

Consumer Alert

A publication by the South Carolina Department of Consumer Affairs

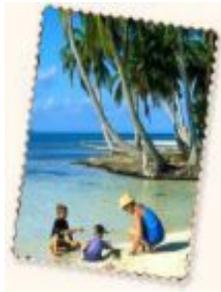


Don't let your fun be ruined by loss of cash and credit.

It's fun to get away from it all – whether it's a long weekend or an extended trip, but don't let your guard down. These financial safety tips will show you how to protect your wallet, your valuables and your sensitive information when vacationing in America and abroad.

Lighten up your wallet. Only carry the credit cards you'll be using on your trip and leave the rest at home. Use an ATM card for withdrawing cash at ATMs.

Remove any card with your Social Security number. For health insurance cards, the *Identity Theft Resource Center*, a nonprofit organization focused on identity theft prevention, suggests making a copy of the card and removing all but the last four digits of your Social Security number. Bring the photocopy and leave the original card at home.



Leave your checkbook at home.

Use credit cards for major purchases. Most credit cards have zero-liability policies, meaning you won't pay a penny for unauthorized charges if a card is lost or stolen.

The Fair Credit Billing Act specifies that your maximum liability for unauthorized credit card charges is \$50.

So that's the most you'll end up paying if a thief should get hold of your credit card.

The sooner you alert a credit card company of a lost or stolen card, the better. So bring contact information for each of your credit cards with you on the trip.



You also can alert your credit card company if you're unsatisfied with the quality of a purchase that you make

with your card or if a credit card purchase gets lost or stolen. Those purchases are protected.

Pack a backup credit card. It's best to travel with a backup credit card or two. That way, if a card gets lost or stolen, you'll have another card you can use for major purchases such as hotel rooms and rental cars. And you can continue with your vacation without a hitch.

Keep your backup cards secure in the hotel safe so they'll be there if you should need them.

Watch out for bogus ATMs. Getting cash while on vacation is a snap if you pack your trusty ATM card. Just be sure the cash machine is legit before inserting your card. Thieves place phony ATM machines at high-traffic tourist areas. So stick to ATMs that are near banks or in airports or in hotels. →

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Summer, 2009

MONEY



Credit, Debt, and Savings. Consumers are examining their spending habits and trying to prepare for an uncertain future.

Here are some things you do want to take - and those you don't.

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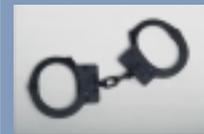
CAR BUYING



Some experts say this is a "buyer's market" when shopping for a car. But be sure you do it the right way. Do your homework. Car buying is a major purchase! Here are some tips to help you.

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SCAMS AND FRAUD



The Department of Consumer Affairs continues to hear about scams every day. Some are new, some have been around before. Check out Jury Duty scams and Model/Talent Scams.

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Don't let vacation be ruined by loss of cash or credit (continued)

Visa and MasterCard have worldwide ATM locators on their Web sites. So it's easy to scope out legitimate ATM locations in the areas where you'll be traveling.

Keep a close eye on that debit card.

Debit cards are handy for withdrawing cash from ATMs and making small purchases while traveling. But you'll want to keep close tabs on your debit card at



all times. It is linked *directly* to your checking account, and if a thief nabs the card, your account could be emptied in no time.

ATM and debit card transactions are protected under the Electronic Fund Transfer Act. But you'll need to act fast to limit your liability for the fraudulent transactions.

To limit your liability to \$50, you'll need to report the bogus debit card charges to your bank within two business days. After that, you could be on the hook for as much as \$500 in unauthorized charges. (There is a \$500 liability limit for up to 60 days after the bank statement reflecting the fraud is mailed to you.) So keep a close watch on your debit card. And contact your bank immediately if your ATM/debit card is lost or stolen.

Make copies of the credit cards and bank cards you'll be carrying on your trip as well as your passport data page and your travel itinerary. Give a copy of this information to a friend or family member back home and bring a copy with you. Secure this information in the hotel safe.

Tell your bank and credit card companies about your travel plans. If you don't, they may think a thief – not you – is making all those fun-filled

vacation purchases and shut down your credit or ATM card.

So make a quick call to your bank and credit card companies before your trip. This is especially important for folks traveling outside the United States. Let your bank and your credit card companies know the countries you'll be visiting and when you'll be returning to the States.

Use the hotel safe. Don't get too comfortable in that hotel room.

Put your passport, backup credit cards, copies of financial information and extra cash in the safe in your hotel room. And be sure to lock up your laptop, camera and iPod whenever you aren't using them.



Protect your cash. There's a good chance you will need some cash for your vacation travels. Take the cash you need for the day and leave the rest in your hotel safe. If using Travelers Checks, keep the copies with check numbers in a safe and separate place.

Watch out for crowds. Be extra alert in crowded situations and tourist hotspots. Thieves don't take vacations.



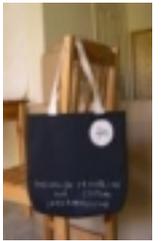
They are drawn to where there are large groups of people. From county fairs to sporting events to must-see tourist spots, thieves are on the lookout for easily distracted targets.

So don't be one. Be aware of your surroundings at all times. Keep your head in crowded situations and keep close tabs on all your possessions.

Clean out your rental car. Lock away your valuables first.

Stay organized. Sure, you're on vacation and kicking back a bit, but you'll want to stay on top of all the purchases that you make. And don't relax so much that you lose track of a camera, laptop or credit card. If you're not organized, you will also be less likely to notice when important documents, money or credit cards are missing.

Watch out for pickpockets. And don't leave bags on the floor or hanging off the back of a chair in a restaurant. Be especially alert when stepping out of a taxi with all your bags. Your focus may be on paying the taxi driver, but a thief's focus will be on your bags sitting at the curb.



Research foreign destinations before your trip. Consular information sheets from the U.S. Department of State are available for every country in the world. These sheets describe everything from entry requirements, currency regulations and health conditions to the country's crime and security situation to special information about driving and road conditions. They also provide addresses and emergency telephone numbers for U.S. embassies and consulates. This is all good information to have when traveling to another country, especially for the first time.

Review your purchases. When you get back from your vacation, review your credit card purchases, debit card purchases and ATM withdrawals with your bank and credit card companies. Don't wait for your monthly statements. Look out for suspicious and overly generous tips at restaurants and challenge them with your original receipt.

Credit, Debt and Saving: The Rules of the Road

If the down economy is good for anything, it's drawn attention to credit and debt. Consumers are examining their spending and saving habits and trying to prepare for an uncertain future. Here are eight tips to help:

1. Do save money while repaying debt.

Theories abound on whether borrowers should repay debt while saving or forgo saving to pay off debt faster. Depending on the depth of the hole you've dug, it can take years to get out of debt. So some savings *must* be created and maintained in order to establish a healthy bottom line.

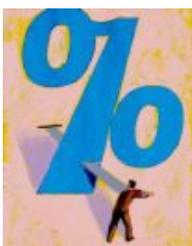


At a minimum, put in place an emergency fund to prevent further borrowing in case of a rainy day. Most experts recommend stashing enough cash to cover between three and six months' worth of expenses. Some say you can get away with less, but no one ever went wrong saving too much money.

It's a balancing act for sure, but one that can be accomplished by a little math and strict adherence to the overriding personal finance truism that *you must live below your means*. There isn't any magic to this. The only way to save money or pay off your debts is to spend less than your income.

2. Do find the best interest rate.

High interest rates can kill any repayment momentum. For instance, imagine making a monthly payment of \$300 on a \$10,000 credit card balance. If you find a card with a 4.9 percent interest rate, that debt can be repaid in 36 months. But if your card sports an 18 percent rate, it'll



take 47 months – nearly a year longer – to pay it off.

High interest rates take a similar toll on loans of all stripes. But the difference may seem negligible on the surface. For instance, consider the monthly payment of a 60-month car loan. If you get a loan for \$20,000 at 7 percent, the payment would be \$396. At 10 percent, the payment is about \$425. That's a difference of \$29. While it may not seem like much, that money could be put to better use buying other items or, even better, saved.

But smart loan shopping doesn't stop with the interest rate. Look at any fees that are associated with the loan. You may find a great loan at only 6 percent interest, but if they tack a bunch of fees on top of it, the effective rate may be more than the eight percent loan you're comparing it to. Finally, don't shop in one place; shop around for the loan that will save you the most money.

3. Do read the fine print.

Many smart people have been unpleasantly surprised by loan details confused by legal terminology or hidden by excruciatingly small print. Avoid joining that club by investing in a magnifying glass and familiarizing yourself with the terms and conditions of your loan.



For instance, during the infamous, and ongoing, mortgage meltdown, resetting adjustable-rate mortgages caught plenty of homeowners off-guard and many lost their homes.

If you can't read every page of the loan contract, hire someone who can (a lawyer who's trained to understand that legalese may be a good choice). It's better to know about any contingencies

that might arise and how they could affect your situation if you do end up signing on the dotted line. Remember: the finer the print, the bigger the hint!

4. Do pay on time, every time.

Never miss a payment, never make a late payment, never make a short payment! Though emergencies and accidents do come up, avoid paying late if at all



possible. If you must do so, prioritize your creditors. In extremely tight months, skipping the cell phone bill or the cable bill will have a less harmful effect on your credit report than skipping the credit card bill. *But remember to communicate with the lender.* Just one late payment can lower your credit score by 100 points. Paying credit cards late can cause an avalanche of bad news, including fees and higher interest rates.

5. Do remember borrowed money is not free money.

If you earn \$50,000 and you have a card with a credit limit of \$10,000, it may seem like you're swimming in money. But your credit limit shouldn't be confused with income or money waiting to be spent.

Relying too much on borrowed money can have you devoting increasingly large chunks of future income to paying off loans.

Debt is like slavery. People may think that equating debt to slavery is extreme, but for many people the main reason they go to work is to make the payments on their car, house or plasma TV.

Debt often traps people in jobs they may not even enjoy. They have become slaves to their debt. Not only does borrowing cost interest and fees, but it deprives you of future opportunities.

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Credit, Debt and Savings: Tips to Help

continued

Instead of paying on old debt you could be buying different items or investing. In other words, your past-self is robbing your future-self – which is a good reason not to borrow frivolously.

6. Don't borrow frivolously.

Debt can be divided into two piles: the good debt and the bad. Borrow money only for good long-term purposes, like to get an education, to buy a car, to buy a house, to finance a business – those are all good reasons to borrow money. And you would expect to pay off that loan before you've reaped all the benefit from it. Borrowing for fancy meals, not-so-fancy meals, or transient pleasures, such as vacations and impulse purchases falls squarely into the bad debt category. The bills for these things will haunt you long after that post-spending glow fades.



more than 20 percent, excluding mortgage payments. To find your debt-to-income ratio, add up all of the monthly payments you make for nonmortgage debt. Then divide the total by the net monthly household income.

Though it's not a guarantee of perpetual fiscal solvency, keeping debt within those limits, or close to it, should make financial decisions much less stressful and less likely to lead to disaster – something that all good financial rules should do.

If you need help with professional credit counseling, don't forget to contact the Department of Consumer Affairs for a list licensed and approved credit counselors, 1.800.922.1594, or visit our website: www.sconsumer.gov.



7. Don't carry a balance – or at least aim to eliminate it.

An estimated 45 percent of Americans carry a credit card balance from month to month. Thirty-three percent had a car loan and 20 percent owed money on a home equity loan or line of credit. Most experts recommend paying down loans as quickly as possible.

If it's feasible to pay off a car loan, student loan or even a mortgage loan early, do it. For revolving debt like credit cards, it's best to exploit them (rather than be exploited) by paying what is owed by the due date. There are people who use credit cards as they are intended to be used – as a convenience – and then they pay them off at the end of the month. For those who use credit cards responsibly, they can really pay you back.

8. Don't extend loans too far or borrow more than you can pay back.

Obvious? Yes. But it's an oft-overlooked rule to borrowing. A common error that borrowers make is focusing too much on the monthly payment and disregarding the fact that they will have to make that payment for the next 72 months of their lives, in the case of lengthy car loans.

A lot can happen in 72 months that may preclude the ability to make car payments. Ultimately, you're responsible to pay off the entire loan amount.

Very few people have the money to pay cash for a home, so it's usually necessary to take out a mortgage. However, there's a caveat – people must make sure to get value for their money and not overextend their finances. The general rule of thumb for borrowing for a home is that the payments should not take up more than 25 percent of your take-home pay.

Most consumers should not have a debt-to-income ratio of

Consumer Alert: “Blocked” Debit Card Scam

The South Carolina Department of Consumer Affairs is alerting South Carolina residents about a debit card scam targeting Midlands residents and likely spreading across the state. Consumers are receiving calls claiming their debit cards have been blocked. Consumers are instructed to respond to automated instructions to “unblock” or “re-activate” their card. Reports from consumers indicate the scam is targeting both cell phones and landlines.



The call is a scam designed to obtain sensitive bank account numbers. *Consumers are urged not to answer the phone or hang up immediately if they receive a call from the following number: 520.882.7767.* The number belongs to an Arizona heating and cooling company and is fraudulently being used without the company's permission to perpetrate the scam.

Consumers receiving a call from this number should contact the Public Information Division at 803.734.4296 or toll free in SC at 1.800.922.1594, or online at www.sconsumer.gov.

The Biggest Mistakes Car Buyers Make

Hankering for a new ride? If your job is secure and you have some money saved up and need a new car, now might be a great time. The automobile industry is in debt and dealers are eager to make deals. It just might be a buyer's market.

Yep, getting a new set of wheels is one of those wonderful sources of high-octane excitement – but don't get too revved up. Car buying is, or should be, a calculated decision. It's a major purchase.

So, before you go cuckoo for that coupe or raving for that roadster, consider these top 10 mistakes car buyers make.

✓ Buying the wrong vehicle

Sure, those SUVs look big and cool, and dealers are dealing. But do you need one to drive the mile and a half to church every Sunday? Is that racy red sports car really the best choice for your family-of-five-kids-and-growing?

✓ Showing emotion in the showroom

If you fall in love

with a car, be sure not to overreact and get too anxious.

Give yourself some time to sit back and

make sure it's the car for you. In short, don't let your heart rule your head – it can lead to aching in both body parts.

Also, keep a grasp on reality.



If you can afford \$20,000 and the object of your affection lists for \$30,000, you might be able to negotiate it down to, say, \$27,000, but there's no way you're going to be able to buy it for \$20,000.

✓ Choosing a dealer by location

No, dealers are not all the same, not even for the same exact makes and models. Ask around. Learn from friends' experiences. Also, determine your

dealer's CSI (Customer Satisfaction Index), which is a ranking generally maintained by individual automakers for the dealerships that sell their vehicles.

The CSI is a reflection of how well an individual dealer satisfies its customers, both in terms of sales and service. Ask your salesman about the dealership's awards. If he balks, you should walk.

You can also check a dealership's complaint record with the Better Business Bureau and the SC Department of Consumer Affairs.



✓ Talking trade-in too early

This is another easy trap to fall into because dealers love to play the trade-in game. Don't let them muddy the waters. Negotiate a satisfactory price for the new car, and then bring up your trade-in.

Another thought: If you bring in your old car full of trash and covered in mud, the appraiser will rightly assume you don't put much value on it yourself.

✓ Going it alone

If hassles give you headaches and negotiations make you nauseated, don't be too proud to ask for help from a trusted friend or relative.

✓ Forgetting Yogi Berra's favorite saying: *it ain't over 'til it's over*

Or, in the case of car buying, *it ain't over 'til the business manager sings*. You may think you bought your car once the sales manager shakes your hand and tells you what a great deal you got. But beware the business office, often called the finance and insurance office.

Dealers often make as much money in this room as they do on the showroom floor. Insurance, dealer add-ons, extra fees and interest rate changes are among

the common ploys you could get clobbered with on your way out the door.

SCDCA Says: Don't Get Jury Rigged!

Jury scams have been around for at least five years, but forwarded emails indicate that they may be making a return appearance. This scam is a simple variation of identity theft ploys.

Scammers call claiming to be an officer of the court. He or she tells you that you have failed to report for jury duty and that a bench warrant has been issued for your arrest. The FBI, warning as early as 2005, calls this "social engineering." The scam's bold simplicity may be what makes it so effective, according to the FBI warning.

"Victims are often caught off-guard when frightened by something as unexpected as the threat of arrest," said Brandolyn Thomas Pinkston, Administrator of the SC Department of Consumer Affairs. "They may unwittingly give up sensitive information under these circumstances."

FBI officials report that even when victims protest that they have not received a jury summons, the scammer attempts to verify the victim's social security number and/or birthdate in order to "clear up the matter."

Another twist on the scam happens when the con artist offers a "solution" to the missed jury date: a fine, payable by credit or debit card,

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Jury Scam (continued)

right over the phone. It's a very simple scam that puts people on the defensive, then reels them in with the promise of a clean slate.

Protecting yourself is simple: **Never give out personal or identifying information** to a telephone caller in a conversation that you did *not* initiate.

- Local or even federal court workers will not telephone to ask for personal information.
- Don't give out bank account, social security, or credit or debit card numbers whether it be to someone trying to sell you something or someone claiming to be from a bank or government agency.
- Examine your bank and credit card statements carefully every month. Challenge any unauthorized charges.
- Get your free credit report annually (www.annualcreditreport.com) and clean up any errors.

South Carolina consumers have the best protection of all: freeze your credit with each of the three credit reporting agencies (Equifax, Experian, and TransUnion). This can be accomplished for free, thanks to South Carolina's *Financial Identity Fraud and Identity Theft Protection Act*. Once you have been sent your Personal Identification Number (PIN), your credit may be thawed in as little as 15 minutes.

Freezing and thawing can be done as much as the consumer desires, and always at no charge. Call SCDCA for more information: 1.800.922.1594 or visit our website: www.sconsumer.gov.

Better yet, watch our YouTube video: **Step-by-step how to freeze your credit report.**

Cut and paste this link in your browser. <http://www.youtube.com/watch?v=wIfdbkF4Geg>

While there, enjoy the Department's other videos produced by the public information division and **Charles Ellison**.

Model Scams: This is *not* Project Runway!

Thousands of young women are interested in modeling careers and get scammed every year. The bad news about the modeling industry: *it's full of scams.*

The good news: education can keep you from avoiding all of them.

Two upstate consumers recently reported they went to a presentation by a model/talent agency that might be suspect.



The advertised presentation was at a well-known hotel in the area. Scammers often rent space in places consumers know and trust.

Participants were initially told there would be no upfront costs, only to find this was not the case. Also, when consumers attempted to contact the agency's Atlanta, Georgia office, the phone had been disconnected. That's when they got suspicious.

Most modeling scams happen before the aspiring model gets work. Probably 99% of the scams are from upfront fees which do not lead to modeling jobs.

These include payments for registration, modeling photos, modeling schools, and modeling conventions. The scams

typically happen at advertised "open calls" at area hotels. Aspiring teens are told that only a few will be chosen for "call backs," when in fact all are contacted again and offered services for an upfront fee.

Two of the most common things offered by modeling scam artists are modeling photos of a

quality or quantity which new and aspiring models do not need, and training which a model does not need, or if it is needed, a reputable agency will provide it for free.

Often the scam artists have high prices for their products (comp cards/portfolios) or services (photography, teaching), because they are in it for the money. Greed is the common denominator in these scams.

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.

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: **C**ompetence **R**espect **E**quality **D**edication **I**ntegrity **T**imeliness

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