STATE OF SOUTH CAROLINA
DEPARTMENT OF CONSUMER AFFAIRS

Mailing Address
Registered Creditors
P.O. Box 5757
Columbia, SC 29250-5757

REGISTERED CREDITORS
TERMINOLOGY AND FILING ASSISTANCE
www.consumer.sc.gov
803-734-4238/800-922-1594

Street Address
293 Greystone Blvd., Ste. 400
Columbia, SC 29210-8004

This information is provided to help creditors when filing Maximum Rate Schedules. Page 1 provides explanations of various terms while Page 2 provides charts and examples.

For additional information regarding filing requirements for Registered Creditors, please see the Filing Instructions and Flowchart available on our website. Call (803) 734-4238 if you have questions concerning filing requirements.

I. CREDIT SALE vs. LOAN

S.C. Code Ann. § 37-2-305; S.C. Code Ann. § 37-3-305; Regulation 28-70

A **credit sale** occurs when a business sells an item to a consumer and allows the consumer to pay the business for it over a period of time. Motor Vehicle Dealers typically fall within this category because the dealership is either "buy here pay here" or is involved in preparing the paperwork or obtaining credit for the consumer.

A **loan** occurs when one business (Company A) lends money to a consumer so that consumer can purchase an item from another business (Company B). When the transaction is a loan, the consumer is paying to use Company A's money, rather than owing Company B for the purchased item. This is typically what happens when a finance company gives the consumer money to go to a dealership to buy a car (Note: the dealership is not involved in the transaction between the borrower and the finance company).

II. SECURED vs. UNSECURED

A **secured** credit transaction is a transaction that involves a lien on property. With a secured credit transaction, the consumer has collateral the lender may take if the consumer fails to repay the debt. The property used as collateral may be either real estate or non-real estate (such as a motor vehicle). Creditors sometimes offer lower interest rates and better terms on secured credit transactions. Most motor vehicle dealers use secured credit transactions when selling motor vehicles.

An **unsecured** credit transaction is a transaction that does not involve a lien on property. With an unsecured credit transaction, the creditor does not require any collateral, but rather takes the consumer's word that he or she will repay the debt. These are sometimes referred to as Signature Loans or used for services that will not be taken back (for example, dental work).

III. VARIABLE RATE vs. FIXED RATE

A **fixed rate** is an interest rate that remains the same throughout the duration of the contract or agreement. With a fixed interest rate, the consumer will pay the same percentage of interest, regardless of any changes in the market rate. It does not matter if a company's rates vary by consumer, as differing rates are typical depending on each consumer's credit history. Rather, the determining factor is whether the rate remains the same during the course of a particular contract.

A **variable rate** is an interest rate that changes with the market. The interest rate on any outstanding balance will vary as the benchmark interest rate or index changes. For example, assume the variable interest rate on a credit card is the United States Prime Rate plus 12.75%. In this instance, the margin, 12.75%, is added to whatever the prime rate is at the time to come up with the total interest rate. If Prime is 5%, the total interest rate would be 17.75%.

IV. OPEN-END CREDIT

An **open-end credit** account is one under which the consumer is allowed to make repeated purchases (credit sales) or obtain loans. The consumer is given the privilege of paying the balance in full or paying in installments.

CREDIT SALES (§ 37-2-305)

CATEGORY	EXPLANATION	EXAMPLES (but not limited to)
1. Unsecured Credit Sales	No lien	Dental work, funerals
2. Secured Credit Sales, Non-Real Estate	Lien on collateral other than real estate	Auto dealers, furniture stores
3. Secured Credit Sales, Real Estate	Lien on real estate	Raw land
4. Open-End (Revolving) Credit Sales	Month to month	Department store or gas station credit cards
5. Other	Anything that does not fit in 1 through 4	*Very rarely applies*

LOANS (§ 37-3-305)

CATEGORY	EXPLANATION	EXAMPLES (but not limited to)
1. Unsecured Personal Loans	No collateral	Signature loan
2. Secured Personal Loans, Non-Real Estate	Collateral other than real estate	Finance companies, Title lenders
3. Real Estate Mortgage Loans	Real estate is used as collateral	Home Equity Line of Credit or Second Mortgage
4. Open-End (Revolving) Loans	Month to month up to limit	Overdraft protection
5. Other	Anything that does not fit in 1 through 4	*Very rarely applies*