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Consumer Law Issues After a Disaster Part 2

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After this learning experience, trainees will be able to assist and advise consumers with:

- Avoiding scams
- Managing Debt

See Part 1 for:

- Recovering Important Documents
- Identity Theft
- Price Gouging



Avoiding Scams

Common Red Flags

Demands for upfront payment.

Door-to-door sales (sign-on-the-spot contracts).

Cash only or wire transfer payments.

Anything that sounds too good to be true.

Offers assign insurance or federal benefits.

Requests for exchanging or transferring money

Transaction involving a benefit or thing the consumer never signed up for.

Types of Contractors

Construction Contractor

For home and property repair.

Public Insurance Adjuster

Represents the consumer's interest.

An independent adjuster represents the insurance company.



Due Diligence for Hiring Contractors

Licensure of the company.

Insurance.

A website with a lot information.

Check for reviews and the company's BBB profile.

Generally, a local company is a better choice.

Negotiate a reasonable down payment and pay the remainder when the work is finished.

Do not rely of branded shirts or magnets on vehicles alone to establish legitimacy.

Licenses can be checked on the California Department of Insurance site online.

Advise the consumer of questions to ask when hiring a public insurance adjuster.

Ask for three past client references and call each reference to ask:

- Did that specific public adjuster actually work on the person's claim?
- Did the client feel confident that they got the best possible result?
- Did the public adjuster answer all their questions throughout the process?

More questions for these and repair contractors available at www.uphelp.org


1

If a consumer tries to register for FEMA assistance online, but gets a verification error, he should call FEMA directly.

2

If the consumer receives a call from someone asking to verify their FEMA registration, it's likely a phishing scam.

3

Always ask to see a FEMA photo ID badge. A FEMA shirt or jacket is not proof of identity.

4

Federal and state workers do not ask for or accept money. Do not let anyone into the home if they say they are there to do a FEMA inspection, but need payment first.

EDD Scams

1

EDD and Bank of America never text consumers to reactivate a debit card.

2

Verify if an EDD text message is legitimate by checking UI online or the mail notice for the same information.

3

Consumers can call Bank of America using the telephone number on the back of their debit card to check if a bank related text is legitimate.

4

If a consumer did not apply for EDD, but receives notice related to a claim purported to be from them, contact EDD directly because the notice may be either a phishing scam or indication of identity theft.

Other Possible Scams

Housing Scams


- Paying upfront.
- Wiring money as a deposit.
- Property unseen and contract/lease unsigned.

Job Scams

- Work-from-home or secret shopper listings.
- Deposit a fraudulent check and withdraw money to “verify” the account for direct deposit.
- Consumer is responsible for the fraudulent deposit and the account may be closed.

Consumers should never give out their bank account number to anyone they find online who is offering work or a place to stay sight unseen.

Debt



Consumer may feel overwhelmed after a disaster. A good place to start is by making a list of financial obligations to prioritize payments.

1. Family necessities—food and utility
2. Housing and transportation
3. Secured Debt and Loans
4. Unsecured Debt and Loans

Possible resources and emergency assistance to help save cash resources:

- Food banks
- Unemployment insurance
- CalWORKS and CalFresh

Unsecured Debt: Debt Management

Consumer Self-Directed Strategies

- 01 | Negotiate a temporary reduced payment, or move the payment date to a different day of the month if that helps.
- 02 | Consolidate debt to a lower interest credit card (there may be fees, and the low interest rate is usually introductory only).
- 03 | Try prioritizing one or two cards, one with the highest balance and one with the lowest.

Consumers are highly advised to stay away from high cost or high interest loans such as payday or installment loans as these are debt traps.

Unsecured Debt: Debt Management

Outsourcing Help

Credit Counseling

- Usually non-profit organizations
- Provide free general budgeting and advice
- Prevent collection efforts or late fees.
- Debt Management Plans-optional
- Reduce interest rates by half
- Consumer is not delinquent on payments
- Often no tax implications

Debt Settlement (a.k.a. Debt Relief)

- Usually for profit and charge a percentage of the debt resulting in no guarantee of savings.
- Some creditors will not negotiate with DSC
- Typically require the consumer to make large payments into an account each month while cutting off payments to the creditor.
- Consumers still get sued.
- May involve debt forgiveness which may have tax implications.



Unsecured Debt: Defaulting on Debt

Delinquent or missed payments may be reported on the consumer's credit report with negative effect.

“Charge off” means that the account is closed for future use but the obligations to pay still exists.

Creditor may and typically sells charged off debts to third-party debt collectors.

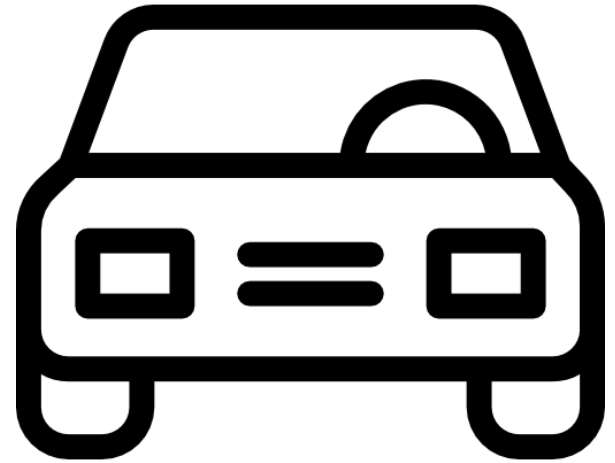
4 year statute of limitations for breach of contract claims.

Unsecured Debt: Lawsuit on Debt

- ***Seek help from an attorney or legal aid organization immediately to avoid a default judgment and missing important deadlines.***
- Exempt income cannot be subject to enforcement of a judgement.
- A claim of exemption may reduce the amount a consumer can have garnished or levied.
- Bankruptcy may be an option for consumers with assets to protect such as property and employment income, but not likely helpful for low income consumers.



- **Liability-only policy**: will not cover the loss of a vehicle due to a disaster.
- **Comprehensive policies**: usually cover the loss of a vehicle in the event of a disaster, but only up to the fair market value of the vehicle.
- **GAP coverage**: will cover the deficiency, which is the difference between the loan balance and the actual cash value of the vehicle. Without GAP coverage, the consumer is liable for the deficient amount.



Federal

- Place loans on hardship or forbearance.
- Seek IDR if possible.
- If already on IDR, request an adjustment..
- On IDR, the if the consumer's income is low enough, the payment may be \$0.

Consumers should never pay someone to manage their student loans as solicitation for this may be a scam.

Private

- Unsecured debt like credit cards– subject to the same collection and enforcement laws, including the statute of limitations.
- Forbearance is at the discretion of the lender.
- Even with hardship, monthly payments may be \$5/month.

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Thank you for joining us

Have a nice day!