

CONSUMER ALERT

A Publication of the South Carolina Department of Consumer Affairs
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What You Should Know About Credit Sales

Have you taken a look at manufactured homes lately? They come in numerous shapes and sizes. Generally, manufactured homes appeal to consumers not only because of their wide range of affordability, but also because of their simple convenience. Manufactured housing companies advertise one-stop-shopping. Yet, if you are in the market for a manufactured home remember that one-stop-shopping for a home may be risky if you, as a consumer, do not know the right questions to ask.

The right questions go beyond the cost, standard interest rate and flexible payments. Perhaps, one of the most important questions to ask regards insurance. The South Carolina Department of Consumer Affairs is raising consumer awareness and informing consumers that they have an option of purchasing property insurance from an insurance company of their choice.

Based upon the South Carolina Department of Consumer Affairs' review of manufactured home credit sales contracts, a significant percentage of consumers are not making wise choices as it relates to the preference of an insurance agent through whom their manufactured home property insurance is purchased.

Consumers do have the right to choose a manufactured home property insurance agent. However, if consumers have a preference as to their property insurance agent, the required manufactured home property insurance binder or policy must be delivered to the manufactured home dealer prior to or at the time of completing the manufactured home retail installment credit sales contract and security agreement.

There are definite advantages when consumers exercise their preference as to the insurance agent to furnish the required manufactured home property insurance. Typically, manufactured home property

insurance offered by a manufactured home dealer or a financing company is sold for a term of one, two, or three years and the cost of the property insurance is included in the amount financed. Conversely, manufactured home property insurance furnished by an insurance agent selected by consumers is an out-of-pocket expense and is not included in the amount financed.

Financing the cost of manufactured home property insurance is an expensive proposition. The cost of a three year term for manufactured home property insurance from a manufactured home dealer or a financing company for a manufactured home valued at \$50,890.00 could cost \$1,338.00 or more. Moreover, financing a manufactured home property insurance policy with a three year term costing \$1,338.00 over the 30 year term with an annual percentage rate of 12% will add approximately \$13.76 to each monthly installment payment. In this scenario, the total of payment over a 30 year term is \$4,953.60 of which \$3,625.70 is interest earned by the financing company.

At the end of the three year manufactured home property insurance term, the consumer will have to provide the required manufactured home property insurance policy in an amount acceptable to the financing company. In the event the consumer is unable to provide the required manufactured home property insurance, the financing company will insure the manufactured home with force placed or vendor's single interest insurance coverage to protect their security interest in the manufactured home. The vendor's single interest manufactured home property insurance is comparatively very expensive.

Also, in the above scenario, at the expiration of the three year manufactured home property insurance

coverage term, the expense of financing the cost of manufactured home property insurance really hits home, so to speak. At that time, all things being constant, there will be 324 remaining monthly installment payments which include the monthly cost of \$13.76 for financing the original cost of \$1,338.00 for the manufactured home property insurance. The remaining total of payments (\$4,458.24) for the manufactured home dealer or financing company manufactured home property insurance coverage is determined by multiplying \$13.76 x 324. Based upon the remaining 324 installment payments, the amount of interest to be earned by the financing company is approximately \$3,160.03.

The fact of the matter is, financing the cost of one, two, or three year term of property insurance coverage over a 15 or 30 year term will create a situation wherein consumers will eventually be making double property insurance premium payments with having only the benefits that a single property insurance policy offers. Certainly this scenario can be avoided by asking the right questions and making the right choices.

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CONSUMER EDUCATION:

Teachers please discuss this concept with your students!

What steps should you take before you buy a service or product?

Step 1: Decide in advance exactly what you want and what you can afford.

Step 2: Research the product (if necessary).

Step 3: Ask friends and family for recommendations.

Step 4: Shop around and compare prices.

Step 5: Learn about the existing warranty.

Step 6: Ask about the store's refund/exchange policy.

Step 7: Read and understand any contracts before you sign them.

Step 8: Check out the company's complaint record with the South Carolina Department of Consumer Affairs.

For more information see our web site:

www.state.sc.us/consumer

To Request Free Educational Materials or Arrange for a Speaker Please Contact:

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Consumer education should start now!

Teachers: If you have an idea for a topic that you would like for us to cover, please contact Sherry King at the above stated address.

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Facts for Consumers: Women and Credit Histories

Fast Facts:

* If you have never had credit, start building a good credit record now.

* If you have had credit before under a different name or in a different location, make sure your local credit bureaus have complete and accurate information about you in a file under your current name.

* If you were married or divorced recently and changed your name, ask your creditors to change your name on your accounts.

* If you have shared accounts with your husband, creditors should be reporting information about these accounts to credit bureaus under both names, but check with the credit bureaus to make sure.

Scenario

Louise Martin changed her name when she got divorced. Although she had several successful credit accounts in her married name, her applications for credit in her maiden name were repeatedly denied. Creditors told her: "We cannot find a record of your credit history under the name you gave on your application."

You may have faced a similar problem when you have applied for credit. Each year, many women are denied credit because they cannot show how they have used it. A good credit history is the way most companies predict your future success using credit. The record of your payment on credit cards, charge accounts, installment loans, and other credit accounts is how you get a "track record." It gives a creditor evidence that you are a good credit risk.



SCAMS

Reimbursement for slavery is a hoax!

Elderly black people across the South are being victimized in the latest slavery reparation scam.

Flyers are being circulated in black churches and senior communities offering \$5,000 to individuals of African-American heritage born before 1928. The flyer further explains to the elders that they are due to collect \$5,000 due to an error in Social Security collections. The offer is a total scam designed to trick the recipients into giving out their names, dates of birth, and Social Security numbers. The real danger comes, however, when the victims identities are stolen.

Protect yourself from identity theft by:

* Keeping personal identifying information confidential.

* Prior to giving out personal identifying information, find out how it will be used.

* If creditors bills do not arrive on time, follow up.

* If your I.D. or credit cards are lost or stolen notify creditors immediately.

* Order a copy of your credit report regularly - once a year.

Direct Marketing Association

Are you tired of getting direct mail, catalogs, telemarketing calls, and other advertisements that you did not request?

Send your name(s) and home address to the address below to remove your name from participating national mailings lists.

**Mail Preference Service
Direct Marketing Association, Inc.
P.O. Box 9008
Farmingdale, NY 11735-9008**

