



The University of New Mexico

School of Law Library
MSC II 6080

University of New Mexico Albuquerque, NM 87131-0001 Telephone (505) 277-0939 FAX (505) 277-0068

This document was scanned pursuant to the express permission of its author and rights holder.

The purpose of scanning this document was to make it available to University of New Mexico law students to assist them in their preparation and study for Law School exams.

This document is the property of the University of New Mexico School of Law. Downloading and printing is restricted to UNM Law School students. Printing and file sharing outside of the UNM Law School is strictly prohibited.

NOTICE: WARNING CONCERNING COPYRIGHT RESTRICTIONS

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material.

Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If the user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

This institution reserves the right to refuse to accept a copying order if, in its judgment, fulfillment of the order would involve violation of copyright law.

Exam No.

**564-001 Consumer Law
Fall Semester 2004**

UNM School of Law Final Examination Two Credits

Professors Hart & Martin Tuesday, December 14, 2004

1 :30- 3:30 p.m. (2 hours)

2

3.

4.

5

6.

INSTRUCTIONS

Print your student identifier at the top of this page.

The exam is contained on pages 1 to 10. **Make sure that your copy is not missing any pages.**

PERMITTED MATERIALS: You may consult only the materials we handed out in class, and any notes or outlines which you prepared or which were prepared by a study group in which you participated actively.

The exam consists of 12 short answer questions, as well as 5 multiple choice questions and 5 true-false questions. **Unless you are using a laptop, all exam answers should be placed on the test itself and not in the bluebook. Feel free to exec the space provided but watch your time!!!**

Write legibly and give all answers concisely.

The suggested time for each question is noted. The suggested times total **120 MINUTES**. The suggested times reflect the relative weight that will be assigned to each question.

GOOD LUCK AND BUDGET YOUR TIME!

1. (10 minutes) Buying a \$100 jacket you don't need on credit (or even for cash for that matter), deprives you the consumer of far more than the \$100 purchase price of the jacket. Thinking in terms of both using credit and also earning a return on your own investment, and thinking both short-term and long-term, describe the possible total cost of the jacket, assuming realistic financial assumptions about interest rates for borrowing and rates of return on investments.

2. (15 minutes) You'd like to buy a new bike and are not sure how you should pay for it. You are considering a new brand, which is supposed to be high performance. You figure you'll know within a few days of riding whether the company's detailed and high-flying advertising is true. Should you write a check, pay cash, put it on your credit card or put it on your debit card? Explain in detail why. What would be the advantages and disadvantages to each of the payment methods? As an aside, which would the merchant prefer you use?

2

3 (a) (2.5 minutes) If the buyer of a new automobile accepts it after it is tendered by the seller, the buyer may be able to revoke her acceptance if

(b) (2.5 minutes) If the seller has delivered an automobile to the buyer and the buyer rightfully rejects it, the buyer may retain possession of it if

(c) (2.5 minutes) In addition to the rights given to a buyer of an automobile under the Uniform Commercial Code, a buyer is also afforded rights under

3

(d) (5 minutes) The difference between an "express warranty" under the Uniform Commercial Code and a "written warranty" under the Magnuson-Moss Federal Warranty is

(e) (2.5 minutes) If a buyer finances a car by borrowing from the dealer, and a negotiable note is given to the seller by the buyer, a Federal Trade Commission requires that

4. (10 minutes) If you had a chance to add legislation about credit reporting, what areas still need improvement~ in your view, and how would you address them?

4

5. (15 minutes) You are a legislator in the State of New Mexico and plan to propose a payday lending statute this legislative session. What problems will you try to address in the statute and what will the statute actually say (in short summary form) to address your concerns. If you prefer a less legislative approach, explain how you would allay societal problems caused by payday lending in another way.

6. (30 minutes) Carlos and Carol Santana of Albuquerque just took out a second mortgage on their home to payoff \$20,000 in credit card debts they racked up over the past two years. The Santanas' new lender is Reliable Bank. The Santanas used to pay \$500 a month on these cards in minimum payments, so they took out a \$20,000 loan. Their first mortgage is currently for \$60,000, on which they pay \$600 a month. The Santanas were told the rate on the new loan would be 14%, and that the principal and interest on the loan would be about \$400. The

s

loan documents state that the loan's interest rate will permanently increase to 16% if even one late payment has been made. The loan amount was for the \$20,000 they received, plus the following:

\$1,500 in points

\$500 for an inspection by Reliable's inspection department \$2,000 for a third-party's title report

Thus, the Santanas financed \$24,000. Because there was over \$150 in mortgage insurance and life insurance wrapped into the payments, along with tax and insurance escrows, the actual payments for this second loan were about \$700. Thus, they now have two mortgage payments, one for \$600 and one for \$700. The Reliable loan soon went into default as the Santanas bring home just \$1,800 a month, to cover food, clothes, car payments, gas, and the above two mortgages.

The Santanas now face foreclosure. Is there anything you can do for them, under state or federal law? Which provisions of the relevant statutes are violated, if any?

6

7. (5 minutes) Thinking creatively about punitive damages for unscrupulous consumer credit or sales practices, what is the best way to measure these damages if the goal is deterrence and why?

g o t o n e x t p a g e

7

Spend **10 minutes** on Questions 8-12

8. If you believe that there is a mistake on your credit report, what should you do?

9. When are you entitled to a free credit report?

10. What are your rights if you dispute an entry on your credit report and the credit reporting agency informs you that they have investigated your claim and have determined that the entry is correct?

11. List six legitimate purposes for which a consumer reporting agency may issue a credit report

8

12. How long may the following information be kept on a credit report, and from when does the time start?

Bankruptcy years,

from

Judgment

from

years~

Undischarged Tax Lien

from

years,

Spend **10 minutes** on questions 13-22. If you feel you must explain your answer, you may do so in one sentence, but this is not necessary.

13. Credit card companies make most of their money off:

- a. the float
- b. interest
- c. annual fees

d. travel clubs and other ancillary services that they sell to customers

14. If a customer pays a credit card bill every month and thus does not ever carry a balance, which of these features is most important to the customer in picking a card?

- a. **annual fee**
- b. **interest rate**

c. airline miles, rebates, or other perks, d. either a. or c.

15. Payday lending is a relatively recent phenomenon because

- a. payday lending was illegal until recently
- b. only recently have people in lower incomes had access to any form of credit at all
- c. there used to be usury laws that precluded lenders from lending above a certain interest rate, which would have made payday lending unprofitable.

9

d. Congress recently passed a federal law explicitly permitting payday lending.

16. Georgia's payday lending statute:

- a. precludes all payday loans
- b. precludes all loans with an interest rate over a certain percent
- c. is still in state legislative committee waiting to be passed
- d. has been forced off the books by internet payday lenders.

17. The very best thing about debit cards is

- a. they are accepted virtually everywhere for payment of goods
- b. they are very convenient and limit trips to the bank
- c. they limit a consumer's liability for unauthorized withdrawals to \$50
- d. they do not carry an annual fee.

18. True or False, most credit card companies charge the same rate whether the account has even been paid late or not.

TRUE

FALSE

19. True or False, the best way to ensure that a used car has not been in an accident is to review the CARF AX report.

TRUE

FALSE

20. True or False, it is safer to buy a used car from an established car dealer than from an individual advertising their own used car in the newspaper.

TRUE

FALSE

21. True or False, HOPEPA and the NMHEPA protect both consumers and home contractors by increasing the rights of each of these groups, vis a vis banks and other lenders.

TRUE

FALSE

22. True or False, Check 21 will increase the amount of time for the float for consumers.

TRUE

FALSE

The End. Have a Nice Break!

10