

Chapter Seven: Consumer Rights and Responsibilities

CONSUMER RIGHTS AND RESPONSIBILITIES



Lesson Plan

Materials

1. Dry erase board/flip chart
2. Marker
3. Story scripts
4. Student Materials Packets

Outline

1. Review
2. Consumers
3. Rights
4. Scenarios
5. Dispute

Lesson Objectives

1. The student will be able to describe their rights as a consumer in the area of financial services.
2. The student will be able to identify which of those rights have been violated.
3. The student will be able to demonstrate the process of disputing an inaccuracy on their credit report.

Procedure

REVIEW (5 min.)

1. *Last class we talked about moving out on your own. Thinking about what we did last week, I want you to answer three questions individually on a blank piece of paper.*
2. Write these questions on the board.
 - a. How is renting an apartment like getting a loan?
 - i. You receive something of value (a place to live) and pay for it later.
 - b. How does where you live in relation to where you work affect your monthly costs?
 - i. The farther you live, the more you pay for gas.
 - c. What is a lease?
 - i. A contract between you and the landlord.

INTRODUCE CONSUMERS (3 min.)

1. *Contracts are part of what we will be talking about today. Our topic is consumer rights and responsibilities.*
2. *What is a consumer? Anyone who buys things is a consumer.*
3. *You are all consumers of products and services. There are laws that protect you from fraud and scams. We are going to look at some of your rights and try to identify some scams. Then we will learn how to write a formal complaint letter to get something removed from our credit report.*

CONSUMER RIGHTS ACTIVITY (15 min.)

4. Break students into groups of two and ask them to read one of the consumer laws (you can assign the same law to more than one group). Have one person be the scribe, one person read aloud. The scribe should take notes on the **Consumer Rights Checklist**.
5. *In your packets you have an outline of some of the consumer protection laws on the books currently. What we are going to do is break up into groups of two and each group is going to be assigned a consumer law.*
6. Give the groups five minutes to read over the law and familiarize themselves with the details.

READ SCENARIO SKITS (15 min.)

7. Pick out two students at a time that are not from the same group and have them each play one of the characters in the skits. Ask questions and prompt the students to decide what law was being violated.
8. *Now that we have taken a look at the laws that protect us, let's zero in on what we should do if we feel that one of our rights has been violated.*

DISPUTE A CHARGE (20 min.)

9. *We looked at my credit card bill and learned about some of the pieces of the bill. We are going to pretend that one of the charges on the bill was not from me and I want to dispute it.*

10. Under the *Fair Credit Billing Act* on the **Laws That Protect You Worksheet**, there is a list of the things you should do when you dispute a charge. Using the list and the letter format provided in your packet, create a letter to dispute the charge from the art supply store on my credit card bill.
11. You may need to read the law together and have the students number the specific things they will need to have in their letter.

Note to instructor:

We have calculated this at 58 minutes of teaching time. This is the minimum, it can take much longer. Feel free to adjust time according to students' needs.

Scene One
Threats and Manipulation

Background *Elliot has owed \$1,000 to his credit card company for about 4 months and has not made a payment because he lost his job. He wants to pay because like most people he feels obligated to pay his debts, but he just doesn't have the money. His credit card company recently sold his account to Fair and Balanced Collections Agency. They have begun to contact his house, where both he and his sister Ally live.*

Collections Agent

Hi, this is the Fair and Balanced Collections Agency calling, I was wondering if Elliot is home?

Ally

No, my brother is not home right now can I take a message?

Collections Agent

Yes, yes, you can. I am calling to inform you that Elliot has been late on his payments on his credit card and I am going to need you to send me a check for the \$1,000 that he owes.

Ally

I think Elliot has had some money trouble the last few weeks. He is trying to find a new job but hasn't had any luck yet. We have to keep the rent paid and the lights on first. There really isn't much we can do right now.

Collections Agent

I know times are tough, but someone needs to give us this money right away or I will have no other choice but to have your brother arrested. I am sorry.

Ally

Oh my god! Well we can try to get some small payment together by the end of the week.

Collections Agent

Well, if you want to, Ally, I can take your checking account information over the phone and take the money out electronically. That would be easier and faster and there is just a \$15 over-the-phone fee for this.

Ally

No, I don't have any money in there anyway. Good-bye.

Scene Two
Borrowing Money

Background: *Larscenia Rowley wants to borrow money to buy a used car. She decides to go to her bank, which is a large international bank in the middle of the city.*

Larscenia

Hi, I had an appointment with one of your loan officers about applying for a loan.

Loan Officer

Oh, yes, come right this way into my office.

Loan Officer

I reviewed your application and we looked over your credit report, but I don't think that we will be able to give you this loan. I am sorry. You will receive a letter specifying why we denied you the loan in the mail.

Larscenia

Could you please just give me an explanation now. I'd rather not wait.

Loan Officer:

Well, if you must know, we didn't feel that you had enough income from your job. How are you going to pay us back when you only have \$300 per week coming in?

Larscenia:

I receive food stamps, which means my grocery bills are very low, and I keep a very tight spending plan. I even have over \$500 saved up in your bank!

Loan Officer:

Well, food stamps is not really income. I mean it isn't real money. That is just public assistance.

Scene Three
Incorrect Information

Background: *Ellis Mandar got a copy of his credit report from www.annualcreditreport.com and found a listing for a credit card from Sears that he never applied for. He went to his local Sears outlet to find out what was going on.*

Ellis

Hi, I recently checked my credit report and found Sears charge card on my account that I never applied for. I was wondering if you could give me some information about how that got on my credit report.

Sears Manager

Well, that really isn't our problem. You need to deal with the credit reporting agency.

Ellis:

I have already contacted them, but I need some more information about the account. Also I would like Sears to investigate to find out how this might have happened and prove that I opened this credit card account. I know I never applied for this card.

Sears Manager:

Look there is nothing we can do it is up to you to prove that you did not apply for the card.

Scene Four
Finding the Information You Need

Background: *Damar would like to open a savings and checking account so that he can manage his money better. He wants to compare accounts from different banks to find out which one will give him the most interest and charge him the fewest of fees.*

Bank Teller

Good morning sir, can I help you?

Damar

Yes I am looking to open a savings account and a checking account and I would like some information about the fees that you charge and the amount of interest I will get on the savings account.

Bank Teller

Sure, we'll just get you started with the account application.

Damar

No thank you. I am not sure I want to open an account with your bank. I want to compare your terms to other credit unions and banks to see where I will get the best deal.

Bank Teller

I really don't think that is necessary. We have very high interest rates and our minimum balance to open the account is only fifty dollars.

Damar

Is there a fee if I go below the minimum balance?

Bank Teller

Why don't you start filling out the paperwork and I will explain all the terms.

Damar

I would really like to take something in writing and then compare that to other offers. If you can't do that for me, then I will put my money somewhere else.

Scene Five
Too Much Information

Background setting: *Randy Dunn is home relaxing when he hears the phone ring.*

Randy
Hello.

Person on the Phone

Hi, Mr. Dunn, this is CBSH Bank. calling I noticed there has been some strange activity on your credit card account in the last few weeks. I am calling to ask you if you have made any unusual charges lately.

Randy

Uh, I don't think so. I haven't really used my credit card lately. I try not to spend more than I can pay off at the end of the month. I try to be a smart consumer.

Person on the Phone

Well, that is good. I see you have a \$10,000 limit and you have a balance of only \$100. That is great. Now if I could just get the correct spelling of your name as it appears on the card and your Social Security, number we can clear up these false charges to your account.

Randy

I don't normally give out that information over the phone, but I guess it is okay to give it to you.

Person on the Phone

Don't worry about giving me your information. This is all kept confidential.

Randy

Okay, my name is Randy T. Dunn and my Social Security number is 555-12-555.

Person on the Phone

Thanks, Mr. Dunn, I will have these charges removed from your card. Have a good day!

CONSUMER RIGHTS AND RESPONSIBILITIES



Laws That Protect You

Equal Credit Opportunity Act

The **Equal Credit Opportunity Act** protects you when dealing with anyone who regularly offers credit, including banks, finance companies, stores, credit card companies and credit unions. When you apply for credit, a creditor **may not**:

- Ask about or consider your sex, race, national origin or religion;
- Ask about your marital status or your spouse
- Ask about your plans to have or raise children
- Refuse to consider public assistance income or regularly received alimony or child support
- Refuse to consider income because of your sex or marital status or because it is from part-time work or retirement benefits.

You have the right to:

- Know why a credit application is rejected—the creditor must give you the specific reasons or tell you of your right to find out the reasons if you ask within 60 days
- Know how much it will cost (in interest and fees) to borrow money

Identity Theft and Assumption Act

How can someone steal your identity? They use your name, Social Security number, credit card number, or other personal information to commit fraud or theft. They might:

- Run up charges on your credit card accounts
- Open new credit accounts or cellular phone service using your name
- Open a bank account in your name and write bad checks on it

Problems that result, such as unpaid bills, are reported on your credit report.

- **Give your Social Security number only when absolutely necessary. Sign credit/debit cards when they arrive.**
- **Carry only the cards you need.**
- **Keep your PIN numbers a secret.**
- **Avoid obvious passwords.**
- **Store personal information in a safe place.**
- **Don't give card numbers to strangers.**
- **Watch out for "shoulder surfers."** People who try to look over your shoulder at ATM's.
- **Beware of blank spaces.**
- **Keep your receipts.**
- **Destroy documents with account information.**
- **Protect your mail.**
- **Keep a record of your cards and accounts.** List numbers, expiration dates, and contact information in case there is a problem.
- **Pay attention to your billing cycles.**
- **Promptly compare receipts with account statements.** Watch for unauthorized transactions.
- **Check your credit report once a year at www.annualcreditreport.com or call 1-877-322-8228**
- **If you believe your identity has been stolen contact 1-877-ID-THEFT**

Truth in Savings Act and the Electronic Funds Transfer Act

To compare savings and checking accounts, request a list of fees that are charged on each. Some institutions will drop or lower checking fees if you have paychecks directly deposited by your employer. Direct deposit offers the additional advantages of convenience, security, and immediate access to your money. Credit unions and banks must provide you with this information under the **Truth in Savings Act**.

Look for a sign at your Credit Union that says your money is protected by the NCUA (The National Credit Union Administration, www.ncua.gov). Bank accounts have similar protection from the FDIC (Federal Deposit Insurance Corporation, www.fdic.gov).

- Report a debit card missing before it is used **and you are not responsible for any unauthorized withdrawals**.
- **Your liability is limited to \$50 if you report the loss within two business days after you realize your debit card is missing**, and to \$500 if you report the loss between 2 and 60 days.
- If you do not report an unauthorized use of a debit or ATM card within 60 days after your bank statement with the unauthorized use is mailed to you, **you could lose all the money in your bank account** as well as the unused portion of your line of credit established for overdrafts.

Fair Debt Collection Act

The **Fair Debt Collection Practices Act** applies to those who collect debts owed to creditors for personal, family, and household debts. These include car loans, mortgages, charge accounts, and money owed for medical bills. **A debt collector is someone hired to collect money you owe.**

Within five days after a debt collector first contacts you, the collector must send you a notice that tells you the name of the creditor, how much you owe, and what action to take if you believe you don't owe the money.

If you owe the money or part of it, contact the creditor to arrange for payment.

If you believe you don't owe the money, contact the creditor in writing and send a copy to the collection agency with a letter telling them not to contact you. A debt collector **may not**:

- Contact you at **unreasonable times**, for example, **before 8 a.m.** or **after 9 p.m.**, unless you agree;
- Contact you at work if you tell the debt collector your employer disapproves;
- **Contact you after you write a letter telling them to stop**—except to notify you if the collector or creditor plans to take a specific action;
- Contact your **friends, relatives, employer or others**—except to find out where you live and work;
- **Harass you through threats to harm you, profane language, or repeated telephone calls**;
- Make any false statement or **claim that you will be arrested**; or
- **Threaten to have money deducted from your paycheck or to sue you**—unless the collection agency or creditor intends to do so and it is legal.

To file a complaint, contact your state or local consumer protection agency and the Federal Trade Commission www.ftc.gov.

The Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act

If there is inaccurate or incomplete information in your credit report:

- Contact both the credit reporting agency (CRA) and the company that provided the information to the CRA.
- Tell the CRA in writing what information you believe is inaccurate.

Under The Fair Credit Reporting Act, the company is required to investigate and report the results to the CRA. If the information is found to be incorrect, it must notify all nationwide CRAs to correct your file. If the investigation does not solve your dispute, ask that your statement concerning the dispute be included in your file. A notice of your dispute must be included anytime the CRA reports the negative item.

One very important new addition to this law is that you can now receive a copy of your credit report for free once per year from all three of the major credit reporting agencies (Experian, Transunion, and Equifax).

1. **To order your report by phone:**
 - a. Call 1-877-322-8228.
 - b. Your report will be mailed to you.
2. **To order your report by mail:**
 - a. Download and print the request form at **<https://www.annualcreditreport.com/cra/order>**
 - b. Fill out the form and mail to
Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281
3. **Or you can view your report online by going to**
www.annualcreditreport.com

Truth in Lending Act

Before you sign an agreement for a loan to buy a house, a car or other large purchase, make sure you fully understand all the lender's terms and conditions. The following information must be provided to you under the Truth in Lending Act.

- The dollar amount you are borrowing
- The payment amounts and when they are due
- The total finance charge - the total of all the interest and fees you must pay to get the loan
- The Annual Percentage Rate (APR) - the rate of interest you will pay over the full term of the loan
- Penalties for late payments
- What the lender will do if you can't pay back the loan
- Penalties if you pay the loan back early
- The total of all the interest and fees you must pay to get the loan

Fair Credit Billing Act

If you find an error on a credit card or charge account bill, you have the right to dispute the problem under the Fair Credit Billing Act. The law defines billing errors as: incorrect credits for payments, charges that you didn't make, and charges for goods or services that you did not receive or that were not as promised.

Write to the creditor within 60 days of the postmark of the first bill with the disputed charge. If more than 60 days have passed but you just recently found the problem, you may still be able to dispute the charge.

Send a letter to the address provided on the bill. Do not send the letter with your payment.

Be specific. In your letter, give your name and account number, the date and amount of the charge disputed, and a complete explanation of why you are disputing the charge.

Send your letter by certified mail, with a return receipt requested, if you want to make sure it is received.

If you follow these requirements, the creditor or card issuer must acknowledge your letter in writing within 30 days of receiving it and conduct an investigation within 90 days.

While the bill is being investigated, you do not have to pay the amount in dispute. The creditor cannot try to collect this disputed amount, nor can the creditor report the amount as late or close or restrict your account.

If someone steals your credit card, report it as soon as you find out. No matter how much the person charges on your card, this federal law limits the amount you have to pay to \$50 and if you report it before any charges are added to your account, you don't have to pay anything.

All the information contained on these pages and more is available at **www.ftc.gov**.

The Bill



MASTERCARD CREDIT CARD STATEMENT

Page 1 of 1

ACCOUNT SUMMARY		PAYMENT SUMMARY		BALANCE SUMMARY	
ACCOUNT NUMBER	1234-5678-9000	MINIMUM PAYMENT*	\$15.00	PREVIOUS BALANCE	\$521.46
TOTAL CREDIT LIMIT	\$1,700	CURRENT PAYMENT DUE*	\$15.00	PAYMENTS/CREDITS	- \$50.00
TOTAL CREDIT LIMIT AVAILABLE	\$1,105	PAYMENT DUE DATE	09/24/12	PURCHASES/DEBITS	+ \$115.07
STATEMENT DATE	09/01/12	*See reverse side for an explanation of these amounts.		FINANCE CHARGE	+ \$8.46
				NEW BALANCE	= \$594.99

TRANSACTION SUMMARY						
(For additional transaction detail go to www.hsbccreditcard.com)						
TRANS DATE	POST DATE	TRANSACTION DESCRIPTION	REFERENCE NUMBER		AMOUNT	
					CHARGES	CREDITS
08/25	08/25	PAYMENT - THANK YOU				-\$50.00
08/15	08/16	COMMERICAL ART SUPPLY SYRACUSE NY			\$115.07	

FINANCE CHARGE CALCULATION							
This is a grace account. Grace period information on back.							
	Average Daily Balance	Daily Periodic Rate	Days in Billing Cycle	At Periodic Rate	FINANCE CHARGE Cash Advance/ Transaction Fees	Nominal Annual Percentage Rate	ANNUAL PERCENTAGE RATE
PURCHASES	\$617.17	0.04724%	29	\$8.46	\$0.00	17.24%	17.240%
CASH ADVANCES	\$0.00	0.06641%	29	\$0.00	\$0.00	24.24%	24.240%

MAIL PAYMENTS TO:

CARD SERVICES
PO BOX 17332
BALTIMORE MD 21297-1332

QUESTIONS?

24-HOUR CUSTOMER SERVICE
1-888-385-8916
OUTSIDE USA, COLLECT: 1-716-841-7141
TDD HEARING IMPAIRED: 1-800-855-9392

MAIL INQUIRIES TO:

CARD SERVICES
PO BOX 80026
SALINAS CA 93912-0026

140201 5 01 000000403 G STMT69 D K

00012509

IDF01

PLEASE DETACH AND RETURN BOTTOM PORTION WITH YOUR PAYMENT: To Assure Proper Credit Please Write Your Account Number On Your Check

I Didn't Buy That

Name _____

Date _____

Directions

Use the format below and the information under the Fair Credit Billing Act to dispute the charge on my bill from the art supply store.

← Your name and return address goes here.

To: HSBC Card Services
RE: Disputed Charge on Account # _____

To whom it may concern,

Sincerely,

Write the address you would send this to here...

Pay Yourself What You Earned

Name _____

Date _____

Directions

We want you to think about the work that you put into this class today. Did you listen and participate? Do you take part in the activities we worked on? How much do you think I should pay you for what you did today? Write out the check below for an amount between one and one hundred dollars depending on how much effort you think you put in today

Thomas Dellwo 6000 Euclid Street Syracuse, NY 13210	105 Date _____
PAY TO THE ORDER OF _____	\$ <input type="text"/>
_____ DOLLARS	
Syracuse Cooperative Federal Credit Union	Eastside Office 723 Westcott Street Syracuse, NY 13210 Southside Office 401 South Avenue Syracuse, NY 13204
For _____	Signature _____
█ 057383645 █ 65 7495 █ █ ■ 4207	

