

# Consumer Alert



A Publication of the South Carolina Department of  
Consumer Affairs Public Information Division

## The credit scoring juggle:

### Exactly what goes into your credit score

Your credit score is one of the most important numbers in your life, right behind 911 but ahead of your SAT score. Most of us, however, aren't completely aware of what factors into a credit score.

Each credit reporting agency uses different formulas and reports to ascertain your credit score, but they all use basically the same components.

The five main categories used to compute a credit score are: payment history, amounts owed, length of credit history, new credit, and types of credit in use.

FICO, for example, weighs those categories as follows: 35% payment history, 30% amount owed, 15%



length of credit history, 10% new credit, 10% types of credit in use.

#### Payment History

One of the first things any lender would want to know is whether you pay your bills on time, which is why payment history is heavily weighted in your credit score.

This is why simply paying the bills on time is so important to maintain a high credit score.

Late payments are not an automatic "scorekiller." An overall good credit picture can outweigh one or two instances of, say, late credit card payments, but several late payments will pull down your score.

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SCDCA is on YouTube

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- Homebuying 101 Conference
- Find the best lawn care service
- Mortgage Fraud Hotline now open

## Consumer Affairs now on the Tube

Hey look - we're on YouTube! The Department is proud to announce its latest innovation in consumer education, The Consumer Minute.

These SCDCA news shorts, produced by the Public Information Division are posted on YouTube for consumers to watch or download.

The clips will cover pertinent consumer topics, such as credit repair and debt collection, as well as breaking news on scams and fraud. Additionally, the Department plans to use the format as a sounding board to



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## Website offers free rental postings, housing searches for S.C. consumers

**SCHOUSINGSEARCH**  
**.com**



If you're looking to rent a home, you know it can be a frustrating process.

Classified ads without pictures. Websites that charge costly member rates. Or worse, driving around aimlessly to find For Rent signs. The process is equally frustrating if you

have a property you would like to rent. Well, now there's a solution and best of all, it's FREE.

In early September 2005, the South Carolina State Housing Authority announced the

implementation of [www.SCHousingSearch.com](http://www.SCHousingSearch.com).

This FREE online listing and locating service of affordable housing allows people from across the state to search for a place to call home.

Today, the site provides

detailed, up-to-date housing information on almost 1,700 available units and generates over 1,000 housing searches a day.

The service is easy to use and easy to access. Landlords can advertise attractive details about their properties that include map links, neighborhood information, and pictures. Residents can search online to produce customized housing matches with just a few clicks of the mouse.

Listings can be searched by location, rental amount, amenities, and other variables. The service also provides a

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## Thinking of rent-to-own?

# Consider other options

You've probably heard this advice, "You're just throwing money away when you rent," which is easy advice if you have good credit and money in the bank.

Renting is an attractive option to many consumers who cannot afford a cash purchase, may be unable to qualify for credit, and are unwilling or unable to wait until they can save for a purchase.

Some consumers also may value the flexibility offered by the transaction, which allows return of the merchandise at any time without obligation for further payments or negative impact on the customer's credit rating. Other consumers may rent merchandise to fill a temporary need or to try a product before buying it.

The rent-to-own industry says they provide a financial plan to make this possible for consumers in these situations. While rent-to-own can be an attractive, practical option, it should not be entered into blindly.

Like anything that involves your money, you need to be sure you understand what you're getting.

### What is rent-to-own?

Rent-to-own is an option where the consumer pays a set fee on a weekly, bi-monthly, or monthly rate in exchange for the immediate use of goods. The fee is automatically renewing, meaning the consumer is charged as long as they have the product, but they are under no obligation to continue payments beyond the current period.

This means the consumer can return the product and cancel at any time.

Rent-to-own provides the option to purchase the goods, either by continuing to pay rent for a specified period of time, usually 12 to 24 months, or by early payment of some specified proportion of the remaining lease payments.

A farrago of products, including appliances, furniture, jewelry, and even rims, are available under the rent-to-own system.

### You can rent-to-own, but you'll pay for it

The biggest drawback with rent-to-own is that it's expensive – really expensive.

Consumers may get the instant gratification of walking out of the store, item in hand, but the drawback is a gross markup over the original retail value of the time. Those who eventually purchase the item on a rent-to-own plan typically pay double or triple the original cost of the item.

For example, a recently advertised deal at one rent-to-own business offered a couch, love seat, and end table for \$44.99 a week for 83 weeks. A little math shows you this adds up to be \$3,734.17, which is more than double the original \$1,657 value of the furniture.



Rent-to-own means a steady trickle of money from the items you "own."

Before entering any rent-to-own agreement, whether planning to purchase the item or not, consumers should be sure they understand the final costs of the product. After all, at \$44.99 a week, the retail cost of the furniture was met after just nine months.

The rent-to-own industry has been criticized by consumer advocates for not fully disclosing the final costs of products or the terms and conditions of the agreement to consumers.

### Other concerns about rent to own

Critics also charge that rent-to-own dealers often don't tell the consumer whether or not a product has been used. Rent-to-own is a steep markup over brand new retail, but it's absolutely mountainous when applied to a used item.

Another issue with rent-to-own is the consumer has no real equity built into the

## Homebuying

*A free conference aimed at educating prospective homebuyers about the homebuying process*



The South Carolina Department of Consumer Affairs (SCDCA) will sponsor "Homebuying 101: Building the Foundation for Your American Dream" on Wednesday, June 25.

Consumers looking to buy a home as well as business professionals in the industry are encouraged to attend this one-day workshop. The workshop is free and will be held at the Brookland Banquet and Conference Center in West Columbia. Lunch will be provided.

Homebuying 101 is an excellent opportunity for consumers to learn the importance of homeownership, the role of the lender, financial and household budgeting techniques, credit issues and the analysis of the credit report in the homebuying process.

The seminar will also share tips to prevent consumers from becoming victims of mortgage fraud. According to a recent Mortgage Asset Research Institute (MARI) report, South Carolina continues to show significant improvement in reducing mortgage fraud, moving from # 1 in the nation in 2001 to # 22 in 2006.

Prior to a panel discussion on government sponsored homebuying products and services, concurrent sessions will allow consumers to choose two of three presentations to attend. In "Credit Reports, Scoring and More" Donna DeMichael, Director of Consumer Services and Education at the Department, will share how to obtain your free credit report, how to read your credit report, what makes up a credit score and other valuable information.

"Credit Counseling in 2008," presented by staff attorney Carri Grube, will discuss what debt managers, credit repair companies and debt settlement companies can and cannot do under the Consumer Credit Counseling Act. She will also discuss steps consumers can take to improve their credit files. The third session being offered, "Mortgage Workshop," presented by staff attorney Charles Knight, will take consumers through the many forms surrounding a home mortgage, including the application, Truth in Lending form and broker fee agreement. Additionally, the session will cover mortgage products and how to detect and defend against mortgage fraud.

The schedule of events, workshop details and registration forms are available at [www.sconsumer.gov/registration/](http://www.sconsumer.gov/registration/). Space is limited, and advance registration is required. For more information, contact the Public Information Division at 803.734.4190, toll free in SC at 1.800.922.1594.

## Department, AG's office to offer Mortgage Fraud Hotline

The Department of Consumer Affairs (SCDCA) and the Attorney General's (AG) Office are pleased to announce the launching of the state's first Mortgage Fraud Hotline.

Consumers who suspect they are victims of mortgage fraud are encouraged to call the toll-free number **1.800.553.7723** for the Stop Mortgage Fraud hotline.

The phone line will be operational Monday through Friday from 8:30 a.m. - 5:00 p.m. beginning on Tuesday, June 10, 2008, and housed at SCDCA.

This convenient, accessible help for consumers dealing with mortgage scams and fraud will allow consumers across the state to receive immediate, expert attention.

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## CONTINUED: Consumer Affairs now on the Tube

inform consumers on the agency's latest plans, events, and activities. The Department looks forward to posting the videos on its website in the near future.

The first Consumer Minute, "Meet the South Carolina Department of Consumer Affairs," is an overview of the Department and includes information on how to file a complaint against a business. Other Consumer Minutes currently posted cover the tax rebate scam and announce the upcoming Homebuying 101 Conference.

Links:

### Who We Are

[www.youtube.com/watch?v=UxvZfG1bOvE](http://www.youtube.com/watch?v=UxvZfG1bOvE)

### Tax Rebate Scam

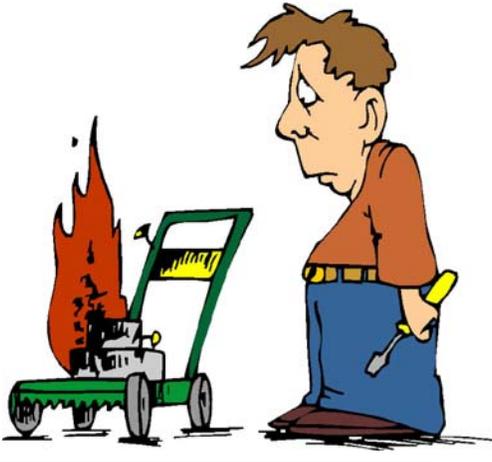
[www.youtube.com/watch?v=DvPhOBQiLew](http://www.youtube.com/watch?v=DvPhOBQiLew)

### Homebuying 101 Conference

[www.youtube.com/watch?v=0KJKJmnGDbg](http://www.youtube.com/watch?v=0KJKJmnGDbg)

## Don't get mowed over!

# What to look for when hiring a lawn care service



Some of us should leave landscaping to the pros, but always get a free estimate first.

While it's debatable if the grass is really greener on the other side, there is no debate that it has to be cut.

Considering the time spent tending the lawn and the cost of equipment, hiring a lawn care service provider may be a viable option.

### Ask for a free estimate and consultation

Before hiring, and definitely before signing a contract, ask for a free estimate and consultation.

If the company refuses, find another company to do business with.

Good questions to ask:

- ➔ How much will it cost?
- ➔ Will service be provided on a set schedule or on an as needed basis?
- ➔ If landscaping is being provided, are material costs covered or is it an additional charge?

### Ask for References

Always ask for references before starting any service. Ask for reference numbers and addresses so that you can contact current or former customers to get a better sense of the company's work.

Simply driving by other lawns the company works on will give you a good indication of what you can expect.

### Is the company licensed, bonded and insured?

Accidents happen, especially when heavy-duty, commercial grade equipment is involved. Broken windows, cut water hoses, or worse, personal injury, happen in landscaping, so it's important any company you deal with is insured and licensed to work in your area.

If you sign a service contract or pay in advance of work being performed, the company must be bonded to insure your repaid if they are unable to complete the terms of the contract. An unbonded company leaves you at risk of being left with knee high grass and an empty wallet.

Which brings us to the next tip...

### Try To Avoid Contracts

The problem with a contract is that you have to honor it. Once you've sign on, you're obligated to the company for the duration, leaving you with few exit strategies if the business relationship goes bad.

While most good lawn services will insist on a set service schedule, contracts should be avoided if at all possible. If the company insists on a contract, demand references and proof they are licensed, bonded and insured.

But if they insist...

### Read carefully before signing any contract

Before signing anything, be sure to ask about the terms and conditions of the contract, including what services are included, guarantees, damage responsibility, additional costs, etc. Then, and this is the important part, read the contract to be sure what you're told is the same as what's in the contract. Also, keep a copy of the contract for future reference.

### Take a few pictures of your lawn before work begins

It's a good idea to take and keep some pictures of your lawn and the exterior of your home prior to any work being done. This will give you a point of reference and evidence as to the condition of the property prior to work in case you are not satisfied with the results.

### Check out the little guy

While you should always choose the company that best fits your budget and service expectations, keep an eye out for smaller, local operations in your area. For many proprietors, lawn care service is a side job, making them more inclined to be flexible to your needs and possibly cheaper.



## CONTINUED: The credit scoring juggle: Exactly what goes into your credit score

The type of late payment is also considered, such that a 60-day late payment is not as significant as a 90-day late payment. Timing is important, older late payments are not considered as heavily as more recent tardiness.

Payment history includes many types of accounts, including credit cards, department store cards, installment loans, finance company accounts, and mortgage loans.

Public records are also considered; meaning bankruptcies, foreclosures, suits, age attachments, liens, and judgments are recorded and factored in. Obviously these are considered particularly egregious, although older items and items with small amounts do count less than more recent actions.

### Amounts Owed

This is also one of the more heavily weighted factors of a credit score, but also the most difficult to understand.

Having active credit accounts and owing money does not necessarily hurt your score. It's only when a high percentage of a person's available credit has been used that it becomes a problem.

Also considered in this category:

- A balance on some accounts isn't necessarily bad. Having a small balance without missing a payment shows you can manage credit responsibly. However, too many accounts with large balances can indicate you are at risk for being over-extended.

- Closing unused credit accounts with zero balances that are in good standing will not improve your score and may even hurt your credit history if they are longstanding accounts.

- How much of the total credit available is being used on credit cards and other revolving credit accounts? If you're close to maxing out your credit card, it may indicate you will have trouble making payments on more credit.

- How much is owed in an installment loan compared to the original loan? Paying down installment loans is a good sign that you are able and willing to manage and repay debt.

### Length of credit history

In general, a longer credit history will increase your credit score.

Generally the age of your oldest line of credit, your newest line of credit, and an average length of all your accounts is considered. Some lines of credit are considered differently, and it is also taken into account how long it has been since you used the account.

### New Credit

People tend to have more credit today, and shop for credit more frequently than ever.

Generally multiple credit requests indicates a credit risk, but credit scorers make an attempt to distinguish between wanting to open many new credit accounts and simply shopping for the best rate for one credit account.

Also considered in this category:

- How many new accounts do you have?

How long has it been since you opened a new account?

- How many requests for credit have you made?

Credit inquiries remain on your credit report for two years, though most credit scorers do not consider them that far back. Credit shopping is also taken into consideration to lessen the blow of multiple credit inquiries.

### Types of credit in use

Typically this factor is only lightly considered in composing your credit score. If you do not have much other information, however, it may become more important. Still it's not necessary to have one of each or advisable to open credit accounts you do not intend to use.

Also considered in this category:

- What kind of credit accounts do you have? Do you have experience with revolving credit, such as credit cards, and installment type accounts, like a car payment or is your history mainly comprised of one type of credit?

- How many of each variety of credit do you have?

### What doesn't factor into your credit score:

- Your race, color, religion, national origin, sex and marital status.

- Your age.

- Your salary, occupation, title, employer, date employed or employment history. Lenders may consider this information, however.

- Where you live.

- Any interest rate being charged on a particular credit card or other account.



## CONTINUED: Thinking of rent-to-own? Consider other options

product. Under most agreements, until the final payment is made the consumer is still renting the item. If you miss a payment or are unable to continue paying for the product, the rent-to-own business can repossess the product leaving you with nothing.

There have also been allegations of rough treatment of customers during the collection of overdue rental payments.

### When is rent-to-own a good idea?

Rent-to-own is best utilized when it's treated like renting rather than a long term purchasing agreement.

If the item is only needed for a short period of time – really short – this option can make sense.

Renting is a great option for anything you are only going to use once. Power tools are an excellent example of this type of situation.

Luxury items that you wish to use just once, such as a big screen television or jewelry, are also great candidates for rent-to-own, as long as you only keep them for a very short period of time.

For example, if you were hosting a party and wished to rent a larger television or a stereo for the event, rent-to-own would be a very viable option. Rent-to-own would be a preferable option in this case over making several major purchases.

### When should rent-to-own be avoided?

Rent-to-own as a method of actually purchasing a product should almost always be avoided.

The high cost, as compared to retail, for the products makes it an unwise purchasing plan.

While rent-to-own is often geared towards consumers who lack the money or credit to make the purchase it is still a poor financial choice.

Before choosing rent-to-own, consider the following:

#### Do I really need this item?

Using rent-to-own to procure a stove is one thing, but if you're using it to buy jewelry, rims, or big screen televisions, you are not using your money wisely.

#### Have I looked into cheaper alternatives?

Check the classified section of the newspaper. Go online to craigslist.com or ebay.com. Visit thrift stores and flea markets. All of these places offer new or used goods at substantially lower costs.

#### Save, save, save, and then buy it outright.

As in the example of the rent-to-own furniture, simply saving the money you would have paid to rent the item will in short time be enough to buy it.

## CONTINUED: Website offers free rental ...

comprehensive list of affordable rentals, Section 8 rentals, rent-to-own, and special needs housing.

Landlords or tenants who do not have access to or feel comfortable using the Internet can call a toll-free bilingual call center to receive up-to-date housing information by phone, mail, or fax. The call center is staffed with friendly, experienced representatives, providing support Monday through Friday, 9 a.m to 8 p.m. . Go to SCHousingSearch.com today to list or search for properties, or call 1.877.428.8844 for assistance.

## CONTINUED: The credit scoring jungle

- Any items reported as child/family support obligations or rental agreements.
- Certain types of inquiries (requests for your credit report or score).
- Any information not found in your credit report.
- Any information that is not proven to be predictive of future credit performance.

## 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.sccoconsumer.gov](http://www.sccoconsumer.gov).

Our mission is 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

The *Consumer Alert* is published every month. To receive the *Consumer Alert* or its sister publication *Fraud Alert* by e-mail or postal service contact Charles Ellison at [ellison@dca.state.sc.us](mailto:ellison@dca.state.sc.us) or by phone 803.734.4203.

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