

## ZERO INTEREST/NO INTEREST FINANCING PROGRAMS ~ KNOW HOW THEY WORK

It has become fashionable for businesses to offer "zero interest financing for six months," "No interest for 12 months," or "No interest, no payments until July 2003." There is nothing inherently wrong with these offers, and they can be a great deal if you understand how the programs operate.

In a **zero interest financing program**, you are permitted to defer paying for a purchase until a later date. If the purchase price is paid in full by the deferred due date, no interest charges are assessed. However, if the balance is not paid in full by the deferred due date, interest is tacked on to the unpaid balance – usually retroactive to the date of purchase. To make matters worse, the interest rate is usually 21 percent or higher.

You should understand that there are several different zero interest financing programs, and each has slight differences that make it difficult to decide which one is best. The best plan offers no interest, no payment for a set period of time, with interest charged from the deferred due date forward (rather than from the date of purchase) if the balance is not paid in full. That means the consumer is getting free use of the product during the deferred payment period and can use the money for other purposes.

There is another plan under which interest is paid but rebated. In these cases, interest is charged each month, but if all the payments are made on time and the entire purchase price is paid off on the agreed-upon date, the interest is returned as a rebate. If you miss a payment, pay late one month, or do not pay off the whole balance by the due date, you don't get the rebate.

Be aware that, even in the best zero interest financing program, minimum purchase requirements may apply or only certain brands may be featured. Again, there is nothing wrong with this practice, provided you are fully informed at the outset of the restrictions that apply to the financing program being offered.