



Consumer News

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Tips For Consumers

ESTABLISHING CREDIT IN YOUR OWN NAME

Building a credit record often poses a problem for women and teenagers. There are several ways to establish credit in your own name. First, open checking and savings accounts at a local bank. This will establish your financial identity and may provide you with access to such sources of credit as bank credit cards, overdraft checking privileges and personal loans.

The next step is to apply for a small personal loan secured by your savings account. The cost of such a loan is usually low. Because the loan may be fully secured, a personal loan may be easier to obtain than other forms of credit. After the loan has been paid off, you can use this credit history to qualify for additional sources of credit.

Another way to establish credit is to apply at local retail stores for small amounts of installment credit. After the charge account has been paid off, you again can use this history to obtain additional credit.

There are two things to remember in building a credit record. First, be extra careful about making payments on time, since doing so will help you to obtain credit and keep it. Second, don't abuse credit. Credit improperly handled can cause you more problems than not having it.

THE IMPORTANCE OF BUILDING A GOOD CREDIT RATING

A good credit rating is an important asset. The best way to maintain a good credit rating is to pay all debts by the date they are due. To save time and money and protect your credit rating, be sure to correct any mistakes or misunderstandings involving your accounts as soon as you discover them. If you find a mistake on a billing statement, you should try to resolve it directly with the creditor. The following credit laws can help you settle complaints.

The Fair Credit Reporting Act requires prompt crediting of payments and correction of billing errors and allows a customer to refuse to pay for defective goods charged on a credit card.

The Truth In Lending Act limits your risk from lost or stolen credit cards and gives you three days to cancel a loan where a lien or mortgage is placed on your house as collateral (unless the loan is to purchase the house).

For more information about these Acts, request a copy of the pamphlets, "The Fair Credit Reporting Act" and "The Truth in Lending Act," from the FDIC.

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LATE LOAN PAYMENTS CAN RESULT IN OFFSETS FROM BANK ACCOUNTS

If a bank customer accepts or co-signs a loan under an agreement containing a "right of offset" provision and the loan becomes delinquent, the bank may take possession of funds in the customer's checking or savings account to recover the unpaid part of the loan.

Authority to offset funds is governed by state law and is spelled out in the loan document or note that the customer signs at the time the loan is consummated. By signing a loan agreement that includes an offset provision, the customer authorizes the bank to exercise its right of offset if the loan becomes delinquent.

A bank is not required to give advance notice to a customer when it offsets funds from the customer's checking or savings account. The offset may result in insufficient funds in the customer's checking account to pay outstanding checks.

It is imperative for you as a consumer to "read before you sign." Loan documents include offset and other clauses that protect the bank in the event of default and, in some cases, if the bank has a reasonable basis to believe that the borrower may be unable to repay the loan.

Consumers should make payments in a timely manner as specified in their contract. If a consumer does become delinquent on a debt, he or she should clearly understand what actions the bank is legally entitled to take. Those actions are explained in the loan agreement.

The FDIC does not have the authority to interpret State law nor can it represent consumers in contract disputes with banks. If you have any questions about your contractual obligations under a loan agreement, ask the bank for a thorough explanation. If you still are not satisfied, contact your State Banking Commission or your attorney.

LOS PAGOS ATRASADOS DE SU PRESTAMO PUEDEN RESULTAR EN LA COMPENSACION DE SUS CUENTAS BANCARIAS

Si un cliente bancario acepta o confirma el contrato de un préstamo, éste puede contener un artículo que provee el derecho a compensar. Bajo este artículo, si dicho préstamo está atrasado el banco puede tomar posesión de los fondos en las cuentas corrientes (cuentas de cheques) o cuentas de ahorros del cliente. De esta manera, el banco puede recobrar la parte del préstamo que no ha sido pagada.

La autoridad que tienen los bancos para compensar los fondos está regulada por leyes estatales y se detalla en el documento del préstamo o pagaré que el cliente firma cuando llena el préstamo. El cliente autoriza a que el banco ejerce su derecho a compensar si el préstamo está atrasado, y él ha firmado un contrato de préstamo que contiene el artículo de compensación.

El banco no está obligado a enviar al cliente una notificación en adelantado cuando compensa los fondos de las cuentas corrientes o cuentas de ahorros. La compensación puede resultar en fondos insuficientes en la cuenta corriente del cliente para pagar los cheques que tiene pendientes.

Es imperativo que usted como consumidor lea antes de firmar los documentos del préstamo contienen el derecho a compensar y otros artículos que protegen al banco si hay incumplimiento de pagos y, en algunos casos, si el banco tiene pruebas que señalan que el prestatario no va a poder repagar el préstamo.

Los consumidores deben hacer sus pagos a su debido tiempo, como se especifica en el contrato. Si un consumidor se atrasa en el pago de una deuda, él o ella deben conocer la acción que legalmente un banco tiene derecho a proseguir. Dichas acciones están explicadas en el contrato de préstamo.

El FDIC no tiene autoridad de interpretar las leyes estatales ni puede representar a los consumidores en las disputas de contratos con los bancos. Si usted tiene preguntas acerca de sus obligaciones bajo un contrato de préstamo, pídale al banco una explicación detallada. Si usted no está satisfecho con dicha explicación, comuníquese con la Comisión Bancaria del Estado o con su abogado.

FDIC SPONSORS SEMINAR FOR CONSUMERS ON CREDIT AND CIVIL RIGHTS PROTECTIONS

A seminar to broaden the banking public's awareness of credit rights was sponsored by the Federal Deposit Insurance Corporation in Boston on January 15.

FDIC Director William M. Isaac was in overall charge of the Boston seminar, which was conducted by the FDIC's Division of Bank Supervision. Isaac said the

Corporation hopes the seminar enhanced cooperation among the FDIC, the industry and consumer groups.

Organizations participating in the day-long seminar included about 40 consumer, minority and ethnic neighborhood organizations in the Boston area. Officers of several area banks also took part in seminar workshops on consumer programs.



FDIC CONSUMER HOTLINE

— 800-424-5488 —

Q: Can a bank charge a service fee for cashing a U.S. Treasury check if the customer does not have an account with the bank?

A: Yes. Banks are allowed to make their own policies governing the cashing of checks for noncustomers, as well as service charges.

Q: Is it illegal to put money in a safe deposit box?

A: There is no federal law covering what should or should not be placed in a safe deposit box; however, the customer should keep in mind that the contents of a safe deposit box are not insured by FDIC.

Q: Is there a charge for this FDIC Consumer Newsletter?

A: No. If you would like a copy of the newsletter, call FDIC toll-free on 800-424-5488 and ask to be put on the mailing list.

Q: Who insures credit unions and savings and loan associations?

A: The National Credit Union Administration and the Federal Savings and Loan Insurance Corporation.

Q: Is there a limit on the service charge a bank can assess for an overdrawn checking account?

A: No. This is a matter of bank policy and is determined by the individual bank.

Q: Do negotiable orders of withdrawal (NOW) apply to all checking accounts?

A: No. Negotiable orders of withdrawal (NOW) accounts are special transaction accounts and the decision on whether or not to offer NOW accounts is made by each bank. Some banks may continue to offer only regular checking accounts, which do not pay interest, or they may offer both types of accounts.

It's The Law

THE FAIR HOUSING ACT

In 1968 Congress passed the Federal Fair Housing Act "to provide, within constitutional limitations, for fair housing throughout the United States."

The Act prohibits all conduct which has the purpose, or the effect, of making housing more difficult to obtain on a "prohibited basis"; that is, based on race, color, religion, sex or national origin.

Courts have ruled that the Fair Housing Act not only makes it unlawful for those who sell or rent housing to discriminate, but also prohibits discrimination by banks, savings and loan associations and other mortgage and home improvement lenders, at any stage of the lending process. Consequently, lenders may not act in a manner that is designed to, or has the effect of:

- Discouraging women or minorities from applying for, or pursuing an application for, a housing loan.
- Discriminating in the terms or conditions upon which housing loans are made or denied.

- Advertising the availability of housing loans in a discriminatory fashion.
- Making housing loans available on the basis of the race of residents in a neighborhood.
- Discriminating against women or minorities in collection practices.

This list of prohibitions defines rights that you, the consumer, have under the Fair Housing Act. It is not all-inclusive, but identifies many of the types of conduct by lending institutions which the Act makes unlawful.

If you would like to obtain additional information about the protections granted by the Fair Housing Act or about the role of the FDIC and other agencies in assuring that banks and other lending institutions comply with the Act, request the pamphlet "Fair Housing Act" from the FDIC's Office of Consumer and Compliance Programs, 550 17th Street, N.W., Washington, D.C. 20429.

THE MR. X COMPLAINT

Mr. X received a loan from his bank to purchase a new home. The loan contract contained a "demand feature." Mr. X didn't know what a "demand feature" was and did not ask for an explanation. He assumed that the interest rate would be negotiated in 3 or 5 years, which is a common practice for banks. The documents Mr. X signed provided that the rate could be renegotiated after one year. At the end of the first year, Mr. X's interest rate was raised from 11 percent to 14 percent. It was lowered a year later to 13 percent.

As a result of the increased rate, Mr. X found it difficult to make his house payments.

Moral: Thoroughly read and understand an agreement before signing it. If any question or doubt exists, ask the bank for an explanation.



How the FDIC Protects Consumers:

- By insuring bank customers' deposits up to \$100,000
- By promoting and maintaining the safety and soundness of the banking system through periodic examinations
- By ensuring that banks comply with the Federal consumer protection and civil rights laws.



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