

Empirical Evidence on the Determinants of Rent-to-Own Use and Purchase Behavior

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Abstract: This study uses logit and multinomial logit models and data from a nationwide random sample of rent-to-own (RTO) customers to investigate financial, demographic, regulatory, and other factors associated with consumer use of RTO transactions and the purchase of RTO merchandise. The analysis recognizes that RTO transactions can be used for either the purchase of merchandise or a temporary rental and models the determinants of use and purchase separately for each group of customers. The study concludes that income, access to credit, education, and race are significant determinants of whether consumers use RTO transactions with the intent to purchase. The study also finds some indication that state RTO laws may affect use and purchase, although this result is less robust. The determinants differ for consumers entering RTO transactions intending to purchase and intending a temporary rental, suggesting the industry serves two separate and distinct markets. The policy implications are discussed.

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