

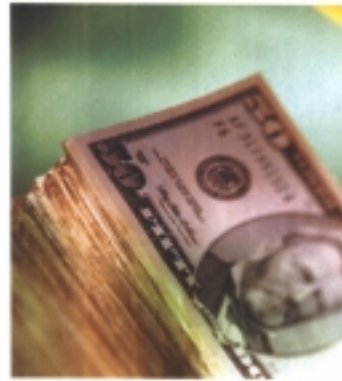
Fraud and Scams Cost Money

Economist E. T. Garman (2008) stated that according to the Federal Trade Commission (FTC) 11 percent of the consumers are victims of fraud each year. A study by AARP stated that 1 in 5 Americans reported being a victim of a major consumer fraud or swindle at some point. Three-quarters of adults also report having a "bad buying" experience in the past 12 months. Crooks have about 300 million American shoppers as potential customers to choose from, including 2 million military personnel and 14 million college students. Therefore, they do not need repeated customers, although the sad fact is that they often get them.

According to the American Association of Retired Persons, Americans lose an estimated \$40 billion dollars a year due to fraudulent sales of goods and services over the telephone. In addition, consumers lost on an average per person \$1,507.62 to Internet fraud in 2007.

The National Consumers League (NCL) noted in 2005 that the number of crooks outside the United States targeting American consumers has also climbed. Within Internet fraud, 35 percent of reports came from foreign countries, up from 30 percent in 2004; and one quarter of fraudulent telemarketers were off shore. NCL further reported that the number of foreign crooks is probably understated since in 31 percent of the telemarketing scams and 26 percent of the Internet scams reported, the victims had no idea where the persons behind the fraudulent activities were located.

Sally Greenberg of NCL (2008) indicated that consumers are losing money to fake checks and other scams by the billions. Fake check scams ranked as the top telemarketing and Internet fraud in 2007. Fake check scams involve victims receiving a phony check that resembles a real check. This counterfeit check is then deposited into a consumer's bank account and the consumer is asked to wire a sum of money back to the crook at this same time. The consumer soon realizes the check is no good and the sum of money wired to the crook is lost forever.



Fraud occurs when consumers realize they have spent their money for something that was clearly "too good to be true." Greed or bargain shopping often causes a consumer to fall victim to fraud because they may want something for nothing or the

chance to get goods or services paying very little money. When this happens, consumers are too embarrassed to complain, particularly men.

The average duration of a scam business is around 30 to 90 days. People who are usually wealthy, well educated, and well-informed are led to believe they are getting a really good bargain or something free of charge. Many kinds of scams appeal to those who need money. Some frauds make an individual feel stupid if he or she does not go for the deal that is being offered. Scams often send a false message such as the notion of financial security.

Crooks prefer the quick method of payments for their fraudulent transactions and flee in a hurry. For example, automatic debit (a withdrawal) from a checking account, credit card, money order, wire, personal check picked up by courier, or overnight mail of cash are quick ways to obtain money. Crooks place pressure on their victims to buy and generally refuse to put their offer in writing.

The FTC regulations on telemarketing include:

- Caller identification by company and product that is being sold.
- If a prize is being offered, a consumer must be told that "no purchase/payment" is needed to win.
- Consumers cannot be asked to pay in advance for such telemarketing services.
- Consumers cannot be called before 8:00 a.m. or after 9:00 p.m. (local time).

Important Telephone Numbers

While many callers make their offers sound really good, even too good to pass up, consumers should not be afraid to take time to make up their mind.

For Internet, telemarketing or fraud referrals, contact:

- ❑ **National Fraud Information Center**
1-800-876-7060
- ❑ **Alabama Attorney General's Consumer Affairs**
1-800-392-5658
- ❑ **Alabama Public Service Commission**
1-800-392-8050

Call and ask to be put on the **do not call list**, so that telemarketers cease contacting you. This service is free.

References

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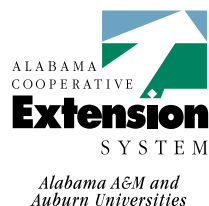
For unwanted mail, contact:

The Direct Marketing Association

1120 Avenue of the Americas
New York, NY 10036-6700
Phone: (212) 768-7277
Fax: (212) 302-6714
<http://www.the-dma.org>

For phone resources to fight fraud, contact:

American Financial Services Association Education Foundation
at 1-888-400-2233 to obtain a free copy of "Making Credit Work for You," or visit the association's website at <http://www.afsaef.org>.



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For more information, call your county Extension office. Look in your telephone directory under your county's name to find the number.

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