

Information

Protecting Your Financial Self

(econ 7.3)

Part 1: “In Trouble”

why consumers don't pay

loss of income (48%)

- Unemployment (24%)
- Illness (16%)
- Other (divorce, death) (8%)

overextension (25%)

- Poor money management
- Emergencies
- Materialism
- Need for instant gratification

defective goods and services (20%)

fraudulent use of credit (4%)

other (3%)

warning signs of trouble

- You don't know how much you owe.
- You often pay bills late.
- You get a new loan to pay old loans.
- You pay only the minimum balance due each month.
- You spend more than 20% of your net income (after paying rent or mortgage) on debt maintenance.
- You would have an immediate financial problem if you lost your job.
- You're spending more than you earn, using your savings to pay for day-to-day expenses.

first steps to take if you can't pay your bills

take another (close) look at your budget

- Trim your expenses.
- Be realistic about what you can afford.

contact your creditors

- Tell them why you can't pay, that you intend to pay, and when/how much you will be able to pay.
- You may be able to work out a new payment schedule.
- If possible, continue to make the minimum payments.

credit counseling

national foundation for consumer credit (NFCC)

- Program that offers information on financial and consumer topics. All cities with populations of 50,000, and 1,500 locations nationwide.
- Reviews your income.
- Helps you set up a realistic personal budget.
- May contact your creditors and make arrangements for reduced payments on your bills.
- Helps you plan for future expenses.
- Services, depending on location, may be available for no charge or reasonable fee.

consolidating your debts

loan consolidation

- You make only one payment, usually lower than the total amount of your monthly debt payments.
- Best to use only when combined with credit counseling.
- If you own a home, consider your spending habits carefully before you take out a home equity loan. You could end up with a loan and large credit card bills if you don't change your spending habits.

watch out for “credit repair” companies

- Offer for-profit counseling.
- Offer debt consolidation loans.
- Offer debt counseling.
- Some advertise they can erase a poor credit history (no one can do this).

fair debt collection practices

a debt collector must

- Inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.
- If you dispute the debt, the debt collector must give you written proof of the debt.

a debt collector may not

- Contact you at unusual times or places.
- Disclose what you owe to anyone but your attorney.
- Harass or threaten you.
- Use false statements.
- Give false information about you to anyone.
- Misrepresent the legal status of the debt.
- Engage in any kind of unfair practice, such as trying to collect an amount greater than you owe.

wage garnishment

what is garnishment?

- A legal procedure that withholds a portion of your earnings for the payment of debt.

the limits of garnishment

- The lesser of 25% of your disposable income or 30 times the federal hourly minimum wage.
- You may be able to get a “Claim of Exemption.”

claim of exemption (only if you meet all of the following conditions)

- Your family is living in the state.
- All the money you earn is needed to provide necessities.
- Debt was for a necessity (food, housing, medical care).
- Garnishment has already been started.

what protection you have

- You cannot be fired for any one garnishment.

how the law is enforced

- Enforced by the Secretary of Labor through the Wage and Hour Division of the U.S. Department of Labor.

wage assignment and wage attachment

assignment

- Does not have legal force from a court, as does wage garnishment.
- It is a legal agreement between a lender and a debtor.
- Permits lender to collect part of debtor's wages from an employer if debtor fails to make regular payments.
- Employer is not legally compelled to honor a wage assignment arrangement.

attachment

- If you don't have a job, a lender can get a court order to "attach" or seize some of your property to pay off the debt.

car repossession

rights of creditor

- Can seize car as soon as you default.
- Can't commit a breach of the peace, i.e., use physical force or threats of force.
- Can keep car or resell it.
- May not keep or sell any personal property in car (not including improvements such as a stereo or luggage rack).

your rights

- Can buy back car by paying the full amount owed on it plus repossession expenses.

your responsibilities

- Must still pay the "deficiency balance"—the amount of debt remaining even after your creditor has sold your car.

wage-earner bankruptcy

how it works

- You petition bankruptcy court to approve a plan to pay off your debts.
- Court accepts plan if you can pay off, in three years, at least as much as your creditors would receive if you filed straight bankruptcy.
- Interest on all your loans stops.
- Creditors must contact the court, instead of you.
- If paid as agreed, at the end of three years your debts are considered paid in full.
- Your costs range between 15% and 25% of amount owed.

benefits

- Can sometimes salvage your credit.
- You can avoid being harassed by your creditors.
- By being required to draw up a budget and determine exactly how much you can actually afford to pay, you are forced into being realistic about your budget.

disadvantages

- Some lenders don't react favorably when they see wage-earner bankruptcy on a credit report because some people use it to protect their property and pay less of their debt.

straight bankruptcy

duration on your credit record

- Up to 10 years

what you may still owe

- Taxes
- Child support
- Alimony
- College loans
- Fines
- Illegal debts
- Co-signer obligations

what you no longer owe

- Retail store charges
- Bank credit card charges
- Unsecured loans
- Unpaid hospital or physician bills

Part 2: Consumer Privacy

privacy and information

information privacy: privacy that involves the rights of individuals in relation to information about them that is circulating in society.

why privacy is an important issue in the information age

- Computer systems record and store a lot of information about us and our consumer activities.
- Public and private organizations can share our computer files. For example, the IRS can access financial data about you from your bank.
- Computer data can travel and change hands in just a few seconds.
- Because of these factors, accurate data is paramount.

why information privacy is a sensitive issue

- Information is a very valuable resource.
- Access to information in our society today offers many benefits to consumers, but also poses a potential threat to our privacy.

types of information generally available from public sources

- Demographic information (U.S. census)
 - Telephone directories
 - Birth, marriage, and divorce records
 - Voter registration records
 - Campaign contributions
 - Driver's licenses/vehicle registrations
 - Licenses and permits (hunting, fishing, etc.)
 - Legal information (judgments, bankruptcies, real estate titles, etc.)
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private databases available to only those with a legitimate purpose

- Employment information
- Credit reports
- Tax information (IRS/state tax boards)
- Criminal records
- Social service records (welfare, Medicaid, etc.)
- School records
- Medical records

amending or correcting records

privacy act: requires each federal agency that maintains records to permit individuals to request amendment of his or her record.

to amend or expunge a record you must:

- Contact the agency in question
- Await administrative review of request
- If request is denied, you can request a court review

fair credit reporting act: gives consumers the right to dispute inaccurate information and permits them to insert their own version of disputed information into a credit report.

what's in a database profile?

Database profiles are files of information about you that are stored in computer systems and may be used by a variety of organizations. This information includes:

- Address
- Phone and fax numbers
- Social Security number
- Credit card numbers
- Driver's license number
- Bank account numbers
- Student loan history
- Medical history
- Driving record
- Worker's compensation and insurance records
- Tax records
- Political affiliations
- Spending patterns
- Product preferences
- Estimated incomes

what the law says: federal privacy protection

1970: fair credit reporting act

- Guarantees consumer rights in the collection and reporting of information for credit, employment, insurance, and other consumer business transactions.

1974: privacy act

- Gives American citizens the right to request, inspect, and challenge their own federal records.

1974: family educational rights and privacy act

- Gives parents and students over 18 access to the student's school records.

1975: equal credit opportunity act

- Outlaws discrimination in granting credit due to age, gender, marital status, religion, ethnicity, national origin, or receipt of public assistance.

1976: tax reform act

- Limits disclosure of tax information and requires that taxpayers be notified when their tax records are summoned from record keepers.

1978: rights to financial privacy act

- Sets conditions under which federal investigators can access an individual's bank account records.

what the law says: federal privacy protection

1978: electronic fund transfer act

- Requires banks that provide EFT services to disclose the circumstances under which account information can be disclosed to third parties.

1980: privacy protection act

- Protects the press and others that disseminate information to the public from unlawful government searches and seizure of their work product and other materials.

1984: cable communications policy act

- Protects the privacy of cable television subscriber records.

1986: electronic communications privacy act

- Protects the privacy of electronic communications and transactional data such as telephone records.

1988: computer matching and privacy protection act

- Protects individual privacy in connection with government benefit programs in which an individual's records at one government agency are compared against similar records at other agencies.

1988: video privacy protection act

- Mandates a court order to gain access to videocassette rental records.

1991: telephone consumer protection act

- Protects consumers from unwanted telemarketing calls, and restricts the timing of calls and the use of auto-dialers in telemarketing.

protecting your privacy: your options as a consumer

“opting out” of direct marketing programs

- Ask merchant to be removed from his/her mailing list.
- Contact the Direct Marketing Association (DMA) to have your name removed from the mailing lists of its members.

your options as a consumer

- Answer only necessary information on product warranty cards.
- Never give out personal or financial information over the phone unless you know the company and know how the information will be used.
- Don't give personal information at point-of-sale transactions.
- If a telemarketer calls and you don't want future solicitations, cite the federal law.

what's in a credit report?

identifying information:

- Name, Social Security number, address, and sometimes phone number, previous address and employer.

credit history:

- Previous and current types of credit, credit providers, payment habits, outstanding obligations and debts, and extent of credit granted.

public record information:

- Usually limited to tax liens, judgments, and bankruptcies.

prior requesters:

- Names of those who have requested information about this consumer in the recent past.
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reviewing your credit report

fair credit reporting act

Stipulates that an individual, upon request to the consumer-reporting agency, may have access to a copy of his or her credit report.

to receive a copy of your credit report, contact:

- Experian Consumer Assistance Center
experian.com
- Equifax Credit Information Services
equifax.com
- Trans Union Consumer Relations
transunion.com

additional questions about your credit report rights can be directed to:

- Federal Trade Commission

telecommunication devices and services

- Telephone (including cellular phones)
- Facsimiles (faxes)
- Online computer services
- Caller ID
- Automatic Number Identification (ANI)

electronic monitoring in the workplace

types of electronic monitoring:

- Telephone monitoring
- Voice mail and electronic mail monitoring
- Computer keystrokes monitoring
- Locational detectors
- Surveillance video cameras