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Federation of Teachers**
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**AUTOMOBILE INSURANCE -
UNDERSTANDING YOUR OPTIONS**

In 1990, substantial changes were made to the Automobile Insurance Laws in Pennsylvania. Among the most substantial change was the ability of the consumer to elect between “**full tort**” and “**limited tort**” coverage. It is important for an educated consumer to understand the difference between the two coverages in order to make an informed decision with regard to the appropriate coverage. Remember, your claim is governed by the tort coverage in your policy not the other driver’s insurance policy.

While electing the “limited tort” option may save you money on your insurance premium, you must be aware that in obtaining these savings you are giving up certain legal rights. In particular, if you are injured in an accident and you have elected the “limited tort” option, although you may seek recovery for medical and other out-of-pocket (economic) expenses, you cannot recover damages for pain and suffering and other non-economic losses unless you have sustained a serious injury. Serious injury is defined in the statute as “a personal injury resulting in death, serious impairment of bodily function or permanent serious disfigurement.”



The courts have had numerous opportunities since the enactment of this law to interpret the meaning of and the definition of “serious injury”. The definition of a serious injury has been very narrowly construed by the courts. Courts have decided that a fractured skull, numerous broken bones and other injuries which might on the surface be deemed to be serious to you, did not constitute the type of injury on which you could recovery for pain and suffering if you selected the “limited tort option.”

The question asked is what bodily function is impaired because of the injury sustained in the accident and is that impairment serious. This issue is generally determined by the judge before the case even gets before a jury.

Generally speaking, the courts have found that soft tissue injuries to the neck, back and other body parts do not constitute a serious injury and as such, a person with “limited tort” coverage cannot bring a claim for non-economic losses (pain and suffering).

Clearly, when renewing your automobile insurance policy, you must be armed with the knowledge of the difference between “full tort coverage” which allows you to bring a claim for economic and non-economic losses in the event of an injury sustained in a motor vehicle accident vs. “limited tort coverage” which except in the most horrendous circumstances will prevent you from bringing a claim for non-economic losses, including pain and suffering and interference with life’s pleasures.

In addition to selecting your "tort option", at the time of renewal of your automobile insurance policy, you have the option to purchase "uninsured" and/or "underinsured" motorist coverage. These motor vehicle coverages can be purchased in amounts equal to or less than your liability coverage or you may opt not to purchase such coverage. Due to the fact that these coverages are relatively inexpensive, it may be very short sighted not to elect "uninsured" and "underinsured" coverage in amounts equal to the amount of your liability coverage.

In Pennsylvania, an insured motorist is only required to carry Five Thousand Dollars (\$5,000.00) in insurance to fix another person's vehicle and Thirty Thousand Dollars (\$30,000.00) in personal injury liability per accident. In big cities like Philadelphia, it is estimated that at least one-third of drivers do not even carry this mandated minimum insurance coverage. The failure to carry adequate uninsured or underinsured motorist coverage will leave you and your family members "out in the cold" if you are injured in an accident caused by the careless driving of an uninsured motorist.

If you are injured in an automobile accident with a negligent driver who either does not have insurance coverage or has only minimum required insurance coverage, you may still have uncompensated damage after you have exhausted the available coverage from the negligent driver. In this situation, you may turn to your own insurance company for compensation if you have adequate uninsured and/or underinsured motorist coverage.

Finally, check to see if your insurance carrier covers a rental car reimbursement. This reimbursement will allow you a modest amount, usually about twenty (\$20) to twenty-five (\$25) dollars per day to defray the cost of a rental car while your car is being repaired. The typical coverage lasts thirty (30) days. This option often costs just a few dollars per month

in increased premiums but can be a lifesaver if you are left without a car due to an accident.

So the next time your auto insurance policy is up is up for renewal, take a few minutes to review the specifics on your policy. Do not automatically renew your automobile insurance coverage without examining the policy to find out exactly what coverages your policy provides and to determine whether the limits of coverage on your present policy are adequate to insure the health and welfare of you and your family members.

CHILD SUPPORT ENFORCEMENT - WHAT HAPPENS WHEN YOU DON'T PAY?

Child support is handled by the State through the Pennsylvania Support Collection and Disbursement Unit (Pa SCDU). Child support orders are enforced locally through the county court system. All county court systems are connected to the state by PACSES (Pennsylvania Automated Child Support Enforcement System). PACSES allows for "one stop shopping" when it comes to finding out about your child support case. Because PACSES is always running, your case is always being monitored. You no longer have to wait for someone to file a complaint about not receiving child support. The minute your payment is late, PACSES knows about it and takes action.



I GOT A "CONTEMPT OF SUPPORT" NOTICE. HOW DID THAT HAPPEN?

If you do not pay your child support on time, one of two things happens:

1. The payee (person receiving support) can file a petition for civil contempt of the child support order or
2. The PACSES system will automatically generate a petition for contempt:

- a. Where arrears are more than fifteen (15) days old and income cannot be attached; or
- b. Upon learning that a wage attachment order has been ineffective or within twenty (20) days of failing to comply with the support order, whichever is earlier.

If one of these things happens, you will receive an order to appear in court for an enforcement/compliance conference. If you do not appear, the court can issue a bench warrant for your arrest.

WHAT HAPPENS WHEN I GET TO COURT?

Each county uses a slightly different procedure, however, all petitions automatically generated by the PACSES system begin with a conference. Petitions filed by an attorney may be scheduled immediately before a judge and skip the conference stage.

At the conference, the conference officer will make a recommendation to the parties. If the parties cannot reach an agreement, the case will either be walked over to a judge immediately for a hearing or the conference officer's proposed order will be forwarded to the judge for review and signature. If your case is not heard by a judge on the conference date, you will either receive the conference officer's proposed order in the mail with instructions on how to file a "demand for hearing" or you will receive a court date scheduling you to appear before a judge for a full hearing.

When you appear before the judge he/she will take testimony from both parties. If a party is receiving cash assistance, he/she is represented by the Assistant District Attorney on behalf of the Department of Public Welfare. After taking testimony, the judge will issue a decision regarding the contempt and may order some type of sanctions.

WHAT CAN HAPPEN IF I'M FOUND IN CONTEMPT?

If you are found in contempt, the court can:

- Increase the amount of the arrears provision of your support obligation, at a rate determined by the court, without hearing or prior notice to you;
- Withhold or seize lump sum payments from a government agency including worker's compensation, social security, retirement or disability benefits and any other benefits, public and private retirement funds in pay status, etc;
- "Freeze" or "Seize" bank accounts, money market/mutual fund accounts;
- Suspend or delay renewal of your driver's license, professional license or recreational license if you owe three (3) months or more of back support and there is no wage attachment in effect;
- Intercept lottery winnings and Federal Tax Refunds if you owe more than \$150.00 in a cash assistance case or if you owe \$500.00 or more in a non-welfare case;
- Deny application for or take your passport if your total arrears exceeds \$5000.00;
- Place a lien on property. (Any overdue support creates a lien on property that will become part of your credit report.); or
- Place you in jail for up to six months and set a "purge factor" which is the amount to be paid in order for you to be released.

HOW DO I AVOID THESE PITFALLS?

1. Notify the court as soon as possible of any changes in employment that decrease your salary. Support modifications are effective the date the modification petition is filed with the court. Don't wait 2-3 months before filing your petition. Any reduction you receive will only be retroactive to the filing date, regardless of when you stopped working.

2. If you haven't paid your child support and you receive notice to appear for a contempt petition, start making payments immediately and be prepared to bring a lump sum payment with you to court on the date of your hearing. (The fastest and easiest way to go to jail is to come to court well dressed, employed, but with no money available to pay toward the outstanding support.)

3. In new cases, make direct payments according to the payment instructions until you see the wage attachment start and money coming out of your paycheck. Support payments should begin with your first paycheck following the support conference or Support Master's hearing.

4. Notify the court as soon as you change employers. The wage attachment follows the employer. When you leave one job, the wage attachment ends. Make payments directly to PA SCDU until a new wage attachment goes into effect.

5. Never make cash payments directly to the other party. PA SCDU has no record of anything that is not sent to them first. In order for the court to give you credit for direct payments you've made, the other party must notify the court in writing or you must be able to provide verification that payment was received. A cancelled check is the best method for this.

6. Don't try to avoid paying your child support by paying expenses (car payments,

insurance, mortgage) for the other person or for your children. While you may get some credit for this, it will only be a percentage of what you paid, not dollar for dollar toward the support obligation.

7. Don't stop paying support as soon as your child turns eighteen and/or graduates from high school. Prior to the child's eighteenth birthday or high school graduation, whichever is later, file a petition to terminate the child support. The court will order that the support stop at a certain date. Any money paid after that date will be placed on hold and returned to you.

For additional information, visit the Pennsylvania Child Support website at:

www.childsupport.state.pa.us

THE FAIR CREDIT REPORTING ACT

The Fair Credit Reporting Act (FCRA) permits the gathering, by credit reporting agencies, of the history of your borrowing and repayment of loans, credit cards, your employment, your insurance claims, check writing history, judgments, bankruptcies, and tax liens. Every credit report contains:



- Your name;
- Your current and previous addresses;
- Your Social Security number;
- Your year of birth;
- Your current and previous employers;
- If you're married, your spouse's name; and
- Your telephone number.

At your request, this information is made available to you, your employer or prospective

employer, prospective lenders, and insurance companies for the purpose of offering insurance **and can be used by your credit card lenders to determine whether you continue to meet the terms of the account for purposes of changing your current borrowing interest rate.**

Information Excluded under the FCRA:

Generally, under the FCRA, the following information is excluded from your credit report:

- Bankruptcy information older than 10 years from filing;
- Civil suits, judgments, records of arrest older than 7 years or older than permitted under a statute of limitations;
- Paid tax liens older than 7 years;
- Accounts placed for collection, or charged off older than 7 years;
- It is important to note that these time periods do not apply, so the information can be disclosed, where you initiate a credit transaction or request for life insurance which involves or may be reasonably expected to be \$150,000.00 or more or request for employment where the annual salary is \$75,000.00 or more.

The importance of the FCRA to you is that all of your information is compiled and analyzed by credit reporting agencies, Experian, TransUnion, and Equifax, which use it to create a credit score. Your credit score affects your ability to borrow money at a competitive interest rate, purchase insurance, or even obtain employment.

You have rights under the FCRA:

- The ability to receive a copy of your credit report;

- The ability to limit access to your credit report to companies or persons without authorization;
- The ability to have disputed information investigated;
- The ability to correct or delete inaccurate information and have old information deleted;
- The ability to have your name removed from marketing lists at your request. (Opting out);
- The ability to obtain your credit score, upon payment; and
- The ability to request an identity theft alert.

For those reasons, you should obtain a copy of your credit report, review it, and dispute any inaccurate information. Once per year, you may obtain a free copy of your credit report from each of the three credit reporting agencies. You may obtain a free report on the internet at **www.annualcreditreport.com**. If you do not want to obtain it on the internet, you may telephone **1 877 FACTACT** or contact the following credit reporting agencies directly: **Equifax 1 800 685-1111; Experian, 1 888 397-3742; Transunion, 1 800 916-8800.**

The credit history section of your credit report will contain:

- Account number;
- Creditor's name;
- Amount borrowed number;
- Credit limit number;
- Dates when the account was opened, updated, or closed;

- Timeliness of payments; and
- Late payments.

After you receive a copy of your credit report, you will note that inquiries are listed at the end of the report. If you have requested credit from a bank, loan or finance company, the companies' names are listed, and they can view your complete credit report. Note that companies are listed that sent you promotional or advertisements, only obtained your name and address, and were not permitted to inspect your credit report.

Disputing False or Stale Information on your Credit Report. If you disagree with the information in your credit report, or if the information is not complete or accurate, the FCRA permits you to dispute the information with the credit reporting agency. Your written dispute is noted on your credit report. You should indicate the disputed information, in writing, to the credit reporting agency. The credit reporting agency must conduct a reasonable investigation to determine the accuracy of the information and within 30 days of receipt of the dispute, make a determination. It is your obligation to provide all information necessary to the credit reporting agency to aid it in its investigation of the disputed information. If the information in your credit report is found to be inaccurate, or if the information cannot be verified, then the information must be corrected or deleted and you, and the source of the inaccurate information must be notified. You, the consumer, must be notified within 5 days of the change of your credit report. You may add a statement to your credit report disputing the accuracy or completeness of the file.

Opting out. The credit reporting agencies are permitted to sell your name and address to vendors of credit or insurance companies, without letting these companies view your credit report. You may opt out, or elect to be excluded from promotional lists for a 5-year period. You may call 1888-5OPTOUT (888-

567-8688) to opt out from receiving promotional material. Opting out may also assist you from avoiding identity theft, as some identity thieves steal, from your mail box, these promotional materials and applications that are meant for you, and apply for credit in your name. Opting out may help to avoid these problems.

Credit Score. The FCRA permits you to obtain your credit score. You may contact any credit reporting agency or the Fair Isaac Company at www.myfico.com to obtain your credit score. Recently The Philadelphia Inquirer reported that the three credit reporting agencies have reported that they have introduced a new credit score called "VantageScore" to lenders, banks, and loan companies. The VantageScore scale is from 501 to 990. The new VantageScore will be made available to consumers later this year. The current credit score is based on a scale from the low of 400 to a high of 850.

Identity Theft Alert. The FRCA permits Fraud Alerts on your credit report. If you suspect that identity theft has affected you, you may place a fraud alert on your credit report notifying all prospective users of your credit report. An initial fraud alert stays on your credit report for at least 90 days, and an extended alert lasts for at least seven years. To initiate a fraud alert you may contact:

- **Equifax: 1-800-525-6285;**
www.equifax.com
- **Experian: 1-888-397-3742;**
www.experian.com
- **TransUnion: 1-800-680-7289;**
www.transunion.com.

The FRCA is just the framework for the laws about your credit history, its disclosure, and your ability to preserve it. You must be proactive in maintaining your credit by first trying to make timely payments on all bills, reviewing your credit

report, disputing errors, and being aware a identity fraud.

REVERSE MORTGAGES:

What are they, and can they work for you?

If you are 62 years old or older, are a homeowner and need money, listen up. You may qualify to take out a “reverse mortgage” on your home. A “reverse mortgage” is a loan that you take out against the equity in your home that you do not have to pay back. In essence, you turn the value of your home into cash, without having to sell your property or repay a loan each month.

How is this different from a regular “forward” mortgage?



Both a forward mortgage and a reverse mortgage create debt against your home, and effect the equity in your home. However, they work in opposite ways. With a forward mortgage, you take out a loan for the money that you need to purchase the property. Then, every month, you pay back your loan with a monthly mortgage payment. During the time frame that you pay back this loan, your debt decreases, and your equity increases. At the end of the loan, when you make your last payment, you would owe nothing on the loan and your equity would equal the value of the home. If you sell the home, you receive any equity in the property.

The opposite happens with a reverse mortgage. With a reverse mortgage you are taking the equity out of the property in cash, and you do not have to make any repayments. You continue to live in the property, without the burden of making monthly mortgage payments. The amount of money that you owe (your debt) increases as you take



out the equity in the property. The loan is repaid to the lender if you decide to move, or if you die, from the proceeds from the sale of the property.

How do I obtain a reverse mortgage?

1. Find a lender

First you must contact a lender who can process your request. You can find one through the National Reverse Mortgage Lending Association. (<http://www.nrmlaonline.org/>).

2. Counseling

Next, you must go through mandatory counseling in order to be approved for a reverse mortgage. The counselors will give you information about reverse mortgages and evaluate you to see if you qualify for a reverse mortgage. You will receive a certificate that you completed this counseling that you can give to your lender.

3. Application and Processing

Like other loans, you must then apply for the reverse mortgage loan. The lending institution will evaluate your credentials to see if you qualify for this loan. Some of the criteria include the following:

1. You must be 62 years of age or older;
2. You must live in your home as your principal residence;
3. The home must be a single family residence in a 1-4 unit dwelling, a condominium or part of a planned unit development;
4. Your home must be at least one year old and meet HUD’s minimum property standards; and
5. You must go through counseling for this loan.

Finally the lending institution will process your loan and send it through underwriting to closing. If your application is accepted and if your loan process runs smoothly, you will qualify for the reverse mortgage and be able to receive payments from the equity in the property, without having to repay these monies. The following options are available for your payments:

- a single, lump sum payment;
- regular monthly cash advance;
- a credit line account; or
- combination of these methods.

4. Three Day Right of Rescission

If, within three days of your settlement, you decide that you no longer wish to have this reverse mortgage on the property, you may cancel this loan in writing. If you do not cancel this loan within the three days, the loan is closed and the monies are disbursed.

What's the catch?

It almost sounds to good to be true. But, as we all know, you can never receive something for nothing. A reverse mortgage does create a lien against the property that will have to be repaid. Ideally, the amount of the reverse mortgage should not exceed the equity in the property, so that the loan will be repaid by exhausting the equity in the property. In other words, the equity in the property would repay the loan, so that you would owe nothing. If you move or die before this loan is repaid, the loan is repaid to the lender when the property is sold.

Please also keep in mind that this loan must also be repaid if the homeowner no longer occupies the property as their primary residence, if you allow the property to deteriorate beyond normal wear and tear, or you fail to observe any other requirement of the loan.

Also, mortgage companies normally charge up-front costs in order to process your reverse mortgage. These up-front costs may include: a mortgage insurance premium of two percent (2%) of the loan amount, another two percent (2%) origination fee and closing costs. Make sure you ask your lender for a good faith estimate of these fees and costs prior to obligating yourself in this loan.

For information regarding benefits provided under the PFT Legal Services Plan, please visit the web at

www.pftls.org/benefits.htm

For legal service, contact



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CAUTION

These articles are not a substitute for individual legal advice from a lawyer. The information presented here is believed to be accurate, but laws vary between states and every legal situation is different.