

Credit Tips

When shopping for credit – a cash loan, a credit card, any purchase – keep the following in mind:

Shop, Shop, Shop!

Compare the costs of credit from different lenders. “Buy” credit like you would buy anything else.

Beware of “now or never” offers.

If it’s a good deal, it will probably still be there after you’ve had time to think about it.

Ask questions.

You are the customer; you wouldn’t buy a car without knowing its features.

Read the contract.

Don’t just sign it because you feel pressured. The most common excuse given by consumers with a complaint is they “trusted” the salesperson and didn’t read the contract.

Don’t sign anything you don’t understand completely.

Better to understand before the fact than after.

Don’t sign anything if it has ANY blanks.

A signed contract with blanks can be completed as anyone wishes and it will be legally binding.

Keep all paperwork.

If there are any questions, you’ll have your agreement in writing.

This brochure is provided at no charge to you by the Texas Office of Consumer Credit Commissioner, a state agency responsible for enforcing laws regulating credit transactions.

Office of Consumer Credit Commissioner



▲ ▲ ▲
WEB ADDRESS
www.occc.state.tx.us
▼ ▼ ▼

CONSUMER HELPLINE
(800) 538-1579

OTHER HELPFUL NUMBERS

Texas Office of the Attorney General
(800) 252-8011

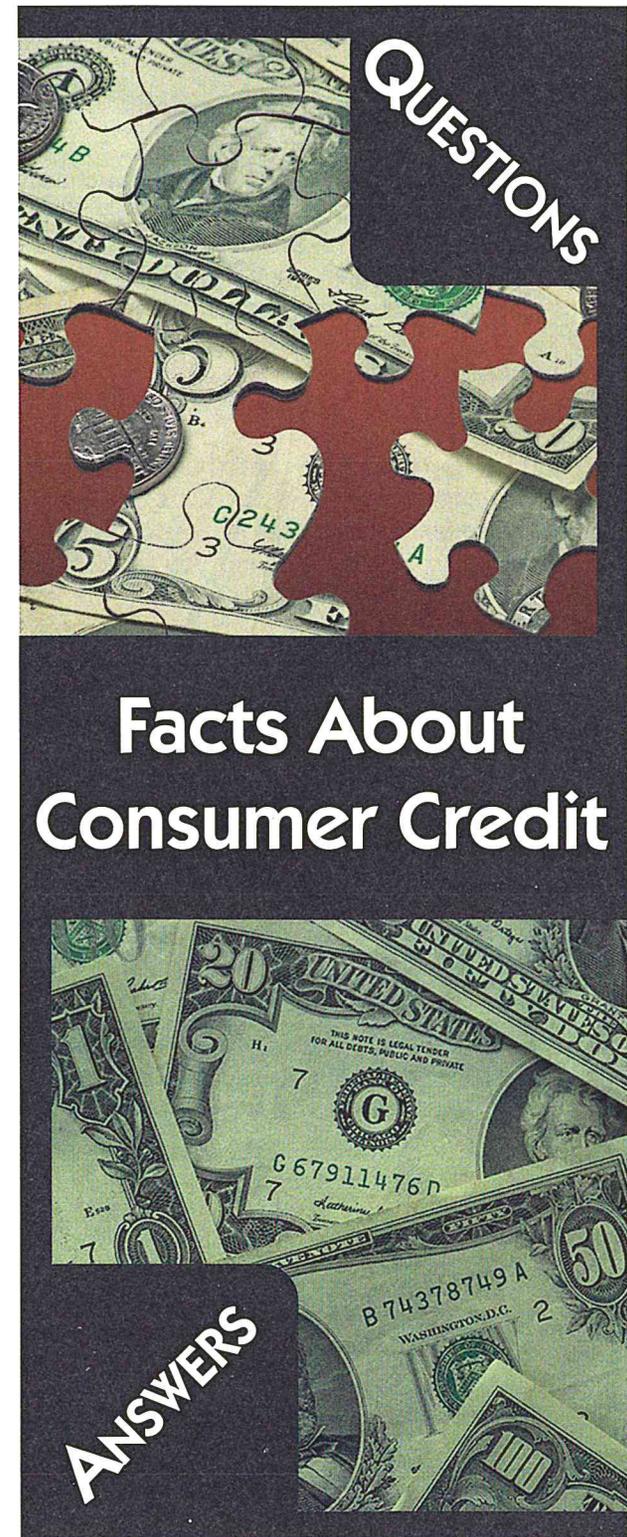
Federal Trade Commission
(877) 382-4357

▲ ▲ ▲ ▲ ▲
Credit Bureaus

Equifax
(800) 685-1111

Experian
(888) 397-3742

Trans Union
(800) 888-4213



Facts About Consumer Credit

Frequently Asked Questions

What are my credit options?

RETAIL INSTALLMENT SALE. When purchasing retail goods, many people use retail installment contracts. Sometimes on a short term contract this can be an interest-free option, however, pay attention to the contract because if an interest-free period ends and there is a remaining balance, the lender can add the finance charge they would have collected over the “interest-free” period.

REVOLVING CHARGE ACCOUNTS. More commonly called credit card accounts, these allow flexibility by offering a credit line that can be accessed when you wish and by allowing you to pay for a purchase over a flexible period of time.

SIGNATURE LOANS. These are small loans that usually extend over a short duration, offer help for an immediate need, and generally do not involve collateral.

PAWN LOANS. These are one month loans where personal property is actually held by the lender until repayment is made. Should you not pay, the pawnbroker takes ownership of the property; however, this does not negatively affect the borrower’s credit record.

SECURED LOANS. These are loans usually in excess of 90 days that are collateralized by personal property. If you default, the lender can take your property.

HOME EQUITY LOANS. These loans are collateralized by your homestead which is pledged in case of default. These loans are larger, have long repayment periods, and generally have lower interest rates. Most often consumers use the funds to

consolidate their debt, or to pay some large expense like a child’s college education. These loans usually take two forms – either the refinance of the primary mortgage combined with a cash payment to the borrower, or a cash payment to the borrower where an additional mortgage is added. For more information on this type of loan, call (800) 538-1579 for our Home Equity Lending in Texas brochure.

When choosing your loan product, shop rates, consider repayment terms, understand that property pledged to secure a loan can be lost, and realize that a default on any kind of loan will damage your personal credit rating.

Don’t I have a right to cancel within 3 days when I buy something on credit?

A 3-day right of rescission only exists when a creditor takes a lien on your home (except for initial purchase) or you sign a contract for credit in your home. Generally there is no other right of rescission for other transactions, however, there are a few minor exceptions, such as a contract with a health club.

Who decides my credit rating?

A record is kept by credit bureaus and includes: your name, address, social security number, payment history (good and bad), previous credit amounts, employer, income, and court judgments, and bankruptcy filings.

Only time and careful planning can restore a damaged credit record to good standing.

Incorrect information may be removed for free by disputing the information to the credit bureau. If you have been denied credit or believe you are a victim of fraud, you are entitled to a free report. You can request a copy of your credit report from the credit bureaus listed on the back of this brochure; some require a nominal fee.

What credit terms should I understand?

FINANCE CHARGE. The “cost” of credit. Finance charges include: interest, transaction fees, and service fees. Interest is the charge for lending money or extending credit.

ANNUAL PERCENTAGE RATE (APR). This measures the cost of credit expressed as a yearly interest rate. It is intended to provide a single value for a consumer to compare cost of credit between one lender and another.

COLLATERAL. Property pledged by a borrower to protect the interests of the creditor; the creditor may take ownership of the pledged property in case of default.

PRINCIPAL. The amount of money owed upon which interest is charged.

TERM/REPAYMENT PERIOD. The amount of time specified in the contract that you have to repay your obligation.

What if I don’t repay my obligation?

The creditor can use reasonable means to collect the debt which may include reporting nonpayment on your credit record, taking possession of collateral, obtaining a judgment (a court decision directing payment which is reported on a credit record), or turning your debt over to a collection agency.

Collectors cannot lawfully use or threaten violence or other criminal means to harm you, your property or your reputation; use obscene or profane language; publicize your debt; place annoying or repetitive telephone calls; or make anonymous phone calls.

A list of organizations that give free consumer information is provided on the back of this brochure.

