

Consumer Alert

Educating South Carolina's Consumers

A Publication of the South Carolina Task Force on Fraud



www.scconsumer.gov

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A New Year's Resolution to keep: Don't let physical fitness contracts work you over

While many New Year's resolutions may be difficult to keep, one resolution may be practically impossible to abandon.



Your resolution to drop the extra pounds may prompt you to join the gym, but it could also require you to sign a contract that's more restrictive than you intended and nearly impossible to break.

Trouble canceling physical fitness memberships is one of the top complaints logged with consumer

protection agencies and state attorney generals.

Before you sign on the dotted line, the South Carolina Department of Consumer Affairs wants you to understand your agreement. Doing so may prevent you from losing money faster than you lose the pounds.

Fine Print: Read it. Every word. Some facilities will allow you to take the contract home overnight, if you ask.

Some fine print includes clauses that require you to attend the fitness facility a designated number of times in the first month.

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Inaccuracies in credit report hurt your score



Wait! That's not right! Don't just rubber stamp your credit, check to make sure it's accurate.

Given that most of us do everything in our power to improve and protect our credit scores, it's especially deflating to know inaccurate information could be pulling your score down.

In general, consumers should take advantage of the once-a-year free credit report they are entitled to under the Fair Credit Reporting Act to be sure no inaccurate negative information is harming their credit score.

The following steps should be taken to ensure inaccurate negative information is taken off of your credit report.

First: Get your report; read it

You're entitled to a free report if a company takes adverse action against you, like denying your application for credit, insurance, or employment, and if you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the consumer reporting company.

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Deciphering junk mail: What does it mean if you are preapproved for a credit card?



Preapproved does not mean *approved*.

Preapproved just means you are approved for a *review* of your credit history to see if you qualify

for an attractive interest rate on a credit card. But often the card issued has a higher interest rate than the teaser rate, even if your credit score is excellent you can be denied.

Read the terms of a new offer carefully.

"The big print may advertise an interest rate of 8.9 percent," says Robert McKinley of cardweb.com. "But the small print says the card you get may be anywhere from 8.9 to 22.9 percent."

Additionally, destroy or shred any pre-approved credit card applications because they could be stolen and used to secure a line of credit in your name.



The Help Desk: *Explaining Credit Cards*

Chances are you've gotten your share of "pre-approved" credit card offers in the mail, some with low introductory rates and other perks. Many of these solicitations urge you to accept "before the offer expires."

Before you accept, shop around to get the best deal.

A credit card is a form of borrowing that often involves charges. Credit terms and conditions affect your overall cost. So it's wise to compare terms and fees before you agree to open a credit or charge card account. The following are some important terms to consider that generally must be disclosed in credit card applications or in solicitations that require no application. You also

may want to ask about these terms when you're shopping for a card.

Annual Percentage Rate. The APR is a measure of the cost of credit, expressed as a yearly rate. It also must be disclosed before you become obligated to the account.

The card issuer also must disclose the "periodic rate" - the rate applied to your outstanding balance to figure the finance charge for each billing period.

Some credit card plans allow the issuer to change your APR when interest rates or other economic indicators - called indexes - change. Because the rate change is linked to the index's performance, these plans are called "variable rate" programs. Rate changes raise or lower the finance charge on your

account. If you're considering a variable rate card, the issuer must provide various information that discloses to you that the rate may change and how the rate is determined - which index is used and what additional amount, the "margin," is added to determine your new rate.

You must at least receive information about any limitations on how much and how often your rate may change before you become obligated to the account, .

Free Period. Also called a "grace period," a free period lets you avoid finance charges by paying your balance in full before the due date. Knowing whether a card gives you a free period is especially important

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Failure to do so may result in a multi-year contract. Other fine print items may contain details about required equipment maintenance and licensing information. Ask for a rate sheet and compare the prices of different programs before you join.

Terms of termination: It may be hard to get on the treadmill, but it's even harder to cancel your contract. The SC Physical Fitness Services Act does provide consumers a three-day window to cancel their contract.

Cancellations after this time period are only required in one of the following situations: death, permanent disability, moving 50 miles or more from the facility, or specific terms in the written contract. Facilities are required to state these provisions in your contract.

Know what kind of documentation your contract requires before trying to cancel your

payments.

Some contracts may require you to send cancellation requests by certified letter, provide proof of a new mailing address, or a doctor's note before they cancel your bill.

Not following the proper protocol may cause damage to your credit score over time.

Automatic Renewal: Under the Physical Fitness Act, an automatic renewal clause may be included in the contract.

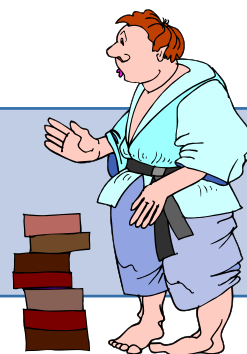
The member, however, must agree to the automatic renewal no more than 30 days prior to the end of the original contract.

The club is not allowed to renew the contract and continue to draft payments if the member does not respond to the offer.

Contract Negotiation: Many fitness facilities will honor low rates and payment plans long after the initial offer.

Make a note of promotions as

There are more difficult things to break than a physical fitness contract, but not many.



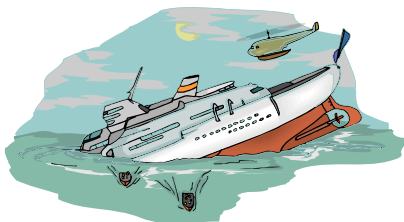
they occur and ask for them when you renew your contract.

Legal Limits: Despite the apparent danger of signing a restrictive contract, the Act does provide consumers certain rights and safeguards.

The Act requires fitness facilities to have a surety bond or letter of credit to cover service contracts exceeding \$200 or three months and requires them to refund the remainder of a consumer's contract, if the business closes.

CONTINUED from Page 1: Inaccuracies in credit report hurt your score

Remember what the iceberg did to the *Titanic*? Inaccurate negative information can do the same to your credit score. Review your credit score report at least once a year.



Each of the nationwide consumer reporting companies – Equifax, Experian, and TransUnion – is required to provide you with a free copy of your credit report, at your request, once every 12 months.

The three companies have set up a central website, a toll-free telephone number, and a mailing address through which you can order your free annual report.

To order, click on annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You can print the form from ftc.gov/bcp/conline/edcams/credit/.

Otherwise, a consumer reporting company may charge you up to \$9.50 for another copy of your report within a 12-month period.

You can dispute mistakes or outdated items for free. Under the FCRA, both the consumer reporting company and the information provider (that is, the person, company, or organization that provides information about you to a consumer reporting company) are responsible for correcting inaccurate or incomplete information in your report.

Then: If you see something wrong? Report it!

Tell the consumer reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of documents that support your position. In addition your complete name and address,

your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request that it be removed or corrected. Keep copies of your dispute letter and enclosures.

Consumer reporting companies must investigate the items in question – usually within 30 days – unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information.

After the information provider receives notice of a dispute from the consumer reporting company, it must investigate, review the relevant information, and report the results back to the consumer reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide consumer reporting companies so they can correct the information in your file.

When the investigation is complete, the consumer reporting company must give you the results in writing and a free copy of your report if the dispute results in a change.

If an item is changed or deleted, the consumer reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The consumer reporting company must send you written notice that includes the name, address, and phone number of the information provider.

If you request, the consumer reporting company must send notices of any correction to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes.

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if you plan to pay your account in full each month. Without a free period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account. If your card includes a free period, the issuer must mail your bill at least 14 days before the due date so you'll have enough time to pay.

Annual Fees. Most issuers charge annual membership or participation fees. They often range from \$25 to \$50, sometimes up to \$100; "gold" or "platinum" cards often charge up to \$75 and sometimes up to several hundred dollars.

Transaction Fees and Other Charges. A card may include other costs. Some issuers charge a fee if you use the card to get a cash advance, make a late payment, or exceed your credit limit. Some charge a monthly fee whether or not you use the card.

Balance Computation Method for the Finance Charge. If you don't have a free period, or if you expect to pay for purchases over time, it's important to know what method the issuer uses to calculate your finance charge.

This can make a big difference in how much of a finance charge you'll pay - even if the APR and your buying patterns remain relatively constant.

Lifsmarts competition gearing up for 2008

The South Carolina Department of Consumer Affairs (SCDCA) encourages high school students, teachers, and parents to participate and enter a team in the 2008 LifeSmarts competition.

The contest begins today and is open to all teens in 9th - 12th grades.

Students and teachers may visit the site at www.lifsmarts.org.

SCDCA hosts the annual LifeSmarts competition that tests students' knowledge of the following consumer areas: personal finance, health and safety, environment, technology, and consumer rights and responsibilities.

During the online competition, teams across the state compete for one of six positions at the State Competition held in Columbia



during March 2008.

The winning team at the State Competition will represent South Carolina at the National LifeSmarts Competition that will be held April 12-15 in Minneapolis, Minnesota.

LifeSmarts, established by the National Consumers League, is designed to supplement classroom curriculum or be used as a learning activity in clubs and organizations outside the classroom.

It is important to note players and teams may come from a variety of sources, not limited to schools.

"Late Nights" offers extended hours for more convenience



"Late Nights" allows consumers with especially busy schedules a few extra hours to reach Consumer Affairs.

Office hours are extended from 5:30 p.m. until 7:00 p.m. on the third Tuesday of every month.

The program is designed to give consumers the convenience of after-work hours.

Consumers are welcomed to call during the additional hours at 803.734.4200 or toll free in S.C. at 1.800.922.1594.

For more information about "Late Nights" please contact the Public Information Division at 803.734.4190.



Money Tips: Chop the cards

Trim your credit cards. The more cards you use, the more due dates and interest rates you're forced to monitor. If you pay off your balances in full, consider carrying just one card in your wallet, with

another at home as a backup. If you're carrying credit card debt, consider leaving all your cards at home. Don't close accounts, since that could hurt your credit scores, but stop using them until you've retired your debt.

Got Questions???

Ask Consumer Affairs with online chatting

Think you have been a victim of a scam or just need general information about fraud protection?

Are you an athlete agent or pre-need burial provider in need of additional instructions about licensing? Or are you a business that has questions about the Buyer Beware list?

Then log on to *Ask Consumer Affairs*, an interactive forum that provides you with great consumer information.

Visit the South Carolina Department of Consumer Affairs

website at sconsumer.gov and click on LIVE CHAT.

A communication specialist is there to assist you with any questions you may have Monday through Friday from 8:30 a.m. until 5:00 p.m.



S.C. Department of Consumer Affairs Mission and Values Statement:

To protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education.

The Department strives to be a **CREDIT** to our State by holding the following values as essential in our relationships and decision-making:

- Competence **R**espect **E**quality
- D**edication **I**ntegrity **T**imeliness

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- Barbara B. League, Greenville
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- Charles Ellison, Editor

About the South Carolina Department of Consumer Affairs:
Established by the Consumer Protection Code in 1974, the South Carolina Department of Consumer Affairs represents the interest of South Carolina consumers. Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement, and education. For more information on the SCDCA, visit www.sconsumer.gov.