

# PERSONAL FINANCIAL MANAGEMENT PROGRAM

## STANDARDIZED CURRICULUM

### CHAPTER 13: **Legal Issues of Personal Financial Management**



#### INTRODUCTION

Legal Issues of Personal Financial Management is a 90-minute program designed to educate Marines and their families on some of the most commonly encountered legal issues. Since Marines are bound both by military and civilian law, having a basic understanding of their responsibilities and rights under the law can help them and their families avoid many legal complications later on. It is recommended that you invite a representative from Base Legal to help any detailed questions that may arise.

#### LEARNING OBJECTIVES

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

- Describe the financial impact of a general, special, and durable power of attorney.
- Describe actions to take when encountering a separation or divorce.
- Explain the Marine Corps' policy on financial support for dependents.
- Recognize basic contract clauses and warranties.
- Discuss the purpose of a military clause.
- Identify key provisions of the Servicemembers Civil Relief Act.
- Explain the purpose of an Armed Forces Disciplinary Control Board.
- Identify major consumer credit and debt collection laws.
- Describe the advantages and disadvantages of bankruptcy.

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U.S. Department of the Navy. Headquarters, U.S. Marine Corps. (1999, August). *MCO P5800.16A: Marine Corps Manual for Legal Administration (LEGADMINMAN) with Change 1-5, Chapter 15, "Financial Support of Family Members."* Washington, D.C.

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### PREPARATION AND PROCEDURES

#### Optional Activity with Handout:

“Heading for Trouble?”: A worksheet activity requiring learners to apply their knowledge of legal issues to common situations they may encounter.

#### Additional Handouts:

- “Military Spouse Residency Relief Act”
- “Servicemembers Civil Relief Act Questions and Answers for Servicemembers”
- “Session Evaluation”
- “Top Tips to Avoid Legal Issues”

#### Materials:

- Legal Issues of Personal Financial Management PowerPoint slides
- Pens, pencils and markers
- Chart paper or a whiteboard

#### 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 Marines and their family members with a basic to intermediate knowledge of personal financial management.

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### KEY TERMS

- **Bankruptcy:** A set of federal laws that allow one to either restructure one's debt or remove certain debt.
- **Breach of Contract:** Failure to perform any term or part of a legal contract.
- **Contract:** An agreement between two or more parties that creates in each party a duty to do or not do something and a right to performance of the other's duty or a remedy for the breach of the other's duty.
- **Credit report:** A record of a person's or company's past history of borrowing and repaying, including late payments, bankruptcies, collections and amount currently owed.
- **Federal Trade Commission (FTC):** Federal agency that deals with consumer protection and business competition in areas 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.
- **Landlord:** The owner of property such as houses, apartments, or land that is leased or rented to another.
- **Power of attorney (POA):** A legal document authorizing someone to act on one's behalf; or an instrument containing an authorization for one to act as the agent of the principal that terminates especially upon revocation by the principal or death of the principal or agent.
- **Servicemembers Civil Relief Act of 2003 (SCRA):** Formerly known as the Soldiers' and Sailors' Civil Relief Act of 1940 (SSCRA). SCRA is a federal law that provides protections for military members as they enter active duty. It covers issues such as rental agreements, security deposits, prepaid rent, eviction, installment contracts, credit card interest rates, mortgage interest rates, mortgage foreclosure, civil judicial proceedings, automobile leases, life insurance, health insurance and income tax payments.
- **Warranty:** A written guarantee from the manufacturer or distributor of a product that specifies the conditions under which the product can be returned, replaced, or repaired. NOTE: there are several definitions for warranty but product warranty is addressed in the chapter.

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### **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.

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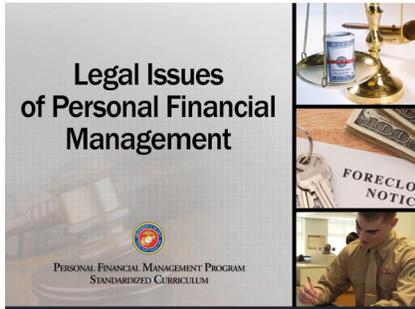
### CONTENT OUTLINE (90 MINUTES TOTAL)

1. Welcome and Chapter Overview (5 minutes)
2. General, Special and Durable Powers of Attorney (5 minutes)
3. Relationships (20 minutes)
  - a. Divorce
  - b. Division of Marital Property
  - c. Tips for Separation or Divorce
  - d. Spousal and Child Support
  - e. Marine Corps Policy
4. Contracts (5 minutes)
  - a. Tips for Contracts
5. Warranties (10 minutes)
  - a. Service Contracts
6. Landlord/Tenant Transactions (10 minutes)
  - a. Tips for Renting
7. Service Member Protections (5 minutes)
8. Armed Forces Disciplinary Control Board (5 minutes)
9. Credit and Debt Collection Laws (10 minutes)
  - a. Additional Credit Laws
  - b. Letters of Indebtedness
10. Bankruptcy Laws (10 minutes)
  - a. Advantages and Disadvantages
11. Resources and Summary (5 minutes)

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### SLIDE 1: INTRODUCTION



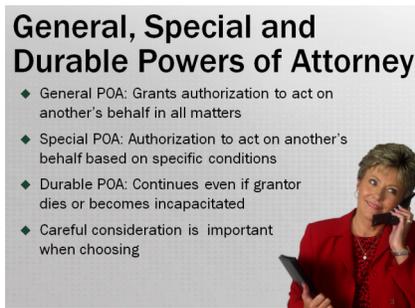
### SLIDE 2: OVERVIEW



#### INSTRUCTOR NOTES:

1. Introduce yourself and have the participants introduce themselves.
2. Introduce the topics to be covered in this session.

### SLIDE 3: GENERAL AND DURABLE POWERS OF ATTORNEY



### SECTION BACKGROUND INFORMATION

When it comes to handling personal financial affairs, a variety of legal issues may arise. Since Marines are bound by both military law and civilian law, it is important for you to be informed of some important areas of personal finance where these legal issues typically come up.

While this training will provide a basic starting point for recognizing potential legal issues and highlight some of your legal rights, it is not intended to serve as a substitute for legal advice. In specific situations that require the advice of an attorney, individuals should contact the Base Legal Office for an appointment.

Topics that will be covered in this chapter include:

- General, Special and Durable Powers of Attorney
- Relationships
- Contracts
- Warranties
- Landlord/Tenant Transactions
- Service Member Protections
- Armed Forces Disciplinary Control Board
- Credit and Debt Collection Laws
- Bankruptcy Laws

### SECTION BACKGROUND INFORMATION

All Marines and their families should have an understanding of the difference between a general and durable power of attorney (POA). Because Marines are subject to frequent deployments, POAs should be discussed, researched, and decided upon by you and your family well before it is time to deploy. If you are unsure of the type of POA you may need, your Base Legal Office can guide you in the right direction.

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### INSTRUCTOR NOTES:

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

The following represents some basic information and terminology concerning powers of attorney:

**General terms:** The person authorizing another to act is the *principal*, or *grantor* (of the power), and the one authorized to act is the *agent*. The agent may be given the power to perform a wide range of tasks or they may receive a limited power to perform specific tasks. A power of attorney can contain instructions on financial matters, benefit matters, military issues, insurance, tax, debt matters, and other matters. It can be drawn up to suit the specific needs of the Marine while he or she is deployed. Every Marine's power of attorney will be different, because each one is designed for that Marine and their family.

**General power of attorney:** A general power of attorney gives someone the legal authority to act on your behalf in almost all situations. The agent may sign your name, engage in business transactions and make decisions regarding your finances, property, and health. A general power of attorney may terminate for a number of reasons, including the incapacity of the Marine. In other words, if the Marine dies or becomes incapacitated physically or mentally, the power of attorney terminates or ends.

This power of attorney grants a tremendous amount of control over your finances and exposes you to a great amount of risk and possibly severe financial consequences based on the other person's actions. You and your family need to keep in mind that the agent, or person given the POA could potentially use it to take out loans in your name, purchase a car in your name, purchase or sell a house in your name, open a credit card in your name or even empty out your bank account. Just think about what your financial future could hold if you gave someone power of attorney and they made a vehicle purchase in your name. Can you afford a \$500.00 a month car payment for 60 months? What about if they opened up a charge account and purchased new furniture for every room in your house? What if the interest rate they accepted was 18%? How many years would it take you to pay off \$10,000 at 18% interest? Be extremely mindful of this if you are ever in a

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situation that you are considering allowing someone to have a general power of attorney. It is very important that you are familiar with their background and how they handle their own financial situation; be sure they are trustworthy. It is also very important for you to communicate what your expectations are of them and what you do and do not want them to do. Communication is vital when you are making these important decisions. Don't assume anything. Even someone who loves you and that you trust can make a bad judgment call.

**Special power of attorney:** A special POA limits the authority of your agent. With a special POA, you give your agent the authority to perform one or more specific acts that are set out in writing. The special POA states exactly what he or she can and cannot do. This type of POA is especially advantageous when you do not want an individual to have complete control over your life's affairs, but need that person to take specific action on your behalf. Selling an automobile or shipping household goods are two examples where a special POA might be useful.

**Durable power of attorney:** A general or special power of attorney becomes a durable power of attorney by adding specific conditions to the document. The agent's authority to act for the principal is based on the powers that the principal gives to the agent. When specific conditions are added, then the document survives the incapacity of the Marine. In other words, if the Marine is unable to make decisions on their own, for any reason, the agent the Marine chose can still make decisions that were outlined in the POA for that Marine.

**Choosing your agent:** Choosing someone to have your authority in all personal and business matters is a serious decision. You should carefully consider the trustworthiness of the person who will be handling your affairs for you while you are gone, as *you* will be held legally responsible for anything the agent does under the authority of the POA you have signed.

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**It can't be stressed enough that giving someone your power of attorney has serious financial implications for you.** The person, or agent, you choose may have the ability to bind you to contracts such as if they purchase an item or items on your behalf. You will be held responsible for any debt that is accumulated by your agent.

For example, should you grant someone a general power of attorney and they decide to buy a car using your POA that will obligate you to make those payments, whether or not you requested your agent to purchase a car for you.

Having someone else in the position to obligate you financially is a serious decision and one you should take the time to consider who is the right choice for this type of relationship.

### SLIDE 4: RELATIONSHIPS

**Relationships**



- ◆ Wide range of financial and legal issues regarding marriage, separation, divorce, live-in parents and children
- ◆ Important to have information for self, or to assist a fellow Marine

#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

When we talk about the financial implications of relationships, we are referring to financial issues, concerns, rights and responsibilities regarding marriage, significant others, separation, divorce, live-in parents, and children.

These issues concern health insurance, life insurance, tax implications, bank account access, and rights of survivorship.

When considering marriage or other types of relationships, you should consider the financial impact of the responsibility you will be taking on -- for another person or even persons, should children also be a part of the relationship.

The Marine Corps has excellent health and life insurance policies, and at a low cost. However, there is additional cost incurred when family members are added to the policy and non-family members may not qualify.

The best course of action for anyone considering marriage is to study the different types of TRICARE health insurance offered or non-military health insurance if they don't qualify for TRICARE and decide the best financial move for your new family.

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It's important to understand that the decisions you make regarding your health insurance coverage will impact your family's budget as well as the choices you will have about your medical care.

Life insurance is another area of added financial responsibility when considering your relationships. As a Marine, you have access to the Family Servicemembers' Group Life Insurance (FSGLI) which provides life insurance coverage for a spouse or dependent children; the service member is the beneficiary. Keep in mind that there will be a cost associated with choosing life insurance and you will need to consider how much insurance you might need. You should also discuss how the added cost will impact your monthly finances.

When considering marriage and perhaps even when considering any type of living arrangement with another person, you should consider the legal and financial ramifications of whether or not you will combine your bank accounts. When you grant another person access to your banking accounts, either through a joint account or by giving another individual your confidential banking and credit card information you are putting your finances and accounts at risk of being used in a manner that you had neither given permission for or perhaps even anticipated. Before you grant another individual these privileges, you should consider all of the potential financial concerns and have given considerable thought to how that person handles finances.

Preparing a will is something else you need think about when you are making important life decisions whether you are getting married, purchasing a home together, having children or any other life altering decision.

An attorney should be contacted to go over your legal and financial rights and how to properly set up a will. They can also advise you about the options you have regarding the handling of your estate and properties in the unfortunate event of your death.

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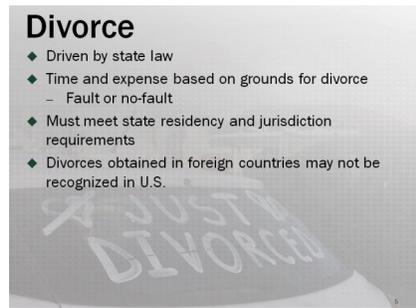
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Some of the issues you may need to address are: Who will own property that was bought jointly (Rights of Survivorship)? Who will have custody of children? Who will take care of any animals, property, motor vehicles, articles of jewelry, or life insurance? Who will take care of service arrangements and how those arrangements should be made? Does the person have any legal rights regarding these issues? Are there any legal hurdles to overcome due to the relationship? These are all legal and financial concerns that need to be considered when choosing how to have your estate and desires responsibly handled.

People often have many questions about these topics. All of these are major life events that, if not understood, can seriously affect the finances of the persons going through them.

Whether you are married or not, chances are that you may know someone who is experiencing one of these major life events. Having this knowledge up front can help in sending a fellow Marine in the right direction.

### SLIDE 5: DIVORCE



#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

Divorce is driven by state law, and each state has its own requirements. The time it takes to obtain a divorce and the expense involved will vary greatly, depending upon whether the Marine proceeds with a “fault” or “no-fault” divorce.

**Fault and no-fault:** A fault divorce occurs when one party is blamed by the other and viewed as causing the divorce. Traditionally, couples were not able to divorce whenever they wanted. One party to the marriage must have done something that warranted the other wanting to end the marital union. Today, however, all states recognize no-fault grounds for divorce and many are doing away with the concept of “fault divorce” entirely. When fault still exists, however, it requires the spouse making an allegation of fault to prove his or her assertions.

**Jurisdiction:** State law varies further concerning who can get divorced. This refers to “jurisdiction.” The state in which the Marine or spouse lives (domicile) traditionally

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has been the basis for which state the divorce can take place. Nearly every state imposes a residency requirement. The Marine or spouse must meet all residency requirements of the state in which the divorce is sought in order to meet jurisdiction requirements and obtain a divorce there.

Be cautious of divorces obtained in foreign countries, as they may not be recognized in the United States.

### SLIDE 6: DIVISION OF MARITAL PROPERTY

#### Division of Marital Property

- ◆ Includes items acquired during the marriage
- ◆ Uniformed Services Former Spouses' Protection Act (USFSPA) permits division of retirement pay by state courts
- ◆ Both parties equally responsible for joint debts
- ◆ Separation agreements enforceable by courts; have attorney review prior to signing



#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

Whenever there is a divorce, the parties involved will either agree mutually, or obtain by court decree, a division of marital property.

**Marital property:** Marital property is defined as those items acquired by the parties during the marriage. In the majority of states, retired pay is treated as marital property and therefore is subject to division between the parties.

**Retirement pay:** The Uniformed Services Former Spouses' Protection Act (USFSPA), permits state courts to divide federal retirement pay as marital property. State courts (not the military) decide how much retirement pay to award in a divorce. A former spouse can receive some portion of retired pay after as little as one year of marriage. The 20/20/20 and 20/20/15 guidelines (years of creditable service/years marriage lasted/years of marriage overlapping years of service) apply to other benefits (commissary, exchange, health care) and not to retirement pay.

**Joint debts:** Marital debts are also subject to division via mutual agreement or court decree. Prior to such an agreement or court decree, both parties are still equally responsible for joint debts. Each party can protect themselves to some extent by closing any joint credit or checking accounts and notifying all creditors of their wishes regarding future charges.

Understand that if a debt is under the name of spouse "A," and a mutual agreement or court decree says spouse "B" must pay the debt, if spouse B does not pay the debt, spouse A is still liable for the debt, according to the creditor. Creditors will always seek repayment from the party who has legal liability for a debt based on the contract (not the

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court decree). The creditors are never a party to your divorce. If both names are on the contract, creditors can and will go after either or both parties, regardless of court decree or mutual agreement.

**Separation agreements:** Separation agreements, which provide for the division of marital property and debts as well as for spousal and child support, are complex and important documents and should always be reviewed by an attorney prior to signing. These agreements can become part or all of the divorce decree and are enforceable by the court against the party's breach of any of the terms.

### SLIDE 7: TIPS FOR SEPARATION OR DIVORCE



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

### SECTION BACKGROUND INFORMATION

If you are heading for separation or divorce, consider the following tips:

- Organize your documents.
- Be sure to review your credit report for discrepancies and/or unknown accounts. Check with all three major credit bureaus both before your divorce and six months after.
- If a property changes ownership, remember to re-title property to reflect the new ownership.
- Wills, POAs, and beneficiary declarations should be changed when the intentions of the parties change.
- Retrieve and revoke any powers of attorney. Notice must be provided to any party who may have entered into agreements under the POA that the authority has been terminated.
- Review all joint accounts and make decisions to close at an appropriate time.
- Create a new financial plan.
- Seek legal assistance in drafting the separation agreement. The first party to seek assistance through is your Base Legal Office where will become the client, as a military legal officer cannot represent both parties.
- Review state guidelines where available.
- Adjust tax withholdings to reflect new situation at the appropriate legal time.

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### SLIDE 8: SPOUSAL AND CHILD SUPPORT

#### Spousal and Child Support



- ◆ All states have laws governing support
- ◆ Marine Corps has rules that govern support
- ◆ Specific dollar amounts based on number of children, gross income of both parents and other factors
- ◆ Get a paternity test if there is doubt

#### INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. Distribute the “Top Tips to Avoid Legal Issues” handout to participants. Explain that each section will be discussed in greater detail as you proceed through the training.

#### SECTION BACKGROUND INFORMATION

When dealing with the financial ramifications of a divorce, you may encounter a situation where you are required to pay spousal or child support.

Spousal support is money paid to support an ex-spouse or even a spouse during the time of separation, which is ordered by the court; it is also known as alimony in some states. State laws regarding spousal support can be different. So it is important to check the state in which you will be filing for a divorce.

All states have laws governing spousal/child support. Generally, an action can be brought in court at any time the supporting spouse fails to comply with any court orders. The Marine Corps itself has rules that govern support of dependents. It is important to check with Base Legal if you have any questions around your financial obligations.

Most states provide for specific dollar amounts of child support, based on the number of children and gross income of both parents. Generally, items that factor into child support are daycare costs, healthcare and health insurance costs, and the cost of the basic necessities of living (e.g., food and clothing). If the parties cannot agree, the court will impose the statutory amount.

If you are not the parent of a child, beware of anything that can be construed by the court as evidence of paternity, such as sending money to take care of the child. Do not acknowledge paternity in any manner whatsoever until you are sure the child belongs to you. When in doubt, have a paternity test performed.

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### SLIDE 9: MARINE CORPS POLICY

#### Marine Corps Policy

- ◆ MCO P5800.16A, LEGADMINMAN – Chapter 15:
  - *The Marine Corps will not serve as a haven for personnel who fail to provide adequate and continuous support to their family members. Marines shall comply fully with the provisions of separation agreements and court orders addressing the support of family members.*
- ◆ LEGADMINMAN provides interim support guidelines if no court order, and nonsupport complaint received
- ◆ BAH w/dependents must be used for support
- ◆ Disciplinary actions can be taken for nonsupport
- ◆ Keep a record of all payments

#### INSTRUCTOR NOTES:

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

#### SECTION BACKGROUND INFORMATION

The Marine Corps' official position on financial support of dependents is found in MCO P5800.16A, *Marine Corps Manual for Legal Administration (LEGADMINMAN), Chapter 15*. Specifically, the MCO states: *“The Marine Corps will not serve as a haven for personnel who fail to provide adequate and continuous support to their family members. Marines shall comply fully with the provisions of separation agreements and court orders addressing the support of family members.”*

In many states, the failure to support one's legal dependents is also a criminal offense. The Marine Corps recognizes a Marine's moral and legal obligations to support family members and uses its resources to ensure that this obligation is met.

**Absence of court order or mutual agreement:** The LEGADMINMAN provides interim child support standards that can be used in the absence of a court order or mutual agreement, when a nonsupport complaint is received by a commanding officer. The calculation used is in the MCO. Financial support established by a commanding officer under the guidelines in the LEGADMINMAN continues until a written agreement is reached, a court order is obtained, or the commanding officer (CO) modifies or terminates the support order. Bottom line: A court order takes precedence.

**BAH pay:** The DoD Pay Manual Section 30236 states that when a Marine is receiving BAH at the with-dependent rate, the money is to be used for the support of dependents. Nonsupport while receiving BAH Differential, can result in recoupment and, in some cases, disciplinary action.

**Disciplinary action:** In particularly severe cases of non-support, the CO may take disciplinary action ranging from nonjudicial punishment to discharge. The Marine's best bet is to determine the amount of support owed and set up an allotment to pay it. If it is not paid by allotment, checks are preferred over money orders for the sake of recordkeeping. Copies of all documents (including checks) should be retained in case they are needed in the future.

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### SLIDE 10: CONTRACTS

#### Contracts

- ◆ Legal document naming borrower, lender, and terms of loan agreement
- ◆ Several key clauses
  - Security
  - Attorney’s fee
  - Repossession
  - Late fee
  - Acceleration
- ◆ Beware of balloon payments
- ◆ Review cancellation provisions beforehand

#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

**Credit contract:** A credit contract, or note, is a legal document that names the borrower and lender, as well as the terms of the loan agreement. These terms are the amount borrowed, the interest rate including the APR, the finance charge, the time for making payments, the amount of each payment, and the effect of missing a payment. The Federal Truth in Lending Act requires that other important credit terms, such as the annual percentage rates and the finance charge, be included in any consumer contract.

**Clauses:** There are several key clauses to look for in the “fine print” of a consumer credit contract that refer to the rights and responsibilities of the creditor and debtor if payments are missed. When reviewing any contracts, remember the old saying: *“The big print giveth, and the fine print taketh away.”*

Among the more common clauses:

- **Security clause:** This clause itemizes the property that the creditor may claim as collateral if the member does not pay the loan as agreed. The item purchased may be the collateral, as well as any other items the member may have pledged to obtain the loan.
- **Attorney’s fee clause:** States that the member is responsible for paying the creditor’s attorney’s fees if the creditor sues the member for nonpayment.
- **Repossession clause:** States that if the item purchased is repossessed, the member is still responsible for paying any outstanding balance on the loan if the creditor does not receive enough money when the collateral is sold to pay off the loan, as well as other charges related to the repossession.
- **Late fee clause:** States when and how the creditor will charge the member late fees if payments are not made as agreed.
- **Acceleration clause:** States that if the debtor defaults on the loan, the creditor can demand payment of the outstanding balance. A default can be only one payment on a loan.

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**Beware of balloon payments:** These are big payments due at the end of a contract that may be as much as 80% of the original amount.

**Cancellation of contracts:** Generally, a contract is presumed binding on both parties and cannot be canceled by one party without the express permission of the other party. Some contracts, however, contain various “cooling off” provisions that allow the purchaser to cancel the contract within a specified period of time. While negotiating the contract, the purchaser should inquire as to whether there are any applicable cancellation provisions. Make sure they are in writing in the body of the contract itself. State law also may govern the cancellation of various contracts (time shares, health clubs, etc.). Be sure to review state guidelines on cancellation/cooling-off rules.

### SLIDE 11: TIPS FOR CONTRACTS



#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

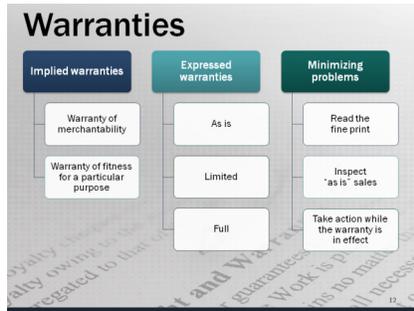
If you are going to negotiate and/or sign a contract, consider the following tips:

- Read the fine print.
- Get everything in writing — no oral promises.
- Understand all terms of the contract — ask questions.
- Before signing any contract, and especially one for a vehicle purchase, take a copy of the unsigned contract to the Base Legal Office to have an attorney check it out. Base Legal usually does walk-in appointments for review of car purchase contracts.
- Be sure the whole contract is filled in. Leave no blanks.
- A contract is presumed to be legally binding on both parties. If the seller wants to cancel the existing contract, change some of the terms (such as the interest rate), and sign a new one, you have the right to stay with the original contract if it has been signed by both parties.
- Cancellation of a contract may require the agreement of both parties. Get it in writing, and deliver it via certified mail, return receipt requested.
- Be wary of any rights you may waive regarding collection of delinquent accounts.

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### SLIDE 12: WARRANTIES



#### INSTRUCTOR NOTES:

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

#### SECTION BACKGROUND INFORMATION

When you make a major purchase, the manufacturer or seller makes an important promise to stand behind the product. It is called a warranty. Federal law requires that warranties be available for you to read before you buy, even when you are shopping by catalog or online.

Coverage varies, so you can compare the extent of warranty coverage just as you compare the style, price, and other characteristics of products. Warranties can apply to many types of items, such as household goods like coffee makers, refrigerators, and dishwashers, to big ticket items such as cars and boats, and even homes.

**Implied warranties:** The Magnuson-Moss Warranty Act, a federal law enacted in 1975, gives these warranties on all products and services whether the warranty is written or not. Look to state law for additional statutes providing warranties, such as automobile and lemon laws.

- **Warranty of merchantability:** This means that the dealer promises the product will do what it is supposed to do. For example, a car will run, and a toaster will toast.
- **Warranty of fitness for a particular purpose:** Applies when you buy a product on the seller's advice that it is suitable for a particular purpose. For example, the seller said that a certain sleeping bag is suitable for zero-degree weather.

**Expressed warranties:** Written or oral warranties supplied by a manufacturer or seller. They are usually one of the following:

- **As Is:** No warranty is given as to the condition or workability of the product. The seller has no liability for faulty goods.
- **Limited:** The seller or manufacturer will only provide a warranty on specific things, e.g., paying for all parts within the first year but not for the cost of labor.
- **Full:** The seller or manufacturer guarantees completely the condition, parts, and labor for the product for a specific period of time.

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**Minimizing problems:** Keep the following in mind:

- **Read the fine print:** It is always important to read the fine print when dealing with a warranty. Often, only a section or parts are covered by the warranty and there can also be laborious steps involved in trying to exercise your warranty. Warranties are also state-specific, so be sure to look up the laws in the state you have concerns about.
- **Inspect “as is” sales:** Inspect anything you are going to purchase “as is.” What you see is what you get, and what you don’t see is what you get (especially when it comes to used cars). Check state laws, as some states have laws concerning “as is” sales.
- **Take action while the warranty is in effect:** When something goes wrong with an item, take action while the warranty is in effect. As in all business transactions, elements of proof are very important. Always communicate in writing or follow up on phone calls with letters.

### SLIDE 13: SERVICE CONTRACTS



**Service Contracts**

- ◆ Often called “extended warranties,” but not considered a warranty
- ◆ Costs extra money
- ◆ Consider certain factors before buying
  - Repairs covered free under warranty
  - Cost of potential repairs
  - How long in effect
  - Long-term cost
  - Reputation of company offering it

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

### SECTION BACKGROUND INFORMATION

Service contracts, although often called “extended warranties,” are not warranties. Warranties are included in the price of goods and services, but service contracts will cost extra.

To help you decide whether to buy a service contract in addition to the warranty, consider these following points:

- Whether the service contract covers repairs that you would get for free under the warranty.
- Whether the product is likely to need repairs and the potential costs involved in making them. (Consult Consumer Reports or other consumer resources for repair history.)
- How long the service contract is in effect.
- The long-term cost of the extended warranty, especially if you are financing it.
- The reputation of the company offering the service contract.

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### SLIDE 14: LANDLORD/TENANT TRANSACTIONS



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

### SECTION BACKGROUND INFORMATION

**Customary arrangements:** In many states, property may be rented either by written or oral agreement. Oral agreements are not advisable because it may be difficult to establish the terms of the agreement and to resolve disputes.

Leases are generally for a fixed term or from period to period, such as month to month. The lease should specify the period covered by the agreement and contain a provision regarding termination procedures. Beware of lease provisions that provide for an automatic renewal of the lease term unless proper notice is provided. Get a receipt for the notice to prove it was provided.

**Military clause:** A statutory military clause has been enacted in many states. A military clause can permit the Marine to cancel the lease upon receipt of PCS orders, an order to move into government quarters, or discharge from military service. It is very important for you to see what the military clause in your lease dictates. Pay attention to the number of days you are required to give notice to vacate. Thirty days is the norm and if you do not give thirty days notice, you may be required to pay an additional month's rent to meet the thirty day notice. The SCRA provides you with certain protections. (These are discussed in greater detail later in the program.) Before signing a lease, visit your Base Legal Office to ensure you understand all of the responsibilities and associated costs.

**Insurance:** Normally the landlord is not responsible for loss of the tenant's personal property, unless the landlord's negligence caused the loss. Tenants should therefore have a form of renters insurance to protect their personal property. Marines and their families also should obtain insurance covering liability to third parties on the property. In most states, the landlord is not responsible for the physical safety of the tenant from other than structural property.

**Security deposit:** State laws vary regarding the reasons a landlord may retain the deposit. The deposit generally may not be retained for normal wear and tear charges, such as replacing carpeting and repainting. It is often used to cover the cost of cleaning or for damage to the property. The

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length of time within which the landlord must either refund the deposit or advise why any portion is being withheld also varies among states.

**Disputes:** Be cautious about withholding rent or violating lease provisions over disputes with the landlord; your actions may place you in breach of the contract. Strict compliance with the law is required to use rent escrow or rent withholding.

Have the Base Legal Office review your lease before signing. Contact them for any concerns you may have about your lease.

### SLIDE 15: SERVICE MEMBER PROTECTIONS

**Service Member Protections**

Consult Base Legal - they are there to help!

SCRA:

- ◆ Stays court hearings
- ◆ May reduce pre-service loans to 6%
- ◆ Requires court action prior to eviction
- ◆ Allows termination of leases
- ◆ Lets service member maintain state of residence
- ◆ Military Spouse Residency Relief Act - addresses voting and tax issues

Military Lending Act:

- ◆ Regulates loans made to service members and dependents

#### INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. Distribute the “Servicemembers Civil Relief Act Questions and Answers for Servicemembers” and “Military Spouse Residency Relief Act” handouts to participants.

### SECTION BACKGROUND INFORMATION

Service members have two large protection acts: the Servicemembers Civil Relief Act and the Military Lending Act.

#### What is the Servicemembers Civil Relief Act?

The Servicemembers Civil Relief Act of 2003 (SCRA), formerly known as the Soldiers’ and Sailors’ Civil Relief Act of 1940 (SSCRA), is a federal law that provides certain legal protections for members of the U.S. military. The act covers issues such as rental agreements, security deposits, prepaid rent, eviction, installment contracts, credit card interest rates, mortgage interest rates, mortgage foreclosure, civil judicial proceedings, automobile leases, life insurance, health insurance and income tax payments.

#### The updated law includes the following provisions:

- Extends the application of a service member’s right to stay court hearings or administrative hearings. It now requires a court or administrative hearing to grant at least a 90-day stay if requested by the service member. Additional stays can be granted at the discretion of the judge or hearing official. A letter from the command requesting the stay supports the military need and adds credibility to the service member’s request.
- Reduces interest rates in excess of 6 percent on installment contracts entered into PRIOR to joining the armed forces, under certain circumstances. The SCRA

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also specifies that a service member **MUST** request this reduction in writing and include a copy of his/her orders.

- Modifies the eviction-protection section by precluding evictions from premises occupied by service members for which the monthly rent does not exceed \$2,975.74.53 for 2011. The act requires the DoD to adjust the amount annually to account for inflation.
- Extends the right to terminate real property leases to active-duty members moving pursuant to permanent change of station (PCS) orders or deployment orders of at least 90 days. This eliminates the need to request a military termination clause in leases.
- Allows the termination of automobile leases for use by service members and their dependents. Pre-service automobile leases may be canceled if the service member receives orders to active duty for a period of 180 days or more. Automobile leases begun while the service member is on active duty may be terminated if the service member receives PCS orders to a location outside the continental United States or deployment orders for a period of 180 days or more.
- Adds a provision that would prevent states from increasing the tax bracket of a nonmilitary spouse who earned income in the state by adding the service member's military income for the limited purpose of determining the nonmilitary spouse's tax bracket. This practice has had the effect of increasing the military family's tax burden.

**The act does not:**

- Help the service member rescind a rental or purchase agreement entered into after entry to active duty.
- Exempt the service member from the payment of local real estate taxes.
- Assist the service member in avoiding or postponing court action resulting from civilian criminal charges — civil only.
- Cover federal student loans.

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**The Military Spouses Residency Relief Act, Sec. 705 of the SCRA**, addresses residency for spouses of military personnel for voting purposes and determination for tax purposes of residence of spouses of military personnel.

The following section applies to residency and voting requirements:

“(b) Spouses—For the purposes of voting for any Federal office ... or a State or local office, a person who is absent from a State because the person is accompanying the person’s spouse *who is absent from that same State* in compliance with military or naval orders shall not, solely by reason of that absence—

- (1) be deemed to have lost a residence or domicile in that State, without regard to whether or not the person intends to return to that State;
- (2) be deemed to have acquired a residence or domicile in any other State; or
- (3) be deemed to have become a resident in or a resident of any other State.”

The following section applies for tax purposes:

“(2) Spouses—A spouse of a servicemember shall neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the spouse by reason of being absent or present in any tax jurisdiction of the United States solely to be with the servicemember in compliance with the servicemember’s military orders *if the residence or domicile, as the case may be, is the same for the servicemember and the spouse.*”

The new law also adds a new subsection (c) to section 571 of the SCRA, as follows:

“(c) Income of a Military Spouse—Income for services performed by the spouse of a servicemember shall not be deemed to be income for services performed or from sources within a tax jurisdiction of the United States if the spouse is not a resident or domiciliary of the jurisdiction in which the income is earned because the spouse is in the jurisdiction solely to be with the servicemember serving in compliance with military orders.”

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It is important that you visit the Base Legal Office if you have any questions regarding your voting rights or tax liabilities.

### **What is the Military Lending Act?**

Through the Military Lending Act (MLA) Congress gave the Secretary of defense sweeping new authority to regulate loans made to service members and their dependents. The Secretarial implementing regulation used this authority sparingly, outlawing payday loans, refund anticipation loans, and car title loans when made in excess of thirty six percent annual interest rate. Loans made in violation of the Regulation are void and of no effect; lenders who knowingly violate the Regulation commit a Federal misdemeanor, punishable by a fine and up to a year in prison.

Lenders are required to check your and your families military status at <https://www.dmdc.osd.mil/appj/mla/>. This system which connects to DEERS can consistently identify most individuals included in the definition of covered borrows except for (4) below in next bullet.

Borrowers are defined as (1) regular or reserve member of the Marine Corps serving on active duty under a call or order that does not specify a period of 30 days or less, or such a member serving on Active Guard and Reserve duty as that term is defined, (2) the member's spouse, (3) the member's child as defined, (4) an individual for whom the member provided more than one-half of the individual's support for 180 days immediately preceding an extension of consumer credit.

### **Consult the Base Legal Office for further questions:**

Because the act applies to only certain situations, it is always best to consult the legal office on your installation if you think you have a defense under the SCRA.

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### SLIDE 16: ARMED FORCES DISCIPLINARY CONTROL BOARD

#### Armed Forces Disciplinary Control Board

- ◆ Gather information and formulate recommendations for CO concerning matters that adversely affect the health, safety, morals, welfare, morale or discipline of military personnel
- ◆ Areas may be declared "off-limits" to prevent military personnel from being exposed to or victimized by crime

#### INSTRUCTOR NOTES:

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

#### SECTION BACKGROUND INFORMATION

One of the ways in which Marines and their families are protected from unscrupulous business practices is through the Armed Forces Disciplinary Control Board (AFDCB).

**Purpose of AFDCB:** Boards are established at installations and bases to gather information and formulate appropriate recommendations for the commanding officer concerning matters that may adversely affect the health, safety, morals, welfare, morale or discipline of military personnel.

If, after investigation by the board, substantial information indicates that an establishment or area presents harmful conditions, the establishment or area may be declared off-limits to military personnel.

**Off-limits areas:** The establishment of off-limits areas is used by commanding officers to help maintain good order and discipline, health, morale, safety, and welfare of military personnel. Off-limits action is also intended to prevent military personnel from being exposed to or victimized by conditions that contribute to crime.

In certain circumstances, removal of an off-limits restriction occurs only after information is presented to the board indicating that satisfactory corrective action has been taken by the establishment.

### SLIDE 17: CREDIT AND DEBIT COLLECTION LAWS

#### Credit and Debt Collection Laws

Federal Truth in Lending Act	Fair Debt Collection Practice Act	Electronic Funds Transfer Act
<ul style="list-style-type: none"><li>• Requires lenders to provide a meaningful disclosure of all credit terms</li><li>• Allows consumers to comparison shop</li></ul>	<ul style="list-style-type: none"><li>• Protects against abusive debt collection practices</li><li>• Seek legal assistance for severe cases</li></ul>	<ul style="list-style-type: none"><li>• Provides protection to EFT users</li><li>• Establishes card holder liability regarding unauthorized transfers</li></ul>



#### INSTRUCTOR NOTES:

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

#### SECTION BACKGROUND INFORMATION

The federal government has enacted many laws to provide consumers with certain rights regarding credit and debt collections. Marines and their families need to be aware of the following major laws.

**Truth in Lending Act:** This act protects consumers by requiring lenders to provide a "meaningful disclosure of all credit terms." For closed-end credit transactions (a one-time purchase or a loan for a set amount payable over time), disclosures include the identity of the creditor, the amount financed, the annual percentage rate, the finance charge, the total of payments, the payment schedule, and any penalties. For open-end credit transactions (a line of credit for multiple purchases payable over time), disclosures include

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the annual percentage rate, the method of determining finance charges and the balance upon which finance charge is imposed, the security interests and the statement of billing rights.

This information allows consumers to comparison shop for the best terms and rates. It is important to note that the act does not regulate the amount that lenders may charge for credit.

**Fair Debt Collection Practices Act:** The purpose of this act is to eliminate abusive debt-collection practices, ensure that those collectors who refrain from using abusive debt-collection practices are not completely disadvantaged, and promote consistent state action to protect consumers against debt-collection abuses. This act applies to debt collectors, a business for which the principle purpose is the collection of any debts, or those who regularly collect debts owed to others.

Debt collectors may not:

- Harass, oppress, or abuse any person by making threats of violence, using obscene or profane language, or by repeatedly using the telephone to annoy.
- Call before 8 a.m. or after 9 p.m.
- Make any false statements when collecting a debt.
- Engage in unfair practices in attempting to collect a debt by depositing a postdated check before the date on the check or by taking a debtor's property unless done legally.

Debtors have the right to notify a debt collector in writing to have no further contact with them. The law allows the collector one final contact, usually to invoke a specific remedy. If the collector continues to contact the debtor after a written request has been made to cease all contact, the debtor has the right to report the violation to the Federal Trade Commission (FTC) for action. In cases like these, Marines should seek assistance from the Base Legal Office.

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**Electronic Funds Transfer Act:** Provides protection to electronic fund transfer (EFT) users. Affects the use of many point of sale (POS) transfers, ATM transfers, direct deposit or withdrawal of funds, transfers initiated by telephone, debit cards, and credit cards used as debit cards. A major principle of this act regards cardholder liability for unauthorized transfers. Consumers are liable for only the first \$50 of unauthorized use if they notify the company within two business days of discovering the loss or theft. If the consumer notifies the issuer between two and 60 days after the loss or theft, the liability rises to \$500. If the consumer fails to notify the issuer within 60 days, the liability can be unlimited (notification can be oral or written). This differs from liability for unauthorized use of a credit card under the Fair Credit Billing Act or the Truth in Lending Act.

### SLIDE 18: ADDITIONAL CREDIT LAWS

**Additional Credit Laws**

Fair Credit Billing Act	Fair Credit Reporting Act	Equal Credit Opportunity Act
<ul style="list-style-type: none"><li>• Helps resolve disputes over billing errors, unauthorized users.</li><li>• Ensures fair handling of accounts</li></ul>	<ul style="list-style-type: none"><li>• Ensures that credit information reported to businesses is complete and accurate</li><li>• Gives consumers the right to dispute inaccuracies</li></ul>	<ul style="list-style-type: none"><li>• Provides the granting of fair credit</li><li>• Prohibits discrimination in applying for credit</li></ul>

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

### SECTION BACKGROUND INFORMATION

**Fair Credit Billing Act:** This act helps consumers resolve disputes with creditors over billing errors, including transactions by unauthorized users, and ensures the fair handling of credit accounts. Billing errors (mistakes) include charges made by an unauthorized user, charges for goods or services not accepted by the consumer, computation errors, and charges for the wrong amount or on the wrong date. The creditor will investigate the allegation of unauthorized use, and if they find it valid, the maximum liability is \$50.

**Fair Credit Reporting Act:** This act ensures that consumer credit reporting agencies furnish correct and complete information to businesses for use in evaluating applications for credit, insurance, or employment. Mistakes do occur, and you are wise to check your report periodically and correct any erroneous information. Among other things, this act gives you the right to see a credit bureau file and to dispute the completeness or accuracy of the report. It also requires disclosure of the name and address of any credit-reporting agency that supplied information about you. Further, it gives you the right to put a 100-word statement on your credit report.

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**Equal Credit Opportunity Act:** Provides for credit being granted to all consumers in a fair and equitable manner. The act prohibits discrimination based on sex, marital status, race, national origin, religion, age or the receipt of public assistance. It also prohibits women from having to reapply for credit due to separation or divorce. Therefore, a woman should contact their local credit reporting companies to make sure all relevant bill payment information is in a file under their own name. A person can still be denied credit if they fall into one of these categories, but a poor credit history is the only allowable reason for denial of credit.

### SLIDE 19: LETTERS OF INDEBTEDNESS

#### Letters of Indebtedness

- ◆ May be sent to Marine's unit by creditor, seeking assistance for collection of debt
- ◆ Commanding officer cannot order Marine to pay
- ◆ If failure to pay a debt is considered irresponsible the commanding officer can take action under UCMJ which may affect your career
- ◆ Avoid LOIs
  - Seek assistance from CFS or PFM
  - Develop financial plan
  - Keep debt payments at an affordable level

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

### SECTION BACKGROUND INFORMATION

Marines are expected to pay their just financial obligations in a proper and timely manner. If a Marine owes a debt to a creditor, the creditor may send a Letter of Indebtedness (LOI) to the Marine's unit and request assistance in collection of the debt. However, the commanding officer cannot order a Marine to pay a creditor.

An LOI gives a signal to the command that a Marine may be having financial difficulties. If left untreated, these difficulties can result in further collection efforts, garnishments, or even bankruptcy. The individual is usually referred to their Command Financial Specialist (CFS) for action, and the Marine can anticipate some inquiry into the nature of the letter and the status of the debt.

Depending upon the circumstances, if the Marine fails to pay what is owed and it is considered irresponsible, the commanding officer may choose to take administrative or punitive action under the Uniform Code of Military Justice (UCMJ). The Marine must also be made aware that failure to pay just debts may be considered evidence of irresponsibility, which may adversely affect a career or result in the loss of a security clearance. However, the CO cannot order a Marine to pay a creditor.

**Avoiding LOIs:** Marines can avoid LOIs to their commands by developing and using a personal financial plan and keeping debt payments down to an affordable level. As a reminder, your CFS is a great first stop for assistance in developing your personal financial plan.

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### SLIDE 20: BANKRUPTCY LAWS

**Bankruptcy Laws**

- ◆ Cases handled in federal court
- ◆ Filing immediately stops all creditors
- ◆ Chapter 7 bankruptcy
  - Liquidation of property to pay creditors
  - Four to six months for process; costs vary
  - Must complete credit counseling and debt education course
- ◆ Chapter 13 bankruptcy
  - Individuals who cannot qualify for Chapter 7
  - Repay portion of total debt in specified time in exchange for keeping assets

◆ Engage a lawyer!

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#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

#### What is bankruptcy?

Bankruptcy is a legal proceeding provided by federal law, in which individuals who cannot pay their bills can get a fresh financial start. All bankruptcy cases are handled in federal court. Filing for bankruptcy immediately stops all creditors from seeking to collect debts from you (called an automatic stay) or at least until your debts are sorted out according to the laws.

**Types of bankruptcy:** There are two types of bankruptcy typically filed by individuals, Chapter 7 and Chapter 13.

- **Chapter 7 bankruptcy:** Chapter 7 bankruptcy involves the complete liquidation of the individual debtor's property to pay off creditors and wipe out debts. The individual is then given a fresh start. The filing process takes about four to six months and the cost can vary but starts at about \$300. Individuals must agree to go through credit counseling with an approved agency and complete a debt education course.

Not all debts are discharged in a Chapter 7 bankruptcy. Mortgages and car payments are usually debts that the individual will still owe. While you may not be forced to sell your home, it may still go into foreclosure, depending on your individual situation.

You should see a bankruptcy attorney when you have any questions about or are considering filing bankruptcy where real estate involved.

Child support, spousal support, back taxes that are less than three years old and any judgments from a court are generally not discharged either. Student loans may be discharged, but only if the debtor is able to show extreme hardship, which is difficult to prove.

- **Chapter 13 bankruptcy:** Chapter 13 is another form of personal bankruptcy that is usually an option for individuals who cannot qualify for Chapter 7. The most important thing to remember with Chapter 13 bankruptcy is that it does not discharge debt like

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Chapter 7. An individual will repay at least a part of the total debt they owe during a period of time, in exchange for keeping their assets.

Individuals are required to fulfill the terms of the repayment, which can extend from three to five years. When this period of time ends, any remaining debt originally owed will be forgiven or discharged. This means Chapter 13 bankruptcy may allow you to keep your home and other possessions. It may also not be as damaging to credit as Chapter 7. Changes to the bankruptcy code in 2005 made it harder for some individuals to file for Chapter 7. As a result, Chapter 13 has become a common form of bankruptcy.

It is strongly advisable to engage a lawyer during these processes.

### SLIDE 21: ADVANTAGES AND DISADVANTAGES

#### Advantages and Disadvantages

##### Advantages:

- ◆ Stops all legal actions against the debtor
- ◆ Eliminates legal obligation to pay most or all of debts
- ◆ Stops foreclosure

##### Disadvantages:

- ◆ Can adversely affect security clearance and other job positions
- ◆ Stays on your credit report
- ◆ Is a matter of public record



#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

Before considering applying for bankruptcy, you will want to weigh the advantages and the disadvantages.

#### Advantages:

- **Stops all legal actions against the debtor.** No new legal action can be started against the debtor by creditors. It also stops the creditors, who have been given notice of the bankruptcy, from contacting the debtor or anyone else besides the debtor's attorney.
- **Eliminates the legal obligation to pay most or all of your debts.** Most debt may be discharged, and in the case of Chapter 13, the debtor may be able to keep most of his or her property through federal or state exemptions.
- **Stops foreclosure.** In most situations, foreclosure stops on the debtor's house or mobile home, allowing them an opportunity to catch up on missed payments. Additionally, in certain instances, certain liens and involuntary transfers such as garnishments may be avoided if timely action is taken.

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### Disadvantages:

- **Can adversely affect a security clearance and other job positions.** One of the top disadvantages for a Marine is that it may adversely affect your security clearance and may prohibit you from ever holding certain positions inside the Marine Corps and in the civilian job market as well.
- **Stays on your credit report.** Bankruptcy information is usually reported to general creditors for a period of 10 years. After the 10-year mark, bankruptcy information can be reported when applying for a mortgage or other loan over \$150,000, when applying for life insurance policies over \$150,000, and for some job applications. It is important to be aware that your financial decisions can impact your credit history and may have ramifications, in some instances, for more than ten years.

A person may not file for Chapter 7 for another eight years or Chapter 13 for another four years.

- **Is a matter of public record.** Bankruptcy filings are a matter of public record (open to the public). This may cause some individuals embarrassment since they must submit to a public examination about their financial affairs. There is also a stigma often attached to bankruptcy that the individuals are financially and socially irresponsible.

A bankruptcy should not be undertaken by a Marine or their family lightly. Although the bankruptcy laws exist for a reason, bankruptcy is a final resort and should be pursued *only* after all other options have been ruled out. If you or someone in your family is considering a bankruptcy, it is advisable to first contact the Base Legal Office or a private attorney to discuss your personal situation and help you make an informed decision. Working in conjunction with the Base Legal Office and a PFM can possibly help you avoid bankruptcy.

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### SLIDE 22: RESOURCES

**Resources**

- ◆ Base Legal Office
  - Military legal assistance locator at <http://legalassistance.law.af.mil/content/locator.php>
- ◆ Marine Corps Community Services - PFM
- ◆ Your unit CFS
- ◆ Federal Trade Commission
  - <http://www.ftc.gov/index.shtml>

#### INSTRUCTOR NOTES:

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

### SECTION BACKGROUND INFORMATION

The following resources are a good place to start for more detailed information on the legal and financial issues discussed throughout the training:

- **Base Legal Office:** Can assist Marines and their families with any legal issue. The following website can assist you in locating military legal assistance in your area.  
<http://legalassistance.law.af.mil/content/locator.php>.
- **MCCS Personal Financial Management (PFM) Specialists and your unit CFS:** Have education and training in all areas dealing with financial management. They are also a great resource for assisting you in developing your own personal financial plan, which can help you manage your finances effectively and avoid many of the legal issues we discussed today.
- **Federal Trade Commission (FTC):** The FTC is a great civilian resource for assisting consumers in understanding the law and exercising their rights. More information on the FTC can be found by visiting their website at <http://www.ftc.gov/index.shtml>.

### SLIDE 23: SUMMARY

**Summary**

- ◆ A little knowledge can go a long way!
- ◆ Know your responsibilities
  - exercise your rights!
- ◆ Seek assistance

#### INSTRUCTOR NOTES:

1. If time permits, the instructor may choose to conduct the optional learner activity outlined below.

### SECTION BACKGROUND INFORMATION

Today we have covered different areas of personal finance where legal issues can arise. You are not expected to be legal experts; however, a little knowledge can go a long way when it comes to your legal rights and responsibilities.

To help apply what we have learned today, here are a few common scenarios:

#### Are they heading for trouble?

1. A Marine is separated from her spouse. The spouse has custody of their one child. The Marine and the spouse are arguing over how much child support should be paid. The Marine decides not to pay anything to the spouse until there is a court decree. She continues to live in their apartment and receive BAH at the with-

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2. If the activity is not conducted, proceed to the “closing comments” at the end of the summary.
3. Distribute the “Session Evaluation” handout to participants. Ask that they complete it and return it to you before they leave.
4. Recap the discussion you have had during the session.
5. Answer any remaining questions the participants may have.

### **Optional Learner Activity:** Heading for Trouble?

**Purpose:** A worksheet activity requiring learners to apply what they have learned to common situations they may encounter.

**Time:** 5-10 minutes

**Materials:** Pencils, and the “Heading for Trouble?” handout.

**Procedure:** Provide each learner with a pencil and a “Heading for Trouble?” handout. Time permitting, the instructor may choose any of the scenarios provided (including the bonus question) for the participants to answer. Participants may work individually or in smaller groups, or the activity can be done as a whole group. Give the participants a couple of minutes to write their responses on the handout provided. Review the

dependents rate. Is she heading for trouble?

**Yes. She needs to pay, at a minimum, the difference between BAH with dependents and BAH single (if she is authorized to receive it).**

2. A Marine wakes up one Saturday morning and decides to go out and buy his dream car. While on the lot, the salesperson tells the Marine to sign the retail installment sales contract and a promissory note as well as a few other miscellaneous documents. He also recommends the Marine purchase a service contract to keep the car running smoothly. The Marine is late for a date and, since he trusts the salesperson, he signs all of the documents without reading them. Is he heading for trouble?

**Yes. Never sign a legal document without reading the whole thing and understanding it. Before signing, take contracts to your Base Legal Office to have them reviewed. He may probably find he does not need the service contract.**

3. A very junior Marine is having difficulty paying bills he incurred prior to joining the Marine Corps. Some of the debts have interest rates as high as 20 percent. Is he heading for trouble?

**Maybe not. The Marine may be able to get the interest rate reduced under the Servicemembers Civil Relief Act. He needs to consult with his Base Legal Office and also seek debt-management counseling from his CFS, MCCS PFM Specialist, or a local consumer credit counseling service. There may also be a letter of indebtedness sent to the commanding officer in the future if he doesn't take action.**

4. A Marine and her husband are moving into an apartment and sign a lease without a military clause. Are they heading for trouble?

**Yes. They could owe a lot of money if they are transferred suddenly, depending on the terms of the lease. Ensure that there is a military clause, and get leases checked out by the Base Legal Office before**

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selected scenarios, using the answers provided in the column to the right. After completing the activity, continue with the remaining discussion points to summarize and end the training.

***signing. The Servicemembers Civil Relief Act could be a protection.***

5. A Marine and her husband are moving into government quarters. They think that the government will pay for any damage to personal property if there is a disaster, such as a fire or flood. Are they heading for trouble?

***Yes, if they do not have any renters insurance and a disaster should occur. For a few dollars a month, it is worth it to get the coverage offered under a renter's policy.***

6. A Marine living in the barracks has fallen three months behind on support for his estranged spouse and baby son, who are living in military housing. His commanding officer orders him to pay a specified dollar amount of his gross pay each month. Is anyone headed for trouble?

***Yes. The Marine needs to pay the child support. Since he is behind three months, he could be facing an involuntary allotment. They both need to find out how long the spouse and son can live in housing. His CO cannot order the Marine to pay a specified amount for child support under the guidelines set in MCO P5800.16A, Marine Corps Manual for Legal Administration. It is meant as a guideline in the absence of a court order. Since there is a court order, that will take precedence.***

### Bonus

A Marine is buying a used car and asks the salesman for a copy of the unsigned contract to take to his legal office prior to him signing it. Is he heading for trouble?

***No. This is the right thing to do. If the salesman will not provide a copy, try another dealer.***

**Closing comments:** While you are in the Marine Corps, you are expected to pay your just debts in a proper and timely manner. You are also expected to support your legal dependents. Although you have many responsibilities, you

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also have many rights: some that all Americans are afforded, and some that are specific to you as a Marine (such as those rights under the Servicemembers Civil Relief Act). Take some time to become familiar with your rights in the important areas that we covered today.

Marines and their families can avoid many legal complications by being aware of their responsibilities and exercising their rights under the law!

As always, do not forget, when you have specific legal questions that need to be answered, seek counsel from an attorney. Make an appointment with the Base Legal Office on your installation. Since the topics we covered today often vary by state, be sure to find out the most up-to-date information to see whether there have been additions or changes in the laws for the state in which you reside.

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