Consumer Tips

In a Tough Economy

Be an informed consumer empower yourself with information!

Seminar Topics:

Fair Debt Collection
Debt Consolidation
Foreclosure Scams
Payday Loans
Credit Card Act
Dodd-Frank Act
Protecting Yourself Online

BOULDER COUNTY HOUSING AUTHORITY

A joint program of BCHA and the CU Law school.
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COLORADO LAW
UNIVERSITY OF COLORADO LAW SCHOOL

CONSUMER TIPS IN A TOUGH ECONOMY

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Materials Edited by Professor Amy J. Schmitz and Created in Conjunction with Professor Schmitz's Consumer Empowerment Service-Learning Course at CU Law School

An Introduction to Fair Debt Collection

By Scott Melin

A brief introduction to debt collection:

Debt collectors try to collect debt. There are two kinds of debt collectors. First, creditors might pursue their own debtors. For example, if you buy an appliance from Acme on credit and can't make the payments, Acme might pursue you. Second, creditors might ask others to pursue their debtors. For example, Acme might ask Beta Collection Services to pursue you. To earn money, debt collectors must collect debt. This gives them incentive to be very aggressive. Debt collectors are known for harassing, threatening, and lying to debtors. For that reason, federal and state legislation protects you from unfair debt collection practices.

What might happen if I can't pay my debt?[1]

Not paying debt has several serious potential consequences. For example:

- The hassle of dealing with debt collectors.
- Interest and late charges will increase unpaid debt over time.
- Creditors and debt collectors can report unpaid debt to credit reporting agencies, hurting your credit score and limiting your access to future credit.
- Creditors can repossess property to satisfy debt secured by collateral. For example, if you buy a car and can't make the payments, your creditor can take the car. Generally in Colorado, your creditor can repossess without permission from a court.

[1] Some of the following information comes from David L. Hudson, Jr. et al., *The American Bar Association Guide to Credit and Bankruptcy* (2d ed. 2009).

- Creditors can sue to get court permission to garnish wages or access other property to satisfy debt.
- In extreme cases, debt can lead to bankruptcy.

What will never happen to me if I can’t pay my debt?

- You will never go to jail for unpaid debt. Debtors’ prisons are a thing of the past.
- Creditors and debt collectors can’t take advantage of you if you know and insist on your rights. A knowledgeable consumer is a powerful consumer!

What is the federal Fair Debt Collection Practices Act?[2]

Facing evidence of widespread abusive debt collection practices, Congress passed the FDCPA in 1977. It is a consumer protection statute that limits the ways debt collectors can try to collect debt.

What does the FDCPA cover?

- The Act does not regulate creditors pursuing their own debtors, like Acme in the example above.
- The Act only regulates outside companies pursuing debtors for a creditor, like Beta Collection Services.
- The Act only limits efforts to collect debt taken on for personal, family, or household reasons. This includes, for example, medical debt, personal credit card debt, and home and auto loans, but not business debt.

What are my rights under the FDCPA?

Debt collectors cannot harass, oppress, or abuse you. For example, debt collectors cannot:

- use or threaten violence against you, your reputation, or your property;

[2] The following information is from the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692 et seq., and the Federal Trade Commission’s “Debt Collection FAQs: A Guide for Consumers,” http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.shtm.

- use obscene or profane language;
- publish lists of people who allegedly refuse to pay debts, except to credit reporting agencies; or
- force you to accept collect calls, repeatedly call only to make the phone ring, or use phone conversation only to annoy, abuse, or harass you. For example, federal courts have held that debt collectors cannot immediately call again after you hang up.[3]

Debt collectors cannot lie to you or about you. For example, debt collectors cannot:

- lie about the amount of your debt; or
- lie about their identity or who they are. For example, debt collectors cannot say they are credit reporting agencies, can only use their true company name, and cannot say they are attorneys or government affiliates if they are not.
- Debt collectors cannot lie about documents they send you. For example, debt collectors cannot say legal documents are not legal documents and vice versa, and cannot falsely lead you to believe their written communications are court or government approved documents.
- Debt collectors cannot lie about your credit information to any person, including credit reporting agencies; or
- say you have committed a crime or will be arrested because you have not paid your debt.
- Debt collectors can only threaten action against you that is both legal for them to take and that they intend to take. For example, debt collectors can only threaten to seize your property or garnish your wages if that is both legal for them to do and they intend to do it. One federal court has held that a debt collector can't have intent to carry out a threat unless the creditor has authorized them to take that legal action.[4]

[3] *See, e.g.*, *Bingham v. Collection Bureau Inc.*, 505 F.Supp. 864 (Dist. N.D. 1981).
[4] *Bentley v. Great Lakes Collection Bureau*, 6 F.3d 60 (2d Cir. 1993).

Debt collectors cannot use unfair debt collection practices. For example, debt collectors cannot:

- collect more than the amount of your debt, including any interest, fee, or charge, unless that is explicitly allowed by the agreement you made creating the debt or by your state's law.
- Debt collectors can only deposit postdated checks on the date written on the check. If you postdate a check by more than five days, a debt collector must notify you in writing before depositing it.
- When reaching you by mail, debt collectors can't use postcards or put information on envelopes indicating they are collecting debt. For example, debt collectors can't put a company name on an envelope if the name indicates they are collecting debt.

Debt collectors cannot contact you at inconvenient times or places. For example, debt collectors cannot:

- call before 8 a.m. or after 9 p.m. (your time); or
- call you at work if they know or should know your employer forbids such contact. If a debt collector tries to contact you at work be sure to notify them, orally or in writing, that such contact is not allowed.
- If you have an attorney for your debt, a debt collector must only communicate with your attorney and cannot communicate with you.

You can stop debt collector contact:

- Debt collectors can't contact you once you tell them in writing that you want communication to stop.
- There are two exceptions:
  - Debt collectors can contact you one final time to say there will be no further contact; and
  - Debt collectors can contact you to tell you they intend to pursue some remedy, for example a lawsuit.
- Be sure to keep a copy of the letter you send to the debt collector, send it by certified mail, and request return service.

The FDCPA limits who debt collectors can communicate with about your debt and what they can say. Generally, debt collectors can only communicate with you, your spouse, your attorney, credit reporting agencies, your creditor, your creditor's attorney, and the debt collector's attorney about your debt. There is one exception. Debt collectors can communicate with anyone else, but only to acquire your address, your employer's address, and your phone number. For example, a debt collector can contact your neighbor, but only for such so-called location information. When contacting third parties for your location information, debt collectors must:

- identify themselves, say they are confirming or correcting your location information, and not identify their employer unless explicitly asked;
- not reveal that you owe debt;
- not contact that person more than once unless that person asks them to or the debt collector reasonably believes that person now has additional location information; and
- not communicate in any way by mail to reveal that you owe debt.

A debt collector must give you notice of your debt. Within five days of first contacting you, a debt collector must send you a written notice that includes:

- the amount of the debt;
- the creditor's name; and
- a statement that you can dispute the debt. Disputing the debt does not make it go away. You must dispute the debt in writing within thirty days of receiving the debt collector's notice. Once you dispute the debt, the debt collector cannot contact you again until the collector sends you proof of the debt, for example, a bill.

If you owe multiple debts, and you make a payment to a debt collector, the debt collector cannot apply the money to a debt you have disputed, and can only apply the money to a debt you choose. For example, if a debt collector pursues you for debts A and B, and you pay the debt collector only for debt B, the debt collector can't apply your payment to debt A.

What is the Colorado Fair Debt Collection Practices Act?

The CFDCPA is very similar to the FDCPA. One important difference is that the CFDCPA requires that debt collectors be licensed by the state. The Colorado Attorney General's Office has also indicated that in Colorado it is harassment for a debt collector to call and talk with you three times in a single day.[5]

What can I do if a debt collector breaks the law?

- Collect Evidence.[6] For phone calls, write down the caller's name, phone number, exactly what they said, and the exact date and time they called. Have a witness listen in and write down the same things.
- File a complaint with the Colorado Attorney General's Office, which enforces the CFDCPA.
    - The Attorney General's Office can only discipline a debt collector and cannot award you anything. For an award, you need to file a lawsuit.
    - To file a complaint with the Colorado Attorney General's Office:[7]
        - get on the internet;
        - go to the Attorney General's website at www.coloradoattorneygeneral.gov;
        - click on "File Consumer Complaint";
        - click on "Collection Agency";
        - click on "Complaint Form with Instructions";
        - print the form;
        - read the instructions;
        - fill it out; and
        - mail it to the address listed.
        - If you don't have the internet and need the forms sent to you, or to phone in a complaint, or for additional assistance, call the Collection Agency Board of the Attorney General's Office at 303-866-5304.
- File a complaint with the Federal Trade Commission, which enforces the FDCPA.

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[5] "Consumer Rights Information—English," http://www.coloradoattorneygeneral.gov/departments/consumer_protection/uccc_cab/cab/consumer_rights_information_english

[6] This information comes from Margaret C. Jasper, Dealing with Debt (2007).

[7] Note that these systems are subject to change.

- To file a complaint with the FTC:[8]
    - get on the internet;
    - go to www.ftc.gov/complaint;
    - click on "Complaint Assistant"; and
    - fill out the required information.
    - Or call 1-877-FTC-HELP.
- File a lawsuit. This usually will involve time and money. Also, as with any legal action, it is advisable to have a lawyer and this can be costly. Under the FDCPA, as an individual plaintiff, you:
  - must file your lawsuit within one year of the debt collector's violation;
  - can recover any actual damages you can prove you suffered, for example lost wages; or
  - up to $1,000 if you can prove the law was violated but can't prove any actual damages; and
  - are entitled to court costs and attorney's fees if you win.

Additional Resources

- For the Federal Trade Commission summary of the FDCPA see: http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.shtm
- For the Colorado Attorney General summary of the CFDCPA see: http://www.coloradoattorneygeneral.gov/departments/consumer_protection/ucc_cab/cab/consumer_rights_information_english
- For the full text of the FDCPA see: http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre27.pdf
- For the full text of the CFDCPA see: http://www.uodd.com/bankruptcy-debt-collection-forms/cfdcpa-colorado-fair-debt-collection-practices-act.pdf

[8] Again, these systems are subject to change.

Dangers of Debt Consolidation

By Cara New

Debt consolidation is the process of taking out a loan to pay off other debts.

- The loan may be unsecured or secured. A secured loan requires an asset to serve as collateral for the loan. An example of this would be when an individual takes out a loan to buy a home and uses the home as collateral for the debt. If the borrower defaults, the lender can take the asset to satisfy the debt.

- Companies offering debt consolidation services frequently require the consumer to have something they own that they can use as collateral for the consolidated loan, such as the consumer's home.

- Companies providing debt consolidation services may charge for this service.

New Legislation Protects Consumers

- Advance Fee Ban

    - Effective January 29, 2011, companies that offer debt consolidation loans cannot charge upfront for this service.

    - This fee ban primarily applies to telemarketing companies that contact consumers and offer debt consolidation services.

    - Companies may not charge consumers for debt consolidation services until:

        - 1) The debt consolidation company settles OR changes the terms of the consumer’s debts.
        - 2) A settlement agreement is in place between the consumer and the creditor.
        - 3) The consumer has made a minimum of one payment to the creditor under the settlement agreement.

Beware of Scams in Debt Consolidation

- Scams are very prevalent in debt consolidation. Some examples of scams used to victimize consumers include:

    - Companies that demand payment up front for their services. The company then disappears with the consumers’ money and does nothing to help the consumers with their debt.

    - Companies claim they are “not for profit” in an effort to trick consumers into trusting them. Many companies claiming not for profit status are really for profit companies. The companies are therefore lying to consumers.

- These companies cause people to become deeper in debt and ultimately pay more in interest rates. These scams also negatively affect the consumer’s credit rating.

Problems with debt consolidation

- Debt consolidation can negatively affect your credit score.

- Converting unsecured debt (i.e. credit card debt that is not backed up by anything you own) to secured debt using your home as collateral. This means that now if you fail to pay, the creditor can take your home.

- Although the monthly payments may be lower, consumers may end up paying more over time under the consolidated loan.

- Debt consolidation companies are frequently scams. They may disappear without helping you!

- Companies who offer debt consolidation charge for this service.

Alternatives To Debt Consolidation

- **Debt Settlement**

    - Debt settlement is the process of negotiating with credit card companies to lower monthly payments or set new payment schedules. This differs from debt consolidation because it does not involve taking out one loan to pay off your other debts.

    - You can negotiate these agreements yourself and DO NOT need to pay a company to help you.

    - Frequently credit card companies are willing to work with customers to lower monthly payments and interest rates. The companies would rather get some payment than nothing.

    - Use caution as debt settlement may negatively affect your credit score.

- **Budgeting**

    - Try to plan ahead to live within your means and focus on paying off debt.

- Seek help from local agencies and resources such as BCDHHS.

    - Boulder County Housing Counseling Program
      2525 13th St, Suite 204
      Boulder, CO 80304
      (720) 564-2279

    - This agency provides free credit counseling to clients to help them manage debt.

If you have been the victim of a scam:

- Contact the Colorado Attorney General's Office to report suspected companies engaging in fraudulent debt consolidation.

    - Colorado Attorney General
      Office of the Attorney General, Uniform Consumer Credit Code
      1525 Sherman Street, 7th Floor
      http://www.ago.state.co.us

Credit Reports

- There are three companies responsible for creating credit reports:

    - Experian
        - http://www.experian.com

    - Equifax
        - http://www.equifax.com

    - TransUnion
        - http://www.transunion.com

- These companies collect and maintain information about consumer's credit.
- Any negative credit history stays on a credit report for 7 years, or 10 years if you file for bankruptcy.

Obtaining your credit report

- It is important to know what is on your credit report because inaccuracies and identity theft can destroy credit ratings.
- You are entitled to a free credit report if:
    - You are denied credit, employment or insurance based on your credit score.
    - A creditor takes adverse action against you.
    - Additionally, you are entitled to a free copy of your credit report from each of the three companies annually.
- BEWARE: Some companies claim to provide free credit reports but actually charge for this service.
- **To obtain a free copy of your credit report visit:**
    - http://www.annualcreditreport.com
- If you suspect there is inaccurate information on your credit report
    - Contact the furnisher of the information
    - Contact the credit reporting agency
    - Dispute the information

- Please see the sample credit report on the next page. This **Sample Credit Report is taken from is from the Credit in a Nutshell.com website at** http://creditinanutshell.com/html/sample-credit-report.html.

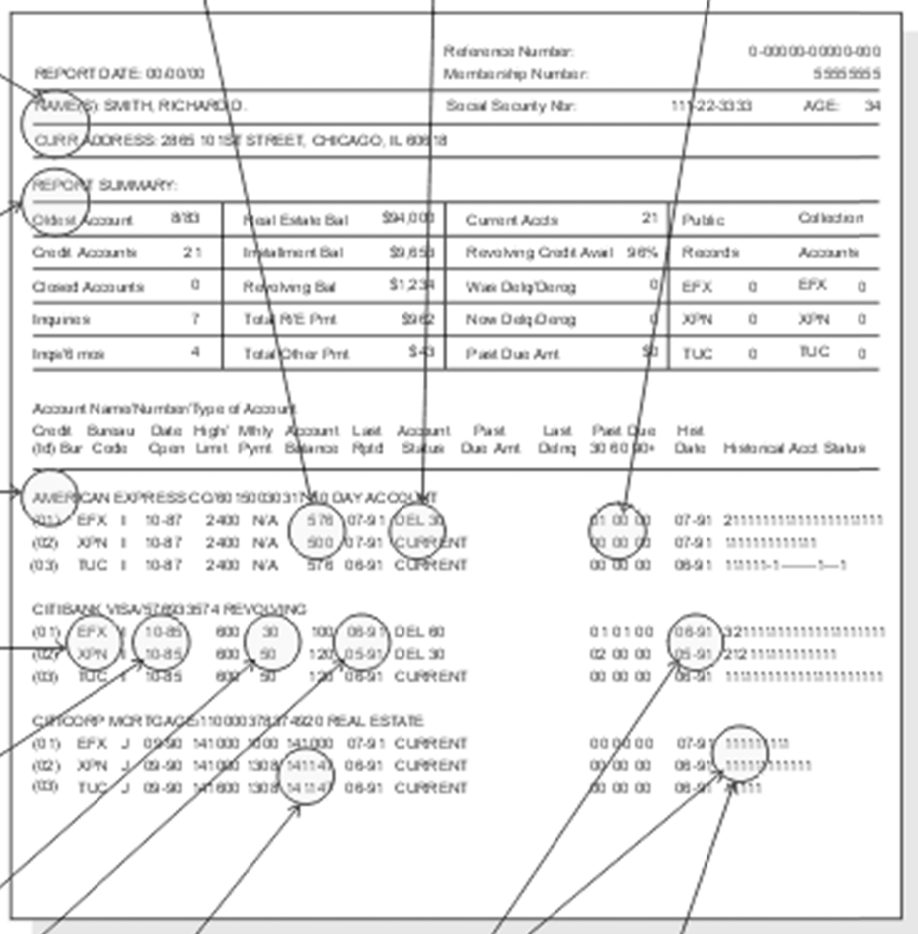
Credit Report Sample and Key

High/Limit – Your credit limit, or the most you have ever charged on the account.

Account Status – Shows what the current status of your account is.

Past Due 30/60/90 – Any balance that is past due will appear in the Past Due Amount column. Past Due 30/60/90 indicates the number of times an account was overdue 30, 60, or 90 days.

Check to see that your name, current address, and social security number are correct.



Report Summary – Sums up current credit accounts and balances, and notes delinquent or overdue amounts. Items are listed in four columns – do not read completely across. See reverse for complete description.

Account Name – The creditor with whom you have or had an account.

Credit Bureau – One of three main Credit Bureaus (Experian, Trans Union, and Equifax) who collect and store information about consumers' credit histories.

Date Open – When the account was opened.

Monthly Payment – Your monthly payment on accounts.

Last Reported – The last date the account was updated by the creditor.

Account Balance – The balance you owe, as of the date the information was obtained.

Historical Date and Account Status – For chronological reference. Each number under Historical Account Status indicated whether the account was current or past due on a month-to-month basis over the last 24 months, including the date shown under "Historical Date."

0	Too new to rate
1	Current
2	30 Days late
3	60 Days late
4	90 Days late
5	120 Days late
6	150 Days late
7	Wage earner plan or bankruptcy
8	Repossession or foreclosure
9	Collection or charge off
U	Unrated
-	Not reported that month

The Myth of Credit Repair

- There is no such thing as true “credit repair.” Although you have a right to have inaccurate information removed from your credit, there is no way to remove accurate information. Any company offering to do this is most likely a scam.

- Beware of ads such as:

    - “Are you experiencing credit problems? Regardless of your credit record, you can now wipe your credit report clean of bankruptcies, judgments, foreclosures, liens, and late payments! AND IT'S 100% LEGAL!"

    - "Credit problems? No problem!" "We can erase your bad credit-100% guaranteed."

    - "CREDIT REPORTS CLEARED LEGALLY *Whatever the negative for whatever the reason* WE GET IT DONE. *Affordable / 100% Money Back Guarantee*."

    - "Call 1-800-YES-CREDIT, to obtain information about our credit repair program in order to receive a "confidential analysis" regarding your credit history."

- Any company claiming to do these things is lying to you.

- Credit Repair Organizations Act (“CROA”)

    - This legislation was put in place to protect consumers from credit repair organizations using fraudulent practices.

    - The CROA prohibits credit repair companies from falsely advertising their services, charging consumers prior to completing services, performing services without a signed contract, and provides a three-day waiting period.

- You do not need a company to help you have negative information removed from your credit report. You can do this yourself by following these steps:

    - 1) Write the credit-reporting agency disputing inaccuracies.

    - 2) Include all relevant documentation.

    - 3) The credit-reporting agency must investigate the dispute and submit their findings to the consumer within 30 days of filing the dispute.

FTC Sample Dispute Letter[9]

Date
Your Name
Your Address,
City, State, Zip Code

Complaint Department
Name of Company
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your name
Enclosures: (List what documentation you are enclosing.)

[9] This letter came from: http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre21.shtm.

What you can do:

- Obtain your free credit reports and know what is on the reports.
- Work to improve your credit ratings by always paying all bills on time.
- Contact the Colorado Attorney General's Office if you have been the victim of a scam:
    - Colorado Attorney General
      Office of the Attorney General, Uniform Consumer Credit Code
      1525 Sherman Street, 7th Floor
      http://www.ago.state.co.us

Foreclosure Scams
By: Grant Gunter

In this section:
- **Overview**
- **Types of Scams**
- **Spotting Scams**
- **Getting Help**

Foreclosure Scams Overview
What is a foreclosure scam?
Foreclosure scams often involve multiple or fraudulent bankruptcy petitions used to delay foreclosure on a property without any intent to actually make good on the bankruptcy filing. Homeowners who are in danger of losing their homes or that have filed for bankruptcy are approached by scam artists who claim they can help them reduce their mortgage payments and keep their home. The scammers make promises, such as guarantees to stop foreclosure and "save" people from losing their homes. They also may promise to lower mortgage payments, and frequently ask for an up-front fee. Scammers may pretend that they have direct contact with mortgage providers when they do not. In reality, they have no intent to follow through on their promises and help anyone keep their home.

What started this?
Foreclosure scams have been happening for many years and were of particular concern in California in the mid- to late-1990s. Most recently, though, the economic collapse of 2008 led to a huge wave of foreclosures as our economy began to crumble. Banks and lenders knowingly bet on high-risk residential mortgages, and when the bubble burst, banks were stuck with millions of mortgages that could not be repaid by their debtors. Foreclosures quickly followed, and, with them, came the scam artists.

Types of Foreclosure Scams
Phony Counseling or Phantom Help

The basic premise of this fraud is that the scam artist will approach distressed homeowners and tell them he has the ability to negotiate a deal with their lender to reduce their mortgage payments and save the home. They might:

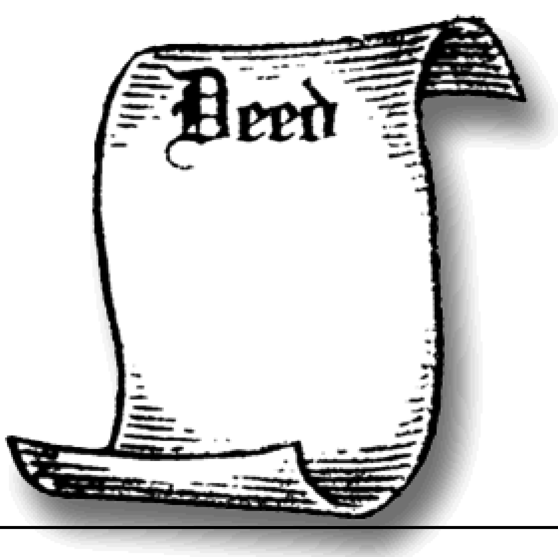
- Claim to work for a law firm or credit counselor
- Tell homeowners not to contact their lender, lawyer or credit counselor
- Promise to handle all the details for an up-front fee
- Request that payments be made to them instead of the mortgage provider

Once they have collected their up-front fee or a few mortgage payments, they cut-off all communication and disappear, having done nothing to help owners keep their home.

The "Forensic Audit"

This scam has a similar beginning to the phony counseling or phantom help scam – someone holding themselves out to be a loan "auditor" offers to have an attorney or other expert review a homeowner's loan documents with their bank for an up-front fee. The "auditors" claim that they will prepare a report to see if the lender complied with the applicable laws. They claim this report will be able to help the homeowner:

- Avoid foreclosure
- Speed-up the loan modification process
- Reduce their monthly mortgage payments
- Cancel their loan



In reality, these forensic "audits" do little, if anything, to help you with your mortgage or modify your loan.

Rent-to-Buy Schemes

In this scheme, the fraudsters will tell homeowners that in exchange for surrendering title to their house they will allow the homeowner to remain in the house and rent it for a fee. In the meantime, they promise to sort out the foreclosure process. They claim that by surrendering the title, this will allow a new homeowner to establish better financing, thereby reducing the mortgage payments. Unfortunately, the terms of the new deal and financing are so bad that the former homeowner is never able to buy back the house. The person that obtained the new financing on the home will then default on the loan and the original homeowner is evicted.

In one variation of this scheme the scammer raises the rent over time so that the homeowner cannot afford it, and then the original homeowners are evicted by the new owners. This leaves the scammer free to sell the house.

In another variation of this scheme the scammers offer to find a buyer for the home if the owner signs over the deed and moves out. The scammers promise to pay the homeowner a portion of the profit when the home sells. After the transfer, the scammers just rent the home out from under the owner and pocket the proceeds, all the while the lender is going ahead with the foreclosure. In the end the home is gone and the original owner is still on the hook for the unpaid mortgage. The original homeowner is usually surprised to learn that their transferring the deed did not erase their unpaid debt.

Bait-and-Switch

In a bait-and-switch scam, con artists approach distressed homeowners with papers they claim the owners need to sign to get another loan to make their mortgage current. Buried in the stack is a document that surrenders the title to the house to the scammers in exchange for a "rescue" loan (ie: a loan that supposedly will save the homeowners from foreclosure). In reality the "rescue" loan does nothing and the homeowners have lost the title to their homes.

Spotting Scams

Scammers utilize all sorts of unscrupulous tactics to take advantage of distressed homeowners.

Usually the scams begin with an offer too good to be true. Below are a few of the "catch-phrases" and warning signs that might tip you off that you are dealing with a scam artist:

- Demands for an up-front fee
- Guarantees to get a loan modification or stop the foreclosure process – no matter what the circumstances

- Tells you not to contact your lender, lawyer, or housing counselor
- Claims that all or most of its customers get loan modifications or mortgage relief
- Accepts payment only by cashier's check or wire transfer
- Tells you to make your mortgage payments directly to them, rather than your lender
- Suggests a property title or deed transfer
- Offers to buy your house for cash for much lower than the selling price of similar houses in your neighborhood
- Exerts pressure and says the "deal" must be made immediately

Some Basic Do and Don'ts[10]

- **<u>Do not</u>** ignore the problem – facing and dealing with foreclosure is not an easy process, but ignoring it will only make it worse.
- **<u>Do</u>** make sure that you are in foreclosure before taking action. If you are behind in payments, you will receive what is called a deficiency notice. These letters notify you of your delinquency and give you a chance to resolve the debt. If you receive a Notice of Trustee's Sale, or similar document, you are in foreclosure.
- **<u>Do</u>** work directly with your lender to restructure your payments or refinance your loan.
- **<u>Do</u>** know the law – we will cover this in the next section.
- **<u>Do not</u>** sign anything if you are being pressured or are under duress.
- **<u>Do not</u>** make payments to anyone other than your lender.
- **<u>Do not</u>** sign a contract to sell your home that does not release you from the obligations of your current mortgage.
- **<u>Do</u>** sell your home, but only if that is your last option to avoid foreclosure.

[10] This is from a Do and Don'ts list posted on Fraud Guides at http://www.fraudguides.com/mortgage-foreclosure-rescue-scam.asp.

Legislation and Legal Options

Making Home Affordable Act (MHAA)

The MHAA is a key piece of legislation passed by the Obama administration to help homeowners facing foreclosure. It is not so much a series of legal requirements for dealing with foreclosure, but an assistance program available to eligible homeowners.

MHAA - Lower Your Mortgage Payments

One of the ways in which MHAA can help distressed homeowners is to work with them to lower their mortgage payments. Certain eligible homeowners could see their payments lowered by up to $500 per month. There are options for families who have seen the value of their home decrease. Under the MHAA, the following programs are available to qualified homeowners:

- Home Affordable Modification Program (HAMP)
- Principal Reduction Alternative (PRA)
- Second Lien Modification Program (2MP)
- FHA Home Affordable Modification Program (FHA-HAMP)
- USDA's RHS Special Loan Servicing
- Veteran's Administration Home Affordable Modification (VA-HAMP)

MHAA – Work with a HUD Approved Housing Counselor For Free

The MHAA has a number of other programs to help homeowners, and one of these is to work with a HUD-approved counseling agency. Counselors can help homeowners decide which options are best for dealing with their mortgage problems. Other programs available under the MHAA can help homeowners lower their interest rates and get help with a second mortgage. These programs also can help homeowners distressed due to fallen home values, and may assist owners in finding a way out of their mortgages and homes. Boulder County Housing Authority ("BCHA") has counselors who can help you with respect to these issues.

Truth in Lending Act (TILA)

Unlike the MHAA, the TILA is more regulatory and is designed to help consumers stay informed about the lines of credit they receive. The law is an attempt to keep consumers aware of how fees are calculated in borrowing and to standardize the costs the borrowers incur.

Specifically with respect to homeowners, the TILA includes special rights regarding cancellation of certain home equity and other loans secured by the homeowners' primary residence. Under these rules:

- Homeowners have a right to rescind, or cancel, a loan other than a loan used to enable their purchase of the residence. For example, this right usually applies to home equity loans consumers get after they have already bought their homes.
- This right to cancel lasts for 3 business days, essentially giving homeowners a "cooling off" period to be sure of their decision to sign the loan agreement.
- The lender must disclose to the homeowners that they have this right to cancel the loan for up to 3 business days.
- If the homeowners do not receive notice of this right to cancel, they get an additional 3 years to cancel the loan.

However, note that these rules do not actually regulate the amount that lenders can charge for loans. The TILA is simply a series of requirements to keep consumers informed and encourage people to consider their options and different loan requirements.

Home Ownership Equity Protection Act (HOEPA)[11]

The HOEPA is actually an amendment to the TILA and relates to certain loans with high rates and/or high fees. What loans are covered?

- For a first-lien loan (ie: the original mortgage on the property), where the annual percentage rate (APR) exceeds by more than 8% the rates on Treasury securities of comparable maturity
- For a second-lien loan (ie: a second mortgage), the APR exceeds by more than 10% the rates in Treasury securities of comparable maturity
- The total fees and points payable by the consumer at or before closing exceed the larger of $592 or eight percent of the total loan amount. This amount is adjusted based on changes in the Consumer Price

[11] This section is largely from the FTC website at http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea19.shtm.

Index. Credit insurance premiums for insurance written in connection with the credit transaction are counted as fees.

Loans to buy or build your home are not covered. If your home loan qualifies, you must receive additional disclosures about the APR and monthly payments 3 days before closing. The lender must also tell the borrower that they are not obligated to go through with the loan just because they have received the required disclosures, and they may lose their home if they do not meet their obligations.

What To Do if You Need Help

Your first step after realizing, or even suspecting you have been caught in a scam should be to contact a consumer protection attorney and the appropriate government agencies. The Federal Trade Commission ("FTC") is a good place to contact if you feel that you have been taken advantage of in your home loans, and the FTC has procedures in place for you to file a formal complaint.

If you need help with your mortgage payments or refinancing your home, contact the MHAA program and your mortgage provider directly. Resist the desire to panic and be sure to consider all your options. Be wary of "quick fix" schemes. There are no "quick fixes," but there are means for solutions. There are also programs out there to assist you.

Resources:

- http://www.ftc.gov/
- http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.shtm
- http://www.makinghomeaffordable.gov/pages/default.aspx
- http://www.loanscamalert.org/things-you-should-know.aspx
- http://www.nfcc.org/housing/index.cfm

The Changing Landscape of Colorado Payday Loans

By Jessica Ross

What is a Payday Loan and how does it Work?

Payday Loans Defined

A payday loan is a short-term cash advance for consumers where lenders agree to hold onto something, like a post-dated check, and pay consumers cash in exchange for a fee.[12] To better understand how payday lending works, refer to the following example:

C's Payday Loan: An Example

Getting the Payday Loan

- C needs $200 cash before she gets paid at the end of April so she stops by her local payday lending store, Payday Today Loans (PTL), to get a loan.
- To get her $200 loan, PTL tells C she will need to pay a $20 fee for every $100 she wants to borrow.
- C writes a check to PTL for $240 and post-dates the check for May. Nonetheless, C gets $200 cash from PTL right away.

Paying Back a Payday Loan

- PTL will not cash C's check for two weeks and then gives C a few options:
    1. C can pay back her loan by giving PTL $240 in cash
    2. C can let PTL cash her check
    3. C can pay another $40 fee and PTL will hold onto the check for another two weeks
- In this case, C takes the third option and pays PTL another $40. This is called "renewing" a payday loan.
- Two weeks later, C lets PTL cash her check, paying $80 in fees total.

This is how payday lending worked in Colorado up until about August 2010. Colorado just passed a new law that changed the way payday lenders can do business with Colorado customers!

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12 Colo. Rev. Stat §5-3.1-102(3) (2010) (Deferred Deposit Loan Act).

The True Costs of Payday Lending

Important Changes

- How much and what kind of fees a lender can charge
- How long consumers have to pay off the loan
- What happens if they pay off the loan in advance

In the previous example, C paid $80 to borrow $200 for 28 days. In her case, PTL charged her an interest rate of over 500% APR (annual percentage rate) to take out the loan! In addition to very expensive fees, payday lenders often trap consumers in cycles of debt by encouraging loan "rollovers." An example of a rollover would be if, in the previous example, after C had paid PTL $280, PTL turns around and lends her a new $200 loan (along with a new $40 fee), putting her right back in debt with PTL.

Colorado's New Payday Lending Law

Comparison Chart	Old Law[13] [14]	New Law[15] [16]
Maximum Loan Amount	$500	$500
How Long to Pay Back the Loan	No longer than 40 days	Consumers now have 6 months to pay off the loan
Limits on Rollovers	No limits to rollovers	30 day limit between $500 loans
Fees	• "Upfront" Fee: 20% of the first $300 and up to 7.5% of amount over $300 up to $500 • Maximum upfront fee for $500 was $75 • Maximum APR (annual percentage rate): 520%	• "Set up" Fee: same as old upfront fee • Interest Rate: the lender may also charge an interest rate of up to 45% APR for each loan • Monthly Maintenance Fee: $7.50 for every $100 loaned per month, up to $30 per month, after the first 30 days that the loan is not paid
Paying in Advance	No refunds	If the loan is paid in advance, have to refund a portion of the fees
Renewals	Only renew each loan once for an additional fee	Can still renew once, but lenders cannot charge an additional set-up or an additional monthly maintenance fee; can only charge up to 45% APR extra

[13] Paul Chessin, *Borrowing from Peter to Pay Paul: A Statistical Analysis of Colorado's Deferred Deposit Loan Act*, 83 Denv. U.L. Rev 387, 388-92 (2005).
[14] Consumer Federation of America, *Colorado State Info*: http://216.250.243.12/paydayloaninfo/state_detail.cfm?ID=CO
[15] Colo. Rev. Stat §§ 5-3.1-101 to 123 (2010).
[16] UCCC Rules 11-29-10; Rule 17: http://www.coloradoattorneygeneral.gov/sites/default/files/uploads/uccc/UCCC%20Rules%2011-29-10.pdf.

C’s Payday Loan under the New Law

To further explain how Colorado’s new law changed the way payday loans work now, let’s look back to C. Today, if C wanted to get a $200 payday loan, here is how it would work.

Changes in the Loan Terms

Just like in the first example, C can still go to Payday Today Loans (PTL), give PTL a post-dated check and get her money. But instead of lending C the $200 for 14 days, PTL sets C up on a six-month payment plan. Under the new law, C will be able to pay a little each month and have the loan paid in full at the end of six months.

Changes in Fees

Under the new law, because PTL is spreading C’s loan out over six months, there is a change in the fees it charges:[17]

Rule Checklist for Monthly Maintenance Fees

- ✓ PTL can’t charge C a monthly maintenance fee for the first thirty days.
- ✓ If C borrows $250, PTL can still only charge her $15 per month. No fees are charged on amounts below $100 increments. But if C borrows $300, PTL can charge her $22.50 per month.
- ✓ Finally, PTL can only charge C the monthly fee if she has not paid the loan by the end of each month. So if C pays on July 25th, PTL can’t charge her a monthly fee for the month of July.

- **“Set up” Fee**: PTL can charge her 20% for every $100 she borrows up to the first $300 she borrows, and 7.5% on every $100 dollars over $300 up to $500. This is the same amount as the upfront fee under the old law and is also known as an “origination fee.” So here, if C borrows $200, PTL will charge a “set-up” fee of $40.
- **Interest Rate Cap**: The new law puts a 45% interest rate cap on what PTL can charge, but the cap does not include the initial “set-up” fee or the monthly maintenance fee.
- **Monthly Maintenance Fee**: Because C is paying off her loan over six months instead of 2 weeks, PTL can charge her a $7.50 fee for every $100 she borrows up to $30 per month for every month she does not pay off her loan after the thirty days. Here, PTL will charge C $15 per month.

The Cost of C’s Loan under the New Law

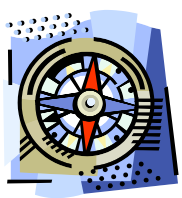
[17] *See* Rule 17; Colo. Rev. Stat. § 5-3.1-105

C has borrowed a $200 payday loan and has 6 months to pay it back. So in April when she borrows the $200, PTL sets up a monthly payment schedule for C to pay back the loan by October that might look like this: [18]

- 1 monthly payment of $57.32 (paid in May)
- 5 monthly payments of $57.29 (paid in June, July, August, September, and October).

At the end of 6 months, C will have paid PTL a total of $343.77 to borrow $200, which comes out to an APR of 216.91%. So in the end, even though PTL charged C a lower interest rate, C has paid out <u>more</u> money under the new law!

Paying Back the Loan Early
If instead of taking 6 months, C pays her loan back early, PTL has to refund part of the fees it charged her.[19] PTL will refund C a portion of the APR rate it charged her and the amount of her refund depends on how early she paid her loan.



Tips for Navigating the New Landscape of Payday Lending

- Get everything in writing and don't be afraid to ask questions before you sign!
- Whenever you are using a post-dated check to get a payday loan, make sure to be aware of any fees your bank charges for checks returned for lack of funds. In addition to an extra fee that your lender might charge (up to $25 under Colorado law), your bank might charge you as well! Some banks offer overdraft protection which could save you money.
- If you do have a six month payday loan, try to pay it back early whenever possible. Not only will you be out of debt from your payday loan, but your lender has to refund you a portion of the fees!

Alternatives to Payday Loans

Payday loans can be expensive ways to get cash, but there are alternatives out there to these high-cost loans. Here are some alternatives from the Center for Responsible Lending to consider when doing research about what is best for you.[20]

Stay Tuned!

Right now, Colorado is making lenders refund a portion of all the fees. Lenders are trying to argue that the set-up fee is paid when the consumer takes out the loan and so they do not have to refund it. This issue is currently being decided in court, so stay tuned to find out. Until a court decides, lenders will have to refund a portion of all fees paid.

[18] Money Tree, Inc., *Sample Loan Amounts*, http://www.moneytreeinc.com/co-loan-fees
[19] Colo. Rev. Stat. § 5-3.1-105
[20] Center for Responsible Lending, *Alternatives to Payday Loans*, http://www.responsiblelending.org/payday-lending/tools-resources/alternatives-to-payday-loans.html.

Payment Plan with Creditors

- If the reason you need a payday loan is because you have other debt that is taking away your money, it might be best to deal directly with your credit card company or other creditors. Some companies will allow consumers to negotiate payment plans that can help you free up other cash.

Credit Union Loans

- Some local credit unions offer affordable, short-term loans to their members. For more information on credit unions and how to locate credit unions in your area, visit: http://www.creditunion.coop.

Cash Advances on Credit Cards

- While cash advances on credit cards will still run a rate of on average 30% APR, it can be much lower than a payday loan.

Community Credit Counseling

- Contact your local nonprofit consumer credit counseling service to learn more about how to manage your current financial situation. Visit http://www.debtadvice.org/ for more information.

Emergency Assistance Programs

- If your cash needs stem from emergency needs of basic needs like heating your home, consider emergency assistance programs, which can provide certain households with assistance in meting basic needs. Visit http://www.acf.hhs.gov/programs/ocs/liheap/ for more information on The Low Income Home Energy Assistance Program (LIHEAP).

Know Your Rights Under Colorado Law!

- ☐ You have the right to rescind your loan on or before 5:00 p.m. the next business day
- ☐ If you pay your loan early, your lender cannot charge you a "prepayment fee" for paying in advance
- ☐ Payday lenders in Colorado have to be licensed. Make sure your payday lender has one!

How to Get Help

If you feel like your rights have been violated or your payday lender is not following Colorado's laws, and you have been unable to resolve a complaint yourself, you can file a complaint with the Colorado Attorney General. You can contact the Attorney General here:

1525 Sherman Street, 7th Floor
Denver, CO 80203
E-Mail: uccc@state.co.us
Consumer Complaints & Information: (303) 866-4494
Supervised Lender Licensing: (303) 866-4527
Fax: (303) 866-5474

Or you can find the complaint form online by visiting:
http://www.coloradoattorneygeneral.gov/sites/default/files/uploads/uccc/uccccmpplform.pdf

For Further Info

For more information about payday loans in general, visit the Center for Responsible Lending at http://www.responsiblelending.org/payday-lending/.

You can get access to the entire Colorado law on payday lending, also known as the Deferred Deposit Loan Act, on the Colorado Attorney General's website: http://www.coloradoattorneygeneral.gov/sites/default/files/uploads/uccc/DDLANov2010.pdf

THE CREDIT CARD ACT OF 2009

by Mike Rasmussen[21]

PURPOSE

- To establish fair and transparent practices for consumer credit cards

WHAT THE CREDIT CARD ACT APPLIES TO

- Consumer credit cards
- Does not apply to corporate or business credit cards

REQUIRED DISCLOSURES

- 45 day notice
  - Your credit card company must give you 45 days notice before:
    - Increasing your interest rate; or
    - Changing annual fees, cash advance fees, late fees, and other fees
  - 45 day notice requirement does not apply to interest rate increases due to:
    - Credit cards with a variable interest rate tied to an index;
    - Expiration of an introductory rate; or
    - Failure to make payments in a workout agreement
- Option to cancel card
  - Before making significant changes to the terms of your card, your credit card company must inform you of your right to cancel the card before the changes take effect
  - But, if you cancel your card, your credit card company may:
    - Close your account (you will not be able to make further purchases)
    - Double your minimum monthly payment
    - Require you to pay off the balance within 5 years
  - Note that you do not have a right to cancel your credit card due to:
    - Increases in minimum monthly payment
    - Increases in interest rate or fees because you are more than 60 days late in paying your bill
- Explanation of Annual Percentage Rate (APR) increases
  - Your credit card company must explain the reason for increasing your APR

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[21] Information obtained from the Federal Reserve Board; see http://www.federalreserve.gov/creditcard/default.htm.

- How long it will take you to pay off your credit card balance
  - Your monthly credit card bill must disclose:
    - How long it will take you to pay off your balance if you only make minimum payments; and
    - How much you would need to pay each month in order to pay off your balance in three years
  - For example, your bill might look like this: [22]

New balance	$3,000.00
Minimum payment due	$90.00
Payment due date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay. . .	You will pay off the balance shown on this statement in about. . .	And you will end up paying an estimated total of. . .
Only the minimum payment	11 years	$4,745
$103	3 years	$3,712 (Savings = $1,033)

RESTRICTIONS ON OVER-THE-LIMIT TRANSACTIONS

- Your credit card company cannot charge you fees for transactions that will increase the balance on your credit card above your credit limit without your consent
  - If you consent to over-the-limit transactions:
    - If you exceed your credit limit, your credit card company can charge you only one fee in that billing cycle; and
    - You can revoke consent to these transactions at any time
  - If you do not consent to over-the-limit transactions:
    - Your credit card company will reject over-the-limit transactions

[22] This example is from http://www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm.

Restrictions on Interest Rates

- Your credit card company cannot increase your interest rate during the first year after you open your credit card account. But, there are some exceptions:
    - Credit cards with a variable interest rate tied to an index;
    - Expiration of an introductory rate;
    - Failure to make payments in a workout agreement; and
    - If you are more than 60 days late in paying your bill
- If your credit card company raises your interest rate after the first year:
    - The new interest rate applies to any new charges that you make; and
    - The old interest rate applies to existing balances
- If your credit card company increases your APR, it must re-evaluate that rate increase every 6 months
    - If you pay on time for six consecutive months, then the credit card company must reduce the increased interest rate to the previous rate

Restrictions on Fees

- Annual fees, application fees, and other similar fees cannot total more than 25% of the initial credit limit
    - For example, if your initial credit limit is $500, the fees for the first year cannot be more than $125
    - Does not include late payment fees, over-the-limit fees, or other penalty fees
- Penalty fees cannot be more than $25 unless:
    - One of your last six payments was late, in which case your fee may be increased to $35; or
    - Your credit card company can justify a higher fee

- A late payment fee cannot be greater than your minimum payment
    - For example, if your minimum payment is $20, your late payment fee cannot be more than $20
- An over-the-limit transaction fee cannot be greater than the amount you exceeded your credit limit
    - For example, if you exceed your credit limit by $5, you cannot be charged an over-the-limit fee of more than $5
- Your credit card company cannot charge you inactivity fees for not using your card
- Your credit card company cannot charge you more than one fee per violation of your credit card agreement
    - For example, you cannot be charged a penalty fee and an over-the-limit fee for an over-the-limit violation

CHANGES TO BILLING AND PAYMENTS

- Your credit card bill must be sent at least 21 days before your payment is due
- Your payment due date must be the same each month
    - For example, your payment is due the 15th of every month
- The payment cut-off time cannot be earlier than 5 p.m. on the due date
    - For example, if the due date is the 15th, your payment is not late if it is received before 5 p.m. on the 15th
- If your payment due date is on a weekend or holiday when the company does not process payments, you will have until the following business day to pay
    - For example, if the due date is Sunday the 15th, your payment is not late if it is received by Monday the 16th before 5 p.m.
- If you make more than the minimum payment on your credit card bill, your credit card company must apply the amount above the minimum payment to the balance with the highest interest rate. But, there is an exception:
    - If you made a purchase under a deferred interest plan (for example, "no interest if paid in full by March 2012"), the credit card company may let you choose to apply the extra amount to the deferred interest balance before other balances
    - Additionally, for two billing cycles prior to the end of the deferred interest period, the credit card company must apply your entire payment to the deferred interest-rate balance first
- Your credit card company can only impose interest charges on balances in the current billing cycle

PROTECTIONS FOR CONSUMERS UNDER AGE 21

- If you are under 21, you will need to show that you are able to make payments, or you will need a cosigner, in order to open a credit card account
- Additionally, if you have a card with a cosigner, your cosigner must agree in writing to any increase in the credit limit that you request

GIFT CARD PROTECTIONS

- Your gift card cannot expire before 5 years from the date of purchase
- Any money added to the card after the date of purchase must be valid for at least 5 years
- If your gift card expires with unspent money left, you may be able to still use that money by getting a replacement card at no charge -- BUT this will depend on the gift card's terms and therefore you always must check those terms to see how expirations apply
- All fees must be clearly disclosed on the gift card or its packaging
- Retailers cannot charge a dormancy, inactivity, or service fee unless:
    - You did not use the gift card in a 12-month period;
    - All fees were disclosed before you purchased the gift card; and
    - Only one fee is assessed per month
- Protections only apply to gift cards, such as:
    - Store gift cards, which can be used only at a particular store or group of stores; and
    - Gift cards with a MasterCard, Visa, American Express, or Discover brand logo
- Protections do not apply to other types of prepaid cards, such as:
    - Reloadable prepaid cards that are not intended for gift-giving purposes; and
        - For example, a reloadable prepaid card from MasterCard, Visa, American Express, or Discover brand that is used like a checking account substitute
        - Cards that are given as a reward or as part of a promotion (ie: you receive a free $10 gift card for purchasing $100 of merchandise)

Consumer Remedies

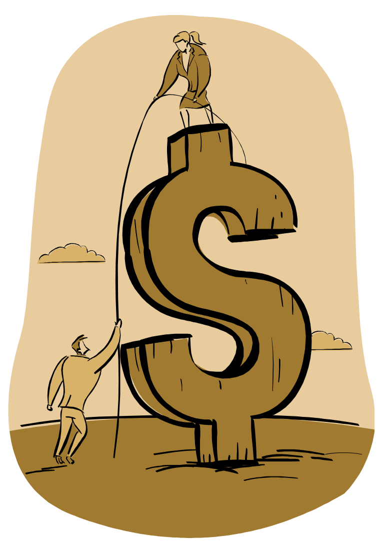
- Companies who violate any provision of the Credit CARD Act can be fined between $500 and $5,000 per violation
- The fine may be higher if the company has an established pattern of violations

Consumer Resources

- For general information on credit cards, go to the Federal Reserve website at: http://www.federalreserve.gov/creditcard/default.htm
- For more information on filing a complaint, go to the Federal Reserve website at: http://www.federalreserve.gov/creditcard/complaints.html

Tips to Get The Most From Your Credit Card

- Pay on time
    - Paying your bill on time helps you avoid late fees and penalty interest rates
    - Additionally, paying your bill on time helps you establish a good credit record, leading to a higher credit score
- Stay below your credit limit
    - Keeping your balance below your credit limit helps you avoid over-the-limit fees and penalty interest rates
    - Remember that some merchants, such as hotels, put a hold on your credit card based on their estimate of the amount you will charge, which can reduce your available credit until the final charge is processed
- Avoid unnecessary fees
    - Credit card companies charge numerous fees, including:
        - late payment fees
        - over-the-limit fees
        - cash advance fees
        - balance transfer fees
        - returned payment fees
        - foreign transaction fees
    - Read your credit card agreement to learn more about the fees that your credit card company charges, and avoid transactions that trigger these fees
- Pay more than the minimum payment each month
    - Pay as much per month as you can afford with an eye toward eliminating the debt
    - Over time, you will pay less in interest charges if you pay off your balance sooner
- Watch for changes in the terms of your account and do not ignore mailings from your credit card company
    - Your credit card company must send you advance notice of any changes in fees, interest rates, billing, and other features of your credit card
    - By reading the advance notices, you can decide whether you want to change the way you use your credit card or switch to a new credit card company



WHAT IS THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT AND WHY SHOULD YOU CARE?

by Laurie Rasmussen

Please note that because the Dodd-Frank Act is so new, regulations have not been written and many details are yet to come. For more information and updates on consumer protection law, visit the Consumer Financial Protection Bureau's website at http://www.consumerfinance.gov/the-bureau/.

What it is

- A federal statute, signed into law by President Obama on July 21, 2010, that regulates our financial system
- Creates new agencies including the Consumer Financial Protection Bureau
- Sets new standards for home mortgage lending

Goals of Dodd-Frank

- To promote the financial stability of the U.S. by improving accountability and transparency in the financial system
- To end "too big to fail"
- To protect consumers from abusive financial services practices

When Dodd-Frank will take effect

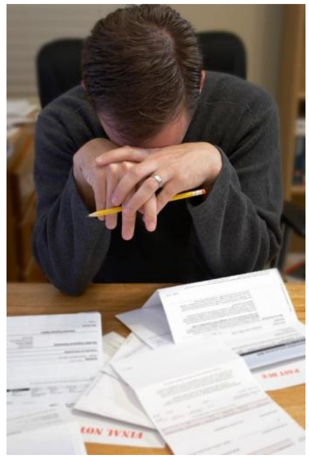
- Regulations have not been written yet, so there are many details to be worked out
- The Consumer Financial Protection Bureau is set to open July 21, 2011
  - Regulations for Mortgage Reform must be issued between December 21, 2011, and December 21, 2012
  - These regulations will take effect within one year of when they are issued

How it Affects Consumers

- Consumers will have a dedicated agency, the Consumer Financial Protection Bureau, in charge of consumer protection
- Consumers will see improved mortgage and lending practices, including more disclosure
- Consumers may see more mortgage help
- Consumers will be indirectly affected by other parts of Dodd-Frank

THE CONSUMER FINANCIAL PROTECTION BUREAU

This is an overview of the CFPB. For more information please visit the CFPB website at http://www.consumerfinance.gov/the-bureau/ or reference the Dodd-Frank Act at http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf.



<u>What is the CFPB?</u>

- A new independent bureau established by the Dodd-Frank Act for consumer protection
    - Before the Dodd-Frank Act, consumer protection responsibility was split among numerous agencies
    - Under the Dodd-Frank Act, the CFPB will handle most consumer protection laws

<u>What is the Mission of CFPB?</u>

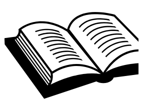
- "To make markets for consumer financial protections and services work for Americans, whether they are applying for a mortgage, choosing among credit cards, or using any number of consumer financial products" -- CFPB website

<u>How will the CFPB provide better Consumer Protection?</u>

- **The CFPB will be Responsible For:**
    - Policing abuses in consumer financial products and services and
    - Making sure people have the information they need
- **The CFPB will Write Rules for Consumer Protection**
    - The CFPB can write consumer protection rules that regulate all financial institutions offering consumer financial services or products
        - This includes banks and non-banks such as payday lenders, student lenders, debt collectors and consumer reporting agencies
    - For example, the CFPB will write rules for mortgage reform under Dodd-Frank

- **The CFPB will Provide a Consumer Hotline and Website for Complaints and Questions**
    - The CFPB will create a toll-free hotline and website for consumers to ask questions and report problems with financial products and services
        - The hotline and website are not set up yet, but you can receive updates by signing up at http://www.consumerfinance.gov/protecting-you/

    - The CFPB will examine Banks and Credit Unions with assets of $10 billion or less according to consumer complaints
- **The CFPB will Ensure Fairness in Consumer Finance**
    - The CFPB will oversee and enforce federal laws that ensure fair, equitable and nondiscriminatory access to credit
    - For example, the CFPB will be in charge of the Equal Credit Opportunity Act
- **The CFPB will Fix Bad Deals and Schemes Quickly**
    - Once the CFPB is aware of bad deals and schemes, it can enact regulations to protect consumers without having to wait for Congress to pass a law
- **The CFPB will Educate Consumers**
    - The CFPB will include an Office of Financial Literacy to help consumers learn financial basics
    - Go here to start your learning: http://205.168.45.52/



        - Topics on the website currently include planning for retirement, getting a loan, getting insured, etc.
        - There are special sections for groups of people including youth, women, parents, caregivers, military and others
- **The CFPB will Gather and Analyze Research**
    - This research will include data regarding consumer behavior, financial service provider activities, and consumer financial markets
- **The CFPB will Monitor Financial Markets**
    - The CFPB will seek to identify new risks to consumers and emerging trends
    - The CFPB has authority to write new rules to address new risks to consumers

MORTGAGE REFORM AND ANTI-PREDATORY LENDING ACT

This part of the Act is extensive; listed below are a few of the requirements and prohibitions

Requires Lenders to Seek to Ensure that the Borrower is *Able to Repay*

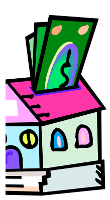
- Before making a home loan, the lender must make a good faith determination that borrowers can repay the loans
    - Ability to pay will be based on documentation such as credit history, current obligations, taxes, second mortgages and employment status

Lenders may not:

- steer consumers to home mortgage loans that have excessive fees, abusive terms, or other predatory characteristics
- receive financial incentives that steer borrowers into more costly loans such as a rebate for giving a borrower a higher interest rate on a loan in exchange for lower up front costs
- mischaracterize the credit history of a consumer or the loans available to the consumer
- discourage the consumer from shopping around for a better loan if the lender is unable to offer a less expensive loan
- mischaracterize the appraised value of the property

Prohibits Pre-dispute Arbitration Clauses in Residential Loan Contracts

- Consumers may still agree to arbitration after a dispute arises, but lenders cannot force consumers to agree to arbitrate any future disputes when they sign their loan agreements. This is meant to preserve consumers' rights to bring claims to court.



Reduces use of Prepayment Penalties

- Prepayment penalties are allowed on some "qualified mortgages" but no prepayment penalties are allowed 3 years after the loan has been made

Provides a Consumer Defense to Foreclosure

- Consumers facing foreclosure can defend based on a lenders' violation of the anti-steering or ability to pay requirements referenced above

Establishes Penalties for Irresponsible Lending

- Lenders or mortgage brokers may face penalties of up to three-years of interest payments and damages plus attorney's fees if they violate these new standards

Requires Lenders to Disclose More Information on Mortgage Loans, including:

- the maximum a consumer could pay on a variable rate mortgage, with a warning that payments will vary based on interest rate changes
- all settlement charges and all other fees in connection with the loan
- fees paid to the mortgage originator, including how much was paid directly by the consumer and how much was paid by the creditor
- the total interest the consumer will pay over the life of the loan, as a percentage of the principal of the loan

Expands Consumer Protections for High-Cost Mortgages

- Reduces the qualifications for "high cost loans"
  - Therefore, more loans will receive protection under federal rules for high-cost loans

OTHER MORTGAGE PROGRAMS ESTABLISHED AND/OR FUNDED BY THE DODD-FRANK ACT

Housing Counseling

- Establishes an Office of Housing Counseling within Housing and Urban Development (HUD) to boost homeownership and rental housing counseling

Neighborhood Stabilization Program

- Provides $1 billion to States and localities to redevelop, reuse, and rehabilitate foreclosed and abandoned homes

Emergency Mortgage Relief

- Provides $1 billion for bridge loans to qualified unemployed homeowners to help cover mortgage payments until they find employment

Foreclosure-Related Legal Assistance

- Grants $35 million in both 2011 and 2012 to provide foreclosure legal assistance to low and moderate income homeowners and tenants
    - Program will be administered by HUD

What's Next: Key Issues on the Horizon

- Regulations for the Mortgage Act and other parts of Dodd-Frank need to be written
- A CFPB Director needs to be appointed by President Obama and confirmed by the Senate
- A CFPB implementation team is currently:
    - Gathering information from consumer groups and financial services companies
    - Training people who will be enforcing the Federal consumer financial laws
    - Collecting information about consumer financial products and services
    - Identifying potential risks and benefits to consumers
    - Developing the website and toll-free consumer hotline
    - Preparing to open several CFPB offices to assist specific consumer groups

Websites for more information

- Boulder County Housing Authority: www.bouldercountyhc.org
- Making Home Affordable: http://www.makinghomeaffordable.gov/pages/default.aspx
- Knowing Your Consumer Rights (various articles): http://www.mymoney.gov/category/topic1/knowing-your-consumer-rights.html

Online Safety: What You Need to Know to Be Safe
Vlad Etinger

Please note that in this article I distinguish between email and website scams. Email scams are those generally initiated through email, while website scams are those initiated by visiting a website. Some involve both.

What are some common email scams?

- **Phishing: Emails** that request you to update your information, but direct you to a fake website that *looks like* the real website. The emails can appear from various senders—your bank, Amazon, eBay, PayPal, and virtually any type of online service that you use. The scammer will send out the same email to millions of people in hopes that some consumers will think the website is legitimate. Because the email appears legitimate, people are tricked into entering their personal information, including login, password, or social security number.

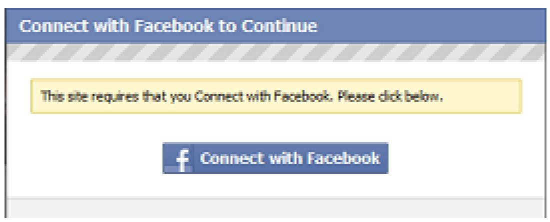
- **So-called "419": Emails** that impersonate individuals that are offering you a share of money; for example, an inheritance, lottery winnings, or the wealth of a royal family. These emails used to originate from Nigeria, but are now sent from all parts of the world. The scam works by requiring you to first transfer to the email sender money or personal information in order to obtain the money that the sender promises. Once you send the information, the sender disappears. As a result, you are out of either money or your private information.

What are some common website scams?

- **Online rental scams**: Advertisements that repost legitimate rental information, but ask you to send your personal information or money without meeting the homeowner. Scammers search websites that list homes for rent. They take the information from those websites and repost it as legitimate offers on Craigslist or other websites with similar classifieds. The rental price is usually significantly below market rates. When you contact the homeowner, you are really contacting the scammers. The scammers tell you that they are not available, but instruct you to wire the first and last month's rent to them. They then take the money and disappear. You get nothing. In another variation, the scammers tell you to fill-out a credit application in lieu of sending money. The scammers then steal your credit and other personal information, which they can use for identity theft.

- **<u>Work-from-home scams</u>**: Advertisements for work-from-home jobs that are disguised as legitimate businesses, but are simply ways for criminals to launder money. For example, you see a job advertisement on a website for a payment processor. As a new employee, you are asked to provide your banking account information or establish a new account. The employer deposits money into your account and then instructs you to forward the money to another account. The employer tells you to deduct a portion as your commission. The problem is that you are actually participating in a criminal activity by laundering stolen funds through your account or the newly established one.

- **<u>Facebook scams</u>**: Facebook has become a haven for scams. They ordinarily involve downloading **applications** or **clicking on a link** that tricks you into entering your personal information. How do they work?
  - <u>False Facebook connect:</u> Some Facebook applications require you to "connect" in order for it to work properly. Some of these application will fake the connect page to make it seem like the real thing. When you click on "Connect with Facebook," it will request your email and password. But because this is a fake website, the scammer will have your login information and can then use it for identity theft and other frauds.



  - <u>Profile tracker</u>. These will require you to either join a group or install an application that it will tell you who is viewing your profile. Some of these groups require you to invite your friends, friend the group's creator, or send messages. Again, this may allow someone to steal your personal information.
  - <u>Bad message or profile links</u>: Facebook allows your friends to post legitimate links, but sometimes hackers will send illegitimate links from your friends' accounts. The link may be described as an "unbelievable video" or an "amazing picture." However, when you click on the link, the actual page may contain malware (an illegitimate program that infects your computer) or ask you to download some program to view the picture or video. Other times, you will be required to fill-out a **survey** in order to access the application. Unbeknownst to you, your profile now contains a link encouraging your friends to also click on the link. The spammers make money every time a survey is completed. These downloads may also infect or "crash" your computer!

- **Malware** is a general description for all types of *malicious* software. There are three basic types:
    - Viruses. These programs are downloaded to your computer's memory when you download an email attachment or a program from a website. These programs will do damage to your computer by sending emails to your associates from your address book, or install other programs to your computer, or make your operating system inoperable (ie: "crash" your system).
    - Trojan horse. This is named after the story of how the Greeks were able to sneak into the walled city of Troy by hiding inside a wooden "Trojan horse." Similar to that story, "Trojan horse" malware will appear legitimate so that you download or otherwise allow the program onto your computer. The problem is that once on your computer, the program may corrupt your computer systems, install additional programs, erase information, or even keep track of your keystrokes (what you are typing). That information can be used by hackers to get personal information and use your information for fraudulent purposes.
    - Spyware. Software that collects information without your consent or knowledge. New software also comes in the form of advertisements, or adware, which infect your computer with advertisements or services that are hard to remove.
- **Counterfeit check scams** happen when a scammer sends you a fake check or money order. For example, you put something on Craigslist and look for a buyer. You get a reply that states that the person is moving and cannot meet in person, but is willing to send you a check for the amount -- plus additional money for the hassle. You accept. You get the check or money order and you send the product. However, you find out a week later that the check bounced or the money order was bad. Your product is now gone and you did not get any money for it!

What can you do to prevent being scammed?

How to prevent emails scams?

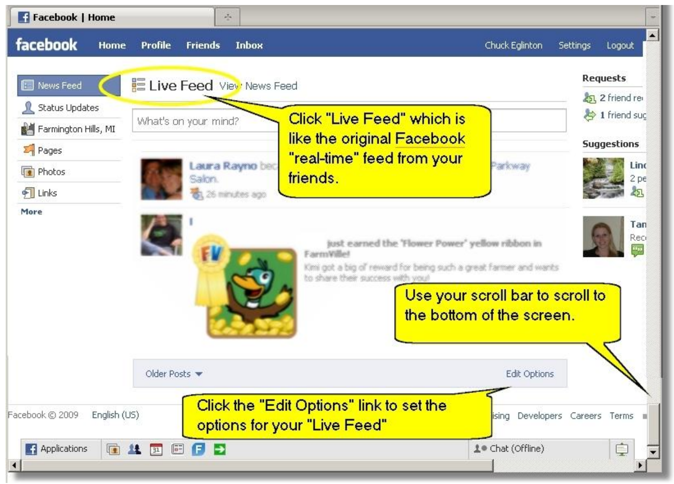
- **Be suspicious** of emails from senders that you do not know. Make sure **the sender's email address** is *identical* to the one you have on file. Some email information can be **masked to make** it *appear* that the name on the account is the same one you would expect.
- **Be careful** about sharing your personal information (e.g. name, social security number, date of birth) with anybody online.

- **Do not respond** to emails claiming that there is a problem with your bank account, credit card account, internet account, or third-party account without *first* verifying that the message comes from the *real* provider. Banks, for example, will never require you to enter account information in an e-mail of this sort. Call your bank directly if you receive an e-mail about account problems!
    - **Do not send money** without using a trusted intermediary. For example, Paypal.com offers you the opportunity to send money to *any* email address in the world. It will also partially insure you for certain qualifying transactions.
    - **Be careful with wiring money**. Wiring money is equivalent to sending cash: once you send it, the money is gone.
        - Avoid **accepting a check** and then **wiring** money. Why? It takes several days for the check to clear, but wiring money is almost instantaneous. The scammer will take your money before you have time to figure out the check has bounced.

How to prevent website scams?

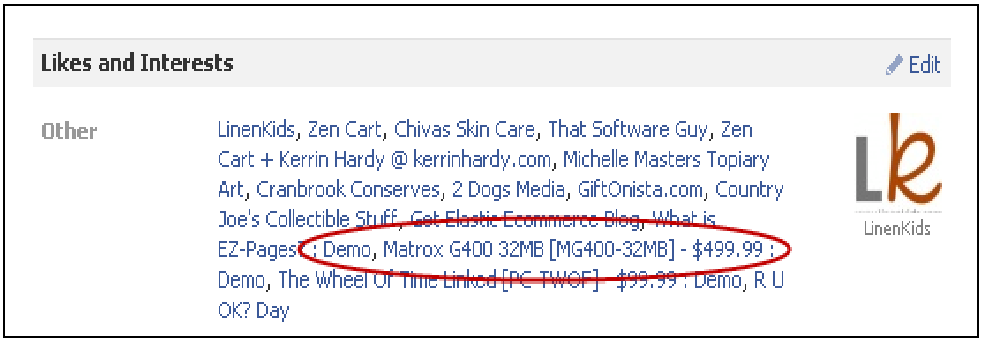
- When visiting a website, check to make sure that the website begins with "https" and not "http" before *inputting* your personal information. The "https" indicates that the website is encrypted. This is especially important when visiting websites that require you to input your social security, bank account, or credit card information.
- At the **bottom** of the website you will see a lock. The lock indicates that the website is protected. *However*, make sure to **click** on the lock to make sure that the website's security certificate is current.
- Install antivirus information. There are several products that are provided for a fee and some for free.
    - **For free:**
        - Malwarebytes (http://www.malwarebytes.org/) can help prevent and remove malware; Spybot (http://www.safer-networking.org) offers malware protection.
    - **For a fee**:
        - Norton Antivirus can help prevent and remove viruses (http://www.symantec.com); Kaspersky (http://usa.kaspersky.com/) also helps prevent and remove viruses.
- Do **not** click on Facebook links that direct you to another website without first verifying that the website is legitimate.
    - Avoid clicking on links that require you to download additional information.

- Only install applications that you are familiar with. Limit access to your private information only to applications you trust. For a detailed discussion of application settings, visit Sophos (http://www.sophos.com/security/best-practice/facebook/applications-websites.html).
- If you have been infected by a Facebook scam:
  - **Remove** all references from your News Feed by selecting the illegitimate **post** from your live feed and clicking on the X to the right to remove it. You can also limit your live feed settings:



  - **Revoke** rights to the application through Account/Privacy Settings/Applications

- **Remove** all references to the rogue products on your Likes & Interests



- For **work-from-home** scams:
  - **Play detective**. Investigate the company offering the job. Go to the Better Business Bureau website (http://www.bbb.org) to see if the business has any complaints. Also, check the Secretary of State website (http://www.coloradoattorneygeneral.gov/initiatives/consumer_resource_guide/common_scams) to make sure that the business is in good standing.
  - **Do not *pay*** in order to apply for a job, or provide information that you would not ordinarily give to another employer.
  - **Call** the employer. Make sure they have an actual office. If you are unsure about the business, do some research on the Internet and by other means!

How does the law protect you?

- **How does <u>Colorado</u> law protect your social security number?**

  - **Merchants** are prohibited from <u>recording</u> your social security number or credit card number when either or both are requested to verify a check. This does not prevent merchants from simply <u>viewing</u> that information.
  - **No public entity** shall request a person's social security number over the phone, Internet, or via mail unless the public entity determines receiving the social security number is required by federal law or is essential to the provision of services by the public entity.

- **How does <u>Colorado</u> law protect against <u>spam</u>?**

  - Colorado characterizes certain "spam" as **deceptive practices** and the Colorado Attorney General can go against spammers for these practices in order to enforce the law and protect the public. However, you will notice that a **consumer *cannot*** enforce the statute.
    - What spam is <u>deceptive</u>?

    - **Violates** any provision of the Federal "CAN-SPAM" Act of 2003 (more below).
    - **Knowingly fails to disclose** the actual point-of-origin of the email *in order* to mislead or deceive the consumer.
    - **Knowingly falsifies e-mail information** in order to mislead or deceive the consumer.

- **How does <u>Colorado</u> law protect against <u>fraud</u>?**

  - **Generally**, Colorado offers extensive protection for fraud through the Colorado Consumer Protection Act. It offers protection against a range of deceptive trade practices and allows the Attorney General and district attorneys to take action. A private suit by the consumer can also be filed pursuant to 6-1-113. For instance, the law prevents:
    - **Knowingly** passing off another's goods, services, or property.
    - **Knowingly** making a false representation as the source, sponsorship, approval, or certification of goods, services, or property.
    - **Representing** that goods are original or new if they are not.
    - **Advertising** goods, services, or property with intent not to sell them as advertised.
  - If you have been the victim of fraud, however, you will need to take corrective action. That may involve filing a **lawsuit**. In cases where your identity may have been compromised, the Attorney General recommends the following action:
    - **First**, contact your bank and credit card issuers. Place a fraud protection on those accounts.
    - **Second**, file a report with law enforcement.
    - **Third**, file a report with the Federal Trade Commission at http://www.ftc.gov/bcp/edu/microsites/idtheft.
    - **Fourth**, contact the major credit bureaus and put a fraud alert on your account. You can reach Equifax at 800.525.6285, Experian at 888.397.3742, and TransUnion at 800.680.7289.
    - **Fifth**, contact your creditors by phone and keep copies of all correspondence.
    - **Sixth**, contact the Better Business Bureau (please see their contact information below). The Better Business Bureau keeps a record of consumer complaints against businesses and allows you to file complaints (https://odr.bbb.org/odrweb/public/getstarted.aspx).

- **How does <u>Federal</u> law protect against spam?**
    - The Federal CAN-SPAM Act does **not** give consumers the right to file their own private lawsuits for damages for the receipt of unsolicited emails. Rather, it lets the Federal Trade Commission or state attorney general sue spammers on their behalf for damages, civil penalties, and injunction (a stop on the emails).
    - Applies to *any* business that uses email as parts of its marketing activity.
    - Prevents spammers from **pretending** to be a legitimate domain name (e.g. pretending to be Ebay.com).
    - Prevents misleading or deceptive email subject headers. It also requires the sender to warn the recipient of sexually explicit emails.
    - Every piece of unsolicited commercial e-mail must give you the choice to "opt-out," by telling the sender that you don't want their e-mail anymore.
        - Once you send a business an "opt-out" request, a company has ten (10) business days to comply. If it doesn't, the business may have to pay $250 every time that it sends another e-mail to a person who already made an "opt-out" request. A court can increase the amount of damages up to three times if it can be proved that the spammer "willfully and knowingly" refused to stop the e-mails after the consumer's request.

What <u>resources</u> are available?

- The Federal Bureau of Investigation has a terrific website that updates you with popular internet scams. See http://www.fbi.gov/scams-safety/e-scams.
- The Colorado Attorney General's office has a website that explains various scams and ways to protect yourself. You can also file **complaints**. See http://www.coloradoattorneygeneral.gov/initiatives/consumer_resource_guide/common_scams.
- The Better Business Bureau (http://www.bbb.org) has information about almost every local and national business. If you are suspicious of a company, check the Better Business Bureau website before engaging in business with that company.