

## Chapter 27: Credit and the Law

**I-Summary:** This chapter explains the various ways that the state and federal government regulate the use of credit. These laws indicate the rights and responsibilities of consumers as debtors and of businesses as creditors. The Federal Trade Commission is one of the primary agencies that enforce credit laws. Federal laws that protect consumers include the Consumer Credit Protection Act, the Fair Credit Reporting Act, the Fair Billing Act, and the Fair Debt Collection Practices Act. There are several credit problems that consumers may face including identity theft and overuse of credit. If a consumer suspects identity theft, he or she should report it immediately. If a consumer overuses credit and cannot repay the debt, he or she can consult a credit counselor for assistance. Solutions to credit problems may include consolidating the debt or declaring bankruptcy.

### I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let's begin.

#### Question 1

Which is a law that restricts the amount of interest that can be charged for credit?

- a. credit fraud law
- b. equal credit protection law
- c. usury law
- d. credit protection law

#### Question 2

What is another name for the Consumer Protection Act?

- a. Equal Credit Opportunity Act
- b. Truth in Lending Act
- c. Fair Credit Reporting Act

- d. Fair Credit Billing Act

### **Question 3**

Which federal law states that credit applications can be judged only on the basis of financial responsibility?

- a. Equal Credit Opportunity Act
- b. Truth in Lending Act
- c. Fair Credit Reporting Act
- d. Fair Credit Billing Act

### **Question 4**

Which federal law allows consumers to examine and correct information used by credit reporting agencies?

- a. Equal Credit Opportunity Act
- b. Truth in Lending Act
- c. Fair Credit Reporting Act
- d. Fair Credit Billing Act

### **Question 5**

Which Federal law requires creditors to correct billing mistakes that are brought to their attention?

- a. Equal Credit Opportunity Act
- b. Truth in Lending Act
- c. Fair Credit Reporting Act
- d. Fair Credit Billing Act

### **Answer Key**

**1.** The correct answer is C, usury law. Most states have usury laws that set a maximum on the interest that can be charged for credit.

**2.** The correct answer is B, Truth in Lending Act. The Truth in Lending Act, also known as the Consumer Protection Act, requires creditors to inform consumers about the costs and terms of credit.

**3.** The correct answer is A, Equal Credit Opportunity Act. This act states that no person can be denied credit on the basis of marital status, gender, age, ethnicity, religion, or receipt of public assistance.

**4.** The correct answer is C, Fair Credit Reporting Act. This act states that you have the right to know what is in your credit report.

**5.** The correct answer is D, Fair Credit Billing Act. This law states that a creditor must correct the error or state in writing why the account is correct.