

the money owed, interest or collection fees (including attorneys' fees).

CREDIT CARDS • A credit card is just one form of borrowing. Always find out the interest rate charged by the credit card company. Avoid credit cards with high interest rates. Be cautious about low introductory rates which may apply only for a few months. Unless you pay off the whole amount within a certain time a finance charge computed at the Annual Percentage Rate will be added each month to the money you still owe. Charge accounts work the same way.

It is illegal for a company to send you a credit card if you have not asked for it or applied for it.

Your risk on lost or stolen cards is limited by law. You do not have to pay for any unauthorized charges made after you notify the card company of loss or theft of your card. Keep a list of your credit card numbers and notify the card company immediately if your card is lost or stolen. Even if you don't notify the card company, the most you will be liable for unauthorized use is \$50 on each card.

HOME SOLICITATION AND DOOR-TO-DOOR SALES •

If a merchant solicits your business at your home or workplace and you sign a contract there, you generally have the right to cancel the contract within three business days after you sign it, or three days after you get notice of your right to cancel, whichever is later.

You can cancel by mailing or delivering a written statement to the seller before midnight of the third business day. Once you cancel, all you have to do is make the goods available for the seller to pick up after you get back any money paid.

DON'T BUY ON TIME IF YOU CAN'T AFFORD IT

Whenever you use credit, you are promising to make each payment when it becomes due. You are not excused from paying a debt because you get sick, are injured in an accident or lose your job. Most credit contracts will provide that if you are late in making a payment the creditor can require you to pay the entire balance all at once or repossess any property serving as collateral and sell it.

Always look ahead carefully to see if you will be able to make the payments on time considering all the other expenses you will have.

AM I ENTITLED TO CREDIT? • Generally, merchants are willing to extend credit to good credit risks. The Equal Credit Opportunity Act prohibits creditors from discriminating against you because of your age, sex, marital status, race, color, religion or nation of birth. Under federal law people must be allowed to see their credit history and to add explanatory information if they wish.

THIS IS THE LAW

BUYING ON TIME

This pamphlet was prepared as a public service by the Communications Committee and is not intended to be a comprehensive statement of the law. North Carolina laws change frequently and could affect the information in this pamphlet. If you have specific questions with regard to any matters contained in this pamphlet, you are encouraged to consult an attorney. If you need an attorney, please contact the North Carolina Lawyer Referral Service, a nonprofit public service project of the North Carolina Bar Association, via phone (1.800.662.7660) or online (www.ncfindalawyer.org).

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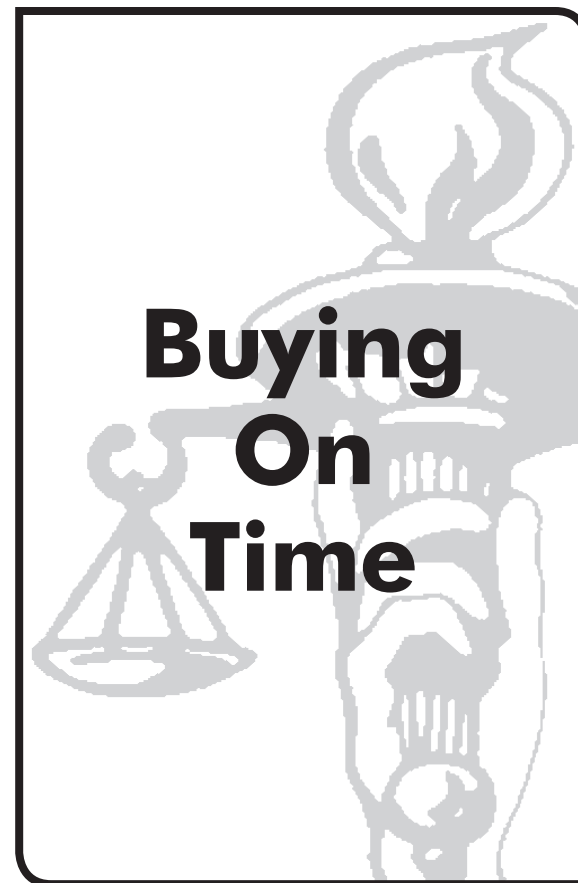
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BUYING ON TIME • There are many laws, both state and federal, which govern buyers' and creditors' rights and duties. Certain words in a contract or the circumstances under which it was signed may seem unimportant to you, but in fact they may be very important. Lawyers are specially trained to advise you about these rights and duties. For that reason, you should seriously consider consulting an attorney. An attorney has a professional duty to give you correct and objective advice that is in your best interest.

The purpose of this pamphlet is to provide you with a better understanding of your rights, duties, and the risks you incur when you buy "on time."

DIFFERENT KINDS OF CREDIT • Buying on credit involves your agreeing to an additional "finance charge," which is the price you pay for the privilege of buying on time.

Federal law requires creditors to tell you several things in writing before you buy. Included are (1) the total dollar amount of the finance charge, and (2) the Annual Percentage Rate (APR). APR is the percent figure used to compute finance charges over a year's time on the amount being financed.

The Truth-in-Lending Act entitles you to several other important items of credit information, and you should never hesitate to ask about any part of a credit transaction which is unclear to you.

REMEMBER: Even if the APR is the same on different loans, the smaller your monthly or weekly payments, the longer you will be in debt and the more you will pay as a finance charge over the course of the loan.

RETAIL INSTALLMENT SALES CONTRACTS AND LOAN CONTRACTS • If you're buying a car, appliance or other goods or services on credit and are not "charging" it, you probably will either sign a Retail Installment Sales Contract with the seller (who may then sell the contract to a bank or loan company) or borrow the money directly from a bank or loan company and pay the seller with cash or a check. These two types of credit are similar in many ways, but they may have different terms. It is wise to shop around for credit terms in the same way you seek to make wise purchases of goods and services.

SECURITY AGREEMENTS • In most cases, when you buy on time in some way other than with credit cards, the seller or bank will want you to sign a "security agreement" which gives the seller or bank a "security interest" in the item you are buying.

The Truth-in-Lending Act requires that you be given a description of the property which is "secured" before you sign the contract. If you fail to make your payments, the creditor may "repossess" the secured property.

CAUTION: Some creditors, especially loan companies, may attempt to require you to list property you already own as collateral in addition to the item you are buying. This may be improper and the security interest that you give in the property that you already own may be invalid.

ALWAYS READ BEFORE YOU SIGN • In general, the law holds you to the terms in a written contract. Always read all contracts carefully BEFORE you sign. NEVER sign a contract unless you understand EVERY term in it. If you do not understand any term of a contract or receive an unsatisfactory explanation of a term, have the term explained to you by an attorney or other qualified person who has your (not their own) best interests in mind.

- NEVER be embarrassed to ask a question about a contract.
- NEVER accept an incomplete or unclear answer.
- NEVER sign a contract unless it has been filled in completely.

If the written contract says one thing and the salesperson has told you another, DON'T SIGN, unless the written contract is changed to say what you were told. If in doubt, do not sign. NEVER believe a salesperson who tells you that something in the contract doesn't matter. Read it and decide for yourself, or seek professional advice before signing.

SECURED PROPERTY CAN BE TAKEN AND SOLD IF YOU DEFAULT • If you default, the creditor has a right to the secured property (usually the item purchased). The law provides that repossessed property may be sold to satisfy your debt. Under the law you must be notified when and where the property will be sold so that you may bid on it or ensure that it is sold for a fair price.

If the property is sold for less than the balance of your debt (plus the costs of repossession), you may still be liable for the difference — if the creditor followed the sale procedures required by law. If the sale results in an excess amount of the debt and costs, you are entitled to that excess.

While you should never sell, hide or give away secured property, you do not have to give it up to the creditor voluntarily. If you have a good reason not to pay, you may refuse to return it and consult an attorney. This may force the creditor to go to court, where you can tell your side of the dispute and offer rebuttal to claims made by the creditor.

WARNING: Many credit contracts require you to pay your creditor's attorneys if they have to take you to court to collect the debt — and they win.

CAN I GO TO JAIL IF I CAN'T PAY? • You cannot be put in jail because you cannot pay a debt. Furthermore, it is unlawful for a creditor to threaten to put you in jail or to have you arrested.

CAN THE CREDITOR OR ITS COLLECTION AGENCY HARASS ME? • No, the creditor or its collection agency cannot harass you. The creditor or its collection agency CANNOT contact you after you have hired an attorney. They cannot curse you, threaten to harm you or your property, call you at odd hours or at work, falsely accuse you of fraud or a crime, threaten false statements to a credit reporting agency, threaten that you will have waived any defenses to the collection attempts if the claim is assigned to a collection agency, or threaten to seize property other than the secured property. In general, a creditor or collection agency cannot use any unfair threat, coercion, or attempt to coerce to collect a debt.

CAN MY WAGES BE TAKEN? • No, under North Carolina law, your wages cannot be "garnished" for a credit transaction, that is, taken from your employer by a creditor before you get them, except for taxes and certain family obligations.

WHAT IF GOODS OR SERVICES ARE DEFECTIVE? Unless a merchant tells you or the contract provides that the goods or services are being sold to you "as is," or with "no warranty," the law makes the merchant responsible for goods which are unfit for their usual or intended purpose and for unworkmanlike services. This means that you can require the merchant to fix the defective goods or work.

If you bought on credit, you may be entitled to withhold payments as a means of enforcing your rights in certain limited circumstances. You are not usually entitled to withhold payments if you borrowed directly from a bank or loan company, which is independent of the seller.

CAUTION: Laws in this area are very complex, and whether you are right or wrong, you can get into difficulty by withholding payments. Therefore, consider consulting an attorney before withholding payment.

If you do withhold payment, always tell the company you owe exactly what you are doing and why. It's a good idea to set aside these monthly payments so that you will have them ready if and when the seller corrects the problem.

WHAT IF I'M ASKED TO CO-SIGN A CONTRACT? It is generally not wise to co-sign a contract unless you are to receive a direct benefit from the contract. If you co-sign an agreement to buy an item on time or loan contract, you may be liable if the person with whom you co-signed does not pay, and you may have to pay