

PREPARED STATEMENT OF  
THE FEDERAL TRADE COMMISSION

Before the

SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

of the

HOUSE ENERGY AND COMMERCE COMMITTEE

on

Elder Fraud and Consumer Protection Issues

Washington, DC  
May 16, 2013

## I. INTRODUCTION

Chairman Terry, Ranking Member Schakowsky, and Members of the Subcommittee, I am Charles Harwood, Acting Director of the Bureau of Consumer Protection of the Federal Trade Commission (“Commission” or “FTC”).<sup>1</sup> I appreciate the opportunity to present the Commission’s testimony on current fraud threats to older Americans,<sup>2</sup> emerging threats to baby boomers<sup>3</sup> in the next several years, and the Commission’s work to protect consumers.

All consumers, including seniors, are potential targets for fraudsters, and combatting fraud is a critical component of the Commission’s consumer protection mission. Although seniors are not necessarily defrauded at greater rates than younger consumers, certain types of scams are likely to affect older Americans. Our efforts to recognize these scams and anticipate future areas of concern are more relevant than ever, because the population of older Americans is

FTC's consumer education and outreach efforts to combat these threats.

## **II. CURRENT THREATS**

The current threats to seniors include the wide array of frauds that affect the American population broadly, ranging from illegal telemarketing and online scams to identity theft. The Commission has a strong commitment to monitoring the marketplace to understand the threats to consumers at large. To identify these threats, the Commission looks to our law enforcement experience, the complaints we collect directly from consumers, the empirical data we gather in the form of surveys, and our collaborative initiatives with law enforcement partners, consumer groups, industry, academics, and others.

### **A. Threats Generally**

Virtually every law enforcement case the Commission brings affects seniors. While there are cases in which scammers may specifically target seniors, the FTC's law enforcement experience indicates that scammers are often indiscriminate in whose money they choose to take. Some of the scams the Commission prosecutes that affect older Americans include those involving: (1) sweepstakes, prize promotions, and lotteries;<sup>5</sup> (2) timeshare sales and resales;<sup>6</sup> (3) medical alert devices;<sup>7</sup> (4) investments;<sup>8</sup> (5) discount medical and prescription services;<sup>9</sup>

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<sup>5</sup> See

(6) business opportunity or work-from-home programs;<sup>10</sup> (7) bogus advance fee loans; and (8) charitable donations.<sup>11</sup>

In addition, our Consumer Sentinel Complaint database, the online database of complaints maintained by the Commission, shows that for calendar year 2012, complainants age 60 and older complained primarily about telemarketing calls, government imposter scams, third-party debt collectors, prizes/sweepstakes/gifts scams, and shop-at-home sales.<sup>12</sup>

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<sup>10</sup> See *FTC v. The Tax Club*, No. 13-cv-210 (S.D.N.Y. Jan. 9, 2013); *FTC v. American Bus. Builders, LLC*, No. 13-CV-02368 (D. Ariz. Nov. 6, 2012); *FTC v. Real Wealth, Inc.*, No. 4:10-CV-00060 (W.D. Mo. Jan. 21, 2010).

<sup>11</sup> See *FTC v. Handicapped & Disabled Workshops, Inc.*, No. CV-08-0908 (D. Ariz. May 13, 2008); *FTC v. Helping Hands of Hope*, No. CV-08-0909 (D. Ariz. May 13, 2008).

<sup>12</sup> Data from Consumer Sentinel Network. In calendar year 2012, the Consumer Sentinel Network received 1,692,363 complaints (excluding identity theft and do-not-call complaints). In 37% of those complaints (or 629,165), consumers reported their age. For information regarding the Consumer7487i8(h)-9p487in9.1(n)4(Hof)4.el Hofgar,



Further, the Commission included with the refund checks information about AARP's Fraud Fighter Call Center—where trained volunteers counsel older consumers one-on-one on how to recognize and avoid fraud. Thus, Real Wealth's victims were alerted to the opportunity to obtain this assistance.

## **2. Prize Promotion and Lottery Scams**

Evidence indicates that seniors are more at risk for scams involving prize promotions than younger consumers. The Commission's Bureau of Economics just issued its third Fraud Report, which examined consumer experiences involving fraud. According to the Report, consumers in each of the age groups 55 to 64, 65 to 74, and 75 and older were in fact less likely to have been victims of several frauds we monitor than those between ages 45 to 54. This positive news, however, is countered by the Report's finding that older Americans are more likely to be targeted in prize promotion scams.<sup>14</sup>

The Commission has taken law enforcement action against prize promotion and lottery scam perpetrators, and has sought to cut off their source of funds. Prize promotion scammers of Ec ael older consum

which paid \$18 million in consumer redress to settle the FTC's charges that it had allowed its money transfer system to be used by fraudulent telemarketers to bilk U.S. consumers out of tens of millions of dollars.<sup>16</sup>

To address the serious concerns involving the impact of prize promotion and lottery scams on older consumers, the Commission also entered into an innovative pilot program with

to curb fraud in this area.<sup>20</sup>

### **3. Identity Theft**

In addition to identifying and combatting frauds that affect seniors, the Commission also recognizes their potential vulnerability to identity theft. Millions of consumers are victimized by identity thieves each year, and consumers spend substantial resources to repair the damage.

In 2012, and for the past 12 years, identity theft was the number one complaint category in the Consumer Sentinel Network.<sup>21</sup> Nineteen percent of those who complained about identity theft (and provided their age) reported being over the age of 60. While the FTC cannot extrapolate from this figure to the U.S. population at large, it nonetheless shows that tens of thousands of consumers 60 years and older self report that they have fallen victim to identity theft scams.

The Commission is actively studying how identity theft affects older Americans and the unique challenges facing these victims. Just last week, on May 7, the Commission held a workshop to collect information about the extent to which seniors are vulnerable to identity theft, the prevalence with which seniors are targeted by identity thieves, and the various types of identity theft schemes, such as tax, Medicare, and nursing home related identity theft. The workshop also discussed best practices for educating older consumers and their families about these issues. The Commission has invited public comment on these issues, and as we learn more, the Commission will share its findings with the Elder Justice Coordinating Council and

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<sup>20</sup> See also *FTC v. National Awards Serv. Advisory, LLC*, No. CV-10-5418 (N.D. Cal. Nov. 30, 2010); *United States v. Bezeredi*, No. CV5-1739 (W.D. Wash. Oct. 17, 2005).

<sup>21</sup> *FTC Consumer Sentinel Network Data Book for January – December 2012* (2013), at 3, available at <http://www.ftc.gov/sentinel/reports/sentinel-annual-reports/sentinel-cy2012.pdf>.





deceptive television commercials for their purported health insurance product.<sup>24</sup>

The Commission has also sued other entities engaged in deceptive practices in the healthcare marketplace for seniors. For example, earlier this year, the Commission obtained settlements in two cases alleging deception in the sale of online placement services for senior care facilities.<sup>25</sup> In another case, the Commission alleged that CVS Caremark Corporation misrepresented the prices of certain Medicare Part D prescription drugs to seniors.<sup>26</sup> The deceptive claims, according to our complaint, caused many seniors and disabled consumers to pay significantly more for their prescription drugs than they expected an

## **B. Internet Fraud**

When the Commission considers emerging threats, we think about the shifting characteristics of the different demographic groups fraud affects. For example, a Pew Study shows that the number of adults over 65 who use the Internet is increasing rapidly.<sup>29</sup> With online usage may come more exposure to fraudulent offers online. This may include scams that purport to be collecting financial account data for inexpensive trial products and then deceptively enroll consumers into programs with recurring monthly charges,<sup>30</sup> or malware scams that purport to alert consumers to alleged viruses on their computers that can be fixed for a fee.<sup>31</sup> The Commission will remain watchful on how Internet scams affect aging baby boomers in coming years.

## **IV. COMBATTING FRAUD THROUGH CONSUMER EDUCATION AND OUTREACH**



the U.S. Department of Health and Human Services. The Commission is also currently working with the Department of Veterans Affairs on Military Consumer Protection Day, which is July 17, to provide financial protection information to veterans and service members.

In addition to our current broad-based outreach efforts, the Commission is planning a new campaign that will focus on delivering fraud awareness tips to mid-life and older consumers. In preparation, we are talking to activities directors and other professionals in facilities where boomers and seniors live and visit, for guidance on the kinds of information that people find useful, the messengers they trust, and the delivery mechanisms they are likely to pay attention to. Ultimately, the Commission expects to provide these professionals with fraud