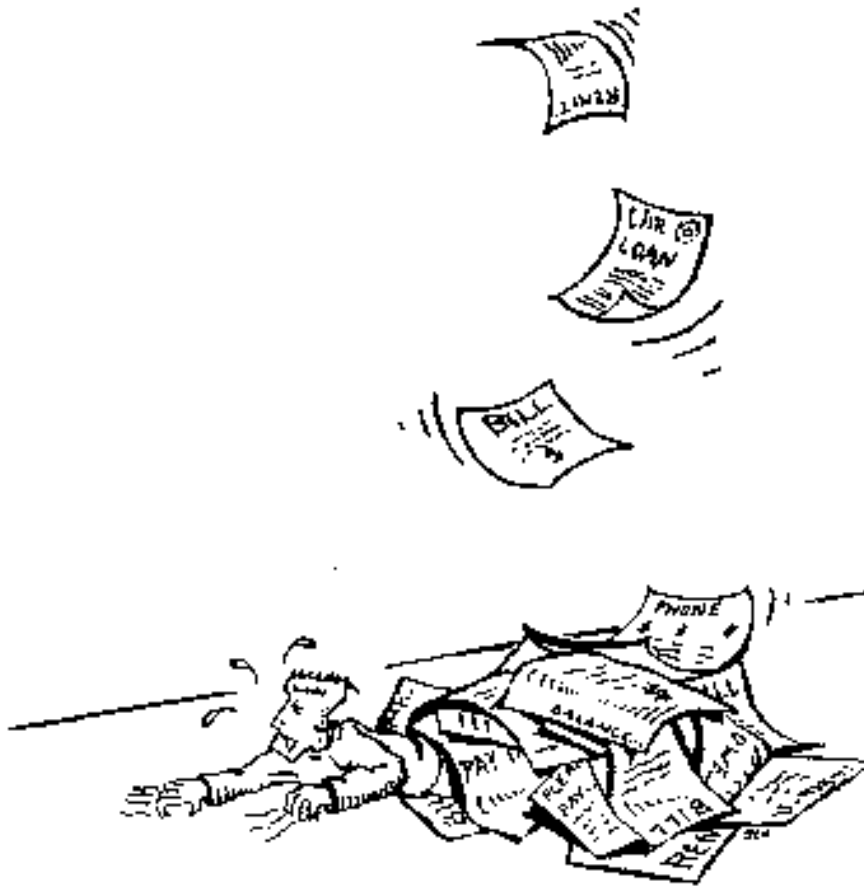


HOW TO COPE WITH DEBT



Funding for this booklet was provided by St. James Episcopal Church and the Delaware and Otsego County Offices for the Aging. This booklet gives general information about what you can do if you have money problems. It does not give advice about your particular legal problem. If you have specific legal questions, get help from a lawyer.

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If you have money problems, you are not alone. It can be hard to pay your bills if you lose your job, get sick, get divorced, or have a death in your family. These things can happen to anyone.

Here are some things you can do to take control:

Make a Budget

Take a look at your income. Are there ways to get more money coming into your household? For example, can anyone in your family start working, or helping out with the bills?

Even if you work, you may still qualify for benefits to help make ends meet. Your family members may also qualify. Here are some examples:

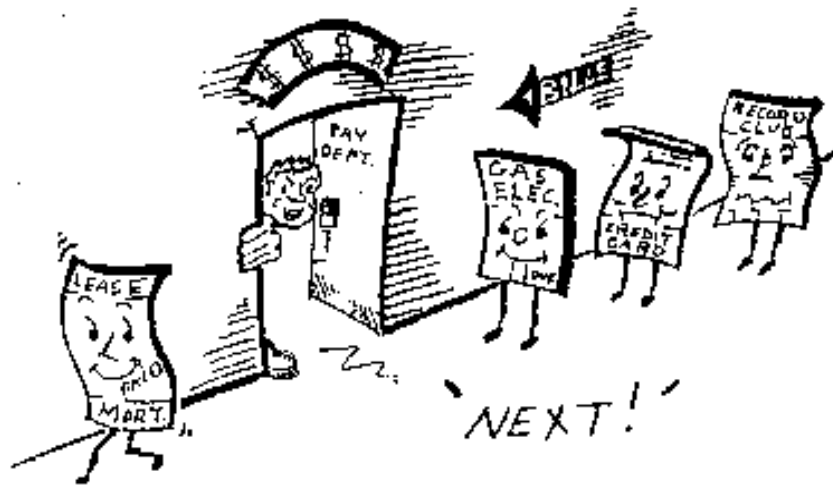
- ✓ Unemployment Benefits for laid-off workers. Apply at your Department of Labor office.
- ✓ Food Stamps for help with groceries. Apply at your county Social Services office.
- ✓ Public Assistance for cash help. Apply at your county Social Services office.
- ✓ Emergency Assistance for help with rent, utilities, back property taxes and other emergency needs. Apply at your county Social Services office.
- ✓ Social Security for retired people and family members of workers who have died. Apply at your local Social Security office.
- ✓ Social Security Disability and SSI for adults and children with disabilities. In some cases, the disabled person's family members can also get Social Security benefits. Apply at your local Social Security office.
- ✓ HEAP for help with winter heat bills. Apply at your county Social Services office or Office for the Aging.
- ✓ Medicaid, Family Health Plus and Child Health Plus for help with healthcare bills. Many working people and their families can now qualify. Apply at your county Social Services office. Ask about Medicare at your local Social Security office.
- ✓ Earned Income Tax Credit for people who work. You may qualify for a big refund, even if you didn't earn very much. To find a free tax clinic, call 1-800-829-1040.
- ✓ Hill-Burton Program for help with hospital bills. Apply at the hospital business office.
- ✓ EPIC for help with prescriptions if you are 65 or over. Call your local Office for the Aging or 1-800-332-3742.
- ✓ Lifeline for help with phone bills. Apply with your local phone company.
- ✓ Section 8 for help with rent. Apply at your local Section 8 program.
- ✓ STAR Program for help with property taxes. Apply at your local tax assessor's office.

In most cases, if you get denied, you can appeal. File your appeal right away, so you don't miss any time limits. If you need help, contact your local Legal Aid office.

Next, find ways to cut your expenses. Here are some ways to do this:

- ✓ Shop around for the best prices.
- ✓ Get rid of things you don't need, like cable TV.
- ✓ Carpool to school or work.
- ✓ Get energy wise! Ask your local power company about how to weatherize your home. There may be free help in your community. When you buy things for your home, look for the energy star.
- ✓ Quit smoking. The average smoker (1 pack per day) spends \$165 per month on cigarettes. If you won't quit for your health, do it for your pocketbook! For help, call NY Quits at 1-866-697-8487.

Pay your important bills first!



House payments, rent and utilities always come first. If you do not pay, you can lose your home or get evicted. You could also have a utility shutoff.

Also, if you miss your car payments, you can lose your car.

Do not pay a less important bill, like a credit card bill, just because a creditor is harassing you. Take care of basic needs first.

Do's and Don'ts About Debt

Being in debt can lead to even more problems. Be careful! Here are some things to watch out for:

- ✓ Do not wait until your bills get sent to a collection agency. If you can't pay, call the creditor and explain why. The creditor may agree to take smaller payments. Do not agree to pay more than you can afford. Your local Consumer Credit Counseling Service can help. For an office near you, call 1-800-388-2227.
- ✓ Beware of offers to "refinance" or "consolidate" debts. In most cases, you will be worse off. If you borrow against your home, or car, you will lose it if you can't make the payments. Check with a lawyer or your local Consumer Credit Counseling Service before taking this step.
- ✓ Do not refinance utility bills. Try to get emergency help from Social Services instead. If you can't get help, the utility company must work out a payment plan that you can afford. If you have problems getting a payment plan, call the New York State Public Services Commission at 1-800-342-3355 for help. Also, you may have the right to stop a shutoff in winter, or if you are elderly, blind, disabled, or have a medical emergency. If the company won't help, call your local Legal Aid office and the Public Service Commission.
- ✓ Stay away from people who promise "bad credit, no problem." Never call an 800 or 900 number for credit. If it sounds too good to be true, it is not true.
- ✓ Do not give in to a creditor just because they threaten to report you to a collection agency. If you are behind on your bills, chances are your credit is bad already.
- ✓ Stay away from people who promise to "fix" your credit or your money problems. If you need help, call your local Consumer Credit Counseling office instead. You can fix mistakes on your credit report yourself by sending a dispute letter to the credit bureau.
- ✓ Student loans are different than other kinds of bills. In most cases, the lender will work with you if you can't make your payments. Don't ignore your student loans! If you do, your loan will go into default. If this happens, you may risk losing part of your paycheck or federal benefit check. You will risk losing your tax refund every year. Also, you will not be able to get any more student loans in the future. So, if you can't make your payments, talk to the lender right away. In most cases, you can choose from several different payment plans, including a plan based on your income. You can also apply for a deferment or forbearance, so you won't have to pay at all while you get back on your feet. If you are disabled, or if you went to a bad trade school, you can even apply for a discharge to wipe out your loan. If you are already in default, read our "Living With Student Loans" booklet for help.

- ✓ Stay away from “rent-to-own” stores, pawn shops, payday loans and tax refund loans. Interest rates are often as high as 200% or 300%! Get your taxes done at a free clinic.
- ✓ When you need a home or car loan, try your local banks and credit unions first. Ask your local Consumer Credit Counseling office about special loan programs for low-income homebuyers. Even if you have bad credit, you may still qualify.
- ✓ Gambling is a kind of entertainment. It is not a way out of your money problems. If you think you have a problem with gambling, call 1-800-522-4700 for help.

How can I stop debt collectors from harassing me?



Debt collectors try to get you to pay your bills by making threats. They may also try to make you feel bad or guilty so you will pay.

Don't give in! Debt collectors cannot:

- ✓ Take you to court
- ✓ Take your income or property
- ✓ Put you in jail (unless you owe child support)

The worst thing a debt collector can do is give the case to a lawyer. The lawyer can take you to court. Even then, there must be a court order before the creditor can take your income or property.

It is illegal for a debt collector to:

- ✓ Contact other people (like your family, neighbors, or your boss) about your bills, except to get your address and phone number
- ✓ Contact you before 8:00 a.m. or after 9:00 p.m.
- ✓ Contact you at work if your boss does not allow it
- ✓ Contact you if you have an attorney
- ✓ Use bad language or insults
- ✓ Harass you with phone calls
- ✓ Lie to you about the debt (for example, saying you will be arrested)
- ✓ Ask for a postdated check and cash it before its date

If a debt collector does any of these things, get help right away. Call your local Legal Aid office. You can also make a complaint to the New York State Attorney General at 1-800-771-7755.

Are you tired of letters and calls from a debt collector? Stop the debt collector by sending a “no-contact” letter! In the letter, ask the debt collector to stop calling and writing to you. Explain why you can’t pay, and let the debt collector know if you are being harassed. Here is an example:

Mrs. Smith
29 Main Street
Utica, NY 13501

October 9, 2006

ABC Collection Agency
111 29th Street
New York, NY 11111



Dear Sir or Madam:

Please stop contacting me about account number 123456 with the Oneida store. I am disabled now and my only income is from SSI. The Fair Debt Collection Practices Act requires you to comply with my request.

I also want you to know that your employee, Mr. Jones, called me before 8:00 a.m. on September 1, 2006. He used bad language and told me I would go to jail. This is illegal and must stop.

By writing this letter, I am in no way admitting that I owe this debt.

Yours truly,
Mrs. Smith

Send the letter by certified mail, return receipt requested. Keep a copy.

It is illegal for a debt collector to call or write to you after receiving your letter. If the debt collector still won't leave you alone, get help from a lawyer right away. Call your local Legal Aid office or the Lawyer Referral Hotline (1-800-342-3661).

In New York, it is also illegal for a creditor to harass or abuse you and your family. Call the New York State Attorney General's Office at 1-800-771-7755 for help.

What happens if I can't pay?



If you can't make your mortgage payments, the creditor can take you to court to foreclose on your home. If you are having trouble making payments, call your local foreclosure prevention program right away. There is a list of programs at the end of this booklet.

If you can't make your car payments, the creditor can repossess your car and sell it. If you still owe anything after your car is sold, the creditor can take you to court for the rest.

For other types of bills, the creditor must take you to court to get paid. EXCEPTION: for most types of student loans, a court order is not needed before part of your paycheck, your tax refund or certain limited types of federal benefits can be taken. Read our "Living With Student Loans" booklet to find out more about your rights.

Never ignore court papers. If you get sued by a creditor, there are time limits to make a response. Get help from a lawyer right away. If you do not make a proper response, you will lose your chance to contest the lawsuit.

If you lose your court case, you will have a judgment against you. A judgment is just a court order that says you owe the money. If the creditor has a judgment, he or she may be able to take your income and your property to pay off the debt.

Here are some kinds of income a creditor cannot take:

- SSI
- Social Security Disability (SSD)
- Social Security
- Unemployment
- Public Assistance
- Worker's Compensation
- VA Benefits
- Child Support or Spousal Support
- Black Lung Payments
- Federal Railroad Retirement
- Most Pensions
- Student Loan Proceeds

The Exempt Income Protection Act

The Exempt Income Protection Act went into effect on January 1, 2009. Under this new law, your bank account can't be frozen if it contains \$1,740 or less. If exempt benefits were directly deposited into your bank account within the past 45 days, your bank account can't be frozen if it contains \$2,500 or less. Banks can't charge you a frozen account fee if your account balance is within these limits.

Amounts over these limits can be frozen. However, the bank must send you a notice within 2 days, explaining your right to keep any exempt money in the account (including 90% of gross wages). The notice will include a form for claiming exempt income. You must fill out the form and mail it to the bank AND the creditor's lawyer within 20 days of the postmark on the envelope. Include proof that the income is exempt (for example, bank statements, benefit statements, paystubs, etc.) If you can prove all the money is exempt, the account must be unfrozen within 7 days. If exempt money is mixed with non-exempt money in the account, the exempt amount must be unfrozen within 7 days. *NOTE: keep your exempt income in a separate bank account, or it may be hard to prove what part of the account is exempt.* If the bank does not release your account, or if the creditor's lawyer serves you with court papers, contact your local Legal Aid office for help right away.

Here are some kinds of property creditors cannot take:

- Clothes
- Most furniture and appliances
- Wedding rings
- School books
- Work tools
- Household items
- Your home, if your equity in the home is \$75,000 or less (\$150,000 for married people who own a home jointly). *NOTE: the mortgage company can still foreclose if you don't make your mortgage payments, however.*
- One car, if it is worth \$4,000 or less, after subtracting your car loan (\$10,000 or less if it is equipped for a disabled person) *NOTE: the car can still be repossessed if you don't make your car payments, however.*

If a creditor tries to take any of these things, call your local Legal Aid office right away.

Can a creditor take part of my paycheck?

In some cases, yes. This is called garnishment.

By law, the creditor can't take more than 25% of your take home pay or 10% of your gross pay, whichever is less. However, you always get to keep at least \$217.50 take home pay per week (\$7.25 minimum wage for a 30-hour week).

NOTE: for child support and spousal support, the law allows more of your pay to be taken, within certain limits. For most types of student loans, up to 15% of your take home pay can be taken; however, you can ask for a hardship form.

Should I file for bankruptcy?

“At the end of every seven years you shall make a release. And this is the manner of the release: every creditor shall release that which he has lent to his neighbor and his brother; because the Lord’s release has been proclaimed.”

-Deuteronomy 15:1-2

Bankruptcy is an old idea! It can be a good way to get a fresh start. It also stops your creditors from trying to collect on your debts. Foreclosures, repossessions and lawsuits must stop right away.

There are two main kinds of consumer bankruptcy: Chapter 7 and Chapter 13. Chapter 7 bankruptcy can wipe out most bills. Chapter 13 bankruptcy gives you the chance to catch up on your bills over 3-5 years.

Bankruptcy is not for everyone. For example, if you have no income or property that a creditor can take, you are “judgment proof”. This means there is nothing your creditors can do to get paid. If you are judgment proof, you may not need to file for bankruptcy or even make payments.

Also, if you only owe a few hundred or a few thousand dollars, you may want to wait until your financial situation gets worse.

To find out if bankruptcy is right for you, talk to a lawyer. Call your local Legal Aid office or the Lawyer Referral Hotline at 1-800-342-3661.

How to Cope with Debt, Legal Aid Society of Mid-New York Inc.

HELPFUL TELEPHONE NUMBERS AND ADDRESSES

NEW YORK STATE ATTORNEY REFERRAL SERVICE: 1-800-342-3661

GENERAL NUMBER- ATTORNEY GENERAL 1-800-771-7755

Broome, Chenango, Otsego and Delaware County:
44 Hawley Street, 17th Floor, Binghamton, NY 13901-4433 607-721-8778

Cayuga, Cortland, Madison, Onondaga and Oswego County:
615 Erie Blvd. West, Suite 102, Syracuse, NY 13210-2339 315-448-4800

Jefferson and Lewis County:
317 Washington Street, Watertown, NY 13601-3744 315-785-2444

Oneida and Herkimer County:
207 Genesee St., Utica, NY 13501-2812 315-793-2225

OFFICES OF THE LEGAL AID SOCIETY OF MID-NEW YORK, INC.

Broome County:
168 Water Street, 2nd Floor, Binghamton, NY 13901 607-231-5900

Chenango County:
27 West Main Street, Norwich, NY 13815 607-336-8256

Cortland County:
111 Port Watson Street, Cortland, NY 13045 607-428-8400

Herkimer, Madison and Oneida Counties:
255 Genesee Street, 2nd Floor, Utica, NY 13501 315-793-7000

Jefferson and Lewis Counties:
44 Public Square, Watertown, NY 13601 315-955-6700

Oswego County:
108 West Bridge Street, Oswego, NY 13126 315-532-6900

Onondaga and Cayuga Counties:
472 South Salina Street, Suite 400, Syracuse, NY 13202 315-703-6600

Otsego and Delaware Counties: 877-777-6152

How to Cope with Debt, Legal Aid Society of Mid-New York Inc.

<u>CONSUMER CREDIT COUNSELING</u>	800-479-6026
49 Court Street, Binghamton, NY 13901	607-723-2671
500 South Salina Street, Suite 600, Syracuse, NY 13202	315-474-6026
289 Genesee Street, Utica, NY 13501	315-797-5366
215 Washington Street, Suite B-5, Watertown, NY 13601	315-782-2227

COUNTY DEPARTMENTS OF SOCIAL SERVICES

<i>Broome County:</i> 36-42 Main Street, Binghamton, NY 13905-3199	607-778-8850
<i>Cayuga County:</i> 160 Genesee Street, Auburn, NY 13021	315-253-1267
<i>Chenango County:</i> County Office Building, Court Street Norwich, NY 13815	607-337-1546
<i>Cortland County:</i> 60 Central Avenue, Cortland, NY 13045-5590	607-753-5091
<i>Delaware County:</i> 111 Main Street, Delhi, NY 13753	607-746-2325
<i>Herkimer County:</i> 320 North Prospect Street, Herkimer, NY 13350	315-867-1291
<i>Jefferson County:</i> 250 Arsenal Street, Watertown, NY 13601	315-782-9030
<i>Lewis County:</i> Outer Stowe Street, P.O. Box 193, Lowville, NY 13367	315-376-5400
<i>Madison County:</i> P.O. Box 637, Wampsville, NY 13163	315-366-2276
<i>Oneida County:</i> Oneida County Office Bldg., 800 Park Ave., Utica, NY 13501	315-798-5804
<i>Onondaga County:</i> 421 Montgomery, Syracuse, NY 13202	315-435-2526

How to Cope with Debt, Legal Aid Society of Mid-New York Inc.

Oswego County:
100 Spring Street, Mexico, NY 13114 315-963-5435

Otsego County:
197 Main Street, Cooperstown, NY 13326 607-547-4296
or 800-422-2512

OFFICES FOR THE AGING

Broome County:
Government Plaza, Binghamton, NY 13902-1766 607-778-2411

Cayuga County:
160 Genesee Street, Auburn, NY 13021-3483 315-253-1226

Chenango County:
County Office Bldg., 5 Court St., Norwich, NY 13815-1794 607-337-1770

Cortland County:
60 Central Avenue, P.O Box 5590, Cortland, NY 13045-5590 607-753-5060

Delaware County:
6 Court Street, Delhi, NY 13753 607-746-6333

Herkimer County:
109 Mary Street, Suite 1101, Herkimer, NY 13350-2924 315-867-1121

Jefferson County:
250 Arsenal Street, Watertown, NY 13601-2546 315-785-3191

Lewis County:
Outer Stowe St., P.O.Box 408, Lowville, NY 13367 315-376-5313

Madison County:
138 Dominick Bruno Blvd., Canastota, NY 13032 315-697-5770

Oneida County:
235 Elizabeth Street, Utica, NY 13501 315-798-5456

Onondaga County:
421 Montgomery Street, Syracuse, NY 13202 315-435-2362

Oswego County:
70 Bunner Street, P.O. Box 3080, Oswego, NY 13126-3080 315-349-3484

How to Cope with Debt, Legal Aid Society of Mid-New York Inc.

Otsego County:

197 Main Street, Cooperstown, NY 13326-1129 607-547-4232

OFFICES OF THE NEW YORK STATE DEPARTMENT OF LABOR

Broome County:

Southern Tier Business Employment & Training Center
Glendale Technology Park, 2001 Perimeter Road East- Suite Three
Endicott, NY 13760 607-741-4500

Cayuga County:

1100 Corporate Drive, Auburn, NY 13021 315-255-2228

Chenango County:

1 O' Hara Drive, Norwich, NY 13815 607-334-2201

Cortland County:

99 Main Street, Cortland, NY 13045 607-756-7585

Delaware County:

21 Liberty Street, P.O. Box 2035, Sidney, NY 13838 607-561-2348

Herkimer County:

320 North Prospect, Herkimer, NY 13350 315-867-1400

Jefferson County:

317 Washington Street, Watertown, NY 13601 315-785-2220

Lewis County:

7550 State Street, Lowville, NY 13367 315-376-6312

Madison County:

Working Solutions Career Center
1286 Upper Lenox Avenue, Oneida, NY 13421 315-363-2400

Oneida County:

207 Genesee St. Suite 201, Utica, NY 13501 315-793-2229
1101 Floyd Ave., Rome, NY 13440 315-356-0662

Onondaga County:

450 South Salina Street, Syracuse, NY 13202 315-479-3261

Oswego County:

73 West Second Street, Oswego, NY 13126 315-342-3905

How to Cope with Debt, Legal Aid Society of Mid-New York Inc.

Otsego County:

12 Dietz Street, Oneonta, NY 13820

607-432-4800

SOCIAL SECURITY ADMINISTRATION

Broome and Chenango Counties:

15 Henry Street, Binghamton, NY 13901

607-773-2884

Cayuga County:

1110 Corporate Drive, Auburn, NY 13021

315-252-7598

Delaware County:

31 Main Street, Suite 1, Oneonta, NY 13820

607-433-0171

Jefferson and Lewis Counties:

190 Stone Street, Watertown, NY 13601

315-788-5839

Oneida, Herkimer and Madison Counties:

10 Broad Street, Utica, NY 13501

315-797-7614

268 Liberty Plaza, Rome, NY 13440

315-339-1751

Onondaga and Cortland County:

Federal Bldg., 4th Floor, 100 S. Clinton St., Syracuse, NY 13261

Oswego County:

Hillside Commons, 19 Fourth Avenue, Oswego, NY 13126

315-342-3558

Otsego County:

31 Main Street, Suite 1, Oneonta, NY 13820

607-433-0171

PUBLIC UTILITIES

National Grid

Emergencies

1-800-892-2345

Public Service Commission

3 Empire State Plaza, Albany, NY 12223

Hotline for Imminent Shut Off

1-800-342-3355

Electric

518-474-5582

Gas

518-474-5855

Telephone

518-474-5527

Water

518-474-5529

How to Cope with Debt, Legal Aid Society of Mid-New York Inc.

New York State Electric and Gas (NYSEG)
65 Country Club, Oneonta, NY 13820

Billing Problems

1-800-572-1111

Consumer Advocate

1-800-553-7056

CREDIT BUREAUS

Equifax Credit Information Services
P.O. Box 105873, Atlanta, GA 30348

1-800-685-1111

Experian
P.O. Box 949, Allen, TX 75013-0949

1-800-682-7654
or 1-800-392-1122

Trans Union Corporation
P.O. Box 390, Springfield, PA 19064-0390

1-800-916-8800

FORECLOSURE PREVENTION PROGRAMS

Neighborworks Homeownership Center
Herkimer, Madison and Oneida Counties

315-724-4197

Quaranta Housing Services
Broome, Chenango, Delaware and Otsego Counties

607-336-2101

Snow Belt Housing
Jefferson and Lewis Counties

315-376-2639

HOME Headquarters
Cayuga, Cortland, Onondaga and Oswego Counties

315-474-1939

OTHER

EPIC (Prescription Drug Assistance for Seniors)
New York State Insurance Complaints Division
National Problem Gambling 24-Hour Hotline

1-800-332-3742

1-800-342-3736

1-800-522-4700