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# **Consumer Rights and Responsibilities**

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## ***Consumer Rights and Responsibilities***

This session will focus on providing you with both information about this topic as well as new ideas and activities for making this topic engaging.

Specifically, as a result of this session, you will be able to:

- Differentiate rights from responsibilities.
- Explain how rights are related to responsibilities.
- Describe the Consumer Bill of Rights.
- Explain major provisions of key consumer protects related to credit, debt collections, identify theft, and electronic funds transfer.

Is “consumer rights and responsibilities” an important topic to address in financial education for AFI Participants? YES NO

**What are some reasons for or against including this topic your financial education program?**

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**What other ideas do you have for providing this information to participants in a way that is effective and engaging?**

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## ***Rights and Responsibilities***

***What is right?***

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***How is a right different from a responsibility?***

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***How are rights and responsibilities related?***

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Individuals are guaranteed rights when engaging in commerce in the U.S. These rights are established by laws and regulations. There are both federal and state laws and in some cases local laws that protect individuals when purchasing goods or services. With each right, there are responsibilities. Responsibilities are duties the individual must fulfill.

Many rights are enforced by agencies such Federal Trade Commission, the Food and Drug Administration, the Federal Reserve Bank, and the Consumer Product Safety Commission.

The following table, created by Learning Seed<sup>23</sup>, summarizes the key rights consumers are guaranteed. While not an actual document, they are sometimes referred to as the Consumer Bill of Rights.

	<b>Consumers have the right to:</b>	<b>Consumers have the following responsibilities:</b>
<b>Safety</b>	Protection from products and services which are hazardous to their health.	Use the product safely, following all safety instructions and remaining alert for and informed about future warning related to products and services.

<sup>23</sup> [www.learningseed.com](http://www.learningseed.com). Table from *Know Your Consumer Rights and Responsibilities*. Compiled by Denise Dean for Learning Seed. 2010.



	<b>Consumers have the right to:</b>	<b>Consumers have the following responsibilities:</b>
<b>Information</b>	Have information that ensures all product and service statements are accurate and truthful.	Read, analyze and use information about the products.
<b>Choice</b>	A wide selection of goods and services at fair prices.	Choose carefully. (Caveat Emptor—Let the buyer beware)
<b>To Be Heard</b>	A voice in the creation of laws and the development of goods and services.	Express concerns to those who are in the position to provide help.
<b>Redress</b>	Request money or other benefits as fair compensation for a company's mistake. (Both compensatory and punitive.)	Make the effort to seek compensation for wrongs.
<b>Education</b>	Have access to programs and information that help make better buying decisions.	Learn about the change nature of products – consumer education is a lifelong responsibility.
<b>A Healthy Environment</b>	Live and work in an environment that does not damage their health.	Make choices that minimize the environmental impact of their purchase on others.
<b>To Have Basic Needs Met</b>	Fundamental right of access to food, water and shelter.	Consumer sustainably, so as not to prevent others from meeting their own needs.



### Small Group Exercise – Information to Help Make Choices

The right to information is one of the eight “right and responsibility categories” as is the right and responsibility of choice. Where would someone find **information** to help make **buying decisions** for the following items:

Product or Services	Information Sources
Automobile	
College	
House	
Savings Account	



## Small Group Exercise – Consumer Rights and Responsibilities Scavenger Hunt

As a team, you are going to complete a consumer rights and responsibilities scavenger hunt. Use the folder you have been provided to find the items required in the scavenger hunt. Be prepared to share your answers including where you found the information. Remember to work as a team!

### Consumer Rights and Responsibilities Scavenger Hunt A

1.	Which law (act) gives you your rights if you are the victim of identity theft?
2.	An extended fraud alert stays on your file for seven (7) years. <b>True False</b>
3.	If you believe information in your file results from identity theft, you have the right to ask that a consumer reporting agency block that information from your credit record if you provide proof of the identity theft. <b>True False</b>
4.	If you have written a creditor regarding a dispute, how many days do they have upon receipt of your complaint to acknowledge it to you in writing?
5.	What is your maximum liability if your credit card number is used without your authorization?
6.	Can you dispute a charge on your credit card (with your credit card company) if you are dissatisfied with the quantity or quality of items you have received? <b>Yes No</b>
7.	When do you have the right to a free credit report <i>in addition to</i> the annual free credit report that is your right through FACTA?
8.	Can a creditor ask your sex, race, marital status, national origin, age or whether you receive public assistance? <b>Yes No</b>
9.	A. What kinds of accounts does the Fair Credit Billing Act cover? B. What kinds of accounts are <u>not</u> covered under the Fair Credit Billing Act?
10.	Which acts gives you your rights in debt collections?
11.	A debt collector can contact your family or friends to find out your address,



	phone number or where you work. <b>True False</b>
12.	A debt collector never has to stop contacting you even if you ask them to do so in writing. <b>True False</b>
13.	The debt collector cannot use obscene or profane language with you. <b>True False</b>
14.	There are multiple websites for ordering the free annual credit report available as a right through FACTA. <b>True False</b>
15.	After a Credit Reporting Agency completes its investigation of a dispute you have submitted in writing, it must do what under the Fair Credit Reporting Act?
16.	How long can a consumer reporting agency report negative information?
17.	Can a creditor ask for information about your spouse if you are applying for credit? <b>Yes No</b>
18.	Creditors have the right to ask about your plans for having or raising children. <b>True False</b>
19.	Creditors can consider the racial composition of the neighborhood where you want to buy, refinance or improve a house with the money you are applying to borrow. <b>True False</b>
20.	When a credit application is rejected, within how many days must the creditor tell you the specific reason for the rejection?
21.	Who enforces the Equal Credit Opportunity Act?
22.	A debt collector can never garnish your bank account or wages. <b>True False</b>
23.	What kinds of income are generally exempt from garnishment to satisfy retail, credit card or consumer debts (not including student loans)?
24.	What law and regulation outline consumer rights and responsibilities when they are involved in electronic transfers of funds (use of debit cards, for example)?
25.	If you give your EFT card (debit card) and access code to someone (friend, relative) and they drain your account are you protected from this loss? <b>Yes No</b>
26.	Are there limits set by financial institutions regarding withdrawals within a set time period (day) to protect consumers?



	<b>Yes</b> <b>No</b>
27.	Can you stop preauthorized transfers even when the transfer fulfills payment for a contract, i.e., utility payment or health club membership? <b>Yes</b> <b>No</b>
28.	Credit card companies only have to provide 15 days' notice of changes to rates, fees or other terms. <b>True</b> <b>False</b>
29.	What are the circumstances in which the credit card company does not have to provide advance notice of changes to rates, fees or terms?
30.	Do you have the right to ask for your credit score under the Fair Credit Reporting Act? <b>Yes</b> <b>No</b>



## Consumer Rights and Responsibilities Scavenger Hunt B -

1.	You do not have the right to ask national credit reporting agencies to place a fraud alert in your file. <b>True False</b>
2.	If fraudulent transactions or accounts are opened using your personal information, the creditors or businesses involved have no obligation to give you copies of applications or other business records relating to those accounts even if you ask for them in writing. <b>True False</b>
3.	If you are disputing a charge, you have the right to withhold payment on that item while it is being investigated. <b>True False</b>
4.	What is your maximum liability if your credit card is used without your authorization?
5.	Under what circumstances can you dispute a charge made with a credit card for goods you receive that are unsatisfactory in terms of quantity (the wrong number of items was sent) or quality?
6.	What agency enforces credit laws that protect your rights to get, use and maintain credit?
7.	What law protects you from discrimination from businesses that extend credit?
8.	A. The Fair Debt Collection Practices Act covers which kinds of businesses? B. What kinds of businesses are <u>not</u> covered by this law?
9.	A debt collector can call you at any time. <b>True False</b>
10.	A debt collector can threaten you with arrest if you do not pay them. <b>True False</b>
11.	A debt collector cannot sue you. <b>True False</b>
12.	A debt collector has to send you written notice within 5 days of contacting you to tell you how much you owe and who you owe the money to. <b>True False</b>
13.	To order your annual free credit report, contact each of the three national credit bureaus—Transunion, Equifax and Experian. <b>True False</b>
14.	Which law protects you and gives you rights if there are inaccuracies or



	incomplete information in your credit report?
15.	A. What rights do you have if a consumer reporting agency won't correct information that you have disputed in writing? B. What about when an information provider (creditor) won't correct information you have disputed?
16.	Can an employer get your credit report? <b>Yes No</b> If yes, under what conditions?
17.	What are three ways to deter identity theft according to the Federal Trade Commission?
18.	A creditor cannot discount income on a credit application because it comes from a part-time employment, Social Security, pensions or annuities. <b>True False</b>
19.	A creditor may never consider your age. <b>True False</b>
20.	A creditor may consider whether you have a phone in deciding to grant you credit. <b>True False</b>
21.	You have a right to know whether your application for credit was accepted within how many days?
22.	A. What is an example of an acceptable reason for credit application rejection? B. Unacceptable reason?
23.	If you feel your rights under the Equal Credit Opportunity Act have been violated, who should you contact?
24.	What are considered "unfair practices" under the Fair Debt Collection Practices Act?
25.	Can federal benefits payments ever be garnished? <b>Yes No</b> If yes, under what circumstances?
26.	Are there limits to what you may be liable for if your debit card is used without your authorization (it is lost or stolen)? <b>Yes No</b> If yes, what are those limits?



27.	If your credit card company decides it is going to raise the interest rates or change the terms of your card, do you have the right to opt out? <b>Yes No</b>
28.	Generally, can a credit card increase your rates within the first 12 months? <b>Yes No</b> Are there any exceptions? If yes, what are they?
29.	Can you go over your credit limit? <b>Yes No</b> If yes, under what circumstances?
30.	Generally, can you get a credit card if you are under 21? <b>Yes No</b>



## Financial Institution and Financial Services Consumer Protection Laws<sup>24</sup>

The following consumer protection laws establish consumer rights related to financial services and products. This is not a comprehensive list, but provides a starting place for understanding some of the many rights and responsibilities about which financial educators and coaches should be familiar.

<b>Title of the Law or Regulation</b>	<b>Summary of the Law or Regulation</b>
<b>Equal Credit Opportunity Act</b> <i>Regulation B</i>	<ul style="list-style-type: none"><li><input type="checkbox"/> Prohibits lenders from discriminating against credit applicants on the basis of sex, marital status, age, race, color, religion, national origin, and receipt of public assistance income.</li><li><input type="checkbox"/> Established guidelines for gathering and evaluation credit information.</li><li><input type="checkbox"/> Requires lenders to notify applicants of credit decision and explain the reasons (in writing) credit may have been denied.</li></ul>
<b>Home Mortgage Disclosures</b> <i>Regulation C</i>	<ul style="list-style-type: none"><li><input type="checkbox"/> Requires certain lenders (depository institutions with assets over a certain limit) to disclose data regarding housing credit needs of the community it serves.</li></ul>
<b>Electronic Funds Transfer Act</b> <i>Regulation E</i>	<ul style="list-style-type: none"><li><input type="checkbox"/> Establishes the rights, liabilities and responsibilities of parties in electronic fund transfers.</li><li><input type="checkbox"/> Protects consumers when they use such systems.</li><li><input type="checkbox"/> Applies to any transaction initiated through an electronic terminal, telephone, computer or magnetic tape in which a financial institution is told to either deposit or withdraw from an individual's account at the financial institution.</li><li><input type="checkbox"/> Establishes rules for EFT cards—the selling and issuing of EFT cards—and sets up consumer liability limits for lost or stolen cards.</li><li><input type="checkbox"/> Established opt in provisions for overdraft fees on ATM transactions and debit card transactions; financial institutions are prohibited from charging overdraft protection fees unless consumers opt in</li></ul>
<b>Fair Credit Reporting Act</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Protects information collected by consumer reporting agencies (credit bureaus).</li></ul>

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<sup>24</sup> Sources for this section include: Washington State Department of Financial Institutions, the Board of Governors of the Federal Reserve System, U.S. Department of Housing and Urban Development, and the Federal Deposit Insurance Corporation.



## Title of the Law or Regulation

## Summary of the Law or Regulation

- Stipulates that information in a consumer report cannot be given to anyone who does not have a purpose specific in the Act.
  - Requires companies that provide information to consumer reporting agencies to investigate disputed information.
  - Requires users of this information to notify consumer when adverse action (denial of credit application for example) is taken on the basis of such a report.
- Fair Debt Collections Practices Act**
- Prohibits third party debt collectors from using deceptive or abusive conduct in the collection of consumer debts.
  - Third party debt collectors may not:
    - Contact debtors at odd hours
    - Subject them to repeated phone calls
    - Threaten legal action if there is no legitimate legal action taking place
    - Tell other people about someone's debt
  - Financial institutions that collect debt that they have originated are not covered by the provisions of this act.
- Fair Housing Act**
- Prohibits financial institutions from discriminatory lending practices related to real estate loans.
  - Prohibits fixing interest rates or other loan terms based on a person's race, color, religion, sex, existence of a disability, familial status or national origin.
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- Gramm-Leach-Bliley Act – Privacy of Consumer Financial Information**
- Governs how financial institutions use nonpublic personal information about consumers
  - Restricts when financial institutions may disclose consumer personal financial information to nonaffiliated third parties.
  - Provides consumers with the ability to opt out of disclosures of their financial information to most nonaffiliated third parties.
  - Requires financial institutions to provide notices to consumers about privacy policies and practices.
- Consumer Leasing Act Regulation M**
- Part of the Truth in Lending Act.
  - Requires accurate and meaningful disclosures of the terms and conditions of personal property leases (for consumer or family purposes; agricultural and business leases are not covered) and for leases up to \$25,000 that enable them to compare lease terms with other leases and comparable credit transactions.



Title of the Law or Regulation	Summary of the Law or Regulation
<b>Real Estate Settlement and Procedures Act (RESPA)</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Limits amounts of balloon payments in consumer lease transactions.</li><li><input type="checkbox"/> Required accurate disclosures of leases in advertising.</li> <li><input type="checkbox"/> Requires disclosure of certain information in the settlement, servicing and escrow activities associated with real estate lending.</li><li><input type="checkbox"/> Requires loan originators to provide borrowers with a standard Good Faith Estimate that clearly discloses key loan terms, closing costs and that closing agents provide borrower with a ne wHUD-1 settlement statement,</li><li><input type="checkbox"/> Requires timely information concerning settlement costs.</li><li><input type="checkbox"/> Prohibits of abusive practices such as kickbacks and unearned fees.</li><li><input type="checkbox"/> Limits use of escrow account.</li></ul>
<b>Truth in Savings (TISA)</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Requires depository institutions to provide disclosures that enable consumers to make meaningful comparison of deposit accounts.</li></ul>
<b>Truth in Lending (TILA)</b> <i>Regulation Z</i>	<ul style="list-style-type: none"><li><input type="checkbox"/> Requires uniform methods for calculating the cost of credit, for disclosing credit terms and for resolving errors on certain kids of credit accounts.</li><li><input type="checkbox"/> Lenders must provide borrowers with meaningful, written information on the cost of credit including finance charges and the annual percentage rate (APR).</li><li><input type="checkbox"/> Many provisions of the Credit CARD Act involved amendments to Regulation Z. (See Credit Card Act Summary on the next page.)</li></ul>
<b>Unfair or Deceptive Acts or Practices</b> <i>Regulation AA</i>	<ul style="list-style-type: none"><li><input type="checkbox"/> Establishes consumer complaint procedures and defines unfair or deceptive practices in extending credit to consumers.</li></ul>



## Protection of Credit Card Users from Unreasonable Late Payment and Other Penalty Fees

As of June 15, 2010, these provisions further amend Regulation Z, the Truth in Lending Act as required by the Credit CARD Act of 2009:

- ❑ **Reasonable Penalty Fees.** The rule prohibits credit card issuers from charging a penalty fee of more than \$25 for paying late or otherwise violating the account's terms. The credit card issuer can charge more than this limit for two general reasons:
  - The consumer has been late within the last six months. In this case, the fee may be as high as \$35.
  - The credit card issuer can demonstrate that the higher fee represents a reasonable part of the cost it incurs as a result of the violation of the account's terms.
  - .
- ❑ **Additional Fee Protections.** Credit card issuers may not charge penalty fees that exceed the dollar amount associated with the user's violation. If for example, a credit card user is late in making a \$20 minimum payment, the credit card issuer may not charge a fee higher than \$20. ***In addition, the final rule prohibits "inactivity" fees – those fees imposed on a credit card user when they do not use the credit card.***
- ❑ **Explanation of Rate Increase.** If a credit card issuer increases the credit card's Annual Percentage Rate (APR), the issuer must provide the user with an explanation. (For more information on when rates can be increased, see INSERT link to article and presentation on the credit card reform.)
- ❑ **Re-Evaluation of Recent Rate Increases.** If the credit card company increases the APR, it must re-evaluate that rate increase every six months. This provision includes a re-evaluation requirement for APR increases that issuers may have implemented any time since January 1, 2009. If the conditions that caused the rate increase have changed, the credit card issuer must reduce the rate within 45 days.



## Summary of the Credit CARD Act of 2009

The following summary contains key provisions of the Credit CARD Act of 2009. While not an exhaustive account, major changes most likely to impact or be of interest to AFI participants are included in this summary.

1. - **Credit card issues must provide forty-five day advance notice of changes to interest rates in writing.** The current notice period is 15-days. This provision took effect August 22, 2009, ninety days after the bill was signed into law.
2. - **Credit card bills must be sent 21 days before the due date.** This gives consumers more time to pay their bills thereby reducing the potential for late fees and penalty interest rates being implemented. This provision took effect August 22, 2009, ninety days after the bill was signed into law.
3. - **Credit card issuers may no longer use of double cycle billing.** This method uses the average daily balance of the current *and previous* billing cycles. This is the most expensive way to calculate finance charges.
4. - **Credit card issues may not change interest rates during first 12 months after opening a credit card unless the increase was disclosed when a person first opens the credit card.**
5. - **Credit card issues may not increase the interest rate on pre-existing balances.** If a credit card company decides to increase the rate, the new rate would apply to new amounts charged on the credit card only. The balance prior to the rate increase would continue to accrue finance charges at the old rate.
6. - If an individual doesn't make a payment within 60 days of the due date even during the first 12 months of having the account open, he or she is subject to a penalty rate increase. **If the rate is raised because the account was 60 days late (the penalty interest rate has been applied), it must be returned to the previous rate following 6 months of on-time payments.**
7. - **Promotional APRs (annual percentage rates) must be at least 6 months long unless the Federal Reserve identifies exceptions.**
8. - **Over the limit fees cannot be applied unless an individual has "opted-in" to allow banks to process transactions that would take the individual over his/her credit limit.** Only one over the limit fee can be applied during a billing cycle.
9. - **Payments made by the consumer above the minimum payment must be applied to the balance with the highest rate of interest.** Because of the change outlined in number four above, a consumer carrying a balance may have multiple balances with different interest rates used to calculate the finance charges.



10. **Credit card payments received by 5 p.m. on the date due are on time.** Currently, credit card companies may consider anything after 11 a.m. late even if their mail typically arrives in the afternoon. Payments are also on time if received the next business day if the due date falls on a weekend or holiday.
11. **Simplification of credit card disclosures.** Credit card issuers are now required to disclose the duration of penalty interest rates, simplify information about variable rates, detail when grace periods do/do not apply and use tables, bullet point lists and bold-faced type to make the information more accessible to the average consumer.
12. **Disclosures in billing statements.** Billing statements must be easier to understand and will have to include:
  - Year-to-date totals of interest and fees
  - Interest charged by the type of transaction
  - Information about the APR being used
  - The effect of minimum-only payments including total repayment time, i.e., “If you continue to make the minimum payment of \$\_\_\_\_\_ on the existing balance of \$\_\_\_\_\_ at the effective rate of \_\_\_\_\_% it will take you \_\_\_\_\_ months to repay your debt and cost you a total of \_\_\_\_\_.”
  - The monthly payment amount necessary to eliminate the debt within thirty six months.
  - A toll free number where consumers can get information about accessing credit counseling and debt management services.
13. **Credit card issuers must now consider a person’s ability to pay when issuing credit cards or increasing credit limits.**
14. **People under 21 can only open credit cards if:**
  - there is a co-signer over 21
  - the consumer submits financial information showing that he/she has the capacity to pay independently (he/she has sufficient income) -  
Increases in the credit limits must include authorization from co-signer. -
15. **The Act limits prescreened offers to young people and requires transparency and public disclosure of affinity arrangements or contracts between universities and credit card issuers for the purposes of marketing credit cards.** Additionally, credit card issuers are prohibited from offering tangible items to induce students to apply for credit cards. In other words, no more free t-shirts or baseball caps.



### **Achieving the Vision □ Questions for Reflection and Action**

How does this section of information on *consumer rights and responsibilities* help you build next level financial education for your clients? Specifically, how does it help you help them to potentially:

- Achieve or retain economic security

### **Building the Bridge**

In the first financial education training of trainers, you learned about building the bridge for clients with financial education. How does this section of information help you build a financial education bridge for your clients? Specifically, how does it help you:

- Choose topics
- Develop an approach
- Provide support
- Create an environment that helps clients succeed