



## **YOUR BOTTOM LINE**

# **Financial Reform Bill and What It Means For You; How to Score a Real Bargain; Best Places to Live**

Aired July 17, 2010 - 09:30 ET

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POPPY HARLOW, CNN HOST: Well, good morning, everyone. The Senate passing sweeping financial reform. That bill now headed to President Obama's desk. Now that we know what's in it, we're going to dig deeper on what it all means for you.

And we're watching our wallets this morning. We'll show you how to score a real bargain on everything from furniture to fashion and high-tech gadgets.

Plus, "Money" magazine out with its annual list of the best places to live, from the top earnings towns and the most affordable cities and where all the jobs are. we're going to break it down for you. It's the show that saves you money and it starts right now.

It is finally here. The Wall Street reform bill, of course, a response to the financial crisis that shook this country, it aims to protect you, the consumer, but what does it really mean for your bottom line?

Jack Otter is the executive editor of MoneyWatch.com. Rick Newman is the chief business correspondent for "U.S. News & World Report." And our friend, Lynnette Khalfani-Cox, her latest book, "Perfect Credit: Seven Steps to a Great Credit Rating" it's out this month.

Thanks for being here, guys. First things first. Finally this is through. What's in it that really matters? What do you think -- Jack.

JACK OTTER, MONEYWATCH.COM: Well, there are some new things for consumers to protect them from some of the problems that we had before, notably on the mortgage front. That was a big problem before.

Mortgage brokers will no longer see the bonuses that actually encourage them to put people in more expensive bad loans. The prepayment penalties are not gone, but they're restricted. That's a terrible thing where they give you a lousy loan and then it makes it almost financially impossible for you to get out of it.

HARLOW: And also, Rick, the Consumer Protection Agency, a lot of lobbyists for and against this, but bottom line, it's in that bill.

RICK NEWMAN, "U.S. NEWS & WORLD REPORT": It is, but really we don't know what it's going to do yet. A lot depends on who runs it and the attitude of the administration in charge. Do they want to be really activists? And it's interesting, because a lot of problems that this is going to go after have sort of solved themselves already.

I mean, banks have stopped giving bad loans to people who can't really pay them off because they lost too much money on those loans, so some of these problems have already taken care of themselves and some things will still be out there.

HARLOW: Some remain. You know, Elizabeth Warren, the chair of the Congressional Oversight Committee on TARP, looking over TARP, said this, very interesting when we talked to hear a few weeks ago.

She said: "We rebuild our economy one family at a time and when families are healthy, when they can make good economic decisions, when nobody is tricking and trapping them into spending more on credit and getting into crazy credit card arrangements and getting into crazy mortgages, then those families will be stronger and ultimately our economy as a whole will be stronger."

Do you agree, Lynnette, this is leading into a stronger, broader economy?

LYNNETTE KHALFANI-COX, AUTHOR, "PERFECT CREDIT": I think it will definitely help and there is no question that consumers need to be more informed and also they do need certain protections. And part of what the Consumer Protection Bureau is designed to do is just that, to help stop abuses and prevent predator lending, make sure there's more disclosure. It doesn't solve all the problems, obviously.

One thing we obviously need to talk about is what's not in the bill. Fannie and Freddie, for example, are not addressed at all and that's a big criticism.

HARLOW: Big mortgage backers.

KHALFANI-COX: Right. And I mean, these are two huge behemoths that touch you know, four out of five loans in this country.

HARLOW: That's been a lot of criticism. Also, Rick, I know you've been very outspoken on the fact that the Consumer Protection Agency, your big concern that consumers will say hey the government is here to watch over me and now that they won't watch themselves closely enough.

NEWMAN: That's right. Well, there's one thing the government can never do which is make you watch out for yourself and make you make smart decisions that are good for your family. I mean, we just heard Elizabeth Warren talking about tricking and trapping families. Well, a lot of families tricked and trapped themselves. I mean, what we've learned through the whole crisis is we have a massive financial literacy problem. Financial illiteracy is an epidemic.

And people -- to me, the bottom line to me is people need to get smarter about how to spend their money, about how much they need to save, about not taking debt on just for stuff they feel like buying. Take on the right kind of debt, you know, for investing in a home, not just buying a vacation or something that makes you feel good. This bill doesn't do anything to do that.

KHALFANI-COX: Well, I agree there is defiantly, obviously, a need for huge amount of financial literacy. But, you know, let's be real, there were some consumers who were tricked and trapped into taking on bad loans.

HARLOW: There were and there will be.

KHALFANI-COX: We had mortgage brokers who said, don't worry about it, you can refinance your mortgage, you know, a year from now. We had some people who had so-called "liars loans" where they were encouraged to misstate or overinflate their income and there's a lot of fraud that actually went on on the part of people in the mortgage industry. These were the professionals who were telling the consumers don't worry about it, this is how business is done and how it gets done. Both sides...

(CROSSTALK)

OTTER: And this brings us to another point that's missing to my mind is, my favorite, the fiduciary standards. There was a proposal that brokers would have to act in the client's best interest when selling them something. That seems like a no-brainer. I mean, the same standards doctors and lawyers adhere to tweaked for the financial industry. But that's not in there. So, they can still sell you an overpriced annuity that sends them a bigger commission rather than finding the product that's best for you.

NEWMAN: Yeah, to me this all comes down to the fine print. It's those 18 pages of tiny type on a mortgage or whatever. I mean, it would be great to see this financial protection bureau do something to simplify that fine print and make it clearer, but at the same time people need to read the fine print, no matter how much of it there is.

(CROSSTALK)

HARLOW: ...you have to do that. Guys, please stick around. We've got a lot more coming up, a lot more that we want to get to this morning, folks, including what you can do to boost your credit score. Very important. We'll have that in 90 seconds.

(COMMERCIAL BREAK)

HARLOW: Back with us this morning: Jack Otter, Rick Newman and Lynnette Khalfani-Cox talking a lot of important things, folks. Let's look at this piece of data, unbelievable, FICO saying 25.5 percent of consumers, more than 43 million people have credit scores of 599 or lower. What's your reaction to that -- Lynnette.

KHALFANI-COX: Well, I'm not at all surprised. Obviously, throughout the economic crisis, a lot of people haven't been able to keep up with the bills: the mortgage payments, the student loan payments, the credit card payments. If you miss a payment, that's the No. 1 determinant in terms of in your credit scores, it's going to lower it, and banks have cut people's credit lines and so that impacted a lot of people, as well. You know, about 30 percent of your credit score is based on how much credit card debt you have, have charged, versus how much you have available. With less available credit, that's going to lower people's credit scores.

HARLOW: Sure, your score is made up of a lot of different things. Let's pull that up on the screen so folk can see what goes in your credit score and at the same time, Rick, my question to you would be, you've talked a lot about heading into a cash economy.

NEWMAN: Yeah, and some people are doing this voluntarily and I think one of the most interesting ways to look at this is people who are -- these strategic defaults on mortgage, people who can pay, but are walking away. That is a significant number of people. We don't really know the extent of that, but it's a lot of people.

And that indicates people who are saying I am willing to take the hit on my credit and for however long it takes, you know, five to seven years or a little longer, I will just live on cash. And you know, other people are saying, I took on so much debt I don't want any more debt, they realize that this is really onerous.

And so, we're getting into that, but if you are kind of going down that road, you know, we need credit to basically get ahead, I mean, to invest in big things. You need to be able to borrow. So, to some people that's a prudent thing to do, just live off of cash for a little while, but I think you might risk falling behind if you do that.

That said...

HARLOW: Well, what's your take, Jack, when we look at how people can address the issue of having a low credit score? Because I want to show people all the credit score killers. We've a good list of them, but how can they address this problem?

OTTER: Well, the biggest way is to do what Rick is saying and not borrow money.

HARLOW: Easier said than done.

OTTER: Yeah, exactly. I mean, buy a smaller House, that way your loan to value ratio is better. You're seen as less of a risk and it is OK that you have a lower credit score because the bank isn't taking as much risk by lending to you. I mean, I think, the big picture here is that for decades -- not just on a short-term thing, for decades Americans have been borrowing more than they are making and there is no way the readjustment is going to be anything less than very painful.

NEWMAN: But, this gets back to some very basic and simple things, such as save more money. I mean, people think, used to think I didn't have to save because my portfolio was going up or my home was appreciating in value, but we have learned the way to build wealth is to save money. It's that simple.

HARLOW: It is. And Lynnette, you always make this point, there is good credit and good debt and bad debt.

KHALFANI-COX: Right, obviously, the good debt is the stuff that can help you get ahead, as Rick mentioned, you know, we need, sometimes we might need a loan for to start a small business, perhaps you need a loan to get a home that you want or maybe even investment property.

Student loans can be a form of good debt, but the key also is that any form of debt, whether it's good debt, because it helps you to earn more money or to get a higher income, as in the case with student loans, can turn into bad debt actually very quickly, if you overextend yourself, if you aren't smart about how you're borrowing.

So, while we kind of traditionally associate credit cards, for example, as being bad debt because generally higher interest, it's not tax deductible, once you consume it, you can't do anything else, you know, that kind of thing, any form of debt can become bad debt.

HARLOW: You have to keep an eye on all of it. You guys, this is a lot of great advice, thank you so much. Lynnette, Rick, Jack, thank you.

Well there's a new breed of debt collectors on the loose, they're aggressive and if they are after you, you have to know your rights. Helping us do that today, from Washington, is Julie Brill from the Federal Trade Commission.

Thanks for being here, Julie.

JULIE BRILL, FTC COMMISSIONER: Absolutely, Poppy.

HARLOW: You know, an astounding statistic from the FTC saying complaints about debt collectors up 50 percent last year? What's driving it?

BRILL: Well, complaints from consumers about debt collection are up a great deal and largely that's a reflection of the underlying economy and the aggressive tactics that some debt collectors are taking in order to try to recover funds from consumers. You know, consumer debt, overall, is at a \$300 billion level and that's up 500 percent, five-fold, over the last six years. So, there's a tremendous amount of debt out there and therefore, there is a lot of activity in terms of trying to collect that debt.

HARLOW: You talk about these aggressive tactics. First of all, what are they and is that illegal?

BRILL: Debt collectors are allowed to engage in legitimate practices in order to try to collect debt. They're allowed to call the consumer at reasonable hours, they're allowed to contact the consumer through the mail. But there are certain things that they're not allowed to do.

They are not allowed to be harassing on the phone, they're not allowed to use obscene language, they're not allowed to talk about your debt to third parties like your employer or other people. So there are certain things they can do and certain things they can't do. And it is true that complaints regarding some of the inappropriate practices are on the rise.

HARLOW: What can you do? What power, as a consumer in debt, you already have enough problems, what resources are out there, what can you do?

BRILL: If you believe you are being harassed or inappropriately contacted by a debt collector, the best thing to do is to contact the Federal Trade Commission or your state attorney general. And you can find out how to contact them through our Web site, [www.FTC.gov](http://www.FTC.gov), or you can contact the National Association of Attorneys General Web site which is [www.naag.gov](http://www.naag.gov) -- actually, dot org, sorry.

HARLOW: All right, Julie, thanks so much, appreciate it.

And folks, coming up, where is the best place to live in America? Well, "Money" magazine is out with its annual list of America's best small cities, the very best places to live, straight ahead.

(COMMERCIAL BREAK)

HARLOW: Well, "Money" magazine's best places to live issue is on newsstands now. And if your hometown didn't make the cut, don't worry, mine did. I'll tell you about that later. But all kidding aside, if you are looking for a job or even looking for love, this list has got the scoop on the next place that you could call home. Donna Rosato is a senior writer with "Money," she joins us now to talk about all of this.

Thanks for being here.

DONNA ROSATO, "MONEY" MAGAZINE: Thanks Poppy.

HARLOW: What's the methodology? I know you poured through a lot of data, you talked to folks, you polled them, I mean, who finally makes the cut, here? How does it work?

ROSATO: Well, there's a lot of data and number crunching that goes into this list. But, we start with CNNmoney.com, we poll our readers and we say what kind of things do you value in a great place to live. And it's not very surprising things -- you know, low crime, lots of jobs, lots to do, affordable homes. And we put all those numbers together, then we send a team of reporters

out and we actually check out these places for intangible things: community spirit, what's this place really like and then we come up with our list.

HARLOW: I always try to get on those assignments because you know you are going somewhere good. When it comes to housing, that's a big issue for folks, especially in this market. Where did you find what city that homes were the most affordable?

ROSATO: Well, not really a big surprise here, we found many of the places in Florida homes were most affordable because they had such a big housing boom and then a bust and our No. 1 place for most affordable homes is Deerfield Beach, Florida which is on the Atlantic coast between Ft. Lauderdale and Miami, the median home price there is \$67,000. And five years ago if you wanted to buy waterfront property there, it would be about \$400,000, you know, median, today you can have that for less than \$200,000.

HARLOW: More than half off. I'll take that.

Earnings is a big deal for people, if they have a job, right now. Where can I earn the most for what I'm doing? What town topped that part of the list?

ROSATO: Well that's right, jobs are really a big deal for folks and the place where they're the most front full jobs are in Lincoln County, South Dakota. Now, there's a whole swath of the Midwest and the West that has very low unemployment and this is where Sioux Falls is. There are some large credit card companies out there that have big operations, Citibank and Wells Fargo, but you also see a lot of health care companies in this area, too. The unemployment rate for Sioux Falls is less than half the national average, so there's plentiful jobs out there.

HARLOW: A log of jobs out there. What about if you have a job, the top earning towns?

ROSATO: Oh, that's right. So, where do the wealthiest folks live? That's in Bethesda, Maryland. Of course, that's a D.C. suburb. The median household income in Bethesda is over \$172,000.

HARLOW: Wow.

ROSATO: It's an interesting town. It's, of course very, close to D.C. one of every two people in Bethesda has a graduate degree and we know that the more education you have, the higher your income, so that kind of makes a lot of sense, and it's a nice town, too.

HARLOW: All right, you've heard the saying rich, single and ready to mingle. I can't believe this is on the list, but it is. Best town for rich, single folks.



ROSATO: All right, well, this is going to be not a huge surprise. Of course, the place where most single people are college towns, so if you want to put rich and single, it's a beach town, Newport Beach, California.

HARLOW: Beautiful place.

ROSATO: Right, 30 percent of people who live there are single. The average median income there is over \$140,000. It's a beautiful place. It's got a great boardwalk, there's lots to do. You can see, it's not too far from L.A. You can see why it would attract the young and affluent and the professional singles.

HARLOW: Celebrities, I am sure.

ROSATO: Yes.

HARLOW: All right, drum roll? The best town on the whole list is...

ROSATO: Well, this will please you very much being a Minnesota girl. The No. 1 place that we found overall that had a package of everything, Eden Prairie, Minnesota.

HARLOW: Got to love it. Got to love it.

ROSATO: This is about 18 miles west of Minneapolis-St. Paul, your hometown. And as you know, Eden Prairie is just a lovely place. It really had everything that you look for in a great place to live: fantastic schools, unemployment rate is 5.1 percent, again, less than half the national average. This is a place that has a lot of jobs, 50,000 jobs in the town itself, that's where the Minnesota Vikings have their training camp.

HARLOW: Go Vikings all the way this year, Super Bowl. I'm just saying.

ROSATO: Lots of trails. You can go hiking, biking, and people in Minnesota are very hearty. Winter does not stop them, they are out fishing on the lake and everything.

HARLOW: Nine months of winter, that's what I like call it. you've got the lake, the schools, all that topping the list. A lot more towns on the list, of course, many more for people to pour through, they can do so in the magazine. Donna, thank you so much.

ROSATO: Right, and CNNmoney.com.

HARLOW: Online at CNNmoney.com. Thank you, Donna.

Of course, as we said, you can check out more of those best places to live online right there at [CNNmoney.com/best places](http://CNNmoney.com/best_places).

Now, from the best places to live to the best bargains, we're going to help you score some serious deals, straight ahead.

(COMMERCIAL BREAK)

HARLOW: Don't forget, we are still in a recession and who plays full price for things anymore? Everyone loves a bargain. Our next guest is here to tell us how to save on everything from designer fashion to furniture. Adam Glassman, "O's" creative director.

Thanks for being here.

ADAM GLASSMAN, "O" MAGAZINE: Thank you.

HARLOW: I don't pay full price for cloths, there's no need to, things tend to go on sale right away, but you know what, the best deals issue of "O" magazine shows tons of ways that consumers can save. Let's start with furniture which can be very pricey.

GLASSMAN: Furniture can be very pricey, but it's all about the timing. When you shop for furniture you want to really time it out. It either be the end of the year, the end of the summer or the beginning of the New Year, because retailers are getting rid of stuff to make room for new inventory. So that's the best time. But really, if you're looking for furniture right now, buy it soon, because by November or December, the prices of furniture are going to climb because of the rising transportation costs of all the raw material.

HARLOW: I need a new bed. I've been hunting. Samples on the floor of furniture store are a good way to go, too. What about high- tech gadgets, if you're looking. You know, those never seem to go on sale.

GLASSMAN: Well, they do from time to time, because everyone wants high tech for as little of money as possible. I have two option for you. Go to [amazon.com](http://amazon.com) or [PriceWatch.com](http://PriceWatch.com). find the item that you like. You can get the best deal that way, then go into the store you shop at and ask them if they will match it or even beat the price. Many stores will do that.

Second option is actually ask the store manager, when are the new models coming in, because you can actually get old model at a slashed price on its way out.

HARLOW: That's a good point. What if -- this one is hysterical to me. You can save money by switching the font that you print in?

GLASSMAN: Who knew this? I just learned this myself, too. But really, there is a font called Century Gothic, which is a light weight font. And if you uses this font, it uses 30 percent less ink than Ariel. So, most computers are loaded with Ariel.

HARLOW: That's what I use.

GLASSMAN: Well, and you can actually change your font, but you can save a lot of money that way. And think about it, a lot of people are setting up home offices right now or the students are sending out a ton of resume, so really a good trick.

HARLOW: Ink cartridges are expensive. Airfare is really expensive, as well.

GLASSMAN: Airfare, it's really all about timing, Poppy, when it comes to airfare. The best time of the week is mid-week, on Wednesday, believe it or not at 12:01 a.m. you get the best airfare.

HARLOW: Stay up until midnight.

GLASSMAN: Stay up until midnight and you can get the best airfare. The worst time is actually Saturday, sadly. So, all viewers today should not look for airfare today. Wait until Wednesday.

HARLOW: That is a very good point. Well, everyone has time on the weekend, so that's when they start looking. All right, designer fashions, high-end clothes, a lot of them Prada, Gucci, they don't seem to go on sale, but they actually do if you look in the right places.

GLASSMAN: They really do. The hottest thing right now are these members-only sample sale Web site. Every -- they are amazing like gilt.com, ideeli.com, ruelala.com. You can sign up for these Web sites, totally free, they'll send you mailings everyday about which high-end designer is going to be there.

But my tip about shopping that way, is you want to shop from the bottom up. So, when you go online, most people shop from the top down, so if you shop from the bottom up and because they have limited inventory to begin, with you have more chances of nabbing something great.

HARLOW: Very good point. Adam, great tips. Thank you so much.

GLASSMAN: Thank you.

HARLOW: All right, well, you know, now that you know how to snag a fantastic bargain, we're going to help you score some stuff for free. The key, all that junk you got lying around your house.

(COMMERCIAL BREAK)

HARLOW: All right, of course, something free for you this morning. A new type of social commerce online and it could mean big savings for you. Check out this Web site, Swaptree.com. It's a free Web site that lets you swap your books, your CDs, your DVDs, your video games. Here is how it works: you know, you have a lot of those around your house that you don't want.

You can just list them online, anything you have that you don't want, then just look on the Web site and you can choose over three million different items that they have listed that you can swap. That's the final step. You swap them. All you do is you pay for the shipping. Otherwise, it's free. You make an agreement, you send them what you don't want, you get what you do want.

Now, how do they make money? That's the question that we had. They've got a deal with the post office, since they sell shipping labels right on the site. They take a small percent of each of those and that's how they make their money. Now, they're working to off quicker shipping through UPS, FedEx, that sort of thing, but we want to know what you think. Have you tried this? Do you like it? Are you going to try it? Check it out, send an e-mail to [YourBottomLine@CNN.com](mailto:YourBottomLine@CNN.com), let us know what you think and how it works.

There is a link to contact us on our Web site, [CNN.com/YourBottomLine](http://CNN.com/YourBottomLine), while you're there you can check the recent highlights from the show as well as some of our archive segments with some money saving tips. So, so online there to see that.

And on that note we want to say a sincere thank you and good-bye and good luck to CNN producer Jen Haley who is leaving us after more than 10 years for higher education, of course. Jen has been accepted into the fellowship program in Economics and Business Journalism at Columbia University. And we are certainly going to miss her around here. Good luck, Jen.

We want to close our show, though, today by offering a big, big congratulations to our very good friend and colleague, Christine Romans. And in honor of Christine, today's Romans numeral is three. That's right, Christine and her husband, Ed, welcome a third boy to their family. He was born late Sunday night, Edward Arthur weighed in 9.10. The little guy joins his brothers Billy and Fin. Congratulations Christine and your whole family from all of us here at CNN.

And folks, we'll see you right back here next weekend for the show that saves you money. But, right now it's time for a check of your top stories in the CNN NEWSROOM, CNN SATURDAY continues, right now.