

In Civil Court, One Nation, Under Debt

Contributed by Administrator
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The clerk called out the names of the collection agencies, debt owners, credit card companies. Arrow Financial Services. Midland Funding.

“Capital One, are you here?”

A young lawyer, Seth Funk, spoke up.

“I’m here,” he said.

It was Friday morning in the Civil Court of New York City, where lawsuits involving up to \$25,000 are heard. Mr. Funk had 25 cases on the calendar to collect on credit card debts.

As the final stop on the subprime lending train, the Civil Court has become the 21st-century debtors’ court. Filings have nearly tripled since 2000. Of these, court officials project that about 350,000 this year will involve debt on credit cards. They typically arrived in the mail with “0% interest” printed in gigantic letters on the envelope, and “24%” rendered in type that only an ant could read.

The clerk picked the top file off a stack and called for the collection agency and person being sued.

“North Star Capital Acquisition,” he said. “Juan Vega.”

Mr. Vega, 31, rose. The lawyer for North Star wanted to talk about a settlement. Of the 55 cases on the calendar in Manhattan on Friday, not one defendant had a lawyer; the right to counsel applies only to criminal cases.

About 20 minutes later, Mr. Vega walked out of the courtroom, case closed.

“They said I owed \$1,400,” he said. “In the settlement it went down to \$900. They told me to pay \$50 a month.”

How did he run up \$1,400 in debt?

“I heard about this 800 number you could call to get a card,” he said. “I was working as a security guard in Herald Square. It was several years ago.”

What did you buy?

“I bought some shoes,” he said. “My son was young, we got Pampers, things like that.”

At the time, he was making about \$11 an hour. How much had he spent?

The shoes, he guessed, were \$40. The other stuff was \$400 or less.

“They gave me a \$500 spending limit,” he said. “So it was less than that. The rest to get it to \$1,400 was interest, fees.”

The negotiations had been two sentences long.

“The lawyer said, ‘We can finish this for \$900,’ and I said, ‘O.K.,’ ” Mr. Vega said. “It was my first time with a credit card. I do everything by cash now.”

The lawyers for the banks had virtually no documents on the cases, just printouts with names, account numbers and the amount that was supposedly owed. When it was Miranda Gee’s turn, she produced papers showing that she held a different account with Capital One than the one listed on the printout, which claimed that she owed about \$1,000.

“They brought me here, but it wasn’t my account at all,” Ms. Gee, 43, said. “They put a hold on my bank accounts with Chase for twice the amount they claimed.”

The judge agreed to sign an order unfreezing her savings with Chase while Capital One investigated to make sure it had the right account. Since Mr. Funk, the bank's lawyer, had no paperwork, he asked Ms. Gee if he could copy her file. She said yes.

The administrative judge for the Civil Court, Fern A. Fisher, has started a volunteer "lawyer for a day" program, and set up advice centers. Many people who came to the court in Manhattan on Friday said they felt as if they had been treated with respect by the judge and the court clerk.

In an interview, Judge Fisher said some people found themselves in default by simply failing to answer a summons.

"The original lender may have now sold it to a debt collection agency, or a third debt collection agency," Judge Fisher said. "That's why some people ignore the papers."

Earlier this year, the court — rather than the collection agency or bank — began sending out notices, and the response rate improved, she said.

What happens in the civil courts are the last tremors of an economy built around the twin seductions of consumption and debt, a dance portrayed in "In Debt We Trust: America Before the Bubble Bursts," a 2007 documentary by Danny Schechter.

As Josephine DeLeon, a part-time beautician, left the courtroom on Friday, she reflected on her own vulnerability. Her mailbox, she said, was routinely stuffed with offers of no- or low-interest cards.

"You take it, then they send you a letter increasing your limit to \$1,500," Ms. DeLeon said. "And by the way, we're now giving you a platinum card. Take this heroin, shoot up this drug, and you can come back and pay me later. It's very easy. You're late one time, and that zero percent rate goes to 16. Then it goes to 24. And they put in membership fees. You pay the interest on them, too."

Her debt of \$2,000 had rocketed in a few months to \$3,400. She left without settling, saying the bank was being stubborn about collecting every dollar of hidden fees. "They have people on their knees," Ms. DeLeon said. By JIM DWYER
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