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## **ECONOMY SQUEEZES CONSUMERS AND CONSUMER AGENCIES**

### *Bogus Help Saving Homes from Foreclosure was Fastest Growing Complaint in Latest Consumer Agency Survey*

Washington, D.C. – The nation’s economic woes hit consumers and state and local consumer agencies hard last year. The latest survey these front-line agencies conducted by the Consumer Federation of America (CFA), the National Association of Consumer Agency Administrators (NACAA) and the North American Consumer Protection Investigators (NACPI) shows that the majority received more complaints in 2009 than the previous year, and many of those complaints were related to credit and debt. At the same time that demand was up, many of these agencies saw their resources shrink.

- **More than half of the agencies reported that they received more complaints in 2009 than they did in 2008.**
- **Complaints related to credit and debt rose from #3 to #2 in the top ten.**
- **The fastest-growing complaint in 2009 was bogus offers to help consumers save their homes from foreclosure.**
- **Inadequate budgets and staffing was the biggest challenge that many agencies faced; of the 28 agencies that responded to a question about budget cuts, 71 percent reported that they experienced cuts last year, compared to 47 in the survey report for 2008.**

“Consumers who are desperately trying to fend off collection agencies or save their homes from foreclosure are prey to scammers who offer to help them and then take their money and run,” said Susan Grant, CFA Director of Consumer Protection. “Despite layoffs, hiring freezes, and furloughs, state and local consumer agencies are making herculean efforts to keep up with these and other complaints.”

In addition to bogus offers to help consumers save their homes from foreclosure, which were the fastest-growing complaints last year, complaints that were particularly related to the recession included aggressive collection practices, debt settlement and other types of 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.

“When times are hard, consumers are more vulnerable to false promises of easy ways to make or borrow money,” said Anna Huddleston-Aycock, a Justice Analyst with the Pinellas County Department of Justice and Consumer Services in Florida and current President of NACPI.

The agencies that responded to the survey received more than 300,000 individual complaints and obtained nearly \$110 million in restitution or savings for consumers last year. “State and local consumer agencies handle all kinds of complaints, from a \$15 order that the consumer never received, to a \$150,000 problem with a home improvement contractor, to multi-state actions involving thousands of consumers,” said Elizabeth Owen, NACAA Executive Director.

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

### **Top Consumer Complaints for 2009**

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*

The survey report provides real-life examples of complaints from state and local agencies' files along with tips on how consumers can protect themselves in those situations. It also describes the biggest challenges that state and local agencies faced last year and their biggest achievements.

The agencies said that new laws were 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 the law**

### **Ten Ways That Consumers Can Protect Themselves**

1. **Look at the track record.** Before you buy from unfamiliar companies, check with your state or local consumer agency, the Better Business Bureau, and online complaint forums to see if other people have reported serious problems.

2. **Hire licensed professionals.** When you're hiring home improvement contractors or other professionals, ask your state or local consumer agency if they must be licensed or registered and how you can check to confirm that they are.
3. **Pay the safest way.** When you buy goods or services that will be delivered later, pay with a credit card so you can dispute the charges if they don't arrive or aren't what you were promised.
4. **Use gift cards and gift certificates promptly.** Even well-established businesses can suddenly close or go bankrupt, and it may be impossible to get refunds for the unused balances on gift cards and gift certificates.
5. **Don't pay in full upfront.** If you are asked for a deposit for home improvement or other services, pay a small amount, never the full price upfront.
6. **Recognize the danger signs of fraud.** Be suspicious of any requests to wire money; scare tactics or pressure to act immediately; promises that you can borrow, win or make money easily if you pay a fee in advance; and any situation in which someone gives you a check or money order and asks you to send money somewhere in return.
7. **Get all promises in writing.** Verbal agreements are hard to prove. Carefully read contracts or finance agreements and make sure you understand them before you sign.
8. **Seek help for financial problems from legitimate sources.** If you're having trouble paying your bills, consult a nonprofit consumer credit counseling service. Steer clear of debt settlement services that require most or all of the fees to be paid before any of your debts are settled. If you can't afford your mortgage payments, contact your lender to try to work out a loan modification. If the lender is unresponsive or unhelpful, 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. Reject unsolicited offers of help from any company except the lender to whom you send your mortgage payments.
9. **Know your debt collection rights.** Under federal law you have the right to dispute debts that you don't owe, and many states prohibit action to collect debts after a certain number of years. Federal and many state laws also prohibit debt collectors from calling with annoying frequency, falsely threatening legal action, and discussing debts with people who aren't legally responsible for them.
10. **When in doubt, check it out.** If you're not sure what your rights are or you think something might be fishy, ask your state or local consumer agency for advice.

The complete survey report can be found at [Consumer Complaints Survey Report](#)

The consumer tips sheet can be found at [2010 Consumer Tips Sheet](#)

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*CFA is a nonprofit association of some 300 pro-consumer organizations in the U.S. NACAA and NACPI are membership organizations of consumer protection agencies at all levels of government. CFA has periodically conducted consumer agency surveys since 1992. This survey, conducted with 33 state and local CFA, NACAA and NACPI member agencies in the U.S., was completed in May 2010 and covers a one-year period, which in most cases was January-December 2009.*