

KREKELER LAW REPORT



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WELLS FARGO CONFESSES TO FRAUD

Most people don't know the CEOs and leaders of the major US banks. But the name John Stumpf has popped up a lot lately, due to some shocking actions Wells Fargo confessed to in the past few months.

John Stumpf was named CEO of Wells Fargo in 2007 and Chairman in 2010. As of October 12th, however, Stumpf was no longer serving in either position. This announcement came after Wells Fargo was fined \$100 million by the Consumer Financial Protection Bureau (CFPB).

These fines were the result of Wells Fargo employees improperly opening up two million checking and credit card accounts at the bank for existing customers without their consent. Usually financial scandals can be a bit dry, but most adults know that opening up an account in somebody's name without their permission is simply wrong.

Although Stumpf forfeited millions in future pay, he will still leave with millions in an exit package. Meanwhile, thousands of lower-level

employees were fired for their roles in the fraudulent accounts.

The CFPB is requiring a full refund to consumers for any fees from these accounts. However, even these refunds might not fully help consumers who had these accounts opened without their knowledge. Consumers may have had difficulties getting credit or faced higher interest rates as a result of these opened accounts.

We advise you to pull at least one of your credit reports for free at www.annualcreditreport.com. Review it carefully. If you notice a Wells Fargo account that you do not recognize, you are entitled under the law to dispute any false accounts and you may have a claim against Wells Fargo for its actions. If you are an existing Wells Fargo customer, check your bank statements from the past few years to see if there are any open accounts you don't recognize.

Please contact us if you believe you were one of the customers affected by this scandal.



Have a question? Idea for a future article?

If you ask for it – we will write it!

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ITT TECHNICAL INSTITUTE CLOSES, LEAVING STUDENTS IN THE COLD

September was not a good month for ITT Technical Institutes, which suddenly closed. Nor was it good for ITT Tech students, who now face an unpleasant choice as a result of the closing.

The US Department of Education (DOE) was concerned about for-profit schools like ITT Tech, which sometimes leave students in heavy debt and see lower graduation rates than many public or private universities and colleges. So the DOE changed requirements involving federal student aid, which led to the closing.

Unfortunately, students who were still enrolled at ITT Tech campuses now have two options. They can seek a discharge of the student loan debt, or try to transfer ITT credits to another school.

Student Loan Administrative Discharge

Unlike student loans in bankruptcy, these debts would be subject to an “administrative discharge”. If you can’t complete your program because of the school closing, you may be able to get your student loans wiped away entirely. The bad news is that there could be tax consequences

to wiping the debt away. And all of the time spent toward a degree would have been for nothing.

Transferring credits

If another school accepts credits from ITT Tech, students can take those credits and move forward toward the degree. However, they may lose a portion of the credits earned, and are on the hook for the student loan debt already incurred, plus whatever remaining loans might be needed to finish the program.

The winners from this announcement are students who may have considered applying to ITT Tech and will now seek an education elsewhere. However, students in the programs while the institutions closed were unexpectedly caught in the cross-fire.

Have you attended a school that closed while you were in a program? Are you trying to seek a discharge of your student loan debt in bankruptcy or through an administrative process? If so, please contact us for more information and guidance.

COLUMBUS DAY, AND HOW HE BORROWED TO MAKE THE TRIP

We observed Columbus Day this month. Nearly everyone knows that Columbus discovered America in 1492. Few people know how Columbus financed that trip.

Columbus had no funds for his business. Banks were not readily available as they are today, so he sought financing, and was turned down by the courts of Portugal, Genoa, and Venice. He finally got financing from King Ferdinand and Queen Isabella of Spain. He received what was commonly referred to as a “sea loan”, in which the investor would take by far the lion’s share of the profits. The Spanish monarchs would receive 90% of all wealth gained, for all voyages, for all time.

Columbus made four voyages in all, but never brought back anything of significant value. Ferdinand and Isabella borrowed their money at about a 14% interest rate, and thus took a significant loss.

The cost of the first trip is estimated at nearly 1.8 Million Maravedis. An upper middle

class family at that time had a net worth of about 50,000 Maravedis. Today, an upper middle class family has a net worth of approximately \$1.6 Million. We can therefore very roughly estimate the cost of the trip at approximately \$59 Million

Despite the loss, Columbus was financed for three additional trips, on a much larger scale and much more expensive.

Most of us are familiar with venture capital financing, such as that on the TV show “Shark Tank.” The financial story of Columbus shows us that venture investors have been around a long time and have always supported bold ideas. We do as well, not by providing capital, but with legal resources that keep struggling businesses afloat or help them restructure their debts.

For a much more detailed account of the financing used by Columbus, see our October 10, 2016 guest blog by Gary Krekeler. Gary Krekeler is a historian in St. Louis, Missouri, and the brother of David Krekeler.

NBA SEASON OPENS, BUT BANKRUPTCY LOOMS

Basketball is back! The NBA regular season began again October 25th. From impossible long-range shots and buzzer beaters to stunning dunks and alley-oops, basketball is a riveting sport and pastime in the United States. Fans from every generation come together to watch their beloved NBA teams play against big rivals and cheer their favorite players to victory in the playoffs.

Some of these favorite players, however, run into major financial hardships after they retire from the NBA. Even when their large salaries and various promotional deals exceed well over millions of dollars, NBA athletes have very high rates of personal bankruptcy.

According to Sports Illustrated, the bankruptcy rate of basketball players within five years of leaving the NBA is estimated to be as high as 60%. And in recent years, we have seen the financial demise of numerous NBA heavy hitters, including Allen Iverson of the Philadelphia 76ers and Antoine Walker of the Heat. Even TNT commentator and retired NBA player Charles Barkley, as well as Scottie Pippen, Michael Jordan's right hand man, had major financial difficulties. Joining this long list of NBA players are Christian Laettner and Darius Miles.

Laettner, former Duke superstar, Dream Team Olympian, and longtime NBA player, incurred debt of \$30 million. A group of investors,

including former NFL and NBA players, filed a petition to place Laettner in an involuntary bankruptcy because of some risky investments and troubled real estate developments. In late September, Laettner reached a settlement with his investors to settle his debt for \$10 million, possibly allowing the bankruptcy request to be dismissed.

In another sad story, Darius Miles, the No. 3 pick of the 2000 NBA Draft and infamous Portland Trail Blazer alumnus. He signed a \$9 million contract years ago after going to the NBA straight out of high school. But Miles filed for bankruptcy in June 2016 with a debt around \$1.5 million. Injuries, bad investments, and legal problems all added to his need for filing. He also faced unpaid child support.

In recent years, the NBA has implemented programs for financial literacy education to try to reduce the high rate of bankruptcies in the sport. Critics argue that the NBA needs to give additional educational opportunities for new NBA players in order for them to succeed, not only during their time in the NBA, but also after the buzzer sounds and their careers end. Without sound money management, the NBA superstars of today could be in bankruptcy a few years from now.

Bankruptcy and financial troubles affect the rich and the poor alike. Bad luck, business changes, and even poor health can cause anyone to need relief.

WHERE'S KREKELER ?

CHECK US OUT! Krekeler Strother is proud to present our newly designed website:

www.ks-lawfirm.com

Our firm was well represented at this year's Solo Small Firm Conference. Kristin Sederholm, Eliza Reyes, Rose Yanke and David Krekeler all attended the conference, which focuses on helping lawyers run better practices. David has a big presence with this conference and is the Chair Elect for 2017. This year, he gave a presentation on malpractice and ethics issues in Bankruptcy. Krekeler Law also hosts a happy hour networking event each year with complimentary beer, wine, and refreshments.

If your business might profit by marketing to about 300 lawyers over 3 days, email dgajewski@ks-lawfirm.com to get your name out at next year's event!



WHAT IS AN AUTO ACCIDENT WORTH?

We study auto accidents. We try to keep track of what awards juries make and what settlements are reached. The following is a fairly recent list of such awards and settlements.

<u>2013 Accident on I-94:</u> Driver lost control on a patch of ice and the vehicle rolled over. A minor passenger was ejected and injured.	\$60,000 settlement after suit filed	Net to client: \$24,300
<u>2008 Accident in Kenosha:</u> Driver ran head-on into another vehicle. Child in vehicle suffered serious lacerations to the face, resulting in scars.	\$175,000 settlement after suit filed	Net to client: \$120,000
<u>2012 Minor pedestrian hit in Milwaukee:</u> Uninsured driver hit minor pedestrian. The minor suffered a laceration to his eyebrow, a blood clot on his scalp and bruises on the forearm.	\$30,000 settlement after suit filed	Net to client: \$21,000
<u>2009 Accident in Madison construction area:</u> Construction company directing traffic at Madison intersection when defendant driver struck plaintiff's vehicle resulting in \$2000 damage. No injuries at scene but plaintiff later suffered temporary paralysis.	\$39,919.32 settlement after trial	Net to client: \$14,746
<u>2012 Auto Accident:</u> A 2-year old passenger was injured in an automobile accident	\$250,000 settlement after suit	Net to client: \$213,982

These results do not guaranty your results, but they do provide some guidelines, and they help us negotiate with insurance companies. Call us if we can help anyone you know.



FARMERS AND CHAPTER 12

October 12 is observed as National Farmer's Day. This observation dates back to the 1800's, and was previously known as Old Farmer's Day.

Farmers (and commercial fishermen) have a specific chapter of bankruptcy devoted to restructuring their debts. That chapter is Chapter 12, which was added to the Bankruptcy Code in 1986 due to the problems farmers encountered during the farm crisis of that decade.

There are relatively few Chapter 12 cases filed for family farmers and fishermen. In 2015, there were 6 cases filed in the Western District of Wisconsin. Our firm filed 4 of those cases. Chapter 12 is therefore a specialized form of bankruptcy with which few lawyers are familiar. Please call us for information.

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