

# THE ALERT

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## Choose Credit Counselors with Care

Credit counseling agencies are not what they used to be. In fact, some of the newer ones may do more harm than good to people who are in debt.

This warning comes from the National Consumer Law Center (NCLC) and the Consumer Federation of America (CFA).

A study by the two groups found “unlike the previous generation of mostly

creditor-funded counseling services, these new agencies often harm debtors with improper advice, deceptive practices, excessive fees and abuse of their non-profit status.”

An estimated nine million Americans—many of them older persons—have some contact with a consumer credit counseling agency each year.

“The findings for this report show the credit counseling industry has undergone an alarming transformation in the last decade,” said an NCLC attorney. “Aggressive firms masquerading as ‘non-profit organizations’ are gouging consumers. Deceptive practices and outright scams are on the rise,” she said.

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“More consumers are getting bad advice and access to fewer real counseling options. Meanwhile, most state and federal regulators appear to be asleep at the switch.”

Here are the problems about some of the agencies being encountered by consumers. Those agencies are:

- \* Not making payments on time and are not adequately disclosing fees to potential clients.
- \* Charging fees to set up debt management programs with some charging as much as the first monthly payment just to establish an account.
- \* Having non-profit status, but functioning as virtual for-profit businesses; aggressively advertising and selling debt management programs and related services; maintaining close ties to for-profit firms, reaping high revenues and paying executive salaries much higher than the average for non-profits.
- \* Not providing educational options, such as debt counseling.

The two agencies suggest you look for these red flags:

- ◆ **High Fees.** In general, if the set-up fee for a management plan (also known as a consolidation) is more than \$50 and monthly fees are more than \$25, look for a better deal. If the agency is

vague or reluctant to talk about specific fees, go somewhere else.

- ◆ **“Voluntary” Fees that Aren’t So Voluntary.** Some agencies publicly claim that their fees are voluntary, but don’t pass this information on to consumers. Others pressure clients to pay the full fee even when they can’t afford to do so. Ask if fees are

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voluntary. If the full fee is too much, pay no more than you can afford.

- ◆ **The Hard Sell.** If the person at the other end of the phone line is reading from a script and aggressively pushing debt “savings” or the possibility of a future “consolidation” loan, hang up.
- ◆ **Employees Paid by Commission.** Most credit counseling agencies are non-profit organizations that are supposed to consider your best interests when offering counseling options. Employees who receive

commissions for placing consumers in debt management plans are more likely to be focusing on their own wallets instead of yours.

- ◆ **They Flunk the “Twenty Minute” Test.** Any agency that offers you a debt management plan in less than 20 minutes hasn’t spent enough time looking at your finances. Effective counseling sessions—on the phone or in person—take a significant amount of time, generally 30 to 90 minutes.
- ◆ **One Size Fits All.** The only choice offered is a debt management plan. The agency should talk to you about whether a debt management plan is right for you rather than assume it is. If the agency doesn’t offer any educational options, such as classes or budget counseling, consider one that does.
- ◆ **Aggressive Ads.** Many agencies that advertise treat consumers fairly. However, some are being investigated or being sued for deceptive practices. Some charge unreasonable fees and offer no counseling. Don’t just respond to TV or internet ads or telemarketing calls. Get referrals from friends or family, find out which agencies have been subjects of complaints

## Some Who Get PBGC Pensions or TAA Benefits May Get Up to 65% of Health Insurance Premium Paid

Certain persons who get their pensions from the Pension Benefit Guaranty Corporation (PBGC) or who have lost their jobs because of NAFTA may qualify to get up to 65% of their health insurance premium paid by the federal government.

**The benefit is called a Health Coverage Tax Credit (HCTC) and it is authorized by a new law passed by Congress last year. It first became available in December 2002.**

As of August 1, 2003, those who qualify may choose to get an advance tax credit or claim the credit on their tax return. If you choose the advance credit, the government will pay 65% of your health insurance premium each month after you send in your part of the payment.

The HCTC benefit for December 2002 to August 2003 must be claimed on tax returns by eligible persons.

Those receiving HCTC must be enrolled in a qualified health insurance program. In Ohio, qualified programs are those of Anthem Blue Cross-Blue Shield-Ohio and Kaiser Permanente.

If you get a PBGC pension, you may be eligible if you are age 55 or older.

**However, you no longer**

**can receive HCTC payments once you become eligible for Medicare or Medicaid benefits.**

Workers who have lost their jobs or have had hours reduced due to the effects of international trade, may qualify if they are eligible for certain Trade Adjustment Assistance (TAA) benefits or are eligible for benefits under the Alternative Trade Adjustment Assistance (ATTA) program.

Although the benefit may be paid through a tax credit,

recipients do not need to owe income taxes to receive it. However, they must file a tax return to get the tax credit.

A spouse and family members claimed as dependents on an individual's tax return can be covered.

**For information, phone toll free HCTC Customer Contact Center at 1-866-628-4282 or for TTY/TDD call 1-866-626-4282.**

Internet information is available at [www.irs.gov](http://www.irs.gov) or [www.pbgc.gov](http://www.pbgc.gov). Enter keyword HCTC.

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## You Won a Prize? Don't Believe It.

If someone tells you that you won a prize, but you will have to pay some money or buy something to get it, hang up the phone or tear up the mail.

**It's against the law in Ohio to require anyone to buy something or pay anything to claim a prize.**

A fee for processing or a gift tax or a shipping and handling fee also are not allowed by the law.

The Ohio Attorney General Office offers the following items of advice for your own protection:

◆ **Do not** give checking, or savings account

information to anyone over the phone.

- ◆ **Do not** give your credit card numbers over the phone unless you know the organization is reputable and YOU made the call.
- ◆ **Do not** assume an organization is legitimate because of impressive-looking brochures, testimonials or official-sounding names.
- ◆ **Be wary** of high-pressure sales tactics and deals that are only available if you "act right away." Legitimate businesses don't operate that way.

# Assistance Programs Help Keep Seniors Warm for Winter

Seniors with low incomes may begin applying for heating bill assistance starting September 1.

Home Energy Assistance Program (HEAP) is a federally-funded program that provides a one-time payment of between 10% and 40% of a consumer's energy bill.

The amount varies depending on the number in the family, income, heat sources and location of the family residence.

The income limit to qualify is 150% of the federal poverty level. *See accompanying chart.*

Emergency HEAP (E-HEAP) is available for low income consumers who have been disconnected from their heating source, have received a disconnection notice or have less than a 10-day supply of bulk fuel.

Heap applications may be filed between September 1, 2003 and March 31, 2004

E-HEAP applications may be filed from November 1, 2003 through March 31, 2004.

To get an application, call 1-800-282-0880. In Cuyahoga County, phone 216-518-4014 for information.

Applications should be available about the second week of September at local Community Action Agencies, county Departments of Job and Family Services, libraries, senior centers, post offices and utility offices.

Applicants must provide proof of income, the latest utility bill, documentation of the Social Security number and birth date and income information for all household members 18 years of age or older.

An extended payment plan also is available to low-income persons.

## 2003-2004 HEAP Guidelines

SIZE OF HOUSEHOLD	TOTAL HOUSEHOLD INCOME FOR 12 MONTHS
1	Up to \$13,470
2	Up to \$18,180
3	Up to \$22,890
4	Up to \$27,600
5	Up to \$32,310
6	Up to \$37,020
For households with more than six members, add \$4,710 per person.	

**SENIOR CITIZEN CENTERS AND LEGAL AID OFFICES**

**CUYAHOGA COUNTY**

For information or to make an appointment in Cuyahoga County  
 phone the Senior Helpline  
 on Tuesday, Wednesday or Thursday between 1 p.m. and 4:30 p.m.  
 at 216-861-5479

**EAST SIDE**

**WEST SIDE**

Buckeye Senior Center  
 11802 Buckeye Road  
 216-491-8450

Maple Heights Senior Center  
 15901 Libby Road  
 216-587-5481

Lakewood Office on Aging  
 16024 Madison Avenue  
 216-521-1515

Emeritus House Senior Center  
 (at Indian Hills)  
 1554 East 193 Street  
 216-289-8586

Martin DePorres Center  
 1264 East 123 Street  
 216-268-3909

Metro Health Hospital  
 2500 Metro Health Drive  
 216-778-5551

Fairhill Institute  
 12200 Fairhill Road  
 216-421-1350

Murtis H. Taylor Center  
 13422 Kinsman Avenue  
 216-283-4400

Parma Senior Resource Center  
 7001 West Ridgewood  
 440-885-8155

Goodrich-Gannett Center  
 1368 East 55 Street  
 216-432-1717

Stella Walsh Recreational Center  
 7345 Broadway Avenue  
 216-441-0111

West Side Legal Aid Office  
 3408 Lorain Avenue  
 216-961-6630

Helen S. Brown Senior Center  
 16100 Euclid Avenue  
 216-761-8410

Woodland Branch  
 Cleveland Public Library  
 5806 Woodland Avenue  
 216-623-7109

**DOWNTOWN**

Hough Opportunity Center  
 8555 Hough Avenue  
 216-421-5400

Downtown Legal Aid Office  
 1223 West Sixth Street  
 216-687-1900  
 Extension 5336

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

**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

**ASHTABULA COUNTY**

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

**The Legal Aid Society  
of Cleveland  
1223 West Sixth Street  
Cleveland, Ohio 44113**