Financial empowerment knowledge assessment for legal aid staff

How financially savvy are you? Before using the Toolkit with clients that visit your legal aid office, see how much financial knowledge you have. The assessment Answer key follows; much of the information in the Answer key answering the questions can be found in the Toolkit.

Legal Aid Financial Empowerment Self-Assessment

Circle the best answer for each statement or question.

1. **Debit cards can only be used at ATM machines.**
   a. True
   b. False
2. **If your debit card is stolen and used, the most you can be held responsible for is $50 once you report it stolen.**
   a. True
   b. False
3. **Without a social security number or ITIN, it is not possible to open a savings account.**
   a. True
   b. False

4. Clients can be prevented from opening a savings or checking account at a bank or credit union for which of the following reasons (circle all that apply):

a. Lack of proper identification

b. A high debt-to-income ratio

c. A negative specialty consumer report

d. A poor credit history as reflected in a credit report

e. All of the above

f. None of the above

5. Money in a deposit account is insured up to $100,000 per depositor, per insured institution by the FDIC (for banks) and NCUA (for credit unions).

a. True

b. False

6. You can only be charged overdraft fees when using your debit card if you "opt in" for this service.

a. True

b. False

7. Creditors are prohibited from asking questions related to race, national origin, sex, or marital status (married, unmarried, or separated) when a client is applying for credit.

a. True

b. False

8. The Fair Debt Collections Practices Act protects consumers from abusive or deceptive practices in the collection of any kind of personal, family, household, or business debt.

a. True

b. False

9. The Fair Credit Reporting Act limits the reporting of negative information about a consumer for 7 years for most items unless the consumer is applying for $150,000 or more of credit or insurance or a job that will pay $75,000 a year or more.

a. True

b. False

10. The Fair Credit Reporting Act limits the amount of time a creditor can sue a client for unpaid debt.

a. True

b. False

11. The following are indicators that a client's identity may have been stolen (circle all that apply):

a. Mistakes on bank/credit union, credit card, or other account statements
b. Mistakes on the explanation of benefits from a health plan
c. Regular bills and account statements do not arrive on time
d. Client receives calls from debt collectors about debts that do not belong to him
e. Client denied an application of credit
f. Client turned down unexpectedly for a job
g. All of the above
h. None of the above

12. Consumer reports (commonly called credit reports) are no longer important to the credit decision-making process; clients should be more concerned with credit scores.

a. True

b. False

13. A consumer report (commonly called a credit report) contains a client's entire bill paying history.

a. True

b. False

14. **There are only three companies that make consumer reports—Equifax, Experian, and TransUnion.**

    a. True

    b. False

15. **Credit scores are most heavily negatively impacted by inquiries of credit made by a consumer.**

    a. True

    b. False

16. **Consumers may receive one free copy of a consumer report from each nationwide consumer-reporting agency only one time per year.**

    a. True

    b. False

17. **Individuals under the age of 18 cannot have a consumer report in their name because they are too young to enter into contracts in most states.**

    a. True

    b. False

18. **A co-signer is legally obligated to pay back a loan only if the co-borrower does not pay as agreed.**

    a. True

    b. False

19. **A co-signer is legally entitled to assets purchased with a loan, for example, a car for which she has co-signed the loan.**

    a. True

    b. False

20. An authorized user and a joint account holder are essentially the same with respect to a credit card account.

a. True

b. False

21. Which of the following sources of income are always protected from garnishment (circle all that apply):

a. Social Security Benefits

b. Supplemental Security Income Benefits

c. Veterans' Benefits

d. Service Members' Pay

e. Railroad Retirement Benefits

f. Foreign Service Retirement and Disability Benefits

g. All of the above

h. None of the above

22. Federal student loans can never be discharged, forgiven, or canceled.

a. True

b. False

23. Once a debt is written off or charged off, a client is no longer responsible for payment of the debt.

a. True

b. False

24. A consumer has the right to tell a debt collector in writing to stop contacting him. This means the debt collector can make no further contact and generally cancels the debt.

a. True

b. False

25. Most people who take a payday loans are using them to cover emergencies.

a. True

b. False

Legal Aid Financial Empowerment Self-Assessment Answer Key

1. **Debit cards can only be used at ATM machines.**

   b. False

A debit card can be used almost anywhere cash, checks, or credit cards can be used. A debit card generally includes a national brand such as a VISA or MasterCard logo on it. When using a debit card, consumers generally enter a four-digit personal identification number (PIN) or are required to provide a signature. The money is taken directly out of a checking account. A debit card can also be used to access funds through an ATM. See *Module 9: Money services, cards, accounts, and loans: Finding what works for you, Tool 3: Money services and banking basics*

2. **If your debit card is stolen and used, the most you can be held responsible for is $50 once you report it stolen.**

   b. False

If a consumer reports his debit card missing before someone uses it, the Electronic Funds Transfer Act states he is not responsible for any unauthorized transactions. If someone uses his debit card before he reports it lost or stolen, the maximum loss depends on how quickly the lost or stolen card is reported.

- If the consumer lost his card, code, or other access device, or it was stolen, and he notifies the bank or credit union within two business days of discovering the loss or theft of the card, code, or access device, the consumer cannot be made to pay more than $50 or the transaction amount, whichever is less.
- If the consumer notifies the bank or credit union after two business days, he could have to pay as much as $500.
- If the consumer does not report that the card is lost or stolen within 60 days after transmittal of a periodic statement showing an unauthorized transaction, he could have to pay the full amount of any transactions entered into after the close of the 60 days..

If an unauthorized transaction appears on the consumer's statement (but the card or PIN has not been lost or stolen), under federal law she will not be liable for the debit if she reports it within 60 days after her account statement is sent to her. But if the charge goes unreported for more than 60 days, her money, and future charges by the same person, could be lost. There are timelines for the bank to investigate and re-credit the missing funds to the account after she makes a timely report about the problem. See *Overview: Protecting consumer rights.*

3. **Without a social security number or ITIN, it is not possible to open a savings account.**

    b. False

Individuals without a Social Security number or Individual Taxpayer Identification Number (ITIN) can open an interest-bearing savings account if they show that they have applied for an ITIN. If a person does not have a Social Security number, does not have an ITIN, and has not applied for an ITIN, he can open a non-interest bearing account. See *Module 9: Money services, cards, accounts, and loans: Finding what works for you, Tool 4: Opening an account checklist.*

4. **Clients can be prevented from opening a savings or checking account at a bank or credit union for which of the following reasons (circle all that apply):**

    a. Lack of proper identification;

    c. A negative specialty consumer report; and

    d. A poor credit history as reflected in a credit report.

Consumers often realize that credit cards and loans require credit checks and can result in denial. They are sometimes surprised to learn that they cannot open savings or checking accounts even when they have the funds to open an account. To open an account at a bank or credit union, consumers must have two forms of identification. Some banks or credit unions will take one form of identification and a bill with the consumer's name and address on it. Consumers will usually be required to present:

- A U. S. government or state-issued form of identification with their photo on it, such as a driver's license, U. S. Passport, or military identification; and
- One of the following:
  Their Social Security card;
  A bill with name and address on it; or

Their birth certificate.

If a consumer does not have a U. S. government-issued form of identification, some banks and credit unions accept foreign passports and Consular IDs, such as the Matricula Consular card, which is an official Mexican Government identification document. (Other countries, such as Guatemala and Argentina, have similar IDs.) Consulates in the United States offer them.

Banks and credit unions use specialty consumer reports from specialty consumer reporting agencies such as ChexSystems, TeleCheck, Early Warning, and others that report on checking accounts or banking histories. Some institutions use these reports in addition to consumers' credit reports to screen savings and checking account applicants.

These agencies collect information from merchants, banks, and credit unions about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their networks. Consumers may have a negative rating if they or someone they had a joint account with has struggled with a checking or savings account in the past and:

- Had a lot of bounced checks and non-sufficient funds (NSF) fees;
- Has not paid debts and fees owed to a bank or credit union related to an account;
- Has been suspected of fraud related to a checking account; or
- Has had an account closed (involuntarily) by a bank or credit union within the last 12 months.

See Module 9: Money services, cards, accounts, and loans: Finding what works for you, Tool 4: Opening an account checklist.

5. **Money in a deposit account is insured up to $100,000 per depositor, per insured institution by the FDIC (for banks) and NCUA (for credit unions).**

    b. False

In 2008, Congress approved a temporary increase in the coverage limits from $100,000 to $250,000 per depositor, per insured depository institution for each account ownership category. Congress made this permanent in 2010 the Dodd-Frank Act. See *Module 9: Money services, cards, accounts, and loans: Finding what works for you, Tool 4: Opening an account checklist.*

6. **You can only be charged overdraft fees when using your debit card if you "opt in" to overdraft coverage.**

    b. True

Regulation E prohibits financial institutions from charging overdraft fees for ATM and POS (point-of-sale) transactions unless a consumer opts in to overdraft coverage.

Prior to 2010, some banks automatically enrolled consumers in their standard overdraft practices for all types of transactions when they opened accounts. **Under rules that took effect in 2010, a bank must provide a consumer with a disclosure regarding the bank's overdraft fees and program and must obtain the consumer's affirmative opt-in to the program.** If a consumer does not opt in, these transactions typically will be declined if the consumer doesn't have enough money in her account, but she will not be charged overdraft fees.

These new rules **do not cover checks or automatic bill payments** that consumers may have set up. Banks may still automatically enroll consumers in their standard overdraft practices for these types of transactions. See *Module 9: Money services, cards, accounts, and loans: Finding what works for you, Tool 6: Managing a bank or credit union account.*

7. **Creditors are prohibited from asking questions related to race, national origin, or sex when a client is applying for credit.**

    b. False

With certain exceptions, creditors may not request or collect information about an applicant's race, color, religion, national origin, or sex. **Exceptions to this rule generally involve situations in which the information is necessary to test for compliance with fair lending rules or is required by a state or federal regulatory agency or other government entity for a particular purpose, such as to determine eligibility for a particular program.** For example, a creditor may request prohibited information:

- In connection with a self-test being conducted by the creditor (provided that the self-test meets certain requirements) (12 CFR 1002.15);
- For monitoring purposes in relation to credit secured by real estate (12 CFR 1002.13; the Home Mortgage Disclosure Act, 12 U.S.C. 2801 ("HMDA"). (Note: as a result of the exception under HMDA for credit secured by real estate, race, sex, and national origin (ethnicity) are requested on loan applications for government monitoring purposes); or

- To determine an applicant's eligibility for special-purpose credit programs (12 CFR 1002.8(b), (c) and (d)).

See *Overview: Protecting consumer rights.*

8. The Fair Debt Collections Practices Act protects consumers from abusive or deceptive practices in the collection of any kind of personal, family, household, or business debt.

b. False

The Act covers personal, family, and household debts, including money you owe on a personal credit card account, an auto loan, a medical bill, and your mortgage. The FDCPA doesn't cover debts you incurred to run a business. See *Module 6: Dealing with Debt, Tool 5: When debt collectors call.*

9. The Fair Credit Reporting Act limits the reporting of negative information about a consumer for 7 years for most items unless the consumer is applying for $150,000 or more of credit or insurance or a job that will pay $75,000 a year or more.

a. True

Following is an excerpt from the Fair Credit Reporting Act explaining this rule:

605. Requirements relating to information contained in consumer reports [15 U.S.C. § 1681c]

(a) *Information excluded from consumer reports.* Except as authorized under subsection (b) of this section, no consumer-reporting agency may make any consumer report containing any of the following items of information:

(1) Cases under title 11 [United States Code] or under the Bankruptcy Act that, from the date of entry of the order for relief or the date of adjudication, as the case may be, antedate the report by more than 10 years.

(2) Civil suits, civil judgments, and records of arrest that, from date of entry, antedate the report by more than seven years or until the governing statute of limitations has expired, whichever is the longer period.

(3) Paid tax liens which, from date of payment, antedate the report by more than seven years.

(4) Accounts placed for collection or charged to profit and loss, which antedates the report by more than seven years.

(5) Any other adverse item of information, other than records of convictions of crimes, which

antedates the report by more than seven years.

(6) The name, address, and telephone number of any medical information furnisher that has notified the agency of its status, unless--

(A) such name, address, and telephone number are restricted or reported using codes that do not identify, or provide information sufficient to infer, the specific provider or the nature of such services, products, or devices to a person other than the consumer; or

(B) the report is being provided to an insurance company for a purpose relating to engaging in the business of insurance other than property and casualty insurance.

(b) *Exempted cases.* The provisions of paragraphs (1) through (5) of subsection (a) of this section are not applicable in the case of any consumer credit report to be used in connection with–

(1) a credit transaction involving, or which may reasonably be expected to involve, a principal amount of $150,000 or more;

(2) the underwriting of life insurance involving, or which may reasonably be expected to involve, a face amount of $150,000 or more; or

(3) the employment of any individual at an annual salary which equals, or which may reasonably be expected to equal $75,000, or more.

(c) *Running of reporting period*

(1) *In general.* The 7-year period referred to in paragraphs (4) and (6) of subsection (a) of this section shall begin, with respect to any delinquent account that is placed for collection (internally or by referral to a third party, whichever is earlier), charged to profit and loss, or subjected to any similar action, upon the expiration of the 180-day period beginning on the date of the commencement of the delinquency which immediately preceded the collection activity, charge to profit and loss, or similar action.

(2) *Effective date.* Paragraph (1) shall apply only to items of information added to the file of a consumer on or after the date that is 455 days after the date of enactment of the Consumer Credit Reporting Reform Act of 1996.

See *Module 7: Understanding and improving credit reports and scores.*

10. The Fair Credit Reporting Act limits the amount of time a creditor can sue a client for unpaid debt.

b. False

Typically, state law determines how long the statute of limitations lasts for unpaid debts. Usually, the clock starts ticking when a consumer fails to make a payment. When it stops depends on two things: the type of debt and the law that applies in the state where the consumer lives, the state where the consumer is sued, or the state specified in the credit contract. For example, the statute of limitations for credit card debt in a few states may be as long as 10 years, but most states impose a period of three to six years. See *Module 6: Dealing with Debt*.

11. The following are indicators that a client's identity may have been stolen (circle all that apply):

g. All of the above.

All of the following are identity theft indicators listed:

- Mistakes on bank/credit union, credit card, or other account statements;
- Mistakes on the explanation of benefits from a health plan;
- Regular bills and account statements do not arrive on time;
- Call from debt collectors about debts that do not belong to the consumer;
- Consumer is denied an application of credit; and
- Consumer is turned down unexpectedly for a job.

There may be other signs of identity theft, including:

- Merchants refuse consumers' checks;
- Consumer finds unfamiliar accounts or charges on credit reports;
- Medical providers bill consumers for services they didn't use;
- Consumer's health plan rejects legitimate medical claim because the records show consumer has reached his benefits limit;
- A health plan won't cover a consumer because medical records show a condition the consumer does not have;
- The IRS notifies the consumer that more than one tax return was filed in her name, or that the consumer has income from an employer she does not work for; and
- Consumer gets notice that her information was compromised by a data breach at a company where she does business or has an account. From www.consumer.ftc.gov. See *Module 7: Understanding Credit Reports and Scores; Tool 4: Protecting your identity*.

12. Consumer reports (commonly called credit reports) are no longer important to the credit decision-making process; clients should be more concerned with credit scores.

b. False

While credit scores are even more common than they once were in terms of the credit decision-making process, credit reports are still essential. First, they are still used in the credit decision-making process. Second, information that is used to calculate the most common credit scores comes from credit reports. Therefore, the quality and accuracy of the information on credit reports directly impacts credit scores. See *Module 7: Understanding and improving credit reports and scores.*

13. A consumer report (commonly called a credit report) contains a client's entire bill paying history.

b. False

A credit report is generally a record of some of a consumer's bill-paying history, public record information (such as a filing for bankruptcy), and prior inquiries by a creditor into the consumer's credit history at the time a consumer applies for credit. Credit reports show information about how much credit an individual has, how much of the available credit is being used, whether payments are made on time, and whether a delinquent debt has been sent to a debt collector.

Many consumers mistakenly believe that their entire bill paying history is contained in a consumer or credit report. The consumer reports generated by the three largest nationwide credit reporting agencies—Equifax, Experian, and TransUnion—commonly include information regarding the terms and payment patterns of many but not necessarily all of a consumer's bills.

On-time payments of certain types of regular bills, like utilities and rent, are not necessarily reported; however, late payments and outstanding balances often are reported. See *Module 7: Understanding and improving credit reports and scores.*

14. There are only three companies that make consumer reports—Equifax, Experian, and TransUnion.

b. False

Equifax, Experian, and TransUnion are three examples of companies that make consumer reports, but there are many others including:

- CoreLogic Credco;
- ChexSystems;
- Telecheck;

- Certegy Check Systems;
- Early Warning Services;
- Innovis;
- L2C;
- And many more.

To access further information about these and other consumer reporting agencies by categories, including those that produce specialty consumer reports, visit: http://files.consumerfinance.gov/f/201501_cfpb_list-consumer-reporting-agencies.pdf. See *Module 7: Understanding and improving credit reports and scores, Tool 1: Getting your credit reports and scores.*

15. Credit scores are most negatively impacted by inquiries of credit made by a consumer.

b. False

The actual way the FICO scores (and other scores) are calculated is considered a business secret. But FICO publishes generally what drives the resulting FICO Scores. Payment history accounts for 35% of FICO Scores and amounts owed represents 30% of the score. Inquiries, on the other hand, only account for 10% of FICO scores, and some types of inquiries do not count at all. There are other scores, e.g., VantageScore. See *Module 7: Understanding and improving credit reports and scores.*

16. Consumers can request one free copy of a consumer report from each nationwide consumer-reporting agency only one time per year.

b. False

A consumer may be eligible for an additional free report within a 12-month period if she:

- Is unemployed and looking for work;
- Is receiving public assistance;
- Receives a notice that she had been denied credit or some other service because of information in her credit report; or
- Has been the victim of fraud including identity theft.

Consumers can also order reports more often, although they may need to pay for those additional reports if they have already obtained their free report within a 12-month period. See

Module 7: Understanding and improving credit reports and scores, Tool 1: Getting credit your reports and scores.

17. Individuals under the age of 18 cannot have a consumer report in their name because they are too young to enter into contracts in most states.

b. False

If a person is under 18, he likely will **not** have a credit report unless:

- The person is an authorized user or joint owner on an account;
- The person is an emancipated minor;
- State law allows a person to enter contracts at 17; or
- The person has student loans.

If none of these circumstances is present but a minor person does have a credit report, the young person may have been the victim of identity theft and credit or financial fraud. See *Module 7: Understanding and improving credit reports and scores, Tool 1: Getting credit reports and scores.*

18. A co-signer is legally obligated to pay back a loan only if the co-borrower does not pay as agreed.

b. False

Many consumers do not understand that a co-signer is in fact a co-borrower and has the same obligation to pay a debt as the borrower. A lender or creditor does not even have to first attempt to get repayment of a debt from the borrower before seeking repayment from a co-signer. Co-signing a loan is not simply serving as a character reference for someone else; a co-signer is at risk of having to repay any missed payments. And, if the borrower defaults on the loan, a co-signer has agreed to repay the entire loan. The co-signer's credit score may also be affected if the borrower is late with any payments. See *Module 6: Dealing with Debt.*

19. A co-signer is legally entitled to assets purchased with a loan, for example, a car for which she has co-signed the loan.

b. False

Co-signing a secured loan does not necessarily mean the co-signer has any rights to the collateral. It just means that a co-signer has agreed to become obligated to repay the amount of the loan if the primary borrower does not. See *Module 6: Dealing with Debt.*

20. An authorized user and a joint account holder are essentially the same with respect to a credit card account.

b. False

There is a difference between an ***authorized user*** and a co-signer or ***joint account holder***. For example, a credit card account holder may request that a credit card company provide a spouse or other individual with a card (containing the spouse or other person's name on the card), but the account is not a joint account. Although that person is an ***authorized user***, that person is not necessarily responsible to pay for the use of the card. On the other hand, when an account is ***joint*** or ***co-signed*** both persons are responsible to pay for the use of the card and a creditor should have an agreement and proof of the joint or co-signed account. See *Module 6: Dealing with Debt.*

21. Which of the following sources of income are always protected from garnishment (circle all that apply):

h. None of the above.

Federal benefits may be garnished under certain circumstances, including for payment of delinquent taxes, alimony, child support, or federal student loans. See *Module 3: Tracking and Managing Income and Benefits, Tool 5: Understanding Garnishment.*

22. Federal student loans can never be discharged, forgiven, or canceled.

b. False

Consumers generally must repay their loans even if they don't complete their education, can't find a job related to their program of study, or are unhappy with the education they paid for with the loan. However, certain circumstances might lead to consumers' federal student loans being forgiven, canceled, or discharged. See *Module 6: Dealing with Debt.*

23. Once a debt is written off or charged off, a client is no longer responsible for payment of the debt.

b. False

The FDCPA does not require a creditor to “write off” or “charge off” a debt or designate a debt as “uncollectable” after a set period of non-payment. For accounting reasons or to comply with directions from a regulator, a creditor may designate a debt as charged off (or use another term) once it no longer anticipates getting repaid. However, even if a consumer has been told that a debt has been charged off, the original creditor, the debt collector, or a subsequent debt buyer is not prohibited from attempting to collect the debt. In addition, the fact that a debt has been charged off does not mean the delinquency will be removed from a consumer’s credit report. See *Module 6: Dealing with Debt, Tool 5: When debt collectors call.*

24. A consumer has the right to tell a debt collector in writing to stop contacting him. This means the debt collector can make no further contact and generally cancels the debt.

b. False

If the consumer tells a debt collector in writing to stop contacting him, the debt collector may not contact the consumer again about that debt except to:

- Say there will be no further contact; or
- Notify the consumer that the debt collector or the creditor may take certain specific action it is legally allowed to take, such as filing a lawsuit.

However, if the consumer tells a debt collector to stop contacting him, it does not prevent the debt collector from pursuing other legal ways to collect the debt from the consumer if he owes it, including filing a lawsuit or reporting negative information to a credit reporting company. See *Module 6: Dealing with Debt, Tool 5: When debt collectors call.*

25. Most people who take a payday loan are using them to cover emergencies.

b. False

According to a study done by the Pew Charitable Trusts entitled “Payday Lending in America” from October 2013, 69 percent of first-time payday loan borrowers use the loan for recurring bills (including rent or utilities), while just 16 percent deal with an unexpected expense such as a car repair. See *Module 6: Dealing with Debt, Tool 6: Avoiding Debt Traps.*