

**FEDERAL RESERVE BANK
OF NEW YORK**

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NEW CONSUMER CREDIT INFORMATION PAMPHLET

"Credit-ability"

*To All Financial Institutions, and Others Concerned,
in the Second Federal Reserve District:*

Enclosed is a pamphlet, entitled "Credit-ability," produced by this Bank in conjunction with its Consumer Credit Information (CCI) program.

The pamphlet offers a credit quiz on various consumer credit regulations and is designed to enhance credit users' knowledge of basic rights and responsibilities under Federal law. The pamphlet could be helpful to bank customers and useful for internal bank training programs for those involved with retail credit.

Copies of the pamphlet are available, free of charge, from our Public Information Department (Tel. No. 212-791-6134). Requests for more than 500 copies should be made in writing to that department.

CCI materials are intended as a resource to help both creditors and borrowers. Comments are always welcome and may be directed to Peter Bakstansky, Vice President.

THOMAS M. TIMLEN,
First Vice President.

credit-ability

Consumer credit is a powerful financial tool which, in today's marketplace, is easy to get and easy to use. But, using credit effectively requires a grasp of basic credit facts and an understanding of consumer rights and responsibilities under federal law. To see if you qualify as a smart credit user, try your hand at this credit quiz. In case you don't score as well as you think you should, additional information about credit is available from the Public Information Department of the Federal Reserve Bank of New York, 33 Liberty Street, New York, New York 10045.

Truth in Lending

1. Before you sign a revolving credit agreement, the Truth in Lending Act says a lender must give you certain information in writing. The law specifically refers to:
 - a. the lender's scoring system.
 - b. annual percentage rate.
 - c. your credit bureau file.
 - d. the date the contract matures.
2. Ceilings on credit charges legally may be set by:
 - a. state law.
 - b. the Federal Trade Commission.
 - c. credit unions.
 - d. the Supreme Court.
3. The prominent display of the annual percentage rate allows you to obtain the best credit terms by:
 - a. comparison shopping.
 - b. buying from a local merchant.
 - c. paying bills promptly.
 - d. bargaining.
4. When you pledge your home as collateral under a mortgage (except one to finance the purchase of a home) the right of rescission permits you to:
 - a. cancel within three business days.
 - b. have the property assessed.
 - c. keep the property in your name.
 - d. request insurance on the property.

If you chose the wrong answer on any of the above, request our pamphlet, "What Truth in Lending Means To You"... pronto!

Credit Cards

1. Credit cards are a form of:
 - a. installment loans.
 - b. open-end credit.
 - c. money.
 - d. conditional sales contracts.
2. Your risk on lost or stolen credit cards is limited if you:
 - a. hold cards jointly with your spouse.
 - b. have never used the card.
 - c. notify the issuer of loss or theft.
 - d. pay the outstanding balance immediately.
3. You may withhold payment on defective merchandise purchased with a credit card only if:
 - a. the lender acknowledges the defect.
 - b. the card is issued by the merchant you bought from.
 - c. you've attempted to contact the merchant.
 - d. the purchase price was under \$50.
4. Merchants offering discounts to customers who pay cash:
 - a. are violating federal consumer protection laws.
 - b. may not add an extra fee for charge customers.
 - c. must state this policy in all advertising.
 - d. must issue receipts reflecting the discount.

More than one wrong answer means you need to read, "If You Use a Credit Card."

Credit Know-how

1. One way of building your credit history is by:
 - a. using a friend's charge account.
 - b. paying for all purchases in cash.
 - c. asking a relative to cosign a loan.
 - d. personally meeting local merchants.

2. When deciding whether you can afford to use credit, look at your discretionary income, which is:
 - a. the money in your savings account.
 - b. after-tax income.
 - c. take-home pay minus essential living costs.
 - d. the limit on your credit card.
3. If you can't meet your credit obligations because of unforeseen events, such as loss of a job:
 - a. don't worry, you have a good excuse.
 - b. borrow all the money you can lay your hands on.
 - c. work out an arrangement with your creditors.
 - d. file immediately for personal bankruptcy.
4. If you have a complaint against a lender, the first thing to do is:
 - a. contact a lawyer.
 - b. contact the lender.
 - c. contact the attorney general's office.
 - d. contact the appropriate regulatory agency.
5. Consumers should review their credit bureau files periodically in order to:
 - a. extend credit limits on existing credit accounts.
 - b. remove damaging information.
 - c. eliminate information obtained from court records.
 - d. correct false information.
6. You can easily locate a credit bureau (credit reporting agency) maintaining a file on you by:
 - a. contacting a federal regulator.
 - b. asking a lender who extended credit to you.
 - c. looking in the yellow pages of your local telephone directory.
 - d. writing to the financial editor of your local newspaper.

The answers are available in these pamphlets: "On Using Credit," "How to Establish and Use Credit," "Your Credit Rating" and "How to File a Consumer Credit Complaint."

Fair Debt Collection Practices

1. The Fair Debt Collection Practices Act says collectors may:
 - a. publicize a borrower's debt.
 - b. charge fees unauthorized by law or the terms of the debt contract.
 - c. use threat of violence or harm to reputation or property.
 - d. communicate with the borrower at times which are not inconvenient to the borrower.
2. The federal law covering collection practices does not apply to:
 - a. businesses collecting on their own accounts.
 - b. persons in the business of collecting debts owed to others.
 - c. creditors who use names other than their own when collecting debts.
 - d. anyone who collects debt for others.
3. Within five days after contacting a borrower, a collector must send written notification to the borrower. Which of the following need not be included in this written statement?
 - a. the amount of the debt.
 - b. the name of the creditor.
 - c. the consequence of nonpayment.
 - d. notice of 30 days to dispute the validity of the claim.

We also have a pamphlet on fair debt collection practices, listing prohibited tactics.

Equal Credit Opportunity

1. Legally, you may not be denied credit on the basis of:
 - a. insufficient income.
 - b. receiving income from public assistance.
 - c. being financially overextended.
 - d. negative information in your credit bureau file.

2. The law says lenders must notify credit applicants of lending decisions:
 - a. within 30 days after receiving completed applications.
 - b. after checking credit bureau files.
 - c. on the basis of applicants' needs.
 - d. on the basis of community needs.
3. Under the Equal Credit Opportunity Act, a merchant honoring your bank credit card:
 - a. is not defined as a lender.
 - b. cannot ask for identification.
 - c. must check your credit bureau file.
 - d. cannot require your address.
4. The law also restricts the use of information about an applicant's age to:
 - a. arbitrary decisions about decreasing lines of credit upon retirement.
 - b. credit interviews.
 - c. mortgage applications.
 - d. the bearing it has upon a person's ability and willingness to repay.

There are a number of pamphlets available on this topic: "How the New Equal Credit Opportunity Act Affects You," "ECO and Women," "ECO and Age" and "ECO and Incidental Credit."

Credit and Stocks

1. When using credit to purchase stocks, investors must put up, in cash, the amount established by the Federal Reserve's:
 - a. margin requirements.
 - b. discount rate.
 - c. federal funds rate.
 - d. reserve requirements.
2. Direct controls on the use of credit in the securities market were designed to eliminate:
 - a. excessive commissions by brokers and dealers.
 - b. excessive speculation in the stock market.
 - c. individual wealth.
 - d. monopolies.

"If You Borrow To Buy Stock," discusses rules borrowers must follow when purchasing securities with credit.

Billing Errors

1. When a bill is in dispute, a creditor may not:
 - a. sell you additional merchandise.
 - b. apply that amount against your credit limit.
 - c. notify you of special sales.
 - d. report you as delinquent on your account.
2. Which of the following is *not* legally defined as an error on a billing statement?
 - a. failure to credit a payment.
 - b. a charge for something not accepted upon delivery.
 - c. an arithmetic mistake.
 - d. misspelling your name.
3. To correct an error on a billing statement:
 - a. telephone the lender within 48 hours after receipt of the bill.
 - b. write to the lender within 60 days after the bill was mailed.
 - c. request a documented statement from the lender.
 - d. alert the attorney general's office.

Why have a hassle with a computer? Ask for, "Fair Credit Billing."

Miscellany for Borrowers

1. If you repay a loan in half the time agreed to in the lending contract, you will:
 - a. save half the interest.
 - b. improve your credit rating.
 - c. get a rebate from the lender.
 - d. be reimbursed for insurance costs incurred by the loan.
2. When considering an application for a housing loan, lenders may:
 - a. ask about your childbearing plans.
 - b. review your expenses and debts.
 - c. rely on property appraisals giving weight to the racial composition of a neighborhood.
 - d. refuse to consider retirement income.

"The Rule of 78's," will show you how to calculate rebates when paying off loans before maturity . . . and, "Credit Rights In Housing," will give you a head start in the housing loan market.

answers

Truth in Lending

1. b 2. a 3. a 4. a

Credit Cards

1. b 2. c 3. c 4. b

Credit Know-how

1. c 2. c 3. c 4. b 5. d 6. c

Fair Debt Collection Practices

1. d 2. a 3. c

Equal Credit Opportunity

1. b 2. a 3. a 4. d

Credit and Stocks

1. a 2. b

Billing Errors

1. d 2. d 3. b

Miscellany for Borrowers

1. c 2. b



Consumer _____

Credit _____

Information _____

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Federal Reserve Bank of St. Louis