

Questions to Ask

It's important to understand the terms of your agreement. Ask plenty of questions and make sure the answers agree with the written contract.

- How much are my payments?
- When are they due?
- What other fees are charged and how much will my payments be with these charges?
- What is the total dollar cost to own the item?
- When do I own the item?
- Is the merchandise new or used?
- Can I pay off the item early to save money? Or is there a penalty?
- Am I responsible for loss or damages to the item?
- Who pays for repairs if the item breaks down?
- Is there a grace period for late payments?
- What happens if I miss a payment?
- If I miss a payment or am late and the property is returned or repossessed, how long do I have to reinstate my payments and agreement? How much and what types of charges must I pay, in addition to paying all my past-due payments?

Possible Alternatives

When it comes to buying items for your home or automobile, you may have more options than you realize. Here are a few possibilities.

- Find out whether you qualify for retailer financing. Many stores offer a no-payment period, for example, no payments for 90 days. This can give you extra time to make your payments. Some stores offer 0% financing for a

- specific period, say 6 months. But in both offers, interest accrues. For the no-payment period offers, you usually have to pay the interest eventually. For the 0% financing offers, you can avoid the interest if you make monthly payments that will pay off the item by the end of the 0% period. If you're late with a payment or you can't pay off the item by the end of the 0% period, you'll owe interest from the date of purchase. Be sure to set aside a certain amount every week for your payments.
- Consider [layaway](#). When you use layaway, you typically put down a deposit — usually a percentage of the purchase price — and pay over time; the retailer holds the merchandise for you in reserve. You take ownership of the merchandise only when you have paid for the item in full. The merchandise may be held in the store or off-site, so there may be a short period between your final payment and when you actually get the item.
- Start a dedicated [savings account](#). Take the same amount that you would pay a rental company each week or month and put that money in a savings account instead. You'll end up owning the item sooner, pay far less, and maybe earn a little interest.
- Buy refurbished or reconditioned items. They come at a greatly discounted price.
- Buy secondhand. Check out online lists, classified ads, yard sales, auctions, consignment shops or thrift stores.
- See if your credit union or bank offers personal loans. If you can get one, that might be less expensive than either renting or using your credit card.
- Pay with a [credit card](#), if you can. Even paying a high credit card interest rate will probably be cheaper than renting furniture or electronics. Just pay it off as fast as you can. If monthly rental fees were expressed as an annual percentage rate (APR) they could range from about 100% to 350%. Credit cards typically don't top 24%, if you make timely payments on the account.

Rent to Own Ever a Good Idea?

Rent-to-own may work if you have a short-term need, or want to try a product before buying it. For example, your washer breaks the day before relatives visit and you need time to do research on sales. Or maybe you need furniture on a short-term basis for a temporary residence, or your kids need musical instruments for a class at school.

If you decide to use a rent-to-own plan, make sure you can afford the monthly payments and make your payments on time so you don't lose the product and the money you've already paid.

* Source: Federal Trade Commission



HOMETOWN COMMUNITY SPIRIT
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How Rent-to-Own Plans Work

You enter into a self-renewing weekly or monthly contract for the rented merchandise, and are under no obligation to continue payments beyond the current week or month. The contract gives you the option to buy the goods, either by continuing to pay rent for a certain period or by early payment of some of the remaining rental payments.

Merchandise is generally delivered within 24 hours. While you make payments, the rental company makes repairs or replaces the product if it breaks. In some contracts, there are specific fees for those services.

You're obligated only to pay each rental payment as it comes due, and are free to end the arrangement by returning the merchandise to the store. This may sound convenient, but it comes at a very high price. If you fail to make one or more weekly or monthly payments, the merchandise could be repossessed. However, you may be able to reinstate your agreement and payment history, and get back the property, if you catch up with the required payments and amounts due. If you can't make the back payments and amounts due, you risk losing all the money you paid toward the rental contract.

Some rent-to-own stores have same-as-cash options, for example, of up to six months. During that time, you face no rental charge if you pay the entire "cash price." But be warned, the "cash price" at

rent-to-own stores can be much higher than at other retailers.

Some retailers have added rent-to-own sections in their stores. The plans may have their own requirements about fees and repayment terms. It's always best to read the full agreement carefully before you sign — whoever offers the plan — so you understand what's expected.

Most *rent-to-own transactions* are **not** regulated by federal lending and leasing laws that set disclosures and certain consumer protections, although some *lease-purchase plans* could be covered depending on the arrangement. While most states have laws regulating rent-to-own transactions, the protections vary. Check with your state Attorney General for more information.

Additional Fees

Your contract with a rent-to-own store may include fees in addition to the weekly or monthly rental payment.

- Processing fees
- Delivery and pick-up fees
- Set-up/installation fees
- In-home collection fees, which are charged if a store employee comes to your home to collect payments
- Sales tax
- Excessive damage fees
- Reinstatement fees, which are charged if a payment is late or missed and you want to continue renting
- Late payment fees.

Real World Examples

Here are a few examples to show how costly rent-to-own can be:

You want a 32" TV. At Jake's Rent-2-Own, you have 78 weekly (18 months) payments of \$8.50 each, plus one additional payment of \$37 for a total of \$700. At the traditional retailer down the street, you can buy it outright for \$250. ***That's a savings of \$450*** — maybe more if you get the TV on sale.

If you can save \$8.50 a week for roughly 30 weeks, you'll have enough money to buy the TV at the traditional retailer. In other words, it will take you only seven months to own the same product that it takes a year-and-a-half to own through a rent-to-own purchase. What's more, you'll get a new TV at the traditional retailer; it's possible the rent-to-own model is several years old and has been rented to other people before you.

A dining table and four chairs retails for \$523.75. If you were to pay \$83.13 a month under a 12-month rent-to-own plan, your total cost would be \$997.56. If you were to buy the dining set from a traditional retailer using a high interest-rate credit card and paid \$83.13 each month, the set would be paid off in seven months, at a total of \$575.11 (including \$51.36 in interest). ***That's a difference of \$422.45.***