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A Lifeline For Those Drowning In Debt

Attorney analyzes benefits of new credit card reform bill

When there wasn't a glimmer of hope in the crush of foreclosures last year, debtor-creditor attorney Christopher Brown, of Westport-based Begos, Horgan & Brown, hit on a strategy to aid desperate clients. When the mortgage industry began bundling mortgages and selling them as securities, the computerized system that was supposed to keep track of everything was in disarray. Brown challenged purported mortgage holders to prove they actually held the mortgages they were attempting to enforce. Many couldn't. Brown won substantial reprieves for homeowner clients, slowing evictions.

Though less dramatic than the loss of a home, consumers' onerous credit card debt is another looming financial problem. Credit card companies' aggressive practices have been compared to the Wild West, with no limits on interest rates and few restraints on deceptive practices. There are 90 million households carrying an average of about \$10,000 in credit card debt, and they all benefit to some degree from a new credit card reform measure approved by Congress.

No upper limit is being imposed on rates, but lenders will have to wait for borrowers to be 60 days behind in payments before they can raise rates. Mysterious over-limit fees can't be charged unless borrowers have asked for the extra credit, and banks won't get to charge late fees for delays they themselves have caused. Relieving another source of financial stress, lenders won't be able to market sucker offers to college students under age 21 without evidence they – or their parents – can actually afford the new risk.

Brown's individual and small-business cli-

ents often find themselves grappling with the consequences of America's love affair with this fantastic plastic. In a recent interview with Senior Writer Thomas Scheffey, Brown discussed the likely impact of the new act, which is to take effect in nine months.

LAW TRIBUNE: How much help is this reform going to bring?

CHRISTOPHER BROWN: I would hate for anyone to get the impression that this is suddenly going to make peoples' credit card problems go away. If you have a serious problem, it's not going to help you very much. If you have a moderately serious problem, it might help you pay it off.

I like the fact that it's going to stop some practices by credit card companies that are really just not fair. One improvement I like is ending the double-cycle billing practice. Double cycle billing averages your balance over two monthly payment periods, even when you've completely paid off the first month's interest. You end up paying double for the same balance. That's just the way it's done.

LAW TRIBUNE: There's so much fine print, and the terms are so subject to change at a whim. Is this going to make the terms more fixed?

BROWN: There are two things, actually, I think will help with the global problems of credit cards. The bill is going to make it harder for credit card companies to bury in the fine print things that are beneficial for them and bad for the consumer. They're going to eliminate a lot of the practices that hide terms. They can't make it part of the agreement unless they tell you ahead of time. What they do [now] is put



Contributed Photo

Debtor's lawyer Christopher Brown says a new bill approved by Congress last week will stop credit card company from putting deceptive information in fine print on the back of consumers' statements.

their pernicious billing practices in the fine print on the back of every billing statement, and then say you've ratified it by paying the bill. The bill eliminates their right to do a lot of that.

The other thing they're going to do is make it clearer. As it is, even if you are reading the fine print, you can't understand what it's telling you. The bill is intended to eliminate some of those problems so everybody can sit down and read their credit card agreement, read their credit card statement — and understand what it's telling you.

LAW TRIBUNE: Who was the impetus behind this bill, Sen. Christopher Dodd?

BROWN: He was involved with it,



On The Record

[Massachusetts Rep.] Barney Frank was involved with it, but it all stems from President Obama's populist appeal. In addition to people being in trouble with their mortgages, a lot of people are in trouble with their credit cards. If his goal is to improve life for the average consumer, credit cards are one way to go. We've heard stories for years about credit card companies sending applications to 10-year old kids. How could that possibly be? It was similar in some respects to what happened with mortgages. Originators of the mortgages were packaging them up, and someone else was turning them into securities. They were also packaging credit card

debt and selling it to investors. The demand for credit card lines of credit increased because of the demand of those investors. People issuing the credit cards paid less attention to who they were issuing them to.

LAW TRIBUNE: In terms of credit card debt, is there some advice you give your clients?

BROWN: One of the problems is, if it gets out ahead of you, you can't stretch your paycheck to make the payments. One thing we like to consider is trying to make a deal. If you have a big enough balance on the credit card, and the company just wants to be done

with you, you can sometimes negotiate a lump sum payment that's a lot smaller than your balance. The problem next becomes, where do you get the lump sum payment? But I'd much rather see somebody borrow that money from a family member, or friend who's not going to be calling every day with nasty phone calls. If you can get a two-thirds discount on your debt, you're doing all right.

LAW TRIBUNE: Are there practical strategies to counter debt accumulation?

BROWN: Instead of having a credit card, it makes sense to only use a debit card, or pay cash. ■