

YOU & the LAW



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Wall Street reform law will impact everybody

Like most things in Washington, it has a long, cumbersome name: the “Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.” But unlike so much other legislation passed by Congress, this new law will affect most consumers while bringing about reforms designed to prevent another deep economic recession like the one that hit hard in 2008.

The Wall Street Reform Act is a massive law — some 2,300 pages in length — which mandates agencies to draw up more than 200 regulations and conduct scores of studies. Many pages of the measure are dedicated to a wide range of actions the government will take to prevent another recession.

The bill, passed by Congress and signed by President Obama in summer 2010, will be implemented gradually as new rules are made and studies completed. Other major goals of the measure are to strengthen consumer protection in many areas, reform banking and lending practices, tighten real estate regulations and break up large companies that could threaten the nation’s economic stability.

Much of the new law focuses on curtailing abuses by huge banking companies, which contributed heavily to the economic collapse. Many taxpayers were outraged when the federal



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government found it necessary in 2008 and 2009 to bail out some of the very banks and financial services companies whose reckless practices fueled the recession. Several provisions of the law allow the U.S. Federal Reserve to limit growth of large, complex financial services companies that become “too big to fail.”

The term “too big to fail” came into wide usage when the government had to bail out a number of companies that were verging on bankruptcy but whose failure would have brought down many other companies with them. The new law gives the Federal Reserve authority to break up such companies before they

become a threat to the nation’s economic stability. Another provision establishes a process for liquidating large companies that fail without using taxpayer funds.

Most consumers will not notice when many provisions of the new law are implemented. Sections of the act that will have a more direct impact on the general public deal with the new consumer protection department. The new independent watchdog department will have broad authority to ensure consumers get the clear, accurate information they need to shop for mortgages, credit cards and other financial products. It also will help protect consumers from hidden fees, abusive terms and deceptive practices.

The reform law also addresses a problem many citizens currently face — the sharp decline of the value of their homes. Unpaid mortgages were a major cause of that decline, and the new law prohibits certain practices by lenders that allowed and encouraged some people to take out mortgages with monthly payments they obviously could not pay over the long term.

You can learn more about the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 by visiting the U.S. Senate Banking Committee’s website, www.banking.senate.gov.



'Mystery shopping' scams could cost you big bucks

Imagine a job that pays you to shop in high-priced stores, eat in fancy restaurants and stay in luxurious hotels. This is the promise some mystery shopping scammers use in ads to lure unsuspecting jobseekers, and the Federal Trade Commission (FTC) is warning consumers to be aware of these con artists.



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Some retailers hire marketing research companies to evaluate the quality of service by using mystery shoppers to collect information anonymously. The assigned mystery shopper makes a purchase in a shop or restaurant and provides feedback to the research company. Typically, the shopper is reimbursed and keeps the items purchased.

However, some unscrupulous mystery shopping outfits use newspaper and e-mail ads to solicit unsuspecting consumers. These scammers require consumers to pay a fee to receive information or become "certified" as a mystery shopper.

According to the FTC, it isn't necessary to pay to receive information about mystery shopping. A free list of some companies that hire mystery shoppers is available on the Mystery Shopping Providers Association's

website, www.mysteryshop.org/shoppers.

The FTC warns consumers to proceed with caution if mystery shopping promoters:

- ◆ Advertise in a newspaper's "help wanted" section or by e-mail
- ◆ Guarantee a job as a mystery shopper
- ◆ Require the purchase of a "certification"
- ◆ Charge a fee for access to mystery shopping opportunities
- ◆ Send messages that include misspelled words or use incorrect grammar
- ◆ Sell directories of companies that provide mystery shoppers.

Are you sharing too much on Internet social networks?

Now that social networks are part of the cultural mainstream, millions of people are sharing photos and other personal details about themselves online through websites like Facebook.

While connecting online with friends and family can be fun, it is important to remember that not all information posted on social networks is automatically private. Identity thieves and legitimate businesses often use these sites to gather personal information about people. However, there are a number of steps users can take to protect their information online.

Control what is public and what is private: Facebook, the most popular social network, allows users to control what content is public — but much information is not hidden from public view by default. For example, on Facebook the list of your friends is public by default, which means a stranger who stumbles upon your

profile can see your entire list of contacts even if your profile is private.

Your current city, hometown, place of work and education are also automatically viewable by anyone unless you manually set that information to private. The site's privacy settings allow you to restrict access to any section of your information to only some friends. Be sure to remove your updates and profile information from public searches in the "public search" section of the privacy settings in Facebook.

Be smart about what you share: Don't publicize dates you'll be traveling, which could alert potential thieves that you will be away from home. Also, don't post embarrassing or sensitive photos or information.

No matter how strict your privacy settings are, you can never be sure who will see your updates. This is



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especially important for job seekers, as some employers research social media accounts of job candidates.

Don't post such personal information as your phone number, physical address or e-mail address in your profile or update. This is crucial on open networks like Twitter, which are public by design.

Is a reverse mortgage a good deal for you?

You don't have to watch much television to spot an ad that promotes reverse mortgages on homes. While reverse mortgages have been around for many years, they have only recently come into more popular usage among homeowners aged 62 or older.

Some reverse mortgage companies hire well-known older actors to pitch their products to seniors. While many of these companies offer a product that could be beneficial for some seniors, taking out a reverse mortgage is a major financial decision that should be taken only after much research and counseling.

Under reverse mortgages homeowners use the equity they have in their home to borrow from a lending company. Unlike a conventional home mortgage, the money from a reverse mortgage usually does not have to be repaid until the owners of the home die or move. Another advantage for seniors is that reverse mortgages do not require the borrower to have income or even to show a credit rating.

On the negative side, upfront costs of obtaining a reverse mortgage can be high and, although the loan does not have to be repaid until the homeowners die or move away, interest accumulates more rapidly than on a conventional loan because the owner is not making any payments. When homeowners with a reverse mortgage die, their heirs either sell the home to repay the lender or repay it with other money.

Most reverse mortgages are made by lenders under a Federal Housing Authority program called the Home Equity Conversion Mortgage.

The amount you can borrow depends on several factors including the age of the youngest borrower, current interest rates and value of the home being mortgaged. Generally, increased home value and age boost the amount you can borrow.



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Home equity conversion mortgage requirements

- ✓ Be 62 years or older
- ✓ Own the property outright or have a small mortgage balance
- ✓ Occupy the property as your principal residence
- ✓ Not be delinquent on any federal debt
- ✓ Participate in a consumer information session given by an approved FHA counselor

While reverse mortgages can benefit some people, consumer organizations suggest that seniors study various alternatives before taking out such a loan and meet with an FHA-certified counselor. It might be better to take out a more conventional loan or get the money from another source to pay for things like a vacation or a new vehicle.

Consumer groups also suggest that you exercise great caution when

someone trying to sell you a product recommends that you pay for it by taking out a reverse mortgage.

You can obtain more information about reverse mortgages by visiting the U.S. Department of Housing and Urban Development's website at www.hud.gov. The AARP has a free brochure called "Reverse Mortgage Loans: Borrowing Against Your Home," which can be obtained at www.aarp.org.



TEXAS WATCH

The Texas Legislature is meeting in Austin to address issues important to Texas families, including insurance reform and the ability of Texans to exercise their constitutional rights and liberties. The insurance industry employs hundreds of lobbyists who try to affect the outcome of each legislative session. Their voices **WILL** be heard.

Will yours?

You can help keep an eye on the insurance industry and the Texas Legislature by becoming a member of Texas Watch's Citizen Lobby Team. Texas Watch is a nonprofit, non-partisan citizen advocacy group that strives to make sure the law reflects the needs of Texas families and consumers.

Visit www.texaswatch.org today to learn more about how insurance reform and other issues affect

your family, and sign up to receive information on how you can make a difference in the legislative process. OR ... complete the form below and mail it to Texas Watch at the address below. For more information, call 888-738-4226.



Yes, I would like to learn about insurance reform and how I can make a difference in the legislative process.

Name _____

Address _____

City _____ State _____ Zip _____

Phone Number _____ E-mail _____

Mail the completed form to: Texas Watch • 815 Brazos St., Ste. 603 • Austin, Texas 78701

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