Module 7: Protecting What You Have

Protecting What You Have

Insurance, scams, identity theft, and the legal rights every consumer deserves to know.

Building a better financial life takes time and hard work. Protecting it does not have to. This lesson is about defense — the practical steps you can take to shield your money, your home, your identity, and your legal rights from the things that can undo financial progress in an instant: a car accident, a house fire, a scammer, a stolen Social Security number, or a debt collector who does not play by the rules. You do not need to be wealthy to take these steps. Most of them cost little to nothing. What they require is knowing they exist — and that is what this lesson is for.

What You Will Learn in This Lesson

- ✓ Homeowners insurance: what it covers and how to make sure you are properly covered
- ✓ Renters insurance: more coverage than you think for less than $20 per month
- ✓ Auto insurance: understanding coverage types and how credit-based scoring may be raising your rates
- ✓ Common scams that target financially vulnerable people — and the red flags that reveal them
- ✓ Identity theft: how it happens, how to freeze your credit for free, and how to recover
- ✓ Tenant rights around security deposits and eviction protections
- ✓ Your rights under the Fair Debt Collection Practices Act (FDCPA) and the Fair Credit Reporting Act (FCRA)

Section 1: Homeowners Insurance — Protecting the Roof Over Your Head

📖 **Homeowners Insurance:** A contract between you and an insurance company. You pay a regular amount called a premium, and in return the insurer agrees to help pay for losses caused by certain events — like a fire, a storm, a burglary, or someone getting hurt on your property.

If you have a mortgage, your lender almost certainly requires you to carry homeowners insurance. But even if you own your home outright, insurance is essential protection against financial catastrophe.

What a Standard Policy Covers

- Dwelling coverage: Pays to repair or rebuild the structure of your home if damaged by a covered event (fire, wind, hail, lightning). Does NOT automatically cover floods or earthquakes — those require separate policies.

- Personal property coverage: Covers your belongings — furniture, clothing, electronics, appliances — if stolen or destroyed. Check whether your policy pays replacement cost value (cost to buy new today) or actual cash value (depreciated used value). Replacement cost is better.
- Liability coverage: Protects you if someone is injured on your property or if you accidentally damage someone else's property.
- Additional living expenses: Pays for a hotel or temporary housing if your home becomes unlivable due to a covered loss.

How to Make Sure You Are Properly Covered

The most common and costly mistake homeowners make is being underinsured — having a policy that will not cover the full cost of rebuilding. Here is how to check:

- Know your dwelling coverage limit. Your policy should cover what it would cost to rebuild your home from the ground up — not its market value. Ask your insurer to run a replacement cost estimator.
- Document your belongings. Walk through your home with your phone and record a video of everything you own. Save it somewhere off-site (cloud storage or email it to yourself).
- Ask about a home inventory rider if you have expensive items like jewelry, musical instruments, or collectibles. Standard policies often cap payouts on these categories.
- Review your policy annually. Coverage that was adequate three years ago may not be today.

> **⚠ Flood and Earthquake Warning**
> Standard homeowners policies do NOT cover flood damage or earthquakes. If you live in a flood-prone area, look into the National Flood Insurance Program (NFIP) at FloodSmart.gov. Earthquake coverage is a separate add-on or policy.

Section 2: Renters Insurance — More Coverage Than You Think for Less Than You Would Guess

If you rent your home or apartment, your landlord's insurance covers the building — but it covers nothing inside your unit. Your furniture, clothes, electronics, and other belongings are not protected if there is a fire, a burst pipe, or a break-in. That is what renters insurance is for.

What Renters Insurance Covers

- Your personal belongings — even if stolen from your car or off your bicycle outside
- Liability — if a guest is injured in your apartment, or if you accidentally cause damage (like a bathtub overflows and damages the unit below)
- Additional living expenses if your unit becomes unlivable

The Cost — and How to Get It

Renters insurance is one of the best financial values available. A policy with $20,000 in personal property coverage and $100,000 in liability typically costs between $10 and $20 per month — sometimes less. Many people are paying more than that for a single streaming subscription.

- Get quotes from at least three companies. Try your current auto insurer first — bundling renters and auto insurance often gets you a discount on both.
- Increase your deductible (the amount you pay out of pocket before insurance kicks in) to lower your monthly premium.
- Check with local credit unions or workplace benefit programs, which sometimes offer discounted rates.

> **Action Step**
> If you rent and do not have renters insurance, get a quote today. Visit the websites of two or three major insurers (State Farm, Lemonade, Allstate, USAA if you qualify) and spend 10 minutes comparing. You could be covered by tonight.

Section 3: Auto Insurance — Getting Covered Without Getting Overcharged

Auto insurance is legally required in nearly every state. But many drivers pay far more than they should — and some are underinsured without realizing it.

Understanding the Basic Types of Coverage

- Liability: Pays for damage and injuries you cause to others in an accident. Required by law in most states. Does NOT cover your own car or injuries.
- Collision: Pays to repair or replace your car if you hit something, regardless of fault.
- Comprehensive: Covers damage from things other than collisions — theft, weather, a tree falling on your car, hitting an animal.
- Uninsured/Underinsured Motorist: Covers you if you are hit by a driver who has no insurance or not enough. Highly recommended.
- Personal Injury Protection (PIP) / Medical Payments: Covers medical expenses for you and your passengers after an accident.

The Hidden Factor That May Be Raising Your Rates: Credit-Based Insurance Scoring

> **Credit-Based Insurance Scoring:** In most states, insurance companies are allowed to use your credit score to set your auto insurance rates. A driver with poor credit can pay 50 to 100 percent more for the same coverage as a driver with good credit, even with an identical driving record.

This is legal in most states. California, Hawaii, Massachusetts, and Michigan are exceptions. What you can do:

- Improve your credit score over time to reduce your rates (see Module 2).
- Shop around every one to two years, especially if your credit has improved. Insurers weigh credit differently, so switching companies can produce significant savings.
- Ask your insurer what factors are affecting your rate. They are required to tell you if credit was a factor.

Comparison Shopping Tip

Use a free comparison tool like The Zebra (TheZebra.com) or NerdWallet's auto insurance comparison to get multiple quotes at once. Even saving $50 per month adds up to $600 per year.

Section 4: Scams That Target Financially Vulnerable People

Scammers actively look for people under financial stress. They know that someone who is worried about money, behind on bills, or desperate for work may be more likely to act quickly without stopping to verify. Understanding their most common tactics is one of the best defenses you have.

Common Scams to Watch For

- Advance-fee fraud: You are told you have won a prize, inherited money, or have a job offer — but you must pay a fee or taxes first to receive it. Legitimate winnings and job offers never require upfront payment.
- Debt relief and credit repair scams: Companies promise to eliminate your debt or "fix" your credit for a fee. Many are fraudulent. Legitimate nonprofit credit counselors offer this help for free or very low cost.
- Fake government calls: A caller claims to be from the IRS, Social Security Administration, or Medicare and demands immediate payment to avoid arrest. Real government agencies do not call and demand payment by gift card, wire transfer, or cryptocurrency.
- Rental scams: Fraudulent listings for homes or apartments that the "landlord" does not actually own, asking for a deposit before you have toured the property in person. Always see a property in person and verify the landlord's identity before sending any money.
- Work-from-home scams: Offers that promise high pay for minimal work, especially those that ask you to buy a "starter kit" or training materials. Legitimate employers never charge you to work for them.

Universal Red Flags

- Anyone demanding payment by gift card, wire transfer, cryptocurrency, or prepaid debit card
- Pressure to act immediately ("This offer expires in one hour")
- Unsolicited contact offering you something you did not ask for
- Requests for your Social Security number, bank account number, or passwords over the phone or email
- Promises that sound too good to be true — they are

Report Scams

Report scams to the FTC at ReportFraud.ftc.gov. You can also call 1-877-382-4357. Reporting helps protect others and may help recover losses.

Section 5: Identity Theft — How It Happens and How to Stop It

Identity Theft: When someone uses your personal information — your name, Social Security number, date of birth, or financial account details — without your permission to open accounts, take out loans, file tax returns, or commit fraud in your name.

How Identity Theft Happens

- Data breaches: Companies store your personal information, and hackers steal it. You may not find out until months later.
- Phishing: Fake emails or text messages that look legitimate trick you into entering your login credentials on a fake website.
- Mail theft: Stolen mail can yield account numbers, tax forms, and pre-approved credit offers.
- Social engineering: Scammers call or text pretending to be banks, utilities, or government agencies to get you to share information voluntarily.

The Best Defense: A Free Credit Freeze

Credit Freeze (Security Freeze): When your credit is frozen, no one — not even you — can open a new credit account in your name. Lenders cannot access your credit report to approve new accounts. A credit freeze is completely free under federal law. You can freeze and unfreeze at any time at no cost.

You must freeze your credit at each of the three major credit bureaus separately:

- Equifax: Equifax.com/personal/credit-report-services | 1-800-685-1111
- Experian: Experian.com/freeze/center | 1-888-397-3742
- TransUnion: TransUnion.com/credit-freeze | 1-888-909-8872

Also Consider

In addition to the three major bureaus, consider freezing your file at Innovis (Innovis.com/freeze) and ChexSystems (ChexSystems.com/chex/consumer/solutions), which are used by banks and smaller lenders. Both are free.

If You Have Already Been a Victim

- Place a freeze immediately at all three bureaus.
- Report the theft to the FTC at IdentityTheft.gov — the site will generate a personal recovery plan and pre-filled dispute letters.
- File a police report if financial accounts were opened fraudulently.
- Contact each company where fraud occurred and request that the fraudulent accounts be closed and removed from your credit report.

Section 6: Tenant Rights — What Your Landlord Can and Cannot Do

If you rent your home, you have legal protections that many renters are unaware of. Landlord-tenant law varies by state, but certain core protections apply broadly.

Security Deposits

Key rights you typically have:

- Your state sets a maximum — usually one to two months' rent — on how much a landlord can charge as a security deposit.
- The landlord must return your deposit (or an itemized written statement of deductions) within a legally defined period after you move out — commonly 14 to 30 days depending on your state.
- Landlords can only deduct for actual damages you caused beyond normal wear and tear. They cannot charge you for repainting walls that simply aged, or replacing carpet that just wore out.
- If a landlord wrongfully withholds your deposit, you may be able to sue in small claims court and recover double or even triple the deposit amount in some states.

Eviction Protections

A landlord cannot legally remove you from your home without going through a formal legal process. This means:

- A landlord cannot change your locks, remove your belongings, or shut off your utilities to force you out — these are called "self-help evictions" and are illegal in every state.
- You must receive written notice before eviction proceedings can begin — typically 3, 14, or 30 days depending on the reason and your state.
- You have the right to appear in court and present your case before a judge can order an eviction.

> **Find Your State's Tenant Rights**
> Every state has different rules. Search "[your state] tenant rights handbook" or visit Nolo.com for plain-language state-by-state guides. Many areas also have free tenant legal aid — search "tenant legal aid [your city]" or call 211.

Section 7: Your Rights Under Federal Consumer Protection Law

Two federal laws give you powerful rights when it comes to debt and your credit record. You should know both of them by name.

The Fair Debt Collection Practices Act (FDCPA)

> 🕮 **FDCPA (Fair Debt Collection Practices Act):** A federal law that governs how third-party debt collectors are allowed to behave. It covers collection agencies, debt buyers, and collection attorneys — but not the original creditor itself.

Under the FDCPA, debt collectors:

- May NOT call you before 8 a.m. or after 9 p.m. in your time zone
- May NOT call you at work if you tell them your employer does not allow such calls
- MUST stop contacting you if you send them a written cease-and-desist letter — though they may still sue you
- May NOT use abusive, threatening, or harassing language
- May NOT make false statements — such as claiming to be attorneys or government officials when they are not
- MUST send you a written validation notice within 5 days of first contacting you
- MUST stop collection activity if you dispute the debt in writing within 30 days of receiving the validation notice, until they verify the debt

> **Know This**
>
> If a debt collector violates the FDCPA, you can sue them in federal court. Consumers who win can recover actual damages, up to $1,000 in statutory damages, and attorney's fees. Many consumer protection attorneys take these cases for free. Report violations to the CFPB at ConsumerFinance.gov/complaint.

The Fair Credit Reporting Act (FCRA)

> 🕮 **FCRA (Fair Credit Reporting Act):** A federal law that governs how your credit information is collected, stored, and used. It gives you important rights over your own credit record.

Under the FCRA, you have the right to:

- Receive a free copy of your credit report from each bureau once per year — visit AnnualCreditReport.com (the only official site). Currently all three bureaus offer free weekly reports.
- Dispute inaccurate or incomplete information. The bureau must investigate within 30 days and correct or delete information that cannot be verified.

- Know when your credit report has been used against you — if you are denied credit, insurance, or employment based on your report, you must be told and given the name of the reporting agency.
- Have negative information removed after a set period: most negative items must be removed after 7 years. Bankruptcies stay for 10 years.
- Place a fraud alert on your file for free if you believe you are or may become a victim of identity theft.

Dispute Errors Now

Pull your free credit reports at AnnualCreditReport.com and review them carefully. Errors are common. If you find one, submit a written dispute to the bureau online, by mail, or by phone. You can also dispute directly with the company that provided the incorrect information.

Section 8: Your Financial Protection Checklist

Use this checklist to work through your financial defenses systematically. Check off each item as you complete it.

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My Financial Protection Checklist

Work through each section. Check the box when complete. You do not need to do everything at once — pick one item per week.

Insurance Review

Coverage	Do I Have It?	Is It Adequate?	Action Needed
Homeowners insurance	YES / NO	YES / NO	
Dwelling coverage = rebuild cost?	YES / NO	YES / NO	Ask insurer to run estimator
Renters insurance	YES / NO	YES / NO	Get quote if NO (<$20/month)
Auto — liability (required by law)	YES / NO	YES / NO	
Auto — uninsured motorist	YES / NO	YES / NO	Add if missing

Credit Freeze — Free at All Three Bureaus

- ☐ Equifax: Equifax.com/personal/credit-report-services | 1-800-685-1111
- ☐ Experian: Experian.com/freeze/center | 1-888-397-3742
- ☐ TransUnion: TransUnion.com/credit-freeze | 1-888-909-8872
- ☐ Also consider: Innovis (Innovis.com/freeze) and ChexSystems (ChexSystems.com) — both free
- ☐ PIN/password stored somewhere safe (not in the same place as my SSN)

Credit Report Review

- ☐ Pulled all three free reports at AnnualCreditReport.com
- ☐ Checked for accounts I do not recognize (possible identity theft)
- ☐ Checked for errors in payment history — disputed any I found
- ☐ Checked personal information section for unfamiliar addresses

Know Your Two Laws

Law	What It Covers	Key Right I Will Use
FDCPA	Third-party debt collectors	Request written validation notice within 30 days
FCRA	Your credit report and its accuracy	Dispute errors; bureaus must investigate in 30 days

Tenant Rights (If You Rent)

- ☐ I know my state's security deposit return deadline (search: '[my state] security deposit law')
- ☐ I know self-help evictions (lock changes, utility shutoffs) are illegal in every state
- ☐ I have the number for local tenant legal aid saved: _______________

Scam Defense

- ☐ I will NEVER pay any fee by gift card, wire transfer, cryptocurrency, or prepaid debit card
- ☐ I know real government agencies (IRS, SSA) do NOT demand immediate payment by phone
- ☐ If something sounds too good to be true, I will wait 24 hours and verify independently

Lesson Summary

- Homeowners insurance should cover what it costs to rebuild your home, not its market value. Review your coverage annually.
- Renters insurance typically costs \$10–\$20 per month and covers your belongings, liability, and temporary housing — your landlord's insurance covers none of these.
- Credit-based insurance scoring can raise your auto insurance rates by 50–100%. Shop around when your credit improves.
- Real government agencies never demand payment by gift card, wire transfer, or cryptocurrency. That is always a scam.
- A free credit freeze at all three bureaus is the single most powerful protection against identity theft. It takes about 15 minutes.
- The FDCPA protects you from abusive debt collectors. The FCRA gives you the right to dispute credit report errors. Both are federal laws you can cite and enforce.

Next Steps and Action Items

Pick at least one item today. You do not need to do all of this at once.

1. Review your homeowners or renters insurance policy. If you do not have renters insurance, get a free quote in the next 24 hours.
2. Freeze your credit at all three bureaus — Equifax, Experian, and TransUnion. It takes about 15 minutes and costs nothing. Store your PIN somewhere safe.
3. Also freeze at Innovis (Innovis.com/freeze) and ChexSystems (ChexSystems.com) for complete protection.
4. Pull your free credit reports at AnnualCreditReport.com and check for errors or accounts you do not recognize. Dispute any errors.
5. Write down the two laws and what they cover: FDCPA (debt collectors) and FCRA (credit reports). If a collector contacts you, ask for the written validation notice.
6. If you rent, look up your state's tenant rights at Nolo.com or call 211 to ask about local tenant legal aid.