



# CONSUMER AWARENESS: DETER, DETECT, DEFEND

## ■ WELCOME AND INTRODUCTION

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Welcome to Consumer Awareness, a program designed to help you get the most for your hard-earned money and to avoid being ripped-off in the consumer marketplace. American consumers pump billions and billions of dollars into the economy purchasing a variety of goods and services. You could say that every cent a person makes gets spent on something – even money that is “saved” is spent on financial “products” (like savings accounts, mutual funds, stocks and bonds). Most often consumers purchase what they need for a fair price. But with so much money in the consumer marketplace, it is understandable that there would be some bad deals, scams, and outright fraud.

Consumer education is the key to avoiding these rip-offs. In fact, fraud is one of the few crimes in which victims can decline to participate — if they recognize the warning signs. Without a sound education in consumer issues, the marketplace turns into a jungle where the law is survival of the fittest, and the fittest are often predators out to get your money in whatever way possible.

A common term used in consumer education is “Caveat Emptor”. What does this phrase mean? It is a Latin term for “Let the Buyer Beware.” Some unscrupulous business people use this term to argue that it is a buyer’s responsibility to make sure they are getting a good deal for their money. It appears that most state attorneys general as well as the federal government would disagree as there are many laws in place to help protect consumers. However, that doesn’t relieve the consumer from doing everything they can to make wise spending decisions.

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The opportunity for fraud is large. According to the Federal Trade Commission, in 2006 almost half a million fraud complaints were reported with a total of \$1.1 billion and an average of \$3,257 per person lost. Approximately half of this fraud was internet related (\$591 million). These are large amounts of money, even larger if you consider that only one in ten people who have been a victim of fraud actually report it!

This program will focus on the three key steps to getting the most for your money and avoiding being a victim of fraud: deter (to prevent bad deals from happening in the first place), detect (to know you have in fact been victimized) and defend (to guard against future assault). First, it will

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discuss basic steps to ensure you are a savvy consumer, from having a budget to checking your credit report regularly to comparison shopping to safe computing. Next, it will discuss various scams that you might encounter and focus in on three issues of particular importance to military members – internet scams, predatory lending and identity theft. Finally, the program discusses ways to defend yourself from becoming a victim of these crimes and the many resources, military, legal and otherwise, available to help you.

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## ■ DETER

### **The Savvy Consumer**

Consumer awareness simply means ensuring that someone who purchases goods and services is informed, alert and knowledgeable. You work hard for your money, so you want to get the most out of it when you spend it and make sure you're spending your money on the right thing. Consumer awareness means that you have thought about your money and your goals with your money. It means that you have a realistic budget, make deliberate spending decisions, plan your purchases, investigate all offers, comparison shop, and use credit wisely. Consumer awareness means knowing what types of frauds and rip-offs are out there and avoiding them completely. It means understanding the impact of advertising, instant gratification, and the mistaken sense of entitlement. Ultimately, it means you understand that it is your very behavior in the consumer marketplace that will determine whether you get the most for your money or become a victim of consumer abuse. Offers abound in the marketplace and bad offers abound more and more.

Why are people susceptible to consumer rip-offs? There are several possible answers: because they want to get a good deal and spend as little as possible; because they lack experience with con artists; because they lack consumer education; because they don't have reliable sources of information; because of the impact of advertising; and because there are uneven playing fields of high pressure sales techniques out there.

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*Military Personnel:* Military personnel are ripe targets for consumer predators for a variety of reasons. Many are low-income (always the most-targeted group) but have more economically-attractive qualities than most low-income people, including:

- They have a steady paycheck (with no danger of being laid off) and a willingness to spend it. Businesses are all aware of the ease of paying by allotment and find the ability to garnish the military paycheck an added benefit of dealing with service members.
- More of them are married at a younger age than previous generations and therefore have more financial needs.
- Military conduct codes that stress the need for orderly personal lives, including orderly finances, may inadvertently be driving service people toward the quick fixes many consumer predators offer.
- There are more young adults who have no consumer education, are away from home for the first time, and anxious to experience new things.
- They are a population that is easy for debt collectors to track.
- They are easy to pick out, even in civilian clothes, and easy for sales-people who've experienced military life to strike up a conversation with, appear authoritative, and thereby sell them something.
- Periods of deployment uniquely impact military personnel. It is not uncommon for military members to spend all the money saved on things missed for all those months or to purchase big ticket items because now they have "money burning a hole in their pocket". For example, we know that roughly 40% of service members purchase a vehicle after returning from a six-month deployment.
- Affinity marketing, using military-sounding names, military symbols, and ex-military people in sales and executive capacities further clouds the identities and goals of many businesses military people would do better to avoid.
- Consumer-unfriendly businesses can often be found inside the base gates. They get inside bases by skirting on-base solicitation curbs and via ads in military newspapers. The nationally-published and widely-read 'Military Time's newspapers are apparently thought to be "official" by substantial numbers of service people even though they aren't, leading some to trust those papers' advertisers more than they otherwise might.
- The military are specifically targeted by ID theft scams and predatory lenders and retailers. According to the Center for Responsible Lending, payday shops have been shown to cluster around military bases and "19 percent of military personnel use payday loans". In California alone, there are 4 times more payday lenders than there are

McDonalds. This is becoming a big problem for the military since financial issues are a major factor in security clearance revocations and denials for Navy personnel.

All of these factors combine to make the military consumer, especially the young military consumer, prey to the scams and frauds that exist in the consumer jungle. When these factors are combined with the marketing machine that is American consumerism, the stage is set for a losing battle without adequate awareness, education and prevention.

*The Impact of Advertising:* Marketing and advertising are designed to lure you in and make a purchase. Advertising in the United States is a \$30 billion dollar a year industry. Most marketing campaigns follow a simple formula to get you to buy a product: they get your attention, they build your interest and desire, and they spur you to action. With consumers enduring up to 1,000 advertising “hits” a day, clearly a number of different messages are competing for your attention. Companies know that to be effective, ads must be repeated extensively and appeal to logic, emotions, and/or symbols.

Everyone is the target of advertising. We are intimately familiar with logos, slogans, icons, even colors! Can you recognize what products these slogans identify:

“Drivers Wanted” (Volkswagon)

“Just do it” (Nike)

“Head for the Border” (Taco Bell)

What is the 1st Amendment to the Constitution? How about the 7th Amendment? Why do we remember these advertising slogans, but not our own Constitution?

The most effective advertising has a timeless appeal – how many of these icons do you recognize? Do you know the year they started to be used?

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*Common Advertising Techniques:* Advertising is both an art and a science to get you to buy more in terms of quality or quantity than you planned to buy, to spend more than you intended to spend, and if possible, to get you to buy something you neither wanted nor needed in the first place and to buy it repeatedly. Maximizing the sale is the name of the game. Recognizing some of the common techniques used in advertising will help you separate fact from fiction and allow you to keep more of your money. Techniques include beauty appeal, celebrity endorsement, escape, independence/individuality, intelligence, lifestyle, nurture, peer approval, rebel, rhetorical question, scientific/statistical claim, and unfinished comparison/claims.

The sales world looks at young military personnel as gullible and inexperienced with their first steady income, their first time away from home, and their tendency to impulse buy. The sales strategy is “get them in, get them comfortable and get them signed up” (think car sales). While all advertising is geared to make you want to buy the product or service, some advertising is actually misleading, deceptive or outright false. Look out for offers that look too good to be true; they frequently are.

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*Meaningless Terms:* These include terms such as “greatly reduced” (from what?), “below cost” (how do they stay in business selling this way?), “now or never” (creates a sense of urgency on your part to buy or miss the opportunity. Wait a couple of months and you will see this item again. This is used in high-pressure sales a lot, like timeshare vacations and campsites), “special purchase” (usually an excuse to raise the price with special features and looks).

*Misleading Ads:* Beware of sayings like, “We finance E-1’s and up”, “Specialists in military financing”, “Instant financing”, and “Free ride to store!” Carefully investigate “free” or “bargain” offers— often they are neither. Complete the phrase: “If it sounds too good to be true, ... (it probably is)”.

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### **The Impact of Technology**

No discussion of consumer awareness today would be complete if there wasn’t a focus on the impact of technology. 87% of adults ages 18 to 29 use the internet regularly. Almost 40% of this age group banks on-line, and 68% make on-line purchases on a regular basis. With this much money at stake, it is no surprise that the internet has become a primary locus of consumer fraud and abuse. Protecting your computer and using the internet with great caution and care are an integral part of Consumer Awareness.

## How to Deter

*Basic Guidelines:* Here are some basic guidelines for being a Savvy Consumer:

- *Know what you can afford.* Have a budget and stick to it. Seems like a simple thing, but studies have shown that people who do not keep track of their income and expenses with some form of a written budget cannot account for 10% of their money! A written budget also includes well-thought-out financial goals, so having a budget helps you avoid impulse buying, a major behavior leading to consumer fraud.
- *Separate your needs and your wants.* Determining what you need versus what you want (and how both fit into your spending plan) will help you get the most for your money.
- *Don't buy on impulse.* Impulse buying is a big contributing factor to getting ripped off. Unplanned spending not only undermines your budget, but also means you haven't done any research or comparison shopping. So, you may not be getting the best deal for your money.
- *Know who you are buying from – do your homework!* Never buy from a company that you are not familiar with. If a deal is legitimate, the seller will be willing to give you time to do your homework—research the company and the product. Be especially careful when dealing with on-line merchants.
- *Stop Telemarketers, get off mailing lists, opt-out!* One of the easiest ways to avoid consumer rip-offs and overspending is to eliminate marketing calls, junk mail, and spam. This is not difficult to do.
  - When a telemarketer calls, tell them to put your name on their “do-not-call” list. By law, they must comply.
  - Tell all companies you do business with to remove your name from customer lists they rent or sell to others. Look for information on how to opt out of marketing lists on sales materials, order forms and websites. Utilize the services provided by the Direct Marketing Association to remove your name and address from most national telemarketing, mail, and e-mail lists.
  - Call the credit reporting agencies' notification system at 1-888-567-8688. This will reduce the number of unsolicited credit and insurance offers you get. All three major credit bureaus participate in this program.

- The federal government’s National Do Not Call Registry ([www.donotcall.gov](http://www.donotcall.gov)) is a free and easy way to reduce telemarketing calls to your home. Your number will stay in the registry for five years unless you take it off the registry. After five years, you will be able to renew your registration. If you get restricted telemarketing calls after your number has been in the national registry for three months, you can file a complaint at [www.donotcall.gov](http://www.donotcall.gov) or by calling 1-888-382-1222. The Federal Communications Commission requires telemarketers (except tax-exempt nonprofit organizations) to maintain a record of your request not to receive future telephone calls. The record must be maintained for 10 years. If you get another call from the same person or organization, report the date and source to the FCC.
- Consider screening any calls that are still slipping through by using an answering machine or caller ID.
- Be very cautious with your personal information and computer.
  - For personal information, give your Social Security number only when absolutely necessary. Ask to use other types of identifiers when possible. If your state uses your SSN as your driver’s license number, ask to substitute another number. Also, minimize the amount of information you put on your checks.
  - Sign credit/debit cards when they arrive. It’s harder for thieves to forge your signature.
  - Carry only the cards you need. Extra cards increase your risk and your hassle if your wallet is stolen. Copy all the contents of your wallet, front and back, and store the copies in a safe place.
  - Keep your PIN numbers secret. Never write a PIN on a credit/debit card or on a slip of paper kept with your card.
  - Avoid obvious passwords. Avoid easy-to-find names and numbers like your birthday and phone number.
  - Store personal information in a safe place at home and at work.
  - Don’t give card numbers to strangers. Confirm whether a person represents a company by calling the phone number on your account statement or in the telephone book.
  - Watch out for “shoulder surfers”. Use your free hand to shield the keypad when using pay phones and ATMs.

- Beware of blank spaces. Draw a line through blank spaces on credit slips. Never sign a blank slip.
- Keep your receipts. Ask for carbons and incorrect charge slips as well.
- Destroy documents with account information. Stop thieves from finding information in the trash by tearing up or shredding receipts, credit offers, account statements, expired cards, etc.
- Protect your mail. Ask your local U.S. Postal Service to put your mail on hold when you are traveling and can't pick it up.
- Keep a record of your cards and accounts. List numbers, expiration dates, and contact information in case there is a problem.
- Pay attention to your billing cycles. A missing bill could mean a thief has taken over your account.
- Promptly compare receipts with account statements. Watch for unauthorized transactions. Shred receipts after verifying the charge on your monthly statement.
- Check your credit report once a year. Check it more frequently if you suspect someone has gotten access to your account information.
- For your computer, the Federal Trade Commission offers these seven tips for safer computer:
  - Protect your personal information.
  - Know who you are dealing with.
  - Use anti-virus software and a firewall, and update both regularly.
  - Be sure to set up your operating system and Web browser software properly, and update them regularly.
  - Protect your passwords.
  - Back up important files.
  - Learn who to contact if something goes wrong.
  - In short, think before you click!

## ■ DETECT

### Misrepresentations, Scams and Frauds

Despite all of the consumer alerts and warnings and consumer education, there is still an abundance of shady, misleading and illegal business going on in the marketplace. Anyone can be ripped-off if the circumstances are right. Because most businesses are honest, we tend to trust people. However, an overly trusting attitude and a passive approach to consumer issues are often our worst enemies. Sensitize yourself to the most common dangers. Remember that “awareness = avoidance”. Here are some key terms and examples of each.

- *Misrepresentation*: not necessarily illegal, but misleading. Sellers are simply misleading you by making you think the deal is different than it really is. A key point to remember is that while some business practices certainly may NOT be ethical, they clearly are NOT illegal. This is precisely why the term “CAVEAT EMPTOR” or “Let the buyer beware” applies in the absence of legal guidance. Be on the lookout for door-to-door sales, sweepstakes prizes and contests, free gifts, and unordered merchandise.
- *Scam*: an unfair act of exploitation, but not necessarily illegal. Scams take advantage of areas where there are no consumer laws to provide protection. You will frequently see the terms “scams” and “fraud” used in conjunction with one another. Be on the lookout for free home inspection deals, get rich quick deals, work-at-home schemes, net-based business opportunities, internet scams, and predatory lending.
- *Fraud*: a deliberate deception. It is usually illegal and there are numerous consumer laws to protect the consumer. Be on the lookout for auto repair frauds, ponzi schemes (investment pyramids), pyramid schemes, bait and switch, slamming, cramming and phishing, (all types of internet fraud), telemarketing fraud, and Identity theft.
  - The top five telemarketing frauds in 2006 were fake check scams, prizes/sweepstakes, magazine sales, scholarships/grants, and advance fee loans. In a fake check scam, consumers are paid with a phony check for work or items sold, and instructed to wire the money back. This fraud constituted 31% of all telemarketing frauds committed in 2006, with an average loss of \$3,278. The second most popular fraud, Prizes/Sweepstakes, was 26% of complaints and had an average loss of \$2,749. In

this fraud, the consumer is asked for a payment to claim a prize that never materializes. Remember, if you have to pay for a prize or sweepstakes winning, it isn't a prize at all.

These are only some of the more popular types of schemes awaiting consumers in the marketplace. The Federal Trade Commission's *Consumer Action Handbook* specifically addresses all of these and more, offering sound advice on avoidance and how to take corrective action. Download it or order a copy from the Federal Trade Commission as soon as possible.

### **Major Issues of Concern**

The three major consumer issues of tremendous concern to the military consumer are internet fraud, predatory lending and identity theft.

### **Internet Frauds**

With over 80% of consumers age 18 through 29 using the internet, internet fraud has become big business in the fraud world. The top scam of 2006 was for on-line auctions, which comprised 34% of all complaints, with an average (annually increasing) loss of \$1,331. This number is considered to be highly underestimated as in 2003 eBay removed the link to [Fraud.org](http://Fraud.org) from its website, thereby decreasing the number of complaints to the internet fraud watchdog by over 80%.

The second most popular internet fraud was via general merchandise sales (not through auctions), where goods were never delivered or misrepresented. These comprised 33% of all complaints with an average loss of \$1,197. The third fraud is fake check scams where consumers were paid with phony checks for work or items sold, and then instructed to wire money back. This was also the top telemarketing scam in 2006. Fake checks scams comprised 11% of the total complaints with an average loss of \$4,053. Finally, coming in at fourth place in 2006 is the Nigerian Money Offers (has been in the top ten for the last five years) where false promises of riches are made if the consumers will only pay to have the money transferred to their bank accounts. Average losses were \$3,741 and the scam accounted for 7% of the total reported.

What can we learn from these statistics? Be extremely cautious when making on-line purchases, especially at an auction site. If you are making an auction purchase, realize that you will have very little recourse if the seller is out of the country. Remember that if a deal sounds too good to be true, it probably is.

## Predatory Lending: Payday Loans

Payday loans are extremely expensive cash advances that must be repaid in full on the borrower's next payday to keep the personal check required to secure the loan from bouncing. Cash-strapped consumers run the risk of becoming trapped in repeat borrowing due to triple-digit interest rates, unaffordable repayment terms, and coercive collection tactics made possible by check-holding.

*How Payday Loans Work:* Payday loans are short-term cash loans based on the borrower's personal check held for future deposit or electronic access to the borrower's bank account. Borrowers write a personal check for the amount borrowed plus the finance charge and receive cash. In some cases, borrowers sign over electronic access to their bank accounts to receive and repay payday loans. Lenders hold the checks until the next payday when loans and the finance charge must be paid in one lump sum. To pay a loan, borrowers can redeem the check for cash, allow the check to be deposited at the bank, or just pay the finance charge to roll the loan over for another pay period.

*Payday Loan Terms:* Payday loans range in size from \$100 to \$1,000, depending on state legal maximums. The average loan term is about two-weeks. Loans cost on average 470% annual interest (APR). The finance charge ranges from \$15 to \$30 to borrow \$100. For two-week loans, these finance charges result in interest rates from 390 to 780% APR. Shorter term loans have even higher APRs. Payday loans are extremely expensive compared to other cash loans. A \$300 cash advance on the average credit card, repaid in one month, would cost \$13.99 finance charge and an annual interest rate of almost 57%. By comparison, a payday loan costing \$17.50 per \$100 for the same \$300 would cost \$105 if renewed one time or 426% annual interest.

*Payday Loan Industry:* Payday loans are made by payday loan stores, check cashers, and pawn shops. Some rent-to-own companies also make payday loans. Loans are also marketed via toll-free telephone numbers and over the Internet. At the end of 2006, the Center for Responsible Lending reported about 25,000 payday loan outlets in the United States with an annual loan volume of at least \$28 billion and almost \$5 billion in loan fees paid by consumers.

*Debt Traps:* Payday loans trap consumers in repeat borrowing cycles due to the extreme high cost of borrowing, the very short repayment term, and the consequences of failing to make good on the check used to secure the loan. Consumers have an average of eight to thirteen loans per year at a single lender. In one state, almost sixty percent of all loans made are either same day renewals or new loans taken out

immediately after paying off the prior loan.

*Risk and Cost of Checks for Loans:* Every unpaid loan involves a check that is not covered by funds on deposit in the borrower's bank account. Failure to repay leads to bounced check fees from the lender and the consumer's bank. Returned checks cause negative credit ratings on specialized databases and credit reports. A consumer can lose his/her bank account or have difficulty opening a new bank account if he/she develops a record of "bouncing" checks used to get payday loans.

*Coercive Collection Tactics from Check Holding:* Basing loans on personal checks leads some lenders to using coercive collection tactics. Some lenders threaten criminal penalties for failing to make good on checks. Others threaten court martial if military personnel fail to cover payday loan checks. In some states, lenders can sue for multiple damages under civil bad check laws.

*Internet Payday Lending:* Internet payday lending adds security and fraud risks to payday loans. Consumers apply online or through faxed application forms. Loans are direct deposited into the borrower's bank account and electronically withdrawn on the next payday. Many Internet payday loans are structured to automatically renew every payday, with the finance charge electronically withdrawn from the borrower's bank account.

### **Other Businesses Considered "Predatory"**

*Rent-To-Own:* Our parents and grandparents saved up for what they wanted, often paying cash for major purchases. Today's I-want-it-now culture has produced the rent-to-own scheme. It's simple: you just agree to payments that sound low and you can have that bigger TV or new living room furniture now. The lender is counting on the buyer not doing his homework. If a salesman told you the price of a new sofa was \$1000, why would you agree to pay \$2000 for it? That's basically what rent-to-own does: stretches out those "convenient, low monthly payments" until you have paid several times the actual value of your purchase. The disguised effect is to charge interest that often exceeds 500% APR.

*Refund Anticipation Loans:* This is a scam that many people seem to regard as a service – a tactic common to most predatory lending practices. Here, the lender is sometimes the income tax preparation company, sometimes a check cashing service or other short-term lender. The fees you'll pay to get your money are usually based on a percentage of the refund so the more you're getting back, the more the loan will cost you. This offer is even being made prior to the holidays so people can have their income returns for holiday shopping. This is really a high interest loan in sheep's clothing.

What many people don't know is that by using electronic tax filing, the taxpayer usually has the full amount of their refund directly deposited to their bank account in less than 10 days. Taxpayers, both military and civilian, can have their returns electronically filed for free using the Volunteer Income Tax Assistance (VITA) program. Military VITA programs are usually coordinated through the base Legal Office; call them for times and location information. If your annual tax refund is large, consider increasing your deductions to reduce the tax withheld and saving that amount in an interest bearing account.

*Adjustable Rate Mortgages (ARM) and Interest-Only Mortgages:* The lure of lower payments and more house provided by Adjustable Rate and Interest-only Mortgages is proving difficult to resist for many people. Unfortunately, when it comes time for the interest rate to adjust, the borrower may not be able to afford a hefty increase like the ones we're seeing these days. ARM increases are usually tied to the prime interest rate, which is at the highest level in years – 8.5% (July 2007). Interest-only mortgages can be even worse. Buyers build no equity and may even lose money when it comes time to sell if the property does not appreciate as much as they hope it will.

*Subprime Lending:* Although with a name like “Sub-Prime” one might think that the rate is below prime. In reality, the “Sub” means that it is not as good a deal, like sub-par or substandard. Sub Prime lenders typically lend greater than the standard 80% loan to value (LTV) and/or to borrowers that would not ordinarily qualify for a conventional loan.

*Home Equity Lines of Credit (HELOC):* Home Equity Lines of Credit are another popular product these days, with commercials everywhere saying “why wait, get what you want now.” The lender is asking you to mortgage your future with these deals; many borrowers don't understand that these loans have to be paid back and that they are in addition to their regular mortgage payment. If you sell the property with an outstanding HELOC, you'll have to pay it off before you take your profits from the home sale since the collateral guaranteeing the loan (your home) isn't yours anymore.

*Teaser Rates on Credit Cards:* Teaser interest rates for credit cards can be real snakes – “transfer higher interest balances to our card at 0%.” Sounds good, doesn't it? Be sure to read the fine print and understand exactly how long and under what conditions the rate applies. A recent Citibank offer included a notice in tiny print that Citibank reserved the right to raise the APR to their default rate if the borrower was late on any monthly payment, not just payments to Citibank. The posted

default rate was 31.75%. Teaser rates can be great deals if you can pay off the debt before the higher rate kicks in.

*Auto Title loan companies:* An Auto Title Loan is a short-term loan, usually no longer than 30 days. Your car title is used to secure the loan. This means if the loan is not repaid, the lender may take the car and sell it to get the loan money back. Most title lenders will only make the loan if you do not owe anything else on the car. Auto Title Lenders often target people with bad credit, low-income individuals, military members, and elderly people. The lenders make money from high interest rates and the repossession of cars when consumers cannot pay off the loans. The loan is written with an interest rate for a short time period. For example, the loan will show a 25% interest rate for one month. But this rate over a year is actually 300%. Auto Title Lenders will usually write a loan for 30 days or less. At the end of the month, the lender will accept the interest payment and allow the debt to be “rolled over” for another month. On a \$600 loan, the interest would be approximately \$150. This means you owe \$750. If you only pay \$150 for the month, you will owe \$750 the next month.

*Overdraft Protection on a Checking Account:* Overdraft protection is being offered by some banks to cover your hot checks but the terms for this service are very payday-lender-like: a fee for each transaction (hot check), a payback term of a month and one lump sum payment is required.

## Identity Theft

Identity Theft is a serious problem that can ruin your credit and your good name. The availability of personal information has made it very easy for thieves to steal your identity and use it to open credit accounts, bank accounts, and get loans. The results can be disastrous, impacting future credit worthiness, credit reports, jobs – every single facet of your financial life.

*Deter against ID Theft:* Many of the steps consumers should take to safeguard themselves in general apply very specifically to avoiding identity theft:

- Safeguard your mail. The greatest amount of information used in identity theft is found in the garbage and in the mailbox. Don't hang your outgoing mail out with a clothespin, you are just asking for someone besides the postman to take it. Even junk mail may contain vital information; when in doubt SHRED IT! If you change addresses, let your creditors know. If you are expecting a new or replacement card or check, and if it is late, report it immediately.

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Deter-Detect-  
Defend:  
Avoid ID Theft

- Opt Out of Unsolicited Credit Offers
- Guard Your Wallet.
- Take your receipts
- Safeguard Your Checks

### **Detecting Identity Theft**

Combating identity theft is an on-going battle. Two-thirds of identity theft victims were alerted by bogus credit billing and bank account irregularities. Thieves steal identities via credit card data, bills, mail, e-mail, telephone solicitations, etc. Be vigilant in checking for these indicators:

- *Missing Bills:* Monitor your mail. Most bills arrive about the same time every month. A missing bill could either mean that someone has accessed that account and changed the address, or stolen the bill from your box in order to gain personal information about you.
- *Mysterious Trade Lines on your Credit Report:* Check your credit report regularly. Every adult American gets a free credit report annually from each of the big three credit reporting agencies. By checking one of the three reporting agencies on a rotating four-month schedule, you can regularly monitor your credit reports and become aware quickly that something is amiss.
- *More Trouble Signs:* Obviously, if you receive a credit card that you didn't apply for or a bill for products or services you never received, these could be signs of trouble. Another sign that you have been violated is if you are suddenly denied credit when you have never had problems before.

## **DEFEND**

### **Defensive Techniques for the Savvy Consumer**

For every Fraud, Scam and Rip-off mentioned so far, the Federal Trade Commission provides specific advice on how to protect and defend yourself. Download a copy of the *Consumer Action Handbook* and read through it. There are many general combat strategies you can use to keep yourself from becoming a victim.

Remember the Basics:

- Know why the military is targeted.
- Understand the impact of advertising.
- Have a budget and stick to it.
- Separate your needs and your wants.
- Comparison shop and don't buy on impulse.
- Know who you are buying from.
- Stop telemarketers, get off mailing lists, opt-out.
- Be very cautious with your personal information and computer.
- Be familiar with current scams and frauds in the marketplace.

### **Make Smart Purchases**

- *Get agreements in writing, keep all your receipts.* How good are verbal promises? If you don't have it in writing, it is your word against the salesman's. "A verbal promise is only as good as the paper it's written on."
- *Don't be rushed.* Wait 24 hours before making a major purchase. This "cooling off " period will save you money once you get away from the salesman's hype. You may want to "sleep on it." If the deal isn't good tomorrow, it isn't a good deal.
- *Know who you are dealing with:* Businesses which have only a P.O. box for an address may not be legitimate.
- *Take prompt action:* Take prompt action if the product isn't what you want or doesn't live up to its advertising - or the salesman's claim.

### **Borrow Wisely**

- *Check with your credit union or bank first:* If it's not an actual emergency, shop around for the best deal, just as you would with any other purchase. Remember that you can usually tell if you should borrow money by who is willing to lend it to you. If you find yourself going to businesses known for predatory lending practices, talk to your CFS or a credit counselor first.

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- *Look for the APR:* It should be clearly stated as a percentage on the contract and you should have that information before the loan is signed – that’s federal law.
- *Know all the terms of the deal:* Be very clear about what will happen if you are late on a payment or unable to make a payment for any reason, and that the consequences are something you can deal with.
- *Use NLSO:* The Navy Legal Service Office is in the business of helping sailors understand legal documents, including contracts of any kind. There is no fee for their assistance and you don’t need an appointment. Just walk in and ask for help before you sign a contract.

### Take Action

Act immediately if you are unhappy with a product or purchase. There are three basic steps to take.

- *Contact the seller first:* Start with the salesman. If that doesn’t solve your complaint, go to the manager. Make sure you have a copy of all of your documentation, a clear description of the problem and what resolution you want. Be polite, anger never solves anything and only makes the store personnel defensive. If the salesperson cannot help, speak with the manager. Sometimes company policy prevents the manager from giving you the help or remedy you desire. Be patient. Save all purchase related paperwork, sales receipts, repair orders, contract and any letters to or from the company and keep a log of your conversations and actions, detailing who, what, where, when, with the times and results.
- *Go to the company president and/or manufacturer:* If the store manager is unable to help you, write a letter to the president of the company and/or the manufacturer of the product. Try to obtain his/her name and address from the store manager. Calmly and accurately explain the problem and what action you would like taken. Be brief and to the point. Include all documentation and anything else you need to tell your side of the story. You are starting a paper trail that will clearly show your good faith efforts to resolve the problem. Sending the letters by certified mail with a return receipt requested is the best way to verify that it was indeed delivered.

- Use your Consumer Advocate Resources if you are still not satisfied. These include:
  - *The State Attorney General or State Office of Consumer Affairs:* This is the primary resource for people who have been the victims of frauds, misrepresentations and scams. They can take legal action against the company. Find your local office at [www.naag.org](http://www.naag.org).
  - *State regulatory and licensing agencies:* These can be researched on the web or may be listed in the *Consumer Action Handbook*.
  - *The Armed Forces Disciplinary Control Board:* The military's own consumer watchdog organization. You can make a report to the local regional AFCDB if you believe that the company has taken advantage of you because of your military status or it is likely to take advantage of other military personnel.
  - *The Better Business Bureau:* A network of nonprofit organizations supported by local businesses that tries to resolve buyer complaints against sellers. Records are kept on unresolved complaints as a source of information for the seller's future customers. Also assists with complaints concerning the truthfulness of national advertising and helps settle disputes with automobile manufacturers.
  - *Trade Associations, National Consumer Organizations, and/or Media Organizations.* Many of these are listed in the *Consumer Action Handbook*.
  - *Dispute Resolution Programs:* Used as an alternative to court. Programs may be offered through a corporation or the court system. Typically includes mediation, arbitration and conciliation.
  - *Small Claims Court:* Resolves disputes over small amounts of money. Typically you will not need a lawyer. Maximum amount that can be brought into small claims court varies from state to state.

### **For Identity Theft**

- *Place a fraud alert on your credit reports:* A fraud alert will keep anyone (including yourself) from obtaining any new credit without the creditor contacting you independently.
- *Close accounts:* Close any accounts that have been tampered with.
- *File a police report:* The police report will show that you were a victim of identity theft if creditors try to get you to pay for a debt that you did not incur.

- Keep a journal of who you spoke with, when, and what was said.
- Contact the Federal Trade Commission at 877-ID-Theft or [www.consumer.gov.military](http://www.consumer.gov.military). The Federal Trade Commission serves as the federal clearinghouse for complaints by victims of identity theft. While the FTC does not resolve individual consumer problems, your complaint helps the FTC investigate fraud and can lead to law enforcement action. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel®, a secure, online database available to hundreds of civil and criminal law enforcement agencies worldwide.

## ■ YOUR LEGAL RIGHTS

### How to Cancel a Contract

There are four basic steps to take to legally cancel a contract.

- Cancel in writing.
- Keep a copy of your cancellation letter.
- Send the cancellation by Certified Mail with Return Receipt Requested: (a record that your cancellation request was received in case a dispute arises).
- Keep your letter copy and signed return receipt until you get your money back.

If you cancel a contract by telephone, be sure to get the name of the person you talked to and follow up your call with a letter using the steps above. Mention the name of the person you spoke with on the phone. Be sure to act within the three business day window. Saturdays are considered business days while Sundays and holidays are not.

### Cooling Off Periods

When you buy something at a store and later change your mind, your ability to return the merchandise depends upon store policy. If you buy an item in your home, you might have three days to cancel. This Cooling-Off Rule also applies to purchases of \$25 or more at your workplace and places rented by a seller on a temporary basis, such as hotel or motel rooms, convention centers, fairgrounds and restaurants. The Cooling-Off Rule requires sellers to tell you that you have three business days after the sale to change your mind. Specific information

about cooling-off periods can be found in the *Consumer Action Handbook*.

### **Federal and State Consumer Protection Laws**

Consumers have legal rights at both the state and federal level. You do not lose these rights because you are in uniform but you do need to know what they are in order to protect yourself.

Federal Consumer Laws include:

- *Servicemembers Civil Relief Act*: This 2003 update was originally passed by Congress as the Soldiers' and Sailors' Civil Relief Act of 1940 and provides a number of specific protections for military members. One of these provides the opportunity for a service member to delay a court date when military duties make it impossible to appear. You are guaranteed the right to have your day in court. You can not be tried in absentia.
- *Consumer Bill of Rights*: These are general rights of access to product and price information and the right to an informal dispute process.
- *Fair Credit Billing Act*: This applies only to credit purchases and allows you to withhold payment on a disputed product or service. This law allows you to challenge a credit card charge when the charge was unauthorized or is an error, you never received the product, or the product did not perform as promised.
- *7th Amendment (Right to Trial by Jury)*: This is the cornerstone to a consumer's right to appeal and is imbedded in the Bill of Rights. Many large ticket contracts have a waiver of the right to court appeal to avoid costs and class action against manufacturers. Never waive this hard won right by signing a contract without taking it to NLSO first.
- *The Military Lending Act of 2007*: This is a new law, also referred to as the Talent-Nelson Amendment, which went into effect in October of 2007. The most discussed and recognized provision of this act is the 36% cap on consumer credit extended to members of the armed forces. In addition to this rate cap, the Talent-Nelson amendment also prohibits repeat financing with the same creditor, prohibits a borrower from waiving their rights to legal recourse, defines Annual Percentage Rate (APR), bans the use of a check as a collateral for the loan.

State Consumer Protection Laws include:

- *State Lemon Laws (also known as the Motor Vehicle Warranty Enforcement Acts):* These laws allow you to take back a new vehicle that has safety or repeat mechanical and interestingly enough, cosmetic problems which constitute a major defect. You are entitled to a refund or a replacement. Some states also have laws regarding used vehicles.
- *Usury Laws:* A usury law sets the cap on interest rates, which is the maximum amount of interest you can be charged. Since there is no Federal limit, each state determines its own maximum allowable rate. Almost every state has some form of usury law in place, but there are always businesses that are able to find their way around them.

## ■ SOURCES OF HELP

The consumer marketplace can be a complicated place. Take advantage of all of the resources available to you to help you plan your budget and purchases, consider the legal aspects of consumer issues, make a formal complaint, and become an informed consumer.

- *Your Command Financial Specialist.* Ask for help if you need it. Your command is not going to throw you overboard for getting in money trouble. What they will do is refer you to people who can help you make a plan to get back on your feet, possibly even loan you the money you need.
- *Fleet and Family Support Centers:* Your local FFSC has a Financial Educator and/or a CFS on staff to provide personal financial information and counseling. They normally work closely with the CFS at the local commands. Classes of interest to consumers include Developing Your Spending Plan, Car Buying Strategies, Your Insurance Needs, and Credit Management.
- *Navy-Marine Corps Relief Society:* NMCRS has trained budget counselors that can assist in preparing a spending plan. NMCRS also makes loans to sailors for emergency needs that are within their guidelines at 0% interest. The money is repaid by allotment over a period of time that won't put the sailor in further financial trouble. Only they can tell you if you qualify, but don't you think it's worth asking?

- *Consumer Credit Counseling Service:* CCCS is a non-profit agency that works with people who have severe debt problems to get them back on track. They will contact your creditors, try to work out an equitable settlement and make up a payment plan to completely pay off your debt. Instead of paying a little bit to each creditor each month, the sailor writes one check to CCCS who then distributes the money to the creditors. Many banks and credit unions also offer Debt Management Plans; some are completely free of charge. This is an excellent solution for severe debt problems, but be aware that many payday lenders refuse to work with debt management programs, including CCCS.
- *Navy Legal Services Offices (NLSO):* Can provide assistance in a dispute over a bill or contract. They strongly encourage service members making a major purchase to come in with a copy of the contract before signing, offering “head of the line” service.
- *State Attorney General or State Office of Consumer Affairs* (State and local). See page 19.
- *Better Business Bureau (BBB).* See page 19.
- *Armed Forces Disciplinary Control Board (AFDCB).* See page 19.

*Internet Resources:* There are many websites designed to help consumers in general and the military consumer specifically. The Department of Defense and the Federal Trade Commission have created the Military Sentinel web site that allows service members and their dependents to file direct on-line consumer fraud and identity theft complaints. The site also offers educational materials on consumer protection issues. Refer to [www.consumer.gov/military](http://www.consumer.gov/military). Other web resources include:

Better Business Bureau: [www.bbb.org](http://www.bbb.org)

Center for Responsible Lending: [www.responsiblelending.org](http://www.responsiblelending.org)

Consumer World: [www.consumerworld.org](http://www.consumerworld.org)

Consumer Safety Tips: [www.consumer.gov](http://www.consumer.gov)

Consumer Reports: [www.consumerreports.org](http://www.consumerreports.org)

Credit Reports: [www.annualcreditreport.com](http://www.annualcreditreport.com)

Federal Consumer Information Center: [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

Internet Fraud Watch: [www.fraud.org](http://www.fraud.org)

National Association of Attorneys General: [www.naag.org](http://www.naag.org)

National Consumers League: [www.natlconsumersleague.org](http://www.natlconsumersleague.org)

National Legal Aid & Defenders Association: [www.nlada.org](http://www.nlada.org)

Network of Consumer Hotlines: [www.callforaction.org](http://www.callforaction.org)

Payday Loan Information: [www.PayDayLoanInfo.org](http://www.PayDayLoanInfo.org)

Public Citizen, consumer advocacy: [www.citizen.org](http://www.citizen.org)

Scam Site: [www.scambusters.org](http://www.scambusters.org)