

# **\$ Dollars and Sense \$**

## **Consumer and Financial Empowerment Guide for Survivors of Domestic Violence**



**Office of the New York State Attorney General**

**Summer 2006**

## ***Introduction***

Domestic violence often raises serious economic consequences for victims and their children. Unfortunately, abusers frequently retain control over their victims by fostering economic dependence. They have been known to sabotage access to credit, checking accounts, employment, insurance and other resources. Some purposefully damage a victim's good name and credit record.<sup>1</sup> These economic realities make it harder for victims to escape the abuse, recover from the assault and rebuild their lives. Further, for some who are able to sever ties with their abuser, the lack of financial and consumer knowledge produces additional economic hardships. And, studies indicate that one of the best indicators of whether a victim will be able to stay away from the abuser is the degree of economic independence.

Victims of stalking also live in constant fear. Many lose time from work or never return to work, and some are forced to relocate and start over to protect themselves. The stalker, just like the abuser, is desperate to maintain or regain control over the victim. Further, economic factors may affect a victim's response to stalking. Immigrant victims of stalking, for example, may fear reporting their victimization because of concerns relating to child care and supporting their families abroad.

Thus, this guide provides important information on consumer rights, budgeting assistance, saving goals, home ownership and purchasing strategies in a user-friendly format to help ease the economic repercussions of domestic or intimate partner violence. The information will also enable survivors to evaluate products and services in the marketplace and identify those that best suit their needs and circumstances. An orientation CD-ROM accompanies the manual to provide an overview of several topics.

With this resource, advocates can help survivors expand their access to economic assets and safeguard their consumer rights. This tool is intended to empower survivors and increase their economic capacity and security so that they can live an independent and violence-free life.

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<sup>1</sup>See, e.g., Jody Raphael and Richard M. Tolman, Ph.D (1997), *Trapped By Poverty, Trapped By Abuse: New Evidence Documenting the Relationship Between Domestic Violence and Welfare*. Chicago, IL/Ann Arbor, MI: Taylor Institute and University of Michigan Research Development Center on Poverty, Risk, and Mental Health; Jody Raphael (1996), *Prisoners of Abuse: Domestic Violence and Welfare Receipt (A second Report of the Women, Welfare, and Abuse Project)*, Chicago, Ill: Taylor Institute.

# \$ Dollars and Sense \$

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# **FINANCIAL AND CONSUMER LITERACY**

## **MAKING ENDS MEET: OAG BUDGETING AND SAVING REFERENCE GUIDE**

***Introduction of Topic:*** Financial independence – the ability to earn an income, manage a budget, save and invest in your future – can help you free yourself from an abusive relationship. Many women stay in abusive relationships for fear of poverty or significantly lowering their standard of living. Having the courage to take charge of your financial life will help you achieve independence and create a safe and healthy environment for you and your children. It will also enable you to take control of credit and ready yourself to buy a home or make another large purchase. Managing your personal finances and juggling the many different financial aspects of your life can be challenging. But it can also be empowering. This guide will help you get started with tips on budgeting, cutting expenses, saving for education and retirement and maximizing your tax benefits.

### ***Where Do You Begin?***

A good first step is to assess your current financial situation. Start by taking stock of how much money you have saved, as well as your possessions, assets, liabilities and net worth. This process will help you work toward creating a financial plan that will allow you to take control of your financial future.

### ***What is an Asset?***

An asset is a possession that may increase in value over time. Some examples include:

- ▶ Savings accounts
- ▶ Stocks, bonds and other investments
- ▶ Property, such as a house
- ▶ Retirement plans

### ***What is a Liability?***

A liability is a form of debt for which you continually owe money. For example:

- ▶ Car loans
- ▶ Credit card balances
- ▶ Home mortgages
- ▶ Medical, dental and hospital bills
- ▶ Student loans

### ***What is Net Worth?***

Your net worth is what remains when you subtract your liabilities from your assets. To make this calculation easier, you can create a balance sheet like the one below:

<b>Assets</b>	<b>Total</b>
Savings Account	\$ 2,500
Market Value of Your House	\$105,000
Cash	\$ 500
401(k) Retirement Plan	\$ 15,000
Investments in Stocks and Bonds	\$ 2,000
<b>Total</b>	<b>\$125,000</b>

<b>Liabilities</b>	<b>Total</b>
Car Loan Balance	\$ 8,000
Student Loans	\$ 25,000
Credit Card Balance	\$ 3,000
Home Mortgage (amt. to be paid off)	\$ 70,000
Miscellaneous	\$ 2,000
<b>Total</b>	<b>\$108,000</b>

$$\text{Assets } (\$125,000) - \text{Liabilities } (\$108,000) = \text{Total Net Worth } (\$17,000)$$

### ***How Do You Begin to Manage Your Money?***

Writing down your goals is the best way to start making financially smart decisions. Next to each goal you should jot down all related expenses. For example, finding a part-time job may require you to purchase a new suit and arrange for babysitting or daycare services. The cost of a new car is more than what is written on the price tag – you need to consider insurance, parking and driving tolls, license plates, monthly payments, maintenance, gas and all other related costs. Once you have thought about and written down all your goals, divide them into three separate columns: **short-term**, **mid-term** and **long-term**. Think about the things you value most – such as health, education, being debt-free, owning a house, taking care of your children and parents, retiring comfortably and having an emergency fund – and put those at the top of your list. Try to approximate costs associated with these goals and indicate dates for achieving them.

#### ***What are Your Short-Term Goals?***

Short-term goals consist of anything you desire to purchase, accomplish or obtain over the next few weeks or months. This can mean anything from purchasing a computer, to fixing your car, to finding a new insurance plan.

#### ***What are Your Mid-Term Goals?***

These are goals that will take several months to a year to accomplish. For example, applying to a school, finding an apartment or saving for a special trip or treat.

#### ***What are Your Long-Term Goals?***

Long-term goals might include a comfortable retirement, college for your children or support for your elderly parents. These goals are important to identify early on so that you can begin saving.

### ***What is a Budget?***

A budget is a strategy for spending and saving money in a way that allows you to reach your goals. The budget should include your income and expenses and a running tally of what you have earned and how much you have spent. It must include repayment of any debt. Some debt requires a set monthly payment while other types of debt (e.g., credit card) permit you to pay a minimum amount each month. Paying more than the minimum payment each month will save you money. Be patient; remember, balancing a budget takes practice and time.

### ***What is Your Income?***

Your income includes any monies you receive, including your net salary, interest on your savings, returns on investments, money gifts and public assistance. When calculating your income, be sure to use your net salary rather than your gross salary.

- ▶ **Gross Salary** is the full amount of money you are paid by your employer prior to the deduction of taxes, Social Security and health insurance fees.
- ▶ **Net Salary** is the amount of money you earn after all deductions have been made, such as state, federal and local taxes, Social Security, insurance and union dues. This is also known as your "Take Home Pay."
- ▶ **Income Taxes** are monies paid to the federal, state and local governments to cover the costs of schools, libraries, roads, the military and other services that generally benefit all citizens.

### ***What Are Your Expenses?***

Anything you spend money on is considered an expense, including rent, utility bills, meals and transportation.

- ▶ **Fixed Expenses** are expenses you have to pay for on a consistent basis, such as your rent, car payments, insurance and loans. Fixed expenses do not change unless your circumstances change.
- ▶ **Variable/Flexible Expenses** are expenses that you can control, such as groceries, gasoline, utilities and credit-card payments.
- ▶ **Luxury Expenses** are expenses you choose to make, including entertainment and dining out. To keep better track of your expenses, you may want to categorize them as weekly, monthly and annual. Your weekly expenses may include transportation and food. Your monthly expenses may include rent, utility bills, credit card bills, student loans, car loans and clothing. And your annual expenses may include taxes and insurance. If you know when you will incur these expenses, you will be able to plan ahead and put enough money aside to pay them when they arise.

**Take Stock:** Now that you have accounted for your income and expenses, it is time to compare them and calculate the difference between your estimated monthly income and your estimated monthly spending. That number will be either positive or negative. To maintain your household and reach your goals, your income must be greater than your expenses. A positive number allows you to pay off debt and put aside some money for savings, which will improve the quality of your life and meet any unexpected needs. And by investing or depositing your savings in the bank, your money will grow over time. A negative number means that your expenses are greater than your income. In that case, you should try to reduce your spending and/or increase your income to avoid going into serious debt.

### ***What does a Budget look like?***

<b>Income</b>	<b>Total/month</b>	<b>Expenses</b>
<b>Total/month</b>		
Net Salary		Housing (Rent or Mortgage)
Tips and Bonuses		Groceries
Child Support		Electricity/Gas/Water
Unemployment		Telephone
Social Security or SSI		Transportation
Public Assistance		Child Care
Food Stamps		Medical Bills
Gifts		Credit Card
Tax Refund		Loan Payments/Education
Interest from Savings		Personal Expenses (Clothing, Dry Cleaning, Haircuts)
Other		Other (Entertainment, Vacation)
<b>Total</b>	<b>\$ Monthly Income – \$ Monthly Expenses = Potential Savings</b>	

### ***Tips on Increasing Your Income:***

- ✓ Work additional hours (or overtime); find a higher paying job or a second job.
- ✓ Turn a hobby or skill into an income-producing, part-time business.
- ✓ See if you qualify for financial or other support from public and private sources.
- ✓ Take courses to help you find a higher-paying job or get a promotion. Not-for-profit organizations and libraries may be able to assist you in finding free training. If you belong to a union, ask if it provides scholarships for you to attend college or vocational classes.

### ***Tips on Cutting Your Expenses***

Decreasing your expenses may seem challenging, especially when you are going through a period of transition, but it is well worth it. Eliminating debt and building savings is the key to financial security. Begin by writing down everything you purchase for an entire month. To cut your expenses, you may first want to look at reducing your flexible and luxury expenses. For example, by simply taking your coffee to work from home or making it at work instead of buying it at a coffee shop, you can save several hundred dollars per year. Ask yourself: Do I "need" or "want" the things I buy. Beware of advertising that makes you think you need their product or shopping on impulse as a result of feeling sad.

- ✓ Do not tempt yourself by walking into a store needlessly and risk spending money on things you want instead of the things you need.
- ✓ Make shopping lists ahead of time and stick to them. When tempted, ask yourself whether you "need" the item. Purchase store brands over the more expensive products. Use coupons, but only if they will save you money for items on your list.
- ✓ Use cash to pay for goods. Avoid using credit cards.
- ✓ When you find an amazing sale on items you need, stock up!
- ✓ Buy used clothing, furniture, appliances and household items. Look around for garage sales, thrift stores and flea markets where you can find great deals.
- ✓ Always ask about discounts, coupons or sales.
- ✓ Keep lights off in empty rooms and disconnect appliances not being used to save money on your electric bill. Use low-wattage fluorescent bulbs.
- ✓ Find out whether your utility company offers "budget billing" to keep your bills affordable and consistent throughout the year.
- ✓ Consider discontinuing or reducing cable, cell phone and pager services.
- ✓ Avoid eating out and bring your breakfast and lunch to work.
- ✓ Beware of check-cashing stores, pawnshop loans and rent-to-own stores. Many charge high interest rates and fees.
- ✓ Trade or barter for things such as babysitting, meal preparation and house cleaning with friends or neighbors.
- ✓ Set weekly or monthly allowances for spending and stick to them.

### ***How Can You Capitalize on Your Savings?***

When trying to make ends meet it always seems difficult to save more. But saving even small amounts can make a big difference to your financial security, especially if you invest or deposit your savings in an interest-earning account or bond.

- ▶ **Saving for the Unexpected** – Creating an emergency fund in your savings account or an interest-earning money market fund will help cover living expenses in the event that you are laid off, in-between jobs, handed a large medical bill or faced with other emergencies. Depending on your situation, aim to save at least three to six months' worth of money for living expenses. You may begin by putting aside a portion of each paycheck – \$20 or \$50 – before you make any purchases. Depositing your loose change, overtime pay, bonuses or tips in your account at the end of each month is another good way to start. There are many vehicles in which to save your money, some involving risk and providing a greater return:

**\*Certificates of Deposit** or "CDs" are issued by banks and are the easiest way to save if you don't need immediate access to your money. They usually pay a higher interest rate than traditional savings or money market accounts. Generally, the longer the deposit term the higher the interest rate.

**\*U.S. Savings Bonds** are government treasury issues in various face value denominations. They earn interest and are good for long-term saving. You can purchase bonds for a small amount of money – the minimum investment is \$25. Bonds are issued in various series with interest awarded in different ways. They involve less risk than most investments because both principal (the amount you deposit) and interest are guaranteed by the United States government, and lost, stolen or destroyed bonds can be replaced. They are convenient to purchase – you can buy savings bonds at most financial institutions, through payroll savings plans or the government website [www.savingsbonds.gov](http://www.savingsbonds.gov). There are no commissions or similar fees. Interest is exempt from state and local income tax, and federal income taxation can be postponed until you cash your bond or until it stops earning interest in 30 years. If necessary, you may cash in a bond after six months.

**\*U.S. Treasury Bills and Notes** are securities sold by the federal government to raise money to operate the government and pay off debt. Like savings bonds, these instruments are safe investments because they are backed by the U.S. government. The minimum amount required to buy a Treasury bill, note or bond is \$1,000. Treasury bills (T-bills) are short-term securities that mature in one year or less. Bills pay interest only at maturity. Thus, you buy them for less than par (face) value and upon maturity, you receive face value. Treasury notes mature in 2-10 years, while Treasury bonds mature in 10-30 years. Both notes and bonds pay a fixed rate of interest every six months until the security matures. Par value is repaid when the security matures. These securities can be purchased at auction or through a broker. There are no fees if you purchase them through the government. Check at the Bureau of Public Debt, [www.publicdebt.treas.gov/sec/sec.htm](http://www.publicdebt.treas.gov/sec/sec.htm).

**\*Municipal Bonds** are interest-bearing securities issued by states, counties and cities. These instruments are used to fund local public projects such as schools, roads, libraries, hospitals and sewer systems. The income you earn on a municipal bond is usually exempt from federal taxes, and if you buy a bond issued by the state in which you live, it is usually exempt from state and, sometimes, local taxes, as well. The downside is that municipal bonds are usually offered at a lower yield than equivalent taxable bonds and take a long time to mature. Additionally, they tend to be riskier investments than U.S. Savings Bonds and other treasury notes. However, they are usually more secure than corporate bonds.

**\*Mutual Funds** are various diversified investments allowing individual investors to pool their dollars. They are professionally managed. Before investing, do your research on the management firm and fund. Beware of high-pressured sales tactics.

**\*Stocks** are investments that represent a share of ownership in a company. The value of the stock may increase or decrease based upon the success or perceived success of the corporation. Stocks can generate high rewards, but are also high risk. Before investing, research the company and take note of high-pressured sales tactics.

**\*Collectibles** may be coins, stamps, artwork or other items that can be bought, held and sold, depending on supply and demand. Before buying collectibles, do your research to ensure that they are authentic and being sold at a good price.

**\*Commodities** are life's basics, such as food, wood and metals, that can be purchased in contract form to speculate on future world demands or to hedge against present investments.

- ▶ **Saving for College** – New York State provides a number of ways to help families save money toward their children's college tuition. The *New York State College Savings Program* allows individuals and families to save for higher education expenses at public and private colleges, business, trade, technical or other schools in New York State and across the

country using various tax-deferred investment approaches. You may open an account for as little as \$25. Qualified withdrawals are exempt from federal and state income taxes, and contributions (up to \$5,000 single filers, \$10,000 joint filers) are deductible for New York State income tax purposes. The plan also features an option whereby you can earn more money for school while making everyday purchases at various retail establishments. Participation in the plan does not affect eligibility for the New York State Tuition Assistance Program (TAP) or any other New York State financial assistance program. The program is overseen by the State Higher Education Services Corporation. Another option is the *Coverdell Education Savings Account* which allows anyone, including you, your family, friends and relatives, to contribute up to \$2,000 into a child's account totally tax-free.

### **Why Should You Plan for Retirement?**

It is especially important for women to plan ahead for retirement. Women outlive men an average of six years, yet most women earn less in the workforce. For every year a woman stays home to care for a child or elderly parent, she has to work an average of five years to make up for lost income, pension and career promotion.

(Source: *National Center for Women and Retirement Research, 1997.*)

### ***How Much Money Will You Need Once You Retire?***

While some expenses will go down or disappear, such as commuting to work and taking care of children, new expenses may arise, such as medical bills, new hobbies or travel. Retired individuals generally need about 70 percent of their pre-retirement income, but that can vary depending on your personal situation and place of residence. Also, you should not rely on Social Security benefits because they are subject to change, as are federal laws governing retirement savings plans.

### ***Where does Retirement Money Come From?***

Typically retirement money comes from several sources:

- ▶ Social Security benefits
- ▶ Savings accounts and investments
- ▶ Retirement savings plans
- ▶ Special retirement accounts – Contribute to as many funds as possible. Some plans allow you to make tax-free contributions or withdrawals from your retirement fund.

**You should consult with financial professionals when you are planning and investing for retirement.**

### ***What is a 401(k)?***

The 401(k) plan is an employer-sponsored retirement plan named after a section of the Internal Revenue Code. It allows you to save for your retirement while deferring any immediate income taxes on the money you save or earn on that investment until you withdraw it. Many employers offer 401(k) investment options that allow you to choose from several investment plans varying in risk. The idea is quite simple: you automatically contribute a certain percentage of your before-tax income to the 401(k), reducing the amount of your income that is subject to federal and state taxes, and your employer matches a portion of every dollar you invest (up to a certain amount). Since you do not pay taxes on the investment's growth, your money grows more quickly. And because the money is automatically deducted from your paycheck, you miss it less and have one fewer thing to think about. However, in most cases, there is a significant penalty if you withdraw money from the account prior to retiring.

***What is an Individual Retirement Account (IRA)?***

An IRA is a retirement plan set up and controlled by individuals, rather than employers. If you choose to invest in an IRA, you will make the decisions about how your money is invested. Generally, you can contribute up to \$4,000 per year to an IRA. The money you invest is deductible from your taxes if you are not covered by another retirement plan at work and are under the age of 70, or if your income is below a certain limit. This means you will not pay income taxes on the money you invest. There is a penalty if you withdraw money early from a traditional IRA, unless your withdrawal is for certain expenses such as higher education, purchasing a home, unreimbursed medical expenses or medical insurance premiums if you are employed.

***Domestic Violence and Tax Liability******Will You Be Responsible for Paying Taxes as a Victim of Domestic Violence?***

- ▶ If you earn an income, you will be held responsible for paying annual income taxes and notifying the IRS (Internal Revenue Service) of an address or name change.
- ▶ You are not obligated to file a joint return with your partner or spouse, even if you are married. You always have the choice of filing a separate return.
- ▶ You are entitled to copies of prior tax returns, and you have a right to see copies of all primary and supporting documentation before signing a joint tax return.
- ▶ If you separate or divorce, move, go back to school or get a new job, check to see how your taxes are affected. Consult a professional.

***What Are Your Options When Filing Taxes?***

- ▶ **Federal Innocent Spouse Relief** – Normally, both spouses are liable for taxes owed or complications that arise if they filed together – even if they later divorce, or if the transactions of only one spouse increase the amount of taxes due. However, if your spouse's unreported income or erroneous deductions lead to a larger bill from the IRS, you may be relieved of liability for paying any tax, interest and penalties in the form of "**Innocent Spouse Relief.**" You must establish that at the time you signed the joint return you did not know, and had no reason to know, or that it would be unfair to hold you liable for the understatement of tax. To apply, fill out Internal Revenue Service (IRS) Form 8857 no later than two years after the IRS first billed you. When completing the form, you may want to consider checking the box in Part 1 confirming that the taxpayer has been a victim of abuse and fears that innocent spouse consideration could produce retaliation. You are also able to further explain your concerns in a statement. More information is available in the IRS publication 971, available at [www.irs.gov](http://www.irs.gov). *Note that your spouse will be informed when you file for Innocent Spouse Relief, but information that is not related to your claim, such as your name, address, employer, phone number, etc. – cannot be disclosed.* Further, because the IRS has centralized all innocent spouse correspondence, the abuser will not be able to guess the whereabouts of his or her former partner through the postmark or location of the IRS.
- ▶ **NYS Innocent Spouse Relief** – If your spouse's unreported income or erroneous deductions lead to a larger tax bill, you may also be relieved of New York State tax liability. To qualify, you must show that you did not know and had no reason to know of the understatement when you signed the return and that it would be unfair to hold you accountable for the understated tax. (An understatement of tax is generally the difference between the total amount of tax that should have been reported on your return, and the amount of tax that was actually reported on your return.) You will generally qualify for this relief if you already received innocent spouse relief from the IRS; simply attach documentation proving that innocent relief was granted for federal purposes to Form IT-285.

- ▶ **Federal Earned Income Tax Credit (EIC)** – If you are working, have children and receive a low income, you may qualify for the Earned Income Tax Credit (EITC), which can reduce the amount of taxes you owe and even qualify you for a refund. If you are married but filing separately, you are not eligible unless your spouse did not live in your house for the last six months, in which case you may be able to file as "head of household." See IRS publications 501 and 596, available at [www.irs.gov](http://www.irs.gov), for more information.
- ▶ **NYS Earned Income Credit (EIC)** – According to the NYS Department of Taxation and Finance, if you claimed earned income credit on your federal return, you may qualify for the NYS Earned Income Credit. State residents and part-year residents qualify for refunds of any earned income credit in excess of their New York State tax liabilities. The NYS EIC is equal to 30 percent of the Federal EIC. To apply, you must complete *New York State IT-215 "Claim for Earned Income Credit"* and attach it to your state income tax return (Form IT-200, IT-201, or IT-203; if filing an IT-100, complete the applicable section on the back of the document.)
- ▶ **City of New York Earned Income Credit (EIC)** – New York City full-year and part-year residents who claim the federal Earned Income Credit may also claim a City of New York Earned Income Credit. You must file (or have filed) a New York State income tax return to claim the City of New York EIC. You may claim both this credit and the State version. The City's EIC is applied against the City's Personal Income Tax only, and provides for refunds of any earned income credit in excess of your tax liability.
- ▶ **Federal Child Tax Credit and Child Dependent Care Credit** – Having children may reduce your total taxes or increase your refund. See IRS publication 17 and 503 for more information.
- ▶ **New York State Child and Dependent Care Credit** – This credit is available to resident, part-year resident and nonresident individuals who qualify for the federal child and dependent care credit. Note that you do not have to actually claim the federal credit to qualify for the NYS credit. To file for the NYS Child and Dependent Care Credit, you must have filed your federal taxes using Federal Tax Form 1040 or Form 1040A (not form 1040EZ). Additionally, you must: (1) have incurred child or dependent care expenses that allowed you to work or look for work; (2) have earned income from work during the year; and, (3) maintain a home that you live in with one or more qualifying persons. A "qualifying person" is a person under the age of 13 who shared the same home with you during the tax year and whom you claimed as a dependent, or any disabled person not able to care for himself or herself that you can claim as a dependent for federal purposes, provided that individual did not earn \$3,200 or more in gross income. An exception applies for children of divorced or separated parents – see below for more information.
- ▶ **NYS Child and Dependent Care Credit for Children of Divorced or Separated Parents** – You may be able to take advantage of the Dependent Care tax credit even if your child is not your dependent if you are legally divorced, legally separated or lived apart from your spouse during the last six months of the tax year. New York State will allow this exception if all of the following requirements are met:
  - ✓ You had custody of the child for more of the tax year than the other parent;
  - ✓ One or both parents provided over half of the child's support in the tax year;
  - ✓ The child was under age 13 or was disabled and could not care for himself/herself; and
  - ✓ The other parent claims the child as a dependent because you signed federal Form 8332, *Release of Claim to Exemption for Child of Divorced or Separated Parents*, or a similar agreement as a result of a divorce or

separation agreement entered into prior to 1985, and the other person gave at least \$600 in child support this tax year.

You can claim the child and dependent care credit by completing Form IT-216, *Claim for Child and Dependent Care Credit*, and attaching it to Form IT-150, IT-201, or IT-203.

- ▶ **Tax Extensions** – If you are unable to file your return on time, then you can apply for a four-month extension by completing IRS Form 4868 for federal taxes and Form IT-370 for state taxes. For an additional two-month extension, file Form IT-372 (or file an approved federal Form 2688). Also, attach a copy of the approved Form 2688 to your New York tax return when you file it.
- ▶ **Payment Installments** – If you are unable to pay your federal taxes, you can request to pay in installments by filling out Form 9465. Under New York State procedures, you may be permitted to pay off your total tax liability in monthly installments after completing Form DTF-383. However, until your debt is paid in full, you will continue to accrue interest and penalty on the unpaid balance, so only use this option if necessary. In addition, you will be responsible for all future taxes when due. If you fail to make payments on any new liabilities, you will be considered in default and collection action may resume on the liability under the installment agreement, or the department may modify or terminate the installment agreement. During the life of the agreement, the terms may be adjusted by updating the information regarding your financial condition. To apply for an installment plan, you must complete a financial statement and provide the necessary information to demonstrate your present financial situation and inability to pay.

**You may want to seek assistance from tax professionals and financial planners with respect to these and other issues.**

***Resources:***

**Internal Revenue Services**

IRS Tax Forms:

(800) TAX-FORM (829-3676)

IRS Tax Information:

(800) TAX-1040 (829-1040)

[www.irs.gov](http://www.irs.gov)

**New York State Department of Taxation and Finance**

WA Harriman Campus

Albany, NY 12227

(800) 225-5829

[www.tax.state.ny.us](http://www.tax.state.ny.us)

**New York State's College  
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## ***BANKING ON YOUR SAVINGS: OAG SAVINGS AND CHECKING ACCOUNT REFERENCE GUIDE***

***Introduction of Topic:*** Leaving an abusive relationship and managing your own finances can be frightening. You may not feel confident that you will be able to manage your money and achieve economic stability. You may not even know where to start. However, understanding the basics of banking and savings is not difficult, and this guide will provide a foundation. If you still have questions after reading this guide, don't be afraid to seek assistance from the resources listed at the end. Choosing the right bank and setting up your own savings account may take time, but it will help you establish financial stability and independence. This guide provides nuts-and-bolts instructions for choosing a bank, setting up and managing savings and checking accounts and using debit cards. Additionally, it explains your rights as a bank customer and offers tips on protecting your accounts and financial privacy.

### ***What is the Difference Between a Bank, a Savings and Loan and a Credit Union?***

Financial institutions offer a wide array of services and are regulated by different entities:

- ▶ **Bank** – A bank is a business or commercial establishment authorized to accept deposits and pay interest in return. Additionally, banks generally perform other financial transactions such as lending money. Commercial banks tend to specialize in helping businesses and making investments, while savings banks tend to cater to individuals. Banks often provide profits for their shareholders or investors.
- ▶ **Credit Union** – A credit union is a not-for-profit financial cooperative organization of individuals with a common affiliation (such as employment, labor union membership, or place of residence). Credit unions are owned and operated by their members, and each union serves a specific group of people. They accept deposits from members, pay interest out of earnings and provide consumer credit to members. Credit unions offer a wide range of services and tend to charge lower fees than commercial banks.
- ▶ **Savings and Loans Association** – A savings and loan association is a not-for-profit financial institution that accepts savings from private investors and provides mortgage services.
- ▶ **Investment Bank** – An investment bank is a for-profit commercial financial institution created primarily to loan money and invest in businesses that are buying, selling or merging.

***Key Note:*** If you are separating or divorcing from your spouse and you currently earn a paycheck that is directly deposited into a bank account that you and your spouse share, you should open a separate account in your own name and have the funds deposited there instead.

### ***How Do I Find the Right Bank?***

By visiting banks in your neighborhood or using the Internet, you can easily compare checking and savings account options, fees, interest rates and minimum deposit requirements. Perhaps the most important consideration is that you choose a bank where you feel comfortable asking questions and where the employees are responsive to your needs. It is also key that you choose a bank that is FDIC (Federal Deposit Insurance Corporation) insured; if you are unsure, check the FDIC website: [www.fdic.gov](http://www.fdic.gov). Up to \$100,000 per depositor is insured. Multiple accounts at a single bank are aggregated for insurance purposes. Likewise, verify that any credit union you consider is insured by the NCUA (National Credit Union Administration). Also consider branch locations and hours of operation for convenient access to your money. Finally, look for banks that offer free checking or free checking with a linked account balance. Your savings or even a loan can affect the fees you pay.

***What Should You Know if You are Opening a Bank Account for the First Time?***

When opening an account, you will be requested to provide personal information, such as your name, birth date, address and Social Security number, for tax purposes. If you are not a U.S. citizen, the bank may accept your taxpayer identification number or the number from your passport or other government-issued document. To ensure that you have not mishandled a checking or savings account, the bank will check a database. Upon approval, the bank will make a photocopy of your photo identification. It will also ask you to sign a signature card to get your handwriting on record, which will help prevent unauthorized people from gaining access to your account. You will then be required to make an opening deposit; the minimum amount required will vary depending upon the bank and type of account.

Banks in New York State are required to offer low-cost banking services, commonly known as "Basic Banking" or "**Lifeline**" accounts. These services reduce the need for people to use more expensive check-cashing businesses. A Basic Banking or Lifeline account is a good choice if you plan to make eight or fewer withdrawals each month, either by writing a check or using an ATM. If you need a plan that is more flexible or might work better for you, talk to a bank representative about other account options. Basic Banking characteristics include:

- ▶ Opening an account with \$25.
- ▶ Monthly fees for checking and savings services of no more than \$3.
- ▶ Minimum balance of one penny to keep an account open.
- ▶ Eight transactions per month at no charge. (If you make more than eight transactions, the bank can charge extra fees, which can be high.)
- ▶ No monthly minimum number of deposits.

*(Note: You may still be charged for conducting withdrawal and/or deposit transactions at ATMs (Automated Teller Machines) not operated by your bank.)*

***What Should the Bank Disclose?***

When you open an account, you are entitled to receive a written description of the features of the account from the banking institution. Be sure to read and understand all the materials you receive from the bank before you sign any agreement. If you have questions, sit down with a bank representative or contact the State Banking Department at (800) 522-3330.

Additionally, for the purpose of **privacy**, financial institutions must disclose their policies on sharing customer information with third parties when you open an account, and at least once a year after that. (Former customers or consumers who unsuccessfully applied for a loan or credit will also receive a privacy notice.) Under the law, banks must give you the opportunity to "opt out" of sharing confidential financial information with **nonaffiliated** third parties. Depending on how and to whom the information is shared and your concern for personal privacy, you may want to opt out. If a financial institution widely shares your information with other businesses, you will receive more solicitations, phone calls, promotions and other offers than if you had opted out. You should read the privacy policy carefully and decide what is best for you. You must follow the established procedure of the bank to opt out, which can be done at any time.

***What is a Savings Account?***

A savings account is a safe place to keep your money and watch it grow. When your money is held in a savings account, your bank will pay interest on it, allowing you to build a nest egg. While savings accounts do not provide the flexibility and convenience of writing checks, and may require a minimum balance, they normally pay more interest than do checking accounts. Additionally, a

savings account may offer you the option of compounding the interest you earn on your money. Generally, interest is paid as a percentage of the savings you have deposited, but when your interest is compounded, you also earn interest on any interest your deposit has earned.

### ***Savings Options Offered by Banks***

General savings accounts give you easy access to your money and the ability to move money conveniently from one account to another. However, if you are able to maintain a high minimum balance and limit your withdrawals, there are other savings options to consider:

- ▶ **Certificates of Deposit or "CDs"** – These are savings certificates or instruments which allow you to deposit a specific amount of money for a period of time while earning a specific interest rate. CDs usually pay a higher interest rate than regular savings accounts, and generally the longer the deposit term the higher the interest rate. However, if interest rates climb before the CD expires, you are stuck with the agreed upon rate. Also, if you choose to take money out of the CD before the expiration date, you will likely incur an early withdrawal penalty. It may be possible to "link" your CD, checking and savings accounts to meet minimum balance requirements in your checking account. When opening a CD, be sure you understand whether the interest rate is fixed or variable, and how often the interest compounds. The interest rate can yield different sums of money depending on whether it is compounded daily, weekly, monthly, quarterly or annually – the more frequently it is compounded the better.
- ▶ **Individual Development Accounts or IDAs** – Low-income families can open an IDA to save for certain expenses such as job training, education, small-business development or buying a home. Whatever funds are deposited into the account are matched by a deposit from either the government, a corporation or a foundation, allowing your savings to grow.
- ▶ **Money Market Savings Account** – Unlike money market accounts at mutual fund companies – which tend to earn higher yields but are not insured by the FDIC – you can invest in a money market savings account at your bank. They are similar to regular savings accounts but pay higher interest and typically require a high minimum opening deposit and minimum balance (sometimes from \$1,000 to \$2,500). These are less popular and earn a lower rate of interest than money market checking accounts.
- ▶ **Holiday or Vacation Club Account** – To help you save for vacation or holiday expenses, some banks feature a separate Holiday or Vacation account. There is often a minimum balance requirement and withdrawing money is strictly limited – usually to once per year. The money will earn interest and at the end of the time period you can receive your savings (often in October for a Holiday Account).

### ***What is a Checking Account?***

A checking account allows you to write checks that transfer the money you deposited in your account. When someone cashes or deposits your check in their account, money is withdrawn from your account. There are two primary advantages to paying your bills or other set expenses with checks rather than cash. First, paying by check provides written proof of payment. Second, checks are more difficult to steal than cash (and are cheaper than money orders or cashier's checks). When opening a checking account you should consider the following:

- ▶ **Overdraft Protection** – To avoid bouncing a check, overdraft protection automatically transfers funds from a line of credit linked to the checking account. The bank links all your accounts to increase your balance and avoid bouncing checks.
- ▶ **Check 21** – This law allows banks to process and deliver checks electronically and to print electronic reproductions ("substitute checks") instead of transporting or keeping the original check. Under the law, checks may be processed more quickly. However, this may

make it more difficult for a consumer to stop a check that has already been written from being paid. Additionally, the speed of transfer decreases the time in which consumers retain money in their accounts before the check clears, which may result in an increased risk of check bouncing and the imposition of overdraft charges. Finally, it may be more difficult to prove forgeries because "substitute checks" cannot be used to determine pen pressure or conduct a handwriting analysis.

### ***What Type of Checking Account Should You Open?***

Before you begin shopping for a checking account, consider the following questions:

- ▶ ***How many checks do I plan to write each month?*** If you plan to make eight or fewer withdrawals each month using an ATM or writing a check, a "Lifeline Account" or "Basic Checking" may be right for you. If you think that you will use your checks or ATM card more frequently, look for an account with the most flexible usage agreement.
- ▶ ***How much money will I be able to keep in the account at all times?*** Certain checking accounts require you to maintain a specific minimum balance at all times in order to pay lower fees for services.
- ▶ ***How much money do I have available to make an initial deposit?*** Some checking accounts require higher initial deposits to open an account than others. Basic and Lifeline accounts generally require the lowest initial deposit.

### ***Types of Checking Accounts***

After considering the questions above, decide which one of the following accounts will work best for you. If you aren't sure or have more questions, sit down and talk to a few bank representatives.

- ▶ **Basic Checking – "A place to keep my funds"**

Basic checking accounts allow you to write checks and withdraw money on the funds you deposit. They are appropriate if you don't plan to keep a high account balance. The details of basic checking accounts are different for each financial institution, so before opening an account, get the answers to the following questions:

  - ✓ Does the bank pay interest on a basic checking account?  
(*Note: Most basic checking accounts do not pay interest.*)
  - ✓ Does the financial institution require direct deposit or a minimum balance?
  - ✓ Does the bank charge a monthly fee for services or for each check you write over a certain limit?
- ▶ **Lifeline Checking – "A great place to start"**

Lifeline checking accounts, meant for low-income customers, offer these features:

  - ✓ Low minimum deposit and balance requirements.
  - ✓ Low monthly fees, ranging from no money to \$3 depending on the bank.
  - ✓ Low limits on the number of checks that you can write per month.
- ▶ **Free Checking – "A way to reduce fees"**

Free checking accounts typically require you to maintain a minimum balance in your account, but certain fees, like ATM and per-check fees, are usually eliminated. The reduced fees can be an attractive checking alternative for some people. However, it is important that you maintain the minimum balance or your account will be charged.

- ▶ **Interest-bearing Accounts – "Earn interest on your money"**  
In opening an interest-bearing checking account, most banks require:
  - ✓ More money to open an interest-bearing account than other accounts.
  - ✓ A high minimum balance in the account.

*(Interest is paid monthly, at the end of your statement cycle. The higher your balance, the more interest the bank pays. This can be a great way for your money to grow, but be aware that the fees for falling below the minimum balance may be more than interest earned.)*
- ▶ **Money Market Accounts – "More money, more risk"**  
If you can afford to maintain a high account balance and do not plan to write more than three to five checks each month, a money market account may be a good way to put your money to work for you. Money market accounts normally place your money in short-term investments, certificates of deposit or Treasury bills, and so combine checking with savings or investment opportunities. These accounts require a high minimum deposit to open, usually between \$1,000 and \$10,000, and charge fees if you dip below a high balance. In addition, most banks set strict limits on the number of checks you can write. On the upside, a money market account can pay more than double the interest rate of a basic checking or savings account. Actual interest rates will vary based on the current market conditions.  

*(Note: Don't confuse a money market account with a money market fund; they are different. Money Market accounts offered by banks are insured by the FDIC and are not charged the normal management fee that funds incur.)*

### ***Frequently Asked Questions:***

- ▶ **I deposited a check in my bank but the bank has not credited my account. How long does it take for a check to clear?**  
Funds availability generally depends upon three characteristics: where the check is drawn (e.g., local or out-of-town financial institution), dollar amount of the deposit and the issuer of the check (e.g., governmental agency or private sector). Financial institutions are required to post a notice of their funds availability pertaining to consumer accounts in each location where it accepts consumer deposits.
- ▶ **I deposited a check in my account. The bank teller gave me back a stamped copy of a deposit slip, then the bank lost my check and said they could not credit my account until I contacted the writer of the check. Why?**  
A check is deposited subject to collection, and any credit that you may receive until the check clears is temporary. Under the New York State Uniform Commercial Code, the funds are not actually credited to your account until your bank is paid by the check writer's bank. If your bank loses the check after the deposit, you are responsible for contacting the issuer of the check to determine whether the check was indeed cashed or to have the writer put a "stop payment order" on the check and reissue a new check.
- ▶ **The bank would not cash my payroll check. Can someone tell them to cash my check?**  
A bank has the right not to cash your check if you do not have an account relationship with it. However, your employer can pursue arrangements with the bank to cash payroll checks.
- ▶ **How long is a personal check valid?**  
Six months. A bank is not obligated to honor the check after the validity date.

***Tips on Cutting Banking Costs:***

- ✓ Select a bank providing for a large ATM network that is easily accessible from home and work and doesn't charge fees.
- ✓ Look for a bank with no-fee checking, but only if you can maintain the minimum balance in a savings account or a minimum combined balance in your savings and checking accounts.
- ✓ Balance your checkbook every month to prevent bounced checks and high fees.
- ✓ Take advantage of direct deposit, which is a way for your employer or payroll company to deposit your paycheck directly into your account. Direct deposit gives you immediate access to your money, and some banks will give you free checking if you sign up for the service.
- ✓ Instead of purchasing checks through your bank, consider replenishing your stock through a discounter, which you can find easily online. However, you may have to purchase identity theft protection and insurance separately, whereas your bank may provide that security free of charge with the purchase of checks.
- ✓ If you keep a large sum in an interest-bearing account, use a bank that averages your daily balance for the entire month. You are less likely to be penalized for going under the minimum balance and you might earn more interest.
- ✓ Check back with your bank periodically for better deals. As your financial situation changes, so will your needs. You may qualify for a higher-interest, lower-cost account.

***Using Your Banking Account***

Once you have opened a banking account, using it is fairly easy. If you have never had a savings or checking account before, you may want to familiarize yourself with the three main ways that you can make use of your account.

- ▶ ***Making a Deposit:*** Each time you put money into your account, by depositing either cash or checks, you will be required to complete a deposit slip at the bank. Retain a copy of the slip for your records. Usually the slip requires the following information:
  - ✓ Date
  - ✓ Name of depositor (your name)
  - ✓ Account number
  - ✓ Total amount of cash you wish to deposit
  - ✓ Amount of each check you wish to deposit
  - ✓ Amount of cash you would like to receive back from the deposit
  - ✓ Total deposit

You will be required to endorse the back of each check that is made out to you by signing it in order to receive the funds in cash or in your account. It is important to sign your name on the back of the check exactly as it appears on the front of the check. There is a designated space for your signature on the back of all checks. Once you sign the check and provide no further instructions, anyone can cash it. Thus, exercise caution. To avoid this, you should not sign the check until you are at the bank and you identify a purpose for the check (e.g., "for deposit only"). You might also be asked to write your account number on the back of the check. This should be done in front of the bank teller.

- ▶ ***Making a Withdrawal:*** You may withdraw cash from your account either by using an ATM or through a bank teller. When seeking the assistance of a teller, you will be required

to submit a withdrawal slip, which can be found at your bank or with your checking account material. Usually the slip requires the following information:

- ✓ Date
- ✓ Name of account holder (your name)
- ✓ Account number
- ✓ Amount of withdrawal
- ✓ Signature

In order to prove that you are the account holder, you should sign the slip in front of the teller. Retain a copy of the slip for your records.

▶ **Writing a Check:** Make sure you have sufficient funds in the account to cover the amount of the check you issue. When writing a check, you should fill in the following information:

- ✓ Date
- ✓ Name of the person or company to whom you are paying money
- ✓ Dollar amount in numbers and words (*Follow the dollar amount with the number of cents written as a fraction over 100. If there are no cents, you can write 00/100. Draw a line from the end of the written money words to the end of the line so that no one can insert additional words or numbers.*)
- ✓ Purpose of the check (*If you are paying a bill, you may also write your invoice number on the check as well.*)
- ✓ Signature (*Make sure to sign in the same way in which you signed your agreement card with the bank.*)

If you make an error in writing the check, you may need to write a new one. If so, write "VOID" in large letters across the incorrect check so no one can cash it, then shred or tear the check. Don't forget to record the check amount or even the void in your checkbook record or register.

### ***Balancing a Checkbook***

Balancing your checkbook is also known as **reconciling** your checkbook. It is very important to keep track of your money in your checking account. You NEVER want to write a check for more money than you have in your account. Therefore, you need to maintain a detailed record of all account transactions, including deposits, fees, checks and withdrawals from your account, and review your monthly account statement, which documents activity over a period of time. The bank statement will provide the amount of money in your account at the beginning of the time period, the amount of money that you deposited and the amount of money that was withdrawn during the time period. Every withdrawal from your account should be listed for the time period. Each check will be identified by a number. Depending on your account, you may even receive your canceled checks, which should be kept with your statement. These documents can be used to build a credit history or provide verification of payment if there are any subsequent questions.

***How to Balance a Checkbook?*** To balance your checkbook, compare your personal checkbook records to your monthly bank account statement. To assist you in this endeavor, depend upon your check register, a useful thin book that usually accompanies a checkbook. This tool should help you keep track of your checking account by allowing you to jot down all your transactions by date, type, nature and amount. Make sure to record all transactions in your check register including any interest

accrued from your accounts and any fees charged from withdrawals or other electronic transactions. After you record and compare all financial transactions in your checkbook and on your monthly account statement, the balance in your checkbook should equal the balance on your bank statement.

Balancing your checkbook should be done each month to monitor your spending habits, make necessary adjustments to your budget and to ensure your bank statement is accurate. Although you may be tempted to rely on your bank statements to provide your balance, these statements are usually only generated once a month and may be inaccurate. Neglecting to balance your checkbook can result in bounced checks and inaccurate balances because of insufficient funds. Your bank may charge you a service charge of \$25 or more for each bounced check. If you fail to correct the problem, you may be charged multiple fees for the same check if the person to whom the check was payable tries to deposit the check again. If you bounce too many checks, your bank may close your account, which may make it difficult for you to open an account at another financial institution. Additionally, if you bounce a check to a business it might charge a fee and keep track of you as someone who has written a bad check. This can be frustrating, embarrassing and inconvenient.

***Tips for Balancing Your Checkbook:***

- ✓ Balance your checkbook monthly to avoid delay in realizing a mistake.
  - ✓ Reconcile the dollar amount of the canceled checks and deposits.
  - ✓ Subtract bank service charges and fees.
  - ✓ Reconcile cash machine (ATM) and other transactions (e.g., debit card, deposits) from your check register.
  - ✓ Add the interest you were paid by the bank on any interest-bearing accounts.
- (If you find any discrepancies, call your financial institution.)*

***What Should You Do If Your Checks Have Been Used Without Your Permission?***

If someone steals your checks or uses counterfeit checks from your existing account, that person is committing forgery. When notifying your financial institution, request to cancel the check before anyone has the opportunity to cash it; this is called a "stop payment." You should also close the account, and ask your bank to notify Chex Systems, Inc., or the check verification service with which the bank does business. That way, retailers can be notified not to accept these checks. You can also contact major check verification companies directly. (*See Resources Section for information.*) You may be protected by state law from losses incurred when someone uses your checking account; most states hold the bank responsible for losses from such transactions. At the same time, most states require you to take reasonable care of your account. For example, you may be held responsible for the forgery if you fail to notify the bank in a timely manner that a check was lost or stolen.

***Safety Tips to Prevent Forgery:***

- ✓ Keep your checks in a safe place.
- ✓ Write your checks in cursive using a blue ballpoint pen, never an erasable pen or in pencil. The more difficult it is to imitate your handwriting, the less likely someone will try to forge your handwriting.
- ✓ Write "VOID" in big capital letters across any check where you have made a mistake, shred it or tear it up, and throw it into the garbage.
- ✓ Never hand someone a blank check.

- ✓ Do not leave any empty spaces on your check. Eliminate all extra spaces by drawing a line through the blank space.
- ✓ Do not write your Social Security or credit card number on your checks, and make sure that merchants do not do this either. (Merchants are prohibited by New York State law from making such recordings.)

### ***What Should You Do If Your Checks Have Been Rejected by a Merchant?***

If your checks are rejected by a merchant, and you know you have enough funds in your account to cover the amount, it may be because a thief is using the Magnetic Information Character Recognition (MICR) code (the numbers at the bottom of checks), your driver's license number or another identification number. The merchant who rejects your check should give you its check verification company contact information so you can find out the reason for the rejection. If you find that the thief is using your MICR code, be sure to:

- ▶ Ask your bank to close your checking account, and open a new one.
- ▶ Request and review a copy of your credit report from a credit reporting agency. *(The merchant will provide you with the contact information for the agency. Under federal law, you're entitled to a free report if a company takes adverse action against you, such as denying payment by check, and you ask for your report within 60 days of receiving notice of the action.)*
- ▶ Dispute any bad checks passed in your name with merchants so they do not report any collection actions against you.

### ***What are Automated Teller Machines (ATMs)?***

ATMs allow consumers to conveniently access their bank accounts (savings and checking) at any time of the day. Some machines permit customers to perform the same transactions available at banks, including: cash withdrawals, deposits, reviews of balances and transfers of money between accounts. Consumers are issued magnetically encoded cards (ATM cards), which can be used with a personal identification number (PIN) at any participating ATM. The bank may either designate a PIN number for you or allow you to choose one for yourself. You can usually use other banks' ATMs as well as your own bank's machines, but you will probably be charged a fee (from \$1.00 to \$2.50, and sometimes higher) by the other bank. To avoid the additional fees, try to make most of your transactions with ATMs in your bank's network. Usually ATMs will either post the fee for usage by nonmembers or prompt you to accept or decline paying the fee when starting a transaction.

### ***What is a Debit Card?***

A debit card – also known as a "cash card," "check card" or "money card" – is a card that combines the key elements of ATM cards, credit cards and checks. A debit card is linked to your bank account so that when you use it to pay for something or withdraw cash, the funds are immediately deducted from your savings or checking account. In contrast, credit cards bill you later for your purchases. Unlike a credit card, where the credit limit is determined by the bank, a debit card is limited by what you have in your account. A debit card can be used interchangeably at a bank for any financial transaction or like cash at any business accepting the card. Major credit card issuers also issue debit cards with their logo for wider acceptance. In some cases, you can use your debit card with a PIN at places like a supermarket checkout to get cash back above the purchase amount. Generally, most issuers do not charge fees for making purchases with your debit card, but you should ask your financial institution to make sure you are not accruing them. When considering a debit card, shop around for the best deals. Ask the issuing financial institution about any fees and surcharges it may charge. You may also want to ask whether your institution will limit consumer liability if the card is reported missing. A debit card does not afford you the same protections

applied to a credit card. For example, if your debit card is used fraudulently, it is your money that is being stolen. Potentially, all your money could be taken from your account, and it may take the bank 10 days or more to investigate and refund your money. Meanwhile, you may be charged fees for checks that may have bounced due to insufficient funds.

### ***ATM and Debit Card Safety Tips***

Using an ATM and/or debit card can be very convenient. However, it also entails risks. Follow these strategies to protect your money:

- ✓ Sign the back of your card as soon as you get it and read the accompanying information.
- ✓ If you choose your own PIN, make sure that it would be hard for other people to guess. Do not use any part of your address, phone number, Social Security number or birthday.
- ✓ Memorize your PIN. Do not write your PIN on the card or keep it in a place where others have access to it, and do not keep it in your purse or wallet with your card in case either is lost or stolen.
- ✓ Retain all receipts, and keep track of how much money you have spent and how much is left in your account. If the transaction pertains to your checking account, record it in your checkbook.
- ✓ Be extremely careful when using your PIN. Your money may be stolen even if you do not lose your card. For example, if not careful, criminals may be able to obtain your PIN, account or debit card numbers by observing transactions over your shoulder. To avoid "shoulder surfing," cover the keypad when entering your PIN.
- ✓ Avoid using ATMs at night or in unlit areas. (While the **New York State ATM Safety Act** requires all banks in the State to have security measures at each ATM facility, such as surveillance cameras and adequate lighting, these devices may not always be operational.)
- ✓ Use ATMs that are part of a bank system. ATMs in convenience stores or bars are generally not regulated and are more susceptible to identity thieves.
- ✓ Only use your debit card with merchants you trust. Do not use your debit card on the Internet or to purchase products over the phone. Instead, use a credit card because credit cards provide greater liability protection against fraudulent charges or disputes regarding defective goods or goods that never arrived.

### ***What Questions Should I ask My Bank or Card-Issuing Institution?***

- ▶ **Are there fees associated with using the debit card?**  
Some financial institutions and retail stores charge a fee when you use a debit card to pay for purchases. All fees charged by a retail store should be displayed at the checkout counter. Fees charged by a financial institution must be disclosed to you at the time you receive your card and will also appear on your monthly statement.
- ▶ **Is there a limit on how much money I can debit per day? Per transaction?**
- ▶ **Do I have the same purchase protections and rights with my debit card that I have with a credit card?**

▶ **If my ATM or debit card is lost or stolen and money is withdrawn from my account, how soon will it be replenished by the bank?**

Some financial institutions require a police report and an investigation prior to replenishing your account which may take days or weeks. Other financial institutions may replenish your account within hours or days while an investigation is pending. Ask your financial institution about their policy. See below for tips on dealing with a lost or stolen card.

***What Should You Do if Your ATM or Debit Card is Lost or Stolen?***

If your ATM or debit card is lost or stolen, call your bank or card-issuer immediately. Under federal law, if you report your card missing *before* another party uses it, you will not be held responsible for any charges they make with it. If you report your card missing *after* an unauthorized party uses it, you will be held responsible for an amount determined by the time that has lapsed since you lost it. If you report your card missing within two business days after you learn of the loss, you will be held responsible for up to **\$50** in unauthorized withdrawals. After two business days, but within 60 days after the institution sends you a statement showing an unauthorized withdrawal, you could be responsible for up to **\$500**. After 60 days, you could lose all the money that was taken from your account and be held responsible for the unused portion of your line of overdraft credit. After calling your financial institution, you should follow up in writing by certified letter, with return receipt requested, so you can prove when the institution received your letter. Don't forget to keep a copy of the letter and any other documents pertaining to the unauthorized withdrawal for your reference. You may also want to check your homeowner's insurance policy to see if it covers your liability for card theft.

*(Note: For unauthorized transfers involving only your card number and not the physical loss of the card itself, you are only liable for transfers that occur after 60 days following the mailing of your bank statement containing the unauthorized use and before you report the loss.)*

***Tips to Address Errors on your ATM Statement or Debit Card Receipt:***

- ✓ Challenge the error immediately. You have 60 days from the date of the statement or receipt to notify the bank. Follow up your initial telephone call with a letter.
- ✓ If you notify the bank within 60 days, it has 45 days to investigate the problem and inform you of the result. For errors involving new accounts, point-of-sale transactions and foreign transactions, the financial institution may take up to 90 days to investigate. If the bank takes longer than 10 business days to complete its investigation, generally it must deposit the amount in question in your account while it completes its review. For new accounts, the bank may take up to 20 business days to credit your account for the amount of money in dispute. If the bank later determines that there was no error, it can withdraw the money, but it first must send you a written explanation.
- ✓ You may ask for copies of the documents used in the investigation.

***What is Blocking?***

Blocking is used by merchants (such as hotels, gas stations and car rentals) to ensure that you do not exceed your credit line. When you use a credit or debit card to check into a hotel or rent a car the clerk usually contacts the company that issued your card to give an estimated total. If the transaction is approved, your available credit (credit card) or the balance in your bank account (debit card) is reduced by this amount. For example, suppose you use a credit or debit card when you check into a \$100 a night hotel for five nights. At least \$500 would likely be blocked, meaning that you will not have access to it. In addition, hotels and rental car companies often add anticipated charges for "incidentals" like food, beverages or gasoline. If you pay your bill with the same card

you used when you checked in, the final charge on your credit card or final amount on your debit card, will probably replace the block in a day or two. However, if you pay your bill with a different card, or with cash or a check, the company that issued the card you used at check-in might hold the block for up to 15 days after you have checked out because they weren't notified of the final payment and didn't know you paid another way. If you are not reaching your credit limit or don't have a low balance in your bank account, blocking probably won't be a problem. But if you're reaching that point, be careful. Not only can it be embarrassing to have your card declined, it can also be inconvenient, especially if you have an emergency purchase and insufficient credit or money in your account. Depending on the balance in your bank account, blocking a debit card could lead to charges for insufficient funds while it remains in effect.

***Tips on Avoiding Blocking Problems:***

- ✓ Inquire with your card issuer to see if it allows blocking, for how long and from what types of merchants. If they do, you may want to consider an overdraft line of credit.
- ✓ When checking into a hotel, renting a car, dining at a restaurant or using services that request your card in advance, ask if the company is "blocking" your card, how much will be blocked, how the amount is determined and how long the block will hold.
- ✓ Consider paying "blocked" bills with the same credit or debit card you used at the beginning of the transaction. Inquire with the clerk as to when the block is lifted.
- ✓ Ask the clerk to remove the block promptly if you pay by alternative means.

***What Can You do if You Believe You have been Discriminated Against by a Lender?***

It is illegal for any creditor or bank to discriminate in the granting of credit on the basis of race, creed, color, national origin, age, sex, marital status or disability. Any person claiming to be harmed by an unlawful discriminatory practice engaged in by a creditor may file a complaint with the New York State Banking Department or the New York State Division of Human Rights.

***Resources:***

**New York State Banking Department**

Consumer Services Division

2 Rector Street

New York, NY 10006

Walk-in: 2 Rector Street, 18th Floor

(800) 522-3330

**ATM Compliance**

(800) 697-2861

[www.banking.state.ny.us](http://www.banking.state.ny.us)

**Check Verification Companies**

Telecheck: (800) 710-9898

(800) 927-0188

Cetergy, Inc.: (800) 437-5120

**National Credit Union Administration**

1775 Duke Street

Alexandria, VA 22314

(703) 518-6360

[www.ncua.gov](http://www.ncua.gov)

**Federal Trade Commission (FTC)**

(877) 382-4357 (Toll Free)

[www.ftc.gov](http://www.ftc.gov)

**If bad checks have been passed**

Scan: (800) 262-7771

Chex Systems, Inc

7805 Hudson Road, Suite 100

Woodbury, MN 55125

(800) 428-9623; [www.chexhelp.com](http://www.chexhelp.com)

**Federal Deposit Insurance Corp. (FDIC)**

Consumer Call Center  
(877) ASK-FDIC or (877) 275-3342  
(Toll Free)  
[www.fdic.gov](http://www.fdic.gov)

**Office of the Comptroller of the Currency**

Customer Assistance Group  
1301 McKinney Street, Suite 3710  
Houston, TX 77010

**Office of the Comptroller of  
the Currency System**

Customer Assistance Specialists:  
(800) 613-6743  
<http://www.occ.treas.gov/index.htm>

**Board of Governors of the Federal Reserve**

Division of Consumer and Community Affairs  
20th and C Streets, NW, Stop 801  
Washington, DC 20551  
(202) 452-3693; [www.federalreserve.gov/](http://www.federalreserve.gov/)

**Office of Thrift Supervision**

1700 G Street NW  
Washington, DC 20552  
(202) 906-6000; [www.ots.treas.gov](http://www.ots.treas.gov)

**Office of the NYS Attorney General (OAG)**

Consumer Helpline  
(800) 771-7755; [www.oag.state.ny.us](http://www.oag.state.ny.us)

**Notes:**

## UNDERSTANDING AND ESTABLISHING CREDIT: OAG CREDIT REFERENCE GUIDE

***Introduction of Topic:*** Credit is money you borrow and plan to repay at some time. When you make a purchase with a credit card or take out a loan, you are using credit. In most cases, there is a charge for borrowing the money in the form of interest and/or fees. There are numerous advantages and disadvantages to credit. It allows you to purchase large items when you cannot pay the entire price at once. It enables you to get past expensive emergencies by spreading the cost over a period of time. And it frees you from the risk and inconvenience of carrying large amounts of cash. The most obvious disadvantage is that credit costs money. When you use credit, you are dedicating a portion of your future income to repay the loan. Credit can also encourage you to spend more than you can afford and purchase items that you really do not need. Additionally, credit can hurt your future if mismanaged. It can affect your ability to secure additional credit, land a job, rent an apartment or buy a car or a house. Further, if you miss a payment, the lender may repossess the item that you purchased. Therefore, it is important to use credit wisely and cautiously.

Establishing or re-establishing credit takes time. It may take several years of consistent bill paying before a lender will offer credit for a significant purchase. However, persistence will eventually pay off. Good credit makes it more likely that you will be able to get a loan in the future when you want to purchase a major item such as a car or a home. Because credit is important in our marketplace, this guide provides basic background on this issue.

### ***What are the Common Types of Credit?***

- ▶ **Revolving/Open-Ended Credit** allows you to borrow money at any time up to a limit. As you pay the borrowed money back, the funds become available again to borrow. You may pay back the money in a lump sum or over an extended period of time. If you choose to pay the debt over time, you will be charged a fee or interest each month on the outstanding amount. The most common type of revolving credit are **credit cards**. Make sure you read your credit card agreement and understand the terms and conditions.
- ▶ **Installment/Closed-Ended Credit** allows you to borrow a specific amount of money at one time for a stated purpose. It is commonly used to finance major purchases such as a home or car. The payment plan with the lender outlines equal monthly installments, which include interest.
- ▶ **Service Credit** is offered by some businesses and utility companies. This type of credit allows the consumer to pay for the service at a later date, usually within 30-60 days. If you are unable to make a payment within the specified time, there is usually a penalty charge added to the debt.

Most types of credit can be obtained in two forms:

- ▶ **Secured Credit** requires you to provide something of value to guarantee that you will repay the debt. It is usually used for installment loans. If you fail to repay the loan, the lender will take the item as repayment on the debt.
- ▶ **Unsecured Credit** does not require a guarantee.

### ***Why Should You Establish Credit?***

You must have good credit to be issued a credit card or granted a loan, and often the better your credit the more favorable the terms of the agreement. Your credit standing or worthiness may also

be important when applying to rent an apartment or purchase insurance. Before applying for credit, contact the three major credit bureaus (*listed in the Resources Section at the end of this chapter*) and conduct a credit check on yourself so you know what debt is in your and your spouse's names. Someone may have opened an account in your name without your knowledge.

If you have never used credit or if your credit is in someone else's name, you should start building a credit file slowly. Credit bureaus will have a record of each credit application you make, and if you apply for too many accounts, lenders may think that you are exceeding your ability to pay. Ways to begin establishing credit include:

- ✓ Opening your own checking and/or a savings account and showing that you can manage money.
- ✓ Buying something on time at a major store or opening a credit card account with a local business (these stores are more willing to extend credit to someone starting out). Pay your bills on time.
- ✓ Applying for a gasoline credit card.
- ✓ Securing a small bank loan and/or applying for overdraft privilege on your checking account. Use this credit line for an expenditure and repay it on schedule. (*Overdraft protection may be costly.*)
- ✓ Presenting collateral for a line of credit – that is, assets that you pledge as a form of security for the lender in case you cannot pay. This is called a **secured credit card**.
- ✓ Having someone with a good credit history cosign your application.

### ***A Special Note on Women, Marriage and Credit***

Unfortunately, many married, separated, divorced and widowed women do not have credit histories in their own name; they lost their credit histories when they married and changed their names or when creditors reported accounts shared by couples in the husband's name only. If you held a **joint credit account** with your spouse and can prove that the record demonstrates your creditworthiness, the Equal Credit Opportunity Act requires creditors to consider that fact, even if you are divorced or separated. Likewise, you have the right to demonstrate that a poor credit record from a jointly held credit card does not reflect on your worthiness. Add a statement to your record explaining the circumstances. If you are thinking about a separation or divorce, pay attention to the status of your existing accounts. If you have joint accounts, it is important to make regular payments. A joint account makes both spouses legally responsible for all debt. Creditors can and will try to collect from either spouse regardless of a divorce. You may want to ask creditors to close any joint accounts or accounts in which your former spouse was an authorized user, or to convert these accounts to individual ones. By law, a creditor cannot close a joint account because of a change in marital status, but can do so at the request of either spouse. A creditor, however, does not have to agree to convert joint accounts. The creditor can require you to reapply for credit, and, based on your application, grant or deny credit. If you are uncertain about what to do about joint accounts, consult an attorney.

### ***What Makes You Creditworthy? Capacity, Capital, Character and Collateral***

Credit bureaus use complex models to determine individuals' credit scores. However, what creditors are actually looking for is quite simple:

- ▶ Ability to pay back debt or loan
- ▶ Proof of assets – such as a bank account or valuable property
- ▶ Character and reliability – record of paying bills timely, time at residence and job status
- ▶ Good credit report – documenting your past and present employment, personal and financial history and other information (*See more on Credit Reports below.*)

***What Can Negatively Affect Your Credit?***

- ▶ Failure to pay or late payments
- ▶ Debt/collection actions
- ▶ Too many open accounts
- ▶ Too much debt

***Tips for Improving Your Credit:***

- ✓ Pay bills on time. Mark on a calendar when your bills are due and mail payment before the due date. Consider paying bills automatically out of your bank account.
- ✓ Contact lenders if you have difficulty paying your bills to create an adjusted payment schedule. Call before you miss a payment.
- ✓ Do not bounce checks. (*See Tips in Savings and Checking Accounts Guide.*)
- ✓ Make repaying loans a priority.
- ✓ Use credit cards carefully; charge less than the maximum amount available.
- ✓ Read and understand loan and credit card agreements before signing.
- ✓ Avoid excessive inquiries into your credit report – only give permission to those who need to check your credit report.
- ✓ Review your credit report at least once a year for inaccurate information and address erroneous information immediately.
- ✓ Keep copies of your paid bills and canceled checks and ask for reference letters from businesses (such as your landlord) stating how long you have been a customer and paid your bills on time.
- ✓ Consider contacting a not-for-profit credit counseling service for assistance in personal finance issues, but avoid entities that claim there is a quick fix.

***What is a Credit Report?***

A credit report documents your bill-paying history, number and longevity of accounts, late payments, collection actions and outstanding debt, as well as your employment history and other personal information. It reflects this history for the past 7-10 years. Every potential lender will examine your credit report, as will many potential employers and insurers. Before applying for credit, you should verify that all the information in your credit report is accurate and complete. Request a copy of your report from the credit bureau, as well as the name and addresses of each business that supplied information included in your report, the names of those who received a copy of the report during the last year and prospective employers who received copies during the past two years. If you find errors, you can request that the credit bureau review and correct the information. If you still contest parts of the report after the bureau's investigation, you can submit a brief written statement and ask that the bureau include it in your file, so that anyone who accesses your report will also see the statement. You may also dispute errors directly with the credit grantor. If you take this path, be prepared to supply further information and to show receipts or documents that support your claim.

***What is a Credit Score?***

Credit bureaus use statistical models to develop credit scores that help lenders predict the likelihood that you will repay their loan. In developing a model, a bureau selects a sample of customers and analyzes it statistically to identify characteristics that relate to creditworthiness. Each of these factors is then assigned a weight based on how strong a predictor it is of who would be a good credit risk. The most well known type of credit score is the Fair, Isaac & Co. ("FICO") score.

Essentially, the model works by assigning points to information in a credit report – payment history, degree of debt, length of credit history, new lines of credit and type of credit. Of these factors, **late payments affect your score the most**. Every month you pay your bills on time will make you look less likely to pay late in the future, and will therefore raise your score. The higher the score, the lower the risk and better the loan rate. Note that while many lenders use FICO scores to help them make lending decisions, each lender has its own formula and considers the level of risk acceptable according to its own scale.

### ***Interpreting Credit Scores***

Consider a common FICO model, which uses a score range from 620 to 900:

- ▶ A score between 760-850 is considered very good and it would likely enable you to get a loan or credit card with a low interest rate.
- ▶ A score between 620-639 signals to creditors that you are a risky investment and might generate high interest rates, or lead to a denial of credit.

Under federal law, credit bureaus must provide credit scores and explanations for a reasonable fee upon consumer's request. You can also purchase your score from Fair, Issac and Co. at [www.myfico.com](http://www.myfico.com). You cannot dispute a low credit score, but you can challenge information in your credit report, as outlined in the federal Fair Credit Reporting Act. However, since your credit score is based on data in your credit report, correcting errors in your report should improve your score. Remember that your scores will change over time as your credit data and payment profile change.

### ***Consumer Protections: Credit Reporting***

The Fair Credit Reporting Act promotes the accuracy and privacy of information in credit reports. **Your rights under the law include:**

- ✓ To know what is in your record, the sources of the information and who received a copy of a report. The disclosure is free when:
  - \*An adverse decision (denial, cancellation or increase in any charge) is made.
  - \* You are the victim of identity theft and place a fraud alert in your file.
  - \* Your file contains inaccurate information and has been revised after an investigation.
  - \* You are on public assistance or unemployed.
- ✓ To receive **one free disclosure** every 12 months upon request from each nationwide credit bureau (Experian, Equifax and TransUnion) and from specialty reporting agencies including check verification companies, and insurance rating, tenant screening and workers' compensation reporting bureaus. Otherwise, credit bureaus may charge a nominal fee.
- ✓ To obtain credit scores. In some mortgage transactions, the lender provides this at no charge.
- ✓ To dispute incomplete or erroneous information. The credit bureau must investigate your claim and remove any disputed information that is found to be inaccurate, incomplete or unverified and must provide you with an updated copy of your credit report. At your request, the bureau must notify any person who recently received your report that the information has been removed.
- ✓ To submit a written statement concerning a dispute in your credit report if you disagree with the results of the credit bureau's investigation.
- ✓ To dispute a report entry with the entity that provided the information to the bureau.

- ✓ To not have your information disclosed to an employer or prospective employer without your written consent.
- ✓ To be protected from consumer reporting agencies disclosing outdated negative information. In most cases, credit information cannot be reported if it is more than seven years old. (*Bankruptcies cannot be reported after 10 years.*)

### ***Applying for Credit***

List your best credit accounts on the application, whether they are open or closed. You can include joint accounts with your spouse or former spouse; if you can prove that the credit was established by both of you, even if the account is in your spouse's name, then the creditor must consider it. This can be done by showing copies of checks that you signed.

**Beware of offers that guarantee a credit card for a fee before you apply. It is against the law.**

### ***Important Protections:***

#### ***A Creditor May Not..***

- ✓ Require you to reapply for credit, close your account, or change the terms of your account because you are widowed or divorced. (There must be some indication that your creditworthiness has changed.)
- ✓ Inquire about child bearing plans.
- ✓ Ask about your marital status if you are applying for a separate, unsecured credit account.
- ✓ Ask if you receive alimony or child support, unless you are first told that you don't have to provide the information, if you will not rely on these funds to pay for credit.
- ✓ Inquire about your spouse, except when your spouse is applying with you or will be using the account, or when you are relying on his or her income, alimony or child support to pay the debt.
- ✓ Discount income because of sex, marital status or part-time employment.
- ✓ Consider whether you have a telephone listing in your name.
- ✓ Deny you credit, discourage you from applying, or offer you credit on different terms because of your gender, marital status, age, race, national origin, religion, receipt of public assistance, or because you have exercised your rights under federal credit laws. Such discrimination is prohibited by federal law under the Equal Credit Opportunity Act.

#### ***You Have the Right To..***

- ✓ Have credit in your birth name or keep your own accounts after you change your marital status.
- ✓ Secure credit without a cosigner if you meet the creditor's standards.
- ✓ Have a cosigner other than your spouse.
- ✓ Know whether your application was accepted within 30 days of filing.
- ✓ Find out why your application was rejected. The creditor must provide notice telling you either the specific reasons for your denial or your right to learn the reasons if you ask within 60 days. If the rejection is based on your credit report, federal law requires the creditor to give you the name and address of the credit bureau that provided the information, from which you can request a free report.
- ✓ Find out why you were offered less favorable credit terms than in the application.
- ✓ Learn why your account was closed or the terms were changed.
- ✓ Privacy from a spouse.

### ***Applying for a Loan***

A loan consists of principal (the amount of money you borrowed) and interest (the amount you pay for the privilege of borrowing, generally determined by the size of the principle and length of the repayment term). The cost of borrowing the money is often paid for in small amounts over the life of the loan. Every monthly payment will include some of the principal and some interest.

**Borrow only the amount you need and can afford to repay.**

When a financial institution evaluates your loan application for credit, it is considering your character, capacity to repay the loan, collateral to guarantee repayment and plans for investment in the purchase. Lenders will also calculate your **debt-to-income ratio** to determine how much you can afford to borrow. To do so, the loan officer will divide your total debt by your current income. While the acceptable ratio will depend on the type of lending institution and loan, it is generally accepted that a person's total debt should not exceed 36 percent of their monthly gross income (e.g., credit card payments, child support, car loans, etc.).

In addition to general biographical and personal information, lenders ask for detailed information about the purpose of the loan, your credit history, repayment sources, monthly income and expenses and other debts. You may also be asked to submit pay stubs, copies of tax returns and other paperwork. Be sure to provide complete and accurate information; the lender will often investigate to ensure accuracy. Finally, every loan application asks for authorization to secure a copy of your credit report. Upon receipt of an application, you may sit for an interview with a loan officer.

### ***How Much Does Credit Cost?***

The cost of credit is affected by the interest rate, terms, down payment and fees. Under the law, a creditor must make certain disclosures about the cost of the debt. It is important to shop around for the best deal and talk to a number of lenders. Generally, for loans up to \$250,000, the maximum allowable interest rate is 16 percent under New York State law, but higher interest rates are permissible for larger loans. Remember:

- ▶ The higher the interest rate, the greater the cost of credit.
- ▶ The higher the loan fees, the higher the cost. Loan fees vary.
- ▶ The longer the term of the loan, the lower the monthly payment but the greater the cost of credit.
- ▶ The greater the down payment, the lower the loan amount and cost of credit.

**Watch out for loans with large balloon payments at the end. While these types of loans usually offer lower interest rates, they require a large pay off of the balance at the end of the term.**

### ***Beware of Predatory Lenders!***

Predatory lending is unfair and deceptive practices engaged in by unscrupulous lenders. While most lenders conduct honest business, some do not. Predatory lenders frequently target low-income, minority and elderly consumers whom they believe have poor credit or little access to traditional lines of credit. These consumers are pressured into accepting high-cost loans with exorbitant interest rates, questionable fees and excessive charges. The loans are usually secured by a mortgage

### **If You Are Turned Down...**

- ▶ **Ask why.**
- ▶ **Review a free copy of your credit report.**
- ▶ **Wait at least six months before applying again. Credit bureaus record each inquiry. Some creditors may deny your application if they think you are trying to open too many new accounts too quickly.**

on a home, which provides little or no financial benefit to the consumer. If you fall behind in payments, more charges may be added or the lender may suggest that you refinance the loan with the unpaid payments added to the new loan amount, costing you more. Consider the following tips to avoid predatory lenders:

- ✓ Be wary of loans offered through telephone or door-to-door solicitations.
- ✓ Be suspicious of lenders guaranteeing loan approval regardless of your credit history.
- ✓ Don't fall for high-pressure sales pitches; be suspicious if the lender says that you have to act fast, promises an easy fix, or tells you that you won't be able to get a loan elsewhere.
- ✓ Be cautious about taking out home equity loans or refinancing to pay credit card debt. Although lower rates on such loans may appear attractive, you are effectively consolidating excess credit card debt into your mortgage, which means that you risk losing your home if you default.
- ✓ Ask questions and shop around. Research other credit options and interest rates.
- ✓ Know how much your credit is costing you. Before agreeing to any kind of loan, make certain you know the interest rate, default penalties and all terms and conditions. Ask about fees and points before applying for a loan.
- ✓ Avoid lenders seeking up-front fees to cover the first loan payment and other expenses – you may never get the loan after you have paid these fees.
- ✓ Watch out for "hidden" terms, excessively high fees or changes in terms and conditions such as prepayment penalties and balloon payments.
- ✓ Check that the lender is licensed by the NYS Banking Department by calling (800) 522-3330.
- ✓ NEVER misrepresent your income or sign blank documents.
- ✓ Contact a not-for-profit credit counseling agency for assistance in determining whether you can afford your loan, especially the monthly payments. (*See Resources Section.*)

*Notes:*

**Resources:****Federal Government Assistance****Federal Trade Commission**

Consumer Response Center  
 Washington, DC 20580 (877) 382-4357  
[www.ftc.gov](http://www.ftc.gov)

**Comptroller of the Currency**

Mail Stop 7-5  
 Washington, DC 20219 (800) 613-6743  
 (Complaint relating to nationally-chartered bank)  
<http://www.occ.treas.gov>

**Federal Deposit Insurance Corporation**

Consumer Affairs Division  
 Washington, DC 20429  
 (877)ASK-FDIC or (877) 275-3342  
[www.fdic.gov](http://www.fdic.gov)

**Office of Thrift Supervision**

Consumer Affairs  
 Washington, DC 20552 (800) 842-6929  
 (Complaint relating to a federally-chartered or federally-insured savings and loan association)  
[www.ots.treas.gov](http://www.ots.treas.gov)

**National Credit Union Administration**

Consumer Affairs  
 Washington, DC 20456 (703) 519-4600  
<http://www.ncua.gov/>

**U.S. Department of Justice**

Civil Rights Division  
 Washington, DC 20530  
<http://www.usdoj.gov/crt/>

**Resources:****State Government Assistance****Office of the NYS Attorney General (OAG)**

Civil Rights Bureau (212) 416-8250  
 Consumer Frauds Bureau (212) 416-8300  
 120 Broadway, 3rd Fl.  
 New York State, NY 10271

**OAG Consumer Complaint Helpline**

(800) 771-7755  
[www.oag.state.ny.us](http://www.oag.state.ny.us)

**New York State Banking Dept.**

Consumer Services Division  
 2 Rector Street  
 New York State, NY 10006  
 (800) 522-3330  
[www.banking.state.ny.us/](http://www.banking.state.ny.us/)

**New York State Division of Human Rights**

Headquarters  
 One Fordham Plaza, 4th Floor  
 Bronx, New York State 10458  
 (718) 741-8400  
[www.dhr.state.ny.us/](http://www.dhr.state.ny.us/)

**National Foundation for Credit Counseling**

(800) 388-2227  
[www.nfcc.org/bankruptcy/](http://www.nfcc.org/bankruptcy/)

**New York City Residents:**

In addition to state law, New York City's Consumer Protection Regulation 302 prohibits discrimination on the basis of race, color, religion, national origin, sex or marital status or because a consumer exercised rights under federal credit laws. Suspected violations should be referred to the Department of Consumer Affairs at: 42 Broadway, New York City, NY 10004 or <http://www.nyc.gov/html/dca/html/contact/contact.shtml>.

## ***CHOOSING AND USING PLASTIC: OAG CREDIT CARD REFERENCE GUIDE***

***Introduction of Topic:*** Since credit card offers vary widely, consumers should read the fine print, especially the back of any solicitation, carefully. Most of the key terms and conditions are listed in a disclosure chart on the back of the offer or on a separate insert. This guide will explain the terms most often used so that you can choose the card that is best for you.

Additionally, this guide will help you manage your credit card usage. Unlike some forms of credit (e.g., installment loans), there is no loan term for credit cards. That means that you can pay the balance owed over a varied and extended time – and that is where most people get into trouble. According to the Federal Reserve, credit debt has almost tripled since 1989, and Americans now owe close to \$800 billion in credit card debt. High credit card debt not only damages your credit rating, but has a tendency to spiral out of control as late and missed payment charges, as well as interest, add up and saving for your future becomes impossible. By limiting your credit card purchases to the things you need and paying your balance every month, you can enjoy the advantages of credit cards without falling into the debt trap.

### ***Understanding the Credit Offer:***

Before signing up for a card, make sure you understand the terms. The federal Truth in Lending Act requires credit card companies to disclose the key terms of any credit card agreement in the application or solicitation. Unfortunately, creditors keep changing their terms and conditions by lowering minimum payments, decreasing grace periods and raising fees. The terms below define many of the fees associated with credit cards, and will help you in comparing offers. (*See the Financial Literacy Glossary for more definitions.*)

- ▶ **Annual Percentage Rate (APR )** – APR is the yearly interest rate that the credit card company assesses on a cardholder's monthly balance. Think of it as a comprehensive cost of credit in a year, which includes account interest, transaction fees and other service charges. If you are confident that you will not carry a balance on your credit card (i.e., you plan to pay your bill in full each month) or take out a cash advance, then the APR is not critical because it is charged only on your balance. However, if you don't pay your bill in full each month, the APR is very important. Usually, the lower the APR, the better, but be careful: some cards have a low "introductory rate" (or "teaser rate") that rises after a few months. There are two types of APRs: **variable and fixed**. A variable rate will likely change four times a year, according to a quarterly schedule. Variable rates are based upon the prime rate, which is consistent across banks and changes frequently. Usually the credit grantor will add an additional percentage to the prime rate. A fixed rate, by contrast, is not based on a market index. Although fixed rates are less variable, they may change as long as a company gives its cardholders 15 days notice.
- ▶ **Annual Fee** – This is a flat yearly participation fee similar to a membership fee. Some credit cards do not charge an annual fee, but be aware that a no-fee offer may be more than offset by a high APR.
- ▶ **Grace Period** – This is the time during which a purchase does not accrue interest or a finance charge. Most grace periods are 20-25 days and do not apply to cash advances. On most cards, grace periods apply if the prior month's balance was paid. Some cards do not have a grace period. Thus, cardholders are charged interest from the moment of purchase or as of the time the charge is posted to the account.
- ▶ **Minimum Monthly Payment** – This is the smallest amount of money the cardholder may pay each billing cycle to keep their account in good standing.
- ▶ **Credit Limit** – Many credit cards apply a limit to how much you can charge on the card for purchases, cash advances and balance transfers.

- ▶ **Cash Advance** – An instant loan given to a cardholder by the creditor. They are usually more expensive than standard credit charges, as banks typically charge high interest and fees from the date of the advance.
- ▶ **Transaction Fee** – Creditors charge cardholders fees for various transactions, including cash advances and balance transfers from one card to another.
- ▶ **Pre-approved** – This means that a consumer was selected to receive a credit offer based on certain criteria. It does not mean that the consumer is guaranteed to receive the card. Every applicant is still subject to a credit check. By signing the offer, you authorize the company to review your credit report, upon which actual approval for the card is based.
- ▶ **Methods Computing Purchase Balances** – Creditors may use different calculation methods, such as:
  - \***Average Daily Balance** – This is the most widely used computation method. The outstanding balances for each day in the billing cycle are added, and the total is divided by the number of days in the cycle.
  - \***Previous Balance** – The creditor uses the balance outstanding at the end of the previous billing period.
  - \***Adjusted Balance** – The creditor computes the balance by subtracting the payments received during the billing period from the balance at the beginning of the billing cycle. New purchases are not included.

**Take Note:** Many credit card companies offer credit insurance or a payment protection plan. The insurance covers the cardholder's balance if there is death, disability or unemployment, and is promoted as a way for cardholders to protect their credit ratings. However, such insurance may be a bad idea. Coverage is usually limited and expensive. Because the cost is automatically deducted from your account, you can lose track of it. Further, the insurance tends to pay less on each claim than other types of insurance. In addition, consumers who enroll usually pay interest on the cost of their insurance because the cost of the coverage is included in the total amount owed. While insurance is optional, some offers make enrollment seem mandatory. The card and the insurance agreements are often placed next to each other on the application. Read carefully, and make sure that you don't accidentally sign for unwanted insurance.

### ***Which Card Should You Choose?***

Now that you are familiar with the terminology, you can choose the card that makes the most financial sense for you. **In general, you should look for a card with a long grace period, low APR, limited late payment fees and no annual fee. Do not accept a credit card offer simply because the issuer sends you a solicitation.** Compare offers to get a sense of the range of fees and rates being charged. Additionally, make sure that you understand where the card is accepted – some cards are accepted by more businesses than others. Finally, ask yourself the following questions:

- ▶ **Do you expect to make your payments in full at the end of each month?** If so, pay more attention to the annual fees and charges and less attention to the APR.
- ▶ **Do you expect to make large purchases which you will pay off over a period of time?** If so, pay attention to how your card computes balances and look for a low APR.
- ▶ **Do you expect to make cash advances?** If so, look for a card with a lower APR and fees for these particular transactions.
- ▶ **Do you expect to make large purchases?** If so, pay attention to the credit limit.

### ***Types of Credit Cards:***

There are a variety of cards from which to choose, depending upon your spending habits, credit history and needs.

- ▶ **Regular (Unsecured) Credit Card** – This, the most common type of card, allows you to borrow money from a creditor if you enter an agreement to pay a minimum amount each month and pay interest on any unpaid balance. You do not have to put down any money as collateral, but there may be a limit on how much you can borrow.
- ▶ **Secured Credit Card** – For this type of card, you are required to put down money as collateral from which the company will draw in case you fail to make payments. Since a secured credit card looks and acts in every other way like a regular credit card, your account will be reported to credit reporting agencies or credit bureaus, allowing you to build a credit history. This type of card is easier to get than an unsecured one, and so may be a good option if you are working on establishing or improving your credit. Moreover, your security deposit (or collateral) may grow interest, as it would in a bank account. However, you should look out for high annual fees or interest rates, an application fee, a limit on the number of transactions as well as other fees for cash advances, late payments, etc.
- ▶ **Stored-Value Card** – This is a type of pre-paid card that may be refilled or discarded when the balance is used; a gift card is a good example of a stored-value card. You can obtain a multipurpose pre-paid card online, over the phone, or at check-cashing outlets and money transfer companies. There are two primary types of stored-value cards: single purpose, which may only be used at one retailer (like most gift cards), or multipurpose, which may be used at many retailers as well as at an ATM. Credit card companies sometimes offer stored-value cards. Since you are only spending what you have paid for, this type of card does not put you into debt, and hence no finance charges or APR rates apply. On the downside, however, your personal information is not written on the card, so you are out of luck if it is lost or stolen. Moreover, a stored-value card won't help you build a credit history or repair damaged credit, and there may be a variety of extra fees that you should look out for, including activation, ATM transaction or point-of-sale transaction fees.
- ▶ **Store Charge Card** – This is a credit card issued by a particular store for use there.
- ▶ **Charge or Travel & Entertainment Card** – Unlike a regular credit card, you must pay off your charges in full each month for this type of card. They usually have no limit, charge high fees and offer discounts.
- ▶ **Affinity Card** – This is an all-purpose card that usually has special features and is offered in connection with a sponsoring organization. The issuer often donates a portion of the annual fees or charges to the sponsoring group.

### ***Key Cardholder Protections:***

- ✓ **Prompt Credit** – An issuer must credit your account the day payment is received (unless you will not be subject to charges as a result of the delay).
- ✓ **Billing Error** – The Fair Credit Billing Act protects you from the negative consequences of errors on your credit card bill. Errors may include unauthorized charges, payments not credited to your account and/or computation mistakes. You can dispute the charge and withhold payment on that amount while the charge is investigated. However, you must pay any part of the bill not in question.

**\*If you find an error, notify the creditor and contest it immediately.**

Write to your credit card company (return receipt requested) within 60 days, providing your name and account number, and the date and dollar amount in question. Write to the address for "billing inquiries" (often found on the back of your monthly statements), **not** the address for sending your payments.

Send copies of any documents that support your claim.

\*The creditor must acknowledge your complaint in writing within 30 days after receiving it, unless the problem has been rectified. They must resolve the dispute within 90 days and may not take any legal or other action to collect the disputed amount during the investigation (though the disputed amount may be applied against your credit limit). While the creditor may not threaten your credit rating or report you as delinquent while your bill is under review, the credit card company may report that you are challenging your bill.

\*If the error is confirmed, your account must be corrected with all late fees and penalties related to the error deleted. If you were mistaken, however, you will receive an explanation in the mail along with a statement of what you owe. You are responsible for the full payment along with any finance charges that accumulated while you disputed the bill. For this reason, it is in your interest to report the error as soon as you notice it. If you disagree with the results of the investigation, you may write to the creditor, but you must act within 10 days after receiving the explanation.

- ✓ **Lost or Stolen Cards** – If your card is lost or stolen, call your credit card issuer immediately to report the loss and request cancellation. Once your card has been cancelled, no one will be able to use it to access your credit line. Additionally, the federal Truth In Lending Act protects you from liability for any unauthorized charges over \$50. Keep a document with your credit card account numbers and credit companies phone numbers in a secure place (apart from your credit cards) so that you will be prepared if one of your cards ever goes missing.
- ✓ **Unsatisfactory Goods** – The federal Fair Credit Billing Act allows you to withhold payment for purchases over \$50 in your own state or within 100 miles of your address (unless the seller is the card issuer, or there is a special relationship between the seller and the credit card issuer). You should notify the seller of your dissatisfaction with the product in writing.

### ***How Many Credit Cards Should You Have?***

After obtaining a credit card, you might be hungry for others. Not so fast. Having too much credit can result in debt problems. Some suggest that you should have only a maximum of one or two bank credit cards and a department store and gasoline credit card. While creditors look at how you manage more than one credit account at a time, they frown on too much open credit. Thus, having several cards may result in you being turned down for credit that you really need, such as a loan. And if your credit applications are denied, your credit report will contain these negative inquiries.

### ***Tips on Keeping Credit Under Control:***

- ✓ Use your credit card for necessary expenses and essential emergency purchases. Do not use your credit card to live beyond your means. Do not max out or exceed the credit card limit; doing so will harm your rating.
- ✓ Refrain from cash advances to avoid fees.
- ✓ Pay all or most of the balance each month – if you make only minimum payments each month you will be stuck paying off the debt for years to come, and you will pay above cost for each purchase due to the interest charged.
- ✓ Keep records – save receipts to review monthly charges. Contact your creditor immediately if there are discrepancies or you are unsure about a charge.
- ✓ Draw a line through blank spaces on charge slips so the amount isn't changed.

- ✓ Safeguard your card and security numbers.
- ✓ Carry only the credit cards you actually need or anticipate using; you will have one fewer thing to worry about if your wallet is lost or stolen.
- ✓ Call (888)-5-OPTOUT (567-8688) to opt-out from receiving new credit solicitations.

### ***Overwhelmed by Debt?***

Paying off significant debt is challenging but critical to your future security and independence. Don't go it alone – seek help and advice from trusted professionals.

- ▶ Contact creditors to seek a reduction in fees and/or APR as well as a modified payment plan. Keep a detailed record of conversations and correspondence.).
- ▶ Consult with a not-for-profit credit counseling service licensed by the New York State Department of Banking. Free or low-cost services on budgeting and debt resolution can be obtained from the Consumer Credit Counseling Service. (*See Resources Section.*)
- ▶ Consult an attorney. However, filing for personal bankruptcy, which remains on your credit report for 10 years, should be your last resort.
- ▶ Beware of entities that advertise quick debt relief – they are usually offering bankruptcy.

### ***Debt Collection Practices***

While debt that has gone to collection can be problematic, you have certain protections against abusive, deceptive and unfair tactics by these callers. Misrepresenting the nature and status of a debt; making constant abusive phone calls; contacting a debtor's relatives, neighbors and employers; failing to investigate claims by consumers that the debt was paid or was fraudulent; and threatening to sue without any legal basis are common tactics by debt collectors. Report any problems you have with a debt collector to the Office of the NYS Attorney General and the Federal Trade Commission. You also may want to consult an attorney; consumers have the right to sue a collector and recover damages and court costs in some cases. A debt collection agency **may not**:

- ▶ Contact you before 8 a.m. or after 9 p.m., unless you agree.
- ▶ Telephone repeatedly or continuously with the intent to annoy or harass.
- ▶ Use or threaten violence or criminal means to harm you.
- ▶ State that you have committed a crime or threaten to arrest you or represent that they will seize, garnish or sell any property or wages unless such action is lawful.
- ▶ Use obscene or profane language.
- ▶ Collect an amount greater than what you owe.
- ▶ Threaten to take possession of your property without court approval.
- ▶ Threaten to communicate false credit information with any other person or credit bureau.
- ▶ Give you legal documents misrepresenting the debt amount; or send you something resembling an official document from a governmental agency when it is not.
- ▶ Contact you if, within 30 days after you receive written notice, you send the agency a letter disputing the debt. However, a collector can renew activities if you are sent proof.

### ***Beware of Credit Repair***

Turning to a business that promises to assist you in solving your credit problems may be tempting. Exercise caution. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the location of the business. Don't fall for credit repair companies claiming that for a fee (usually \$300-\$400) they can clean up your credit report so you can get a car or loan, a credit card, or even a job. **The truth is, they can't deliver.**

**If you decide to respond to a credit repair offer, beware of companies that:**

- ▶ Want you to pay for credit repair before any services are provided.
- ▶ Do not inform you of your legal rights and what you can do for yourself for free.
- ▶ Recommend that you not contact a credit bureau directly.
- ▶ Advise you to dispute all information in your credit report.
- ▶ Recommend that you invent a "new" credit report by applying for an Employer identification Number to use instead of your Social Security number. If you follow illegal advice and commit fraud, you may be subject to criminal prosecution. By law, credit repair businesses must give you a copy of the "**Consumer Credit File Rights Under State and Federal Law**" before you engage in their services. They also must present you with a **written contract** that spells out your rights and obligations and the services to be performed, including the time it will take to achieve results. Read these documents carefully, and remember, **a credit repair company cannot:**
  - ▶ Make false claims about their services or the amount or type of credit you can expect to gain.
  - ▶ Misrepresent the time within which services will be performed.
  - ▶ Charge you before the promised services are completed or perform any services before you have signed a contract and completed a three-day waiting period. (During this time, you can cancel the contract without paying any fees.) Your contract must specify the company's name and business address, payment terms, services to be performed, how long it will take to achieve results and any guarantees.

**Resources:**

<b>Consumer Credit Counseling Service</b>	(800) 388-2227; <a href="http://www.nfcc.org">www.nfcc.org</a>
<b>Federal Trade Commission</b>	(877) 382-4357; <a href="http://www.ftc.gov">www.ftc.gov</a>
<b>New York State Banking Department</b>	(800) 522-3330; <a href="http://www.banking.state.ny.us">www.banking.state.ny.us</a>
<b>Office of the NYS Attorney General</b>	
<b>Consumer Frauds Bureau</b>	(800) 771-7755; <a href="http://www.oag.state.ny.us">www.oag.state.ny.us</a>
<b>NYS Consumer Protection Board</b>	(800) 697-1220; <a href="http://www.consumer.state.ny.us">www.consumer.state.ny.us</a>
<b>Office of the Comptroller of the Currency (National Banks)</b>	
<b>Compliance Management</b>	(800) 613-6743; <a href="http://www.occ.treas.gov/index.htm">www.occ.treas.gov/index.htm</a>
<b>Federal Reserve Board</b>	(202) 452-3693; <a href="http://www.federalreserve.gov/">www.federalreserve.gov/</a>
<b>Office of Thrift Supervision</b>	(800) 842-6929; <a href="http://www.ots.treas.gov">www.ots.treas.gov</a>
<b>Credit Bureaus:</b>	
<b>Experian</b>	(888) 397-3742; <a href="http://www.experian.com/">www.experian.com/</a>
<b>Equifax</b>	(800) 685-1111; <a href="http://www.equifax.com/">www.equifax.com/</a>
<b>TransUnion</b>	(800) 909-8872; <a href="http://www.transunion.com/">www.transunion.com/</a>

## ***PROTECTING YOUR PERSONAL DATA: OAG IDENTITY THEFT REFERENCE GUIDE***

***Introduction of Topic:*** Identity theft is a serious problem in New York and throughout the country. A survey conducted by the Federal Trade Commission (FTC) in 2003 showed that in the 12 months preceding the study, 3.23 million persons discovered that an identity thief had opened one or more new credit accounts in their names. An additional 6.6 million consumers learned of the misuse of an existing account by an identity thief. Overall nearly 10 million consumers, including 663,300 New York State residents, discovered that they were victims of some form of identity theft. The FTC calculated that these numbers translate to nearly \$5 billion in losses to individual consumers, nearly \$48 billion in losses to businesses, and almost 300 million hours spent by victims trying to resolve their problems relating to denial of credit, insurance, employment and other services. This guide explains how identity theft occurs, provides tips to protect your identity and details the steps you should take if you become a victim.

### ***What is Identity Theft?***

Identity theft is the practice of stealing someone's personal information (e.g., name, date of birth, SSn) with the intent to fraudulently obtain goods, property, credit, services, employment or government documents. Sometimes thieves will even use someone's personal data when stopped by police. Credit card fraud is the most common form of identity theft, followed by utility and bank fraud. Victims of identity theft may lose job opportunities, loans, housing or cars, or get arrested for crimes they didn't commit.

### ***How Does an Identity Thief Gain Access to Your Personal Information?***

- ▶ Stealing wallets, purses or mail.
- ▶ Rummaging through trash.
- ▶ Fraudulently reporting lost credit cards and ordering new cards in your name.
- ▶ "Shoulder Surfing" by watching you enter checking or credit card data at an ATM, or by listening in on phone conversations.
- ▶ Purchasing information from "inside sources" or data brokers.
- ▶ "Skimming" or swiping a credit card to capture the encoded data on the magnetic strip.
- ▶ Pretending to be a legitimate business or government employee to secure information.
- ▶ Conducting Internet scams asking for personal or financial information.
- ▶ Using a camera in a cellular phone to photograph a credit or ATM card.
- ▶ Tampering with ATMs.
- ▶ Hacking into websites and databases.
- ▶ Keylogging or using spyware to access your computer input.

### ***Be Alert***

Most identity theft is committed by family members, intimate partners and friends. Be especially wary of perpetrators of domestic violence or stalking, as they may be motivated to steal your identity to harass and exercise power. A domestic abuser may also use identity theft to destroy your credit and promote financial dependency. Thus, it is particularly important for you to guard your personal information, open new accounts when separating from the abuser, monitor account transactions, check credit reports regularly and follow the other preventive strategies in this guide.

***Tips on Preventing Identity Theft:***

- ✓ Examine your credit reports on a regular basis. *(You can obtain a free copy of your credit report once every year by calling (877) 322-8228, or writing to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.)*
- ✓ Shred financial and billing statements and credit card offers.
- ✓ Keep your important documents in a secure, burglar-proof, fire-resistant safety box.
- ✓ Reduce the number of identification and credit cards you carry and keep a list of all the numbers in a safe place. Do not carry your Social Security card.
- ✓ Monitor activity on your bank and credit card statements each month.
- ✓ Use direct deposit whenever possible and pick up new checks from the bank.
- ✓ Mail bill payments at the post office and use a locked mail slot at home or a P.O. box.
- ✓ Only use secure Internet sites when conducting financial transactions.
- ✓ Be careful releasing your personal information, especially on the phone or Internet.
- ✓ Commit all passwords to memory. Do not use easy-to-guess passwords, such as the last four digits of your SSn, DOB, middle name, or mother's maiden name.
- ✓ Opt-out of information sharing to nonaffiliated companies by your financial institutions.
- ✓ If you receive notice of an information security breach from a company or State agency, contact all three credit reporting bureaus and place a fraud alert for 90 days.
- ✓ Consider placing a security freeze on your credit report restricting access to your credit information.
- ✓ Review your medical explanation of benefits statement regularly as thieves may use your identity to obtain medical services.
- ✓ Install a firewall and virus detection software on your computer.
- ✓ Destroy the hard drive when disposing of your computer.

***How Can You Tell If Your Identity Has Been Stolen?***

Because identity thieves primarily steal information rather than tangible goods, you may not realize right away that your identity has been stolen. However, the sooner you detect the theft, the fewer headaches you'll have reclaiming your identity and finances. Be on the lookout for these warning signs:

- ▶ Unexplained account activity
- ▶ Failing to receive account statements or expected credit cards
- ▶ Receiving statements on unfamiliar accounts
- ▶ Calls by debt collectors
- ▶ Receiving credit denials for no apparent reason

***Strategies When You Suspect that Your Identity has been Stolen:***

If you suspect that your identity has been stolen, act quickly – time is of the essence! Your first step should be to contact the credit reporting agencies, your creditor and bank, and the police. Next, call any other business or organization that may have received fraudulent data. These first calls should stop the continuing misuse of your identity. However, if damage has already been done – for example, if your money has been stolen or your identity has been used falsely in the commission

of a crime – you will need to gather and review any records pertaining to the fraud to ensure that you are not held liable for the actions of the thief. To do so:

- ✓ Obtain free copies of your credit report from the credit reporting agencies.
- ✓ Request in writing free copies of relevant business transaction records from creditors.
- ✓ Place a security freeze on your credit report.
- ✓ Block reporting of fraudulent data in your credit record by submitting a police report.
- ✓ Use certified mail, with return receipt requested, and never mail original documents.
- ✓ Maintain detailed records of the letters and phone conversations you have with creditors, credit agencies and other affected organizations.
- ✓ Use a notarized FTC ID Theft Affidavit to prove that any new accounts were opened by an imposter when corresponding with creditors.
- ✓ Prepare a comprehensive victim impact statement for a possible restitution award.

***As a Victim of Identity Theft, What Should You Do Immediately?***

- ✓ Contact the three major credit reporting agencies to place a 90-day fraud alert on your account and get copies of your report. Call: Equifax (800) 685-1111 or (800) 525-6285; Experian (888) 397-3742; and TransUnion (800) 916-8800 or (800) 680-7289.
- ✓ Contact your bank and your creditors' fraud department; close any compromised accounts and open new ones with new passwords.
- ✓ Call police and obtain a copy of their report.

***Other Contacts to Call:***

- ✓ If bogus checks have been issued in your name: Chex Systems (800) 428-9623; Scan (800) 262-7771. (Check approval agencies)
- ✓ If your SSn was stolen: Social Security Administration Fraud Hotline (800) 269-0271. (Note that some driver's licenses show the driver's SSn.)
- ✓ If you suspect that the thief used the mail: U.S. Postal Inspection Service (888) 877-7644.
- ✓ If you believe your identification was used in violation of tax laws: IRS (800) 829-0433.
- ✓ If your license was compromised: New York State Department of Motor Vehicles (800) 342-5368.
- ✓ If relevant: Utilities, employer, school, health club, etc.
- ✓ If you want more information or to obtain the affidavit: Federal Trade Commission (877) IDTHEFT (438-4338) or <http://www.consumer.gov/idtheft/>

***Additional Resources:***

**OAG Consumer Helpline**

(800) 771-7755; [www.oag.state.ny.us](http://www.oag.state.ny.us)

## ***PAYDAY LOANS: OAG SHORT-TERM LOAN REFERENCE GUIDE***

***Introduction of Topic:*** When times are tough you may be tempted by payday loans, which allow you to spend your paycheck before you receive it. While these loans may seem to offer a good solution when costs arise between paychecks, they are typically very expensive and often hurt your finances more than they help. This guide explains how payday loans work and suggests lower-cost alternatives.

### ***What is a Payday Loan?***

Payday loans are small dollar (\$100-500), short-term loans with extremely high interest rates that the borrower promises to repay out of his or her next paycheck. They are obtained from a variety of sources including loan companies, check cashers and pawn shops, as well as via the Internet. The average interest rate for a payday loan on an annualized basis is generally 500 percent, well over the 16-25 percent that can be charged on a normal loan or forbearance under New York State laws. And the annualized interest rate for a payday loan can be even higher if the consumer is unable to pay off the loan on its original due date and chooses to "rollover" the loan.

In a typical scenario, you provide the lender with a check or debit authorization for the amount of the loan plus a fee (the fee is actually interest on the amount of the loan). The lender agrees to delay cashing the check or accessing the debit authorization until your next payday or income payment, usually two weeks later. Payday loans are often granted without any assessment of your ability to pay the loan. If you cannot repay the loan at the end of the two-week period, the lender often offers to extend the loan for an additional fee, called a rollover, which results in an even higher rate of interest. The average payday loan borrower rolls over the loan several times, so that the loan is outstanding for many months and the borrower typically pays many times the face value of the original loan in interest.

Under the federal Truth in Lending Act, the cost of payday loans – like other types of credit – must be disclosed, and you must receive the finance charge (a dollar amount) and the annual percentage rate or APR in writing. If you decide to use a payday loan even after considering the high costs, borrow only as much as you can afford to pay with your next paycheck.

### ***Alternatives to Payday Borrowing***

Payday loans are very expensive, and often snowball into greater debt. Before signing on, consider some of these tips:

- ✓ Seek a loan from a licensed lender that makes small unsecured loans. These loans usually are less expensive and are available to those with poor credit.
- ✓ Take small loans from credit unions or a cash advance on a credit card.
- ✓ Make a pawn loan using a nonessential item as collateral.
- ✓ Work out a better payment plan with your creditors.
- ✓ Seek overdraft protection in your checking account.
- ✓ Contact a State licensed, not-for-profit credit counseling service for help.

### ***Resources:***

<b>OAG Consumer Helpline</b>	(800) 771-7755; <a href="http://www.oag.state.ny.us">www.oag.state.ny.us</a>
<b>New York State Banking Department</b>	(800) 522-3330; <a href="http://www.banking.state.ny.us">www.banking.state.ny.us</a>
<b>National Foundation for Credit Counseling</b>	(800) 388-2227; <a href="http://www.nfcc.org/bankruptcy">www.nfcc.org/bankruptcy</a>

## ***OAG GLOSSARY OF KEY TERMS***

### **Financial Literacy: Banking and Credit**

#### **-A-**

**Account** – Money deposited with a financial institution for investment and/or safekeeping purposes.

**Affinity Card** – A credit card with special features sponsored by a not-for-profit organization or educational institution that receives a portion of the card user's fees.

**Annual Percentage Rate (APR)** – The cost of credit as a yearly rate, taking into account interest, transaction fees and other service charges. It is expressed as a simple percentage.

**Appreciate** – To grow in value. Usually used in relation to investments – stocks, collectibles, real-estate, etc. – that are now worth more than what you paid for them.

**Assets** – Items of monetary value (e.g., house, land, car), owned by an individual or a company.

**ATM** – Acronym for automated teller machine.

#### **-B-**

**Balance** – An outstanding amount of money. In banking, balance refers to the amount of money in a particular account. In credit, balance refers to the amount owed.

**Basic Banking** (also known as "Lifeline Account") – Low cost banking services providing for the following: opening minimum deposit of as little as \$25; minimum monthly balance of one penny; monthly maintenance fee of no more than \$3; and eight withdrawals or third-party checks cashed per month at no additional cost.

**Bank** – An establishment for lending, issuing, borrowing, exchanging and safeguarding money.

**Blocking** – When a merchant such as a hotel or car rental company places a hold on your card for an estimated total of the price you will later pay. Used to ensure you do not exceed your credit line.

**Bond** – A certificate of debt issued by corporations or government agencies that promise payment of interest on specific dates, with payment of the original investment amount at maturity.

**Bounced Check** – A check that a bank has refused to cash or pay because you have insufficient funds to cover it in your account.

**Broker** – A licensed professional who advises people about investments and helps people buy and sell stocks, bonds, mutual funds, etc. The broker earns a fee for this guidance, called a commission, usually a percentage of the transaction.

**Budget** – A plan you create for controlling spending and encouraging saving.

**-C-**

**Canceled Check** – A "used" check that has been paid and subtracted from the check-writer's account. Canceled checks have extra data on them from the bank. They may be mailed to the writer each month with the statement, although many banks keep them on record and available upon request. Canceled checks are excellent receipts that should be kept for reference and tax purposes.

**Capital** – A stock of accumulated wealth used or available for producing more wealth.

**Cash** – Money in the form of paper and coins (e.g., U.S. dollars and cents). In banking, this term is used to describe the act of paying a check.

**Cash Advance** – An instant loan given to a credit card holder by the credit card issuer that accrues interest from the date of withdrawal.

**Cashier's Check** – A check issued by a bank, drawn on its own funds rather than on one of its depositor's funds. The bank assumes the obligation of payment.

**Certificate of Deposit** – A savings account in which an individual promises to deposit an amount of money for a set period of time with a specific rate of interest. A bank usually pays a higher interest rate on this type of savings instrument than on a regular savings account.

**Charge Card** – A plastic card that gives access to a line of credit. The line of credit is theoretically limitless, but users are expected to repay their balance in full every month.

**Check** – A written document instructing a bank to pay money from the writer's or customer's account.

**Check Card** – *See Debit Card.*

**Check 21** – A federal law allowing banks to process checks electronically without having to provide the actual paper check.

**Checking Account** – An account from which the holder can write checks. Checking accounts pay less interest than savings accounts, and sometimes pay no interest.

**Check Register** (also known as a "check ledger") – This booklet is usually kept in your checkbook for you to keep track of all the deposits, withdrawals and checks you write.

**Clear** – A check "clears" when its amount is debited (subtracted) from the payer's or writer's account and credited (added) to the payee's account.

**Collateral** – Anything that a bank accepts as security against the debtor's loan. If the debtor fails to repay the loan, the bank is allowed to keep the collateral. Collateral is most commonly in the form of real estate (e.g., a home).

**Commercial Bank** (also known as "Full Service Banks") – A financial institution providing a wide range of services such as checking and savings accounts for consumers and businesses, selling and redeeming U.S. savings bonds, credit and loan arrangements for consumers and business establishments and safety deposit box rentals.

**Compound Interest** – Interest calculated not only on the original principal, but also on the interest already accrued.

**Cosigner** – To further secure their interests, banks may request the signature of an additional person who is not the borrower but who assumes equal responsibility for a loan.

**Credit** – Buying or borrowing on the promise to repay at a later date. In any credit arrangement, there is a creditor (a person, bank, store, or company to whom money is owed) and a debtor (the person who owes money).

**Credit Bureau** (also known as "Credit Reporting Agencies") – A private agency that collects and sells information about a consumer's credit and transaction history. The bureau uses this information to assign a credit score to indicate the creditworthiness of a consumer. The agency does not determine whether credit should be extended to the consumer. When a prospective creditor inquires about a particular person, the credit reporting agency sells the creditor a credit report containing all the information relevant to the person and the credit score calculated by the agency.

**Credit Card** – A plastic card giving a consumer authorization to purchase goods and services on a line of credit. The credit limit is set by the creditor and is generally based on the information reported to and by the credit agencies. Consumers are not required to pay the full amount each month. Instead, the unpaid balance (also known as "revolve") accrues interest on a monthly basis with only a minimum payment due. Credit cards may be issued by a specific business, such as a retail establishment or oil company, or a financial institution.

**Credit Limit** – The maximum amount of credit that a financial institution, lender or credit card issuer will extend to a customer.

**Credit History** – A record of your borrowing and paying habits. Credit reporting agencies track your history and supply this information to credit card companies, banks and other lenders.

**Credit Rating** – A published ranking by a credit bureau or another institution of whether a person is suitable to receive credit. Credit ratings are based on a detailed analysis of one's financial history, ability to meet debt obligations, character and capital. Lenders use this information to decide whether to approve a loan or mortgage.

**Credit Union** – A not-for-profit financial institution owned and operated by its members. Members usually have a common affiliation such as employment or labor union. Credit unions often offer lower fees and provide consumer credit.

**Currency** – Anything used as a common medium of exchange. In practice, currency means cash, particularly paper money. Bankers often use the phrase "coin and currency" to refer to cents and dollars.

**-D-**

**Debit** – A bookkeeping term for a sum of money owed by an individual or institution; a charge deducted from an account.

**Debit Card** – A banking card that allows a consumer to access funds immediately and electronically and offers POS (point-of-sale) features that can be used to purchase goods and services electronically. The card replaces cash or checks. Transactions are deducted from the cardholder's checking account either immediately or within three days. Depending upon the type of card, a debit card may require the user to sign their name or enter a PIN (personal identification number) into special equipment.

**Demand Deposit** – A checking account.

**Deposit Slip** – An itemized slip showing the exact amount of paper money, coin and checks being deposited to a particular account.

**Depositor** – An individual or company that puts money into a bank account.

**Discount** – To reduce from an original price or an item's full worth.

**Diversify** – To spread out the money you invest into different types of investments: bonds, stocks, CDs, mutual funds, etc. The idea is to avoid putting all your eggs in one basket. Different kinds of investments do well in different economic climates. Therefore, if one of your investments drops in value, the other kinds of investments should hold or increase their value.

**Dividend** – A payment made by a company to a stockholder to share in the company's profits.

**-E-**

**Earned Income** – Wages paid in exchange for work.

**Endorse** – To sign, as the payee, the back of a check before cashing, depositing or giving it to someone else. The first endorsement must be made by the payee to authorize the transaction. Later endorsements may be made by whomever receives the check.

**Expenses** – Things you pay money for, such as goods and services.

**-F-**

**Federal Child Tax Credit and Child Dependent Care Credit** – An IRS tax deduction where you may be able to reduce your taxes if you paid someone to care for a child or a dependent in order for you to be able to work or look for work.

**Federal Deposit Insurance Corporation (FDIC)** – Established as part of the Banking Act of 1933, the Federal Deposit Insurance Corporation (FDIC) protects bank customers from possible losses by insuring various kinds of savings and checking accounts up to \$100,000 per bank total.

**Federal Earned Income Tax Credit** – An income tax credit refund available for low-income working individuals and families.

**Federal Extension** – By filling out IRS Form 4868, "Application for Automatic Extension of Time To File U.S. Income Tax Return," you may be given additional time to complete your taxes.

**Federal Fair Credit Billing Act** – A federal act that protects consumers from unauthorized charges on their credit cards.

**Federal Innocent Spouse Relief** – After satisfying certain requirements, it relieves a spouse from joint or individual liability due to a spouse or ex-spouse failing to report income or failing to claim improper deductions or credits on their taxes.

**Federal Payment Installments** – If you are unable to pay the full amount you owe on your tax return, you can enter into an agreement to pay on a monthly basis. However, you will incur additional fees such as interest.

**Federal Reserve System** – A governmental agency established by Congress to organize and regulate banking throughout the United States. The twelve reserve banks keep paper and currency reserves for affiliated banks.

**Federal Trade Commission (FTC)** – The federal agency that oversees and enforces a variety of federal antitrust and consumer protection laws. The FTC also works to enhance the marketplace by eliminating acts or practices that are deemed unfair or deceptive.

**Federal Truth in Lending Act** – This law requires lenders to disclose all terms and costs concerning a lending agreement to a borrower.

**Finance Charge** – A charge for credit. Usually, the fee a consumer pays when she or he does not pay off the entire credit card debt within a single payment period, usually about 25-28 days.

**Fixed Interest** – Interest rates that do not change during the time of the investment or loan.

**Fixed Expenses** – Expenses that stay basically the same from month-to-month, such as housing and transportation.

## **-G-**

**Grace Period** – The period of time a lender allows a borrower to make a payment on the debt without penalty or finance charges, usually about 20-25 days. Failing to pay within the grace period may result in being assessed finance charges.

## **-H-**

**Holiday Club Account** – An account in which you save money for the holiday season. Generally, the account begins and ends in October, but you can open a holiday account any time of the year.

## **-I-**

**Income** – Money received as a result of working, providing services, the sale of goods or property, and/or from investments.

**Income Tax** – Money that wage earners pay the government. The amount of taxes paid is based on your earnings.

**Individual Development Accounts (IDAs)** – A type of savings account for low-income families to use for the purchase of a first home, education, job training and developing of a small business. Generally, deposits are matched using both private and public sources.

**Individual Retirement Accounts (IRA)** – A type of retirement savings account that provides tax benefits.

**Insufficient Funds** – Not having enough money to cover an expense. Usually checks that bounce are returned stamped with the phrase "insufficient funds."

**Insured Savings** – Accounts that are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

**Interest** – The fee paid for the use and/or loan of money. Interest may be paid, for example, by an individual to a bank for credit card use, or by a bank to an individual for holding a savings account. Interest is expressed in terms of annual percentage rate (APR).

**Interest Bearing Accounts** – An account where your funds are available for withdrawal while continuing to earn interest.

**Interest Rate** – The price paid to use someone else's money expressed as an annual percentage rate.

**Invest** – To put your money in CDs, money market accounts, mutual funds, savings accounts, bonds or stocks with the goal of earning more money.

**Investment Banks** – Financial institutions that assist public and private corporations in raising funds by advising them on the use of the capital market.

**-J-**

**Joint Account** – A savings or checking account established in the names of more than one person (e.g., parent/child, wife/husband).

**-L-**

**Liability** – Money owed to individuals, businesses or institutions.

**Lien** – A right given to a lender over a borrower's property or money when the borrower cannot pay the debt.

**Lifeline** – See Basic Banking.

**Line of Credit** – An authorized amount of credit given to an individual, business or institution.

**Liquidity** – How quickly an asset (any item of value that you own) can be turned into cash. In other words, whether you have to wait until a certain date or pay a penalty to withdraw your money from an account or an investment instrument.

**Loan** – Money or an object that is borrowed usually with the understanding that the loan will be paid back with interest.

**-M-**

**Minimum Payment** – The smallest amount you are required to pay a lender each month on a debt.

**Money** – Anything generally recognized as a medium of exchange.

**Money Market Account** – A savings account offered by a bank (or a mutual fund). The account typically requires: 1) a minimum deposit and 2) that you maintain a minimum balance. The account invests in certificates of deposit and Treasury bills and pays a rate of interest that rises and falls with the economy.

**Mortgage** – A long-term loan obtained by individuals to buy a home that legally transfers ownership from the debtor to the creditor until the debt is paid.

**Mutual Fund** – A savings fund that uses cash from a pool of savers to buy a wide range of securities, like stocks, bonds and real estate. This is a way to diversify your investments because you own small units of each of the fund's investments. The fund is professionally managed to meet various investment objectives.

**-N-**

**National Credit Union Administration** – An independent federal agency responsible for regulating the federal credit unions and many of the state-chartered credit unions.

**Net Worth** – The value of all your possessions minus any debt and/or other financial obligations.

**New York City Earned Income Credit (EIC)** – A New York City refundable tax credit for people who worked full or part-time and earned below a certain amount.

**New York State ATM Safety Act** – A law that requires banks to provide security measures including adequate lighting at an ATM location.

**New York State Banking Department** – The agency responsible for regulating New York State licensed and chartered financial institutions.

**New York State Child and Dependent Care Credit** – A tax credit that reduces the amount of income tax you owe on your tax return because you have incurred child or dependent care expenses.

**New York State Earned Income Credit** – You may qualify for a income tax refund if you claimed the federal earned income credit and if you have filed a New York State income tax return.

**New York State Extension** – Additional time to file your New York State income tax return. You can request up to a six-month extension of your State income tax return by filing Form IT-370, available at [www.tax.state.ny.us](http://www.tax.state.ny.us).

**New York State Innocent Spouse Relief** – If certain conditions are met, this law allows an innocent spouse to be relieved from income tax liability.

**New York State Installment Payment Agreements** – If you cannot pay the full amount owed on your income tax return, you may request to pay it off in monthly installments. You may be charged additional fees and interest charges.

**-O-**

**Overdraft** – A check written for more money than is currently in the account. If the bank refuses to cash the check, it is said to have "bounced."

**Overdraft Protection** – Prevents a check from bouncing by automatically transferring funds from a separate line of credit linked to your personal account to cover for insufficient funds. Some banks may charge a fee this service.

**-P-**

**Passbook** – A booklet given by the bank to the depositor to record deposits, withdrawals, and interest earned on a savings account.

**Payee** – An individual or company to whom a check is written; one who receives money as payment.

**Payer** – An individual or company who writes a check; one who gives money as payment.

**Penny Stock** – A nickname for extremely low-priced stock, usually only a few dollars a share. These stocks are considered highly speculative, which is another way of saying highly risky. They are priced low because they have not yet proven themselves in the market.

**Percentage** – A way of measuring. The number 100 (which stands for the whole amount) is usually divided into 100 smaller, but equal, parts, each called a percent. So a percentage usually refers to a certain number of parts within the whole. Therefore, 6 percent is 6 units out of 100 percent (the whole). If you have invested \$100, and you earn 8 percent interest on the money, you will earn 8 parts of the whole, or \$8. A percentage explains a number in relation to the whole.

**Principal** – The original amount of money borrowed, deposited or invested before interest accrues.

**Profit** – The money you've earned after all your expenses and debts have been paid.

**Proprietary Credit Card** – A private labeled credit card typically issued by a department store or petroleum company that can only be used at those specific outlets.

**-R-**

**Rate of Compounding** – When an account compounds interest (figuring interest on interest already earned) it does so regularly. Compounding can take place annually, semi-annually, quarterly, monthly or daily. The more often interest is compounded the faster your money will grow.

**Real Estate** – Property in the form of land or buildings.

**Rebate** – Generally, an offer where after purchasing an item and returning the original receipt and coupon the customer receives a check for a certain amount.

**Refinance** – To revise a loan agreement to make the terms of payment more suitable to a borrower's present income and ability to repay. Refinancing usually provides a lower interest rate and lower monthly payments over a longer period of time.

**Revolving Credit Card** – A plastic card that gives access to a line of credit. Users are limited in how much they can charge, but they are not required to repay the full amount each month. Instead, the balance (or "revolve") accrues interest with only a minimum payment due.

**-S-**

**Salary** – Financial compensation an employee receives for performing a job, and part of your compensation package. It can be determined on an hourly, daily, weekly, monthly or yearly basis. A salary can include overtime pay, bonuses and commissions.

**Save** – Hanging onto your money for a future use instead of spending it. Saving is the opposite of spending.

**Savings Account** – A bank account that pays you interest for keeping your savings in it. Banks use your money to make loans, so they pay you interest for the use of your money. Your money is insured up to \$100,000 by the FDIC, so you don't have to worry about borrowers taking your money and not paying it back.

**Savings and Loan Association** – Financial institutions created to accept savings from private investors and to provide home mortgage services to the public.

**Secured Credit Card** – A type of credit card linked to a bank account or something of value as collateral. The issuer of the card can claim the funds in the account or seize the collateral in the event the cardholder fails to make a necessary payment. This type of arrangement allows credit card issuers to take on riskier customers.

**Service Charge** – A monthly fee a bank charges for handling a checking account.

**Share** – A unit of ownership in an investment or a company.

**Shareholder** – Someone who owns stock in a company.

**Stop Payment** – A request made to a bank to not pay a specific check. If requested soon enough, the check will not be debited from the payer's account. Usually, there is a charge for this service.

**Stop Payment** – A request made to a bank to not pay a specific check. If requested soon enough, the check will not be debited from the payer's account. Usually, there is a charge for this service.

**Stored-Value Card** – A card with a pre-paid amount of money or benefits. The value of the card decreases according to purchases made or benefits used.

**Store Charge Card** – A card issued by a retail store which can only be used to make purchases at that particular store.

**Stock** – A certificate representing a share of ownership in a company.

**Stock Market** – An organized way for 1) people to buy and sell stocks and 2) corporations to raise money. There are three known exchanges: The New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers Automated Quotation System (NASDAQ).

**-T-**

**Temporary Assistance for Needy Families (TANF)** – Federally funded and state-administered welfare programs providing assistance and work opportunities to needy families. These programs have specific income eligibility requirement.

**Terms** – The period of time and the interest rate arranged between creditor and debtor to repay a loan.

**-U-**

**Unearned Income** – Money you make that is not the result of your labor, such as interest from a savings account or other kind of investment.

**U.S. Savings Bond** – A kind of investment in which you lend money to the government for a certain amount of time and at a certain interest rate. You are paid interest according to the terms of your bond. At the end of the term, the borrower (the government) returns to you the amount you originally lent.

**Unsecured (Regular) Credit Card** – Opposite of a secured credit card. The card is not backed by the collateral of the cardholder or borrower. A credit card issued by a financial institution where a consumer borrows a certain amount of money and is allowed to pay a minimum amount of the balance on a monthly basis. Interest is charged on any unpaid balance.

**-V-**

**Vacation Club Account** – Money set aside for a vacation. A vacation club usually begins and ends in June.

**Variable Expenses** – Kinds of spending that can be controlled and typically change from month-to-month. For example, groceries can be a variable expense. You can choose to buy expensive food, (e.g., steak, lobster, lamb chops, or shrimp) or inexpensive food (e.g., chicken legs, turkey, hamburger). With variable expenses, you have choices.

**-W-**

**Withdrawal** – An amount of money taken out of an account.

***Sources:***

**Federal Trade Commission**

[www.ftc.gov](http://www.ftc.gov)

**Federal Reserve Bank**

[www.federalreserve.gov](http://www.federalreserve.gov)

**Internal Revenue Service**

[www.irs.gov](http://www.irs.gov)

**Office of Attorney General Consumer Smarts Guide**

[www.oag.state.ny.us](http://www.oag.state.ny.us)

**New York City Department of Finance**

[www.nyc.gov](http://www.nyc.gov)

**New York State Department of Banking**

[www.banking.state.ny.us](http://www.banking.state.ny.us)

***Notes:***

## ***PROTECTING YOURSELF: OAG INSURANCE REFERENCE GUIDE***

***Introduction of Topic:*** Insurance is a tool to protect yourself and your family against things that might go wrong, and is an important component in your financial plan. Various types of insurance offer financial protection against the cost of accidents, illness, disability, death and even lawsuits. No one-size-fits-all policy exists; the insurance decisions you make should be based on your age, family, health, comfort with risk and economic situation. This guide provides an overview of the different types of insurance available and the information you should consider when choosing coverage, as well as more detailed information on the three most important types of coverage: health, homeowner/tenant and automobile insurance.

### ***What are the Common Types of Insurance?***

- ▶ **Health Insurance** helps pay for your medical bills, which might otherwise cost you several thousands of dollars. However, it usually does not cover all the costs of your care, and prescription drugs might not be covered at all. You may receive health insurance as an employee benefit, in which your employer pays all or part of the cost (called "the premium") for you, your spouse and your children. If you do not receive health insurance through an employer, you may obtain it directly from a private health insurer (called "direct-pay health insurance") or through a government insurance program, like Medicaid or Child or Family Health Plus. In New York State, you can obtain direct pay, most employer-provided and all government-sponsored health insurance even if you already have health problems or a "pre-existing" condition.
- ▶ **Disability Insurance** protects you against lost income if illness or injury makes you unable to work for a long period of time. Before purchasing, make sure that you do not already receive similar coverage from an employer-provided policy or workers' compensation.
- ▶ **Automobile Insurance** protects you from damage to your car and/or from liability for damage or injury caused by you or someone else driving your vehicle. It can also help cover expenses you or anyone in your car may incur because of an accident with an uninsured motorist. The State requires a minimum level of bodily injury and property damage liability coverage. It is important to have enough coverage to cover any costs. If you do not have adequate insurance, an injured party may attempt to collect from your assets including any savings or property. Collision, fire and theft coverage is also recommended for an automobile having more than minimal value. You can reduce costs, however, by choosing a higher deductible – the amount of loss that must be exceeded before you are compensated. The cost of auto insurance varies greatly, depending on the company and agent offering it, your choice of coverage and deductible, where you live, the type of vehicle, your driving record, the purpose for which the automobile is used and the ages of drivers in the family. You may be subject to a premium surcharge due to accidents and convictions for vehicular offenses. Discounts are often available for safe drivers, those who have taken a defensive driving class and/or drive limited mileage and for those who own a car with anti-theft and safety devices. Beyond those required by law, most insurance companies offer other optional insurance lines at additional cost, including towing and mechanical breakdown, rental reimbursement and accidental death/dismemberment coverage.
- ▶ **Homeowner Insurance** protects your housing investment. To secure a mortgage, you will likely need two forms of homeowner insurance: property and liability insurance. Property coverage reimburses you for damage to or loss of your house and personal possessions, and usually covers fire and theft. Some areas also require flood insurance, which you can obtain through federal insurance programs. Liability insurance protects you from people who might sue for injuries or damage sustained on your property.

- ▶ **Renter's Insurance** is similar to homeowner's insurance and will cover losses for damages to your personal property in the event of a fire, theft or water incident in your apartment.
- ▶ **Life Insurance** provides money to your beneficiary, whom you designate, in the event of your death. Make sure you clearly identify the beneficiary of your plan, and remember that you can change the beneficiary later. There are two types of plans: term and permanent. Term provides protection for deaths that occur within a specified period of time. The longer the guarantee, the higher the initial premium, and the older you are, the higher your rate. Term insurance is the least expensive plan, but various options including renewable and convertible term plans may increase your costs. Permanent insurance (whole-life or ordinary life) is designed to provide coverage for your entire lifetime. Whole-life policies stretch the cost over a longer period of time, and sometimes provide a tax-deferred savings program too.
- ▶ **Credit Life Insurance** repays the lender for the balance of a loan if the borrower dies or becomes disabled. This coverage will add to the total cost of the loan and make payments higher. The New York State Insurance Department must approve any health, automobile, homeowner's or life insurance policy before a company can issue it to consumers.

### ***Shopping and Applying for Insurance***

When considering insurance, review the coverage terms and compare the costs of different plans, including the amount of the monthly premium and any out-of-pocket expenses such as deductibles, coinsurance and co-payments. Don't hesitate to ask your broker or agent any questions you may have. After you have chosen and applied for an insurance plan, the insurer will review your application as well as various databases and credit information to assess your past and present claims' history. In deciding whether to offer coverage and what the rate should be, the insurer may request your CLUE report, which details any losses you have sustained over the previous five years. You may obtain one free copy of your CLUE report each year by contacting CLUE at the ChoicePoint Consumer Center: (800) 456-6004 or [www.choicetrust.com](http://www.choicetrust.com). If you are denied insurance, your premium is raised, your coverage limited, or your policy cancelled, you are entitled to an additional free copy of your report. You have the right to challenge any incomplete or inaccurate information on the CLUE report. Under New York law, insurers using credit information must:

- ▶ Send notice disclosing this fact, including the name of the credit reporting agency.
- ▶ Give notice if your premium is higher than it would be if you had a "better" credit score.
- ▶ Review your credit information at least once every three years, upon request. If your credit has improved, you may be eligible for a lower premium and the company must make any necessary adjustments.
- ▶ Not terminate your policy or increase a renewal premium based on credit information.

***Take Note:*** Under federal law, a consumer reporting agency is prohibited from furnishing a consumer report containing medical information in connection with an insurance transaction, unless the consumer consents. Alternatively, the information may be reported if it is stated in code so as not to identify the nature of the medical service.

**Check It Out!** When you receive your insurance policy, it's a good idea to check that the information used to determine your premium is correct. You should also verify that your mailing address is correct and that all discounts to which you are entitled have been applied. When insuring an automobile, make sure that the dates of any chargeable accidents and convictions are correct.

**Discrimination:** An insurer cannot refuse to issue or renew, deny or cancel your insurance policy; demand or require a greater premium or payment; or designate domestic violence as a pre-existing condition, solely because you are a victim of domestic violence. The insurer must inform you of its specific reasons which must be based on criteria related to anticipated or actual loss.

## **Health Insurance**

### **What Types of Health Insurance Plans are Available?**

Whether you receive health insurance through employment, buy it directly from a private health insurer or obtain it through a government program, you may have to choose from different types of plans. Below is a description of the different types of plans, along with some of the advantages and disadvantages of each:

- ▶ **Health Maintenance Organizations (HMOs)** – HMOs maintain "networks" of hospitals and physicians from which you can access care. These entities usually require you to have pre-authorization for certain services and to see specialists, and generally do not pay for services received from an "out-of-network" or "nonparticipating" provider. However, they usually cost less than other plans because they have lower premiums and you only pay a limited amount of money (\$10-\$25) as a "copayment" when seeking care.
- ▶ **HMO-Point of Service (HMO-POS) Plans** – An HMO-POS is a more flexible version of the HMO in that it provides some coverage for care received out-of-network. However, you will pay more of the bill – usually a coinsurance of 20 percent, rather than a limited copayment.
- ▶ **Preferred Provider Organizations (PPOs)** – PPOs have networks of doctors, hospitals and other providers, but you usually have more flexibility to choose doctors and are not limited to doctors in one particular group. Additionally, they offer some coverage for out-of-network doctors and generally do not require that you have a referral to see a specialist. These plans usually have higher premiums than HMOs. Additionally, you will be charged a copayment for in-network care and coinsurance for out-of-network care.
- ▶ **Fee-for-Service** – Under this plan, you choose which doctors and hospitals to use, and your insurance plan pays a percentage of the fee for each service provided. This type of health plan is not generally available now, except for some people with Medicaid and Medicare (those who are over 65 or permanently disabled).

### **Shopping for Health Insurance**

When choosing health insurance, begin by finding out about all the options you might have. If insurance is available through your employer, talk to your boss or someone in human resources about the types of plans that are offered. You will also need to contact the employer if you lose your job or are divorced from your spouse and you wish to keep your coverage. (*See below about "COBRA" coverage.*) If you cannot get insurance through your job, you will have to buy it directly from an insurance company ("direct pay") or apply for a government program. Because private insurance can be expensive, check first to see if you qualify for one of the following government programs:

- ▶ **Healthy NY** – This is a program for working individuals whose employers do not provide coverage. Only individuals who meet certain income guidelines are eligible.

Benefits include: physician and hospital care, maternity care, adult and child preventive care, laboratory services and other services. Monthly premiums will vary. Call (866) 432-5849 or visit [www.HealthyNY.com](http://www.HealthyNY.com).

- ▶ **Child Health Plus** – This is a plan for children under the age of 19 who are residents of the State. Depending on your family's income, your child may be eligible to join Plan A or Plan B. Benefits include: well-child care, hospital treatment, lab tests, prescription drugs, dental and vision care and other services. Premiums depend upon gross family income. Call (800) 698-4543 or visit [www.health.state.ny.us](http://www.health.state.ny.us).
- ▶ **Family Health Plus** – This is a plan for lower-income adults who are ineligible for Medicaid and have no access to insurance through employers. Benefits include: physician and hospital care, prescription drugs, lab tests and vision, speech and hearing services. There are no co-payments or deductibles. Call (877) 934-7587 or visit [www.health.state.ny.us](http://www.health.state.ny.us).
- ▶ **Prenatal Care Assistance Program (PCAP)** – This is a comprehensive prenatal care program offering pregnancy care and other health services to women and teens whose income does not exceed 200 percent of the federal poverty level. Benefits include: routine pregnancy check-ups, hospital care during pregnancy and delivery, and health care for the woman until at least two months after delivery and for the baby up to one year of age. Call (800) 522-5006 or visit [www.health.state.ny.us](http://www.health.state.ny.us).

If you don't qualify for a government program, you may want to buy a direct-pay policy. In New York State, most insurance companies are required to sell an HMO and HMO-POS plan to any person and their family, even those who already have health problems. While these policies can offer good coverage for health costs, they can be expensive. To find out more about these plans and what they cost in your area, call the New York State Department of Insurance. (*See Resources Section.*) Another way you may find coverage is through a group, club or an association to which you belong. While such plans may not offer as many benefits, they are less expensive than direct-pay policies.

***Tips on Finding a Good Health Insurance Plan:***

- ✓ If you are offered insurance through your job, talk to the employer about the types of plans available and differences in cost.
- ✓ Before buying insurance, first check to see if you qualify for a cheaper government program.
- ✓ Call the NYS Department of Insurance to check that the health plan you want to join is licensed to do business in New York State.
- ✓ Contact the NYS Department of Insurance if an insurer asks you questions about your health before selling you a policy or denies coverage due to a pre-existing condition.
- ✓ Most health plans in New York State are not allowed to ask such questions.
- ✓ If you are going to buy HMO or PPO coverage, ask if the doctors and hospitals you already use are in the network so that your costs will be as low as possible.
- ✓ Check whether your plan will cover the prescription drug(s) you are taking.
- ✓ Make sure you know the costs of deductibles, copayments or coinsurance you will pay when you get care.

### ***What Happens If You Lose Health Insurance Provided by an Employer?***

COBRA is a federal law that allows "qualified beneficiaries" (the covered employee, spouse of the covered employee, and dependent children of the covered employee) to continue receiving employer-sponsored group health insurance when they would otherwise lose their coverage as a result of a "qualifying event."

A "qualifying event" is one of the following situations:

- 1) Death of the covered employee
- 2) Loss of employment for any reason other than gross misconduct
- 3) Reduction in hours worked by the covered employee
- 4) Divorce or legal separation from the covered employee
- 5) Covered employee becoming eligible for Medicare
- 6) Loss of dependent child status under the plan rules

COBRA covers most employers with 20 or more employees, and New York State law requires employers with fewer than 20 employees to provide equivalent coverage. Under COBRA:

- ✓ Each qualifying beneficiary can get the same coverage that is being offered to current employees – no more, no less.
- ✓ The beneficiary who continues the health insurance is responsible for paying up to 102 percent of the cost of the insurance coverage.
- ✓ The beneficiary must notify the plan administrator of a divorce, legal separation or change in the status of a dependent child within 60 days from the later of: 1) the date she or he would lose coverage due to a qualifying event, or 2) the date that she or he is sent notice of the right to elect COBRA continuation of coverage.
- ✓ If the qualifying event was loss of employment or reduction of hours, COBRA coverage can last for 18 months; if the qualified beneficiary is determined to be totally disabled within 60 days of a qualifying event, COBRA coverage can last 29 months; and for all other qualifying events (including divorce) the COBRA coverage can last a maximum of 36 months.
- ✓ You have 60 days to decide whether to elect COBRA coverage, and 45 additional days to pay the premium.

### ***Abuse and Privacy***

Generally, under the federal Health Insurance Portability and Accountability Act, an insurer or medical entity may only disclose information about a survivor of abuse to a government authority if the survivor consents or where required by law (e.g., gunshot or knife wound or burn injury). Disclosure is only authorized when the entity believes it is necessary to prevent serious harm. If the victim is unable to consent because of incapacity (for example, if unconscious), disclosure to law enforcement agents is only permissible where not intended to be used against the victim and when waiting for consent would hurt an investigation. The entity must inform the survivor of the disclosure, unless there is concern for future harm, so that the victim can take appropriate safety precautions.

Under New York State law, if a victim of domestic violence presents an order of protection against another person covered under the same insurance policy, the insurer may not disclose the victim's address and telephone number or that of any person or entity that treated them for the duration of the order.

***Exercising Your Health Insurance Rights:***

- ✓ You have the right to a written policy. Read it carefully so that you know the extent of your coverage.
- ✓ Under State law, most health insurance policies must cover mammograms, newborn coverage, chiropractic care (subject to limitations), diabetes supplies, maternity care, infertility treatment, pap-smears and well-child care.
- ✓ New York State law requires health insurers to pay undisputed claims within 45 days or face penalties. Call the New York State Insurance Department Prompt Payment Hotline (800) 358-9260.
- ✓ Insurers can impose a waiting period for coverage of pre-existing conditions. A condition is pre-existing if, during the six months before you enrolled, you were given or recommended to have treatment. Genetic information cannot be a pre-existing condition in the absence of a diagnosis.
- ✓ Insurers cannot authorize HIV or genetic testing without your consent.

***If you are denied care:***

- ✓ Have your doctor write a letter to your health care provider explaining why you need the care. If possible, ask your doctor to call the health plan's medical director for you.
- ✓ Appeal the decision. Few people who receive denials appeal, but most who do win more coverage. Appeal any denial of coverage for care that you and your doctor think is necessary – the odds are in your favor.
- ✓ Get assistance with your appeal. Call the Attorney General's Health Care Bureau at (800) 771-7755, option 3.
- ✓ Request a clear explanation in writing from your health plan of the reason your care was denied. You have a right to this explanation and it will help you appeal.
- ✓ Seek an external review of the decision. Most consumers (unless self-insured, under Medicare or with Workers' Compensation claims) have the right to an independent external review of an insurer's decision to deny coverage on the grounds that the service is not medically necessary, or is investigational or experimental. To be eligible, you must have first pursued an internal appeal with your health insurer and received a denial notice, unless you and your insurer agree to waive the internal process. You must submit a request for an external review to the New York State Insurance Department within 45 days of receiving the denial notice or written confirmation that the internal process was waived. The fee for an external review is no more than \$50 and is refunded if the decision is in your favor. *(No fee is charged for participants in Medicaid, Child Health Plus or Family Health Plus.)* A decision will be made within 30 days of receiving the request, and an expedited, three-day review can be requested if your doctor determines that a delay in treatment poses a health threat.
- ✓ File a grievance. An HMO/Managed Care Plan is required to have a grievance procedure to review determinations that are not appealed under the external review process. A policyholder may file a grievance if he or she is denied a referral or coverage. Consumers have the right to have any grievance decided within 48 hours when a delay would increase the risk to their health.

## ***Homeowner and Tenant Insurance***

### **Key Homeowner and Tenant Insurance Provisions:**

- ▶ **Basic Insurance Packages** – Listed as HO-1 through HO-3, basic insurance packages for your house or apartment offer protection against financial loss due to fire, smoke damage, windstorm, hail, tornadoes, vandalism and other physical damage to your premises or belongings; theft of personal property; and someone getting injured on your property. More comprehensive packages (HO-5 and HO-8), which are more expensive, are also sold in New York State. Under the HO-5 policy, your personal possessions would be covered for most risks of physical loss. Under HO-8, you would receive actual cash value coverage rather than replacement cost coverage for a building.
- ▶ **Tenants, Coops and Condos** – Policies for tenants, cooperative owners (HO-4) and condo owners (HO-6) insure against damage to the contents of the unit and personal liability if people are injured or suffer property damage in the unit. It is not necessary for a tenant to insure the building in which she or he lives; that is the owner's responsibility.
- ▶ **Living Expenses** – Homeowner and tenant policies will also reimburse you for increases in living expenses you incur if your home becomes uninhabitable because of damage caused by one of the perils covered under your policy. Only the difference between your normal living expenses and additional expenses will be reimbursed.
- ▶ **Fire Insurance** – New York State Property Insurance Underwriting Association (NYPIUA; (212) 208-9700) offers fire insurance to consumers unable to purchase this type of insurance from companies in the voluntary market.
- ▶ **Flood Insurance** – Homeowners, tenants, cooperative apartment and condo owners and associations can purchase protection against losses from flooding at subsidized rates through the **National Flood Insurance Program** ((888) 356-6329) if they reside in a community identified as a special flood hazard area. New York State homeowners located near shore or waterfront areas having difficulty obtaining or keeping insurance may be eligible for the **Coastal Market Assistance Program** (C-MAP; (212) 208-9898), a voluntary network of insurers that assists homeowners in finding coverage.

### ***Tips for Finding A Good Homeowner/Tenant Insurance Deal:***

- ✓ Consider package policies, which tend to be less costly than separate policies.
- ✓ Determine how much insurance you need by considering the value of your home and personal property. Calculate how much it will cost to replace your home if destroyed. Take inventory of your household items including furniture. To ensure full coverage in the case of loss, it is a good idea to update your inventory annually and supplement it with receipts and photos of major items. Store this record in a safe place away from home (e.g., a safe deposit box).
- ✓ Decide whether to purchase coverage on an actual cash value or replacement cost basis. Under replacement cost basis, the insurer will determine the amount paid to you by taking the current replacement cost of the contents and subtracting an amount for wear and tear and depreciation. If you purchase coverage on a replacement basis and insure your home for at least 80 percent of its replacement cost, your insurer would pay you the amount it would cost to replace or repair your home without depreciation. It is more expensive than actual cash value coverage. Coverage for contents is usually issued on an actual cash basis.
- ✓ Comparison shop; premiums for insurance will vary from company to company. The cost of insurance depends on many factors including location, type of building, deductibles, fire protection, application of discounts and amount of coverage selected. Check with the New York State Insurance Department.

- ✓ Advise insurer about fire and safety devices in the home that may result in a discount.
- ✓ Review insurance coverage periodically to determine whether you are carrying enough insurance given inflation, home improvements, etc.

***Tips on What you Should Do After a Loss:***

- ✓ Notify your insurance company or agent immediately. Follow up with a letter.
- ✓ Protect your property from further damage, but don't make permanent repairs until your company has inspected the condition of your damaged property.
- ✓ Permit an adjuster from your insurer to examine your property for a loss estimate.
- ✓ Ask your agent or broker to assist you in completing the claim form and substantiating your loss.
- ✓ Ask an attorney or a licensed public adjuster to act on your behalf if you suffered a major loss or are not in a position to deal directly with your insurer. Public adjusters are licensed by the State Insurance Department and cannot charge a fee of more than 12.5 percent of the recovery amount.
- ✓ Designate an appraiser when agreement cannot be reached with your insurer. Every policy issued in the State contains a provision whereby the policyholder and the company each select a competent appraiser. The two, in turn, choose an umpire who settles any disagreements.

***Automobile Insurance***

**Key Automobile Insurance Provisions:**

- ▶ **Mandatory Liability Insurance** – New York State requires motorists to have liability insurance before their vehicles can be registered. Insurance coverage must be a minimum of \$25,000 for bodily injury for one person/\$50,000 for bodily injury sustained by two or more persons in any one accident, \$50,000 for death sustained by one person/\$100,000 for death sustained by two or more persons in any one accident, and \$10,000 for property damage caused by any one accident. These minimum liability limits in New York State are sometimes referred to as "\$25,000/\$50,000/\$10,000" or "25/50/10." The law also requires all auto insurance policies to provide uninsured motorists coverage (for bodily injury), subject to the same minimums. The liability coverage must remain in effect while the registration is valid, even if the vehicle is not used (except motorcycles).
- ▶ **Mandatory Personal Injury Protection (PIP)** – Since New York State has a "No Fault" insurance law, insurance coverage must also include Personal Injury Protection (PIP). This coverage is designed to pay promptly regardless of who might have been at fault for actual economic losses resulting from personal injuries. PIP covers up to \$50,000 for drivers, passengers and/or pedestrians injured by your car. Basic No-fault coverage includes: necessary medical and rehabilitation; 80 percent of lost earnings from work with a maximum of \$2,000 a month for three years; up to \$25 a day for other reasonable expenses incurred due to the automobile accident, to last no more than one year from the date of the accident; and a \$2,000 death benefit. (Victims can still sue you for "pain and suffering," wrongful death and expenses exceeding the \$50,000 basic benefits level.)
- ▶ **New York State Automobile Insurance Plan (NYAIP)** – NYAIP provides insurance to consumers involuntarily placed in an "assigned-risk" pool because they cannot find insurers due to poor driving records or frequent claims. The rates are generally higher for these drivers, since the loss experience for these motorists, as a group, is worse than the losses of those in the voluntary market. If you are assigned to the NYAIP, you will have coverage for three years; however, you may continue to seek insurance from the voluntary market.

- ▶ **NYS Insurance Identification Card** – You should receive an insurance identification card to demonstrate that you maintain automobile insurance. You must present this card when applying for vehicle registration and when asked by a police officer for proof of insurance. The insurance company must also file an electronic notice of insurance coverage with the Department of Motor Vehicles (DMV).

***Tips on What You Should Do or Expect After an Accident or Loss:***

- ✓ Promptly report the accident to your insurer, as well as to the local police. If the damage is over \$1,000, or if anyone is injured, you must file a report with the DMV. This form, MV-104, is usually sent with the claim forms from your insurer.
- ✓ If your car is damaged or stolen and you have auto collision or comprehensive insurance coverage, you have the right to a prompt and fair settlement from your insurer, either for the amount of the damages or the actual cash value of the car, whichever is lower. If your car is stolen and subsequently recovered, your insurer must pay for the damage done to the car while it was missing, the cost of towing, any reasonable storage charges and substitute transportation expenses.
- ✓ If your car is damaged but repairable, once notified, your insurer generally has six business days to inspect it at a place and time convenient to you. Upon your request, the insurer must identify a conveniently located auto repair shop that will fix your car at the insurance company's estimated repair cost and give you a written guarantee of the work performed; however, you retain the right to choose your own repair shop.
- ✓ If your car is stolen or damaged beyond repair, your insurer must pay its actual cash value (retail value plus sales tax), which is subject to depreciation and applicable deductions, or replace it with a substantially similar car. If the insurer grants you the cash value of your car but you are unable to find a comparable vehicle for the amount of the offer, you have 35 days from the date of mailing of a settlement check to send a letter to the insurer stating this. The company or you must find a substantially similar motor vehicle (e.g., same year, make, model) and either pay the difference or purchase the vehicle with your permission.

***Consumer Protections: Policy Termination***

After a policy has been in effect for 60 days, an auto or home insurer (property/casualty insurance) cannot cancel the coverage during the policy term except for limited reasons such as nonpayment of premium, suspension or revocation of a driver's license, or discovery of fraud. Additionally, the insurer cannot cancel a policy for nonpayment of premiums unless it sends a notice to the policyholder informing her or him that the policy will be canceled if payment is not received within 15 days. An insurer is prohibited from nonrenewing a policy unless it mails a notice to the policyholder stating the reasons for nonrenewal. This notice must be mailed within 45-60 days before expiration. Nonrenewal may not be based on race, age, marital status, national origin, color, gender, creed or sex.

***Consumer Protections: Redlining***

Automobile and fire insurers are prohibited from discriminating based on the geographic location of the individual seeking coverage. Complaints can be directed to the Consumer Services Bureau of the NYS Insurance Department at: 25 Beaver Street, New York, NY 10004; or Agency Building One, Empire State Plaza, Albany, NY 12257.

***Resources:***

**New York State Department of Insurance Consumer Services Bureau**

(212) 480-6400, (518) 474-6600

(716) 847-7619 or (516) 248-5886;

[www.ins.state.ny.us/](http://www.ins.state.ny.us/)

**U.S. Dept. of Labor**

(COBRA and Self-insured plans)

(866) 444-3272, (212) 399-5191;

[www.dol.gov](http://www.dol.gov)

**National Insurance Information Institute**

(212) 346-5500;

[www.iii.org/](http://www.iii.org/)

**Office of the NYS Attorney General (OAG)**

[www.oag.state.ny.us](http://www.oag.state.ny.us)

**OAG Consumer Helpline**

(800) 771-7755

**OAG Health Care Bureau**

(518) 474-8376

**OAG Labor Bureau**

(212) 416-8700

***Notes:***

## GLOSSARY OF KEY TERMS

### Financial Literacy: Insurance

#### -A-

**Agent** – An individual licensed by the New York State Insurance Department to sell, negotiate and write insurance policies. A consumer can check if an agent is licensed or file a complaint for agent misconduct by calling the NYS Insurance Department at (800) 342-3736.

**Assigned Risk** – A risk that is not acceptable to independent insurers and that is, therefore, assigned to insurers participating in a pool or plan. Each participating company agrees to accept its share of these high risks.

**Automobile/Car Insurance** – This type of coverage often protects the owner and/or passengers of a car against loss due to theft, vandalism or traffic accidents. New York State requires motorists to have liability car insurance for bodily injury before the automobile can be registered.

#### -B-

**Beneficiary** – A person designated by a policy holder who is eligible to receive benefits under an insurance policy.

**Broker** – A person, licensed by the NYS Insurance Department, who represents an insured or consumer in the negotiation and procurement of insurance policies. The broker may also be an agent of the insurer for certain purposes such as delivery of the policy or collection of the premium. A consumer can check if a broker is licensed or file a complaint for broker misconduct by calling the NYS Insurance Department at (800)342-3736.

#### -C-

**Claim** – A policy holder's or third party's request for compensation because of a loss, damage or out-of-pocket expense covered under the terms of an insurance contract.

**Claimant** – The person filing the claim for compensation asserting the right of recovery.

**Child Health Plus** – This NY State insurance program is available to minors who are uninsured or have limited insurance and meet family income eligibility requirements.

**Coastal Market Assistance Program (C-MAP)** – A participating network of insurers who assist coastal homeowners in gaining coverage.

**Comprehensive Loss Underwriting Exchange (CLUE)** – This database tracks insurance claims history of people and properties. Insurers use these reports to determine your risk –how often you will file a claim against your policy. Under the Fair Credit Reporting Act, consumers can receive one free copy a year of their report and a free copy when coverage is denied or adversely changed. Additionally, you have the right to dispute and challenge inaccurate or incomplete information.

**Credit Life Insurance** – This type of policy assures that the creditor/lender is paid the balance of a debt due in cases where the borrower is unable to pay because of death or disability.

**Commission** – The monetary payment given to the agent or broker as compensation for the distribution, selling and processing of insurance policies.

**Covered Loss** – Illness, injury, property loss or any other situation or loss for which an insurance company will pay benefits under a policy.

**-D-**

**Deductible** – The monetary contribution the insured is responsible to pay prior to filing a claim and receiving the benefits from the insurance company.

**Disability Insurance** – This coverage provides for an individual to receive an income if unable to work due to disability or sickness.

**-E-**

**Employee Retirement Income Security Act (ERISA)** – A federal law establishing minimum rights and protections for plan participants of most voluntarily established health and pension group plans in the private sector. Rights and protections include consumer notification of plan features, funding, assets, fiduciary duties and responsibilities for those managing and controlling the plan and a grievance and appeals process.

**-F-**

**Family Health Plus** – This NY State insurance program is available to adults who have limited or no insurance through their employers and are ineligible for Medicaid.

**Fee-for-Service** – In this type of health insurance policy, the consumer and the insurance company share the costs of the medical bills. Generally, this type of insurance does not provide a network of health care providers.

**-H-**

**Health Insurance** – This coverage assists person(s) in paying for medical, hospital bills, treatments and/or prescriptions.

**Healthy NY** – This NY State insurance program is available to working individuals whose employers do not provide medical coverage and small businesses of 50 or less employees.

**Health Maintenance Organization (HMO)** – In this type of managed health care insurance policy, a network of health care providers is created who have agreed to provide services at a discount in exchange for patient/member referral.

**Health Maintenance Organization Point of Service (HMO-POS)** – This type of insurance policy gives the members the option of being referred to a doctor or specialist who is not part of the network.

**Home Owner's Insurance** – This coverage combines liability insurance protecting the owner against personal liability and hazard insurance protecting the property and/or dwelling against damage or loss.

**-L-**

**Liability** – A legal responsibility to do or refrain from doing something that may injure or cause loss to someone else.

**Life Insurance** – This insurance coverage pays a certain sum of money to the named beneficiary upon the death of the policy holder.

**-N-**

**National Flood Insurance Program** – This insurance protects homeowners and tenants from property loss as a result of flooding.

**New York Automobile Insurance Plan** – This type of assigned risk insurance provides coverage to motorists who are unable to obtain coverage from an insurance company directly due to a poor driving record or the filing of numerous claims.

**-P-**

**Personal Injury Protection** – This type of mandatory insurance pays for personal injuries to a driver, passenger and/or pedestrian including lost wages and medical expenses, regardless of fault.

**Policyholder (the insured)** – The person in possession of an insurance policy.

**Preferred Provider Plan (PPO)** – This type of health insurance policy provides the holder with the option of seeing practitioners in the network as well as out of the network with the consumer and the insurance company sharing the costs of the bills.

**Prenatal Care Assistance Program (PCAP)** – This NY State insurance program covers prenatal care to women whose income does not exceed 200 percent of the federal poverty level.

**-Q-**

**Quote** – An estimate of the cost for insurance based on the information provided by the applicant to the insurance company.

**-R-**

**Redlining** – The refusal of financial institutions to extend services, such as loans, credit and insurance, and the practice of setting illegal high fees to a specific geographical area, usually a predominantly minority urban area.

**Renter's Insurance** – This type of policy protects a tenant in a residential unit from personal liability and from damage, theft or loss of property.

**-S-**

**Settlement** – An agreement reached by the parties involved to address a policy holder's or third party's claim.

**-U-**

**Underwriting** – The review conducted by an insurance company to determine the risk of loss so that rates may be assigned.

***Sources:***

**U.S. Department of Labor**                      [www.bls.gov](http://www.bls.gov)  
**New York State Insurance Department**      [www.ins.state.ny.us](http://www.ins.state.ny.us)

***Notes:***

## FINDING YOUR PLACE IN THE WORKFORCE: OAG JOB SEARCH & EMPLOYMENT RETENTION REFERENCE GUIDE

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**Introduction of the Topic:** Being employed brings a measure of financial independence and often contributes to a sense of accomplishment and well-being. Even the search for work, while at times stressful and discouraging, can provide a valuable opportunity to reflect on strengths, skills and accomplishments. It may also provide an opportunity to consider educational pursuits or professional training programs for a career change.

However, domestic violence and the threat of domestic violence can interfere with careers and professional goals. It can spill over from the house into the workplace. Domestic violence becomes a workplace issue when an employee is harassed by an abusive partner in person or by telephone while on the job. It includes behavior that interferes with an individual's capability to safely and productively perform their duties. This behavior ranges from harassing or repeated telephone calls or faxes to threatening appearances at work. It can go beyond the victim, compromising the safety and affecting the morale of colleagues, business owners and consumers. This behavior can also result in increased absenteeism, lost productivity and employee turnover. The National Crime Victim Survey data shows that between 1987 and 1992, workplace victimizations resulted in half a million employees missing more than a million days of work. The results were over \$55 million in lost wages and productivity. Further, evidence suggests that victims of domestic violence fear negative employment actions such as demotion, loss of pay or benefits or termination when requesting protective measures or accommodations.

As an employee, you should be free from harassment in the workplace and from anyone threatening your livelihood. More and more companies are addressing workplace violence issues with policies and procedures to create supportive and safe work environments. This guide provides information and resources to help you find temporary and long-term employment. Additionally, it offers an extensive list of your rights and protections as an employee to help prevent workplace mistreatment.

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### ***What Do You Need to Begin Your Job Search?***

- ▶ **Résumé** – A résumé is a short description of your experiences and accomplishments. You should have a résumé ready to hand out as opportunities present themselves. Many employers keep résumés on file so that when a job opens up, they can review pending résumés and select people to interview for the job right away. A résumé should only be one or two pages, and should not be difficult to prepare. However, you should make sure that it highlights your skills and accomplishments and is free of mistakes and typos. Consider having someone you trust and respect look over your résumé. Because your résumé is the first thing that most potential employers will see, it is worth the effort to make it perfect. You can find sample résumés on the Internet and at local libraries. Community organizations may also offer résumé workshops. In preparing a résumé, you may need to consider the following issues:

- \***Employment Gaps** – Employers generally want to know why any gaps in your employment exist. Some prefer to see an explanation of employment gaps in a cover letter, while others suggest you incorporate a two or three sentence explanation in the body of the résumé. Women's employment gaps are often viewed with less suspicion because they are assumed to be for child care purposes.

- \***Unemployed While Caring for Your Children** – Employers do not expect you to give them an accounting of those years when you were unemployed while raising

a family. However, take the opportunity to identify types of activities you were involved in and the skills you acquired. Focus on how you can contribute to the organization.

**\*If You Have Been Unemployed a Long Time or Have Little Full Time Work–** Try to emphasize part-time and volunteer work, as well as courses or educational programs you attended.

**\*Listing Temporary Jobs on your Résumé –** Rather than listing each "temping" assignment separately, you should treat the period that you were employed through a temp agency as working for one company – the temp agency. Consider bullet points to illustrate the skills you used and gained while being contracted out to various corporations and organizations, especially if the jobs assigned enabled you to learn and practice skills applicable to the jobs to which you are applying.

**\*Résumé Inflation –** Do NOT inflate, mislead or exaggerate your experience and credentials on your résumé. Not only is lying on a résumé sufficient cause to be fired, but it also provides the employer with a defense against any claim you may have for wrongful termination or discrimination. In addition, it may trigger long-term consequences that can haunt you for years to come.

- ▶ **Cover Letter –** A cover letter allows you to elaborate on the information in your résumé and to provide additional information about yourself to a possible employer. It should highlight how your particular experiences, skills and characteristics would benefit the prospective employer, and should not just repeat the information given in your résumé. If you have large gaps in your employment history, or are reentering the job market or changing the focus of your career, a cover letter gives you the opportunity to explain these circumstances in a positive way. Again, samples of cover letters can be found on the Internet or at your library.

### ***Where Should You Begin to Search for a Job?***

If you have been out of the job market for some time, you may feel like you don't know where to start in your search for a job. Self-reflection – thinking about the types of work and activities that you enjoy, the skills you have, the careers you would like to try, and so on – is important in the beginning, and throughout your career. However, it's also important that you reach out and seek advice and information from those around you. Below are some resources to get you started:

- ▶ **Talk to People –** Networking is one of the most effective tools for finding a job. Don't be shy – reach out to friends, relatives, neighbors, employment counselors and other appropriate persons to let them know you are looking for a job and ask whether they have heard of any openings. Many jobs are not advertised but are filled simply through word of mouth; the more people who know you are looking for a job, the better your chances. Expand your network by requesting that your friends and family spread the word to their friends and neighbors. Inform them of the types of jobs for which you are most suitable and that interest you. Offer to e-mail or send them a copy of your résumé to keep on file.
- ▶ **Not-for-Profit Organizations, Community-Based Organizations –** Many organizations have services or programs to assist you in searching for jobs, creating a résumé, writing a cover letter and preparing for an interview. These services are often available at no charge.
- ▶ **Universities and Colleges –** Local colleges and universities may have job postings or job-search facilities available to the general public. Sometimes these institutions will also conduct workshops on effective job searches and interviewing tips. You may also want to request a course catalog and look into classes available through continuing education departments. If you attended college, career services or alumni networks might help as well.

### ***Key Services New York State Provides for Job Seekers***

- ▶ **New York State Department of Labor** – The New York State Department of Labor promotes job creation and economic growth. The Department assists in job searches and administers various training programs for both employees and employers. It also provides unemployment insurance benefits when employment is interrupted. The Department has the following units to assist you in your job search and obtaining the necessary skills to succeed in your career:
  - \* **Division of Employment Services** – This unit works with the public and private sectors to create job opportunities, offer job fairs, help workers find a position and assist businesses in identifying skilled workers. It also administers the NY Talent Bank, providing training.
  - \* **Workforce Development and Training** – This unit works with the public and business sectors offering testing and counseling services to adults, including Displaced Homemaker Centers, which focus on providing job readiness, individual counseling and placement services to individuals who have been displaced from their careers due to their status as unpaid homemakers. This unit also administers programs under the Workforce Investment Act by providing technical advisories at one stop locations around the State.
  - \* **Unemployment Insurance Division** – This unit provides information to help claimants file a claim, certify for weekly benefits and deal with hearings and appeals. Additionally, it offers the Shared Work Program for businesses that seek to keep their employees working at reduced hours rather than downsizing. The unit enforces the Unemployment Insurance Law and Regulations.
  - \* **Worker Protection Standards and Licensing** – This unit protects people in the workplace through asbestos programs, safety and health programs and wage and hour laws. It also oversees child labor, as well as farm labor. It issues licenses, permits, certifications, registrations and notices relating to working conditions.
  - \* **Research and Statistics Division** – This unit is the primary source of labor market information in New York State. The research encompasses workforce and industry data, wages, jobs in demand, employment and unemployment statistics and training.
- ▶ **Employee Assistance Program (EAP)** – This is a peer-assistance program providing confidential information, assessment and referral services to NYS employees, their family members and retirees. There are federal regulations that require confidentiality of alcohol and drug abuse records, and provide penalties for unlawful or unauthorized release of information. Those same regulations prohibit the implicit or negative disclosure of information and, as such, agency EAP's may not release any information without a signed consent, no matter what is the nature of the problem.

#### ***Safeguarding Your Privacy While Searching for a Job on the Internet***

Commercial job search websites and résumé databases vary widely in privacy practices and controls. Look for quality sites with good privacy practices, and beware of fraudulent solicitations for your résumé or personal data. There are people and businesses seeking to make a profit from the information you provide instead of assisting you in your employment search. Additionally, victims of domestic violence may need to protect their privacy with extra vigor to keep it out of the hands of abusers. Consider the precautions below when posting your résumé or other personal data online:

- ✓ **Read the Privacy Policy** – Do not use a job-search site or service, a résumé-writing service or a résumé-distribution service that fails to post a privacy or cancellation policy on its website. Pay particular attention to how long a site will keep or store your résumé. Preferably, job and résumé sites should indicate that they will keep

your résumé for a limited, specific amount of time, such as two months, after which the site will delete your résumé. Without specific, written statements about how long your résumé may be kept, your résumé can be archived for years legally. This practice may place survivors of abuse in potential danger as their information may be exposed to their abusers who wish them ill.

\*Some websites subscribe to the *Better Business Bureau Web Seal Program* indicating that the site adheres to privacy principles and participates in a consumer dispute resolution program. You can check whether the seal is current by clicking on it. If it is, you should immediately see the BBB website link pop up. To verify a company's status with BBB, go on the BBB site [www.bbbonline.org/consumer/](http://www.bbbonline.org/consumer/).

- ✓ **Get Everything in Writing** – If you plan on using a résumé writing service, get a written agreement prohibiting the service from selling or sharing your résumé or personal data with any third parties, affiliates or partners without your permission. Also, ask for its privacy policy and inquire as to how the service handles and stores your résumé. This applies to traditional (in-person) as well as online résumé writing services.
- ✓ **Do Not Post Your Résumé on Too Many Websites** – Be selective; post your résumé on quality sites. Choose a couple of sites that have strong privacy policies and have been recommended to you by friends, counselors or people working in your chosen profession.
- ✓ **Make Sure You Can Delete Your Résumé** – Before you post a résumé, check to see that you can delete it after posting. If you don't find deletion instructions, call and ask. You must be able to delete your résumé when you want. After all, your résumé belongs to you.
- ✓ **Use a Secondary E-mail Address** – If you decide to post your résumé to a site that does not allow you to "mask" your identity, protect yourself by using an alternative e-mail. Do not give out your full name, phone number or home address. An alternative e-mail helps you to protect your privacy and provides you the flexibility to cancel your account without disrupting your other communications should a problem arise.
- ✓ **Use Anonymizing Services** – Many sites allow you to look at job ads using anonymizing services. Anonymizing services are free and will protect you from cookies and other privacy threats. (Cookies are information gathering tools embedded in some websites that note a user's data including online name, visited websites and other preferences. A credit card or bank site might use your profile to store your password, so that it has a way to recognize you and display your information.) Visit [www.anonymizer.com](http://www.anonymizer.com) and [www.junkbuster.com](http://www.junkbuster.com) for more information.
- ✓ **Consider Safe Résumé Posting Options** – Job seekers have several options in circulating a résumé. One option is to reply to job ads directly without going through a third party. Look for a company related e-mail address to which to send your résumé. Another option is to post a résumé directly on the website of the company for which you wish to work. Many job sites and résumé databases let you "mask" your contact information or e-mail address when you post a résumé. This résumé posting option allows you to control who contacts you.

- ✓ **Keep a Record of the Sites Where You Have Posted Your Résumé** – A record allows you to go back and delete your résumé from the sites where you have posted it after you have finished your job search.
- ✓ **Protect Your Personal Property** – If you believe your résumé is not being handled appropriately, you have the right to complain and prohibit further use of your résumé. Any action you request should be in writing. If you send an e-mail, retain a copy of the message sent for your files.
- ✓ **Avoid Vague Offers** – General e-mail "job offers" tend to be questionable. Beware of vague wording such as "we have thousands of jobs" or "we work with major companies." Avoid sending your résumé in response to general e-mail solicitations.
- ✓ **Omit References on Your Résumé** – When you post a résumé online with your references' names and phone numbers on it you are disclosing their information without consent in what is a public forum. Instead use the phrase, "References are available upon request."

### ***Employment Agencies***

***What is an Employment Agency?*** Employment agencies secure or attempt to secure employment for persons seeking jobs, for a fee. NYS law requires all employment agencies to be licensed by the NYS Department of Labor, or if the employment agency is located in New York City, by the New York City Department of Consumer Affairs. Agencies are required by law to prominently display their license.

***What Fees May an Employment Agency Charge?*** Generally, employment agencies, including career guidance or counseling services, may not charge an applicant a registration fee or any other fee in advance of services. After the employment agency has placed the applicant in commercial, clerical, executive, administrative or professional employment, the employment agency is entitled to the following percentages of the first full month's salary or wages:

<i>First Month's Salary or Wages</i>	<i>Percentage</i>
* Less than \$750	25%
* From \$750 to \$949	35%
* From \$959 to \$1,149	40%
* From \$1,150 to \$1,349	45%
* From \$1,350 to \$1,499	50%
* From \$1,500 to \$1,649	55%
* Over \$1,650	60%

The applicant's placement fee is usually paid in equal installments based on her or his pay period. If the applicant's salary is based on commission, the agency may base the fee on the employer's estimate of wages for the year.

Employment agencies may charge a fee in advance in the case of **domestic workers, household employees and unskilled or untrained manual workers and laborers**. For placements in these positions the total fee, including any deposit charged, may not exceed the following:

- \* 10% of the first full month's salary or wages
- \* 12% of the first full month's salary or wages if one meal a day is provided
- \* 14% of the first full month's salary or wages if two meals a day are provided
- \* 18% of the first full month's salary or wages if lodging and three meals a day are provided

If an applicant does not obtain employment through the agency, then any deposit or advance fee paid by the job seeker must be returned immediately upon demand. Domestic workers employed on a day-to-day basis who are transported to and from work by an employment agency are not required to pay any fee.

Where an applicant is placed and reports to work and the job is terminated through no fault of her or his own, the fee charged to the applicant and employer each cannot exceed 10 percent of the salary or wages received. If the applicant is terminated under any other circumstances, the fee charged to the employee and employer cannot exceed 50 percent of the salary or wages received. If the applicant fails to report to the job, then the fee cannot exceed 25 percent.

### ***What Must Employment Agencies Disclose?***

Licensed employment agencies are required to provide applicants with:

- ▶ A copy of the contract which includes information on the fees charged or deposits paid.
- ▶ A receipt stating the name of the applicant, the name and address of the employment agency and the date and amount of the fee or deposit. The receipt must also be signed by the person who received the fee or deposit.
- ▶ The name and address of the person to whom an applicant is to apply for employment, the anticipated rate of wages, the agency's fee, the name and address of the person authorizing the hiring and whether such employment is temporary or permanent.

### ***Illegal Practices:***

- ▶ It is illegal for an employment agency to knowingly refer an applicant to a job that pays less than the minimum wage or does not pay overtime. In January 2006, the minimum wage in New York State was raised to **\$6.75**.
- ▶ Since the Human Rights Law is applicable to employment agencies, it would be a violation of the law for an employment agency to inquire about an applicant's nationality, age, number of children or marital status, or to make referrals based on these categories.

### ***What Protections do You have Against the Employment Agency?***

If an employment agency violates any of the requirements listed above or engages in other illegal actions, you may make a complaint to the Office of the NYS Attorney General by calling (212) 416-8700. You cannot be fired, penalized or retaliated against because you make a complaint to a government agency. Complaints about retaliation or other actions that may involve misrepresentation, fraud or deceit may be brought to the New York State Department of Labor and/or the NYC Department of Consumer Affairs. (*See Resources Section.*)

### ***How Can You Prepare for Interviews?***

Interviews can seem intimidating. However, a job interview is always an opportunity – it gives you the chance to prove to the employer that you are the right person for the job. And remember, an employer wants to hire someone as much as a potential employee wants to get a job. Interviewing becomes easier with preparation and practice; consider following these tips before the big day:

- ✓ **Research the Company or Organization** – Do some background research about the field and company at your local library or on the Internet. Check out the company's annual reports, which often contain key information as well as the mission and goals of the company. Additionally, ask friends who work for the employer for firsthand information. Make a list of appropriate questions to ask the interviewer.

- ✓ **Self-Assess** – Take some time to evaluate your strengths, weaknesses, goals and skills. Review your résumé and decide what aspects of your employment, experience and skills you think would benefit the employer. Ask yourself whether you will be a good fit for the company.
- ✓ **Set up an Informational Interview** – An informational interview with a person who has knowledge of the company or field for which you will be interviewing gives you a chance to practice interviewing in a low-pressure situation while learning more about your chosen field and/or company. Use friends, family, associates or a career counselor to find someone who is a member of your particular profession or career and is similar to you. For example, if you have children, try to find a contact who is also a parent and can tell you about how they have dealt with any challenges. If you are unable to find someone through your network, consider asking the human resources department of a similar company to recommend someone who wouldn't mind talking to you about her/his career.
- ✓ **Dress in business attire and arrive early for the interview** – If you do not have appropriate clothing, ask career development and employment retention programs whether they have a program that provides interview clothing to people trying to enter or re-enter the workforce.
- ✓ **Be relaxed and believe in your abilities.**

### ***Illegal Questions During an Interview***

Federal and New York State laws prohibit interviewers from asking for your age, race, sex, marital status, religion or creed, color, national origin and/or disability unless there is an exception that proves the questioning is job-related and not discriminatory. Women in particular may not be asked questions pertaining to marital status, sexual preference, pregnancy, future childbearing plans, unwed motherhood, childcare and the number and ages of children. Moreover, it is a violation of **Title VII and NYS Human Rights Law § 296** for employers to require information about child care arrangements from female applicants only.

Employers are generally only allowed to ask questions pertaining to an employee's skills, job experience, ambition and outside interests. Additionally, it is unlawful for an employer to ask specific questions about an applicant's health or health history during a pre-employment interview. If health questions are addressed in the pre-employment interview, and then the job is not offered, an applicant may have grounds to file a complaint of unlawful discrimination. The law applies to private and public agencies, employment agencies, labor organizations and training programs.

If you feel you have been discriminated against, you may file a complaint with the EEOC and/or with the NYS Division of Human Rights. (*See Resources Section.*) When charges of discrimination are filed, the employer will usually have the burden of proving that all pre-employment questions are job-related and not discriminatory. If discrimination is found, you may be awarded damages.

### ***How Should You Handle an Illegal Question?***

Handling illegal or inappropriate questions at an interview is tricky. Before getting upset, consider that many illegal questions are asked by inexperienced interviewers who are unfamiliar with the law. You may want to simply answer the question by focusing on your skills and attributes. For example, if the interviewer asks: "Are you planning a family in the near future?" you may answer by emphasizing your commitment and responding: "Presently, I am focused on my career and although having a family is always a possibility, it is not a priority at the moment." However, if you are afraid that your answer may be used against you illegally and are not sure whether you should

answer the question, ask the interviewer to explain the relevance to the job. This may make the interviewer realize the question is inappropriate and perhaps rephrase or return to focusing on your qualifications. If you decide not to answer, explain politely that you do not feel comfortable answering the question because you do not see the relevance to the job and steer the interview back to your qualifications.

### ***Background Checks***

If your application and interview go well, the employer may be prepared to offer you a job right away. However, some employers will only offer you a position if a subsequent background check is satisfactory. These checks may range from a verification of your Social Security number to a detailed accounting of your history, including driving, credit and criminal records. The investigation may also include interviews with neighbors and associates. The Society for Human Resource Management reported in 2003 that 80 percent of private employers now conduct criminal background checks.

The federal **Fair Credit Reporting Act (FCRA)** sets national standards for employment screening which applies to investigations performed by an outside company, called a consumer reporting agency. (The law does not apply to situations where the employer conducts an in-house investigation.) Under the **FCRA**, the employer must obtain your written authorization before a background check is conducted. Consumer credit reporting agencies may provide a modified version of your credit report to a perspective employer. This can include information about your credit-payment history and other credit habits from which a potential employer might draw conclusions about you and gauge your level of responsibility.

A background check that includes interviews with neighbors and associates about your character and reputation or mode of living is called an investigative consumer report. Under New York State law, whenever an investigative consumer report is prepared, no adverse information, other than information which is a matter of public record, may be included in the report unless the information is verified. Further, when information about you is drawn from interviews, you are entitled to be told the nature and scope of the investigative report upon request.

If the employer uses information from the consumer or employment report to deny you a job or promotion, it must provide you with an explanation of your rights as well as the name, address and phone number of the employment screening company. Additionally, you may receive a free annual file disclosure from the nationwide specialty company that performed the background check. Companies that provide employment background check reports must maintain toll-free numbers that provide instructions on how to get the information in your file. You are entitled to see your file whether or not the employer takes an adverse action against you.

There are continuing questions about the accuracy of information reported by commercial screening firms that collect and report criminal history and personal background information on millions of individuals for private employers. Under the **FCRA**, you may file a dispute with the consumer reporting agency that compiled and furnished the report to the employer if the data is erroneous or incomplete. However, while the dispute is being investigated, the employer may hire someone else.

***Tips for Avoiding Background Check Problems***

By taking the following steps, you can reduce the chances that you will encounter bad surprises during a background check:

- ✓ Order a copy of your credit report and dispute any incorrect information.
- ✓ Check other governmental records including court and DMV records.
- ✓ Ask to see your personnel file from your old job.
- ✓ Read the fine print on any application and the consent for a background check (which must be a separate document) carefully.
- ✓ Inform neighbors and associates that they may be asked for information about you. If you have evidence that your former employer is saying false and derogatory things about you, you might wish to consult an attorney about suing for defamation.

***Criminal Background Checks***

For certain professions and licenses (e.g., teachers, physicians, mental health employees and child care workers), applicants must submit their fingerprints for a background check with the New York State Division of Criminal Justice Services. Criminal history record checks are also required for the following positions in New York State nursing facilities and home care service agencies: personal care aides, home health aides, housekeepers, certified nurse aides, unlicensed staff providing direct service to patients or residents, unlicensed social service staff, therapeutic recreation staff, hairdresser and beauty parlor staff, dietary personnel, ward clerks and transporters.

***Should You Consider Temporary Work while Searching for a Job?***

Temporary work or "temping" can be a great way to get your foot in the door, test out companies and pay bills while looking for more permanent employment. A "temp" is an employee of a temporary staffing services agency. As a temp, you may be assigned to work for the same client for a few days or up to several months.

***Where Can a Temp Work?***

In the past, temping meant covering for secretaries and receptionists who were on vacation or sick leave. However, today workers find temp jobs in various fields including law and accounting.

***Who Pays a Temp's Salary?***

Temp agencies collect fees from the businesses you are sent to work for and pay your salary from a percentage of these fees. Agencies often pay for benefits for those who work a particular length of time. There may be some opportunity to negotiate; for example, you may be able to refuse assignments that pay less than your desired minimum.

***Planning for Insurance Coverage Between Jobs***

If you are currently covered by health insurance and are switching jobs or seeking new employment, you should make sure that you are covered by health insurance until you receive coverage from a new job. Under certain circumstances, your employer is required to extend your health insurance for up to 18 months, pursuant to the federal **COBRA** law. Note that you will be required to pay for the coverage as your previous employer will no longer cover your portion of the premiums. If you wish to take advantage of **COBRA** coverage, you must activate it soon after your last day of work. (For more specific information on **COBRA**, see the *OAG Insurance Reference Guide*.)

## ***Your Rights and Protections as an Employee***

### ***Who is an Employee?***

An employee is defined as any person hired by an employer in New York State. Every employee in the State is protected by the State's labor laws. However, independent contractors are not protected by the labor law and are not entitled to state enforcement of their claims for payment.

### ***What Rights Do You Have as an Employee?***

- ✓ **Minimum Wage** – The New York State minimum wage is \$6.75/hour as of June 2006, and is higher than the current federal minimum wage of \$5.15/hour. The New York State minimum wage will increase to \$7.15/hour on January 1, 2007. The minimum wage applies to private sector (e.g., nongovernmental) employees, with the exception of outside salesmen, part-time baby-sitters, taxicab drivers, camp counselors and those employed in an executive, administrative or professional capacity. The minimum wage for employees who earn tips varies according to the industry. A food service worker in the restaurant industry must receive a cash wage of at least \$4.60 per hour if the tips of that worker, when added to the cash wage, are equal to or exceed \$6.75 per hour. In other tipped industries, employers may deduct a tip allowance from the basic minimum wage rate of certain employees who earn tips. A different tip allowance is set in different industries.
  - \***Promised Wage** – If your employer promises you a wage or benefit, the employer must provide you with that benefit unless there is a new agreement. Failure to pay agreed wages and benefits is punishable as a misdemeanor with maximum penalties of fines up to \$20,000, imprisonment for up to one year and payment of restitution.
- ✓ **Overtime** – Many employees are entitled to receive overtime at a rate of one and one-half times the regular hourly rate for hours worked over 40 per week. For example, if your regular rate is \$8/hour, you would be paid \$12/hour for each overtime hour.
- ✓ **Working Hours** – Generally, there are no limitations on the number of hours a day an adult may work. However, in some industries or occupations (e.g., factories, hotels, elevator operators) an employee must get 24 hours of rest in a 7-day week.
  - \***Medical Interns and Residents** – New York State restricts the working hours of medical interns and residents to 80 hours per-scheduled work week. Work periods should not exceed 24 consecutive hours.
- ✓ **Jury Duty** – An employer of 10 or fewer employees may withhold the full wages of an employee absent from work on account of jury service. An employer of 10 or more employees must pay an employee serving on jury duty the first \$40 of that employee's daily wage for the first three days of jury service. An employee who gives notice to his employer that she or he has been summoned for jury service may not be fired or otherwise penalized by the employer on account of such service.
- ✓ **Rest** – Most workers have the right to one day off a week.
- ✓ **Meal Periods and Breaks** – Employees who work a shift of more than six hours starting before 11 a.m. and continuing until 2 p.m. must have an uninterrupted lunch period of at least half an hour between 11 a.m. and 2 p.m. Meal breaks are not counted as work time. Thus, employers need not pay for that time. Other "breaks," such as for "rest periods" are not required. If a break (of up to 20 minutes) is permitted, then it should be paid as working time.

- ✓ **Timely Payment** – Workers must be paid promptly, usually every one or two weeks. Manual workers must be paid their full wages weekly and not later than seven days after the end of the week in which they were earned. Commission salespersons must be paid all of their salary and commissions according to agreed terms, but in no event less frequently than once a month. The New York State Department of Labor and/or the Office of the NYS Attorney General may assist you in collecting unpaid or withheld wages.
- ✓ **Tips** – An employer may not demand or accept any portion of an employee's tips, nor may an employer require that tips be pooled or that tips received by service employees be shared with nonservice personnel.
- ✓ **Pay for Holidays, Sick time and/or Vacations** – Payment for holidays, sick time or vacation is not required unless the employer has established a policy to grant such pay. An employer may impose conditions or restriction on the use of these benefits. However, once a benefit has been earned under an existing agreement, it cannot be taken away under a new condition or policy.
- ✓ **Deductions** – Employers may only make legally required deductions from employees' salaries, such as taxes, wage garnishments, or court-ordered payments like child support, or deductions for benefits with the employee's written consent. Employers may not make deductions from employee's pay for cash shortages, stolen or damaged property or for deficient work. Also, employers may not require employees to pay the cost of buying or cleaning uniforms required on the job if the cost brings the employee below the minimum wage.
- ✓ **Termination** – Without a contract restricting termination (such as a collective bargaining agreement), an employer may fire an employee for any reason or no reason at all. However, an employee is equally free to quit at any time without having to justify their departure. Note however that a firing may not be based on discriminatory or otherwise illegal reasons.
- ✓ **Meals and Lodging** – Employers may deduct a limited amount from the minimum wage, as set by State law, for any meals provided (usually limited to \$1.85 to \$2.05 per meal). Employers may also deduct a limited amount from the minimum wage, if they provide lodging to their employees.
- ✓ **Prohibition Against Retaliation** – It is against the law to discharge, penalize or in any other manner retaliate against an employee for making a wage-related complaint to the employer or a government agency.

### ***What is Sexual Harassment?***

Sexual harassment is a form of illegal discrimination prohibited under Title VII of the Civil Rights Act. It includes unwelcome sexual advances, persistent use of crude, sexually-oriented language which you find offensive and other verbal or physical conduct of a sexual nature. It is sexual harassment when a submission to or rejection of this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance or creates an intimidating, hostile or offensive work environment.

Employers who allow domestic violence, sexual assaults or sexual harassment to occur in the workplace may be in violation of sex discrimination laws. An employer could be held liable for sexual harassment if the harasser is the victim's supervisor, a supervisor who works in another department, an agent or representative of the employer, a colleague or a nonemployee. Even if the abuser or perpetrator works elsewhere, such as the person who delivers packages to your office on a daily or weekly basis, your employer may be found liable. Additionally, the victim does not have

to be of the opposite sex and the victim does not have to be the person harassed but could be anyone who is affected by the offensive conduct.

Most companies and organizations have internal complaint/grievance procedures that you can use to give your employer notice of the alleged illegal activity. It is helpful for the victim to also inform the harasser directly that the conduct is unwelcome and must be stopped. It is unlawful to retaliate against any individual filing a discrimination charge, pursuing an investigation or testifying in any proceeding. Depending on your circumstances, you may wish to file an administrative complaint with the Equal Employment Opportunities Commission (EEOC) by calling (800) 669-4000. You may also wish to contact the New York State Division of Human Rights which enforces the laws prohibiting discrimination based on gender, race, creed, origin, disability, age and marital status.

### ***What is Wrongful Discharge?***

New York State is an employee-at-will State. This means that a noncontractual employee can be fired for any reason or no reason at all, at any time. However, a "wrongful discharge" exception means you can sue an employer who discriminates against a person based on race, religion, age, national origin, disability or citizenship or sex (sexual harassment). In addition, you may also sue if your employer penalizes you for exercising a right that is supported by public policy, for example an employee attending jury duty or an employee who reports their employer to a governmental agency for violating safety regulations.

### ***Understanding Workers' Compensation***

If you are injured at work, you may be eligible for workers' compensation or may have a legal claim for money damages against your employer. If you are eligible for workers' comp benefits for a particular injury, you may not be able to bring other legal claims against your employer for the same injury.

### ***What is Workers' Compensation?***

Workers' compensation is a form of social insurance providing benefits to employees injured on the job. It pays for medical, hospital and rehabilitation expenses and a portion of lost wages. The employee does not have to prove that the employer was at fault in order to secure benefits. The cost of providing workers' compensation insurance must be paid entirely by the employer; deductions may not be made from the employee's wages. You should ask whether your employer is covered by workers' compensation, as many not-for-profits in New York State are not covered. Additionally, farm laborers are only covered if the employer paid farm workers cash wages of \$1,200 or more in the preceding calendar year. An employer who is not covered may provide insurance voluntarily.

- ▶ **Workers' Compensation Anti-Retaliatory Law** prohibits an employer from discharging or in any other manner discriminating against a worker because she or he has filed a workers' compensation or disability benefits claim or has testified before the Workers' Compensation Board. Complaints of such retaliatory discharge may be made to the Workers' Compensation Board at [www.wcb.state.ny.us](http://www.wcb.state.ny.us). (See Resources Section.)

### ***Does Workers' Compensation Cover Injuries Caused by an Abuser?***

In some cases, workers' compensation will cover injuries caused by a perpetrator at work. Your injury must arise out of employment and must occur in the course of employment. State legislation is pending to allow workers assaulted on the job to sue for negligence in addition to seeking workers' compensation, thereby enabling a plaintiff to sue for pain and suffering.

***What if the Perpetrator is Your Co-worker or Supervisor?***

If the abuser is a colleague or supervisor, your employer may be liable for negligent hiring of the person, continuing to employ the person even after having knowledge of the abuse, failing to adequately supervise the person or failing to protect fellow employees. You may also have additional claims and your employer may be legally responsible for the injuries caused by a supervisor or high level employee's conduct. Thus, depending on the circumstances, you may also have a claim for sexual harassment or wrongful discharge. You should consult an attorney to review the specifics of your case and claim.

***Workers' Compensation Confidentiality***

Generally, disclosure of nonpublic personal health information is restricted under New York State law. Your consent is needed to release information except for the performance of certain insurance functions including claim management, fraud investigation and pursuant to a court order. For information, contact the Compensation Board at (518) 474-6670 or <http://www.wcb.state.ny.us>.

***Key Federal Laws that Protect You in the Workplace***

▶ **Health:**

- ✓ **Family and Medical Leave Act (FMLA)** – Victims of domestic violence may experience many forms of physical and emotional abuse that can cause serious health conditions requiring medical attention. Under the FMLA, an employee may be eligible to take up to 12 weeks of unpaid, job-protected leave to address a serious health condition or that of a child's health due to domestic violence. An employee must have worked for at least 12 months for the employer and have completed at least 1,250 hours of service during the previous 12-month period to qualify for this leave. The FMLA covers all private employers that have 50 or more employees. Public agencies are covered employers without regard to the number of employees. In addition, the FMLA affords employees on leave the following protections:
  - \***Health Benefits** – Employees have a right to health benefits while on leave. The employer is allowed to recover its share of the premium only if the worker does not return to work for a reason other than the serious health condition of the employee or the employee's immediate family member, or another reason beyond their control.
  - \***Job Protection and Benefits** – An employee has a right to return to the same position or an equivalent position with equivalent pay, benefits and working conditions after taking leave. (Note: Employers may request written certification from a health provider or immediate family member in addition to a certification of fitness assuring them that you can return to work.)
- ✓ **Health Insurance Portability and Accountability Act (HIPAA)** – Health-care providers and health plans are barred from disclosing your identifiable health information to your employer. In cases where the employer is self-insured, the health information can only be used for health-care related functions and cannot be disclosed to anyone else in the company. Records that relate to other employee benefits such as life insurance, disability or workers' compensation are not covered by HIPAA. Nor are records that relate to your employer's compliance with laws that govern safety and health risks in the workplace.
- ✓ **The Occupational Safety and Health Act (OSHA)** – This Act requires employers to provide a safe and healthful workplace free of recognized hazards and to follow OSHA workplace, examination and record-keeping standards. Employees are required to follow safety standards and report hazardous conditions. You have the right to access your medical records gathered for your employer's OSHA responsibilities.

▶ **Job Discrimination:**

- ✓ **Title VII of the Civil Rights Act** – This statute prohibits employment discrimination or pre-employment inquiries based on race, color, religion, sex or national origin. It applies to employers with 15 or more workers, including state and local governments and employment agencies. An employer is required to reasonably accommodate the religious belief of an employee or prospective employee, unless doing so would impose an undue hardship. Furthermore, under the Act, pregnancy, childbirth and related medical conditions must be treated in the same way as other temporary illnesses or conditions. This statute may also bar discrimination on the basis of domestic violence victim status under a disparate impact theory.
- ✓ **Equal Pay Act** – This law protects women and men who perform substantially equal work in the same establishment from sex-based wage and benefits discrimination. Employers may not pay unequal wages to men and women who perform jobs that require substantially equal skill, effort and responsibility, and that are performed under similar working conditions within the same establishment. Pay differentials are permitted when they are based on seniority, merit, quantity or quality of production or a factor other than sex. The Act was passed in an attempt to rectify the wage disparity experienced by female employees. According to the 2004 Census, on average full-time working women earned 76 cents to every dollar earned by men.
- ✓ **Age Discrimination in Employment (ADEA)** – This provision protects employees and job applicants 40 years of age or older from discrimination by employers.
- ✓ **Title I and Title V of the Americans with Disabilities Act (ADA)** – This statute prohibits employment discrimination against qualified individuals with disabilities in the private sector, and in state and local governments. An individual with a disability under the ADA is a person who has a physical or mental impairment that substantially limits one or more major life activities, has a record of such an impairment or is regarded as having such an impairment. Major life activities are activities that an average person can perform with little or no difficulty such as walking, breathing, seeing, hearing, speaking and working. The Act also forbids employers from conducting pre-employment medical examinations or making pre-employment inquiries about disabilities.
- ✓ **Civil Rights Act of 1991** – The Act provides monetary damages in cases of intentional employment discrimination.
- ✓ **Whistleblower/False Claims Act** – This statute allows any person to report fraudulent activity perpetrated against the federal government. In addition, it provides whistleblowers with two key provisions: qui tam and the anti-retaliatory provisions. Under the qui tam provision, a citizen is allowed to sue on behalf of the United States to recover damages incurred by the government as a result of the fraud. Should the whistleblower win, she or he is entitled to a significant portion of the court-ordered award. The anti-retaliatory provision prohibits the firing and/or harassment of a whistleblower who discloses the fraud.

▶ **Welfare:**

- ✓ **Welfare-To-Work** – Welfare recipients who work under the workfare program are protected under the federal Fair Labor Standards Act (FLSA) which provides for minimum wage, overtime pay and child labor protections. It covers full and part-time workers in the public, private, federal, state and local levels.

**Key New York State Laws that Protect You in the Workplace**

Over the last decade, New York State enacted several statutes protecting employees, and in particular survivors of domestic violence:

- ▶ **N.Y. Penal Law § 215.14** – This statute prohibits an employer from penalizing or discharging a crime victim who takes time off for various legal procedures, including testifying as a witness, filing for an order of protection or consulting with the district attorney. The victim must give prior notice to their employer and the employer may withhold wages.
- ▶ **N.Y. Insurance Law § 2612** – This law protects victims of domestic violence against insurance discrimination. No insurer can require special premiums, payments, coverage or rates solely because a person is a victim of domestic violence.
- ▶ **N.Y. Insurance Law § 2612** – This law prohibits the disclosure of the health insurance benefit information of victims of domestic violence who have orders of protection against another policy holder.
- ▶ **N.Y. Labor Law § 593 (1)(a)** – This statute provides for eligibility for unemployment benefits. Circumstances directly resulting from the employee being a victim of domestic violence constitute good cause for a voluntary separation from work and do not disqualify an employee from receiving unemployment benefits.
- ▶ **N.Y. Executive Law Article 15, Unlawful Discriminatory Practices § 296** – This provision prohibits discrimination in employment, apprenticeship and training based on race, religion, national origin, sexual orientation, sex, age, disability, prior arrest or conviction record. You may file a complaint with the NYS Division of Human Rights at [www.dhr.state.ny.us](http://www.dhr.state.ny.us). (*See Resources Section.*)
- ▶ **N.Y. Human Rights Law § 296** – This law prohibits pre-employment questions as to age, race, creed, color, national origin, sexual orientation, sex, disability, marital status, military status, genetic predisposition, carrier status, and/or arrest records which express, directly or indirectly, any limitation, specification or discrimination, unless based on an exception concerning the job.
- ▶ **N.Y. Labor Law § 215** – This provision prohibits an employer from retaliating against an employee (penalizing or firing) because she or he has complained to the employer about a labor law violation. An employee who has been sanctioned or punished may sue their employer for reinstatement, back pay, restoration of seniority and attorney's fees.
- ▶ **N.Y. Labor Law § 740** – This law prohibits private employers from firing or taking any other adverse employment action against an employee who refuses to participate in an illegal business activity, or who discloses such illegal activity to a public body, if the activity presents a "substantial and specific danger to the public health or safety." The protection applies when the employee has brought the illegal activity to the attention of a supervisor.
- ▶ **Civil Service Law § 75-b** – This statute prohibits public employers from firing or taking any other adverse employment action against an employee who discloses information regarding a violation of a law presenting a substantial danger to the public health or safety or regarding any action which the employee believes constitutes a violation of law. Prior to disclosing the information, the employee must make a good faith effort to inform the employer unless there is an imminent and serious danger to the public.

***Key New York State Welfare Provisions***

- ▶ **Family Violence Option** – A welfare applicant or recipient may ask social services to temporarily waive or excuse any welfare requirement that will make it more difficult to escape from a domestic violence situation or that will expose an applicant or recipient and/or her children to further risk of harm. Some of the requirements that can be excused are the child support enforcement cooperation requirement, learn-fare, or the requirement to establish the paternity of the child(ren).
- ▶ **Time Limit Exceptions** – A domestic violence survivor may apply for a waiver from the sixty-month time limit on receiving cash assistance. To qualify for a time-limit exemption, a survivor must be unable to work or participate in a training activity due to physical or mental disability caused by domestic violence; or because she or he is needed in the home to take care of a child who has a disability caused by domestic violence. The disability need not be long-term to qualify.

***Key New York City Laws That Protect You in the Workplace***

- ▶ **N.Y.C. Administrative Code § 8-107.1** – This law provides **employment discrimination protection for actual or perceived victims of domestic violence, sexual assault and stalking**. The law protects anyone subjected to actual or threatened violence by a current or former spouse, partner or roommate. It applies to any employer in New York City with four or more employees, and any agent of such employer. Discriminatory practices deemed unlawful include refusing to hire or discharging a victim or discriminating against that employee in compensation or in other terms. The law also requires employers to make "reasonable accommodations" to enable survivors to perform the requirements of the job, such as changing a work schedule, site or phone number, unless providing such an accommodation would be an undue hardship on the employer. An employer may require certification of the employee's status as a victim, which the employee can satisfy with a court record, a letter from a victim services agency, attorney, doctor, or other corroborating evidence. **The employer must keep this information confidential**. An individual may sue for lost income, emotional damages and other compensation for violations of the law.
- ▶ **N.Y.C. Administrative Code § 12-113 (Whistleblower Law)** – This law prohibits any adverse personnel action including dismissal, demotion, suspension, disciplinary action, negative performance evaluation and failure to promote against a city employee who has reported on suspected misconduct of corruption, criminal activity or conflicts of interest to the proper authority. The law also covers reports of gross mismanagement or abuse of authority.

***Key Westchester County Law That Protects You in the Workplace***

- ▶ **Westchester County Human Rights Law § 700.03** – Modeled after the New York City ordinance, this law prohibits employment discrimination against those perceived to be or who are victims of domestic violence, sexual abuse and stalking. If the victim provides documentation certifying their status, the employer may use the information to make reasonable accommodations enabling the individual to perform her or his duties.

**Resources:**

**NYS Department of Labor**

(518) 457-9000  
(800) HIRE 992  
[www.labor.state.ny.us](http://www.labor.state.ny.us)

**New York State Division of Human Rights**

One Fordham Plaza, 4th Floor  
Bronx, NY 10458  
(718) 741-8400, (212) 961-8650  
(516) 952-6434, (518) 474-2705  
[www.dhr.state.ny.us/](http://www.dhr.state.ny.us/)

**New York City Human Rights Commission**

40 Rector, 10th floor  
New York, New York 10006  
Manhattan (212) 306-5070  
Brooklyn (718) 722-3130  
Bronx (718) 579-6900  
Queens (718) 886-6162  
Staten Island (718) 390 8506  
[www.nyc.gov](http://www.nyc.gov)

**New York City Department of Consumer Affairs**

42 Broadway  
New York, NY 10004  
[www.nyc.gov/html/dca/html/home/home.shtml](http://www.nyc.gov/html/dca/html/home/home.shtml)

**U.S. Dept. of Labor**

200 Constitution Ave, NW  
Washington, DC 20210  
(866) 4 USA DOL  
TTY: (877) 889-5627  
[www.dol.gov](http://www.dol.gov)

**Better Business Bureau of New York**

Employment Agencies: (718) 797-7499  
<http://www.newyork.bbb.org/home2.aspx>

**U.S. EEOC (Equal Employment Opportunity Commission)**

**New York State District Office**

33 Whitehall Street  
New York, NY 1004  
(212) 336-3620  
[www.eeoc.gov](http://www.eeoc.gov)

**American Bar Association**

740 15th Street, NW  
Washington, DC 20005  
(202) 662-1030  
<http://www.abanet.org>

**New York State Employee Assistance Program**

55 Elk Street, Suite 301 A  
Albany, NY 12210-2316  
(800) 822-0244  
[www.eap.lmc.state.ny.us](http://www.eap.lmc.state.ny.us)

**New York State Bar Association**

Attorney Referral  
1 Elk Street  
Albany, NY 12207  
(518) 463-3200  
Referrals: (800) 342-3661  
[www.nysba.org/](http://www.nysba.org/)

***Resources:***

**New York State Family Benefits Program**

55 Elk Street, Suite 301 C

Albany, NY 12210

(518) 473-8091

[www.familybenefits.lmc.state.ny.us](http://www.familybenefits.lmc.state.ny.us)

**Association of the Bar  
of the City of New York**

42 West 44th Street

New York, NY 10036-6690

(212) 626-7373

[www.abcny.org](http://www.abcny.org)

**NYS Workers' Compensation Board**

20 Park Street

Albany, NY 12207

(518) 474-6670

[www.wcb.state.ny.us](http://www.wcb.state.ny.us)

**New York State Office for the Prevention  
of Domestic Violence**

80 Wolf Road

Albany, NY 12205

(518) 457-5800

[www.opdv.state.ny.us](http://www.opdv.state.ny.us)

***Notes:***

## OAG GLOSSARY OF KEY TERMS

### Life Essentials: Job Search and Employment

#### -A-

**Age Discrimination in Employment Act (ADEA)** – A federal law prohibiting discrimination against employees who are 40 years of age or older from employment discrimination on the basis of age. ADEA applies to both employees and those applying for a job.

**Americans with Disabilities Act (ADA)** – A federal law prohibiting discrimination against qualified employees and job applicants with disabilities. The law also requires employers to make "reasonable accommodations" for their employees' disabilities.

#### -B-

**Back Pay** – A type of remedy in an employment lawsuit ordering the employer to pay the difference between what the employee was paid and the amount she or he should have been paid had the employee not been illegally denied a promotion or fired.

**Background Check** – A manner in which an employer verifies the information provided by a prospective employee on a résumé or job application for the purposes of employment. Information checked can include past employers, educational degrees, personal references, medical records, driving records, court records, criminal records and/or credit history.

**Benefits** – The nonwage part of the compensation package offered to employees. Benefits may include retirement, paid vacations, paid holidays, personal days, sick leave, life insurance and medical insurance. *See Fringe Benefits.*

**Beneficiary** – A member of an employee's family who is covered by the employee-benefits plan, and is eligible to receive benefits under the plan such as health care or an insurance policy.

#### -C-

**Cafeteria Plan** – A flexible benefit plan under which the employee can create their own medical coverage plan by choosing from the various selections offered by the employer such as medical, vision, dental and disability.

**Career Counselor** – A person who has been trained or specializes in guiding individuals through a career change.

**Career Fair** – Where employers come together to recruit, screen and hire prospective employees and in turn job seekers conveniently have the opportunity to interview and screen a large number of participating employers. Some fairs focus on an industry or profession while others cover a range of different fields.

**Collective Bargaining** – The process of negotiations between a union and management over conditions of employment such as wages and working conditions.

**Consolidated Omnibus Budget Reconciliation Act (COBRA)** – A federal law requiring an employer to allow employees, upon termination, to continue their health insurance coverage in the same insurance group, at the same group rate, and providing the same benefits for up to 18 months at the employees' expense.

**Compensation Package** – The combination of salary and fringe benefits being offered to an employee by the employer.

**Constructive Discharge** – An employee is forced to resign due to intolerable working conditions such as sexual harassment and/or discrimination and as a result the employer may be liable for wrongful termination.

**Cover Letter** – A letter sent along with a résumé providing additional information not obvious to an employer after reviewing a personal résumé.

**-D-**

**Dependent** – An individual, usually a spouse or child, who relies on the employee for financial support and maintenance. A dependent person may be eligible to receive benefits such as health insurance and death benefits.

**-E-**

**Earnings** – The income or monetary compensation received for labor performed during a specific period of time such as weekly, bi-weekly or monthly by a worker.

**Employee Assistance Program (EAP)** – A workplace program provided by the employer which may involve counseling to assist employees with social problems that may be affecting their work performance such as job stress, marital issues, substance abuse or workplace conflict.

**Employee Stock Ownership Plan (ESOP)** – A trust established by a company encouraging employees to invest in the company by allowing employees to purchase stock at a discounted price. The plan often provides tax benefits to the sponsoring company.

**Employer** – Any person, firm or business that employs the services of one or more people for pay (wages, salary) or other compensation. The person, firm or business is responsible for payment of unemployment insurance taxes and all other applicable taxes.

**Employment-At-Will** –Where there is no contractual agreement either party may end the employment relationship at any time, for any reason or for no reason at all, without consequence.

**Equal Employment Opportunity Commission (EEOC)** – The federal administrative agency that enforces laws prohibiting discrimination in employment under Title VII of the Civil Rights Act.

**Equal Pay Act** – A federal law requiring employers to equally compensate all employees who do the same work, regardless of gender.

**Employee Retirement Income Security Act (ERISA)** – A federal law that regulates and enforces employee pension benefits and retirement plans.

**-F-**

**Family Medical Leave Act (FMLA)** – A federal law requiring certain employers to grant unpaid time off (up to 12 weeks) to employees because of a serious health condition for self or an immediate family member.

**Fringe Benefits** – Employer's costs for workers' compensation insurance, Social Security tax, unemployment tax, state disability insurance, union-negotiated benefits, life insurance premiums, and premiums covering hospital and medical plans.

**Front Pay** – A type of damages award in an employment lawsuit that represents the amount of money the employee would have earned if the employee was reinstated or hired into the higher-paying position from which he or she was illegally rejected.

**Full-Time Employee** – The definition of a full-time employee may differ according to the employer, but generally includes employees who work at least 35 hours a week.

**-G-**

**Garnishment of Wages** – Court order mandating a person's wages be withheld by an employer for the payment of a debt such as child support.

**-H-**

**Health Insurance Plan** – Insurance plans usually include coverage for one or more of the following: medical care, dental care and vision care.

**Hostile Working Environment** – An environment where unwanted comments or behavior such as the presence of demeaning or sexual photographs, threats or jokes are so prevalent as to unreasonably interfere with an employee's ability to perform their job and creates an intimidating, hostile or offensive work environment.

**-I-**

**Individual Retirement Account (IRA)** – A retirement account which allows employees to contribute to a personal retirement account on a tax-deferred basis. Contributions are tax-exempt until withdrawn or paid out after retirement.

**-L-**

**Layoff** – A period of forced unemployment by the employer.

**Life Insurance** – A contract that pays the beneficiary a set sum of money upon the death of the policyholder/insured.

**-M-**

**Minimum Wage** – The set minimum hourly rate that employers are required under the law to pay their employees.

**-N-**

**New York State Division of Human Rights** – A state agency responsible for enforcing the Human Rights Law prohibiting unlawful discrimination in employment, housing, education and public accommodation.

**Noncompetition Agreement** – A contract or contractual term in which an employee promises to refrain from working for a competing employer, or to set up a competing business while employed or for a certain period of time after the termination of employment.

**-O-**

**Offer of Employment** – A written or oral offer by an employer to a prospective employee that usually specifies the terms of an employment arrangement such as the starting date, salary, benefits and working conditions.

**Occupational Safety & Health Administration (OSHA)** – The federal agency under the Department of Labor authorized to create and enforce workplace health and safety standards for most employees and employers.

**Overtime Pay** – An employer is required to pay employees a higher pay rate (usually 1.5 or 2 times higher than the regular hourly rate) for any hours worked in excess of the regular work schedule.

**-R-**

**Résumé** – A document that summarizes a person's work experience, qualifications and education. Generally, a résumé is submitted to an employer for the purpose of securing a new job.

**Retirement Age** – An employer cannot mandate when an employee must retire because it can be age discrimination. However, an employer can decide at what age to offer a retirement or pension plan.

**Retirement 401(k) Plan** – An employer-sponsored retirement plan which allows an employee to invest in a number of predetermined funds by contributing an amount of his or her before tax salary. The employee contribution is usually met with matching contributions from the employer. Taxes on contributions are deferred for both employer and employee until withdrawn.

**-S-**

**Salary** – Financial compensation an employee receives for job performance which can be calculated on an hourly, daily, weekly, monthly and/or annual basis. Can include overtime pay and bonuses. *See Wages.*

**Sexual Harassment** – Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitutes sexual harassment when submission to or rejection of this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an employee's work performance or creates an intimidating, hostile or offensive work environment [www.eeoc.gov](http://www.eeoc.gov).

**Social Security** – A federal retirement and disability program where payments are created by placing a tax on an employee's income. Social Security provides income to retirees, health care for older persons and disability coverage for eligible workers and their dependents.

**State Insurance Fund** – A not-for-profit agency which provides a source of workers' compensation insurance coverage at the lowest possible cost to employers within the State.

**Stock Options** – The option for an employee to buy stock from an employer at a set price.

**-T-**

**Temping** – Working short employment assignments with different employers, usually through a temporary employment agency. The length of time can vary from assignment to assignment, from a couple of hours to several months.

**Title VII** – A federal law prohibiting discrimination in employment on the basis of age, race, national origin, color, religion or sex.

**-W-**

**Wages** – Amount of money paid for labor or services to a worker based on an hourly straight-time wage rate. See Earnings.

**Whistle blower** – The term used for an employee who "blows the whistle" on an employer, e.g., who reports employer misconduct (violation of the law, health and safety violations or fraud) to the proper governmental agencies. To encourage disclosure, federal and state statutes entitle whistle blowers to a number of protections such as prohibiting employers from retaliating against an employee who files a claim.

**Workers' Compensation Board, NYS (WCB)** – Agency responsible for protecting the rights of injured workers. Agency administers all cases covered under the Workers' Compensation Law; the Disability Benefits Law; the Volunteer Firefighters' Benefit Law; the Volunteer Ambulance Workers' Benefit Law; and the Workers' Compensation Act for Civil Defense.

**Wrongful Discharge** – An employee may have a cause of action if the termination is the result of discrimination or a violation of statute, such as racial, sexual or age discrimination.

***Sources:***

**U.S. Department of Labor** [www.bls.gov/bls/glossary.htm](http://www.bls.gov/bls/glossary.htm)

**FindLaw for the Public** [www.employment.findlaw.com](http://www.employment.findlaw.com)

## ***APARTMENT RENTING: OAG HOME SWEET HOME RENTAL HOUSING REFERENCE GUIDE***

***Introduction of the Topic:*** Finding safe and affordable housing is one of the most important steps a survivor of domestic violence can take to end a life of abuse or harassment. If the housing market is tight, it may take time to find an apartment, but do not get discouraged – you will find a place. Before searching apartment listings or calling a real estate broker, consider your budget, the location in which you want to live and other possible neighborhoods that are safe and convenient for you. This guide provides tips on renting an apartment, as well as information about your rights as a tenant.

### ***Apartment Hunting: A Checklist of Resources to Help You Search***

- ✓ **Internet** – Many brokers, management companies and referral companies have websites where you can begin your apartment search. Additionally, online databases and classified listings may allow you to find a new apartment without paying any fees. Free Internet service can be found at most public libraries and some community-based organizations. *(Be careful not to disclose any private information on the Internet.)*
- ✓ **Community-based Organizations** – Community-based/not-for-profit organizations, neighborhood improvement associations and tenant groups may have apartment listings and contacts with landlords.
- ✓ **Real Estate Broker** – Brokers help apartment seekers find and apply for rentals. Brokers charge a commission for their services – typically a stated percentage of the first year's rent. Before agreeing to a fee, shop around and negotiate with your broker for a competitive rate. Insist on a written commission agreement with the broker, and do not pay any fees until you are offered a lease signed by the landlord. *(Complaints against real estate brokers may be brought to the attention of the NYS Dept. of State.) (See Resources Section.)*
- ✓ **Apartment Referral Offices/Listing Companies** – For a pre-paid fee of one month's rent or less, you can obtain a list of available rental housing. If the information does not result in a rental, the entire amount of any fee, less \$15, must be refunded. Because there have been many scams in this field, it is a good idea to check whether the company holds an "Apartment Information Vendor" license from the Department of State before paying any fees.
- ✓ **Classified Advertisements in Local Newspapers and Apartment Guides**
- ✓ **Word of Mouth and Canvassing Neighborhoods**
- ✓ **Affordable Housing and Apartment Programs Sponsored by Localities**

### ***What Type of Apartment Should I Rent?***

**What is a Market Rate Apartment?** If the apartment isn't rent-controlled or rent-stabilized, the landlord can charge whatever rent she or he desires. Market rate apartments tend to be more expensive than rent-regulated residences, but are easier to find. Tenants in market rate apartments generally have fewer protections regarding lease renewal than those in rent-regulated housing.

**What is a Rent-Regulated Apartment?** Rent-regulated apartments have special rules governing rent increases, lease renewals and other conditions and services. Rent stabilization laws apply in New York City and certain communities in Nassau, Rockland and Westchester counties. Rent boards set rent increases for these apartments; the landlord cannot increase your rent above the guideline unless there is an exception based on certain types of building-wide capital improvements.

**What is Subsidized Housing?** State and local governments provide subsidies to help some residents pay for apartments. Tenants pay a percentage of the rent based upon their income level, and the government pays the rest. Subsidized housing includes Mitchell-Lama middle-income apartments, low-income public housing and Section 8 apartments. There are normally long waiting lists for this type of housing, but waits may vary depending on your family's size, circumstances and preferred locations.

**Key Money and Credit Checks:** Key money paid as a bonus to the landlord, superintendent or managing agent to get preference in renting an apartment is illegal. However, the landlord can charge an application fee to check your references and credit rating with consumer reporting agencies or tenant screening companies. The federal Fair Credit Reporting Act requires landlords who deny a lease, raise the rent or increase the security deposit based on information in the applicant's consumer report to provide you with an "adverse action notice." This notice provides information on the source of the report and your right to dispute its accuracy.

### ***Housing Discrimination***

Landlords may not refuse to rent to anyone or renew leases of, or otherwise discriminate against, any person because of race, creed, color, national origin, sex, disability, age, marital status or familial status. In New York City, tenants are further protected against discrimination with respect to lawful occupation, sexual orientation or immigration status.

Further, landlords may not refuse to lease an apartment or discriminate against any person in terms of rental conditions because that person has children living with them. This restriction does not apply to housing units for senior citizens which are subsidized or insured by the federal government or to one-or two-family owner occupied houses or manufactured homes.

Many domestic violence victims have reported losing their housing or encountering other adverse actions due, at least in some part, to the abuse in their lives. Discrimination against survivors in housing accommodations undermines efforts to successfully separate from the abuser and increases risk of future abuse. **The federal Violence Against Women Act (VAWA) of 2005** makes it illegal to deny access to **federally-funded public housing or vouchers** based on an applicant being a victim of domestic violence, dating violence or stalking. **These protections also extend to immediate members of the victim's family, except the perpetrator of the violence.** You should inform the housing authority or landlord that this law makes it illegal to reject a housing application or to bring an eviction based on acts of domestic violence, dating violence or stalking, or criminal activity "directly related" to such violence. When the landlord asks for proof of the violence, you can provide a court or police record, or a statement from a victim service provider, medical professional or a lawyer. You do not have to present an order of protection to be protected under the law. The housing authority or landlord must give you at least 14 business days to provide the certification, which must be kept confidential.

In some cases, housing discrimination may be a **form of unlawful sex discrimination under the Fair Housing Act and other civil rights laws.** Westchester County's Human Rights Law prohibits landlords from discriminating against individuals because they perceive them to be victims of domestic violence, sexual abuse and/or stalking. Managing agents, real estate brokers and listing services are also barred from refusing to rent, lease or sell any housing accommodation to a survivor. If you suspect that you were denied housing because of domestic violence, consult domestic violence, housing advocacy and civil rights organizations in addition to the New York State Division of Human Rights and the Civil Rights Bureau of the Office of the NYS Attorney General.

***What is a Lease?***

A lease is a contract that outlines the terms and conditions of the residence and the rights and obligations of the landlord and tenant. The lease cannot be changed while in effect unless both parties agree to the change. Leases can be almost any length, but are typically one or two years. Tenants should seek a written lease, which should be in nontechnical language. Residents who do not have a lease are considered to have "month-to-month" tenancies that can be changed or ended with as little as 30 days notice. Except for rent-regulated apartments, tenants may only renew leases with the consent of the landlord.

***What Should You Look for in a Lease?***

- ✓ Name and address of the owner
- ✓ Name and address of the tenant
- ✓ Purpose for which the apartment may be used (e.g., residential or commercial)
- ✓ Address and, if appropriate, the number of the unit being leased
- ✓ Amount of rent
- ✓ Due dates for rental money
- ✓ Beginning and ending dates of the lease term
- ✓ Any renewal or termination options
- ✓ Amount of security deposit given, if any
- ✓ Payment of utilities
- ✓ Repair responsibilities
- ✓ Any alterations or changes the tenant is permitted to make to the apartment
- ✓ Any services the owner will provide, if any, in addition to those required by law

***Top Five Mistakes Made by Renters***

1. Not understanding their finances.
2. Not inspecting the apartment carefully.
3. Failing to read the lease thoroughly.
4. Forgetting to turn on utilities.
5. Not getting renter's insurance.

***Rent Security Deposits***

Virtually all leases require the tenant to give the landlord a security deposit, usually one month's rent. It is considered the property of the tenant and must be returned at the end of the lease term unless the landlord retains it for damages to the apartment or unpaid rent. Landlords of multiple dwellings must place all security deposits in NY bank accounts that earn interest at the prevailing rate. Tenants must be informed in writing of the bank's name and address and the amount of the deposit. Landlords are entitled to annual administrative expenses of 1 percent of the deposit, but all other interest belongs to you. You can have the interest paid annually, applied to rent or paid at the end of the lease term.

***Safety Tips for Survivors of Domestic Violence***

If the landlord wants to know your last address, explain your situation and the reason why you must protect your privacy. Ask the landlord if you can provide other references that will not be traced back to your abuser. If you are working through a domestic violence program, seek their help.

When you move into an apartment you may consider taking the following safety precautions:

- ✓ Get a post office mail box.
- ✓ Request that your phone number not be listed and set your telephone so the number does not appear on a caller ID.
- ✓ Inform your employer and your children's school that you wish to keep your address and telephone number confidential.
- ✓ Vote by special ballot at the local board of elections.

***What Utilities and Services Must the Landlord Provide?***

- ▶ **Heat** – Heat must be supplied from October 1- May 31 to tenants in multiple dwelling buildings.
  - \*Daytime heating: If the outdoor temperature falls below 55 degrees Fahrenheit between 6 a.m. and 10 p.m., each apartment must be at least 68 degrees during that time.
  - \*Nighttime heating: If the outdoor temperature falls below 40 degrees Fahrenheit between 10 p.m. and 6 a.m., each apartment must be at least 55 degrees during that time.
- ▶ **Hot Water** – Tenants living in buildings with three or more rental units are entitled to hot water in all plumbing fixtures 24 hours a day, 365 days a year.
- ▶ **Cleaning** – Landlords of buildings with two or more apartments are responsible for maintaining public areas in clean and sanitary condition.
- ▶ **Extermination Services** – Tenants are entitled to continuous, regular and adequate extermination services to keep the building free of rodents, insects and other vermin.
- ▶ **Light Fixtures and Electrical Outlets** – Every apartment is to be equipped with an adequate number of working light fixtures and electrical outlets.

***Landlords Duties:***

- ▶ **Duty of Repair** – Landlords who own buildings with three or more apartments must keep the apartments and public areas in good repair and free of vermin, garbage or other offensive material. Landlords must maintain electrical, plumbing, sanitary and heating systems and appliances that they install in good and safe working order.
- ▶ **Crime Prevention** – Multiple dwelling buildings constructed or converted after January 1, 1968, must have automatic self-closing and self-locking doors at all entrances. These doors must be kept locked at all times, except when an attendant is on duty. Buildings with eight or more apartments, must also have a two-way voice intercom system for each apartment to the front door. Multiple dwellings built or converted to use prior to January 1, 1968, also must have self-locking doors and two-way intercom system if requested by a majority of tenants. In such cases, the landlord may charge the tenants for the cost of the equipment.
- ▶ **Installation of Elevator Mirrors**
- ▶ **Installation of Individual Door Locks, Peepholes and Secure Mail Boxes**
- ▶ **Placement of Working Smoke Detectors/Carbon Monoxide Detectors** – Outside New York City and in Buffalo, each apartment in a multiple dwelling must be equipped with at least one smoke detector that can be heard in the sleeping area. In New York City, landlords are required to install one or more approved smoke detectors near each bedroom in an apartment. Tenants may be assessed a fee for the cost of each detector.
- ▶ **Window Guards** – Landlords of multiple dwellings in New York City must install approved window guards on each window in any apartment where a child ten years of age or younger lives. In other cases, landlords are required to install window guards upon request of the tenant. Windows providing access to fire escapes are excluded. Protective guards must also be installed on the windows of public hallways. Tenants should receive annual notification about their rights to window guards. Rent controlled and stabilized tenants may be charged for the installation of the guards.

***Tenant Protections:***

***Get the Lead Out:*** Federal law requires all owners of buildings built before 1978 to give prospective tenants lead paint disclosures, including information on how to protect against lead poisoning. Owners must disclose the presence of known lead-based paint hazards in the housing stock and provide available records or reports. Hazards include lead-based paint, contaminated soil and lead in household dust. Landlords of apartments in New York City where a child six years of age or younger lives must remove or cover apartment walls and other areas where lead-based paint is peeling to prevent poisoning. The law presumes that lead-based paint was used in the dwelling if the building was built prior to January 1, 1960.

***Truth in Heating:*** Before signing a lease requiring payment of heating and cooling bills, prospective tenants are entitled to receive from the landlord a complete set or summary of the past two years' bills, upon written request.

***Continuation of Utility Service:*** When a landlord of a multiple dwelling building is delinquent in paying utility bills, the utility must give advance written notice to tenants and certain government agencies of its intent to discontinue service. Service may not be discontinued if tenants pay the current bill. Tenants can deduct these charges from future rent payments and if service is discontinued, tenants can receive payment for damages from the landlord. The New York State Public Service Commission (PSC) can assist tenants with these problems.

***What is the Warranty of Habitability?***

Under New York State law, all tenants have the right to live in a safe, clean and well maintained building without having to pay additional rent or other charges for those basic services. Tenants cannot waive or modify this right, and any lease that attempts to waive or nullify this right is illegal. The landlord in every written or oral residential lease warrants that the premises and common areas are and will be maintained in a condition that is:

- ▶ Fit for habitation.
- ▶ Fit for uses reasonably intended by the parties.
- ▶ Free from conditions which endanger or are detrimental to life, health or safety of occupants. A landlord's failure to provide heat on a regular basis, for example, may constitute a breach of the warranty of habitability.

***What Should You do if Your Landlord's Breaches the Warranty of Habitability?***

- ✓ Contact superintendent and landlord about needed repairs. Tenants are eligible to seek repairs and rent reductions.
- ✓ File a complaint with the local housing agency for a decrease in services. Some authorities will make necessary repairs and bill the landlord for costs. The authority can also issue a rent-reduction order until the violation is corrected.
- ✓ Where rent-impairing violations remain uncorrected for six months, the landlord is not entitled to charge you rent as long as the violation continues.

***Tenant Rights:***

- ✓ **Tenant Organizations** – Tenants have a legal right to organize.
- ✓ **Retaliation** – Landlords are prohibited from harassing or retaliating against tenants who exercise their rights.
- ✓ **Privacy** – Tenants have a right to privacy within their apartments. A landlord may enter the apartment with reasonable prior notice, and at a reasonable time, to provide repairs or services or in accordance with the lease. *(In emergencies, the landlord may enter the apartment without the tenant's consent.)*
- ✓ **Discrimination** – Landlords may not refuse to rent or renew a lease, or otherwise discriminate against any person because of race, creed, color, national origin, sex, disability, age, marital or familial status.
- ✓ **Harassment** – A landlord may not take any action to unlawfully force a rent-regulated tenant to vacate their apartment or to give up any rights.
- ✓ **Sexual Harassment** – It is illegal for a landlord, building manager, building employee, real estate broker or agent to sexually harass a tenant or prospective tenant.

***Eviction***

A tenant who fails to pay rent or otherwise violates the lease may be evicted but only after the landlord obtains a court order. An eviction is unlawful when the landlord changes the lock, removes the front door, shuts off utilities or in any way attempts to evict a tenant without notice and a court hearing. A landlord cannot take your personal possessions to cover the rent. Only a Sheriff, Marshall or other law enforcement official can physically evict a tenant. The Sheriff/Marshall has a duty to remove personal property of the tenant after a warrant of eviction is issued by the court. If the landlord incurs expenses in protecting or storing the tenant's property, the tenant is obligated to cover these costs.

***Insurance Discrimination***

If you suspect that an insurer is discriminating against you (e.g., refusing to issue or renew, or cancels a renter's insurance policy or requires a greater premium or payment) because you are a survivor of domestic violence, file a complaint with the New York State Department of Insurance.

***Resources:***

<b>New York State Department of Housing and Community Renewal (DHCR)</b>	(866) 275-3427 <a href="http://www.dhcr.state.ny.us/">www.dhcr.state.ny.us/</a>
<b>New York State Department of Insurance</b>	(212) 480-6400, (518) 474-6600 (516) 248-5886, (716) 847-7619
<b>New York State Department of State</b>	(212) 417-5747 <a href="http://www.dos.state.ny.us">www.dos.state.ny.us</a>
<b>Office of the New York State Attorney General Civil Rights Bureau</b>	(212) 416-8250
<b>New York State Division of Human Rights</b>	(212) 961-8650
<b>NYC Department of Housing Preservation and Development (HPD)</b>	(718) 739-6400 <a href="http://www.nyc.gov/html/hpd/html/home/home.shtml">www.nyc.gov/html/hpd/html/home/home.shtml</a>

***Notes:***

## ***BUYING AND OWNING A HOME: OAG HOME SWEET HOME OWNERSHIP REFERENCE GUIDE***

***Introduction of Topic:*** In addition to establishing security and feelings of well-being, home ownership provides important financial benefits including tax benefits, equity advantages and asset building. Since interest payments on mortgages are tax deductible, your tax obligations are reduced. And because the value of a home tends to increase over time, your wealth increases. Additionally, your home can become an asset, as the equity in the residence can be used to cover expenses in an emergency or for education. Home ownership is, however, a very serious investment. As a homeowner, you will take on many new responsibilities and expenses. Before proceeding in your quest to own a home, you must determine whether you can afford to pay a down payment and the monthly mortgage. Don't despair if owning a home seems out of reach now; with proper budgeting and savings plans, you can work toward the goal of ownership. This guide provides tips for first time buyers, as well as information about mortgages, cooperatives, condominiums and important housing protections.

### ***Tips for First Time Home Buyers:***

- ✓ **Educate yourself before looking for a home.** Look for free home buyer seminars sponsored by local not-for-profit organizations. Determine if you want to purchase a single-or multi-family home, a cooperative apartment or a condominium. Finally, research neighborhoods, local schools, transportation and market prices to ensure that you are happy with the home you purchase.
- ✓ **Don't be afraid to ask questions.** Buying a home isn't an everyday experience, and those in the business will expect you to have many questions.
- ✓ **Don't be pressured to sign anything.** A legitimate business should always give you time to review a contract before signing, and to go over it with a lawyer. Never sign a document with blank spaces.
- ✓ **Seek counsel from an attorney of your choice.** Your lawyer's job will be to protect and represent you during the purchase process.
- ✓ **Have your own attorney review all contracts and loan documents before signing.** It is not a good idea to use an attorney provided by the seller or lender; use a lawyer that is accountable to you.
- ✓ **Shop around for the best mortgage terms for which you qualify.** Study about fixed-and adjustable-rate mortgages and government-sponsored programs. Mortgages with low down payments are available from a variety of lenders, but be wary of lenders or brokers who offer you a mortgage for no money down. The seller should not require that you use a particular mortgage provider.

### ***What are the Steps involved in Buying a Home?***

- ▶ **Finding a Home** – Check out the real estate sections in local newspapers, search online, research affordable housing programs sponsored by localities, canvas neighborhoods for properties with "for sale" signs, ask friends and others, and/or go through a professional realtor. A realtor is responsible for showing property, conveying the buyer's offer and setting up closings. This step will likely take the most time, but it should be exciting and empowering.
- ▶ **Applying for Credit** – Check your credit report and score to ensure that there are no errors that will hurt your ability to get credit. Shop around for the most competitive rates.

- ▶ **Negotiating the Price** – The price of the home is based on size, location, market conditions and other features. A buyer must first make an "offer" of a purchase price for a home. Make sure not to offer more than you can afford: consider your monthly mortgage payment, taxes, insurance and utilities. Researching comparable sales in the neighborhood should give you a sense of what price will be considered fair. The seller may accept, reject or suggest another offer. It may take several stages of negotiations to reach a mutually agreeable price.
- ▶ **Signing a Contract of Sale** – Once the buyer and seller agree to a price, they must sign a contract that outlines the terms and conditions of the agreement. The buyer must also put down a deposit that the realtor holds in escrow until financing and closing can be arranged. You should ensure that the contract contains a provision that the sale is contingent upon you obtaining financing and inspecting the property.
- ▶ **The amount of money needed:**
  - \* **Down Payment** – Most lenders require between 3 and 20 percent of the amount financed for the down payment. First-time buyer programs and government-insured loans may require less. A larger down payment will reduce the amount you will borrow. When determining your down payment, don't forget to consider upcoming expenses (e.g., moving, decorating, closing costs, etc.) that may diminish the amount of money you have immediately available.
  - \* **Private Mortgage Insurance** – If a buyer offers less than 20 percent as a down payment, lenders usually require extra insurance called "Private Mortgage Insurance" (PMI). This insurance protects the lender in case you fail to make payments.
- ▶ **Appraisal** – The lender usually hires an appraiser to determine the value of the home. However, the borrower should expect to pay the cost of the appraisal as part of the closing costs (appraisals usually cost between \$250 and \$400 and depend on the size of the home). The difference between the amount owed on the mortgage and the appraised value is automatic equity. Borrowers have the right to request a copy of the appraisal report. You may want to consider hiring a second independent appraiser to validate the home's value.
- ▶ **Home Inspection** – Get an independent inspection of the home to determine if there are major defects that will require costly repairs. Negotiate a provision in the contract of sale stating that you have the right to get an inspection by someone of your choosing and to cancel the contract if you are not satisfied with the inspection. Choose a licensed engineer or architect to perform the inspection to determine whether the home is free of substantial structural, mechanical, electrical, plumbing, roof covering, water or sewer defects. Be wary if a business tells you that the house is inspected by a government agency or that the government guarantees the house is in good condition. You should also have the opportunity to have infestation and radon inspections. For buildings built before 1978, sellers must provide lead disclosures to buyers. You also have the option of having a lead risk assessment or inspection prior to becoming obligated under the purchase contract. A final inspection or walk through of the house before you take title of the property is a good idea.
  - \***What should you look for when inspecting property?**
    - ✓ Test appliances, air conditioning and heating systems and plumbing; open all faucets to see if there is adequate water pressure and if the drainage is sufficiently rapid.
    - ✓ Examine the ceiling and the walls for spots, which might indicate leaks, or cracks.
    - ✓ Make sure all doors/cabinets open and close easily (some settlement of the building is normal and is to be expected, but excessive settlement will make them hard to close).
    - ✓ Look for cracks in concrete foundation walls and floors (keep in mind that hairline cracks can be normal in concrete because it shrinks when drying).
    - ✓ Check the electrical wiring by turning on appliances and lights.

- ▶ **Closing and Closing Costs** – At closing, ownership of the home (called "title") is transferred to the purchaser. Before closing, your lender and attorney should provide you with an accurate estimate of settlement costs. In addition to the cost of the property, closing costs may include transfer taxes imposed by the state, county or city and closing fees associated with the drafting and filing of the necessary papers. Credit is given by the seller to the buyer to cover a portion of the remaining monthly utility bills on the home. At closing, you should check to see that all home repairs promised by the seller have been completed. If the work is not complete, repair money can be placed in an escrow account until the repairs are done. Before you close on the house, make sure you and your attorney understand and agree with any last minute changes.

### ***Mortgages***

A mortgage requires you to pledge your home as security for repayment of the loan. The lender agrees to hold a lien against the title to your property until you have paid off the loan and any interest. If you do not repay the mortgage, the lender has the right to take possession or foreclose on your home and sell it to satisfy the debt.

- ▶ **Monthly Payments** – You will repay the mortgage gradually through regular monthly payments of principal and interest. The amount of your monthly payment will depend upon the amount you borrow, the interest rate and the repayment period. Through **amortization**, your loan payments are calculated so that during the early years of your loan, you are primarily paying interest. During the final years of the loan, your payments are applied to the principal. Shorter terms require you to pay higher monthly payments, but the total interest you pay will be less. On the other hand, longer terms allow you to pay less per month, but the total interest you pay will be more. Most home buyers seek a **30-year mortgage**. However, you need to strike the right balance and consider what you can afford. In general, lenders will adhere to the following guidelines to help you determine your ability to make mortgage payments:
  - \*Your monthly housing costs including mortgage payments, property taxes, insurance, etc. should not total more than **28 percent** of your **monthly gross income**.
  - \*Your monthly housing costs and other long-term debts or obligations should total no more than **36 percent** of your **monthly gross income**.
- ▶ **Mortgage Types** – Mortgages are available from mortgage companies, commercial banks, savings and loans, credit unions and other financial institutions. Check the real estate section of your local newspaper for mortgage rates and products. You can choose a mortgage with an interest rate that is fixed for the entire term of the loan or one where the interest rate is adjustable. An **adjustable-rate mortgage (ARM)** often offers a lower initial interest rate than a fixed mortgage, and is subject to interest changes based on a financial index. When considering this option, ask about interest rate caps or limits for how much the interest rate can rise over the life of the loan. If you expect to live in your home for many years, the interest rate of your loan may be an important consideration. You may want a fixed-rate mortgage that will ensure that your interest rate will remain stable. In securing a mortgage, you may also have to pay "**points**," or a type of fee lenders charge. A lender might offer an opportunity to pay one-time points in exchange for a lower interest rate.
- ▶ **Locking in Rates** – Interest rates can change while you shop for a loan. Thus, it might be appropriate to ask the lender if you can lock-in a rate that is quoted to you. This guarantees you a specified interest rate, provided the mortgage is closed within a specific time period. If your lock-in rate expires before closing, the lender is not obligated to reinstate that rate. Be aware that it will take time to apply for the mortgage and have the lender evaluate your application.

- ▶ **Credit Evaluation** – When evaluating your application, the lender will review your credit history including information on how well you have repaid your debts in the past, whether you are likely to repay your debts in the future and your ability to repay the mortgage. You will need to explain any bankruptcies from the past 10 years. A lender will also consider your job history; if you have not been employed continuously for two years, you should prepare to explain why. When a mortgage lending institution provides you with a loan to purchase a home, it has determined that you are a good credit risk.

***New Construction – What is the Housing Merchant Limited Warranty Law?***

The New York State Housing Merchant Limited Warranty Law provides that the seller of a newly constructed home of five stories or less must guarantee that it is free from defects in workmanship for one year. They must also warrant the construction for two years against defects in the mechanical systems (such as the heating or plumbing system) and for six years against structural or material defects. Certain items which occur normally and are considered within the range of ordinary maintenance concerns are excluded from the warranty. A typical example is a small amount of nail popping through sheet rock, caused by settlement. Check your construction documents or sale prospectuses for how to notify the builder of any defects.

***Considering Purchasing a Co-op or Condo?***

- ▶ **What is a Co-op Apartment?** A Co-op (or cooperative) apartment is part of a building or group of dwellings owned by a corporation. The residents of the co-op apartments are the shareholders of the corporation, and act as co-owners. Co-op residents do not actually buy their apartments, but rather **shares** in the apartment corporation allocated to a particular apartment. Ownership of the shares entitles the purchaser to a **long-term lease** for the apartment. This lease defines the purchaser's rights and obligations with respect to the possession, use and occupancy of the apartment. The cooperative corporation that owns the building must make the payments on any mortgages on the building and pay the real estate taxes, fuel costs and other expenses of operating the building. These expenses are referred to as **maintenance charges**. Maintenance charges will increase periodically if taxes rise, if the cost of services increase, and/or if there is a need to make repairs to the building. The purchaser of a co-op apartment often obtains a loan to finance the purchase of the shares allocated to the premises, pledging the shares of stock and the lease as security for the loan. Payments on such a loan, as well as maintenance charges, constitute the owner's carrying costs for the apartment.
  - \*Owning a cooperative apartment may provide tax advantages similar to those enjoyed by owners of single-family homes. A portion of the maintenance charges, as well as the interest on the loan used to finance the purchase of the shares, may be deductible.
  - \*The cooperative corporation that owns the apartment building is governed by a **board of directors**, elected by the owners of the shares. The board's powers and responsibilities are explained in the by-laws of the corporation and in the lease. The purchaser should review these documents carefully.
  - \*Many cooperative corporations hire managing agents to operate the building.
- ▶ **What is a Condominium?** A condominium is a form of property ownership in which the homeowner holds title to an individual unit and shares the financial responsibility for common areas. A condominium owner must pay maintenance fees (called "assessments") to the condominium association to maintain, repair or improve common areas of the property. Rather than owning shares in a cooperative corporation, condo buyers own their

units outright and receive the deeds for them. However, a condo buyer must also purchase an interest in the common elements (e.g., lobby, public halls, parking lot) of the building or development. Each owner also pays real estate taxes, separately charged against each unit, and the cost of any mortgage obtained to finance the original purchase. The condo owner may deduct these tax payments and the payment of interest on the mortgage from taxable income.

\*The condominium is governed by a **board of managers** elected by the unit owners. Its authority is in the condominium's by-laws, a copy of which is included in the offering plan for each purchaser. Read these documents as they outline the rights of owners.

- ▶ **What to Look For?** When purchasing a co-op or condo, most consumers focus on location, size, amenities and price. Equally important is an analysis of the underlying physical aspects of the property. This is true for newly constructed buildings, as well as existing cooperatives and condominiums. Physical aspects include more than just how the property "looks." Physical aspects include the quality and condition of basic building components such as siding, roofs, flooring, appliances, elevators, air-conditioning, mechanicals, heating systems, windows, electrical wiring and plumbing. Many people who have little or no technical training are intimidated by these issues and overlook them entirely, trusting that all is well or that experts will take care of these problems. Whatever your training, purchasers should develop an understanding of these issues in order to fully appreciate what they are buying.

\***New Construction** – Prepare a written list of defects before closing (known as a "punch list"). The builder or sponsor must repair those defects before or after the closing of title. If the work is to be done after closing, the punch list and the builder's written commitment to correct the problems should become part of the closing documents.

\***Existing Housing** – When buying existing housing that is being converted to cooperative or condominium ownership, the sponsor is required to have the building evaluated by an engineer and the offering plan must disclose all of the defects visible to that engineer or known to the managing agent as a result of complaints. Not every defect has to be corrected, as long as it has been disclosed. Besides reading the offering plan, there are several things buyers can do to become informed, and protect themselves when purchasing:

- ✓ Ask the seller and/or the broker, in writing, for a list of defects.
- ✓ Check board meeting minutes.
- ✓ Review recent financial reports.
- ✓ Contact local building department for known violations or defects.

***The Offering Plan:*** Under regulations enforced by the Office of the NYS Attorney General, sponsors of co-ops and condos are required to disclose information on the size and construction of units in newly constructed properties, and on the condition of converted units in existing buildings before placed on the market for sale. **Salespersons often make grand statements about amenities and facilities in the unit, which, if they are not described in the offering plan, are not required to be delivered.** The offering plan must include a description of the property, floor plans, recreational facility and landscaping information and types and model numbers of appliances installed. Read this information carefully and make sure it conforms with what you see. In both existing and newly constructed buildings, purchasers must make a distinction between a purchase from a sponsor and a purchase from an individual resident. If the sale is made by an individual owner, rather than the sponsor, it is not regulated by the Office of the NYS Attorney General and no offering plan is required. If you purchase your unit from an individual and there are problems, the terms of your contract and applicable law will determine your rights, rather than any offering plan.

***What Should You do if You Encounter a Problem in the Purchase of a Co-op or Condo?***

If you purchased a unit from an individual, instead of a sponsor, you may want to consult an attorney to discuss your rights under the applicable law and contract. If you purchased from the sponsor, the first step should be to review the offering plan to determine whether the problem was disclosed. If adequate disclosure of a material defect was not made, you should contact the sponsor or seller, describe your problem and allow an opportunity for correction. When efforts to get the sponsor to correct defects are unsuccessful, a written complaint can be made to the Office of the NYS Attorney General. These complaints are most effective when comments from all the unit owners in a development are assembled into one package. The letter should spell out in detail the conditions that are claimed to be defective and/or the manner in which the offering plan differs from what was delivered.

***Key Laws Pertaining to Co-ops and Condos***

- ▶ **Martin Act** – This law is applicable to sales of co-op shares, condo units and interest in homeowners' associations. The Act requires that a complete description of these kinds of real property interests be fully disclosed in an offering plan. No advertising or sales may take place unless the offering plan or prospectus, containing all the detailed information necessary for a purchaser to make a reasoned purchasing decision, has been accepted for filing by the NYS Attorney General.
- ▶ **The Cooperative and Condominium Conversion Act** – This law specifically regulates the conversion of existing rental buildings to cooperative forms of ownership. The Act provides specific protection for tenants living in buildings undergoing conversion and require that offering plans include explanations of the rights and obligations of purchasers and others.
- ▶ **The Rent Stabilization Law and Code and the Rent Control Law** – These provisions offer additional protection for New York City tenants living in rent-stabilized and rent-controlled regulated apartments undergoing conversion.
- ▶ **The Emergency Tenant Protection Act and the Emergency Housing Rent Control Law** – This statute provides certain rights to tenants in multi-unit buildings outside New York City.
- ▶ **The Condominium Act** – This details requirements for condominiums throughout the State.

***Discrimination and Homeowner's Insurance:*** When applying for homeowner's insurance, insurers cannot refuse to issue, deny or cancel any insurance coverage or demand a greater premium because you are a victim of domestic violence. Complaints should be directed to the NYS Superintendent of Insurance.

***Home Improvement***

After purchasing a home, you may be anxious to make renovations. All contracts for home improvements costing more than \$500 must be in writing and contain specific information:

- ▶ An estimated start and completion date for the project.
- ▶ A description of the work and materials, along with the price.
- ▶ An explanation of the potential for a lien if the contractor is not paid.
- ▶ A provision that if progress payments are made, the contractor is required to deposit all payments received prior to completion into a trust or escrow account within five business days and that you must be informed where the money is within 10 business days.
- ▶ A statement that in lieu of the escrow account, the contractor must deliver to you a bond, contract of indemnity, or irrevocable letter of credit, guaranteeing the return or proper use of progress payments, within 10 business days after the contractor receives your money.
- ▶ A notice of your three-day right to rescind the contract. You may sue a contractor for actual damages, plus a penalty and reasonable attorneys' fees, if the contractor used fraudulent written statements to induce you to sign a contract. The NYS Attorney General is also

authorized to go to court to stop illegal practices and order contractors to pay restitution to defrauded customers. Contractors can also face civil fines for violating the law.

***Tips to Prevent Home Improvement Headaches:***

- ✓ Shop around and obtain several estimates from reputable contractors.
- ✓ Get references and if possible, check out the work of the contractor at other sites.
- ✓ Check with the Better Business Bureau, suppliers and neighbors. If you live in New York City, Westchester, Nassau or Suffolk Counties, check your local consumer affairs office.
- ✓ Insist on a detailed written contract.
- ✓ Negotiate a payment schedule tied to the completion of specific stages of the job.
- ✓ Never pay the full price up front.

***Resources:***

**Office of the New York State Attorney General (OAG)** [www.oag.state.ny.us](http://www.oag.state.ny.us)

Consumer Complaint Help line (800) 771-7755

Real Estate Finance Bureau (212) 416-8122

**Obtaining a Credit Report:**

**Equifax** (800) 685-1111; [www.equifax.com](http://www.equifax.com)

**Experian** (888) 397-3742; [www.experian.com](http://www.experian.com)

**TransUnion** (800) 916-8800; [www.transunion.com](http://www.transunion.com)

**One Free Report** (877) 322-8228; [www.annualcreditreport.com](http://www.annualcreditreport.com)

**U.S. Department of Housing and Urban Development (HUD)**

(800) 569-4287; [www.hud.gov/](http://www.hud.gov/)

**New York State Bar Association**

(518) 463-3200; [www.nysba.org/](http://www.nysba.org/)

**New York City Bar Association**

(212) 382-6603

(212) 626-7373; [www.nycbar.org/index.htm](http://www.nycbar.org/index.htm)

Referral #

**New York State Department of Insurance**

One Commerce Plaza

Albany, NY 12257

(212) 480-6400, (518) 474-6600;

(716) 847-7619 or (516) 248-5886

[www.ins.state.ny.us/complhow.htm](http://www.ins.state.ny.us/complhow.htm)

**Obtaining information on mortgages:**

**New York State Banking Department** (800) 522-3330; [www.banking.state.ny.us](http://www.banking.state.ny.us)

**Fannie Mae Foundation** (800) 732-6643; [www.fanniemaefoundation.org/](http://www.fanniemaefoundation.org/)

## ***MOVING OUT: OAG MOVING REFERENCE GUIDE***

***Introduction of Topic:*** As a survivor of abuse, you may need or want to relocate. Moving can mark the beginning of a new, independent life. To make sure that it goes smoothly, it is important to plan ahead and take precautions to protect your belongings. This guide provides tips on preparing for a move, finding a reliable mover and claiming damages should something go wrong.

### ***What Should You Do Before Using a Moving Company?***

- ✓ **Check to see that the mover is licensed** by the New York State Department of Transportation (NYSDOT) for moves wholly within New York State. For moves between New York and another state, inquire with the Federal Motor Carrier Safety Administration. (*Unlicensed movers may be cheaper than licensed movers, however, licensed movers must meet various insurance, safety and financial requirements for your protection.*) Inquire with the Better Business Bureau about any complaints.
- ✓ **Know and understand your rights.** If you are moving within New York State, request a copy of "*Summary of Information for Shippers of Household Goods*" from the NYSDOT. If you are moving out of New York State, you can obtain a copy of "*Your Rights and Responsibilities When You Move*" from the U.S. Department of Transportation.
- ✓ **Call for an in-home estimate.** Never rely on a price estimate made over the phone or over the Internet. While some legitimate movers may offer a survey over the phone, you should request that the company send a trained and experienced estimator to your home to give you a written estimate.
- ✓ **When an estimator comes to your home, show *everything!*** Consider any special preparation, packing or handling of personal items or appliances.
- ✓ **Make sure that the mover provides you with a written "Order of Service"** which states the services ordered, the probable cost of the move and how much you will have to pay to have your property unloaded if the actual cost exceeds the estimate.
- ✓ **Read the Bill of Lading carefully.** The Bill of Lading is a formal contract. Before signing it, make sure you understand whether the cost of the move is based on the time it takes to finish the job, on the weight of your goods or on a fixed price based on a written binding estimate. Never sign forms that have blank sections to be filled in later by a mover. (*Note: You won't know the exact cost of an hourly-rated or weight-based move until the shipment is delivered or weighed.*)
- ✓ **Make sure you understand the mover's liability for your belongings.**
- ✓ **Familiarize yourself with the claims protection you will have.**

### ***Damage Claims:***

If any of your belongings are damaged while being transported by a moving company, consider taking the following steps to receive reimbursement:

- ▶ File any claims with the mover promptly and in writing. Keep a copy of all documents for your records.
- ▶ The best proof of claim is a notation on the Bill of Lading, inventory or delivery receipt at the time of delivery.
- ▶ If you later discover that an item was lost or damaged and you have proof that it was caused by the mover, you can still file a claim within nine months of the move.

- ▶ Every mover receiving a written claim for loss or damage to goods is required to acknowledge it in writing within 30 days of receipt. The mover is required to either pay, decline or make a compromise settlement offer in writing within 120 days of receipt of the claim. Where the mover is unable to respond in such a timely fashion, the company is required to notify the customer every 30 days thereafter, in writing, of the status of the claim and the reasons for the delay in making a final determination. If your claim is unresolved, you may file a complaint with the New York State Department of Transportation, consult a private attorney or file with the mover's dispute resolution program.

***Moving Tips:***

- ✓ Make an inventory of all your belongings. Record the condition of your furniture and number your boxes you will be transporting.
- ✓ Don't expect the mover to provide free packing supplies such as boxes and wrap.
- ✓ Don't expect the mover to provide services free of charge, including cleanup services and the disconnection and reinstallation of appliances.
- ✓ Schedule your departure and arrival with flexibility to allow for possible delays.
- ✓ Make sure that the mover's physical inventory record of your household goods is accurate and contains a proper description of the condition of your furniture. Note any exceptions and clarify them in writing on the mover's record.
- ✓ Be certain that everything on the inventory is accounted for before the van leaves.
- ✓ Advise the mover of telephone numbers and/or addresses where you can be reached en route, or at the destination. If privacy is important to you, emphasize the need for confidentiality.
- ✓ Don't sign any receipt for your goods until you take inventory and ensure that they were all delivered. Inspect your items and verify that any apparent damage has been noted on the shipping papers.

***Resources:***

To obtain more information on movers or if you have a problem, contact:

<b>New York State Department of Transportation</b>	(800) 786-5368;	<a href="http://www.dot.state.ny.us/">www.dot.state.ny.us/</a>
<b>Better Business Bureau</b>	NYC (212) 533-6200;	<a href="http://www.bbb.org">www.bbb.org</a> NYS (800) 828-5000
<b>Office of the NYS Attorney General (OAG) Consumer Helpline</b>	(800) 771-7755;	<a href="http://www.fmcsa.dot.gov/">www.fmcsa.dot.gov/</a>
<b>Federal Motor Carrier Safety Administration</b>	(888) 368-7238	

## ***STORING PERSONAL PROPERTY: OAG SELF-STORAGE REFERENCE GUIDE***

***Introduction of Topic:*** While searching for a new place to live you may need to temporarily store your personal belongings. Self-storage facilities conveniently allow you to hold your property securely for short or long periods of time. However, there may be risks involved. This guide outlines your rights and inventory tips when using a storage facility.

### ***Self-Storage Tips:***

- ▶ Read the contract (known as the "self-storage occupancy agreement") thoroughly before signing it. Look closely at the following items:
  - ✓ **Pricing** – Review the actual monthly occupancy charge and other fees.
  - ✓ **Procedures on how to retrieve your property** – Do you have to give prior notice before entering the property or do you have access to your belongings 24 hours a day, seven days a week?
  - ✓ **Means of Securing Your Property** – Are you required to purchase a lock and provide the storage facility with a key? Does the facility provide you with a lock for an additional fee?
  - ✓ **Method of Payment** – Will the facility send you a monthly written bill or are you expected to send your payment automatically by an agreed upon date?
  - ✓ **Property Insurance** – How much insurance coverage does the storage facility provide for your property? Does the facility require you to carry insurance on the personal property stored in your storage space?
  - ✓ **Limiting Liability** – Has your storage facility limited their liability and if so, should you purchase additional insurance?
  - ✓ **Privacy** – Will the facility keep your personal information confidential? Can you set up a password (password known only to you and storage facility) to limit access to any of your personal information?
- ▶ Make a list of and retain purchase receipts for items stored.
- ▶ Visit the facility and check on your personal belongings periodically to make sure your property is secure.

### ***Does the Storage Facility Hold Any Right To Your Property?***

Storage facilities have a lien on your property and a right to auction off your personal belongings in cases where payment for the storage unit is overdue. The storage facility will consider you in default if your payment is late after a month. However, before your property can be auctioned, the storage facility must satisfy the provisions in §182 (7) of the Lien Law:

*The storage facility may recoup its money by holding a public or private sale of the goods that have been removed from the space, in block, or in parcel, at any time or place and on any terms which are commercially reasonable after **NOTICE to ALL** persons known to claim an interest in the goods.*

The notice must include:

- ▶ An itemized statement of the amount due.
- ▶ The description of the property subject to the lien.
- ▶ The nature of the proposed sale.
- ▶ A demand for payment within specified time not less than 10 days from receipt of notification.

- ▶ A conspicuous statement that unless the claimant pays within that time the goods will be advertised for sale and sold at public or private sale in a commercially reasonable manner.

The notice must further provide:

- ▶ The time and place of any public or private sale.
- ▶ That any person claiming an interest in the goods is entitled to bring a proceeding within 10 days of the service of the notice if she or he disputes the validity of the lien, or the amount claimed. This notification must be personally delivered, or sent by registered or certified mail, return receipt requested, to the occupant at the last address provided.

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### ***Unlawful Detention of Goods***

Where the storage facility refuses to relinquish your personal items, you may sue for damages and the return of your goods. In the case where the storage facility violates consumer protection provisions, the court may impose a civil penalty of not more than \$1,000 for each violation.

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#### ***Resources:***

To file a complaint against a storage facility, contact:

#### **Office of the NYS Attorney (OAG)**

Consumer Complaint Hotline:

(800) 771-7755

[www.oag.state.ny.us](http://www.oag.state.ny.us)

#### **Better Business Bureau**

NYS (800) 828-5000

NYC (212) 533-6200

[www.bbb.org](http://www.bbb.org)

#### **New York State Self-Storage Association**

(518) 462-3333

[www.nysssa.org](http://www.nysssa.org)

To pursue a case against a storage facility in Small Claims Court, contact:

#### **New York State Unified Court System**

#### **Office of Court Administration**

(212) 428-2700

(800) COURTNY / 1-800-268-7869 Referral #

[www.courts.state.ny.us](http://www.courts.state.ny.us)

## OAG GLOSSARY OF KEY TERMS

### Life Essentials: Housing, Moving & Storing

#### -A-

**Amenity** – A feature of real property that increases its attractiveness or value but is not an essential element of that property, such as a swimming pool.

**Amortization** – The gradual repayment of both the principal amount and interest on a mortgage loan by installments during a fixed period of time.

**Annual Percentage Rate (APR)** – The annual cost of a mortgage loan, which includes the interest, service charges, points, loan fees, mortgage insurance and any other fees that may accompany the loan.

**Application** – The form which includes the necessary borrower information used to begin the loan approval process.

**Appraisal** – A written opinion or estimate of a real property's market value. An appraisal is generally prepared by a qualified appraiser.

**Appreciation** – An increase in the value of property or item.

**Assessed Value** – The determined value placed on real property for the purpose of taxation by a government entity.

**Assignment of Mortgage** – A document confirming the transfer of liability and ownership of a mortgage from one party to another.

**Assumable Mortgage** – A mortgage loan that can be transferred (assumed) by the buyer to the seller when a home is sold. The party assuming the mortgage becomes liable for the existing mortgage. However, the seller remains secondarily liable until released by the lender (bank) from the obligation.

#### -B-

**Balance Sheet** – A financial statement illustrating a borrower's assets, liabilities and net worth as of a specific date.

**Balloon Mortgage** – After monthly payments are made for a fixed period of time, usually at a lower rate, the borrower must pay the balance of the entire loan at one time or refinance the loan.

**Bill of Sale** – A written document used as evidence of the transfer of title or ownership to personal property.

**Bill of Lading** – A contract acknowledging the receipt of goods for shipment issued by a moving company which lists the details of the move, such as the duration for the completion of the delivery, a description of the goods and the cost (whether fixed or based on weight).

**Broker** – An individual or firm that acts as an agent between providers or sellers and users of products or services, such as a mortgage broker or real estate broker.

**Borrower** – The person who has been approved for a loan and is responsible for paying the full amount of the loan including any associated fees.

**Building Code** – Governmental regulations specifying the standards of construction of buildings and the remodeling of homes to ensure the general welfare, health and safety of the public.

**-C-**

**Cap** – The limit placed on the amount that interest rates or mortgage payments may increase or decrease.

**Chain of Title** – Documentation of the history of ownership or transfer of title to a parcel of real property.

**Closing** – The date and time where the sale of real property is finalized and the financial transaction completed. At closing, the transfer of title occurs, the borrower signs the mortgage documents and the new owner pays all closing costs. Often referred to as "settlement."

**Closing Costs** – Fees paid by a buyer, not included in the sale price, to cover the transfer of title to the real property and the closing of a mortgage loan, such as a loan origination fee, attorney's fees, title examination and insurance.

**Condominium** – A form of property ownership where an owner holds title to a unit in a multi-unit housing complex with joint ownership in and financial responsibility for the common areas.

**Cooperative Apartment (Co-op)** – Legal title to the building is transferred to an apartment corporation which has been formed to take over ownership of the housing complex. The residents of a cooperative buy the shares in the apartment corporation allocated to a particular apartment. Ownership of the shares entitles the purchaser to a long-term proprietary lease for the apartment. The lease defines the purchaser's rights and obligations with respect to the possession, use and occupancy of the apartment.

**-D-**

**Debt-to-Income Ratio** – The percentage of personal monthly income needed to satisfy debt obligations such as mortgage payments. As a general guideline, your monthly mortgage payment, including interest, taxes and insurance, should not exceed 28 percent of your gross monthly income. Your total monthly debt obligation should not be more than 36 percent of your gross income.

**Deed** – The legal document that transfers title/ownership to real property.

**Deed of Trust or Mortgage** – The document held by the mortgage lender to secure a borrower's promise to repay the note. The document also authorizes the lender to foreclose on the real property if the borrower fails to repay the loan as agreed. *See Note.*

**Default** – Failure of a borrower to make timely payments on a mortgage loan or comply with the terms of a mortgage loan.

**Down Payment** – The amount of cash a buyer puts toward the purchase of the property not included in the mortgage loan.

**-E-**

**Earnest Money** – Money given to the seller to show that a prospective buyer is serious about purchasing the real property. Earnest money becomes part of the down payment once the offer has been accepted by the seller. If the offer is rejected, earnest money is generally returned to the buyer.

**Equity** – The difference between the market price of the property and the total debt still owed on it.

**Escrow** – Funds set aside in a special account needed to cover the expenses of the property on a monthly basis, such as taxes or insurance. Also, prior to closing, an escrow account can be used to hold money needed for closing.

**Eviction** – The process by which a landlord can be released from their obligation in a lease and gain possession of their property because the tenant has breached or broken the terms of the rental contract.

**-F-**

**Fair Market Value** – The estimated price at which real property could be transferred between a willing buyer and willing seller when each party has reasonable knowledge of all pertinent facts.

**Federal Housing Administration (FHA)** – An agency within the U.S. Department of Housing and Urban Development (HUD) that insures and administers mortgages and loans made by private lenders.

**First Mortgage** – A mortgage that is the primary lien against real property and takes priority to all subsequent mortgage interest holders.

**Fixed-period Adjustable-rate Mortgage** – A type of mortgage loan that offers a fixed rate for an initial period and then adjusts every six months, annually, or at another specified period, for the remainder of the loan. This option may lower your monthly payments.

**Fixed-Rate Mortgage (FRM)** – A type of mortgage loan in which the monthly payments remain the same because the interest rate and other terms are fixed and do not change during the entire term of the loan.

**Foreclosure** – The forced sale of real property when it goes into default because the borrower has failed to make the agreed upon monthly mortgage payments. Proceeds of the sale are applied to satisfy any outstanding mortgage loan(s).

**-G-**

**Good Faith Estimate** – An estimate provided by the lender listing the funds needed to cover closing fees and associated charges (e.g., lender fees, escrow, etc.) and your monthly housing payments (P.I.T.I.).

**-H-**

**Hazard Insurance** – Insurance that protects the homeowner and the lender against physical damage to the property, such as fire, wind and vandalism by compensating for the monetary loss to the real property.

**Home Inspection** – The structural and overall survey of real property which reveals the condition of the property prior to purchase.

**Homeowner's Insurance** – An insurance policy that protects against liability, hazards, structure defects of the home, coverage for owner's personal belongings and, in some cases, any additional living expenses in the event an owner is temporarily unable to live in the home because of a fire or other insured disaster.

**Housing and Urban Development (HUD)** – A federal department charged with the responsibility of enforcing fair housing laws, managing the Federal Housing Administration, creating housing opportunity and overseeing community development programs.

**-I-**

**Insurance Binder** – Written evidence of insurance coverage containing the terms of homeowner's insurance.

**Installment Loan** – A loan (e.g., car loan, student loan, etc.) that is repaid with a fixed number of periodic, equal-sized payments.

**Interest** – The fee charged for borrowing money.

**-J-**

**Junior Mortgage** – A lower priority loan that is ancillary to the primary loan such as a second or third mortgage.

**-L-**

**Lease** – A contract between a tenant and landlord giving the tenant exclusive possession of the real property for agreed upon terms such as rent and the time period for which the tenant will be in possession.

**Liability** – A legal obligation or duty to act or refrain from doing something.

**Liability Insurance** – Insurance coverage that protects property owners against claims of negligence, personal injury or property damage to a third party.

**Lien** – A legal encumbrance or claim on a property as security for a debt or charge that may be satisfied by the sale of the property.

**-M-**

**Market Rate** – *See Fair Market Value.*

**Mortgage** – A loan used to purchase real property and the property is used as security for the loan.

**Mortgage Banker** – A company that specializes in originating loans and selling them to secondary lenders or other investors.

**Mortgage Broker** – An individual or firm who originates or processes loans for various lenders. They often act as independent contractors and not as representatives of the borrower nor the lender. Generally, mortgage brokers do not use their own funds to close a loan.

**Mortgagee** – The party who gives the mortgage; the lender.

**Mortgagor** – The party borrowing the money from the bank or other lending institution and who secures the loan by pledging their property as collateral for the loan; the borrower.

**-N-**

**Net Worth** – The monetary value of a person's assets after subtracting any liabilities. Serves as an indication of a person's creditworthiness and/or financial stability.

**Note** – A writing acknowledging the unconditional promise to repay the money loaned to the borrower by the lender. It sets forth the terms (e.g., interest rate, monthly payment) for repayment and binds the borrower to personal liability. Also referred to as the "promissory note."

**-O-**

**Offer to Purchase** – A written offer to purchase real property for a specific price and under certain conditions (e.g., satisfactory inspection). The offer is generally presented with earnest money to the seller who may accept or reject the offer. If the offer is accepted and the conditions are met with satisfaction, the buyer is required to sign a Purchase and Sale Agreement.

**Origination** – The steps needed to have a loan application evaluated and approved, which includes a credit check, property appraisal and employment verification.

**-P-**

**P.I.T.I.** – The acronym used to describe the different components of a monthly mortgage payment, which includes principal, interest, taxes and insurance.

**Preapproval** – A process by which a lender evaluates the financial status of a prospective buyer, such as the credit history, verification of income and assets of the borrower and issues a pre-approval letter. The letter serves to strengthen a buyer's position when bidding on a home because it gives an indication to the seller that the buyer is eligible to borrow when applying for a mortgage loan.

**Prepayment** – Payment of the mortgage loan prior to the predetermined due date. Prepayment of mortgage loans may subject borrower to pay additional fees, though most do not.

**Prequalification** – An indication of how large a mortgage loan a lender will allow a potential home buyer to borrow before she or he applies for a loan. Criteria used includes reviewing the borrowers credit score, verification of income and accumulated debt.

**Purchase and Sale Agreement** (also known as “P & S”) – A written contract signed by the buyer and seller stating the terms and conditions for the sale of the real property.

**Private Mortgage Insurance (PMI)** – Insurance protecting lenders from loss in the event that a borrower defaults on their mortgage loan.

## **-R-**

**Real Estate Broker** – *See Broker.*

**Rent-Regulated Apartment** – Apartments for which rent increases and other conditions are controlled by the government and not the landlord.

## **-S-**

**Self-Storage facility** – A business that rents or leases storage units to individuals under a written rental occupancy agreement.

**Self-Storage Occupancy Agreement** – An agreement between an occupant and a self-storage facility listing rights and liabilities of storing personal property. At a minimum, it should list the cost of storing personal property, accessibility to the property, means of securing the property, acceptable methods of payment and limitations on liability.

**Subsidized Housing** – Housing where the government shares in the costs of building, operating and/or maintaining residential property and tenants pay less than the going market rate for an apartment.

## **-T-**

**Title** – A legal document proving a person's possession or ownership of property.

**Title Search** – An investigation of public records to ensure that the seller is the legal owner of the property and to identify any unsettled liens or claims that may affect property ownership.

**Truth-in-Lending Disclosure** – A document required by the government providing accurate information relating to the actual costs associated with a loan, such as interest rate and charges.

## **-W-**

**Warrant of Habitability** – Relates to provisions in a residential lease promising the tenant that the property is fit to live in and that it will remain so throughout the term of the lease.

**Sources:** **U.S. Department of Housing and Urban Development**  
<http://www.hud.gov/offices/hsg/sfh/buying/glossary.cfm>  
**Fannie Mae** [www.fanniemae.com](http://www.fanniemae.com)

## ***THE POWER OF EFFICIENT AND COST-EFFECTIVE ENERGY: OAG UTILITY AND TELEPHONE REFERENCE GUIDE***

***Introduction of the Topic:*** Unless electricity and gas are included in your rent, you will have to open an account with a utility company, pay bills and deal with billing or service problems. Because utilities are essential and often expensive, it is important to understand how you can make the most of these services and resolve any related problems including power outages and service terminations. Telephone services can also present problems, ranging from fraudulent billing to privacy lapses.

The first half of this guide provides information on electricity and gas services, while the second half focuses on telephone services. Both sections will assist you in choosing a plan and dealing with service interruptions and billing problems. Finally, information about your rights as a consumer is included throughout to help you protect your interests.

### ***Electric and Gas Service***

#### ***Opening an Account***

To secure electric and/or natural gas service for your home, you must ask the local utility company of your choice to open a service account for the apartment or house to which you are moving. Usually all you have to do to open a utility account is call the company and provide basic information such as your name and the address where you want service. The utility can require a written application in some instances, including when the service request is made in your name by someone other than yourself.

After requesting service, the next step will depend on whether service is already activated at your new home. If service is activated, the utility will arrange to have the meter read so that it can give the former resident a final bill and begin measuring your service usage. If the service is off, you must make arrangements for a utility employee to access any inside equipment involved in turning on service. Before calling a utility company for service, find out where the meters are in your new home and what you need to do to ensure the utility employee access.

The New York State Public Service Commission (PSC) generally requires a utility to provide service to a residence within **five business days** of a consumer's request. A utility is permitted to take longer if something beyond its control, such as a storm or equipment failure, interferes. However, it must start service as soon as it reasonably can after the problem is resolved. If the utility denies your service request, it must send you a written explanation within **three business days** and inform you of the steps to take to obtain service.

#### ***Do You Have to Pay a Deposit for Utility Services?***

You have the right to obtain utility services without making a deposit so long as you verify your identity and residence where the service will be used. However, a deposit may be required if:

- ▶ You did not pay two or more utility bills, without making a partial payment of at least half of the amount; or
- ▶ You had service shut off for nonpayment of bills within the last six months; or
- ▶ You are a short-term or seasonal customer.

**Exceptions:** Utilities cannot require a deposit from you if:

- ▶ You receive public assistance or Supplemental Security Income.
- ▶ You are 62 years of age or older (unless your service was shut off for failure to pay a bill within the past six months).

Utilities will pay interest on your deposit and must refund it if, after a year, you have not been behind in your payments. The deposit can be paid in installments and cannot be more than twice the average monthly bill.

### ***Protecting Your Privacy***

You may want to prevent third parties, including a former abuser, from locating you through your utility account. If so, ask what arrangements can be instituted to limit access to your information when you call to set up your account. One option is to set up a **password** so that no one other than the utility can have access to the information, without the password. When selecting a password, do not use commonly known information such as your birth date, mother's maiden name or numbers from your driver's license or Social Security number, and do not use the same password for other accounts or computer sites. Also, instruct the company not to provide password reminders. If you forget your password, you can regain access to your account by showing proof of identification at the utility's local office.

### ***Alternative Sources of Electricity and Natural Gas***

In New York State there are several businesses, called "energy service companies" or "ESCOs," competing with the established utilities to supply electricity or gas. Note that ESCOs only supply electricity or gas – your local utility will still deliver the energy to your house through its wires and pipes. ESCOs may charge less than your utility for the electricity and gas you buy from them, but comparing ESCO and utility prices is complicated because the ESCO price will not account for delivery fees. Both utilities and ESCOs may offer electricity or gas at either fixed or variable prices; when they charge variable prices, the prices generally reflect what they have to pay wholesale for the commodity.

After you choose a supplier, you should receive a confirmation letter with the service contract. Additionally, expect to receive a confirmation letter from the utility with the effective date of the contract. Unless your ESCO has a consolidated bill arrangement with the utility company, you will receive separate bills for ESCO and utility charges.

If you have any questions or complaints regarding ESCO services, contact the New York State Public Service Commission (PSC) at 1-800-342-3377 or [www.askpsc.com](http://www.askpsc.com).

### ***Denial of Service***

A utility may only refuse to provide service if it believes there may be something in your home that makes providing service unsafe or if you owe the company for prior service at a different residential account and have not made acceptable payment arrangements. If a utility company refuses service because of a safety concern in your home, you must have all defects fixed or show the utility that your home is safe for service. Safety defects that block utility service include conditions such as uninsulated wires and leaking gas appliances. When a utility refuses service because of an outstanding bill, you can get service by:

- ▶ Paying the bill in full.
- ▶ Setting up a deferred payment plan to pay the amount owed in installments.

- ▶ Receiving assistance from the Department of Social Services if eligible.
- ▶ Getting an order from the Public Service Commission (PSC). You must give the PSC an acceptable reason, such as a disputed bill or payment, for such an order. If you ask the PSC to investigate your dispute, it should order the utility company to provide service until the investigation is completed.

### ***Billing***

You will probably have the choice of paying your electric or natural gas bill in full each month or paying a fixed amount determined by the estimated average of your monthly bills. Utility bills vary month to month – your heating bill will be much higher in the winter than in the summer, and, if you have air conditioning, your electric bill will be higher in the summer than in the winter. Paying a fixed monthly amount is designed to help people budget by fixing your bills at a set rate all year. Once a year, the utility or ESCO will compare what you have paid for actual usage to what you owe and then either send you a bill for the difference or give you a credit for any overpayment.

If you buy your electricity or gas from an ESCO, you may get one bill or two. Some ESCOs have the utility bill for them. This means that the bill you receive from the utility will have separate charges for delivery (the utility's charges) and for the electricity or gas you use (the ESCO's charges), but you make one payment to the utility. However, some ESCO's bill their customers directly, meaning that you would receive two bills. Make sure that you receive and pay both bills, or your service might be stopped.

Many utilities now allow you to make automatic payments that deduct what is owed from your bank account or credit card on a monthly basis. The advantage of automatic payments is that you do not have to remember to pay each month and can avoid late payment charges. However, if you don't have sufficient funds in the account to pay each bill, you may be subject to extra charges. If you use automatic payment, check your bank or credit card statement regularly to make certain that you were not overcharged.

### ***Your Bill***

Understanding your electric and gas bills will help you avoid many problems with service. Utility and ESCO bills should provide at least the following information:

- ▶ Your name and address
- ▶ Your account or customer number
- ▶ The rate classification used to charge you
- ▶ The date the bill was printed
- ▶ The amount that you currently owe
- ▶ When you have to pay in order to avoid a late payment charge
- ▶ The amount of electricity or gas billed for and how this number was determined
- ▶ An itemized list of all the charges that add up to your current bill amount
- ▶ The amount of your last payment.

Most bills are due upon receipt. A payment is overdue 23 days after the bill is mailed to you. Usually you can pay the bill by mail or in person at any authorized payment center. Check with your local utility for appropriate locations.

### ***Billing Problems***

- ▶ **Estimated Bills** – Your electric or gas bill is based on the amount of electricity or gas you use as measured by a meter in your home. The amount of energy you use is measured by kilowatt hours for electricity and recorded by hundred cubic feet for gas. While some meters are read automatically, usually a utility employee comes by to read the meter. If the utility reader can't access your meter, the utility will estimate the usage and send you a bill based on that estimate. If your bill is underestimated, you may have a much larger than usual bill when the utility is able to read your meter and bring your charges up-to-date. You should be able to arrange an appointment for a meter reading with the utility company. Some utilities even have Saturday meter reading appointments.
- ▶ **Back Billing** – Back billing usually happens when a utility reads a meter after a series of estimated bills and determines that the consumer used more service than was billed. The PSC rules generally limit utility and ESCO back billing to service provided within a year of the date on which the mistake is discovered unless: the utility's failure to provide a correct bill was the result of your actions, the bill was not due to the negligence of the utility, it is necessary to adjust a budget-billing payment plan or you had a dispute concerning the amount of the bill which, after investigation, is being corrected. If the increase is over \$100, you can pay this new amount in monthly installments over a period of three months. The utility will explain the back billing in writing.
  - \*If you never received a bill for service over six months ago, the utility cannot bill you for that service unless the **billing delay was not caused by its negligence or was caused by your actions**. It must explain to you the reasons for the delay and enable you to pay in installments.
- ▶ **Late Payment Charges** – Utilities and ESCOs can collect a 1.5 percent late payment charge if you do not pay your electric or gas bill timely. The payment deadline should be printed on each utility or ESCO bill and can be no sooner than 20 days from the "bill due date." If you are unable to pay your bill and are at risk of having your service shut off, consider entering into a deferred payment agreement (DPA). (*See Deferred Payment Agreement Section below.*)
- ▶ **Submetering** – Landlords of larger apartment buildings can install meters for individual apartments, buy electricity or gas wholesale and deliver the electricity or gas through meters the landlord owns. Landlords who submeter have essentially the same duties as utilities (e.g., providing accurate bills, responding to customer complaints, etc.) and may not charge a tenant more than she or he would pay a utility for the same service. Tenants who have electric or gas service problems that they cannot resolve with the landlord can ask PSC for help.

#### ***When Can Your Service Be Shut Off?***

##### **Electric or gas service may be legally shut off only if:**

- ▶ There is a dangerous condition such as a gas leak at your premises *or*
- ▶ You have failed to pay your bill within 20 days of the due date *and* the utility is not barred from shutting off service; *and*
- ▶ You have been given at least **15 days** notice. Utilities can shut off service between 8 a.m. and 4 p.m., Monday through Thursday. If you are dealing with an ESCO, your service may be shut off for an unpaid bill even if you are current in your payments to the utility for delivery.

**Service may *not* be shut off:**

- ▶ When a final termination notice was not sent to you;
- ▶ The amount owed was billed more than a year ago, and because of no fault of yours, the utility did not pursue termination;
- ▶ When you have a billing dispute before the utility or the PSC and you pay a portion of the bill not in dispute;
- ▶ If you make a payment agreement;
- ▶ If a doctor or public health official certifies that someone in the household has a serious illness or medical condition;
- ▶ Between November 1 and April 15 if it would threaten the health or safety of a resident; between 4 p.m. Thursday and 8 a.m. the following Monday, on any day before a public holiday or if the utility's offices are closed the next day or during the Christmas-New Year's holiday period;
- ▶ If anyone in a household uses electrically-operated medical equipment, until the PSC approves the shut off; **or**
- ▶ If everyone in a household is 62 years of age or older, disabled or a minor, the utility must make a special effort to contact someone in the household by telephone or in person at least three days before a scheduled shut off, bring the situation to the attention of a social services agency, extend the shut off date up to 15 days if necessary to arrange help with paying the bill and contact the household within 10 days after any shut off.

**Service will be restored within 24 hours when:**

- ▶ You pay your bill in full;
- ▶ You enter into a deferred payment agreement;
- ▶ A social services agency agrees to pay the outstanding bills; **or**
- ▶ A qualified medical authority verifies that failure to restore service threatens the health or safety of someone in the household.

***Termination of Service in Multiple Dwellings***

A utility cannot terminate service to an entire building, where the owner, landlord or management has failed to pay a bill unless the utility gives advance notice to the owner and residents of each unit. Depending on the location of the building, the utility must give 10-18 days written notice. Additionally, the utility is required to notify local government authorities. Between November 1 and April 15, if your service is heat-related, you will be given 30 days notice of possible shut off. If the tenants collectively agree to make payments to cover the landlord's charges, the utility must keep service connected. The utility payments may be deducted from the tenants' rental payments. Similar rules apply to residents of two-family houses where utility service is provided through a single meter and payment is late.

***Deferred Payment Agreements***

If your service has been or is about to be shut off for nonpayment and you cannot pay the full amount owed, you may negotiate a deferred payment agreement (DPA) with the utility company to pay what you owe over a period of time. Before a utility company can disconnect your service (or refuse to reconnect it), it must offer a DPA. It will allow you to clear up back bills through agreed-upon monthly payments while you pay your current bills. In exchange, the utility company agrees not to disconnect your service or agrees to reconnect it. Generally, your monthly installments

on a DPA cannot be more than half of your average monthly utility bill, or 10 percent of what you owe, whichever is greater. Some agreements may also call for a down payment of 15 percent of the amount you owe, or one-half of your average monthly bill, whichever is greater. If you fail to make payments as agreed to in the DPA, the utility is under no obligation to offer you a new one or modify the existing agreement. In such cases, the utility has eight days before it can start the procedure to turn off service. It must send you written notice and offer an opportunity to remedy the situation.

### ***Service Problems***

- ▶ **Loss of Service** – Report loss of electric or gas service to the relevant utility. It may be a problem specific to your building or it may be a larger blackout.
- ▶ **Power Surges** – This occurs when lightning or other causes send through more power than the wires are designed to carry. Such surges can burn out light bulbs and damage computers or other electric appliances. You should safeguard your valuable electronics against power surges by using appropriate surge protectors, which are widely available at computer, electronic and convenience stores.
- ▶ **Gas Leaks** – If you smell gas, find out what the source is and report it to the appropriate authorities. If you don't know where the smell is coming from, get out of the house immediately and report the odor to your gas company.

### ***Tips to Prepare for Blackouts:***

Be prepared for potential losses of electricity ("blackouts"), which are often caused by heavy storms.

- ✓ **Create an Emergency Kit** – Your kit should include flashlights, radios that operate on batteries and spare batteries. You also should have a telephone in your house that does not plug into an electrical outlet so that it will work when there is a power loss.
- ✓ **Have a Plan** – Agree with your family members on a place to go if a blackout happens when they are out of the house. Include a reminder to turn off and unplug electric appliances as protection against power surges when the power returns.
- ✓ **Special Needs** – If there is anyone in your household who depends on medical equipment operated by electricity, make sure you advise the utility company. The PSC rules require each electric utility to keep a list of every household that has a member who depends on electrically-operated medical equipment. The utility also must have a plan for contacting such persons if there is a major power loss.

### ***Energy Costs and Conservation***

To reduce your energy consumption and lower your bills, consider weatherizing and insulating your home or apartment by sealing off drafts. You should also lower your thermostat temperature in the winter and raise it in the summer. By installing special low-wattage florescent bulbs and turning off lights when not in use, you will save money. Energy-efficient appliances can also cut energy costs.

### ***Telephone Service***

#### ***Choosing a Service Plan and Provider***

Most consumers in New York State have an enormous variety of choices for telephone service providers and plans. While most people find it cheapest and most convenient to get all of their phone service from one provider, you can also get local service from one provider and long-distance service from a different provider. You may also decide not to contract for long-distance service at all, or that you will use a wireless phone for all or part of your phone service.

In choosing among your options, consider the following:

- ▶ **Calling Patterns** – What are your calling habits? Do you make many long-distance calls? Is your long-distance calling generally evenings and weekends, or do you make calls throughout the day?
- ▶ **Cell Phone Usage** – How much do you use a wireless phone? What is the 911 capability?
- ▶ **Internet Service** – Do you plan to have an Internet connection? You should periodically reevaluate your calling patterns to make sure that you have the most beneficial telephone plan for the type and number of calls you actually make.

Take the time to compare the prices and plan options of different telephone service providers for your area. In gathering information on a company, ask:

- ✓ Are "flat-rate plans" available in your area? Flat-rate plans may be cheaper for high volume local callers.
- ✓ Is there a basic fee and a per-minute or per-call rate for making calls?
- ✓ Are there additional monthly service fees, time-of-day restrictions, and minimum usage fees?

Your local cable provider may offer an Internet-based phone service that charges a flat rate for all local and long-distance service. And if you have high-speed Internet service, you may wish to set up a flat-rate phone service known as Voice Over Internet Protocol or VoIP service from one of the many companies that now offer it. These flat-rate packages may be less expensive than those provided by traditional phone companies. Many of the consumer protections described below, however, such as regulations that prevent the phone company from cancelling your service, do not apply to cable companies. Further, some VoIP services do not work during a power outage, unlike some regular or landline phones.

### *Types of Telephone Service*

- ▶ **Bundled Service** – Most companies offering phone service – including cable companies and VoIP providers – offer combined local and long-distance service. This service is often offered as a flat rate for all local and long-distance services or a flat rate for local calls and a per-minute charge for long-distance calls. There might be a charge for basic "dial-tone" service and per-minute charges for local and long-distance minutes. Evaluate your calling patterns to determine what sort of plan is best for you.
- ▶ **Local Service** – This service includes telephone dial-tone service and the ability to receive and make local telephone calls in your immediate neighborhood and surrounding towns.
  - \*Many telephone companies offer flat-rate local service providing for unlimited local calling at a set monthly fee. Other companies charge a monthly rate for basic "dial-tone" service and then charge either a per-call or per-minute rate for each local call.
  - \*Local service also includes being listed in and receiving the telephone directory. If you are concerned about your **privacy**, ask the carrier for an **unlisted number**, which may result in an extra charge. Cable phone customers may not be listed in the directory.
- ▶ **Long-Distance Service** – This service covers calls that travel outside the regional calling area but are still within the United States. Most carriers offer flat-rate plans as well as per-minute plans. Per-minute plans may have volume discounts or different prices for daytime and night calls. Once again, it is important to examine your calling patterns to determine which service is most cost effective for you.
  - \*You can choose not to have a long-distance provider at all, either because you don't make many long-distance calls or because you have a wireless phone or another

calling plan (such as a prepaid calling card) for your long-distance calls. However, your local telephone company may charge a one-time administrative fee, generally around \$5, if you choose not to subscribe to a long-distance company.

\*In comparing prices, consumers should consider contract period lengths, fees charged for early cancellation by the consumer and any monthly minimum fees that might apply. Make sure to ask each company for your total monthly estimated bill, including taxes and surcharges so you can compare costs with competing providers.

- ▶ **Other Optional Services** – When contracting with a phone company, you will be asked if you want to subscribe to optional services, including caller ID, call waiting, directory assistance, inside wire repair plans and special billing, as well as Internet access and wireless telephone services. The costs of these extra services can add up – make sure to inquire about the costs and benefits of each.

### ***Tip: Look into Low-Cost Lifeline Service***

Most local telephone companies – though not cable companies or VoIP providers – offer an assistance program called "**lifeline service.**" Lifeline service provides discounted service and installation to qualified low-income consumers. While eligibility criteria may vary from company to company, in general, a consumer is eligible for lifeline service if eligible for any of the following programs: Aid to Families with Dependent Children, Food Stamps, Home Relief, Home Energy Assistance Program, Medicaid, Supplemental Security Income, Veteran's Disability Pension or Veteran's Surviving Spouse Pension. If you are eligible, your local service may cost as little as **\$1 per month.** This arrangement provides for basic dial-tone service to make and receive calls. If you are a new customer, you can also receive a discounted rate of \$5 for installation of a telephone line. Applications for this service are available at most social services offices around the State or contact your local telephone company.

### ***Applying for Service***

When you apply for local telephone service or a bundle of local and long-distance service, the carrier must provide it within **five business days**, so long as you are not delinquent on a previous account. If you owe money on a previous account, you may still be able to receive service if you enter into a three-month deferred payment agreement providing for installments. You may, however, be required to pay a security deposit for installation. If service is denied, the carrier must provide an explanation and indicate how service may be obtained within **three business days.** Consumers have 60 days to change the type of service ordered and to cancel optional services without paying a cancellation fee or other charges.

### ***Security Deposits***

If you are behind at least two months in paying your phone bills or have had telephone service disconnected for nonpayment over the past six months, you may be required to pay a security deposit to set up a new account for basic local service. The deposit, which can be paid in installments, cannot be more than twice your average monthly bill for basic service, and must be returned to you with interest after you have paid your bill on time for one year or if you end your association with the phone company and owe no balance. Note that if you are on public assistance or other state aid, or a customer 62 years of age or older and did not have your service shut off within the past six months, you cannot be required to post a security deposit.

***\* These protections do not apply to phone service from your cable company or VoIP provider.***

### ***Consumer Information***

Telephone companies are required to provide their customers with information relating to telephone services and billing. Upon request, the carrier must give written notice of consumer rights and obligations providing for:

- ▶ An explanation of the complaint procedures at the telephone corporation and the PSC.
- ▶ A description of protections for elderly, disabled and persons with medical emergencies.
- ▶ The rights of customers concerning the termination and reconnection of service and security deposits.

### ***Ways to Protect Your Privacy***

- ▶ **Guarding Records** – Place a password on your account to prevent third parties from obtaining your private information. Some information vendors and others have used a technique called "pretexting" to obtain private cell phone records by pretending to be the customer and requesting that phone records be faxed or e-mailed to them. To restrict access, instruct the carrier to deactivate online access to your account. It is possible for a perpetrator to obtain account information, including cell phone records, by taking advantage of online account access which you have not activated.
- ▶ **Caller ID Blocking** – In addition to requesting an **unlisted number** (see above), you may also want to have your number blocked from appearing on caller ID devices of the phones you call. If you want to unblock your number for a particular call (useful if the party you call cannot receive calls from blocked numbers), dial \*82 to unblock your number for that call only. There is no charge for having your number blocked from caller ID. You can also have your number blocked on a per-call basis, without charge, but you must enter a code each time you call if you want to block caller ID.
- ▶ **Blocking 900 Number and Similar Pay-Per-Call Charges** – You can prevent calls for which there is an additional charge from being made through your telephone line by blocking all "pay-per-call" area code 700 and 900 numbers, along with local New York State exchange numbers 540, 550 and 970. There is no charge for installing blocks on residential lines.
- ▶ **Do Not Call Program** – The "*Do Not Call*" Telemarketing Registry program protects consumers from unwanted high-pressure sales calls. Although the law provides for some exceptions, most telemarketing sales calls are prohibited 30 days after a telephone number appears on the registry. You can list both landline and wireless phone numbers in the registry. To register for FREE, visit [www.donotcall.gov](http://www.donotcall.gov) or call (888) 382-1222.
- ▶ **Call Tracing** – If you receive a **life threatening or harassing call**, you may have it traced. However, **the number will only be given out to law enforcement agencies**. Use \*57 to have the number traced, or call your local phone company for further instructions. There is a small charge each time you use this service.

### ***When Can Your Service Be Disconnected?***

**Disconnection of Service:** Local telephone companies must give you an opportunity to avoid service suspension (no outgoing calls) or termination (no service at all). Note that basic local telephone service may only be disconnected for nonpayment of local charges.

Disconnection of service can be avoided by:

- ▶ Paying money owed over the next six months in addition to new service charges.
- ▶ Adhering to a deferred payment plan. (*For further information, see below.*)
- ▶ Paying a required deposit.

A notice of suspension or termination cannot be issued until at least **25 days** have passed from the date of the bill. After issuing a notice, the company must attempt to notify you by phone of the pending disconnection of service and how it can be avoided. If the carrier cannot reach you during working hours, it must make at least **one attempt** to inform you during nonworking hours. If your bill isn't paid within **eight days** of the notice, your outgoing calls can be suspended.

If **20 days** pass from the notice without payment or a deferred payment agreement, your service can be terminated. Service can only be disconnected between 8:00 a.m. and 7:30 p.m. Monday through Thursday, and between 8 a.m. and 3 p.m. on Friday, excluding public holidays and Christmas and New Year's holidays.

After termination takes place, you must pay additional charges to restore phone service. If you pay an overdue bill by check and the check bounces, the carrier must attempt to reach you by phone and give you an additional **24 hours** to pay the bill before service is disconnected. This courtesy is not extended if you have issued the company another bad check in the past year.

**Deferred Payment Agreements:** If you have had service for at least three consecutive months and have not had that service disconnected for nonpayment, your telephone company cannot disconnect your basic local service for nonpayment without offering a deferred payment agreement (DPA), which requires you to:

- ▶ Make timely partial payments. (The agreement usually lasts for five months, covers amounts of up to \$150.)
- ▶ Make a down payment of either one-fifth of the amount owed or three months of your average bill, whichever is less, in addition to the difference between what is deferred and what has been deferred.
- ▶ Pay new service charges incurred during the payment plan term.

**Medical Emergency:** A medical emergency will postpone the suspension or termination of basic local service for 30 days, provided a doctor or health official notifies the utility of the emergency. The telephone company must also make an effort to maintain service for customers 62 years of age or older, blind or disabled and all those living with a senior or a person with a disability. In these circumstances, the company must provide service for an additional 20 days after the termination date. The utility must attempt to contact the customer at least eight days before service is to be disconnected to devise a payment plan.

**Restoring Service:** The provider of service must reconnect your service within **24 hours**, unless circumstances beyond the company's control prevent the entity from doing so, when:

- ▶ You pay the amount due.
- ▶ You agree to a DPA and make a down payment, if one is required.
- ▶ The PSC orders the provider to reconnect service.
- ▶ There is a serious health or safety threat to you or to another with whom you live.

**\* These protections do not apply to phone service from your cable or VoIP provider.**

### ***Service Issues***

- ▶ **Back Billing** – When a customer has not received a bill but is continuing to receive telephone service, the company can back bill for a maximum of 24 months, provided the customer did not cause the delay or problem. If the telephone company back bills you, it must explain. You can make payments in installments equal to the number of months for which services was not charged.
- ▶ **Outages** – When an out-of-order telephone is not fixed in 24 hours, credit should be given for the period during which the phone was out of service. The 24-hour period begins when the line is reported to the company. The credit is calculated by pro-rating the monthly charge over the number of days the phone is out.

### ***Slamming***

"Slamming" refers to changing a consumer's telephone service provider without consent or permission. Long-distance service is the most common target of slamming, but it can also happen with local service. State and federal law prohibits slamming and requires a telephone company to obtain a customer's authorization in order to change service. If your telephone company has been changed without your permission:

- ✓ Call the slamming company (the unauthorized company that claims you are its customer) and tell it that you want the problem corrected. If you have not paid, indicate that you will not pay for the first **30 days** of service.
- ✓ Call your authorized company (local or long distance) to advise them of the slam. Tell them that you want to be reinstated to the same calling plan you had before the slam at no charge. Inform them that you want all "change of carrier charges" (charges for switching companies) removed from your bill.
- ✓ You do not have to pay either your authorized company or the unauthorized company for up to **30 days** after being slammed. You must pay any charges for service beyond 30 days to your authorized company, but at their rates, not the slammer's charges.
- ✓ The slamming company must pay your authorized company 150 percent of the charges it received from you. Out of this amount, your authorized company will then reimburse you 50 percent of the charges you paid to the slammer.
- ✓ You may file a complaint with the PSC, the Office of the NYS Attorney General or with the FCC at [www.fcc.gov](http://www.fcc.gov).

### ***Tips to Prevent Being Slammed***

To reduce the likelihood of being slammed, you might consider applying a "**freeze**" on your service. Once you request a freeze, a notation will be placed on your account that your long-distance company is not to be changed unless you personally contact the local phone company and approve the change. Freezing offers the best protection against slamming currently available; the precautions below will protect you further:

- ✓ Request that your local telephone company give you a password to confirm that any switch authorization is coming from you.
- ✓ Ask anyone calling about telephone service for their name, company, and reason for calling. Sometimes people get slammed after a telephone call they thought was from their chosen carrier but which was actually from a slammer.
- ✓ Read the fine print on sweepstakes and contest entry forms. Although prohibited by State law, some slammers use a sweepstake's entry to trick you into authorizing a switch in telephone service.
- ✓ Examine your phone bill every month. Check for any unfamiliar names or charges. Call your carrier if you find any suspicious items on your bill.
- ✓ Check the long-distance company that provides service to a particular phone by dialing "00." This generally provides either a recording indicating the long-distance company or an operator who can provide that information.

***Cramming***

Cramming occurs when consumers are charged for services they did not order. Such charges may be for calls to 900 numbers that did not take place, telephone calling cards, voice mail, paging or prepaid phone cards that were not ordered. To prevent cramming, consider the following:

- ✓ Exercise caution when calling unfamiliar 800 or 900 numbers and entering "activation codes."
- ✓ Review your telephone bill each month.
- ✓ Call about service questions or unfamiliar charges. The company's name and telephone number should be included on the page of the telephone bill on which the service is listed. If the service in question was not authorized, you can insist that it be canceled and that the charges be removed from your bill.
- ✓ If that company cannot resolve the problem, call your local telephone company or the company issuing the bill and inform them of the charges you are disputing. Pay the remainder of your telephone bill on time, subtracting the disputed amount and any related taxes. Remind the telephone company in writing of the reasons for your partial payment.

Remember that your local telephone service can be disconnected only when charges for local telephone service have not been paid. Local service cannot be terminated for nonpayment of other charges, such as for long distance, prepaid phone cards, 900 number calls, paging services or others services. However, the "crammer" could refer the matter to a debt collection agency.

***Notes:***

**Resources:**

**New York State Public Service Commission**

Agency Bldg. 3, Empire State Plaza  
Albany, NY 12223

(800) 342-3377 (Helpline for service or billing)

(888) 697-7728 (ESCO complaints)

(800) 342-3355 (Electric or gas shutoffs)

(888) 275-7721 (Consumer information); [www.askpsc.com](http://www.askpsc.com)

**Federal Communications Commission**

Consumer & Governmental Affairs Bureau  
445 12th Street, SW

Washington, D.C. 20554

(888) CALL-FCC (888) 225-5322

(202) 418-0569; [www.fcc.gov/cgb](http://www.fcc.gov/cgb)

(Complaints regarding long-distance phone service.)

**Office of the New York State Attorney General (OAG)**

Consumer Complaints

120 Broadway, 3rd Floor

New York, NY 10271

(800) 771-7755; [www.oag.state.ny.us](http://www.oag.state.ny.us)

**NYS Energy Research & Development Authority**

(518) 862-1090; [www.GetEnergySmart.org](http://www.GetEnergySmart.org)

[www.nyserda.org/](http://www.nyserda.org/)

**NYS Consumer Protection Board**

Consumer Hotline; (800) NYS-1220

(800) 697- 1220; [www.consumer.state.ny](http://www.consumer.state.ny)

**"Do Not Call National Registry"**

(888) 382-1222; [www.donotcall.gov](http://www.donotcall.gov)

**NYS Department of Family Assistance/Office  
of Temporary and Disability Assistance**

**Home Energy Assistance Program** (800) 342-3009

(for seniors and low-income families) [www.dfa.state.ny.us](http://www.dfa.state.ny.us)

***Resources:***

***Utility Companies*** (Customer Service Numbers):

**Central Hudson Gas & Electric**

(877) 444-2443;

[www.chenergygroup.com](http://www.chenergygroup.com)

**Consolidated Edison (ConEdison)**

(800) 752-6633;

[www.coned.com](http://www.coned.com)

**Corning Natural Gas Corp.**

(607) 936-3755;

[www.corninggas.com](http://www.corninggas.com)

**KeySpan Energy**

NYC: (718) 643-4050

LI: (800)490-0025;

[www.natfuel.com](http://www.natfuel.com)

**New York State Electric and Gas**

(800) 572-1111;

[www.nyseg.com](http://www.nyseg.com)

**National Grid (Niagara Mohawk Power Corporation)**

(800) 642-4272;

[www.niagaramohawk.com](http://www.niagaramohawk.com)

**Orange and Rockland**

(877) 434-4100;

[www.oru.com](http://www.oru.com)

**Rochester Gas and Electric**

(888) 253-8888;

[www.rge.com](http://www.rge.com)

**St. Lawrence Gas Company**

(315) 769-3516;

[www.stlawrencegas.com](http://www.stlawrencegas.com)

**National Fuel Gas**

(800) 365-3234

**Long Island Power Authority (LIPA)**

(800) 490-0025;

[www.lipower.org](http://www.lipower.org)

## OAG GLOSSARY OF KEY TERMS

### Life Essentials: Utilities

#### -A-

**Access Charge** – A fee charged to a consumer for access to the energy supplied by a carrier or local distribution company.

**Agent** – A person who negotiates the sale of electricity or natural gas for a residential customer.

#### -B-

**Back Billing** – When a company adjusts a consumer's utility bill for services rendered in the past.

**Blocking** – An option given to telephone service consumers in which they can prevent outgoing calls from being made to specific numbers including "900 numbers," international phone calls or collect calls.

**Bundled Service** – When a phone company offers combined local, regional and long-distance service.

#### -C-

**Calling Card** – A service that allows a consumer to place a call and charge their personal account, rather than the account linked to the phone from which the call is initiated.

**Caller ID** – With a special device, this service allows a consumer to know the number, date and time of the person calling before picking up the phone. Through another service, a customer interested in preserving their privacy, may block their telephone number from appearing on such a device.

**Call Return** – This service allows a consumer to call back the last number from which a call was made regardless of whether the call was answered.

**Call Tracing** – A customer can pay to have a number traced if receiving life threatening or harassing calls. The number will only be provided to law enforcement agencies.

**Call Waiting** – This service alerts the consumer with a "beep" tone that someone else is calling while consumer is using the telephone. The consumer may click over to the other caller or remain on the current call.

**Common Carrier** – The term generally used to describe a telephone company.

**Commodity** – Any good or service that can be exchanged for money.

**Cramming** – The practice of billing a customer for unauthorized special services such as voice mail, caller ID and/or call waiting.

**-D-**

**Deferred Payment Agreements** – An arrangement between the utility company and a residential consumer allowing the customer to pay overdue bills in installments while continuing to use and pay for current services.

**Dial Around** – A service that allows a consumer to dial an access code (or "10-10" number) before dialing a long-distance number and "dial around" the consumer's chosen long-distance company to get a better rate. Prior to using the "10-10" service, consumers should confirm the price per-minute of the call.

**Directory Assistance** – This service allows consumers to request information such as the phone number or address of any business or residence listing their information.

**Do-Not-Call Program** – This program gives the consumer a choice about whether to receive telemarketing calls at home. Registration of your home and mobile phone number is free and remains in effect for five years. For the federal registry, visit <https://telemarketing.donotcall.gov> or call (888) 382-1222.

**-E-**

**Energy Savings Company (ESCO)** – An alternative company that supplies natural gas and/or electricity using a utility's network of pipes and wires.

**-F-**

**Federal Energy Regulation Commission (FERC)** – A federal agency that regulates the interstate price, terms and conditions of electricity, natural gas and oil.

**Fixed Cost** – A price that does not vary in relation to the amount of service provided.

**-G-**

**Grid** – A pattern of power lines and energy generators coordinated to distribute electricity to customers at various points.

**-H-**

**Home Energy Fair Practice Act (HEFPA)** – This New York State law affords residential customers of electric, gas and steam utilities various rights and protections.

**-L-**

**Landline** – Traditional nonwireless telephone service or lines.

**Level Billing (budget billing)** – Paying a fixed monthly amount on a utility bill throughout the year despite how much or how little electricity or gas one uses. Once a year, the carrier or utility compares what you have actually used to what you have paid and either sends you a credit or a bill for the excess.

**Lifeline Rate/Services** – Discounted service plans for low-income subscribers who qualify for certain social assistance programs. Federal law requires telephone companies to make such plans available.

**-M-**

**Marketer** – Generally, a person who represents the interests of an ESCO supplier in selling electricity or natural gas.

**-N-**

**New York Power Authority (NYPA)** – A state-owned, not-for-profit power company which sells electricity to private and public entities and utilities. It operates generating facilities and transmission lines. The Authority is not subject to the jurisdiction of the New York State Public Service Commission.

**New York State Public Service Commission (PSC)** – The governmental office responsible for regulating utility companies in New York State which includes electric, gas, steam, water, cable and telecommunications.

**-O-**

**Outage** – An interruption of service to a consumer because of a power plant failure, loss of transmission or other facility malfunction. Commonly referred to as a "blackout."

**-P-**

**Power Surge** – When wires not designed to carry an increase of power are overloaded due to the sudden burst of power as a result of lightning or another disturbance or because of an electrical appliance problem.

**-S-**

**Service Provider** – A company that provides telecommunication services such as phone, cell phone and Internet services.

**Slamming** – The unauthorized switch of a consumer's local or long-distance carrier. Such unauthorized switching violates state and federal regulations.

**Submetering** – The separation of meters to determine the proportionate energy use for a specific residential unit or business by a landlord.

**-U-**

**Utility Company** – A company that delivers and supplies electric and natural gas.

**-V-**

**Voice Over Internet Protocol (VoIP) Service** – A flat-rate phone service available to high-speed Internet service users.

***Sources:***

**Federal Communications Commission**

<http://www.fcc.gov/Consumers/glossary.html>

**NYS Public Service Commission**

<http://www.dps.state.ny.us/enegloss.htm>

***Notes:***

## ***FURNITURE & APPLIANCES RIPOFFS: OAG PURCHASING REFERENCE GUIDE***

***Introduction of Topic:*** Furnishing a new apartment or house should be fun and hassle free – it is an opportunity to make the home in which you live your own. However, furniture and appliance purchases frequently cause headaches. Common complaints include items not received when promised; items differed from those ordered; or, items were defective or damaged. Other problems involve difficulties in getting refunds when consumers decided that they didn't like an item or it didn't fit in their home. This guide provides tips that will help you prevent and address such problems when buying or renting furniture and appliances for your home.

### ***Selecting Furniture and Appliances***

While there is no need to buy expensive furniture, you should make sure that what looks like a "great deal" is the real deal. Consider the following information:

- ▶ Rebuilt appliances and used furniture are often much cheaper than new models. However, these items come with risks and may not always have a warranty. Make sure to check the label, which must explain whether the item is used, rebuilt, reconditioned or repossessed, and don't be afraid to ask a salesperson what was done to fix the item. Used bedding, for example, must be properly sanitized.
- ▶ The Federal Trade Commission (FTC) requires those in the household furniture industry to disclose information about merchandise, which, if known, would influence a prospective buyer's decision to purchase. For instance, the rules require disclosure if certain materials were used in the construction of the furniture, and regulates the use of terms such as "floor sample." Ask if there are any characteristics about the furniture you want to purchase which may influence your decision to ensure that you are getting a high quality product.
- ▶ The FTC also has **energy consumption labeling rules** for appliances. "Energy Guide" labels provide an estimate of each product's annual energy consumption or efficiency, and must be attached to most major home appliances. Consider energy ratings when buying a product to make sure that an appliance with a low-sticker price won't end up costing you more in the long term.

### ***Placing Your Order***

Couches, refrigerators and other household items are major purchases. Given their costs, it is important to think about financing and purchase terms just as you would when buying a car.

- ▶ If paying in full is not required, give the smallest deposit acceptable. This way less of your money is at risk if the store should go out of business or if some other problem arises. Paying the deposit by credit card also gives you some protection, as you can dispute the charge with your card issuer within 60 days of the bill.
- ▶ Check out the return policy to see when refunds are given and whether the total amount is refundable. Note if refunds are only given in store credit. Furniture stores may charge a "re-stocking fee" (which can be as much as 20-25 percent of the merchandise's price) for items that are returned due to the consumer's change of heart. Also, many stores do not take returns of custom-made furniture, as when you order a sofa in a special fabric – so be sure you can live with your choice!
- ▶ Think about financing offers carefully. "**0% financing/no payments for a year**" type offers are only a good deal if you are absolutely certain you will be able to pay off the total amount before the year is up. If you don't, you are usually charged interest that is applied retroactively from the day of the purchase.
- ▶ Furniture and major household appliance dealers **must include** a written estimated delivery date or range of dates in the agreement for items over \$200 (excluding custom-made items).

### ***Delivery and Receiving the Merchandise***

When your furniture is ready, the store will arrange a delivery date with you. You may be given a window of a few hours in which to expect the delivery, or you may have to wait at home the entire day. If you are not home when the delivery truck arrives, you may be charged a "missed delivery" fee. There may also be extra delivery charges for flights of stairs, so be sure to ask ahead of time if this will be a factor. Also, ask if the delivery team will assemble or set up the furniture for you. Many problems with furniture purchases occur at the delivery stage. Listed below are protections and suggestions for addressing the most common issues.

- ▶ **Delivery Delays** – The dealer must deliver your merchandise by the latest date stated for delivery, unless you are notified of the delay and given a new anticipated delivery date, or range of dates, and given the choice to: (1) negotiate a new delivery date, (2) modify the contract for new furniture or appliances, (3) cancel the contract and receive a full refund within two weeks, or (4) cancel the contract and receive a credit from the dealer of an amount equal to any deposit. The dealer must honor your choice, and either you or the Attorney General may sue to enforce this law. However, these provisions don't apply if the delay in delivery is caused by a work stoppage, an "act of God," or a failure of the manufacturer to deliver the item to the dealer. In these cases, the dealer must promptly inform you of the delay and give you written notice of a new estimated delivery date.
- ▶ **Damaged or Missing Items** – Don't sign for acceptance of the delivery until you have made sure that all the items have been delivered and you have inspected them. If an item is not what you ordered, is defective or has been damaged, refuse delivery and call the store to let them know that there is a problem. The delivery person may urge you to accept the item, saying that the store will send someone to repair the item in your home, or will send someone later to pick it up. If the damage is minor, you may want to do this, but be sure to note the damage on the acceptance sheet. If the item is seriously damaged or defective, it may be better to refuse delivery instead of waiting weeks or months for the promised repair.
  - \*What if you didn't notice a stain, dent or missing handle until the delivery truck drove away, or even a day or two later? Report it to the store promptly to avoid any controversy about when the damage occurred.
  - \*What if the damaged item was purchased as a floor model? Floor models and closeout items are often sold on an "**as is/all sales final**" basis. That means you are accepting the visible condition and any disclosed defects. However, hidden defects are still covered by an implied warranty.
- ▶ **Mattresses** – Some consumers have complained that the mattress delivered did not look like the one shown in the store. If you have doubts, lie on the mattress to see if you are happy with it – but don't remove the plastic covering until you are sure you want it. The store will be more likely to accept it as a return if it is still in the plastic. Check the tag label.

### ***Refunds in Retail***

Sellers are not required to offer refunds or exchanges. However, if they do, the refund and exchange policy must be posted in a conspicuous location. Under the law, merchants with a cash refund policy must give the refund within 20 days.

#### ***Your Right to Return Damaged Goods***

- ✓ New York State law gives the consumer a right to return defective goods and receive their money back, and sometimes additional money damages. Check to determine whether the product has a warranty which gives you some legal rights to have the item replaced, repaired or returned for a refund.

- ✓ Under the **rejection** procedure, consumers must notify the seller as soon as possible after delivery that the item is unacceptable due to damage. The seller must be given the option to replace the item with a new, undamaged item.
- ✓ **Revocation** allows a consumer to notify a seller as soon as possible after discovering a defect (or within a reasonable time period in which the defect should have been discovered) that significantly lowers the value of a product in order to receive a new product. Revocation also applies when a seller has promised to repair an item but has failed to do so. Some courts require that the seller be given the right to resolve the problem. Since both revocation and rejection require that the consumer act within a "reasonable" time, you will need to act immediately upon discovering the problem.
- ✓ When in doubt, seek legal counsel or go to small claims court if you believe a business is being uncooperative when you attempt to exercise your consumer rights. Call the Office of the NYS Attorney General or your local consumer protection agency if you require assistance.
- ✓ Consult with an attorney, if necessary.

### ***Maintenance Agreements: Service Contracts and Warranties***

Any seller of retail products offering maintenance agreements (service contracts or extended warranties) must provide the purchaser with an opportunity to review the agreement before it is purchased. These agreements may **not** be terminated by the seller unless prior to or upon delivery, you are notified in writing that the agreement may be cancelled for nonpayment or with a change in residence beyond the disclosed service area, except where you provide shipping to and from the service site. If the agreement is cancelled due to a change in your address, you must receive a pro-rated refund. **Mail order companies are exempted from this law**, which is enforced by the NYS Attorney General or by a governmental attorney representing local jurisdictions.

### ***Tips on Warranties***

It is best to get a product warranty in *writing*. If a manufacturer provides you with a written warranty, federal law requires that the policy be written in easily understandable language, and described as full or limited. Federal law also allows a consumer to sue a manufacturer or service provider for disregarding any written or oral warranty or service contract. To reduce the likelihood of problems, read the warranty before buying, understand the protection it offers and note these tips:

- ✓ File your receipt and keep it with the warranty. You may need it to determine your coverage period or prove that you are the original owner of the item.
- ✓ Follow warranty directions. You may need to perform required maintenance and only use the product according to the manufacturer's instructions. Failure to do so may cancel your coverage.
- ✓ Beware of warranties that describe themselves as "**lifetime warranties.**" This term can be used in various ways and may only cover certain repairs. Be sure to read the clarification of the term on the written warranty for a full disclosure of how the term "lifetime" applies to your purchase.
- ✓ Watch out for warranties that advertise themselves as "satisfaction guaranteed" or "money back guarantee." Sometimes these offers are limited in fine print, so read the agreement carefully.

### ***Tips on Service Contracts***

Although service contracts are sometimes referred to as "extended warranties," they are **not** warranties. Service contracts provide repairs or maintenance on your purchase for a specific period

of time at an extra cost, and are purchased separately from the price of the product. Stores make significant profits selling these contracts. In contrast, warranties are included in the product price. Compare the coverage of your warranty to the coverage offered by the service contract to decide if the service contract is worth the extra expense. Consider the following questions when deciding if you need a service contract:

- ✓ Does the warranty which you are already paying for cover the repairs and time period that you would get under the extended service contract?
- ✓ Is the product likely to need repairs and are the costs of those repairs going to be less expensive than coverage?
- ✓ Is the length of the coverage period long enough to cover these potential repairs?
- ✓ Where will you get service?
- ✓ Can you purchase a service contract later after you have owned the product for some time or after the warranty period?

### ***Financing Alternatives: Layaway***

Layaway allows a consumer to pay for an item priced more than \$50 in at least four installments, with delivery made after the final payment. Layaway can be a handy method to pay for something you cannot afford today without credit. The terms of layaway plans vary from store to store, but typically the buyer is required to make a deposit – usually a percentage of the purchase price – and pay the rest of the price over a period of time. In exchange, the retailer agrees to hold your product during that time and give you the item when you have paid in full. But if you are putting something on layaway, know that there could be financial consequences if you change your mind. A company has the right to charge you a fee if they are holding merchandise for you and you cancel the order.

Keep the following in mind before deciding on a layaway plan:

- ▶ If you buy merchandise on layaway, you are entitled to a written contract describing, among other things, the total cost of the item, including any fee for using the layaway method of payment; the length of the plan; the payment schedule and the consequences of missing payments; the merchant's refund policy; and the location where the merchandise is stored.
- ▶ Ask about the store's refund policy before you buy and, if possible, get it in writing. If you decide that you do not want the merchandise after making some or all of the payments, you may expect a refund. But, retailers' policies may differ on this. Some may give you all of your money back, while others may charge you a layaway service fee that is not refundable. Some retailers may only give you a credit to apply to a future purchase made in their store.
- ▶ Ask the seller to identify your merchandise in writing to ensure that you will receive the item you purchased. Remember, until you finish paying for the layaway item, the retailer has your money and the merchandise. If the store goes bankrupt while you are still paying, your money and the merchandise may be lost. To help avoid this, and to find out if there are any complaints against the store, check the store's reputation with your local Better Business Bureau or consumer protection agency before you buy merchandise on layaway. In addition, if you have not shopped in that store before, you might start out by purchasing a relatively inexpensive item on its layaway plan. Also, to avoid any confusion, **keep good records of the payments you make on the layaway merchandise.** Then, when each installment is due, you will have a reminder of the payments made. These records may be useful later, if you have any disputes with the store.

***Rent-to-Own: Worth the Convenience?***

If you need a television, major appliance or furniture, but you don't have the cash or credit to buy it outright, you might be tempted to go to a "rent-to-own" store. These stores advertise that you can take home the item immediately, simply by agreeing to make a weekly or monthly payment. You will be obligated only to pay each rental payment as it comes due, and will be free to end the arrangement by returning the merchandise to the store. This arrangement may sound convenient, but it comes at a very high price. Buying on a rent-to-own plan will often cost you double what you would pay for the item with cash, on layaway or on an installment plan. In addition, the rent-to-own appliance might be a couple of years old and previously rented to many other people. New York State law does not place any limits on the finance charges or interest rent-to-own dealers can charge. The dealers are also not required to disclose as an annual percentage rate (APR) the finance charge or interest consumers end up paying for the product. Therefore, you cannot easily compare the cost of buying under a rent-to-own plan with buying on, for example, an installment plan. If rent-to-own dealers did have to disclose an APR, consumers would see that their rates are often as high as 120 to 150 percent.

***Consider All Your Options...Some Questions to Ask Yourself***

Rent-to-own stores market to people who may think they have no other options, because of low income or bad credit. But there may be less-expensive alternatives:

- ▶ Can you do without the item until you have saved enough money in the bank to pay cash?
- ▶ Can you buy the item on a **layaway** plan? You may only need a small down payment.
- ▶ Can you buy the merchandise on an **installment** plan at a retail store? With an installment plan, you can take the item home immediately, as with rent-to-own. However, the law limits the amount of interest that can be charged on installment plans, so these plans are less costly than rent-to-own agreements.
- ▶ Can you get a short-term **loan** from a lender such as a bank to purchase the merchandise?
- ▶ Can you find a used item instead through the classified ads, a yard sale or second-hand store?

***Protect Yourself: What to look for in rent-to-own agreements***

Upon written request, you may review the completed contract for up to 24 hours prior to signing it. Check out the following:

- ▶ **Whether the item is new or used.**
- ▶ **Total cost.** Compare the costs of the item if you paid cash, how many rental payments you must make to own the item, how much each payment will be and how much you'll have to pay in total to own the item. Then look at the total amount you will pay to own the item and consider if it is worth it. New York State Law requires that rent-to-own contracts, advertisements and product tags to indicate the cash price of the merchandise, the amount of the periodic payment, the total number of periodic payments and the total amount that must be paid for you to acquire ownership.
- ▶ **Your early purchase option.**
- ▶ **Your right to "reinstate" after late payments or repossession.** Make sure the contract allows you to retain your right to the item, even after it has been repossessed, provided you make all outstanding or overdue payments.
- ▶ **Late fees.** Rent-to-own outlets can only charge you a late fee if payment is overdue by more than three days for weekly agreements or seven days for monthly agreements. For weekly agreements, the fee cannot be greater than \$3 or 10 percent of the delinquent amount,

whichever is greater. For monthly agreements, the fee cannot be greater than \$5 or 10 percent of the delinquent amount, whichever is greater.

- ▶ **Maintenance and damage.** The dealer is responsible for keeping your rented item in good working order without extra charge, as long as you have not damaged it. You are responsible for loss, damage, theft or destruction of the property while it is in your possession. If the item is lost, damaged or stolen while in your possession, often you may be asked to pay the dealer the early purchase price of the merchandise.
- ▶ **Warranties.** If a manufacturer's warranty covers the item at the time you gain ownership, be sure that it is transferred to you.

### ***Mail Order***

If you order goods by mail, phone, computer or fax, the seller must ship the item to you within the time promised or, if no time was indicated, within 30 days. If the seller cannot ship within those time periods, the marketer is required to send you a notice with a new shipping date and offer you the option of canceling the order and getting a full refund, or accepting the new delivery date. If the seller cannot meet the new delivery date, you must be sent a new notice requesting your signature agreeing to a third date. If you do not return the signed notice, your order is automatically canceled and your money refunded within seven days, or within one billing cycle for credit purchases.

### ***Resources:***

#### **Office of the New York State Attorney General (OAG)**

(800) 771-7755; [www.oag.state.ny.us](http://www.oag.state.ny.us)

#### **Federal Trade Commission**

<http://www.ftc.gov>

#### **Better Business Bureau**

(800) 828-5000; <http://www.bbb.org>

### ***Notes:***

## ***SMART SHOPPING FOR A PRE-OWNED VEHICLE: OAG USED CAR AUTOMOBILE REFERENCE GUIDE***

***Introduction of Topic:*** Depending on where you live, a car may be a necessity. A newly purchased car depreciates, or loses value, quickly in the first few years; after three years most cars are worth only about 60-70 percent of the original price. By purchasing a used car rather than a new one, you can save money. However, there is no guarantee that a used car was properly maintained, is accident-free or has the mileage shown on its odometer. There may also be hidden problems that you didn't notice when test driving the car. This guide provides tips and protections that may help you reduce the risks inherent in buying a used car and increase the likelihood of getting a good deal.

### ***Reduce the Risk of Used Car Buying***

Just like a new car, it is important to properly research models, prices, fuel economy, potential service repairs and warranty availability. (See *OAG Guide to New Car Reference Guide*.) Because buying a used car or truck entails additional risks, you should consider the following tips:

- ✓ If you are buying from a dealership, check its track record with local consumer protection agencies or the Better Business Bureau [www.bbb.org](http://www.bbb.org).
- ✓ Inspect the car in the daylight for body damage, tire problems, interior wear and air conditioner and heater function.
- ✓ *ALWAYS* test drive!
- ✓ Keep in mind that while private individuals may offer lower prices than dealerships, such sales are not covered by the Used Car Lemon Law.
- ✓ Conduct research on the vehicle's history. Make a note of a car's VIN (Vehicle Identification Number), and then use the number to research the vehicle on an online service such as [www.carfax.com](http://www.carfax.com). This will enable you to see whether a car has been declared salvage or a lemon, has been tagged as flood damaged, or whether there is an inconsistency in the mileage reading.
- ✓ Comparison price shop with dealers and review other pricing sources like Kelley Blue Book [www.kbb.com](http://www.kbb.com) and the *National Automobile Dealers Association* [www.nada.org](http://www.nada.org).
- ✓ Try to determine maintenance costs and upkeep on the model in which you are interested.
- ✓ Shop around for financing. Dealers and lenders offer a wide variety of financing options, with different interest rates, payment methods and loan lengths. For more information about financing, refer to the *OAG New Car Reference Guide*.
- ✓ To protect against mileage tampering, check the title very carefully for inconsistencies, erasures and numbers that appear to have been written over. Be very wary of titles that say "NOT THE ACTUAL MILEAGE" or explanations about a previously unconnected or damaged odometer which may not be true. Look for signs of tampering, like a loose dashboard, broken speedometer or digits that don't line up.
- ✓ Do not assume you can obtain a refund on a deposit. There is no legal right to cancel the purchase of a vehicle in New York State unless you are buying on credit and it is denied.

### ***Where Should You Buy a Used Car?***

Used cars are not just available at used car lots, and you may consider buying from a private party, new car dealership or auction. Private parties usually have the best prices, but are not covered by the Lemon Law and do not offer warranties. When buying a used car from a private party in New York State, be sure to have the seller sign the DTF-802 tax affidavit, in addition to the Bill of Sale. Otherwise, the Department of Motor Vehicles (DMV) will charge you sales tax based on the average wholesale value of the car, which may be higher than what you paid. (*You can retrieve and print out the form online at: [www.tax.state.ny.us/forms/](http://www.tax.state.ny.us/forms/).*)

Many used cars at new car dealerships are trade-ins; usually, dealerships get these at low prices, so you may be able to negotiate a good deal. Many dealerships offer certified used cars that have been inspected and are backed by warranties. If you buy a used car at an auto auction, the auction company must be registered in the State in order for you to have Lemon Law rights.

### ***Tip: Buying a Rental Car***

A rental car may be a vehicle to consider. Rental cars are often maintained better than privately owned cars. Additionally, many companies tend to take vehicles out of service after two years, so you are getting a decent car which the rental company has already absorbed the largest portion of the price depreciation. Ask to see the maintenance log on the vehicle.

***Sales Contract Disclosures:*** Under New York State law, a dealer must indicate in writing, on the bill of sale, whether a vehicle sold is new, used, reconstructed, rebuilt salvage, or originally not manufactured to U.S. standards. The sales contract must also indicate whether the car was used as a rental, taxi cab or for police duties.

### ***Tips on What Should You Do Before Purchasing a Used Car:***

- ✓ Inspect the car for problems readily visible, then take it to a trusted mechanic.  
(Do both!)
  - \***Exterior** – Be sure the body appears even. Check for rust and for signs of brake fluid leakage on the inside of the tires.
  - \***Interior** – Look for signs of neglect. Turn on the ignition to check the warning lights, and check the brake pedal.
  - \***Engine** – Check the dipstick for dark, dirty oil and the hoses and belts for cracks and wear. See if the transmission fluid is dark or has a burned odor. Look underneath the car to ensure that there are no fluid leaks.
  - \***Electrical** – Turn on all the electrical accessories at one time.
  - \***Springs & Shocks** – Push down on the front and rear corners of the car. If the car bounces several times, the shocks are worn.
- ✓ Research prices. Much of the price of a used car depends on negotiation. Look up the car you are considering on the [www.edmunds.com](http://www.edmunds.com) or [www.kbb.com](http://www.kbb.com) and check the three True Market Value prices: Trade-In, Private Party and Dealer Retail.
- ✓ Be sure that the seller has the proper ownership and transfer documents. Examine the title for information about unsatisfied liens (e.g., loans). If a lien is listed on the title, ask the seller for proof of payment. If proof is not provided, the lien holder could repossess the car from you.

***Used Car Protections: The Lemon Law***

The Lemon Law provides legal remedies for consumers who buy or lease new as well as used cars that turn out to be "lemons" – e.g., cars that don't conform to the terms of the warranty and cannot be repaired by the manufacturer or, in the case of a used car, by the dealer.

- ✓ The law requires dealers to give consumers a written warranty. Under this warranty, dealers must repair, at no cost, any defects in covered parts. You should immediately report any malfunction or defect of a covered part to the dealer and request repairs. If you notified the dealer of the problem within the warranty period, the dealer must make the repair even if the warranty subsequently expired.
- ✓ **No used car covered by this law can be sold by a dealer "as is."** Specifically, used cars purchased, leased or transferred for \$1,500 or more are provided with the following statutory warranty, whichever comes first: 18,000-36,000 miles = 90 days or 4,000 miles; 36,001-79,999 miles = 60 days or 3,000 miles; 80,000-100,000 miles = 30 days or 1,000 miles, whichever comes first.
- ✓ Covered parts must include at least the engine, transmission, drive axle, brakes, steering, radiator, alternator, generator, starter and the ignition system (excluding the battery).
- ✓ You are entitled to a refund of your purchase price or reimbursement of lease payments if either the same problem cannot be repaired after **three or more attempts** or if your car is out of service for a cumulative total of **15 days** or more during the warranty period and the problem continues to exist. A dealer may refuse to refund your purchase price, or the payments made under your lease contract, if the problem does not substantially impair the car's value or if the problem is caused by abuse, neglect or unreasonable modification.
- ✓ If the dealer does not repair the defect and refuses to issue a refund, you may seek arbitration through the New York State Used Car Lemon Law Arbitration Program offered by the Office of the NYS Attorney General or you may enforce your Lemon Law rights through a lawsuit. If successful in arbitration, you will receive a refund of the purchase price as well as the return of the arbitration filing fee. If you win your lawsuit, you are entitled to recover your reasonable attorneys' fees.
- ✓ Keep careful records of all complaints and copies of work orders, repair bills and correspondence.

***Resources:*****OAG Consumer Helpline**

(for lease arbitration and new car consumer help)

(800) 771-7755

**New York State Department of Motor Vehicles**

(518) 474-8943;

[www.nysdmv.com](http://www.nysdmv.com)

**Better Business Bureau**

[www.bbb.org](http://www.bbb.org)

NYS (800) 828-5000, NYC (212) 533-6200

**Nat'l Auto Dealers Assoc.**

[www.nada.org](http://www.nada.org)

(800) 252-6232

**Edmunds**

[www.edmunds.com](http://www.edmunds.com)

**Kelley Blue Book**

[www.kbb.com](http://www.kbb.com)

## ***SMART SHOPPING FOR NEW WHEELS: OAG NEW CAR REFERENCE GUIDE***

***Introduction of Topic:*** Buying a new car is a big investment, but it can be exciting and rewarding, especially if you feel like you purchased the right car at an affordable price. To have a positive buying experience, you must be an informed consumer that can see past flashy advertising and promises of confusing incentives. This guide will assist you in "doing your homework" on the auto manufacturer, the dealer and the new car.

### ***Which Car is Right for You?***

Before going to the dealer's lot, think about what car model and options you want and how much you are willing to spend. After doing some research, you will be far less likely to make a rushed or pressured decision at the dealership, and you will be more likely to get a better deal. Consider the following tips **before** purchasing a car:

- ✓ Identify your transportation needs. Do you need to transport a large family? Will you do more city or highway driving? Be mindful of the fuel economy of your vehicle choice.
- ✓ Determine how much you can afford to pay each month, and only look at cars that will cost you less than that amount. Remember to include costs like fuel and service repairs when considering how much each car will cost. Internet sites such as <http://www.edmunds.com> or <http://www.kbb.com> can assist you in researching prices.
- ✓ Check publications online or in libraries or bookstores that discuss new features and model prices. Refer to resources such as *Consumer Reports* for information on the safety, performance and durability of cars that you are considering.
- ✓ Test drive all the cars you are considering on different road conditions.
- ✓ Inspect the car in the daylight for dents, dings and scratches before you buy it.
- ✓ Understand the value and cost of optional credit insurance, extended service warranties and auto protection insurance.

### ***Key Terms:***

- ▶ **Manufacturer's or Monroney sticker or suggested retail price ("MSRP")** is the sale price recommended by the manufacturer. The MSRP is only a reference point; consumers can and do negotiate lower prices. This label, affixed to the window, also shows the fuel economy.
- ▶ **Invoice price** is the manufacturer's initial charge to the dealer. This is usually higher than the dealer's final cost because dealers receive discounts.
- ▶ **Base Price** is the cost of the car without options, but including standard equipment and a factory warranty. This price is printed on the Monroney sticker.
- ▶ **Dealer Sticker Price**, which is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer markup (ADM) or additional dealer profit (ADP), dealer preparation and undercoating.

***Trade-Ins:*** If you are considering trading in your current vehicle, remember that a discount in the selling price of the new vehicle is sometimes off-set by an undervaluation of your trade-in – in other words, the dealer may offer you less for your current car than you could sell it for elsewhere. Check websites and publications such as the *N.A.D.A. Official Used Car Guide* [www.nada.com](http://www.nada.com) for suggested retail and trade-in values. Before trading-in, remove license plates and windshield registration.

### ***Tips on Financing***

If you obtain a loan to purchase the car, the dealer must handle the registration for you. Follow these tips to avoid the pitfalls of financing:

- ✓ Shop around for financing. Compare the interest rate offered through the dealership with the rate you can obtain with your bank or other credit institutions. Negotiate the finance charges.
- ✓ Beware of a balloon payment, which is a large payment that becomes due at the end of the agreement.
- ✓ Know the total amount that you are paying for the car – not just the monthly payments.
- ✓ Be cautious. Many consumers mistakenly believe that the law entitles them to a refund of their deposit if they decide not to buy a car. However, remember that there is no right to cancel a contract once you have signed it. Except if the dealer assists you in arranging for financing and you have not picked up the vehicle, you may cancel at any time prior to signing a finance agreement and receive a full refund.
- ✓ Contact the lender to alter arrangements if you cannot make a payment.

### ***Extended Warranties and Service Contracts***

For an additional cost, you may be able to purchase an extended warranty or service contract that will cover some or all maintenance of your car for a specified length of time. Be aware that extended warranties are expensive. If you are interested in a service contract, remember that cost and coverage vary greatly and may be subject to negotiation. Further, you should study the extent and term of coverage and compare it to the coverage already provided by the manufacturer warranty. A copy of the provisions and conditions of the service contract must be provided by the dealership. Typically, consumers are better off dealing with a nationally known service contract company. Providers of service contracts or extended warranties must be registered with the New York State Insurance Department (800)342-3736.

### ***New Car Protections: The Lemon Law***

The New Car Lemon Law provides a legal remedy for consumers who are buyers or lessees of new vehicles that turn out to be “lemons.”

- ✓ If you are the original purchaser or hold the original warranty for a car, you are protected against all material defects for **18,000 miles** or **two years**, whichever comes first.
- ✓ You are required to report problems to the manufacturer or dealer, who must correct them free of charge. If you report the problem to the dealer, the law requires the dealer to forward written notice to the manufacturer within seven days.
- ✓ If the same problem is not repaired after **four or more attempts**, or if the car is out of service for a cumulative total of **30 or more days** for repair of one or more problems, you may be entitled to a new car or refund. A dealer may refuse to refund your purchase price, or the payments made under your lease contract, if the problem does not substantially impair the car's value or if the problem is caused by abuse, neglect or unreasonable modification.
- ✓ To enforce the law, you may have to sue the manufacturer or participate in an approved arbitration program. The Office of the NYS Attorney General offers an arbitration program upon payment of a filing fee.
- ✓ Keep copies of all your complaint records, orders, repair bills and correspondence.

***Vehicle Registration and Privacy***

The federal Drivers License Protection Act (DPCA) requires a state department of motor vehicles (or any contractor) to protect the privacy of personal information in a motor vehicle record, including the driver's name, address, phone number, Social Security number, photograph, height, weight, gender, age and certain medical information from improper use or disclosure. This information may be obtained from the department for any federal, state or local agency use; for automobile or driver safety purposes, such as a recall; and for use in marketing activities when the individual has consented. If you are concerned about the confidentiality of your information, check with the NYS Department of Motor Vehicles (DMV) about disclosure restrictions. The Department maintains local offices around the State.

***Resources:*****OAG Consumer Helpline**

(for lease arbitration and new car consumer help):

(800) 771-7755

**New York State Department of Motor Vehicles**

(518) 474-8943

**Better Business Bureau**

NYS (800) 828-5000

NYC (212) 533-6200

[www.bbb.org](http://www.bbb.org)**Nat'l Auto Dealers Assoc.**

(800) 252-6232

[www.nada.org](http://www.nada.org)**Edmunds**[www.edmunds.com](http://www.edmunds.com)**Kelley Blue Book**[www.kbb.com](http://www.kbb.com)***Notes:***

## ***LEASING A VEHICLE: OAG AUTOMOBILE LEASING REFERENCE GUIDE***

***Introduction of Topic:*** Automobile leasing is different from buying and may provide a way to save money. Leases and loans are simply two different methods of automobile financing: leasing finances the use of a vehicle, while loans finance the purchase and ownership of a vehicle. Each has its own benefits and drawbacks; it's impossible to simply say that one is always better than the other because the balance depends on your own particular situation and preferences. Is having a new vehicle every two or three years with no major repair risks more important than long-term cost? Are long-term cost savings more important than lower monthly payments? This guide provides information to consider when deciding whether to buy or lease a vehicle.

### ***Buying Versus Leasing: Which is Best for You?***

Automobile leasing can be an attractive alternative to buying, but it is not for everyone. Consider the potential advantages and disadvantages of leasing when deciding whether this approach is the way to go to obtain a new car. Additionally, compare different leasing offers as the terms and conditions vary.

#### ***Leasing Advantages:***

- ▶ Because you only pay for the portion of the car or truck that you actually use, your monthly payments can be 30-60 percent lower than for a purchase loan of the same term.
- ▶ If you lease for a term that coincides with the length of the manufacturer's warranty coverage, anything that goes wrong with their car should be covered.
- ▶ Most leases require little or no down payment, which makes having a new car more affordable and frees up your cash for other things. However, in most situations, you can choose to make a down payment to lower your monthly payment amount.
- ▶ Generally, you don't pay sales tax on the entire value of a vehicle when you lease. You are only taxed on the portion of the value that you use during the lease. The tax is spread out and paid along with your monthly lease payment instead of being paid all at once.
- ▶ With leasing, the headaches of selling a used car are eliminated. When your lease ends, you simply turn it back to the company and walk away, unless you decide to buy or trade it.

#### ***Leasing Disadvantages:***

- ▶ When you lease, you never have ownership, and so you won't build up equity.
- ▶ Because leases typically require a smaller down payment, you generally must have a better credit rating than would be required for a loan because of the higher risk to the lessor. If you have a poor credit history, you may have to pay a higher interest rate to lease or you may even be refused.
- ▶ Lease contracts are purposely written to discourage, or even prevent, early termination. Early termination usually requires payment of extra charges and all remaining payments. Wanting or needing to end a lease early is the most common problem people have with leasing.
- ▶ Lease contracts typically limit the number of miles you can drive to 10,000-15,000 miles a year. If you exceed your limit, you'll be slapped with "excess mileage" charges at the end of the lease. *(Sometimes, additional miles can be "bought" at your lease signing at a lower per-mile cost.)*
- ▶ When returning the car, leasing companies look for no more than "normal" wear-and-tear or you will be charged extra. You are also responsible for insurance, upkeep and maintenance.

- ▶ A leased car doesn't belong to you; it belongs to the leasing company. Thus, you cannot make modifications.
- ▶ Different makes and models of vehicles can have dramatically different depreciation rates. Vehicles with the lowest depreciation make the best lease deals.

### ***Look Before You Lease: Key Terms and Principles***

Automobile leasing is based entirely on the concept that you pay for the amount by which a vehicle's value depreciates during the time you're driving it. **Depreciation** is the difference between a vehicle's original value and its value at lease end (**residual value**), and is the primary factor that determines the cost of leasing.

- ▶ **Closed-end leases**, sometimes called "**walk-away**" leases, are the best and most common type of leases. Under this agreement, you make a predetermined number of lease payments for a specified period of time, then return the vehicle at the end of the term. Barring any physical damage to the vehicle or additional mileage, you have no responsibility for the vehicle's value at the close of the lease. Any loss of value through depreciation of the vehicle is the responsibility of the leasing company.
- ▶ **Open-end leases** may require consumers to pay the difference between the value of the car at the beginning of the lease and the realized value at the end.
- ▶ **Capitalized or Cap Cost** is sometimes called **lease price**. In a good lease deal, the cap cost will be significantly less than the Manufacturer's Suggested Retail Price or MSRP. Capitalized cost may also include certain fees, such as an **acquisition fee**. These fees are not always apparent, so be sure to ask your lessor if they are included. Cap cost reductions include rebates, factory-to-dealer incentives, trade-in credit or cash down payments that reduce your lease price. Even modest cap cost reductions, such as a down payment, can significantly decrease monthly lease payments. Thus, negotiate all the lease terms, including the price of the vehicle, in order to lower the lease price and reduce your monthly payments.
- ▶ **Residual value** is the wholesale worth of a car at the end of its lease term, after it has depreciated. The higher the residual value, the more the car is worth at lease end – and the lower your lease payments. Different makes and models of vehicles can have dramatically different depreciation rates. Those vehicles having the lowest depreciation make the best lease deals. Generally, the best cars to lease are those whose 24-month residuals are at least 50 percent of their original MSRP value.
- ▶ **Lease factor** is the interest you pay on the leased vehicle. Lease factors should be comparable to, if not lower than, new car loan interest rates. A lower money factor reduces your monthly payments.
- ▶ A **depreciation fee**, a **finance fee** and **sales tax** will make up the three parts of your total lease cost. Check the dealer's calculations to avoid overpaying, making sure all parts of the transaction are included (trade-ins, down payments, rebates, discounted sticker price). It may help if you ask for the dealer's payment formula to avoid hidden fees. Lease payments are made at the beginning of the month in which they're due, and your first payment is due at the signing of the contract. This payment is **NOT** considered a down payment or a security deposit. If your lease application is not approved, you are entitled to a refund of any payments made.

### ***Your Rights as a Lessee***

The New York State Motor Vehicle Retail Leasing Act together with the Federal Leasing Law provide New York State auto lessees with the following rights:

- ✓ If requested, the leasing company must provide you with a sample lease with all costs and terms listed before you sign.

- ✓ The company is required to provide you with a copy of the signed lease. Until you receive it, you have the right to cancel.
- ✓ You have a 10 day grace period on all monthly payments before a late charge is assessed.
- ✓ If you default on a monthly lease payment, you have the right once during the lease term to reinstate the lease. You must make the required payments within 25 days after receiving notice of your reinstatement rights.
- ✓ You can terminate the lease at any time after 50 percent of the scheduled lease term, and if your obligations are current.
- ✓ Early termination charges must be reasonable and are limited under the law. The earlier you terminate your lease, however, the higher these charges will be.
- ✓ Upon early termination, the lessor may charge you any past due lease payments; any other unpaid amounts due; any fees or taxes imposed by government; a reasonable disposition fee as stated in the agreement; or the actual costs of selling the vehicle; any additional early termination charge disclosed in the lease which is reasonably related to the lessors anticipated or actual harm and any difference between the actuarial lease balance and the realized value of the vehicle. (*The realized value of the vehicle is the wholesale sales price, the highest cash bid, or the appraised value determined by an independent third party.*)
- ✓ Excess wear-and-damage charges can be assessed when the lessor repairs the vehicle or gets an estimate from a licensed appraiser. The lessor must provide you with an itemized excess wear-and-tear bill and a notice of your right to a second inspection of the vehicle if you disagree with the bill.
- ✓ You may dispute an excess wear and damage claim by using the arbitration program at the Office of the NYS Attorney General. But read your lease to see how your lessor defines what is "normal" wear-and-tear damage.
- ✓ You may sue for actual damages, reasonable attorney fees and a civil penalty for any violations under the Act. The Office of the NYS Attorney General also has civil enforcement authority.

**Resources:****OAG Consumer Helpline**

(for lease arbitration and consumer help)

(800) 771-7755

**New York State Department of Motor Vehicles**

(518) 474-8943;

[www.nysdmv.com](http://www.nysdmv.com)

**Federal Trade Commission**

(877) 382-4357;

[www.ftc.gov/autos/](http://www.ftc.gov/autos/)

**Kelley Blue Book (for model pricing & comparison)**

[www.kbb.com](http://www.kbb.com)

***AVOIDING CAR REPAIR HEADACHES:  
OAG AUTOMOBILE MAINTENANCE REFERENCE GUIDE***

***Introduction of Topic:*** Routine maintenance of your vehicle is critical to protecting your investment, as well as your means of transportation. At some point, your car will also need repair. This guide provides information that will help you avoid rip-offs and/or poor quality repairs.

***Repair Charges: Unlocking the Mystery***

Under the New York State Repair Shop Act, you have the right to a written work estimate and invoice, access to replaced parts and to inspect the car after repair.

***What should be included in an estimate?***

- ▶ Always get and keep a signed written cost estimate for the work to be performed. Make sure the estimate specifically identifies the condition to be repaired, the parts needed and the anticipated labor charge. (*Some shops charge a fee for a written estimate but the charge cannot exceed its hourly labor charge.*)
- ▶ Make sure the estimate states that the shop will contact you for approval before performing any work exceeding a specified amount of time and money. If you authorize the work by phone, record the date and time as well as the person to whom you spoke and other details.
- ▶ Some shops charge a flat rate for labor on auto repairs based on an independent or manufacturer's estimate of the time required to complete repairs. Other shops charge on the basis of the actual time the technician worked on the repair. Before having any work performed, ask which cost method the shop uses.

***When should you get a second opinion?***

When you bring in your car with a specific problem, but additional repairs for another problem are recommended.

- ▶ When needed repairs are expensive or complicated.
- ▶ Ask if there will be a diagnostic charge if you decide to have the work performed elsewhere, and note that shops that do only diagnostic work may be able to give you an objective opinion about which repairs are necessary.

***After your repair is done, what do you need?***

- ▶ Get a completed repair order/invoice describing the work done. It should list each repair, parts supplied, the cost of each part, labor charges, guarantees and the vehicle's odometer reading when it entered the shop. It should note when the order was prepared and authorized.
- ▶ Get back all replaced parts (must request this before any work is done). Find out if the replacement parts are new, remanufactured/rebuilt or salvaged. Rebuilt parts (e.g., rebuilt alternator or starter) are car parts that are returned to the manufacturer perhaps because of a defect and retooled to be as good as new. In some cases, they are covered by a warranty. Salvaged parts, on the other hand, are used parts taken from another vehicle without alteration. They may be the only source for certain items, but their reliability is seldom guaranteed.
- ▶ Inspect the vehicle before paying for repairs.

### ***Finding the Right Repair Shop & Technician***

The best way to avoid being ripped-off is to use a repair shop that you know and trust. The following tips will help you go about finding such a shop:

- ✓ Look for a repair shop **before** you need one to avoid making rushed decisions.
- ✓ Ask for recommendations from friends and family. Word-of-mouth is often the best way to find a good technician.
- ✓ Check for a green and white sign outside the shop and a current registration certificate inside to ensure that the repair shop is registered with the New York State Department of Motor Vehicles (**DMV**). Check with the local consumer agency too.
- ✓ Look for shops that display recent certifications, like an Automotive Service Excellence seal. Certifications indicate that some or all of the technicians have met standards of knowledge and competence in specific technical areas. Remember, however, that certification is not a guarantee of good or honest work.
- ✓ Find a repair shop that honors your vehicle's warranty, where appropriate.
- ✓ Shop around for the best deal.

### ***Preventative Maintenance: Protecting Your Vehicle***

The more you know about your vehicle, the better you will be at heading off problems before they become dangerous or expensive to fix. Many common vehicle problems can be spotted without technical training, just by paying attention to your car's operations. You may recognize problems by looking over your vehicle, listening for strange noises, sensing a difference in the way it handles or noting unusual odors. Since many parts of your vehicle are interrelated, ignoring maintenance can lead to failure of other parts or an entire system. Neglecting even simple preventive maintenance, such as changing the oil or checking the coolant, can lead to poor fuel economy, unreliability or costly breakdowns, and could invalidate your warranty.

To keep a vehicle in good condition, you should follow the manufacturer's maintenance schedule in the owner's manual for your type of driving. Some repair shops follow their own servicing schedules, calling for more frequent check-ups than the manufacturer's recommendations. Compare these schedules and ask the repair shop to explain differences.

### ***Dispute Resolution***

If you are engaged in a dispute regarding billing, quality of repairs or warranties:

- ✓ Be prepared to take action if something goes wrong. Keep records of all transactions; write down your experiences, dates, times, expenses and the names of people to whom you spoke; and keep copies of all written materials such as bills and estimates.
- ✓ Try first to settle the problem with the shop manager, owner or the manufacturer.
- ✓ If you cannot settle the dispute with the shop, seek help from the NYS Attorney General, the DMV or the Better Business Bureau. Complaints must be made to DMV within 90 days or 3,000 miles after the repair, whichever comes first.
- ✓ If the matter is unresolved, consider filing a restitution claim in small claims court, where you can represent yourself.

#### ***Resources:***

<b>OAG Consumer Helpline</b>	(800) 771-7755;	<a href="http://www.oag.state.ny.us">www.oag.state.ny.us</a>
<b>NYS Dept. of Motor Vehicles (DMV)</b>	(518) 474-8943;	<a href="http://www.nydmv.state.ny.us/">www.nydmv.state.ny.us/</a>
<b>Better Business Bureau</b>	NYS (800) 828-5000 NYC(212) 533-6200;	<a href="http://www.bbb.org">www.bbb.org</a>

## OAG GLOSSARY OF KEY TERMS

### Life Essentials: Cars

#### **-A-**

**Arbitration** – A form of alternative dispute resolution where an impartial person chosen by both parties or panel renders a decision as to fault and extent of loss. Arbitration is often used as the medium to resolve disputes involving defective vehicles.

**Automotive Service Excellence (ASE) Seal** – An industry program intended to promote integrity in automotive repair. A business displaying an ASE seal has passed industry-developed exams and has satisfied the experience requirements under the program. Annual reviews of each establishment ensure that professional certification credentials remain current.

#### **-B-**

**Base Price** – Cost of the car without options, but including standard equipment and factory warranty.

**Bill of Sale** – A written document proving the transfer of property. For example, when selling a car to acquire funds that will be used as a down payment on a newer vehicle, the lender will usually require the bill of sale (in addition to other items) to help document this source of funds.

#### **-C-**

**Cap Cost** – The amount agreed to at the beginning of the lease by lessee and dealer for all items and services in the lease. This is comparable to the selling price of the vehicle plus related goods and services.

**Carfax Report** – A car history report that provides buyers and sellers of used cars essential information prior to buying or selling a car, such as routine maintenance and odometer readings.

**Certificate of Title (MV-999)** – A document issued by the NYS Department of Motor Vehicles (DMV) to show proof of ownership of a car, truck or motorcycle.

**Consumer Lease** – A lease of a car for mostly personal or household use. Leasing a car usually comes with contract provisions governing excess mileage and maintenance.

#### **-D-**

**Dealer** – A person who sells or leases more than five automobiles in the last year. Under NYS law, a dealer must be registered with the DMV.

**Dealership** – A business that sells new cars, used cars or both. Dealerships generally provide maintenance service for cars including selling car parts and processing warranty claims.

**Dealer Sticker Price** – Usually a supplemental car sticker which lists the Monroney Sticker price plus the suggested retail price of dealer installed options, plus additional dealer markups ("ADM") or additional dealer profit ("ADP"), dealer preparation and undercoating.

**Depreciation** – A decrease in the value of property due to wear and tear and the passage of time.

**DTF-802 Tax Affidavit** – A document proving the purchase price of the vehicle for sales tax purposes. The affidavit is to be filled out by the seller and taken to the DMV when applying for a registration and title.

**-E-**

**Extended Warranties or Service Contracts** – A contract between a consumer and the warranty company to cover any repairs or parts of the car not covered by the vehicle manufacturer. Extended warranties may be offered by dealers for an additional cost. Service contracts vary greatly in cost and coverage and may be subject to negotiation.

**-I-**

**Invoice Price** – The car manufacturer's initial charge to the dealer but usually does not reflect rebates, allowance, discounts and incentive awards which lower the dealer's final cost.

**-L-**

**Leasing** – A type of financing where you pay for the use of a car in monthly payments. At the end of the term of the lease, a consumer is expected to return the car to the leasing company and pay for any damage and mileage not included in their contract. The lessee may have the option to purchase the car for a specified amount.

**-M-**

**Manufacturer's Suggested Retail Price (MSRP)** – This is the sale price recommended by the manufacturer. The MSRP is only a point of reference, and is a figure from which consumers can negotiate. In fact, in the overwhelming majority of cases, new cars are not sold at the MSRP.

**Monroney Sticker Price (MSP)** – Affixed to the car window, this sticker shows the base price plus the manufacturer's installed options with the manufacturer's suggested retail price and transportation charge, and the fuel economy (mileage). It is required by federal law and the sticker may only be removed by the purchaser.

**-R-**

**Rebuilt and Reconditioned Parts** – Parts that have been restored to a sound working condition. Some manufacturers offer a warranty covering replacement parts.

**Repair Order** – The form used for a motor vehicle repair or service transaction. Under the law, it must provide information on the right to an estimate (written or oral), customer authorization for repair and authorization for additional charges that exceed the estimate and warranties.

**Residual Value** – The amount you pay to purchase a car at the end of the leasing period.

**-S-**

**Salvage Parts** – Parts taken from another vehicle without alteration.

**-T-**

**Trade-In Value** – The amount someone will receive for their current vehicle which will be applied toward the purchase of a newer vehicle.

**-U-**

**Used Car Lemon Law** – A legal remedy, provided by NYS law, for buyers or lessees of used cars that turn out to be defective. Dealers are required to give consumers a written warranty. Under this warranty, a dealer must repair, at no cost, any defects in covered parts or at the dealer's option, reimburse consumer for reasonable costs of such repairs. If the dealer is unable to repair the car after a reasonable number of attempts, the consumer is entitled to a full refund of the purchase price. No used car covered by this law can be sold by a dealer "as is."

**-V-**

**Vehicle Identification Number (VIN)** – The identifying code for a specific car, which is engraved on various car parts, including the dashboard and engine block. This code allows a consumer to conduct a search of the car on the carfax database. The database provides a history of the car which includes warranty claims, odometer rollback, recall, lemon check, car accidents, salvage or flood information, thefts and insurance coverage.

**Sources:**

<b>Office of the NYS Attorney General, Consumer Smarts Guide</b>	<a href="http://www.oag.state.ny.us">www.oag.state.ny.us</a>
<b>New York State Department of Motor Vehicles</b>	<a href="http://www.nydmv.state.ny.us">www.nydmv.state.ny.us</a>
<b>Consumer Car Leasing Guide</b>	<a href="http://www.leaseguide.com">http://www.leaseguide.com</a>
<b>Carfax</b>	<a href="http://www.carfax.com">www.carfax.com</a>

**Notes:**

## **APPENDIX**

## OAG MODEL WORKSHEET

### FINANCIAL LITERACY: BUDGETING AND SAVINGS Annual or Bi-annual Expenses Worksheet

<b>Housing</b>	<b>Money Spent \$\$</b>	<b>Food</b>	<b>Money Spent \$\$</b>
Rent/Mortgage		Groceries	
Taxes/Insurance		Meals Outside the Home	
Utilities		Snacks	
Telephone		Other	
Cable/Internet			
Other			
<b>Total \$</b>		<b>Total \$</b>	
<b>Transportation</b>	<b>Money Spent \$\$</b>	<b>Personal</b>	<b>Money Spent \$\$</b>
Car Insurance		Clothing	
Gasoline		Dry Cleaning/Laundry	
Car Maintenance		Hair Salon	
Parking Fees		Cosmetics	
Other		Manicures	
		Other	
<b>Total \$</b>		<b>Total \$</b>	
<b>Health</b>	<b>Money Spent \$\$</b>	<b>Entertainment</b>	<b>Money Spent \$\$</b>
Copay for Dr. Visits		Books/Music CD's	
Copay for Prescription		Movies/Movie Rentals	
Medical		Travel	
Dental		Hobbies	
Other		Other	
<b>Total \$</b>		<b>Total \$</b>	

<b>Banking</b>	<b>Money Spent \$\$</b>	<b>Other Expenses</b>	<b>Money Spent \$\$</b>
Bank Fees		School Loans	
Investments		Child Care	
Checking Account		Child Support	
Savings Account		Magazine Subscriptions	
		Cash Gifts	
<b>Total \$</b>		<b>Total \$</b>	

## OAG MODEL WORKSHEET

### FINANCIAL LITERACY: BUDGETING AND SAVINGS

#### Weekly Expenses – Practice Worksheet

Prior to creating a budget, you should track your spending. This practice will help you in designing a more realistic and manageable budget. Use the worksheet below to track your weekly spending.

#### Monday

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_

#### Tuesday

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_

#### Wednesday

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_

#### Thursday

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_



**Friday**

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_

**Saturday**

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_

**Sunday**

Items and Services Purchased	Cost

Total \$ \_\_\_\_\_

**Total Expenses for the Week: \$ \_\_\_\_\_**

## OAG MODEL WORKSHEET

### FINANCIAL LITERACY: BANKING ON YOUR SAVINGS

#### Reconciling – Practice Worksheet

Reconciliation (reconciling your checks, deposits, ATM withdrawals and debit card purchases) is essential when trying to keep track of your expenses and planning a budget. When balancing your checkbook, you should have a checkbook register, a copy of your latest bank statement and/or cancelled checks and a calculator. Below is a sample for your convenience and practice.

#### Checks Outstanding

Check Number	Amount
<b>Total Checks Outstanding</b>	

#### Deposits Outstanding

Date of Deposit	Amount
<b>Total Deposits Outstanding</b>	

1. Balance on Your Bank Statement

\_\_\_\_\_

2. Total of Checks Outstanding

\_\_\_\_\_

3. Subtract the above two items (bank statement and total checks outstanding)

\_\_\_\_\_

4. Total of Deposits Outstanding

\_\_\_\_\_

5. Add (3) + (4)

\_\_\_\_\_

This number should match the number in your check register. If not, your account has an error.

## OAG MODEL WORKSHEET

### FINANCIAL LITERACY: SHOPPING FOR AND COMPARING CREDIT CARDS

Select three or four credit card solicitations or advertisements and compare credit card offers and terms before applying.

Credit Terms	Card #1	Card #2	Card #3	Card #4
Annual Percentage Rate				
Conditions in which the APR can change				
Annual Fee				
Minimum Payment				
Grace Period				
Credit Limit				
Cash Advance Fee				
Over-the-Limit Fee				
Balance Transfer Fee				
Miscellaneous Fees				

- *Of the cards listed above, which is the best offer and why?*

## OAG MODEL WORKSHEET

### IDENTITY THEFT: INVENTORY CHECK LIST

Identity theft may start with the loss or the theft of a wallet or bag filled with various forms of identification. This inventory check list will serve as a tool to assess what forms of identification are missing. Determining what is missing will help you decide whom to contact and what to do to reduce the risk of identity theft.

**What Was In Your Wallet or Purse?** Check off the missing items.

- Social Security card
- Driver's license. Did it have your SSn on it? Yes/No
- Credit cards (itemize)
- Vehicle registration
- ATM/ Debit cards/ Bank cards
- Bank Book/personalized deposit or withdrawal forms
- Check cashing card/ bank checks (your own account)
- AAA and/or auto insurance card
- Library card
- Video store card
- Health insurance/prescription/dental card
- Employee or student ID card
- Military ID card
- Green card or immigration papers
- Passport
- Health club card
- Long-distance calling card
- Prepaid phone cards – Nonrenewable/ Renewable
- Any bills/statements you may have been carrying (i.e., telephone, electricity, credit card, cable)
- Birth certificate
- Store discount/club cards
- Discount cards or passes (movie, amusement parks)
- Social Security cards or numbers for any other family members (spouse, children)
- Addresses, phone numbers, e-mail addresses and birth dates for friends, family, business associates
- Codes, passwords, authorization information
- Other

**OAG MODEL WORKSHEET****IDENTITY THEFT: ACTIVITY RECORD**

This form may be used as a tool to keep track of those to whom you reported the fraudulent use of your identity. You are encouraged to keep this record in a safe place for reference. Depending on your case, you may not need to contact every business/entity listed.

**Credit Bureaus - Report Fraud**

Bureau	Phone Number	Date Contacted	Contact Person(s)	Comments/Results
Equifax	1-800-525-6285			
Experian	1-888-397-3742			
Trans Union	1-800-916-8800			

**Banks, Credit Card Issuers and Other Creditors (Contact each creditor promptly to protect your legal rights).**

Financial Institution/ Creditor	Address and Phone Number	Date Contacted	Contact Person(s)	Comments/Results

**Law Enforcement and Other Authorities - Report Identity Theft**

Agency/Dept	Phone Number	Date Contacted	Contact Person(s)	Report/ Case Number	Comments/ Results
Local Police Dept.					
Federal Trade Commission	1-877-IDTHEFT (438-4338)				
Attorney General	1-800-771-7755				
Motor Vehicle	1-518-473-6464				
Social Security Admin.	1-800-269-0271				
U.S. Postal Inspection Service	1-888-877-7644				
U.S. State Department/ Passports					

**Other Businesses**

<b>Firm</b>	<b>Phone Number</b>	<b>Date Contacted</b>	<b>Contact Person(s)</b>	<b>Report/Case Number</b>	<b>Comments/Results</b>
Utility					
Long-Distance Carrier					
Cable Company					
Health Insurance					
Health Club					
Library					
AAA/Motor Club					
School/ Employer					
Discount Clubs					
Other					

## OAG MODEL WORKSHEET

### LIFE ESSENTIALS: BUYING AND OWNING A HOME Mortgage Comparison Shopping Chart <sup>1</sup>

<b>Company Name/Contact Information</b>	<b>Lender 1</b>	<b>Lender 2</b>	<b>Lender 3</b>
<b>Mortgage Type</b>			
<b>Fixed Interest Rate</b> Interest Rate Points Annual Percentage Rate Date of Quote			
<b>Adjustable Rate</b> Initial Interest Rate Adjustable Interval			
<b>Mortgage Interest Rate Lock-ins</b> Upon Application At Approval Costs Time Period			
<b>Minimum Down Payment</b> With/Without insurance			
<b>Loan Processing Time</b> How many days from application to approval? Approval to closing?			
<b>Closing Costs and Fees</b> Appraisal Surveys Title Insurance			
<b>Notes:</b>			

<sup>1</sup> Adapted from "Choosing the Mortgage That's Right For You," Fannie Mae Foundation

**OAG MODEL WORKSHEET****LIFE ESSENTIALS: AUTOMOBILE PURCHASING****The Real Cost of That Car**

Name of Dealer: \_\_\_\_\_ Date: \_\_\_\_\_

**Complete the following table to determine the true cost of car ownership.**

<b>Car Make/Model/Year/Mileage</b>	
<b>Sale Price (cash price)</b>	
<b>Down Payment</b>	
<b>Terms of the Loan</b> Interest rate Loan period Monthly payment	
<b>Total Credit Price</b> Loan amount Total interest paid Loan/misc. fees	
<b>Monthly Insurance Rate</b> Reminder: Full coverage is required if there is a loan on the car.	
<b>Gas Mileage/Monthly Gas Costs</b>	
<b>Monthly Maintenance (average)</b> Oil changes Tune-up Major repair work	
<b>Registration Costs</b>	
<b>Property Tax</b>	
<b>Miscellaneous Costs (e.g., parking fees)</b>	
<b>TOTAL COSTS</b>	

## OAG MODEL WORKSHEET

### LIFE ESSENTIALS: AUTOMOBILE PURCHASING

Before you negotiate the price of your next car, use this worksheet to evaluate the vehicle.

**Make/Model** \_\_\_\_\_

**Base Price** \_\_\_\_\_

\*You can get the invoice price by looking at the dealer's invoice or reviewing car publications.

OPTIONS	INVOICE PRICE*	STICKER PRICE
<b>Transmission</b> Automatic Manual		
<b>Engine</b> Size:		
<b>Brakes</b> Anti-Lock Power-Assisted		
<b>Air Bags</b>		
<b>Power Locks and Windows</b> Remote keyless Entry Child Protection Locks		
<b>Air Conditioning</b>		
<b>Windows</b> Tint Rear Wiper Rear Defroster		
<b>Wheels and Tires</b> Alloy wheels All season tires Hubcaps		
<b>Audio and Speaker System</b> AM-FM CD player		
<b>Mirrors and Lights</b> Fog Lights Illuminated Dual Vanity Mirrors Map Lights Exterior Power Mirrors		
<b>Alarm System</b>		
<b>Cellular Phone</b>		
<b>Satellite Navigation System</b>		

<b>OPTIONS</b>	<b>INVOICE PRICE*</b>	<b>STICKER PRICE</b>
<b>Vinyl or Sun Roof</b>		
<b>Luggage Rack</b>		
<b>Paint Scheme</b>		
<b>Undercoating</b>		
<b>Other</b>		
<b>Totals</b>		

You can get the invoice price by looking at the dealer's invoice or reviewing car publications.

