THE ALERT

THE ALERT IS LEGAL AID'S NEWSLETTER FOR SENIORS

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Have
A
Happy
and
A
Healthy
New
Year

Making Minimum Payments on Debt Adds Up to Very High Costs for You

There are changes coming to your credit card statement.

They will be aimed at making all of us aware of the high cost of making only the minimum payment amount.

The exact form the changes will take has not yet been decided.

A related change already may be taking place. In response to guidance issued by federal regulatory agencies some credit card companies are increasing the minimum payments due on accounts.

"Being required to send in more money may seem like bad news, but the bottom line is that it's good news in the long run in that you will be paying your debt off sooner and paying less in interest charges," says Janet Kincaid, senior consumer affairs officer for the Federal Deposit Insurance Agency (FDIC).

When Congress passed the new bankruptcy law last year, it required that

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The Legal Aid Society of Cleveland
Since 1905

1223 West Sixth Street
Cleveland, OH 44113
216-687-1900
FAX: 216-687-0779
WEBSITE: www.lasclev.org

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credit card companies give consumers a "minimum payment warning."

Sometime In the future, every bill will carry a statement such as this: "Making only the required minimum payment will increase the interest you pay and the time it takes to repay your balance."

The law cites this example:

"...making only the typical 2% minimum payment on a balance of $1,000 at an interest rate of 17% would take 88 months [or more than seven years] to repay the balance in full."

This is if you didn't make any new charges and you had no late payment charges or other fees added.

A calculation made by the FDIC demonstrates the high dollar cost of making only a minimum payment.

Using a balance of $5,000, the FDIC said if you made only minimum payments it would cost you $18,926 over the 46 years it would take to pay it off.

That $18,926 is a steep price to pay for goods that cost $5,000.

The example demonstrates how important it is to: (1) avoid buying what you really can't afford to pay for and (2) the pitfalls of making only minimum payments.

The example, of course, assumes that no new purchases were made and that you did not incur any penalties for late payments or for exceeding credit limits—both of which make credit card debt balloon.

Last year, former Municipal Court Judge Robert J. Triozzi ruled for a consumer who was sued when she ended up owing $5,564 in interest and fees on a debt of $1,895 even though she aleady had paid $3,492.

The point of the new federal law is to make consumers aware of the huge amount of interest they will be charged when they make only the minimum payment.

Consumer advocates maintain that the ready availability of credit and the high cost of credit drives many seniors and others into debt that they are unable to pay.

The result could be loss of your home.

The new law also requires credit card companies to operate a toll-free information line that will allow consumers to get specific information about their own accounts and the time it would take to pay them off if only the minimum is paid.

What exact form the warnings and information phone line responses will take is dependent on the final regulations adopted by the Federal Reserve System Board of Governors. That Board invited comments by last December on what regulations it should adopt to carry out the law's requirements.

When final regulations will be issued is unclear.

Congress also required disclosures of certain information by credit card issuers who offer introductory rates.

They must disclose the rate as an "introductory" rate, the time period the rate will be effective and what the rate will rise to after that time period.

They also must explain under what conditions the introductory rate may be changed.

Credit card issuers also must state on each statement the amount of the fee it will charge if the payment is late and the earliest date the fee will be charged.

Another new provision of the bankruptcy law prohibits cancellation of a credit card account because the consumer pays off the total balance each month.

If you would like help to manage your debt and save money, call ClevelandSaves at 216-781-8090.

The free service requires that you agree to save or to apply a minimum amount of money to your debt or savings each month.

What to Save and What You Can Put Into the Shredder

The start of the new year is a good time to weed through all the paper records we hold onto.

When we attack the paper jungle, we are faced with deciding what to keep and what to throw away.

Here are some guidelines that may help you make those decisions.

CANCELLED CHECKS: If they were to pay for permanent improvements to your house or relate to purchase or sale of property, loans, mortgages or to non-deductible contributions to an IRA (Individual Retirement Account), keep them indefinitely. (Other related receipts or documents also should be kept.)

If the checks were for tax deductible contributions to charities or to pay real estate taxes, keep them for at least seven years—the time that the Internal Revenue Service has to question your tax return. Note that if there is fraud involved or you failed to file a return, IRS can go back forever.

Most other checks that are not tax-related can be shredded and discarded once you have checked your monthly statement.

INCOME TAX RETURNS: Keep whatever relates to your tax returns for seven years. Keep copies of your tax returns forever.

INVOICES OR SALES RECEIPTS: If they are for large items such as furniture and appliances, you should keep them as long as you have the items in case you have to prove their values for insurance purposes.

If they were for purchase of goods, keep them at least until you are sure you will keep the items or until the warranty period expires.

Others keep until you check your monthly billing statements against the sales receipts, then discard.

DEPOSIT, ATM AND DEBIT CARD RECEIPTS: Save them until the transaction appears on your bank statement and you have verified that the information is accurate.

STATEMENT OF "CREDITABLE" PRESCRIPTION DRUG COVERAGE: If you are a senior with drug coverage from a former employer or union that has informed you that its coverage is as good as or better than that of Medicare Part D drug insurance, keep that notice forever. If you decide to buy Part D insurance later for some reason, that letter will let you buy that insurance without a premium penalty.

CREDIT CARD AND BANK ACCOUNT STATEMENTS: Save those with no tax or other long-term significance for about one year. Save others for up to seven years (for tax-related items) or longer.

If you get a detailed annual statement keep that and discard the monthly statements. You should keep indefinitely any monthly statements involving disputed bills and proof of their payment and your objections.

DOCUMENTS FOR SALE OR PURCHASE OF INVESTMENTS: Keep for as long as you own them and for seven years after that.

UTILITY BILLS: Once you have paid them, you can shred and discard them. If you think you may be selling your home in the next year, keep them to demonstrate utility costs to potential buyers.

OLD ACCOUNTS: Dispose of proof of old bank and brokerage accounts, life insurance policies and other assets you no longer own unless you need them for tax or other purposes. Or at least mark them as sold or closed for the benefit of your heirs.

Always shred or tear into pieces any documents with identifying information before discarding.

Three Ways to Transfer Car Title When Owner Dies

When a spouse dies, there is often a need to transfer the title of the car, especially when a license plate is expiring.

With the right documents, a surviving spouse and others can take title to vehicles not disposed of by a Will without going to the Probate Court.

A transfer of title to the surviving spouse is necessary where only the deceased spouse or both spouses are on the title

The process for transferring the title is not complicated.

The survivor needs to complete a Surviving Spouse Affidavit and the bottom part of the back of the title. The top part of the title is left blank. Both documents need to be notarized.

If you are going in person to the Title Bureau in your county, someone there can notarize your signature.

If someone else is handling the title transfer for you, you must make sure that your signatures on the Affidavit and Title have been notarized beforehand.

The Affidavit form which you must complete is available at the county Clerk of Courts Title Office.

The surviving spouse may transfer two vehicles with a combined value of less than $40,000 by using the Affidavit. The two vehicles may include autos, a boat and its motor or a truck if the truck is the only means of transportation.

If the auto title lists both spouses' names followed by WROS that means both own it and the survivor automatically gets title to the vehicle. However, the title must be transferred to the name of the survivor.

To do that, the survivor may go to the county Title Bureau with the title and a certified copy of the death certificate.

Another way vehicles may be titled is by way of a Transfer on Death Title.

That means that you designate on the title the name of a person other than a spouse who you want to get the vehicle when you die.

You continue to own the car during your lifetime. Upon your death, the beneficiary can go to the Title Bureau with the title, proof of identity and a certified copy of the death certificate to have the title transferred into the name of the beneficiary.

In other circumstances, it is necessary to go to the Probate Court.

You Still Can Get Extra Help To Buy Prescription Drug Insurance

You may be able to get financial help to buy prescription drug insurance under the new Medicare Part D program.

Depending on your income, you may get free or reduced premiums, co-pays and/or deductibles.

If your yearly income is $14,356 or less with assets of $11,500 for one person or income for a couple is $19,246 or less with assets under $23,000, you can qualify for extra help.

Assets do not include your home, vehicles, burial plots or personal possessions.

To qualify, phone Social Security at 1-800-772-1213 as soon as possible.

If you have a low income and are having trouble paying your winter heating bills, call 1-800-282-0880 to see if you qualify for financial help under the Home Heating Assistance Program.

The Legal Aid Society of Cleveland offers free legal services to low-income seniors in Cuyahoga County.

INTAKE

You can complete an application for assistance by calling the Intake Line at 216-687-1900 or toll-free at 1-888-817-3777.

If you qualify for our services, we will either give you advice or educational materials to help you, schedule an appointment or refer you to a volunteer attorney.

If necessary, you may need to meet with an attorney. **If you are unable to come to our downtown office at 1223 West Sixth Street, an attorney can arrange to meet you at a senior citizen center or some other office near your home.**

SENIOR HELPLINE

If you are a senior and have a legal question for an attorney, you may call 216-687-1900 and ask for our Senior HelpLine on Tuesdays or Thursdays between 1 and 4 p.m.

VOLUNTEER ATTORNEY CLINICS

In collaboration with the Cleveland Bar Association, Legal Aid sponsors clinics where volunteer private attorneys provide brief advice and referral only. Clinic attorneys do not represent you. However, you may be referred to Legal Aid or another service provider for help. All clinics are open from 10 a.m. to 12 noon. Bring with you all of your papers that concern your problem. These are the clinics scheduled for January and February:

SATURDAY, JANUARY 28: East Side at St. Martin de Porres Family Center, 1264 East 123rd Street.

SATURDAY, FEBRUARY 11: West Side Catholic Center, 3135 Lorain Avenue.

SATURDAY, FEBRUARY 25: The clinic will be on the East Side. Call 216-687-1900 for the location.

Please call Legal Aid at 216-687-1900 for more information.

For information or to make appointments outside Cuyahoga County, phone the offices listed below.

ASHTABULA COUNTY

Ashtabula County Legal Aid, 121 East Walnut, Jefferson, OH 44047
440-576-8120 or TOLL-FREE 1-866-873-9665

LAKE COUNTY

Lake-Geauga Legal Aid, 8 North State Street, Painesville, OH 44077
440-352-6200 or TOLL-FREE 1-888-808-2800

LORAIN COUNTY

The Legal Aid Society of Lorain County, 538 West Broad Street, Elyria, OH 44035
440-323-8240 or TOLL-FREE 1-800-444-7348

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