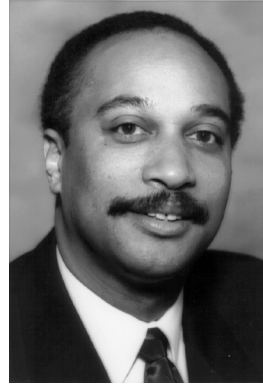


Dear Friend,
We are facing historically difficult economic times. According to the U.S. Department of Labor, the unemployment rate across the United States continues to rise, and New York State faces the same bleak picture.



The current fiscal crisis has put many New Yorkers in debt. People who never struggled to pay their bills are now being forced to consider defaulting on their debt. In this precarious economic climate, there are reports about deceptive debt settlement companies that have seized the opportunity to squeeze the last penny out of those who are desperately trying to pay their bills. Some of these companies promise relief by being the buffer between the credit card company and the debtor, but sometimes a debt settlement plan fails to solve the debtor's financial problems and even makes them worse.

Over the last few years, the number of debt settlement companies has tripled to 2,000. At the same time, complaints to state attorneys general offices about how these companies conduct business have increased.

This brochure will outline how you can avoid being deceived and what you can do to help put yourself on firmer financial ground. If you have any questions or comments about this or any other subject, please don't hesitate to contact my office.

Sincerely,

A handwritten signature in cursive script that reads "J. Gary Pretlow".

J. Gary Pretlow
Member of Assembly

Assemblyman J. Gary Pretlow

DISTRICT OFFICES:

6 Gramatan Avenue, Suite 407, Mt. Vernon, New York 10550 • 914-667-0127

48 North Broadway, Yonkers, New York 10701 • (914) 375-0456

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A grayscale background image showing a close-up of a document with a date stamp that reads "APR 20 09 1999".

**In debt?
Don't
make it
worse!**

Avoid falling
victim to debt
settlement
companies

Take control by:

Managing your debt

- Contact creditors directly to try to develop a debt repayment plan before enlisting outside help.
- Consider consulting an attorney about possible legal recourses you may have.
- Before using a debt settlement company, research its standing with the Better Business Bureau or the state Attorney General's Office.

Researching your options

Consider credit counseling agencies, which are often not-for-profits that offer financial guidance for a small fee or for free. If you decide to work with a credit counseling agency, follow these guidelines:

- Interview several agencies before choosing one.
- Contact the NYS Banking Department to ensure a credit counseling agency is licensed.
- Make sure that services will be private and that the agency will keep your personal information confidential.
- Check the agency's complaint records.
- Make sure your agreement is in writing.
- Understand your obligations, including costs such as set-up fees and monthly service charges.

Avoid:

A debt settlement company's smooth sell

- Debt settlement companies claim to negotiate with a consumer's creditors to lower the total amount of debt owed for an up-front fee.

- The consumer stops talking to his/her creditors and even stops paying the minimum on his/her credit cards to save money in an account that the debt settlement company promises to use as a bargaining tool when negotiating with creditors.
- Some consumers who pay for these services discover that their settlement company never contacted their creditors at all.
- Instead, some debt settlement companies take the consumer's money and run, leaving the consumer with even more debt to contend with, constant calls from collection agencies and lawsuits from creditors.

Be aware

- Don't sign a contract with a debt settlement company that requires payment in advance of obtaining the promised debt reduction.
- Hiring a debt settlement company doesn't mean creditors stop adding interest, late fees and other penalties to the total owed.
- Creditors are under no legal obligation to accept a settlement offer for less than the outstanding balance owed.
- Only a small number of consumers who hire debt settlement companies benefit from doing so.
- Using a debt settlement company could lead to more frequent and aggressive creditor collection efforts, which often result in judgments, wage garnishments, and frozen bank accounts.

Additional signs of trouble:

If a company:

- Demands that you provide account numbers or other financial details before it will discuss its services or fees.
- Boasts that it can "lower your monthly payments by 30 to 50 percent."

- Claims that it can remove negative information, such as bankruptcy, from your credit report.
- Requires "voluntary" contributions.
- Insists that you make an immediate decision.

Assembly is doing its part:

This year, the Assembly passed a package of bills that would protect consumers from improper debt collection practices and implement penalties for those who violate the law. Those bills:

- Require debt collectors to send consumers a written notice of their rights under state law. (*Passed Assembly, awaiting Senate action, A.271-A*).
- Require third-party debt collectors and debt buyers to obtain licenses from the Department of State and obtain surety bonding. (*Passed Assembly, awaiting Senate action, A.3926-C*).
- Require debt collectors to inform certain relatives and household members of a deceased individual that they are not obligated to repay the outstanding debts of that deceased individual. (*Passed Assembly, awaiting Senate action, A.7889-B*).
- Reduce harassment by debt collectors by allowing debtors a private right of action in debt collection cases. (*Passed Assembly, awaiting Senate action, A.3532-A*).
- Reduce the statute of limitations on consumer credit actions from six years to three years and bar debt collectors from trying to collect debts on which the statute of limitations has expired. (*Passed Assembly, awaiting Senate action, A.7558-A*).
- Implement protections against improper and abusive debt collection practices and align New York law with the federal Fair Debt Collection Practices Act. (*Passed Assembly, awaiting Senate action, A.8840-B*).

Important Numbers:

Attorney General's Office

www.oag.state.ny.us
(800) 771-7755

NYS Banking Department

www.banking.state.ny.us
(877) BANK-NYS

Better Business Bureau

www.bbb.org
(703) 276-0100

