

Debt among seniors a growing concern

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At 78 years old, Bert Ellithorpe is wise to the ways of the world. She cannot be duped by the sly practices some credit card companies employ to encourage senior citizens like herself to apply for plastic and use it.

“I love the way they call,” she said, shaking her head as she spoke from her home at The Landing of Queensbury. “They call like they know you, but as soon as I find out what they’re calling for, I hang up.”

Two of her fellow residents at The Landing, Dennis Turner and Dorothy Quaresima, simply hang up as well.

Each of them, however, is sufficiently secure in their retirement to not be tempted by the financial cushion credit cards appear to offer.

Other senior citizens are not quite as lucky, and fall prey to friendly phone calls or letters inviting them to use those square pieces of plastic when cash isn’t as easy to come by.

Rising debt

In a recent letter to U.S. Rep. Carolyn Maloney (D-New York City), U.S. Rep. Kirsten Gillibrand spoke with her colleague about protecting senior citizens from credit card debt.

“I commend you for your leadership on the issue of credit card industry reform,” Gillibrand, D-Greenport, said in the letter. “As you dig deeper into these issues, I want to bring your attention the growing problem of credit card debt affecting seniors throughout the nation.”

“According to a recent study, the average credit card debt for seniors between 65 and 69 increased by more than 200 percent — to nearly \$6,000 — between 1992 and 2001,” she continued. “Credit cards provide a great convenience to older Americans. However, I am concerned that many of my senior constituents can fall prey to practices such as inadequate disclosure of the card terms and changes, universal default and retroactive interest rate increases, deceptive marketing and excessive or hidden fees.”

Legislation planned

To address this issue, Gillibrand and the House Subcommittee on Financial Institutions and Consumer Credit held a meeting at the Halfmoon Senior Center in early August.

Taking into account the thoughts of seniors who attended the event, the House Subcommittee plans to draft new legislation to address credit cards and their impacts on older Americans in the coming months.

The impact Gillibrand specifically mentioned in her letter — of more seniors raking up more credit card debt — has not gone unnoticed by others who work in other service fields.

As Albany branch manager of the Consumer Credit Counseling Service of Central New York, Karyn Dettbarn has noticed it too.

She has seen the number of individuals age 66 and older coming in for credit counseling increase from 326 in August 2003 to 1,062 in August 2007.

Similarly, the number of those individuals actually enrolling in a debt management plan has gone from 89 in August 2003 to 195 in August 2007, according to information provided by Dettbarn.

The reason for this, in Dettbarn's experience, is that senior citizens often believe they have no other option.

Fixed incomes

“From what we've seen, when seniors are offered credit cards, they basically take them because they're usually on a fixed income,” Dettbarn said. “And if they don't have a substantial amount of income coming in, they're usually using the card to pay for everyday living expenses — usually their medication.”

“And since with the income they have, they couldn't afford everyday living expenses, the addition of another bill for credit cards makes it even more difficult for seniors to pay mortgages, pay rent or buy food,” she added. “A lot of seniors we see coming in are usually contemplating, ‘Should I buy my meds or pay my credit card bill?’ ”

Unfortunately, what Dettbarn often sees them choosing to do is pay the credit card bill.

“Usually, they choose to pay the person who screams the loudest, which is usually the credit card company,” she said. “First it's the letters, then it's the calls, and if (creditors) are saying they're going to take the senior citizen's house or take them to jail, the seniors get scared.”

Under these circumstances, however, Dettbarn says it's important that older Americans know their rights so they don't get bullied into forgoing their medications in order to appease creditors.

Dealing with debt

“Being on a fixed income, the creditors can’t freeze their bank accounts,” Dettbarn said. “If they do, all seniors have to do is provide proof that the only income going into that account is fixed Social Security or pension.”

Dettbarn stressed the fact, however, that she isn’t a lawyer and she doesn’t know all the subtle details seniors should be aware of.

“We do recommend they talk to an attorney,” she said.

Nevertheless, Dettbarn does know a lot about the help she and her colleagues offer at the Consumer Credit Counseling Service.

“With our debt management plan, we can calculate their bills into one monthly payment,” she said. “The payment is made to us each month, and we disburse it to creditors within three days.

“As part of the plan, creditors usually lower interest rates, and waive any over-limit or late fees once a person has enrolled. Past fees, however, they will have to pay.”

Though counseling is free through Dettbarn’s agency, she said there is a fee of \$10 to \$30 a month to maintain the account of anyone who actually enrolls in the debt management plan.

Another option for senior citizens struggling with debt who come to the Consumer Credit Counseling Service is a reverse mortgage.

Reverse mortgages are for individuals age 62 and older, or for individuals who own their homes outright or are very close to it, Dettbarn said.

With a reverse mortgage, the individual gets the equity that they have in their home back, usually as a monthly installment, a credit line or one lump sum.

She cautioned, however, that a reverse mortgage isn’t always a free and clear way to pay off credit card debt.

“If you reside in the residence until you die, you don’t have to pay the loan back,” Dettbarn said. “But if you want to leave the home to someone in your will, the house would have to be purchased outright by a child or descendant.”

While debt management plans and reverse mortgages are options for seniors already in debt, Ellithorpe, Quaresima and Turner offered some advice for their peers who aren’t facing a difficult situation yet.

Avoiding debt

“My husband had a good idea,” Quaresima said. “At the end of each year, we had to start the new year without any bills.”

“I always pay my credit card bill the day I get it, and I don’t buy anything with a card I couldn’t pay for with cash,” she added.

Turner and Ellithorpe do things a little differently, though all of their bills are handled just as promptly.

“Mine is even more simple, I just pay cash,” Turner said. “And my son looks over a lot of my finances.”

The same is true for Ellithorpe, who is thrilled her son has a head for numbers.

“My son is an accountant,” she said proudly.

Though Ellithorpe, Turner and Quaresima have never had trouble with credit cards, they admitted they’ve known people who have.

“I used to have an aunt who thought it was wonderful to have credit cards and she used them to the hilt,” Ellithorpe said. “And that’s not good.”

All in all, the three agreed, the best policy is to pay the cards off every month, or not have any cards at all.

“I don’t know how they get the number here, but I hang up when they call,” Ellithorpe said of credit card companies.

“I get a lot of letters wanting to give me credit cards,” Quaresima added, “but I just throw them away.”

As for Turner, when he gets those offers in the mail that include the actual plastic, he doesn’t think twice.

“I cut up those cards,” he said.