

# Bill collectors here show no fear of the law

WHEN CHICAGO'S brand of unscrupulous bill collector goes after a payment, he does so with little or no fear of the law.

Reporters investigating collection practices found Chicago's collectors operating without the legal restrictions 26 other states already have imposed.

Among the strict controls imposed by other states are:

- Maine prohibits any agency from collecting more money than the amount submitted for collection and revokes licenses of offenders. Reporters found Chicago's unscrupulous collectors arbitrarily and apparently illegally tacking on interest charges — and there are no licenses to revoke.

- Georgia says it is fraud to use "any name other than the person's or firm's true name" in contact with a debtor. Chicago collectors routinely impersonate policemen, lawyers, court officials, and federal marshals. And they never use their real names.

- Wisconsin will revoke an agency's license if collectors so much as threaten to call a debtor's employer except to verify employment status and earnings. Chicago collectors browbeat employers into helping with the collection of the debt.

- Florida will close down an agency if it tells anyone except the debtor and his immediate family about the debt. Chicago collectors harass anyone who happens to answer the phone, including secretaries and baby sitters.






- Maine and other states with licensing laws screen applicants for collectors' licenses and reject repeated lawbreakers. Chicago's Marshall Zeidman has been convicted of deceptive practices and theft, and still he thrives as a bill collector.

- Washington, California, Florida, and Minnesota forbid frequent or late-night calls to debtors, forbid threats of arrest, violence or humiliation, forbid misrepresentation of purpose to get information about debtors, and forbid the use of the names of attorneys to make it appear that legal action is imminent. Each state will revoke the license of repeated offenders. Chicago's collectors do all these things and don't even have licenses, let alone the fear of losing them.

**THE RESULT** is a different mentality in Illinois, a mentality that tells the unscrupulous collector he can try anything and "push 'em till they break."

"In the state of Washington, we look to the collection agency to do what it says it will do," said Charlie King, director of the state's collection agency board. "If they don't, it will be considered an idle threat, and using idle threats in collections is against the law."

## How 5 states control bill collectors

 <p><b>Illinois</b> No specific laws controlling bill collectors or collection agencies</p>	 <p><b>Washington</b> Licenses agencies Allows no felon to be licensed Prohibits harassment, threats, deception, embarrassment of debtor Prohibits association with attorneys</p>	 <p><b>California</b> Licenses agencies Registers employees of agencies Prohibits felon from holding license Prohibits use of any but true names Prohibits threats, harassment, deceit, embarrassment of debtor Prohibits association with attorneys</p>	 <p><b>Florida</b> Licenses agencies No felon can hold a license Prohibits harassment, threats, deception, embarrassment of debtor Prohibits association with attorneys</p>	 <p><b>Maine</b> Licenses agencies Allows no felon to be licensed Prohibits harassment, threats, deception, embarrassment of debtor Prohibits association with attorneys</p>
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## Task Force report

In the \$667-million-a-year business of collecting America's bills, Illinois is fertile turf. Unscrupulous collectors among Illinois' estimated 350 agencies operate almost without restrictions. During a six-week investigation, reporters worked in eight agencies to compile this chronicle of debt collection abuses. This is the last in a series by Task Force director Pamela Zekman and reporters William Crawford, William Gaines, and Robert Unger.

Collectors in Illinois and their lawyers don't see it that way.

"I make a lot of idle threats," said an attorney for a collection agency that specializes in medical bills. "It's part of being a lawyer."

**THE ATTORNEY** was responding to a reporter's questions about reams of mass-produced letters bearing his machine-produced signature and stating flatly that "unless I receive your remittance, or hear from you within 48 hours as to when this will be paid, a suit will be filed against you without further notice from me."

The letters go to all debtors regardless of plans for suit, the lawyer told reporters that he sees the practice as "only saving me paperwork."

The Federal Trade Commission, however, sees a problem with this approach to collections. The nothing has been done about it. In a 1972 order involving another Chicago firm, Empire Accounts Service, Inc., the FTC ordered Empire to "cease and desist from misrepresenting in any way that legal action will be instituted against an alleged delinquent debtor."

IN THE WORDS of an FTC attorney, "agencies just can't claim that they are going to file suit when they have no intentions of filing suit. It is a misrepresentation."

But disregarding the FTC is no big thing to the collector. The most unscrupulous do it all the time and do not worry about it. The FTC has jurisdiction only in interstate matters and even then it must act on a specific complaint from a specific individual against a specific agency.

As a result, the FTC guide of prohibited practices reads more like a manual for Chicago collectors than a list of taboos:

- The FTC says no mailed material must seek to imply that it comes from a government agency, but Zeidman and others do it all the time. Zeidman even has a form marked IRD which he says he hopes will be mistaken for the IRS (Internal Revenue Service) and fool debtors into revealing where they work.

- It is common practice among Chicago's collectors to use the "Final Notice Before Suit" forms designed to look like court documents, tho the FTC calls such forms flatly illegal because they look like court documents. Such forms are used by Health Spa Finance and Accounts Service International.

- The FTC prohibits the use of the words "credit bureau" in any name or title unless the organization is in fact in the business of reporting credit standing. But many Chicago firms such as North Shore Credit Bureau use the "credit bureau" label when their only business is collecting bills.

- The FTC prohibits collection agencies from soliciting or receiving postdated checks from debtors because "thru

the use of these checks the [collection] firm has the means of threatening alleged debtors with criminal prosecution relating to the issuance of worthless checks, if sufficient funds are not on deposit."

**NONE THELESS**, soliciting postdated checks is a routine practice in most agencies where reporters worked as collectors, such as Affiliated Creditors Bureau, Strom Collection Agency, and Diversified Accounts Systems.

Because the FTC is restricted to interstate matters, the flood of forms used by collectors frequently comes under FTC scrutiny. And tho each case must be decided independently, the FTC says any misrepresentation is illegal.

But the Federal Trade Commission cannot be expected to step into each state and fill the void left by the absence of

legislation to control the tactics of bill collectors. FTC officials say.

Illinois feels that void of state legislation. The Cook County state's attorney's office can find jurisdiction only when a specific allegation of theft is made, and there also is little the Illinois attorney general's office can do.

**"THE ONLY** way the attorney general can involve himself is thru the use of the consumer fraud division where there is an absolute misrepresentation and fraud," said Atty. Gen. William J. Scott.

Such a case would be a company's outright lies about the Illinois criminal statutes. Twin Acceptance Co., Inc., for instance, tried to use the legal jargon to persuade Victor and Maria Lopez, 23 and 19 respectively, to continue paying for a 10-year-old car that had fall-

en apart shortly after the Lopez family bought it.

"You may not be aware of the fact that you are in violation of criminal law," Twin Acceptance's letter said in part. It also cited a chapter, paragraph, and subsection, supposedly of the Criminal Code.

Lopez's Legal Aid attorneys are taking a close look, however, because the law Twin cited is civil, not criminal, the lawyer who signed the letter is not a lawyer, and Twin was dissolved as a corporation by the attorney general's office last year.

**PERHAPS** the winners in the most unenforceable-law sweepstakes are the laws governing the collector's most vital tool—the telephone.

State and federal communications rules prohibit harassing phone calls, late-night calls, and even threats over the phone lines, but that doesn't keep unscrupulous collectors from doing it all.

"The phone company has told us that one more complaint will mean they take our phones out," James Barsano, manager of the Strom Collection Agency, 505 N. La Salle St., told a reporter working as a collector. "But don't worry about it. If they do, we'll just get them in another name. I already have another name picked out."

There have been repeated attempts in the last decade to fill these voids in Illinois law. State Rep. C. L. McCormick (R., Vienna) sponsored legislation two years ago that would have licensed the collection agencies and imposed other controls.

**THE BILL** failed. Even the Illinois Collections

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Tribune Graphics

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Association, an umbrella group representing 200 collection agencies in the state, claims to favor a licensing law, and Robert Brunzman, the association's attorney, said he has tried to encourage that legislation for 11 years.

"Our association," Brunzman said, "wants to prohibit the practices in the industry that are abhorred—the harassment, threats, deceit, and association with attorneys."

And, he said, the association wants to purge the business of the most rotten apples in the barrel.

"We want guidelines, such as the remitting of money to the original creditor within 30 days," he said, "to protect customers from the fly-by-night guy who sets up overnight and goes out of business overnight."

**SUCH CON MEN**, he said, pocket the money they've collected when they disappear.

Reporters searching for jobs as collectors found all sorts of companies listed proudly in the Yellow Pages and consisting of a telephone on top of a filing cabinet in a real estate office. Others had moved,

changed their names, or just disappeared without a trace.

Most of the opposition to licensing laws in Illinois comes from the Chicago area where such in-and-out operations thrive. But all Chicago collection agencies do not oppose a tough licensing law.

"We can work within tough laws," said Leonard Rose, president of National Account Systems, 53 W. Jackson Blvd., which has agencies in 41 cities. "We've had to in other states that have passed laws."

**ROSE**, who also is a member of the legislative council of

the American Collectors' Association, said his association favors licensing laws.

But despite what is said, Illinois remains a wide-open haven for the collector who likes the freedom to ply his trade in whatever manner his conscience and wallet dictate.

"Me and [Norman] Koppel [Strom's owner] went to Florida once to look into buying a collection agency there," Barsano told a reporter hired as a collector. "We decided against it because there is no money in it.

"Florida law is too strict."