

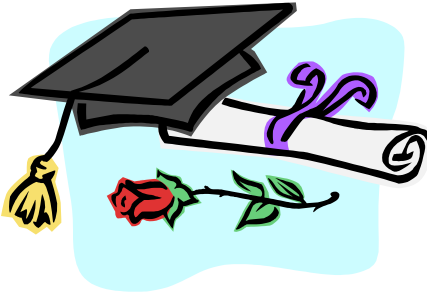


Consumer Issues

Fall 2003

Vol. 14, No. 4

Be Scholarship Smart!



With tuition, rooming, and boarding costs increasing annually, families are looking for ways to pay for their children's

college education. Often, parents have fallen into the trap of scholarship scam artists. Many fraudulent companies guarantee they can award a scholarship in exchange for an advance fee. Most offer a "money-back guarantee", but will attach conditions that make it impossible to receive a refund. Some companies collect an advance fee for a scholarship listing, but students receive nothing in return. Other companies may tell students they have been selected as finalists for awards that require an up-front fee. In some cases, companies ask for a student's checking account to "confirm eligibility" and then debit the account without consent.

The Federal Trade Commission (FTC) cautions both students and parents to look and listen for these lines when conducting scholarship searches. If you see any of the tag lines below, the FTC advises you to avoid using the company.

- ❖ "The scholarship is guaranteed or your money back."
- ❖ "You can't get this information anywhere else."
- ❖ "I need your credit card or bank account number to hold this scholarship."
- ❖ "We'll do all the work."
- ❖ "The scholarship will cost some money."
- ❖ "You've been selected" by a "national foundation" to receive a scholarship or "You're a finalist" in a contest you've never entered.

However, it is important to not confuse companies that falsely guarantee scholarships with legitimate companies providing scholarship search assistance. Many legitimate companies advertise that they will provide students access to lists of scholarships in exchange for an advance fee. Some services will compare a student's profile with scholarship criteria and return a list of scholarships for which the student may qualify. But, before you pay for a service, be sure to check out the Internet. Much of the same information and search services are available for free on Internet scholarship search engines. Several free search engines can be found by doing a general search for "scholarships" or "scholarship search engines". Just remember the difference between any legitimate scholarship search company and fraudulent scholarship company is simple: legitimate companies never guarantee or promise scholarships or grants.

To file a scholarship scam complaint, visit www.ftc.gov or call 1-877-FTC-HELP.

Source: "Ouch! Students Getting Stung Trying to Find \$\$\$ for College." FTC Consumer Alert. May 1999. <http://www.ftc.gov/bcp/conline/features/scholars.htm>.

Inside this issue . . .

- ❖ **Be Scholarship Smart!**
- ❖ **Pre-paid Phone Cards: Which One is Best for You**
- ❖ **Money Management Crash Course for Students**
- ❖ **Are You Lowering Your Credit Score?**
- ❖ **Plugging Spending Leaks**



Pre-paid Phone Cards: Which One is Best for You

Pre-paid phone cards can be found in almost any store. Consumers use these cards because they eliminate the need to carry coins for pay phones. Pre-paid phone cards offer more security than traditional phone cards because a stolen pre-paid phone card is limited to the value remaining on the card. Also, pre-paid cards do not charge a surcharge for the first minute of the call and taxes are usually a part of the purchase price. There are differences between the two types of phone cards. Some consumers have raised concerns about using pre-paid calling cards for their long distance service.

There are two types of phone cards available: disposable and rechargeable. Disposable cards can be discarded after you have used the minutes for which you paid. Rechargeable cards can have minutes added to the card. Using a rechargeable card allows consumers to recover units on their card by adding minutes to its value.

Consumers should be aware that pre-paid phone cards may stop working before they are completely used. Some pre-paid phone cards may be dated; thus, expiring before you have a chance to use the minutes you purchased. Hidden connection charges, taxes, and surcharges may reduce the number of minutes your money buys. Minutes may be deducted from your card even if your call fails to connect or if each call placed must be charged a minimum number of minutes. Personal Identification Numbers (PINs) or access numbers may not work due to the sheer volume of calls logged into the network. Sometimes issuers go out of business and leave customers with a worthless card or provide poor quality telephone connections.

Although these are legitimate concerns, shying away from using pre-paid phone cards may not be the answer for your family. Instead, becoming aware of the limitations of various pre-paid phone cards and their rates may help you get more for your money. Also, buy a small amount of time for your first card to decide whether this is the correct pre-paid calling card for you. Most legitimate pre-paid phone card companies have a toll-free customer service line.

Here are a few questions to ask before purchasing a pre-paid phone card.

- Will the issuer stand behind the card if it fails to work correctly?
- Is there an activation fee?
- How much will I pay per minute?
- Are the rates the same across the country?
- If I plan to make international calls will this card allow me to do so and at what rate?
- Will I be charged for unanswered calls?
- Is there a minimum charge per call?
- Are there additional surcharges associated with this card?
- Can I purchase more time on my card, get a refund for unused minutes, or transfer the unused minutes to another card?
- Will my card be replaced if it is lost or stolen?
- What is the card's expiration date?
- Is customer service available 24 hours a day?

Sources: Buying Time: The Facts About Pre-Paid Phone Cards. Federal Trade Commission: Facts for Consumers. February 1997.

<http://www.ftc.gov/bcp/online/pubs/products/buytime.htm>.

A Consumer's Guide to Pre-Paid Phone Cards. (Brochure) Kentucky Public Service Commission.

<http://psc.ppr.ky.gov/agencies/psc/consumer/prepaid.pdf>.

**No one's credit is as good
as their money.**

Money Management Crash Course for Students

Before sending your child off to college, make the transition easier by discussing how to manage finances. Even if students have been given guidance on how to manage their money, a quick refresher course can encourage positive money management habits. College Parents of America (CPA) and MasterCard International have teamed up to offer these tips on talking to your child about credit cards and budgeting:

Budgeting

- Work together to develop an itemized list of regular monthly expenses.
- List all income. This can include money saved, scholarships, loans, allowances, and wages earned.
- Subtract the expenses from the income to see if the budget is realistic.
- If the expenses exceed the income, work with your student to cut expenses until numbers reconcile.
- If possible, encourage your student to “pay himself first.” Develop a savings strategy.

Remind your student that budgets are flexible, but

stress the importance of sticking to the budget to prevent overspending. Below is an example of a simple, weekly college budgeting worksheet developed by CPA to help with estimating monthly college expenses:



Credit Cards

Students should be reminded that:

- Credit cards are not free money.
- Charge only what you can afford to pay back.
- A credit card should not be used as a money substitute for items they can not afford.
- Charges should be paid back in a timely manner.
- When bills are not paid in full, they will collect finance charges.
- If bills can not be paid in full, pay more than the minimum amount.
- If the minimum is all that is paid, debt is not being reduced because interest charges are still being added.
- Card issuers need to be notified when students move to insure statements are delivered promptly. This can help students avoid late fees and interest payments.

EXPENSES	Amount Budgeted for the Month	Amount Spent Week 1	Amount Spent Week 2	Amount Spent Week 3	Amount Spent Week 4	Amount Spent for the Month
Tuition						
Rent						
Books/Supplies						
Transportation						
Telephone						
Food						
Clothing						
Laundry						
Entertainment						
Vacation						
Loan Payments						
Credit Card Payments						
Insurance (car, health)						
Savings						
Other						
TOTALS						

Source: “Money Talks.” College Parents of America. <http://www.collegeparents.org/moneytalks.html>. Accessed May 6, 2003.



Are You Lowering Your Credit Score?

Consumer access to credit score is the latest trend in the ever evolving world of consumer credit information. The score is based on

information in your credit report. It provides a quick way for lenders to decide: 1) if they wish to offer you credit, and 2) at what interest rate (annual percentage). The more unfavorable your credit record is, the riskier you are as a credit customer and the higher your interest rate is likely to be.

Below are habits that could lower your credit score. To keep your credit score high, avoid doing these things.

1. Paying bills late.
2. Paying the minimum amount required.
3. Keeping debt levels too high.
4. Owning too many credit cards.
5. Not periodically checking on your credit report for errors.
6. Not using your full legal name in bank accounts, credit applications, and other documents that become part of your credit history.
7. Not alerting current or potential creditors when you move or change your name.

Information about getting your credit score is available from the three major credit reporting agencies:

- ❖ Experian: <http://www.experian.com>, 888-397-3742
- ❖ Equifax: <http://www.credit.equifax.com>, 800-685-1111
- ❖ TransUnion: <http://www.transunion.com>, 800-888-4213

Written by:

Cathy F. Bowen

Cathy F. Bowen, Ph.D.
State Extension Specialist Consumer Issues
Department of Agricultural and Extension Education
(814) 863-7870 E-mail: cbowen@psu.edu

© The Pennsylvania State University 2003

This publication is available in alternative media on request.

The Pennsylvania State University is committed to the policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. It is the policy of the University to maintain an academic and work environment free of discrimination, including harassment. The Pennsylvania State University prohibits discrimination and harassment against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status. Discrimination or harassment against faculty, staff, or students will not be tolerated at the Pennsylvania State University. Direct all inquiries regarding the non discrimination policy to the Affirmative Action Director, The Pennsylvania State University, 328 Boucke Building, University Park, PA 16802-2801, Telephone 814-865-4700/V, 814-863-1150/TTY.

Plugging Spending Leaks

Are you wasting money without realizing it? If you find yourself engaging in some of these activities, you may have a few spending leaks that need plugging.



- Driving to work even though you have a bus pass.
- Forgetting to send in rebate cards.
- Not waiting for an expensive item to go on sale.
- Buying a newspaper and not reading it.
- Bringing lunch to work and eating out instead.
- Paying for phone services you never use.
- Failing to cancel credit cards that have an annual fee.
- Not using a gift certificate before it expires.
- Opting for the more expensive brand name, even though you decide that the generic is of similar quality.
- Letting season tickets go unused.
- Buying fresh vegetables and then let them spoil.
- Receiving a fine for failing to return or renew borrowed library books.
- Failing to return movie rentals on time.
- Being fined for an unsigned car inspection certificate.

If you do find yourself doing some of the things above, don't worry . . . almost every person wastes some money. However, now that you are aware of these common spending leaks look for ways to plug them.

Source: How Are You Wasting Money?
www.ihatfinancialplanning.com. Accessed May 6, 2003.

This file may be accessed electronically at:
<http://AgExtEd.cas.psu/FCS/cimenu.html>

Assistance with the design and writing of this issue has been provided by Heather Jones. Jones is a graduate student in the Department of Agricultural and Extension Education.