



Lesson Ten

Consumer Privacy



These days consumer privacy is a common topic with issues related to identity theft and prolific online transactions. Students need awareness and practical skills to help them protect their privacy, financial information and futures.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/college/10

consumer privacy lesson outline

overview

In today's information age, keeping your personal financial information private can be challenging. What you put on an application for a loan, your payment history, where you make purchases, and your account balances are but a few of the financial records that can be sold to third parties and other organizations.

This lesson will discuss how public and private records are accessed and used by various organizations, as well as review privacy laws to protect your information.

Direct mail, credit reports, telecommunications, and Social Security numbers will be considered from the standpoint of what consumers can do to protect their privacy rights.

In addition, students will learn about their options as a consumer and ways to "opt out" of database profiles. Students will also learn about privacy in the workplace and the various issues related to their personnel files, electronic mail monitoring, and laws to protect their rights.

goals

Provide consumers with a general overview and awareness of privacy issues that impact their lives.

lesson objectives

- Define what is meant by privacy in the information age
- Explain the pros and cons of database profiles
- Understand federal laws that offer privacy protection
- Identify public and private sector sources of information
- Understand key privacy issues as they relate to information sources, insurance, employment, direct mail, credit reporting, telecommunications, electronic monitoring, and Social Security numbers
- Explain how to remove your name from mailing and telemarketing lists
- Explain how to obtain a credit report



presentation slides

- 10-A** privacy and information
- 10-B** types of information generally available from public sources
- 10-C** private databases available only to those with a legitimate purpose
- 10-D** amending or correcting records
- 10-E** what's in a database profile?
- 10-F** what the law says: federal privacy protection

consumer privacy lesson outline

10-G protecting your privacy: your options as a consumer

10-H what's in a credit report

10-I reviewing your credit report

10-J telecommunication devices and services

10-K electronic monitoring in the workplace

student activities

10-1 Test Your Privacy Knowledge

- Discuss the sources and uses of personal information and have students reflect on the advantages and disadvantages to them as consumers.

10-2 What Would You Do?

- Have students apply their privacy knowledge and problem-solving skills to several common scenarios.

10-3 How Much Is Known About You?

- Have students analyze a typical warranty card to determine the information that is disclosed and detect its possible uses.

10-4 What Your Mail Can Tell You

- Help students bring this knowledge home by asking them to analyze their personal mail to determine what and how much is known about them, and how the information might have been obtained.

10-5 Lesson Ten Quiz

For more information, please refer to the Appendix.

consumer privacy target audiences

Learning activities appropriate to varied target audiences for lesson ten

	14-18 	19-25 	26-↑ 
activity	teenagers (14-18)	young adults (19-25)	adults (26+)
Web Activity	•	•	
Field Activity	•	•	
Survey/Interview		•	•
Web Activity	•	•	•
Student Activity 10-1	•	•	•
Web Activity	•	•	•
Field Activity	•	•	•
Oral Presentation	•	•	
Student Activity 10-2a	•	•	
Student Activity 10-3a	•	•	
Student Activity 10-4	•	•	
Lesson Ten Quiz 10-5	•	•	•

consumer privacy teaching notes

defining privacy as it relates to information

1. Information privacy
2. Why information privacy is important in the information age
 - Much information about us and our activities as consumers is recorded and stored by computer systems.
 - Our computer files can be shared between public and private organizations. For example, the IRS can access financial data about you from your bank.
 - Computer data can travel and change hands in just a few seconds.
 - Because of these factors, accurate data is paramount.
3. Why information privacy is a sensitive issue
 - Information is a very valuable resource.
 - Access to information in our society today offers many benefits to consumers while at the same time posing a potential threat to our privacy.



discussion



slide 10-A



web activity:

Have students do Web research related to privacy at:
ftc.gov/privacy/

where does the information come from?

1. Types of information generally available from public sources
 - What they are.
 - Certain public records are generally available; e.g., birth records, marriage licenses, divorce records, property ownership, motor vehicle records, and voter registration—all of which facilitate the transfer of important information to the public, news media, government, and businesses.
2. Private information available only to those with legitimate purposes
 - What they are.
 - Certain private records are available only to individuals or organizations with a legitimate use for them: employment information, credit scores, certain tax information (IRS/State Tax Board), criminal records, social service records (welfare, Medicaid, etc.), school records, and medical records.



slides 10-B & 10-C

consumer privacy teaching notes

how can records be accessed?

1. Accessing public records
 - Freedom of Information Act, 1966 (FOIA) allows anyone access to most records of U.S. Executive Branch Agencies. Often, journalists use the FOIA to do research for articles or books—for example, a biography of Martin Luther King Jr. made extensive use of FBI records.
 - Privacy Act of 1974 permits American citizens and permanent residents to request, inspect, and challenge federal records on themselves.
 - Public records are available from local and county courts, Hall of Records, Department of Motor Vehicles, etc.
2. Accessing private records
 - Varies depending upon type of record and state: e.g., your hospital records can be obtained by you in some states but not in others.
3. Amending or correcting records
 - The Privacy Act requires each federal agency maintaining records to permit individuals to request amendment of his/her record. To amend or expunge a record you must contact the agency in question.
 - Private agencies—contact them to ensure accuracy.



discussion



slide 10-D

how is the information used?

1. Database profiles
 - What they typically contain.
2. How an organization's database profile can benefit consumers
 - Makes products and services more widely available to broader groups of consumers who might otherwise not receive them.
 - Receive direct mail that relates to your interests and from companies where you previously shopped.
 - Receive special discounts and promotional offers on products and services; e.g., telephone companies giving breaks on phone calls to areas of the country where a consumer calls frequently.
3. How maintaining database profiles can benefit businesses
 - Makes marketing more efficient, helping to reduce consumer costs.



slide 10-E



discussion

consumer privacy teaching notes

how is the information used? (continued)

- Helps identify customers who might want specific products or services.
 - Provides information for a retailer or financial institution to extend credit.
 - Helps promote customer loyalty.
4. How information stored in a database profile can create possible problems for consumers
- You can be turned down for a loan, job, or apartment because of poor payment record.
 - You can be turned down for insurance because of poor driving history.
 - Information may be given, rented, or sold to other organizations without your knowledge or consent.
 - You may receive unwanted solicitations.
5. The privacy dilemma: Who should have access to your database profile?
- Is it right for state motor vehicle bureaus to sell names and addresses of individuals who have driver's licenses?
 - Is it proper for institutions such as hospitals to sell names and addresses of women who just gave birth on their premises for soliciting them for baby items?
 - Should credit agencies be permitted to sell your financial information?
 - What are the limits, and how do the rights of individuals get protected?



discussion



field activity:

Obtain examples of data collected from customers and citizens in our society. Discuss potential benefits and dangers of others having this data.

what the law says

1. Federal privacy laws and regulations.
2. State laws and regulations:
 - Vary from state to state.
 - Many states have their own privacy laws concerning telemarketing, employment, the use of Social Security, credit card or checking account numbers, medical records, mailing lists, credit reports, debt collection, computerized communications, insurance records, and public data banks. Check with your state or local consumer protection agency about specific privacy rights or a referral to the appropriate agency.



slide 10-F

consumer privacy teaching notes

privacy and direct mail

1. How consumer information is obtained
 - Provided by the consumer directly to merchant or other business or organization. This is done through purchase transactions, by completing warranty and sweepstakes cards, from magazine subscriptions, from charitable contributions, and when you request catalogs.
 - Lists are often rented or bought from other organizations.
 - Some lists are created by specialized companies from public sources.
2. What is done with consumer information
 - Direct marketers identify potential buyers of products or services.
3. Protecting your privacy—your options as a consumer
 - “Opting out” of direct marketing programs allows consumer to remove or restrict personal information from being used for direct marketing programs.
 - In dealing with merchants, customers can decide not to give out demographic information not required to make a transaction.
 - Never give personal or financial information such as your credit card or checking account number or PIN over the phone unless you know the company or know how the information will be used.



discussion



survey/interview:

Have students talk to people who receive a lot of direct mail. Obtain information about their possible privacy concerns.



slide 10-G

credit reporting (see also lesson 7)

1. What's in a credit report?
2. Who keeps credit reports?
 - Credit bureaus: Experian, Trans Union, and other local bureaus affiliated with these major companies.
3. Who can review credit information?
 - Organizations or individuals with a “legitimate business purpose” as defined by the Fair Credit Reporting Act can receive the credit report information.
 - Normally includes credit grantors such as financial institutions, retailers, current or potential employers, insurance underwriters, and landlords.
 - The Fair Credit Reporting Act also gives you the right to review your own credit report.

consumer privacy teaching notes

credit reporting (continued)

4. What else do credit bureaus do?
 - Create “prescreened” mailing lists of consumers whom financial institutions can contact with credit card offers.
 - Consumers can “opt out” of lists by contacting credit bureaus directly.
5. Why is your credit history important?
 - Your credit history can impact your ability later to get a job, an apartment, a loan, or a credit card (see also Lesson 13). Credit grantors, employers, and landlords want to know what kind of bill-paying habits you’ve had in the past.
6. What you can do:
 - Pay your bills on time as stated in your agreement.
 - Review your credit report, particularly before applying for a loan, job, or apartment.
 - Correct your credit record, if necessary, by contacting all three of the major credit bureaus.
 - Be sure your credit records are up to date and accurate.



slide 10-H



web activity:

Have students visit the following credit reporting services websites for information:

experian.com

equifax.com

transunion.com



slide 10-I



discussion

privacy and telecommunications

1. Telecommunications devices and services
2. Value of telecommunications services
 - Can allow instantaneous communication.
 - Tremendously useful for business, research activities, law enforcement effort, and personal communications, to name just a few.
3. The privacy dilemma:
 - Conversations on cellular and cordless phones may be vulnerable to eavesdropping, even though doing so may violate the law (the 1986 Electronic Communications Privacy Act).
 - Confidential faxes may be vulnerable to interception.



student activity 10-1



slide 10-J

consumer privacy teaching notes

privacy and telecommunications (continued)

- While some online computer network services offer some degree of privacy protection, others do not.
 - Caller ID allows the phone you call to know your phone number.
 - Automatic Number Identification (ANI) allows 800 or 900 numbers called to identify a caller's telephone number.
4. What the law says
- Electronic Communications Privacy Act (1986)
 - Telephone Consumer Protection Act (1991)
 - You have the right under federal law
 - To tell a company to not solicit you at home by phone. The company must keep a list of these consumers and not contact them.
 - Not to get telephone solicitations at your home before 8 a.m. or after 9 p.m.
 - Not to receive unsolicited ads by fax.
 - To be disconnected from a prerecorded machine-delivered message within five seconds of hanging up.
 - State laws
 - Some states do not allow telemarketers to call people who do not want to receive calls.
 - Contact your state attorney general or local consumer protection agency.
5. What you can do to make it more difficult to exchange information on you
- Use encryption devices or services on cellular phones.
 - See if your phone company has a blocking mechanism for Caller ID or ANI.
 - Contact the Direct Marketing Association Telephone Preference Service to remove your name or control the way organizations can use your telephone number.
 - Tell any company that calls you that you don't want to receive future telemarketing calls, if that is your choice. Keep a list. If that company phones you again, report them to your state attorney general or local consumer protection agency.



web activity:

Have students go to the privacy information page of the Federal Trade Commission website:
ftc.gov

privacy and your social security number

1. What is a Social Security number?

- Now commonly used as a personal identifier (although technically it is not, as some people have more than one Social Security number while others share the same number).
- You can obtain a number at no charge. Everyone should have one.

2. What is it used for?

- Originally used to number personal accounts for the collection of taxes and payment of benefits in the Social Security program.
- Now also used for record-keeping purposes by many types of institutions including financial institutions, universities, voter registration records, credit bureaus, employers, and government agencies.
- Often is used in relationship to bank accounts, credit reports, driver's license, tax records, credit card accounts, telephone company account, membership in professional clubs, associations, and as a college ID number.

3. The privacy dilemma:

- The use of a Social Security number makes it easier to exchange, compare, and combine information among various record systems, providing greater accuracy but making it vulnerable to misuse.

4. What you can do:

- Do not write Social Security numbers on personal checks.
- Do not use as a password or PIN number for ATM, building security code, or other sensitive uses.
- Do not provide your Social Security number unless required by requester such as your employer, bank, etc.



discussion

consumer privacy teaching notes

privacy and the workplace

1. Personnel files
 - There are no federal statutes comprehensively regulating employee access to personnel files.
 - Access to personnel files varies depending upon company policies and applicable state law.
 - Before accepting a job it is a good idea to check with the employer on its policies regarding personnel files.
 - Many companies subscribe to guidelines issued by the Privacy Protection Study Commission (1977) regarding access to records, corrections of records, and internal disclosure of documents.
2. Electronic monitoring
 - Improves and ensures good customer service.
 - Increases productivity.
 - Protects trade secrets.
 - Reduces employee theft and drug abuse.
3. The privacy dilemma: How can business needs of the company and privacy needs of the individual be met?
 - Should employers have the right to monitor employee customer service phone calls to ensure that customers are receiving the proper level of service and ensure that employer's standards are being met?
 - Is it an invasion of privacy to conduct drug screening of job applicant?
 - What are the limits and how do the rights of individuals get protected?
4. What the law says
 - Under the Federal Wire Tap Act an employer may monitor employee telephone calls with consent or if the employee communicates by phone with customers in the ordinary course of business.
 - Most states have similar or even more restrictive laws.
5. Electronic monitoring activities vary from company to company



field activity:

Have students talk to human resource workers about the procedures used to protect the privacy of employees.



slide 10-K



oral presentation:

Have students develop an in-class presentation or video with examples of valid and illegal employee monitoring in the workplace.

consumer privacy teaching notes

privacy and the workplace (continued)

6. What you can do

- Check with your employer about monitoring policies, if any.
- If you work as a customer service representative or in another position where your business calls are monitored, wait for breaks and use telephones that are available to make personal calls. Ask if you can be advised when calls might be monitored.



student activity 10-2



student activity 10-3



student activity 10-4

lesson fourteen quiz



quiz 10-5



test your privacy knowledge

answer key

answer each of the following questions in the space provided.

- 1.** Explain why privacy is a crucial issue of the information age.

*Computer records can be stored and shared across long distances between many organizations.
Consumers should be informed of who has access to these records and how they can be used.*

- 2.** For the following sources of information, put “**Pub.**” next to those that are available from public sources and put “**Pr.**” next to those that are generally subject to privacy restrictions.

<i>Pub.</i>	Telephone directories	<i>Pr.</i>	Subscription records
<i>Pub.</i>	Marriage/divorce records	<i>Pub.</i>	Voter registration records
<i>Pr.</i>	Personnel files	<i>Pub.</i>	Campaign contributions
<i>Pr.</i>	Credit reports	<i>Pub.</i>	Driver's licenses
<i>Pub.</i>	Real estate holdings	<i>Pr.</i>	Medical records

- 3.** List three advantages to you of a company having a database profile on you.

- 1. Receive direct mail that relates to your interests and from companies where you previously shopped.*
- 2. Receive special discounts and promotional offers.*
- 3. Broader usage of offers made to consumers who might not otherwise receive them.*

- 4.** Name four items that are part of a credit report.

- 1. Identifying information: name, Social Security number, address, and can include phone number, previous addresses, and employer.*
- 2. Credit history: previous and current types of credit, sources, and extent of credit granted.*
- 3. Public record information: lawsuits, bankruptcies, judgments, etc.*
- 4. Prior requesters: names of those who have requested information on this individual in the past.*

- 5.** Explain why it is important to have a good credit history.

When you apply for things such as a student loan, line of credit, mortgage, car loan, credit card, or apartment, you will need to have a good, accurate credit history or your request may be denied.



what would you do?

answer key

read the scenarios described below and then indicate how you would respond to each one.

- 1.** You have applied for a student loan and are told that you have been turned down due to a late payment on your credit card. You want to find out exactly what your credit report says and make any corrections that are necessary.

You would: (1) request a copy of your record from all three major credit reporting agencies (free if you have been turned down for a loan), and (2) tell the credit reporting agencies about any inaccuracies.

- 2.** You've been receiving catalogs for sports equipment that you have no interest in purchasing. However, you also receive clothing manufacturers' catalogs that you do wish to keep getting. You would like to be removed from the sports equipment mailing list only.

Write directly to the sports equipment company and request to be removed from its mailing list.

- 3.** The pile of mail-order catalogs on your desk has grown to four feet. You no longer wish to receive direct marketing materials from any company and want to be removed from all lists.

Write to the Direct Marketing Association and ask to have your name removed from the lists of all merchants who are DMA members (keep in mind that not all merchants are DMA members). You can also visit the-dma.org for more information.

- 4.** You want to receive direct marketing offers in the mail, but not by telephone.

Contact the Telephone Preference Service of the Direct Marketing Association and ask to be removed from the telephone lists of all its members (keep in mind that not all merchants are DMA members). If you received telemarketing calls and don't want future calls from this telemarketer, tell them so, citing the federal law.

what would you do? answer key

- 5.** You have made several 800 and 900 number calls and although you never left your phone number, you are starting to receive phone solicitations from these same companies and individuals. You want to be sure when you call an 800 or 900 number that you are not inadvertently leaving your phone number with that merchant.

Check with your phone company to see if they can insert a blocking mechanism for these "ANI" numbers.

- 6.** Your quarterly evaluation at work is not as good as you'd hoped it would be. You'd like to find out what is in your personnel file that may explain the mediocre evaluation.

Simply ask your supervisor for a look at your file. If your employer refuses, call your Department of Labor to determine your rights as an employee. Although not required by law, most companies comply with the guidelines issued by the Privacy Protection Study Commission in 1977, allowing employees access to their personnel files.



Look at the following completed sample warranty card and answer key to reveal the companies or type of company interested based on the example.

student activity key 10-3

how much is known about you? *answer key*

10 WHERE DID YOU PURCHASE THIS PRODUCT?

- | | |
|--|--|
| 1. ☐ Camera Store | 5. ☒ Catalog |
| 2. ☐ Discount Store | 6. ☐ Received as a Gift |
| 3. ☐ Department Store | 7. ☐ Sporting Goods Store |
| 4. ☐ Mail Order | 8. ☐ Other |

11 WHAT MOST INFLUENCED THE PURCHASE OF THIS PRODUCT?

- | | |
|---|--|
| 1. ☐ Dealer recommendation | 3. ☐ Ads |
| 2. ☐ Professional recommendation | 4. ☐ Dealer ads |
| | 5. ☐ Friends |

12 THIS PRODUCT WILL BE USED PRIMARILY FOR:

- | | |
|---|--|
| 1. ☐ Commercial/Industrial | 4. ☐ Creative/Hobby |
| 2. ☐ Scientific/Medical | 5. ☒ Family/Travel |
| 3. ☐ Photo Journalism | 6. ☐ Sports/Outdoors |

13 HOW DID YOU PAY FOR THIS PRODUCT?

- | | |
|--|---|
| 1. ☐ Cash | 4. ☐ Store Credit Card |
| 2. ☐ Personal Check | 5. ☐ Store Finance |
| 3. ☒ Credit Card | 6. ☐ Other |

14 WHICH OF THE FOLLOWING DO YOU USE REGULARLY?

1. ☐ American Express, Diners Club, Carte Blanche
2. ☒ Bank Credit Card (MasterCard, Visa)
3. ☐ Gas, Dept. Store, etc. Credit Cards
4. ☐ Airline Club/Frequent Flyer Program
5. ☐ None of the above

15 FOR YOUR PRIMARY RESIDENCE, DO YOU:

- | | |
|---|---|
| 1. ☒ Own a house? | 3. ☐ Rent an apartment? |
| 2. ☐ Rent a house? | 4. ☐ Own a townhouse or condo? |

16 TO HELP US UNDERSTAND OUR CUSTOMERS' LIFESTYLES, PLEASE INDICATE THE INTERESTS AND ACTIVITIES IN WHICH YOU OR YOUR SPOUSE ENJOY PARTICIPATING ON A REGULAR BASIS:

- | | | |
|---|---|--|
| 01. ☐ Bicycling Frequently | 20. ☐ Electronics | 39. ☐ Our Nation's Heritage |
| 02. ☐ Golf | 21. ☐ Home Workshop/Do It Yourself | 40. ☐ Real Estate Investment |
| 03. ☐ Physical Fitness/Exercise | 22. ☐ Motorcycles | 41. ☐ Stock/Bond Investments |
| 04. ☐ Running/Jogging | 23. ☐ Recreational Vehicles | 42. ☐ Veterans Benefits/Programs |
| 05. ☐ Snow Skiing Frequently | 24. ☐ Stereo, Records/Tapes/Disco | 43. ☐ Entering Sweepstakes |
| 06. ☐ Tennis Frequently | 25. ☒ Avid Book Reading | 44. ☐ Home Video Games |
| 07. ☐ Bowling | 26. ☐ Bible/Devotional Reading | 45. ☐ Household Pets (cats, dogs, etc.) |
| 08. ☐ Camping/Hiking | 27. ☐ Current Affairs/Politics | 46. ☐ Money Making Opportunities |
| 09. ☐ Fishing Frequently | 28. ☐ Health Foods/Vitamins | 47. ☐ Science Fiction |
| 10. ☐ Hunting/Shooting | 29. ☐ House Plants | 48. ☐ Wildlife/Environmental Issues |
| 11. ☐ Power Boating | 30. ☐ Photography | 49. ☐ Career-Oriented Activities |
| 12. ☐ Sailing | 31. ☐ Attend Cultural/Arts Events | 50. ☐ Personal/Home Computers |
| 13. ☐ Crafts | 32. ☐ Charities/Volunteer Activities | 51. ☐ Science/New Technology |
| 14. ☐ Crossword Puzzles | 33. ☐ Fashion Clothing | 52. ☐ Watching Cable TV |
| 15. ☐ Needlework/Knitting | 34. ☐ Fine Art/Antiques | 53. ☐ Watching Sports on TV |
| 16. ☒ Outdoor Gardening | 35. ☒ Foreign Travel | 54. ☐ NONE OF THE ABOVE |
| 17. ☐ Sewing | 36. ☐ Gourmet Cooking/Fine Foods | |
| 18. ☐ Walking for Health | 37. ☐ Coin/Stamp Collecting | |
| 19. ☐ Automotive Work | 38. ☐ Collectibles/Collections | |

17 FROM THE ABOVE LIST, PLEASE INDICATE THE NUMBERS REPRESENTING THE 3 MOST IMPORTANT ACTIVITIES FOR:

1	6	2	5	3	5
---	---	---	---	---	---

YOU

--	--	--	--	--	--

YOUR SPOUSE

Thanks for taking the time to fill out this questionnaire. Your answers will be used for market research studies and reports—and will help us better serve you in the future. They will also allow you to receive important mailings and special offers from a number of fine companies whose products and services relate directly to the specific interests, hobbies, and other information indicated above. Through this selective program, you will be able to obtain more information about activities in which you are involved and less about those in which you are not. Please check here if for some reason you would prefer not to participate in the opportunity. ☐



lesson ten quiz: about consumer privacy

answer key

true-false

1. f The Freedom of Information Act allows access to most, but not all, private records of companies.
2. f Public databases include such information as credit reports, school records, and medical records.
3. t A credit report would include if a person had declared bankruptcy in the past.
4. t A credit bureau keeps track if people pay their bills on time.
5. t The Fair Credit Reporting Act allows a person to access his or her credit report.

multiple choice

6. B An example of public records would be:
A. a credit card statement
B. a telephone directory
C. medical records
D. an employment application on file with a company
7. A Voter registration records are considered to be:
A. public records
B. private records
C. company records
D. a database profile
8. D A credit report would include a person's:
A. federal income tax data
B. balances for electric bills and other utilities
C. salary history
D. balances for installment accounts
9. D The organization that provides companies with information on a person's past use of credit is:
A. a credit union
B. the Consumer Credit Counseling Service
C. the Fair Credit Reporting Agency
D. a credit bureau
10. C When using an ATM, your PIN is designed to:
A. indicate your current balance
B. provide the bank access to your financial records
C. provide security as an authorized user
D. indicate your credit rating

case application

Virginia recently received letters that her charge accounts are overdue. She noticed these were from companies from which she never made purchases. After further investigation, the purchases were for items she did not buy. What actions would you recommend for Virginia? *Virginia seems to be a victim of identity theft. She needs to contact these companies to cancel these accounts and to explain the situation. She needs to review her credit report for other abuses of her financial records, and also review her credit report every few months. She should also be cautious with the use of her Social Security number in the future.*