

Credible Credit Counselors

You are a credit counselor. You specialize at explaining to your clients their rights under federal law and their responsibilities as borrowers. You offer your customers advice on possible actions they should take in regard to their credit problems. Read each client's case, review the federal consumer credit laws on the back, and then answer the questions that follow.



Client 1

I am 18 years old and I just started college. My parents gave me a debit card. I lost it. I didn't use it much. I didn't know that it was lost until my mother called and told me that she found all these outrageous charges on her statement. The card was used to charge over \$5,000. Mom said that she contacted the card issuer the day she found the outrageous charges, which was about 3 weeks after I must have lost it.

1. According to federal law, what are the legal rights of your client?
2. Are your client's legal rights being violated?
3. Is your client being responsible or irresponsible?
4. What should your client do?

Client 2

I am 23 years old and a recent graduate from a technical school and have my first office job. I have fallen behind in making my car payments. My bank has now contacted a collection agency to collect the loan. Now, I don't answer the telephone. The collection agency calls me every hour of the day and night. I am getting calls at work, and it is embarrassing to have other people see the messages left by the collection agency. Keeping this job is my best chance to get the money to start paying the loans but that will take a few weeks.

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Client 3

I am 21 and have a new apartment. I am looking for a new sofa. I was reading newspaper ads to see what kinds of financial terms I could get. One full-page ad caught my attention. It said, "No money down, only \$9.99 a month." I thought this sounded too good to be true, but the ad said nothing more about how much the sofa costs, how many monthly payments would have to be made, or the interest rate.

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Client 4

I am 31 years old and recently separated from my spouse. I applied for a credit card in my own name. Today, I received a letter from the credit card company. It said, "We are sorry. Your application for credit has been denied." How could that be? I have always paid my bills on time. My former spouse sometimes had credit trouble but not me. The letter was no help at all.

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2. Are your client's legal rights being violated?
3. Is your client being responsible or irresponsible?
4. What should your client do?

OVER

Client 5

I am 22 years old. I reached into my pocket today and my wallet was gone. I don't know exactly when it disappeared. I could have lost it when I was in a crowded movie theater a couple of nights ago. I lost \$75 in cash, my driver's license, and two credit cards. I am going to the Department of Motor Vehicles today to get a new driver's license. I will get around to calling the credit card people in a few days.

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Client 6

We are a newly married couple. We are shopping for a car and a loan with which to buy it. The first lender we spoke to told us that the rate for the loan was only 7 percent. However, in addition to the interest charged on the loan, there was a loan fee of \$200 to consider. Can they do that?

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FEDERAL CONSUMER CREDIT LAWS

The **Truth in Lending Act** requires that creditors disclose the cost of credit in simple terms. The lender must state the percentage costs of borrowing in terms of the annual percentage rate (APR), which takes into account all the cost of financing. The lender must also disclose the total finance charges for the loan.

The Truth in Lending Act also requires that if a business advertises one credit feature (such as how many months to pay or the amount of the monthly payment), it must mention all other credit terms.

The **Fair Credit Reporting Act** governs the activities of credit bureaus and creditors. Among other things, the Fair Credit Reporting Act requires creditors to furnish accurate and complete information regarding your credit history. If you are refused credit, you have a right to see your credit report file from the bureau that submitted the negative information on which the decision was based. The Fair Credit Reporting Act requires credit bureaus to investigate if you disagree with information on your credit report. If your claim is valid, your report must be corrected. Finally, the Fair Credit Reporting Act requires that only people with a legitimate business purpose can obtain a copy of your credit report.

The **Equal Credit Opportunity Act** requires that all consumers will be given an equal chance to receive credit. The Equal Credit Opportunity Act states that it is illegal to discriminate against applicants on the basis of sex, marital status, race, national origin, religion, age, or because they receive public assistance income.

The **Fair Credit Billing Act** requires creditors to mail your bill at least 14 days before payment is due. It establishes procedures for correcting billing errors on your credit card accounts. This includes fraudulent charges on your credit card. The Fair Credit Billing Act protects against unauthorized use of credit cards. If your card is lost or stolen, you are liable for no more than \$50 of charges made by someone else. You cannot be held responsible for any charges after notifying the issuer.

The **Electronic Fund Transfer Act** provides consumer protection to people who use ATM and debit cards. The act limits your liability when your card is lost or stolen. How quickly you report the loss determines the amount for which you are held responsible. If you report your ATM card lost or stolen within two days of discovering the loss or theft, your losses are limited to \$50. If you wait up to 60 days, you are liable for up to \$500. If you wait more than 60 days, you could lose all the money that was taken from your account.

The **Fair Debt Collection Practices Act** forbids collection agencies from using threats, harassment, or abuse to collect debts. This act does not apply to creditors who are collecting their own debts.