

# THE ALERT

THE ALERT IS LEGAL AID'S NEWSLETTER FOR SENIORS

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## New Bankruptcy Law Changes Rules

On October 17, 2005, changes will take effect in this nation's bankruptcy law.

The major change that will affect seniors requires that anyone applying for bankruptcy protection must receive credit counseling from a court-approved non-profit organization.

The counseling must be provided at no cost or a low cost for those unable to pay.

The new law preserves

for low-income persons the right to file for bankruptcy relief under the section of law that eliminates most debt while allowing debtors to keep most of their property.

**Legal Aid is unable to accept new bankruptcy cases until November 1, 2005.**

There are two types of bankruptcy generally used by consumers.

**CHAPTER 7** eliminates debt. It may require selling or returning some property. However, if you

are a low-income person, generally your property will be "exempt" and you will be able to keep it.

**CHAPTER 13** allows you to pay your debts fully or partially from current income on a payment schedule. The advantage of Chapter 13 is that

you are allowed to keep your home or car by letting you catch up on certain past due amounts while making current payments.

The new law will force

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The Legal Aid Society of Cleveland  
Since 1905

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more people into debt repayment plans under Chapter 13.

Many of these will be people who could have had their debts eliminated under the old law.

Under Chapter 7, Ohio debtors are allowed to keep such things as:

- \$5,000 in equity in a home
- \$1,000 in equity in a car
- \$300 each in one stove and refrigerator
- \$200 per item in any household goods up to a total of \$2,000
- Money received as Social Security or Veterans benefits, public assistance, pensions and some similar types of income.

The amounts are not what you paid to buy an item, but what it is worth now.

If a husband and wife file bankruptcy together, those amounts are doubled.

There are certain debts that cannot be eliminated under bankruptcy rules.

They include child support, alimony, court restitution orders, criminal fines, debts for personal injuries resulting from driving while intoxicated (DWI), certain taxes, debts obtained by fraud, debts for causing willful and malicious injury and for certain intentional acts and debts incurred after the bankruptcy has been filed.

Recent studies have shown that medical debts are responsible for a large percentage of bankruptcy filings.

Medical debts are a major cause for seniors to go into bankruptcy.

Seniors should keep in mind that medical creditors who go to court to get a judgment against them cannot force them to sell their homes.

Medical creditors can put a lien on the home, but any court orders to pay the bills will have no effect

until the house is sold or transferred.

Wages, however, are not protected from garnishment by a medical creditor.

Bankruptcy generally is not advised for people whose pay is so low (less than \$154 per week) that their wages cannot legally be garnished.

Here are some other situations when bankruptcy may not be advisable:

- You do not own your home
- You can afford to pay your current bills or debt without hardship
- All of your income or assets are from Social Security, Veterans benefits, public assistance, unemployment compensation or, in some instances, a pension, alimony or child support.

## Find Out Whether You May Be Eligible for Benefits

Many seniors who are eligible for benefits don't get them because they do not apply.

If you have a limited income, you may be one of those people.

With the new Medicare Drug program starting January 1, it is important

to find out if you can benefit from cost savings.

Your income could be as high as \$14,356 with assets of \$11,500 for one person or income be \$19,246 with assets under \$23,000 for couples. Assets do not

include a home, vehicles, burial plots or personal possessions.

For information, phone Social Security at 1-800-772-1213 or the Greater Cleveland Access to Benefits Coalition at 216-421-1350 Ext. 185 or toll free at 1-866-885-1650.

# Apply Now for Help to Pay Heating Bills

Applications for the Home Energy Assistance Program (HEAP) open in September and end March 31, 2006.

The program helps low-income persons meet the high costs for home heating.

To qualify, applicants must meet the total household income limits in the accompanying chart.

Households must report total gross household income for the past 12

months for all members, except wage or salary income earned by dependent minors under the age of 18.

Both homeowners and renters are eligible for assistance. Only those who live in federally-subsidized housing where heat is included in the rent are **not** eligible.

In addition to proof of income, HEAP applicants must submit a copy of a recent fuel or utility bill.

Applications will be available at community action agencies, libraries, county departments of job and family services, area agencies on aging and utility offices.

Applications also can be obtained by phoning 1-800-282-0880 between 8 a.m. and 5 p.m. weekdays.

Hearing impaired persons with telecommunication devices for the deaf may call 1-800-686-1557.

Size of Household	Total Household Income For Past 12 Months
1	Up to \$14,355
2	\$19,245
3	\$24,135
4	\$29,025
5	\$33,915
6	\$38,805
7	\$43,695
8	\$48,585
For households with more than 8 members, add \$4,890 per member	

## Stop Those Credit Card Offers

You can opt out of those credit card offers that flood the mail.

Call toll free 1-888-567-8688 to stop getting credit card offers that come from pre-approved offer lists that Equifax, Experian, Innovis and TransUnion—all credit reporting companies—provide to businesses. Calling will end those offers for five years. You will be sent a form that can stop the offers permanently.

## Avoid Payday Loans and Learn to Manage Money

Would you consider taking out a loan if you had to pay close to a 400% interest rate?

Probably not.

Yet people borrow money at the equivalent of such excessive interest rates when they take out a payday loan.

The availability of such loans attracts low-and-moderate income seniors in need of quick cash.

Take the case of a senior who needs \$100 to tide her over until she gets her Social Security check

To get that \$100, she may have to write a check for \$115 dated 10 days later when her Social Security check is expected to be deposited in her checking account.

On that date, her \$115 check will be cashed.

But that first loan which cost her \$15 adds up to an annual percentage rate (APR) of 391.7% whether you call it interest, a fee or a service charge.

Compare that with a bank or finance company loan with an APR that may be more like 10% to 15%.

If that person on Social Security we described above takes out a second \$100 loan, her finance charges increase dramatically.

If she rolls over the payday loan three times,

she will have paid \$60 to borrow \$100.

There are options that would cost a lot less.

Borrowing from family or friends or from a credit union, small loan company or a bank might be possible.

The important thing is to look for credit at the lowest possible annual percentage rate (APR).

If you find you are not able to make your money last from pay to pay, there are people who can help you learn to manage your money

One program for low and moderate income persons is sponsored by the WECO Fund, Inc.

Last year, it served some 1,500 persons and this year it is running ahead of that number, according to Esther Holtwick, director of financial education for WECO.

It holds three classes a day each day to teach people how to budget, set financial goals, how to use credit cards wisely and how credit scores can affect their financial ability to get loans, jobs and even to rent an apartment or house.

One of the more popular classes is designed for people who have been reported to an agency called Check Systems

because they ran into trouble with their checking accounts, walked away and failed to pay what they owed. However, there cannot be fraud.

Financial institutions normally will not open accounts for people on the Check Systems list.

However, for people who pay a \$50 fee and finish the classes, WECO can set up an account with one of six financial institutions. Once the accounts are set up, WECO will deposit the \$50 they paid into their checking accounts.

Sites for WECO classes are at its offices at 1745 Rockwell Ave. and at its Financial Education Center at 11461 Buckeye Ave., next to a Key Bank branch.

Key Bank last year began a program there and at several other branches to serve persons with bad credit histories. It includes WECO classes and provides check cashing rates below that charged by check cashing businesses.

For information about WECO and its program call 216-370-5630.

Another organization that can help you get on a program to pay off debt and save money is ClevelandSaves, 216-781-8090.

**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 p.m. and 4 p.m.

**VOLUNTEER ATTORNEY CLINICS**

In collaboration with the Cleveland Bar Association, Legal Aid has developed 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.

**SATURDAY, SEPTEMBER 10:** West Side Catholic Center, 3135 Lorain Avenue.

**SATURDAY, SEPTEMBER 24:** East Side at St. Martin de Porres Family Center, 1264 East 123d Street.

**SATURDAY, OCTOBER 8:** West Side Catholic Center, 3135 Lorain Avenue.

**SATURDAY, OCTOBER 29:** East Side at St. Martin de Porres Family Center, 1264 East 123d Street.

**SATURDAY, NOVEMBER 12:** West Side at Spanish American Committee, 4407 Lorain Ave.

**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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