



**Consumer Federation of America
National Association of Consumer Agency
Administrators
North American Consumer Protection Investigators**

2009 Consumer Complaint Survey Report

July 27, 2010

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Executive Summary

State and local agencies are vital components of the consumer protection system in the United States. The issues they deal with run the gamete from sleazy auto sales to shoddy home improvement work, bare-knuckled debt collection tactics to bogus health products and services, fraud on the Internet to gouging at the gas pump.

Unlike most federal agencies, state and local consumer agencies usually try to mediate individual complaints. Many of them also have administrative, civil and/or criminal authority to stop abuses and recover money for consumers. Some also accept complaints from businesses. All provide advice and education about consumers' rights and businesses' responsibilities.

In addition to curbing unfair and deceptive practices, state and local consumer agencies protect the public health from bogus medical products or services and unlicensed practitioners. Since they operate "where the rubber meets the road," these agencies are often the first to hear about unfair and deceptive practices and the quickest to take action.

To provide a national snapshot of the challenges faced by consumers and state and local consumer agencies, **Consumer Federation of America** periodically conducts surveys in cooperation with the **National Association of Consumer Agency Administrators** and the **North American Consumer Protection Investigators**. This report is based on surveying 33 state, county, and city agencies from 18 states across America. The surveys cover a one-year period, in most cases January through December 2009.¹ Unfortunately, the trend that we reported from last survey continues: at many agencies, complaints went up in 2009 and the resources to help consumers went down.

These are challenging times for consumers and the agencies that serve them. State and local consumer agencies need and deserve public support to protect consumers and the integrity of the marketplace.

Key Findings

- **Of the 28 agencies that responded to our question about budget cuts, 71 percent reported that they experienced cuts last year, compared to 47 in our previous report.**
- **More than half of the agencies reported that they received more complaints last year than they did in 2008.**
- **Complaints about credit and debt rose from #3 to #2 in the top ten.**
- **The fastest-growing complaints in 2009 were about bogus offers to help save consumers' homes from foreclosure.**
- **The agencies received more than 300,000 individual complaints and obtained nearly \$110 million in restitution or savings for consumers.**

¹ Some agencies keep records on a different basis, such as July through June; all were asked for data for the most recent 12-month period available.

- **Inadequate budgets and staffing was the biggest challenge that many agencies faced.**
- **State and local consumer agencies said that new laws are needed to:**
 - **Curb debt collection abuses**
 - **Protect consumers from unfair practices in financial services;**
 - **Address problems with free trial offers**
 - **Hold “lead generators” responsible for steering consumers to fraudulent Web site operators**
 - **Improve enforcement against errant doctors and other practitioners of “healing arts”**
 - **Regulate home improvement contractors and protect consumers from subcontractors’ liens**
 - **Deter scammers from using money transfer services to get payments from their victims**
 - **Provide a 3-day “cooling off” period for car purchases**
 - **Help consumers facing foreclosure**
 - **Protect consumers when businesses fail to deliver promised goods or services**
 - **Place more limits on the use of “robo calls”**
 - **Deter gas gouging**
 - **Regulate towing companies**
 - **Give local consumer agencies more power to enforce laws**

Troubling Trend Continues: More Complaints, Fewer Resources

As state and local governments have been squeezed by declining revenues from sales taxes, property taxes, and other sources, consumer agencies have suffered the consequences. **Of the 28 agencies that responded to our question about budget cuts, 71 percent reported that they experienced cuts just prior to or during the survey period, compared to 47 in our previous report.**

These cuts resulted in loss of training opportunities (experienced by 70%), staff reductions (60 percent, elimination of programs (10 percent, and furloughs (50 percent). Furloughed employees were obliged to take time off unpaid – time that they could have spent investigating, mediating, and prosecuting complaints, and conducting educational outreach. In addition to furloughs, which are essentially pay cuts, some consumer agency staffs had their salaries reduced; for instance, by 5-8 percent at the **Hawaii Department of Commerce and Consumer Affairs**.

Because of a hiring freeze at the **Montgomery County Office of Consumer Protection** in Maryland, departing staff members were not replaced, while at the same time the agency was given additional responsibilities. Several agencies cited the loss of staff due to layoffs or other factors as a loss of crucial expertise and institutional memory. Staff members often develop specialized knowledge over time – for instance, about home construction, jewelry grading, auto repairs, or mortgage agreements – and it is difficult for others to fill their shoes.

In some cases, educational outreach has been severely affected by budget cuts. For example, the **Broward County Division of Permitting, Licensing and Consumer Protection** eliminated its community education programs and stopped producing brochures and other educational materials. It also curtailed the proactive inspections that were regularly conducted to ensure that businesses are complying with requirements such as posting their refund and return policies.

Last year as we prepared this report we learned that the Nevada Consumer Affairs Division was being shuttered; this year the Virginia Beach Consumer Affairs Program did not participate in the survey because it was cut from a staff of three to one investigator and is operating on an extremely limited basis. The **Hillsborough County Consumer Protection Agency** in Florida was in danger of being eliminated and happily survived, but moved to more cramped space to cut costs.

At the same time that resources were reduced, 58 percent of the agencies reported that they received more complaints in 2009 than they did in the previous year. The average increase was 23 percent, but in some cases the increases were much higher; for instance the **Pinellas County Department of Justice and Consumer Services** had a 52 percent increase in complaints as a result of several large cases that it was involved with last year. Complaints to the **Hawaii Department of Commerce and Consumer Affairs** rose by 62 percent.

Despite these handicaps, the agencies handled 300,895 individual complaints last year and obtained \$109,605,264 in restitution or savings for consumers. However, this does not paint the whole story. Many state and local consumer agencies have set up special hotlines to help consumers who are facing foreclosure. For example, the **Summit County Office of Consumer Affairs** in Ohio also created a foreclosure assistance program and saved homeowners \$86,989 through loan modifications and corrections to their escrow account in 2009 – an amount that was not included in its figure for total money recovered/saved for consumers that year.

It is also important to realize that the complaint numbers do not include the calls, letters and emails that state and local consumer agencies receive from consumers who are seeking advice about how to resolve problems themselves or avoid being victims of fraud. For instance, the **Tennessee Division of Consumer Affairs** was contacted by more than 35,000 consumers last year, 6 times the number that actually made complaints. Businesses also contact state and local consumer agencies for advice, and they benefit when complaints against them are resolved without the need for formal legal action.

Top Ten Complaints in 2009

Following are the top complaint categories that most frequently appeared in the agencies' top ten lists. Their ranking in the top ten in 2008 is noted in parenthesis.

1. **Auto:** (1) *Misrepresentations in advertising or sales of new and used cars; lemons; faulty repairs; leasing and towing disputes*
2. **Credit/Debt:** (3) *Billing and fee disputes; mortgage-related fraud; credit repair; debt relief services; predatory lending; illegal or abusive debt collection tactics*
3. **Home Improvement/Construction:** (2) *Shoddy work; failure to start or complete the job*
4. **Utilities:** (4) *Service problems or billing disputes with phone, cable, satellite, Internet, electric and gas services*
5. **Retail Sales:** (5) *False advertising and other deceptive practices; defective merchandise; problems with rebates, coupons, gift cards and gift certificates; failure to deliver*
6. **Services:** (6) *Misrepresentations; shoddy work; failure to have required licenses; failure to perform*
7. **Internet Sales:** (9) *Misrepresentations or other deceptive practice; failure to deliver online purchases*
8. **Household Goods:** (7) *misrepresentations; failure to deliver; faulty repairs in connection with furniture or appliances*
9. **(tie) Landlord/Tenant:** (8) *Unhealthy or unsafe conditions; failure to make repairs or provide promised amenities; deposit and rent disputes; illegal eviction tactics; Home Solicitations:* (9) *Misrepresentations or failure to deliver in door-to-door, telemarketing or mail solicitations; do-not-call violations*
10. **Health Products/Services:** (10) *misleading claims; unlicensed practitioners; failure to deliver*

Not surprisingly given the bad economic climate in 2008, complaints related to credit or debt rose from #3 to #2 in the top ten list. Complaints about Internet sales jumped from #9 to # 7.

Real World Examples and What Consumers Should Do

Auto

Cash for Clunkers Coercion

The **New Jersey Attorney General's Office** received many complaints about auto dealers' practices related to the federal government's Cash for Clunkers program, which provided rebates to help consumers trade in their old cars for more efficient new ones. Consumers alleged that dealers made them sign a "Contingency Agreement" guaranteeing that they would pay the \$4,500 rebate if the federal government did not (the federal program did not provide for such agreements). Several dealers refused to release the new cars until the government approved the sales. Meanwhile, consumers' money was tied up in deposits; some consumers lost out on lower interest rates that were negotiated at the time of sale but later expired; and some postponed repairs needed to make their "clunkers" safe to continue to drive while they waited for their new cars. To resolve these problems, the agency enlisted the help of an auto dealers' trade association, NJCAR. It also issued press releases and consumer education briefs to make people aware of their rights under the Cash for Clunkers program.

Consumers should contact their state or local consumer protection agency for advice if they encounter an unexpected snag in purchasing a car.

Lemon Law Rights Saved

When Chrysler went through bankruptcy last year, consumers who had purchased new cars from the company faced the possibility that the “new” Chrysler that emerged would not honor their rights under state “lemon laws.” Those laws vary from state to state, but generally they entitle consumers to return new cars for refunds or replacements if there are significant or recurring problems. Several state Attorneys General, including the **Kansas Attorney General’s Office**, negotiated an agreement with the new owners of Chrysler to honor the lemon law rights that consumers had with the “old” company.

Consumers who have new cars with serious or recurring problems should contact their state or local consumer protection agency to ask if they qualify for lemon law relief.

Bad Deal

A Nissan dealer in New Jersey specializes in selling vehicles to immigrants and consumers with poor credit, many of whom don’t know how to negotiate car purchases, don’t understand the paperwork, and simply rely on what the sales staff tells them. In one complaint made to the **Somerset County Division of Consumer Protection**, the consumer thought the price of the new car he purchased in 2006 was \$48,845, which was the manufacturer’s suggested retail price. But the price was really \$70,000, and with financing, extended warranties and other add-ons the total cost came to \$104,191.14! Unfortunately, by the time the consumer contacted the agency last year, the car had been repossessed because he could not afford the payments, and the dealer, brandishing the consumer’s signature on the contract, refused to negotiate any resolution to the problem.

Before taking the car from the dealer’s lot, consumers should read the sales contract and finance documents carefully and ask questions about anything that is not clear or that contradicts what the sales staff said.

Auto Advertisements Stimulate Lawsuit

Prime Marketing Targeting, Inc. was sued by **Illinois Attorney General’s Office** for airing allegedly deceptive radio commercials in order to generate sales leads for auto dealers. The ads implied that consumers would not have to pay sales tax and would receive an additional tax credit on car purchases as part of President Obama’s stimulus package. However, the stimulus plan only allowed for a deduction on consumers’ tax returns, not a tax credit, and consumers still had to pay the auto sales tax. The lawsuit also alleged that the company violated a 2005 settlement agreement concerning previous deceptive ads.

Consumers who have questions about government programs can get answers from the Federal Citizen Information Center by going to www.info.gov or calling 1-800-333-4636.

Repair Racket

The **Virginia Department of Agriculture and Consumer Services** received a complaint from a man who took his Chevy Silverado to the repair shop because it was losing power. The shop diagnosed the problem as the fuel injectors and supposedly replaced them, along with the mass air flow sensor, the throttle body and all the spark plugs, for a total of \$3,000. But when the man picked up his truck, it ran no better than before. He returned to the shop and was told that it might be the cam sensor or the fuel rail, which would cost \$1,500 more. At that point, he took the truck to the dealer, which replaced the fuel filter and blew out the fuel rail with compressed air. The bill was \$600 and the truck ran like a gem. According to the dealer, the plug gaps were not set correctly, the injectors were cleaned but not replaced, and the throttle body was not cleaned nor was it replaced. The agency was able to obtain a refund for the consumer.

If a car repair doesn't fix the problem, consumers should get a second opinion from a trusted mechanic.

Credit/Debt

Debt Reappears after Too Many Years

A woman in Cambridge, Massachusetts received a collection notice for a medical debt that she thought had been charged off long ago. Checking her credit record, she found the debt listed despite the fact that it was past 7 years, the time limit for negative information to remain on consumers' credit records – and it was listed 3 times under separate account numbers! The debt had apparently been purchased by a “debt buyer,” which had placed the entries on the woman's credit record. Once the **Cambridge Consumers' Council** got involved, the negative entries were removed and the debt collection efforts stopped.

Consumer Wrongly Labeled Deadbeat

The **New York State Consumer Protection Board** helped a Brooklyn resident who was being harassed for a debt that he did not owe. He had been injured in a car crash several years earlier, and the insurance company of the person who hit him paid his medical bills. When he began to receive debt collection notices from a law firm based in Minnesota, he responded that he had proof that the bills had been paid and asked for the records to be corrected, but his requests were completely ignored. The situation got worse when his credit card issuer informed him that his account was being cancelled, not because of late payments – he always paid on time – but because of the outstanding medical debt. He was very distraught, having worked his entire life to pay his bills promptly and earn an outstanding credit score, only to be labeled a bad risk because of a false debt. The agency got the debt collector to remove the debt from its records and document that it had contacted the national credit reporting agencies to remove any reference to it.

Attorneys Argue “Can't Touch Me”

The **Georgia Governor's Office of Consumer Affairs** has received hundreds of complaints from consumers across the U.S. against Frederick J. Hanna and Associates, P.C., a law firm that specializes in debt collection. Consumers allege that the firm has

engaged in a variety of egregious practices, including harassment, sharing information about their debts with people who are not responsible for them, and dunning them for debts they do not owe or that are too old to legally collect. The agency issued a subpoena but the firm, contending that the agency does not have the power to enforce the Fair Debt Collection Practices Act against attorneys, refused to cooperate. A lower court agreed with the firm; the agency appealed to the state Supreme Court and lost. This is a frustrating situation; in 2009, the agency received 1,635 debt collection complaints compared to 853 in 2007, and Georgia is home to a number of attorneys operating as debt collection companies and collecting debts from consumers nationwide.

Under federal law, negative information on consumers' credit records must be removed after 7 years, 10 years for bankruptcy. Consumers have the right to dispute debts that they don't owe and contest inaccurate information on their credit reports. In addition, many state laws prohibit action to collect debts after a certain number of years have elapsed.

Your Money or Your Car

Cash Point offers title loans – to borrow money consumers must hand over the titles to their cars as collateral, and if they are unable to pay, they lose their cars. A Virginia woman complained to the **Fairfax County Department of Cable and Consumer Services** that the company hid the high interest rates it was charging. She took a loan for \$1,800 with the understanding that the minimum payment was \$95. But when she got her second statement, the balance showed as \$2,882.96 with a minimum payment due of \$550.36. She could not pay it, and Cash Point repossessed the car. The agency asked the local legal aid office to help the consumer, and she eventually got her car back. Cash Point waived what was by that point \$7,000 owed on the \$1,800 loan.

Title loans, payday loans, and other short-term loans are typically very expensive and can trap consumers in a never-ending cycle of debt. Consumers may be hit with repeated bounced check fees, lose their check writing privileges, or have their accounts closed if they are unable to repay payday loans. Even worse, in the case of title loans consumers can lose their cars if they fall behind on their payments. Consumers should seek loans from banks or credit unions, and set as much money aside in savings as they can on a regular basis to cover big purchases or unexpected expenses. Even small savings add up over time.

Unsettling Experience

A California woman was over her head in credit card debt and turned to a debt settlement company for help. The company began to deduct money from her bank account right away. She thought that the company was going to notify her credit card issuers that she was in the program and start negotiating an agreement to settle her debts for a reduced amount. But after three months, she began to get calls from her creditors threatening to turn her debts over for collection. She also learned that they had heard nothing from the debt settlement company. She attempted to cancel and received only \$277 of the \$1,077

that she had paid the debt settlement company by that point. The **Los Angeles County Department of Consumer Affairs** got the rest of her money back.

Many debt settlement companies take their fees early on, long before they contact consumers' creditors, and they keep the fees even if they never settle any of the debts. Consumers who are having difficulty paying their bills should try to negotiate directly with their creditors. If that fails, consumers should seek advice from a local nonprofit credit counseling service. If considering debt settlement services, consumers should look for companies that only charge fees after the debts have actually been settled.

Loan Lies

As part of "Operation Loan Lies," a joint effort between state attorneys general, the Federal Trade Commission, the U.S. Department of Justice, and local district attorneys to stem the tide of foreclosure rescue scams, the **Ohio Attorney General's Office** sued Statewide Financial Group, Inc., which did business as U.S. Homeowners Assistance. The company made automated calls to consumers whose homes were in danger of foreclosure stating "Don't lose your house! Call Now!" When consumers called, they were promised help getting new loans or loan modifications, but after paying \$1,800 or more for these services, they got nothing in return. The agency obtained a default judgment against the company.

Consumers who are unable to afford their mortgage payments should contact their lender to try to work out a loan modification. If the lender is unresponsive or unhelpful, consumers should call 1-800-569-4287 or go to <http://nhl.gov/offices/hsg/sfh/hcc/hcs.cfm> to find a local housing counselor certified by the U.S. Department of Housing and Urban Development. Consumers should reject unsolicited offers of help from any company except the lender to whom they send their mortgage payments.

Home Improvement/Construction

Contractor is Career Criminal

Keith McGowan pleaded no contest to charges, including financial elder abuse, after admitting to taking more than a quarter-million dollars from an elderly Sacramento couple to remodel their home and abandoning the job. The original verbal agreement for the work was for \$40,000, but the couple ended up writing McGowan 52 checks totaling \$252,650. The value of the work he did was estimated at \$72,000. His contractor license had been revoked more than ten years before he agreed to do the job. He was also a "two-strike" convicted felon who had served time in San Quentin prison for multiple charges, including manslaughter. The Contractors State License Board in the **California Department of Consumer Affairs** worked with the District Attorney's Office to investigate the case and coordinated an effort to help the couple, whose life savings were wiped out. More than 150 volunteers, including many licensed contractors, have donated materials and labor to remodel the couple's home.

Before hiring contractors, consumers should check their complaint records and compliance with licensing or registration requirements. It's best to pay only a small deposit when the contract is signed and make subsequent payments proportionate to the amount of work that has actually been done.

New Home Nightmare

A New York couple contracted to have a home built for \$297,000. Over the course of several months they paid the contractor a total of \$317,605. Then he told them that the plumbing and heating company needed \$6,000 to continue working on the house. When an employee of the plumbing and heating company came to get the check, he told the couple that a check that the contractor had given the company had bounced. Later the couple began to hear from other subcontractors that were owed money. They discovered that many thousands of dollars they gave the contractor for tile installation, electrical work, gravel, doors, concrete pouring, and other items had never been paid to the subcontractors. The subcontractors put liens on the house. The couple complained to the **Schenectady County Department of Consumer Affairs**. The contractor was picked up by the police and is now in jail waiting for his trial on charges of fraud and grand larceny.

If contractors want to be paid more than the original price, consumers should ask why. It could be a sign that they are in financial trouble and can't pay the subcontractors or suppliers.

Utilities

It's Hard to Say Goodbye...

The **Illinois Attorney General's Office** joined 31 other states in reaching a settlement with Vonage, the Internet-based telephone service, to resolve complaints from consumers that it was difficult to cancel their service. Although the company enrolls consumers online, it does not allow them to cancel online, requiring them to call instead. Consumers said that they had to wait on hold for excessively long times, and that once they reached the service representatives, they refused to allow them to cancel (the service representatives allegedly received incentives from the company for retaining customers). Consumers also complained that they continued to be billed even after they canceled. In addition, the states alleged that Vonage failed to notify consumers that the "free" first month of service would require an activation fee, shipping and handling costs, taxes, and various fees, and that it failed to disclose that the company's money-back guarantee did not include the cost of shipping the equipment back or taxes on the service. Vonage agreed to provide refunds to consumers who were improperly billed and to change its marketing and customer cancellation practices.

...And It's Expensive to Leave

A Massachusetts woman responded to an advertisement for digital TV. The provider did not offer digital service in her area but she agreed to purchase satellite TV instead. A company representative came to her house to install the antennae and a box that connected to her TV. As he was leaving he asked her to sign a form. She asked her what

it was and he said it was a receipt to show that she had received the equipment. A short time later, dissatisfied with the service, the woman called to cancel. She was told that there would be a \$300 early termination fee – which was disclosed on the document that she signed but had not read. She paid and then complained to the **Cape Cod Consumer Assistance Council**, which was able to get most of her money back from the company.

Before signing up for telephone, Internet, cable or satellite TV, consumers should read the contracts carefully to ensure that they understand the company's billing and termination policies.

Retail

Tires Not as Green as They Seem

The **Ohio Attorney General's Office** and several other states reached a settlement with Michelin North America to resolve concerns about advertisements claiming that consumers could save money by using the company's fuel-efficient tires. The cost-savings claims were based on fuel costs and did not include other factors that might affect savings, such as the initial cost or average life-span of the tires. Furthermore, a review of the company's own studies showed that Michelin tires were the most fuel-efficient in only 78 percent of its classes of tires. The attorneys general also expressed concern that the footnotes in the advertisements were not clear and conspicuous. The company agreed to support any fuel-efficiency claims it makes with reliable scientific evidence and to clearly disclose any limitations related to those claims.

Consumers should note the date and details of any ads that they believe may be false or misleading and report them promptly to their state or local consumer protection agency.

Where's the Beef?

In a routine inspection of grocery stores, the **Connecticut Department of Consumer Protection** found ground beef packages at a Stop & Shop Supermarket that contained a higher percentage of fat than their labels stated. For both economic and health reasons, it is important for the fat content to be accurate. Under state law, anything that exceeds the amount stated on the label by 20 percent or more is considered to be non-compliant. While not admitting any wrongdoing, the company agreed to undertake good faith efforts to prevent the store's ground beef from being mislabeled in the future.

If consumers notice a significant discrepancy between what's on the product label and what's inside, they should contact their state or local consumer protection agency.

Deals Too Good to Be True

When Finlay Holdings filed for bankruptcy, the court appointed Gordon Brothers Retail Services as the agent to oversee the liquidation of the company's chain of upscale jewelry stores, Bailey, Banks and Biddle. Most the inventory advertised in the liquidation sales as 70 percent off the retail prices were items that Gordon brought in. Consumers complained

to the **Fairfax County Department of Cable and Consumer Services** that diamonds sold in the liquidation of the Bailey, Banks and Biddle stores in the Fair Oaks Mall and Tyson's Corner Mall in Virginia were priced artificially high, that the value of the diamonds was substantially lower than what they sold for, and that the certificates that were provided with the diamonds did not match the characteristics of the gems. The agency found that Gordon Brothers was unable to provide a source for the diamonds, raising questions about their origin. Gordon Brothers issued full refunds, including the cost of independent appraisals. The agency has provided the information from its investigation to the bankruptcy court and the IRS criminal division.

*Deals at going-out-of-business sales may not be as great as they seem.
Consumers should be especially careful buying jewelry in these situations
and should have it immediately appraised by an independent gemologist.*

Services

Consumers Cleaned Out

The **Montgomery County Office of Consumer Protection** in Maryland received many complaints last year about the deceptive sales tactics of several air duct cleaning firms. The companies mailed coupons to county residents offering to clean the air ducts in their homes for what the consumer agency characterized as a "low-ball" price. Once in the consumers' homes, company representatives claimed that additional services were needed to combat mold and bacteria which, if left untreated, could cause health problems. A local NBC TV news station captured and reported these sales practices using a hidden camera. In reality, victims got little or no benefit from duct cleaning services that ended up costing several hundreds of dollars more than the advertised price. At least one victim purchased duct cleaning services in the mistaken belief that it would alleviate health problems such as asthma. The agency entered into a settlement with one company, PCA, Inc., which agreed to make \$6,500 in refunds to 14 consumers. PCA also agreed not to misrepresent the health benefits of duct cleaning or that it is licensed or bonded. The agency also notified or reached agreements with seven other duct cleaning firms and two direct mail advertising firms.

Two New York consumers complained to the **Schenectady County Department of Consumer Affairs** about misleading sales tactics by a duct cleaning service. Both alleged that company representatives intentionally blew dirt and debris into their duct work and then used a scope to show them that the ducts needed cleaning. And the \$99 advertised price ballooned to more than \$700 when the salesperson explained that the lower price was just for two ducts, not the whole house. Neither consumer signed up for the service, but both said that it took them several hours to get the salespeople out of their homes. The agency contacted the company, which agreed to change its advertising.

Don't be pressured into paying for duct cleaning or other services. Before agreeing to duct cleaning, consumers should review the information that is available from the federal Environmental Protection Agency at www.epa.gov/iaq/pubs/airduct.html.

Useless Information

Consumers who paid \$85-90 for membership fees to access a rental property database didn't get what they bargained for, according to a lawsuit brought against Chicagoland Publishing by the **Illinois Attorney General's Office**. Chicagoland placed ads for rental properties in Chicago-area newspapers. When consumers called the numbers in the ads, they reached the Chicagoland offices, not the actual property owner. Consumers were then persuaded to go to the company's offices, where they were sold membership in a service that would give them 90-day access to Chicagoland's rental database. However, the suit alleges that members found that the database contained old listings that were no longer available, disconnected phone numbers, and properties that were listed without the owners' permission or that were never available for rent in the first place. In addition, consumers were rarely able to get refunds.

Before paying unfamiliar companies for services, consumers should check with the Better Business Bureau and online consumer complaint websites for information about other people's experiences with them.

Internet Sales

Trials and Tribulations

In our last report, we described complaints that the **Broward County Division of Permitting, Licensing and Consumer Protection** in Florida received from consumers who agreed online to try nutritional supplements made with the acai berry and were later surprised to find that they were being charged or debited every month for the products. In 2009, the products changed but the business model remained the same. Consumers who were lured to Web sites offering "free trials" of teeth whitening or colon cleansing products complained that the financial account numbers they provided to cover the shipping costs were then used to charge or debit them \$80 - \$90 per month. The fact that they were agreeing to monthly orders unless they cancelled by the end of the free trial period was not adequately disclosed on the Web sites. In some cases the products were not delivered until the free trial periods were nearly over, and some consumers were charged even before the free trails were up. Consumers also complained about receiving additional products that they never agreed to buy from the same or different companies, difficulty contacting the companies to discuss their problems, and being promised refunds that never materialized. The agency has been able to get some consumers' money back and has referred complaints to a state consumer agency for possible further action.

Be wary of "free" offers on the Internet, since there are usually strings attached. Consumers should look at the terms of the offers carefully and decline them if the terms are not clearly disclosed or if they require canceling by a certain date to avoid being charged. Consumers should also review their credit card and bank statements carefully and promptly dispute any unauthorized charges or debits.

Transmission Trouble

The **Hillsborough County Consumer Protection Agency** in Florida received complaints from consumers all over the country about rebuilt transmissions they bought through the Internet from companies located in the county. These companies offer “value” or “rebuilt” transmissions for discounted prices that generally range from \$700 to \$1,200. Some consumers complain that the transmission they received were faulty; in some cases it looked like a paint job had simply been applied to transmissions from a junkyard. One man from California was charged \$1,734 for a transmission that was supposed to cost \$867 and never received it. In another case, a North Dakota woman paid \$499 and then an additional \$200 when the company requested it, but when she received the transmission it did not work. In some instances the companies cited shipping delays and other excuses in what appeared to be attempts to run out the time period that consumers have to dispute credit card charges. Since the companies have not responded to the agency, the complaints have been referred to a state consumer agency for possible civil and/or criminal action.

The safest way to pay for online purchases is with a credit card because under federal law consumers can dispute the charges if the products or services were misrepresented or never delivered. To exercise their rights, consumers should contact their credit card issuers within 60 days of when they first received the bills on which the charges appear.

Little Red Corvette

A New Jersey resident complained to the **Tennessee Division of Consumer Affairs** about a car deal that went bad. He saw an ad online from a man in Tennessee for a red ’64 Corvette and agreed to give the seller \$24,000 plus his ’69 Corvette. The seller encouraged him to have the ’64 Corvette checked out before buying it, but he did not want to bother, relying on the pictures of the vehicle instead. He sent the money and the ’69 Corvette to Tennessee, and the seller sent the ’64 Corvette to New Jersey. When he got the ’64 Corvette, the buyer claimed that it had damage. But the seller said that the ’69 Corvette was not worth as much as the buyer had claimed, and pointed out that the buyer had the chance to inspect the ’64 Corvette and declined to take it.

Use care when buying a car that is advertised online, especially if the seller is far away, since taking legal action to resolve problems may be very difficult. Consumers should hire a mechanic in the area in which the car is located to thoroughly check it out before committing to purchase it.

Ticket Broker Taken to Task

The **Illinois Attorney General’s Office** reached a settlement with a Ticketmaster subsidiary, TicketsNow, to curb deceptive practices. The company created hundreds of Web sites with misleading domain names that led consumers to believe that they were dealing with the Web sites of local venues, sports teams or performers. There was no disclosure that the Web sites were reselling tickets that had been obtained tickets from secondary sources such as season ticket holders, event promoters, and venue operators. As a result, consumers did not realize that they were ordering tickets at prices

significantly higher than the face value. TicketsNow agreed to cease operating any Web sites that have misleading domain names, to clearly identify its Web sites that resell tickets as resellers, and to expressly state that the resellers are not affiliated with the venues and may sell tickets at above face value. In addition, TicketsNow will not sell tickets to non-sporting events on any of its Web sites until Ticketmaster makes them available at face value to the general public.

Consumers should check the ticket prices of events with the venues themselves before purchasing tickets from online resellers. State and local consumer protection agency can advise consumers if state law limits the amount over the face value that ticket resellers can charge.

Household Goods

Not Really Complimentary After All

A Maryland consumer purchased a mattress set in a deal that included several “complimentary” items and a 90-day in-home trial period. But when she decided she did not want to keep the mattress set, the store charged her \$1,200 for the “complimentary items,” even though that was never disclosed to her in the ad or on her receipt. The **Howard County Office of Consumer Affairs** got her money back and the store agreed to discontinue the deceptive sales promotion.

Consumers should keep their receipts and invoices for when they purchase household goods in case there are any questions about the terms after the sale.

Stand By Your Products

The **New Jersey Attorney General’s Office** obtained an Assurance of Voluntary Compliance from Samsung to resolve complaints that the manufacturer’s electronic products and appliances routinely failed just prior to or just after the warranties expired and that it failed to make repairs or replace the products. In many cases, consumers alleged that replacement parts were not available due to backorders or other problems with the manufacturing process. This case marked the first time that the agency undertook enforcement action against a manufacturer, as opposed to a retailer, of consumer electronics. A resolution process has been set up to handle any new consumer complaints about Samsung’s products.

Products should perform as consumers would expect them to for a reasonable period of time. Even if the warranty has expired, consumers may have rights to demand a repair or replacement if products do not perform as they should.

Landlord/Tenant

Bugged in Virginia

A tenant in Virginia found a bed bug a month after moving into the apartment and immediately notified the landlord. The landlord scheduled a bed bug treatment, which required all of the tenant's belongings to be put in plastic bags and containers for an extended period of time. Because of the inconvenience, the tenant asked to terminate the lease without penalty, but the landlord refused. After the **Fairfax Department of Cable and Consumer Services** got involved, the landlord agreed to let the tenant go without any liability for the \$10,989 that was due for the remainder of the lease.

Tenants who find health or safety problems should report them to their landlords immediately and consult with their state or local consumer protection agency about their rights.

Home Solicitations

Misleading Sales Tactics for Security Systems

The **Illinois Attorney General's Office** sued Pinnacle Security, LLC for allegedly using deceptive sales tactics to get customers of a rival company, ADT, to sign up for Pinnacle's security products and services. According to the complaint, Pinnacle sales teams went door-to-door telling consumers that the company had made a partnership with ADT, or that ADT had gone bankrupt and that Pinnacle would now be serving ADT customers. Based on these misleading statements, consumers signed up with Pinnacle, leaving them with contracts with both companies. Pinnacle was also accused of falsely telling consumers that there would be no installation fee and misrepresenting the cost of its services.

Don't be pressured into a deal with a telemarketer or a salesperson that appears at the door. Consumers should ask for written information and check out the company and its products or services before agreeing to anything. If it's a legitimate deal today, it will still be there tomorrow.

Tricked into Paying for Free Trip

An Arizona couple complained to the **Florida Department of Agriculture and Consumer Services** that they were bombarded with hidden fees after agreeing to a "free" vacation that included a Bahamas cruise and three days in Fort Lauderdale. According to the couple, the telemarketer said that they had "won" the vacation and asked them for their credit card number to charge \$538 in order to "hold" the package. At the end of the call, the telemarketer mentioned that they would need to attend a timeshare presentation as part of the deal. The couple did not want to do so, but felt pressured and rushed to say "yes." When they got the details of the trip in the mail, they found hidden charges such as fees for each person to stay in the hotel and for the "free" rental car. Research on trip review Web sites revealed that the hotel got horrible ratings, and the couple also realized that they could book a Bahamas cruise themselves for about \$100 per person. When they

attempted to cancel and get their \$538 back, the company refused. The consumer agency obtained a full refund for them.

Consumers should be wary of offers for “free” cruises or resort accommodations, since they are often worth very little, entail undisclosed costs, and require having to attend lengthy, high-pressure sales pitches for costly timeshares or travel clubs.

Multiple Magazines

Magazine subscription companies sometimes use fast-talking telemarketers and high-pressure pitches to solicit consumers for subscriptions. Older people and people with disabilities are especially vulnerable to these sales tactics, and often it is their family members who approach consumer agencies for help. Two complaints that the **North Dakota Attorney General’s Office** handled last year illustrate these problems. In one, a man with limited reading ability and who was living on a fixed income had accounts with five different subscription companies for a total of more than \$4,700. In the second case, a 76 year-old woman had accounts with six subscription companies for more than \$3,800. Both consumers denied authorizing the accounts and said they were confused by the telemarketers. The agency found that most of the sales violated provisions of the state’s Home Solicitation Statute and took legal action to stop the sales practices and obtain refunds for the consumers.

Consumers and family members acting on their behalf can reduce the amount of unwanted telemarketing calls they receive by putting their phone numbers on the federal Do Not Call Registry. It’s easy to do by going to www.donotcall.gov or dialing 1-888-382-1222 from the phone that one wishes to register. Consumers can also tell telemarketers to put them on their no-call lists. If consumers believe that their do-not-call rights are being violated, they should report the telemarketer to their state and local consumer agency and the Federal Trade Commission.

Health Products/Services

Hair Raising Claims

The Natural Hair Growth Institute in Chicago claimed that it could help consumers regrow hair within 6 months using laser therapy, scalp massage, and topical hair products. But a lawsuit by the **Illinois Attorney General’s Office** contended that the company failed to produce the results it promised and refused to refund dissatisfied customers’ payments. The agency also alleged that the company’s claims were unsubstantiated and that it falsely stated that its laser device was approved by the Food and Drug Administration.

Consumers should be aware that promises to grow hair, lose fat fast, or other amazing claims for health products or services usually aren’t true.

Internet Pill Mill Shut Down

The owners of Hogan's Pharmacy and their pharmacist were found guilty of charges brought by the **Kansas Attorney General's Office** that they distributed prescription drugs to people throughout the U.S. based on questionnaires customers completed via the Internet, without doctors' prescriptions as required by law. Jolane and Mark Poindexter, and the pharmacist, Rick Kloxin, face fines and possible imprisonment.

It is dangerous to buy prescription drugs, online or offline, without consulting with a doctor and obtaining a valid prescription. Consumers should only do business with online pharmacies that they have checked to confirm are licensed in their state and that require prescriptions.

Suspect Swine Flu Protection

Last year amid the concern about swine flu and potential shortages of vaccine, an enterprising retailer in Florida advertised "swine flu air purifiers" for sale. When the **Pinellas County Justice and Consumer Services** agency questioned the claims for the air purifiers, which ranged in price from several hundred to thousands of dollars, the business could not provide any substantiation that the devices would effectively protect someone from contracting swine flu. Claiming that they had simply relied on information from the manufacturer of the devices, the store owners agreed to stop making any claims about providing protection from swine flu.

Consumers should consult with their doctors and agencies such as the Centers for Disease Control and Prevention, www.cdc.gov, about how to protect themselves from flu and other diseases.

Complaints Tied to the Recession

When CFA asked state and local agencies what kinds of complaints they received last year that were particularly related to the economic downturn, bogus offers of help to save consumers' home from foreclosure were mentioned by many. One example of this appears in the top ten complaint section on page 10, others are provided in the next section of this report about the fastest-growing complaints of 2009 (starting on page 25).

Other recession-related complaints involved debt collection, debt relief services, advance fee loans, business opportunities, business closings, landlord/tenant problems resulting from foreclosures, job scams, investment schemes, and auto dealers failing to pay off loans on trade-ins. Examples of these are provided below.

Real World Examples and What Consumers Should Do

Advance Fee Loans

The Check is Not in the Mail

Many advance fee loan scammers appear to be located in Canada. A complaint received by the **Cambridge Consumers' Council** in Massachusetts illustrates the typical advance

fee loan scam. A woman was promised a \$5,000 loan if she wired \$817 as “collateral” to a company in Canada. She borrowed the money from friends and family. Then the company asked for another payment; again she borrowed the money to make it. The loan never materialized, leaving her in debt to the people who loaned her the fees.

In another advance fee case, a Montana man was promised a \$7,000 personal loan by Paxton Capital Services and never received it, despite wiring two “down payments” of \$885 each as instructed. The Internet-based loan company used an address in Basking Ridge, New Jersey on all of its advertising and paperwork. Unfortunately, an investigation by the **Somerset County Division of Consumer Protection** revealed that this was the home address of Alan and Maria Paxton, a New Jersey couple who are apparently not affiliated with Paxton Capital Services and have nothing to do with the scam. The real location for the scammers who are using the couple’s name and address appears to be Ontario, Canada, which is where the Montana man sent the money. The complaint has been referred to Canadian law enforcement authorities.

Consumers should apply for loans from their own banks or credit unions. Steer clear of anyone who asks for a fee upfront to provide a loan for personal or business purposes, since these are always scams. Another danger sign of fraud is the request to wire the money.

Auto Dealers

Robbing Peter to Pay Paul

In response to slowing used car sales, a Maryland auto dealer started to resort to a Ponzi scheme, selling cars that he had taken as trade-ins even though he had not yet paid off the liens and could not convey title to the new owners. Of the many complaints that the **Montgomery County Office of Consumer Protection** received about the dealer, the worse involved selling the same car twice. The first buyer did eventually receive the title but returned the car because of mechanical problems. The dealer failed to provide a refund or replace the car, and resold the car to another consumer even though it was still titled and registered to the other person. In collaboration with the Maryland Motor Vehicle Administration, the agency filed criminal charges and issued civil citations.

Dealer Closing Causes Consumer Headaches

The **New Jersey Attorney General’s Office** also dealt with car title problems when three auto dealerships suddenly shut down. Working with the New Jersey Motor Vehicle Commission, dealer floor financing lenders and consumer lenders, the agency helped to obtain vehicle titles and/or lien pay-offs on trade-ins that the dealers had either deliberately or negligently failed to handle. The agency also provided input to the Motor Vehicle Commission on a new “Out of Business Dealer” Web page which provides information for consumers and a link to the consumer agency’s complaint form.

Consumers should not drive the used car they bought off the dealer’s lot until they have the paperwork they need to register it in their name.

Business Closings

Lights Dim at Dinner Theater

The sudden closing of a local dinner theater that had been in business for 35 years left hundreds of consumers complaining to the **Summit County Office of Consumer Affairs** in Ohio about unused gift certificates and gift cards.

Floor Company Fails to Deliver

Bridgewater Floor Covering allegedly continued to take money from consumers knowing that it could not fulfill its obligations and was going out of business. Losses reported to the **Somerset County Division of Consumer Protection in New Jersey** total \$10,000.

Gift Certificates No Good

CertifiChecks, Inc. sold gift certificates nationwide for use at participating businesses. When it abruptly shut down last year, it posted a message on its Web site that it was filing bankruptcy and would no longer administer the gift certificate program. The **Ohio Attorney General's Office** sued, alleging that the company failed to live up to its commitment to consumers and that it misrepresented to consumers that they could submit unused gift certificates for reimbursement. The business filed a bankruptcy action, causing all monetary claims to go through the bankruptcy court, which determines how much money consumers are entitled to receive. Depending on the resources available, this may be only pennies on the dollar. The agency's suit against the company is still pending.

Solution for Service Problems

In response to an inquiry from the **Connecticut Department of Consumer Protection**, Service Net Solutions LLC said it would honor all extended warranty contracts sold by the defunct Tweeter chain of electronic stores, even if Service Net was never notified of the warranty sales by the retailer.

Framing Shop Folds

When a framing shop, All Around Art, went out of business, consumers complained to the **Fairfax County Department of Cable and Consumer Services** in Virginia that they could not get their property back. The agency negotiated with the company that bought the shop's assets to complete the consumers' orders or issue refunds, for a total recovery of nearly \$6,000.

Unhealthy Economy Causes Health Spas to Close

Last year there was a significant increase of complaints to the **Utah Division of Consumer Protection** about health spa closings. Some were large facilities that had been around for years. The agency is charged with registering health spas and making sure that they are bonded, which ensures that consumers can recover at least some of the fees that they have paid in advance.

Even well-established, reputable businesses can close unexpectedly. While some types of businesses, such as health spas, are required to be bonded

in many states, most businesses are not. When paying in advance for goods or services, consumers should use credit cards because they can dispute the charges if the business fails to deliver. There are time limits and other restrictions for credit card disputes, but many card issuers are flexible if consumers report the problems as soon as they occur.

Consumers should keep their receipts to document purchases. It's also a good idea to use gift cards and gift certificates promptly, since it may be impossible to get refunds for unused portions if the businesses fold.

Business Opportunities

Losing Proposition

A consumer who purchased the John Beck Real Estate package after seeing the ads on late night television was soon bombarded with other offers for “business opportunities.” Because many of the callers referred to his initial investment in John Beck, he thought that the offers were related, when in fact his information had simply been shared with other companies. Instead of making money with these business opportunities, he ended up with \$68,000 in credit card debt by the time he asked the **Montana Department of Justice** for help. The agency found that 17 different companies had been submitting charges to his credit card account, and was able to get \$67,000 back for him.

Be wary of any claims about easy ways to make money. Consumers should research business opportunities carefully before deciding whether to invest in them. Information about other consumers' experiences with specific companies is available from Better Business Bureaus and consumer complaint Web sites, and state and local consumer agencies can provide advice about the legal requirements that may apply.

Debt Collection

Stressful Situations

The **Tennessee Division of Consumer Affairs** received a complaint last year from a woman whose problems began in 2008 with a dispute with her credit card issuer. She attempted to resolve the problem with the issuer, but meanwhile debt collectors began to hound her – 14 separate collection agencies in all. The stress of the situation, which is still not resolved, caused her to shut down her business and sell her home, and she ultimately landed in the hospital with heart trouble.

When the now-bankrupt Pascack Valley Hospital closed, the outstanding patient debts listed in its database were sold to a debt buyer, which contracted with Rubin & Raine of New Jersey LLC to collect on them. Consumers complained to the **New Jersey Attorney General's Office** that the bills had been paid or the amounts were incorrect or there were other problems with the debts. In some cases, collection notices were addressed to long-deceased individuals, causing family members much grief. And some of the debts were as much as 12 years old – long past the legal limit to take action on them. The agency obtained an Assurance of Voluntary Compliance with the firm in which it pledged to

comply with state and federal law and agreed to establish a dedicated Pascack Valley Accounts Receivable Dispute Resolution Team to deal with issues concerning the debts.

Federal law and many state laws prohibit debt collectors from calling consumers with annoying frequency, falsely threatening legal action and discussing debts with people who are not legally responsible for them. Consumers have the right to request in writing that debt collectors stop contacting them and to demand verification of any debts they dispute.

Debt Relief

Money Gone but Debts Remain

Credit First Financial Solutions guaranteed to refund its fees if it did not save customers at least \$2,500 in interest and finance charges by negotiating lower interest rates with their credit card issuers. But a man complained to the **Florida Department of Agriculture and Consumer Services** that despite the fact that the company did not succeed in getting any of his credit card interest rates reduced, it ignored his request to refund the \$895 he paid for the service. The company refused to resolve the complaint, which was referred to the Federal Trade Commission.

A Massachusetts woman paid \$3,000 in fees over four months to a company that promised to settle her debts for pennies on the dollar. According to the complaint she made to the **Cambridge Consumers' Council**, the company told her to stop paying her accounts because it was going to begin negotiations with her creditors as soon as possible. However, no negotiations occurred. She dropped out of the program when she discovered that she was worse off than she was before because her accounts were still subject to late fees, rate hikes, collections activity, and legal action. The company ignored telephone calls and letters and is now out of business.

In another form of debt relief, debt management companies offer to negotiate lower monthly payments with consumers' creditors. A complaint to the **Montgomery County Office of Consumer Protection** in Maryland illustrates the problem when these promises are not kept. The consumer made two monthly payments to the debt management company totaling \$765, but the company never made any agreements with her creditors and refused to give her a refund. The agency was able to recover the money.

Consumers who have debt problems should contact a nonprofit credit counseling service, which will provide advice and may be able to work out payment arrangements with their creditors for free or a minimal fee. The National Foundation for Credit Counseling can direct consumers to a counseling service in their area. Go to www.nfcc.org or call 800-388-2227 (800-682-9832 for Spanish language).

Investments

Coin Sale Con

The **Ohio Attorney General's Office** joined 13 other states, the Federal Trade Commission, and the Department of Justice in "Operation Short Change, which was described as "a national crackdown on scammers who are taking advantage of the economic downturn to exploit and defraud consumers." As part of the effort, the agency sued Alliance Coin, Inc. and its president for using high-pressure telemarketing sales tactics and misrepresenting the value and grade of the coins it was offering. One 82 year-old Ohio man spent more than \$25,000 on coins, believing they would be a good investment, only to find out that they were worth much less. The case is still pending.

As with any investments, the value of coins fluctuates and there is no guarantee that they will be worth more tomorrow than they were today. Since the condition of coins significantly affects their value, it is important to purchase them only from reputable dealers. Consumers who are interested in buying coins should consult the American Numismatic Association Web site, www.money.org. Click on Communications, then on Consumer Awareness, for information about buying coins and avoiding fraud. Consumers can also search for dealers who are members of the association. Never buy investments on the basis of an unsolicited call.

Job Scams

Hiring Hoaxes

When unemployed individuals saw advertisements in newspapers and online from a Florida company offering higher-than-average paying jobs, they gladly paid a "registration fee," which supposedly guaranteed them an interview and a job within a short period of time. However, the paperwork they were asked to sign said that jobs were not guaranteed – which was true, because there weren't really any jobs. The **Pinellas County Department of Justice and Consumer Services** worked with federal authorities to quickly shut the business down and obtain a permanent restraining order against it and its officers. A criminal investigation is currently underway.

Another Florida agency, the **Orange County Consumer Fraud Unit**, received complaints last year from consumers who, responding to online classified ads for jobs with well-known companies, wired money to cover the cost of transportation to their interviews. But they never received the plane tickets they were promised, nor did they ever hear from the companies again. That was because the ads were placed by scammers, not by the companies they pretended to represent.

Consumers should be suspicious of any requests for payment to get jobs. Employers do not charge for job applications or to set up interviews. If an employment agency is involved, the employer pays the fees for that service, not the job applicants.

Landlord/Tenant

All's Well that Ends Well

A Maryland consumer rented a room in a house from an individual who was frequently on the road. When the landlord was traveling, the tenant took care of the house. There was no lease, and the rent payments varied according to the tenant's responsibilities and his ability to pay his rent from his Social Security benefits. The landlord fell behind on his mortgage and, faced with foreclosure, ordered the tenant to move out immediately, in violation of state law. The **Howard County Office of Consumer Affairs** mediated an agreement with the landlord to give the tenant an "early termination" payment, enabling him to post a security deposit to move into another home and allowing the landlord to sell the property to waiting investors.

Landlord on the Lam

Two Virginia tenants contacted **Fairfax County Department of Cable and Consumer Services** for assistance in obtaining their security deposit refunds from their previous landlord, whom they were unable to locate. The agency's investigation revealed that the landlord had placed the property, which was in foreclosure, in the name of his minor son and had fled to Iran with the boy. It also discovered that the landlord was involved in a multi-million dollar mortgage fraud scheme. The cases were forwarded to the FBI's Washington field office. When the landlord returned to the U.S., he was arrested by the FBI and ultimately sentenced to 9 years in prison.

Under state law tenants may have basic rights whether they have leases or not. Tenants should consult with their state or local consumer protection agency if they believe that their rights have been violated.

Bogus Help Saving Homes from Foreclosure is Fastest-Growing Complaint

Considering the difficult economic climate last year, it is not surprising that complaints in the Credit/Debt category increased, and among those, complaints about bogus offers to save consumers' homes from foreclosure were most frequently cited as the fastest-growing. Unsure of where to turn for help, consumers who are unable to keep up with their mortgage payments are vulnerable to fraudulent services that offer to lower their mortgage payments or take other measures to stave off foreclosure. Victims not only lose money to these schemes but in some cases lose the very homes that they were trying to save. Of the 30 agencies that responded to this question, 20 percent said that that bogus help save homes from foreclosure was the fastest growing complaint they received last year.

Many of the other complaints that agencies cited as fastest-growing were related to credit and debt, including complaints about aggressive debt collection practices (which was the top fastest-growing complaint in 2008), debt relief services, credit card fees and terms, and landlord/tenant problems stemming from foreclosure.

Real World Examples and What Consumers Should Do

Money for Nothing

The criminal division of the **Georgia Governor's Office of Consumer Affairs** took action against Dwayne Green, CEO of Maximus Investment Group, based on complaints from 34 state residents alleging that he promised to prevent foreclosure of their homes for fees ranging from \$250 to \$500. Green did nothing to help the consumers, and 33 of the homes went into foreclosure. He has been charged with racketeering and theft.

Best Hope Turns into Bad Dream

When three Howard County, Maryland consumers who had fallen behind on their mortgage payments and were on the eve of foreclosure received letters from Bay Capital Corporation announcing "Your Best Hope has just arrived," they were very relieved. The company told them that it would help refinance their loans and get them out of debt in two years. Instead, the paperwork transferred title of their property to limited liability companies controlled by Bay Capital and subjected them to onerous agreements under which the rent was more than their original mortgage payments and one late payment would result in eviction. Because the consumers could not afford the rental payments, the company took action to evict them. The **Howard County Office of Consumer Affairs** stepped in, obtaining a Temporary Restraining Order to halt the evictions and ultimately reaching a settlement that restored ownership of two of the homes and obliged Bay Capital and the title company that worked with it to make restitution to the consumers.

Tricked out of Titles

An investigation by the **Los Angeles County Department of Consumer Affairs** helped federal prosecutors obtain double-digit prison terms for scammers who tricked consumers facing foreclosure into signing over title to their homes in order to get new mortgages. Martha Rodriguez and Ed Seung Ok pocketed the proceeds themselves, defrauding the banks and leaving the homeowners with no legal right to their homes. The agency also worked with the victims to pick up the pieces by, among other things, helping them negotiate with lenders to regain title of their homes.

Bogus Services Target Hispanics

Among the many suits brought by the **Illinois Attorney General's Office** last year against mortgage rescue fraud schemes, the cases against Centurion Loss Mitigation Group and Cash VIP stand out because they targeted Spanish-speaking communities. Centurion, claiming to be a community counseling agency, allegedly charged \$1,500 upfront for negotiation services that it promised would lower homeowners' mortgage payments or interest rates. Cash VIP sold credit and foreclosure "orientation services," which required consumers to enroll in a membership club and pay an upfront \$575 application fee, as well as an enrollment fee, monthly fees, and a "success fee." Both were charged with violating the state's Mortgage Rescue Fraud Act, which prohibits upfront fees and requires specific disclosures about the services. The agency also demanded the contact information for the companies' current Illinois customers in order to reach out to those consumers and offer assistance to help them stay in their homes.

Loan Modification Services Face Legal Action

The **New Jersey Attorney General's Office** filed lawsuits against four loan modification companies against which consumers collectively filed more than 1,000 complaints. New Hope Property, LLC, New Hope Modifications, Hope Now Financial Services Corp. and New Hope Modifications LLC used solicitations that were designed to look like they were associated with the nationally-respected, nonprofit foreclosure prevention program, the Hope Now Alliance, to lure homeowners facing foreclosure. They collected upfront fees, in violation of state law, for services that they never provided or that made the homeowners' situations worse. The companies and their operators agreed to judgments that total more than \$16 million

Stolen Property Returned

Two related Florida families sought help from the **Orange County Consumer Fraud Unit** after a man who offered to sell their property for them because they could no longer afford the mortgage payments transferred the titles to his own name and took fees for service he never provided. He was not a licensed realtor, and by the time the consumer agency caught up with him he was in prison for a separate issue. The agency was able to get the transactions reversed and the property back in the families' names.

Attorney Accused of Scamming Senior

An elderly San Francisco woman was referred to the **San Francisco District Attorney's Consumer Protection Unit** by a hospital. She had given an attorney \$4,000 to help her modify her mortgage loan, but he didn't perform the service and the house was foreclosed on. He is being prosecuted for criminal charges.

Leaseback Deal Leads to Foreclosure

The **South Carolina Department of Consumer Affairs** received a complaint from a woman who agreed to a leaseback deal in order to prevent foreclosure. She turned the title over to a third party, who would handle the mortgage payments and property taxes. In return, she would pay rent to stay in the home. However, she discovered that the third party to whom she was making her rental payments was not paying the mortgage or taxes, and the home went into foreclosure.

Loan Modification Service Never Contacted Lender

A Virginia woman contracted with a loan modification service and paid \$790. Months later, she discovered that the company had never been in touch with her lender. The **Virginia Department of Agriculture and Consumer Services** was able to get her money back and steer her in the right direction for assistance.

Consumers who are unable to afford their mortgage payments should contact their lender to try to work out a loan modification. If the lender is unresponsive or unhelpful, consumers should call 1-800-569-4287 or go to <http://nhl.gov/offices/hsg/sfh/hcc/hcs.cfm> to find a local housing counselor certified by the U.S. Department of Housing and Urban Development. Consumers should reject unsolicited offers of help from any company except the lender to whom they send their mortgage payments.

Worst Complaints of 2009

We asked state and local consumer protection agencies to give us examples of the worst complaints they received last year. This could be based on the number of consumers affected, whether the victims were particularly vulnerable because of age, income or other factors, or the sheer outrageousness of the situation. **No one topic stood out – the responses that the consumer agencies provided illustrate the broad spectrum of complaints they receive.** Examples of some of the worse complaints of 2009 follow (worst complaints involving bogus offers to save homes from foreclosure appear in the previous section, fastest-growing complaints).

Real World Examples and What Consumers Should Do

Contractor Leaves Roof Open to Rain

The **Cambridge Consumers' Council** received a complaint from an elderly Massachusetts woman who hired a contractor to repair her roof after damage from heavy rainstorms that caused flooding and other problems in the state. She paid \$3,000 of the \$5,000 price upfront. The contractor removed the shingles and then abandoned the job, leaving the roof covered with a flimsy tarp. More rainstorms followed, resulting in further damage to the home. Once the agency contacted him, he returned to the home to finish the job and repair the additional damage that had occurred.

Shoddy Home Improvement Work

Thirteen homeowners complained to the **Connecticut Department of Consumer Protection** about All American Dream House LLC or Advanced Home Technology LLC, home improvement companies owned by the same individual. The problems included windows popping out, leaking or breaking; leaving homes without protective siding; damage to homes during work; and failure to complete work. The agency was ultimately able to secure restitution totaling more than \$55,000 for the consumers through the state's Home Improvement Guaranty Fund.

Before hiring contractors, homeowners should check their complaint records and compliance with licensing or registration requirements. Pay only a small deposit when the contract is signed and make subsequent payments proportionate to the amount of work that has been done.

Consumers Never Got Computers

The **Fairfax County Department of Cable and Consumer Services** received 77 complaints from consumers all over the country about CEC Solutions, LLC, which is located in Virginia, and its partner, Guaranteed Consumer Funding. CEC advertises computers and electronic equipment on a lay-away plan, which becomes a revolving charge plan. The complainants said they had made all their payments but never received the equipment. The agency's investigation revealed other problems, such as charging for upgraded computers that in fact contained no upgrades and limited memory. Consumers also complained that promises to report their payments to credit bureaus in order to help

them build good credit histories were never kept. Estimated losses total \$192,500. The complaints have now been turned over to the FBI.

Consumers who don't have credit and can't afford to pay cash for major purchases such as computer equipment should explore whether lay-away plans are available at local stores. Another option is to set aside money every week until there is enough saved to make the purchase.

Timeshare Resale Rip-Off

An 92 year-old man from the state of Washington filed a complaint with the **Florida Department of Agriculture and Consumer Services** against 24 different telemarketers who promised to resell his unwanted timeshare, most of which operated out of Florida. He paid them a total of more than \$74,000, far in excess of the original cost of the timeshare. None of the companies have sold it for him. Some of the companies have voluntarily agreed to refund his money. The agency is seeking to obtain refunds for him from the surety bonds that some of the other companies have on file with the state.

Consumers who own timeshares they want to sell should avoid resale companies that take upfront fees no matter whether the timeshare is ever resold or not.

Happy Ending to Bedtime Horror Story

The **Georgia Governor's Office of Consumer Affairs** received a complaint from a 69 year-old woman who purchased a Contour Adjustable bed for \$3,700 for her disabled husband who was diabetic, blind and totally incapacitated. The salesperson told the woman that the bed was equipped with a trapeze apparatus to lift her husband in and out of bed. But when the bed was delivered, the woman discovered some problems. The trapeze apparatus was not included, and apparently was not noted on the order, so the woman could not lift her husband from the bed to his wheelchair. Furthermore, the frame did not completely support the mattress, and as a result the man fell out of bed several times, once narrowly missing hitting his head on the night table. The woman placed more than 50 calls to the company to try to resolve the problems, to no avail. After the consumer agency got involved, the company finally agreed to deliver the missing parts and the woman was satisfied.

Consumers should keep a copy of any order they place for goods or services to be delivered at a later date and make sure that that it accurately reflects the agreement they made.

Shipped Belongings Never Reach Shore

Hawaii-based Angel Freight Services collected fees from 213 consumers to ship items to the Philippines. Unfortunately, when the shipping containers reached the port, the company did not have the funds to pay the Customs and docking fees. The **Hawaii Department of Commerce and Consumer Affairs** learned that the business was seized by the IRS.

Consumers should consider buying insurance to cover the value of items they are shipping in case they are damaged or never reach their final destination.

Seniors Defrauded in Real Estate Scams

The **Illinois Attorney General's Office** secured a guilty plea from a man for theft over \$100,000 for forging documents as part of a scheme to sell real estate belonging to elderly victims and their estates. In one instance, he misled an elderly widow into believing that he would help renovate her home and sell it for the family at a profit. He forged a power of attorney and used it to obtain the deed for the home, which he then sold to his father, putting the money from the sale in his own business account. In the second scheme, he used fake documents to fraudulently obtain part of the proceeds of the sale of a deceased man's home. He was sentenced to five years in prison.

Consumers should consult with an attorney or other trusted advisor before making any deal involving real estate.

No Free Money from Uncle Sam

The **Ohio Attorney General's Office** joined federal officials and two other states in cracking down on scammers that were taking advantage of people's hope for financial assistance by offering them phony grants. The lawsuits alleged that Affiliate Strategies, Landmark Publishing Group, Grant Writers Institute, Answer Customers, Apex Holdings, and three individuals worked together in an interrelated network to sell grant services to consumers using misleading mailings and telemarketing calls. Consumers received letters promising guaranteed grants of \$25,000 from the government and providing a phone number to call. At that number, they heard a recorded message that alluded to the federal stimulus package and said "Three hundred billion dollars of free government grant money is available right now to anyone who applies for it." At the end of the call, consumers were urged to buy a grant guide for \$59 plus shipping and handling. The scam didn't stop there. Consumers who bought the guides were solicited for grant research services costing \$995 and which supposedly had a 70 percent success rate. And those who paid for the grant research services were then hit again with requests for an additional \$265 per page for grant writing services or \$1,000 for grant coaching services. Needless to say, the government was not offering grants to consumers as part of the stimulus package, nor did consumers who paid for the services get any grants.

Grants from the government and private foundations are usually made to organizations, businesses or agencies, not individuals, based on applications for specific projects. For information about federal grants, go to www.grants.gov. Consumers should be aware that unexpected notices that they have been chosen to receive grants are scams.

Unscrupulous Cookware Claims

An investigation by the **Los Angeles County Department of Consumer Affairs** led to a \$1 million settlement between the California Attorney General's Office and a company that sold pots and pans door-to-door. The company was accused of using scare tactics to

pressure consumers into buying pots and pans for thousands of dollars. Consumers were allegedly told that they and their families could get cancer, diabetes, heart disease, and other ailments by not using the company's cookware. Salesmen also misled consumers about the price of the cookware and the amount of the finance charges, and took advantage of non-English speaking consumers by giving them less favorable terms than other consumers. Consumers were not told that they had 3 days to cancel the contracts, and the company refused requests to cancel even within the 3 days. As a result of the settlement, consumers will receive restitution.

Under federal law, consumers have the right to cancel door-to-door sales of \$25 or more within 3 business days. They must be given written notice of this right at the time of sale, and if notice is not provided, the cancelation period continues.

Chat Room Con Artists

The **North Dakota Attorney General's Office** worked with the family of a 59 year-old man who has lost approximately \$500,000 to a scam that initially began in an Internet chat room. A woman he encountered there gave him contact information for an attorney in Arkansas who could supposedly help with legal issues concerning the man's son. The name the woman gave him is that of a very well-known Arkansas attorney, but the contact information she gave him is *not* for that lawyer, and he has had nothing to do with the matter. However, the man is convinced that the person in Arkansas with whom he is dealing is a legitimate attorney and has sent money for legal fees in every conceivable way – using money transfer services, sending postal money orders, maxing out all of his credit cards, and using PayPal. He emptied his checking account and removed all of the money that he could from his retirement account as well. With the permission of the man's wife, the consumer agency stopped all the PayPal transactions and got the PayPal accounts of the man and the recipient of the payments closed. However, neither the agency nor the man's family has been able to convince him that he is being scammed. The man has apparently started to wire money again, but will not allow any family members into his home to determine exactly what is happening.

As the saying goes, "On the Internet, no one knows you're a dog." Consumers should remember that it's impossible to know for sure who they are dealing with in chat rooms, newsgroups, and social networking sites, and to use caution when strangers they meet online steer them to particular products or service providers.

Cheeky Fake Check Scammers

The **Montana Department of Justice** was startled to hear from consumers around the country who received packages with large checks enclosed that appeared to come from the agency. The packages bore the agency's return address and a phone number that – ironically – rings at the Montana Board of Crime Control. The checks, some for as much as \$18,000, were made to look as though they were issued by a Florida company, and were signed by the famous (and long-dead) architect, Frank Lloyd Wright. Fake check scams such as this take many forms, but all involve instructions to deposit the checks and

wire some of the funds somewhere – for instance, to claim a sweepstakes winning or to take part in a “secret shopping” project. The checks look real but they are phony. Unfortunately, that’s often not discovered until after the victims have wired the money, at which point they must repay their bank or credit union.

Consumers should be aware that there is no legitimate reason why anyone would send them a check and ask them to wire money somewhere in return. What’s more, they are responsible for the checks they deposit. More information about these scams is available at www.fakechecks.org.

Phishing for Money from Unemployed

A warning was issued by the **Ohio Attorney General’s Office** about identity thieves who were using fraudulent text messages to contact recipients of unemployment compensation. The messages, claiming to be from the state unemployment agency, informed the recipients that their unemployment benefits had been suspended and instructed them to call a number to reactivate. When consumers called, they were asked for personal information, including the debit card numbers and PINS through which they accessed their unemployment benefits. The scammers then used that information to withdraw money from victims’ accounts.

Consumers should never provide personal information such as their Social Security numbers or financial account numbers to anyone who contacts them unexpectedly asking for it. Contact whoever the person claims to represent directly, not through a phone number, Web site or email address that the person provides, to verify the request.

Company Runs Out of Gas

Florida-based Tidewater Marketing Global Consultants, which also used the name Freebee Gas, marketed gasoline vouchers to businesses throughout the United States, which in turn gave them to consumers as promotional incentives. Consumers were instructed to register the vouchers with Tidewater/Freebee and pay \$5 to facilitate redeeming the vouchers for gasoline gift cards. After registering the vouchers and paying the fee, consumers were told to remit \$100 worth of gasoline receipts and a voucher to receive their maximum monthly gift card of \$25, and to do so every month until the full value of their vouchers was used up. But as the program continued and demand for the gift cards increased, the company failed to honor the vouchers. The **Pinellas County Department of Justice and Consumer Services** was deluged with more than 550 complaints. The company was finally forced into receivership by the Florida Attorney General’s Office, and the county agency is currently assisting with a federal criminal investigation of the company and its operators.

Vouchers and rebates sometimes aren’t worth the trouble involved – in many cases consumers may be better off by simply shopping around for the lowest prices and skipping the promotional incentives.

Gold Rush

Aabhushan Family Jewelers had 2 stores in New Jersey, one of them in Somerset County. The business prospered for 18 years selling gold bars nationwide. It offered a “flexible option plan” which enabled customers to pay for a gold bar at a fixed price, wait at least 4 weeks, and then if the price of gold dropped, receive the bar plus the cash difference. This worked well until the price of gold began to fall and consumers began to pressure the business to get their gold bars. In May 2009, one of the stores reported that armed robbers made off with \$1.5 million in gold. Because of suspicious circumstances, the insurance company refused to pay the claim. In June 2009, the owner of the business was found dead of cyanide poisoning. Although ruled accidental, the insurance company again questioned the claim. As the owner’s wife grappled with these problems, complaints poured into the **Somerset County Division of Consumer Protection** and the consumer agency in a neighboring county where the other store was located. In all, there were complaints from 182 consumers who had purchased gold bars totaling more than \$627,500. In September 2009 the business declared bankruptcy, leaving the consumers as unsecured creditors and probably out of luck.

All investments entail risk, but consumers should be aware that investing in gold or other precious metals that the seller will hold on their behalf is especially risky since there is no way to ensure that it is safe from theft or claims by the company’s creditors.

Biggest Achievements

We asked the agencies to describe their biggest achievements last year. **Some said that their biggest achievement was surviving budget cuts or total elimination.** Others cited significant cases, improvements in internal systems and internal services, new laws, successful public outreach programs, or other major accomplishments. **Many of the agencies’ biggest achievements were related to addressing mortgage fraud or the foreclosure crisis.**

Cases:

Southeast Toyota Distributors, LLC (SET) certifies and warrants used Toyotas in Georgia and several other southeastern states. The seven-year warranty period is supposed to begin on the *first day of the year* in which the vehicle was originally put into service, but SET advertised that the warranty ran from the *date the car was purchased by its first owner*, which in many cases would be a later date. As a result of an investigation by the **Georgia Governor’s Office of Consumer Affairs**, SET extended the warranties for 10,300 Georgia consumers. The value of the extended warranties exceeded \$6 million.

The **Los Angeles Department of Consumer Affairs** in California participated in a wide-ranging investigation of a fraudulent immigration consulting business. The case involved more than 200 victims who each lost an average of \$7,500. Ultimately, the District Attorney’s Office filed 106 counts of grand theft against the perpetrator, who was sentenced to 10 years in state prison and order to pay more than \$900,000 in restitution.

When a pre-paid cell phone service provider suddenly closed last year, the **Montana Department of Justice** was deluged with complaints. The agency tracked down the business owner and filed a legal action which resulted in refunds for more than 3,000 Montanans, a total of \$65,000.

The **New Jersey Attorney General's Office** obtained a \$750,000 settlement from a corporation that operates several auto dealerships in the state to resolve a lawsuit in which the state alleged that the company advertised "\$8,000 guaranteed for your trade" and that consumers would qualify for financing regardless of their credit histories, then failed to provide the promised trade-in allowance or credit. While not admitting any wrongdoing, the company agreed to follow specific business practices and participate in an alternative dispute resolution process to address any additional consumer complaints.

Pursuant to a new state law which took effect last year, the **New York State Consumer Protection Board** launched an Identity Theft Prevention and Mitigation Program. It provides information and resources to help residents prevent identity theft and assist victims in addressing the consequences of this crime.

To curb widespread abuses in telemarketing sales of magazine subscriptions, the **North Dakota Attorney General's Office** conducted investigations of 13 companies and obtained 11 Assurances of Voluntary Compliance. The companies also paid civil penalties and more than \$16,000 in consumer refunds.

The **Ocean County Department of Consumer Affairs** in New Jersey conducted an undercover sting to apprehend unregistered contractors. The operation focused on contractors who had past histories of deceptive activity.

A sweep of used car dealerships by the **Summit County Office of Consumer Affairs** in Ohio revealed that more than a third failed to post the buyer's guide required under the Federal Trade Commission's Used Car Rule. In cooperation with the FTC's regional office in Cleveland, the county agency provided the dealers with information about the Rule. In a follow-up sweep there was a 100 percent compliance rate.

Improvements in Systems and Services:

The **California Department of Consumer Affairs** increased its enforcement staff in order to shorten the investigation times for complaints about the healing arts (dental, nursing and medical practitioners).

A new Web-based database implemented by the **Cambridge Consumers' Council** in Massachusetts enables the agency to run comparative reports while tracking trends in the marketplace.

As the number of telemarketing firms operating in Florida increased over the last few years, the **Florida Department of Agriculture and Consumer Services** struggled to

handle salespeople's registration applications in a timely manner. Last year that changed with the creation of an online registration system, which makes the process much quicker and easier. The system will serve as a model for other regulatory programs that the state administers to come online.

With a grant from the Judge Advocate General's Corp, the judicial arm of the military, the **Hillsborough County Consumer Protection Agency** in Florida was able to pay a full-time investigator to work on a multi-defendant, multi-jurisdictional mortgage fraud investigation.

New Laws:

For the first time since it was established in 1977, the **Tennessee Division of Consumer Affairs** was given responsibility to directly regulate a professional service, debt management services. Under the state's Uniform Debt-Management and Services Act, debt management services must be licensed and the consumer agency will have significant administrative and regulatory enforcement authority to prevent abuses.

Public Outreach:

The **Illinois Attorney General's Office** fielded 21,000 calls to its "Homeowner Helpline" last year and helped secure more than \$21 million in loan modification savings for consumers.

Taking advantage of new ways to reach the public, the **Cambridge Consumers' Council** in Massachusetts launched a Twitter account. It has proven to be a very useful tool for posting information about consumers' rights and major news in the consumer area.

The **Fairfax County Department of Cable and Consumer Services** in Virginia partnered with other agencies to develop a presentation called "Tools to Stop or Avoid Foreclosure," which provides advice for both homeowners and tenants who live in property that is in danger of foreclosure. The agency won an award from the National Association of Consumer Agency Administrators for its work to educate the public about avoiding foreclosure.

"Consumer Compass," a new local cable show inaugurated by the **Montgomery County Office of Consumer Protection** in Maryland last year, provides consumers with tips about how to protect themselves from scams and other useful information, such as how to maintain a vehicle properly.

In partnership with the Police Training Academy, the **Montgomery County Office of Consumer Protection** in Maryland developed an online training program for police officers. It provides consumer protection-related information in nine key areas to improve officers' ability to effectively respond to consumers' calls for assistance. The program earned a National Association of Counties award.

The **Northwestern District Attorney's Office** in Massachusetts created a new Web site with a link to the Consumer Protection Unit, where consumers can find an online complaint form and links to other resources.

With a federal grant through the American Recovery & Reinvestment Act, the **Pinellas County Department of Justice and Consumer Services** in Florida formed a Foreclosure Fraud Prevention Team. It conducts seminars for consumers to warn against foreclosure-related fraud and provides referrals to legitimate sources of assistance. Social service providers in the county have agreed to include questions in their intake process to help the team identify possible victims of foreclosure-related fraud; 22 victims have been identified so far through these efforts and investigations have been initiated.

After a 10-year hiatus, the **San Francisco District Attorney's Consumer Protection Unit** in California reinstated outreach activities to the Chinese community, which comprises 38 percent of the population. Last year a bilingual mediator who is proficient in Mandarin and Cantonese began making presentations to neighborhood meetings and in schools, using the media to warn against lottery and travel-related scams that are common in the community, and handling complaints.

The **Schenectady County Department of Consumer Affairs** in New York conducted educational programs for consumers on a range of subjects, including charity scams, work-at-home schemes, credit card fraud, home improvement, telemarketing fraud, home equity scams, refinancing, Medicare fraud and investment scams.

Nearly 200 consumers shredded 12,000 pounds of outdated billing statements and other records that were no longer needed as part of the **Somerset County Division of Consumer Protection's** "Operation Secure Shred" program to prevent identity theft. The New Jersey Agency has seen the program grow significantly since its inception in 1007.

The **Utah Division of Consumer Protection** has been working with "coaching companies," many of which are headquartered in that state, to improve their business practices. These companies typically charge thousands of dollars to help consumers who have bought business opportunities increase their profits. Unfortunately, they sometimes make earnings claims that are unlikely to be attained and other promises that are not fulfilled. The industry has now formed a trade association and adopted standards of practice that will hopefully help to curb abuses.

Biggest Challenges

Inadequate budget and staffing was cited by 12 of the state and local consumer protection agencies we surveyed as their biggest challenge last year. They are coping with the situation by triaging complaints to determine which can be handled quickly and which will require in-depth investigations, improving their efficiency, cross-training staff in multiple areas of expertise, and focusing their limited enforcement resources on cases in which they are most likely to make a difference. As mentioned previously, some have had to cut back on consumer education programs and pro-active investigations.

Several factors have made budget cuts especially difficult to deal with. One is furloughs, which reduces the amount of time that employees can spend investigating and resolving complaints. The decrease in pay has not diminished the commitment of consumer agency personnel, however. For instance, some employees at the **South Carolina Department of Consumer Affairs** voluntarily worked unpaid hours to keep up with the caseload. Another problem is hiring freezes and lay-offs, which result in loss of expertise and institutional memory. Because funds for travel and training are usually the first to be cut, some agencies found it difficult to deal with new and complex types subject areas such as real estate and mortgages. The increase in complaints that many agencies experienced last year further exacerbated the problem.

Other challenges that agencies described included:

- Regulating businesses that they previously did not oversee and with which they had no experience. For example, licensing of mappers and surveyors was transferred to the **Florida Department of Agriculture and Consumer Services**. This required developing expertise in the subject and importing records from another state agency that used a different database system.
- Handling other new responsibilities. An example is the **Montgomery County Office of Consumer Protection in Maryland**, which was authorized to advocate for county government to obtain the lowest possible rates for gas, electricity and other energy consistent with sound environmental stewardship. Fortunately, the agency was able to obtain the funds necessary to hire environmental consultants to train staff and represent the county at utility hearings.
- Helping consumers in financial distress, which involves not only attempting to resolve their complaints and stopping financial abuses, but dealing with the emotional impact of their problems.
- Managing consumers' expectations that complaints will be resolved quickly when that is not always possible, especially with fewer people and increased workloads.
- Keeping up with fraud that is becoming more technical in nature and more global.
- Finding effective ways to provide educational information to busy consumers who do not have the time to attend seminars and other types of programs.
- Dealing with the plethora of scams and unfair practices on the Internet.
- Having inadequate laws or enforcement authority.

New Laws Needed

When asked what new laws should be passed in 2010 to protect consumers, several agencies cited the need for **stronger laws at the state level to regulate debt collectors and their practices**. Of particular concern are debt collection businesses that masquerade as law firms, even though the work is performed by non-lawyers, to try to evade consumer protection laws. The need for **comprehensive financial reform at the federal level** was also cited by several agencies. One agency noted that this should **include oversight of car dealers that arrange for consumer financing**.

Other suggestions for new laws were:

- “Lead generators” that steer consumers who are searching the Internet for products and services to specific Web sites and receive a kick-back when sales result should be held accountable for the practices of the Web site operators.
- The federal rules concerning free trial offers should be updated and strengthened to curb abuses in negative option sales.
- State laws concerning doctors, nurses and other “healing arts” should provide for tougher enforcement and consumer protection agencies should be given more enforcement resources.
- Home improvement contractors should be licensed and regulated in states that currently do not have such requirements, and contractors should be mandated to contribute to guarantee funds that could be used to make restitution to consumers.
- Subcontractors should be prohibited from placing liens on consumers’ homes when the contractors with which the consumers have a direct relationship fail to pay them.
- Money transfer services should be required to have consumers sign that they have read warnings about fraud before they can send money. Consumers sending money should be required to provide the name and address of the recipients, and the recipients should be required to show two forms of identification in order to pick up the money.
- Consumers should have 3 business days to cancel car purchases from dealers.
- Mortgage lenders should be required to substantially modify loans if consumers cannot afford to pay them (something that is currently only voluntary).
- Towing companies should be licensed and registered in the states in which they operate and their fees and practices should be regulated by the state.
- There should be a federal law to address gas price gouging.
- All new business should be required to be bonded to ensure that they deliver the promised goods and services to consumers.
- “Robo calls” for political purposes should be prohibited and prerecorded calls should have live operators at the onset to ask for consumers’ consent to listen to the message (except when there is an existing relationship with the consumer).
- Local consumer protection agencies should be empowered to enforce state laws and write tickets for violations.

Methodology

Thirty-three state, county, and city agencies from 18 states responded to the survey, which was conducted from March to May 2010. They were drawn from the memberships of Consumer Federation of America, the National Association of Consumer Agency Administrators, and the North American Consumer Protection Investigators. The survey respondents represent a cross-section of the state and local consumer agencies that serve the public across the United States. They are listed in Appendix A. Most are government agencies; two are state government-funded consumer complaint programs operated by nonprofit entities.

The survey covers a one-year period, in most cases January through December 2009 (some agencies keep records on a different basis, such as July through June; all were asked for data for the most recent 12-month period available).

Since there is no uniform set of complaint categories that all agencies use, the survey posed open-ended questions such as “List the top ten subjects of complaint to your agency received during the survey period.” Some agencies use general complaint categories, others break complaints into more specific categories. For instance, some record all car-related complaints in “Auto,” while others have separate categories for new car sales, used car sales, auto repairs, auto leasing and towing. Complaints about telephone services may be in utilities or in a separate category for communications services. CFA grouped complaints under general subject headings as necessary.

The total number of complaints received during the survey period was 300,895. This does not include letters, emails or phone calls from consumers asking for advice. The total recovered for saved for consumers was \$72,936,244.

Agencies were contacted by CFA to provide specific examples of complaints. Not all agencies provided the names of the businesses. In some cases, that information is not publicly available because the investigation is ongoing or because of the terms of a settlement. When business names were provided, CFA included them in the report.

Appendix A

Participants in the 2009 Consumer Agency Survey

California

California Department of Consumer Affairs
www.dca.ca.gov

Los Angeles County Department of Consumer Affairs
www.dca.lacounty.gov

San Francisco District Attorney's Office Consumer Protection Unit
www.sfdistrictattorney.org/page.asp?id=61

Connecticut

Connecticut Department of Consumer Protection
www.ct.gov/DCP/

Florida

Broward County Division of Permitting, Licensing and Consumer Protection
www.broward.org/permittingandlicensing

Florida Department of Agriculture and Consumer Services
www.800helpfla.com

Hillsborough County Consumer Protection Agency
www.hillsboroughcounty.org/consumerprotection/

Orange County Consumer Fraud Unit
www.orangecountyfl.net/YourLocalGovernment/CountyDepartments/CountyAdministration/PublicSafety/ConsumerFraudUnit.aspx

Pinellas County Department of Justice and Consumer Services
www.pinellascounty.org/consumer

Georgia

Georgia Governor's Office of Consumer Affairs
www.consumer.georgia.gov

Hawaii

Hawaii Department of Commerce and Consumer Affairs
www.hawaii.gov/dcca/ocp

Illinois

Illinois Attorney General's Office
www.illinoisattorneygeneral.gov/consumers/

Kansas

Kansas Attorney General's Office
www.ksag.org/page/assisting-consumers

Maryland

Howard County Maryland Office of Consumer Affairs
<http://consumer.howardcountymd.gov>

Montgomery County Maryland Office of Consumer Protection
www.montgomerycountymd.gov/consumer

Massachusetts

Cambridge Consumers' Council
www.cambridgema.gov/consumer/

Cape Cod Consumer Assistance Council
www.consumerCouncil.com

Northwestern District Attorney's Office
www.northwesterndistrictattorney.org/consumer_protection.html

MASS PIRG Consumer Action Center
http://masspirg.org/MA/asp?id2_28315

Montana

Montana Department of Justice
www.doj.mt.gov/consumer/

New York

New York State Consumer Protection Board
www.nysconsumer.gov

Schenectady County New York Department of Consumer Affairs
www.schenectadycounty.com/FullStory.aspx?m=99&amid=427

New Jersey

New Jersey Attorney General's Office
www.njconsumeraffairs.gov/

Somerset County New Jersey Division of Consumer Affairs
www.co.somerset.nj.us/division/consumeraffairs.html

Ocean County Consumer Affairs
www.co.ocean.nj.us/Consumer/MainPage.aspx

North Dakota

North Dakota Attorney General's Office
www.ag.nd.gov/CPAT/CPAT.htm

Ohio

Ohio Attorney General's Office
www.ohioattorneygeneral.gov/SpeakOutOhio

Summit County Office of Consumer Affairs
www.co.summit.oh.us/conaffairs.htm

South Carolina

South Carolina Department of Consumer Affairs
www.sconsumer.gov

Tennessee

Tennessee Division of Consumer Affairs
www.tn.gov/consumer/

Utah

Utah Division of Consumer Protection
www.consumerprotection.utah.gov

Virginia

Fairfax County Department of Cable and Consumer Services
www.fairfaxcounty.gov/dcccp

Virginia Department of Agriculture and Consumer Services
www.vdacs.virginia.gov/consumer/

Appendix B

How Consumers Can Protect Themselves Tips from the 2009 Consumer Agency Survey Report

Auto

Consumers should contact their state or local consumer protection agency for advice if they encounter an unexpected snag in purchasing a car.

Consumers who have new cars with serious or recurring problems should contact their state or local consumer protection agency to ask if they qualify for lemon law relief.

Before taking the car from the dealer's lot, consumers should read the sales contract and finance documents carefully and ask questions about anything that is not clear or that contradicts what the sales staff said.

Consumers should not drive the used car they bought off the dealer's lot until they have the paperwork they need to register it in their name.

If a car repair doesn't fix the problem, consumers should get a second opinion from a trusted mechanic.

Business Opportunities

Be wary of any claims about easy ways to make money. Consumers should research business opportunities carefully before deciding whether to invest in them. Information about other consumers' experiences with specific companies is available from Better Business Bureaus and consumer complaint Web sites, and state and local consumer agencies can provide advice about the legal requirements that may apply.

Credit/Debt

Under federal law, negative information on consumers' credit records must be removed after 7 years, 10 years for bankruptcy. Consumers have the right to dispute debts that they don't owe and contest inaccurate information on their credit reports. In addition, many state laws prohibit action to collect debts after a certain number of years have elapsed.

Title loans, payday loans, and other short-term loans are typically very expensive and can trap consumers in a never-ending cycle of debt. Consumers may be hit with repeated bounced check fees, lose their check writing privileges, or have their accounts closed if they are unable to repay payday loans. Even worse, in the case of title loans consumers can lose their cars if they fall behind on their payments. Consumers should seek loans from banks or credit unions, and set as much money aside in savings as they can on a regular basis to cover big purchases or unexpected expenses. Even small savings add up over time.

Many debt settlement companies take their fees early on, long before they contact consumers' creditors, and they keep the fees even if they never settle any of the debts. Consumers who are having difficulty paying their bills should try to negotiate directly with their creditors. If that fails, consumers should seek advice from a local nonprofit credit counseling service.

If considering debt settlement services, consumers should look for companies that only charge fees after the debts have actually been settled.

Federal law and many state laws prohibit debt collectors from calling consumers with annoying frequency, falsely threatening legal action and discussing debts with people who are not legally responsible for them. Consumers have the right to request in writing that debt collectors stop contacting them and to demand verification of any debts they dispute.

Consumers who have debt problems should contact a nonprofit credit counseling service, which will provide advice and may be able to work out payment arrangements with their creditors for free or a minimal fee. The National Foundation for Credit Counseling can direct consumers to a counseling service in their area. Go to www.nfcc.org or call 800-388-2227 (800-682-9832 for Spanish language).

Consumers who are unable to afford their mortgage payments should contact their lender to try to work out a loan modification. If the lender is unresponsive or unhelpful, consumers should call 1-800-569-4287 or go to <http://nhl.gov/offices/hsg/sfh/hcc/hcs.cfm> to find a local housing counselor certified by the U.S. Department of Housing and Urban Development. Consumers should reject unsolicited offers of help from any company except the lender to whom they send their mortgage payments.

Fraud

Consumers should apply for loans from their own banks or credit unions. Steer clear of anyone who asks for a fee upfront to provide a loan for personal or business purposes, since these are always scams. Another danger sign of fraud is the request to wire the money.

Grants from the government and private foundations are usually made to organizations, businesses or agencies, not individuals, based on applications for specific projects. For information about federal grants, go to www.grants.gov. Consumers should be aware that unexpected notices that they have been chosen to receive grants are scams.

Consumers who have questions about government programs can get answers from the Federal Citizen Information Center by going to www.info.gov or calling 1-800-333-4636.

Health Products/Services

Consumers should be aware that promises to grow hair, lose fat fast, or other amazing claims for health products or services usually aren't true.

It is dangerous to buy prescription drugs, online or offline, without consulting with a doctor and obtaining a valid prescription. Consumers should only do business with online pharmacies that they have checked to confirm are licensed in their state and that require prescriptions.

Consumers should consult with their doctors and agencies such as the Centers for Disease Control and Prevention, www.cdc.gov, about how to protect themselves from flu and other diseases.

Home Improvement/Construction

Before hiring contractors, consumers should check their complaint records and compliance with licensing or registration requirements. It's best to pay only a small deposit when the contract is signed and make subsequent payments proportionate to the amount of work that has actually been done.

If contractors want to be paid more than the original price, consumers should ask why. It could be a sign that they are in financial trouble and can't pay the subcontractors or suppliers.

Home Solicitations

Don't be pressured into a deal with a telemarketer or a salesperson that appears at the door. Consumers should ask for written information and check out the company and its products or services before agreeing to anything. If it's a legitimate deal today, it will still be there tomorrow.

Under federal law, consumers have the right to cancel door-to-door sales of \$25 or more within 3 business days. They must be given written notice of this right at the time of sale, and if notice is not provided, the cancellation period continues.

Consumers and family members acting on their behalf can reduce the amount of unwanted telemarketing calls they receive by putting their phone numbers on the federal Do Not Call Registry. It's easy to do by going to www.donotcall.gov or dialing 1-888-382-1222 from the phone that one wishes to register. Consumers can also tell telemarketers to put them on their no-call lists. If consumers believe that their do-not-call rights are being violated, they should report the telemarketer to their state and local consumer agency and the Federal Trade Commission.

Household Goods

Consumers should keep their receipts and invoices for when they purchase household goods in case there are any questions about the terms after the sale.

Products should perform as consumers would expect them to for a reasonable period of time. Even if the warranty has expired, consumers may have rights to demand a repair or replacement if products do not perform as they should.

Consumers who don't have credit and can't afford to pay cash for major purchases such as computer equipment should explore whether lay-away plans are available at local stores. Another option is to set aside money every week until there is enough saved to make the purchase.

Identity Theft

Consumers should never provide personal information such as their Social Security numbers or financial account numbers to anyone who contacts them unexpectedly asking for it. Contact whoever the person claims to represent directly, not through a phone number, Web site or email address that the person provides, to verify the request.

Investments

As with any investments, the value of coins fluctuates and there is no guarantee that they will be worth more tomorrow than they were today. Since the condition of coins significantly affects their value, it is important to purchase them only from reputable dealers. Consumers who are interested in buying coins should consult the American Numismatic Association Web site, www.money.org. Click on Communications, then on Consumer Awareness, for information about buying coins and avoiding fraud. Consumers can also search for dealers who are members of the association. Never buy investments on the basis of an unsolicited call.

All investments entail risk, but consumers should be aware that investing in gold or other precious metals that the seller will hold on their behalf is especially risky since there is no way to ensure that it is safe from theft or claims by the company's creditors.

Internet

Be wary of "free" offers on the Internet, since there are usually strings attached. Consumers should look at the terms of the offers carefully and decline them if the terms are not clearly disclosed or if they require canceling by a certain date to avoid being charged. Consumers should also review their credit card and bank statements carefully and promptly dispute any unauthorized charges or debits.

The safest way to pay for online purchases is with a credit card because under federal law consumers can dispute the charges if the products or services were misrepresented or never delivered. To exercise their rights, consumers should contact their credit card issuers within 60 days of when they first received the bills on which the charges appear.

Use care when buying a car that is advertised online, especially if the seller is far away, since taking legal action to resolve problems may be very difficult. Consumers should hire a mechanic in the area in which the car is located to thoroughly check it out before committing to purchase it.

Consumers should check the ticket prices of events with the venues themselves before purchasing tickets from online resellers. State and local consumer protection agency can advise consumers if state law limits the amount over the face value that ticket resellers can charge.

As the saying goes, "On the Internet, no one knows you're a dog." Consumers should remember that it's impossible to know for sure who they are dealing with in chat rooms, newsgroups, and social networking sites, and to use caution when strangers they meet online steer them to particular products or service providers.

Job Scams

Consumers should be suspicious of any requests for payment to get jobs. Employers do not charge for job applications or to set up interviews. If an employment agency is involved, the employer pays the fees for that service, not the job applicants.

Landlord/Tenant

Tenants who find health or safety problems should report them to their landlords immediately and consult with their state or local consumer protection agency about their rights.

Under state law tenants may have basic rights whether they have leases or not. Tenants should consult with their state or local consumer protection agency if they believe that their rights have been violated.

Real Estate Sales

Consumers who own timeshares they want to sell should avoid resale companies that take upfront fees no matter whether the timeshare is ever resold or not.

Consumers should consult with an attorney or other trusted advisor before making any deal involving real estate.

Retail

Consumers should note the date and details of any ads that they believe may be false or misleading and report them promptly to their state or local consumer protection agency.

If consumers notice a significant discrepancy between what's on the product label and what's inside, they should contact their state or local consumer protection agency.

Consumers should keep a copy of any order they place for goods or services to be delivered at a later date and make sure that it accurately reflects the agreement they made.

Vouchers and rebates sometimes aren't worth the trouble involved – in many cases consumers may be better off by simply shopping around for the lowest prices and skipping the promotional incentives.

Deals at going-out-of-business sales may not be as great as they seem. Consumers should be especially careful buying jewelry in these situations and should have it immediately appraised by an independent gemologist.

Even well-established, reputable businesses can close unexpectedly. While some types of businesses, such as health spas, are required to be bonded in many states, most businesses are not. When paying in advance for goods or services, consumers should use credit cards because they can dispute the charges if the business fails to deliver. There are time limits and other restrictions for credit card disputes, but many card issuers are flexible if consumers report the problems as soon as they occur. Consumers should keep their receipts to document purchases. It's also a good idea to use gift cards and gift certificates promptly, since it may be impossible to get refunds for unused portions if the businesses fold.

Services

Don't be pressured into paying for duct cleaning or other services. Before agreeing to duct cleaning, consumers should review the information that is available from the federal Environmental Protection Agency at www.epa.gov/iaq/pubs/airduct.html.

Consumers should consider buying insurance to cover the value of items they are shipping in case they are damaged or never reach their final destination.

Before paying unfamiliar companies for services, consumers should check with the Better Business Bureau and online consumer complaint websites for information about other people's experiences with them.

Travel

Consumers should be wary of offers for "free" cruises or resort accommodations, since they are often worth very little, entail undisclosed costs, and require having to attend lengthy, high-pressure sales pitches for costly timeshares or travel clubs.

Utilities

Before signing up for telephone, Internet, cable or satellite TV, consumers should read the contracts carefully to ensure that they understand the company's billing and termination policies.