

# CONSUMER ALERT

A PUBLICATION OF THE SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS  
Philip S. Porter, Administrator/Consumer Advocate

## Is Predatory Lending Creeping Into South Carolina?

### A Lesson on Mortgages

Predatory lending is an issue of rising concern all across the United States. Representative John LaFlace of New York said the practice of predatory lending “has reached near epidemic proportions in recent years, robbing millions of Americans.” North Carolina recently passed an extensive predatory lending statute, and there is speculation that the targeted lenders are headed south.

Predatory lending takes many disguises, one of which is home equity lending. The dominant interest of predatory lenders consists of selling loans to those who cannot afford them. Predatory lenders target consumers with small incomes and whose homes are appraised at higher values than what they owe on the home. Sometimes, homeowners may be facing looming financial pressures or may already be substantially in debt. Predatory lenders are able to find people who desperately need money. Many of the victims, however, simply do not thoroughly read their contracts.

To get money, borrowers put

their houses up for collateral, and eventually cannot make payments. Defaults on these expensive and fee-laden transactions result in foreclosures. Between 15 and 35% of these homeowners could have qualified for conventional financing. Yet, the predatory lending groups reach their targets by establishing a “personal” relationship with the borrower. They persistently reach borrowers by mail, telephone and knocking on doors. They may use a high pressure sales pitch. Sometimes, the creditor tantalizes the consumer with claims about lower payments through consolidation or tax benefits. People who sign contracts without reviewing them, however, often find they contain higher payments than they understood, or expensive variable rates or balloon features.

The ulterior motive of the predatory lender is that the consumer will not be able to pay the loan off and the home will be foreclosed or refinanced at costly rates. The cycle evolves into a debt that can never be repaid.

Predatory lending is an issue that is becoming increasingly important. As consumers we must all be alert and educated in this matter. Easy credit might just be bad news for you!

*See the checklist prior to signing for a loan.*

### CONSUMER CHECKLIST

1. Have you “shopped around” to compare rates and terms?
2. Can you say with confidence that you were not pressured to sign?
3. Have you consulted with a lawyer chosen by you before signing any documents?
4. Can you repay the loan based on your current or expected income?
5. Have you asked the broker to disclose his or her fee(s) and how they get paid?
6. Do you understand “points” and the number of points that you will pay on the loan?
7. Do you completely understand the terms of the loan (i.e., how much you will pay over the course of the loan)?
8. Have you read all of the disclosures including the good faith estimate and rate-lock disclosure?
9. Is the loan application completely filled in before signing?
10. Have you checked to ensure that the agreed-upon terms are still the same at the closing?

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# Hurricane Preparedness Chat Room

The S.C. Department of Consumer Affairs sponsored a Hurricane Preparedness Chat Room on Wednesday, August 30 from 11 a.m. to noon. During this time, consumers could log onto [www.state.sc.us/consumer](http://www.state.sc.us/consumer) and ask a variety of questions to experts concerning hurricane preparedness. Participants included S.C. Consumer Affairs Administrator Philip Porter, S.C. Department of Public Safety, S.C. Governor's Office, S.C. Department of Insurance, S.C. Emergency Preparedness Divisions and S.C. Department of Transportation.

The goal of the chat room was to educate consumers on how to prepare for a hurricane and provide information on what to do before, during and after the storm. Far too often consumers make preparations for the storm at the last minute. Please see a highlight of the questions asked below.

## **Highlights:**

### ***How long does hurricane season last?***

South Carolina's hurricane season lasts from June 1 until November 6.

### ***Is this an unusually calm hurricane season?***

The peak of the activity will arrive in September, then we will know what the season has in store.

### ***Are there any new evacuation plans for the state of South Carolina?***

Yes. An evacuation map for the state can be found at [www.dot.state.sc.us](http://www.dot.state.sc.us), click on 'Getting Around South Carolina.' We strongly urge everyone to get an evacuation map, put in it their glove box, and use it in times of emergency. This map will

remind people of alternate routes.

### ***Will there be lane reversal on the highways and interstates of South Carolina the next time the Governor orders an evacuation?***

Yes, only after the Governor orders the evacuation. Also, SCDOT will open a toll free hotline that will be staffed with people who can assist on traffic information and routes, etc. The center will be up and running within two hours of the Governor's announcement. The toll free hotline: 1-888-877-9151.

### ***If disaster does strike what should we be wary of?***

Post storm people should be on the lookout for itinerant scammers, like contractors. Check with DCA and the Residential Home Builders Commission to determine if any contractor is properly registered.

On a final note, please know that there are literally thousands of volunteers and state employees that will go to work for your safety in case of an emergency.



## **Attention All Shoppers: Make Sure the Scanned Price is Right**

### **Fast Facts:**

- \* Pay attention to the display as the cashier rings up your purchases.
- \* If you notice an error on the display, speak up. Ask the cashier to make an adjustment immediately.
- \* Check your receipt before you leave. If you notice an error, ask the cashier to adjust your bill. If you notice an error later and the cashier is off duty, check with the store or department manager about an adjustment.
- \* Bring the store flyer or newspaper ad with you to verify prices of sale items or advertised specials.

\* Consider jotting down prices on the items as you put them in your shopping cart.

\* Verify with the cashier the cost of merchandise - or the fact that special promotions apply to your item - before the item is scanned.

## **A Special Note to Educators:**

As you know, Consumer Education is important in our society as there are many goods and services available in today's marketplace.

*Consumer Alert* will feature a weekly educational column that will introduce consumer rights and responsibilities throughout our state's school system. The weekly column will feature a Q&A section that will benefit consumers of all ages.

Free classroom presentations, seminars and in-staff training is available per your request.

We welcome your ideas and concerns.

### **For more information contact:**

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### **Start consumer education now!**

## **M E E T I N G S / E V E N T S :**

### **- Don't Get Conned Out of Your Hard-Earned Money**

**Tuesday, October 3, 2000**

8:30 a.m - 1:00 p.m.

Stadium Center  
1100 Key Road, Columbia  
AARP South Carolina invites you to hear experts from the SC Attorney General's Office and the SC Department of Consumer Affairs speak on a variety of fraud-and safety-related issues. Learn how to protect yourself from identity theft, Internet fraud, Medicare fraud and

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telemarketing scams. To attend this FREE event, you must pre-register by calling (toll free) 1-877-926-8300.