

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### CHAPTER 9: **Consumer Awareness**



#### **INTRODUCTION**

Consumer Awareness is a 90-minute program focusing on deterring, detecting and defending against consumer fraud in the marketplace. Designed with the junior Marine in mind, although appropriate for all audiences, this program also focuses on basic steps every consumer should take to ensure they get the most for their money.

The “Consumer Action Handbook,” published in 2010 by the Federal Trade Commission (FTC), is a helpful addition to this program. Try to get this publication into the hands of as many Marines as possible. Order bulk copies to distribute, or at least ensure that all learners know where to go online to download a copy:

[http://www.consumeraction.gov/pdfs/2010\\_Consumer\\_Action\\_Handbook.pdf](http://www.consumeraction.gov/pdfs/2010_Consumer_Action_Handbook.pdf)

Before teaching this program, trainers should research local and state consumer laws, especially auto repair facilities acts, lemon laws and other consumer protection initiatives (check with the state office of consumer affairs or the state attorney general’s office).

#### **LEARNING OBJECTIVES**

Upon completion of this course, learners should be able to:

- Identify necessary steps to protect their personal information, accounts and credit rating.
- Describe how to make informed decisions about purchases and contracts.
- Define how to defend themselves against scams, telemarketing and advertising schemes.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

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# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

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# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### PREPARATION AND PROCEDURES

#### Activities with Handouts:

- “Identity Theft”: A video on identity theft, “Deter, Detect, Defend: Avoid ID Theft,” with accompanying “Video Viewing Guide” handout.

#### Additional Handouts:

- “Resources for Military Consumers” and “Sample Complaint Letter”
- “Session Evaluation”

#### Materials:

- Consumer Awareness PowerPoint slides
- FTC video: “Deter, Detect, Defend: Avoid ID Theft”
- Pens and pencils
- Chart paper or whiteboard
- Sample advertising
- “Consumer Action Handbook” (optional)

#### Optional Activity:

- Consumer Jackpot Review: A game-show style activity covering topics contained in this module. Can be conducted as a review or used instead of a lecture. If used instead of lecture, the trainer should be prepared to provide information contained in the content module when necessary.

#### Registration:

Registration ensures that you have an adequate number of materials on hand and that guest speakers are prepared if they have handouts or giveaways for their audience. Program registrants should be contacted by phone or e-mail two to three days before the program to verify participation. Sign-in is advised to track attendance.

#### Target Audience:

The target audience is any military personnel and family.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### KEY TERMS

- **Annual percentage rate (APR):** A measure of the cost of credit, expressed as a yearly rate. The APR must be disclosed before you become obligated on a loan and must be shown on your account statements.
- **Armed Forces Disciplinary Control Board (AFDCB):** Established at installations to advise on and make recommendations to commanders about matters and conditions that may affect the health, safety, welfare, morale and discipline of the service members.
- **Caveat emptor:** A Latin term for “let the buyer beware.”
- **Fraud:** A fraud is a deliberate deception. It usually is illegal, and there are numerous consumer laws to protect the consumer.
- **Scams:** A scam is an act of exploitation, but it is not necessarily illegal. Scams take advantage of areas where there are no consumer laws to provide protection.
- **Security freeze:** A security freeze — also known as a credit freeze, credit report freeze, a credit report lock down, a credit lock down or credit lock — allows an individual to control how credit bureaus such as Equifax, Experian, and TransUnion are able to sell their data. A security freeze requires an individual to personally lift the freeze with a credit agency in order for new credit to be established.

### QUALITY ASSURANCE PROCEDURES

To assure accurate and current information as well as a quality presentation:

- Headquarters (HQ) and installation PFMs will review the curriculum annually or when there have been consequential changes to content regarding laws, regulations or military programs that could have a significant impact on Marines and their families. HQ will then update the curriculum.
- Distribute session evaluations to participants at the end of each workshop. Results should be tabulated and retained to measure the effectiveness of information provided at the session, in the program content, and of the delivery of the presentation.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### CONTENT OUTLINE (75 MINUTES TOTAL)

1. Welcome and Introduction (5 minutes)
  - a. Overview: Topics
2. Deter (35 minutes)
  - a. Caveat Emptor
  - b. The Savvy Customer
  - c. Military Personnel as Targets
  - d. The Impact of Advertising
  - e. Learner Activity: Marketing Slogans
  - f. Common Advertising Techniques
  - g. Meaningless Terms and Misleading Ads
  - h. Learner Activity: Military Targets
  - i. Needs vs. Wants
  - j. How to Deter Being Exploited
  - k. Eliminate Unwanted Marketing
  - l. The Impact of Technology
  - m. Safer Computing
  - n. Protect Personal Information
  - o. Deterring Identity Theft
3. Detect (30 minutes)
  - a. Misrepresentations, Fraud and Scams
  - b. “Deter, Detect, Defend” video
  - c. Detecting Identity Theft
  - d. Internet Fraud

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

- e. Most Common Internet Fraud
- f. Military Lending Act
- g. Payday Loans
- h. Vehicle Title Loans
- i. Tax Refund Anticipation Loans
- j. Predatory Businesses NOT Covered Under the MLA
- 4. Defend (15 minutes)
  - a. Defensive Techniques for the Savvy Consumer
  - b. Borrow Wisely
  - c. Take Action!
  - d. Defend Against Identity Theft
  - e. Canceling a Contract
  - f. Mailed Merchandise
  - g. Cooling-Off Periods
  - h. Protection Laws
- 5. Resources and Summary (5 minutes)



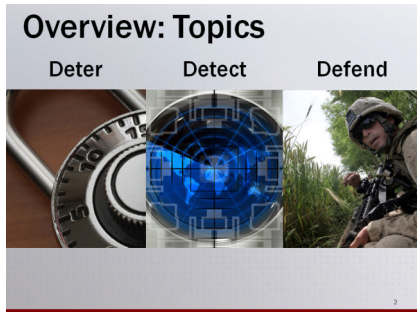
# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 1: INTRODUCTION



### SLIDE 2: OVERVIEW



#### INSTRUCTOR NOTES:

1. Introduce yourself and have the audience introduce themselves.
2. Introduce the topics to be covered in this session.
3. Use the information in the column to the right to guide your discussion.

### SECTION BACKGROUND INFORMATION

Welcome to Consumer Awareness, a program designed to help Marines and their families get the most for your hard-earned money and to avoid being taken advantage of in the consumer marketplace.

American consumers keep the economy going by purchasing goods and services, as well as when money is placed in savings. Most often, consumers purchase what they need at a fair price. However, with so much money in the consumer marketplace, it is understandable that there would be some bad deals, scams that take advantage of consumers where laws do not protect them and outright fraud which consists of deception of consumers.

Consumer education is the key to avoiding these scams. In fact, fraud is one of the few crimes in which victims can decline to participate — if they recognize the warning signs. Without a sound education in consumer issues, the marketplace turns into a jungle where the law is survival of the fittest, and the fittest are often predators out to get your money in whatever way possible.

This program is organized into three main topics--the three key steps to getting the most for your money and avoiding being a victim of fraud:

1. **Deter** (to prevent bad deals from happening in the first place)
2. **Detect** (to know when you have been victimized)
3. **Defend** (to guard against future assault)



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 3: CAVEAT EMPTOR

#### Caveat Emptor



***“Let the Buyer Beware”***

- ◆ 721,418 Fraud complaints in 2009
- ◆ \$1.7 Billion in losses
- ◆ Average loss per person of \$2721

#### INSTRUCTOR NOTES:

1. Emphasize the key teaching concepts as highlighted in the shaded boxes in the column to the right.
2. Use the information in the column to the right to guide your discussion.



A common term used in consumer education is “caveat emptor,” a Latin term for “let the buyer beware.” Some unscrupulous businesspeople use this term to argue that it is a buyer’s responsibility to make sure they are getting a good deal for their money. It appears that most state attorneys general as well as the federal government would disagree, because there are many state and federal laws in place to help protect consumers. However, that does not relieve the consumer from doing everything they can to make wise spending decisions.

The opportunity for fraud is large. According to the Federal Trade Commission, 721,418 complaints were reported in 2009 with a total of \$1.7 billion and an average of \$2,721 per person lost. Of the fraud cases in 2009, 21 percent were due to identity theft, with credit card fraud being the most common form. It is estimated that more than 30 million people in the United States are victims of some type of consumer fraud, but only a small percentage realize and report it. In fact, in 2008, only 62 percent of those who were victimized by identity theft filed a police report.

Why are people susceptible to consumer scams? Because they want to get a good deal and spend as little time and money as possible; because they lack experience with consumers; because they lack consumer education; because they do not take the time to research future purchases; because they are influenced by advertising; and because they fall for high-pressure sales techniques.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 4: THE SAVVY CUSTOMER



**INSTRUCTOR NOTES:**  
Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Consumer awareness simply means ensuring that anyone who purchases goods and services is informed and alert—that they are a savvy customer. Savvy customers make deliberate spending decisions, plan purchases, investigate all offers, comparison shop and use credit wisely. They understand the influence of advertising, instant gratification and the mistaken sense of entitlement.

A savvy customer researches before going to purchase an item. They don't get lured by the salesperson's sales tactics when being enticed to buy something bigger, better, more expensive or additional items they didn't come there to buy.

### SLIDE 5: MILITARY PERSONNEL AS TARGETS



**INSTRUCTOR NOTES:**  
Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Military personnel are targets for consumer predators. They have more economically attractive qualities than most similar income earners people, including:

- They have a steady paycheck and a willingness to spend it. Businesses are aware of the ease of paying by allotment and find the ability to garnish the military paycheck an added benefit of dealing with service members.
- More of them are married at a younger age than previous generations and therefore have greater financial needs.
- Military conduct codes that stress the need for orderly personal lives, including orderly finances, may inadvertently be driving service people toward the quick fixes offered by consumer predators. Be aware that credit issues can affect the ability to obtain and maintain a security clearance.
- There are many young adults who have no consumer education, are away from home for the first time and eager to experience new things.
- They are a population that is easy for debt collectors to track.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

- Periods of deployment uniquely affect military personnel. It is not uncommon for Marines to spend the money saved during those months on deployment or to purchase big-ticket items because they now have “money burning a hole in their pocket”, or feel a sense of guilt for being away from loved ones during deployment.
- They are often easier to identify, even in civilian clothes, and it is easy for salespeople who have experienced military life to engage them, appear authoritative and use that to sell them something. Sometimes they employ affinity-marketing techniques — using military-sounding names, military symbols/slogans and ex-military people in sales and executive capacities.

### SLIDE 6: THE IMPACT OF ADVERTISING



#### INSTRUCTOR NOTES:

1. Conduct the learner activity described below.
2. Use the information in the column to the right to guide your discussion.

#### Learner Activity: Marketing Slogans

**Purpose:** A question/answer activity that illustrates the effectiveness of marketing techniques.

### SECTION BACKGROUND INFORMATION

Marketing and advertising are designed to lure you to make a purchase. In 2009, the advertising industry accounted for \$161 billion in revenues (Plunkett Research Ltd., 2010). Most marketing campaigns follow a simple formula to get you to buy a product: They get your attention, they build your interest and desire, and they spur you to action. Companies bombard you with “catchy” slogans. .

Many of these slogans are memorable simply due to the multiple times you have been exposed to them. Repetition is just one of many effective marketing techniques. If you could easily recall the company associated with these slogans, you are proof that marketing works.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

**Time:** 5 minutes

**Procedure:** Explain to learners that everyone is the target of advertising. We are intimately familiar with logos, slogans, icons and even colors!

Ask learners to identify the four slogans on the slide.

Then ask them if they know what the 7th Amendment to the Constitution is about? (The answer is the shaded box in the column to the right.)



### ANSWERS:

- **Just do it!** - Nike slogan
- **Drivers wanted.** - Volkswagen slogan
- **I'm loving it!** - McDonalds slogan
- **Can you hear me now?** - Verizon slogan

The 7th Amendment grants citizens the right to a trial by jury. It is interesting how many of us know these slogans and jingles, but many of us cannot recall a right that significantly affects our lives. Now that is the power of advertising!

### SLIDE 7: COMMON ADVERTISING TECHNIQUES

#### Common Advertising Techniques



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Advertising is both an art and a science to get you to buy more in terms of quality or quantity than you planned to buy, to spend more than you intended to spend and, if possible, to get you to buy something you neither wanted nor needed and to buy it repeatedly. Maximizing the sale is the name of the game.

The sales world looks at young Marines as gullible and inexperienced with their first steady income, their first time away from home and their tendency to buy on impulse. The sales strategy is to get them in, get them comfortable and get them signed up. While all advertising is geared to make you want to buy the product or service, some advertising is misleading, deceptive or outright false. Look out for offers that look too good to be true; they frequently are.

Recognizing some of the common techniques used in advertising will help you separate fact from fiction and allow you to keep more of your money.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

Techniques include:

**Beauty appeal:** Beauty attracts us; we are drawn to beautiful people, places and things.

**Celebrity endorsement:** Associates product use with a well-known person. By purchasing this product, we are led to believe that we will attain characteristics similar to the celebrity.

**Escape:** Getting away from it all is appealing; you can imagine adventures you cannot have; the idea of escape is pleasurable.

**Independence/individuality:** Associates the product with people who can think and act for themselves. Products are linked to individual decision-making.

**Intelligence:** Associates the product with smart people who can't be fooled.

**Lifestyle:** Associates the product with a particular style of living or way of doing things.

**Nurture:** Every time you see an animal or a child, the appeal is to your maternal or paternal instincts. Associates products with taking care of someone.

**Peer approval:** Associates use of the product with friendship/acceptance. Advertisers can also use this negatively, to make you worry that you'll lose friends if you don't use a certain product.

**Rebel:** Associates the products with behaviors or lifestyles that oppose society's norms.

**Rhetorical question:** This technique poses a question to the consumer that demands a response. A question is asked, and the consumer is supposed to answer in such a way that affirms the product's goodness.

**Scientific/statistical claim:** Provides some sort of scientific proof or experiment, specific numbers or an impressive-sounding mystery ingredient.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 8: MEANINGLESS TERMS AND MISLEADING ADS

#### Meaningless Terms and Misleading Ads

- ◆ Create a sense of urgency
- ◆ High-pressure sales
- ◆ Military terminology or symbolism
- ◆ Beware of “free” or “instant” offers
- ◆ Read fine print and ask questions
- ◆ If it sounds too good to be true, it usually is.



#### INSTRUCTOR NOTES:

1. Conduct the learner activity described below.
2. Use the information in the column to the right to guide your discussion.

#### Learner Activity: Military Targets

**Purpose:** To help learners identify advertising targeted toward military personnel.

**Time:** 5 minutes

**Materials:** Newspapers, advertising papers and/or military or installation newspapers

**Procedure:** Divide the class into small groups. Distribute newspapers, magazines or other types of print material to learners. (Note: this is a short activity that usually works better in groups.) Ask learners to identify ads that are specifically targeted to the military. If time allows, you can also ask learners to identify the advertising technique used.

### SECTION BACKGROUND INFORMATION

#### Meaningless Terms

These include terms such as “greatly reduced” (from what?), “below cost” (how do they stay in business selling this way?), “now or never” (creates a sense of urgency on your part to buy or miss the opportunity). Most likely if you wait a couple of months you will see this item again at an equal or even lower price. This sense of urgency is often used in high-pressure sales (such as time-share vacations, furniture, TVs) where the salesperson insists that if you do not purchase the product or service now, this unbelievable price or the product will not be available later. “Special purchase” (usually an excuse to raise the price with special features and looks) is also commonly used. You should think twice before purchasing items that are only available today. Oftentimes predatory businesses use military-related terminology or symbolism to create a sense of kinship with the servicemember and attract their business.

#### Misleading Ads

Carefully investigate “free” or “instant” offers; often, they are neither. Be skeptical of advertisements such as, “Instant financing,” “Free to the first 20 shoppers,” and “Free ride to store!”

Beware of advertising aimed specifically at servicemembers such as, “We finance E-1s and up,” “Specialists in military financing,” or “If you’re serving...you’re pre-approved!” Don’t be fooled by company titles using military terminology or official looking seals/imagery; just because businesses look official, doesn’t mean that they are.

Often these misleading ads point out the positive aspect of buying from a particular business, while hidden fees and high interest rates lurk in the fine print of service agreements and contracts. That is why it is important to research your purchases and investments carefully. Read the fine print and ask questions to understand all that is involved in your purchase.

**If it sounds too good to be true, it usually is.**



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 9: NEEDS VS. WANTS



#### INSTRUCTOR NOTES:

Use the information in the column to the right to guide your discussion.

### SECTION BACKGROUND INFORMATION

Where does all the advertisement lead us? It has us confused between needs and wants. Have you ever gone around your house and looked at all the “things” and thought to yourself, “Why did I NEED that?”

Advertising is great for making us feel that we “need” something, whether it is the latest in fashion jeans or a new large screen television. These items are really “wants” because we just need jeans as basic clothing or a smaller TV for entertainment. When we get our wants confused with our needs, we end up over-buying and over-spending sometimes.

Do you NEED a nice set of rims for your car? Will that fancy car really be what gets you a fabulous girlfriend? Do you NEED a 3-D TV? Will a home entertainment system really give you popularity and loyal friends? Do you NEED a cell phone with all the bells and whistles? Will have the latest tech gadget really propel you into the “in crowd”? Do you NEED the designer label? Will having the most expensive clothing really land you the man of your dreams?

Give some extra thought before purchasing a product based on emotions and advertising and make a true assessment as to if it is a “need” or a “want”.

### SLIDE 10: HOW TO DETER BEING EXPLOITED



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

One important aspect of deterring consumer deception is to know how to purchase. Here are some guidelines when you are shopping — especially for those big purchases!

**Know what you want (and how it fits into your spending plan):** This will help you get the most for your money. Take a look at your buying motives, too. There is nothing wrong with spending some of your hard-earned money, but make sure you are making a purchase for the right reasons.

**Don't buy on impulse:** Impulse buying is a big contributing factor to being taken advantage of. Unplanned spending not only undermines your budget, it means you have not done any research or comparison shopping. So, you may not be getting the best deal for your money.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

**Do your homework:** Know the product and know who you are buying from. Never buy anything that you do not understand. If a deal is legitimate, the seller will be willing to answer all of your questions and give you time to research the company and the product. Be especially careful when dealing with online merchants and be leery of businesses where the only way to contact them is through an e-mail link on a website or which only have a post office box for an address.

**Comparison shop:** Make sure you have investigated all of your options before making the purchase. Be sure to include the Marine Exchange and businesses that offer legitimate military discounts to take advantage of any tax benefits or discounts.

**Check the warranty/guarantee:** When comparing products and services, do not forget to check the warranty or guarantee that may save you repair or replacement costs in the future. Read the warranty/guarantee information before buying a product or service. Companies offering the same products may have a different warranty/guarantee to entice you to purchase from their business. Don't be afraid to ask questions. Many products and businesses offer extended warranties. They are not always a good deal. The best way to decide if extended warranties are a good deal is to look at reviews, research, read, and ask questions.

**Get agreements in writing:** If you do not have it in writing, it is your word against the salesperson's. A verbal promise is only as good as the paper it is written on. When you do have agreements in writing take the time to read the contract and ask questions when you do not understand the terms involved. If you are unclear with the answers you receive, ask to speak with a manager or consult with the Marine Corps Community Services financial educator, Command Financial Specialist.

**Sleep on it:** Wait 24 hours before making a major purchase. This "cooling off" period will save you money once you get away from the salesperson's hype. Do not be rushed into signing anything. If the deal is not good tomorrow, it is not a good deal.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

**Know the refund policy:** Before you buy make sure you are aware of the refund policy. Ask for a printed copy of the businesses refund policy. In some states there are laws to protect consumers allowing for return of an item within three days of purchase. Read and understand the refund policy for all items, especially big ticket items, before buying. If you don't understand, ask.

### SLIDE 11: ELIMINATE UNWANTED MARKETING

#### Eliminate Unwanted Marketing

- ◆ Register with [www.donotcall.gov](http://www.donotcall.gov)
- ◆ Remove name from direct marketing lists
- ◆ Opt out on your credit report file
- ◆ Ask telemarketers to put you on their "do not call" list



#### INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Resources for Military Consumers" handout and point out that it lists the contact information and websites for eliminating unwanted marketing solicitations.

### SECTION BACKGROUND INFORMATION

One of the easiest ways to avoid consumer deception and overspending is to eliminate marketing calls, junk mail and spam.

- The Telephone Consumer Protection Act was put in place as a convenience to consumers, and because of this law the national registry was developed. Start by registering with the National Do Not Call Registry ([www.donotcall.gov](http://www.donotcall.gov)) to get your phone number removed from calling lists. Registration is good for five years. After five years, you will be able to renew your registration.
- If you get restricted telemarketing calls after your number has been in the national registry for three months, you can file a complaint at [www.donotcall.gov](http://www.donotcall.gov) or by calling 1-888-382-1222. The Federal Communications Commission requires telemarketers (except tax-exempt nonprofit organizations) to maintain a record of your request not to receive future telephone calls. The record must be maintained for 10 years. If you get another call from the same person or organization, report the date and source to the FCC.
- Get your name removed from direct mail, catalog and e-mail solicitations by registering with the Direct Marketing Association's opt-out program at [www.DMAchoice.org](http://www.DMAchoice.org).
- Get your name removed from other solicitation lists and marketing efforts by opting out on your credit report file. This choice is available through the Direct Marketing Association's program or at [www.optoutprescreen.com](http://www.optoutprescreen.com).

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

- When given a choice, opt out of any solicitations. Tell all companies with which you do business to remove your name from customer lists they rent or sell to others. Look for information on how to opt out of marketing lists on sales materials, order forms and websites. If you do answer a telemarketing call, ask them to put on their “do not call” list

### SLIDE 12: THE IMPACT OF TECHNOLOGY

#### The Impact of Technology

Online Activity	Generation Y (Born 1977-1990)	Generation X (Born 1965-1976)	Young Baby Boomers (Born 1955-1964)
Internet	87%	82%	79%
Banking	57%	65%	53%
Shopping	71%	80%	68%
E-mail	94%	93%	90%



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

No discussion of consumer awareness today would be complete without a focus on the effects of technology. In their comprehensive 2009 report on Internet usage, the Pew Internet & American Life Project reports the following statistics:

Online Activity	Generation Y (Born 1977-1990)	Generation X (Born 1965-1976)	Younger Baby Boomers (Born 1955-1964)
Internet	87%	82%	79%
Banking	57%	65%	53%
Shopping	71%	80%	68%
E-mail	94%	93%	90%

With these levels of usage, it is no surprise that the Internet has become a primary focus of consumer fraud and abuse. Protecting your computer and using the Internet with great caution and care are an integral part of consumer awareness.

### SLIDE 13: SAFER COMPUTING

#### Safer Computing

- Protect personal information
- Know who you are dealing with
- Use security software and update regularly
- Protect passwords and make them unique
- Back up important files
- Know what to do if you have a security breach



### SECTION BACKGROUND INFORMATION

The Federal Trade Commission offers these tips for a safer computer:

- Protect your personal information. Is the website you are putting your secure information protecting your information? If in a websites URL begins with “https” the information is encrypted before transmitting it over the web. If there is a “Lock” icon in the window of the browser you will be able to click on it to see the sites security information.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

- Know who you are dealing with. It is best to not open links provided within emails. Phishing scams often use emails or pop ups to entice you to give them personal information. These emails may look like the bank you do business with but to be safe the best way to access websites that you will be giving personal identity information, passwords and usernames to such as your bank, the IRS, EBay, etc is to type the web address directly into the Internet browser. Oftentimes “dummy” sites that gather your information for identity thieves differ by just one letter or number in the web address, so be careful.
- Use anti-virus software and a firewall, and update both regularly.
- Be sure to set up your operating system and Internet browser software properly, and update them regularly.
- Protect your passwords and use passwords that are unique -- with a combination of numbers, letters, and characters.
- Back up important files.
- Know what to do and who to contact if something goes wrong or you have a security breach.

### SLIDE 14: PROTECT PERSONAL INFORMATION

#### Protect Personal Information

- ◆ Guard your SS#
- ◆ Instead of signing cards, write “see photo ID”
- ◆ Carry only what you need and store others in a safe location
- ◆ Protect your PIN
- ◆ Avoid obvious passwords
- ◆ Don’t give information freely
- ◆ Watch for “shoulder surfers”



### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

As we have mentioned, the most commonly reported type of consumer fraud is identity theft. Safeguarding your personal information is one of the most important things you can do to protect yourself.

- Guard your Social Security number. Give it out only when required. Ask businesses to use other types of identifiers when possible. If your state uses your Social Security number as your driver’s license number, ask to substitute another number. Do not put your Social Security number on your checks.
- On credit/debit cards, write on the back “See Photo ID” or, if you can, get the credit card with your picture on it. This step makes it harder for thieves to forge your signature and use your card.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

- Carry only the credit/debit cards you need. Extra cards increase your risk and your hassle if your wallet is stolen. Photocopy the contents of your wallet, front and back, and store the copies in a safe place.
- Keep your personal identification number (PIN) secret. Never write a PIN on a credit/debit card or on a slip of paper kept with your card.
- Avoid obvious passwords. Avoid easy-to-find names and numbers, such as your birthday and phone number.
- Don't give card numbers to strangers. Confirm whether a person represents a company by calling the phone number on your account statement or in the telephone book.
- Watch out for "shoulder surfers." Use your free hand to shield the keypad when using pay phones and ATMs.

### SLIDE 15: PROTECT PERSONAL INFORMATION (CONTINUED)



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

- Beware of blank spaces on credit slips. Draw a line through blank spaces so it can't be filled in after you have signed it. Never sign a blank slip and always keep your receipts.
- Destroy documents that contain account information. Stop thieves from finding information in the trash by shredding receipts, credit offers, account statements, expired cards, etc.
- Protect your mail. Ask your local U.S. Postal Service to hold your mail when you are traveling and cannot pick it up regularly.
- Keep a record of your cards and accounts. List numbers, expiration dates and contact information.
- Pay attention to your billing cycles. A missing bill could mean a thief has taken over your account.
- Promptly compare receipts with account statements. Watch for unauthorized transactions. Shred receipts or file them in a safe place after verifying the charge on your monthly statement.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

- Check your credit report once a year. Check it more frequently if you suspect someone has gotten access to your account information. If you suspect identity theft establishing a security freeze with all three credit reporting agencies can help protect you. If you find that you are a victim of identity theft file a police report.
- Place an Active-Duty Alert on your credit report while deployed. This lets creditors know that you are on active military duty and extra precautions are taken to verify identity of the applicant while the alert is in place.

### SLIDE 16: DETERRING IDENTITY THEFT

**Deterring Identity Theft**



- ◆ Safeguard your mail
- ◆ Keep up with address changes
- ◆ Opt out of unsolicited offers
- ◆ Guard your wallet
- ◆ Take your receipts
- ◆ Active-Duty Alert on your credit report

**INSTRUCTOR NOTES:**  
Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Identity theft is a serious problem that can ruin your credit and your good name. It comprised the majority of all the fraud complaints reported to the FTC in 2009. Most identity theft happens via credit card fraud. The availability of personal information has made it easy for thieves to steal your identity and use it to open credit accounts, bank accounts and get loans. The results can be disastrous, affecting future credit worthiness, credit reports and jobs — every facet of your financial life.

Many of the steps consumers typically should take to safeguard themselves also apply to avoiding identity theft:

- Safeguard your mail. The greatest amount of information used in identity theft is found in the garbage and in the mailbox. Cut down on the amount of junk mail you receive, and remember to shred everything.
- If you change addresses, let your creditors know. If you are expecting a new or replacement card or check, and if it is late, report it immediately.
- Opt out of unsolicited credit offers.
- Guard your wallet.
- Take your receipts.
- Place an Active-Duty Alert on your credit report during deployments.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 17: MISREPRESENTATIONS, SCAMS AND FRAUD

#### Misrepresentations, Fraud and Scams

- ◆ Misrepresentations may not be illegal, but are misleading
- ◆ Fraud is a deliberate deception and is usually illegal
- ◆ Scams are exploitive, but may not be illegal

##### Most common:

- ◆ Job hunter scams
- ◆ Debt relief
- ◆ Work from home
- ◆ Timeshare resell
- ◆ "Free" trial offers
- ◆ Sweepstakes

#### INSTRUCTOR NOTES:

1. Emphasize the key teaching concepts as highlighted in the shaded boxes in the column to the right.
2. Use the information in the column to the right to guide your discussion.

#### SECTION BACKGROUND INFORMATION

Despite consumer alerts, warnings and consumer education, there still is an abundance of shady, misleading and illegal business in the marketplace. Anyone can be taken advantage of, if the circumstances are right. Because most businesses are honest, we tend to trust people. However, an overly trusting attitude and a passive approach to consumer issues often are our worst enemies.



Sensitize yourself to the most common dangers. Remember that "awareness equals avoidance of a problem."

**Misrepresentations:** A misrepresentation is not necessarily illegal, but it is misleading. Sellers mislead you by making you believe the deal is different than it really is. This is precisely why the term "caveat emptor" ("let the buyer beware") applies in the absence of legal guidance. Be on the lookout for door-to-door sales, sweepstakes prizes and contests, free gifts and merchandise you didn't order. Don't be afraid to ask for credentials and contact information including email and phone for the company headquarters to verify the representative is who they say they are.




A key point to remember is that while some business practices certainly may not be ethical, they are also not illegal.

**Fraud:** A fraud is a deliberate deception. It usually is illegal, and there are numerous laws to protect the consumer. Be on the lookout for e-mail fraud, identity theft, goods and services fraud and telemarketing fraud.

**Scams:** A scam is an act of exploitation, but it is not necessarily illegal. Scams take advantage of areas where there are no consumer laws to provide protection. Be on the lookout for free home-inspection deals, get-rich-quick deals, pyramid schemes, work-at-home schemes, Internet-based business opportunities, Internet scams and predatory lending.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

	<p><b>According to the Better Business Bureau the top 10 scams in 2010 include:</b> Job hunter scams, debt relief and settlement services, work from home schemes, timeshare resellers, not so “free” trial offers, Internet home repair/roofers, lottery and sweepstakes scams, identity theft, advance fee loan scams, and over-payment scams.</p>
<p><b>SLIDE 18: DETER – DETECT – DEFEND (VIDEO)</b></p>  <p><b>INSTRUCTOR NOTES:</b></p> <ol style="list-style-type: none"> <li>1. Conduct the learner activity described below.</li> <li>2. Use the information in the column to the right to guide your discussion of the video.</li> </ol> <p><b>Learner Activity:</b> Identity Theft video</p> <p><b>Purpose:</b> The activity provides additional content and discussion on techniques to combat consumer scams and fraud.</p> <p><b>Time:</b> 15 minutes</p> <p><b>Materials:</b> FTC’s “Deter, Detect and Defend” video, “Video Viewing Guide” handout</p> <p><b>Procedure:</b> Distribute the “Video Viewing Guide” handout to learners. Explain that the class will watch a video on identity</p>	<p><b>SECTION BACKGROUND INFORMATION</b></p> <p>Handout questions:</p> <ol style="list-style-type: none"> <li>1. List the ways that individuals in the video stated that their identity had been stolen.             <ol style="list-style-type: none"> <li>a. I was mugged.</li> <li>b. My mail had been stolen.</li> <li>c. My briefcase had been tampered with.</li> <li>d. I was shopping at a grocery store and someone took my wallet.</li> <li>e. I think I made a purchase and they stole all my debit card information.</li> </ol> </li> <li>2. What are the three ways the video recommends to deter identity theft?             <ol style="list-style-type: none"> <li>a. Protect your Social Security card and information.</li> <li>b. Shred financial documents and paperwork with any personal information before you throw them out.</li> <li>c. Never give out personal information on the phone or Internet unless you know who you are dealing with.</li> </ol> </li> <li>3. What are the three ways the video recommends detecting identity theft, and which are most important?             <ol style="list-style-type: none"> <li>a. Check your credit report at <a href="http://www.AnnualCreditReport.com">www.AnnualCreditReport.com</a>. Federal law gives you the right to a free credit report every year from the three national consumer credit reporting bureaus. (This is the action that the video highlighted as the most important in detecting identity theft.)</li> <li>b. Review your financial accounts regularly.</li> <li>c. Look for charges you did not make.</li> </ol> </li> </ol>

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

theft. Ask learners to look for the answers to the four questions on the handout. After the video, facilitate a short group discussion on how these same techniques can be applied to other consumer scams in the marketplace.

4. What does the video recommend for defending against identity theft?
  - a. Call the three credit reporting bureaus and place a fraud alert on your credit report. Then ask for the free credit report to which you are entitled.
  - b. Close any accounts that you suspect have been tampered with or opened fraudulently. Start by calling the security or fraud department of each company. Follow up in writing, and include copies of supporting documents.
  - c. File a police report.
  - d. Contact the FTC. Your information also helps law enforcement officials across the country track down and stop identity thieves.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 19: DETECTING IDENTITY THEFT

#### Detecting Identity Theft



Be vigilant in checking for these indicators:

- ◆ Missing bills
- ◆ Mysterious items on your credit report
- ◆ Unsolicited cards or bills
- ◆ Credit denial

#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

#### SECTION BACKGROUND INFORMATION

Combating identity theft is an ongoing battle. Bogus credit billing and bank-account irregularities alerted two-thirds of identity-theft victims. Thieves steal identities through credit card data, bills, mail, e-mail, telephone solicitations, internet purchases, ATM skimmers attached by thieves on machines, etc. Be vigilant in checking for these indicators:

**Missing bills:** Monitor your mail. Most bills arrive about the same time every month. A missing bill could mean that someone has gotten access to that account and changed the address or has stolen the bill from your box to gain personal information about you.

**Mysterious items on your credit report:** Check your credit report regularly. Every adult American gets a free credit report annually from each of the three major credit-reporting agencies. By checking one of the three reporting agencies on a rotating four-month schedule, you can monitor your credit reports regularly and become aware quickly that something is amiss. You can obtain your free credit report by going to [www.annualcreditreport.com](http://www.annualcreditreport.com).

**Unsolicited cards or bills:** Receiving a credit card for which you did not apply or a bill for products or services you never received could be signs of identity theft. Call the bank or merchant immediately and request a copy of the request for new credit in your name. Any information can help with a police report if your identity has been stolen.

**Credit denial:** Sudden denial of credit when you never have had problems could indicate a problem.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 20: INTERNET FRAUD

#### Internet Fraud

- ◆ Fraud reports up 20% from 2008 to 2009
- ◆ 336,655 claims
- ◆ Loss totaled about \$560 million
- ◆ Average per person loss of \$559.70



#### INSTRUCTOR NOTES:

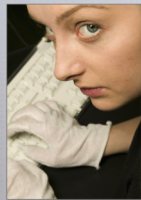
Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

With more than 87 percent of consumers ages 18 to 32 using the Internet, online fraud has become big business. The Federal Bureau of Investigation's Internet Crime Complaint Center (IC3) reported that Internet fraud reports were up 20 percent from 2008 to 2009 with 336,655 claims. These claims totaled an estimated \$560 million in losses with an average per-person loss of \$559.70. Here is a breakdown of the most commonly reported Internet fraud in 2009.

### SLIDE 21: MOST COMMON INTERNET FRAUD

#### Most Common Internet Fraud



- ◆ E-mails using the FBI's name to gather personal information
- ◆ Non-delivery of merchandise
- ◆ Advanced-fee fraud
- ◆ Identity theft

#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Here is a breakdown of the most commonly reported Internet fraud in 2009:

- Surprisingly, the top claims reported involved e-mails that used the FBI's name to gather personal information. These claims accounted for 16.6 percent of all claims handled by the IC3 in 2009.
- The second most popular Internet fraud was non-delivery of merchandise (non-auction), where goods were misrepresented or never delivered. These comprised 11.9 percent of all complaints.
- The third most popular fraud was advanced-fee fraud. In this type of fraud, individuals are led to believe that they will receive something if they first pay a fee to cover costs and expenses. For example, individuals might receive an e-mail stating they have won a contest, but to receive the "prize" they must pay the shipping and handling upfront. These comprised 9.8 percent of all complaints in 2009.
- The fourth most popular fraud in 2009 was identity theft. The reports of identity theft comprised 8.2 percent of all reported incidents.

What can we learn from these statistics? Be extremely cautious when making online purchases. Remember that if a deal sounds too good to be true, it probably is.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 22: THE MILITARY LENDING ACT

**The Military Lending Act**

Protects against predatory lending – high interest rates and short payback terms

- ◆ Applies to:
  - Payday loans
  - Vehicle title loans
  - Tax refund anticipation loans
- ◆ APR limit of 36%
- ◆ All fees included
- ◆ Contractual limitations
- ◆ Criminal penalties

#### INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. As of Oct. 1, 2007, the Talent-Nelson Amendment to the John Warner National Defense Authorization Act (informally known as the Military Lending Act) allows the Department of Defense to regulate the terms of payday loans, auto-title loans and refund-anticipation loans to active-duty service members and their dependents.

#### SECTION BACKGROUND INFORMATION

Three types of predatory lending practices have been regulated recently by the Military Lending Act (MLA) to protect the military consumer: payday loans, vehicle title loans and tax refund anticipation loans. These products have high interest rates coupled with short payback terms.

#### The Military Lending Act

The rule for service members and their dependents limits the annual percentage rate on these loans to 36 percent. All fees and charges should be included in the calculation of the rate. The rule also prohibits contracts requiring the use of a check or access to a bank account, mandatory arbitration, and unreasonable legal notice. Any credit agreement subject to the regulation that fails to comply with this regulation is void and cannot be enforced. The rule further provides that a creditor or assignee that knowingly violates the regulation shall be subject to certain criminal penalties.

The rule also requires lenders to run the social security number of the service member and family member (listed in DEERs) through the Defense Manpower Data Center (DMDC) which is a portal that connects to DEERs expressly for the Military Lending Act.

It is important to remember that although the Military Lending Act offers protection with these types of loans, there are many businesses that offer services that are not protected under this Act. Take the time to read and understand paperwork involved in the borrowing of money.

The Department of Defense strongly encourages service members and their families to choose alternatives which are designed to help resolve financial crises, rebuild credit ratings and establish savings for emergencies. Payday loans, vehicle title loans and tax refund loans can propel an already over extended borrower into a deeper spiral of debt.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 23: PAYDAY LOANS

#### Payday Loans

- ◆ Short term cash loan, until next payday
- ◆ Borrower's personal check held for future deposit
- ◆ Outrageous APRs
- ◆ Plus high finance charges
- ◆ Failure to repay carries high consequences



#### INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Extensive additional information on the alternatives to predatory lending can be found in the Credit and Debt Management module.

### SECTION BACKGROUND INFORMATION

Payday loans are short term cash loans based on the borrower's personal check held for future deposit or on electronic access to the borrower's bank account. Borrowers write a personal check for the amount borrowed plus the finance charges and they receive cash. In some cases, borrowers sign over electronic access to their bank accounts to receive and repay payday loans. Lenders hold the checks until the next payday, when loans and the finance charge must be paid in one lump sum. To pay a loan, borrowers can redeem the check for cash, allow the check to be deposited at the bank or just pay the finance charge to roll over the loan for another pay period.

Payday loans can range in size from \$100 to \$1,000, depending on state legal maximums. The average loan term is about two weeks. Without the MLA, loans cost on average 470 percent interest--annual percentage rate (APR). The finance charge ranges from \$15 to \$30 to borrow \$100. For two-week loans, these finance charges resulted in interest rates from 390 percent to 780 percent on an annual basis. Shorter-term loans had even higher APRs. Payday loans are extremely expensive compared to other cash loans.

Payday loans are made by payday-loan stores, check cashers and pawn shops. Some rent-to-own companies also make payday loans. Loans also are marketed via toll-free telephone numbers and over the Internet. At the end of 2006, the Center for Responsible Lending reported about 25,000 payday-loan outlets in the United States with an annual loan volume of at least \$28 billion and almost \$5 billion in loan fees paid by consumers.

Payday loans trap consumers in repeated borrowing cycles due to the extremely high cost of borrowing, the short repayment term and the consequences of failing to make good on the collateral used to secure the loan. Consumers who use payday loans have an average of eight to 13 loans per year at a single lender. In one state, almost 60 percent of all loans made are either same-day renewals or new loans taken out immediately after paying off the previous loan.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

Every unpaid loan involves a check that is not covered by funds on deposit in the borrower's bank account. If the borrower fails to repay, it leads to overdraft fees from the lender and the consumer's bank. Insufficient funds can cause negative credit ratings on specialized databases and credit reports. A consumer can lose their bank account or have difficulty opening a new bank account if they develop a record of having insufficient funds in order to get payday loans.

Basing loans on personal checks leads some lenders to use coercive collection tactics. Some lenders threaten criminal penalties for failing to make good on checks. Others may threaten court-martial if service members fail to cover payday loans. In some states, lenders can sue for multiple damages under civil bad check laws.

Internet payday lending adds security and fraud risks to payday loans. Consumers apply online or through faxed application forms. Loans are deposited directly into the borrower's bank account and electronically withdrawn on the next payday. Many Internet payday loans are structured to renew automatically every payday, with the finance charge withdrawn electronically from the borrower's bank account.

Many payday lending sites specifically target servicemembers. A report written by DoD entitled *Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents* states, "Loan sites with heavy military focus require the applicant to submit Leave and Earnings Statements, require or encourage payment by allotment, and include graphics, links, or text designed to appeal to members of the armed forces. Most payday loan sites have little emphasis on "military" beyond pages headed "military payday loans."

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 24: VEHICLE TITLE LOANS

#### Vehicle Title Loans

- ◆ Short term cash loan, usually 30 days
- ◆ Car title secures loan
- ◆ High APR
- ◆ Failure to repay means car repossession



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

#### SECTION BACKGROUND INFORMATION

A vehicle title loan is a short term loan, usually no longer than 30 days. Your car title is used to secure the loan. This means that if the loan is not repaid, the lender may repossess your car and sell it to get back the loan money. Most title lenders will make the loan only if you do not owe anything on the car.

Vehicle title lenders often target people with bad credit, low income, military members and the elderly. The lenders make money from high interest rates and the repossession of vehicles when consumers cannot repay the loans.

The loan is written with an interest rate for a short time period. For example, the loan will show a 25 percent interest rate for one month. However, this rate over a year actually is 300 percent. Auto-title lenders usually will write a loan for 30 days or less. At the end of the month, the lender will accept the interest payment and allow the debt to be “rolled over” for another month. On a \$600 loan, the interest would be about \$150. This means you owe \$750. If you pay only \$150 for the month, you will owe \$750 the next month.

### SLIDE 25: TAX REFUND ANTICIPATION LOANS

#### Tax Refund Anticipation Loans

- ◆ Short term cash loan
- ◆ Advance on tax refund
- ◆ High APR and fees
- ◆ File electronically for fast refund
- ◆ Use VITA to file free



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

#### SECTION BACKGROUND INFORMATION

Tax refund anticipation loans allow a taxpayer who is due a refund to get an advance on their refund. This is a short term loan with high fees; APRs as high as 774 percent have been reported.

Many people mistakenly regard this type of predatory lending as a service, a common tactic in most predatory lending practices. For refund-anticipation loans, the lender sometimes is the income tax-preparation company and sometimes a check-cashing service or other short-term lender. The fees paid to get the quick refund usually are based on a percentage of the refund, so the more you are getting back, the more the loan will cost.

What may not be known is that by using electronic tax filing, the taxpayer usually has the full amount of their refund deposited directly to their bank account in less than 10 days. Taxpayers, both military and civilian, can have their returns filed electronically for free using the Volunteer



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

Income Tax Assistance (VITA) program. Military VITA programs usually are coordinated through the base legal office; call them for times and location information.

If the annual tax refund is large, members should consider increasing their deductions to reduce the tax withheld and saving that amount in an interest-bearing account.

### SLIDE 26: PREDATORY BUSINESSES NOT COVERED UNDER THE MLA

**Predatory Businesses NOT Covered Under the MLA**

Rent-to-own	Adjustable rate and interest only mortgages	Subprime lending	Annuities
<ul style="list-style-type: none"> <li>Rent household goods</li> <li>Low monthly payments add up to much more than the price of the item</li> </ul>	<ul style="list-style-type: none"> <li>Lower monthly payments</li> <li>Interest rate will increase</li> <li>Not building equity</li> </ul>	<ul style="list-style-type: none"> <li>High credit risk loans</li> <li>Higher interest rate</li> <li>High loan-to-value percentage</li> <li>Won't qualify for a conventional loan</li> </ul>	<ul style="list-style-type: none"> <li>Insurance product</li> <li>Payment while living</li> <li>High fees</li> <li>High taxes</li> </ul>

DoD instruction 1344.07

- Prevents solicitors on base, barracks or required meetings

#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

**Rent-to-own:** Rent-to-own is a business where you can rent household goods for much more than you would pay for them if you purchased them outright. The lender is counting on the buyer not doing their homework. If a salesperson told you the price of a sofa was \$1,000, why would you agree to pay \$2,000 for it? That is basically what rent-to-own does: It stretches out those “convenient, low monthly payments” until you have paid several times the actual value of your purchase. The disguised effect is to charge interest that often exceeds 500 percent APR.

**Adjustable rate mortgages and interest only mortgages:** The lure of lower payments and more house provided by adjustable-rate and interest-only mortgages is proving difficult to resist for many people. Unfortunately, when it comes time for the interest rate to adjust, the borrower may not be able to afford the payments if the increase is large. Interest-only mortgages can be even worse. Buyers build no equity and even may lose money when it comes time to sell if the property does not appreciate in value as much as they hope it will. Borrowers may be enticed to these types of loans thinking that the market will improve and they can sell the home before the jump in mortgage payment occurs. The consumer may also expect an increase in salary to help pay for the increase in payment. As we have seen in our economy in recent years, there is no guarantee for job security or guaranteed increase in home properties. Paying little or no money on a mortgage and a decrease in home value can cause serious financial problems when a Marine and their family has PCS orders and must now sell their home at a lower amount than what they owe.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

**Subprime lending:** Generally, these are mortgage loans with a higher credit risk and therefore a higher interest rate for the borrower. Subprime lenders typically lend greater than the standard 80 percent loan-to-value and/or to borrowers who would not ordinarily qualify for a conventional loan.

**Annuities as investments or retirement plans:** An annuity is an insurance product that provides a payment or payments while you live, versus after you die, like standard insurance products. Purchase dollars are usually put in a mutual fund to grow until payments to the beneficiary start. Although there is some guarantee of payments, these products usually carry high fees and expenses including fees for cashing them in before age 59 1/2. Taxes also tend to be high on annuities.

Annuities are sometimes sold in misleading ways, promising high returns that rarely become a reality. Annuity products pay high commissions to the brokers who sell them. This can provide the motivation to “push” these products inappropriately and solicit individuals with little knowledge of financial products. Young service members, especially those in the early stages of their careers, are heavily targeted by these brokers and in fact are the least likely to need this type of product. As a general rule, do not buy an annuity product that is being touted as a great investment.

In 2006, DoD instruction 1344.07 was issued to prevent insurance and other salespersons from soliciting service members on base, in their barracks or at meetings or functions that service members are required to attend. It is good to note that only approved DoD partners and approved non-profits can conduct business on base.

Always check with your MCCS Personal Financial Management (PFM) specialist, Command Financial Specialist (CFS) or other trusted, neutral professional who can help you unravel the sales hype and the details of the product. They can help you figure out if it is a good fit with your insurance and estate planning needs or suggest you meet with a professional financial planner.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 27: DEFENSIVE TECHNIQUES FOR THE SAVVY CONSUMER

#### Defensive Techniques for the Savvy Consumer

Remember the basics:

- ♦ Military is targeted
- ♦ Keep current on scams
- ♦ Stick to a budget
- ♦ Get off mailing lists and phone lists
- ♦ Be cautious with personal information
- ♦ Get agreements in writing
- ♦ Research your purchases
- ♦ Be cautious about co-signing



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

There are many general strategies to keep from becoming a victim. Remember the basics:

- Know why the military is targeted and understand the influence of advertising.
- Be familiar with current scams and frauds in the marketplace.
- Have a budget and stick to it, separating your needs and your wants.
- Stop telemarketers; get off mailing lists, opt out.
- Be cautious with your personal information and computer.
- Get agreements in writing, and keep all of your receipts. How good are verbal promises? If you do not have it in writing, it is your word against the salesperson's. Remember this saying: "A verbal promise is only as good as the paper it is written on."
- Don't be rushed to make a purchase. Research your purchases and the companies you buy from. Find reviews on products and businesses. Check with agencies that are in place to protect you like the Council of Better Business Bureau at [www.bbb.org](http://www.bbb.org).
- Be cautious when co-signing on loans for others. Remember you are ultimately responsible for debts that you agree to even if the co-signer says they will not hold you responsible, the business will.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 28: BORROW WISELY

#### Borrow Wisely

- ◆ Check your bank first
- ◆ Look for the APR
- ◆ Know all the terms
- ◆ Use Base Legal



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Check with your credit union or bank first: If it is not an actual emergency, shop around for the best deal on a loan, just as you would with any other purchase. Remember that you usually can tell if you should borrow money by who is willing to lend it to you. If you find yourself going to businesses known for predatory lending practices, talk to your CFS, PFM specialist, or a credit counselor first.

- **Look for the APR:** It should be clearly stated as a percentage on the contract, and you should have that information before the loan is signed, as required by federal law. Be aware that some businesses may advertise interest accrued daily or monthly as opposed to the interest being displayed annually (APR) in advertising. Always compare the APR of competing products.
- **Know the terms of the deal:** Be clear about what will happen if you are late on a payment or unable to make a payment for any reason, and that the consequences are something you can handle.
- **Use the Base Legal Services Office:** The base's legal services are there to help service members understand legal documents, including contracts of any kind. There is no fee for their assistance, and you do not need an appointment in most cases. Just walk in and ask for help before you sign a contract.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 29: TAKE ACTION

#### Take Action!

- 1. Gather documents**
  - Make sure you have all documentation, a clear description of the problem and the resolution you want.
- 2. Contact the seller**
  - Start with the salesperson, then manager, then regional manager
  - Be patient and keep a log of conversations
- 3. President or manufacturer**
  - Write a letter to the company president or the manufacturer
  - Include all documentation and send certified mail
- 4. Contact associations**
  - Help consumers solve problems
  - Trade association, consumer or media organizations
- 5. Consumer advocates**
  - State attorney general, office of consumer affairs, regulatory and licensing agencies
  - AFDCB, BBB, dispute resolution, small claims court

#### INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the “Sample Complaint Letter and Resources for Military Consumers” handout.

### SECTION BACKGROUND INFORMATION

Act immediately if you are unhappy with a product or purchase. There are four basic steps to take:

1. Gather your sales documents, receipts, repair orders, contracts and any letters to or from the company. Make sure you have a copy of all of your documentation, a clear description of the problem and the resolution you want.
2. Contact the seller: Start with the salesperson. If that does not solve your complaint, go to the manager. Be calm and clear with the store personnel. Sometimes company policy prevents the manager from giving you the help or remedy you desire. Be patient. In some circumstances it may be necessary to contact a Regional Manager or consumer complaint department for the company or manufacturer. Keep a log of your conversations and actions that details who, what, where and when, with the times and results.
3. Go to the company president and/or the manufacturer: If the store manager is unable to help you, write a letter to the president of the company and/or the manufacturer of the product. Try to obtain the store president’s name and address from the store manager. Calmly, professionally, and accurately explain the problem and what action you would like them to take. Be brief and to the point. Include all documentation and anything else you need to tell your side of the story. You are starting a paper trail that clearly will show your good-faith efforts to resolve the problem. Sending the letters by certified mail with a return receipt requested is the best way to verify that it was delivered.
4. Contact a larger association designed to help consumers with problems of this nature; this may be the appropriate trade association, national consumer organizations, and/or media organizations. Many are listed in the “Consumer Action Handbook.”

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

5. Use your consumer advocate resources if you still are not satisfied. These include:

**The state attorney general or state office of consumer affairs:** This is the primary resource for people who have been the victims of fraud, misrepresentations and scams. They can take legal action against the company. Find your local office at [www.naag.org](http://www.naag.org).

**State regulatory and licensing agencies:** These can be researched on the Internet or may be listed in the “Consumer Action Handbook.”

**The Armed Forces Disciplinary Control Board (AFDCB):** This is the military’s consumer watchdog organization. You can make a report to the local regional board if you believe the company has taken advantage of you because of your military status or it is likely to take advantage of other military personnel.

**The Better Business Bureau:** This is a network of nonprofit organizations supported by local businesses that tries to resolve buyer complaints against sellers. Records are kept on unresolved complaints as a source of information for the seller’s future customers. The bureau also assists with complaints about the truthfulness of national advertising and helps settle disputes with automobile manufacturers.

**Dispute-resolution programs:** This is used as an alternative to court. Programs may be offered through a corporation or the court system and typically include mediation, arbitration and conciliation.

**Small-claims court:** This court resolves disputes over small amounts of money. Typically, you will not need a lawyer. The maximum amount that can be brought into small-claims court varies from state to state.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 30: DEFEND AGAINST IDENTITY THEFT



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

#### SECTION BACKGROUND INFORMATION

**Place an active-duty alert on your credit report:** If you are deployed and do not expect to seek new credit while you are away from your usual duty station, consider placing an active-duty alert on your credit report.

- An active-duty alert requires creditors to take steps to verify your identity before granting credit in your name.
- An active-duty alert is effective for one year, unless you ask for it to be removed sooner. If your deployment lasts longer than one year, you may place another alert on your report.
- To place an active-duty alert, or to have it removed, call the toll-free fraud number for one of the three nationwide consumer credit-reporting bureaus. The company you call is required to contact the other two.
- The law allows you to use a personal representative to place or remove an alert.

**One of the best ways of avoiding identity theft, along with the active-duty alert, is to put a “security freeze” on your credit history.** A credit freeze, also known as a credit report freeze, a credit report lockdown, a credit lockdown, a credit lock or a security freeze, allows an individual to control how credit bureaus like Equifax, Experian and TransUnion sell your data. The credit freeze rules are set by different states and keep the agency from releasing information until an individual gives permission for the release of the data. Credit freezes are frequently viewed as the most effective way to prevent financial identity theft. Because a credit freeze effectively stops any access to the credit report, it places a block in the process of issuing credit. Individuals who freeze their credit reports must therefore unfreeze their reports before they wish to apply for credit themselves. This could potentially delay applying for a loan. You must contact each of the three major credit reporting bureaus to lift the security service freeze. There may be a fee associated with adding, lifting, or removing a freeze on your credit report.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

**Close accounts:** Close any accounts that have been tampered with.

**File a police report:** The police report will show that you were a victim of identity theft if creditors try to get you to pay for a debt that you did not incur.

**Keep a journal:** Keep a written record of who you spoke with and when and what was said.

**Contact the Federal Trade Commission's ID Theft helpline** at 1-877-ID-Theft or [www.ftc.gov](http://www.ftc.gov). The FTC serves as the federal clearinghouse for complaints by victims of identity theft. While the FTC does not resolve individual consumer problems, your complaint helps the FTC investigate fraud and can lead to law-enforcement action. The FTC enters Internet, telemarketing, identity-theft and other fraud-related complaints into Consumer Sentinel®, a secure, online database available to hundreds of civil and criminal law-enforcement agencies worldwide.

### SLIDE 31: CANCELING A CONTRACT



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

There are three steps to legally cancel a contract:

1. Cancel in writing and keep a copy of your cancellation letter. The information in the letter should include the names involved in the contract, the terms and conditions that allow you to cancel the contract, and how you will plan to pay or receive any funds due or owed.
2. Send the cancellation by certified mail with return receipt requested, so you have a record that your cancellation request was received if a dispute arises.
3. Keep a copy of your letter and signed return receipt until you get your money back.

If you cancel a contract by telephone, be sure to get the name of the person with whom you spoke and follow up your call with a letter using the steps above. Mention the name of the person with whom you spoke on the phone. Be sure to act within three business days. Saturdays are considered business days, while Sundays and holidays are not.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 32: CANCELING A CONTRACT (CONTINUED)

#### Canceling a Contract (continued)

Certain contracts can be canceled within a few days

- ◆ Door-to-door sales
- ◆ Some home improvement contracts
- ◆ Contracts that involve a mortgage or lien on your home
- ◆ Contracts with health clubs
- ◆ Credit repair clinics
- ◆ Time-share condominiums
- ◆ Some contracts with loan brokers



#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

#### SECTION BACKGROUND INFORMATION

The law gives you the right to cancel a few types of contracts if you do so within a few days after you sign. The main types of contracts that can be canceled are door-to-door sales; some home improvement contracts; contracts that involve a mortgage or lien on your home; contracts with health clubs, credit repair clinics, and time-share condominiums; and some contracts with loan brokers.

### SLIDE 33: MAILED MERCHANDISE

#### Mailed Merchandise



- ◆ Not shipped on time
- ◆ Didn't order
- ◆ Misleading material

#### INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

#### SECTION BACKGROUND INFORMATION

If you place orders through mail or by phone, computer or fax, you may cancel the order if the seller does not ship the order when promised. If you receive items in the mail that you did not order, you do not owe any money. If a company sends you an item in error, you should contact the company and have them arrange for the return without any cost to you. If you were sent something in response to an advertisement that offered a free gift or trial period and then receive a bill, read the fine print. If you believe that you were misled or have been sent misleading material, you should contact the seller and offer to return the material. The best way to contact the companies is in writing; that way, there is a record of the transaction and response, and you can provide your correspondence to state and federal agencies if needed. If you have problems with the company, you can file a complaint with the Federal Trade Commission.

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 34: COOLING-OFF PERIODS

#### Cooling-Off Periods

- ◆ Three days to cancel
  - If item bought in your home
  - If item cost \$25 or more and made at workplace or places rented by seller temporarily
- ◆ Seller must inform you

**INSTRUCTOR NOTES:**  
Use the information in the column to the right to guide your discussion.

### SECTION BACKGROUND INFORMATION

When you buy something at a store and later change your mind, your ability to return the merchandise depends on the store's policy. If you buy an item in your home, you might have three days to cancel. This cooling-off rule also applies to purchases of \$25 or more made at your workplace and places rented by a seller on a temporary basis, such as hotel or motel rooms, convention centers, fairgrounds and restaurants. The cooling-off rule requires sellers to tell you that you have three business days after the sale to change your mind.

There are some situations in the Cooling-Off Rule does not apply: making the purchase completely by mail or telephone; the sale was made from contact made initially at the seller's permanent place of business; you waived your right to cancel by signing a document stating that; you were buying real estate, insurance, securities, or a vehicle; you can't return the item in the condition you received it; your purchase is not primarily for personal, family, or household use; or you purchased arts and crafts at a fair, shopping mall, civic center, or school. More information about cooling-off periods can be found in the "Consumer Action Handbook."

### SLIDE 35: PROTECTION LAWS

#### Protection Laws

- | Federal:   | State:                              |
|--|-------------------------------------|
| ◆ Service members Civil Relief Act                               | ◆ Lemon Laws                        |
| ◆ Consumer Bill of Rights  | ◆ Automobile Repair Facilities Acts |
| ◆ Fair Credit Billing Act  | ◆ Usury Laws                        |
| ◆ 7 <sup>th</sup> Amendment                                      |                                     |
| ◆ Credit Card Accountability, Responsibility, and Disclosure Act |                                     |
| ◆ The Military Lending Act                                       |                                     |

**INSTRUCTOR NOTES:**  
Discuss the points on the slide using the information in the column to the right.

### SECTION BACKGROUND INFORMATION

Consumers have legal rights at the state and federal level. You do not lose these rights because you are in uniform, but you do need to know what they are to protect yourself.

#### Federal consumer laws include:

- **Servicemembers Civil Relief Act:** This 2003 update originally was passed by Congress as the Soldiers' and Sailors' Civil Relief Act of 1940 and provides specific protections for military members in areas such as:
  - Court and Administrative Proceedings
  - Credit Agency Information
  - Default Judgments
  - Reduced Interest Rates

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

- Termination of Automobile Leases
- Termination of Real Estate Leases
- Evictions
- Foreclosures and Repossessions
- Insurance
- Legal Residence (Domicile)
- Taxation

Each of these SCRA protections are discussed in more detail in their related MCCA sponsored workshops or can be discussed during counseling sessions with a PFM or CFS.

- **Consumer Bill of Rights:** These are general rights of access to product and price information and the right to an informal dispute process.
- **Fair Credit Billing Act:** This applies only to credit purchases and allows you to withhold payment on a disputed product or service. This law allows you to challenge a credit-card charge when the charge was unauthorized or is in error, you never received the product or the product did not perform as promised.
- **7th Amendment (right to trial by jury):** This is the cornerstone to a consumer's right to appeal and is part of the Bill of Rights. Many high-cost contracts have a waiver of the right to court appeal to avoid costs and class action against manufacturers. Never waive this hard-won right by signing a contract without taking it to the Base Legal Service Office first.
- **Credit Card Accountability, Responsibility, and Disclosure Act:** This law prevents credit card companies from predatory actions such as teaser rates, excessive fees and charges and the ability to raise your rates with little or no notice. Additionally, the law requires companies to apply payments to the balance with the highest interest rate when there are multiple interest rates on an account. The law also affects overdraft protection practices that use a line of credit as



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

the backup to a checking account. Account holders have to “opt in” to continue to allow approval of transactions that overdraw the account and prompt the charge to the line of credit.

- **The Military Lending Act of 2007:** Also known as the Talent-Nelson Amendment, the most-discussed and recognized provision of this act is the 36 percent APR cap on consumer credit extended to service members. The cap applies to payday loans, auto-title loans and refund-anticipation loans. In addition to this rate cap, the act prohibits repeat financing with the same creditor, prohibits a borrower from waiving their rights to legal recourse, defines annual percentage rate and bans the use of a check as collateral for a loan.

### **State consumer-protection laws include:**

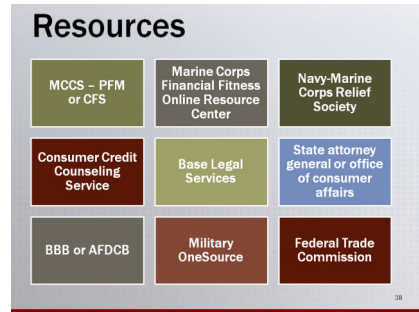
- **Lemon laws:** (also known as the Motor Vehicle Warranty Enforcement Acts): These laws allow you to return a new vehicle that has safety or repeat mechanical or cosmetic problems that constitute a major defect. You are entitled to a refund or a replacement. Many states also have lemon laws regarding used vehicles.
- **State automobile repair facilities act:** Many states have enacted laws that deal specifically with businesses that repair vehicles. The rules, which vary from state to state, may deal with issues such as required disclosures on written estimates, unauthorized charges, and invoices, disposition of replaced parts and unlawful acts and practices. To find out if your state has an auto repair facilities act, contact your state attorney general, consult the “Consumer Action Handbook” or use a search engine on the Internet.
- **Usury laws:** A usury law sets a cap on interest rates. Since there is no federal limit, each state determines its maximum allowable rate. Almost every state has some form of usury law, but there always are businesses that are able to find their way around them.



# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### SLIDE 36: RESOURCES



1. Discuss the points on the slide using the information in the column to the right.
2. Tell the participants that these and other helpful websites can be found on the “Resources for Military Consumers” handout.

### SECTION BACKGROUND INFORMATION

The consumer marketplace can be a complicated place. Take advantage of all of the resources available to you to help you plan your budget and make purchases, consider the legal aspects of consumer issues, make a formal complaint and become an informed consumer.

**Marine Corps Community Services:** Your local MCCS has a financial educator and/or a PFM on staff to provide information and counseling. They normally work closely with the CFS at the local commands. Classes of interest to consumers include Developing Your Spending Plan, Car Buying Strategies, Your Insurance Needs, and Credit Management. (<http://www.usmc-mccs.org/>)

**Your CFS:** The Command Financial Specialist is a unit level Staff NCO or Officer designated by the command and trained by the MCCS Personal Financial Management Specialist to provide financial classes and basic counseling to Marines within the unit. Ask for help if you need it. Your command is not going to throw you out for getting into money trouble. What they will do is refer you to people who can help you make a plan to get back on your feet.

**The Marine Corps Financial Fitness Online Resource Center:** provides interactive financial tools to assist Marines and their families in controlling their finances. ([www.humtech.com/htoffice/website/sites/financial/](http://www.humtech.com/htoffice/website/sites/financial/))

**Navy-Marine Corps Relief Society:** The society has trained budget counselors that can assist in preparing a spending plan. It also makes loans to service members for emergency needs that are within their guidelines at zero percent interest. The money is repaid by allotment over a period of time that will not put the service member in further financial trouble. (<http://www.nmcrrs.org/index.html>)

**Consumer Credit Counseling Service:** A nonprofit agency that works with people who have severe debt problems to get them back on track. They will contact your creditors, try to work out an equitable settlement and make up a payment plan to pay off your debt. Instead of paying a little bit to each creditor each month, the service member writes one

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

check to CCCS, which then distributes the money to the creditors. Many banks and credit unions also offer debt-management plans; some are free. This is an excellent solution for severe debt problems, but be aware that many payday lenders refuse to work with debt-management programs, including CCCS.

**Base Legal Services Office:** Can provide assistance in a dispute over a bill or contract. They strongly encourage service members who are considering making a major purchase to come in with a copy of the contract before it is signed, and they offer “head-of-the-line” service.

**State attorney general or office of consumer affairs**

**(State and local):** The Attorney General Office and Office of Consumer Affairs are dedicated to ensuring that consumers are treated fairly and properly. The work of the Attorney General's Public Protection Division includes guarding against telemarketing scams or identity theft, fighting for civil rights, monitoring charitable organizations and protecting consumers from deceptive advertising or other unfair business practices. You can find contact information for your state office at [www.consumeraction.gov/state.shtml](http://www.consumeraction.gov/state.shtml).

**Better Business Bureau (BBB):** The Better Business Bureau is a private agency with the goal of helping consumers by publishing reports on the reliability of businesses, reducing fraudulent business activities, educating both companies and businesses about rights and responsibilities, providing information on charities, and resolving disputes. Since the Better Business Bureau is a private organization, it has no regulatory power over corporations. Companies must enroll and pay for membership in the Better Business Bureau. In addition to enrollment in the Better Business Bureau, companies must agree to dispute resolution in order to maintain or claim membership.

**Armed Forces Disciplinary Control Board (AFDCB):**

The AFDCB is established at each installation to advise and make recommendations to commanders on matters concerning and eliminating conditions which adversely

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

affect the health, safety, welfare, morale, and discipline of the Armed Forces.

**Military OneSource:** The services of Military OneSource supplement the existing support system for Marines and their families by providing assistance 24 hours a day, 7 days a week via toll free telephone and Internet access. In addition, Military OneSource supports geographically dispersed Marines and their families (recruiters, Inspector and Instructor staffs, and mobilized reservists) who do not have traditional services available. Resources are available on topics to include parenting and childcare issues, educational services, financial information and counseling, legal, elder care, health and wellness, crisis support and relocation. Marines or family members seeking assistance can call 800-342-9647, or visit the website. ([www.militaryonesource.com](http://www.militaryonesource.com))

**Federal Trade Commission:** The FTC deals with issues that touch the economic life of every American. It is the only federal agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The FTC pursues vigorous and effective law enforcement; advances consumers' interests by sharing its expertise with federal and state legislatures and U.S. and international government agencies; develops policy and research tools through hearings, workshops, and conferences; and creates practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies. ([ftc.gov](http://ftc.gov))

The Department of Defense and the Federal Trade Commission have created the Military Sentinel ([https://www.ftccomplaintassistant.gov/military\\_home.htm](https://www.ftccomplaintassistant.gov/military_home.htm)), which allows service members and their dependents to file direct online consumer fraud and identity theft complaints. The website also offers educational materials on consumer protection issues.

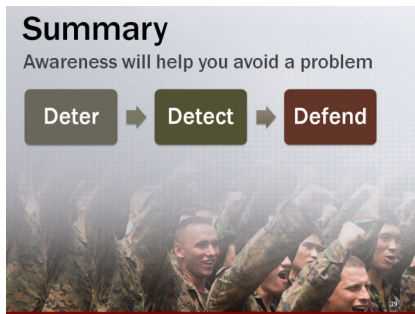
**ConsumerAction.gov:** For over 30 years, the Federal Citizen Information Center (FCIC) has been a trusted one-stop source for information about consumer problems and government services. FCIC distributes and helps produce a

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

variety of government publications, including the Consumer Action Handbook and its website. To provide you with the most up-to-date information possible, FCIC watches emerging consumer issues and regularly reviews new information from Federal agencies and consumer organizations.

### SLIDE 37: SUMMARY



#### INSTRUCTOR NOTES:

1. Distribute the “Session Evaluation” handout to participants. Ask that they complete it and return it to you before they leave.
2. Recap the discussion you’ve had during the session.
3. Answer any remaining questions the participants may have.

### SECTION BACKGROUND INFORMATION

Remember the basics of consumer awareness:

- The more aware you are—the better you can avoid a problem.
- Keep in mind the steps you can take to Deter – Detect – Defend!