

Consumer News & Views

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Consumers Will Be Hit Hard by HELOC Loan Repayments. Millions of consumers will have to absorb a major hit to their household budget in the coming months. About \$265 Billion in home equity lines of credit (HELOCs) will enter the repayment period in the next few years, according to a study from Experian. It's reported that consumers may see their monthly payments spike — in some cases, triple or quadruple what they previously paid.



HELOC originations soared from 2005 until the start of the housing crisis. And, because many HELOCs enter the repayment phase after 10 years, these billions of dollars in outstanding credit balances are just now coming due. This wave of HELOC resets is expected to significantly stress borrowers' finances and the lending industry.

"This analysis is critical as we want to not only help lenders prepare and understand the payment stress of their borrowers, but also give consumers an opportunity to understand what the impact may be to their financial status and how to be better prepared for it," said Michele Raneri, Experian's vice president of analytics and business development, in a statement about the study.

HELOCs are generally divided into two periods: draw and repayment. During the draw period, consumers can use the line of credit while making minimum, interest-only payments. Once the HELOC resets, consumers can no longer borrow from that line of credit, and they must restore the equity they haven't yet repaid.

"Instead of using it like a line of credit, borrowing and then repaying the loan to restore the home equity that had been tapped into, most people simply took the maximum amount in cash and never tried to pay down the outstanding amount for the entire 10-year period," said Charles Phelan, a debt-relief consultant who specializes in HELOC negotiation, in an email. "In effect, most existing HELOCs are therefore like a huge credit card debt that has been at the maximum limit for years, with only interest expense being paid each month to keep the balance the same and not reduce it."

How much your payment increases depends on many things, like the interest rate and the length of the repayment period — a shorter repayment period generally translates into a larger increase in payment. Some HELOCs have no repayment period and require a lump-sum repayment when the draw period ends.

The HELOCs that are coming due were opened in very different economic times, under the impression that home values would continue to rise. Because that didn't happen, borrowers may not be prepared to handle this significant change to their finances.

"A lucky few will be able to absorb the new high monthly payment without defaulting and thereby risking foreclosure, and some will have sufficient equity to obtain a traditional refinance to a new single mortgage," Phelan wrote. "For a majority of homeowners with HELOCs, however, options are limited due to real estate prices having dropped to the point where the most HELOCs are not covered by equity. This blocks people from refinancing to a single new mortgage at a more reasonable payment level."

Even if refinancing is an option, it requires the borrower to have great credit. Phelan said borrowers without the ability to refinance can look into government loan-modification programs, Chapter 13 bankruptcy or settling the second lien, but he expects HELOC defaults to skyrocket. No matter how you plan to address your HELOC reset, it's crucial to have a grasp on your credit standing so you can better research your options for managing repayment and how those options will impact your credit.

"With more than 10 million of these contracts having been issued during 2005-2008, a tsunami of defaults is likely and will be a downward drag on America's housing recovery for years to come," Phelan wrote.

If you took out a HELOC between 2005 and 2008 and you're not sure what you'll be facing when the HELOC resets, it's time to look at your agreement and understand what you're dealing with. Simply by calling your lender, you can get a handle on the situation and prepare to absorb this shock to your finances.

Airlines Will Make Travel More Difficult for Consumers with Smaller Carry-on Luggage

Proposal. The International Air Transport Association (IATA), which represents most major airlines, is proposing that airlines adopt a standardized size for carry-on luggage of 21.5 inches x 13.5 inches x 7.5 inches—which is about 20 percent smaller than most U.S. carriers' current limits.



Consumers are afraid the smaller size will force them to buy new carry-on luggage and because of size limitations, have to pay airline baggage fees to check their bags.

Thomas Hinton, president of the American Consumer Council, a non-profit consumer education organization with over 163,000 members said, "This proposal is ridiculous. The airlines are squeezing consumers at both ends. They want smaller bags because they are unwilling to expand overhead luggage bins and then they want consumers to pay exorbitant checked baggage fees that are nothing more than a cash cow for airlines. It's grossly unfair."

Following a backlash of consumer criticism, IATA released a clarification that the cabin carry-on baggage initiative is just a guideline, not a requirement. However, IATA has strongly encouraged airlines to adopt the proposal as their standard.

Senator Charles Schumer (D-NY) is pressing the airline industry to scrap the recommendation. Sen. Schumer's office said the changes could force air travelers to spend hundreds of dollars on new luggage to meet the new criteria or to check their bags and pay handling fees.

Consumers Face Uphill Fight Against Utilities in Ohio When Complaints are Filed. If you are an Ohio consumer filing a complaint against a utility company, get ready for a long battle and be prepared to lose. This is the advice of Daniel George of Hardin County, one of more than 850 people or groups who made formal complaints with the Public Utilities Commission of Ohio since 2005. He filed last year after a power surge did thousands of dollars worth of damage to his home appliances.

"Not a red cent was given to me," Mr. George said.

The PUCO has ruled in favor of consumers just four times in that 10-year period, which is 6 percent of cases that ended in a decision on the merits, and less than 1 percent of all cases, according to a *Columbus Dispatch* review.



The most common outcome is a settlement, which happened in 535 cases. Details are mostly undisclosed, so it's tough to say how consumers fared. Attorneys who have worked on them say that most of the settlements are cases that should never have risen to that level and are easily solved. Others were dropped or dismissed or had some other reason for not making it to a decision.

That left 70 cases that made it to the commission for a ruling. Of those, consumers won four times. Three more cases were won in part and lost in part. The rest, 63, were in favor of the utilities.

The cases cover a wide array of sales and service concerns, including complaints from people who think their bills are unfairly high, those who allege property damage from utilities' tree-trimming or digging, and many others.

Utilities have teams of lawyers and lobbyists who are experts in the relevant laws and even helped write some of the laws. Most consumers have no representation and little knowledge of the rules. Cases can drag on for years, leading to expenses that easily exceed the amount in dispute.

About 80 percent of complaints came from residential consumers, and about 20 percent were from businesses, local governments, and others.

When presented with these findings, the PUCO said that formal complaints — which are much like civil lawsuits — should be viewed as only one way in which the commission interacts with consumers. A spokesman noted that the agency's call center had 76,402 contacts with consumers last year. Those calls led to 13,421 inquiries in which a staff member reached out to a utility to try to solve a problem — without a formal complaint having been filed.

"We recognize that an individual [can find the process] very daunting," said Lynn Slaby, one of the PUCO's five commissioners. "It would be like David meeting Goliath. ... We're here to make that process less intimidating and less daunting."

The PUCO is a “neutral body,” Mr. Slaby said.

At one time, the Office of the Ohio Consumers’ Counsel was more active in complaint cases. The office, a consumer advocate for utility issues, has sharply reduced its caseload since a 2011 budget cut and has been part of only a few complaints since then.

Several lawyers interviewed for this story pointed to the counsel’s office as a key player if the complaint system is to be improved. The office declined to comment.

Mr. George and his family woke up in their farmhouse one day in February, 2014, to the smell of burning wires. He traced the smell to an American Electric Power transformer, a metal cylinder on a power pole near his garage. He soon found that the transformer had released a power surge that damaged his furnace, television, oven, and other appliances.

He expected AEP to write him a check for repairs and replacements, which totaled about \$4,500. He didn’t file a claim with his homeowner’s insurance because he was confident AEP would come through. Then, last October, the PUCO issued a unanimous decision saying while the damage likely was caused by AEP’s equipment, Mr. George had failed to prove AEP was liable for the damage under state rules.

He took off work to drive to Columbus for the case. On one trip, he walked into a meeting room, wearing a shirt and khakis, and saw that it was essentially a courtroom, with everyone else in suits, and a stenographer. Mr. George, 52, essentially acted as his own attorney.

He recalls feeling helpless, with little idea of what laws applied to his situation. Once he got out of the hearing and was by himself, he broke down.

AEP declined to comment on the case because he could still appeal. In general, though, spokesman Terri Flora said: “The PUCO-approved tariff requires customers to protect any sensitive electronic equipment they may have on their premises from voltage surges or similar conditions that may temporarily exist on the grid.”

Even when the PUCO sides with a consumer, state law doesn’t allow it to award damages. The consumer who wins with the PUCO would need to go to common pleas court for damages.

Columbus-based AEP has a small number of formal complaints for a company of its size, with 86 of the cases since 2005. This translates to 5.9 complaints per 100,000 customers, based on 2014 customer counts.

FirstEnergy has the most complaints at 219, and the second-highest rate, with 10.5 complaints per 100,000 customers. Doug Colafella, a FirstEnergy spokesman, said the totals are not significant, considering that they occurred over 10 years and that FirstEnergy has more than 2 million utility customers.

Duke Energy, the state’s only regulated utility that offers natural gas and electricity, has the second-most complaints, 134, and the highest rate, 11.9 complaints per 100,000 customers. Most of the complaints are about electricity service.

Attorneys with experience in complaint cases say that observers should be cautious in drawing conclusions from consumers’ low success rate.

“It’s just the nature of the beast that complainants have the burden of proof in these things,” said Barth Royer, a Columbus lawyer who has represented consumers and utilities in complaint cases. “You wouldn’t expect complainants to come out 50-50.”

ACC’s *Friend of the Consumer* Award Recognizes Outstanding Businesses in 2015.

Is your business consumer-friendly? Does your business deserve greater recognition for its service to consumers? If so, you should apply for the American Consumer Council’s Friend of the Consumer Award. Now is the time to apply!

Throughout the year, ACC presents its "Friend of the Consumer" Awards. This prestigious award recognizes manufacturers, retailers, and other businesses that produce or sell products in the United States that meet or exceed federally-mandated standards and are touted by consumers as “consumer friendly.”

Each year, ACC awards numerous "Friend of the Consumer" Awards to deserving companies and organizations because they have "demonstrated a commitment to American consumers by providing a specific product or service that fosters consumer confidence and market acceptance."



To apply for the "Friend of the Consumer" award, complete the online application and return it to ACC with the application fee. Applicants will be notified within 5 days of receipt of their application. Thereafter, a panel of independent judges will review your application and make a formal recommendation within 20 days of receipt of your award application.

For more information, visit: <http://www.americanconsumercouncil.org/awards.asp>

Green CSM Certification Accepting Applications for 2015 Summer Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2015 Summer cycle are now being accepted through August 31, 2015.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at: <http://americanconsumercouncil.org/greenc.asp>

