

Section 1 - Fraud

Common Terms

Federal Trade Commission (FTC): A federal agency that enforces consumer protection.

Fraud: Wrongful or criminal deception intended to result in financial or personal gain.

Identity theft: Using a person's name or personal information without the person's permission to steal money or get other benefits.

Introduction

Consumers receive offers almost every day that sound too good to be true. Most of those offers would come through the mail or by telephone; but today, they also come through email and the Internet. Scam artists do not have national boundaries and may, in fact, be located in other countries but "doing business" in the United States.

Regardless of where they are or how they contact us, they have one goal in mind: to get our money! No matter how hard we work for our money, there is always someone willing to take it away from us without giving anything in return.

Fraud is when someone knowingly deceives you for their own personal gain. In other words, they convince you that something is true when it really is not. Or, they make promises they have no intention of keeping. There are numerous kinds of fraud, scams and schemes, including mail fraud, phone fraud, and Internet fraud.

Whether you are rich or poor, young or old, or male or female, you can become a victim of fraud. Con artists are very convincing and very persuasive, bombarding you with all kinds of excuses, explanations, and promises that seem to zap your reasoning abilities. If you find yourself in this situation, the best thing to do is walk away, hang up, or not respond.

Remember, just because someone asks you for information does not mean you have to give it to them. And just because they ask you to do something does not mean you have to act. You always have the right to say "NO" and the right to keep all personal information to yourself. Without your assistance and your cooperation, they will have little success in making you a victim.

Common Types of Fraud

- **Bait and switch.** Business advertises a product at a low price, but offers a more expensive product when you go to buy it. The lower priced item never existed; it was just used to “bait” you.
- **Bankruptcy fraud.** Making false claims when filing bankruptcy.
- **Embezzlement.** Taking money that is not yours; may range from small amounts to large amounts taken from your employer.
- **False advertising.** Making false claims or statements in advertising to persuade you to buy a certain product.
- **False billing.** Requesting payment from someone for a product or service without fulfilling the deal; may include fake renewal notices or other seemingly legitimate services.
- **Forgery.** Creating fake documents and signatures.
- **Health fraud.** Selling products such as fake or “quack” medicines; making false promises about health-related products.
- **Identity theft.** Stealing money or getting other benefits by pretending to be someone else.
- **Insurance fraud or false insurance claims.** Fake insurance claims to get money from an insurance company that is not warranted.
- **Marriage fraud.** Marrying someone for money so they can become a citizen of the U.S. In this case, you can spend time in prison for participating in the scheme, and the immigrant will be deported.
- **Ponzi scheme.** Promises investors abnormally high profits from the money they “invest” in the plan. The system is doomed to collapse because there are little or no underlying earnings from money received by the promoter. Also known as a Pyramid scheme.
- **Securities fraud.** Artificially inflating the price of a stock with false and misleading statements. The goal is to sell stock that has little value at a high.

Protecting Yourself from Consumer Fraud

The best guard against consumer fraud is awareness. Taking a few minutes or hours to research the idea or ask more questions may save you a lot of money in the long run. Sometimes you may hear things that make you feel uncomfortable or sound too good to be true. If something seems unusual, just walk away or hang up the phone. Only you can protect yourself from becoming a part of their scheme. If something seems too good to be true, it probably is!

Steps to Take if Victimized

1. Contact the fraud division of the three credit bureaus, explain that you are a victim of identity theft, and ask them to put a fraud alert on your credit files.

- Equifax 1-800-525-6285 PO Box 105873 Atlanta, GA 30348 www.equifax.com
- Experian 1-888-397-3742 PO Box 2104 Allen, TX 75013-2104 www.experian.com
- TransUnion 1-800-680-7289 PO Box 390 Springfield, PA 19064
www.transunion.com

2. Contact your bank or credit union to verify that your bank accounts haven't been affected.

3. Contact credit card companies or the issuers of any other cards that were affected. Follow up all phone calls with letters and a copy of the complaint filed with the police department.

4. File a complaint with the Federal Trade Commission. Their Web site is www.ftc.gov and contains phone numbers, forms, and general information.

5. Contact your local police or the police in the city where the identity theft took place.

Conclusion

Consumer fraud has a major impact on consumers and on the overall economy of the United States. People with moderate to low incomes and lower levels of education are more likely to be victims; however, anyone can become a victim. When it comes to your money and your personal information, trust only those people you know to be trustworthy. Asking questions is not a sign of being stupid; instead, it is a sign of being a good consumer. If you do become a victim, take immediate steps to contact law enforcement officials.

Lesson Review

Answer the following questions:

Which one of the following is considered a consumer fraud scheme?

- a. Bait and switch.
- b. Bait and catch.
- c. Advertising.
- d. Spam emails.

Which of the following statements is TRUE?

- a. Only poor people are victims of fraud.
- b. Only wealthy people are victims of fraud.
- c. Anyone can become a victim of fraud.
- d. Only stupid people are victims of fraud.

Discuss some ways that someone could get personal information about you without your permission.

- 1.
- 2.
- 3.

Now that you are aware of the problem, what steps will you take to protect yourself from consumer fraud?

- 1.
- 2.
- 3.