

Chapter 12 – Credit Protection and Bankruptcy

I-Study

In this chapter you learned about bankruptcy and the laws that protect creditors and debtors. If a debtor fails to make payments, the creditor has a right to repossess property or garnish the person's wages. The Consumer Credit Protection Act requires creditors to inform consumers of the costs and terms of credit. The Fair Credit Reporting Act grants people the right to know what is contained in their credit reports. The Equal Credit Opportunity Act (ECOA) makes it illegal to discriminate against credit applicants. The Fair Debt Collection Practices Act (FDCPA) prohibits certain practices by debt collectors. The Fair Credit Billing Act requires creditors to correct billing errors brought to their attention.

Bankruptcy can be voluntary or involuntary. Chapter 7 bankruptcy allows individual debtors to discharge all their debts and get a fresh start. Chapter 11 bankruptcy allows businesses to reorganize their financial affairs and still remain in business. Chapter 12 bankruptcy allows family farmers and fishing businesses to repay debts and still keep their operations running. Chapter 13 bankruptcy is a form of bankruptcy that permits individual debtors to develop repayment plans. Debts that cannot be discharged by bankruptcy include debts caused by fraud, back taxes, and student loans.

I-Quiz

1. A bankruptcy remains on a debtor's credit report for
 - A. 5 years.
 - B. 7 years.
 - C. 10 years.
2. Withholding a worker's earnings for payment of a debit is called
 - A. repossession.
 - B. garnishment.
 - C. usury.
3. Which form of bankruptcy allows debtors to reorganize their debts and create repayment plans?
 - A. Chapter 7.
 - B. Chapter 11.
 - C. Chapter 13.
4. What federal law grants people the right to know what is contained in their credit report?
 - A. The Fair Credit Reporting Act
 - B. The Consumer Credit Protection Act
 - C. The Equal Credit Opportunity Act

Answer Key

1. C
2. B
3. C
4. A