

# New Tech, Old Problem: The Rise of Virtual Rent-to-Own (VirTO) Agreements

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# Litigation Experience

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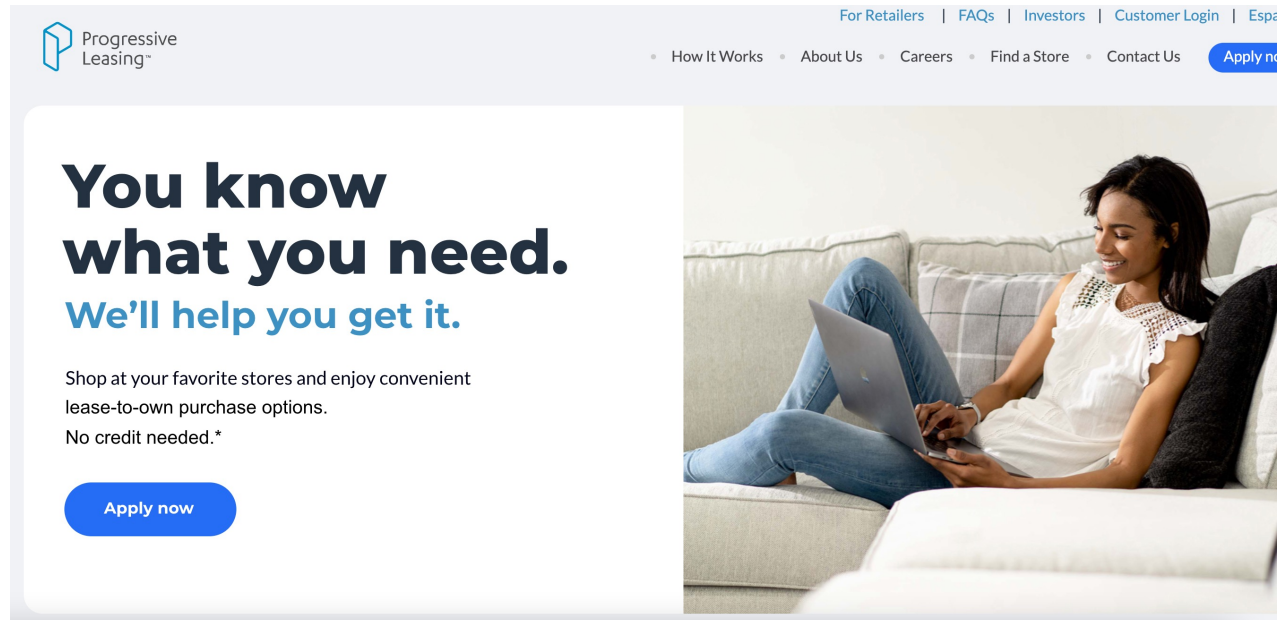
# Statutory Framework

- State Rental-Purchase Acts: “an agreement for the use of personal property by a lessee primarily for personal, family or household purposes, for an initial period of 4 months or less that **is automatically renewable with each payment after the initial period and that permits the lessee to become the owner of the property.**” Mich. Comp. Laws Ann. § 445.953(d).
- Truth in Lending Act: “Credit sale... includes a bailment or lease (**unless terminable without penalty at any time by the consumer**) under which the consumer: (i) agrees to pay as compensation for use a sum substantially equivalent to, or in excess of, the total value of the property and service involved; and (ii) will become (or has the option to become) for no additional consideration or for nominal consideration, the owner of the property upon compliance with the agreement.” 12 CFR 1026.2(16).
- UCC: “A transaction in the form of a lease creates a security interest if the consideration that the lessee is to pay the lessor for the right to possession and use of the goods is an obligation for the term of the lease and **is not subject to termination by the lessee...**” UCC 1-203.

# Traditional RTO Model



# New VirTO Model



Progressive Leasing™

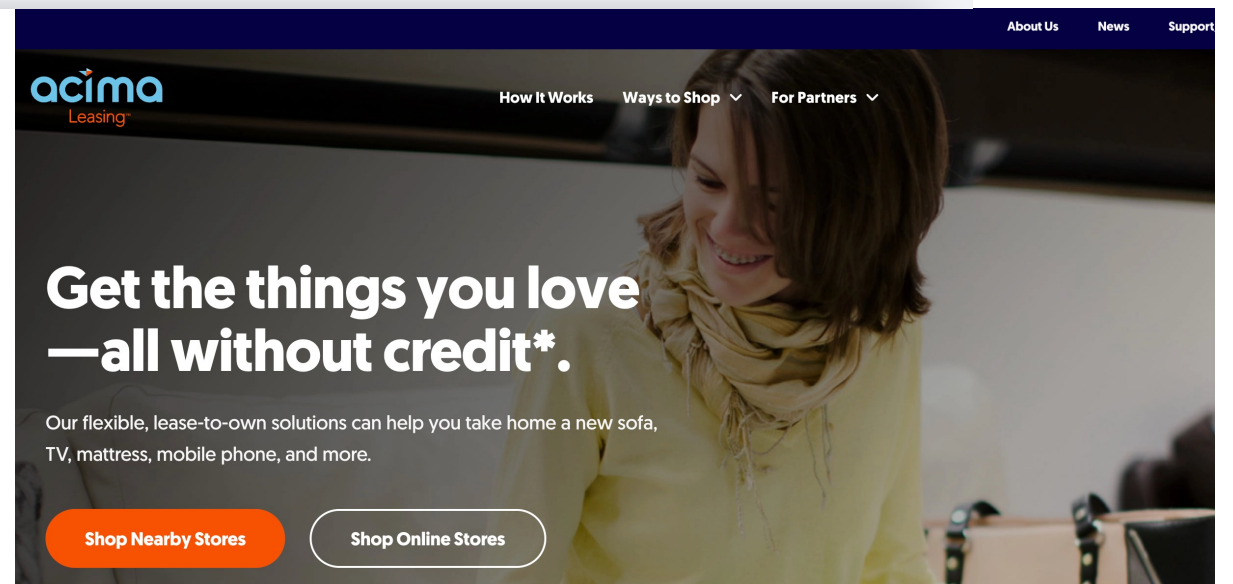

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## You know what you need. We'll help you get it.

Shop at your favorite stores and enjoy convenient lease-to-own purchase options.  
No credit needed.\*

Apply now



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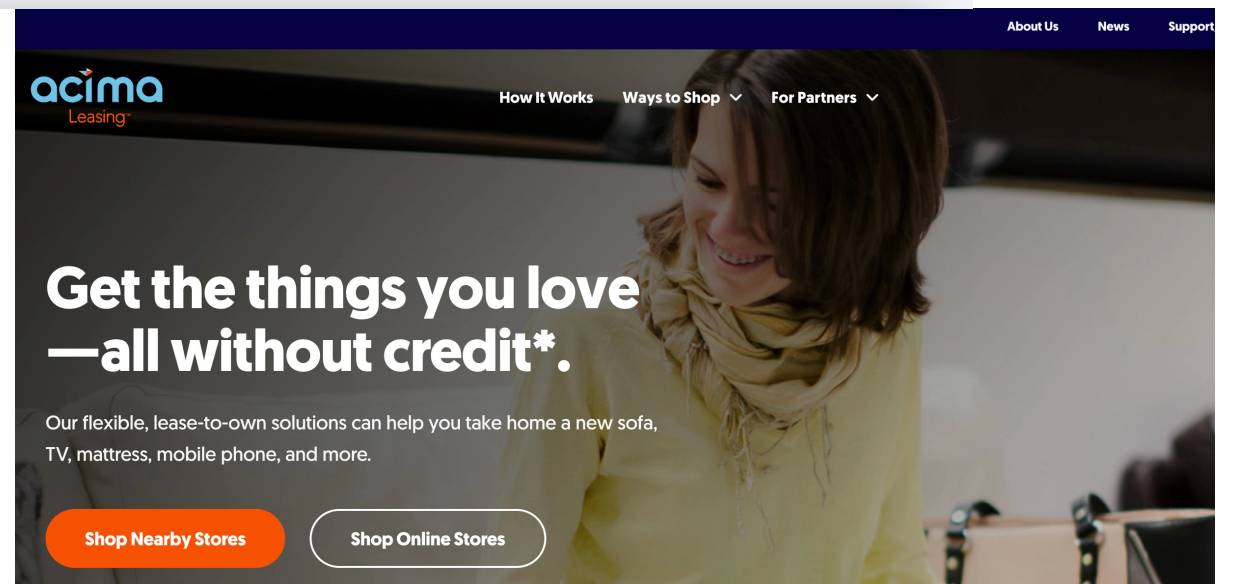
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## Get the things you love —all without credit\*.

Our flexible, lease-to-own solutions can help you take home a new sofa, TV, mattress, mobile phone, and more.


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# New VirTO Model

Secure Checkout ✓ Shipping Address > **Payment Info** > Delivery Method


 [Cart](#)

 4 interest-free payments of \$251.75 every 2 weeks.

 Add a Credit or Debit Card

 4 interest-free payments of \$251.74 every 2 weeks

 Add PayPal

 Pay as low as \$66 per month.

Click Continue to apply for an offer to use toward your purchase or to locate your existing Affirm, Bread Financial, Citizens Pay, Katapult or Acima account.

\$66 per month based on \$1,006.99 purchase at 20% APR for 18 months through Affirm. Rates and total cost of ownership vary by financing option. [Learn More](#)

Continue

## Cart Summary

[Expand](#) ▼

1 Item



Item Subtotal: \$949.99

Shipping: FREE

[Estimated Tax:](#) \$57.00

**Total:** **\$1,006.99**

You Save: \$140.00

# New and Old Problems

- Nonsensical Products and Services
- Inability to Terminate and Return the Product
- Increasing Misinformation and Fraud
- High-Cost Credit
- Targeting Low-Income and Subprime Consumers



# Recommendations

- Treat VirTOs as credit subject to consumer protection statutes and state usury laws.
- Ban VirTOs for non-sensical products and services.
- Regulate point-of-sale retailers as credit service organizations.
- Increase enforcement under existing regulatory frameworks.