

## Putting Telephone Scams...On Hold

Telemarketing fraud is a multi-billion dollar business in the United States. Every year, thousands of consumers lose as little as a few dollars to as much as their life savings to telephone con artists.

That's why the Federal Trade Commission (FTC) encourages you to be skeptical when you hear a phone solicitation and to be aware of the Telemarketing Sales Rule, a law that can help you protect yourself from abusive and deceptive telemarketers.

Unlike most other crimes, telemarketing fraud requires one essential element: victim participation. We're all potential targets, because fraud isn't limited by race, ethnic background, gender, age, education or income. But, if you're age 60 or older, you may be a special target for people who sell bogus products and services by phone. The best way to protect yourself is to know the differences between legitimate offers and fraudulent ones.

### How Telemarketing Scams Work

The heart of a fraudulent telemarketing operation is usually a "boiler room," a rented space with desks, telephones and seasoned operators who call hundreds of people across the country every day.

Fraudulent telemarketers may reach you in several ways:

- **Cold Calls.** Operators may get your number from a telephone directory, a mailing list or what fraudsters call a "sucker list." Sucker lists contain information about people who have responded to previous telemarketing solicitations, like their name, phone

number and how much money they spent. The lists are bought and sold by promoters. They are invaluable to scam artists, who believe that consumers who have been deceived once are vulnerable to additional scams.

- **Direct Mail.** You may get a letter or postcard saying you've won a prize or a contest. This often is a front for a scam. The instructions tell you to respond to the promoter with certain information. If you do, you'll be called by someone who may use persuasive sales pitches, scare tactics and false claims to deceive you and take your money.

- **Broadcast and Print Advertisements.** You may place a call in response to a television, newspaper or magazine advertisement. The fact that you initiate the call doesn't mean the business is legitimate or that you should be less cautious about buying or investing on the phone.

### How Older People Become Victims of Telemarketing Fraud

Fraudulent telemarketers try to take advantage of older people on the theory that they may be more trusting and polite toward strangers. Older women living alone are special targets of these scam artists. Here are some reasons people become victims of telemarketing fraud:

**Often it's hard to know whether a sales call is legitimate.**

Telephone con artists are skilled at sounding believable — even when they're really telling lies.

Sometimes telephone con artists reach you when you're feeling lonely. They may call day after day — until you think a friend, not a stranger, is trying to sell you something.

Some telephone salespeople have an answer for everything. You may find it hard to get them off the phone — even if they're selling something you're not interested in — because you don't want to be rude.

You may be promised free gifts, prizes, or vacations — or the "investment of a lifetime" — but only if you act "right away." It may sound like a really good deal. In fact, telephone con artists are only after your money. Don't give it to them.

### The Hooks

- **Prize Offers.** You usually have to do something to get your "free" prize, like attend a sales presentation, buy something, pay a fee, or give out a credit card number. But the prizes are worthless or overpriced.
- **Travel Packages.** "Free" or "low cost" vacations can end up costing a bundle in hidden costs. You may pay a high price for some part of the package — like hotel or airfare. The total cost may run two to three times more than what you'd expect to pay, or what you were led to believe. Some "bargain" vacations may never happen at all.
- **Investments.** People lose millions of dollars each year to "get rich quick" schemes that promise high returns with little or no risk. These can include movies or cable television production deals, Internet gambling, rare coins, art, or other "investment opportunities." The schemes vary, but one thing is consistent: Unscrupulous promoters of investment fraud rely on the fact that investing may be complicated, and many people don't research the investment process.
- **Charities.** Con artists often push you for an immediate gift, but won't send written information so you can check them out. They

also may try to confuse you by using names that sound like well-known charitable organizations or even law enforcement agencies.

- **Recovery Scams.** If you buy into any of the above scams, you're likely to be called again by someone promising to get your money back. Be careful not to lose more money to this common practice. Even law enforcement officials can't guarantee they'll recover your money.

- **Foreign Lotteries.** Scam operators — often based in Canada — are using the telephone and direct mail to entice U.S. consumers to buy chances in high-stakes foreign lotteries from as far away as Australia and Europe. These lottery solicitations violate U.S. law, which prohibits the cross-border sale or purchase of lottery tickets by phone or mail. And you may never see a ticket.

### Tip-Offs to Rip-Offs

If you hear these — or similar — "lines" from a telephone salesperson, just say "no thank you," and hang up the phone.

- "You've been specially selected to hear this offer."
- "You'll get a wonderful free bonus if you buy our product."
- "You've won one of five valuable prizes."
- "You've won big money in a foreign lottery."
- "You must send money right away."
- "This investment is low risk and provides a higher return than you can get anywhere else."

- "You have to make up your mind right away."
- "You don't need to check our company with anyone"- including your family, lawyer, accountant, local Better Business Bureau, or consumer protection agency.
- "We'll just put the shipping and handling charges on your credit card."
- "You don't need any written information about our company or references."

### How Can You Protect Yourself?

- Don't be pressured to make an immediate decision.
- Don't give your credit card, checking account or Social Security number to unknown callers.
- Don't pay for something merely because you'll get a "free gift."
- Get all information in writing before you agree to buy.
- Check out a charity before you give. Ask how much of your donation actually goes to the charity. Ask that written information be sent to you so you can make an informed giving decision.
- Don't invest your money with an unknown caller who insists you make up your mind immediately.
- If the offer is an investment, check with your state securities regulator to see if it's properly registered.

- Don't send cash by messenger or overnight mail. If you use cash rather than a credit card in the transaction, you may lose your right to dispute fraudulent charges.
- Make sure you know the per-minute charge for any 900 number call you make.
- Be cautious of statements that you've won a prize — particularly if the caller says you must send money to claim it.
- Don't agree to any offer where you have to pay a registration or shipping fee to receive a "prize."
- Check out unsolicited offers with the Better Business Bureau, local consumer protection agency, or state Attorney General's office before you agree to send money.
- Beware of offers to "help" you recover money you may have lost previously. Be wary of callers saying they are law enforcement officers who will help you get your money back "for a fee."

### The Telemarketing Sales Rule

The FTC's Telemarketing Sales Rule requires certain disclosures and prohibits misrepresentations. It gives you the power to stop unwanted telemarketing calls and gives state law enforcement officers the authority to prosecute fraudulent telemarketers who operate across state lines.

The Rule covers most types of telemarketing calls to consumers, including calls to pitch goods, services, "sweepstakes," and prize promotion or investment opportunities. It also applies to calls consumers make in response to materials received in the mail or offers made through the Internet.

Keep this information near your telephone. It can help you determine if you're talking with a legitimate telemarketer or a scam artist.

It's illegal for a telemarketer to call you if you've asked not to be called. In fact, the federal government has created the National Do Not Call Registry — the free, easy way to reduce the telemarketing calls you get at home. To register, or to get information, visit [www.donotcall.gov](http://www.donotcall.gov), or call toll-free 1-888-382-1222 (TTY: 1-866-290-4236) from the phone you want to register. You will receive fewer telemarketing calls within three months of registering your number. It will stay in the registry for five years or until it is disconnected or you take it off the registry. After five years, you will be able to renew your registration.

If your number is not on the National Do Not Call Registry, you still can ask a company to put you on its own do not call list. The company must honor your request.

Calling times are restricted to the hours between 8 a.m. and 9 p.m.

Telemarketers must tell you it's a sales call and who's doing the selling before they make their pitch. If it's a prize promotion, they must tell you that no purchase or payment is necessary to enter or win. If you're asked to pay for a prize, hang up. Free is free.

It's illegal for telemarketers to misrepresent any information, including facts about their goods or services, the earnings potential, profitability, or risk of an investment, or the nature of a prize in a prize-promotion scheme.

Telemarketers must tell you the total cost of the products or services offered and any restrictions on getting or using them, or

that a sale is final or non-refundable, before you pay. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win, and any restrictions or conditions of receiving the prize.

It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization. That means they must tell you the total number of payments, the amount of each payment, the date the payments will be submitted to your bank, and which account they will charge.

Telemarketers cannot lie to get you to pay, no matter what method of payment you use.

You don't have to pay for credit repair, recovery room, or advance-fee loan/credit services until after these services have been delivered. (Most of these offers are scams. Credit repair companies claim that, for a fee, they can change or erase accurate negative information from your credit report. Only time can erase such information. Recovery room operators contact people who have lost money to a previous telemarketing scam and promise that, for a fee or donation to a specified charity, they will recover your lost money, or the product or prize never received from a telemarketer. Advance-fee loans are offered by companies who claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars.)

### Exceptions to the Rule

Although most types of telemarketing calls are covered by the Rule, there are several exceptions. The Rule does not cover the following situations:

- Calls placed by consumers in response to general media advertising, like television or newspaper advertisements. (Calls responding to ads for investment opportunities, credit repair services, recovery room services, or advance-fee loans are covered).
- Calls placed by consumers in response to direct mail advertising that discloses all the material information required by the Rule, except calls responding to ads for investment opportunities, business opportunities other than those covered by the Franchise Rule, credit card loss protection, prize promotions, credit repair services, recovery room services, advance-fee loans, or to "upselling." Upselling is when a company offers you additional goods or services after the initial transaction for which you called.
- Catalog sales.
- Calls that are initiated by the consumer that are not made in response to any solicitation.
- Sales that are not completed, and payment or authorization for payment is not required, until there is a face-to-face sales presentation.
- Business-to-business calls. But calls offering nondurable office or cleaning supplies are covered.
- Sales of pay-per-call services and sales of franchises. These are covered by other FTC rules.

## To Report a Scam

Fight telephone fraud. Report telephone scam artists to the Federal Trade Commission and your state Attorney General. The Telemarketing Sales Rule gives these local law enforcement officers the power to prosecute fraudulent telemarketers who operate across state lines.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit [www.ftc.gov](http://www.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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