

Hi

A Report by the FTC's Division of Enforcement

September 27, 2006

Table of Contents

I. Overview	1
II. Methodology	2
A. Media Surfed	2
B. Advertisement Categories	2
III. Advertisement Review and Findings	4
A. Overall Findings	4
1. Total Collected Advertisements	4
2. Advertisements by Media-Type	5
B. Deceptive Advertisements By Category	6
1. Health Claims	6
2. Financial Livelihood Schemes	9
C. Credit-Related Products/Services	12
1. Credit Repair Services	13
2. Guaranteed Credit Cards and Loans	14
IV. Conclusion	14
APPENDIX - Partners, Hispanic Multi-Media Surf 2006	

I. Overview

The Federal Trade Commission (“FTC”), to address growing concerns about fraud in the Hispanic community, launched its Hispanic Law Enforcement and Outreach Initiative (“Initiative”) in 2004. The goals of the Initiative are to identify areas of fraud targeting Hispanics, build a strong enforcement presence, and continue outreach efforts to the Hispanic community. As part of this Initiative, the FTC’s Division of Enforcement coordinated a Hispanic Multi-Media Surf (“Surf”) to obtain a snapshot of the extent to which certain scams use different forms of media to target Hispanic consumers. On April 19, 2006, 167 individuals, representing 60 organizations across the United States and five Latin American countries, participated in the Surf.¹ Our Surf was designed to focus on three areas of consumer deception:

- A. **Health:** products or services purporting to help cure, treat, or prevent serious medical conditions or cause substantial weight loss;
- B. **Financial Livelihood:** work-at-home and business opportunities; and
- C. **Credit:** credit repair services and advance fee loan offers.

Our research² shows that scams in these categories frequently target Hispanic consumers.

Surf participants submitted 482 potentially deceptive advertisements in these categories from the Internet, television, radio, and print publications. After reviewing the Surf results, we sent educational letters to 166 advertisers who were making possibly deceptive claims. The letters warn businesses that their advertisements may be in violation of the law and urge them to review their practices. We also strongly recommend that they review business and consumer education materials on the FTC’s web pages to learn more about relevant laws and requirements.

¹ Our partners represented 29 states, the District of Columbia, Puerto Rico, Colombia, Costa Rica, Mexico, Nicaragua, and Panama, and included the Food and Drug Administration; U.S. Postal Inspection Service; Federal Deposit Insurance Corporation (Chicago); Attorneys General offices; U.S. state and local consumer protection agencies; Latin American consumer protection agencies; Better Business Bureaus; community-based groups; and university students. A complete list of partners is attached at the Appendix.

² This research included reviewing FTC’s and partners’ past law enforcement actions, consumer complaints, and other information, such as feedback received from attendees at Hispanic fraud prevention workshops hosted by the FTC and the U.S. Postal Inspection Service across the country.

In addition, as part of an outreach effort to help the media screen deceptive advertising directed at Hispanics, we sent letters to 77 media outlets in which the potentially deceptive advertisements ran. The letters are designed to assist the media in identifying and rejecting advertisements that contain facially suspicious claims in the three Surf categories.

The Surf is not a scientifically random sampling of advertisements, but instead captures a snapshot of potentially misleading advertisements aimed at the Hispanic community, as taken by participants throughout the country on a single day.

II. Methodology

This section describes the methodology used in the Surf, including the types of media examined; the categories of advertisements collected; and the kinds of claims for which participants searched.

A. Media Surfed

Participants reviewed Spanish-language advertisements in print publications and on the Internet, radio, and television.³ Most of the surf participants were assigned Internet, print, or both. A smaller number of participants surfed for radio and television advertisements because taping such advertisements required equipment not available to all. As a result, we received a smaller number of radio and television advertisements.

B. Advertisement Categories

FTC staff provided participants with a guide to help them spot potentially deceptive advertisements in the categories of health, financial livelihood, and credit. Participants looked for advertisements with typical characteristics of deception. We developed these indicia of fraud from claims found to be deceptive or false in law enforcement actions brought by the Commission or its law enforcement partners (*see*

After collecting advertisements, participants entered their results into an online database, in which they classified each advertisement according to one of the identified categories. Participants also sent a copy of each print advertisement, website, or tape to the FTC.

For each potentially false or deceptive advertisement, we attempted to send an educational letter both to the advertiser and media outlet (when applicable) disseminating the advertisement. In some cases, we could not locate contact information for advertisers.⁵ We did not send letters to current enforcement targets in order to avoid interfering with ongoing investigations. In addition, we did not send letters directly to non-domestic companies. As a matter of protocol, the FTC advises the responsible government agencies of those countries of the potentially deceptive advertisements.

III. Advertisement Review and Findings

This section describes the results of FTC staff's review of the collected advertisements. Section A describes overall findings. Section B discusses Surf findings broken-down by the specific Ri 4vcRitealth,es Surf

Advertisements by Media Type

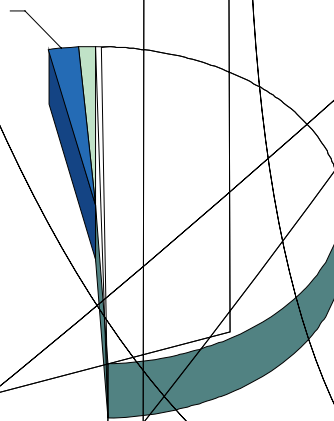


Figure 2 shows the breakdown of potentially deceptive advertisements that were reviewed in the Surf by media type.

B. Deceptive Advertisements By Category


This section discusses our analysis of advertisements in each Surf category for indicia of fraud and provides findings for each category.

1. Health Claims

Claims that a product or service effectively treats, cures, or mitigates a disease must be supported by scientific evidence to avoid violating the FTC Act. Such claims, if unsupported, are particularly harmful because they can divert consumers from effective treatments. Likewise, claims that consumers can lose weight with unproven or bogus products or services also may lead consumers to avoid proven weight loss methods, such as diet and exercise. Surf participants reviewed two categories of health claims: 1) serious health condition claims and 2) weight loss claims.

a. Products for Serious Health Conditions.

The FTC and its law enforcement partners have prosecuted numerous law enforcement actions targeting the deceptive and misleading promotion of products and services as cures or treatments for serious diseases.⁷ Based on these law enforcement actions, the Surf focused on advertisements with claims that a product or service could help cure, treat, or prevent serious medical conditions, such as diabetes, cancer, and heart disease.



Product X “identifies and efficiently eliminates malignant cells of 12 different kinds of cancer [including] colon, prostate, breast, lungs, and pancreas. Unlike chemotherapy, it selectively identifies and kills malignant cells without harming healthy ones.”⁷

Participants did not code advertisements by specific diseases, but we observed that diabetes-related advertisements were the most prevalent, followed by advertisements with cancer claims. We also observed that many of the advertisements were for “natural” or “herbal” alternatives to traditional medicine. In addition, many of the advertisements were for “cure-all” products, promising to cure a myriad of ailments, including diabetes, asthma, and heart disease.

Of these potentially deceptive advertisements, 63 percent were found on the Internet, with 40 percent from websites originating in foreign countries. See Figure 3 on page 9 for a breakdown of health advertisements by category and media type.

⁶ The claims featured in this Report are excerpts from actual advertisements collected during the Surf (translated from Spanish).

⁷ For example, in 1999, the FTC launched “Operation Cure All,” an ongoing law enforcement and education campaign targeting bogus products and treatments touted as cures for various diseases. Since the Commission announced the Hispanic Initiative in 2004, it has also brought several enforcement actions involving a variety of “miracle health” products aimed at the Hispanic community, including vitamin juice, shark cartilage, and other dietary supplements. See, e.g., *FTC v. Natural Solution* (2006); *FTC v. Latino Group Promotions* (2005); and *FTC v. Heritage Health Products Company* (2004).

b. Weight Loss Products

The FTC and its law enforcement partners have aggressively targeted companies making false and misleading weight-loss claims.⁸ Based on the expertise the FTC has amassed through these actions, the Surf participants looked for advertisements with claims that a product or service could cause substantial weight loss without sacrifice or effort. In particular, participants looked for any of seven “red flag” false claims that the FTC considers to be currently scientifically unfeasible. The FTC listed these claims in a guide, *Red Flag: Bogus Weight Loss Claims, A Reference Guide For Media on Bogus Weight Loss Claim Detection*, designed to help the media screen advertisements with false claims.⁹ For example, the claim that a product causes substantial weight loss by wearing it on the body or rubbing it into the skin is not scientifically feasible at this time and therefore false.

Of the total collected advertisements, 23 percent (110) were for weight loss products, with the majority being for dietary supplements and topical patches. Of these, 54 percent (59) included “red flag” false claims. In addition, 46 percent (51) of the advertisements included non-“red flag” weight loss claims. These latter claims are not *per se* scientifically infeasible, but based on the Commission’s law enforcement actions, we believe there is a high likelihood that they cannot be supported by competent and reliable scientific evidence. The greatest percentage (50 percent) of potentially deceptive weight loss advertisements were found on the Internet, with 42 percent of those advertisements from websites originating in a foreign country.

⁸ Since the Commission announced the Hispanic Initiative in 2004, for example, it has brought 14 cases involving a variety of weight loss products targeting Spanish-speaking consumers. *See, e.g., FTC v. SG Institute of Health and Education, Inc.* (2004) (patch); *FTC v. CHK Trading Co., Inc.* (2005) (cream); and *FTC v. Rosario Partnership* (2004) (thermal belt).

⁹ For a full list and description of the seven “red flag” claims, see *Red Flag Bogus Weight Loss Claims*

Figure 3 illustrates the breakdown of potentially deceptive serious disease and weight loss claims that were reviewed in the Surf by media type.

2. Financial Livelihood Schemes

Advertisements offering ways to improve one's financial livelihood often promise substantial pay for little effort. Advertisements for work-at-home and business opportunities, for example, may tout an ideal work situation: be your own boss, set your own hours, work from home, and earn money quickly. Many of these advertisements, however, promote scams that take consumers' money up front and fail to deliver on their promises, frequently victimizing consumers with limited income who can least afford to lose money, time, or effort. Consequently, federal and state law require that claims that consumers can earn significant profits be truthful and

Volume
include craft
the FTC and
at work-at-home
e stuffing.¹⁰ Through
ns rarely can be supported.
ne advertisements that made
of schemes that were the subject of

percent (140) were for work-at-home
ts, 62 percent (87) contained specific earnings
the work-at-home advertisements offered assembly

the work-at-home advertisements were found in print
arly in the classified sections of local newspapers, *Penny Savers*,
ications. Those found on the Internet frequently were from online
of the Internet advertisements, 22 percent (10) appeared in foreign-
sites. See Figure 4 on page 12 for a breakdown of financial livelihood
sements by category and media type.

¹⁰ As part of “Project Biz Opp Flop” in 2005, for example, the FTC and its partners announced more than 200 cases against promoters of business opportunity and work-at-home schemes, many of which involved envelope stuffing and assembly work. The Commission has also filed a number of actions against companies marketing bogus work-at-home opportunities to Spanish-speaking consumers. *See, e.g.,* FTC v. *QTX* (2006); FTC v. *AG Intercraft* (2004); FTC v. *USS Elder Enterprises, Inc.* (2004); and FTC v. *Esteban Barrios Vega, an individual doing business as EBV Promotions* (2004).

b. Business Opportunities

Business opportunity advertisements frequently promise consumers that they can earn significant profits by buying and operating a pre-packaged business. These advertisements often claim, for example, that their businesses are “proven” concepts or “turn-key” operations that require no experience. These advertisements often promise good locations for vending machines or display racks or the assistance of a professional locator.

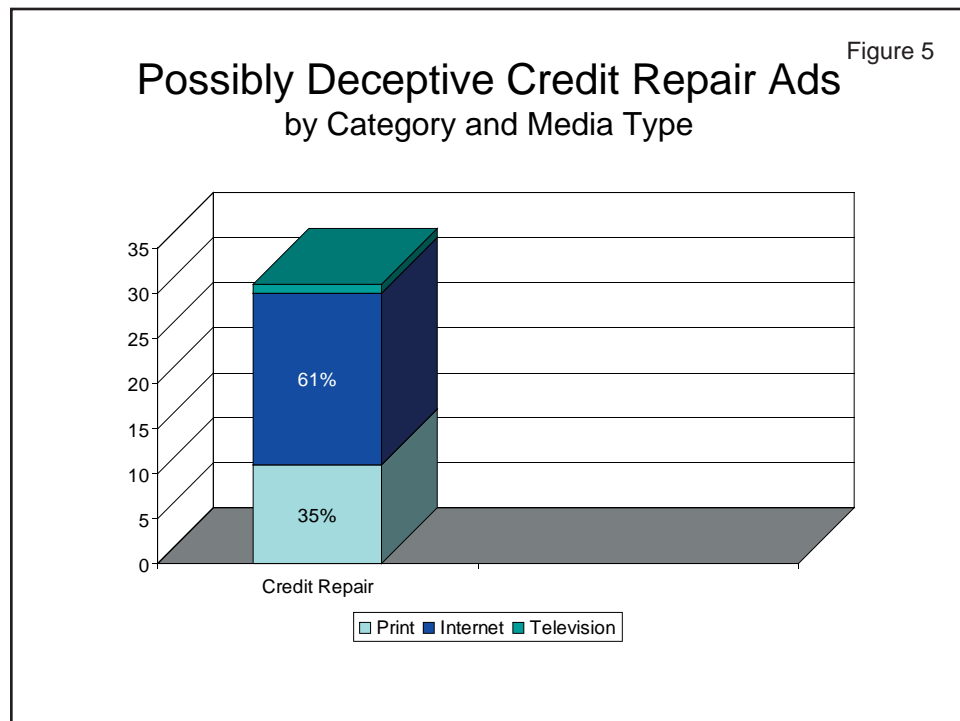
The FTC and its state partners have prosecuted numerous business opportunity frauds.¹¹ Through these actions, we have learned that extravagant earnings claims are a hallmark of such scams. Accordingly, surf participants looked for advertisements promising significant profits through buying a pre-packaged business.

Advertisements for business opportunities comprised 10 percent (50) of the total advertisements,¹² and offered a wide variety of ways to make money. Many touted opportunities to sell products like phone cards, gold, vacations, and candy.

1. Credit Repair Services

The FTC and its partners have filed numerous law enforcement actions against credit repair promoters who falsely claim that they can remove negative, but accurate and timely, information from a consumer's credit report, often for an advance fee.¹⁴ Based on our experiences in past law enforcement actions, surf participants looked for advertisements stating or implying that the advertiser could repair consumers' credit records regardless of their situation. Eight percent of the total advertisements (and 84 percent of all credit advertisements) included credit repair claims, with most of those advertisements coming from the Internet.

Figure 5 illustrates the breakdown of possibly deceptive credit repair advertisements that were reviewed in the Surf by media type.



¹⁴ Most recently, as part of Project Credit Despair in 2005, the FTC and its law enforcement partners filed actions against 20 credit repair companies making false credit repair claims and illegally charging an advance payment for credit repair services. In addition, the FTC has sued credit repair promoters who specifically targeted Hispanic consumers. See *FTC v. Sunshine Credit Repair, Inc.* (2005) and *FTC v. USA Credit YES* (2005).

APPENDIX - Partners, Hispanic Multi-Media Surf 2006



FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

