

## **Rent-To-Own Contracts - Mississippi**

Rent-to-own purchase contracts are popular. Their appeal is great: quick delivery, with no down payment; low weekly payments, with no credit check; and no penalty for discontinuing the contract.

Rent-to-own contracts are technically rental-purchase agreements. These contracts allow you to rent merchandise. For example, you can rent a television set by the week or by the month. Eventually, if you make enough payments, you will own the TV. But if you miss a payment, a rental-purchase agreement requires you to promptly return the TV to the rental store.

If you want only to use furniture or appliances for a few weeks or months, renting may be for you. BUT, if your goal is to own the item, those low weekly payments can add up to high total cost. If you miss a payment, the item can be repossessed. Then, you have nothing to show for the payments you have made.

### **Ask Before You Rent**

Before you enter into a rent-to-own agreement or any contract, get answers to the following questions:

**How much are your payments?**

**When are they due?**

**How many rental payments are you required to make?**

Rent-to-own agreements may require you to make a specific number of rental payments before you can return the merchandise. If you want to return the item early, then you may have to pay a penalty.

Each rent-to-own store decides the length of the minimum rental period. The only way to be sure about a rental store's policy is to check the contract before you sign it. One store may allow you to rent an item for a week, another for 2 weeks, and a third rental store may insist you keep the item for a month. An advantage of rent-to-own contracts is that after the required minimum time period, you can simply return the item without a penalty or further payments due.

**How many payments must you make before you own the item?**

**What other fees or charges are part of the contract?**

Read your rent-to-own contract carefully! Handling fees or service charges increase your total cost. Some rental stores may require you to purchase insurance on the rented item.

**What is the total dollar cost to own the item?**

To check the total dollar cost, first multiply the number of payments required times the amount of each payment. Then, add any extra handling fees or service charges to that amount. For example, if your contract requires you to make 12 payments of \$20 each, and there is a \$15 handling fee:

Number of payments: 12

Amount of payments: \$20

Handling fee:                 \$15

To Figure Your Total Cost:

12 payments x \$20 =		\$240
Add handling fee	+	15
TOTAL COST		\$255

In this example, you must pay \$255 before the rented merchandise belongs to you.

### **When do you own the merchandise?**

In a rent-to-own contract, you will not own the merchandise UNTIL you have made ALL of your payments.

### **Is the merchandise new or used?**

Your rental contract must tell you whether the merchandise is new or used. If you are planning to own the item eventually, you will want to get the most use from it.

### **Are you responsible for loss or damage to the merchandise?**

The contract must state if you are liable for loss or damages to the rented item. It should also state the maximum amount you can be required to pay for the merchandise if it is stolen or is damaged.

The contract should include information on how you get an item repaired and who is responsible for repair bills. Does the store provide a substitute at no extra charge while repairs are being made?

### **Is there a grace period for a late payment?**

A grace period is the amount of time you have to get your late payment to the bank or the store before you have to pay a penalty or return the merchandise.

### **How do you reinstate a rent-to-own contract?**

Reinstatement means that within a specific time period you have the right to pay all late payments. You also will have to pay all other charges to prevent your losing any rights or investments you have in the rental merchandise. Your right to reinstate your rent-to-own contract exists even if the merchandise has been repossessed.

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