

"ZOMBIE DEBT RISES FROM THE GRAVE TO GET YOU"

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After Kim Mullen filed for bankruptcy in 1993, she cut up all her credit cards. Since then, the Long Island resident has managed to obtain a good credit rating.

But four months ago, a debt collector contacted her, saying she had an unpaid card balance of \$5,655 from 1992. With interest, the letter claimed, the debt had grown to \$19,400.

As old debt seems to rise from the dead, it's taken on a name – zombie debt. And in recent years, more such debt is coming back to haunt consumers, according to lawyers who specialize in debt.

Many credit card companies have started selling delinquent accounts to collectors to boost quarterly earnings, according to a report by Kaulkin Ginsberg, a Maryland-based adviser on debt collection. The collectors then resell some of that debt to other collection agencies.

The debt is often sold for pennies on the dollar. A \$10,000 debt might cost a collector just \$100. So even if the collector managed to get paid just a few hundred dollars of that debt, the profit margin would be substantial.

Experts say Mullen's financial recovery made her more likely to face demands for old debt. Collection agencies target debtors in good financial shape who are more likely to pay, said Jacob Silver, a bankruptcy and debt collection attorney in Garden City.

Though collection agencies can't legally contact consumers for debts included in a bankruptcy, experts said sometimes agencies might not know about the bankruptcy, which is removed from credit reports after seven years.

The consumer does have protection: Six years after a debt goes into default, the collector no longer can sue to collect. And after seven years, the debt can't be shown on a consumer's credit report.

But efforts to collect old debt are legal, as long as the collector doesn't threaten to sue or report the debt to credit agency.