

Borrowing? Read the Fine Print

Written by James Clingman

Wednesday, 30 January 2013 00:00



Have you noticed the television commercials that offer loans of various kinds or another enticements such as auto leases and insurance policies for the elderly? These commercials are laden with information that appears on the screen for a few seconds and is too small to read.

On the radio, these kinds of ads have a spokesperson who gives you the details of such offers so fast that you can't understand a word he is saying. Like me, you have probably wondered why they bother giving the details at all. Of course, by law, they have to disclose this information but I guess no one said how long it should be, how large a font to use, or how slowly the spokesperson had to speak.

What does this all mean to us, the consumers? Most of us probably know someone who has fallen prey to these commercials and gone out and made purchases they ultimately regretted because of the high prices they ended up paying. As the saying goes, "The devil is in the details." Indeed.

The genesis of this article is from the commercial that offers a loan of \$10,000 with little or no red tape. It says the company is owned and operated by Native Americans, and it features a phenotypically looking Native American female as spokesperson who lauds the opportunity to get \$10,000 to pay all your bills and the convenience of having just one fixed monthly payment. The problem is she doesn't say what that monthly payment will be. Instead, it is flashed on the screen just before the commercial ends, embedded in a paragraph that is too long to read in the time allotted.

A \$10,000 loan, without hassles, can go a long way to help someone who is in dire financial straits, so I would imagine some people would jump at the opportunity to take advantage of the offer. The problem is that it is taking advantage of the consumer. This is not like the \$1,000 Montel is offering to put into your checking account "in 24 hours." Sit down while I tell you what the fine print says on the \$10,000 commercial.

Borrowing? Read the Fine Print

Written by James Clingman

Wednesday, 30 January 2013 00:00

The convenient fixed monthly payments are \$743.49. So far so good, right? Well, I had to watch the commercial several times before I could make out how many payments that would be. After at least four viewings, because I did not believe what I thought I had seen the first, second, and third times, I confirmed the number of payments to be 84. "Okay," I said; let's see what the total amount of the loan would be. For 84 months, which is seven years, at \$743.49 per month, the total amount to be repaid is a whopping \$62,453!

I still keep going back to the calculator to check my math. Please, someone, if I am wrong in my calculations, let me know. I still can't believe this. Maybe because of its limited time on the screen I made a mistake and did not read it correctly. I hope so. But I also hope that anyone who is considering accepting this "loan" will stop and read all the fine print. Some may opt for a lower amount, say, \$5,000. Well, for that amount you make 84 payments of \$486.58, or a total of \$40,872! Sound better?

If your credit is bad and you need a car there is always someone who will sell one to you. Here's the catch though. Your interest rate will be much higher than normal. The dealer may even drastically reduce the sticker price of a used car, but he will recoup that in high 15 percent – 25 percent interest rates in conjunction with the finance company. I don't know for sure but I would guess the dealer gets a cut from the finance company for doing the deal.

Don't get me wrong. I am not some lifelong paragon of using my money wisely. I made some dumb purchases and abused credit cards as well when I was younger and ignorant and in my instant gratification mode of life. So this is not a self-righteous condemnation of folks who find themselves in untenable financial situations that call for drastic measures such as taking loans that come with usury interest rates as high as 340 percent. I am simply writing this to inform and warn folks to take time to read the fine print before signing up for desperation loans.

Please look for alternative ways to raise money when you have problems – legal ways, of course. And, if the situation calls for it, there is always bankruptcy. I know that comes with a high cost as well, but at least you will not have the burden of trying to pay bills with borrowed money, that is, if you don't go out after filing bankruptcy and run up debt again. The bankruptcy laws were written to relieve you of that burden and have been used for years by millions of people. Unfortunately, many Black people view bankruptcy as a stigma; other folks view it as a strategy.

Borrowing? Read the Fine Print

Written by James Clingman

Wednesday, 30 January 2013 00:00

Read the fine print, folks. And then make good choices when it comes to borrowing money and buying cars.

Jim Clingman, founder of the Greater Cincinnati African American Chamber of Commerce, is the nation's most prolific writer on economic empowerment for Black people. He is an adjunct professor at the University of Cincinnati and can be reached through his Web site, blackonomics.com.