 I'm going to put the same bill in as the  
24 Assemblywoman because I'm going to show that we  
25 are jointly working on this issue, and I think

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that was very important and I thank him for that,  
and now we will see in discussions what we will  
come up with.

CHAIRPERSON COMRIE: Thank you.

We've been joined by Council Member James Sanders,  
Council Member Robert Jackson is in the room and  
Council Member Tish James has a question followed  
by Council Member Sanders. And those will be the  
last two questions--

COUNCIL MEMBER JAMES: Okay.

CHAIRPERSON COMRIE: --because the  
Assembly Member has to go upstate.

COUNCIL MEMBER JAMES: Good morning,  
Assemblywoman Pheffer.

ASSEMBLY MEMBER PHEFFER: Good  
morning.

COUNCIL MEMBER JAMES: So I  
apologize for being late and I just want to go  
over the legislation that has been introduced.  
It's a legislation that basically calls for a Bill  
of Rights, correct?

ASSEMBLY MEMBER PHEFFER: No, that  
was the City Council.

COUNCIL MEMBER JAMES: Oh, okay.

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2 ASSEMBLY MEMBER PHEFFER: What our  
3 legislation does is specify different disclosures  
4 that are not in the law now. What the City  
5 Council, which you will speak--not the City  
6 Council, the--

7 COUNCIL MEMBER JAMES: City  
8 Commissioner.

9 ASSEMBLY MEMBER PHEFFER: --the  
10 Commissioner Mintz.

11 COUNCIL MEMBER JAMES: So besides  
12 the consumer protection disclosures, and I know  
13 you had some exchange with Council Member Barron,  
14 are you considering placing caps on these usury  
15 loans which are unconscionable and, I believe, in  
16 violation of the law. In addition to that, are  
17 you considering capping financing charges? In  
18 addition to that, are you looking at where these  
19 centers are located?

20 In my experience, again, they're in  
21 northeast Queens, they're in central Brooklyn,  
22 they're in communities of color, and so the siting  
23 of them to me is a major concern. In addition to  
24 that, when I drove by one yesterday on Fulton  
25 Street, they have all of these bells and whistles

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2 in the window, but there are no notices in the  
3 window which basically tell individuals that if  
4 you rent this, you're basically going to be paying  
5 very, you know, usurious loans, high rates, and,  
6 basically, you'll be owning this 5 times or 10  
7 times over. So I believe disclosure is absolutely  
8 critical--

9 ASSEMBLY MEMBER PHEFFER: Right.

10 COUNCIL MEMBER JAMES: --but, as you  
11 know, disclosure is also, in my experience, in  
12 tiny letters, people cannot see it, it's not open  
13 and notorious. And, again, most of these centers  
14 are located in communities of color, I believe  
15 capping the interest rates, the financing charges  
16 is absolutely critical, similar to what they did  
17 in other jurisdictions, and I do know that your  
18 legislation--and this is why I interrupted the  
19 Chair, and I apologize for that, but it's really  
20 important that people understand that it was the  
21 Republicans, not the Senate as a whole--

22 ASSEMBLY MEMBER PHEFFER: Right.

23 COUNCIL MEMBER JAMES: --the  
24 Republican members of the Senate that were in  
25 control that were stopping this legislation from

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2 going forward.

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ASSEMBLY MEMBER PHEFFER:

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Absolutely.

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COUNCIL MEMBER JAMES: The Democrats

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had sponsored your legislation, unfortunately,

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they were not in control and wanted to work with

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you. Now that they are in control, it's a game

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changing moment, and it's a time in history where

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we can make some changes and protect the

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consumers.

12

ASSEMBLY MEMBER PHEFFER:

13

Absolutely. And we agree as far as the

14

disclosures and there can be and will be in

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different pieces in the legislation to say where

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the items should be, how large the print should

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be--that's why we thought the Bill of Rights was

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an excellent cover sheet.

19

As far as determining the cash

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price, at this point, we've established for a

21

short period of time--one year? Less than one

22

year, a task force to look at the different states

23

to sit down with the city, all the advocates, to

24

kind of work out and make recommendations, really

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determine the way it should be done. That

1  
2 evolved, before that we had a different way of  
3 doing it.

4 So I can't say that that is going  
5 to be the final outcome, that's where we were last  
6 year and trying to come to an easier way or a way  
7 to determine how to establish the cash price, I  
8 mean that's a whole issue--

9 COUNCIL MEMBER JAMES: Right.

10 ASSEMBLY MEMBER PHEFFER: --whether  
11 they compare to just--I hate to mention--you know,  
12 some of the discount stores or what, but that was  
13 our issue. I'm not saying that the legislation or  
14 the possible legislation that would become law  
15 will look like that. That's the way it looked  
16 before.

17 COUNCIL MEMBER JAMES: I hope we at  
18 the end of the day, we put forth and pass the  
19 strongest piece of legislation in this area  
20 because it's something that's really critically  
21 hurting people and it's stripping wealth, which is  
22 already being stripped in central Brooklyn and  
23 other communities of color.

24 My last two questions, is Attorney  
25 General Cuomo, as far as you know, has he

1  
2 considered any pattern and practice, any  
3 litigation in this particular area, similar to  
4 what he did--

5 ASSEMBLY MEMBER PHEFFER: I have not  
6 [crosstalk]--

7 COUNCIL MEMBER JAMES: --with  
8 predatory loans? Have we been in discussions with  
9 Andrew Cuomo? What is he doing with respect to  
10 this issue?

11 ASSEMBLY MEMBER PHEFFER: Yes, we  
12 have been in discussions with them. He has not  
13 instituted any investigation on it. We expect  
14 that he is going to be a player when we sit down  
15 and actually work on this, but as of this point,  
16 he hasn't really looked at it.

17 COUNCIL MEMBER JAMES: Well, that's  
18 unfortunate.

19 ASSEMBLY MEMBER PHEFFER: I know.

20 COUNCIL MEMBER JAMES: As you know,  
21 I used to work for Attorney General Eliot Spitzer,  
22 and, as you know, I was involved in the predatory  
23 lending, we sued Delta Funding and we came up with  
24 some business practices and some recommendations  
25 to the state legislature and I would hope that

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Andrew Cuomo would consider pursuing a similar type of investigation.

And, last, but not least, there has been some recommendations that we consider class actions. Any discussions with regards to changing the stature to allow for class action so that we can sue these types of lenders that are, again, preying on people of color and poor people in the city of New York--

ASSEMBLY MEMBER PHEFFER:

[Crosstalk] Yeah.

COUNCIL MEMBER JAMES: --and across the state.

ASSEMBLY MEMBER PHEFFER: That is another plus that's very exciting about having the Senate Democratic Majority in place--

COUNCIL MEMBER JAMES: Yes.

ASSEMBLY MEMBER PHEFFER: --as the Senate's Democratic Majority. We in our committee have put forward many private right of actions, this is a legislation class action and has always been stifled by the Senate Republicans. So it's really a new ballgame--

COUNCIL MEMBER JAMES: Yes.



1  
2 ASSEMBLY MEMBER PHEFFER: --on  
3 consumer issues. They have been lax on that and  
4 we look forward to moving many of those things  
5 through the years that have really been controlled  
6 by not going forward.

7 COUNCIL MEMBER JAMES: I look  
8 forward to working with you and having worked with  
9 you in the past in Albany, you were a woman of  
10 great integrity. My colleague mentioned some  
11 contributions and he wanted to know whether or not  
12 Andrew Cuomo received any contributions, but I'll  
13 allow him to ask that question to the Attorney  
14 General [crosstalk]--

15 ASSEMBLY MEMBER PHEFFER:  
16 [Interposing] Right, every thing is public  
17 [crosstalk]--

18 COUNCIL MEMBER JAMES: Exactly,  
19 exactly. Thank you.

20 ASSEMBLY MEMBER PHEFFER: Okay.  
21 Thank you very much and I look forward to, as we  
22 move forward we will include you and look for  
23 your--

24 CHAIRPERSON COMRIE: [Interposing]  
25 Council Member James Sanders, just wanted to make

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a comment.

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I just wanted to re-emphasize the point that you have introduced legislation over the years. It was stymied by the Republican majority in the Senate and there is a track record of you introducing legislation to deal with this issue over the years, and I look forward to the Democratic majority solving some of our long-term issues in--

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ASSEMBLY MEMBER PHEFFER:

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Absolutely.

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CHAIRPERSON COMRIE: --dealing with this issue, but, Council Member, your colleague in the Rockaways--

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ASSEMBLY MEMBER PHEFFER: And my Councilman.

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CHAIRPERSON COMRIE: --would like to--yes, you're Councilman.

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COUNCIL MEMBER SANDERS: Well, let's see, let me start with you, Mr. Chair. I think that this is a very important thing that we're doing here today and I think that this legislation as a whole is one of the things that the City Council should be the most proud of, I'm very

1  
2 proud to be one of your prime sponsors on this, I  
3 think it's a great thing.

4 Oh, wait a minute, wait a minute,  
5 my Assembly Member, I forgot to say hi. Hi, how  
6 are you? I'm glad that you're here, welcome back  
7 to City Hall. Good to see you here.

8 I encourage the state to move as  
9 fast as it can to close this terrible loophole,  
10 this terrible injustice that's being done to  
11 people. I include these Rent-A-Centers in the  
12 same way that I look at payday loans, predatory  
13 lending, and bank ATMs. The fees of these banks  
14 and why they are placing these machines in certain  
15 communities and not full spectrum banking in those  
16 communities leads to people really going through  
17 hard-earned money. So I encourage you to move--  
18 now that we have the majority and now that you  
19 guys are--I expect to see a flood of good  
20 legislation, and most of it coming from you, I'll  
21 daresay.

22 ASSEMBLY MEMBER PHEFFER: Thank you.

23 COUNCIL MEMBER SANDERS: And, in  
24 regards to the Rent-A-Centers themselves, I  
25 believe that many of these places may indeed have

1  
2 a good manager. Let's imagine that one or two of  
3 them actually have a good community relationship,  
4 but the difference is, you can have a good manager  
5 and a bad product. That, no matter how good the  
6 manager is, no matter how good he or she for that  
7 matter is, with a community, if your product as a  
8 whole is bad, then at the end of the day you're  
9 doing more harm than good.

10 So I'm glad that we are all  
11 gathered here and I suggest that we really focus  
12 so that at the end of the day we produce more  
13 light than heat from this hearing and every other  
14 thing that we do.

15 Thank you very much good to see  
16 you.

17 ASSEMBLY MEMBER PHEFFER: Thank you.

18 CHAIRPERSON COMRIE: Thank you,  
19 Assembly Member, for being here and your testimony  
20 has been very enlightening and I look forward to  
21 working with you as we have been working on other  
22 issues in the past and in the future. Thank you  
23 for being here.

24 ASSEMBLY MEMBER PHEFFER: Thank you,  
25 thank you.

1  
2 CHAIRPERSON COMRIE: Commissioner  
3 Mintz, I thank you for staying and can come back  
4 to the podium. Does anyone have any specific  
5 Commissioner--Council Member Gioia?

6 [Pause]

7 And then before Councilman Gioia  
8 asks you anything, do you want to make a general  
9 reflection on the Assembly Member's testimony?  
10 You can do that at this time, if you'd like.

11 COMMISSIONER MINTZ: Well thank you.  
12 Well Assemblywoman Pheffer is a great advocate for  
13 consumers and I'm heartened by her and her  
14 colleague's interest in taking on tightened state  
15 protections. Nonetheless, I remain excited about  
16 the city's idea to handle this locally. So thank  
17 you.

18 CHAIRPERSON COMRIE: Councilman  
19 Gioia?

20 COUNCIL MEMBER GIOIA: Thank you,  
21 Mr. Chair. Thank you, Commissioner. I really  
22 appreciated your testimony, and I think New York  
23 has as a New York City has a great opportunity to  
24 be at the forefront of regulating this industry.  
25 As you know, and we've discussed in the past, I

1  
2 view part of government's role as David's  
3 slingshot against Goliath, and when you look at  
4 some of these rent-to-own contracts, it's been too  
5 many years since law school so I was forgetting  
6 this, but I was reminded by Council, it's called  
7 an adhesive contract. Now where the--are you an  
8 attorney, Commissioner? So the three of us know  
9 what we're talking about right now nobody else in  
10 the room does. It's when there's a power  
11 imbalance, when a consumer walks in and the  
12 document is legally correct, but it is so complex  
13 that there's no way that they actually fully  
14 appreciate what they're signing, the rights  
15 they're giving away and government's role at this  
16 point is to come in and try to balance that out,  
17 to make sure that a business can actually run, can  
18 fill a void for folks who maybe don't have the  
19 right credit or who couldn't afford to walk in and  
20 get credit on the spot at another store. At the  
21 same time that there be a fair bargain, that there  
22 actually be a meeting of the minds and everybody  
23 know what they're getting into.

24 And so I think your suggestion  
25 building on the report I did two years ago is very

1  
2 important. I have a few questions on it. Do you  
3 think that it's preempted at all by state law?

4 COMMISSIONER MINTZ: No. I'm told  
5 by my General Counsel that if I ever admit to  
6 preemption I have to pay her a quarter, so I...  
7 No, the legislation that we've outlined, I think  
8 works in concert with state legislation and  
9 provides for local enforcement.

10 You know, with all due respect to  
11 the state law as it exists or as it might change  
12 and with a huge amount of respect to disclosure,  
13 the bottom line really on consumer protection here  
14 within existing law is how do you hold stores  
15 accountable on this issue of the price? Our  
16 legislation, which I believe would work perfectly  
17 in concert with state legislation, our suggestion,  
18 would allow for the stores to be held responsible  
19 for keeping contemporaneous records that they then  
20 have to produce upon demand that show that that  
21 price was reasonable at the time. By making  
22 enforcement easier and keeping it local, we can  
23 get it done.

24 COUNCIL MEMBER GIOIA: I, as well,  
25 was heartened to hear Assemblywoman Pheffer in her

1  
2 testimony, for too long Albany has been, they've  
3 been gridlock with the two houses being in hand of  
4 different parties with extraordinarily different  
5 values and views on many issues, particularly  
6 issues concerning consumers. My hope is, is that  
7 logjam will now be broken and we will be able to  
8 pass progressive legislation in Albany that  
9 actually protects consumers.

10 That being said, waiting for Albany  
11 to act, you know, someone who's like waiting for  
12 Godot, I mean you just wait and wait and nothing  
13 ever happens, and so I think we should act, and  
14 act quickly and be at the vanguard of this so that  
15 Albany can maybe take a cue from us, but also more  
16 importantly, I think when New York City gets  
17 something right, we become the example for the  
18 entire country and the world, we are on the  
19 tipping point. So my hope is working with Council  
20 Member Comrie and Council Member Seabrook, that we  
21 can actually--I've already requested legislation  
22 on your suggestions and so my hope is that we can  
23 move this legislation through the Council, through  
24 this committee and through the Council  
25 expeditiously and have something for them to be



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2 working on up in Albany. So thank you very much.

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CHAIRPERSON COMRIE: I agree with the statements from Council Member Gioia and I want to thank Commissioner for being here and giving us the idea of how we can be more active on a local level to make sure that this happens. And I agree with the idea of trying to do our own legislation and the fact that we have led the country in many issues regarding consumer protection. And I know that you've been very proactive in making sure that there are opportunities for consumers to have knowledge and be armed with the information necessary to make good choices. Council Member James, you had a question?

COUNCIL MEMBER JAMES: I like the recommendation and I too have put in legislation as well.

The plain language, again, the notices that go out to consumers, it's very, very complicated, it's filled with legalese and filled with language that no one could understand. So we just need plain language, bold language, large print language that is absolutely critical and I'm

1  
2 confident that your legislation will include all  
3 of that. And I look forward to working with you  
4 as well. Thank you.

5 COMMISSIONER MINTZ: Thank you. I  
6 would just add if I could, I think you would agree  
7 based on your experiences that plain language  
8 coupled with the requirement that if a transaction  
9 is negotiated orally in one language, that the  
10 contract reflect that same language. Great.

11 CHAIRPERSON COMRIE: Council Member  
12 Barron?

13 COUNCIL MEMBER BARRON: I'm just  
14 intrigued by the idea of licensing. Right now,  
15 they are licensed by the state or they don't have  
16 any license at all?

17 COMMISSIONER MINTZ: They're not  
18 licensed--

19 COUNCIL MEMBER BARRON: No license.

20 COMMISSIONER MINTZ: --they're  
21 regulated by state law.

22 COUNCIL MEMBER BARRON: They're  
23 regulated without licensing.

24 COMMISSIONER MINTZ: Correct.

25 COUNCIL MEMBER BARRON: So the

1  
2 concept of requiring them to have licensing from  
3 the city would also--you'd be able to put in some  
4 regulations on what you must meet, standards you  
5 must meet to receive these licenses.

6 COMMISSIONER MINTZ: That's correct,  
7 and how to behave once [crosstalk]--

8 COUNCIL MEMBER BARRON:  
9 [Interposing] And how to behave once you receive  
10 the licensing. And if they don't receive it, will  
11 they not be able to operate?

12 COMMISSIONER MINTZ: That's the  
13 beauty of the licensing, exactly. If you want  
14 engage--

15 COUNCIL MEMBER BARRON: Now that's--

16 COMMISSIONER MINTZ: --in that  
17 activity, you need a license.

18 COUNCIL MEMBER BARRON: All right.  
19 I think that's good, a good idea--

20 COMMISSIONER MINTZ: I thought you'd  
21 like that.

22 COUNCIL MEMBER BARRON: --and I hope  
23 that that does go through, yes. Do you have it?  
24 No - -

25 CHAIRPERSON COMRIE: Okay. Sounds

1  
2 like we're all in agreement with the possibilities  
3 that you brought with you today. Clearly, you  
4 know, the idea here is to give consumers the tools  
5 that they can to make informed decisions that will  
6 make sure that they are not further in debt at the  
7 end of it and further in stress and, with your  
8 office of financial responsibility and the other  
9 things that you're doing, I'm sure that we'll work  
10 to bring all of these conceptual pieces of  
11 legislation together and hopefully have hearings  
12 before this spring, so we can get--before the  
13 summer, rather, I'm getting a head of myself  
14 seasonally.

15                   So I look forward to that  
16 happening, I look forward to again working with  
17 you as always. Thank you for staying and letting  
18 the Assembly Member speak and have the questions  
19 done. And, with that, Commissioner, unless you  
20 have anything else to add, I want to say thank you  
21 for being here this morning. Thank you.

22                   Next we have representatives from  
23 the industry, Xavier--I can't read this Dominos?

24                   MALE VOICE: Dominicis.

25                   CHAIRPERSON COMRIE: Dominicis, and

1

2 Dwight Dunbar from--

3 MALE VOICE: Dumler.

4 CHAIRPERSON COMRIE: --Dumler from  
5 Rent-A-Center and David ElBarras [phonetic].6 [Pause] And they're going to come and testify to  
7 us.8 I want to thank the industry  
9 representatives from--David Edwards.

10 FEMALE VOICE: From Aaron's.

11 CHAIRPERSON COMRIE: David Edwards  
12 from Aaron Rents [phonetic]. [Pause] This  
13 handwriting is technically challenging. [Pause]  
14 Okay.

15 [Pause]

16 MR. XAVIER DOMINICIS: Good morning,  
17 Chairman Comrie, Chairman Seabrook, [pause] oh--  
18 I'm sorry we failed to introduce one other person  
19 that's with us. Actually at the store level we  
20 have a district manager, Jimmy Orozco. I don't  
21 know if we've got a [pause]22 CHAIRPERSON COMRIE: Why don't you  
23 just have him fill out a card for the record? But  
24 he can sit--

25 [Crosstalk]

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CHAIRPERSON COMRIE: --he did?

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Okay. Okay.

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MR. DOMINICIS: Once again, good morning Chairman Comrie, Chairman Seabrook, Council Members, and Committee Members. I'm sitting here and I'm struck by the idea that there's really nothing more American than a spirited discussion.

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My name is Xavier Dominicis--

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MR. DOMINICIS: --I understand, I understand. My name is Xavier Dominicis, as vice president of public affairs for Rent-A-Center, I want to thank you for the opportunity to appear before these committees and offer testimony regarding Rent-A-Center and the rent-to-own industry.

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We deeply respect the Council's desire to provide consumer protection. I think we all agree the absence of adequate consumer protection is bad for both consumers and for business. No point could be a clearer given today's challenging consumer credit markets. Questionable business practice lead to mistrust,

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1  
2 which damages the reputations of both bad and good  
3 companies.

4 Rent-A-Center and the other members  
5 of the New York Rental Dealers Association have  
6 been, and wish to remain, part of the solution and  
7 not part of the problem. We are here in good  
8 faith--and I underscore the good faith--to provide  
9 the Council with information and perspective about  
10 rent-to-own.

11 The rent-to-own industry is often  
12 maligned, undeservedly in my mind. In part,  
13 because the transaction itself is misunderstood  
14 and in part because the industry hasn't done an  
15 effective job at telling its story. And what a  
16 story it is.

17 To help me put this issue in  
18 context, I'll begin by offering a brief overview  
19 of the rental purchase or rent-to-own  
20 transactions, and some facts about why consumers  
21 are drawn to it and a comparison of industry  
22 profits to profits of other industries.

23 Starting with the transaction  
24 itself, rent-to-own is a unique transaction  
25 allowing merchants to offer consumers brand-name,

1  
2 high-quality household durable goods--we're  
3 talking furniture, appliances, electronics, and  
4 computers--on a short-term rental basis, but with  
5 the option to purchase. The uniquely flexible  
6 transaction permits consumers to manage their  
7 household needs without the risks and burden of  
8 credit.

9                   Typically, customers are not  
10 obligated to rent beyond the initial term and can  
11 return the rented product at any time, without  
12 penalty and without further financial obligation.  
13 For example, a customer in New York City can rent  
14 a Whirlpool refrigerator for a weekly payment of  
15 around \$18 plus tax. For that single payment,  
16 we'll deliver the refrigerator and set it up in  
17 the customer's home. At the end of the week, if  
18 the customer doesn't want it anymore, we'll pick  
19 it up and nothing more is owed.

20                   The customer also has the option to  
21 continue renting after the initial rental period  
22 or after any renewal rental period. To do so,  
23 they simply pay an additional weekly, semimonthly,  
24 or monthly rental payment, whatever works for  
25 them. In addition, rent-to-own customers can



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2 purchase the rented property by making the total  
3 number of renewal payments clearly disclosed in  
4 agreement or by exercising an early purchase  
5 option, allowing them to pay a discounted amount  
6 of the cash price at any time. Most customers  
7 that choose ownership do so by exercising the  
8 early purchase option.

9           Perhaps more important than what  
10 rent-to-own is, is what it's not. It's not a  
11 credit transaction. It doesn't saddle consumers  
12 with an obligation that must either be paid,  
13 reduced to a court judgment, or discharged in  
14 bankruptcy. Instead, a rent-to-own customer can  
15 return the goods at any time without further  
16 obligation. Plus, under New York law, the  
17 customer is entitled to reinstate the agreement,  
18 depending on how much they paid, up to 180 days  
19 after returning the goods. This means they can  
20 get the same or similar product back without  
21 losing the value of the payments they've already  
22 made.

23           Not surprisingly, when family  
24 budgets get strained, we find that it's more  
25 likely that our customers will return a television

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2 than a dryer. This ability to make rational  
3 choices about daily wants and needs is what makes  
4 a transaction attractive to cash and credit  
5 constrained consumers.

6           So who are these customers you  
7 might ask. Clearly, the transactions appeal to  
8 consumers having short-term needs, such as  
9 itinerant workers, college students, or political  
10 campaign offices. These consumers use rent-to-own  
11 because we are the only merchants providing  
12 immediate access to household goods on such short-  
13 term notice.

14           As you know - - this transaction,  
15 is also frequently used by cash and credit  
16 constrained individuals and families. Our  
17 customers are everyday Americans that cannot  
18 simply write a check for the purchase price or  
19 hand over a credit card with no worries about  
20 paying off the balance.

21           Many rent-to-own customers are  
22 young families that have not yet established  
23 credit, others have poor or no credit. Rent-to-  
24 own allows them to acquire products many of us  
25 take for granted, like beds for your children, and

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2 washers and dryers so they don't spend weekends at  
3 the laundromat, dropping coins in the machines  
4 they'll never own, or computers so their children  
5 can compete in school, and, yes, at times big-  
6 screen TVs that some argue they shouldn't have if  
7 they can't pay for with cash.

8           Rent-to-own gives these customers  
9 the ability to manage their budgets, meet their  
10 needs, and deal with uncertain circumstances  
11 without the need or the burdens of credit. It  
12 makes their lives manageable. Our customers find  
13 rent-to-own to be a more efficient use of their  
14 time and their money than scouring garage sales,  
15 flea markets, and secondhand stores for used goods  
16 that may or may not be working a month later. If  
17 our customer comes across a neighbor or a friend  
18 with a sofa for sale at a good price, they can  
19 terminate their rent-to-own transaction, no  
20 questions asked, no hard feelings, no ill-effect  
21 on their credit. For cash and credit constrained  
22 customers, it is simply a much more realistic  
23 option than attempting to save for months to  
24 purchase everyday household goods they need today.

25           Shifting gears a bit, I'd like to

1  
2 address the question of profits. This is another  
3 area where misunderstanding exists. I often hear  
4 from people who assume there's an enormous margin  
5 in this sort of work or that consumers are  
6 overcharged. In fact, the margins are more modest  
7 than most people realize. A comparison of net  
8 earnings as a percentage of revenue for Rent-A-  
9 Center, Aaron's, Best Buy, Family Dollar, and  
10 Dollar General--all companies that either carry  
11 similar products or serve similar customers--shows  
12 that rent-to-own profits are in line with the  
13 other companies. Yes, rent-to-own cash prices are  
14 generally higher than retail prices, but the  
15 profits of publicly traded rent-to-own companies  
16 are clearly not excessive. In the interest of  
17 time, I'll direct you to the handout we provided  
18 for the exact profit margins, this will allow me  
19 to touch upon our workforce for a moment.

20           With more than 3,000 stores in the  
21 U.S., Rent-A-Center is the largest operator in the  
22 industry. Although we're based in Plano, Texas,  
23 the vast majority of our employees work in stores  
24 located throughout the U.S.--they work in suburban  
25 strip malls, on small-town main streets, and in

1  
2 urban sidewalk storefronts. In New York, we own  
3 and operate 178 stores, including 38 in the five  
4 boroughs. I'm proud to say we've been serving  
5 residents of New York since we opened our first  
6 store here some 30 years ago.

7           Throughout the years, our employees  
8 have reflected the racial and ethnic diversity of  
9 the communities we serve. Only about 5% of our  
10 New York City employees are non-Hispanic whites.  
11 The remaining 95% of our employees in New York  
12 City are minorities.

13           Regardless of ethnicity though,  
14 Rent-A-Center offers tremendous employment  
15 opportunity for the residents of the communities  
16 in which our stores are located. Generally, five  
17 to six coworkers staff each store. We promote  
18 from within, usually from the local employee  
19 population. A dedicated customer account  
20 representative has a realistic chance of advancing  
21 to a management position. Indeed, our CEO, Mark  
22 Speese, started as an account manager in Detroit  
23 in the late 70s. He was unloading trucks,  
24 cleaning the showroom, delivering and setting up  
25 furniture, and calling the customers. Today, he's

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calling the shots.

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Our non-manager positions are all full time and pay solid wages, from a little over \$11 an hour to a little over \$15 an hour. In addition, all employees are eligible for group health insurance, disability insurance, life insurance, and a 401(k) investment plan with a company match.

Store managers are earning in the 50,000 range, plus bonus; district managers are earning in the 80s, plus bonus.

Next I'd like to touch briefly on the locations of our store. There's information in the handout describing with specificity the markets we're in, but in a nutshell, I think what you'll see is that we locate our stores where our services are needed--we want to be convenient to our clients. As for how many of Rent-A-Center's rental agreements result in the customer acquiring ownership, it's about 25%. Consistent with the nature of a rental relationship, most customers return the merchandise, but when the customers acquire ownership, they use the discounted early purchase option nearly 80% of the time. Only 20%

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2 of those customers pay the full rent-to-own price.

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Customers use rent-to-own in a rational and thoughtful way. Necessities like dryers and keepsake items like china cabinets stay with customers longer than items customers may want, but don't necessarily need, like an HD television. The purchasing characteristics of rent-to-own customers show that most people that purchased the product used a discounted early purchase option--they rent until they've saved enough money to pay the balance. For these customers, rent-to-own makes more sense than loading up a credit card and making minimum payment for years.

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Speaking of payments, it's worth noting that rent-to-own dealers pay more for products than mega-retailers. When acquiring inventory, large retailers like Best Buy and Wal-Mart pay wholesale prices that rent-to-own dealers can't match. In some cases, these mega-retailers sell products for less than a Rent-A-Center can purchase at wholesale.

24

25

Leaving aside the purchasing power advantages of Best Buy or Wal-Mart over Rent-A-

2 Center, the more important point is that we're not  
3 in the same business--rent-to-own is a service  
4 business--I repeat it's a service business.

5 Accordingly, the largest cost component in a rent-  
6 to-own company's income statement is wages. In  
7 contrast, in traditional retail, which is  
8 primarily a product sales business, the largest  
9 cost component is product--product cost.

10 The flexibility and additional  
11 services that come with a rent-to-own transaction  
12 are labor-intensive. Delivering, setting up, and  
13 later picking up the HD television roughly seven  
14 times over the course of its rental life requires  
15 employees and trucks. Successful rent-to-own  
16 stores need to be located in the neighborhoods  
17 they serve, so local storefronts must be rented.

18 The substantial difference in  
19 business models means we cannot charge a Best Buy  
20 price.

21 In its 2000 survey of rent-to-own  
22 customers, the FTC made the point that before  
23 regulating rent-to-own, careful consideration must  
24 be given to the differences between rent-to-own  
25 and other transactions. The FTC also noted that



1  
2 most rent-to-own customers are satisfied. I  
3 repeat, the FTC noted that most rent-to-own  
4 customers are satisfied, suggesting that the  
5 service meets consumer needs.

6 As you work through this important  
7 issue, we urge you to fairly and carefully  
8 consider the significant differences between rent-  
9 to-own and traditional retail. This industry's  
10 record of customer satisfaction is perhaps the  
11 strongest indication that customers find  
12 considerable value in the flexibility and service  
13 it provides--features that cannot be found in a  
14 traditional retail purchase transaction.

15 Lastly, as an active member of the  
16 New York city communities we serve, Rent-A-Center  
17 regularly supports local and national charities  
18 serving the five boroughs. For your perusal,  
19 there's a summary of a recent giving in Exhibit A  
20 of the handout. In addition, our store and  
21 districts managers are empowered to support local  
22 groups and community events and regularly provide  
23 furniture, electronics, and appliances at no  
24 charge to churches and community centers. In  
25 fact, during the presidential inauguration,

1  
2 several of our stores provided big screen TVs to  
3 community centers so that citizens of these  
4 communities could share and participate in this  
5 historic event.

6 We are proud to be a part of New  
7 York City and plan to continue to find new ways to  
8 create employment here and support community  
9 service initiatives. Above all, we want to  
10 continue to provide consumers with the household  
11 appliances, furnishings, and electronics they want  
12 through our flexible and transparent transactions.

13 We look forward to working with the  
14 members of the Consumer Affairs and Civil Rights  
15 committees to allay any concerns you may have,  
16 where necessary, find solutions that benefit New  
17 Yorkers while keeping access to this important  
18 consumer service readily available. It is worth  
19 repeating, we have been and intend to remain a  
20 part of the solution. If I may be of any further  
21 assistance to the committees, please don't  
22 hesitate to call upon me.

23 I'd like to, if I may, turn it over  
24 to Jimmy Orozco, who is a district manager, I  
25 think that his input is very important because

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Jimmy is someone who's in the stores day to day, understands the dynamics and, frankly, understands the warmth that exists with our consumers, for whom we are making life more manageable. So, with the Chairman's permission, may I... Jimmy?

CHAIRPERSON COMRIE: Go ahead, can bring the mic.

- -

CHAIRPERSON COMRIE: Can slide it over, you don't have to exchange chairs.

MR. JIMMY OROZCO: No, that's all right.

[Pause]

CHAIRPERSON COMRIE: Oh - - we forgot to introduce the kids from the school, they came and they left, huh? Oh, geeze - - walked out the room, I'll apologize to the school in its abstentia. Go ahead, sir.

MR. OROZCO: Good morning, Council Members. Thank you for letting me be here today, my name is Jimmy Orozco, I represent six stores out of the nine in the Bronx.

I've been working with Rent-A-Center for almost six years and, in that time, I

1  
2 have seen and experienced Rent-A-Center's  
3 commitment to the community. We've been a part of  
4 the Big Brother, Big Sisters for years, we are  
5 sponsors to the Special Olympics, we participated  
6 in Harlem week, we donated furniture to Harlem  
7 Hospital, fire departments, the Greenberg houses  
8 and the Mayflower houses. We also donated  
9 scholarships for schools and we're affiliated with  
10 the Boys and Girls Club.

11 I was personally involved with the  
12 Greenberg and Mayflower houses. we donated  
13 furniture to these two homes that housed  
14 individuals with special needs and mental  
15 illnesses. We interacted with the tenants and it  
16 was a great experience to see the looks on their  
17 faces when they saw the new merchandise. To see  
18 that, it brought tears to the eyes and smiles to  
19 the faces of the people in charge meant a lot to  
20 me.

21 On a more personal level, I can  
22 relate to what our customers and employees  
23 experience on a day-to-day basis. I grew up in  
24 the not so nice streets of Spanish Harlem. My dad  
25 died when I was 10, my mom struggled with three

1  
2 children, and we had a three-bedroom apartment  
3 that housed the four of us, my grandmother,  
4 grandfather, aunt, and her boyfriend. We didn't  
5 have many nice things unless income tax season  
6 came along. Christmas was possible because my mom  
7 worked two jobs, and they were all day long. I  
8 was 16 years old and I shared a room with my 14-  
9 year-old brother on bunk beds. I had the bottom  
10 bunk and half of it was collapsed. It had been  
11 that way for over a year. We had a grey section  
12 in the living room and the middle piece was  
13 broken--that had been that way for over a year.  
14 There was a time where we had a washing machine  
15 that was broken and we all had to chip in and was,  
16 you know, our clothes with our bare hands. That's  
17 what I saw growing up, that's what I was a part  
18 of, I'm not the only one, and I'm not going to be  
19 the last.

20 My sister is 25 years old with  
21 three kids, a husband in jail, and it wasn't until  
22 last year that she finally stopped sleeping on the  
23 bed with broken frames and a box spring.

24 This is what motivates me every  
25 day. Knowing that we can prevent that from

1  
2 happening to everyone else. If there would have  
3 been a Rent-A-Center in my area when I was growing  
4 up, I know we could've had nicer things. With  
5 three kids and bills to pay, my mom never had  
6 money to buy new furniture. The option of getting  
7 new bunk beds, a washer, or a couch without credit  
8 with just a one-week payment would have been  
9 great.

10 When we walk into a home while  
11 we're doing a delivery and we see the furniture  
12 being thrown out compared to what we're bringing  
13 in, it feels good knowing we're helping them live  
14 better. We have developed relationships with our  
15 customers like no one else can. They're coming  
16 weekly, biweekly, or monthly. We call each other  
17 by first names; we know their children; we know  
18 they're sick; if they went away, where they went;  
19 if they had a good time; baby showers; weddings;  
20 birthdays; you name it, we know it. And we help  
21 as much as we can when our customers need us. We  
22 create a family atmosphere that no other retail  
23 location possibly can.

24 We've got families renting out of  
25 the same store--brothers, sisters, moms,

1  
2 daughters--all in the same store with their own  
3 accounts and separate addresses. We provide  
4 laughter in our stores and a family atmosphere  
5 that makes us a customer's second home and an  
6 employee's second home as well.

7           With no obligation, a customer can  
8 fall into hard times and return the merchandise  
9 without owing us anything at all. Because we  
10 offer lifetime reinstatement, they can come back  
11 later after the 180 days and start where they left  
12 off, they lose no money, we want to help them  
13 finish what they started. When we see a customer  
14 has put a lot of money into account and is having  
15 financial difficulties, we offer them a cheaper  
16 buyout price. If that customer doesn't have any  
17 form of making payments at all, we've gone as far  
18 as buying out an account for a penny for that  
19 customer.

20           When I walk into a store and see  
21 merchandise that isn't rentable anymore, has been  
22 in the store too long, we either raffle it off to  
23 customers or give it away to nearby businesses,  
24 like we've done in my White Plains Road location  
25 or 3rd Avenue locations.

1  
2                   Where else can a customer go when  
3 their refrigerator, bunk bed, washer, or TV goes  
4 out overnight? We'll be there that same day to  
5 fill that void. No one else will, and no one else  
6 can for less. It's at this time of year that  
7 people need us the most with the holidays just  
8 passing and these are the times where we help  
9 most.

10                   And when it comes to helping one  
11 customer comes to mind. I was in the White Plains  
12 Road store and it was a Friday night, we don't do  
13 deliveries on Saturdays and this customer came in  
14 and her biggest concern was that Monday morning  
15 she had Children Services coming to her house and  
16 she had no furniture. She needed two bunk beds,  
17 and she was also worried about the fact whether  
18 she can afford them or not. I made sure that I  
19 put down the price to where she could afford those  
20 bunk beds, we made that Saturday delivery, and  
21 come Monday morning, everything went well. This  
22 is what we do.

23                   From an employee standpoint, when  
24 it comes to opportunities--I dropped out of school  
25 in 10th grade, I had a baby at the age of 20. I



1  
2 struggled with a GED, I worked in supermarkets,  
3 delis, and as a helper to a contractor--none of  
4 which could help me save my family with the proper  
5 support. Rents, a child, and a stay-at-home mom  
6 at minimum wage will not cut it. Unfortunately,  
7 my family and I were torn apart due to financial  
8 instability. Six years ago I began at Rent-A-  
9 Center and, with just a GED, I was able to become  
10 a manager within two years. The starting salary  
11 is 11.35 an hour, so even if you do not become a  
12 manager, you do not have to live a minimum-wage  
13 life. There I was, a 24-year-old manager with  
14 just a GED, no formal training in anything, and I  
15 was making more than \$50,000 a year before  
16 bonuses. I became a district manager at the age  
17 of 26, Rent-A-Center didn't discriminate on my  
18 age, the fact that I'm Hispanic, my schooling, or  
19 length of time with the company. Thanks to Rent-  
20 A-Center, I no longer have issues making rent or  
21 providing for my son. My mom, my brother, my  
22 sister all rely me for help when they need it with  
23 their kids and bills due to the fact that I'm the  
24 primary breadwinner. I'm engaged to be married in  
25 a nice ceremony this year in May and I'm looking

1  
2 to start a family with her because I know this  
3 time I can. I went from my lunch being two slices  
4 of bread, one slice of cheese, and one slice of  
5 ham with a bottle of sink water to where I am now  
6 thanks to this company.

7           So Rent-A-Center is not just an  
8 option for employees, it's an option for  
9 customers, it's an opportunity. What you may not  
10 realize is that if Rent-A-Center were to be  
11 regulated in New York, some stores will be forced  
12 to close down. Due to high rents and taxes, along  
13 with tickets and other expenses we have to endure  
14 in the city, we would not be able to afford  
15 staying in business. Being that rent and  
16 everything else in New York always go up, it would  
17 only be a matter of time before we went out of  
18 business completely in New York. In the process,  
19 people would obviously lose their jobs and be  
20 added to the outrageous number of unemployed  
21 people out there. With the economy the way it is  
22 and these retail stores closing left and right,  
23 Rent-A-Center has not been affected instead, we  
24 are looking to hire those employees that have  
25 families at home they need to support. We were

1  
2 one of few companies that didn't need to lay  
3 anyone off during the 9/11 period. We create an  
4 opportunity like no other for both customers and  
5 employee. So many of us come from the same  
6 neighborhoods our stores are located in, I've seen  
7 time and time again that we were able to save a  
8 life by giving someone an opportunity at a good  
9 paying stable job. At the end of it all,  
10 regulating rent-to-own in New York would defeat  
11 the purpose and create an bigger problem for the  
12 economy and everyone's way of life. Jobs will be  
13 lost and that doesn't help the economy. If a  
14 person does find a job, it will most likely be a  
15 huge pay cut or they will turn to the streets.  
16 Stores will be closed until there are no more and  
17 customers will no longer have the option of  
18 renting to own. Instead, they will have to live  
19 with their broken furniture and live embarrassed  
20 to have people over or they will spend every penny  
21 they have to buy something which will then hurt  
22 them in other areas. By then it would be too late  
23 to wonder why such a good option for customers,  
24 employees, and the community was regulated knowing  
25 it would lead to their extinction. Just imagine

1  
2 the toll this would have on everyone's personal  
3 lives. Rent-A-Center helps customers, employees,  
4 and the community. This is the land of  
5 opportunity and there aren't too many companies  
6 out there that are better than us when it comes to  
7 opportunities. I ask that this isn't taken away  
8 from me, my family, or anyone else's.

9 Thank you, Council Members, for  
10 taking the time out to hear me. I hope you can  
11 find it in you to put yourself in my shoes. We  
12 are one of the only companies that can help the  
13 unemployment situation, the credit situation  
14 because we don't use credit, and the community  
15 altogether. Let's work together to fix this  
16 economy, not make it worse. I urge you and your  
17 colleagues in the Civil Rights and Consumer  
18 Affairs Committee to vote against the proposed  
19 resolution. Thank you for your time and  
20 consideration.

21 CHAIRPERSON COMRIE: I want to note  
22 that we've been joined by a school, I didn't get  
23 the name or the location of the school, but looks  
24 like an elementary school and what school are you  
25 from? Madame teacher or hello, anybody?

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CHAIRPERSON COMRIE: From what

4

borough?

5

FEMALE VOICE: The Bronx.

6

CHAIRPERSON COMRIE: The Bronx? All

7

right. PS 182 from the Bronx is here, I just want

8

to welcome you to City Hall. I am Leroy Comrie,

9

together with Council Member Larry Seabrook, we

10

are co-chairing a meeting regarding the Rent-A-

11

Centers and I'm sure there's a Rent-A-Center near

12

you, so hope you can learn a little bit about

13

consumer protection, and my members are jumping at

14

dealing with the testimony.

15

Was there any other person from

16

your team that was going to say anything right

17

now? Well actually, you know, I think we want to

18

do questions first from the first two people that

19

spoke. Oh, Dave, are you getting ready to

20

testify. Are you, David?

21

MR. DAVID EDWARDS: Yes, sir.

22

CHAIRPERSON COMRIE: Okay. Well

23

we'll let you testify first then.

24

MR. EDWARDS: Okay.

25

CHAIRPERSON COMRIE: Go ahead.

1  
2 MR. EDWARDS: Thank you. My name is  
3 Dave Edwards, I'm the president of the New York  
4 Rental Dealers Association.

5 Good morning. On behalf of the  
6 members of the New York Rental Dealers  
7 Association, thank you for the opportunity to  
8 appear before these prestigious committees. I've  
9 been in the rent-to-own industry for almost 19  
10 years. I started in inner-city Baltimore,  
11 delivering merchandise to customers. I've been an  
12 account representative, assistant manager, store  
13 manager, district manager, and, as a franchisee in  
14 this business, a small business owner.

15 It's an honor to speak on behalf of  
16 an industry that I believe in deeply. I believe  
17 in our industry's commitment to deliver quality  
18 products and I believe in our industry's  
19 commitment to deliver exceptional service to our  
20 customer base.

21 The New York Rental dealers  
22 Association represents approximately 342 rent-to-  
23 own stores with over 2,000 employees operating in  
24 New York state. Our association is a statewide  
25 advocate for rent-to-own companies. We are

1  
2 committed to promoting and maintaining a  
3 competitive industry for our members across the  
4 Empire State. The \$6.8 billion rent-to-own  
5 industry emerged in the 1960s in response to a  
6 growing consumer need for acquiring the use of  
7 household products without incurring debt or  
8 jeopardizing the family's credit. In 2007, there  
9 were approximately 8,000 rent-to-own stores in the  
10 United States. Many of the 342 New York stores  
11 are owned and operated by publicly traded multi-  
12 state companies like Rent-A-Center. But others  
13 are small businesses, mom-and-pop operations. For  
14 example, in our state association, the New York  
15 Rental Dealers Association, 14 members operate  
16 only one New York store; an additional six members  
17 operate from two to seven stores in the state.  
18 Small, independent dealers can enter and survive  
19 in this industry because of the relatively low  
20 barriers to entry noted by the Federal Trade  
21 Commission in its 2000 survey of rent-to-own  
22 customers, provided they are able to price their  
23 products appropriately.

24 In today's environment of big-box  
25 stores that dominate the retail industry, however,

1  
2 the rent-to-own industry's 6.8 billion in revenue  
3 is relatively small. While discount electronics  
4 retailer Best Buy reported 40 billion in revenue  
5 in 2007, Rent-A-Center, the largest organization  
6 in our industry had total 2007 revenue of 2.9  
7 billion.

8 Cash price restrictions could have  
9 a negative impact on competition as pointed out by  
10 the Federal Trade Commission in its 2000 survey of  
11 rent-to-own customers. An additional  
12 consideration raised by possible price  
13 restrictions is the potential impact on the  
14 availability of rent-to-own transactions. The  
15 implicit assumption underlying both the criticism  
16 of rent-to-own prices and the advocacy of price  
17 restrictions is that rent-to-own dealers are  
18 making exorbitant profits by charging prices far  
19 in excess of the cost of doing business. If this  
20 is assumption is accurate, effective price  
21 restrictions could reduce an industry profits to a  
22 more normal competitive level, but if rent-to-own  
23 dealers are not making exorbitant profits but  
24 simply are charging prices that reflect the cost  
25 and risk of doing business, then effective price



1  
2 restrictions could prevent dealers from covering  
3 their costs, making rent-to-own transactions  
4 unprofitable and reducing the availability of  
5 rent-to-own transactions for consumers who wish to  
6 use them.

7           This issue should be considered  
8 carefully if price restrictions are contemplated.  
9 The evidence suggests that price restrictions do  
10 just what the FTC feared--restrict consumer  
11 access. In addition, price restrictions favor  
12 companies like Rent-A-Center that benefit from the  
13 marginal cost advantages resulting from the  
14 economies of scale larger operations enjoy.  
15 Indeed, in states in which cash price is  
16 restricted, Rent-A-Center garners a noticeably  
17 larger share of the market over its 38% nationwide  
18 market share average. In 2007, in West Virginia,  
19 the state with the most restrictive cash price  
20 limitations, Rent-A-Center operated 33 of the 47  
21 stores, a 70.2% market share. In Hawaii and  
22 Maine, where cash price limits are less onerous,  
23 Rent-A-Center's 2007 market share was 44% and  
24 52.2% respectively. California provides an  
25 important snapshot relevant to the potential

1  
2 negative influence on consumer access. In 2007,  
3 California imposed new lower cash price limits.  
4 At the end of 2006, Rent-A-Center operated 147 of  
5 the estimated 525 stores in that state, a 28%  
6 market share. By the end of 2007, although Rent-  
7 A-Center's California store count had jumped 139  
8 and Aaron's had held steady at 57, Rent-A-Center's  
9 market share increased to 31.8%. The increase in  
10 market share was caused by independent businesses  
11 simply dropping out. The store count in  
12 California had dropped to 437 by the end of 2007,  
13 that means that 80 stores owned by independent  
14 dealers no longer existed as a result of cash  
15 price controls.

16 Rent-to-own customers come from all  
17 walks of life. They desire consumer durable goods  
18 in their homes without the long-term financial  
19 obligations associated with credit sales. What  
20 distinguishes rent-to-own from a retail credit  
21 sale is the term rent. In a rental transaction,  
22 there is no interest charge to consumers and no  
23 credit or background checks involved--all we ask  
24 for is name, address, source of income, and a few  
25 personal references. Customers can return the

1  
2 merchandise at any time without incurring fees or  
3 penalties. This no-obligation, no-debt feature is  
4 one of the cornerstones of rental purchase. It's  
5 easy, it's safe, and it's hassle-free. Our  
6 transaction is unlike a traditional retail sale or  
7 a credit transaction. Inherent in our transaction  
8 is our requirement to form a positive relationship  
9 with our customers. With each renewal payment  
10 that a customer makes, they are reaffirming their  
11 decision to do business with us. I know of no  
12 other transaction where the customer has the  
13 opportunity to quit doing business with an  
14 organization as frequently as our customers do.  
15 Our customers get the chance to vote us out of  
16 office on a weekly basis if we don't do what we  
17 say we're going to do.

18           What I would like to reinforce to  
19 the committee is that the average rental agreement  
20 for our merchandise is approximately three months.  
21 It is less likely that a customer will rent the  
22 merchandise and make all of the payments until he  
23 or she owns it.

24           Our members adhere to a very strict  
25 code of ethics, which in part can be attributed to

1  
2 the existing state legislation that stringently  
3 regulates our industry. Our members are  
4 encouraged to promote open and honest  
5 communication among themselves, our customers,  
6 vendors, and the community. We provide high  
7 quality merchandise and exceptional service to our  
8 customers and to the communities in which we live  
9 and work. We treat employees and customers as we  
10 would want to be treated, with the respect that  
11 they want and deserve.

12 Like any industry that provides  
13 goods and services to millions of customers  
14 annually, there are times when we receive customer  
15 complaints. We treat any customer complaint very  
16 seriously. We uphold and improve the integrity of  
17 the industry by affirmations of truth and fairness  
18 by building goodwill and by providing beneficial  
19 goods and services to customers and others  
20 concerned with the industry, including elected  
21 officials. We provide and maintain a clean and  
22 orderly place of business that is inviting to our  
23 customers. We provide high quality merchandise  
24 for our customers. We promote the purpose and  
25 effectiveness of the rental industry by any and

1  
2 all means consistent with the public interest.

3 All of our members adhere to the  
4 collection practices set forth in the Fair Debt  
5 Collection Practices Act. Because the rent-to-own  
6 agreement is only valid for the payment at hand,  
7 the customer has the capacity to change the  
8 payment frequency from payment to payment. The  
9 customer is never obligated to make the next  
10 payment and can return the product at any time for  
11 any reason. This payment flexibility and no  
12 obligation is one of the cornerstones of the rent-  
13 to-own industry and its popularity with millions  
14 of customers.

15 Competition in the marketplace has  
16 resulted in many more payment options for the  
17 rent-to-own customer. Many companies are offering  
18 reduced rental agreement ownership options that  
19 are lowering the total cost of ownership for our  
20 customers and, again, the customer chooses the  
21 payment options and can change it at any time.

22 At the end of each rental period,  
23 the customer can terminate the agreement without  
24 any cost or obligation or the customer can renew  
25 the agreement by making another renewal payment.

1  
2 The customer can also execute an early purchase  
3 option to obtain ownership of the product. Full  
4 service parts and labor are included in a rental  
5 agreement, often at no additional charge.

6 Typically, if a rent-to-own dealer is unable to  
7 repair the rented item in the customer's home,  
8 they will provide them a replacement product for  
9 their use until the original item is repaired--  
10 again, there is no additional cost to the  
11 consumer. Rent-to-own companies provide delivery  
12 and installation of the rented product in the  
13 customer's home at no extra cost or delivery fee.

14 The bottom line is that the  
15 majority of rent-to-own customers are hard-working  
16 Americans earning a weekly paycheck. Our  
17 customers include students, in transit families,  
18 and military personnel. What all customers have  
19 in common is that they have immediate needs for  
20 consumer household durable goods, but either do  
21 not want, or cannot accept, long-term obligations.  
22 They are hard-working, honest people, who  
23 thoroughly understand the rent-to-own transaction,  
24 to insinuate otherwise is insulting their  
25 intelligence. If they did not want to rent our

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merchandise, then they would not.

Finally, our stores are an integral part of the local communities in which we serve. Our employees work and live in the communities and neighborhoods where our stores are located. There are many rent-to-own employees that were and, in some instances, remain customers. We continuously give back to the communities we serve, whether it is a financial donation to a local church or food bank or, as some of our rent-to-own proprietors recently did, donating televisions to community and government groups to watch the historic inauguration of President Barack Obama.

Rent-to-own stores serve an important function to the everyday lives of millions of New York State residents. We are extremely proud of our industry; we are proud of the goods and services that we provide; we are proud of the way that we give back our communities; and we are proud of the relationships we establish with our customers, we get to know them, we get to know their families, we become a part of their lives and often help them through difficult times. We believe strongly in our

1 industry, but we know it is an industry that is  
2 largely misunderstood.

3  
4 Again, thank you for the  
5 opportunity to appear before your committee today.

6 CHAIRPERSON COMRIE: Thank you. Are  
7 there any--please be quiet in the hearing room.

8 SERGEANT-AT-ARMS: Quiet--

9 CHAIRPERSON COMRIE: Any other  
10 testimony? No? Okay. Council Member Seabrook.

11 CHAIRPERSON SEABROOK: Thank you  
12 very much, Mr. Chairman. I just have a couple of  
13 questions, the young man raised the issue about  
14 his employment and I think that's a fantastic  
15 thing in pulling yourself up by your bootstraps.  
16 When you talk about the level of poverty that your  
17 family had in existence and that's good and you  
18 got a store in my district on White Plains Road.  
19 And, just a question, do any of your family  
20 members use Rent-A-Center?

21 MR. OROZCO: Not right now, no.

22 CHAIRPERSON SEABROOK: Do you?

23 MR. OROZCO: No.

24 CHAIRPERSON SEABROOK: So nobody in  
25 your family--everybody still poor, Rent-A-Center



1  
2 didn't take everybody out of poverty, but nobody  
3 in your family who's poor use Rent-A-Centers ever?

4 MR. OROZCO: No.

5 CHAIRPERSON SEABROOK: Oh. It's  
6 like the guy that goes to the restaurant and then  
7 I say, how's the food, he says great, but I don't  
8 eat there. But anyway, it's just a question and  
9 concerned that I have is that the number of people  
10 that is there, and you talked about the  
11 regulations, why being unregulated is a bad thing?

12 MR. OROZCO: In New York City, the  
13 expenses are a lot higher than other states, and I  
14 believe that if we were regulated here, that would  
15 force a lot of stores to close. The rents are  
16 high and they're always going up, the taxes, the  
17 tickets.

18 CHAIRPERSON SEABROOK: You pay taxes  
19 now.

20 MR. OROZCO: They pay taxes in the  
21 stores, yeah, but the rent [crosstalk]--

22 CHAIRPERSON SEABROOK: [Interposing]  
23 Yeah, you pay taxes right now. The amount of  
24 money that people go in and they make a purchase--  
25 rent, they rent the service that they come in--

1  
2 MR. OROZCO: [Interposing] Rent-to-  
3 own.

4 CHAIRPERSON SEABROOK: --to you and  
5 they rent and they pay more during the period of  
6 the rental because they don't own it, they're just  
7 renting. And so how does regulating that--it's  
8 the same percentage--I don't understand the loss.  
9 I'm trying to figure out where is the loss? How  
10 do you lose if you're following the rules?

11 MR. DOMINICIS: Let me--Mr.  
12 Chairman, if I may, Dwight Dumler, who's with us,  
13 is probably a little more conversant in the  
14 regulatory side of things and can address that.

15 CHAIRPERSON SEABROOK: Okay.

16 MR. DWIGHT DUMLER: Well first New  
17 York does have a Rental Purchase Agreement Act and  
18 we are regulated. I think Mr. Edwards' testimony  
19 touched on some of the problems that arise when  
20 you over-regulate. So we are regulated, but the  
21 question here is how much regulation is  
22 appropriate.

23 When cash prices are restricted,  
24 what Mr. Edwards' testimony showed is that there  
25 appears to be a limitation on the access. So

1  
2 regulation, we believe regulation is a good thing,  
3 in fact, we have sought appropriate regulation.  
4 Where we have concerns is when the industry is  
5 overregulated it's going to limit access and limit  
6 competitors in the business.

7 CHAIRPERSON SEABROOK: What do you  
8 call overregulation in this case [crosstalk]--

9 MR. DUMLER: Well, I think the  
10 evidence about cash prices and what has happened  
11 in markets where cash price restrictions exist  
12 suggests that there's a point at which regulation  
13 of cash prices cuts into access, just as the FTC  
14 said in its study.

15 CHAIRPERSON SEABROOK: Well in New  
16 York state, criminality exists when you reach the  
17 level of 25% in terms of usury. And you're over  
18 that rate now.

19 MR. DUMLER: Well, no, we're not  
20 because we're not a transaction that applies to  
21 the usury.

22 CHAIRPERSON SEABROOK: No, no, but  
23 if you were transacting that, it would be over  
24 that rate. I'm not saying that you're regulated  
25 in terms of usury, but the percentages in which

1  
2 you have, if you were regulated, it would be over  
3 the usury rate in this state.

4 MR. DUMLER: If you leave aside and  
5 disregard, the additional--the ability to  
6 terminate, which is an important distinction in--

7 CHAIRPERSON SEABROOK: [Interposing]  
8 No, I'm saying - -

9 MR. DUMLER: --and the services that  
10 are provided if you--and also the delivery and set  
11 up being free, if you leave that all aside and  
12 just say look at the cash price and then what they  
13 might pay for it, it would be more than 25% over  
14 in most instances, yes.

15 CHAIRPERSON SEABROOK: Right, so  
16 what I'm saying that the level of regulation in  
17 terms of--you got a credit card?

18 MR. DUMLER: Pardon?

19 CHAIRPERSON SEABROOK: You own a  
20 credit card?

21 MR. DUMLER: I have a credit card,  
22 yes.

23 CHAIRPERSON SEABROOK: Right, and so  
24 there are levels of regulation and that you would  
25 decide that if it reached a certain point, you

1  
2 would decide not to use that credit card, because  
3 you're not going to allow them to go a certain  
4 amounts because you understand, as he said, that  
5 these are educated people that understand about  
6 this procedure that takes place. So you wouldn't  
7 allow usury to happen. If it went 25, 30%, you'd  
8 say get rid of that card, wouldn't you? I'm just  
9 saying.

10 MR. DUMLER: Well, you know, I  
11 haven't looked at the rates on them, frankly, in a  
12 while, so I would have to... You know, I don't  
13 think in most cases, we pay ours off month-to-  
14 month, we seldom carry a balance.

15 CHAIRPERSON SEABROOK: No, what I'm  
16 just saying that if someone told you that your  
17 credit card range is now 30% and at some point you  
18 looked and said wait--

19 MR. DUMLER: Well, okay--

20 CHAIRPERSON SEABROOK: --I got to  
21 get rid of that card.

22 MR. DUMLER: --I understand, yes.

23 CHAIRPERSON SEABROOK: That's all  
24 [crosstalk]--

25 MR. DUMLER: I would look for more

1  
2 competitive card.

3 CHAIRPERSON SEABROOK: So therefore  
4 the level of regulations that we're saying to do  
5 business that if a taxi driver was outside and he  
6 says I'm going to charge you \$20 when you get in  
7 this car because, guess what, I own the taxi, and  
8 we says, no, man, you're going to regulate it and  
9 we're going to have it that this is the starting  
10 point for everybody and these are the rules that  
11 everybody have to abide by. It doesn't stop the  
12 taxis from running, they have to understanding  
13 that the level of regulations and they're still in  
14 business. People aren't saying put Rent-A-  
15 Center's out of business, people are saying let's  
16 regulate this sort of people who are basically not  
17 being preyed upon, have an opportunity--when you  
18 look at it \$25,000 is the salaries in which these  
19 people at; 70% high school or less--or less, so  
20 they're not reading and we went to law school, so  
21 we can read contracts. They can't read contracts  
22 and go through all of these things, but they're  
23 signing away with the understanding that they  
24 actually think that they're owning and not  
25 renting. They actually think they own this

1  
2 because they're paying towards it and then, you  
3 know what, the level of consciousness of what they  
4 have, they'll put so much money in, they don't  
5 want to leave because they believe that they own  
6 it.

7           And so I think that--so what we're  
8 trying to look at here is how--'cause I'm a little  
9 confused, I never thought about this Rent-A-Center  
10 thing, I never had involved in it, so I didn't  
11 know anything about it and then I looked around  
12 and they were in the district and so I said well,  
13 what is this, because I never thought about  
14 renting any furniture from anybody you know what  
15 I'm saying. But now I'm trying to understand this  
16 and it doesn't seem to flow when the amount--I  
17 mean the state says, you have reached a level of  
18 criminality when you have gone beyond 25%--it's  
19 usury, that's criminal, that's not a civil  
20 penalty, that's putting you in jail. So what I'm  
21 saying is, this is beyond and why are people have  
22 a problem with being regulated, how does it hurt  
23 your business? Nobody's told me how it hurts your  
24 business yet.

25           MR. DUMLER: Well, it would

1  
2 literally at 25% cap over the cash price would put  
3 us out of business. The key distinction here is  
4 we're--

5 CHAIRPERSON SEABROOK: [Interposing]  
6 I didn't say that that was going to be, but I'm  
7 saying that they're not saying that this had to be  
8 regulated as to how you do this, and you heard the  
9 Commissioner, he talked about regulation, he said  
10 that this is what we'd like to do. Tell me how  
11 does that hurt your business?

12 MR. DUMLER: We believe appropriate  
13 regulation is good for industry--

14 CHAIRPERSON SEABROOK: Okay.

15 MR. DUMLER: --where I think we  
16 disagree is where is the level of appropriate  
17 regulation. The difference here when you compare  
18 to a credit card transaction is that this is not a  
19 credit transaction, you can terminate it any time.  
20 Everything would be different for credit cards if  
21 a person could go out and make a purchase and that  
22 at any point, say, you know what, I don't really  
23 want to pay that off.

24 CHAIRPERSON SEABROOK: [Interposing]  
25 The only difference is the word rent. The word



1

2 rent makes it a different transaction.

3

4 MR. DUMLER: Well, the ability to  
terminate makes it a different transaction.

5

CHAIRPERSON SEABROOK: Well, okay--

6

7 MR. DUMLER: Let's try to equate  
this--

8

9 CHAIRPERSON SEABROOK: --all right,  
okay, okay.

10

11 MR. DUMLER: --let's to equate this  
to a credit transaction let's say, you can take  
12 your credit card and you can go to Best Buy and  
13 you buy something on a credit card and then at  
14 some point later you decide, you know, I don't  
15 want that, I'm just going to take it back to Best  
16 Buy and I'm going to have the credit card company  
17 just eliminate the balance. That would  
18 fundamentally change that transaction. Our  
19 transaction can be terminated at any time and  
20 that's the fundamental difference between the two  
21 transactions and one of the reasons it is a much  
22 more expensive transaction to offer.

23

24 And if you look at--our profits are  
what they are, I mean we have to report to the SEC  
25 how under their rules what our profits are and our

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profits are in line with other industries.

CHAIRPERSON SEABROOK: Okay. What would you suggest that would be different than what the Commissioner suggested that we do?

MR. DUMLER: Well, you know, I haven't seen the commission's--

CHAIRPERSON SEABROOK: [Interposing] Well he was--

MR. DUMLER: I heard the--

CHAIRPERSON SEABROOK: Okay.

MR. DUMLER: --overview, I [crosstalk]--

CHAIRPERSON SEABROOK: All right, okay. Okay.

MR. DUMLER: --you know, we are for disclosure and consumer protection--

CHAIRPERSON SEABROOK: Right.

MR. DUMLER: --I haven't seen the details of a consumer Bill of Rights, but the idea that our consumers have rights is certainly not a problem with us.

CHAIRPERSON SEABROOK: Do you have a Bill of Rights? To the consumers when they walk in there, that they know and understand their Bill

1  
2 of Rights this is yours, these are things that are  
3 spelled out - - and simple?

4 MR. DUMLER: We have a contract that  
5 spells out their rights fairly clearly.

6 The other point that I believe the  
7 Consumer Affairs Department was making was cash  
8 price and I believe what I understood was that  
9 they might want to look at somehow tying it to  
10 cash prices in some market. I think that, one, as  
11 we pointed out, we can't compete with the large  
12 retailers on cash price. There are times we can't  
13 even buy it for what they can sell it for.

14 But also I think trying to go out  
15 and survey the market for cash prices is an  
16 extremely burdensome task. There are - - was one  
17 state, Maine, at one time had a law that suggested  
18 that that was the way that the department was  
19 supposed to determine cash prices. Ultimately  
20 that department concluded they couldn't do it and  
21 that department supported legislation that  
22 eliminated this market survey or having to look at  
23 the market. It was just a very burdensome process  
24 because cash prices, they vary greatly, there are  
25 little subtle distinctions in model that change

1  
2 that, you know, products can appear to be the same  
3 but have a different processor in them and you can  
4 have substantial differences in cash price based  
5 on that. So it was just a very burdensome task to  
6 try to survey the market for cash price.

7 CHAIRPERSON SEABROOK: Well, I am  
8 going to [crosstalk]--

9 CHAIRPERSON COMRIE: [Interposing]  
10 We have another hearing that starts at one  
11 o'clock--

12 CHAIRPERSON SEABROOK: Okay. Just--

13 CHAIRPERSON COMRIE: --can we really  
14 [crosstalk]--

15 CHAIRPERSON SEABROOK: --just one  
16 thing that I'm going to say and then I'll give to  
17 Tish.

18 CHAIRPERSON COMRIE: Right.

19 CHAIRPERSON SEABROOK: That I think  
20 it [pause] the question and the comments that was  
21 raised about what you're doing and you know all of  
22 you--the people that come into the store, you know  
23 them by name and it's a family and everything  
24 else. A good product and good service would  
25 survive even if it was regulated--

2 MR. DUMLER: Well we are--

3 CHAIRPERSON SEABROOK: --because if  
4 you're doing what you say you are doing, people  
5 will come and they will continue to be there and  
6 do what has to be done. And there will be a  
7 profit, in fact, you'd probably get a better image  
8 by doing it and saying, well, hey, guess what you  
9 all, we're now regulated and we do things the  
10 right way, and you'll probably get more people to  
11 deal with it because they say well this is  
12 regulated by the city, it is a good place, we  
13 could come here and we can do this.

14 The image that you have out there  
15 right now, you know what it is? You're a bunch of  
16 predators and that you take advantage of people.  
17 I'm not saying that that's you, but I'm telling  
18 you that's the perception, most time perception  
19 are people realities. And if you're doing good  
20 and the city has said that they have a license,  
21 it's like a contractor out there who goes to your  
22 house and he is not licensed, he is not regulated,  
23 and he said I know Beulah, she's okay and her  
24 daughter was my babysitter and then he wrecks the  
25 house. So what I'm saying is if you're regulated,

1  
2 the people will tell the story. I go to Rent-A-  
3 Center, they're regulated, I get the best buy--  
4 that's your public relations as to how I got a  
5 good deal at Rent-A-Center, I went there, they  
6 treated me with respect, they did this, they did  
7 all of these things, that's the product in which  
8 you're selling and the service in which you are  
9 providing because you put as rent, then they  
10 wouldn't have to go to Best Buy. But they got to  
11 go to Best Buy when you look at it and see what's  
12 being charged.

13 And I'm telling you, people, you're  
14 right, they got a lot a good sense, a lot of good  
15 sense, they know when they're being used and  
16 abused, they know this and that's why they're  
17 responding, that's why they're responding. That's  
18 why they came to this committee and other  
19 committees, so that means you got to clean up your  
20 act.

21 I'll come back to the next one.

22 CHAIRPERSON COMRIE: Okay. We have  
23 four other panels to be heard from. I know that  
24 Council Member Barron and James have a couple of  
25 questions each. I'm just going to ask you guys to

1  
2 be concise and to the point and not to do too  
3 much--

4 [Crosstalk]

5 COUNCIL MEMBER JAMES: Who's first?

6 CHAIRPERSON SEABROOK: --Council  
7 Member--me.

8 COUNCIL MEMBER JAMES: Who's first?

9 CHAIRPERSON SEABROOK: Me. I think  
10 Council Member--

11 COUNCIL MEMBER JAMES: [Crosstalk]

12 CHAIRPERSON SEABROOK: --I think  
13 Council Member--

14 COUNCIL MEMBER JAMES: Who's first?

15 CHAIRPERSON SEABROOK: I had Council  
16 Member James first, but--

17 COUNCIL MEMBER JAMES: Thank you.

18 CHAIRPERSON SEABROOK: --you know,  
19 I'm not going to, I'll--

20 COUNCIL MEMBER JAMES: Thank you.

21 CHAIRPERSON SEABROOK: --I'll let  
22 you all duke it out, it's--

23 COUNCIL NUMBER JAMES: Thank you.

24 CHAIRPERSON SEABROOK: --Brooklyn  
25 thing.

2 COUNCIL MEMBER JAMES: Thank you  
3 very much. First, let me just say that I don't  
4 know whether or not I'm more offended by the  
5 reference to Barack Obama, President Obama--

6 MALE VOICE: Right.

7 COUNCIL MEMBER JAMES: --or more  
8 offended by the fact that you have used this young  
9 man, you have exploited him; third, or your  
10 testimony altogether. I'm trying to control  
11 myself and I'm trying to act very professional and  
12 not make comments which would belittle this  
13 institution.

14 Let me just say that the gentleman  
15 said that we do not know the fact that--the shoes  
16 that he's walked. I can only tell you about my  
17 shoes. I'm not a woman of means, I did not come  
18 to City Council as a woman of the middle class,  
19 I'm one of eight children, single female headed  
20 household. My mother was once on public  
21 assistance. Some of my brothers and some of my  
22 sisters did not make it. I do not walk around as  
23 if I've somehow arrived or as if the dream has  
24 arrived in my family--it has not. I struggle day-  
25 to-day, which is why I think, I think I have some



1  
2 sense of what is happening in the district that I  
3 represent and in the communities that look like  
4 me. And let me just tell you that, though you are  
5 Latino, and though there are a significant number  
6 of African-Americans who work at this site, the  
7 fact that you continue to exploit people who look  
8 like you means nothing to me. The fact is that  
9 for a very long time elected officials have taken  
10 money from the tobacco industry and from the  
11 alcohol industry which continue to exploit and  
12 kill our community and our people. And I am of  
13 the opinion that not one elected official should  
14 take any funds from this industry, which is why I  
15 am offended that in the borough of Brooklyn I  
16 represent that there are some elected officials  
17 who have benefited from your largess and I know  
18 who these elected officials are and I know the  
19 elected officials who sponsored this event. The  
20 Martin Luther King Jr. Concert Series, Camp  
21 Brooklyn, Brooklyn Cyclones, and the Brooklyn  
22 Branch of the NAACP. There are elected officials  
23 who look like me and you who are associated with  
24 all of these organizations and the fact that you  
25 contributed greatly to me just suggests that we

1  
2 need to impose term limits on the state, local,  
3 and federal level.

4 Let me also go on to say that the  
5 reason why we are in this mess economically is  
6 because we did not provide requirements in certain  
7 communities--no doc loans, no income checks. We  
8 gave loans to people who unfortunately could not  
9 afford them and now the economy has collapsed with  
10 these toxic mortgages and the credit agreements  
11 that you have are also toxic.

12 The fact is I have a credit  
13 document in front of me a used television plasma  
14 TV, a used television plasma TV, which normally  
15 would cost, I don't know, I don't have one, but at  
16 the end of this agreement, one would pay for it  
17 based on a weekly payment agreement, a cost of  
18 \$4,008.99. It bears repeating--\$4,008.99 for a  
19 used plasma television is unconscionable, illegal,  
20 and should shock the conscience of anyone who  
21 cares about building wealth in our community.

22 MALE VOICE: That's right, Tish.

23 COUNCIL MEMBER JAMES: --and you  
24 stripped these communities of wealth and you  
25 destroyed the credit worthiness of countless

1  
2 people of color, which you proudly and proudly  
3 admit to. Your testimony is, they are located in  
4 predominantly black and Latino neighborhoods, not  
5 the testimony of anyone, but the testimony of you.  
6 Why? Because these consumer income demographics  
7 match, match the population that you wish to  
8 serve. You do not require down payments, you do  
9 not check credit checks, as if you're doing us and  
10 our community a favor. You are stripping our  
11 communities of wealth.

12 COUNCIL MEMBER BARRON: That's  
13 right.

14 COUNCIL MEMBER JAMES: And it is  
15 offensive to me. And what's even more offensive  
16 is when I see when the parents and individuals in  
17 my district and districts that look like mine miss  
18 one or two payments and you come and you reap the  
19 possessions, that to me is more offensive and more  
20 damaging to the family than having some fine,  
21 fine, fine beds.

22 So I don't really have any  
23 questions, because I'm just so offended by  
24 everything that has been said and the fact that  
25 they would continue to exploit you against your

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own people--

COUNCIL MEMBER BARRON: That's right.

COUNCIL MEMBER JAMES: --for a dollar. There are crack dealers who give to good causes. I say regulate, I say, close them down, I say get another employment. They do nothing for me, they do nothing for the community, I've seen the repo trucks and I've seen the people crying and I've seen the children--

COUNCIL MEMBER BARRON: That's right.

COUNCIL MEMBER JAMES: --and as someone who proudly comes from a female-headed household, I just don't think you should continue doing this practice. And if I have anything to do with it, based on my experience, formally with the Attorney General's office and working with state legislature, I say regulate you, and I say close you down. Thank you.

CHAIRPERSON COMRIE: Council Member--  
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COUNCIL MEMBER BARRON:  
[Interposing] This is the first time I don't want

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to say anything behind that.

CHAIRPERSON COMRIE: Okay. Well we'll move on--

COUNCIL MEMBER BARRON: [Crosstalk] She said--

CHAIRPERSON COMRIE: --we'll move on.

COUNCIL MEMBER BARRON: -- [crosstalk] Hey, don't, I said might not. I just want to add, I mean Tish James, I think she put it well and I thought Larry Seabrook's your questioning was right on time.

I just wanted to add to it that in my area--I just want to ask you if you think this is fair. For a Welton Techwood [phonetic] bunk bed, a twin futon bunk bed, you pay 29.99 weekly, 78 payments, the monthly price is \$95.28 for the 18 payments, the cash price for this bunk bed and futon is \$857, what you actually wind up paying with you all, \$1,715.22. That's greed, that's ditto everything Tish James said, Council Member James said, and I support what she's saying 1000%. You need to be highly regulated and or shutdown. Thank you very much.

1  
2 CHAIRPERSON COMRIE: Okay. I'm  
3 going to--Council Member Seabrook asked to make  
4 some specific statements, but I just want to say  
5 to the young man that testified, you actually did  
6 two things that would be considered illegal and  
7 ACS I hope was not listening to this hearing,  
8 because when you testified that you put in  
9 furniture for a mother, that was something that  
10 they would consider to be illegal. When you  
11 testified that you spoke to and assisted another  
12 family just before there was intervention by the  
13 authorities, that would be considered illegal  
14 also, so I would encourage you not to say your  
15 name again during this hearing.

16 And I would join with what Council  
17 Member James said as far as none of us on this  
18 panel have come from silver spoons or inherited  
19 wealth, I don't know about Council Member Barron,  
20 but I know the rest of us--just kidding. You know  
21 pulling ourselves up by our own bootstraps, but  
22 clearly there is the issue of this hearing is to  
23 try to protect people so that they can pull  
24 themselves up by their bootstraps, so that they  
25 can go into agreements and not wind up paying fees

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2 that are four and five times the cost of some  
3 goods.

4           And what struck me was in the  
5 testimony from Mr. Edwards where he said, and I  
6 think I quote, that in West Virginia, the state  
7 with the most restrictive price limitations, Rent-  
8 A-Center operated 33 of the 47 stores and in  
9 states where cash price is restricted, Rent-A-  
10 Center gains a noticeably larger share of the  
11 market over 38% of its nationwide market share  
12 average. So that to me tells me that Rent-A-  
13 Center can operate with fair regulation--Rent-A-  
14 Center can operate with regulation with  
15 transparency and with opportunities to make sure  
16 that the customer is not paying an exorbitant  
17 price or over-inflated price for their goods and  
18 services.

19           So, with that, I want to know why  
20 did you pull your businesses out of Vermont and  
21 Wisconsin and Minnesota after laws were re-passed  
22 requiring you to disclose your APR? Do you have  
23 an answer for those?

24           MR. EDWARDS: There were to--the  
25 point about West Virginia with the price controls

1  
2 was that--and my point is to kind of represent the  
3 small dealer here, as the president of the  
4 Association--that price controls gave Rent-A-  
5 Center a benefit in that market because of their  
6 economies of scale, because they're so large, they  
7 can buy a much wider scale than an independent  
8 dealer can. So that for them price controls might  
9 actually favor them more than it would the one or  
10 two store operator in the state of New York.

11 CHAIRPERSON COMRIE: And how many  
12 single store operators are operating around the  
13 country? Do you a percentage on that?

14 MR. EDWARDS: No, sir. I don't know  
15 what the percentage is. There are 14 of our  
16 association that have one store and then--

17 CHAIRPERSON COMRIE: [Interposing]  
18 You cover the New York area?

19 MR. EDWARDS: I do, I'm the  
20 President of the Association, yeah, in upstate New  
21 York, I've got stores in upstate New York.

22 CHAIRPERSON COMRIE: And how many  
23 single owner stores do you think are there within  
24 the state?

25 MR. EDWARDS: There are 14.



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CHAIRPERSON COMRIE: 14?

MR. EDWARDS: Yes.

CHAIRPERSON COMRIE: Okay. And so you're saying that those individuals buy separately, they don't buy collectively together at all.

MR. EDWARDS: Some of them are members of buying groups and some of them are not, some of them buy individually.

CHAIRPERSON COMRIE: And what's a typical rent-to-own profit on an item that's eventually purchased in [crosstalk] stores?

MR. EDWARDS: [Interposing] Well in a store, the typical rent-to-own profit is five to 7 1/2 percent.

CHAIRPERSON COMRIE: Five to 7 1/2 percent?

MR. EDWARDS: Yes, sir.

CHAIRPERSON COMRIE: And that's based on a item, with a large ticket item or small ticket item?

MR. EDWARDS: It would just be the cumulative number of items rented. That would be the bottom line after all the fixed and variable

2 costs are taken off of the top line revenue.

3 CHAIRPERSON COMRIE: Okay. And do  
4 Rent-A-Center stores provide any guidance to your  
5 clientele in terms of setting up reasonable  
6 payment plans or determining the fitness of a  
7 customer to make payments on time?

8 MR. EDWARDS: I think that's  
9 inherent in the transaction. It doesn't do an  
10 organization any good to get the product back.  
11 You know, that happens more often than not, but  
12 there's a cost involved in going out to deliver  
13 the merchandise and set it up and then to return  
14 the product. [Crosstalk]

15 CHAIRPERSON COMRIE: But those costs  
16 are averaged out and fixed, aren't they?

17 MR. EDWARDS: I'm sorry?

18 CHAIRPERSON COMRIE: Are those costs  
19 spoken out specifically in the contract? The cost  
20 of repair, the cost of maintenance, are those  
21 broken down in the contract specifically?

22 MR. EDWARDS: No, sir. It's all  
23 included in the rental price on a weekly or  
24 monthly basis. It's all included.

25 CHAIRPERSON COMRIE: And so the

1  
2 customer doesn't know what percentage of the cost  
3 or the actual cost of the product versus the cost  
4 of maintaining or leasing, renting the product as  
5 you say?

6 MR. EDWARDS: It would be hard to  
7 determine that going into the agreement since that  
8 cost is variable depending on how far the customer  
9 lives away from the store, the time involved in  
10 delivering the product and setting it up. The,  
11 you know, the maintenance required on that product  
12 afterwards, I mean when we deliver a refrigerator  
13 we don't know whether six months later it's going  
14 to require a service call or not.

15 CHAIRPERSON COMRIE: And is there a  
16 time limit on the length of the rental purchase  
17 agreements?

18 MR. EDWARDS: The time is specified  
19 in the agreement and the consumer can choose  
20 different times.

21 CHAIRPERSON COMRIE: And can the  
22 consumer rollover the amount of money that they've  
23 paid into a product if the product is defective or  
24 if a product is defective and they've been renting  
25 the product for a year, year and a half, can they

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automatically get a new product?

MR. EDWARDS: All of the companies that I'm familiar with would do that for a customer.

CHAIRPERSON COMRIE: And if the product--if the person that's renting your product has a financial issue and then cannot rent for six months, can the amount of liquidity that they've put into a rental agreement be transferred over to a new agreement once it's picked up or once they can get back on their feet?

MR. EDWARDS: Again, the majority of the organizations that I'm familiar with have some kind of lifetime reinstatement where they'll take the time or the money and put it into a new agreement for the customer.

MR. DUMLER: I'd just add that Rent-A-Center does have that.

CHAIRPERSON COMRIE: Can you explain exactly how that's done?

MR. EDWARDS: You want to go ahead, Dwight? Thanks. Do you want to explain it from Rent-A-Center's perspective.

MR. DUMLER: Well if a person is

1  
2 renting, for example, a bedroom set and, for  
3 whatever reason, they decide to terminate the  
4 transaction, they paid a certain number of dollars  
5 into that bedroom set, at times we will hold that  
6 set for a period of time, but if they can't come  
7 back and don't choose to start the rental  
8 transaction again for say six months, what we'll  
9 do is we'll find a--if not the same, if we don't  
10 have it, we will find a similar bedroom set that  
11 is similar condition and style and take it back to  
12 their house and they start making payments where  
13 they left off on the prior agreement and have the  
14 same purchase option rights and payment rights.

15 CHAIRPERSON COMRIE: And you heard  
16 the testimony from Assemblyman Pheffer and  
17 Commissioner Mintz regarding the need to be under  
18 a licensing condition so that they could track--  
19 and the city and the state could better track your  
20 business practices and the fact that--that they  
21 could better track your business practices, that  
22 they could better understand what your costs are,  
23 do you have any issues with that type of  
24 regulation? I mean, we're not even talking about  
25 prices, we're just talking about making sure that

1  
2 there's a licensing done so that the city can  
3 better track the ability of what Rent-A-Center or  
4 rent-to-own businesses are doing.

5 MR. DUMLER: I would certainly want  
6 to see the details. We do have licensing  
7 requirements in three states, but I would want to  
8 see the details to be able to determine whether  
9 the licensing structure proposed, you know  
10 [crosstalk] sense.

11 CHAIRPERSON COMRIE: [Interposing]  
12 And in those three states that you have licensing  
13 requirements, you are able to operate your  
14 business? Have you moved from--have you made the  
15 same type of profits that you've been making prior  
16 to?

17 MR. DUMLER: The licensing  
18 requirements are such in those states that they  
19 certainly don't interfere with our business.

20 CHAIRPERSON COMRIE: Which states  
21 were those?

22 MR. DUMLER: Oklahoma, South  
23 Carolina, and Maine.

24 CHAIRPERSON COMRIE: Oklahoma, South  
25 Carolina, and Maine? And how long have you been

1

2 licensed in those three states?

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MR. DUMLER: I couldn't tell you off  
the top of my head how many--I could certainly  
find out.

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CHAIRPERSON COMRIE: Okay. Okay.  
Well I appreciate you coming in today, I think  
that, you know, what we're here to do is to try to  
make it easier for consumers. We have gotten and  
I've gotten in my office feedback from many  
consumers that their experience with Rent-A-Center  
has not been positive and that when they've tried  
to even return product, it's been difficult for  
them to do so. When they've been tied up in  
financial difficulties and they've been trying to  
get out of contracts or trying to get time to  
rollover a contract because they're in a financial  
difficulty, they haven't been able to do so.

So I think that the need to license  
and make sure that there's something clear  
business practices and practices that the consumer  
can see right at the beginning is critical.

I won't get into the price setting,  
I think that there's an issue price setting and  
that there is a need for price setting, I

1  
2 understand your concerns with built-in  
3 maintenance, built in set up and delivery, but I  
4 believe at least three major chains are doing free  
5 delivery and installation now. I think that there  
6 are three different chains that are also doing  
7 maintenance and contracts and almost every chain  
8 now is requiring or inducing you to do service  
9 contracts for the life of a product. So I think  
10 that that could all be built in and transparent as  
11 well.

12 We are right up against the clock  
13 with time--

14 CHAIRPERSON SEABROOK: Just a half a  
15 question.

16 CHAIRPERSON COMRIE: I got to go  
17 vote in the other room they tell me, so I'm going  
18 to turn this over to Council Member Seabrook and  
19 let him ask the question.

20 Then we have to have the panel--  
21 everybody else that wants to testify, you can  
22 focus on doing a two-minute presentation, so we  
23 can get out of here before Housing and Building  
24 starts at one. Thank you.

25 CHAIRPERSON SEABROOK: Just a



1  
2 question as it relates to the regulation that you  
3 said that Oklahoma, South Carolina, and Maine, in  
4 terms of the licensing and the regulation that has  
5 taken place. That came after you all had been in  
6 existence in those states, correct?

7 MR. DUMLER: Those are what Uniform  
8 Consumer Credit Code states and that sort of our  
9 law, I believe, falls within their Uniform  
10 Consumer Code, and so that's kind of a structure  
11 that was already built into that code, so it was a  
12 natury [phonetic] flow that they would go ahead  
13 and have a licensing process for rent-to-own as  
14 well.

15 CHAIRPERSON SEABROOK: But you were  
16 there and then--when did this legislation became  
17 law?

18 MR. DUMLER: I believe in all of  
19 those states, I believe in all those states the  
20 licensing came when the law was passed originally.  
21 I'll check that for you, though, but I believe in  
22 all three states it was part of the original law,  
23 but let me check that.

24 CHAIRPERSON SEABROOK: Okay. 'Cause  
25 I need to know when were you in Oklahoma, when

1  
2 were you in South Carolina, and when were you in  
3 Maine. And then when the statue, were you there  
4 before or after the enactment.

5 MR. DUMLER: Yeah.

6 CHAIRPERSON SEABROOK: Okay. Thank  
7 you very much, gentlemen. Thank you very much.

8 MR. DOMINICIS: Thank you.

9 MALE VOICE: Thank you, we  
10 appreciate your time.

11 CHAIRPERSON SEABROOK: All right.  
12 Thank you. [Pause] Do the first two?

13 FEMALE VOICE: Yeah, there's--

14 [pause]

15 CHAIRPERSON SEABROOK: Thu Tuyen T.  
16 To?

17 - -

18 CHAIRPERSON SEABROOK: T. To.

19 MS. THU TUYEN T. TO: TT.

20 CHAIRPERSON SEABROOK: TT. TT. TT.  
21 Reginald Bowman. [Pause] Joshua Lockwood.

22 [Pause]

23 - -

24 CHAIRPERSON SEABROOK: Next--he's  
25 next.

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2 - -

2

3 [Pause]

3

4 CHAIRPERSON SEABROOK: Yeah, get it.

4

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- -

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[Pause]

7

MS. TO: Fine, fine, if you want to

8

go, fine.

9

[Pause]

10

CHAIRPERSON SEABROOK: Minister

11

Robinson.

12

FEMALE VOICE: No, no, no, no.

13

CHAIRPERSON SEABROOK: Well, who?

14

- -

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CHAIRPERSON SEABROOK: Well, Tish,

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you got to give me...

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- -

18

CHAIRPERSON SEABROOK: Interrupting

19

my hearing. It was someone else.

20

[Pause]

21

CHAIRPERSON SEABROOK: Oh, okay,

22

hey, he's up there, all right. Okay, we're done?

23

Okay, we're going to put the clock on because we

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got to get out, but we want to hear you. And

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we've heard a lot. Okay. Who's first? Thu To,

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Thu T.? Thu T.

MS. TO: Is this on? Okay.

CHAIRPERSON SEABROOK: Okay.

MS. TO: Well Thank you for the opportunity to testify today, I'll try to make my succinct, since these points have been gone over quite often.

But just to explain who I am, my name is Thu T. To, I'm a program associate at the Neighborhood Economic Development Advocacy Project, or NEDAP, and just quickly about what we do.

We're a nonprofit resource and advocacy center that provides legal, technical, and policy support to community groups and individuals in New York City's low-income neighborhoods and communities of color. We were found in 1995 and our main objective is to promote economic justice and to work with groups around the city to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

Our organization really has been at the forefront of exposing and combating

1  
2 discriminatory and abusive lending practices and  
3 to promoting fair and responsible lending, data  
4 collection, and foreclosure prevention practices  
5 in New York City.

6           And, again, we thank the City  
7 Council for holding this hearing today on rent-to-  
8 own. This segment is just another element to the  
9 high cost of small loan industry that now pervades  
10 and extracts considerable wealth from low-income  
11 neighborhoods and communities of color.

12           So some of the--from our experience  
13 and what we've heard, we also operate a hotline.,  
14 we've heard from community groups as well that  
15 some of the notorious practices that rent-to-own  
16 retailers are having been known for. The first is  
17 targeting low-income consumers and communities of  
18 color.

19           And I just want to point out the  
20 Council Members have copies of our maps that I  
21 just updated last week and these are basically  
22 locations of Rent-A-Center around the city that  
23 I've pulled off their website and the underlay is-  
24 -I have a few, one is low-income or moderate-  
25 income census tract and you can see most of it

1  
2 kind of correlates with where the low-income  
3 communities are. And I have one with majority  
4 non-white and they pretty much exactly correlate  
5 to another.

6 But the only point that I want to  
7 point out is this middle income black majority  
8 neighborhood here that has three Rent-A-Center  
9 locations.

10 The Brooklyn Institution has  
11 reported, yes, that 60% of rent-to-own customers  
12 earn less than 25,000 a year, but the rent-to-own  
13 industry also has stated in, at least in Rent-A-  
14 Center's 2007 annual report, that three out of  
15 four of its customers have household incomes  
16 between 15,000 and 50,000 a year and as a number  
17 of comparison, according to the Census 2000 data,  
18 the New York City median household income is  
19 around 53,000, so the majority of their business  
20 comes from the lower half of New York City  
21 residents.

22 The industry argues that they're  
23 meeting market demands or filling a void and that  
24 they're hassle-free, which, as I think others  
25 would testify, it hasn't, but we argue that the

1  
2 lack of consumer credit alternatives for low  
3 income people does not create a license to gouge  
4 them. And this sort of rolls into the next point  
5 is charging inflated cash prices, which we've gone  
6 over this extensively.

7           But just a statistic that I wanted  
8 to share from the Empire Justice Center, which is  
9 based in Rochester, New York. They have estimated  
10 that Rent-A-Center has overcharged New York State  
11 consumers approximately \$40 million between 1998  
12 and 2000, as a result of its pricing practices.  
13 So \$40 million have been extracted from New York  
14 state residents.

15           And then our other objection is the  
16 fact that they are capped, they are exempt from  
17 the New York State usury cap and other consumer  
18 protections.

19           And our recommendations are to  
20 support New York State level legislation, as well  
21 as working with OCA--I'm sorry OCA--the OFE and  
22 DCA on finding alternatives to these products.  
23 And thank you for the opportunity for--

24           CHAIRPERSON SEABROOK: Thank you.  
25 Thank you.

2 MR. REGINALD BOWMAN: Good

3 afternoon, members of the Council, my name is  
4 Reginald Bowman. And I'm the president of the  
5 Citywide Council of the Presidents of the New York  
6 City Housing Authority. I actually represent the  
7 over 178,000 families and the enormous political  
8 and purchasing power in public housing that reside  
9 in the metro geopolitical area of New York.

10 I'm here today primarily to support  
11 the legislation and the proposed resolution that  
12 will send forth regulations of the Rent-A-Center  
13 type structures that to quote from your own  
14 document the majority of these stores are located  
15 near public housing developments--that's a very  
16 clear statement.

17 Everything that I've heard today  
18 lets me know that I can deliver my statement and  
19 move on, because most of what I was going to say  
20 has already been said.

21 So I'm here to support the  
22 resolution and the legislation to regulate and/or  
23 terminate the lending practices of Rent-A-Center  
24 outlets in the city of New York.

25 The majority of their stores



1  
2 located near public housing, and they said today  
3 that they are deliberately do that because of the  
4 business practices that they've been involved in.  
5 They're in close proximity to our public housing  
6 development areas and they use contracts for  
7 retail and electronic and consumer and other goods  
8 that inflate the price of these items to nearly 50  
9 to 70% of the actual retail value, they said it  
10 here themselves.

11 You also pointed out very clearly  
12 that this exceeds the criminal usury statutes of  
13 the state's laws and falls into the categories of  
14 predatory lending, and that's also in their  
15 document.

16 I think that this entity should be  
17 expected to conform to regulations that protect  
18 consumers in these areas. They should be required  
19 to follow regulations here or be forced to close  
20 their stores. That's why I'm here today to  
21 support this regulation and these resolutions. To  
22 regulate this industry and to stop the practices  
23 that financially handicap, sabotage the poor  
24 communities and the families that I represent.  
25 The time for these practices has come to put this

1  
2 to an end.

3 I think that in considering your  
4 resolution, you should make sure that there are  
5 tough statutes in it that protect our consumers.  
6 I believe that the people that have been  
7 victimized by this should be refunded and  
8 reimbursed their money, because had this been a  
9 situation in other types of circumstances, there  
10 would be some type of regulation put into place  
11 where if this kind of practice was done there  
12 would be severe civil penalties for this and I  
13 certainly believe that after hearing that they've  
14 received \$40 million out of our communities that  
15 there should be some kind of restitution put into  
16 place. And I certainly believe that these  
17 regulations should carry serious civil penalties.

18 Many groups and industries  
19 capitalize on the purchasing power of the poor  
20 communities in the public housing community. We  
21 are mobilized and I think that we need to thank  
22 some of the people that have mobilized us to be  
23 here today to make sure that people stop  
24 victimizing and capitalizing on our purchasing  
25 power and stop victimizing our families with these

2 unfair practices. Thank you.

3 CHAIRPERSON SEABROOK: Thank you  
4 very much.

5 [Pause]

6 MR. JOSH LOCKWOOD: Hi there.  
7 Councilman Seabrook and the committee, thank you  
8 so much for this opportunity. My name is Josh  
9 Lockwood, I'm the Executive Director of Habitat  
10 for Humanity New York City. As you may know, we  
11 are an affordable housing developer in the city,  
12 we provide home ownership opportunities for first-  
13 time homebuyers are we're a nonpartisan faith-  
14 based housing developer.

15 And you might ask why is Habitat  
16 for Humanity testifying here today and it's really  
17 because fringe banking practices like rent-to-own  
18 establishments have a trickle effect throughout  
19 the economy and on our home buyers specifically.

20 Habitat for Humanity New York City  
21 selects families based on need that are renters  
22 living in overcrowded, dangerous, or unaffordable  
23 circumstances.

24 And we select these first-time  
25 homebuyers, we pay about \$300,000 to construct a

1  
2 condominium, we sell it for about \$90,000. We  
3 provide the homeowners with financial literacy  
4 training, homeownership training, green living  
5 training, and we issue an affordable fixed-rate  
6 mortgage of 0% or 2% to those homebuyers.

7 But the sad part is that these  
8 families and their lives and the transformational  
9 investments we're making in them can quickly be  
10 undone when any number of fringe banking practices  
11 enters their life.

12 We did a survey of our family  
13 partner home buyers, we found that over half had  
14 been approached by any number of predatory  
15 lenders; over 50% were offered a better deal on  
16 their mortgage--better than 0% or 2%; and, in  
17 addition, to that we found that most of our family  
18 partners worth taking part in instant income tax  
19 refunds, credit card schemes, and were purchasing  
20 products, purchasing products through rent-to-own  
21 stores. And we know that the end result of that  
22 has been that many families have struggled to pay  
23 their mortgage, have been on the brink of losing  
24 their homes that we've invested so much for them  
25 to be a success in and maintaining.

1  
2 And I think in closing here, we  
3 just wanted to underscore how critical it is that  
4 we find a reasonable solution that business can  
5 coexist with low-income communities of color in  
6 New York City to make sure that families can be a  
7 success when given the opportunity to do so.

8 Thank you.

9 CHAIRPERSON SEABROOK: Thank you  
10 very much to all of you and I certainly appreciate  
11 you all being here Today. Thank you very much.

12 [Pause] Minister - - Robinson, Kirsten John Foy.

13 [Pause]

14 MR. JOHN FOY: You ready. Is it on?  
15 First, we would like to--I would like to on behalf  
16 of the National Action Network and Reverend Al  
17 Sharpton thank all of the members here for holding  
18 this hearing, for the leadership of the individual  
19 Chairs, Council Member Seabrook, Council Member  
20 Comrie, and for the individual leadership on this  
21 issue presented by Council Member Gioia and  
22 Council Member Tish James.

23 We are here today to discuss how we  
24 are going to repair all of the financial damage  
25 and turmoil done to our communities as a result of

1  
2 ambiguous financial transactions that do not fully  
3 disclose the risk involved in engaging in those  
4 financial transactions, artificially inflated  
5 values for consumer financial instruments, and, of  
6 course, all of these have resulted in foreclosures  
7 or repossessions.

8           These descriptions could easily  
9 apply to many of the banking institutions that  
10 have thrust us into our financial crisis or it  
11 could apply to the products and services provided  
12 by Rent-A-Center and other rent-to-own companies.

13           Very briefly, Rent-A-Center's  
14 business model is what is questionable. They have  
15 over 3,000 stores nationwide, all corporate owned  
16 and are able to leverage large amounts of cash to  
17 purchased a wide variety of products from  
18 suppliers at wholesale prices. They then in turn  
19 use our financial hardships as a means by which  
20 they gain profit. They have stated this in no  
21 uncertain terms, and they would concede that their  
22 business model is fundamentally grounded in  
23 financial hardships of communities, whether they  
24 be communities of color in urban centers or  
25 whether they be poor white rural communities in

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Appalachia or across America at large.

We are here because we have a moral imperative as the capital of the world, the financial capital of the world, and indeed a moral capital, if you will. We lead in every facet of our society and our culture and we must lead here. We are here because there is a moral imperative to stop the predatory practices that have thrust our entire globe into the economic crisis. Rent-A-Center does nothing but exacerbate the crisis on a local level. As Council Member James has so thoroughly and eloquently articulated, this company uses the same business practices or the same business model as the drug dealer. What they do is they find individuals who are economically deprived and starved in the community and offer a product that they market as an alleviation to your problems--don't worry about what you suffer on the outside, you can watch the Super Bowl on a 96-inch flat screen television, but if you don't pay us we may send some of the off-duty law enforcement that we employ to your house to repossess these items, causing your family great discomfort and damage.

We are here today because good

1  
2 people of good conscience must stand where others  
3 may not stand on their own behalf. We are here  
4 today because Psalms 82 verses three to five says  
5 defend the poor and the fatherless, do justice to  
6 the afflicted and the needy, deliver the poor and  
7 the needy, rid them out of the hand of the wicked.  
8 They know not, neither will they understand, they  
9 walk on in darkness, all the foundations of the  
10 earth are out of course.

11 Rent-A-Center needs to own up to  
12 the fact that many of the foundations of our  
13 economy are out of course and it is their business  
14 practices that have led to that. We ask that this  
15 body pass this legislation proposed by the  
16 Commissioner, we also ask that any licensing  
17 require that law enforcement be prohibited from  
18 being employed by Rent-A-Center to repossess and  
19 act as a private marshal service for Rent-A-  
20 Center. It is no longer acceptable for Rent-A-  
21 Center to use law enforcement officers as their  
22 personal repossession army.

23 Thank you all for your leadership  
24 and we look forward to working with all of you on  
25 resolving these matters in the future.



MINISTER ROBINSON: Good afternoon.

First of all, I have to give out a regard who's the head of - - , Mr. Chairman, Councilwoman James, and to the people who are in attendance for this hearing. First of all, I have to acknowledge that my pastor had just came in, but he did not put his form in to testify, my pastor Bishop Erik R. Figaro [phonetic] is here.

I had a prepared statement but after I listened to the egregious statements that were made pertaining to the election night watch service and references to our 44th President getting elected, I had to throw my statement away.

Rent-A-Center has engaged in practices of exploiting individuals in minority communities throughout the city and the state. And they never take ownership in engaging in these exploitive practices. They have been sued all over this country and every time they get sued, they settle. There was an \$85 million settlement in New Jersey in 2007; there was a \$46 billion sexual harassment suit, I believe in Arkansas; and then there was another \$8 million lawsuit that was settled in California, the Attorney General in the

1  
2 state of California sued Rent-A-Center for these  
3 practices, so surely they have been taken to task  
4 for the practices that they engage in.

5 I am not going to sit here and  
6 repeat what was said before me. Councilwoman  
7 James, you have said a tremendous amount and I am  
8 grateful that you were here today to tell Rent-A-  
9 Center that they have to get out of town. At  
10 first I would say, well we can regulate and we can  
11 change the law, there's a bill that has been  
12 proposed by New York State Senator Eric Adams now.  
13 The bill is S.557. Our job now is not only to be  
14 in support of the resolution that is being drafted  
15 here in the City Council, but we must push for  
16 this effort to start dealing with Rent-A-Center in  
17 the capacity where they will start setting the  
18 prices at a rate where people can be treated as  
19 human beings. When you drain the wealth out of  
20 the community, you drain the wealth out of the  
21 family.

22 And the reason why we're here today  
23 is to let Rent-A-Center know that they are not  
24 going to continue to engage in these practices in  
25 the city at all. And we are going to continue to

1  
2 be steadfast and committed to dealing with you.  
3 We're going to put forth some regulatory measures  
4 in the city Council--I don't know what it's going  
5 to take, I'm not a council member, but I implore  
6 you, Mr. Chairman and the entire Committee of  
7 Civil Rights and Consumer Affairs to make sure  
8 that we engage in putting forth some regulations  
9 in the city of New York to deal with Rent-A-Center  
10 for the egregious practices.

11           They could not even answer the  
12 question as to how it cut into their profit  
13 margin. You can see here that I've given a  
14 contract and a copy of a ticket item where a bunk  
15 bed--that they set the cash price at a bunk bed  
16 for \$857, and if you pay for it over a period of  
17 time, it's \$1,700. This is ridiculous, how can  
18 anyone, how can anyone sit there and support a  
19 business that engages in practices of destroying  
20 families.

21           And to that young man who they  
22 paraded up here, who they had sit up here talking  
23 about he came from the worst form of tribulation  
24 and the worst form of poverty, like we all come  
25 from the same community, but you allowed them to

1  
2 exploit you. You need to go to church and pray.  
3 I'm sorry, Mr. Chairman.

4 CHAIRPERSON SEABROOK: Thank you  
5 very much. Councilwoman James.

6 COUNCIL MEMBER JAMES: Old-fashioned  
7 religion. First, to Bishop Figaro and to Reverend  
8 Robinson and to Mr. Foy, I want to thank you for  
9 your leadership on this issue, you have shown  
10 great leadership, and I just want to thank you on  
11 behalf of the district.

12 But let me also say to you two  
13 gentlemen that though we were critical of the  
14 industry, we've got to educate our community and  
15 we've got to continue to talk about these issues  
16 and focus on this issue. The same reason that  
17 predatory lenders use that traditional banks are  
18 redlining our community, they claim that they  
19 provided us a service because of redlining, it was  
20 the same excuse, and now you have private equity  
21 companies coming and buying up all Mitchell Lama  
22 rent control, rent-stabilized buildings and  
23 evicting people because, again, they say that  
24 they're providing housing for residents who  
25 desperately need it, again, trying to fill a void.

1  
2 You know, and now they've come in here today and  
3 said well, you know, we're offering opportunities  
4 to low income people and also employment  
5 opportunities to people, again, as if they're  
6 doing us a favor.

7                   You know, last week was a historic  
8 week, but it's clearly we can all realize the  
9 dream has not been realized and we are not in a  
10 post-racial world and that we've got a lot of work  
11 to do.

12                   And so I just thank you again for  
13 your leadership and look forward to working with  
14 you on this educational campaign of our community  
15 and making sure that Andrew Cuomo wakes up and  
16 realizes that he's not the United States Senator,  
17 but he still has a job to do.

18                   CHAIRPERSON SEABROOK: Tish.

19                   MALE VOICE: - -

20                   CHAIRPERSON SEABROOK: The next  
21 panel, Linda O'Toole, Reginald Clay, Amanda  
22 Richardson.

23                   [Pause]

24                   - -

25                   CHAIRPERSON SEABROOK: Yeah.

CHAIRPERSON COMRIE: Is Reginald Clay here? Reginald Clay? Must have...

FEMALE VOICE: Do you want to add the other people from--

[Pause]

CHAIRPERSON COMRIE: Okay. And since we only have two, is Harold Hammond here. Harold Hammond, that you? Okay. Gregory Smith, you can come up too. And Matthew Shepard? Matthew still here? Matthew Shepard, Cedar St., no? Okay. Then this...is that you? Okay. All right, then this'll be the last panel. We'd ask everybody to stay to two minutes. He's going to pull up a chair for you, ma'am.

[Pause]

Whoever would like to start first.

[Pause]

MS. LINDA O'TOOLE: I did, oh. Good afternoon. My name is Linda O'Toole, and I live in one of them rural areas you're talking about.

We're going to give you a scenario, a true scenario. Television was purchased, it was delivered, it never worked. They were called, they sent another television, it never worked.

1  
2 They were called a third time, and the meantime  
3 the payments were still being made. The third  
4 television, it never worked. I had to go to small  
5 claims court to get this resolved, they didn't  
6 show, then they showed and they tried to send us  
7 the song and dance about Rent-A-Center. Rent-A-  
8 Center is a glorified repo man.

9 We grew up learning not to go to  
10 the repo man. I think we have to go back there  
11 again. This was years ago when my parents were  
12 alive. You want something? Cash and carry. How  
13 about layaway? Leave Rent-A-Center alone, it's  
14 your worst nightmare. You miss a payment, they  
15 back up with a truck and all your neighbors get to  
16 see all your belongings put on a truck, your  
17 children crying, your grandmother's having a heart  
18 attack because all your stuff is gone.

19 Regulation will not do, because our  
20 people only see the glorifiedness of having, not  
21 the glorifiedness of paying. Make no mistake  
22 about it, if they get in that way, how many other  
23 ways they going to get us? So it's time to wake  
24 up, leave the repo man alone.

25 MS. AMANDA RICHARDSON: Good

1  
2 afternoon, my name is Amanda Richardson and I also  
3 have been victimized by Rent-A-Center.

4           We purchased, well they delivered  
5 to me a washing machine once, closest store I  
6 bought mine is no longer there, I guess they moved  
7 someplace--well I'm sure they did, but I had the  
8 worst trouble, I never got a good washer. I told  
9 them I said, look, this is not working, well we'll  
10 send you one, we'll send you one. They sent one  
11 and that one didn't work. I said well I don't  
12 want it anymore, I said, can I get some of my  
13 money back because--well, miss, you signed the  
14 contract, you signed the contract and now when we  
15 get a better one--incidentally, it was not new.  
16 It wasn't new, you know, I said, you told me this  
17 was a new washing machine, it was new. Well it  
18 wasn't new, it was used, and then they say when  
19 they get a new one, they would--they said, well if  
20 you want a new one, when we get one, we'll send it  
21 to you--that's what they told me and now--and  
22 finally I just gave up and we went to Sears and  
23 laid away and then later on they delivered before  
24 we finished paying and from then on I work with  
25 Sears.



2 Rent-A-Center, I'm not happy if  
3 somebody lose a job or lose their business but  
4 they need to be regulated or they should be out of  
5 business because I think they've taken enough,  
6 they've taken enough from the community, you know,  
7 and let us just trying to do the best we can  
8 and...I thank you all very much.

9 MR. HAROLD HAMMOND: Good afternoon,  
10 my name is Harold Hammond I'd like to thank  
11 Letitia James, Charlie Barron, and Mr. Seabrook  
12 for your endeavors.

13 I am a customer--Comrie, the  
14 Chairperson, oh, I'm sorry, my apologies.

15 Rent-A-Center. I was a consumer  
16 from Rent-A-Center at one time and I wound up  
17 paying twice as much for the item that I purchased  
18 at Rent-A-Center, but my major concern off of  
19 those of low income, as well as the elderly.

20 The elderly also are being preyed  
21 upon, the disabled are also being preyed upon,  
22 persons with fixed incomes that can't afford to  
23 pay more than a little bit per month, then they  
24 come and they repossess their items. Once again,  
25 these items aren't new. Once again, the items

1  
2 that they purchased--that they sell to me, they  
3 take from me and resell it to the next person for  
4 the exact same price. I'll have a couch, they'll  
5 come and repossess my couch and then sell it to  
6 the lady next door for the same exact price,  
7 filled with all the lice and vermin from my house.  
8 What are their health concerns about the items  
9 that they are reselling as new? What are their  
10 concerns about the children that have to use these  
11 items? - - from a low income in our areas there  
12 are very--like the gentleman said with the  
13 housing, he's helping us with housing now, yes,  
14 but there's housings that need to be fixed as well  
15 and those houses have vermin, roaches, and stuff  
16 like that and here it is, I rent a microwave from  
17 Rent-A-Center and it's filled--when I put my food  
18 in there, the next thing I know vermin is coming  
19 out.

20 You know, so their practices need  
21 to be changed and their prices are exorbitant.  
22 The merchandise that they represent should be held  
23 at a discounted prices or sold at a discounted  
24 price, not re-rented at the same original price.  
25 Thank you.

1  
2 MR. GREGORY SMITH: Good afternoon,  
3 my name is Gregory Smith. I'm going to say that,  
4 you know, I'm from one of those neighborhoods also  
5 in Brooklyn. And I've had some experience with  
6 Rent-A-Center myself.

7 I got to say this, I had to fight  
8 myself sitting here to not jump up out of my seat  
9 and want to slap one of them for some of the stuff  
10 that I heard them saying this morning,  
11 particularly to that remark about the Barack Obama  
12 thing. How dare you come sit up in here and try  
13 to patronize us thinking that you're going to get  
14 some kind of sympathy because you wanted us to  
15 know that you voted for our black president. I  
16 wonder really if you did.

17 Suddenly I heard them make a  
18 comment, I believe when Mr. Seabrook was  
19 questioning them and they were talking about their  
20 purchasing power, about they're not able to  
21 purchase stuff at retail. Minister Robinson came  
22 up a few minutes ago and I wish I would have wrote  
23 the number down, but he commented on how many  
24 stores these people own nationwide and how that  
25 they're all corporate owned, and how can you

1  
2 expect me to believe that you own this many stores  
3 and yet, what they said to Mr. Seabrook was that  
4 they are not able to purchase things at a  
5 wholesale price to compete, did they not say that?  
6 Well, how dare you? What are we, stupid? That  
7 they're going to sit up in our face and tell us  
8 stuff like this and tell us that's why you have to  
9 sell me something used three or four times over  
10 and you're going to sell it to me as brand-new. I  
11 beg your pardon. I don't have a masters degree,  
12 but I did graduate from high school and I do know  
13 how to add one plus one.

14 Now when I think about stuff like  
15 that, what I find out--and what I find and I think  
16 about it is this, you know, they made the comment  
17 about how their customers are so satisfied and,  
18 you know what, I'm wondering if a better word  
19 would have been, instead of satisfied, that they  
20 have medicated. As Malcolm X said that we've been  
21 duped, you understand? That's what I say Rent-A-  
22 Center is doing to us, we've been hoodwinked,  
23 duped, and bamboozled because if I desperately  
24 want something and you slide it on me, you know,  
25 like the crack dealer. I didn't mean to make that

1  
2 connection, but guess what, they aren't no  
3 different from a loan shark and the crack dealer  
4 on my block.

5 So that's what I find--my people in  
6 my neighborhood, we don't like Rent-A-Center, we  
7 think they're a parasite, we think Rent-A-Center  
8 is a bloodsucker, and, Ms. James, you couldn't  
9 have said it no better--they need to go. Thank  
10 you.

11 MS. O'TOOLE: Excuse me. I just  
12 want to thank the Council, I forgot to thank the  
13 Council, I thank the Council. Thank you.

14 CHAIRPERSON COMRIE: Councilman,  
15 we've been joined by Council Member Darlene Mealy.

16 [Pause]

17 MR. MATTHEW SHEPARD: Matthew  
18 Shepard. First I want to thank all of you for  
19 giving us an opportunity, you know what I'm  
20 saying, our perception on this and I want to thank  
21 every one of you for giving us an opportunity  
22 again to hear you all and how you would try to  
23 remedy the situation.

24 Former college student, I witnessed  
25 and experienced, you know, some of the activities,

1  
2 you know what I'm saying, as done by the likes of  
3 Rent-A-Center.

4 I feel that, you know, it's going  
5 to be common practice for a lot of this to be talk  
6 until we start to do something physically, you  
7 know what I'm saying? We have been protesting  
8 here now for a bit of time and I am confident that  
9 the likes of you behind us, you know, that  
10 something will get done. I trust in it. Thank  
11 you.

12 CHAIRPERSON COMRIE: Thank you. I  
13 want to thank all of the people that came to  
14 testify today, especially all the people from the  
15 community. It's good to get your input and  
16 insight.

17 I also want to thank Council Member  
18 Larry Seabrook for his work and co-chairing this  
19 hearing; Council Member Eric Gioia for bringing  
20 this issue to us a couple of years ago.

21 And I want to just remind all of  
22 the people that came and testified today  
23 especially from the community, the City Council is  
24 your neighborhood platform, it's good to see you  
25 here, and I hope to see you again.

1  
2 And, with that, I look forward to  
3 some thing's happening on a state level, we got  
4 testimony from Assemblyman Pheffer, the Chair of  
5 the Consumer Affairs Committee for the state that  
6 has indicated that something will definitely  
7 happen this year. We will be monitoring the  
8 situation to do what we can to make sure that  
9 Rent-A-Center's practices are harmful to no one  
10 and that's our goal--is to make sure that their  
11 practices are harmful to no one. We understand  
12 their right to exist, but we want to make sure we  
13 protect people.

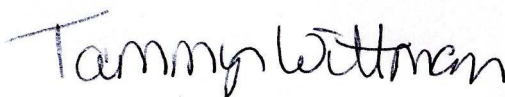
14 With that, I want to turn it over  
15 for closing statements to Council Member Larry  
16 Seabrook.

17 CHAIRPERSON SEABROOK: Well thank  
18 you very much, Mr. Chair, and I know that we have  
19 to leave here, but I want to thank all of the  
20 people that testified today and hopefully we'll  
21 come to some common ground to deal with what has  
22 to be done. And thank you all so very much for  
23 coming out--thank--

24 CHAIRPERSON COMRIE: With that, the  
25 hearing is closed.

C E R T I F I C A T E

I, Tammy Wittman, certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

A handwritten signature in black ink that reads "Tammy Wittman". The signature is written in a cursive style and is positioned above a horizontal line.

Signature \_\_\_\_\_

Date February 4, 2009