

Cleveland judge angrily wipes out woman's Discover card debt · Discover Card filed suit against a disabled 52 year old woman in August 2003 claiming that she owed \$5,564 on her account. Although the woman had made payments over a 6 year period totaling \$3,492 on a debt of only \$1,895, accumulated late charges and other fees more than tripled the original debt.

In his ruling which wiped out the debt, Cleveland Municipal Judge Robert Triozzi characterized the woman as a victim of Discover's "unreasonable, unconscionable and unjust business practice."

*For the full story, see: United Press International, "[Judge clears debt, blasts Discover](#)," *The Washington Times*, washingtontimes.com, September 14, 2004.*

3 Debt Counselors Hit with \$100M Settlement for Bilking Consumers in Increasingly Common Scam

MARCH 30, 2005. The FTC announced settlement with 3 debt-counseling agencies--National Consumer Counsel, Debt Management Foundation Services, Inc. and Better Budget Financial Services. The FTC said that the companies promised to help consumers, took their money, but only made their problems worse. In some cases the companies told consumers to stop paying their bills, but failed to negotiate on the consumers' behalf.

The FTC spokesman said that these kind of scam operations are becoming more common in the field. The FTC cautions against credit counselors that "Guarantee they will remove your unsecured debt; Insist you pay high monthly service fees; Want you to pay them every month, not your creditors; or Say they can get accurate negative information taken off your credit report."

*For the full story, see: "[Debt 'counselors' hit for \\$100M scam](#)," *CNN.com*, *CNNMoney*, March 30, 2005 and "[Debt Services Operations Settle FTC Charges](#)," *Federal Trade Commission* (News Release March 30, 2005).*

Study Finds Half of Bankruptcies Caused by Illness

FEBRUARY 2005. A study reported in *Health Affairs*, the policy journal of the health sphere, found that approximately half of persons going through bankruptcy cited medical causes as the reason for filing. Out-of-pocket costs for the illnesses averaged \$11,854, but other factors related to the illness such as the time off from work also contributed to the financial malaise. The study found that medical insurance did not eliminate the need for bankruptcy protection since about three-quarters of those filing had medical insurance at the onset of the illness.

*For the full story, see: "[MarketWatch:Illness And Injury As Contributors To Bankruptcy](#)," *Health Affairs, The Policy Journal of the Health Sphere*.*

Secret History of the Credit Card

NOVEMBER 2004. PBS's *Frontline* and *The New York Times* join forces to investigate the credit card industry. The full program can be viewed online on the PBS link below. The site includes additional material including "Eight Things a Credit Card User Should Know," interviews, a quiz, transcripts, and a discussion.

*For the full story, see: "[Secret History of the Credit Card](#)," *PBS.org*.*

Credit Card Practice Dramatically Increases Interest

NOVEMBER 21, 2004. *The New York Times* reports the experience of semi-retired software engineer in Gilbert, Arizona with MBNA. Although he was paying as agreed, without notice MBNA suddenly increased the 9.2% interest rate on his credit card account to 18%. His minimum payment jumped from \$502 in June to \$895 in July.

MBNA was following an increasingly common practice in the credit card industry called *universal default*. The fine print in the credit card agreement, "We reserve the right to change

the terms at any time for any reason," gives the card issuer the ability to change interest and other terms whenever they want. MBNA explained that when they see "indications that a customer is taking on too much debt, has missed or is late on payments to other creditors, or is otherwise mishandling their personal finances," they can change the terms of the agreement to compensate them for the increased risk.

For the full story, see: Patrick McGeehan, "[Soaring Interest Compounds Credit Card Pain for Millions](#)," *New York Times*, November 21, 2004.

Credit Counseling Leaves Couple Deeper In Debt

OCTOBER 7, 2004. WRAL-TV in Raleigh-Durham, NC tells of the experience one couple with more than 20 credit cards and \$25,000 in debt who sought help from credit counseling service. After less than a year of paying the agency \$700+ per month, they were \$32,000 in debt and receiving 20-30 collection calls a day.

For the full story, see: "[Credit Counseling Service Leaves Couple Deeper In Debt](#)," WRAL.com.

Catholic Diocese of Tucson Files Ch 11 Bankruptcy

SEPTEMBER 20, 2004. After paying out an estimated \$20 million in legal claims, and still facing 22 more suits from victims claiming sex abuse by Catholic clergy, the Tucson Diocese filed for protection under Chapter 11 Bankruptcy. According to the *Arizona Daily Star*, the 350,000 member diocese with an annual \$19 million of plate collections faced potential claims involving 28 priests as far back as 1950. The Tucson church's filing follows the July, 2004 bankruptcy of the Archdiocese of Portland.

For the full story, see:

Stephanie Innes, "[Tucson diocese files for bankruptcy after "embarrassing" years](#)," *Arizona Daily Star/azstarnet.com*, September 20, 2004.

(Reuters), "[Catholic Diocese of Tucson Files for Bankruptcy](#)," *The New York Times/NYtimes.com*, September 20, 2004.

Kerry-Edwards plan requires creditors to play fair · A press release from the Kerry-Edwards campaign announced a plan that would place restrictions on the practice of some credit card companies to routinely change the terms of a loan by increasing interest and instituting penalties after the money is borrowed. The release cites a disturbing practice of some credit card companies to jack up interest to a "penalty rate"--which is now often 29.99 percent and can reach as high as 48 percent--because a card holder might have missed one payment on a different bill even though they are making payments on the card on time.

Kerry and Edwards would require credit card companies to abide by the same standards of fairness as other consumer lenders. Among other things, it would bar massive rate hikes on customers making their credit card payments on time.

For the full story, see: (Press Release), "[Kerry-Edwards Fact Sheet: Valuing Americans' Hard-Earned Money by Protecting It From Abusive Financial Deals](#)," U.S. Newswire Medialink Worldwide, August 27, 2004.

Survey shows Arizonans more likely to have car repossessions · An Experian survey of 3 million consumers found that car repossession rates are higher in Southwestern states. Arizona, Texas, New Mexico and Nevada had the highest repossession rates in the nation. 3.28 percent of Arizonans had a repossession on their credit report, compared with a national average of 1.16 percent. Arizonans also had higher average car loan balances than the national average (\$23,574 compared with \$23,143), and slightly higher average monthly payments (\$386 compared with \$383).

The survey also found that consumers in Arizona along with those Texas had the lowest average credit scores.

For the full story, see: Associated Press, "[Arizona ranks high for vehicle repossessions](#)," KVOA, Tucson, September 6, 2004.

See also: "[National Score Index](#)," Experion/experion.com.

IRS: Credit Counselors Abuse Nonprofit Status · A *Washington Post* story quotes an internal memo of the IRS Chief Counsel which concludes that credit-counseling organizations "are not providing any meaningful education or relief of the poor." Some benefit of that nature would be required for the organizations to maintain their non-profit status.

The IRS memo was issued at a time when the agency is auditing 50 credit-counseling organizations. The audit was prompted by consumer complaints of deceptive and fraudulent marketing practices.

For the full story, see: Caroline E. Mayer, "[IRS Memo Faults Credit Counselors \ Chief Counsel Finds Abuse of Nonprofit Tax-Exempt Status](#)," *The Washington Post*, August 4, 2004; Page E03.

AmeriDebt Files for Bankruptcy · After being charged by federal regulators with using deceptive marketing practices to bilk its customers, AmeriDebt filed for Chapter 11 bankruptcy in June, 2004. Using an unrelentingly aggressive advertising campaign, AmeriDebt had become one of the nation's largest credit counseling agencies in the 1990s. It had nearly 97,000 clients enrolled in debt management plans as of early 2003.

For the full story, see: Geraldine Fabrikant, "[A Big Credit Counselor Files For Bankruptcy Protection](#)," *The New York Times*, June 7, 2004, and

Associated Press, "[Bankruptcy court official calls for probe of credit counseling firm](#)," *The Washington Post*, September 15, 2004.
