

Lute Rent to Own Plan

The *Lute Society of America's Lute Rental Program* (LRP) is often asked if it has a "rent-to-own" plan for the instruments in its rental collection. We do not currently have such a plan because we have not been able to construct one that is fair to both parties in the plan: the renter and the LRP. We believe any plan should result in a "win" for both parties and we simply have not found a way to make that happen. Specifically, we have been unable to come up with a rent-to-own plan that does not (1) punish the LRP by removing its only source of income: rental fees, nor: (2) punish the renter who wants to rent a lute and pay something each month towards its purchase price.

The LRP "wins" if the renter pays the normal rental rate (currently \$55 a month) and anything paid extra by the renter is put towards the price of the lute. But this plan makes it very tough for a renter who can't put in an extra \$100-200 a month toward the purchase price because if the renter puts in only \$30 or \$40 extra a month, the number of months it would take at that rate causes the ultimate price of the lute to be very high. In this way the rental program "wins" but the renter "loses": no good...we don't want that.

The renter "wins" if 100% of his/her \$55 monthly rental fee goes toward the purchase price but, as above, that means the LRP is basically saying "you can have the use of the lute for free for all the months you have it until you have paid enough to own it and then it's yours." Big "win" for the renter but the LRP "loses". It loses the rental fees it could have made and then it loses the lute it could have rented to others in the future. It gains the money for the sale of the lute, yes, but then has to replace that lute with another one by buying in the used market and that means it probably won't be able to buy a used lute for the amount it got for the one it sold. So it winds up costing the LRP the \$500-1,000 difference. Renter "wins" but rental program "loses" in this scenario: no good...we don't want that.

The reason the LRP has to make rental income on the rental lutes is that it has to pay a great deal out in expenses to maintain the lutes in the rental collection. Some examples: a complete *Aquila Nylgut* string set for an 8c Renaissance lute runs about \$125. Gut fret costs \$3 for 12 inches and so about \$15 to re-fret a Renaissance lute. Cases are extremely important and extremely costly. A recent purchase of a custom-made case for a Swan-Neck Baroque lute cost \$700. Shipping is also very expensive. Although the renter pays shipping TO him/her, the LRP pays shipping FROM the renter at the end of the rental and shipping can cost anywhere from about \$100, one-way, up to a recent high of \$565, one way! Repairs are also costly. To repair a lute we have to ship it to the luthier and have it shipped back (already \$200-250 out of pocket just for shipping). Then we have to pay for repairs, which, in terms of recent examples can range from \$500 - \$1,250 for ONE instrument. Add the shipping on and that \$500 repair costs \$750 and the \$1,250 repair costs nearly \$1,500! Given that there are 42 instruments in the collection and they all need strings, frets, good cases, repairs as needed, and have to be shipped, the cost of keeping and managing the collection is many thousands of dollars a year. Each \$55 rental payment goes into the pot to pay for all those costs and that it is why it is not possible to reduce that rental payment amount in a rent-to-own plan in which the renter "wins" but the LRP "loses". If we did that we would quickly kill the LRP and there would be no lutes for anyone to rent. Since the LRP receives no funding from any source other than rental income, reducing that income hurts the LRP and its ability to supply lutes for everyone.

The only way something *approaching* a "rent-to-own" plan can work is for the renter to pay the normal \$55 a month rental fee and then add in an additional \$100-200 a month towards the purchase price of the lute. At that rate, the renter will have paid in enough in 10-20 months to own a \$2,000 lute. The rent paid in for those months' ranges from \$550 - \$1,100 and does make the fully loaded cost of buying that lute rise to \$2,550 - \$3,100. In some ways one can consider that the cost of financing the purchase. Since some will say that such a finance charge is too high and, if that is the case, it might be wiser to seek financing from a traditional lender like a bank or other. We could not disagree with that view. Remember, though, that if we sell a lute for \$2,000 we have to replace it with one we buy in the used market and will be lucky if we can find one for less than \$3,000. Then we have to pay for shipping of it and, when all is said and done, we will be very lucky indeed to just break even on the purchase of a replacement lute using the rental income and the purchase amount paid by the renter for the lute s/he purchased. We may well lose money as we buy a lute to replace the one we sold in the rent-to-own plan. Yet, we are willing to take this risk to help the renter if s/he wishes to buy a rental lute and can pay in the \$100-200 a month (or more) for its purchase price.

We are pursuing other ideas such as rental lute scholarships, development efforts, etc. to bring new sources of income to the LRP so that we can depend less on rental fees and may well be able to offer a true "rent-to-own" plan or similar in the future. If we can secure such funding we will notify all LSA members via email of that fact and of the development and implementation of any "rent-to-own" or similar plan.