

CONSUMER SCAMS – AWARE AND AVOID!

1. General Consumer Scams

A Few Common Scams

Florence got a phone call from a man claiming to be an officer of her bank. He said he needed to verify her account information in order to install new security measures. Florence got her checkbook and read her account number to him. A few days later, when she was unable to withdraw money from her account, she discovered that all the money had been withdrawn. The caller had no connection to her bank at all, and her bank told her it never calls customers asking for “verification” of personal or financial information.

Florence fell for one of the oldest scams around. Con artists have sneaky ways of trying to part you from your money, but most of these are variations of "successful" scams that have been used before. Here are just a few examples of prevalent scams you may encounter:

The Bank “Investigation”:

In this scam, a caller poses as a bank examiner, FBI agent, or police detective and requests your help in an investigation. The caller asks you to go to the bank and withdraw some money and give it to the phony official to use in setting a trap for a criminal, assuring you that the money will be redeposited into your account. But the scammer and your money are never to be seen again.

Work-at-Home Offers:

Companies advertise opportunities for you to make hundreds, if not thousands, of dollars a week working at home. The “work” could be just about anything – cashing checks, stuffing envelopes for advertisers, preparing mailing lists, making craft projects, or sending out medical bills. In the check cashing scenario, you may unwittingly be cashing checks you didn’t know were bogus – until one of your checks is returned for “insufficient funds” in your account. Most work-at-home scams require a stiff up-front fee – potentially hundreds of dollars – for supplies, software, or an “instructional kit” that will lead the way to a comfortable income. But the information or supplies you receive (if any) are worthless, and your “investment” is down the drain. If you have any luck reaching the company, you’re told “it’s your own fault” if you didn’t make any money.

You can protect yourself against bogus business opportunities. Michigan law requires sellers of business opportunities to register with the Attorney General's office. There are also federal rules governing the types of disclosures that must be provided to consumers thinking about buying a business opportunity. The Attorney General urges consumers to research any potential business “opportunities” thoroughly before investing. Start by

checking to see if the company peddling the business opportunity is registered in Michigan by calling the Attorney General's office at 1-877-765-8388. For more information on business opportunities and work-at-home scams, visit the Federal Trade Commission's website at www.ftc.gov.

Credit Card “Fraud Protection” Scams:

A telephone caller pretending to represent your credit card company advises you to enroll in a credit card fraud protection program. The caller tells you that computer hackers could access your credit card number and run up thousands of dollars in bogus charges in your name – and warns you that you would be liable for all charges. This is a lie. Under federal law, consumers who promptly report unauthorized charges on their credit cards are not liable for more than \$50. If you agreed to enroll in the “protection” program, your enrollment fee and perhaps account information have landed with a scammer.

Advance-Fee Loan and Credit Card Scams:

An e-mail, telemarketer, newspaper ad, or TV commercial “guarantees” that consumers can get a loan or a credit card “no matter how bad” their credit history may be. But consumers who respond are advised they must pay a hefty fee up front – perhaps as much as \$500 – only to find out later that despite the guarantee, you didn’t qualify for the loan or credit card after all. You are unable to get in touch with the company and are out the money you paid.

International Lottery Scams:

You receive an e-mail, letter, or phone call from a business offering to buy tickets for you in a foreign lottery, perhaps in Spain, Canada, or Australia. These offers are always scams. It is against U.S. law to buy or sell tickets to foreign lotteries by phone or mail. Consumers who fall for these scams sometimes get “suckered” two or three times. If you agree to send money to buy tickets, you may get a call later saying that you have won a large jackpot, and need to send more money to pay taxes on your winnings or to pay a small fee for currency conversion. Of course, the lottery tickets were never even purchased, and there is no jackpot.

Foreign Dignitary Schemes:

Also referred to in news reports as the “Nigerian Letter Scam,” this fraud starts with a letter, fax, or e-mail from someone who claims to be a foreign government executive, prince, diplomat, or doctor. This person says he needs to transfer a large amount of money, perhaps millions of dollars, to the United States in order to protect the money from insurgents or corrupt government officials. The letter offers to pay you a percentage commission if you permit the person to transfer the money into your account. Careful! You are at risk of losing all the money in your bank account if you give the con artist your account information. If

you receive such an offer through the U.S. mail, report it to the postal inspector. E-mail offers should simply be deleted.

Phishing:

You receive an e-mail message that appears to be from a familiar entity (i.e., your bank, government agency, credit card company) asking you to provide personal information such as your Social Security number (SSN), bank account number, password and/or personal identification number (PIN), or credit card number. This online form of identity theft is known as phishing and, like other forms of ID theft, can lead to substantial financial loss, ruined credit, prevention of account access, and the creation of bogus accounts in your name. To prevent this from happening to you, delete the e-mail without opening any attachments or clicking on any links in the message, and make sure to read the “Identity Theft” chapter of this guide.

What do these diverse examples have in common? They all carry warning signs that a fraud may be in the works. Keep your guard up when you encounter these three key signs of a potential fraud:

- **You are contacted by a stranger;**
- **You are offered a “great” deal;**
- **You must act right away; and**
- **You are asked to pay money or disclose sensitive personal or financial information before receiving any benefit.**

When you are contacted under these circumstances, just say “NO.” And remember – NEVER provide personal information to ANYONE who calls you on the phone or sends an unsolicited e-mail request.

Sweepstakes

Soon after Irvin sent in a sweepstakes entry, he began to receive many other sweepstakes mailings that implied he was close to being a grand prize winner. Thinking he could increase his odds of winning, he began buying books, magazines, and other products through these sweepstakes. He spent \$1,500 but never won anything.

Before you respond to a sweepstakes mailing or telephone call that says you are their “guaranteed winner,” ask: What’s in it for them?

The truth is, sweepstakes are not trying to give you money – they’re trying to get your money. The only aim of their mailings and telephone calls is to get you to buy products. Fraudulent prize promotions want to trick you into paying for a “processing fee” or to pay by calling a “900” number. Too often, seniors on fixed incomes are lured by the hope of winning a sweepstakes into buying products they don’t need or paying excessive fees. Some people even lose their life savings because they become addicted to entering sweepstakes, ordering merchandise in the mistaken belief that it will increase their chances of winning. They can’t stop because they don’t want to lose what they’ve “invested.” They continue to receive mailings and phone calls that suggest they are close to winning. In reality, their chances of winning a legitimate sweepstakes are very small, and there are many fraudulent sweepstakes that either don’t award any prizes, or offer gifts that turn out to be almost worthless.

- Don’t be pressured into buying anything through a sweepstakes. A sweepstakes must tell you that “No purchase is necessary.” By law, you can enter and have an equal chance of winning without buying anything.
- Be skeptical if a call or letter tells you that you are almost "surely the winner" or that you are "very close to winning." The truth is that thousands of people are getting the same phone call and mail. Your chances of winning are very small.
- Never send money to pay for "taxes," "shipping costs," or "processing fees." Prize winners pay taxes to the Internal Revenue Service, not to sweepstakes promoters.
- Be aware that a request to send money by courier or overnight delivery is a sign of a scam.
- Be wary of sweepstakes that have a name similar to, but not quite the same, as a well-known national charity.

Home Improvement Scams

Aretha noticed a leak in her living room ceiling and called a plumber. The plumber told her that all her bathroom pipes were broken and needed to be replaced, at a cost of \$1,500. He said she risked an electrical fire if she didn't have the work done. She sought a second opinion. The other plumber found that the problem was only some failed caulking around the bathtub.

Home repair fraud is often aimed at senior citizens. Unscrupulous repair persons sometimes use scare tactics to pressure people to have unnecessary, expensive repairs made. They overcharge for shoddy work, or take money and then never show up to do the work.

One of the most common kinds of home repair fraud involves offers from transient work crews. Strangers knock on your door and say they've been working in your neighborhood and have some extra material left. They offer to seal your driveway or fix your roof for a discount, but they take your money and then disappear.

Another scam involves strangers who knock on your door and offer to do a free inspection of your furnace, chimney, or drinking water. Once inside, they pretend to find a serious health or safety problem requiring expensive repairs. Even worse, they may only be trying to get inside your home to steal money or valuables from you.

Be cautious when they demand cash payment or indicate the offer is only good for that day. Don't let yourself be pressured.

It's best to say no thanks to these unsolicited offers, and to not open your door to strangers. Instead, get recommendations for home improvement companies from satisfied friends and neighbors.

- Shop around for a contractor, getting price estimates from several. When requesting an estimate, ask if there is a charge. A smart shopper would also get two or more references on each contractor.
- Get references to see if the work was done properly, on schedule, and at the agreed price.
- Insist on a detailed contract. The contract should include: a specific description of the work to be done, materials, labor cost, timetable, payment schedule, start/ending dates, names of subcontractors, warranty agreements, and cleanup and financing arrangements.

- Check to see if the contractor has been disciplined or if the license has been suspended or revoked. Builders and contractors are licensed by the Licensing Division of the Bureau of Commercial Services, Michigan Department of Licensing & Regulatory Affairs. You may visit the Licensing Division's website, at www.michigan.gov/lara, and click on the links for "Bureau of Commercial Services" and then "Licensing Services." You can also reach the Licensing Division at 1-517-373-8376.

The Bureau's home page for Residential Builders, Maintenance and Alteration Contractors provides general information on issues relating to builders' licenses, including additional tips for consumers.

Consumers may visit the Bureau of Commercial Services' website to verify current license status and check for prior disciplinary action. If possible, use the builder's license number as well as the name of the builder and the business name.

Decisions issued in response to formal complaints are also accessible online.

If you would like to file a complaint against a builder, or check to see if there are complaints about a specific builder, you may also call the **Licensing Services Division at 1-517-373-8376** or write to:

**Bureau of Commercial Services
P.O. Box 30018
Lansing, MI 48909**

Remember: Always check a home improvement contractor's license and complaint history by calling the Attorney General's Consumer Protection Division, at 1-877-765-8388, and the Bureau of Commercial Services, at 1-517-373-8376.

Travel Scams

Hector and Sonia signed up to win a “free trip” at a local fair. A short time later, they received a phone call saying they had won the trip. To claim it, they had to attend a presentation about a travel club. The salesman said the club would let them stay at nice resorts year after year at very little cost, after they paid the initial membership fee. After a long, high-pressure sales talk, they agreed to join and wrote a check for \$2,500. They quickly regretted it. Their free trip was a weekend stay at a run-down hotel in Las Vegas. They tried to use their membership to arrange a stay in Mexico, but the club never had availability there. A few months later, the club went out of business, taking all their money with it.

“**Free trip**” offers are one of the most common consumer scams. The free trip is usually just a bait to get consumers to buy memberships in expensive timeshares or travel clubs or the trip isn’t really free at all – you have to pay a lot of fees and extra costs. If you receive a phone call or postcard saying you’ve won a vacation, beware. You’ll probably have to attend a sales presentation or tour a campground or timeshare facility to receive your free trip. The salespeople will use high-pressure sales tactics to get you to purchase a membership or timeshare. You may also receive offers from “card mill” companies. They tell consumers that the cards will help them gain access to free or reduced travel.

Many consumers who sign contracts at these presentations later regret their decision. They find out too late that the club is more expensive than they thought because of added fees, dues, and costs. Some consumers can’t get the dates or locations they requested. Others find the accommodations to be of poor quality. Worst of all, some of these companies go out of business, taking all their customers’ pre-paid membership money with them.

- Be skeptical of “free trip” offers. Go to a sales presentation only if you are interested in what the company is selling.
- Never make a decision on the spot. Insist on taking the contract home to study. If the business won’t allow this, leave.
- Understand all the costs. What is and isn’t included? Are there extra fees for maintenance, processing, dues, peak season, upgrades, hotels, airlines, port taxes, and meals?
- Know your cancellation rights. Under Michigan law, if a consumer is offered a prize or merchandise valued at more than \$25 in exchange for attending a sales promotion for goods, services, or memberships – such as a travel club membership – that have a value of \$500 or more, the consumer must be given written notice that they have three business days after signing to cancel the purchase agreement or contract. However, using your right to cancel isn’t always easy, so don’t sign a contract unless you’re sure about your decision.

- Always think twice before paying a lot of money in advance for a future benefit. What if you invest thousands of dollars and the travel club goes out of business? It's happened to many Michigan seniors.

As a general rule, research any travel service to make sure the company is established and reliable, before paying any costs or signing documents.

Incredible Prices That Aren't

A different kind of travel scam offers you an "unbelievable" price on a vacation. To take advantage of the offer, you have to give your credit card number to hold a reservation. Later, you find out that in order to take the vacation you have to pay a lot more for all sorts of fees, upgrades, hotel taxes, and service charges. In fact, the whole package becomes so expensive that you don't want to even take the trip. If you do, the "deluxe" accommodations turn out to be a pretty ordinary motel.

Before you agree to pay any money for a bargain travel package, ask to have written material that describes all the terms and conditions sent to you. If they won't send it, turn it down.