

SPOTLIGHT: CREDIT BASICS

WORDS YOU'LL HEAR WHEN TALKING ABOUT CREDIT

Balance - The amount of money you currently owe a creditor.

Collateral - Items (car, house, etc.) you allow a creditor to have a lien/mortgage on you so you can get credit. It is NOT things like furniture, appliances, televisions and other items UNLESS the debt is for buying any of these items.

Consumer - A person who uses credit for personal, family or household purposes.

Credit - The right granted by a creditor to allow the consumer to repay a debt at a later date.

Credit Limit - The maximum amount of money you can borrow from a creditor. Some creditors will allow you to go over your credit limit for a fee of usually \$39 or higher.

Creditor - The person or company to whom you owe money.

Repossess - When a creditor takes a debtor's property his lien is on - with or with a court order.

Debt Collector/Debt Collection Agency - Generally, a person or company that collects debts owed to other people or companies. A debt collector may be the original creditor.

Debtor - A person who owes a creditor money.

Minimum Payment - The amount of money a debtor must pay a creditor to avoid late penalties and fees.

Refinance - Paying off a current loan with money from a new loan that usually has a better interest rate or terms.

WHERE YOU CAN GET CREDIT

Banks and Credit Unions - Offer a range of consumer credit including loans with/without collateral, loans and financing for major purchases such as automobiles, home improvement loans, and home mortgages. Most banks and credit unions offer credit cards, which are widely accepted by stores and can be used for cash advances.

Reminder: To get credit from a credit union, you must be a member of the credit union.

Finance Companies (Loan Companies) - Offer consumer loans and financing for all purposes to the general public. Most finance companies tend to limit loan amounts and do not offer credit cards.

Insurance Companies - Commonly offer loans to holders of their policies. Loans are frequently limited to the policy's cash value. Consumers must apply through the insurance agent or company's home office. Rates are usually low because you are borrowing your money.

WHERE YOU CAN GET CREDIT CONTINUED...

Merchants - Commonly offer financing services even though they are not considered "lenders". Merchants offer payment plans or arrange financing for the consumer on items purchased.

Savings and Loan Associations - In addition to the traditional long-term home mortgage loans, often make other consumer loans, especially for home improvements and automobiles.



CONSUMERS BEWARE! Loan Sharks - These illegal lenders operate without a license, charge extremely high interest rates and target low-income, credit-pressed consumers, and might use illegal means to collect.



CREDIT FREQUENTLY ASKED QUESTIONS

What happens if I get behind on my payments to a creditor? If you are more than 10 days late in making a payment, the creditor may send you a letter called Notice of Right to Cure, which gives you 20 days to catch up. If you have not caught up within those 20 days, the creditor CAN repossess items used as collateral OR sue you for the balance owed. See the SCDCA's brochure on Debt Collection for more information on the Right to Cure.

Can a creditor garnish my wages? Wage garnishment is prohibited in South Carolina except in three cases: (1) when money is owed to the government, (2) when money is owed for child support, and (3) when a garnishment order has been entered in another state while the consumer was a resident there and the consumer later moves to South Carolina.

What happens if a creditor tries to repossess my car or household goods (collateral)?
A creditor CAN:

- ask you for the goods (but you do not have to turn them over),
- take your car from the driveway or from the street if you do not object or protest,
- sue you to get the goods or the car.

The creditor CANNOT enter your home without your permission or a court order, even if the contract says he can.

Can I be put in jail just for missing my payments? Generally NO. But you might go to jail for writing bad checks or disobeying court orders to pay money (including child support orders). You can also go to jail for selling or giving away the collateral for the debt.

For more information on filing a complaint, visit www.consumer.sc.gov and "How Do I..."



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