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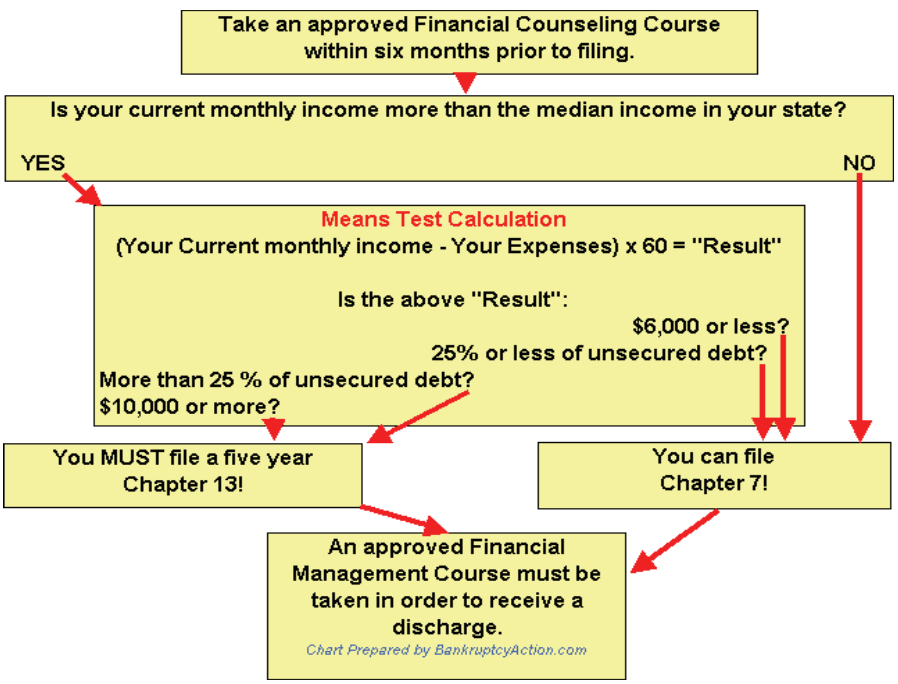
Bankruptcy Law Changes October 17

After seven years of debate and changes, the bankruptcy reform act finally passed in the U.S. Congress and was signed into law by President Bush. This law becomes effective October 17, 2005. Debtors considering bankruptcy must now compare their income with the average income of their state's residents. This test will identify those who have the financial capacity to pay something to creditors.



The chart below summarizes who has to file and which Chapter of Bankruptcy, 7 or 13, they can file. Chapter 13 is debt repayment and Chapter 7 is liquidation of assets wherein nonexempt assets are sold and creditors paid from the proceeds.

Filing Procedures Under the New Bankruptcy Code (Effective October 17, 2005)

A major intent of the bankruptcy reform is to require people who can afford to pay something on their debt to make these payments, while still affording them the right to have some of their debt erased. Other key features of the new law are as follows:

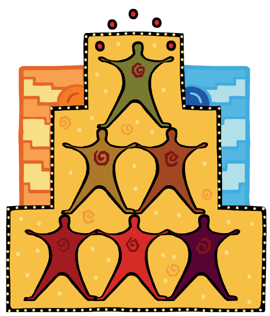
- Personal bankruptcy filers (Chapter 7&13) are required to take mandatory counseling from an approved nonprofit budget or credit counseling organization.
- A bankruptcy will not be discharged until the completion of a personal financial management instruction.
- A second Chapter 7 may not be filed until after eight years has passed from the previous filing.
- A debtor may not file a Chapter 13 for four years after filing a Chapter 7 discharge and two years after filing a Chapter 13.
- Consumers will not be allowed to separate asset interests in an automobile purchased within two-and-a-half years prior to the bankruptcy or consumer goods within one year of filing for bankruptcy.

Sources:
1. http://www.bankruptcyaction.com/questions.htm
2. http://www.washingtonpost.com/wp-dyn/articles/A48993-2005Mar19.html
3. AFCPE The Standard, April 2005, pp. 11–13.

Affinity Fraud: What It Is and How It Works

Affinity fraud refers to investments scams that happen to members of identifiable groups; such as religious or ethic communities, the elderly, or professional groups. The fraudsters who promote affinity scams frequently are (or pretend to be) members of the group. They usually recruit respected community or religious leaders from the group to convince others that the fraudulent investment is legitimate and worthwhile.

These scams exploit the trust and friendship that exist in groups of people who have something in common. Because of the tight-knit structure of many groups, regulators may have difficulty detecting an affinity scam.



Many affinity scams involve "Ponzi" or pyramid schemes. In this scheme, new investor money is used to make payments to earlier investors. This gives the first investors the false impression that the investment is successful. By using prominent members of the group for initial investors, other members of the group are tricked into investing. This scheme depends on an endless supply of new investors. When the supply of investors dries up, the scheme collapses and investors discover that most or all of their money is gone.

"Nothing brings more pain than too much pleasure."

Tips to Avoid Being an Affinity Fraud Victim

- Check out everything, no matter how trustworthy the person who brings the investments opportunity seems.
- Never make an investment based solely on the recommendation of a member of an organization.
- Be aware that the person telling you about the investment may have been fooled into believing that the investment is legitimate when it is **not**.
- Do **not** fall for investments that promise spectacular profits or "guaranteed" returns. Be extremely cautious of any investment that is said to have no risks.
- Be skeptical of any investment opportunity that is not written.
- Be suspicious if you are told to keep the investment opportunity a secret.
- Don't rush into buying an investment before you have a chance to think about or investigate the opportunity.
- Fraudsters are increasingly using the Internet to target particular groups through e-mail spam. If you receive an unsolicited e-mail, with a "can't miss" investment from someone you don't know, your best move is to pass up the "opportunity" and forward the spam to the U.S. Security and Exchange Commission at enforcement@sec.gov.

For examples of real cases involving affinity fraud, go to the U.S. Security and Exchange Commission Web site below.

Source: http://www.sec.gov/investor/pubs/affinity.htm.

NASAA's 2005 Top 10 Threats to Investors

The North American Securities Administrators Association (NASAA) identified the most common ploys being used to cheat investors out of millions of dollars. The rank was based on the order of occurrence and seriousness, as identified by an annual survey of states securities regulators.

1. ***Ponzi Schemes***—Pay early investors with money raised from later investors. The only people who make money are the promoters who set the Ponzi in motion.
2. ***Unlicensed Individuals Selling Securities***—People selling securities without a valid license. Remember: no license, no sale.
3. ***Unregistered Investment Products***—Fraudsters bypass strict state registration to pitch viatical settlements.
4. ***Promissory Notes***—Empty promises can leave these notes worth less than the paper on which they are printed.
5. ***Senior Investment Fraud***—Seniors continue to face investments fraud by con artists peddling unsecured promissory notes and other fraudulent investments.
6. ***High-Yield Investments***—Fraudsters lure people with promises of triple-digit returns or "risk-free guaranteed high-yield instruments."
7. ***Internet Fraud***—Stock promoters are using online "boiler rooms," instant messaging, and fake Web sites to lure investors.
8. ***Affinity Fraud***—Con artists are increasingly targeting religious, ethic, cultural, and professional groups.
9. ***Variable Annuity Sales Practices***—Senior investors should be aware of the high surrender fees and sales commissions agents earn when they move investors into variable annuities.
10. ***Oil and Gas Scams***—Con artists may renew schemes promising quick profits in oil and gas ventures particularly when the Middle East oil situation is unstable.

For more information visit:
http://www.nasaa.org/nasaa_newsroom/current_nasaa_headlines/2719.cfm/.

How to Choose a Financial Planner or Investment Advisor

Finding a qualified, objective financial planner may seem as challenging as actually doing the investment research yourself. Looking through all of the options until you choose a qualified planner with whom you are comfortable and who will look out for your interest will take some footwork.

1. Don't make the mistake of trying to save time by picking an advisor from the phonebook.
2. Understand what the various titles means, such as CFA, Certified Financial Planner, and RFC Registered Financial Consultant, and the expected skill level of the planner.

3. Know what you want to obtain from a financial planner so you can find the right person for your investments and personality.
4. Know your risk tolerance level (how comfortable you are with the possibility of losing money).
5. Ask family, friends, or coworkers for the names of advisors they have used and would recommend.
6. When interviewing the candidates, make sure up front that the initial consultation is free.
7. Before choosing a financial planner, make sure you understand the various methods of charging fees. Some planners charge by fees and get paid from commissions.
8. Check the planner's credentials, and once you've narrowed your choices, do background checks.
9. Make sure the planner is licensed by the federal or state government. Ask to see their Form ADV and Central Registration Depository (CRD) records (stockbrokers).
10. Call the Better Business Bureau or relevant professional associations to see if complaints have been filed against the planner.

Source: http://portlandme.about.com./library/weekly/aa062399.htm.

You Need to Know About RUCPA

Pennsylvania's Responsible Utility Customer Protection Act (RUCPA) was enacted in December 2004. The primary purpose of the act is to protect responsible bill-paying customers from rate increases because other customers who can afford to pay their bills choose not to pay. This new law changes the rules that apply to cash deposits, reconnection of service, termination of service, payment arrangements, and termination complaints. This law applies to customers of electric, gas, and water utilities from all investor-owned companies throughout the Commonwealth.

Your utility service (electric, gas, or water) can be **shut off** by your company if you **fail** to do any of the following:

- Pay your bill
- Follow through on payment arrangements
- Pay any required deposits
- Allow the company to access its equipment on your property

Before shutting off your service, a utility company will:
1) send you a notice ten days prior to shutting off the service,
2) contact you three days prior to the shut-off date, and 3) leave a 48-hour notice at your residence during the winter months (December 1 through March 31).

Medical Certification. Utility shut-offs can be avoided if someone living in your home is certified as seriously ill by a licensed physician or nurse practitioner. A letter is required from the doctor or nurse stating that the utility shut off will harm the ill resident. The initial medical certification can be for up to 30 days, with renewals possible for up to 90 days. Even with the medical certification, you are still responsible for paying your bill.

Winter Shut-offs. Utility service can be shut off even during the winter months (December 1 through March 31) if you fail to be a responsible utility customer (see paragraph No 2) and if your household's income level exceeds 250% of the federal poverty level. In 2005, that income level (before taxes) for a family of four is $48,375. For customers of Philadelphia Gas Works, service can be terminated in the winter if the income level exceeds 150% of the federal poverty level, which is $29,025 (before taxes) in 2005. During the winter, the utility company will notify you of their intention to terminate service and allow you to make arrangements to avoid termination.

Utility service will be restored within 24 hours during the winter months after you pay the overdue bills and meet other conditions specified by the utility company. During April through November, service will be restored within three to seven days after you pay the bill and meet other conditions. The payment amount needed to restore service depends on your household income and payment history. If two or more prior payment arrangements have been broken, the utility company can require you to pay the full balance due before restoring service. In addition, a deposit and reconnection fees may be required. Whenever service is shut off, the utility company will leave a notice listing the steps to take to restore service.

A utility company **can shut off your service without giving you any advance notice** for any of the following reasons:

- Stealing utility service
- Getting service through fraud
- Tampering with your utility meter
- Failing to maintain safe service conditions
- Paying with a bad check to stop termination

Utility companies will work with you and explain programs that may help you, depending on your income or hardship situation. You can only establish one payment arrangement with either the utility company or the PA Public Utility Commission (PUC). However, the utility company may offer more than one payment arrangement option. For customers who are already in a Customer Assistance Program (CAP), the PUC cannot establish the payment arrangement if you fail to pay your monthly CAP payment. For this situation, the only time that the PUC or your utility company can set up a new payment arrangement is when you are experiencing severe circumstances such as loss of income, serious illness, major damage to residence, or increased number of dependents in a household.

The health, comfort, safety, and overall well-being of all Pennsylvanians will be improved with the implementation of this Responsible Utility Customer Protection Act.

Provided by: Dennis Buffington, Professor,
Department of Agricultural and Biological Engineering

Written by:

Cathy F. Bowen

Cathy F. Bowen, Ph.D.
State Extension Specialist Consumer Issues
Department of Agricultural and Extension Education
814-863-7870 E-mail: cbowen@psu.edu

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http://consumerissues.cas.psu.edu/newsletter.html.

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Writing assistance provided by Wilmara Harder