



The Law Helps Consumers Resolve Credit Card Billing Errors

Consumers should be aware of the correct procedures to follow as provided in the Fair Credit Billing Act in the event a problem occurs with a credit account billing statement.

The Act gives you the right to withhold payment to a creditor if merchandise or services are defective, are not delivered in accordance with any agreement, or are not requested or received. The amount of the purchase, however, must have exceeded \$50 and the place of purchase must have been within 100 miles of your current address or in the same state.

You should also be aware that in the event of a billing error for credit card purchases made outside the United States, the Fair Credit Billing Act doesn't provide a resolution procedure. Therefore, check your credit receipts carefully before signing. You have no recourse under the law if any problems occur once you arrive back in the United States.

Other billing errors may include an item charged to your account that you didn't buy, an incorrect or questionable amount posted to your account, the fact that a creditor didn't reflect a payment made or that you didn't receive the billing statement.

If you encounter any problem with your bill, follow this procedure. Contact the proper address or telephone number shown on the statement for use in case of inquiries or problems. A creditor is required by law to furnish a customer such a phone number or address to contact at the time the account is opened and at least twice during the year.

When contacting the creditor state that you believe an error has been

made and furnish your account number, the amount of the error, or any other problems you suspect occurred. If you are requesting a copy of the charge receipt, a bank may charge you a fee for research and a photocopy of the item(s).

You must make a billing error inquiry within 60 days of receipt of the credit statement. During the time you question a billing item, you don't have to pay the amount of the suspected error or related finance charge. However, you are responsible for the minimum payment of the remaining balance of your bill and any accrued finance charges.

The creditor has 30 days in which to acknowledge your inquiry unless the account has been credited during that time. The creditor has two billing periods or no later than 90 days after receiving your complaint, to either correct the suspected error or advise you the reason why it believes the amount is correct. If the creditor finds no error, the creditor must provide you with a statement indicating the amount you owe including all accrued finance charges.

If you still believe the creditor did not follow the proper billing procedures, write to the regulatory agency that supervises the bank or to the Federal Trade Commission, Consumer Affairs Division, Sixth and Pennsylvania Ave., N.W., Washington, D.C. 20003, and enclose all the copies of the statements you sent to and received from the creditor regarding your bill.

If you don't know which supervisory agency to contact, call the FDIC's toll-free consumer hotline—800-424-5488.

FDIC Offers Community Reinvestment Act Publication

The Community Reinvestment Act (CRA), which was passed by Congress in 1977, requires the federal financial regulatory agencies to take into account a lender's record of meeting community credit needs whenever a lender applies for a national charter, federal deposit insurance, or for permission to establish a branch, merge with another institution, or expand its operations. The law also provides that community organizations and individuals may protest a bank's application if the bank is not helping to meet community credit needs.

The FDIC has publications available that can assist individuals and community organizations to learn more about this legislation. A brochure called *The Community Reinvestment Act* describes briefly, in English and Spanish, why CRA was passed, what it requires, and how it is implemented by the FDIC. *A Citizens' Guide for Commenting on Applications Subject to the Community Reinvestment Act* has been published by the Federal Financial Institutions Examination Council (FFIEC). This publication details the application process and procedures for commenting on applications from institutions supervised by the FDIC as well as the Office of the Comptroller of the Currency, Federal Reserve Board, and Federal Home Loan Bank Board.

You can obtain these publications by writing to the Office of Consumer and Compliance Programs, Federal Deposit Insurance Corporation, 550 17th St., N.W., Washington, D.C. 20429.

Consumers Should Know About Mortgages and Related Costs Before Buying A Home

Part II

This is the second part of a three-part article about what you should know before buying a home. The first part of the article appeared in the April issue of this newsletter and it dealt with interest rates and types of mortgages.

The second part of the article will help inform you about the costs involved when buying a home. Specifically these are the costs, in addition to the purchase price, that result from a loan transaction, government taxes and legal filing fees. The buyer, and sometimes the seller, are liable for these expenses at settlement.

Settlement, also known as closing, is a meeting of the buyer and seller and their representatives, the lender's agent and the individual conducting the settlement. These parties meet to transfer ownership of property from the seller to the buyer in exchange for the purchase price.

A 1974 federal law known as the Real Estate Settlement Procedures Act (RESPA) requires lenders to give you, the buyer, an advance estimate of the one-time closing costs you will have to pay at settlement. These costs include:

Loan Origination Fee. This fee compensates the lender for expenses incurred in originating the loan, preparing documents, and related work. When such a fee is charged, it is usually a small percentage of the face amount of the mortgage. In Federal Housing Administration (FHA)—insured or Veterans' Administration (VA)—guaranteed mortgage transactions involving already existing houses, the fee charged the borrower can be no more than one percent of the mortgage amount.

Loan Discount Points. Points are a one-time charge made by the lender to increase its yield (the effective interest return or income) on the mortgage loan. Each point is equal to one percent of the mortgage amount. For example, if the amount of the mortgage is \$50,000 and the

lender charges two points (one point would amount to \$500), then \$1,000 would be paid to the lender at closing or settlement. In FHA and VA transactions, the buyer may not pay more than one point to the lender, and the seller may have to pay the remainder of the points to help the buyer obtain financing and to facilitate the sale of the property.

Title Search Cost. You and the lender want to be certain that: the person selling the house to you is the legal owner of the property according to a recorded deed; the legal description of the property is accurate and complete; there are no other persons who can claim an interest in the property; there are no overdue taxes, mechanic's liens, or other city, county, state, or federal liens (claims) against the property, or that any easements or rights that other people may have to use the property (such as a neighbor's right to use your driveway to get to his house), will not lessen the value of your property or make it more difficult to sell. (In some states, the title search is done by a title insurance company.) The lender's lawyer (and your lawyer if you use one) should do a thorough title search to make sure your (and your lender's) interest are protected.

Appraisal Fees. A charge by the lender for an inspection of the property to determine its value. FHA and VA appraisal fees are fixed by law. The appraisal of the house is made by you or the lender before the mortgage is approved.

Application Fees. A charge by the lender for processing your loan application. This fee may also include obtaining a credit report since all lenders require a credit history of the buyer. The law requires that processing your application be done within 30 days of receiving necessary information or the lender

can get an extension under certain circumstances.

Legal Fees. These are charges you pay the lender for preparing and recording legal documents such as the title search.

Filing and Recording Fees. These are charges you pay the attorney for recording or filing fees required by state and/or local governments.

Survey Fees. These are fees for obtaining a registered survey or a map, that the lender may require, showing the location of the house and the boundaries of the property.

Inspection Fees. A cost of any other inspections required by local housing codes, government agencies, or individual lenders, such as termite inspections (if you haven't already paid for them yourself).

In the June issue—Part 3, more on what costs are involved in buying a house.

If you wish to be placed on the FDIC Consumer Newsletter mailing list please fill out the form below and mail to:

Josie Downey, Editor
Federal Deposit Insurance Corp.
550 17th St., N.W.
Room 5134G
Washington, D.C. 20429

Name: _____

Address: _____

Apt. _____ City _____

State _____ Zip _____

Antes De Comprar Una Vivienda

Los Consumidores Deben Estar Informados Acerca De Los Préstamos Hipotecarios Y Los Costos Correspondientes

SEGUNDA PARTE

Esta es la segunda parte de un artículo de tres partes que provee información acerca de lo que usted debe saber antes de comprar una vivienda. La primera parte de este artículo fue publicada en la edición de abril y brindó información acerca de las tasas de interés y diferentes tipos de préstamos hipotecarios.

La segunda parte de esta artículo le brindará información acerca de los costos que tiene el consumidor al comprar la vivienda. Específicamente, estos son costos adicionales al precio de compra, a causa de la transacción del préstamo, contribuciones gubernamentales, y cargos por archivar legalmente. El comprador y a veces el vendedor, son responsables de estos gastos el día de liquidación.

La liquidación, también se conoce como cierre, es el convenio entre el comprador y vendedor, y sus representantes; los agentes del prestamista y el individuo que lleva acabo la liquidación. El propósito de esta convenio es el traspaso de la propiedad del vendedor al comprador a cambio del precio de compra.

La ley federal de 1974, conocida como la Ley Sobre Procedimientos de Traspaso de Bienes Raíces ("Real Estate Settlement Procedures Act", o "RESPA") requiere que los prestamistas le ofrezcan a usted, el comprador, un estimado de los costos en adelantado. Estos costos los pagará una sola vez cuando cierre. Estos costos incluyen:

Cargo por Originación de Hipoteca

Este cargo equivale a los gastos que el prestamista contrae al iniciar el préstamo, preparar documentos, y al trabajo relacionado. Dicho cargo es usualmente un porcentaje pequeño del valor nominal del préstamo hipotecario. En las transacciones hipotecarias garantizadas por "Veteran's Administration" (VA)—o aseguradas por "Federal Housing Administration" (FHA) de viviendas en existencia, el cargo que cobran al prestatario no puede ser más de un por ciento de la cantidad del préstamo hipotecario.

Puntos de Descuento Sobre un Préstamo Los puntos son cargos de una sola ocasión, utilizados por el prestamista para ajustar el producto de un préstamo a las condiciones del mercado.

Cada punto equivale a un por ciento de la cantidad del préstamo. Por ejemplo, si la cantidad del préstamo hipotecario es \$50,000 y el prestamista le carga dos puntos (cada punto equivale a \$500), entonces usted le pagará \$1,000 al prestamista cuando cierre o liquide. En las transacciones de FHA y VA, el comprador no tiene que pagar más de un punto al prestamista, y el vendedor puede que tenga que pagar el resto de los puntos para de esta manera ayudar a que el comprador obtenga financiamiento y facilitar la venta de la propiedad.

Cargo por Investigación del Título

Usted y el prestamista quieren estar seguros de lo siguiente: que la persona que le está vendiendo la vivienda es el propietario legal de la propiedad según aparece en el registro del título de propiedad; que la descripción legal de la propiedad es exacta y cabal; que no hay otras personas que reclaman interés en la propiedad; que no hay contribuciones vencidas, gravamen de constructor o de otra ciudad, distrito, estado, o demandas federales en contra de la propiedad, o que cualquier servidumbre o derechos que cualquier otra persona tiene para utilizar la propiedad (tal como el derecho de su vecino utilizar su camino particular para llegar a su vivienda) no aminorarán el valor de la propiedad o la haran más difícil de vender. (En algunor estados, como por ejemplo Arizona, la investigación del título la conduce una compañía aseguradora de títulos.) El abogado del prestamista (y su abogado si usted utiliza a uno) deben conducir una investigación minuciosa del título para asegurar que su interés (y el del prestamista) están protegidos.

Cargo por Tasación El cargo que el prestamista cobra por inspeccionar la propiedad para determinar el valor de ésta. El cargo por tasación de FHA o VA es fijo bajoley. La tasación de la vivienda la lleva acabo el prestamista antes que aprueben su préstamo.

Cargo por Solicitar Cargo que el prestamista cobra por procesar la solicitud del préstamo. Esta cargo puede incluir el obtener el informe de crédito, ya que todos los prestamistas requieren el historial de crédito del comprador. La ley requiere que su solicitud sea procesada dentro de un período de 30 días a partir del día que el prestamista recibió toda la información necesaria y si es necesario bajo ciertas circunstancias, el prestamista puede conseguir una prórroga.

Honorarios de Abogado Cargo que usted paga al prestamista por registrar y archivar los documentos legales como por ejemplo la investigación del título.

Cargos por Archivar y Registrar

Cargo que usted paga al abogado por registrar y archivar según lo requiere el estado y/o el gobierno local.

Cargos por Medir

Cargos que usted paga al obtener un mapa o medidas registradas, que el prestamista puede requerir, mostrando la localización de la vivienda y los límites de la propiedad.

Cargo por Inspección

Precio de cualquier inspección exigida por códigos de viviendas locales, agencias gubernamentales, o prestamistas individuales, tal como la inspección de comejen (si usted no ha pagado previamente por éstos).

En la edición de junio aparecerá la tercera parte de este artículo, mas información acerca de los costos cuando compra una vivienda.

Questions From Bank Customers



FDIC CONSUMER HOTLINE

— 800-424-5488 —

- Q:** How much is a joint account insured for?
A: A joint account owned in the same right and capacity is insured up to \$100,000 in the aggregate if it is the only joint account in that name in the bank.
- Q:** Must a bank inform me when my certificate of deposit (CD) reaches its maturity date?
A: No, unless the bank states in the contract that it will inform you. Consumers are responsible for keeping track of their own CD maturity dates, although typically most financial institutions do send out notices.
- Q:** Foreign financial institutions are buying U.S. banks. Will deposits continue to be insured by FDIC?
A: Yes. All FDIC insured banks must post notices in banks in public view that they are so insured. Foreign banks establishing U.S. branches must apply for insurance.
- Q:** If a bank fails, will the individual be able to get his safety deposit box contents?
A: Yes, if the bank is taken over by another bank, items may be retrieved when the bank reopens on the following business day. If the bank isn't taken over, individuals will be given access to their boxes when account holders receive their FDIC insurance compensation.
- Q:** Can a bank refuse to cash a "two party" check? (a check involving two parties; e.g., John Doe makes out a check to Jane Smith and Jane Smith tries to cash the check at her bank.)
A: Yes, banks have no legal obligation to cash checks and may establish their own policies in this regard except for checks drawn on their own bank.
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