

## Online layaway: Old-fashioned payment system gets new digital life

By Susan Ladika

Think layaway went the way of Kmart's Blue Light Specials? Think again. Not only is layaway again being embraced by brick-and-mortar retailers, online merchants are also getting into the act, and everything from computers to cruises are now only a mouse click away.

Sites such as eLayaway.com and Lay-Away.com serve as the middlemen between major retailers and consumers, providing a [layaway](#) option that retailers themselves might not offer.

When the economy plummeted, eLayaway founder Sergio Pinon saw "overall desperation" as card issuers cut balance limits or canceled cards, so consumers didn't have a way to buy things they needed, and merchants saw their customer base slipping away.

By offering online layaway for retailers such as Best Buy and Jo-Ann Fabric and Craft Stores, consumers are able to buy merchandise without running up their credit card debt further, while practicing budgeting for the things they desire.



"It's a terrific budgeting tool and a great way to avoid debt," says Barbara Stark, director of education and community development for the nonprofit American Debt Counseling Inc.

When Robert Holland launched Lay-Away.com in 2002, he realized "regardless of the economy, there will always be consumers who are a little savings-challenged." While it might be hard for a consumer to save up \$500 for a new TV, paying \$25 a week for that TV "is not a big deal," Holland says.

### How online layaway works

Both Lay-Away.com and eLayaway.com are similar in that customers select their products, then check out like they would with an online retailer such as Amazon.com. But instead of charging the item to a credit card, shoppers decide how many payments to make, and at what amount. eLayaway debits customers' bank accounts, while Lay-Away.com also allows payment by check or money order. Once the item is paid off, it's shipped within a few days.

Lay-Away.com receives a commission from retailers and consumers don't pay any service fees, while eLayaway.com charges consumers a fee of 1.9 percent to 3 percent on each transaction, which is far lower than typical credit card interest rates.

Part of the problem Pinon had to overcome were stereotypes about layaway that exist among some age groups. "The newer generation has no negative stigma about what layaway was. They had no idea what it was."

The older generation had used it in the past and had no problem picking it up again.

But those in between either thought of layaway as something for "poor people," or thought, "We had credit cards. Why would we use layaway?" Pinon says.

Now he's finding that layaway use bridges all ages and incomes. eLayaway has more than 100,000 customers and those least likely to use the service earn less than \$30,000 a year. Nearly 10 percent earn more than \$100,000 annually, he says.

### Big box stores re-embrace layaway

No doubt, it doesn't hurt that retailers such as Sears and Kmart have revived layaway and offer online layaway for some products. Other retailers, such as [Toys R Us](#) and Burlington Coat Factory, offer layaway service in their stores.

And some unexpected merchandise can be bought on layaway. A number of travel agencies offer cruises and vacation packages, and sports fans can purchase season tickets for a handful of teams on eLayaway.com.

Dawn Hodges of Beaumont, Texas, used an online layaway service to buy an Xbox 360 for \$399 for her now-husband who was "fiending for a gaming system," but says she has "mixed feelings about the experience."

While the transaction went smoothly, she was disappointed by the sales tax and shipping charges she had to pay, and that the Xbox was delivered in an Amazon.com box, so she believes the layaway provider purchased it at a lower price than what she paid.

"I would recommend using the site if you really have no other option," Hodges says. In hindsight, however, she recommends saving up for products, "especially with electronics, since the technology is updated so frequently," and prices are discounted as new models are introduced.

### Comparison shop

Stark recommends checking with online layaway companies to see if they match prices if a retailer discounts items over the course of the layaway period.

She also suggests that customers check for service and transaction fees, and see how they stack up against their credit cards. "Compare all the financial tools you have," she says.

“It's not just for people who can't afford to make a purchase, it's for people who really want to manage their money.”

Bill Moak, president of the Better Business Bureau Mississippi, says consumers need to do their due diligence about a company before agreeing to purchase a product through online layaway, just as they would with any retailer.

-- Barbara Stark  
American Debt Counseling Inc.

"We don't know yet, since it's a new industry, how well they're policing themselves," but so far, complaints have been few, Moak says.

He recommends checking the BBB website to read reviews of companies and to make sure that any transaction is done through a secure server.

And as with any kind of transaction, he tells consumers to read the fine print of the purchase agreement, and check for refund and cancellation options.

If shoppers do their due diligence about a company, online layaway can be an effective way to purchase the products they want without running up debt.

"It's not just for people who can't afford to make a purchase," Stark says. "It's for people who really want to manage their money."

### Online layaway: What can you get, and for how much?

Below is a sampling of products offered by various layaway websites, along with the overall product price and the price of the monthly payment.

Website	Product	Price	Monthly payment
<a href="#">Lay-Away.com</a>	Acer Netbook	\$299	As little as \$49.83
<a href="#">Lay-Away.com</a>	Frigidaire gas range	\$1,099	As little as \$183.17
<a href="#">Elayaway.com</a>	Body Solid home gym	\$519.95	As little as \$48.17
<a href="#">Elayaway.com</a>	Minnesota Vikings season ticket renewal	Varies based on type of tickets	Unknown, but can be made either monthly or weekly
<a href="#">Westside International Travel</a>	Cruise and vacation packages	Varies based on trip details	Varies based on trip cost and time between first deposit and required date of final payment