



MFY's Patterson Belknap Fellow Tackles The Debt Trap

By the end of 2000 Mrs. K's balance on a retail store credit card was \$344.47. After making payments between \$16 and \$87 over the next five years that totalled almost \$1500 and making no new purchases, her balance at the end of 2005 was \$1874.

Could a computer error be to blame? Hardly. The debt is real, the result of continual increases in finance charges, late fees, and minimum payments. Ms. K, who is 81 and living on Social Security and her late husband's small pension, did not understand the potential consequences of making late payments or paying less than the required minimum. She did not realize that her minimum payment increased every time she missed a payment. She thought as long as she paid something toward her bill, she would eventually retire the debt.

Between 2001 and August of 2002, her late fee was \$25, but it shot up to \$35 in September of that year. In 2001, her financing charge was \$6.08 per month; by June 2005, it escalated to \$35.80 per month. Her average monthly payment was \$20, which was not enough to cover the charges and resulted in larger fees and higher minimum payments.

Mrs. K's Debt Trap

Year	Balance on 12/31	Yearly Finance Charges	Yearly Fees	Payments
2000	344.47			
2001	472.33	157.20	225.00	136.00
2002	805.38	161.05	270.00	133.00
2003	1034.64	221.96	210.00	208.00
2004	1485.13	317.79	420.00	287.00
2005	1874.49	384.82	354.00	417.00

Mrs. K. made no new purchases on her credit card after December 2000. Despite paying \$1500 toward the initial debt of \$344, she still owes over \$1800, the result of escalating fees and finance charges.

Pedro M, a mental health consumer, suddenly found his checking account frozen. His monthly SSI check—his only income—went directly into that account. He now had no money to pay rent or buy food. The problem started several years earlier when his Section 8 landlord tried to evict him on nuisance charges. While the holdover proceeding was in progress, Mr. M was hospitalized and was represented in court by a Guardian ad Litem who agreed to give up possession of the apartment if the landlord gave up his claim for rent. Mr. M believed that the matter was settled and secured housing in a supportive residence after being released from the hospital. When his bank account was frozen late last year, he found that a default judgment for \$10,000 had been entered against him, although no papers had ever been served on him. His former landlord claimed he owed \$1200 per month in rent plus interest for the months he was hospitalized, even though his Section 8 rent had been only \$145 per month.

Neither of these scenarios is unusual, especially for seniors and for people with disabilities who have a hard time understanding and managing finances and no savings to fall back on in an emergency. With support from Patterson, Belknap, Webb and Tyler LLP, MFY launched its Consumer Law Project to combat financial abuse of seniors, the disabled, and other vulnerable people. MFY hired Karuna Patel to staff the project, and within two weeks of her arrival last September, she had a full docket of cases.

"We're finding that many seniors calling MFY's senior hotline have had their bank accounts frozen after default judgments were entered against them. In an unusually high number of cases, they were never properly served, which raises questions about the tactics being used by credit card companies and collection agencies," Patel said recently.

Patel was able to get Mr. M's account unfrozen after showing that the income in it is exempt, and will go to court to vacate the judgment against Mr. M. So far, the credit card company has refused to cancel Mrs. K's debt, insisting instead that she pay half of it, or over \$900 more.

(continued on page 2)

MFY Educates Thousands on Disabled Rent Increase Exemption

In October 2005, New York City began a new program to freeze the payment of rent increases by people with disabilities who live in rent-regulated and some other types of apartments. Known as the Disabled Rent Increase Exemption program, or DRIE, it is a critical means of preserving community-based housing for people with disabilities on limited incomes. MFY, along with other advocates for the disabled, lobbied for the program for years.

There was only one problem with DRIE. Few knew about it. Without vigorous outreach, thousands of low-income disabled residents would miss out on an important benefit.

MFY took the initiative and sent thousands of outreach packets to social service organizations, health and mental health providers, and advocacy groups that work with disabled people to inform them of the benefit and provided fact sheets on how can access it.

We also sent the same information to MFY's current and former disabled clients.

Within weeks, a steady stream of people showed up at our office asking for DRIE applications, and many called to thank us for sending them the information.

Like the Senior Citizen Rent Increase Exemption (SCRIE), DRIE freezes the amount of rent that an eligible tenant pays to the landlord, and provides that subsequent rent increases are paid by New York City in the form of a property tax abatement. The DRIE benefit does not cost a landlord anything, and a landlord can neither refuse to be in the DRIE program nor prevent a tenant from accessing the benefit.

To find out more about the DRIE benefit, download the DRIE fact sheet in English and Spanish from MFY's web site at www.mfy.org.

The Debt Trap *(continued from page 1)*

Retiring in the red is now a common occurrence for seniors. One in five low- and moderate-income seniors with credit card debt spends over 40 percent of their income on debt payments alone, and the number of older Americans filing for bankruptcy tripled in the last decade, making them the fastest growing age group in the bankruptcy courts. The American Association of Retired Persons (AARP) estimates that seniors lose billions each year at the hands of financial scam artists—from sweepstakes and telemarketing, to predatory lending, fraudulent living trusts and annuities, cemetery and burial fund abuses, Internet fraud and various types of identity theft.

While conducting workshops at numerous senior centers, Karuna Patel found that a senior usually only discovers that her identity has been stolen when her bank account is frozen because a judgment has been entered against her. "Many retirees do not realize that their Social Security funds and certain other income cannot be frozen or garnished," said Patel. "We provide sample letters for seniors to use with banks and creditors, and talk about the steps they can take to avoid these problems."

The project is also working with students from Fordham University's Louis Stein Center for Law and Ethics to research immigrants' access to financial services. The students will help identify barriers immigrants and refugees face in opening bank accounts and securing loans and will take a hard look at the practices and profits of remittance companies, which make superprofits on low-wage workers whose families depend on them to send home some money each month.

"Support from Patterson Belknap to start this project helps MFY to fill a huge, unmet need," said MFY Executive Director Lynn Kelly. "Few programs help low-income New Yorkers deal with the abusive practices of credit card companies and other forms of financial exploitation. We hope to be able to expand this work in the coming years."

Thank You!

We acknowledge generous support from:

BTM Foundation

Bernard F. and Alva B. Gimbel Foundation

Manhattan Borough President

JP MorganChase Foundation

New York Bar Foundation

NYS Interest on Lawyers' Accounts Fund

Patterson, Belknap, Webb & Tyler LLP

Wachtell, Lipton, Rosen & Katz

Travels with Charlie

While traveling home on the Long Island Railroad late on a Sunday evening with my husband and son, we found ourselves in a lively conversation with a man named Charlie. Charlie was on his way back to an adult home in the Bronx, having spent the day visiting his sister in a psychiatric hospital in Port Jefferson.

Charlie was a wonderful raconteur, and he described his journey in vivid detail. He expressed that he was particularly happy that a complete stranger who was waiting for a family member at the Port Jefferson station had offered him a ride from the train station to the hospital and back again. It made Charlie's day, and saved him at least \$10 to boot.

As the train pulled into Penn Station, Charlie rummaged through his pockets and proudly showed us his Half Fare MetroCard, explaining that this card even let him ride the Long Island Railroad for half price. Until he got the card last year, he could not afford the \$19 price of a LIRR ticket and subway ride from the Bronx to Port Jefferson and back again. Now he is able to visit his sister on a regular basis, which pleases Charlie a great deal.

We told our son that Charlie was able to afford the ticket because MFY, aided by David Dobbins, a retired partner, now of counsel at our law firm, Patterson Belknap Webb & Tyler LLP, with help from our former associate, Estella Schoen, had sued the MTA to extend the half-fare benefit to all mentally disabled residents of New York City. Charlie's story made our day.

—Lisa E. Cleary

Partner, Patterson Belknap Webb & Tyler LLP, and MFY Board Member

in brief

MFY Joins Initiatives to Aid Seniors Facing Eviction

MFY is participating in a new initiative sponsored by the New York City Department for the Aging and the New York Civil Court to ensure that seniors in Manhattan and Brooklyn who are facing eviction are represented by counsel. Judge Fern Fisher, an administrative judge for the Civil Court of New York, helped start the program, which assigns both an attorney and a social work intern to help seniors. MFY is handling cases in Manhattan, and the Legal Aid Society and Legal Services of New York (LSNY) are handling cases from Brooklyn, along with a panel of 18B attorneys in both boroughs. If successful, the program may expand to other boroughs.

MFY also participates in the Senior Right to Counsel Coalition, a broad grouping of legal services providers, which is promoting model legislation to establish a right to counsel for all low-income New York City seniors, 62 years old and older, facing eviction in Housing Court.

MFY and Union Agree on New Three-Year Pact

In early February, the MFY Board of Directors and the Legal Services Staff Association/UAW Local 2320 voted to accept a three-year contract that provides generous health and economic benefits for MFY's 23-member bargaining unit. MFY will continue to pay the full cost of health insurance. Premiums are expected to increase approximately 15% in each of the next three years, a cost equal to 3.5% of salaries overall. Union members' salaries will increase 2.5% in the first year of the contract, 2.75% in the second year, and 3.25% in the third year. Combined with previously negotiated anniversary raises, attorneys will see pay hikes of between 17.5% to 27.2% over the three-year period. MFY will maintain its 6% employer contribution to the 403(b) pension plan after one year of service, and staff will receive a \$1000 signing bonus and an additional \$500 contribution to the 403(b) plan in the contract's first year. Jessica Kastin and Melissa Oliver-Janiak of **O'Melveny & Myers LLP** assisted MFY in the negotiations.

"MFY is committed to delivering the highest quality legal services possible, and we need a committed staff to make that happen," said Lynn Kelly, Executive Director. "This contract will help us keep the great staff we have now and recruit top-notch candidates in the future."

Hunter Students Assessing Need for Legal Services for Kinship Caregivers

In collaboration with MFY, graduate students from Hunter College's Urban Studies Department under the guidance of Professor Peter Kwong are conducting an assessment of the need for legal services by grandparents and others who are responsible for the care of related children. The students will interview social service providers and kin caregivers to find out exactly what type of legal assistance families need to stabilize the caregiving relationship and promote the child's wellbeing. MFY will use this information to plan Phase II of its adoption project, which will provide legal assistance to kinship caregivers seeking to stabilize the caregiving arrangement through legal custody, guardianship, and stand-by guardianship. In New York City, close to 300,000 children are cared for by relatives, most of whom are the children's grandparents.

pro bono news



Pro Bono Adoption Project

To date, over 100 volunteer attorneys have participated in the Pro Bono Adoption Project. Above, Meredith Sheldon of **Latham & Watkins LLP** poses with Danazah after her adoption was finalized during Adoption Week last November. Other participants in the project are **Cadwalader, Wickersham & Taft LLP**, **Kaye Scholer LLP**, **Pfizer Inc**, **Pillsbury Winthrop Shaw Pittman LLP**, **Proskauer Rose LLP**, **Shearman & Sterling LLP**, **Stroock & Stroock & Lavan LLP**, **Weil Gotschal & Manges LLP**.

MFY Addresses Cleary Luncheon

Cleary Extern Jennifer Kennedy, MFY Staff Attorney Eric Grafe, and Executive Director Lynn Kelly addressed a Pro Bono Luncheon at **Cleary Gottlieb Steen & Hamilton LLP** on February 16, coordinated by MFY Board Member Lindsee P. Granfield and Pro Bono Administrator Carrie Grimm. MFY discussed pro bono opportunities for the firm's associates, including an externship, research projects, co-counsel on large cases and work on discrete wage and hour administrative hearings. Cleary, along with **Willkie Farr & Gallagher LLP**, provide associates who work four-month rotations at MFY throughout the year.

Record Pro Bono Hours in 2005

In 2005, pro bono attorneys contributed over 9,000 hours of service to MFY clients. Volunteers served as Guardians ad Litem, counseled clients at Workplace Justice clinics, handled individual cases and worked on class action and law reform cases.

MFY Legal Services, Inc.
presents

Spring Fete

Enjoy open bar with premium cocktails,
hors d'oeuvres & great music and support
free legal services for all New Yorkers!

Thursday, March 30 at 7:00 pm

Au Bar

41 East 58th Street between Madison & Park Avenues

\$75 per ticket by March 15 or \$100 thereafter

Purchase tickets online at: www.mfy.org/springfete
or call 212-417-3726 or e-mail bkraus@mfy.org

MFY Legal Services, Inc.

Celebrating 42 years of free civil legal
services to low-income New Yorkers.

Lynn M. Kelly, Executive Director
Jeanette Zelhof, Deputy Director
Adele Bartlett, Supervising Attorney
Andrew Goldberg, Supervising Attorney
Kenneth Lau, Supervising Attorney
Sara Wienkes, Supervising Attorney

Board of Directors

Alan Mansfield, <i>Chair</i>	Lindsee P. Granfield
Ariana J. Tadler, <i>First Vice Chair</i>	John L. Hardiman
Bruce L. Stein <i>Second Vice Chair</i>	David W. Ichel
Nancy Morawetz <i>Secretary</i>	David G. Keyko
Robert S. Fischler <i>Treasurer</i>	Margaret M. Madden
David Chatterjee	Tariq Mundiya
Lisa E. Cleary	Ronald M. Neumann
Lawrence Coleman	Timothy G. Reynolds
Albert W. Driver	Stephen T. Rodd
Thomas E. Dunn	Eric M. Roth
Howard A. Ellins	Jeffrey S. Sabin
Dana Escoffier	Mark E. Segall
Michael J. Gillespie	Jennifer H. Shurdut
	Arnold Stephens
	Donald I. Strauber
	Nancy J. Walder



NONPROFIT
ORGANIZATION
US POSTAGE
PAID
NEW YORK, NY
PERMIT #1110

News from

MFY Legal Services, Inc.

299 Broadway
New York, NY 10007
www.mfy.org

WINTER 2006