

Para 201- You & the Law
Chapter 7- Consumer Credit
Wednesday-Oct. 14, 2009

IX. How to Correct Credit Mistakes

A. Billing Errors:

- maintain sales slips to compare to billing
- Fair Credit Billing Act: requires creditors to correct errors: 60 day notice
- notify creditor in writing or by phone: document your interactions
- creditor must correct account within 2 billing cycles
- law prohibits creditors from reporting account delinquent because of disputed amount

B. Defective Goods/Services

- document your attempts to solve problem with merchant
- if creditor sues you, court may find defective goods/services provide your defense

C. Lost or Stolen Credit Cards

- TILA (Truth in Lending Act): limits your liability on lost/stolen cards
- won't have to pay any unauthorized charges after you notify company
- limited to \$50 per card for unauthorized charges made before you notify company
- keep list of all credit cards, account numbers, & contact info

X. How Much Debt Can You Handle ?

A. Consequences:

- creditors report delinquencies to credit bureaus
- aggressive collection efforts by retailer or collection agencies
- bankruptcy

B. Guidelines for Debt Load:

- excluding mortgage, if monthly payments on debts exceeds 20% of take-home pay or 30% of pre-tax income

C. Danger Signs:

- making only minimum monthly payments
- using credit for items normally paid for in cash
- use of consolidation or home-equity loans
- borrowing from one lender to pay another lender
- late payments on monthly bills
- using savings for normal monthly expenses

D. Steps to Take:

- slow down use of credit
- track money outflows
- prepare budget like one on p. 30—read explanations on p. 31

- establish emergency savings fund: 3 to 5 months of after-tax income

XI. Debt Collection & the Law

A. Consequences of delinquencies:

- (1) reports to credit bureaus
- (2) garnishment of wages
- (3) repossession of item purchased (appliance, car)
- (4) deficiency judgment if item repossessed doesn't cover outstanding balance

B. Debt Collector: someone, other than creditor, who regularly collects debts for others

(1) FDCPA- Federal Debt Collection Practices Act

- sets limits on debt collection practices, i.e. when calls can be made, where calls can be made
- debt collectors forbidden to contact you if you are represented by lawyer

(2) If you notify debt collector by mail not to contact you, debt collector must stop BUT may:

- a. tell you specific action (lawsuit) they will take next
 - b. resume debt collection activities once they send you proof of debt
- see p. 33 regarding info debt collector must provide you

(3) Debt collectors are restricted as to how they contact you; i.e. no postcards

(4) Debt collectors may not harass, oppress or abuse any person

- can't threaten violence
- can't use obscene or profane language
- can't repeatedly telephone you
- can't publish "shame list"

(5) If debt collector breaks the law you can:

- if retailer or bank: check with consumer protection office of your state attorney general
- if debt collection agency: contact FTC (Federal Trade Commission)

- if collector violates Fair Debt Collection Practices Act, you can sue in federal or state court

XII. Credit Counseling

A. For-profit or non-profit counseling centers

B. Two types of services:

- (1) budgets
- (2) repayment plan

C. See contact info on p. 35

D. Credit repair services: problems which arise:

- (1) big up-front fees
- (2) not making full payments or making late payments
- (3) charging high interest for debt consolidation loans
- (4) unrealistic promises to erase evidence of bad credit

E. Federal Credit Repair Organization Act: federal law which governs credit repair contracts
--see info on p. 37

F. You can repair your own credit: see pp. 38 & 39 for steps to resolve credit problems

** See list of federal laws on p. 39 regarding credit & debt collection:

- (1) TILA (Truth in Lending Act): requires credit grantors to disclose APR, costs, terms
- (2) ECOA (Equal Credit Opportunity Act): prohibits discrimination in granting credit
- (3) FCRA (Fair Credit Reporting Act): sets up procedures for correcting mistakes on credit record
- (4) FCBA (Fair Credit Billing Act): for correcting errors on accounts & protecting damage to credit record while you're settling dispute
- (5) CLA (Consumer Leasing Act): requires disclosure of info to help you compare costs
- (6) FDCPA (Fair Debt Collection Practices Act): regulates debt collectors and prohibits abusive, unreasonable practices

** See p. 40 regarding filing complaints and pp 41 & 42 for publications to help you