

CREDIT PROBLEMS AND LAWS



© Andreas Pollok/Stone

Chapter 9 is about resolving problems with credit. In this chapter, you will learn about ways to avoid credit problems and how to resolve credit problems. You will also learn about bankruptcy and its purposes. You will study credit reporting and related laws. These laws protect both consumers and creditors in credit reporting, billing, collections, and granting or denying credit.

ONLINE RESOURCES

Personal Financial Literacy
Web site:

Vocabulary Flashcards
Sort It Out: Credit Problems
Chapter 9 Supplemental
Activity

Search terms:

- bankruptcy
- garnishment
- identity theft
- phishing
- recourse

Resolving Credit Problems

OUTCOMES

- Explain how to dispute an error on a credit statement.
- List ways to prevent credit card fraud.
- Describe the purpose of consumer advocacy groups.
- Explain how government consumer protection services help consumers.
- List ways to prevent garnishment and repossession of assets.

ERRORS AND FRAUD

When buying goods and services, there may be times when you think that you were cheated or that an error has been made. You may be due some type of adjustment to your account or the amount you owe. This remedy for unfair treatment is often called **recourse**. Your recourse may be returning damaged goods for a credit to your account. The recourse could be having an amount on your account reduced to reflect a correct price. You may get recourse in some other way to compensate you for errors or fraud. To get recourse, you must take action.

Disputing Charges

When you receive a credit account statement, compare the charges to your receipts. If you find a charge on the statement that you did not make or that is incorrect, take action right away to dispute the charge. Disputing a charge is the process of informing the credit company of the mistake.

Disputing charges usually begins with a telephone call or a visit in person to report and discuss the problem. Always follow up with a written letter explaining what happened. When you keep good records, you have **documentation** that can help support your claim that the bill has an error or a false charge. Always keep receipts, statements, and other credit records you receive. Whenever you talk to a person about a dispute, write down the date, the person's name and title, the phone number, and the details discussed. Then you will have a record of what has happened and the steps you have taken.

Figure 9-1.1 on page 252 shows a letter of complaint written to dispute an incorrect charge on an account. A dispute letter should begin with your return address and the date. Read the credit account information to find the proper address to which you should send a dispute letter. Often, the address is not the same one you use for payments. Key the correct address

4550 Bay View Road
Hamburg, NY 14075-4450
April 7, 20--

Credit Company
P.O. Box 87483
Wilmington, DE 19850-7483

Dear Sir or Madam

DISPUTE ON ACCOUNT 2444 2344 2317 3243

Please register this dispute of a charge on my recent credit statement, which is dated April 2, 20--. The incorrect charge is circled on the enclosed copy of the statement.

I called to report this error today and talked to Melanie Smith in your Customer Service Department. The charge is for \$46.42 for the purchase of gasoline in Houston, Texas, on March 20, 20--. I did not make this purchase. I have never been to Texas. I have not loaned my card to another person or given permission to anyone to use my account. I have had my card with me at all times, and it is not lost or stolen.

Please remove this incorrect charge from my credit account. If you have any questions about this dispute, please call me at 716-555-0134.

Sincerely

Joy B. Adams

Joy B. Adams

Enclosure: Credit Statement

in the letter and on the envelope. Include your credit account number in a subject line in the letter. State the problem with the account clearly. Give all the details needed to make the problem easy to understand. State any earlier steps you have taken related to the problem. For example, describe any phone calls you made regarding the error. State clearly the action you want the company to take, such as removing a charge. Indicate that you are enclosing a copy of the statement that contains the error, and place an enclosure notation at the end of the letter. Continue to communicate with the credit company until the dispute is resolved.

Credit Card Fraud

You may have improper charges made to your store or credit accounts. When someone intentionally uses your credit account to steal money or goods, this is a crime called **credit card fraud**. Credit card fraud is a felony (a serious crime). If you are a victim of credit card fraud, notify the creditor as soon as possible. Take steps such as these to help prevent credit card fraud:

- Carry only the cards you need.
- Keep a list of credit card account numbers and phone numbers to call so you can rapidly report a card that is lost or stolen.
- Verify purchases and account balances when you receive a statement.
- Shred receipts and statements that show your account number when you are finished with them.
- Do not loan your credit card to others.
- Know where your credit cards are at all times.
- Close inactive accounts because they are often targeted by thieves.
- Have mail delivered to a post office box or a secure mailbox.
- Mail bills only from a secure mailbox or a post office.
- Use only secure Web sites, and buy online only from reputable companies you know.
- Do not give out credit card or other private information over the telephone or by e-mail to people who say they are calling from your bank or credit card company.

CONSUMER ADVOCACY GROUPS

Consumer advocacy groups are organizations that promote consumers' rights. They often provide information about laws related to consumer rights. Some groups also seek to have laws passed that will be beneficial to consumers. Some groups focus on a single area, such as food safety. Other groups address a wide range of issues.

Several groups deal with consumer issues related to using credit. You can visit their Web sites to learn about the latest frauds and about how to protect yourself. These Web sites are a good place to do research before you accept some offer that sounds suspicious. Remember, when an offer sounds too good to be true, it probably is. Figure 9-1.2 on page 254 shows a list of consumer advocacy groups. Links to the Web sites for many of these groups are provided on the Web site for this textbook.

Web sites such as the Fraud Bureau and the Independent Consumer Complaint Network allow users to log complaints about company practices

FIGURE 9-1.2

Consumer advocacy groups provide information and promote consumer rights.

CONSUMER ADVOCACY GROUPS	
Better Business Bureau	Promotes responsible business practices
Consumer Action	Promotes consumers' rights and advocates for consumers in the media and before lawmakers (a nonprofit organization)
Consumer Federation of America	Advocates for consumers through legislation
Consumers Union	Publishes <i>Consumer Reports</i> An independent, nonprofit testing and information organization that provides advice about products and services
National Consumers League	Sponsors the National Fraud Information Center and addresses a wide range of issues
Public Citizen	Addresses issues such as the right of consumers to seek redress in the courts; clean and safe energy sources; and strong health, safety, and environmental protections

FIGURE 9-1.3**FIND-IT! CONSUMER WEB SITE**

Source: Washington State Library, Find-It! Consumer, <http://finditconsumer.wa.gov/about.aspx> (accessed June 20, 2006).

or frauds and read complaints posted by others. Find-It! Consumer, shown in Figure 9-1.3, is a Web site that allows you to search for consumer information provided by government and nonprofit groups. This site is a service of the Washington State Library.

GOVERNMENT CONSUMER PROTECTION SERVICES

Numerous federal and state agencies assist consumers. These agencies regulate trade, investigate crimes, and enforce laws. They test drugs, food, and other products for safety and to see if they live up to their claims.

Chapter 9 Credit Problems and Laws

Copyright 2008 Thomson Learning, Inc. All Rights Reserved.
May not be copied, scanned, or duplicated, in whole or in part.

Federal Agencies

There are many agencies that protect and help consumers. The U.S. Consumer Product Safety Commission (CPSC) is one such agency. The CPSC is charged with protecting the public from unreasonable risk of death or injury from thousands of consumer products. The agency issues consumer recalls or alerts for products that are considered unsafe.

The U.S. Food and Drug Administration (FDA) is one of the nation's oldest health agencies. It is a science-based law enforcement agency. Its mission is to protect public health and safety related to certain areas. The FDA ensures that foods, cosmetics, and medicines are safe. It investigates complaints, tests products, and allows safe products in the marketplace. The FDA also removes products that are not safe.

The Federal Trade Commission (FTC) deals with issues that affect the U.S. economy. One of its goals is to keep a competitive marketplace for businesses and consumers. The Bureau of Consumer Protection is a part of the FTC. This bureau seeks to protect consumers against unfair, deceptive, or fraudulent practices. The FTC also provides consumer education. It publishes tips for avoiding scams and rip-offs and provides a place to file complaints online. A link to the FTC site is provided on the Web site for this textbook.

The Federal Bureau of Investigation (FBI) is a part of the U.S. Department of Justice. The FBI investigates fraud and other crimes. It also publishes information on issues such as identity theft. The FBI's Web site lists current scams and tells you how to avoid them. Consumers can file a complaint online at several government sites as shown in Figure 9-1.4. Links to the U.S. Department of Justice and FBI Web sites are provided on the Web site for this textbook.

State Agencies

State governments also have consumer protection services. Consumers can read the latest information about products and crimes, file reports, and ask



FIGURE 9-1.4

Consumers can file complaints online at government Web sites.

Source: U.S. Department of Justice, What We Do: Investigate Fraud, http://www.justice.gov/whatwedo/whatwedo_if.html (accessed June 20, 2006).

questions. Many counties and cities provide consumer alerts and support as well. District attorneys' offices and nonprofit groups serve as places to get information. City and county government offices and local offices of consumer groups can be found using the Internet and the telephone book.

CREDIT DELINQUENCY

Delinquency means the failure to do what your duty or the law requires. When the term is used with regard to credit, delinquency means an overdue debt. A credit contract requires that you make payments on time. When you do not make payments on time, your account is in delinquency. As soon as you find you are unable to make payments as agreed, contact your creditors and explain the situation. Many creditors are willing to work with you so that you can pay your account. They will often reduce or postpone payments, reduce interest, or make special arrangements so you can avoid penalties for late payment.

Collection Agencies

If payments on your credit account are overdue, your account may be turned over to a collection agency. Collection agencies legally have the right to represent the creditor to collect the amount due. If you do not pay your debt, they may file a lawsuit to get a judgment against you. A judgment is a ruling of a court of law. The judgment may give the collection agency the legal right to take assets away or to garnish your wages. This is a situation you want to avoid. A judgment is likely to have a bad effect on your credit rating. You may have to pay certain fees to the collection agency, as well as the debt amount owed.

Garnishment

Garnishment is a proceeding in which a creditor may legally take possession of money or goods held by a third party in payment of a borrower's debt. For example, a creditor may take money from a worker's pay each month to pay a debt the worker owes. The money is paid directly from the employer to the creditor. Because the creditor has a legal garnishment order, the employer cooperates. Garnishment is one way creditors enforce judgments to receive payment for a debt.

To prevent garnishment, follow these steps:

- Make payments on time as stated in the loan agreement.
- If you cannot pay, contact your creditor immediately to arrange a payment plan.
- Be up-front and truthful about your situation.
- Keep good records so you can defend your actions.
- Ask to negotiate claims to avoid having your account turned over to a collection agency.
- Respond to all legal documents; stay current in paying claims.



© Digital Vision

Keep your creditors aware if you are having problems making payments.



© CORBIS

Your car may be repossessed if you do not make your car loan payments on time.

Repossession and Foreclosure

A loan that has collateral pledged for repayment is called a secured loan or debt. If the borrower does not make payments as agreed on a secured loan, the property used as collateral can be taken away to pay the debt.

Repossession is the process of taking an asset used for collateral, such as a car, and selling it to pay a debt. Having an item repossessed hurts the borrower's credit rating.

Foreclosure is a legal proceeding a creditor can use when a borrower does not make mortgage payments. The creditor may be able to force a sale of the property. Money from the sale is used to pay the mortgage. Debtors may lose the money they have paid so far as mortgage payments. They also may have to pay foreclosure costs. Foreclosure costs can include attorneys' fees, court costs, and interest charges. Foreclosure also hurts one's credit history.

The best way to avoid repossession or foreclosure is to be very careful when buying. Know what you can afford in a monthly payment. Do not take out a loan unless you are reasonably sure you can make the payments. If you find you cannot make payments as agreed, talk to the lender immediately. Work out an alternate arrangement, give back the asset, or find another way to resolve the problem.

9-1 REVIEW

9-1 Activity 1 Can You Recall?

Answer these questions to help you recall what you have read. If you cannot answer a question, read the related section again.

1. Explain how to dispute an error on your credit statement.
2. List ways you can protect yourself from credit card fraud.
3. Explain the purpose of consumer advocacy groups.
4. List three federal government agencies that help protect consumers. Give a brief description of what each agency does to help consumers.
5. What does the term *delinquency* mean as it relates to a credit account?
6. What is a collection agency? Why might your credit account be turned over to a collection agency?
7. Describe what you can do to prevent garnishment or repossession of assets.

9-1 Activity 1 Research Consumer Advocacy Groups



www.thomsonedu.com/school/pfl

Consumer advocacy groups have many different goals. They provide information to consumers. They may seek to have laws passed that help consumers. They may provide reports on companies or products or a place to file complaints. In this activity, you will learn more about one consumer advocacy group. You will present the information you learn to the class.

1. Select a consumer advocacy group from Figure 9-1.2 or another group approved by your teacher.
2. Search the Internet or other sources to find information about this group. You may find a Web site sponsored by the group or articles written about the group.

3. Write a summary of the information you find about the group. Include the points listed below and other information you think would be helpful for your classmates to know about the group.
 - The group's name
 - The main activities or mission of the group
 - Services offered to consumers by the group
 - Publications or Web sites published by the group
 - When the group was founded
 - Whether the group is a nonprofit organization
4. Give a short talk to the class to present the information you learned about this group.



Bankruptcy

OUTCOMES

- Explain the purposes of bankruptcy.
- List strategies to help avoid bankruptcy.
- Describe Chapter 7 Liquidation bankruptcy.
- Describe Chapter 13 Wage Earner Plan bankruptcy.
- Explain bankruptcy exemptions and how they affect consumers.

AVOIDING BANKRUPTCY

Credit that is used wisely can be a valuable tool in reaching financial goals. When credit is not used wisely, however, the consumer may build debt to the point where it can never be repaid. **Bankruptcy** is a legal procedure to relieve a person who cannot pay his or her debts of those debts. The person may be relieved of (not have to pay) most debts or may be allowed to repay some debts over a set period of time. This depends on the type of bankruptcy granted. Bankruptcy must be granted by a federal court. The person may have to surrender assets to be sold to help pay debts. In a voluntary bankruptcy, the individual asks the court to declare bankruptcy. Creditors or lenders can also ask the court to declare bankruptcy for a debtor. This situation is called involuntary bankruptcy.

Some common reasons why debtors cannot pay their bills and seek bankruptcy are listed below.

- Excessive medical bills (even with insurance coverage)
- Small business failure (half of all small businesses fail each year)
- Overspending and unwise use of credit
- Losing employment and being overextended
- Having no savings when unexpected events (losses) occur

Consumers should try to avoid bankruptcy, if possible. Bankruptcy damages a person's credit rating. It stays on the credit record for 10 years. It prevents the consumer from getting low interest rates on credit accounts or loans. Bankruptcy can make it difficult to obtain credit, buy a home, get life insurance, or sometimes get a job. The consumer may be left with very little property. Thus, it pays to try to find other ways to solve debt problems rather than seeking bankruptcy. Credit counseling, debt management, and debt consolidation are three strategies consumers may be able to use to avoid bankruptcy.



FIGURE 9-2.1

The U.S. Trustee Program provides a list of approved credit counseling agencies.

Source: U.S. Department of Justice, U.S. Trustee Program, http://www.usdoj.gov/ust/eo/bapcpa/ccde/cc_approved.htm (accessed June 27, 2006).

Credit Counseling

Credit counseling is available through nonprofit groups and other organizations. They work with debtors to arrange a payment plan for debts. They also provide lifestyle counseling to help people avoid credit problems in the future. Sometimes, these counselors are able to negotiate lower interest rates with creditors so that debt can be paid off sooner. This type of service allows people to pay their debts and get back on track with financial plans. Debtors must get credit counseling from a government-approved organization within 6 months before filing for any bankruptcy relief. You can find an approved credit counseling agency in your area on the U.S. Trustee Program Web site as shown in Figure 9-2.1.

Debt Management

A debt management service works with you and your creditors to create a workable plan for paying off debt. Debt management begins with a careful look at each credit balance. Its interest rate, minimum payments, and how soon it will be paid off are considered. This service often involves turning over your checking account and your bills to the debt manager. It also requires that you have sufficient income to be able to pay the outstanding debt. There is usually a fee or a commission charged for this service. You give up your credit cards and live on an allowance. At the end of the agreed-on period of time (usually 3 to 5 years), your debt has been repaid. With education in how to prevent credit problems from happening again, you then have a fresh start.

Some debt management services that claim to be nonprofit charge unreasonably high fees. Many reputable services are accredited through

Focus on . . .

A cosigner is a person who guarantees the debt of another person. In many cases, a person who does not have credit established will have a hard time getting a loan. The lender needs some assurance that the debt will be paid. A cosigner is a person with good credit or assets that can be used as collateral. The cosigner vouches for the person who needs credit.

The cosigner must repay the loan if the debtor does not repay the loan as agreed. The cosigner's credit rating will

BEING A COSIGNER

also be affected by a delinquency. On credit reports, cosigning for a loan has the same effect as taking out a loan yourself. In other words, creditors will count it as existing debt to the cosigner.

Before you cosign for a loan, be sure to understand your position. Be prepared to repay the debt at any point in time. Some cosigners find it a good idea to make one payment in advance. This helps avoid having a late payment if the borrower does not pay on time.

the Association of Independent Consumer Credit Counseling Agencies or the National Foundation for Credit Counseling. Check with these organizations for information about a debt management company you are considering using.

Debt Consolidation

Debt consolidation is the process of getting one loan to pay all your debts. Then a single monthly payment is made to repay that loan. The single payment is usually much less than the minimum payments on a number of loans or debts.

Consolidation loans are available through banks and other financial institutions. There are finance companies that specialize in loans to pay off credit card debt. Many debt consolidation loans require collateral to secure the loan. If you are making payments on a house, this would be in the form of a second mortgage. An **equity loan**, or second mortgage, is secured by the value of your home. For example, if your house is valued at \$150,000 and your mortgage is \$120,000, then you have equity of \$30,000. This amount could be borrowed to pay off high-interest credit cards and accounts. The interest rate is generally much lower, and the debtor can afford the payments.

PURPOSES AND TYPES OF BANKRUPTCY

There are two purposes of bankruptcy law. One purpose is to give a debtor a fresh start. A fresh start is needed when bills are so high that they could never be repaid. The second purpose is to ensure fair treatment for creditors. Bankruptcy laws are there to help people in hopeless situations

FEDERAL BANKRUPTCY EXEMPTION EXAMPLES

Exemption	Amount
Motor vehicle	\$ 2,400
Household goods (\$400 limit for a single item)	8,000
Jewelry	1,000
Tools (for debtor's trade)	1,500
Personal injury compensation payments	15,000
Other property	800
Public assistance	
Social Security benefits	
Veterans' benefits	

Source: U.S. Congress, *United States Code*, "Title 11—Bankruptcy, Chapter 5—Creditors, the Debtor, and the Estate, Subchapter II—Debtor's Duties and Benefits," GPO Access, <http://frwebgate3.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=0030315692+4+0+0&WAIAction=retrieve> (accessed October 4, 2006).

FIGURE 9-2.2

A bankruptcy exemption is property that a debtor does not have to give up to pay off creditors.

get back on their feet. Bankruptcy was never intended to be used for reckless spending and avoiding responsibility.

There are different types of bankruptcy. For example, Chapter 7 Liquidation and Chapter 13 Wage Earner Plan are for individuals. Chapter 11 is for businesses. Bankruptcy immediately stops all collections. This stay is automatic. When a debtor files for bankruptcy, all accounts and contracts are frozen. That means no further action, including lawsuits, can be taken.

Chapter 7

Also known as straight bankruptcy, **Chapter 7 Liquidation** is used when an individual seeks to have her or his debts discharged. A **discharge** is a court order that pardons the debtor from having to pay debts. Chapter 7 bankruptcy is also called liquidation. The debtor's assets are sold (liquidated), and the money is used to repay as much of the debt as possible. Then all remaining debts (with a few exceptions) are discharged.

Most debts can be discharged. This includes credit card balances, bank loans, medical bills, and court judgments. There are some types of debt, however, that are not discharged by bankruptcy, such as tax debt, student loans, government fines for criminal charges, child support, and spousal support.

Before filing a Chapter 7 bankruptcy case, the debtor must get credit counseling and satisfy a means test. This test requires the debtor to confirm that his or her income does not exceed a certain amount. The amount varies by state.¹

Under Chapter 7, many debtors do not lose all of their property. This is because there are exemptions. An **exemption** is property that a debtor does not have to give up to pay off creditors. For example, there is a homestead (housing) exemption that allows the debtor to keep \$15,000 worth of equity in a home. If the debtor's equity is that amount or less, the debtor can keep the home.

Examples of other federal bankruptcy exemptions are shown in Figure 9-2.2. This is not a complete list. Amounts are adjusted periodically,

¹ *Facts for Consumers: Knee Deep in Debt*, Federal Trade Commission, <http://www.ftc.gov/bcp/online/pubs/credit/kneedeep.htm> (accessed June 24, 2006).



© Getty Images/PhotoDisc

Chapter 13 bankruptcy is for people who have a good source of steady income.

and current amounts may be different from the ones shown here. Many states also have bankruptcy laws that affect the exemptions allowed.

Chapter 13

Another form of bankruptcy for individuals is the **Chapter 13 Wage Earner Plan**. This type of bankruptcy is for debtors who have a good source of steady income. It is designed mostly for homeowners and working people. The debtor selects exemptions just as in Chapter 7. Rather than liquidate assets, debtors follow a plan to pay back as much debt as they can over a 3- to 5-year time period. After that time period, their debts are discharged.

Chapter 13 forces creditors to stop interest and late penalties. While a Chapter 13 plan is in effect, creditors cannot start or continue collection efforts. They must accept what the bankruptcy court decides will be their settlement. In some cases, creditors who have made unsecured loans receive no more than 10 to 30 percent of the amount owed to them.

New Bankruptcy Legislation

The Bankruptcy Abuse Prevention and Consumer Protection Act was approved by Congress in

April 2005 and signed by President George W. Bush. Most parts of the law apply to cases filed on or after October 17, 2005. The law seeks to make

Ethics

BANKRUPTCY FRAUD

Bankruptcy fraud is the use of bankruptcy laws to take advantage of others or to make false claims. Bankruptcy fraud is a serious federal crime (a felony). People who try to hide assets from the bankruptcy court are committing bankruptcy fraud. Assets must be disclosed so that creditors can receive a fair share in the payment of debts.

Creating debts with the intent of denying creditors payment for goods and services is also illegal and unethical. It is abuse of bankruptcy laws to plan a bankruptcy with overspending and staying just below the exemption allowances. If the court suspects that a person is committing bankruptcy fraud, it may dismiss the bankruptcy and prosecute for fraud.

it more difficult for consumers to erase all debt by requiring more people to file under Chapter 13 rather than under Chapter 7 bankruptcy.

Some debtors who want to file under Chapter 7 must first complete a means test. This test is to see whether they have enough disposable income to repay debts under a Chapter 13 plan. The test compares the debtor's gross income to the median income in the state. Debtors who earn less than the median income in their state typically qualify for Chapter 7 bankruptcy. Other debtors may or may not qualify depending on other factors.

Debtors who do not qualify for Chapter 7 bankruptcy may file for Chapter 13 bankruptcy. They will be required to repay some or all of their unsecured debt. The court can also convert a Chapter 7 case to a Chapter 13 case or dismiss the case (not allow bankruptcy).

The new law requires most debtors to receive credit counseling at least 6 months before filing for bankruptcy. Debtors may also have to take a class on debt management techniques.

Building Communications Skills

PERSUASIVE SPEAKING

The focus of public speaking is often to convince people to take action or support an idea or position. To be effective, the speaker must be believable. Persuasive speaking is challenging because you may have to change people's minds. You may also have people in the audience who are biased against your ideas or position. Giving public speeches means you are often speaking to people you do not know. You are presenting a message and hoping for their support. For example, people who run for public office must prepare persuasive speeches.

Effective persuasive speeches are relevant, interesting, and decisive. You will need to capture the listeners' attention and hold it as you present information and logical conclusions. When giving a

persuasive speech, open with remarks that will get the attention of the audience. Clearly state the position or action you want the listeners to support. Give supporting data or quotes that will strengthen your position. When preparing the speech, think about negative reactions or questions the listeners may have. Prepare answers to have ready for these questions.

The next time you hear a campaign speech, listen carefully to what is being said. Also listen to the techniques used in presenting the speech. How did the person get your attention? What problems were discussed? What solutions were proposed? Was the speaker believable? Apply the techniques that you think were effective to your next speech.

9-2 Activity 1 Can You Recall?

Answer these questions to help you recall what you have read. If you cannot answer a question, read the related section again.

1. What are some reasons people get into extreme debt and seek bankruptcy?
2. Explain how credit counseling can help to avoid bankruptcy.
3. How is debt management different from debt consolidation?
4. What are the two purposes of bankruptcy law?
5. Why is Chapter 7 bankruptcy also called liquidation?
6. What are bankruptcy exemptions?
7. How is Chapter 13 bankruptcy different from Chapter 7 bankruptcy?
8. What is meant by bankruptcy fraud?

9-2 Activity 1 Credit and Bankruptcy Advice



www.thomsonedu.com/school/pfl

When consumers have serious problems making payments and managing their debt, they may seek advice. Some credit counseling agencies offer free advice; others charge a fee. In some cases, bankruptcy may be the only course available. Consumers may seek legal advice in filing for bankruptcy. Some bankruptcy lawyers will give an initial consultation that is free. In this free session, the client explains her or his situation, and the attorney evaluates the options.

1. Visit the U.S. Trustee Program Web site. A link to the site is provided on the Web site for this textbook. You can also search the Web using the term **approved credit counseling agencies**.
2. Find a credit counseling agency that is approved for residents of your state. Give the agency name and address.
3. Look in the Yellow Pages or search online using the term **bankruptcy attorney**. Find ads or Web sites for bankruptcy attorneys. Review at least two ads or Web pages.
4. What types of claims do the attorneys make about bankruptcy? What kinds of fees do they charge? Is there a free initial consultation?

Consumer Protection and Laws

OUTCOMES

- Explain the purpose of a credit report and credit score.
- Explain consumer rights related to denied credit.
- State the purposes of several consumer protection laws.
- Explain the process of alternate dispute resolution.
- Describe the process of resolution through filing a lawsuit.
- List credit scams and ways to protect yourself from them.

CREDIT REPORTS AND SCORES

Every person who has a Social Security number also has a credit file. Data in your credit file are shared with interested parties in a **credit report**. The purpose of a credit report is to give lenders and others information about your credit history and current status. A credit report contains a listing of your current credit accounts and their balances. Accounts you have had in the past may also be listed. If you have defaulted on a loan or made late payments, that is reported. The report contains personal data such as your address, phone number, Social Security number, and date of birth. It may include where you work and how much you earn.

The three major credit bureaus are Equifax, TransUnion, and Experian (TRW). Each of these bureaus collects and analyzes data about you and assigns a number called a credit score. The purpose of a credit score is to rate whether you are a good or poor credit risk. Example credit scores are shown in Figure 9-3.1 on page 268. The higher the score, the lower the risk. Many lenders use these scores provided by credit bureaus. Some lenders compute their own scores. There is no single cutoff score used by all lenders. The scores shown are examples only.

Consumers can get their credit scores from the credit bureaus, usually for a charge. Newly passed laws allow you to view your credit reports once a year free. However, the score itself will probably cost you \$30 or more. Follow these suggestions to improve your credit score:

- Pay all debts on or before the due dates.
- Pay more than minimum payments.

Credit Score	Description
Up to 499	Unacceptable. Debtor has no credit established or has a previous bankruptcy or current delinquencies. (Credit requests would be denied.)
500–599	Poor. Risk is high. Debtor is improving but had too much credit or too many collections in the past. (Credit requests are denied or carry very high interest rates to cover high risk.)
600–699	Fair. Medium risk. Debtor has too much credit and too many payments but is not currently delinquent or in collection; credit history is not perfect. (Credit requests are granted with medium interest rates and lower limits.)
700–749	Good. Lower risk. Debtor has a fair load of debt not exceeding recommended levels; payment record is good. (Credit requests are granted with low interest rates and good limits.)
749–799	Very good. Low risk. Debtor can take on more debt without a problem; payment history is very good. (Credit requests are granted with low interest rates and high limits.)
800+	Excellent. Risk is minimal. Debtor has very little debt and usually pays off balances in full each month. (Credit requests are granted with lowest rates and highest limits.)

- Keep your debt as low as possible.
- Do not charge more than 50 percent of the credit line available to you.
- Pay off credit card balances when possible.
- Have a good job with solid income.
- Stay in the same job for several years.
- Own your house rather than rent.
- Check your credit report regularly to be sure it contains correct information.

CONSUMER RIGHTS

A number of laws protect consumers from unfair credit practices. These laws help consumers as well as outline their responsibilities. The laws cover topics such as credit reports, reasons a person may or may not be denied credit, and ways disputes can be resolved.

When You Are Denied Credit

If you are denied credit, it may be because there is inaccurate information in your credit file. The **Fair Credit Reporting Act** gives you the right to know what is in your credit file. You can also find out who has seen your file. You may see your file at no charge within 30 days of a credit denial. You have the right to have inaccurate data investigated, corrected, and deleted from your file. The three national credit bureaus are required to furnish a new report. If information is correct, you can write your own statement giving your side of the issue. This statement must be added to the file and made available to lenders and others who see your credit report.

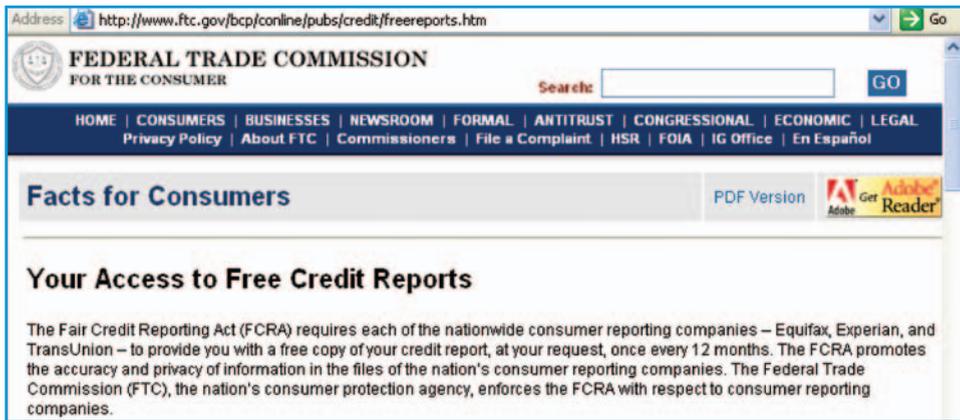


FIGURE 9-3.2

The Federal Trade Commission Web site provides information about credit reports.

Source: Federal Trade Commission, *Facts for Consumers*, <http://www.ftc.gov/bcp/conline/pubs/credit/freereports.htm> (accessed June 29, 2006).

Reviewing Your Credit Report

Consumers have the right to see one free copy of their credit reports annually. You can learn more about free credit reports on the Federal Trade Commission Web site, as shown in Figure 9-3.2. Consumers should check their credit files regularly to be sure there are no errors. When an error is discovered, it can be corrected before it results in denial of credit. Checking the report often can also help protect against credit card fraud.

Technology Corner

You can order a credit report online by going directly to the Web site of a credit bureau. You can also get your credit score. You may have to pay a fee to see your credit score. However, you can get a free credit report once a year. AnnualCreditReport.com is a Web site that allows you to request a free credit report once every 12 months. Using this site, you can get a free report from each of the major consumer credit reporting companies: Equifax, Experian, and TransUnion.

To get a report, you will have to give personal information. A telephone call may be required to verify your identity.

GETTING A CREDIT REPORT ONLINE

The entire process is relatively quick and easy. Within minutes, you can find out what is in your report.

You can also enroll for credit protection services. For an annual fee that is often \$50 or more, consumers will be notified of changes to their credit files. They can see who is looking at their files. They are able to monitor any changes and check the accuracy of the file. This type of service is offered by credit bureaus, credit card companies, and others. It is considered by some people to be a good defense against credit fraud and identity theft.

Being Fully Informed

The Consumer Protection Act of 1968 is also known as the **Truth-in-Lending Act**. This act requires that consumers be fully informed about the cost of credit. Before a credit agreement is signed, a lot of information must be given, in writing:

- Cash price of the item being purchased
- Down payment or trade-in price
- Amount financed
- Any service fees or other costs being added to the price
- Finance charges
- Annual percentage rate
- Deferred payment price
- Amounts and dates of payments
- Description of the item being purchased
- Method of computing finance charge in case of early payoff

Truth-in-Lending limits a person's liability to \$50 after a credit card is lost or stolen. There is no liability when a card is reported lost before its illegal use. The law requires that consumers be given a grace period of 3 days to change their minds about a credit contract in which their home is used for security. During those 3 days, consumers can change their minds and cancel a credit sale.

Resolving Errors

The **Fair Credit Billing Act** protects consumers who have billing disputes. The law applies to open-end credit, such as store or credit card accounts. It does not apply to installment loans. A consumer has 60 days from the day the bill is received to file a dispute. Then, the creditor has 30 days to respond to the complaint. Within 90 days after receiving your complaint, the creditor must either correct the error or show why the bill is correct. This law helps consumers resolve errors on their accounts in a timely manner. When an amount is in dispute, the creditor cannot charge interest on that amount. The creditor also cannot try to collect that amount.

All credit card companies must have credit policies. They must tell their customers how to report errors. Figure 9-3.3 on page 271 shows an error correction policy for a credit card company.

Discrimination

The **Equal Credit Opportunity Act** protects consumers from discrimination in the granting or denying of credit. The act makes it illegal to discriminate on the basis of these factors:

- Gender
- Marital status
- Religion
- National origin
- Race
- Color
- Age

In addition, credit cannot be denied because the person receives government payments, such as unemployment or Social Security

IN CASE OF ERRORS OR INQUIRIES ABOUT YOUR BILL

The Fair Credit Billing Act requires prompt resolution of errors. To preserve your rights, follow these steps:

1. Do not write on the bill. On a separate piece of paper, write a description as listed below. A telephone call will not preserve your rights.
 - a. Your name and account number
 - b. Description of the error and your explanation of why you believe there is an error (Send copies of any receipts or supporting evidence you may have; do not send originals.)
 - c. The dollar amount of the suspected error
 - d. Other information that might be helpful in resolving the disputed amount
2. Mail your letter as soon as possible. It must reach us within 60 days after you receive your bill.
3. We will acknowledge your letter within 30 days. Within 90 days of receiving your letter, we will correct the error or explain why we believe the bill is correct.
4. You will receive no collection letters or collection action regarding the amount in dispute, nor will it be reported to any credit bureau or collection agency.
5. You are still responsible for all other items on the bill and for the balance less the disputed amount.
6. You will not be charged a finance charge against the disputed amount unless it is determined that there is not an error in the bill. In this event, you will be given the normal 25 days to pay your bill from the date the bill is determined to be correct.

payments. Certain questions cannot be asked, such as which church you attend. The law benefits consumers because only the consumer's credit standing may be used when evaluating whether or not to grant credit.

Debt Collections

The **Fair Debt Collection Practices Act** protects consumers from abusive practices related to collecting debt. For example, threats and intimidation are not allowed. Debtors cannot be called at certain places, such as at work. The time of day is also important. Collection calls may not be made after 9 p.m. Collectors cannot call repeatedly throughout the day. Also, debt collectors must be sure the bill is accurate and allow the consumer to dispute it. Any disputed amounts must be resolved before they can be collected.



GETTING RECOURSE

A consumer may have trouble settling a dispute with a creditor. Rather than give up, the consumer can seek alternate dispute resolution. If that method does not settle the dispute, the consumer might file a lawsuit.

Alternate Dispute Resolution

Alternate dispute resolution (ADR) is a method of settling a dispute using a neutral third person. ADR is much less expensive than going to court. It is usually much faster also.

Negotiation occurs when two people get together, with or without a neutral third party, to come to an agreement. Both people talk about their point of view and how they want to see the issue resolved. They listen to each other and come to some type of agreement. The agreement usually involves both sides giving something and getting something in return.

Mediation, the next level of resolution, involves using a neutral third party to guide the process. The mediator talks to both parties and hears both sides of the issue. The mediator may allow the parties to talk to each other. The mediator then makes a proposed settlement.

Arbitration is the highest level of resolution. A third party, called an arbitrator, listens to both parties and then makes a decision. The decision may be binding on both sides. Arbitration may take several months. Both sides present their case formally, and rules of law are followed. The arbitrator is a professional who knows the law and is able to understand the issues.

Filing a Lawsuit

When attempts to resolve a dispute have failed, a consumer may decide to file a lawsuit. Filing a complaint in small claims court is a simple and quick method of resolving a matter involving a small amount (usually less than \$5,000). The plaintiff files a document called a complaint. The complaint is served on the defendant. The two parties appear before a judge, whose decision is final. This process usually takes from a few

weeks to 2 months. Attorneys do not participate in small claims court.

For larger dollar amounts, regular trial courts settle disputes. Attorneys represent each side. The first step is hiring an attorney to represent you. The attorney tries to negotiate a settlement for you. If that fails, a lawsuit is filed. The case goes to trial, and the judge or jury makes a decision (called the verdict). If you win the lawsuit, you get a judgment against the defendant. This process often takes many months. It may also cost hundreds or thousands of dollars in attorneys' fees.



© Getty Images/PhotoDisc

Credit disputes can often be resolved by negotiation.

Success Skills

DEALING WITH CHANGE

Many people have trouble dealing with change. Even changes that a person thinks are good can cause stress. Why is change stressful? Changes at home, school, or work may mean that you have new duties or tasks to complete. You may feel uncertain about whether you can do these new duties or tasks well. You may think that they will take too much of your time or effort. You might feel uneasy because you do not know how the changes will affect your relationships with others. For example, if you attend a new school, will you still see your friends from your old school? You may worry that you are not making the best decision related to a change. For example, if you take a new job that pays more money, will you like the work you do? Such thoughts, feelings, and questions can cause a person to experience stress.

One thing is certain: changes will come throughout life. Learning to deal with change and the related stress is an important success skill. In some cases, you can choose to ignore or resist change. However, this may create even more stress. It may also have other negative effects. For example, if you refuse to change work methods, you could lose your job. If you ignore changes in your

health, you could become seriously ill. In many cases, the only reasonable choice is to accept change and to make the best of it. Some of the following suggestions can help you deal with change in a positive way:

- Learn as much as you can about how the change will affect you.
- Keep a positive attitude. Try to see something good or helpful in the change.
- Be objective. Do not let fears or bias rule your actions.
- Create a plan. List small steps you can take that will lead you through the change process.
- Get help, support, or counseling, if needed, to help you deal with making a change.
- Take care of your health. Eat a balanced diet, exercise, and get enough sleep. Take some time to relax. You will be better able to deal with stress if you are healthy and rested.
- Build your self-esteem. Have confidence that you will be able to deal with a new situation, coworker, or task.
- Expect change to be a part of your life. Look at every change as an opportunity to build new skills or relationships.

In a class action lawsuit, a group of people file a claim together. One attorney or law firm represents all the plaintiffs. Any judgment is then split among the plaintiffs, who may also share attorneys' fees.

CREDIT SCAMS AND RELATED CRIMES

A **scam** is a fake offer, sale, or other gimmick that will cost you money if you agree to it. Every year, millions of American consumers lose money in scams. The scam may allow thieves to access their bank or credit accounts or to steal from them in other ways. For example, a disreputable lender

may offer a loan to a borrower who has a poor credit history and no assets to use as collateral. All the borrower has to do is pay a large, up-front loan application fee. The loan is then denied, and the application fee is not returned.

A common scam is carried out by thieves from foreign countries. They ask you to transfer money through your bank account and keep a portion of the money for your fee. They send you a check, which you deposit. The check appears to be good. You wire the money to an address provided. However, the original check is later found to be worthless. You lose the money you wired to the thief, and you may have to pay a fee to the bank for depositing a bad check.

Credit repair scams are also common. The company claims to be able to replace your poor credit history with a good one. No one can “fix” bad credit. The services provided (for a fee) by such companies are nothing more than what you can do for yourself. They cannot take true information from your file. They cannot change your credit rating. Any advice they give is available to you free of charge from various government and nonprofit agencies.

New scams are being developed daily. When in doubt, do not agree! Ask questions and research offers and companies to avoid being caught in a scam.

Identity Theft

Identity theft occurs when someone uses your personal information without your permission to commit fraud or other crimes. According to the U.S. government, identity theft is one of the fastest-growing crimes in America. When a thief has your Social Security number, it can be used to get other personal data. The data may be used to apply for credit in your name. The credit card or loan is used to buy goods, but the credit bills are not paid. The account may have false address information, so the bills do not come to you. For this reason, you may not find out for some time that you are a victim of identity theft.²

Identity thieves may also open a bank account in your name and then write bad checks against the account. They may open service accounts in your name, such as for telephone or cable TV service, and not pay the bills. They may even take a job and file tax returns using your name and personal data.

One reason this crime is on the rise is because identity can be stolen without any contact with the thief. It can happen even if the victim does not make a purchase or do anything risky. Simple acts, such as giving personal information to an employer, can expose you to identity theft. Your information may be stolen from your employer’s records. Your data can also be stolen from your mail, such as credit card statements.

If you find that your identity has been stolen, or if you lose items that show your personal data, take the following steps quickly:

- Close credit and bank accounts. Open new accounts with new passwords and credit alerts.
- Have a fraud alert placed on your credit reports. This can help stop someone from opening a credit account in your name.

² *Identity Theft and Your Social Security Number*, Social Security Administration, SSA Publication No. 05-10064, January 2006, <http://www.ssa.gov/pubs/10064.html> (accessed June 23, 2006).



© Getty Images/PhotoDisc

An identity thief may open an account in your name and write bad checks.

- Contact the government agencies that issued your identification documents, such as a driver's license. Follow the agency's procedure to get a replacement document, if needed. Ask the agency to place an alert in your file so that another person cannot get an identification document in your name.

Phishing

Phishing is a common Internet scam. The thieves use e-mail messages and Web sites designed to look like the sites of real companies. They appear to be real businesses, banks, and government agencies. Consumers are deceived into giving account information and personal data, such as user names and passwords. The phishers then use that information to steal money from accounts and for identity theft. If you think that a message regarding your bank account or other financial matters may be real, contact the bank or other business by phone. Ask if there is a problem with your account. Do not reply to the e-mail message or go to the link provided.

9-3 Activity 1 Can You Recall?

Answer these questions to help you recall what you have read. If you cannot answer a question, read the related section again.

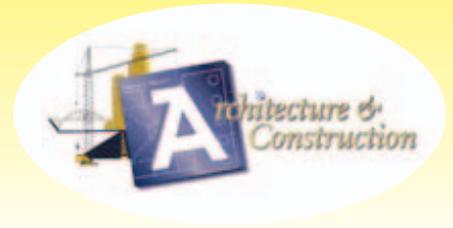
1. What is the purpose of a credit report? What kind of information does a credit report contain?
2. What is the purpose of a credit score? How can you find your credit score?
3. What can you do if you are denied credit?
4. How often can you see your credit report (without charge)? What Web site can you use to get a free credit report?
5. List the basic provisions of the Truth-in-Lending Act.
6. Explain the procedures for resolving errors under the Fair Credit Billing Act.
7. List the items that cannot be the basis for discrimination in the granting or denial of credit.
8. List some activities that the law does not allow in the collection of credit debts.
9. Describe three types of alternate dispute resolution.
10. Describe the process of going to court to file a lawsuit to settle a dispute.

9-3 Activity 1 Taking Action

Write a few sentences for each of the situations below, telling what would you do to resolve it. Be sure to include any outside source of information or support you would contact.

1. You tried to use your credit card, and it was rejected. When you called your credit card company, you were told that your balance is over the limit. You have not used your card in the last week. There should be well over \$1,000 worth of credit available on it. What do you do?
2. A representative from your bank called and told you about a special offer—a free safe deposit box and a \$50 gift—if you upgraded your account. You verified your personal information with the caller. After the call, you phoned the bank to ask a question about the deal, but you found that no one from the bank had called you. What do you do?
3. You took your car in to have the brakes replaced. When the mechanic did the job, he also found that your muffler needed replacing. You authorized him to do the work. After you got home, you noticed a bill that shows your spouse had the muffler replaced 2 weeks earlier. What do you do?

EXPLORING CAREERS IN ARCHITECTURE AND CONSTRUCTION



Are you fascinated by long bridges and tall skyscrapers? Do you like to take apart and rebuild machines to see how they work? Are you interested in measuring and mapping the earth's surface? Would you enjoy planning the location of buildings, roads, and walkways and the arrangement of flowers, shrubs, and trees? If the answer is yes, a career in architecture and construction might be right for you. Jobs in this area are varied. Some workers in this field design buildings or outdoor spaces such as parks. Others are engineers who develop solutions to environmental problems or design and test tools, engines, and machines. Surveyors, carpenters, electricians, highway builders, heavy equipment operators, and metalworkers are also part of this career area.

Jobs in this career area are found in government and businesses. Many general contractors and architects are entrepreneurs and have their own businesses. The need for jobs in this area is expected to grow.

Skills Needed

Some of the skills and traits needed for a career in architecture and construction include the following:

- Math and science skills
- Communications skills
- Computer/technology skills
- Decision-making skills
- Problem-solving skills
- Leadership skills

Job Titles

Many jobs are available in architecture and construction. Some job titles for this career area include the following:

- Architect
- Carpenter
- Equipment operator
- Electrician
- Engineer
- Iron/metal worker
- Landscape architect
- Mechanical engineer
- Surveyor

Explore a Job

1. Choose a job in architecture and construction to explore further.
2. Access the *Occupational Outlook Handbook* online. A link to the site is provided on the Web site for this textbook.
3. Search for more information to answer these questions:
 - What is the nature of the work this job involves?
 - What is the job outlook for this job?
 - What training or qualifications are needed for this job?
 - What are the median annual earnings for this job?

REVIEW

Summary

- Errors in your credit accounts and in your credit report can be corrected.
- Mistakes or false charges to a credit account should be disputed in writing.
- To avoid credit card fraud, the consumer must take precautions, such as shredding receipts and checking bills.
- Consumer advocacy groups and governmental agencies provide information and help for consumers who are victims of crime.
- Credit delinquencies can have serious outcomes. Your account may be turned over to a collection agency. Your earnings may be garnished. Items bought on credit, such as a car, may be repossessed. If you do not make mortgage payments, the creditor may be able to foreclose on the property.
- Bankruptcy is a legal procedure to relieve a person who cannot pay his or her debts of those debts. The person may be relieved of most debts or may be allowed to repay some debts over a set period of time. Bankruptcy should be used only as a last resort.
- Credit counseling, debt management, and debt consolidation are ways of avoiding bankruptcy.
- Chapter 7 Liquidation is also known as straight bankruptcy; the debtor gives up property and has many debts discharged.
- Chapter 13 Wage Earner Plan is bankruptcy for people who have a regular source of income. They pay off debts for 3 to 5 years, and some remaining debts are discharged.
- Credit reports are maintained for all people using credit. Consumers have the right to view and challenge items in a credit report.
- Truth-in-Lending is a law requiring full disclosure of all costs of credit. The law requires that consumers be given a grace period of 3 days to change their minds about a credit contract in which their home is used for security.
- Errors in credit accounts must be investigated and adjusted; time limits are imposed by the Fair Credit Billing Act.
- Discrimination is not allowed in the granting or denial of credit.
- Alternate dispute resolution and lawsuits are ways for consumers to get recourse in credit disputes.
- Every year, millions of American consumers lose money in scams related to credit or identity theft. Consumers should ask questions and research offers and companies to avoid being caught in a scam.

Key Terms

bankruptcy
Chapter 7
Liquidation
Chapter 13 Wage
Earners Plan
credit card fraud
credit report
debt consolidation
delinquency

discharge
documentation
Equal Credit
Opportunity Act
equity loan
exemption
Fair Credit Billing Act
Fair Credit Reporting
Act

Fair Debt Collection
Practices Act
foreclosure
garnishment
recourse
repossession
scam
Truth-in-Lending
Act

ACTIVITY 1 Review Key Terms

Use the key terms from Chapter 9 to complete the following sentences:

1. Getting a loan to pay off other debts is called _____.
2. The _____ is a federal law requiring creditors to resolve disputes in billing within a specified period of time.
3. _____ is a legal procedure to relieve a person who cannot pay debts of those debts or to create a payment plan for paying some of the debts.
4. A federal law that makes discrimination in the granting or denial of credit illegal is the _____.
5. The _____ is a federal law giving consumers the right to know what is in their credit file and to challenge information in the file.
6. In a type of bankruptcy called _____, the debtor repays part or all of the unsecured debt over 3 to 5 years.
7. A remedy or action taken to seek aid, such as for the correction of an error in a credit account, is called _____.
8. A court order called a(n) _____ pardons a debtor from paying debts.
9. A proceeding in which a creditor may legally take possession of money or goods held by a third party in payment of a borrower's debt is called _____.
10. A(n) _____ is property a debtor is allowed to keep in a bankruptcy proceeding.
11. When someone intentionally uses another person's credit card to steal money, that is called _____.



12. A federal law, the _____, prohibits abusive practices when collecting debt.
13. A type of bankruptcy called _____ is also known as straight bankruptcy.
14. When a debtor gets behind in making payments, the account is said to be in _____.
15. Records that can be used to support a claim, also known as _____, can help win an adjustment to a credit account.
16. Borrowing money using the equity in your home as security is getting a(n) _____.
17. A fake offer, sale, or other gimmick, called a(n) _____, is designed to cheat consumers.
18. A document that gives a person's credit history and current status with regard to credit and income is called a(n) _____.
19. The _____ is a federal law that requires that consumers be fully informed about the true cost of credit.
20. A legal process a creditor can use to force the sale of mortgaged property to repay the mortgage when a borrower does not make mortgage payments is called _____.
21. The process of taking an asset used for collateral, such as a car, and selling it to pay a debt is called _____.

ACTIVITY 2

Math Minute

1. Juan Martinez has a house valued at \$250,000. His mortgage is for \$180,000. How much money can he borrow if the company will lend 80 percent of the equity in the home?
2. Joe Patel has a house valued at \$180,000. His mortgage is for \$150,000. How much money can he borrow if the company will lend 70 percent of the equity in the home?
3. Jeff Wong has a house valued at \$200,000. His mortgage is for \$190,000. How much money can he borrow if the company will lend 85 percent of the equity in the home?
4. Your credit card was stolen. You reported the theft within 24 hours. Before the theft was reported, the thief charged \$2,450 at a jewelry store and \$1,245 at an electronics store. How much of the fraudulent charges will you have to pay?
5. Gloria Perez owes a balance of \$5,000 on one credit card that charges 19 percent interest. She can pay off the balance in 2 years making monthly payments of \$252.02. She has another credit card with a balance of \$7,500 that charges 20 percent interest. She can pay off the balance in 2 years making monthly payments of \$381.72. Gloria owns a home valued at \$150,000. She can get a home equity loan for \$12,500 at 8 percent interest. Gloria can repay the loan in 2 years

making monthly payments of \$565.34. How much money will Gloria save if she takes out a home equity loan to pay off the credit card balances?

ACTIVITY 3 *Filing Complaints*



www.thomsonedu.com/school/pfl

1. Work with two classmates to complete this activity.
2. Review the information presented in this chapter, and search the Internet if needed. Find out where or how you could file complaints in the following situations:
 - a. You were the victim of a telemarketing scam. The caller offered to send you money if you provided your Social Security number and bank account number.
 - b. You bought items from a business on the Internet. The company did not send the merchandise that was ordered.
 - c. An investment scheme promised you a 50 percent return on your money in less than a year. You invested \$1,000, and you have not heard from the company since.

ACTIVITY 4 *Letter Disputing a Charge*

Upon checking your credit card statement, you see that you were charged \$85 for the purchase of a hat at the Mad Hatter Shop on May 8, 20--. You have a receipt that shows a \$58 purchase at the Mad Hatter Shop on that date. Write a dispute letter to the credit card company to report this error. Review Figure 9-1.1 for the format and content of a dispute letter.

1. Use your return address. Use May 12, 20--, as the letter date.
2. Use this letter address and an appropriate salutation:
Credit Company
P.O. Box 87483
Wilmington, DE 19850-7483
3. Use a subject line that indicates you have a dispute on Account 2444 2344 2317 1111.
4. State that you are registering a dispute. Explain the problem and ask for a credit of the extra amount charged on your statement. Indicate that you are enclosing a copy of the statement and a copy of your receipt.
5. Use an appropriate letter closing and your full name. Add an enclosure notation at the end of the letter.
6. Proofread the letter carefully and correct all errors. Print the letter.



ACTIVITY 5

Handling Credit Problems



In each of the following situations, explain what you would do or the advice you would give:

1. Jim and Fran have decided to get help with their credit problems rather than file for bankruptcy. They want more time to pay loans, and they have several credit card debts with high interest rates. What would you suggest?
2. Ramon is deeply in debt. He knows that he will not be able to pay all his debts. He wants to be fair to the creditors, but he also needs a fresh start. He has a good job with a steady income. Explain to him the differences between Chapter 7 and Chapter 13 bankruptcy. Which one do you think would be appropriate for Ramon?
3. Alicia is having trouble paying her bills. She is working two jobs and still cannot make all the payments. She has a very large medical bill (exceeding \$400,000) as a result of an illness 2 years ago. Because of the interest rate of 18 percent, she is making little progress in paying it off. What do you suggest?

PUBLIC SPEAKING EVENT



The FBLA Public Speaking I Event and BPA Prepared Speech Event focus attention on current business topics. Students must prepare a 4-minute speech for FBLA and a 5- to 7-minute speech for BPA using an effective business style. Facts and working data that are used for the speech may be secured from any source. The speech should be well organized. Sources used for facts, quotes, or other data should be provided. Students may use notes to deliver the speech; however, no visual aids may be used. Points may be deducted if the speech does not keep to the set time frame.

Evaluation

Students who take part in these events are judged on their ability to:

- Clearly state the goal of the speech.
- Develop the topic thoroughly.
- Present a logical sequence of ideas or facts.
- Present accurate information backed by current sources.
- Demonstrate effective public speaking skills.
- Present an informative speech.

Sample Scenario

You have been asked to prepare a speech on identity theft. Identity theft occurs when someone uses your personal information without your permission to commit fraud or other crimes. The number of identity theft crimes in the United States is growing. The process for a victim to clear her or his name and credit report can be time-consuming and expensive.

Think Critically

1. What are two credible resources you can use to find information on identity theft?
2. Prepare a 4- to 5-minute speech on identity theft. Include these points in the speech along with others you think are important:
 - An explanation of identity theft
 - Types of crimes related to identity theft
 - Statistics about identity theft, such as the number of crimes or people affected
 - Strategies for consumers to use to avoid identity theft