

Chapter 12 Credit Protection and Bankruptcy

Section 12.1 Credit Protection Laws



Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

| Cues | Note Taking |
|--|---|
| <ul style="list-style-type: none"> • Repossession is when a creditor reclaims property if the debtor does not make payment. • CCPA: requires creditor to inform consumers of costs and terms of credit | <p>LAWS PROTECTING CREDITORS</p> <ul style="list-style-type: none"> • Historically, creditors have held more control in the debtor-creditor relationship, thus fewer laws exist protecting creditors. <p>LAWS PROTECTING DEBTORS</p> <ul style="list-style-type: none"> • Several laws have been created by the federal and state governments to protect consumers: • Creditor may deny credit for only three reasons: |
| <p style="text-align: center;">Summary</p> <p>The federal and state governments have passed laws protecting both creditors and debtors.</p> | |

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Reading Comprehension

Reading a Table

Directions Graphs and tables are visual aids that can help you learn. Information presented in the text can be summarized and put into a graph or table so you can view the information in a different way. In the table below, match each act with its definition. Place a check mark in the appropriate column.

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| | Fair Credit Reporting Act | Equal Credit Opportunity Act | Fair Debt Collection Practices Act | Fair Credit Billing Act | Consumer Credit Protection Act |
|--|---------------------------|------------------------------|------------------------------------|-------------------------|--------------------------------|
| This law makes it illegal to discriminate against credit applicants. | | | | | |
| This law makes it illegal to threaten debtors with violence when collecting debt. | | | | | |
| This law states that creditors must correct billing errors brought to their attention. | | | | | |
| This law grants individuals the right to know what is contained in their credit reports. | | | | | |
| This law requires creditors to inform consumers of costs and terms of credit. | | | | | |

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Study Skills

Identifying the Main Idea

Directions Read the tips below. Then identify the main idea(s) in the two paragraphs that follow. Write your answers on the lines provided.

IDENTIFYING THE MAIN IDEA

- The main idea of a paragraph is stated in the topic sentence. Most often the topic sentence is the first sentence in a paragraph.
- Sometimes the topic sentence is the last sentence in a paragraph. If the first sentence does not tell you the main idea, look at the last sentence.
- In some cases, the topic sentence is in the middle of the paragraph. In such a paragraph, you can find the main idea only by reading the paragraph carefully and figuring out what it is telling you.
- It is possible for a paragraph to have no topic sentence. The main idea is not stated clearly in any sentence in the paragraph. That is because the main idea has already been stated in a previous paragraph. Find the main idea. Then go back and read the no-topic-sentence paragraph carefully to determine whether it supports the main idea.

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1. There are only three reasons a creditor may deny credit: low income, large current debts, and a poor record of making payments in the past. If you are denied credit, under the ECOA you have the right to know why. If it is due to information in your credit report, you have a right to receive a free copy of the report. If you find inaccurate or incomplete information in the report, you have the right to dispute it and have it corrected.

2. To protect consumers, both the federal and state governments regulate the credit industry. Most states, for example, have set a maximum amount that can be charged for interest. A law restricting the amount of interest that can be charged is called a usury law. Laws created by the federal government to protect debtors include the Consumer Credit Protection Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, and the Fair Credit Billing Act.

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Test Prep Preparing for a Test

Directions Read the tips below. Then take the practice test that follows.

PREPARING FOR A TEST

- Prepare for tests beginning on the very first day of class.
- At the end of each day, review what you learned by reading over your notes and asking yourself questions about the material. Reread any sections of the text you do not understand.
- At the end of each week, review what you learned that week.
- Review for several short periods at a time instead of one long period. This will help you feel more rested and thus retain information more effectively.
- Turn the main points into questions. Answer the questions.
- Make flash cards of vocabulary words and terms you are unfamiliar with. This will help you learn the meanings of unfamiliar terms so you are better prepared for the test.

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1. What are two main points of Section 12.1?

2. What part of the section do you need to reread for better understanding? Explain your answer.

3. Why would it help to study in short periods of time rather than a long period?

4. Turn this heading into a question: Consumer Credit Protection Act. Answer the question.

5. Why are flash cards useful in preparing for a test?

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Section 12.2 Bankruptcy Laws



Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

| Cues | Note Taking |
|---|--|
| <ul style="list-style-type: none"> • Consumer Credit Counseling Service (CCCS) is a nonprofit financial counseling program. • Four types of bankruptcy proceedings: | <p>BANKRUPTCY</p> <ul style="list-style-type: none"> • The purpose of bankruptcy is to free debtors of debt accumulated through no fault of their own. <p>TYPES OF BANKRUPTCY</p> <ul style="list-style-type: none"> • Two types of bankruptcy: • Four types of bankruptcy proceedings: <p>RESTORING CREDIT AFTER BANKRUPTCY</p> |
| <p style="text-align: center;">Summary</p> <p>The purpose of bankruptcy is to free debtors of accumulated debts.</p> | |

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Reading Skills Matching

Directions Match each type of bankruptcy with its definition. Some will be used more than once.

- a. Chapter 7 bankruptcy
- b. Chapter 11 bankruptcy
- c. Chapter 12 bankruptcy
- d. Chapter 13 bankruptcy
- e. voluntary bankruptcy
- f. involuntary bankruptcy

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- _____ 1. This law allows family farmers to remain operational while creating a plan for debt repayment.
- _____ 2. This occurs when a debtor begins proceedings to eliminate or reduce the burden of debt.
- _____ 3. This law requires that individuals get credit counseling from a nonprofit agency before filing for bankruptcy.
- _____ 4. People who have too much income to file for Chapter 7 bankruptcy may be able to file for this type of bankruptcy.
- _____ 5. Creditors and the court must approve reorganization plans in this type of bankruptcy.
- _____ 6. This occurs when creditors begin bankruptcy proceedings instead of the debtor.
- _____ 7. Individuals filing for this type of bankruptcy must complete a course in financial management after filing.
- _____ 8. This type of bankruptcy states that 50 percent of a debt must result from farm or fishing expenses.
- _____ 9. This type of bankruptcy is also called the Repayment Plan.
- _____ 10. This type of bankruptcy is also called Reorganization.

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Study Skills Studying Your Textbook

Directions Read the tips below. Then answer the questions that follow by writing the letter of each correct answer on the line provided.

TIPS FOR STUDYING YOUR TEXTBOOK

- After reading a chapter in your textbook, reread such features as the section and chapter introduction and summary. This will help you to pinpoint the main ideas in the chapter.
- Read the end-of-chapter study questions. Skim the text to find specific details to answer these questions. These questions are designed to help you understand the content of the chapter.
- Pay close attention to any tables or graphs used. These are ways of condensing information into a graphic aid to make it visible and easier to understand. Take advantage of these visual aids.
- Read any feature articles or "Did You Know" sidebars. These usually appear in a box or shaded area. These features use the chapter information in a different context to help you better understand it.
- Always read any vocabulary lists at the end of the section or chapter. Make sure you know the definition of each term. Review the chapter if there are any terms you are unsure of.

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1. Voluntary bankruptcy is when the _____ begins the proceeding.
 - a. creditor
 - b. debtor
 - c. petition
 - d. None of the above
2. An automatic stay goes into effect when _____.
 - a. debts owed exceed \$3,000.
 - b. three payments are missed.
 - c. a petition for bankruptcy is filed.
 - d. creditors feel it is appropriate.
3. Chapter 7 bankruptcy allows _____.
 - a. businesses to remain in business.
 - b. farmers and fishing businesses to operate.
 - c. individual debtors to develop repayment plans.
 - d. individual debtors to discharge all debts and get a fresh start.
4. A bankruptcy filing remains on a debtor's credit report for up to _____.
 - a. ten years.
 - b. life.
 - c. six months.
 - d. one year.
5. Chapter 11 bankruptcy _____.
 - a. lets family farmers and fishing businesses remain operational.
 - b. allows businesses to reorganize their financial affairs and still remain in business.
 - c. permits individual debtors to reorganize debts and develop repayment plans.
 - d. is not available to businesses.
6. Chapter 13 bankruptcy is available to _____.
 - a. farmers.
 - b. fishing businesses.
 - c. individuals.
 - d. corporations.

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Chapter Content Vocabulary



English Language Arts Vocabulary

Directions Choose ten of the vocabulary terms below. Use each in a sentence that shows you understand the meaning of the term.

| | |
|------------------------------------|------------------------------|
| bankruptcy | Chapter 11 bankruptcy |
| voluntary bankruptcy | Chapter 12 bankruptcy |
| involuntary bankruptcy | Chapter 13 bankruptcy |
| Chapter 7 bankruptcy | repossession |
| garnishment | usury law |
| Fair Credit Reporting Act | Equal Credit Opportunity Act |
| Consumer Credit Protection Act | Fair Credit Billing Act |
| Fair Debt Collection Practices Act | |

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1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

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Chapter Academic Vocabulary



English Language Arts Reading Skills

Directions Fill in each blank with the correct term from the list below.

| | |
|-------------|-------------|
| dominant | petition |
| exceed | alternative |
| impersonate | discharge |

- Debtors may be able to _____ debt through bankruptcy, meaning they are relieved from paying the debt.
- An automatic stay goes into effect when a(n) _____ for bankruptcy is filed.
- An adjusted repayment plan is an example of a(n) _____ to bankruptcy.
- In their relations with debtors, creditors are the _____ party.
- The Fair Debt Collection Practices Act stipulates that debt collectors are not allowed to _____ government officials or attorneys.
- Garnishment of a worker's wages cannot _____ 25 percent of weekly take-home pay, except for certain amounts of support payments and taxes.