



# Federal Trade Commission

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<sup>1</sup> The views expressed here are my own and do not necessarily represent the views of the Federal Trade Commission or any Commissioner.





Since the housing crisis began, the FTC has brought 32 cases involving mortgage rescue or loan modification scams. In addition, we have partnered with numerous state and federal law enforcement agencies to bring two nationwide sweeps: Operation Stolen Hope and Operation Loan Lies. These sweeps involved more than 200 law

The FTC recently issued a Debt Collection Roundtables Report which describes numerous problems in the industry, including the failure of many companies to notify consumers when they have been sued for a debt, the failure to provide proof that a valid debt exists, and the freezing of funds in bank accounts that are exempt from garnishment by law. My staff is presently discussing the debt collection litigation portion of the report with state court officials, consumer groups, and legal aid organizations; and we have issued a consumer education piece to assist consumers in debt collection arbitration.

We will continue to make enforcement of the Fair Debt Collection Practices Act a priority. Just this fall the Commission settled a case against one of the nation's largest debt collectors – Allied Interstate – because of its violations of law, and it now holds the distinction of paying the second largest civil penalty (\$1.75 million) obtained by the FTC in a debt collection case.

#### *Negative Options*

We are also keeping a close eye on is negative option marketing, which occurs whenever a marketer takes a consumer's silence as agreement to continue a transaction, such as billing monthly for membership in an Internet discount buying club. While these offers can provide benefits to consumers, they also pose a high risk of deception. Unscrupulous marketers use negative options that are not adequately disclosed to trap consumers in a cycle of recurring charges for goods or services they do not want and never knew they purchased.

One business falsely claimed ties to Google in marketing a bogus work-at-home scheme under names like "Google Money Tree," "Google Pro," and "Google Treasure Chest." Consumers were lured into giving financial account information. ~~ONE OPTION THAT IS NOT NEGATIVE~~

The FTC sued the company and obtained an order banning it from using negative option features and requiring it to turn over \$3.5 million in assets.

That case is just an example; in the last 10 years, the Commission has initiated 60 cases against negative option marketers selling everything from dietary supplements to buyers' clubs. In addition, the FTC has developed consumer and business education to help consumers avoid negative option scams and to help businesses comply with the law.

### **The Importance of Working Together**

As you all know, the economic downturn has had a severe impact on older American consumers. For persons 65 and over reporting income in 2008, the median income was \$18,337. The unemployment rate in the United States is now over 9%. Forty million Americans now live at or below the poverty line. For many people approaching retirement age, their home is their single greatest asset. Consumers planned to use the equity in their home to support them in retirement; as the market has changed, they're finding that now that won't be possible. People over age 55 have experienced the greatest increase in bankruptcy filings, according to a recent AARP study. Between 1991 and 2007, the share of people age 55 and over filing bankruptcy almost tripled. Job losses, foreclosures and dwindling retirement accounts are forcing more Americans to search for way to make ends meet.

Opportunistic fraudsters have quickly adapted their schemes and sales pitches to take advantage of consumers during the economic downturn. We know that people who have more debt than they feel they can handle are twice as likely to experience fraud as people with manageable debt loads. The current economy thus creates a one-two punch, making consumers more susceptible to fraud, while at the same time reducing the resources that consumers can turn to for help. That is why, in this economic climate, it is even more important than ever that we all

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many of our videos on a number of different scams, including Dealing with Debt Collectors;  
How to Avoid Foreclosure Rescue Scams; How to Dete



