

A sepia-toned photograph of a classical statue depicting a muscular man holding the head of a horse. The man is shown from the waist up, leaning forward with his right arm around the horse's neck. The horse is rearing up on its hind legs. The background shows a classical building with columns and a dome.

The Hallmarks of Consumer Fraud Targeting Senior Victims: A Primer on How to Identify, Deter, and Defend Against Consumer Fraud

April 14, 2010

Webinar Hosted by
National Consumer Law Center and
Administration on Aging

Sara C. DePaul
Staff Attorney

The views expressed are those of the speaker and not necessarily those of the FTC or any other person.

Federal Trade Commission



INTRODUCTION TO THE FTC



Federal Trade Commission

Federal Trade Commission



Deception and Unfairness

Section 5 of the FTC Act Prohibits Unfair or Deceptive Acts or Practices Affecting Commerce

- **Deceptive practices**
 - material
 - likely to mislead consumers
 - acting reasonably under the circumstances
- **Unfair practices**
 - substantial injury
 - not reasonably avoidable
 - not outweighed by benefits



Federal Trade Commission

Discussion Points

1. CONSUMER FRAUD

- Deceptive Telemarketing
- Money Wire Scams
- Deceptive Health Product Advertising

2. IDENTITY THEFT

3. FUNERAL GOODS AND SERVICES



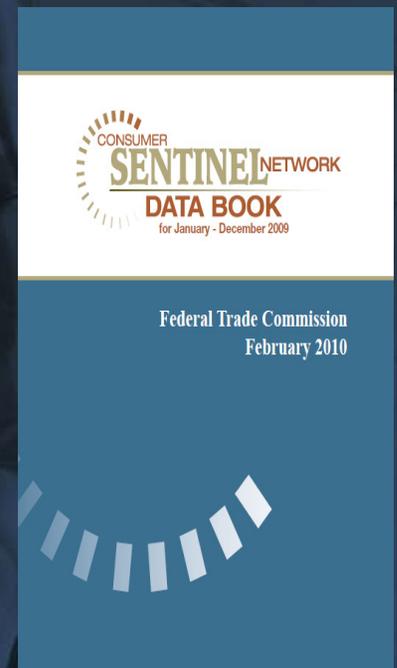
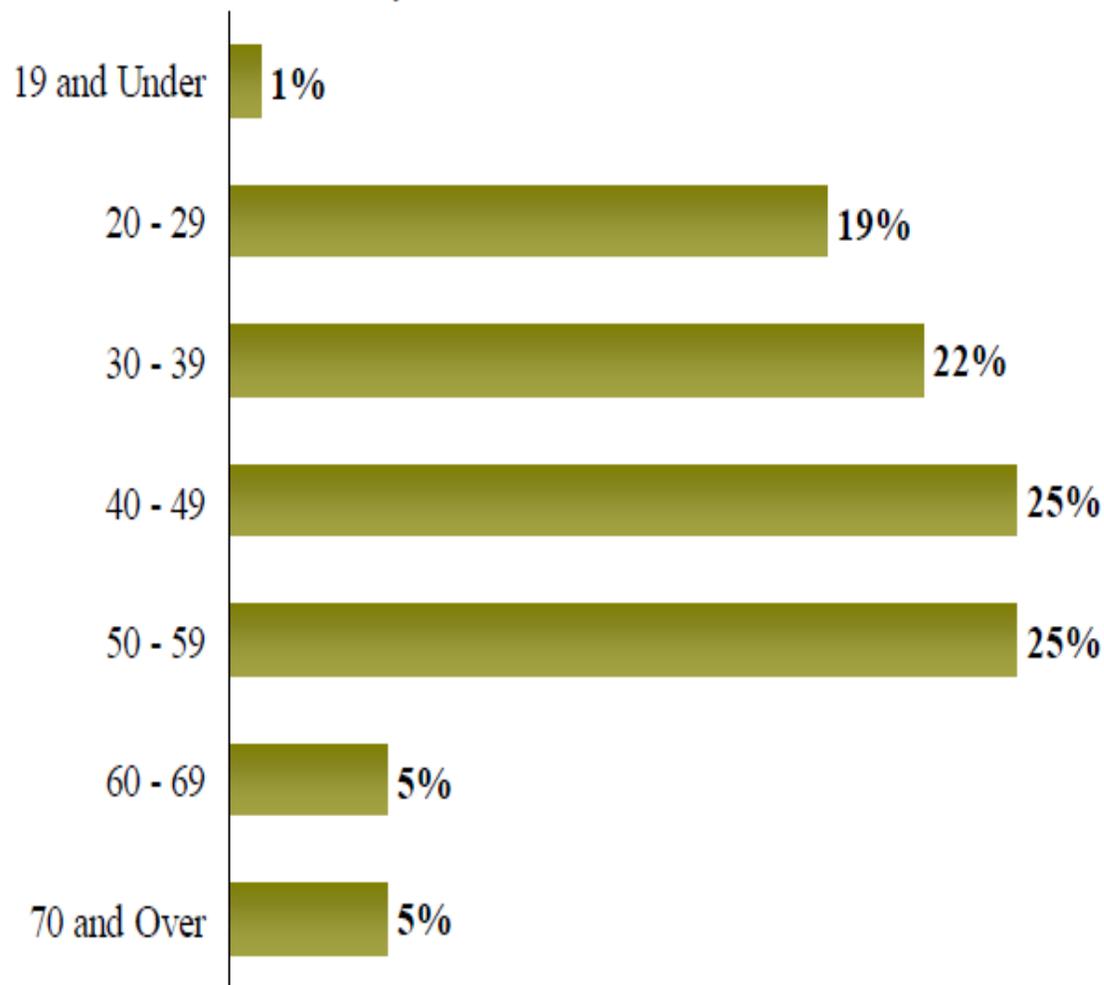
CONSUMER FRAUD



Federal Trade Commission

Consumer Sentinel Network Fraud Complaints by Consumer Age¹

January 1 – December 31, 2009



Federal Trade Commission

Consumer Fraud

Why do scammers target senior citizens?

- Nest eggs
- Trusting/polite
- Less likely to report
- Poor witnesses



Federal Trade Commission

Consumer Fraud

DECEPTIVE TELEMARKETING



Federal Trade Commission

Deceptive Telemarketing

What is telemarketing?



When is telemarketing deceptive?



Deceptive Telemarketing

How do deceptive telemarketers contact their victims?

1. Cold Calls
2. Direct Mail
3. Broadcast and Print Advertisements



Federal Trade Commission

Protecting Against Telemarketing Scams

Recognize

Report

Register



Federal Trade Commission

Recognizing Telemarketing Fraud

1. Push for money up-front
2. Requests for financial account information or other personal information, such as Social Security number
3. Questions intended to get the answer “yes” or “okay”
4. Too good to be true offers
5. Requests to verify personal information
6. Wire money



Federal Trade Commission

Recognizing Telemarketing Fraud

Examples of Telemarketing Scams

- Medical discount plans
- Charities & Fundraising Fraud
- Government Grant Scams
- Credit & Loan Offers
- Sweepstakes & Lotteries
- Travel Scams
- Reloading Scams



Federal Trade Commission

Medical Discount Plan Scams

Advice for Senior Consumers:

- Ask questions - list of providers, website
- Investigate the plan
- Do the math
- Inquire about complaints



Federal Trade Commission

Charities and Fundraising Fraud

Advice for Senior Consumers:

- Donate to recognized charities only
- No cash gifts
- Be skeptical
- Reject high pressure pitches
- Take time

Charity Evaluators:

- BBB Wise Giving Alliance – www.bbb.org/us/charity/
- Charity Navigator – www.charitynavigator.org
- American Institute of Philanthropy – www.charitywatch.org



Federal Trade Commission

Government Grant Scams

Advice for Senior Consumers:

- Never pay for a “free” government grant
- Check names of government agencies
- Phone numbers can deceive
- Take time

Federal grant-making agencies: www.grants.gov



Federal Trade Commission

Credit and Loan Offer Scams

Advice for Senior Consumers:

- Offers by telephone are illegal
- Credit histories matter
- Loans cannot be guaranteed
- Copycat names
- Check state registrations
- Beware of requests to wire money



Federal Trade Commission

Sweepstakes and Lottery Scams

Advice for Senior Consumers:

- Do not pay to collect winnings
- Phone numbers can deceive
- Illegal to pay foreign lotteries



Federal Trade Commission

Travel Scams

Advice for Senior Consumers:

- Verify and clarify
- Put it on paper
- Use a credit card to purchase the trip
- Ask questions
- Take your time



Federal Trade Commission

Reloading Scams

Advice for Senior Consumers:

- Offers by telephone
- Avoid “recovery fees”
- Beware of requests to wire money
- Change their phone numbers



Example of an FTC Enforcement Cases

FTC v. Med Provisions

Discount Prescription Plan/Posing as Medicare

The Cost: \$389

The Benefit to Consumers: None.

The Benefit to the Defendants: \$3.5 Million in Gross Sales



Federal Trade Commission

From: Melissa [REDACTED]
Sent: Monday, March 19, 2007 10:04 AM
To: Victor [REDACTED]
Subject: Refund

Ref# 138414-Mary [REDACTED] Union Consumer
Benefits-\$399-she said it was debited
3/6/07

Mrs. [REDACTED] daughter Susan [REDACTED] called because her mom died in
December 2006. She wants the funds put back into the account.
This is the 2nd time
funds were debited from her deceased mother's account the first time it
was from Med Pro in January. She is the executor of her mom's estate
and is taking care of anything still pending.



[REDACTED]
Sent: Tuesday, March 20, 2007 2:08 PM

To: Med Provisions [REDACTED]

Cc: [REDACTED]

Subject: FW: Refund

Sameer,

Looks like you had us debit a deceased persons account, any idea how you managed to get a ver from a dead person??

Thanks,

Victor [REDACTED]



From: Sameer Malhotra [REDACTED]
Sent: Wednesday, March 21, 2007 10:18 AM
To: Victor [REDACTED]
Subject: Re: FW: Refund



4235860668R.mp3
(1 MB)

Hi Victor

I am sorry for this whole mishap. Perhaps I can shed some light on this from my end. Miss [REDACTED] was called by one of our centers on 12/23/07. And when our center received the verification, they rejected it as during the file conversion (from vox to mp3) the voice quality was bad. So after the holidays, that center fixed the cobnversion quality and resubmitted that sale again which was then processed. She was not called again or verified again. It was was the previous verification that was just converted properly and resubmitted. I am attaching the mp3 file for you to listen to. Please if you need any other info or clarification regarding this matter do not hesitate to call or email me.

Thanks

Sameer [REDACTED]



Reporting and Registering

To Report Telemarketing Fraud:

- Go to www.ftc.gov to file online complaint, or
- Call the FTC at 1-877-FTC-HELP

To Register Telephone Number on Do Not Call Registry:

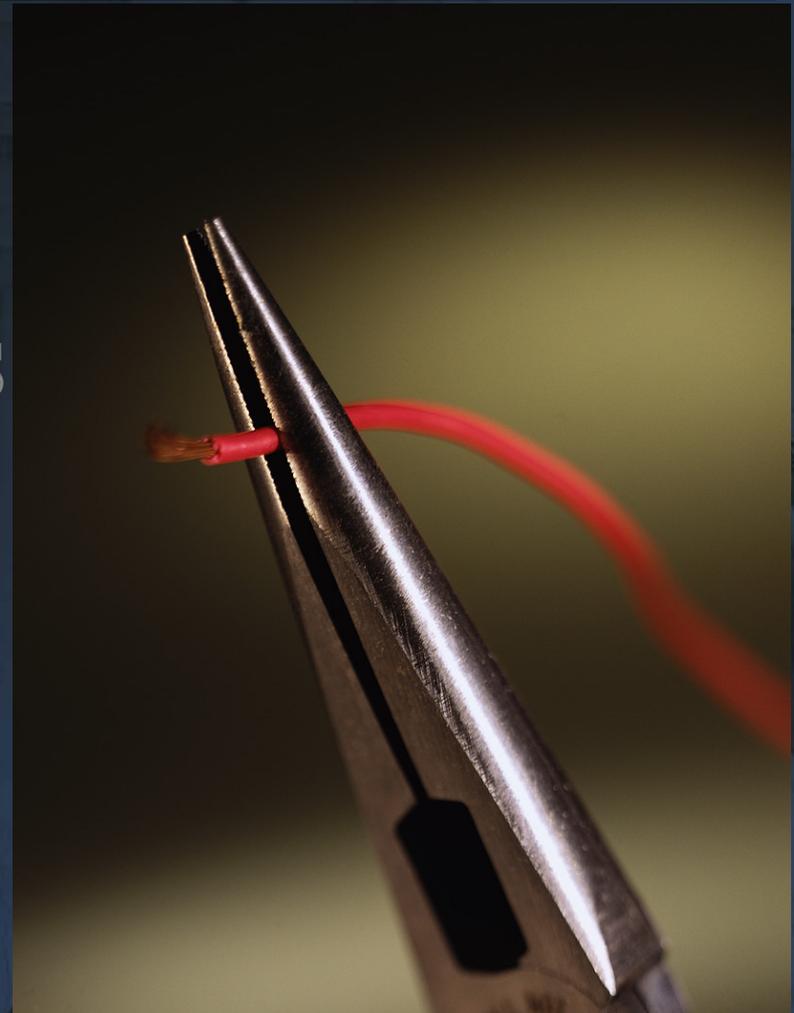
- Go to www.DoNotCall.gov, or
- Call 1-888-382-1222



Federal Trade Commission

Consumer Fraud

MONEY WIRE SCAMS



The Grandparents Scam



Federal Trade Commission

The Grandparents Scam

How can your beneficiaries avoid this type of scam?

- Verify the caller's identity (personal questions)
- Resist the pressure to act immediately.
- Call the local police on a non-emergency line
- Do not wire money or send money via an overnight courier
- Report the fraud to the FTC



Money Wire Scams

Other Common Money Wire Scams

- Foreign Lotteries/Sweepstakes/Prizes
- Counterfeit Check Scams – Rent, Online Purchases
- Employment – Bookkeeper Positions
- Business Opportunities – Investments/Enrollment Fee
- Mystery Shopper



FTC v. MoneyGram International, Inc.

Allegations

- Assisted and facilitated telemarketers and scammers bilk consumers of more than \$84 million
- Knowledge of abuse of system
- Ignored warnings from law enforcement
- Discouraged employees from enforcing fraud prevention policies



Federal Trade Commission

FTC v. MoneyGram International, Inc.

Settlement – Worldwide application

- Bar on knowingly providing substantial help or support to persons violating TSR
- Implementation of an anti-fraud program
- Clear and conspicuous fraud warning on the front of money transfer forms
- Monitoring and discipline provisions
- \$18 million for consumer redress



Federal Trade Commission

Money Wire Transfers

Is it every okay to send a money wire transfer? YES!

- Know the recipient
- Understand the basis for the transaction

What if you sent a wire transfer to a scammer?

- Report to the money wire transfer company
- File a complaint with the FTC



Federal Trade Commission

QUESTIONS?



Consumer Fraud

DECEPTIVE HEALTH PRODUCTS AND SERVICES



Federal Trade Commission

Signs of a Health Product/Treatment Scam

Avoid Products That:

- Claim to cure incurable conditions
- Make extraordinary promises
- Promise a long list of benefits
- Are promoted with phrases like: “scientific breakthrough”, “ancient remedy”, “miraculous cure”



Avoiding Health Product and Treatment Scams

Five questions to ask your doctor:

- Efficacy
- Side effects
- Compatibility with other treatment plans
- Safety
- Other treatments



Deceptive Health Product Advertising

Other Scams

- Medical ID Theft (to be discussed later)
- Medicare Fraud
- Medicare Part D Plans
- Prescription Assistance Programs
- Biothreats



Consumer Fraud

RECOVERING FROM CONSUMER FRAUD



Immediate Responses to Consumer Fraud

1. Close financial accounts
2. Request refunds
3. File complaints
4. Keep detailed records



Federal Trade Commission

Closing Accounts and Requesting Refunds

Types of charges:

- ACH
- Remotely Created Checks
- Credit Cards
- Debit Cards
- Wire Transfers

Requesting Refunds

- Directly from the company
- Indirectly from the financial institutions



Filing Complaints

Where can your beneficiaries file complaints?

- FTC
- the Attorney General's office in your state and the company's state
- local consumer protection offices
- Better Business Bureau – www.bbb.org
- local postmaster if the mail was used
- the advertising manager of the publication that ran the ad for the business opportunity



Federal Trade Commission

Keeping Detailed Records

- Bank records
- Written notes of dates and times of correspondence
- Copies of written correspondence
- Copies of promotional literature
- Information on “product” or “service” received

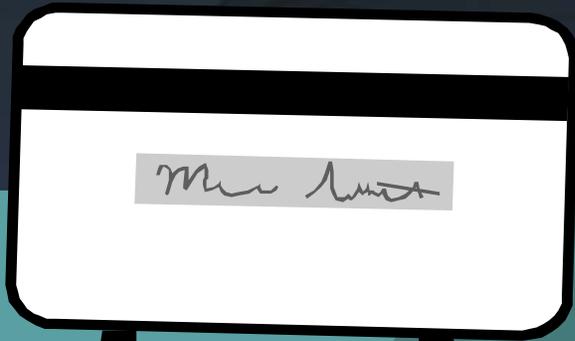


QUESTIONS?



Federal Trade Commission

IDENTITY THEFT



Identity Theft

The unauthorized acquisition and use of a person's personal identifying information to commit fraud or other crimes.



Federal Trade Commission

Types of Identity Theft

1. Financial Identity Theft
2. Employment Identity Theft
3. Medical Identity Theft
4. Criminal Identity Theft



How Many New Victims Annually?

- 2003 FTC: 9.9 million
- 2005 FTC: 8.3 million
- 2005 Javelin: 9.3 million
- 2006 Javelin: 8.9 million
- 2007 Javelin: 8.4 million
- 2008 Javelin: 9.9 million
- 2009 Javelin: 11.1 million



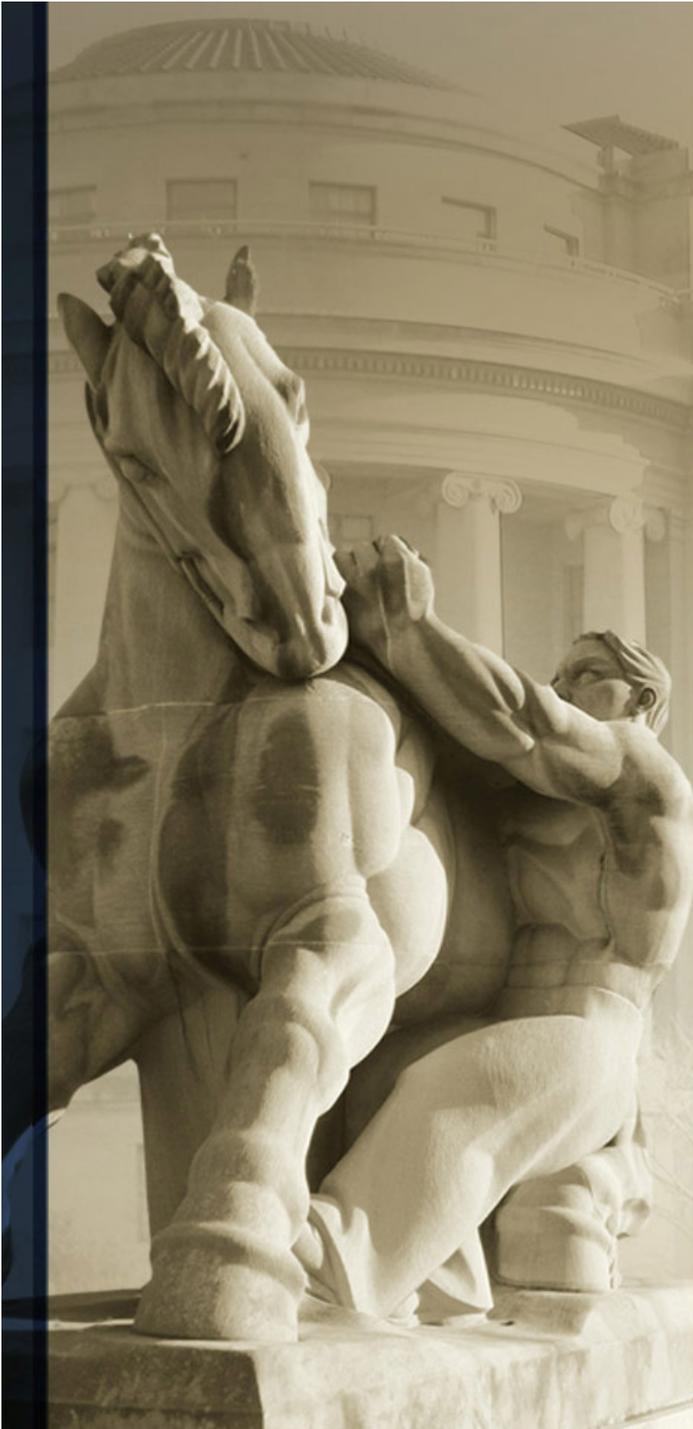
Federal Trade Commission

Victim Impact

Victim does not realize until after thief has committed fraud in his name, resulting in:

- Direct financial losses
- Damage to financial status and reputation
- Time and costs of repairing damage
- Emotional harm
- Possible civil judgment or criminal record





How do Thieves Obtain Victims' Identities?



Federal Trade Commission

Stealing Identities

- Old fashioned ways - lost or stolen wallets, theft by family or friends, someone going through the victim's or company's garbage, stolen mail, buying it from a corrupt insider at a bank, hotel, car rental agency, or other business



Stealing Identities

- Scamming Credit Reporting Agencies
 - Fake or Stolen Business Approach
 - Establish a fake business or steal a business identity
 - Open an account with a CRA
 - Use account to get credit reports
 - Corrupt Employee Approach
 - Obtain and Sell Credit Reports



Stealing Identities

- Newer and More High Tech Ways
 - Skimming
 - Data breaches
 - Phishing
 - Keystroke loggers and malicious code
 - Peer to Peer file sharing



Skimmers – Capture Device



Camera for PIN Number



Data Breaches

- Breaking into computer systems
 - Networks designed for “perimeter defense”
 - Firewalls on the outside, trust within
 - Intruders need find only the weakest link
 - Vulnerable system
 - Unsecured network
 - Disgruntled or Corrupt insider
 - Once inside, often free to search and steal data



Black Market Carding Websites



Credit cards in unlimited quantities
Highest quality
MasterCard and Visa with and without CVV2
No expired cards
All declines replaced without questions
Contacts: ICQ 100316 Email carder@mailru.com



Phishing – IRS Stimulus Scam

Links and other functionality have been disabled in this message. To restore functionality, move this message to the Inbox.
Extra line breaks in this message were removed.
This message was converted to plain text.

From: Internal Revenue Service [do-not-reply@irs.gov]
To:
Cc:
Subject: 2008 Economic Stimulus Refund

Sent: Wed 4/30/2008 11:01 AM

<http://www.irs.gov/irs/cda/common/images/irslogo.gif>

Over 130 million Americans will receive refunds as part of President Bush program to jumpstart the economy.

Our records indicate that you are qualified to receive the
2008 Economic Stimulus Refund.

The fastest and easiest way to receive your refund is by direct deposit to your checking/savings account.

Please click on the link and fill out the form and submit before May 01th, 2008 to ensure that your refund will be processed as soon as possible.

Submitting your form on May 01th, 2008 or later means that your refund will be delayed due to the volume of requests we anticipate for the Economic Stimulus Refund.

To access Economic Stimulus Refund, please click here. <http://newsar.us/edcart/prodgfx/help.php>

© Copyright 2008, Internal Revenue Service U.S.A. All rights reserved.

The Latest Development

- **Peer to Peer File Sharing**
 - **Allows users to share files online through an informal network of computers running the same software**
 - **File sharing provides access to a wealth of information, but it also has a number of risks**
 - **Consumers could download viruses**
 - **Consumers could mistakenly allow other people to copy files from their computers with their personal information**





Identity Theft: Prevention and Detection



Federal Trade Commission

Prevention and Detection Challenges

- ❑ Individuals' personal information resides in multiple locations over which they have no control
- ❑ Authentication mechanisms to detect attempted identity theft have not been fully realized and adopted
- ❑ The Social Security number is used as both identifier and authenticator – not its original purpose
- ❑ Thieves operate under the radar – commit multiple smaller fraud transactions spread out over multiple jurisdictions



Individuals Can Protect Their Personal Information

- Shred financial documents before disposing of them
- Don't give out your personal information unless you are sure who you are dealing with – avoid scams
- Keep personal information secure – at home, in car, at office



Individuals Can Guard Against Identity Theft Online

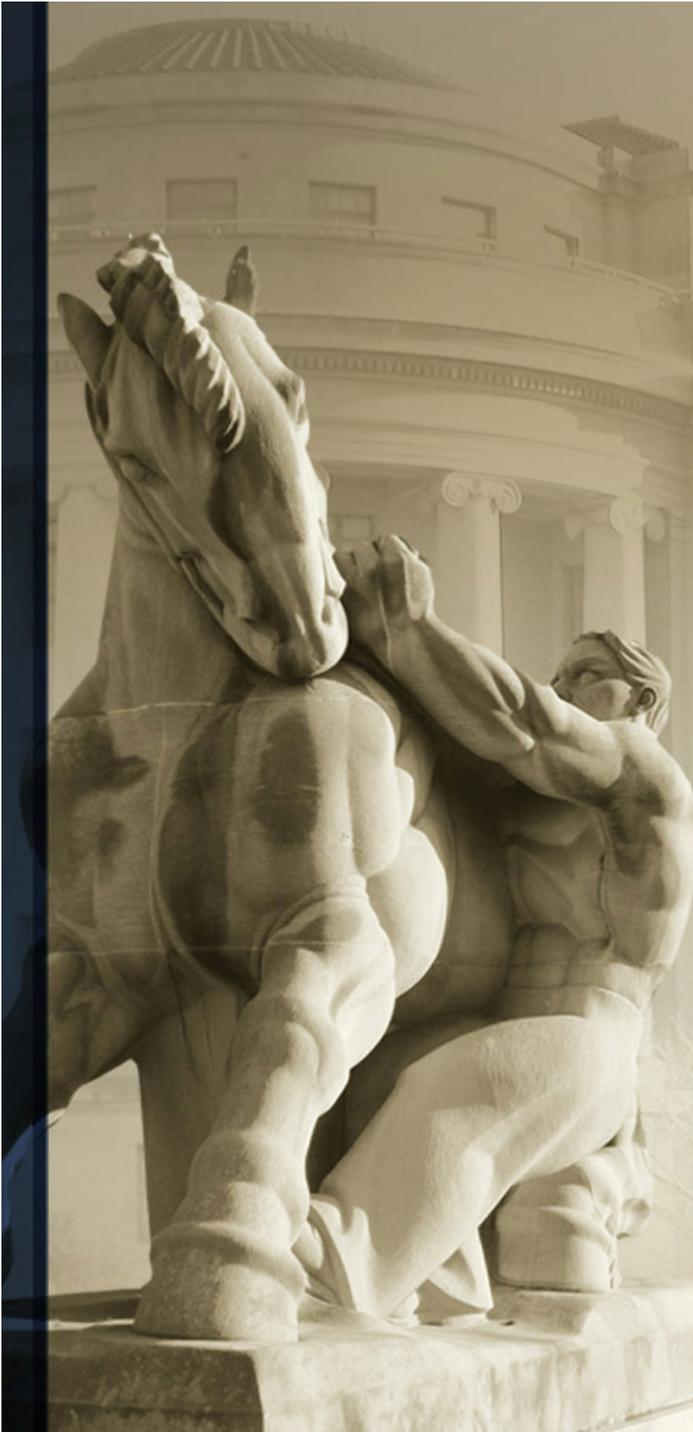
- OnGuard Online – <http://www.onguardonline.gov/>
- Keep anti-virus software up-to-date
- Be careful in any Social Network or Peer to Peer File Sharing environment
- If you have online accounts, use difficult to guess passwords
- When online shopping look for indications that the site is secure



Individuals Should be Vigilant

- Monitor accounts and review financial statements regularly
- Watch the mail for statements for accounts or credit cards that you did not open
- Watch the mail to make sure you receive the statements you are expecting
- Get your free annual credit report at www.annualcreditreport.com
- Make a copy of everything in your wallet





**Individuals' Self-Help
Actions Can Remediate
Many of Their Identity
Theft-Related Problems**

Federal Trade Commission



Victims Face Problems of Proof in Resolving Their Identity Theft Problems

- Proving their identity – that they are who they say they are and not the thief
- Proving the victim did not commit the act or transaction that the thief committed in their name
- Company must decide between two possibilities
 - Company must absolve true victim of debt
 - Company is left holding the debt
 - Likely unable to get the wrongdoer to pay



Steps Victims of Financial Account Identity Theft Need to Take

- 1) Contact Credit Reporting Agencies
 - File Fraud Alert
- 2) Contact Companies
 - Report Crime, Submit Affidavit
- 3) File a Complaint with the FTC
 - Print “Identity Theft Affidavit”
- 4) File a Police Report
 - Send to Credit Reporting Agencies



Federal Trade Commission

Identity Theft Victims' Complaint and Affidavit

A voluntary form for filing a report with law enforcement and disputes with credit reporting agencies and creditors about identity theft-related problems. Visit ftc.gov/idtheft to use a secure online version that you can print for your records.

Before completing this form:

1. Place a fraud alert on your credit reports, and review the reports for signs of fraud.
2. Close the accounts that you know, or believe, have been tampered with or opened fraudulently.

About You (the victim)

Now

- (1) My full legal name: _____
First Middle Last Suffix
- (2) My date of birth: _____
mm/dd/yyyy
- (3) My Social Security number: _____ - _____ - _____
- (4) My driver's license: _____
State Number
- (5) My current street address:

Number & Street Name Apartment, Suite, etc.

City State Zip Code Country
- (6) I have lived at this address since _____
mm/yyyy
- (7) My daytime phone: (____) _____
 My evening phone: (____) _____
 My email: _____

This section is for the victim's information, even if he or she cannot complete the form.

Leave (3) blank until you provide this form to someone with a legitimate business need, such as when you are filing your report at the police station or sending the form to a consumer reporting company to correct your credit report.

At the Time of the Fraud

- (8) My full legal name was: _____
First Middle Last Suffix
- (9) My address was: _____
Number & Street Name Apartment, Suite, etc.

City State Zip Code Country
- (10) My daytime phone: (____) _____ My evening phone: (____) _____
 My email: _____

Skip (8) - (10) if your information has not changed since the fraud.

The Paperwork Reduction Act requires the FTC to display a valid control number (in this case, OMB control #3084-0047) before we can collect – or sponsor the collection of – your information, or require you to provide it.



QUESTIONS?



Federal Trade Commission

FUNERAL GOODS AND SERVICES



Funeral Rule Regulations

- Disclosures: Itemized Pricing and Other Information
- Unbundles Services and Goods
- Prohibits Misrepresentations
- Prohibits Mandatory Purchases of Goods and Services



Required Disclosures

1. **General Price List** – itemizes and identifies the prices for certain goods and services
2. **Casket Price List** – price list of the caskets and alternative containers offered by the funeral provider
3. **Outer Burial Container Price List** – price list of the vaults offered by the funeral provider
4. **Statement of Funeral Goods and Services**



General Price List

Mandatory Disclosures:

1. Right of Selection
2. Basic Services Fee
3. Embalming
4. Alternative Containers for Direct Cremation
5. Casket Price List
6. Outer Burial Container Price List



General Price List

Required Itemized Prices:

1. Forwarding of remains to another funeral home
2. Receiving remains from another funeral home
3. Direct cremation
4. Immediate burial
5. Basic services of funeral director and staff, and overhead
6. Transfer of remains to funeral home
7. Embalming



General Price List

Required Itemized Prices:

8. Other preparation of the body
9. Use of facilities and staff for viewing
10. Use of facilities and staff for funeral ceremony
11. Use of facilities and staff for memorial service
12. Use of equipment and staff for graveside service
13. Hearse
14. Limousine
15. Casket prices: either individual or range of prices
16. Outer burial container prices: either individual or range of prices



Sample 1

ABC FUNERAL HOME
100 Main Street
Yourtown, USA 12345
(123) 456-7890

GENERAL PRICE LIST

These prices are effective as of [date].

The goods and services shown below are those we can provide to our customers. You may choose only the items you desire. However, any funeral arrangements you select will include a charge for our basic services and overhead. If legal or other requirements mean you must buy any items you did not specifically ask for, we will explain the reason in writing on the statement we provide describing the funeral goods and services you selected.

Basic Services of Funeral Director and Staff and Overhead\$ _____

Our services include: conducting the arrangements conference; planning the funeral; consulting with family and clergy; shelter of remains; preparing and filing of necessary notices; obtaining necessary authorizations and permits; coordinating with the cemetery, crematory, or other third parties. In addition, this fee includes a proportionate share of our basic overhead costs.

This fee for our basic services and overhead will be added to the total cost of the funeral arrangements you select. (This fee is already included in our charges for direct cremations, immediate burials, and forwarding or receiving remains.)

Embalming\$ _____

Except in certain special cases, embalming is not required by law. Embalming may be necessary, however, if you select certain funeral arrangements, such as a funeral with viewing. If you do not want embalming, you usually have the right to choose an arrangement that does not require you to pay for it, such as direct cremation or immediate burial.

Other Preparation of the Body\$ _____
[list individual services and prices]

Transfer of Remains to the Funeral Home (within __ mile radius)\$ _____
beyond this radius we charge __ per mile

Use of Facilities and Staff For Viewing\$ _____

Use of Facilities and Staff For Funeral Ceremony at the Funeral Home\$ _____

Use of Facilities and Staff For Memorial Service at the Funeral Home\$ _____

Use of Equipment and Staff For Graveside Service\$ _____

Hearse\$ _____

Limousine\$ _____

Caskets\$ _____ to \$ _____

A complete price list will be provided at the funeral home.





Outer Burial Containers\$_____ to \$_____

A complete price list will be provided at the funeral home.

Forwarding of Remains to Another Funeral Home\$_____

Our charge includes: basic services of funeral director and staff; a proportionate share of overhead costs; removal of remains; embalming or other preparation of remains, if relevant; and local transportation.

Receiving Remains from Another Funeral Home\$_____

Our charge includes: basic services of funeral director and staff; a proportionate share of overhead costs; care of remains; transportation of remains to funeral home and to cemetery or crematory.

Direct Cremation\$_____ to \$_____

Our charge for a direct cremation (without ceremony) includes: basic services of funeral director and staff; a proportionate share of overhead costs; removal of remains; transportation to crematory; necessary authorizations; and cremation if relevant.

If you want to arrange a direct cremation, you can use an alternative container. Alternative containers encase the body and can be made of materials like fiberboard or composition materials (with or without an outside covering). The containers we provide are a fiberboard container or an unfinished wood box.

A. Direct cremation with container provided by the purchaser.....\$_____

B. Direct cremation with a fiberboard container\$_____

C. Direct cremation with an unfinished wood box\$_____

Immediate Burial\$_____ to \$_____

Our charge for an immediate burial (without ceremony) includes: basic services of funeral director and staff; a proportionate share of overhead costs; removal of remains; and local transportation to cemetery.

A. Immediate burial with casket provided by purchaser.....\$_____

B. Immediate burial with alternative container [if offered]\$_____

C. Immediate burial with cloth covered wood casket.....\$_____



Casket & Outer Burial Container Price Lists

Who receives a CPL and OBCPL?

When must a funeral provider show a CPL and OBCPL?



Casket & Outer Burial Container Price Lists

Present Casket Price List by:

- Providing a copy to the customer;
- Posting a copy or chart on the wall; or
- Displaying in a notebook on table, etc.

No requirement to provide a copy for customer to take home with them, but information must be displayed in a clear and conspicuous manner



Federal Trade Commission

Statement of Funeral Goods and Services

Funeral Providers Must:

- Give customers an itemized list of goods and services selected during the arrangements conference
- Give customers the itemized list at the end of the arrangements conference



Federal Trade Commission

Statement of Funeral Goods and Services

Must Contain:

1. Cost information
2. Mandatory disclosures:
 - Legal requirements
 - Embalming
 - Cash advance items



Federal Trade Commission

Forced Purchasing

Funeral Providers cannot require consumers to purchase:

- Unwanted or unneeded goods or services
- Casket or outer burial container handling fees

Three exceptions:

- Basic services fee
- Items required by law
- Impossible, impractical and excessively burdensome requests



Federal Trade Commission

Misrepresentations Prohibited by Rule

1. Embalming
2. Casket for Direct Cremation
3. Outer Burial Container
4. Legal and Cemetery Requirements
5. Preservative and Protective Value Claims
6. Cash Advance Items
7. Other Misrepresentations



Reporting Funeral Providers

The Federal Trade Commission

- www.ftc.gov or
- 1-877-FTC-HELP

State Regulator



Federal Trade Commission

QUESTIONS?



Sara C. DePaul

sdepaul@ftc.gov

The views expressed are those of the speaker and not necessarily those of the FTC or any other person.

