

BORROWER BEWARE

Foreclosures: Sales like 'a circus'

GETTING HELP

If you are buying a house or are having trouble paying your mortgage, here are some resources:

www.hud.gov/buying

The U.S. Department of Housing and Urban Development offers advice for home buyers, including sections on home buyers' rights, borrowers' rights and how to avoid predatory lending and loan fraud.

www.bankrate.com

This Web site provides prevailing rates for various kinds of loans, based on surveys of lenders nationwide.

Credit counseling

Consumer Credit Counseling Service of Greater Atlanta, 100 Edgewood Ave., Atlanta, offers counseling by phone, online at www.cccsatl.org, or in person. For appointments in Atlanta, Decatur, Douglasville, Fayetteville, Gainesville, Marietta, Norcross or Rome, call 404-527-7630.

Legal assistance

The Atlanta Legal Aid Society, 151 Spring St., Atlanta, 404-524-5811, offers legal help to low-income and elderly residents of Clayton, Cobb, DeKalb, Fulton and Gwinnett counties. It helps victims of predatory mortgage lending and home equity scams through its Home Defense Program, 404-377-0705, Ext. 236. www.atlantalegalaid.org

ONLINE SPECIAL

Does your county have a high bankruptcy rate?

See our interactive map and look up bankruptcy rates nationwide. Also, answers to your questions on Georgia's real estate foreclosure law.

Go to www.ajc.com/borrowerbeware

WHAT THEY'RE SAYING

"And whereas wee think it highly becoming Our Crown and Royal Dignity to protect all our Loving Subjects be they never so distant from us to Extend our Fatherly Compassion . . . And that it will be highly Conducive for the accomplishing those Ends that a Regular Colony of the said poor people be Settled and Established."

— Georgia's Charter of 1732



"I wouldn't agree that we are pro-creditor. . . . If there were proven to be legitimate problems that needed the General Assembly to address them, I think there would be people who would."

— Senate Majority Leader Bill Stephens (R-Canton)

"The financial industry over here uses their power and influence to protect their interests. Their attitude is that they own the Capitol. Most times, they go unchallenged."

— State Sen. Vincent Fort (D-Atlanta)

"You hate to be so paternalistic, to decide that these individuals are better off having no access to capital, as opposed to having it at very high rates. As long as all parties understand the terms of the contract, we should allow those transactions to occur."

— Dr. Roger C. Tutterow, chairman of Kennesaw State University's Department of Economics and Finance

Continued from A1

hard times.

In Georgia, once a borrower falls behind and a lender initiates foreclosure, a house can be sold on the courthouse steps in as few as 37 days. Only Texas and Tennessee allow foreclosures to proceed as quickly.

Other states give more leeway to borrowers. In Florida, lenders have to wait four months to sell a house in foreclosure; in Ohio, seven months; in New York City, well over a year.

Georgia gives borrowers precious little time to get the money together to bring their mortgages up-to-date. So the only way for most Georgians to stave off a foreclosure is to file for bankruptcy. But that often proves little more than a way station to losing their homes.

Unlike half the states, Georgia allows foreclosures to take place with no judicial or government oversight, leaving homeowners without a mediator, much less a protector to ensure they are treated fairly.

The state gets more involved in the sale of a repossessed stereo than it does in the public auction of a family home.

While Georgia's real estate foreclosure law has remained essentially the same since the 1880s, mortgage lending has changed dramatically during the past two decades.

Among the trends: Federal and state governments are expanding programs that help low- and middle-income families with little or no financial cushion buy homes for the first time. Leagues of homeowners are tapping into their equity to pay off credit cards, buy cars and take trips. And Wall Street is investing in mortgages as a hot commodity, spurring some mortgage lenders to seek out poor, unsophisticated borrowers for high-interest loans.

One bump in the road — a job loss, a sick child, a divorce — could introduce homeowners to the harsh realities of Georgia's foreclosure law.

The number of foreclosures initiated against properties in metro Atlanta's 13 core counties in 2004 was more than double the number in 2000, according to an AJC analysis of foreclosure data.

Most lenders say they don't start the foreclosure process until a borrower has missed two or three mortgage payments. But under Georgia law, it's the lender's call when to declare a loan in default, and from there, the process moves swiftly. "Georgia has chosen not to intervene to protect the vulnerable," said Frank S. Alexander, an Emory University law professor and expert on Georgia's foreclosure law.

Lizzie Hall clearly is among the vulnerable.

Hall is a soft-spoken, reserved woman who is self-conscious about her financial troubles. She quit her job in the shipping department of a LaGrange factory after losing part of her right leg in 1988 because of poor circulation. Four years later, her husband, a maintenance man at a McDonald's, died of cancer at age 50.

Since then, Hall has lived off a monthly check from Social Security, currently \$994. To stay afloat, she took out a second mortgage on her only significant asset, her home — the first in a series of high-interest, high-fee loans that have eaten up almost half her meager income.

To make her mortgage payments, last year she borrowed against the insurance policy that is supposed to pay for her burial.

Now, she's barely able to keep up with her \$479-a-month mortgage. Her home — as well as her sense of security — is on the line.

"I can't seem to get ahead," Hall said, "no kind of way."

A goal deflected

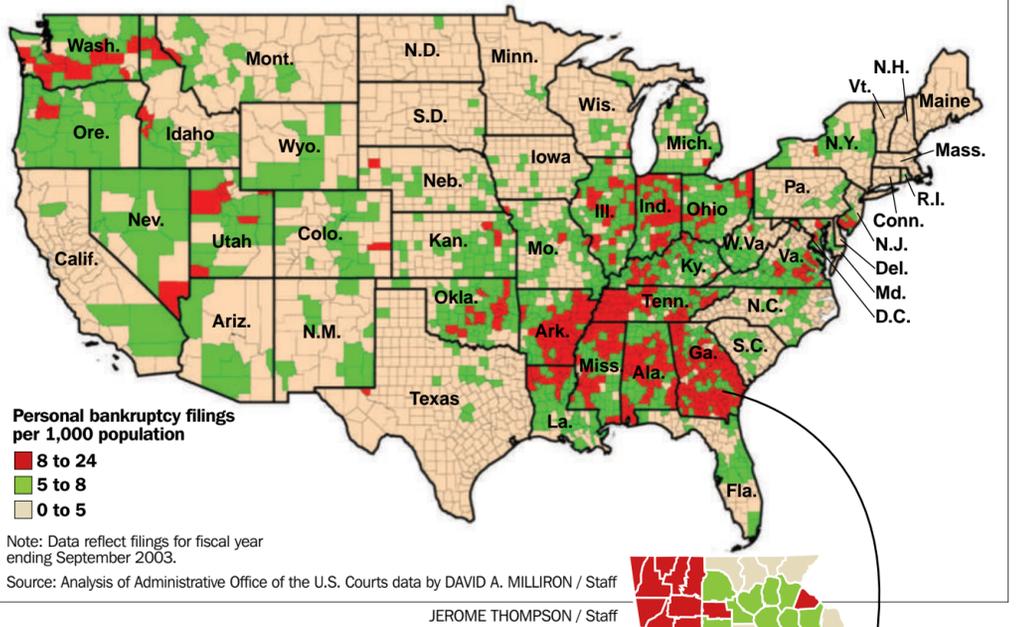
Bankers describe Georgia's lightning-fast foreclosure process as "efficient," one that keeps interest rates low and banks willing to make loans to risky borrowers. As evidence, they point to Georgia's homeownership rate, which now exceeds 70 percent.

"I view Georgia's laws as fair and balanced," said Joe Brannen, president of the Georgia Bankers Association. "The laws over the years have stood the test of time to people being able to get credit."

Georgia's quick process may make

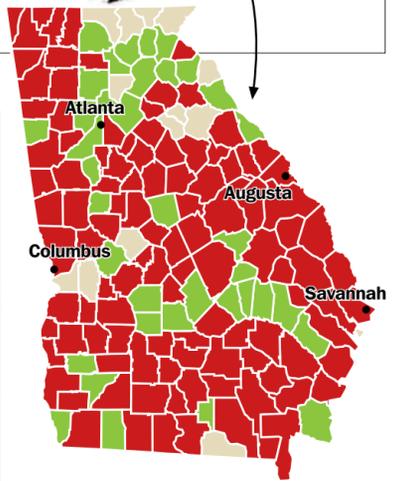
LOSING IT: BANKRUPTCY FILINGS ACROSS THE NATION

Georgia has one of the nation's highest rates of personal bankruptcy filings. Experts say the state's fast foreclosure process is one of the primary reasons that Georgia stands out. Filing for bankruptcy protection automatically stops a scheduled foreclosure and gives borrowers more time to make up missed payments.



Prospective buyers cluster around Tina Wood (with papers) as she auctions off a foreclosed property outside the Fulton County Courthouse the first Tuesday in January. Procedures for foreclosure sales have changed little since the 1880s.

RICH ADDICKS / Staff



home in Meadow Glen every chance she gets. She can't help but think about the fate of her neighbors facing foreclosure.

"I thank God I had somewhere to go," she said. "I do wonder about the other people. Did they have a safety net?"

Auction free-for-all

On the first Tuesday in January, a crowd gathered on the steps of the DeKalb County Courthouse in Decatur. Nearly 100 were waiting by 10 a.m. as a county marshal and a court clerk emerged.

Onlookers barely noticed as the clerk auctioned off a repossessed stereo used as collateral for a small loan. The clerk and the marshal quickly completed their official duty, the result of a court judgment against the borrower, and returned to the courthouse.

The government had managed the sale of a stereo that brought \$20; it stepped aside as pieces of the American dream were sold to the highest bidder.

Over the next six hours, a collection of lawyers, loan officers and other representatives of mortgage lenders staked out spots on the courthouse steps to sell houses on which lenders had foreclosed.

Foreclosure sales take place in every Georgia county on the first Tuesday of each month, rain or shine, just as they have for more than a century. Property for sale is advertised in each county's legal notices, but no government agency takes part in the auctions.

It's a real estate free-for-all. The average cattle auction is a much more coordinated affair.

In DeKalb this month, four or five sales often happened at once. Potential bidders — many carrying color-coded printouts or handwritten tipsheets that made the scene resemble a day at the horse track — crowded around sellers.

Lenders' representatives read aloud from long lists of foreclosed property — one law firm was selling 153 homes — before offering each for sale. Experienced bidders came with cashier's checks or cash to cover the amount they were willing to pay. New players mostly stood to the side and watched.

A more orderly and competitive process could bring higher prices, diminishing the financial hit families take when their homes are sold outside the courthouse. Critics say the process is so chaotic it's hard for homeowners to challenge or even follow the sale of their most valuable asset.

"To describe what happens on the

Please see top of next page





BORROWER BEWARE

Car deals: Complaints to state pile up

► Continued from A1

complaints. "Consumers, we don't really have a say in this state," said Dave Kidney, 27, who searched in vain for a government agency to help him after the used car he bought from a Cobb County dealer broke down 15 miles after he left the lot.

Kidney decided he had just one recourse: a lawn chair and a picket sign positioned just outside the dealership that sold him the Infiniti Q45.

Work largely secret

Donny Riner runs a Middle Georgia auto auction where used car dealers line up every week to buy the latest inventory for their lots.

The 52-year-old Swainsboro businessman is a fan of the used car industry and has served twice as president of the Georgia Independent Automobile Dealers Association, the trade group representing used car dealers.

Those ties do not disqualify Riner from a seat on the state's used car board, the entity charged with protecting consumers against unscrupulous dealers. In Georgia, they help him.

State law mandates that five of the nine members of the board — created by the General Assembly in 1958 — be used car dealers themselves or have direct ties to the industry.

But Riner said the public should be confident that its interests are being served.

"We have the most consumer-minded, consumer-oriented board that I have ever seen," said Riner, who was appointed to the board in 1990 by then-Gov. Joe Frank Harris. "Our board is very, very tough on dealers."

For years, Riner has served as the board's "cognizant," the member charged with reading and evaluating complaints against dealers for merit before presenting them to the full board.

Riner believes that consumers create a lot of their own problems and that dealers often are unfairly maligned. "People try to paint used car dealers as a bunch of crooked guys," he said. "The crooked people out there, most of the time, is John Q. Public."

It is difficult to determine how well the used car board polices the state's independent used car dealers, since it is impossible to compare the consumer complaints the board receives with the actions it takes.

Georgia law cloaks in secrecy many of the activities of the board. Its complaints are confidential. So are its investigative files. Only official board sanctions are revealed to the public — and even those can be kept confidential if the board so chooses.

Even the deliberations at the board's public meetings, conducted every other month in Macon, often take place in private. More than three hours of its 4½-hour July session occurred behind closed doors.

The confidentiality provisions were created by the General Assembly and apply to all 34 licensing boards administered by the Georgia secretary of state's office. Members of the used car board are comfortable with the confidentiality afforded dealers. "Everybody's business don't need to be talked about in the street," Riner said.

But Riner acknowledges that the board is hamstrung to do all that needs to be done to protect consumers. It has the equivalent of 3.4 full-time inspectors to keep tabs on 5,100 licensed dealers. The board had a backlog of 89 complaints awaiting inspection or investigation as of June 15, the most recent data available.

The board does routinely fine dealers when an inspection identifies a violation, according to an Atlanta Journal-Constitution review of its public sanctions. Between 2003 and early 2005, the board issued 155 disciplinary actions against licensed dealers — almost all involving fines. License suspensions or revocations were rare, but the typical fine was about \$1,000.

The board negotiated 59 cease-and-desist orders with dealers operating without a license. Riner contends that unlicensed dealers create more problems for consumers than the licensed dealers.

State law gives the board



Unhappy car buyers are often to blame "for not doing their homework," says Donny Riner (left) of the state's used car board. He and Jeff Wilkinson are two of its industry representatives.

T. LEVETTE BAGWELL / Staff

ONLINE QUIZ

Q: How many days does Georgia law give you to change your mind about the car you just bought and to return it to the dealer?

- A. One day
- B. Three days
- C. None of the above



More questions and answers at ajc.com/borrowerbeware

Answer: C. In spite of what many consumers believe, Georgia has no blanket three-day right to cancel a purchase, except for a few exceptions such as some door-to-door sales. So once you sign the papers, the car is yours.

authority to investigate and punish a wide range of practices considered deceptive, including a dealer who makes false promises.

But the board focuses most of its attention on holding dealers accountable on several key and more cut-and-dried matters: issuing paperwork so consumers can get their tags and titles, and making sure that federally required "Buyers Guides" are posted on all vehicles on the lot. The guides spell out whether a vehicle is being sold with or without a warranty.

In 1987, the Georgia Department of Audits questioned the need for the board's existence, saying the board didn't do enough to protect the public.

It recommended that new car dealers selling used cars be brought under the board's purview and that the board address widespread deceptive practices and consumer dissatisfaction associated with used vehicles.

The General Assembly decided to keep the board in place and rejected the idea that new car dealers be regulated by the board. Little has changed in the 18 years since the audit was filed.

Riner said the board has tried repeatedly to persuade lawmakers to appropriate money to hire more inspectors. Its attempts have been largely unsuccessful. "The problem is not the dealer," Riner said. "The problem is our elected officials who wouldn't allocate the money to do the job that needs to be done."

Low-key approach

Shortly after the General Assembly created it in 1975, the

Governor's Office of Consumer Affairs became a thorn in the side of the state's auto industry.

Tim Ryles — who was appointed by then-Gov. George Busbee as the agency's first chief and who later served a term as the state's insurance commissioner — aggressively took on car dealerships and mechanics with lawsuits and public campaigns in print and on television.

But the agency has mellowed considerably in recent years.

In an interview with the Journal-Constitution shortly before his death last year, Busbee lamented changes at the office.

"I think they have decimated it," said Busbee, who strongly stood by Ryles when the business community complained about his tactics. "I don't think it is as active as when I had it."

Today, Joseph Doyle heads the agency from its offices across the street from the Capitol. A former retailing entrepreneur with an accounting background, Doyle, 57, owned After Hours Formalwear before selling it in 2001.

In his 21 months at Consumer Affairs, Doyle, who is reserved and camera-shy and typically relies on his staff to interact with the public, has viewed himself more as an administrator than as a crusader for consumers. He applauds Gov. Sonny Perdue's mandate to do more with fewer taxpayer dollars.

"I am a results-oriented manager who is committed to protecting the citizens of the state and best using the resources we have," said Doyle.

He said complaints against auto dealers continue to be a clear priority of the agency. "It affects virtually everybody over 16 years old in the state of Georgia," he said.

It is not a very visible priority.

The agency rarely issues press releases when it sanctions dealers, an approach designed to encourage businesses to comply with the law without embarrassing them.

"Sometimes there are honest mistakes," Doyle said. "We are not trying to crucify businesses that make honest mistakes."

The agency's low-key approach leaves many car owners — who accounted for nearly one-third of the agency's 26,550 complaints last fiscal year — in the dark about whom the agency has put on notice for deceptive practices.

Many of the consumers who complain to Consumer Affairs get no relief for their specific problems.

Although the agency sometimes serves as an informal mediator to resolve individual complaints, Doyle said it is charged, primarily, at looking for patterns of deception by merchants. "We're not in a position to be handling every single citizen's complaint," he said.

Like the used car board, Consumer Affairs has the authority to pursue a wide range of deceptive acts. But the agen-



RICH ADDICKS / Staff

His agency's focus on false advertising got the industry's attention, says Joseph Doyle, head of the Governor's Office of Consumer Affairs.

cy focuses most of its resources on dealers who lure customers through false advertisements. "That's where the laws really direct us to focus," Doyle said.

Even in those cases, the agency seems to tolerate multiple offenses before imposing fines.

The Journal-Constitution reviewed 91 letters of understanding the agency has entered into with dealers and a marketing company since January 2004. The letters, signed by dealers promising to stop certain practices, are issued after a verbal warning from Consumer Affairs goes unheeded. Only three of the 91 cases prompted fines. Some dealers simply ignored the agency's letters informing them of violations, with no resulting penalty.

Through more formal proceedings, the agency has also negotiated fines in 12 other false advertising cases involving car sales since January 2004.

One of the cases involved four dealerships — owned by Columbus-based Bill Heard Enterprises, Georgia's largest car dealer — which shared a record fine of \$188,000. In 2003, Bill Heard dealerships paid \$84,000 to settle a similar case. The dealerships admitted no wrongdoing in either case.

Doyle pointed to the fines against Heard as evidence of the agency's effectiveness in combating false advertising. "It got the attention statewide of that whole industry — very immediately," he said.

The agency's sanctions followed years of complaints from consumers and other dealers to Consumer Affairs, as well as years of warnings from the agency to the dealership.

The agency also pointed to efforts to help consumers who did business with car dealerships that failed to pay off loans on trade-ins and transfer titles for new vehicles.

Almost a year ago, the agency negotiated two major settlements for customers of dealerships in South Georgia and metro Atlanta. But only the customers of Kia of Waycross, Kia of Douglas and Waycross Mitsubishi have received restitution so far. Restitution for customers of the defunct Metro Dodge in Snellville depends on whether any money can be collected to repay victims.

Gary Leshaw, a Decatur lawyer who represents consumers in the Metro Dodge case, said the agreement hasn't been a success for his clients. None has collected any money and some will never be fully compensated for their losses, Leshaw said. He said the agency should have pursued the case more aggressively in court.

"When dealing with real consumer fraud — and I think this case points it out — they just are not highly effective at what they do," Leshaw said.

Getting a clear answer about what Consumer Affairs can take on, under the law, can be confusing — even in cases that make up some of the most common complaints made by consumers.

Until recently, the agency sent out letters telling consumers that it lacked jurisdiction to pursue cases involving "spot delivery."

Spot delivery is a common sales practice in which a consumer takes possession of a car after the deal has been negotiated, but before the financing has been finalized. Once the transaction is complete, consumers can find themselves facing higher payments or other less favorable terms than they thought they were getting.

After the Journal-Constitution raised questions about the agency's claim, officials at Consumer Affairs backpedaled, saying it did, in fact, have the jurisdiction to take on spot delivery cases, if there was a pattern of deception associated

with the practice.

But in a recent interview, Doyle said he wasn't so sure it did. "I don't see how we could do anything except talk to people," he said.

'Weren't helpful at all'

In January, Dave Kidney pulled off the lot of Sapna Auto Sales in Marietta in a 1992 black Infiniti Q45. The Smyrna resident was proud of his new purchase and on his way to show it to his girlfriend.

Kidney was tooling along on I-285 when smoke started billowing from beneath the hood. He got to the shoulder before the engine died.

That was the beginning of an odyssey that has left Kidney questioning his decision to move from New York to a state with so few consumer protections.

By his own admission, Kidney didn't thoroughly check out the \$3,250 car, which he bought "as is," meaning without any kind of warranty. But he said that's because the dealer promised to take care of him should something go wrong.

Sapna worked on the car several times after that and said it had been fixed. But it kept breaking down. Kidney said he no longer trusted the dealer to repair the vehicle.

Sapna's president, Jay Patel, said he went out of his way to help Kidney. He even offered to split the cost of replacing the engine on the vehicle. "I am being as fair as I can," Patel said. "If I wanted to be like other dealers, I would've said, 'Look, you bought the car 'as is.' I'm sorry.'"

Today, the Infiniti sits outside Kidney's apartment, where it's been an immovable fixture for months. Kidney, a cashier at Home Depot, has been using his girlfriend's car. He said he can't afford to get his car fixed. But he is continuing to make payments on the Infiniti — he didn't want to ruin his credit.

He wonders whether he got taken: A report from Carfax, a company that tracks vehicle histories, shows that the miles on the Infiniti may have exceeded 200,000, even though the bill of sale puts the mileage at 111,783.

Sapna's Patel presented an invoice that showed the car had the lower mileage when he bought it from an auto auction. It is unclear when or if a rollback occurred, which would constitute a federal and state offense.

No one in state government seems too interested in Kidney's predicament.

Shortly after the car broke down, he called the Governor's Office of Consumer Affairs. "They didn't listen to two questions — they weren't helpful at all," Kidney said.

At a minimum, Kidney said, the office could have heard him out. "They are being funded to do something, I guess," he said, "even if it's just to hang on the phone and listen." Instead, the office referred him to the used car board.

He spoke to the board's chairwoman, Diana Waldrop, who was sympathetic to his plight. But since he bought the car "as is" she said, there was nothing the board could do.

In the end, Kidney decided that the only thing he could do was to try to warn others: He bought a piece of poster board and crafted a picket sign. And he set up a lawn chair in front of Sapna, a small lot on a busy street near the Big Chicken. He advised passers-by to enter at their own risk.

Meanwhile, he's paying for a car that doesn't run.

"Hey," Kidney said, "I guess that's just part of living in Georgia."

Staff writer Alan Judd contributed to this article. Carrie Teegardin can be contacted at csteegardin@ajc.com. Ann Hardie at ahardie@ajc.com, and Alan Judd at ajudd@ajc.com.

THE SERIES SO FAR

The Atlanta Journal-Constitution in January kicked off "Borrower Beware," a series examining lending and consumer issues in Georgia. The installments of the series are available online at www.ajc.com/borrowerbeware. Buy an 11-by-17 reprint of the original special report published Jan. 30-Feb 2 for \$7.95, including shipping and handling, plus tax. Order online at ajc.com/info or call The Stacks at 404-526-2610.



- Harsh lending laws fail consumers: Founded 273 years ago as a debtors' colony, Georgia is perhaps the least forgiving state in the nation for people who owe money. Of the 100 counties nationally with the highest rates of personal bankruptcy filings, 45 are in Georgia. (Jan. 30, 2005)
- Swift foreclosures dash American dream: Georgia professes to support the American ideal of homeownership, but no state does less to protect homeowners hit by hard times. (Jan. 30, 2005)

- Cost and risks are ultrahigh for car title loans: Georgia was the birthplace of car title lending. State law allows car title lenders to charge 25 percent interest a month, which works out to an annual rate of 300 percent. (Jan. 31, 2005)
- Small-loan costs among highest in the U.S.: Consumers who resort to borrowing from the state's storefront small-loan companies pay dearly — mostly through insurance and other extras that push the cost of lending into the triple digits. (Feb. 1, 2005)

- Mixing business and politics: An insurer's hunting preserve serves as a tool to build political support and a solid business. (Feb. 2, 2005)
- Consumer office gets heat: An official says a top aide to Gov. Sonny Perdue tried to halt an investigation of an auto dealer. (March 27, 2005)
- Tax loans: quick cash, steep price. Tax prep firms find a way around state interest limits. (April 3, 2005)





ONE TOWN'S WAR

Brean's back from Baghdad, with a surprise

SUNDAY LIVING, M1

A not-so-quiet day living the High life

ARTS & BOOKS, K1

★★ FINAL



FINAL EDITION
The Atlanta Journal-Constitution
SUNDAY



Can \$147 million fix a dangerous interchange?

METRO, E1

Bulldogs win, but Shockley may miss Florida

COLLEGE FOOTBALL, Section G



Flu outbreak a grave threat

U.S. ill-prepared for a pandemic

By M.A.J. MCKENNA
mmckenna@ajc.com

@ISSUE: 5-PAGE SPECIAL REPORT

The glossy emergency department of Emory Crawford Long Hospital in downtown Atlanta is one of the metro area's newest and best-equipped.

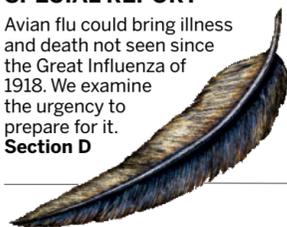
It boasts computerized systems to track patients' time in the waiting room, an "express care" unit to lessen demand for its always-full beds, and a tent that can be inflated in the parking lot to treat victims of a large toxic or chemical emergency.

But there is one thing it does not possess: the ability to handle the nightmare challenges that a world-spanning epidemic of influenza could bring to Atlanta.

"We're prepared for large infectious disease outbreaks, even for bioterrorism," said Dr. James "Pat" Capes, the unit's medical director. "But pandemic flu is going to overwhelm the health care system."

Capes is not the only one who feels that way. From local hospitals to the federal government, a consensus is growing that the United States is critically unprepared to counter a countrywide outbreak of influenza and could not slow or stop the disease if it struck in the near future.

Avian flu could bring illness and death not seen since the Great Influenza of 1918. We examine the urgency to prepare for it. Section D



Preparations for pandemic influenza — the term for an epidemic that begins in multiple places at the same time — have been in the works for more than a decade. They have taken on fresh urgency because of the rapid advance of avian influenza H5N1 from Southeast Asia across Russia and into Europe — and also because the slow, disorganized federal response to Hurricane Katrina illustrated the fatal results of failing to plan adequately for a disaster.

The disease has spread to 14 countries so far, sickening at least 118 people and killing at least 61, and racked up fresh human cases just last week: a hospitalized father and son in Indonesia, and Thai-

► Please see FLU, A13

You live in a state where . . .

■ You have no recourse if the used car you bought falls apart just after you drive it off the dealer's lot.

■ Legislation to protect you when buying a car has been scuttled by lawmakers' self-interests.



Why Georgia can be a bad place to buy a car

JOHN SPINK / Staff

By ANN HARDIE, CARRIE TEEGARDIN and ALAN JUDD

BORROWER BEWARE

AN AJC SPECIAL REPORT
First of two parts

After Rickie and Ronda Coleman purchased a Pontiac Grand Prix from a car dealer who turned out to be a crook, they discovered why Georgia is among the worst places in the country to buy a car.

Not only did the Eastman couple have to give their car back, they got stuck paying the note on a vehicle they no longer owned. Then legislation to

protect used car buyers from the Colemans' fate got snarled in industry opposition and a lawmaker's self-interest. State Rep. Alan Powell, himself a used car dealer, exerted his influence last year to gut the bill, which he says would have cost him money and put some mom-and-pop dealers out of business.

"I am a businessman," said Powell, a Democrat from Hartwell, "and if you ain't figured it out, Georgia is very much a pro-business state."

The lawmaker's strong industry tilt — as well as his efforts on behalf of his own business — is commonplace at the General Assembly. And it helps explain why Georgia consumers like the Colemans have little recourse when a car deal goes sour.

As part of an ongoing examination of state consumer laws and lending practices, The Atlanta Journal-Constitution found that almost every state does more

than Georgia to protect car buyers.

► Georgia law, for instance, does next to nothing to look after a consumer who buys a used car only to have it break down on the way home from the dealership — even if a salesman told the consumer the car runs like a dream. In Mississippi, dealers must provide at least a basic warranty on used cars less than 6 years old and with fewer than 75,000 miles.

► Georgia does not regulate "spot delivery," a common sales practice

► Please see CARS, A14



"I was thinking there was something out there to protect the consumer. Come to find out, there wasn't," says Rickie Coleman of Eastman, who was defrauded of \$14,900 in a used car deal.



"You can't do all things for all people," says Rep. Alan Powell, a licensed used car dealer who helped weaken a bill to boost protections for used car buyers.

Reed as consultant a master of stealth

Ex-activist relies on Christian connections

By ALAN JUDD
ajudd@ajc.com



JENNI GIRTMAN / Staff

Ralph Reed has said of his style: "I want to be invisible. I paint my face and travel at night. You don't know it's over until you're in a body bag."

worth of airplanes.

Such stealth defines Reed's eight years as a corporate and campaign consultant, the work that bridged his career from Christian activist to Republican candidate for lieutenant governor of Georgia.

By working through grass-roots

► Please see REED, A7

Greg and Jennifer Grizzle relax on his BMW motorcycle in Peachtree Corners. He agreed to have a vasectomy so she would agree to the purchase. What would Brando say?



CHARLOTTE B. TEAGLE / Staff

It's time to cut to the chase, men: Wives are the key to what we buy

By DON FERNANDEZ
dfernandez@ajc.com

No matter how you slice it, Greg Grizzle was going to get his vintage motorcycle.

He'd longed for a BMW bike since 1976 but his wife, Jennifer, believed the family had more pressing priorities, like their children and finances — not to mention concerns about safety.

They struck a deal: Greg would get a vasectomy and the motorcycle would be his.

Snip, snip. Vroom, vroom.

"By then, I couldn't protest," said Jennifer Grizzle, who lives in Peachtree Corners. "He deserved it. He went under the knife for me."

His sacrifice echoes a newly classified criterion that married men must often pass for their most desired purchases: the WAF — Wife Acceptance Factor.

Motorcycles, cars, big-screen TVs, pool tables — all are subject to this qualifier.

► Please see WAF, A11

EXPANDED INDEX, A2

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The importance of eating together

LIVING, E1

The roots of soul food

NEWS FOR KIDS, E4



The Atlanta Journal-Constitution

MONDAY, JAN. 31, 2005

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Partly cloudy 49°/34°, C6

SCORES Maryland 79 Ga. Tech 71

INSIDE TODAY

Troubles melt away — mostly

Metro Atlanta is out from under the weekend ice. But there are still a few slick spots on the roads and some serious backups in air travel. So be smart and be patient. Metro, B1

How silted up was my valley

The Fulton County town of Mountain Park looks like a scenic Appalachian resort hidden in the Atlanta suburbs. So why are residents angry? Because silt runoff from less picturesque places is killing the lakes. Horizon, C1



Jackson trial ready to rock

The defendant is famous and eccentric. The charges are lurid and very serious. It will be a battle of legal teams and publicity machines. News, A3

Girls, step away from the couch!

Sitting still has become a national pastime, and it's an especially worrisome trend in young girls. The Women's Sports Foundation wants to get metro Atlanta girls moving for their own good. Living, E1

Hot destination or whistle-stop?

Hampton is known for fast cars that travel in circles. Some people would like to add a train station so folks can go back and forth to Atlanta. But others say that's a dead end. Horizon, C1

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HISTORIC DAY FOR IRAQIS

In U.S.: President Bush praises "brave patriots" who voted.

...

In Iraq: A British transport plane crashes, killing 10.

...

Deaths: At least 44 are killed in election violence.

INSIDE

► U.S. troops heartened by turnout near Saddam Hussein's hometown. A4

ON AJC.COM

► Updates on the election, plus photos from the voting across Iraq.



ANDREW PARSONS / Associated Press

A woman in southern Iraq makes a victory sign, showing a purple finger that indicates she voted. Democracy's first step was largely successful, but challenges remain.

Iraqis vote, celebrate

Election draws higher turnout, less violence than many feared

By LARRY KAPLOW lkaplow@ajc.com

Baghdad, Iraq — Millions of Iraqis risked mortar attacks and suicide bombings Sunday to vote in the country's first national election after decades of tyranny.

Voters danced at polling sites in the Kurdish north and invoked religious decrees while voting in southern Shiite Muslim holy cities. Amid a ban on car traffic, they walked, rolled in wheelchairs, leaned on canes and zigzagged through razor wire as explosions echoed through the capital.

"This is the best election in the

world," Hassan Hamzeh al-Khafaji, 56, was heard exclaiming to his three brothers, who voted for three different factions at a polling center in southern Baghdad. "I consider it bigger than Saddam's fall. It's the first time the Iraqis feel they have dignity."

Indeed, Iraqis displayed palpable joy, rivaling the jubilation after the toppling of Saddam's regime by the U.S.-led invasion in 2003.

This time, they could take pride that they, rather than foreign troops, were shaping their destiny. The spectacle of families walking together to the polls

► Please see IRAQ, A4



Why Georgia is a bad place to borrow money

AN AJC SPECIAL REPORT



RICH ADDICKS / Staff

Three days before Christmas, Felicia Scrubb's car was repossessed to cover a \$450 loan whose monthly interest hit \$112.50. On this January morning, the 1980 truck lent by a friend wouldn't start, so the Clayton County mother of three — (from left) Dakwan, 1, Deshaun, 3, and Demarcus, 6 — walked Demarcus to school but could not get to her job.

The cost is high and so is the risk for borrowers who post car titles as collateral for quick cash.

By ALAN JUDD, CARRIE TEEGARDIN and ANN HARDIE / Staff writers

Two identical neon signs burn with a seductive green glow. "LOANS."

These storefront signs beckon to more than 60,000 people a day driving along Tara Boulevard in Jonesboro. It's a faded stretch of massage parlors, a tattoo shop and a DUI school on a street whose name evokes antebellum gentility.

It also was Rod Aycox's launchpad to the top of one of the most controversial and highest-priced credit industries in America: automobile title lending.

Aycox was 24 years old when he opened his first title lending store on Tara. He wasn't quite the first title lender. He still isn't quite the biggest. But no one has done more to spread title lending across the country from its Georgia roots. Now a 38-year-old suburbanite

on a low-carb diet, juggling a demanding job, a wife, two children and a house in Alpharetta, Aycox has become his industry's most impassioned evangelist.

"I love the business," he says. "I enjoy the business. I believe in the business. . . . My business is very fair, upfront and decent."

And, for borrowers, risky.

The loans, defined in state law as pawn transactions, are made in exchange for a car title and a spare set of keys. They come at a hefty price: 25 percent interest a month, which works out to an annual rate of 300 percent.

That rate turns a \$500 loan on the first of the month into a \$625 debt at the end of the month. It is five times as high as Georgia allows for most regulated loans.

If a borrower is even one day late with a payment, the lender may repossess the car — using the borrower's

► Please see TITLE LOANS, A10

YOU LIVE IN A STATE WHERE

- Interest rates of 300 percent a year are allowed.
- You can lose your car if you default on even the smallest of title loans.
- The lender who takes your car can sell it and pocket the difference.

(SECOND IN A FOUR-PART SERIES)

Baby Bell SBC set to buy AT&T

By KEN BELSON New York Times

SBC Communications on Sunday night was close to concluding a \$16 billion deal for its former parent, AT&T, that would lead to the virtual disappearance of one of America's best known corporate icons and set off what promises to be a new round of competition among the Baby Bells, executives close to the negotiations said.

The boards from both companies met for hours Sunday to complete the deal after several days of talks that were first reported last week. In buying AT&T, its national network and 3 million corporate customers, SBC can aggressively expand into the turf of its regional Bell siblings, who themselves are grappling for ways to move beyond their borders.

AT&T, the former monopoly, has been undone by cheaper Internet technology, growth in a cellphone industry where it has no role, and regulatory changes that squeezed it out of the local phone market.

The AT&T brand and operations will survive inside SBC, which has its roots in the Southwest. But it will disappear as an independent company that for generations provided reliable

► Please see AT&T, A12

Aspirin-like pill may help treat diabetes

By DAVID WAHLBERG dwahlberg@ajc.com

An aspirin-like drug could someday treat diabetes, say researchers who have shown how inflammation can trigger the disease — and how anti-inflammatory pills may help treat it.

The 18 million Americans with diabetes either can't produce enough insulin or can't properly use it. Insulin transports sugar, the body's basic fuel, from blood into cells. Treatments such as insulin therapy and special diets aim to regulate blood sugar.

Scientists asking why many diabetics become resistant to their own insulin, especially if they are overweight, are increasingly coming up with the same answer: inflammation. The body's natural process of healing from wounds or infections, inflammation

► Please see DIABETES, A6



BORROWER BEWARE

► Continued from previous page

courthouse steps as a circus is being polite," Alexander said.

No oversight

No judge or government official plays a role in deciding which properties go up for sale on any given Tuesday.

In Georgia, home buyers routinely sign away any constitutional rights they may have to due process when they close on their mortgages, waiving the right to judicial review and putting lenders in control of a potential foreclosure.

In about half the states, including neighboring South Carolina and Florida, a judge must approve a foreclosure before it can proceed. In those states, homeowners have an automatic opportunity to contest a foreclosure, giving them more time to respond.

What happened to Bijan Gooneh, a Dunwoody homeowner, illustrates why many states require judicial review.

The native of Iran, who immigrated to the United States two decades ago, knew his lender had made an accounting error; a check bringing one of his two past-due accounts up-to-date had been applied to the wrong loan, according to a lawsuit he filed in Fulton Superior Court.

Countrywide Home Loans started foreclosure; Gooneh said that he then faxed the lender evidence of its error. Last August, one day before a foreclosure sale was scheduled, he said, a Countrywide employee assured him that the problem had been resolved and the sale canceled.

A few weeks later, a DeKalb County marshal pulled into his driveway and handed him an eviction notice. "They sold your house on Aug. 3," the marshal said. He told Gooneh to pack up and leave — he didn't own his house anymore.

"I felt numb all over," said Gooneh, 47, an Oriental rug dealer. "It was just a big shock. I didn't have any power to stand on my feet. I sat on the steps of the back-yard deck until I came to my senses and said, 'Now that this thing has happened, what can I do?'"

Gooneh sued Countrywide and the law firm that handled the sale. Countrywide declined an interview request. In an answer filed last week to Gooneh's lawsuit, the company admitted that "the foreclosure sale itself was conducted in error." But Countrywide challenged other allegations in Gooneh's suit.

He has remained in the house while the lawsuit is pending, but for now Countrywide, not Gooneh, owns the house.

"It's very scary and it affects the family too," said Gooneh, who is married and has one son in college and another who is 13. "They feel very insecure, asking, 'Do we have a house or don't we have a house?'"

Lenders who do business in Georgia insist that foreclosure is a last resort. They say they work with homeowners who show the promise of catching up and staying current



RICH ADDICKS / Staff

Monique Johnson managed to sell her Fairburn home (behind her) three days before it was scheduled for auction.

with their house payments.

"Once the institution decides they have no alternative but to foreclose, obviously the most expeditious way to accomplish that is something any lender is going to be in favor of," said Steve Bridges, former state banking commissioner and now president and chief executive of the Community Bankers Association of Georgia.

In 2002, in a bill that targeted unscrupulous mortgage lenders, then-Gov. Roy Barnes tried to insert a requirement that a judge sign off on foreclosures of homes with high-interest mortgages.

"I wanted to make sure there was no equity stripping," said Barnes, referring to lenders who charge exorbitant interest rates and fees that tap equity built up by poor and elderly homeowners. "And the idea that you can privately take something is foreign to our notion of due process."

The requirement would not have applied to most mortgages, but Barnes could not sell the idea to key lawmakers. It came out of the bill.

'The only way'

Bankruptcy remains the only option most Georgians have to delay foreclosure. No state has more Chapter 13 filings — the reorganization option that most homeowners choose — than Georgia.

Federal bankruptcy courts across the state team with desperate people seeking protection from credit card issuers and high-interest lenders. Many of them are trying to save their homes.

Everyone has a story to tell — of broken marriage, illness, an unfair lender. But bankruptcy court is not the place for those stories.

"I didn't want to go that way, but that was the only way," said Lizzie Hall, who filed last May, days after learning her mortgage holder planned to sell her house.

For now, bankruptcy has provided a refuge, but a tenuous one. The court has taken over Hall's financial affairs. Like others in Chapter 13, she has to live within a strict budget. She



RICH ADDICKS / Staff

An accounting error by his lender led to a foreclosure against Dunwoody resident Bijan Gooneh, he alleged in a lawsuit after his house was sold.

can't buy a car or refinance her house without permission.

The majority of people who enter Chapter 13 cannot keep up with their court-ordered plans. Many end up eventually losing their houses.

Even those who successfully complete their plan, which typically takes three to five years, will face higher interest rates because of the stain on their credit report.

Hall's path to bankruptcy court started with a second mortgage she

took in 1998. Almost from the start, she couldn't keep her payments up-to-date, and she refinanced twice. When she fell behind on one loan, lenders simply allowed her to refinance with another.

But Hall paid a high price. Over four years she amassed, and financed, almost \$21,000 in closing costs and fees.

She got her last loan from Irvine, Calif.-based New Century Mortgage Corp., the nation's second-largest

lender in the so-called subprime market, which caters to risky borrowers at high interest rates.

Her loan benefited more than just New Century. The company pooled her mortgage with 6,100 other loans and sold them to a Wall Street investment bank, according to documents filed with the Securities and Exchange Commission. They now belong to an investment trust, which initiated the foreclosure on Hall's home.

A spokeswoman for New Century, Erin K. Freeman, declined to discuss Hall's loan, citing privacy issues. However, she said, the company makes sure that all borrowers receive a "tangible benefit" from its mortgages.

Indeed, Hall's last mortgage, taken out in 2002, had a lower monthly payment and a lower interest rate than her previous loan. But it still was full of unfavorable terms: a rate of 12.5 percent, penalties for paying off the mortgage early, high fees for her broker, and a \$479 payment, nearly half her monthly income.

"You can look at this loan from Day One and say, 'She is going to be in foreclosure in short order,'" said William J. Brennan Jr., who oversees the Atlanta Legal Aid Society's Home Defense Program, which represents clients claiming to have been victimized by unscrupulous lenders. Brennan, a nationally recognized expert in mortgage lending, reviewed Hall's contract for the Journal-Constitution.

"She deserves to live out her retirement years in her lifelong home," Brennan said. "Instead, because she lives in Georgia, where there are few or no protections, she is targeted for an abusive loan that could cost her her house and is making investors on Wall Street rich."

Hall reached a tipping point last February.

More than three months behind on her payments, she borrowed \$2,000 against her \$5,000 burial insurance policy to get her mortgage up-to-date. She worried that when she died, her niece and nephew, her only surviving close relatives, would be stuck paying for her funeral.

But she had no choice. When she wired almost \$1,800 to the mortgage holder's agent, it was her last resort.

But she said she couldn't afford to make more payments before May, when she read the foreclosure notice in the newspaper.

To keep her home, Hall will have to continue paying her mortgage, plus \$125 a month to the bankruptcy court to cover her missed mortgage payments and other debts. Her bankruptcy plan, approved by a judge, is based on a budget that allots \$86 a month for food and \$10 for medical expenses.

Nevertheless, she believes she can make the budget work and save her home. She has to believe. With no children to turn to and only her niece and nephew, who can afford to give no more than nominal help, that's the only way she can keep her little house.

"I grew up poor and I'm still poor," Hall said. "Sometimes you feel like you are going out of this world backwards."

Loans: Ripple effects of defaults burden state

► Continued from A1

consumer loans. Unlike most of the 23 other states that allow this kind of lending, Georgia lets title pawn lenders pocket the entire proceeds from the sale of cars they repossess, over and above what borrowers owe.

► Georgia is one of the most expensive places in the country to borrow a little bit of money. State law regulating loans of up to \$3,000 allows lenders to add a slew of fees and insurance premiums that routinely drive the effective cost of small loans above 100 percent annual interest.

The way Georgia treats borrowers underscores the stark imbalance in the state's laws governing virtually all types of consumer loans. "We've got a lot of work to do," said Attorney General Thurbert Baker.

"The true test for a legislative body is to strike a good balance between attracting and retaining good businesses and making sure consumers are protected," Baker said. "We are not where we ought to be in Georgia."

Why does Georgia do so much to boost the profits of lenders and so

ONLINE QUIZ

Q: Does Georgia law guarantee you a grace period between the day your mortgage is due and when you can be considered in default?
A. Yes, 15 days.

B. Yes, 30 days.

C. No. It's up to the lender to decide whether to include a grace period in your contract.

Go to ajc.com/borrowerbeware for more questions and answers.

Answer: C

little to safeguard the borrowing public?

About one in seven legislators is involved in the lending business, one of the state's most politically connected. Bankers and other creditors spend big money persuading

lawmakers to adopt their points of view. They typically succeed.

"There is an old saying that 'politics is politics and the milk of politics is money,'" said Don Cheeks, former chairman of the Senate Banking and Financial Institutions Committee. "I hate to say that you are influencing the politicians with money, but you are."

The Augusta Republican used the clout he amassed during more than 30 years in the General Assembly to push through last year's tough crackdown on payday lenders. It was a rare legislative initiative to expand consumer protection.

Another recent piece of legislation offering protection to Georgia borrowers — the 2002 law targeting unscrupulous mortgage lenders — survived less than a year before lawmakers substantially weakened it.

Over the years, lawmakers and lenders alike have argued that the public, as well as the state's economy, is best served by making credit widely available. They say restrictive terms and high interest rates make it more likely that lenders will take risks, making loans to people with few assets or blemished credit.

But there is a price for that policy: the state's high bankruptcy rate.

"It's not good for business when you entice somebody to get in over their head," said state Sen. Ralph Hudgens (R-Corner), chairman of the Senate's Insurance and Labor Committee, who supports wide access to credit but with some limits. "What they're ultimately going to end up doing is bankrupting. And that costs everybody."

Lenders who lose money when customers seek bankruptcy protection either see lower profits or pass their losses on to other borrowers.

Georgians who borrow at triple-digit interest rates have little money left over for other purchases, even necessities, depriving the economy of their buying power.

And through public assistance programs, Georgia taxpayers can end up supporting families who go broke and become trapped in an endless cycle of debt.

"We are all interdependent — and we are interdependent economically," said former Gov. Roy Barnes, who founded a consumer law practice after his 2002 defeat for reelection. "We all bear the costs born

of bankruptcy, by the things that come out of financial desperation."

Barnes, a Democrat who served 22 years in the General Assembly before he was elected governor, said that point typically is lost on lawmakers who put the interests of powerful lenders ahead of their financially strapped constituents.

"It is a particularly bitter pill, especially in Georgia, where we started off as a refuge for debtors," Barnes said. "It is one of the great historical ironies."

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ABOUT THIS SERIES

Atlanta Journal-Constitution reporters **Ann Hardie** (ahardie@ajc.com), **Alan Judd** (ajudd@ajc.com) and **Carrie Teegardin** (cteeardin@ajc.com) analyzed how Georgia lending laws affect consumers, creditors and regulators. These articles are the first installment in an ongoing series. Contact the reporters at 404-526-2681.

The series was edited by **Donna Lorenz**, designed by **Rick Crofts** and copy-edited by **Sharon Bailey**, **David A. Milliron**, computer-assisted reporting and analysis editor, and AJC news researchers **Nisa Asokan** and **Alice Wertheim** contributed to the reporting. EquiSystems LLC compiled the foreclosure data.

TODAY

The AJC analyzed foreclosure laws in all 50 states, tracked foreclosure notices and interviewed consumers, lawyers and bankruptcy experts about Georgia's foreclosure law, which drives a bankruptcy rate that is among the nation's highest.

MONDAY

Consumers who borrow on their car title will pay 300 percent annual interest for a few hundred dollars.

TUESDAY

One of the most complicated lending laws imaginable makes Georgia among the most expensive places to borrow a little bit of money.

WEDNESDAY

An insurance company's idyllic homage to the rural South brings together lenders and public officials who regulate the business.



HEALTHY LIVING, E1

Understanding obsessive-compulsives



SPORTS, C1

'Those Muslim girls can really play'



The Atlanta Journal-Constitution

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Thawsome 49°/37°, D8

SCORES

Hawks 80
Magic 79

INSIDE TODAY

Checking in on five AJC losers

No, we're not talking about those guys. It's time for another weigh-in of plucky volunteers who agreed to let the newspaper (and you) peek over their shoulders at the scales as they monitor their struggle to slim down.

Living, E5

'Hey kids, let's go see laws made'

Your Georgia Legislature will meet on a Saturday in March just so ordinary folks — as in people who don't wear Italian loafers and steer thousands of bucks in campaign contributions — can see their elected state government in action.

Metro, B1

Some kind of 'Wonderfalls'

The quirky Fox comedy-drama hit the airwaves for a total of four nights before getting the ax, but fans devoted to the risk-taking series (and who have DVD players) can now see all 13 episodes.

Living, E1

Oh joy, a chance to dress like Beyoncé

The Destiny's Child singer (and Austin Powers cohort) is sharing her fashion sense — "fur with denim, classic with street" — with young women in a new line coming out this fall.

Peach Buzz, E2

Sitting down with Greensboro Four

A PBS documentary revisits the courageous efforts of young black college students who took a bold and dangerous stand against segregation at a North Carolina lunch counter.

Living, E1

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Doctors' role in executions debated

Death penalty foes go after licenses

By CARLOS CAMPOS
ccampos@ajc.com

After a lethal dose of chemicals flowed through the veins of convicted killer Timothy Don Carr last Tuesday night, two physicians with stethoscopes

around their necks quietly entered the execution chamber.

One at a time, the doctors confirmed with a somber nod to the warden of the Georgia Diagnostic and Classification Prison in Jackson that the state had succeeded in carrying out the court-ordered

death penalty. A third physician, unseen behind a two-way mirror, monitored an electrocardiogram that displayed the prisoner's last heartbeats.

The doctors' identities are carefully protected — as are all involved in lethal injections, including prison officials who activate the plungers that deliver the deadly dose. The contract providing for the doctors' services at an execution

forbids the Department of Corrections from disclosing their names.

The doctors have a reason for wanting anonymity: Their medical licenses are under attack from death penalty opponents.

Activists say doctors who participate in executions violate the Hippocratic

► Please see DOCTORS, A6



Why Georgia is a bad place to borrow money

AN AJC SPECIAL REPORT



RICH ADDICKS / Staff

Georgia and J.C. Hobby of Coweta County didn't realize their loan papers included five insurance policies and membership in a car club offering emergency road service — \$263 worth of add-ons to the \$700 they borrowed to pay bills. Injuries from a car wreck had left J.C. Hobby unable to work, and Georgia Hobby's hours as a cashier had been cut.

Lenders often pack small loans with insurance and other extras that spike costs for consumers.

By CARRIE TEEGARDIN, ANN HARDIE and ALAN JUDD / Staff writers

Insurance Commissioner John Oxendine has some advice for Georgians who come up short a few hundred bucks.

Instead of reaching for a credit card — which can run "20-something percent" — Oxendine recommends one of the state's small-loan companies. Oxendine regulates these old-timey storefront lenders, and he's a fan.

"I think it is the best deal in town," the insurance commissioner said.

In fact, the details of 1 million small loans made annually in Georgia show that the deals aren't nearly as great as Oxendine suggests.

With interest, fees and insurance charges factored in, the effective annual cost of borrowing a

few hundred dollars from a small-loan company is often greater than 100 percent.

Many states call that loan-sharking. But Georgia has allowed that kind of lending for half a century through one of the most complicated lending laws imaginable. The law makes Georgia one of the most expensive places in the country to borrow a little bit of money.

A detailed examination by The Atlanta Journal-Constitution of Georgia's small-loan companies found:

► Georgia allows higher finance charges for loans of \$1,000 or less than any other regulated state except South Carolina.

► The average small loan in Georgia was packaged with 3.4 insurance policies in 2003.

► Please see SMALL LOANS, A4



Insurance regulator John Oxendine oversees loans of \$3,000 or less.

YOU LIVE IN A STATE WHERE

- When you take out a loan, you may be buying insurance to cover losing an arm and a leg.
- State law authorizes some of the nation's highest finance charges on small loans.

(THIRD IN A FOUR-PART SERIES)

Ads aim to tame wild and woolly SUVs

By PATTI BOND / pbond@ajc.com

Sure, your sport utility vehicle may be a bit bulky, but is it a hairy, snarling beast? Some government officials apparently think so.

State attorneys general from all over the nation have launched a \$27 million safety campaign to persuade SUV drivers to take it easier.

Ads star the woolly-mammoth-like "Esueve" and show men riding the four-wheeled beast as they would a bucking

bronco. "Anybody can ride an Esueve, but not everybody rides it right," a voice-over proclaims.

The message is aimed at males 18 to 34 years old. Of the nearly 2,450 fatal SUV rollovers in 2002, 67 percent of adult victims were men, and 61 percent were 20 to 39 years old.

One target of the campaign, Roswell SUV owner Tim Perry, 30, counters that he's likely to drive faster in a sedan than in his weighty Toyota Sequoia.

"It doesn't accelerate fast," Perry said

Monday. "It doesn't brake fast. It just kind of lumbers."

The safety ads will be shown on cable TV and in movie theaters. The effort is funded from a \$51.5 million settlement with Ford Motor Co., charged with running deceptive ads touting the safety of SUVs.

The challenge the government faces in selling its message may be summed up in Perry's defense of his vehicle: "It sits up higher than many other cars on the road. Just its sheer weight is more protective."

Iraq vote spurs hope

Sunnis, others offered a seat at the table

By LARRY KAPLOW
lkaplow@ajc.com

Baghdad, Iraq — Iraq's interim prime minister urged religious and ethnic factions on Monday to set aside their differences as officials began to tally millions of votes cast Sunday in the country's first multiparty elections in more than 50 years.

With many Iraqis still buzzing

with hope, Iraq's branch of al-Qaida raised the specter of further bloodshed, calling for a continuation of its "holy war" against U.S. forces and their allies in Iraq.

Interim Prime Minister Ayad Allawi said he would give alienated nonvoters a role in the government in an attempt to heal divisions. While Allawi did not name them specifically, he was apparently referring to Sunni Muslim Arabs, a minority who voted in much lower numbers than ethnic Kurds and the majority Shiite Muslims.

Iraqi and U.S. officials worry that the low Sunni turnout will lead to further resentment and violence by insurgents.

"I will start a national dialogue today to guarantee the

► Please see IRAQ, A10



Interim Prime Minister Ayad Allawi said he would work to "guarantee the presence of a voice for all Iraqis."

INSIDE



HUSSEIN MALLA / Associated Press

► European opponents of the war hail election, but reaction in the Arab world and Asia is mixed. A10

► Pentagon proposes a dramatic increase in payments to families of troops killed in combat. A3



BORROWER BEWARE

Continued from previous page

'Predatory lending'

Oxendine, who establishes the prices, believes the cost of credit insurance in Georgia is fair. Although he has the authority to cut the prices at any time, he hasn't touched them since taking office 10 years ago.

"We're cheaper than a lot of people around us, I think," he said. "We are not the cheapest. [But] we are definitely not in the high area."

The AJC analysis shows that Georgians spent more than \$78 million in 2003 for insurance policies sold with small loans — about \$65 million too much. The analysis is based on guidelines for credit insurance rate-setting included in model laws drafted by the National Association of Insurance Commissioners. Oxendine is an active member of the association. The organization's model laws are considered prudent public policy by regulators across the nation, although representatives of the credit insurance industry do not endorse the guidelines.

The model laws suggest that prices should be adjusted so insurers pay out about 60 percent of their premiums in claims. If the percentage is lower than 60, then rates may be too high.

In Georgia, insurers pay out about 10 percent of their premiums in claims against policies sold with small loans.

Policies sold on cars and household items used as collateral are the most overpriced types of insurance sold to Georgia's small-loan borrowers, the statistics show.

Lenders routinely sell the policies on garage-sale fare as modest as a used Hoover vacuum, an outdated television or a gold chain necklace.

Small-loan customers paid more than \$32 million in 2003 for policies that would pay off their loans if their cars were totaled. Insurers paid out just \$1.3 million in claims on these policies — about 4 percent, the AJC analysis showed.

Most of the profits from this kind of insurance go back into the pockets of the lenders.

"When you look at the large sales and the low loss ratios, it's clear that this is a graphic case of predatory lending," said Birny Birnbaum, a former insurance regulator and one of the nation's leading credit insurance experts, who heads the Center for Economic Justice, a Texas-based consumer group.

Even worse, some consumer advocates say, are the other products often sold to small-loan borrowers: the car club memberships and the "accidental death and dismemberment" policies, called AD&D, which have little value for the buyer but ratchet up the debt.

"AD&D is just a rip-off," said Long, the Augusta lawyer. "Most of the money goes to commissions."

AD&D policies rarely pay off because their terms are so restrictive. The insurance covers an accidental death or the loss of a limb or eyesight from an accident. But losing, say, one hand usually isn't enough to collect the full value of the policy. That merits payment of only half the coverage — and, even then, only if the insured loses at least four full fingers. The policies generally define loss of a foot as severance through or above the ankle joint; the loss of everything from the toes to the heel wouldn't be covered.

To collect the entire amount of coverage, a policyholder must lose an arm and a leg, or two arms, or both eyes, or some other combination.

Oxendine said current credit insurance rates were set before he took office. "These are the rates that I inherited," he said.

He said his staff reviews statistics filed by insurance companies. "They make sure there is appropriate justification" for the rates, Oxendine said. Staff members later noted that state law does not require rates to be adjusted based on loss ratios.

Oxendine said he personally is not aware of what the loss ratios are for insurance policies sold with small loans.

"I was a history major in college — I'm not sure I could really explain all the actuarial formulas," he said.

'Loan shark' panel

Today's Industrial Loan Act, which regulates small loans, was drafted in the mid-1950s by the state's "Loan Shark Commission," as it was dubbed at the time. The Legislature created the commission after several small-loan operators were sent to jail for using excessive insurance to get around the state's legal interest limit.

The chairman of the "Loan Shark Commission" was the late Zack D. Cravey, a powerful politician and then the state's chief insurance regulator.

Cravey made sure that small-loan operators didn't have to worry about

Lenders win, lose in Gold Dome battles

By ANN HARDIE and CARRIE TEEGARDIN / Staff writers



Georgia's weakened mortgage law "doesn't do that much" for consumers, says Attorney General Thurbert Baker.

After decades of virtual inaction, the Georgia General Assembly passed two laws in three years targeting unscrupulous lenders.

But one law, which reined in the mortgage lending industry, was weakened a year later. It took an act of war to get through the second law: last year's crackdown on payday lenders.

The 2002 Georgia Fair Lending Act, pushed through by then-Gov. Roy Barnes, gave the state's consumers the toughest protections in the country against predatory mortgage lending practices.

The act penalized lenders and brokers who strip homeowners of their equity through exorbitant interest rates and fees. The bill

passed despite opposition from powerful banks and financial institutions, which could have been held liable for buying mortgages deemed to be predatory.

"That is the toughest battle I ever fought — including the flag," said Barnes, referring to his successful effort to downplay the Confederate battle emblem on Georgia's flag.

In 2003, after Barnes' loss for

re-election, legislators rewrote the law, saying it had jeopardized the state's mortgage-lending industry. They repealed many of the restrictions placed on lenders.

"Literally, we have a statute . . . that doesn't do that much," said Georgia Attorney General Thurbert Baker. Its provisions, he said, no longer apply to banks or their subsidiaries.

Targeting lenders a second time, the 2004 Legislature passed one of the nation's toughest laws against payday lenders, who advance loans to borrowers promising to make good with their next paychecks.

In practice, borrowers often rolled over loans for weeks at a time, triggering fees and charges that could push the effective annual interest rate beyond 1,000 percent.

The Legislature dramatically increased civil and criminal

penalties against anyone offering a payday loan. It also handed borrowers a powerful legal tool against payday lenders — the right to sue as a group, through a class action.

In contrast, state law expressly prohibits borrowers from filing class action suits against licensed small-loan companies.

The payday industry aggressively fought last year's tough legislation and hired some of the highest-paid lobbyists in Georgia.

This go-round, however, timing was everything.

With the country at war, military base commanders implored legislators and Gov. Sonny Perdue to go after payday lenders, testifying that soldiers can't concentrate on duties abroad while their families are drowning in debt at home.

— Staff writer Rhonda Cook contributed to this article.

ANATOMY OF A LOAN

When J.C. and Georgia Hobby borrowed about \$700 from McIntosh Finance in Senoia, they signed a contract that included five insurance policies and a car club membership. Those add-ons increased their debt by \$263 and pushed the effective annual cost of borrowing to more than 130 percent. Here's what the couple purchased:

ITEMIZED STATEMENT		
1. CASH RECEIVED BY BORROWER		\$705.80
2. UNPAID BALANCE PRIOR LOAN	\$ 0.00	
3. INTEREST REFUND	\$ 0.00	
4. LOAN FEE REFUND	\$ 0.00	
5. MAINTENANCE CHG. REFUND	\$ 0.00	
6. CREDIT LIFE INS. REFUND	\$ 0.00	
7. CREDIT A & H INS. REFUND	\$ 0.00	
8. FIRE INSURANCE REFUND	\$ 0.00	
9. AUTO INSURANCE REFUND	\$ 0.00	
10. TOTAL REFUNDS	\$ 0.00	
11. AMOUNT TO BE RENEWED (Line 2 less line 10)	\$ 0.00	
12. LATE CHARGES	\$ 0.00	
DISBURSEMENTS TO:		
13. Car Club/Misc	\$ 72.00	1
14. AD&D Insurance	\$ 65.63	2
15. TOTAL DISBURSED (Total of lines 1, 11, 12, 13, 14, 15)	\$ 771.43	
17. FILING FEES(S)	\$ 18.00	
INSURANCE		
18. CREDIT LIFE	\$143.00	\$ 3.86 3
19. CREDIT A&H (Monthly Benefit)	\$127.00	\$58.29 4
20. PROPERTY INSURANCE	\$ 0.00	\$ 0.00
21. AUTO PHYSICAL DAMAGE INS.	\$300.00	\$54.00 5
22. NON-FILE INSURANCE	\$143.00	\$10.00 6
23. AMOUNT FINANCED (Total of lines 16 thru 22)	\$ 987.58	
24. INTEREST	\$ 85.70	
25. PREPAID FINANCE CHARGE (LOAN FEE - 8%)	\$ 48.00	
26. PREPAID FINANCE CHARGE (LOAN FEE - 4%)	\$ 21.72	
27. TOTAL PREPAID FIN. CHG. (Total of lines 25 & 26)	\$ 69.72	
28. MAINTENANCE CHARGES	\$ 27.00	
29. FINANCE CHARGE (Total of Lines 24, 27 & 28)	\$ 182.42	
30. TOTAL OF PAYMENTS (Total of Lines 23 & 29)	\$1170.00	
FACE AMOUNT OF THE LOAN \$1143.00		
*THIS IS A TOTAL OF LINES 23, 24 & 27 (Loans 18 mos. or less)		
*THIS IS A TOTAL OF LINES 23 & 27 (Loans over 18 mos.)		
*WE MAY BE RETAINING A PORTION OF THIS AMOUNT		
THE FOLLOWING PERSONAL PROPERTY, TOGETHER WITH ALL ACCESSORIES AND OTHER LOAN YOU HAVE WITH US AND ANY FUTURE ADDITIONS:		

- 1 Car club membership: \$72**
Many small-loan companies sell these memberships as part of their loan packages. The membership offers emergency road service, similar to a membership with AAA.
- 2 Accidental death and dismemberment insurance: \$65.63**
This does not pay off the loan. Instead, it pays the borrower or his beneficiaries if the borrower dies in an accident, or is dismembered or loses his vision in an accident. The insurance pays nothing if the borrower dies of natural causes.
- 3 Credit life insurance: \$3.86**
Pays off the loan if the borrower dies.
- 4 Credit disability: \$58.29**
Makes payments on the loan if the borrower becomes sick or injured and cannot work.
- 5 Credit property (auto): \$54**
This covers a vehicle used as collateral. If the vehicle is totaled, the loan is paid off. In most cases, the policy does not cover repairs to the vehicle.
- 6 Non-recording insurance: \$10**
The lender is the beneficiary of this policy, which saves the lender a trip to the courthouse to record an interest in collateral. If the borrower defaults, the lender is paid by the insurance company if a recorded interest would have protected the lender.

Note: On lines 18 and 22, the dollar amount under the "amount" column is \$1,143. The first "1" is hard to see because it abuts the line to the left. Source: Staff research. JEROME THOMPSON / Staff

SMALL LOANS IN GEORGIA

Georgia's small-loan industry comprises about 1,000 small-loan companies licensed to make loans of \$3,000 or less.

- **Who obtains them?** Low-wage workers with marginal credit histories.
- **Who benefits?** Lenders who charge borrowers annual percentage rates that sometimes exceed 70 percent. The companies can make even more money through multiple insurance policies packaged with nearly every small loan.
- **Who doesn't?** Poor borrowers who were overcharged an estimated \$65 million in 2003 alone because insurance rates were not lowered to meet national guidelines.
- **Who is looking out for the consumer?** Insurance Commissioner John Oxendine regulates this industry, but has never adjusted the insurance rates to fall in line with national guidelines.
- **How does Georgia compare with other states?** Georgia allows higher finance charges for loans of \$1,000 or less than all other regulated states except South Carolina.

going to jail. The new law he fashioned permitted the sale of credit insurance and expressly prohibited it from being considered interest. He added to his power base by placing regulation of the small-loan industry — a powerful industry in its own right — in the Insurance Department.

"The whole myth of the act was that it was consumer protection, when in fact it was company protection," said Sidney L. Moore Jr., an Atlanta lawyer who has taken on small-loan companies in court.

Jim Walters, owner of one of Georgia's largest small-loan chains, has a different interpretation of the history of the Industrial Loan Act.

He said state officials approved a small-loan law that allowed the widespread sale of insurance products. The lawmakers knew, he said, that the finance charges alone weren't enough to keep the lenders in business.

The insurance was authorized "to make the whole package work," Walters said.

Walters and his colleagues say they make loans at a fair price, given how risky their borrowers are. Poor credit histories mean that banks aren't interested in many of the consumers who borrow from small-loan companies. Most can't open bank accounts, let alone qualify for credit cards.

But small-loan companies welcome these customers into their stores. Over and over again, they say, they help desperate Georgians out of financial dilemmas. And most customers appear to be more than satisfied, lenders say, because most come back.

Small-loan lenders acknowledge that profits from insurance are an important part of their business. But they say it's not fair to equate the cost of insurance premiums with regular finance charges because their customers enjoy a potential benefit by buying the policies.

Walters is one of the representatives of that diverse industry at the state Capitol, where he networks with regulators, makes healthy campaign contributions and tracks the work of legislative committees that deal with lending issues.

"I've often made the comment that we're in partnership with the Legislature, because with the stroke of a pen, we could be out of business," he said.

That has rarely, if ever, been a realistic threat.

For decades, one of the most powerful lawmakers in Georgia was state Sen. Culver Kidd. The Milledgeville Democrat, who died in 1995, owned a chain of small-loan companies.

The political action committee of the Georgia Industrial Loan Association, an industry trade group, has been a generous giver in recent elections. During the 2002 and 2004 state election campaigns, records show, the committee donated more than \$180,000 to 262 candidates for the Legislature and other offices.

Oxendine, too, has been an industry favorite. He collected about \$70,000 from people in the small-loan

business when he ran for re-election in 2002. He has accepted an additional \$14,800 from small-loan executives since his election that year.

More big print

Oxendine says his regulatory attention turned in recent years to the payday loan industry. Now that the Legislature has enacted tough legislation against payday lenders, Oxendine says, he has refocused on regulating the small-loan industry.

When it comes to overseeing the industry, Oxendine likens his job to that of a supermarket produce manager. "Every once in a while, the manager goes through and he finds a rotten apple or a bad peach or something," Oxendine says. "And my job as regulator is to go through on a routine basis and turn the fruit and throw out the rotten fruit."

On Monday, Oxendine announced a \$100,000 fine against First Financial Services, a small-loan chain with five branches in Georgia. He fined the company for charging its customers too much for interest and credit insurance policies.

A consent agreement also requires the company to reimburse its customers \$25,563.

"I want these loan companies to know that I won't stand by while they rip off Georgia consumers," said Oxendine, announcing the fine.

In August, Oxendine issued a \$400,000 fine against a South Carolina-based chain of small-loan companies for overcharging its customers.

Oxendine acknowledges that he overlooked one of the worst offenders: John Ben Stewart Jr., the former mayor of Union Point in east Georgia.

In 2002, 10 older and disabled Atlantans sued Stewart Finance Co., accusing Stewart of using his small-loan companies as a vehicle to siphon away their monthly Social Security checks. Stewart allegedly bilked poor borrowers whose loans were packed with insurance policies they could never collect on — disability insurance for people already disabled, for example, or car club memberships for borrowers who didn't have cars.

Stewart killed himself last year, on May 13 — the day a grand jury was to consider a 197-count criminal indictment alleging he also had cheated more than 800 investors out of \$38 million.

"He was a bad fruit; he should have been weeded out," Oxendine said. "Had I been aware of what he was doing, I would have run him out of business."

By the time the insurance commissioner's office got up to speed with its investigation, Oxendine said, Stewart had filed for bankruptcy.

Oxendine said he has made changes to make it more difficult for abusive lenders like Stewart to take advantage of poor customers. He issued new regulations that took effect Jan. 1 requiring loan companies to spell out in big print and clear language what insurance products consumers are buying.

With the changes he instituted, Oxendine said, a borrower will "have to be blind, or not read, or just not care" to unknowingly buy a policy.

Oxendine does not, however, plan to join 48 other states in getting rid of the most expensive disability insurance policies.

Nor does he plan to lower the cost of credit insurance or stop small-loan companies from selling expensive extras — such as car club memberships and "dismemberment" policies.

Oxendine wants to preserve the system as it is, but give desperate small-loan company customers more information.

"An informed consumer is the best consumer," he said. "That is the entire approach we are going on."





This year's top names for newborns >

LIVING, E1

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INSIDE, A3



The Atlanta Journal-Constitution

MONDAY, OCT. 24, 2005

ajc.com

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Bright with a little bite
59° / 44°, B8

INSIDE TODAY

The cutest things you'll want to kill

You don't hate squirrels, mice, rats, bats and other furry creatures. You feel happy when you see them in the forest. But when they invite themselves into your home and start chewing, it's war!
Living, E1



Yankee Doodle, thanks again

Men wearing military regulation wear from the 1770s put plaques on the graves of two Revolutionary War veterans in a peaceful Monroe cemetery. **Metro, B1**

This could be one funky skyscraper

A 14-story building at Georgia State University will be the nation's largest privately funded dormitory. By the way, who funded your dormitory? Did you ever ask?
Horizon, B5

Hollywood's spin on sex slavery

A serious subject is all that the Lifetime miniseries "Human Trafficking" has going for it. It's spoiled by titillation, melodrama and hokey dialogue. And the slimy villain has - jackpot! - a Slavic name.
Living, E3

They just happen not to like kilts

The NCAA has no off-the-field dress code (except maybe that you can't dress like an Indian). But ACC athletes don't just suit themselves. There's the Mom, and there's the coach, and there's ...
Sports, D1

The windmills of your dreams

A new play about Shakespeare, Cervantes and a kid teaches a lesson.
Metro, B1

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Wilma speeds up to strike Florida

Many shrug off plea to get out

By DAVID ROYSE
Associated Press

- > **COVERAGE INSIDE:** Mexico's resort coast in shambles after Wilma. **A4**
- > History-making Alpha wanes after deadly downpours in Hispaniola. **A4**
- > **ON AJC.COM:** Photos and updates as Hurricane Wilma aims at South Florida.

Key West, Fla. — Hurricane Wilma accelerated toward storm-weary Florida on Sunday, threatening residents with 100-mph winds, tornadoes and a surge of seawater that could flood the Keys and the state's southwest coast. After crawling slowly through the Caribbean for several days, Wilma pulled away from Mexico's Yucatan Peninsula as a Category 2 storm and began picking up speed "like a rocket" as it headed toward the U.S. mainland, forecasters said. The

storm was expected to make landfall in Florida around dawn today. The southern half of the state was under a hurricane warning, and an estimated 160,000 residents were told to evacuate, although many in the low-lying Keys island chain decided to stay. "I cannot emphasize enough to the folks that live in the Florida Keys: A hurricane is coming," Gov. Jeb Bush said. "Perhaps people are saying, 'I'm going to hunker down.' They shouldn't do that. They should evacuate, and there's very

> Please see **WILMA, A4**

Defense the best offense vs. staph

By CRAIG CUSTANCE
ccustance@ajc.com

Staph infections, particularly a new strain resistant to some common antibiotics, are invading the locker rooms of Georgia high schools this fall. Because of it, the stench of week-old jerseys and unwashed shoulder pads is being replaced by the odor of bleach. Jeff Hageman, an epidemiologist at the Centers for Disease Control and Prevention, said he would be shocked if there weren't at least one case of staph at every high school athletic program in Georgia.

In an informal poll, Alpharetta coach Bill Waters said 10 football players have had staph infections at his school. Druid Hills reported three; East Paulding, nine; Woodstock, two; Riverwood, seven; St. Pius, seven; Starr's Mill, two; and Westminster, seven.

In an effort to slow the spread of the infection, many schools have changed locker room procedures, including adding ventilation systems, washing practice uniforms daily and scrubbing the dressing areas with disinfectant. The Starr's Mill Touchdown Club is spending \$1,000 a month to have the

> Please see **STAPH, A7**



MIKKI K. HARRIS / Staff
Druid Hills junior varsity coach **Norris Ham** takes his turn washing the football team's practice uniforms.

You live in a state where . . .

- Complaints against car dealers are kept secret.
- The agency regulating used car dealers is stacked with industry representatives.
- Dealers can repeatedly violate the law before facing penalties.



RICH ADDICKS / Staff

When **Dave Kidney** bought this 1992 Infiniti, it broke down 15 miles after he left the lot. Kidney picketed the dealer but still has a car that doesn't run. The dealer said his repairs and other efforts to resolve Kidney's complaints exceeded requirements of the law.

Auto deal gone sour?

Don't count on help from state's consumer agencies

By CARRIE TEEGARDIN and ANN HARDIE

BORROWER BEWARE

AN AJC SPECIAL REPORT
Last of two parts

As senior member of the state agency that regulates Georgia's used car dealers, Donny Riner has an observation after years of reviewing consumer complaints: It's probably the consumer's fault.

"The consumer is a lot to blame for what goes on," said Riner, who, in addition to his role protecting the public, is in the car business. "The consumer is a lot to blame, for buying cars they shouldn't be buying, for not doing their homework."

Car buyers who feel cheated may expect to find an ally when they call state regulators. They shouldn't.

In fact, the two state agencies charged with looking out for consumers who buy more than 1 million cars a year provide little relief and often seem sympathetic to the dealers they police.

The state's used car board, responsible for licensing and overseeing independent used car dealers, operates with a constant backlog of complaints and maintains a narrow investigatory focus. And the board, on which Riner has

served for 15 years, has no authority over new car dealers who also sell used cars.

At the other state agency — the Governor's Office of Consumer Affairs — auto-related problems are the leading topic of complaints, numbering more than 8,000 in the past fiscal year.

Yet the agency focuses its resources on one deceptive practice by auto dealers — false advertising — and often seems confused about its authority to investigate other

> Please see **CAR DEALS, A6**

Will Shockley play against Florida?

The Gators think so, coach Urban Meyer says, but Georgia plans to go without quarterback D.J. Shockley, who has a MCL sprain in his left knee and probably won't be back until the Auburn game. His backup, Joe Tereshinski, is scheduled to be the starter Saturday when the No. 4 Bulldogs face No. 16 Florida in Jacksonville. **Sports, D1**



PTA wants more dads in the mix (have a pancake)

By CHRIS REINOLDS
creinolds@ajc.com

They sweep floors, buy refreshments for test day, and set up school pictures. They also balance the books and organize carnivals.

Hundreds of men throughout Georgia are PTA members, and many are running their local chapters. But PTA officials say they represent a minority and that needs to change.

The national and local Parent Teacher Associations have deemed October the month to bring more men into the fold. Only 500,000 men are among the 6 million PTA members nationally, leaders estimate.

Men in Georgia are stepping up to the plate, joining the state's 908 PTA chapters, which have 138,761 members. State PTA officials don't keep stats on how many of those members are men, but within those chapters, 321 men serve as officers or committee chairmen.

Will Thomas volunteered at his son Michael's school nearly every day during his first year as Parent Teacher Student Association president.

"He was very proud to see me in

> Please see **PTA DADS, A7**



BORROWER BEWARE

Small loans: Costs among highest in U.S.

GETTING HELP

Before you borrow money to pay bills, check with civic groups, charities and churches that help low-income consumers with bills. Your utility or phone company can refer you.

Energy assistance program

The Low Income Home Energy Assistance Program helps residents of Fulton County and the city of Atlanta at 404-320-0166. For DeKalb outside Atlanta, Gwinnett and Rockdale counties, call 404-929-2500. In Clayton, Fayette and Henry counties, call 404-363-0575.

Financial referrals

The United Way, at 211 or 404-614-1000, provides referrals for people who need financial assistance.

www.cccsintl.org

Consumer Credit Counseling Services offers easy-to-use advice on how to manage your finances, as well as confidential counseling online. There's a Know Your Rights section, as well as a calculator to help you determine whether you can afford loan payments.

ONLINE SPECIAL

How Georgia borrowers pay too much:

See how a \$700 loan to one Georgia borrower ended up costing a lot more.

Go to www.ajc.com/borrowerbeware

Q: It's common practice for borrowers to buy which kinds of insurance with their small loans?

- A. Life insurance.
- B. Disability insurance.
- C. Insurance on household goods used as collateral.
- D. Insurance that pays if you lose a limb.
- E. All of the above.

Go to ajc.com/borrowerbeware for more questions and answers.

Answer: E

WHAT THEY'RE SAYING

"The small-loan business has gotten to be really tough. . . . If you didn't have the [insurance] products available, it would be difficult to make any profit at all."
— **Dan Jeter, former president of the Georgia Industrial Loan Association and executive at Colquitt Loan Co.**

"I feel like I was used and manipulated and robbed and made to look stupid."
— **Evelyn C. Gibson, 53, Atlanta, customer of Stewart Finance Co.**

"Let's say we all of a sudden changed the law, so the rates we charged were the same as the banks'. Tell me how many customers would be able to get a loan? There just wouldn't be a market for them."
— **Jim Walters, president of Walters Management Co., which operates a chain of small-loan companies**

"Our official state policy is that anything over 60 percent is loan-sharking — a crime. This is an exception to a crime."
— **Sidney L. Moore Jr., an Atlanta lawyer**

► Continued from A1

Consumer advocates criticize the insurance, which typically pays off loans if borrowers die or become disabled, as excessive or unnecessary.

► Prices on insurance policies sold with small loans are higher than is fair to consumers, according to national guidelines. The result: The state's small-loan customers paid an estimated \$65 million too much for insurance in 2003, statistics analyzed by the AJC show.

► Two in three small loans in Georgia were sold with an expensive type of disability insurance that 48 states do not allow.

J.C. Hobby and his wife, Georgia, went to a small-loan company two years ago when they couldn't meet their bills.

"It was either that or go to my mother," said J.C. Hobby. "I hated to go to my mother."

The Coweta County couple got \$700 from McIntosh Finance in Senoia, enough to keep the telephone and the lights on.

But they got something else they didn't expect: five insurance policies and a membership in a car club that provides emergency road service.

McIntosh charged the Hobbys \$263 for insurance and the car club, plus \$182 for finance charges. The Hobbys' loan contract discloses an annual interest rate of 39 percent. But, if all the add-ons were considered, the effective annual rate would exceed 130 percent.

Their \$700 loan ended up with a payoff of more than \$1,100.

Gregory Crook, an executive with family-owned McIntosh Finance, declined to comment on the Hobbys' loan or the company's sales of insurance products.

J.C. Hobby, 55, said he knew the loan included insurance charges. But he said he thought he had purchased only a policy that would cover the debt if something happened to the car he put up as collateral. Hobby learned he had bought other policies and joined the car club only after a reporter read his loan contract and told him.

"Why would I want all that?" he asked.

Complex law

John Oxendine is best-known as the state's insurance commissioner — a position the Republican has held since 1995. But Oxendine wears several hats that all involve protecting the public. He is the state's fire safety chief and the comptroller general. He jokes that he is also the "NASCAR commissioner," since he is charged by state law with overseeing the safety of the state's racing venues.

As the official in charge of loans of \$3,000 or less, Oxendine wields a lot of power over the small-loan industry — which is not so small. Nearly 1,000 storefront lenders operate across the state, and they make close to 3,000 loans a day. Unlike banks, small-loan companies do not take deposits; they simply extend loans. Players in the industry include Georgia-based chains such as 1st Franklin Financial Corp. of Toccoa and multinational giants such as CitiFinancial.

Oxendine's job is to make sure that small-loan companies play by the rules. He can fine or shut down those that break the law. He has the authority to decide how much they can charge for the insurance they sell.

He also decides who gets a license to open a business — a provision in the law designed to keep small-loan companies from flooding the market. Oxendine said licensing allows him to keep unscrupulous operators out of the business. In addition, he said, limiting the number of companies protects consumers from the temptation of taking out too many loans.

But consumers may pay a price for a licensing system that inhibits competition.

Unlike banks and credit card companies, which seek customers by competing on price, small-loan companies in Georgia charge the same, industry leaders acknowledge — the maximum allowed under law.

The average consumer might have a hard time figuring out what a loan should cost. The law that dictates what small-loan companies can charge is so complex that it takes a



RICH ADDICKS / Staff

Consumer advocates criticize the cost of credit insurance in Georgia, but Insurance Commissioner John Oxendine defends the prices as fair.

LITTLE RETURN ON SMALL-LOAN INSURANCE

Credit insurance products are fairly priced if at least 60 percent of money paid in premiums goes back in consumers' pockets to cover claims, according to model laws adopted by the National Association of Insurance Commissioners. Insurance policies sold with small loans in Georgia do not meet that benchmark, indicating consumers may be paying too much.

Type of insurance	Percentage of premium dollars spent on customer claims
Standard for fair rates	60%
Credit life	39%
Credit disability	13%
Credit property: household goods	5%
Credit property: autos	4%

Sources: Georgia Office of Commissioner of Insurance, Industrial Loan Department; Journal-Constitution analysis

ELIZABETH LANDT / Staff

computer program to determine what most borrowers will pay. The finance charges for every loan have three components: the interest, a loan fee and a maintenance charge.

The finance charges range from an annual percentage rate of 78 percent for a six-month loan for \$200 to a rate of 23 percent for a three-year loan for \$3,000. These charges do not include the cost of the insurance policies added to most loans.

Oxendine said the charges permitted under state law offer borrowers a good value.

"I am sure we could do some comparison with other states," he said, "but I do not think you are going to find that other states are cheaper than us."

In fact, a state-to-state comparison found that almost every state is cheaper than Georgia, particularly for the smallest loans. Of the approximately 35 states that regulate small-loan finance charges, only South Carolina's maximum charges are higher for loans of \$1,000 or less — a popular amount for borrowers. In 2003, three-fourths of the small loans extended in Georgia were for \$1,000 or less.

In Georgia, a consumer who borrows \$500 to be paid back over one year will pay \$145 in finance charges. The same loan would cost \$105 in Mississippi, \$79 in Ohio and \$67 in Vermont, according to Indiana-based Carleton Inc., which tracks state lending laws for the industry.

'Just snowballs'

While finance charges are relatively high in Georgia, it is the insurance policies that can drive the cost of borrowing into the triple digits. Almost everyone who takes out a small loan also buys insurance. Most people end up with three or four policies.

"They say it's voluntary, but they don't ask people," said John B. "Jack" Long, an Augusta lawyer. "They say, 'Sign here.'"

Small-loan companies like the insurance products for two reasons. The insurance guarantees that they will get paid if something happens to the borrower. The policies also pump up the bottom line.

Insurance policies drove up the cost of borrowing for the Hobbys. They are typical small-loan customers — people with a steady income, poor credit and no financial cushion.

A few years ago, the couple, who are raising their 10-year-old grandson, fell on hard times. Injuries resulting from a car accident left J.C. Hobby unable to work as a tow-truck driver. The Shell station where Georgia Hobby, 54, works as a cashier cut back on her hours.

The bills quickly mounted. "It only takes a few weeks to get behind when you are stretched pretty thin. Then it all just snowballs on you," said J.C. Hobby, a burly man

who worked as many as 80 hours a week towing cars, earning more than \$40,000 a year. Hobby now needs a cane to get around and faces a host of new health problems, including diabetes.

After the Hobbys lost their house and declared bankruptcy, they could not get a bank loan when cash ran short again. So they offered their 1989 Ford Mustang as collateral to McIntosh Finance, along with their color television and VCR.

One of the insurance policies that came with their loan was to pay it off if the Mustang was totaled.

Another was to pay it off if one of them died.

They also bought a policy that would pay the Hobbys if one of them lost a limb or died, not of natural causes but in an accident.

Another policy would kick in if one of them got sick and couldn't work for as few as three days — a type of disability coverage no other state except South Carolina allows. The coverage is relatively expensive and viewed as unfavorable for consumers. The policy added \$58 to the Hobbys' loan.

On top of it all, the Hobbys' contract included the \$72 car club membership.

Borrowers are often unfamiliar with the terms of their loan contracts.

"Most of the people who come in here didn't understand what they signed," said Judge James Stripling, Coweta County's chief magistrate, who rules on small-claims cases, including those involving small-loan companies. "If they did understand, they desperately needed the \$500 and they didn't care that it cost them just as much to get that short-term loan."

McIntosh has taken the Hobbys to court to try to force them to pay. With late charges and court costs, McIntosh says it is still owed \$455, court records show.

Sitting in the cramped, run-down trailer they rent by the week in Sharpsburg, about 40 miles south of downtown Atlanta, J.C. Hobby tried to focus on the good things in his life — a wife he feels lucky to have landed 25 years ago and a grandson who needs him day in and day out.

But it is hard to stay upbeat with the debt from McIntosh still looming. "I hate being injured," he said. "I hate being sick."

Today, the family's financial survival rides with Georgia Hobby, a short Midwesterner as reserved as her husband is chatty. She still works at the Shell. And she's taken another job waiting tables at a nearby Waffle House.

"We can't barely get by as it is," her husband said, "and they are still dogging us."

'A service'

The sale of credit insurance with small loans has been controversial in Georgia for half a century. But one Georgia insurance commissioner after another has defended the practice. And so does John Oxendine. He calls it "a service" for poor people who are underinsured.

Oxendine says that he would probably never buy credit insurance. He has regular life insurance — sold at more favorable rates than credit insurance — that would pay his debts and support his family if he were to die suddenly.

But he said the products do make sense for people who aren't like him, mainly people living paycheck to paycheck.

When he's asked about credit insurance, Oxendine has a story he tells over and over again. It's about a young widow with children whose husband died after running his new pickup truck into a telephone pole. The bank still wanted the truck loan paid, but she had no money.

Oxendine, who practiced law in Gwinnett County at the time, said he was helping the widow with her legal affairs and found a credit insurance policy in her stack of documents.

"For that lady, it was the best news that she had ever heard," Oxendine said. "First I had to explain to her what a credit life insurance policy was. She didn't understand it. I said, 'It means you don't have to pay for the truck.'"

► Please see next page

ABOUT THIS SERIES

Atlanta Journal-Constitution reporters **Ann Hardie** (ahardie@ajc.com), **Alan Judd** (ajudd@ajc.com) and **Carrie Teegardin** (cteegardin@ajc.com) analyzed how Georgia lending laws affect consumers, creditors and regulators. Contact the reporters at 404-526-2681.

SUNDAY

Georgia's fast process for foreclosing on home mortgages drives a bankruptcy rate that is among the nation's highest.

MONDAY

Consumers who borrow on their car titles will pay 300 percent annual interest for a few hundred dollars.

TODAY

The AJC examined the annual financial reports filed by every small-loan company operating in Georgia. The examination included an analysis of the insurance products packaged with most small loans. The newspaper also compared Georgia's small-loan regulations with those of other states.

WEDNESDAY

An insurance company's idyllic homage to the rural South brings together lenders and public officials who regulate the business.

FOR REPRINTS

To purchase 11-by-17 black and white reprints of the entire series, order online at ajc.com/info or call The Stacks at 404-526-2610. \$7.95 each, including shipping and handling, plus tax.





BORROWER BEWARE

► Continued from A14

cause customers who take cars home typically fall in love with them, flaws and all. The Governor's Office of Consumer Affairs has seen a spike in the number of complaints from less-enamored customers who thought their deals were final, only to have received calls days, even weeks, later from dealers demanding more money through higher down payments or interest rates.

Among those filing a complaint were Ida and Wilson Lawrence of Union City. In April 2002, the Lawrences bought a 1999 Buick Century from Bill Heard Chevrolet for \$11,990. When they drove the car home, they thought they had an 11 percent loan with monthly payments of \$279.

Their sales contract and other papers they signed, however, said the deal wasn't done until a lender approved it. And about a week and a half later, the dealership told the Lawrences their loan hadn't gone through.

A substitute deal was offered: 17.99 percent interest, which increased the monthly payment to \$300.

Executives with Bill Heard Chevrolet say they shopped the original deal to seven lenders before finding one who would approve the loan. They say their company, the largest car dealer based in Georgia, offers spot delivery as a convenience to customers.

"We're never going to please everybody," said Bill Heard Jr., chief executive of Columbus-based Bill Heard Enterprises. "But the majority of the customers like spot delivery. ... That's the way things are in America. You kind of have to structure yourself with what the majority wants."

The Lawrences reluctantly accepted the less favorable deal, which included \$1,500 more in finance charges than they had expected. "I felt like we were forced to take it," Ida Lawrence said. "We had the insurance. We had the new car already."

The consumer agency declined to investigate. "I took my lumps after that," Lawrence said. "I realized there was nothing I could do."

Some states have attacked the practice of spot delivery with new laws and enforcement actions. Oliver's bill would have voided sales not completed within a 30-day period and prohibited a dealer from selling a customer's trade-in until the deal was finalized. The measure passed the House, but died in the Senate. The new car lobby argued that current law was sufficient to punish dishonest dealers.

Oliver has reintroduced the measure for lawmakers to consider when they convene in January.

Three decades ago, in an unusual period of pro-consumer action, the General Assembly attempted to give Georgians an advantage against unscrupulous merchants. In 1975, lawmakers passed the state's landmark consumer protection statute, the Fair Business Practices Act. Like similar laws in other states, the act threatens dishonest car dealers and other businesses with fines and the prospect of lawsuits.

However, the Georgia courts repeatedly have interpreted the law in ways that have hurt consumers — and that differ sharply from rulings in other states on similar consumer protection statutes.

In a 1980 ruling, the Georgia Court of Appeals said a misrepresentation by a merchant does not entitle a consumer to recover damages "if he had an equal and ample opportunity to ascertain the truth but failed to exercise proper diligence to do so."

Or as lawyers in the attorney general's office put it, only somewhat in jest, "The large print giveth, the fine print taketh away."

"It rewards cunning and guile, as opposed to honesty, in consumer transactions," Ryles said of the courts' interpretation of the statute. "It's roughly the equivalent of taking something that's supposed to be a nice birthday cake and turning it into cow dung."

Victims of fraud

In April 2000, Ronda Coleman spotted a white Grand Prix at Gatlin's Used Cars. The 1998 model, with 21,850 miles, felt sporty and came with a sunroof, a requirement of hers.

The heated seats were not — especially in Eastman,



RICH ADDICKS / Staff

STATE AGENCY NO HELP

Ida Lawrence thought her car deal was final. It wasn't. She filed a complaint with the Governor's Office of Consumer Affairs after the interest rate on her loan went from 11 percent to 17.99 percent.

Three weeks later, the office replied in a letter: "After carefully reviewing your complaint, we have determined that it does not appear to be a violation of the laws that this office administers. ... Thank you for bringing this matter to our attention."

ONLINE QUIZ

Q Under Georgia law, dealers must guarantee that which of the following work properly on cars they've sold?

- A. Brakes
- B. Engine
- C. Tail lights
- D. Emissions system

ajc.com More questions and answers at ajc.com/borrowerbeware

Answer: D. Emissions system. And that's only if you live in a metro county that requires emissions inspections. Your car can have faulty brakes and stop running a block from the dealer's lot, but that's perfectly legal in Georgia.



BITA HONARVAR / Staff

Prosecutor **Timothy Vaughn** put the Eastman dealer who defrauded customers of \$300,000 to \$500,000 behind bars. Vaughn calls the state's requirement of no more than a \$20,000 surety bond for used car dealers "a joke."

which doesn't get too many bone-chilling days. But Ronda liked the idea of having them, her husband said.

"I went to see Glenn and he gave me a good deal," recalled Rickie Coleman, a tall, soft-spoken man, seated in his front porch rocker on a warm September evening. "Of course, it turned out not to be such a good deal."

Like Coleman, Glenn Gatlin, 39, was raised in Eastman, a town of 5,400 about an hour southeast of Macon. He had taken over the used car business after the death of his father, Ben.

The dealership had sold cars on Oak Street as long as anyone could remember. In fact, 20 years ago, Rickie Coleman, then 18, bought his first vehicle, a '78 Pontiac Firebird, from the daddy. "What Ben said, you could bank on," Coleman said.

To come up with the \$14,900 for the Grand Prix, the Colemans — she's a nurse and he's a paramedic with Dodge County Hospital — emptied their savings account of its \$4,000. They traded in Ronda's 12-year-old vehicle, but still had to borrow \$6,900 from the Bank of Eastman.

The Colemans had made a couple of car payments when they received a call from an officer with an Atlanta bank, Rickie Coleman said. The officer told them that Gatlin had failed to pay off the original owner's note, which came to \$17,000. They could pay the outstanding note — money the Colemans did not have — or the bank would have to come and get the car, the bank officer said.

Rickie Coleman couldn't believe that Glenn Gatlin would stiff anyone, especially him. "Oh man, I was floored because this guy had been a friend of mine ever since I was a little boy," Coleman said.

In the first half of 2000, it turned out, Gatlin had found himself in over his head. He was so strapped for cash that he was selling cars for less than what was owed on the vehicles, as he did with the Colemans.

He was buying cars from auto auctions with checks

that bounced, then selling automobiles without titles to customers.

He was failing to pay off the notes on customers' trade-ins as promised, then selling those cars to other customers with the loans still in effect.

And he was shuffling many high-end vehicles trying to stay afloat. "These were not fishing cars — they were not pieces of junk," said Timothy Vaughn, the Oconee Judicial Circuit district attorney, who prosecuted Gatlin.

By the time his actions came to light around Memorial Day 2000, Gatlin had cheated more than 70 individuals and businesses of an estimated \$300,000 to \$500,000.

"It was me being proud and greedy and trying to be a big-time car dealer," Gatlin said in a recent interview. "I feel really bad. These people, I love them. You just have to face it, you can't run from your mistakes."

In 2002, Gatlin pleaded guilty to 106 felony counts and was sentenced to 10 years in prison and 20 years on probation. He was paroled in April.

Gatlin, who now works for a lawn mower factory in a nearby town making \$7.27 an hour, also was ordered to pay restitution, the details of which are still being worked out. "Absent him hitting the lottery, it is unlikely he will be able to repay his victims," Vaughn said.

The Atlanta bank got a court order to force the Colemans to turn over Ronda's car with the sunroof and the heated seats. Meanwhile, the Bank of Eastman demanded its money. If the Colemans didn't pay, their loan would be in default, their credit wrecked.

"It seemed like my hands was tied," said Rickie Coleman, who had to buy another car to replace the Grand Prix. "We finally did get out from under it. It hurt us financially, big time."

Like the Colemans, many of Gatlin's victims ended up on the hook for loans on cars that they had to return to banks and other creditors. Some ended up with two or three loans. Some filed for bankruptcy.

"It put everybody in a bad

situation," said John Jessup, president of the Bank of Eastman. The bank required that its loans be repaid, saying that the contracts were not contingent on consumers receiving legal title to the cars.

Gatlin's victims didn't even bother to try to get their money by going against the surety bond that all used car dealers in Georgia are required to have. The bond is like an insurance policy that each dealer purchases from a private company. Consumers who lose money when dealers are unscrupulous or go bust can seek restitution from the bonding company.

But Georgia requires dealers to have a bond that offers only \$20,000 in coverage. That's not per victim — it's for the total business. In many instances, the requirement, on the books since 1988, would cover only one bad car deal — nothing close to the dozens in the Gatlin case.

"The \$20,000 total bond is just a joke in my opinion, with the price of cars and the number of cars that these dealers sell," said Vaughn, the district attorney.

After the Eastman fiasco and similar, though smaller, events around the state, members of the used car board decided something had to be done.

The state entity that regulates used car dealers decided to push for legislation to boost the bond from \$20,000 to \$50,000. The higher bond would not have covered all of the Eastman victims, but it was a small step in the right direction, members said.

And it wouldn't have cost most dealers that much.

Jeff Wilkinson is a Milledgeville dealer who serves on the board. A \$20,000 bond runs him \$125 every two years, he said. The \$50,000 bond would probably have added about \$250 to the bill.

"I'm on the used car board and I see the problems," Wilkinson said. "Yes, it was going to cost me more. But it was something that needed to be done."

If dealers couldn't afford the higher bond, some board members said, then maybe they shouldn't be in business in the first place. "I don't think adding another \$200 to \$300 is prohibitive," said Diana Waldrop, the board chairwoman.

'Wanted to cushion it'

Rep. Alan Powell lists his favorite time at the Gen-

eral Assembly as the years he spent on the old House Industry Committee, which weighed in on legislation affecting everything from public utilities to economic development. The committee was dissolved three years ago.

"I just love business and commerce," Powell said. "I love the fact that by being logical, we don't overburden the right of people to do business. We don't go so far as to take away the consumer's right to think for themselves."

It is just that kind of thinking that has made Powell a favorite among industries seeking a sympathetic ear at the Capitol.

Of the \$132,000 in campaign funds that Powell had on hand as of June 30, the vast majority came from corporations and political action committees, almost all from outside his northeast Georgia district. Many of his most recent donors paid to play in the lawmaker's annual golf tournament.

In 2004, lobbyists representing a wide range of industries, from car dealers to bankers to health care providers, spent \$8,200 on Powell, according to reports filed with the State Ethics Commission.

Last year, the lobbyists bought Powell, among other things, 66 meals, a dozen days on the links and a trip to the Kentucky Derby valued at \$3,250, the reports show. Powell has since disputed the Derby expenditure, saying he sat with a lobbyist but paid his own way. Lobbyists involved back Powell's account but have not amended the report.

Although Powell is unapologetic about his ties to industries, he insists that business does not get a free pass. He points to his efforts to create a state board to license general contractors and home builders, which was established in July.

"I think that every profession should be regulated in terms of oversight," Powell said.

Although the Industry Committee may have been Powell's first love, it is his seat on the Motor Vehicles Committee — on which he has served his entire time in the Legislature — that has given him considerable influence.

Rep. Bobby Parham (D-Milledgeville), who chaired the committee 14 years,

thought so highly of Powell's opinion, in fact, that he was willing to alter his own legislation.

After speaking to members of the used car board, Parham had agreed to sponsor the legislation upping the bond requirement for used car dealers from \$20,000 to \$50,000. Parham initially thought the higher bond sounded like a good idea, given how many Georgians buy used cars.

But colleague Powell viewed the measure as bad for his industry.

The used car lobby opposed it, Powell said in an interview, saying the additional cost would prompt some dealers to go out of business, or worse still, operate without a license.

Even though the higher bond would have cost most dealers an additional few hundred dollars every other year, it would be higher for those with blemished credit. Some dealers with financial problems might not have qualified for the higher bond at all.

"You've got a lot of good used car dealers in the state," Powell said. "You can't have car dealers that just go out of business."

The used car board wanted the higher bond to cover more consumers. But it also wanted to weed out dealers with bad credit who are prone to going out of business, leaving consumers in the lurch should problems arise.

"We made this decision knowing full well that it was going to be difficult for some people to get a license," said Waldrop, the board chairwoman. "We believe if we can get people with better credit, they will run better operations."

That rationale angered Powell. "What business is it of any licensing board of anybody's credit?" he said. "Anybody in business can have a downturn. Some of the best people I know have been broke once or twice."

After Parham's bill to increase the bond to \$50,000 came up for discussion in the Motor Vehicles Committee, Powell recommended upping it to \$30,000 instead. The committee went along, as did members of the used car board.

But when the bill came before the full House, Parham offered yet another version, which introduced a complicated scheme in which the amount of the bond depended on how many cars a dealer sold each month.

Parham said the change came from Powell. "Alan was worried about some people in his area," Parham said. "And he is in the business, the truth be known. He wanted to cushion it."

Powell said he didn't recall whether he proposed the change, but that it sounded to him "like a pretty good idea."

But the measure would have been unenforceable because the used car board does not have the resources to track dealers' monthly sales. No other state agency collects that kind of information, either.

The board no longer pushed for the measure and it died in the Senate. Georgia consumers were right back where they started.

"I felt they handed us a carrot," the used car board's Waldrop said of the General Assembly. "Then they ate it."

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FINAL EDITION

The Atlanta Journal-Constitution

SUNDAY

FINAL **



KENT D. JOHNSON / Staff

The day Atlanta stood still

- ▶ Ice blankets metro area, but warmer weather coming today. **Story below**
- ▶ Closed runways, canceled flights leave airport travelers stranded. **Metro, E1**
- ▶ From basketball to Arena Football, events canceled by storm. **Sports, D1**
- ▶ **On AJC.COM:** Staff and reader photos

BORROWER BEWARE

Why Georgia is a bad place to borrow money

AN AJC SPECIAL REPORT



RICH ADDICKS / Staff

Loan approvals — at an initial rate of 300 percent a year — come fast at Atlanta Title Loans on Tara Boulevard.

Harsh lending laws fail consumers

By ANN HARDIE, ALAN JUDD and CARRIE TEEGARDIN / Staff writers

The colony of Georgia was chartered 273 years ago as a haven for people who had been imprisoned for their debts.

Today, Georgia is an unforgiving state for people who owe money, perhaps the least forgiving in the nation. It condones lending practices — in home mortgages, small loans and other types of consumer credit — that most of the country finds unconscionable.

The place envisioned by James

Oglethorpe as a debtors' colony has become a creditors' paradise.

In a broad examination by The Atlanta Journal-Constitution of lending laws and credit practices, Georgia consistently stood out for its harsh treatment of borrowers and indulgent handling of lenders.

Practices permitted in Georgia carry a human toll: escalating numbers of Georgians in financial ruin. Of the 100 counties nationally with the highest rates of personal bankruptcy filings, 45 are in Georgia.

Among the AJC's findings:

- ▶ Only two other states allow lenders to foreclose on a house as fast as Georgia does. Once a borrower falls behind and a lender initiates a foreclosure in Georgia, a house can be sold on the courthouse steps in as few as 37 days.
- ▶ Lenders who make loans backed by car titles can charge an annual percentage rate of 300 percent — five times the state's legal limit for most other

▶ Please see **LOANS, A7**

YOU LIVE IN A STATE WHERE

- ▶ The home foreclosure process is lightning-fast.
- ▶ Bankruptcy rates are among the nation's highest.
- ▶ A lender can sell your home without a judge's permission.

FIRST IN A FOUR-PART SERIES

Swift foreclosures dash American dream

By CARRIE TEEGARDIN, ANN HARDIE and ALAN JUDD / Staff writers

A rose-colored wingback chair anchors Lizzie Hall's world, a tiny house near downtown LaGrange that has been her home for 34 years.

The chair provides a place to read, follow the Braves on television and watch what's going on beyond her front door.

It was in this chair that the 65-year-old widow realized one Friday last May that she was about to lose her world.

Hall was perusing the legal ads in the LaGrange Daily News — "just to see who was in there," she said — when she spotted first her name, then her address. Having finished only the sixth grade, Hall sometimes misses the subtleties of the printed word. The ad's message, though, was crystal-clear.

Her mortgage holder was announcing that it was foreclosing on her home — and intended to auction it off June 1 on the steps of the Troup County Courthouse, three miles away.

"I just went to pieces," Hall said recently. "I just love my house, and I don't want to go nowhere else."



JOEY IVANSCO / Staff

A widow living on \$994 a month, Lizzie Hall filed for bankruptcy to save her home after several mortgages ran up nearly \$21,000 in closing costs and fees.

In a panic, Hall looked for a way to hold on to the 1,000-square-foot brick-and-frame ranch she had bought for \$16,700 when Jimmy Carter was governor.

She discovered what tens of thousands of homeowners learn every year: The house that means everything to its owner means little to the state of

Georgia.

Public policy in this country for three-quarters of a century has been to promote the American ideal of homeownership. Georgia professes to support that goal, but no state does less to protect the homes of citizens hit by

▶ Please see **FORECLOSURES, A6**

Defiant Iraqis cast their votes

By LARRY KAPLOW
lkaplow@ajc.com

ON AJC.COM

▶ Updates and photos from the Iraq election.

Baghdad, Iraq — After nearly 24 years of Saddam Hussein's brutal dictatorship and almost two years of U.S. occupation, Iraqis made history today. They went to polling stations throughout this nation of 25 million and began voting.

To take part in the freest election in the nation's history, Iraqis braved threats by insurgents to attack polling stations and to track down and kill those who voted.

Soon after voting began, police say, a suicide bomber attacked a polling center in western Baghdad, killing one policeman and wounding several people. Mortar fire and explosions were also heard in central Baghdad.

Iraqi President Ghazi al-Yawer was one of the first to vote at election headquarters in the heavily fortified Green Zone, calling the action his country's first step "toward joining the free world."

Across Iraq, the nearly 5,200 polling stations opened on schedule at 7 a.m. (11 p.m. Saturday EST), with workers checking IDs and police standing guard. Turnout was expected to be low in the early hours. Most attacks occur in the morning, and many Iraqis were apt to wait to see whether rebels carried through on their death threats.

▶ Please see **VOTE, A12**



BEN CURTIS / Associated Press

President Ghazi al-Yawer votes in Baghdad. He called the election Iraq's first step "toward joining the free world."

After blanket of ice, get set to warm up

By DAVID SIMPSON
dsimpson@ajc.com

WHAT TO EXPECT TODAY

Atlanta and North Georgia froze like an overfilled ice tray Saturday, spilling a slippery sheet of frosty white across bridges, roads and front yards.

At least three people were killed in accidents on icy roads, and about 71,000 homes and business in metro Atlanta — and nearly 150,000 statewide — lost power Saturday.

Through the night, nervous utility officials kept a watchful eye as temperatures teetered at the freezing point and light sleet and rain continued to fall. This afternoon, though, it will likely climb into the 40s.

Today could be the Big Thaw.

Saturday was the Big Chill. Although airlines prepared

▶ **Weather:** The temperature should reach the 40s. For details, check our weather page on **C8** or visit ajc.com.

▶ **Roads:** Most should be open this morning. Go to ajc.com/traffic for maps, reports and cams.

▶ **Airport:** Flights may still be delayed, so check the airlines.

▶ **Churches:** Many have canceled or cut back on services.

for the storm by canceling many flights and urging people to stay away from the airport, hundreds of passengers were stranded at Hartsfield-Jackson International Airport. Some looked for hotel rooms. Others slept in chairs or on

▶ Please see **STORM, A15**

EXPANDED INDEX, A2



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BORROWER BEWARE

Cars: Bilked buyers face dead end

► Continued from A1

in which a consumer takes possession of a car after the deal has been negotiated, but before the financing has been approved. Once the transaction is final, consumers can find themselves facing higher payments or other less favorable terms than they thought they were getting.

Louisiana is among the states that require dealers to refund deposits and return trade-ins should the financing fall through. A 2003 bill with similar requirements died in the Georgia Senate at the hands of a powerful car dealers' lobby.

► Georgia was among the last states in the nation to cover new cars with a lemon law — and still has no such legislation for used cars, even though about three-quarters of the vehicles sold in Georgia are secondhand. In Massachusetts, lawmakers passed a lemon law for used cars years ago, requiring dealers to pay for repairs for up to 90 days on automobiles with fewer than 125,000 miles.

► Georgia requires used car dealers to post a surety bond of \$20,000 — hardly enough to compensate even one or two consumers should a dealer go belly up or fail to legally transfer ownership of cars, as happened with Rickie Coleman's dealer in Eastman.

The bill that Powell opposed in 2004 would have boosted the bond to \$50,000, the amount that North Carolina, among other states, requires. The added protection for consumers would have cost most dealers only two or three hundred extra dollars every two years — about double what most pay now.

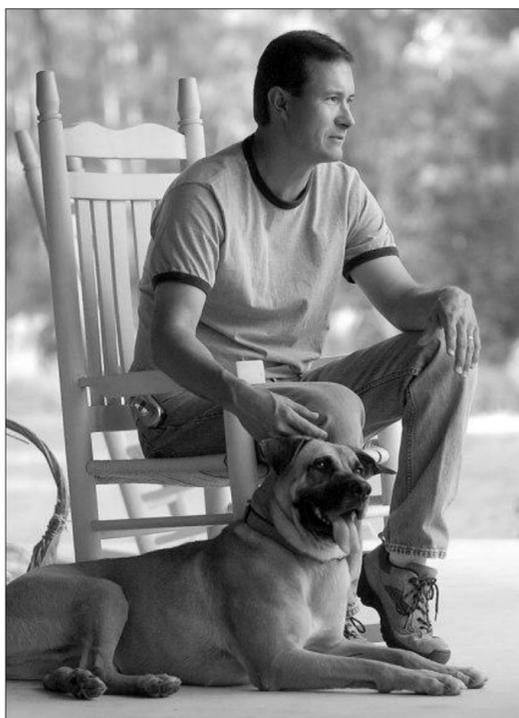
In Georgia, decades of legislative decisions have left consumers mismatched against dishonest automobile dealers, the newspaper's examination found. And in a one-two punch that has further handicapped consumers, Georgia courts essentially have given dealers a license to deceive.

To a degree unmatched by virtually any other state, Georgia courts repeatedly have put the onus on consumers to be savvy — not on dealers to be honest. The courts' interpretation of the state's chief consumer protection statute is so unusual that the National Consumer Law Center, a Boston-based advocacy group, has dubbed it "the Georgia Exception."

Even the two state agencies charged with protecting car buyers — the Governor's Office of Consumer Affairs and Georgia's used car board — rarely provide relief to people taken by a car dealer. In fact, the agencies often seem sympathetic to the dealers they regulate.

This climate can be treacherous for Georgians who buy cars, 1.8 million last year alone. Middle- and low-income consumers, most of whom finance their automobiles, are especially vulnerable.

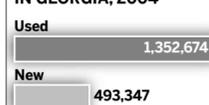
They are people like Rickie Coleman of Eastman, who pursued avenue after avenue looking for help after being swindled by a childhood friend who owned a used car dealership. Those avenues all



BITA HONARVAR / Staff

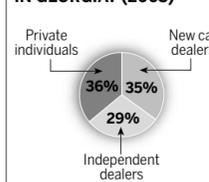
Paramedic **Rickie Coleman** bought a \$14,900 Grand Prix from a childhood friend who swindled him and scores of other customers. Coleman had to return the car to a bank — and pay off his loan. "It hurt us financially, big time," says the Eastman resident, shown at home with his dog, Rambo.

MOTOR VEHICLE SALES* IN GEORGIA, 2004



Source: R.L. Polk & Co. *Measured as new registrations

WHO SELLS USED CARS IN GEORGIA? (2003)



Source: CNW Marketing Research SHANNON PEAVY / Staff

resulted in dead ends.

"Basically, I lost \$14,900 and I ain't got nothing to show for it," said Coleman, a 38-year-old paramedic. "I was thinking there was something out there to protect the consumer. Come to find out, there wasn't."

'It kept messing up'

On a recent swing through Atlanta, Alan Powell jokes that his wife can't tolerate his presence at their Hart County farm more than two days running.

As his cellphone blares with calls from constituents and as lawmakers drop by his legislative office to talk shop, you get the sense that it is the 53-year-old Powell who relishes the on-the-go life of a Georgia legislator.

The folksy eighth-term Democrat — who chats openly about everything from his battle with weight to his addiction to cigarettes — describes himself as a fiscal conservative with a heart.

"I've actually read the [U.S.] Constitution," said Powell, who chaired his County Commission before his 1990 election to the Legislature. "Good God, I've been in politics half my life."

Powell's political life can take center stage, he said, because his businesses in Hartwell, the county seat of 4,200

residents on Lake Hartwell, largely run themselves.

Powell's Grocery on North Forest Avenue is a gray stucco convenience store that sells gas, beer, snacks and lottery tickets. He also owns some rental property, he said.

Then there's his used car business, which Powell said he got into around 1993 after a retired sheriff's deputy in town approached him about opening a lot on a piece of Powell's property.

In the early years, Powell said, he was more involved in the business, traveling to auto auctions and car sales. But he never managed the day-to-day. "My sitting in an office and waiting for someone to buy a car, that ain't my bag," he said.

Powell called the business a difficult one. "You can lose your butt in the used car business, trust me," he said. As for his company — Highway 77 Auto Sales — Powell said he "never made any money to speak of. I think it was more fun than anything."

The sign has been painted over at the dealership, which now has a new owner. Even though his used car license remains active, Powell said he shut down the business about a year ago after his most recent partner became ill. He hasn't decided whether to open another dealership.

Several of Powell's former customers described Highway 77 Auto Sales as a friendly, easygoing business — one willing to tolerate a late payment every now and then. As with any dealership, they said, you had to check out the vehicles to avoid getting stuck with a lemon.

Briana Baker didn't — and says she got stuck.

The single mother said she financed a Mazda 626 in 2002 after hitting a deer and totaling her car. Now 21, Baker said she had bought a vehicle from Highway 77 before and had a good experience.

This time, however, the transmission went out 10 days after she bought the car, she said. Like most used

car buyers in Georgia, Baker bought the car "as is" so there was no warranty. The dealership did fix it, but only after tacking the cost of the repair onto her loan, said Baker, who does not remember exactly what she paid for the car.

"It kept messing up," she said. "Finally, it blew up."

Baker defaulted on her loan. In early 2004, Powell's dealership sued to force her to pay the \$3,573 remaining on her loan, according to records at the Hart County Courthouse.

So for eight months, the hospital where Baker worked an \$8-an-hour job as a nursing assistant docked her check to pay off the loan, the records show.

Baker's experience represents the downside of "as is" sales. The working poor, in particular, can find themselves stuck with no transportation but still having to pay a car note — even if their vehicle breaks down days, or even a few miles, after being driven off the lot.

Powell said he does not know Baker or about her situation. As a general rule, he said, consumers have to make a decision: Do they want more protections, such as required warranties, or do they want cheaper cars?

"If they expect someone to warranty a car, they are going to have to pay more for that car," he said. "The consumer ultimately has to make that decision. You can't do all things for all people. A consumer has got to do their due diligence at some point."

Large print, small print

In Georgia, consumers have to do their due diligence at every point. Compared with other states, Georgia does virtually nothing to protect consumers from getting taken on a car deal.

"Georgia's a good place to buy a car — if you're a car dealer," said Tim Ryles, who became the first head of the Governor's Office of Consumer Affairs in 1975 and left that post in early 1982.

Most Southeastern states do little to protect car buyers. Aside from Georgia, the states that offer the fewest consumer protections in the region include Alabama and South Carolina. But even within the Southeast, Geor-

gia often stands out for leaving car buyers at risk.

The Legislature has made it difficult for the average Georgian to challenge a car dealer in court. Georgia is among a handful of states banning class action lawsuits for deceptive practices by car dealers and other merchants. As a result, many lawyers aren't willing to take an individual's case because there is not enough money in it.

In 1990, Georgia lawmakers passed the Motor Vehicle Warranty Rights Act, commonly called the lemon law, to look out for consumers who purchase defective vehicles. The legislators were among the last in the country to enact such legislation — and even then they passed a law that applies only to new cars.

"We didn't even think about a used car lemon law," said Joyce Kinnard, an Atlanta consumer advocate who pushed for the measure. "It was hard enough to get a new car lemon law."

In recent years, consumers and their advocates have been no match for the automobile industry, which has succeeded in killing several measures designed to boost protections for consumers.

In 2004, Rep. Rob Teilhet (D-Smyrna) introduced a bill to address one of the most prevalent complaints among consumers: used cars sold as is. In Georgia, that means if you buy a defective car, you almost always get stuck with it.

About half of the states require dealers to provide a basic warranty or offer minimal assurances about a car's operation and safety, usually based on an inspection. Not Georgia. With Teilhet's bill, only cars older than 6 years and with more than 75,000 miles could be sold as is.

"If you buy a car that is not super old or does not have a lot of miles on it, it is reasonable to assume that the car will operate," Teilhet said. "In Georgia, by putting the words 'as is,' they can sell you a car that doesn't run, a truck to haul things that doesn't haul."

As a practical matter, Teilhet said, the bill had little chance of passing because of the strength of the car lobby. His proposal did not even get a hearing.

The lobby representing new car dealers historically has been among the strongest at the state Capitol. As an indication of the industry's strength, two new car dealers sit on the powerful Board of Regents, which oversees Georgia's public colleges and universities. The trade association representing used car dealers has not been as influential. But it has benefited from its relationship with new car dealers, many of whom also sell used cars.

The car lobby was effective in stopping Rep. Mary Margaret Oliver (D-Decatur) in her efforts in 2003 and 2004 to rein in abuses in spot delivery. That's the practice in which a dealer negotiates a deal with a consumer, then delivers a car "on the spot," with details, such as a bank's final approval of the financing terms, to be worked out later.

Dealers refer to the practice as "puppy dogging" be-

► Please see next page

GETTING HELP

These agencies and Web sites might be able to help you resolve a problem with a purchase — or avoid the problem in the first place.

State Board of Registration of Used Motor Vehicle Dealers and Used Motor Vehicle Parts Dealers

Georgia Secretary of State's licensing division, Used car, used car parts divisions, 237 Coliseum Drive, Macon, GA 31217-3858; 478-207-2440

► Also known as the used car board, this agency licenses used car dealers in Georgia. The board takes complaints about dealers and investigates when appropriate. It can fine dealers and revoke licenses. It cannot require dealers to refund money to consumers.

For more information about the board: www.sos.state.ga.us/plb/usedcar/

Official complaint forms are available at: www.sos.state.ga.us/plb/usedcar/complaint.htm

Governor's Office of Consumer Affairs

2 Martin Luther King Jr. Drive S.E., Suite 356, Atlanta, GA 30334-4600; 404-651-8600, 1-800-869-1123 (outside metro Atlanta)

► This state agency enforces the Fair Business Practices Act, the primary protection Georgia consumers have against deceptive acts by car dealers and other businesses. Complaints related to automobiles are the most common complaints received. The matters range from false advertising to financing issues. The Governor's Office of Consumer Affairs also provides information and arbitration hearings for consumers seeking relief in "lemon law" matters, which generally involve new vehicles under warranty whose mechanical problems have not been repaired by the manufacturer. Telephone counselors are available to provide assistance during business hours.

For more information: consumer.georgia.gov

Better Business Bureau for metro Atlanta, Athens and northeast Georgia

503 Oak Place, Suite 590, College Park, GA 30349; 404-766-0875, www.atlanta.bbb.org/

► Provides online reports on car dealers and other companies, including information about complaints received and the nature of the complaints. Also takes consumer complaints related to a variety of problems, including misleading advertising, misrepresentation, warranty problems, and credit or billing problems. The BBB works as a facilitator between businesses and consumers when handling complaints.

Carfax

► This commercial service provides vehicle history information, such as the title history, whether the vehicle was salvaged, junked or flooded, whether it was a lemon, the number of owners, odometer information, etc. The company accesses this information through a car's unique vehicle identification number, or VIN. Site includes advice on purchasing a car.

www.carfax.com

Consumer Reports

► This nonprofit consumer organization offers a Web site that rates vehicles, provides pricing information and consumer advice to help consumers get the best deal. One feature of the site is the Used Car Buying Kit (www.consumerreports.org/usedcar/), which allows consumers to select preferences for a car and then offers comparisons of models along with in-depth ratings and reviews, buying advice and pricing reports.

www.consumerreports.org

Edmunds.com

► This site provides pricing information, reviews of cars and advice on buying a new or used vehicle. This can help you determine what you should pay for a vehicle and how much you should expect to get if you trade in your old car. It will also help you research the cars you are interested in before heading out to a dealership.

www.edmunds.com

Federal Trade Commission

► This federal government Web site provides consumer advice on a range of auto-related issues — including buying a new or used car, obtaining financing, leasing a vehicle and making repairs.

www.ftc.gov/bcp/online/edcams/automobiles/index.html

COMING MONDAY: Two state agencies responsible for protecting Georgia consumers offer little help to those who get bad deals on cars.

THE SERIES SO FAR

The Atlanta Journal-Constitution in January kicked off "Borrower Beware," a series examining lending and consumer issues in Georgia. The installments of the series are available online at www.ajc.com/borrowerbeware. Buy an 11-by-17 reprint of the original special report published Jan. 30-Feb. 2 for \$7.95, including shipping and handling, plus tax. Order online at ajc.com/info or call The Stacks at 404-526-2610.

► **Harsh lending laws fall consumers:** Founded 273 years ago as a debtors' colony, Georgia is perhaps the least forgiving state in the nation for people who owe money. Of the 100 counties nationally with the highest rates of personal bankruptcy filings, 45 are in Georgia. (Jan. 30, 2005)

► **Swift foreclosures dash American dream:** Georgia professes to support the American ideal of homeownership, but no state does less to protect homeowners hit by hard times. (Jan. 30, 2005)

► **Cost and risks are ultrahigh for car title loans:** Georgia was the birthplace of car title lending. State law allows car title lenders to charge 25 percent interest a month, which works out to an annual rate of 300 percent. (Jan. 31, 2005)

► **Small-loan costs among highest in the U.S.:** Consumers who resort to borrowing from the state's storefront small-loan companies pay dearly — mostly through insurance and other extras that push the cost of lending into the triple digits. (Feb. 1, 2005)

► **Mixing business and politics:** An insurer's hunting preserve serves as a tool to build political support and a solid business. (Feb. 2, 2005)

► **Consumer office gets heat:** An official says a top aide to Gov. Sonny Perdue tried to halt an investigation of an auto dealer. (March 27, 2005)

► **Tax loans: quick cash, steep price.** Tax prep firms find a way around state interest limits. (April 3, 2005)



RICH ADDICKS / Staff

Selling used cars is a tough business "in which you can lose your butt," says Rep. **Alan Powell** (D-Hartwell), licensed as a dealer. A plan by the state's used car board to raise bonding requirements could have forced some dealers to close, asserts Powell, shown in the state Capitol.

