



Civil Legal Aid & Consumer Protection

>400%
Annualized interest charged on payday loans for low-income customers

17,000
Number of U.S. servicemen and women who were harmed by one predatory lending scheme in 2013

166
The number of companies sued by the Indiana Attorney General for mortgage rescue fraud since 2010

"Michael" bought a used car from Downtown Dealership, signing a note for \$5,000 and not being informed that his annual percentage rate for the loan was 269%. He fell behind in his payments and Downtown Dealership repossessed the car. They also turned Michael's debt over to a collection agency which has been calling Michael at all hours of the day and night – even calling Michael's place of employment. Now, in addition to having no transportation to work, Michael could lose his job over the debt he owes Downtown Dealership. A civil legal aid attorney could help Michael stop the harassing calls and stop Downtown Dealership's usurious lending practices.

Over the past seven years, there has been a sharp increase in consumer fraud and scams, predatory lending, and unfair debt collection practices. Predatory lending is "any lending practice that imposes unfair or abusive loan terms on a borrower. It is also any practice that convinces a borrower to accept unfair terms through deceptive, coercive, exploitative, or unscrupulous actions for a loan that a borrower doesn't need, doesn't want, or can't afford."

Many low-income debtors are especially vulnerable to debt scams, including high up-front fees, penalties for early payoffs, inflated interest rates, and "deals" targeting senior citizens, low-income borrowers, and people with poor credit.

What is civil legal aid?

"Civil legal aid is free legal assistance to low- and middle-income people who have civil legal problems. These problems are non-criminal; rather, civil legal aid helps people access basic necessities such as healthcare, housing, government benefits, employment and educational services. Civil legal aid is provided free of charge by nonprofit legal aid organizations, 'pro bono' volunteers (attorneys, law students and paralegals), law schools, court-based services such as self-help centers, and online technologies such as document assembly and legal information websites." -U.S. Dept of Justice Access to Justice Initiative

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INDIANA BAR FOUNDATION
www.inbf.org

Sources: Consumer Finance Protection Bureau; Indiana Attorney General

The Foreclosure Crisis and the Elderly

- 600,000 = the number of Americans over 50 who have faced foreclosure since 2007
- 1 out of 30 = the number of Americans over 80 who have faced foreclosure since 2007
- 873% = increase in foreclosure rates for Americans over 50 since 2007
- 450% = increase in the number of older Americans who are seriously delinquent in their mortgage since 2007
- 3,000,000 = the number of Americans over 50 who are currently at risk of losing their homes

-American Association of Retired Persons

AARP's research found that elder Americans facing foreclosure are more likely to have increased medical visits for mental health conditions, hypertension, and stress-related conditions.

Companies that practice mortgage rescue fraud add an additional injury for the elderly struggling with mortgage problems. These companies target struggling homeowners by offering to help save their homes from foreclosure. While there are many types of mortgage rescue scams, they all involve a pretense of helping the homeowner with mortgage problems while charging them additional money.



“ In 21 states, car title lending is expressly permitted, with title lenders charging interest of up to 300% a year. ”

-New York Times

Debt Scams

Once a consumer is involved in a predatory lending situation, s/he is often faced with additional challenges such as improper debt collection practices. These include:

- Threats and harassment by debt collectors
- Attempts to collect debt that has already been paid off or beyond the maximum time of the statute of limitations
- Repeat court filings for the same debt
- Promises to make debt relief instant or guarantees to repair credit

HOW TO RESPOND:

Civil legal assistance helps disadvantaged consumers respond to abuses:

- Attorneys represent people who are sold defective cars, or who purchased cars at usurious interest rates.
- Civil legal aid lawyers counsel elderly homeowners who were pressured into risky mortgages.
- These attorneys help low-income homeowners who were promised debt relief and instead signed over the deed to their home to an unscrupulous mortgage rescue fraud company.
- Legal assistance programs offer older homeowners access to reliable and timely advice when faced with the threat of foreclosure.

Grantmakers interested in learning more about the value of civil legal aid to support systemic change in social services: please contact the Indiana Bar Foundation (msmith@inbf.org) or 317-269-2415). The Foundation and its staff can provide guidance, introductions to local and statewide providers, and general technical assistance.

WHAT FOUNDATIONS CAN DO:

Identify grant programs that could have improved outcomes by adding civil legal aid partners. As you review applications, look for issues that have legal aspects (family issues, housing, homelessness, employment, consumer issues).

Provide general support for legal aid groups that support your community.

Partner with legal aid providers to develop targeted programs, such as public education about consumer abuses and available protections.

Fund or disseminate research on the impact of predatory lending in your community.

As one judge in the legal needs study pointed out, pro se (or unrepresented) litigants are unlikely to be aware of violations of the Fair Debt Collection Act or their options for negotiating debt repayment.

Civil legal aid providers understand the complexity of providing these services and stand ready to work with funders to implement cost-effective solutions.

LEARNING MORE

ADDITIONAL RESOURCES

INDIANA RESOURCES

Indiana Legal Services Justice Center (<http://www.indianalegalservices.org>)

Indiana Pro Bono Commission website (<http://www.in.gov/judiciary/probono>)

“Unequal Access to Justice: A Comprehensive Study of the Civil Legal Needs of the Poor in Indiana,” Indiana Legal Services, Inc., the Indiana Bar Foundation, and the Pro Bono Committee of the Indiana State Bar Association, 2008 (<http://www.indianalegalservices.org/node/679/report-unequal-access-justice#sthash.6r3GJHfR.dpuf>)

“Consumer Protection in the States: A 50-State Report on Unfair and Deceptive Acts and Practices Statutes.” National Consumer Law Center, 2009 (http://www.nclc.org/images/pdf/udap/report_50_states.pdf).

“Nightmare on Main Street: Older Americans and the Mortgage Market Crisis,” Lori Trawinski, American Association of Retired Persons Public Policy Institute, July 2012 (http://www.aarp.org/content/dam/aarp/research/public_policy_institute/cons_prot/2012/nightmare-on-main-street-AARP-ppi-cons-prot.pdf).

“Expanding Civil Legal Aid: Strategies for Communications with Lawyers,” Lake Research Partners and the Tarrance Group, commissioned by the Public Welfare Foundation and Voices for Civil Justice, 2014 (<http://legallaidresearch.org/pub/1621/expanding-civil-legal-aid-strategies-branding-communications/>).

Report of the Consumer Financial Protection Bureau, 2014 (http://files.consumerfinance.gov/f/201503_cfpb_consumer-response-annual-report-2014.pdf).

“Report on the Economic Benefits of Civil Legal Assistance,” Massachusetts Legal Assistance Corporation, January 2014 (<http://www.mlac.org/research.html>).

“Rise in Loans Linked to Cars Hurting Poor,” Jessica Silver-Greenberg and Michael Corkery, New York Times, December 25, 2014 (<http://dealbook.nytimes.com/2014/12/25/dipping-into-auto-equity-devastates-many-borrowers/>).

“U.S. Department of Justice Access to Justice Initiative,” April 2014 (<http://www.justice.gov/atj/legalaid>).