



# Consumer Issues

Winter 2001

Vol. 12, No. 1



## National Consumer Protection Week 2001

February 5th - 11th

### CONSIDER THIS BEFORE USING YOUR HOME AS COLLATERAL

The theme of National Consumer Protection Week 2001 is PREDATORY LENDING. Predatory lending is the practice used by some lenders whereby money is loaned to homeowners based on the equity in their home rather than the ability of the homeowner to repay the loan. If homeowners are unable to make loan payments, then they will not only lose their house but they will also lose any equity.

If you are considering a mortgage or home equity loan, consider the following warning signs before deciding whether to use your home as collateral:

Avoid lenders who:

- ✓ Tell or require you to falsify information on the loan application.
- ✓ Pressure you into applying for a loan or applying for more money than you need.
- ✓ Pressure you into accepting monthly payments you can't make.
- ✓ Fail to provide required loan disclosures such as annual percentage rate or payment information or tell you not to read the contract.
- ✓ Misrepresent the kind of credit you're getting. For example, calling a one-time loan a line of credit.
- ✓ Promise one set of terms when you apply, and gives you another set of terms to sign — with no legitimate explanation for the change.
- ✓ Tell you to sign blank forms — the lender says they'll fill them in later.
- ✓ Say you can't have copies of documents that you've signed.

Don't forget that **The Truth in Lending Act** gives most home equity borrowers a right of recession. This means that you have at least three business days after closing to cancel the deal.

If you would like additional information on predatory lending or would like to file a complaint against a company, please contact:

Office of Attorney General  
 Bureau of Consumer Protection  
 1-800-441-2555  
<http://www.attorneygeneral.gov>

Some of this information was adapted from the Federal Trade Commission's FTC Consumer Alert (Nov 2000) entitled "Need a Loan? Think Twice About Using Your Home as Collateral". The FTC can be reached at 1-877-382-4357 or [www.ftc.gov](http://www.ftc.gov). The American Association of Retired Persons (AARP) also can provide information on predatory lending. AARP can be reached at 1-800-424-3410 or [www.aarp.org/getans/predatorylending.html](http://www.aarp.org/getans/predatorylending.html).

### What's Inside

- ◆ Credit Report Cost Remain Unchanged
- ◆ Are Elderly Consumers More Receptive to Telemarketing Fraud?
- ◆ Pennsylvania Sales Tax Holiday on Personal Computers
- ◆ Social Security and Medicare Changes
- ◆ Highlights of the Fair Credit Reporting Act
- ◆ Store Returns
- ◆ Check Credit Card Billing Statements

## Credit Report Cost Remain Unchanged

Each year, the Federal Trade Commission, FTC, sets the maximum allowable charge that credit reporting agencies can charge consumers to get a copy of their credit report. For 2001, the maximum charge allowed will be \$8.50. The 1996 amendments to the Fair Credit Reporting Act directs the FTC to make this yearly change. The change in price is tied to the Consumer Price Index (CPI).

It's a good idea to check your credit report yearly, for accuracy. To get a copy of your credit report, contact one of the three major credit reporting agencies.

### ◆ Experian Consumer Assistance — \$8.50

P.O. Box 2104  
Allen, TX 75013-2104  
Telephone: 888/397-3742

### ◆ Equifax Information Service Center—\$8.50

Attention: Consumer Department  
P.O. Box 105873  
Atlanta, GA 30348  
Telephone: 800/685-1111

### ◆ Trans Union — \$8.50

National Consumer Disclosure Center  
PO Box 1000  
Chester, PA 19022  
Telephone: 800/888-4213 or 800/916-8800

## Are Elderly Consumers More Receptive to Telemarketing Fraud?

Every year consumers lose more than \$40 billion because of telemarketing fraud. The FBI estimates there are 14,000 fraudulent telemarketing companies in the United States. Unfortunately, 80% of these businesses target older people. According to the American Association of Retired Persons (AARP), fraudulent telemarketers keep lists of the names of their most likely victims. Between 1996 and 1997, AARP commissioned a telephone survey to study the receptiveness of consumers 50 years

of age or older to telemarketing fraud. Fifty percent of those surveyed were 50 years of age or older. Receptiveness was measured by consumers' willingness to listen to telemarketing solicitations, whether consumers possessed a positive or negative attitude toward telemarketers, and consumers' frequency of sending money to unknown telemarketers.



Based on previous research studies about factors affecting receptiveness to telemarketing solicitations, it was hypothesized that the following group would be more receptive to telemarketing fraud.

- Those receiving frequent telephone solicitations
- Retired consumers vs. those active in the workforce
- Single consumers being alone vs. those living with someone
- Older consumers
- Less educated consumers
- Racial and ethnic minorities vs. non-Hispanic whites
- Lower income consumers
- Female consumers vs. male consumers

Study results indicated that frequency of telephone solicitations, retirement, living alone, education level, income level, and being female do not affect receptiveness to telemarketing fraud. However, older consumers were found to be more willing to listen to telephone solicitations. Racial or ethnic minorities and men were found to have a more positive attitude toward telemarketers. Racial or ethnic minorities were found to be more willing to send money to unknown telemarketers.

#### Source:

Lee, J. & Geistfield, L. (1999). Elderly consumers' receptiveness to telemarketing fraud. *Journal of Public Policy & Marketing*, 18(2), 208-217.

## **Pennsylvania Sales Tax Holiday on Personal Computers**

*February 18–25, 2001*

If you missed the opportunity in August 2000 to purchase a computer tax-free, you will have a second chance February 18–25, 2001. Important details are below.

Frequently Asked Questions about the PC Sales Tax Holiday.

### **1. Who may buy a personal computer tax-free?**

Any individual may buy a personal computer tax-free at retail stores in the Commonwealth, through the mail, or over the Internet, provided the computer is for non-business use and all hardware and software are purchased in the same transaction.

### **2. What exactly does “tax-free” mean?**

“Tax-free” means that no PA Sales or Use Tax applies to the price of a personal computer. In Philadelphia or Allegheny Counties, there is no 1% Local Sales or Use Tax either.

### **3. When is the purchase of a personal computer tax-free?**

The purchase of a personal computer is tax-free only during the exemption period. The second exemption period lasts from February 18, 2001 until, and including, February 25, 2001 (first period was 8/6–13/00). The law states that an individual must either pay the purchase price and take delivery during the exemption periods or place an order and pay during the exemption periods, even if delivery takes place later.

### **4. What computer equipment is exempt from Sales Tax?**

The exemption applies to the sale of a laptop, desktop, or tower personal computer, including all the internal components, hardware and software sold in the same transaction. Examples of hardware and software that may be tax-free are disk drive; memory module; compact disk (CD-ROM) drive and disk; modem; printer; scanner; monitor; keyboard; mouse;



microphone; motherboard; daughterboard; central processing unit; digitizer; sound card; multimedia speaker; video card; single-user operating system; single-user-licensed software; service contract; and warranty contract.

### **5. What minimum components must a personal computer have to be tax-free?**

To be tax-free, a personal computer sold in the same transaction must include a central processing unit, random access memory, a storage drive, a display monitor, and a keyboard.

### **6. May customers purchase tax-free a new printer or a scanner to use with a personal computer they already own?**

No. The exemption applies only to the purchase of a personal computer. Upgrades or replacement parts or equipment are taxable.

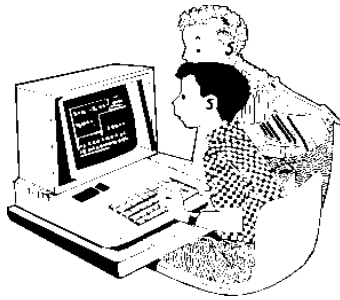
### **7. Does the exemption apply to software purchased along with a personal computer, even if the software is not pre-installed?**

Yes. Software purchased with a personal computer in the same transaction is also tax-free.

### **8. What computer equipment is taxable even during the exemption periods?**

The following items are not tax-free personal computers and remain taxable: minicomputers; mainframe computers; network servers; local area network hubs, routers, and cabling; hardware word processors; personal digital assistants; graphical calculators; handheld computers; game consoles; Internet TV consoles; network operating systems; multiple-user operating systems; multiple-user-licensed software and hardware; separate sales of internal and external components; and computer hardware and software purchased by businesses.

**9. Does a customer who orders a computer during an exemption period and pays for it later, get the exemption?**



No. The law requires that the customer purchase a personal computer during an exemption period. The law defines a purchaser as an individual who pays the purchase price and takes delivery during the exemption period or who places an order and pays the purchase price, even if delivery takes place later. For that reason, layaway sales and lease arrangements are taxable. However, the Department of Revenue will recognize installment sales entered into during February 18–25, 2001 as qualifying for the exemption. Installment sales for purposes of this exemption are those sales where the purchaser incurred the obligation to pay or make partial payment with the full payment being due at a later date, and is entitled to immediate possession (prior to full payment) of the property. (Note: property can be delivered at a later date as long as the purchaser is entitled to immediate possession.)

**10. Can some retailers opt out of the tax-free sales of personal computers?**

No. Purchases of a personal computer for nonbusiness use are not subject to PA Sales or Use Tax during the two exemption periods. No retailer may legally collect PA Sales Tax on a tax-free personal computer sold during the exemption periods.

**11. What if a retailer charges tax on a personal computer during the tax-free period?**

Customers may take their receipts to the retailer who charged PA Sales Tax and ask for a refund of the tax. If the retailer will not refund the tax, the customer can petition for a refund with the Department of Revenue by filling out and returning a REV-65 Petition Form.

**12. If, during an exemption period, a customer buys a personal computer, plus unrelated equipment and supplies, is everything tax-free?**

No. Retailers must separately list the purchases on the sales receipt. The personal computer including any related software and hardware is tax-free. Unrelated equipment and supplies, such as paper, are taxable.

**13. Is the rental, lease, or repair of a personal computer tax-free during the exemption periods?**

No. The tax exemption applies only to the purchase of a personal computer for nonbusiness use.

**14. If a customer purchased a personal computer before the exemption period and then exchanges it for another personal computer during the exemption period, is the second purchase tax-free?**

Yes. The new item, if it is a personal computer purchased during the exemption period, is tax-free.

**15. How does the exemption apply to sales over the Internet?**

Sales over the Internet are treated the same as mail order sales. Customers may purchase a personal computer over the Internet exempt from the PA Sales and Use Tax during the exemption periods.

**16. Are shipping charges on mail order and Internet sales tax-free during the exemption periods?**

Yes. When a customer's purchase of a personal computer is tax-free, shipping and handling charges are also tax-free. If taxable merchandise is shipped with a tax-free personal computer, the shipping charge should be allocated to the items purchased and PA Sales Tax collected only on the shipping charge related to taxable items.

Source: <http://www.state.pa.us/taxfreepc/pcsutholiday.htm>

### Social Security and Medicare Changes 2001 Benefits and Charges

2001 cost-of-living adjustment (COLA)	3.5%
Tax rate for employees	7.65%
Social Security portion	6.20%
Medicare portion	1.45%
Tax rate for self-employed	15.30%
Maximum taxable payroll earnings	
Social Security	\$ 80,400
Medicare	no limit
Retirement earnings-test exemption annual amounts	
Under age 65	\$ 10,080
Year individual reaches age 65	\$ 25,000
Maximum monthly Social Security benefit for worker retiring at age 65 in January 2001	\$ 1,536
Estimated monthly SS benefits	
All retired workers	\$ 845
Couple, both receiving benefits	\$ 1,410
Widow(er)	\$ 811
Standard federal monthly SSI payments	
Individual	\$ 530
Couple	\$ 796
Maximum allowable assets for SSI	
Individual	\$ 2,000
Couple	\$ 3,000
Medicare Part B monthly premium	\$ 50.00
Medicare Part B deductible per year	\$ 100
Medicare Part A deductible, hospital stay --	
first 60 days	\$ 792
Copayment for days 61-90	\$ 198/day
Copayment for lifetime reserve days	\$ 396/day
Copayment for skilled-nursing facility, days 21-100	\$ 99/day
Buy-in premium	
(Worked less than 30 quarters)	\$ 300/month
Buy-in premium	
(worked 30 – 39 quarters)	\$ 165/month

*Source:* Social Security Administration and Department of Health and Human Services

### Highlights of the Fair Credit Reporting Act

The 1996 amendments to the Fair Credit Reporting Act has key protections for you that are worth repeating. File this list in your credit card file for later reference.

- ✓ If denied credit, you can get a free copy of your credit report if requested within 60 days of the denial notice.
- ✓ The maximum amount you can be charged in 2001 for a copy is \$8.50. In some states the price may be lower.
- ✓ If you are unemployed and intend to apply for a job, on public assistance, or believe you are victim of fraud you can get one (1) free copy per year. You must document these situations to get a free report.
- ✓ You must give a potential employer written permission (your signature) to access your credit history.

### Reinvestigations of Disputed Information

Time limit	Action
30 days	Consumer reporting agencies (CRA), i.e., credit bureaus must reinvestigate, free of charge, any disputed information that appears in your file after receiving a notice from you of the dispute.
5 days	CRA must notify an information source (i.e., creditor) that the consumer is disputing information they provided.
5 days	CRA must notify a consumer if a decision is made that a dispute is frivolous or irrelevant.
5 days	After a reinvestigation has been completed, notice of the results must be sent to the consumer.

## Store Returns

Have you noticed the return policy of some large retail stores? Unless you have a receipt which documents the price paid for an item, you might only be refunded or given store credit that is less than the price you paid, EVEN if the original tag is still attached to the item. If the item has been on clearance since your original purchase date, when the UPC code is scanned, the computer may only have the clearance price. So be aware.

*Consider the following when buying items that you are not certain you will keep.*

**Ask yourself** "Will I have time to return the item in the next 7 days if it does not work for me." If the answer is no, consider delaying your purchase.

**Keep receipts** in one place for items that might be returned for any reason.

**Write down** key details about the store's return policy on the receipt, such as "90 days to return."

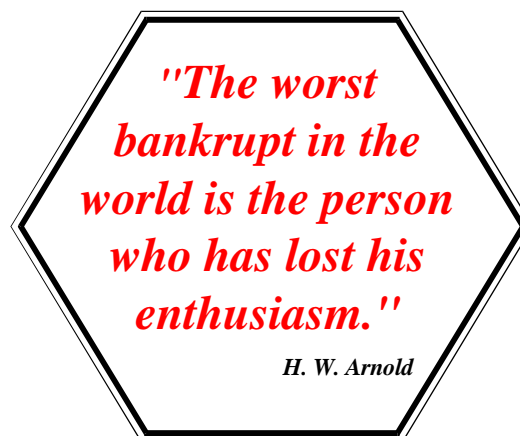
**Have the clerk** tape the receipt to the item. Chances are you will not misplace the item.

**Ask for a copy** of the store's return policy at the service desk. Most will have it posted on a large sign. Some stores have key details about returns printed on the receipt.

**Finally**, for specialty items such as electronic, computer equipment or software, make sure the return policy for those items does not differ from the store's general return policy.

## Check Credit Card Billing Statements

As the bills from credit card purchases arrive in the mail the upcoming months, remember to compare your receipts against the charges that appear on your statement. While checking for the accuracy of the charges, you will also be reminded of the items you charged! If there are any incorrect charges or any charges you did not authorize, report them to your credit card company immediately. Your liability is limited to \$50 (per card) for **unauthorized** charges.



---

Written by:

Cathy F. Bowen, Assistant Professor  
Consumer Issues Programs  
Department of Agricultural and Extension Education  
(814) 863-7870      Internet: cbowen@psu.edu

.....  
Kesha Faison's contributions to this newsletter are acknowledged. Faison is a graduate student in the Department of Agricultural and Extension Education.

---

This file may be accessed electronically at:  
<http://AgExtEd.cas.psu.edu/FCS/cimenu.html>

---

This publication is available in alternative media on request.

Where trade names appear, no discrimination is intended and no endorsement by Penn State Cooperative Extension is implied.

The Pennsylvania State University is committed to the policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. The Pennsylvania State University does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status. Direct all inquiries regarding the nondiscrimination policy to the Affirmative Action Director, The Pennsylvania State University, 201 Willard Building, University Park, PA 16802-2801; tel. (814) 863-4700/V; TDD (814) 863-1150/TTY.