

READ UP!

*How to be an
Informed
Consumer*

Federal Trade Commission
www.ftc.gov

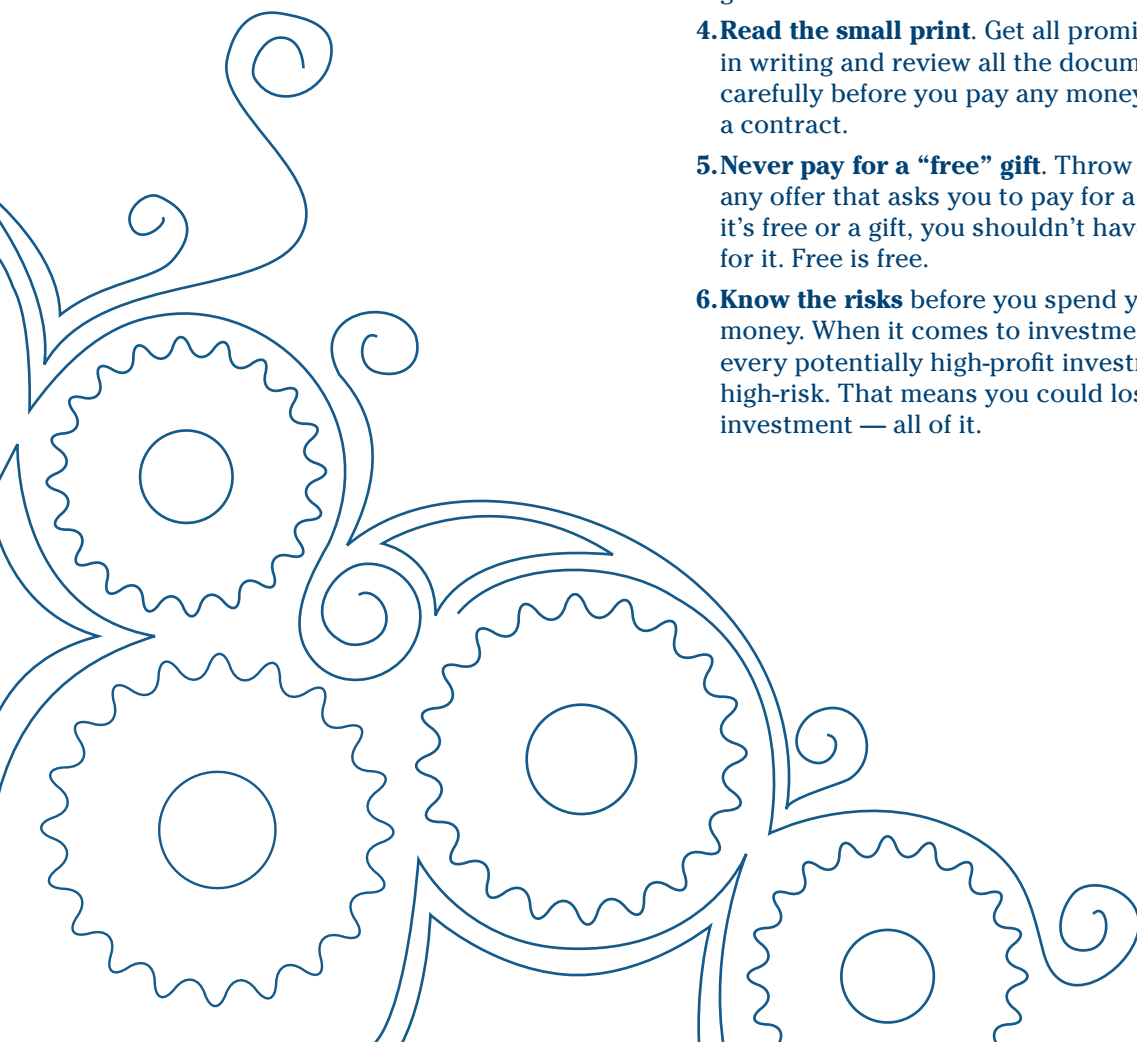
ABOUT THE FTC

The FTC is the nation's consumer protection agency. Its mission is to protect consumers from unfair and deceptive practices in the marketplace. The FTC deals with issues that impact most Americans. Consumers who exercise their right to receive a free credit report, sign up for the National Do Not Call Registry to block unwanted telemarketing calls, or refer to care labels in their clothes, product warranties, or stickers showing the energy costs of home appliances are taking advantage of consumer protections that are required by law and enforced by the FTC. To file a complaint or get free information on consumer issues, visit www.ftc.gov or call toll-free, **1-877-FTC-HELP (1-877-382-4357)**; **TTY: 1-866-653-4261**.

CONSUMER TIPS

Read Up! How to be an Informed Consumer provides in-depth information about many different consumer issues, as well as tips on how to avoid scams and rip-offs. But it is a good idea to keep these tip-offs to rip-offs in mind before you make any major purchase:

- 1. Know who you are dealing with.** Don't do business with any company that won't provide its name, street address, and telephone number.
- 2. Protect your personal information.** Share credit card or other personal information only when you're buying from a company you know and trust.
- 3. Take your time.** Resist any urge to "act now" despite the offer and the terms. Once you turn over your money, you may never get it back.
- 4. Read the small print.** Get all promises in writing and review all the documents carefully before you pay any money or sign a contract.
- 5. Never pay for a "free" gift.** Throw away any offer that asks you to pay for a gift. If it's free or a gift, you shouldn't have to pay for it. Free is free.
- 6. Know the risks** before you spend your money. When it comes to investments, every potentially high-profit investment is high-risk. That means you could lose your investment — all of it.





READ UP!

If you're a Hispanic consumer, you know that you are part of a growing economic force, receiving offers for products and services like never before. Having access to practical information before spending your money can help you make well-informed decisions. The Federal Trade Commission (FTC), the nation's consumer protection agency, has created *Read Up! How to be an Informed Consumer*, a comprehensive resource to guide you through major purchases and help you understand your rights as a consumer. The guide is organized into five main sections to help you quickly find the information you need:

- **Managing Your Finances:** Learn how to establish and use credit, request a free copy of your credit report, read your credit score, and avoid credit scams.
- **Major Purchases and Investments:** Learn the details of buying a house or a car, repairing or renovating your home, buying a franchise or starting a business, paying for a college education, or purchasing funeral goods and services.
- **Your Consumer Rights:** Learn the steps to take to resolve disputes, correct billing errors, and reduce the number of unwanted telemarketing calls you get.
- **Avoiding Scams and Rip-offs:** Learn to recognize work-at-home scams, fake international driver's licenses, the green card lottery scam, vacation package scams, and misleading advertising claims for health and weight loss.
- **Safety and Security:** Learn the basics about protecting your personal information to avoid identity theft, practicing online safety, and avoiding online scams.

REACH OUT!

Read Up and Reach Out: A Guide to Consumer Education and Outreach is a resource for leaders within the Hispanic community and organizations that work with Hispanics to talk about consumer issues. It includes tips on how to:

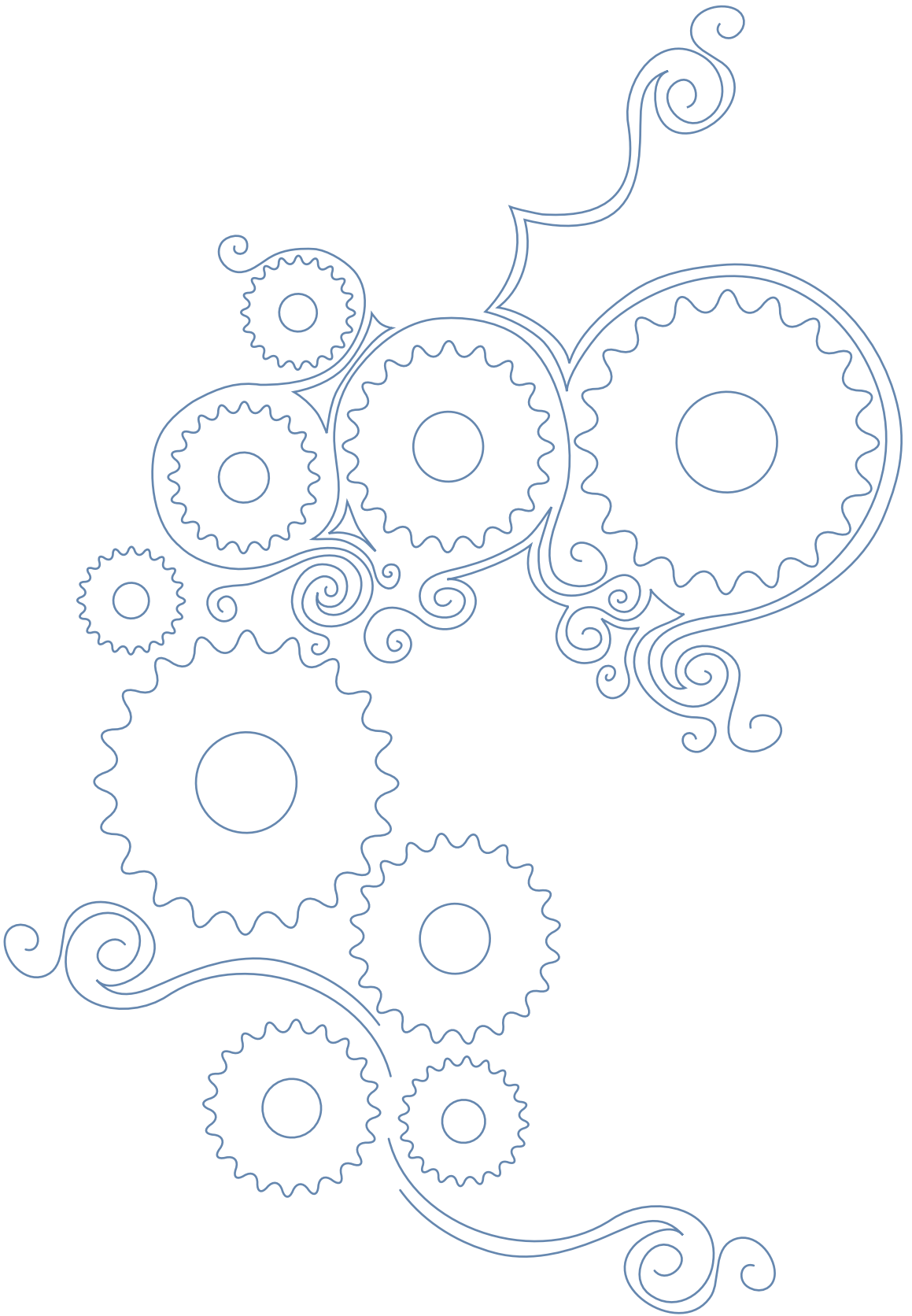
- include consumer education in your outreach programs
- get other organizations involved in your consumer education efforts
- order free FTC consumer education materials

If you'd like to order a free copy of *Read Up! How to Be an Informed Consumer* or *Read Up and Reach Out: A Guide to Consumer Education and Outreach*, visit www.ftc.gov/bulkorder or call 1-877-FTC-HELP. Both are available online at www.ftc.gov/espanol.



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MANAGING YOUR FINANCES

Credit

The decisions you make now about how you manage your finances and handle money and credit can affect your ability to borrow money in the future, as well as the cost of borrowing that money. They also can affect your ability to rent or buy a place to live, get auto or life insurance, or even get a job. The more you know about credit, the better prepared you will be to manage your finances and establish a solid financial foundation.

When you get credit, you are borrowing money from a lender, and you have to pay back that money — usually with interest. You can get credit in many different ways: through a credit card, a personal loan, an educational loan, an automobile loan, or a home mortgage. It's important to maintain a good credit record because it can affect how much you pay to borrow money. If you have a good record, it means that you are a good candidate for a loan — based on your history of paying bills, your job history, and your salary — and it will be easier for you to get loans at lower interest rates. That usually translates into lower monthly payments.

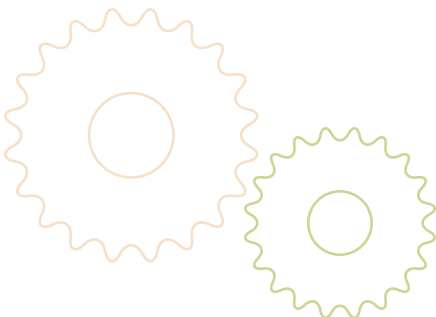
If you have a poor credit history, however, it can be a big problem. A poor credit history usually results from making payments late or borrowing too much money, and it can mean two things: 1) that you might have trouble getting a car loan, a credit card, a place to live and, sometimes, a job or 2) that you will pay a lot to get the loans you need.

Establishing Credit

Suppose you never financed a car, a computer, or some other major purchase. How do you begin to establish credit?

- Consider applying for a secured credit card. It requires you to open and maintain a bank account or other account at a financial institution as security for your line of credit. Your credit line will be a percentage of your deposit, typically from 50 to 100 percent. Application and processing fees are common for secured credit cards. In addition, secured credit cards usually carry higher interest rates than traditional non-secured cards.
- You might apply for a credit card issued by a local store; local businesses often are more willing than national chains to extend credit to someone with no credit history. Once you establish a pattern of paying these bills on time, major creditors might be more willing to extend credit to you.
- Consider asking someone with an established credit history — perhaps a relative — to co-sign the account if you don't qualify for credit on your own. The co-signer promises to pay your debts if you don't. You'll want to repay any debt promptly so you can build a credit history and apply for credit in the future on your own.

If your application for credit is turned down, the creditor must tell you why. It may be that you haven't been at your current address or job long enough. Or your income may not be high enough. Different credit card companies have different standards. But if several companies turn you down, it may indicate that you are not ready for the responsibilities that come with getting credit.



Understanding Your Credit Report

Your credit report contains information about where you live, how you pay your bills, and whether you've been sued, been arrested, or filed for bankruptcy. Consumer reporting companies collect this information, create a credit report, and then sell it to businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home. A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years.

You have the right to receive a free copy of your credit report every year. The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, if you ask for it, once every 12 months. You will have to answer some questions to prove that you are who you say you are and to make sure you get the right credit report.

Free Credit Reports

To order your free credit report, visit www.annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form available at www.ftc.gov/freereports and mail it to: **Annual Credit Report Request Service**, P.O. Box 105281, Atlanta, GA 30348-5281.

After you receive your credit report, read it carefully. If you find mistakes in your report, you should try to correct that information immediately.

- First, tell the consumer reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of documents with your letter to prove your point. In addition to providing your complete name and address, your letter should clearly identify each item you dispute in your report. Include a statement of the facts, an explanation of why you dispute the information, and your request



that it be removed or corrected. You may want to enclose a copy of your report with a circle around the items in question.

- Next, tell the creditor or other information provider, in writing, that you dispute an item. Be sure to include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes. If the provider reports the item to a consumer reporting company, it must include a notice of your dispute. And if you are correct — that is, if the information in the report is found to be inaccurate — the information provider is not allowed to report it again.

For more information about correcting mistakes in your credit report, visit www.ftc.gov/credit and look for *How to Dispute Credit Report Errors*.

READ UP!

What if you find accounts that aren't yours, that you didn't authorize, or that you didn't even know existed? Refer to the Identity Theft section on page 31 of this guide.

Credit Scoring

Creditors use credit scoring systems to determine if you're a good risk for a credit card, an auto loan, or a mortgage. Information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and how long you've had your accounts, is collected from your credit application and your credit report. Using a statistical program, creditors compare this information to the credit performance of consumers with similar profiles. A credit scoring system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points — a credit score — helps predict how creditworthy you are, that is, how likely it is that you will repay a loan and make the payments on time.

How to Improve Your Credit Score

Credit scoring models are very complicated and often vary among creditors and for different types of credit. If one factor changes, your score may change — but improvement generally depends on how it relates to other factors considered by the model. Only the creditor can explain what might improve your score under the particular model used to evaluate your credit application.

Nevertheless, scoring models generally evaluate the following types of information in your credit report:

- whether you paid your bills on time
- your outstanding debt
- how long you have been paying bills
- whether you applied for new credit recently
- the number and types of credit accounts you have

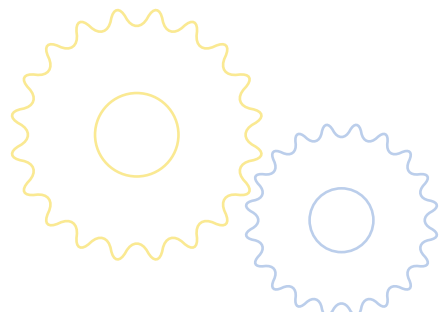
Using Credit Cards Responsibly

A credit card makes it easy to buy things now and pay for them later. If you're not careful, you can lose track of how much you've spent by the time the bill arrives. And if you don't pay your entire bill, you'll probably have to pay finance charges on the unpaid balance. If you continue to charge while you have an outstanding balance, your debt will grow. Before long, your minimum payment will cover only the interest. Not only could it take years to catch up, but you will have paid much more for the items than they originally cost. If you start having trouble repaying your debt, you could harm your credit record.

Debt Collection

If you've already established your credit history but are having trouble making your monthly payments — or if you're being contacted by debt collectors — you might feel overwhelmed. But there are things you can do to manage your debt.

1. Develop a Budget: Make a list of how much money you bring in and how much money you spend on a monthly basis. Start by listing your income from all sources. Then, list your "fixed" expenses — those that are the same each month — like mortgage payments or rent, car payments, and insurance premiums. Next, list the expenses that change — like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, can help you track your spending patterns, identify necessary expenses, and figure out priorities. The goal is to make sure you can make ends meet on the basics like housing, food, health care, insurance, and education.



2. Contact Your Creditors: Contact your creditors immediately if you're having trouble making your payments. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a level you can manage. Don't wait until your accounts have been turned over to a debt collector. At that point, your creditors have given up on you.

3. Dealing with Debt Collectors: The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not call you before 8 a.m., after 9 p.m., or while you're at work if the collector knows that your employer doesn't approve of the calls. Collectors may not harass you, lie, or use unfair practices when they try to collect a debt. And they must stop contacting you if you ask them to in writing. For more information, visit www.ftc.gov/credit and see *Fair Debt Collection*.

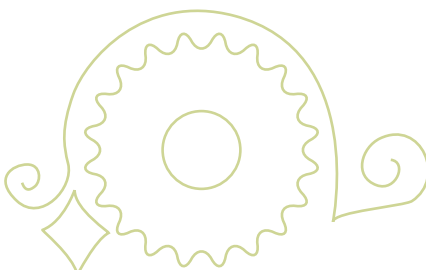
4. Credit Counseling: If you're not disciplined enough to create a workable budget and stick to it, if you can't work out a repayment plan with your creditors, or if you can't keep track of mounting bills, consider contacting a credit counseling organization. Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. They should send you free information about the services they provide without requiring you to provide any details about your situation. If a firm doesn't do that, consider it a warning sign and go elsewhere for help. For more information, visit www.ftc.gov/credit and see *Fiscal Fitness: Choosing a Credit Counselor*.



5. Consolidate Your Debt: You may be able to lower your debt payments by consolidating your debt through a second mortgage or a home equity line of credit. But remember that these loans require you to use your home as collateral. If you can't make the payments — or if your payments are late — you could lose your home. For more information, visit www.ftc.gov/credit and see *Knee Deep in Debt*.

Avoiding Credit Scams

If you are having trouble managing your debt or setting up your first account, you might be tempted by offers that guarantee to provide you with a loan, wipe out negative information on your credit report, or consolidate your debts. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau where the company is located. Some common credit scams involve offers for debt relief, guarantees that you'll get credit if you pay a fee first, or offers to remove accurate negative information from your credit report.



READ UP!

Offers for Debt Relief

If you are trying to get solvent, be on the alert for advertisements that offer quick fixes like these:

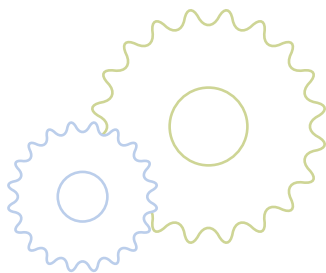
- “Consolidate your bills into one monthly payment without borrowing”
- “STOP credit harassment, foreclosures, repossessions, tax levies and garnishments”
- “Keep your property”
- “Wipe out your debts! Consolidate your bills! How? By using the protection and assistance provided by federal law. For once, let the law work for you!”

These services usually involve filing for bankruptcy relief, which can hurt your credit and cost you attorneys’ fees. If you’re having trouble paying your bills:

- talk with your creditors
- contact a credit counseling service
- consider a second mortgage or home equity line of credit, but remember the risk: if you can’t make the payments, you could lose your home

Advance-Fee Loan Scams

Some scam artists target consumers with bad credit or no credit. In exchange for a fee you pay in advance, they “guarantee” that you will get the credit you want as a credit card or a personal loan. The fee you pay in advance may be as high as several hundred dollars. The FTC has shut down many of these companies because they didn’t deliver on their promise. Resist the temptation to follow up on an advance-fee loan guarantee; it may be illegal. A legitimate lender never guarantees in advance that you’ll get a loan.



Advance-Fee Loans



Ads for advance-fee loans often appear in the classified ad section of local and national newspapers and magazines. You also may get them in the mail, hear them on the radio, or see them on television.

Keep these tips in mind when you see or hear ads that promise easy credit, regardless of your credit history:

- Don’t pay for the promise of a loan. It’s illegal for companies doing business by phone in the U.S. to promise you a loan and ask you to pay for it before they deliver.
- Ignore any ad — or hang up on any caller — that guarantees a loan in exchange for a fee in advance.
- Legitimate lenders do not “guarantee” that you will get a loan or a credit card before you apply, especially if you have bad credit, a bankruptcy on your credit report, or no credit history.
- Never give out your credit card account number, bank account information, or Social Security number over the telephone unless you are familiar with the company and know why they need your information.
- Don’t make a payment for a loan directly to an individual; no legitimate lender would ask you to do so.
- Don’t use a wire transfer service or send money orders for a loan. You have little recourse if there’s a problem with a wire transaction. Legitimate lenders don’t pressure you to wire funds.
- If you are not absolutely sure who you are dealing with, get the company’s number from the phone book or directory assistance, and call to make sure you’re dealing with the company you think you are. Some scam artists have pretended to be the Better Business Bureau or another legitimate organization, and some even pay people to pretend to be references.

Credit Repair Scams

You see the ads in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

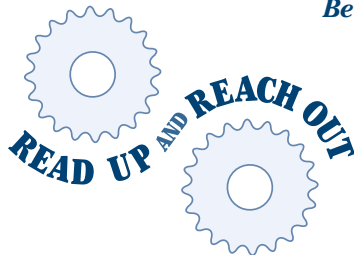
- “Credit problems? No problem!”
- “We can erase your bad credit. 100% guaranteed.”
- “Create a new credit identity — legally.”
- “We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!”

Don’t believe these statements. They’re just not true. No one can remove accurate negative information from your credit report. Only time, a conscientious effort, and a plan for repaying your debt will improve your credit report.

If you are considering responding to an offer to “repair” your credit, think again. Don’t do business with any company that:

- wants you to pay for credit repair before they provide any services.
- does not tell you your legal rights and what you can do for yourself — for free.
- recommends that you not contact a consumer reporting company directly.
- suggests that you try to invent a “new” credit identity by applying for an Employer Identification Number, and that you use it instead of your Social Security number. *This is common and illegal.*
- advises you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

For more information about repairing credit on your own, visit www.ftc.gov/credit and look for *Credit Repair: Self Help May Be Best*.



READ UP!

For more information on these and other important credit issues, visit www.ftc.gov/credit.

REACH OUT!

- Conduct a series of workshops and dedicate one session to each of these topics: establishing credit, understanding your credit report, credit scoring, using credit cards responsibly, debt collection, and avoiding credit scams.
- Tell your friends, family, and colleagues about their right to get a free credit report. If they want to learn more, give them a copy of *Your Access to Free Credit Reports*. You can print it from www.ftc.gov/credit or order free copies by calling 1-877-FTC-HELP or visiting www.ftc.gov/bulkorder.



MAJOR PURCHASES AND INVESTMENTS

Making a major purchase like a home or a car can be a stressful and complex process. But if you learn about your options, you can make a well-informed decision.

Buying a Home

For many people, being able to buy a house or condo represents the realization of the American dream. Before making what is likely to be the biggest purchase decision of your life, first make sure to understand the different types of mortgage products that are available. Then, you can choose the one that best meets your needs.

Shopping around for a home loan or mortgage will help you get the best financing deal. A mortgage — whether it's a home purchase, a refinancing, or a home equity loan — is a product, just like a car, so the price and terms are negotiable. Compare all the costs involved in getting a mortgage, including points, fees, and down payments. Shopping, comparing, and negotiating could save you thousands of dollars.

Get Information from Several Types of Lenders

Home loans are available from several types of lenders — savings banks, commercial banks, mortgage companies, and credit unions. Different types of lenders may quote you different prices, so contact several of them to make sure you're getting the best price.

You can also get a home loan through a mortgage broker. Brokers find a lender for you. A broker's access to several lenders can mean a wider selection of loan products and terms you can choose from. Brokers generally contact several lenders regarding your application, but they are not obligated to find the best deal for you unless they have contracted with you to act as your agent. Contact more than one broker, just as you contact more than one bank or thrift institution.

Terms to Understand

Points

Points are fees paid to the lender or broker for the loan and often are linked to the interest rate; usually the more points you pay, the lower the rate. One point equals one percent of the loan amount.

- Check your local newspaper or lender for information about current rates and points.
- Ask for points to be quoted to you as a dollar amount — rather than just as the number of points — so that you will actually know how much you will have to pay.

Fees

A home loan often involves many fees, such as loan origination or underwriting fees, broker fees, and transaction, settlement, and closing costs. Each lender or broker should be able to give you an estimate of its fees. Many of these fees are negotiable. Some fees are paid when you apply for a loan (such as application and appraisal fees), and others are paid at closing. In some cases, you can borrow the money you need to pay these fees, but doing so will increase your loan amount and total costs. “No cost” loans sometimes are available, but they usually involve higher interest rates.

Get All Important Cost Information in Writing

Know how much of a down payment you can afford, and find out all the costs involved in the loan. Knowing only the amount of the monthly payment or the interest rate is not enough. Ask for information from each lender about the same loan amount, loan term, and type of loan, and get it in writing.

When you ask for information about rates, ask each lender:

- for a list of its current mortgage interest rates and whether the rates being quoted are the lowest for that day or week.
- whether the rate is fixed or adjustable. When interest rates for adjustable-rate loans go up, the monthly payment usually goes up, too.
- how the rate and your loan payment will vary if the rate quoted is for an adjustable-rate loan, including whether your payment will be reduced when rates go down.
- about the loan's annual percentage rate (APR). The APR takes into account not only the interest rate, but also points, broker fees, and other credit charges that you may be required to pay, expressed as a yearly rate.

Once you are satisfied with the terms you have negotiated, get a *written* lock-in of the terms — this will guarantee you a specific interest rate if you close on the loan within a period of time, usually 60 or 90 days. The lock-in should include the rate that you have agreed to, how long the lock-in lasts, and the number of points you will pay. A fee may be charged for locking in the loan rate but this fee may be refundable at closing. Lock-ins can protect you from rate increases while your loan is being processed; if rates fall, however, you could end up with a less favorable rate. If that happens, try to negotiate a compromise with the lender or broker.

Down Payments and Private Mortgage Insurance

Some lenders require 20 percent of the home's purchase price as a down payment. However, many lenders now offer loans that require less than that — sometimes as little as 5 percent on conventional loans. If you can't make a 20 percent down payment, lenders usually require you to buy private mortgage insurance (PMI) to protect them in case you don't make your payments. When government-assisted programs like FHA (Federal Housing Administration), VA (Veterans Administration), or Rural Development Services are available, the down payment requirements may be substantially lower.

If PMI is required for your loan, ask what the total cost of the insurance will be, how much your monthly payment will be, including the PMI premium, and how long you will be required to pay PMI.



Mortgage Discrimination

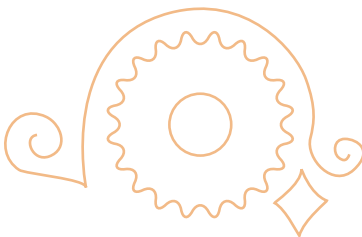
Fair lending is required by law. The Equal Credit Opportunity Act (ECOA) prohibits lenders from discriminating against credit applicants in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, whether all or part of the applicant's income comes from a public assistance program, or whether the applicant has in good faith exercised a right under the Consumer Credit Protection Act.

The Fair Housing Act prohibits discrimination in residential real estate transactions on the basis of race, color, religion, sex, handicap, familial status, or national origin. Under these laws, you cannot be refused a loan based on these characteristics, nor be charged more for a loan or offered less favorable terms based on such characteristics.

If you think you've been discriminated against:

- complain to the lender. Sometimes you can persuade the lender to reconsider your application.
- check with your state Attorney General's office to see if the creditor violated state laws.
- contact a local private fair housing group and report the violations to the appropriate government agency. If your mortgage application is denied, the lender must give you the name and address of the agency to contact.

For ECOA violations involving mortgage and consumer finance companies, file a complaint with the FTC at www.ftc.gov/complaint or 1-877-FTC-HELP.



Lender Do's and Don'ts



Lenders must:

- consider reliable public assistance income the same as other income.
- consider reliable income from part-time employment, Social Security, pensions, and annuities.
- consider reliable alimony, child support, or separate maintenance payments, if you choose to tell them about it. A lender may ask you for proof that you receive this income consistently.
- accept someone other than your spouse if a co-signer is needed. If you own the property with your spouse, he or she may be asked to sign documents allowing you to mortgage the property.

Lenders cannot:

- discourage you from applying for a mortgage or reject your application because of your race, national origin, religion, sex, marital status, or age, or because you receive public assistance income.
- consider your race, national origin, or sex, although you will be asked to disclose this information voluntarily to help federal agencies enforce anti-discrimination laws. A creditor *may* consider your immigration status and whether you have the right to remain in the country long enough to repay the debt.
- impose different terms or conditions, such as a higher interest rate or larger down payment, on a loan based on your race, sex, or other prohibited factors.
- consider the racial composition of the neighborhood where you want to live. This also applies when the property is being appraised.
- ask about your plans for having a family. But they *can* ask questions about expenses related to your dependents.
- refuse to purchase a loan or set different terms or conditions for the loan purchase based on discriminatory factors.
- require a co-signer if you meet their standards.

Credit Problems? Still Shop, Compare, and Negotiate

Don't assume that minor credit problems or difficulties stemming from unique circumstances like illness or temporary loss of income will limit your loan choices to high-cost lenders. If your credit report contains negative information that is accurate, but there are good reasons to trust that you will repay a loan, explain your situation to the lender or broker. If you cannot explain your credit problems, you will probably have to pay more than borrowers who have good credit histories. But don't assume that the only way to get credit is to pay a high price. Ask how your credit history affects the price of your loan and what you can do to get a better price. Take the time to shop around and negotiate the best deal that you can. Credit problems or not, it's always a good idea to review your credit report for accuracy and completeness before you apply for a loan.



After you purchase a home, you'll have to pay to keep it cool or warm. And home heating and cooling bills can add up to hundreds of dollars every month. For tips on how to save money on heating and cooling your home, visit www.ftc.gov/energysavings.



READ UP!

For details about different types of home mortgages, visit www.ftc.gov and read *Looking for the Best Mortgage*.

REACH OUT!

- If you know someone who is looking for a home, give them a copy of *Looking for the Best Mortgage*.
- Partner with the local housing authority to do a briefing session on the ins and outs of home mortgages and give out copies of *Looking for the Best Mortgage*.
- Partner with a local law school to do a briefing session on what's legal — and what's not — in the mortgage lending area.

Renovating or Repairing Your Home

Once you own a home, you might consider a renovation or simply repairing some items that need attention. If you are not going to do the work yourself, finding a competent and reliable contractor can be the first step to a successful and satisfying home improvement project.

Your home may be your most valuable financial asset and that's why it's important to be cautious when you hire someone to work on it. Home improvement and repair and maintenance contractors often advertise in newspapers, the Yellow Pages, and on the radio and TV. But don't consider an ad an indication of the quality of a contractor's work. Your best bet is a reality check from friends, neighbors, or co-workers who have had improvement work done. Get written estimates from several firms. Ask for explanations for price variations. Don't automatically choose the lowest bidder.

Before you hire a contractor, interview them and ask some questions.

- How long have you been in business?
- Are you licensed and registered with the state?
- How many projects like mine have you completed in the last year?
- Will my project require a permit?

Ask for a list of references and talk with former clients directly. They can help you decide if a particular contractor is right for you. Ask if:

- you can visit their home to see the completed job
- they were satisfied with the project and if it was completed on time
- there were unexpected costs and if so, what they were
- they would recommend the contractor or use the contractor again





Recognize and Avoid Home Repair Scams

Not all contractors operate within the law. Here are some tip-offs to potential rip-offs. Be wary of a contractor who:

- solicits door-to-door
- just happens to have materials left over from a previous job
- only accepts cash payments
- asks *you* to get the required building permits
- does not list a business number in the local telephone directory
- tells you your job will be a “demonstration”
- pressures you for an immediate decision
- offers exceptionally long guarantees
- asks you to pay for the entire job up front
- suggests that you borrow money from a lender the contractor knows

If you have a problem with your home improvement project, try to resolve it with the contractor. Follow up any phone conversations with a letter. Send it by certified mail and request a return receipt as proof that the company received your letter. Keep a copy for your files.

If you can't resolve the situation, contact one of the following organizations for more information and help:

- your state and local consumer protection offices
- your local Better Business Bureau
- your state or local Builders Association and/or Remodelers Council



READ UP!

For more information about renovating or repairing your home and scams to watch out for, visit www.ftc.gov and look for *Home Sweet Home Improvement*.

REACH OUT!

Place a copy of *Home Sweet Home Improvement* in public meeting areas like the lobby of a community center, public computer rooms at your local library, your church's hall, and anyplace else where people go for information.

Buying a Car

For most consumers, a car is a very big purchase. Before you shop for a new car, make sure you know how to make a smart deal. Think about what car model and options you want and how much you're willing to spend. Do some research. You'll be less likely to feel pressured into making a hasty or expensive decision and more likely to get a better deal. Shop around and plan to negotiate on price. Dealers may be willing to bargain on their profit margin, often between 10 and 20 percent. Usually, this is the difference between the manufacturer's suggested retail price (MSRP) and the invoice price.

Buying a Used Car

If you need transportation and have a limited budget, buying a used car from an individual or a dealer might be a good option. But buying a car from a private individual is different than buying from a dealer because private sales generally aren't covered by federal law, or by "implied warranties" of state law. A private sale probably will be "as is" — you'll have to pay for anything that goes wrong after the sale.

The Used Car Rule requires dealers to post a Buyers Guide in every used car they offer for

sale. The Buyers Guide gives a great deal of information, including:

- whether the vehicle is being sold "as is" or with a warranty
- what percentage of the repair costs a dealer will pay under the warranty
- the fact that spoken promises are difficult to enforce
- the major mechanical and electrical systems on the car, including some of the major problems you should look out for

The Buyers Guide also tells you to:

- get all promises in writing
- keep the Buyers Guide for reference after the sale
- ask to have the car inspected by an independent mechanic before the purchase

Whether you buy a used car from a dealer or an individual, examine the car using an inspection checklist. You can find checklists in magazines and books and on Internet sites that deal with used cars. Test drive the car under different road conditions — on hills, highways, and in stop-and-go-traffic; ask for the car's maintenance records from the owner, dealer, or repair shop; and hire a mechanic to inspect the car.

Learning the Terms



Auto negotiations have a vocabulary of their own. Here are some terms you may hear when you're talking price.

- **Invoice Price** is the manufacturer's initial charge to the dealer. This usually is higher than the dealer's final cost because of rebates, allowances, discounts, and incentive awards. Generally, the invoice price should include freight (also known as destination and delivery). If you're buying a car based on the invoice price (for example, "at invoice," "\$100 below invoice," "two percent above invoice") and freight is included, make sure freight isn't added to the sales contract.
- The **Monroney sticker** shows the base price, the manufacturer's installed options

with the manufacturer's suggested retail price (MSRP), the manufacturer's transportation charge, and the fuel economy (mileage). Federal law requires that this label be placed on the car window; only the buyer can remove it.

- **Dealer Sticker Price**, usually on a supplemental sticker, is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer markup (ADM) or additional dealer profit (ADP), and dealer preparation.
- **Base Price** is the cost of the car without options, but with standard equipment and factory warranty. This price is printed on the Monroney sticker.



Financing Your Car

If you decide to borrow money to buy your car, be aware that the financing offered by the dealer, even if the dealer contacts lenders on your behalf, may not be the best deal you can get. Contact other lenders directly. Compare the financing they offer you with the financing the dealer offers you. Because offers vary, shop around for the best deal, comparing the annual percentage rate (APR) and the length of the loan. When negotiating to finance a car, don't focus only on the monthly payment. The total amount you will pay depends on the price of the car you negotiate, the APR, and the length of the loan.

Considering a Service Contract

A service contract that you may buy with a new car provides for the repair of certain parts or problems. This type of contract is offered by manufacturers, dealers, or independent companies and may or may not provide coverage beyond the manufacturer's warranty. A warranty is included in the price of the car while a service contract costs extra.

Before deciding to purchase a service contract, read it carefully to get the answers to these questions.

- What's the difference between the coverage under the warranty and the coverage under the service contract?
- What repairs are covered?
- Is routine maintenance covered?
- Who pays for the labor and parts?
- Who performs the repairs? Can repairs be made elsewhere?
- How long does the service contract last?
- What are the cancellation and refund policies?



READ UP!

For more information about buying a new or used car, visit www.ftc.gov.

REACH OUT!

Organize a car buyer's information fair and give out free helpful publications about buying a new car, reading car ads, alternative fuel vehicles, used car auctions, vehicle financing, improving gas mileage in your vehicle, and leasing or renting a car. Print them at www.ftc.gov.

Drive Down the Cost of Owning a Vehicle

The way you fuel, drive, and maintain your car — whether new or used — impacts the cost of operating it. You can lower the cost of driving if you:

- combine errands and avoid unnecessary idling
- use overdrive gears and cruise control
- stay within the posted speed limits
- carpool
- use the recommended octane level for your car
- steer clear of "gas saving" gadgets or any gizmo that promises to improve your gas mileage
- keep your tires properly inflated and aligned and your engine tuned according to your owner's manual
- change your oil and use the grade of motor oil as recommended in the owner's manual
- check and replace air filters regularly
- remove extra weight from your trunk

Franchises and Other Business Opportunities

For many entrepreneurs, franchises are a popular way to start a business. A franchise typically enables you, the investor or “franchisee,” to operate a business. By paying a franchise fee, which may be thousands of dollars, you are given a format or system developed by the company (franchisor), the right to use the franchisor’s name for a period of time, and assistance. For example, the franchisor may help you find a location for your outlet; provide initial training and an operating manual; and advise you on management, marketing, or personnel. Some franchisors offer continuing support like monthly newsletters, a toll-free telephone number for technical assistance, and periodic workshops or seminars.

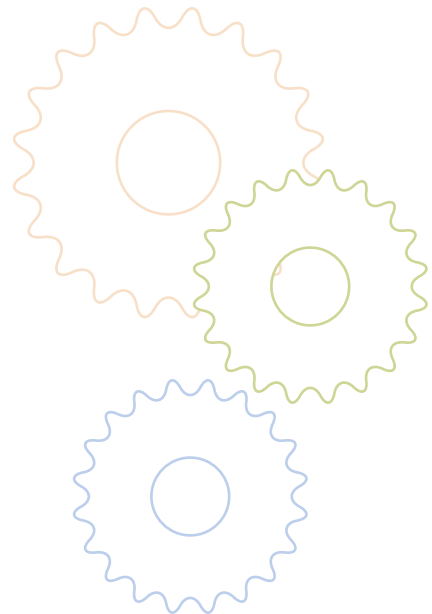
While buying a franchise may reduce your investment risk by enabling you to associate with an established company, it can be costly. You also may be required to give up significant control over your business, while taking on contractual obligations with the franchisor.

Franchise and Business Opportunity Rule

If you’re a prospective business owner and you are considering buying a franchise or investing in another business opportunity, investigate it carefully. The law requires franchise and business opportunity sellers to give you specific information to help you make an informed decision.

A franchise or business opportunity seller must give you a detailed disclosure document at least 10 business days before you pay any money or legally commit yourself to a purchase. You can use these disclosures to compare a particular business with others you may be considering or simply for information. The disclosure document includes:

- the names, addresses, and telephone numbers of at least 10 previous purchasers who live closest to you
- a fully audited financial statement of the seller
- the background and experience of the business’s key executives
- the cost of starting and maintaining the business
- the responsibilities you and the seller will have to each other once you’ve invested



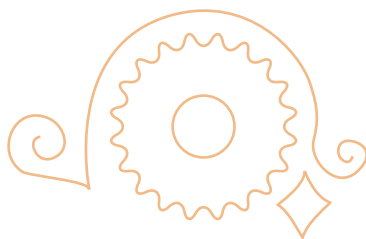
Recognizing Business Opportunity Scams

Fraudulent business opportunity promoters often use the classifieds and the Internet to promote all kinds of offers, from pay phone and vending machine routes to work-at-home businesses like medical billing and envelope stuffing. Too often, these ads make promises — about earnings, locations, merchandise, or marketability — that sound great, but aren't true. The result: you can get ripped off and lose money instead of making it.

Before investing in any business opportunity:

- look at the ad carefully. If it claims buyers can earn a certain income, it also must give the number and percentage of previous purchasers who achieved the earnings.
- get earnings claims in writing. If the business opportunity costs \$500 or more, the promoter must back up the earnings claim in a written document. If it's a work-at-home or other business opportunity that involves an investment of under \$500, ask the promoter to put the earnings information in writing.
- interview each previous purchaser in person, preferably where their business operates.
- contact the Attorney General's office, state or county consumer protection agency, and Better Business Bureau where the business opportunity promoter is based and where you live to find out whether there is record of unresolved complaints.
- take your time. Promoters of fraudulent business opportunities often use high-pressure tactics to get your money fast.

For more information on business opportunities and the Franchise and Business Opportunity Rule, visit www.ftc.gov/bizopps.



A College Education

For many people, a college education can be the key to a successful career. But a college or university education can be expensive. Some schools provide financial help or “scholarships.” Many students take out loans, apply for financial aid or scholarships, or use a combination to help pay for their schooling.

Unfortunately, in their efforts to pay the bills, many students are falling prey to scholarship and financial aid scams. Some cheats guarantee or promise scholarships, grants, or fantastic financial aid packages that turn out to be scams. Many use high pressure sales pitches at seminars where you're required to pay immediately or risk losing out on the “opportunity.”

If you're looking for financial aid or a scholarship:

- take your time. Don't rush into paying at any seminar.
- investigate the organization you're considering paying for help. Talk to a guidance counselor or financial aid advisor before spending your money. You may be able to get the same help for free.
- be wary of “success stories” or testimonials of extraordinary success. The seminar operation may have paid people to give glowing stories. Instead, ask for a list of at least three local families who used the services in the last year, and talk to them in person.
- be cautious about purchasing from seminar representatives who don't want to answer questions or who give answers you really don't understand. Legitimate business people are always willing to give you information about their service.
- ask how much money is charged for the service, what services will be performed, and about the company's refund policy. But keep in mind that you may never recoup the money you give to a scammer, despite the refund policies they tell you about.
- remember that legitimate companies never guarantee or promise scholarships or grants before you apply.

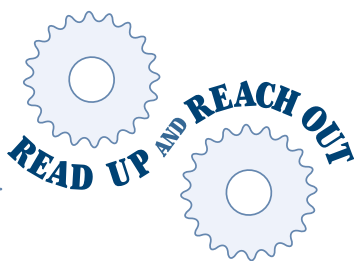


Bogus Diplomas

Some people may be tempted to pay a flat fee for a degree awarded on life experience without having to take any courses. Businesses that offer this type of degree are called “diploma mills.” If you use a so-called “degree” from a diploma mill to apply for a job or promotion, you risk not getting hired, getting fired, and in some cases, being prosecuted. Most employers and educational institutions consider it lying if you claim academic credentials that you didn’t earn through actual course work.

Watch Out for These Signs of a Diploma Mill

- *“No Studies, No Exams — Get a Degree for Your Experience.”* Diploma mills grant degrees for “work or life experience” alone. Accredited colleges may give a few credits for specific life experiences, but not an entire degree.
- *“No Attendance.”* Legitimate colleges or universities, including online schools, require substantial course work.
- *“Flat Fee.”* Many diploma mills charge on a per-degree basis. Legitimate colleges charge by the credit, course, or semester, not a flat fee for an entire degree.
- *“No Waiting.”* Operations that guarantee a degree in a few days, weeks, or even months cannot be legitimate. If an ad promises that you can earn a degree very quickly, forget about it.
- *“Click Here to Order Now!”* Some scams use aggressive sales tactics. Accredited colleges don’t use spam or high-pressure telemarketing to market themselves. Some diploma mills advertise in newspapers, magazines, and on the web.



READ UP!

To learn more about how to avoid a scholarship scam, visit www.ftc.gov/scholarshipscam.

REACH OUT!

Give copies of the FTC’s brochure, bookmark, or poster about scholarship scams to guidance or career counselors at your area high schools, to PTA presidents, or to organizers of local college fairs.

Paying for Funeral Goods and Services

When a loved one dies, grieving family members and friends often are confronted with dozens of decisions about the funeral — all of which must be made quickly, and many of which are costly. Funerals rank among the most expensive purchases many consumers will ever make. A traditional funeral, including a casket and vault, costs about \$6,000, although “extras” like flowers, obituary notices, acknowledgment cards, or limousines can add thousands of dollars to the bottom line. Many funerals run well over \$10,000. Yet even if you’re the kind of person who might haggle with a dozen dealers to get the best price on a new car, you might feel uncomfortable comparing prices or negotiating over the details and cost of a funeral. Compounding this discomfort is the fact that some people “overspend” on a funeral or burial because they think of it as a reflection of their feelings for the deceased.

The trend toward making funeral arrangements before they’re needed suggests that many consumers want to compare prices and services so that when the time comes, the funeral reflects a well-informed purchase decision, as well as a meaningful one. Many say they see funeral planning as an extension of estate planning.

The Funeral Rule

Most funeral providers are professionals who strive to serve their clients’ needs. But some aren’t — and don’t. They may take advantage of their clients through high prices, overcharges, double charges, or unnecessary services. A federal law makes it easier for you to choose only those goods and services you want or need and to pay only for those you select, whether you are making arrangements for yourself or for a loved one.

The law requires funeral directors to give you itemized prices in person and, if you ask, over the phone. It also requires funeral directors to give you a written price list to keep that shows the goods and services the funeral home offers. If you want to buy a casket or outer burial container, the funeral provider must show you descriptions of the available selections and the prices before showing you the caskets.

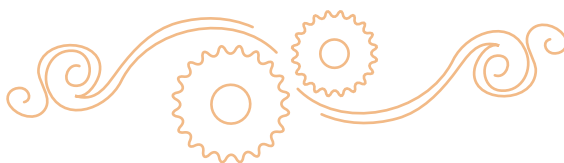
Many funeral providers offer various “packages” of commonly selected goods and services that make up a funeral. But when you arrange for a funeral, you have the right to buy goods and services separately. You do not have to accept a package that may include items you do not want.

According to the Funeral Rule:

- you have the right to choose the funeral goods and services you want (with some exceptions). The funeral provider must state this right in writing on the general price list.
- if state or local law requires you to buy a particular item, the funeral provider must disclose it on the price list, with a reference to the specific law.
- the funeral provider may not refuse, or charge a fee, to handle a casket you bought somewhere else.
- a funeral provider who offers cremations must make alternative containers available.

For more information about purchasing funeral goods and services, visit www.ftc.gov/funerals and read *Funerals: A Consumer Guide*.

If you own a funeral home and want more information about your responsibilities under the law, read *Complying with the Funeral Rule* at www.ftc.gov/funerals.



YOUR CONSUMER RIGHTS

These days, consumers shop at stores, through catalogs, on the phone, and online. They may buy products from a salesperson who knocks on their door or from a seller who could be thousands of miles away. Some of these transactions may not go as smoothly as they hope. But as a consumer, you have rights in these situations, and businesses selling products have responsibilities they must meet as well.

Mail and Telephone Order Sales

The law protects consumers who shop by phone or mail if the merchandise arrives late — or doesn't arrive at all. By law, a company should ship your order within the time stated in its ads. If no time is promised, the company should ship your order within 30 days of receiving it. If the company can't ship within the promised time, they must give you an "option notice," which gives you a choice: You can agree to the delay or cancel your order and get a prompt refund.

There is one exception to the 30-day rule: If a company doesn't promise a shipping time, and you're applying for credit to pay for your purchase, the company has 50 days to ship after receiving your order.

Door-to-Door Sales

Buying a product from someone who comes to your home can be convenient and enjoyable. But there may be times when you change your mind about a purchase you made in your home. The Cooling Off Rule gives you three days to cancel purchases of \$25 or more made at your home, workplace or dormitory, or at a place the seller rents or uses on a temporary short-term basis, like hotel or motel rooms, convention centers, fairgrounds, and restaurants.

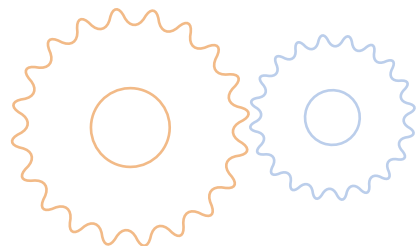
There are some exceptions to the Cooling Off Rule. For example, you cannot cancel sales that:

- are under \$25
- are made entirely by mail or telephone
- are the result of prior negotiations at the seller's permanent location where the goods are sold regularly
- are needed to meet an emergency
- are made as part of your request for the seller to do repairs or maintenance on your personal property (purchases made beyond the maintenance or repair request are covered)

In addition, sales are exempt if they involve:

- real estate, insurance, or securities
- automobiles, vans, trucks, or other motor vehicles sold at temporary locations, provided the seller has at least one permanent place of business
- arts and crafts sold at fairs or locations, like shopping malls, civic centers, and schools

The salesperson must tell you about your cancellation rights at the sale, and must give you two copies of a cancellation form (one to keep and one to send back) and a copy of your contract or receipt. The contract or receipt should be dated, show the name and address of the seller, and explain your right to cancel. The contract or receipt must be in the same language as the sales presentation.



Billing Errors

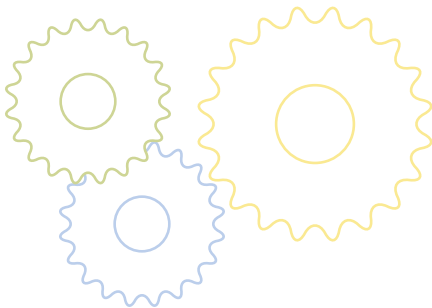
Suppose you use your credit or charge card to pay for purchases. If you find a mistake on your billing statement, you can dispute the charge and not pay the amount in question while the charge is in dispute. It can be a charge for the wrong amount, for something you did not accept, or for an item that was not delivered as agreed. You still must pay any part of the bill that isn't in dispute, including any finance charges on the undisputed amount.

If you decide to dispute a charge:

- write to the creditor at the address on the monthly statement for “billing inquiries.” Include your name, address, credit card number, and a description of the error.
- make sure your letter is timely. It must reach the creditor within 60 days after the first bill with the error was mailed to you. The creditor must acknowledge your complaint in writing within 30 days after receiving it, unless the problem has been resolved. The creditor must resolve the dispute within two billing cycles (but not more than 90 days) after receiving the letter.

You also may dispute charges for unsatisfactory goods or services. To take advantage of this protection, you must:

- have made the purchase in your home state or within 100 miles of your current billing address, and the charge must be for more than \$50
- make a good faith effort to resolve the dispute with the seller first



Unordered Merchandise

If you receive merchandise you didn't order, the law says you can keep it as a gift. No one can force you to pay for the item or return it. If you decide to keep the merchandise, you may want to send the seller a letter to let them know you are keeping the gift, even though you're not legally obligated to do so. Your letter may discourage the seller from sending you repeated bills, or it may clear up an error. Send the letter by certified mail and keep the return receipt and a copy of the letter. These records will help you establish that you didn't order the merchandise.

Two types of merchandise may be sent legally without your consent: free samples that are clearly marked and merchandise mailed by charities asking for contributions. In both cases, you may keep the shipments. These companies know you have the right to keep any merchandise they send without paying for it.



Resolving Disputes

If problems come up after you make a purchase, try to resolve your dispute with the seller first. Make sure you act quickly. Some companies may not accept responsibility if you don't complain in a timely way.

Send a letter of complaint. It puts your complaint on record and lets the company know you are serious about pursuing the dispute. Be sure you keep a copy for your records.

If you can't get satisfaction, consider contacting the following organizations for more information and help:

- State and local consumer protection offices.
- Your local Better Business Bureau (BBB).
- Action line and consumer reporters. Check with your local newspaper, TV, and radio stations for a contact.
- Postal Inspectors. Call your local U.S. Post Office and ask for the Inspector-in-Charge.
- Federal Trade Commission.
- For telephone orders only, write: Direct Marketing Association (DMA), 1111 19th Street, NW, Washington, DC 20036.

SAMPLE COMPLAINT LETTER

(Your address)
(Your City, State, Zip Code)
(Date)

(Name of Contact Person)
(Title)
(Company Name)
(Street Address)
(City, State, Zip Code)

Dear (Contact Person):

On (date), I purchased (or had repaired) a (name of the product with the serial or model number or service performed). I made this purchase at (location, date, and other important details of the transaction).

Unfortunately, your product (or service) has not performed well (or the service was inadequate) because (state the problem).

Therefore, to resolve the problem, I would appreciate your (state the specific action you want). Enclosed are copies (copies, NOT originals) of my records (receipts, guarantees, warranties, cancelled checks, contracts, model and serial numbers, and any other documents).

I look forward to your reply and a resolution to my problem, and will wait (set a time limit) before seeking third-party assistance. Please contact me at the above address or by phone (home or office numbers with area codes).

Sincerely,
(Your name)
(Your account number)

Reducing Unwanted Telemarketing Calls

You might receive dozens of calls each week from telemarketers pitching a wide array of products from dream vacations and dating services to low mortgage rates and new siding. But you can stop telemarketing calls you don't want by registering your home or cell phone numbers on the **National Do Not Call Registry**. Telemarketers covered by the National Do Not Call Registry have up to 31 days from the date you register to stop calling you.

You can register for the National Do Not Call Registry online or by phone for free. If you have a valid email address, you can register online by visiting **www.DoNotCall.gov**. Once you submit your registration, the FTC will send you an email message with a link in it. You need to click on the link in the email within 72 hours to finalize your registration. You may register up to three telephone numbers at one time online.

To register by phone, call toll-free **1-888-382-1222 (TTY: 1-866-290-4236)** from the phone number you wish to register. You can register only one phone number each time you call the National Do Not Call Registry. Your phone number will remain on the Registry for five years from the date you register (unless you choose to take it off the Registry or your phone number is disconnected).



Organizations That May Call

Placing your number on the National Do Not Call Registry will stop most — but not all — telemarketing calls. You still can get calls from or on behalf of political organizations, charities, and surveys. Organizations with whom you have an established business relationship can call you for up to 18 months after your last purchase, payment, or delivery — even if your number is on the National Do Not Call Registry. And companies to which you've made an inquiry or submitted an application can call you for three months.

Think before you submit any entries, surveys or questionnaires, sweepstakes, forms, or requests for “free” products. The company may be trying to establish a business relationship with you, or get your written permission to be called.

If you place your number on the National Do Not Call Registry, you still can give written permission for particular companies to call you. And, even if you have an established business relationship, you can ask a company not to call you. The company must honor your request, regardless of any prior written permission. If you don't put your number on the national Registry, you still can prohibit individual telemarketers from calling by asking each one to put you on their company's do not call list.

Filing a Do Not Call Complaint

If your number has been on the **National Do Not Call Registry** for at least 31 days and you receive a call from a telemarketer that you believe is covered by the Telemarketing Sales Rule, file a complaint at **www.DoNotCall.gov** or by phone at **1-888-382-1222** (for TTY, call **1-866-290-4236**). You will be asked for either the name or telephone number of the company that called you, and the date the company called you.

AVOIDING SCAMS AND RIP-OFFS

As a consumer, you see or hear hundreds of ads a day on the Internet, on TV, on the radio, in newspapers and magazines, on buses, and sometimes in other places you wouldn't expect. Ads making fraudulent claims can — and often do — show up in these places, and it's up to you to sort through them and determine which ones are scams so you can ignore them. You've probably heard the saying "if it looks too good to be true, it probably is too good to be true," but there is more to spotting a fraudulent claim.

Be wary when you see ads that:

- use asterisks, footnotes, or lots of fine print. Any disclaimers about the product must be large enough for you to read. If they're not, the advertiser may have something to hide.
- include glowing testimonials from consumers or "famous" doctors. Whether they deal with dramatic weight loss, disease cures, or extravagant financial success, they usually are a tip-off to a rip-off.
- do not list an address or location. Ads listing only phone numbers or websites may do so to make it harder for you to track them down if you have a problem with their product or service.
- advertise merchandise way below market value for a limited time only. This technique often is used to advertise electronics, computers, or other high-ticket merchandise that can be ordered only by phone.
- feature merchandise with names that sound or look like nationally recognized brands.
- offer vague descriptions of products.
- promote name-brand merchandise at ridiculously low prices or through unusual ways.

Current Scams

Unfortunately, there are scam artists out there trying to dupe consumers into paying hard-earned money for products and services that aren't what they are advertised to be. By learning about some current scams, you'll be able to recognize and avoid them and report them to the appropriate authority for investigation.

Work-at-Home Scams

Many people are looking for opportunities to make some money working from home. While ads for work-at-home opportunities seem to be everywhere — from the street light and telephone pole on the corner to the newspaper and the Internet — you need to proceed with caution. Not all work-at-home opportunities deliver on their promises. Many ads don't tell you that you may have to work many hours without pay or inform you of all the costs of starting their program. Countless work-at-home schemes require you to spend your own money to place newspaper ads, make photocopies, or buy the envelopes, paper, stamps, and other supplies or equipment you need to do the job. The companies sponsoring the ads also may demand that you pay for instructions or "tutorial" software. Consumers deceived by these ads have lost thousands of dollars, in addition to their time and energy. The promoters are often "fly by night" operators who get your money and disappear.

Some classic work-at-home schemes involve medical billing, envelope stuffing, and assembly or craft work.





Medical Billing Scams

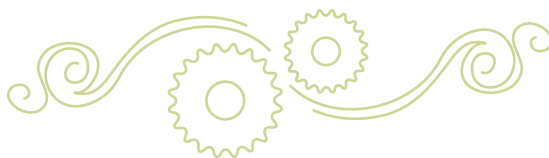
Ads for pre-packaged businesses like billing centers are in newspapers, on television, and on the Internet. If you respond, you'll get a sales pitch that may sound something like this: There's "a crisis" in the health care system, due partly to the overwhelming task of processing paper claims. The solution is electronic claim processing. Because only a small percentage of claims are transmitted electronically, the promotions say, the market for billing centers is wide open.

The promoter also may tell you that many doctors who process claims electronically want to "outsource" their billing services to save money. Promoters will promise that you can earn a substantial income working full or part time, providing services like billing, accounts receivable, electronic insurance claim processing, and practice management to doctors and dentists. They also may assure you that no experience is required, that they will provide clients eager to buy your services, or that their qualified salespeople will find clients for you. The reality is that you will have to sell. These promoters rarely provide experienced sales staff or contacts within the medical community.

Few consumers who purchase a medical billing business opportunity are able to find clients, start the business, and generate revenues — let alone recover their investment and earn a substantial income. Competition in the medical billing market is fierce and revolves around a number of large and well-established firms.

Before you respond to an ad for a medical billing business opportunity:

- Talk to other people who have bought into the program. Ask the promoter to give you the names of many or all previous purchasers. Interview these references in person and ask for the names of their clients and a description of their operations. If the promoter wants to provide only a few references, be wary. The promoter may be telling you to call people who are paid to say good things about the program.
- Consult with organizations for medical claims processors or medical billing businesses and with local doctors. Ask them about the medical billing field: Is there a need for this type of work? How much work does it entail? What kind of training is required? Do they know anything about the promotion or promoter? Would they hire you to do this work?
- If the medical billing opportunity sells another company's software, check with the software company to find out whether company representatives know of any problems with the medical billing promoter.
- Check with the state Attorney General's office, consumer protection agency, and the Better Business Bureau in your area and the area where the promoter is based to learn whether any unresolved complaints about the business opportunity or the promoter are on file. But be aware that the absence of complaints doesn't necessarily mean the company is legitimate.
- Consult an attorney, accountant, or other business advisor before signing any agreement or paying any money.



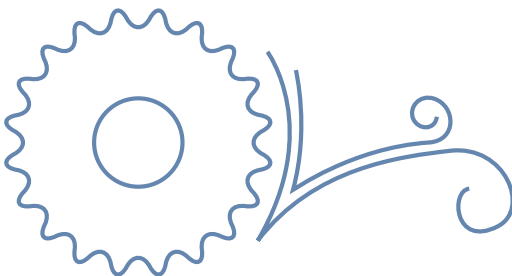
Envelope-Stuffing Scams

Promoters of these scams usually advertise that, for a “small” fee, they will tell you how to earn money stuffing envelopes at home. Once you have sent in your money, you find out that the promoter never had any employment to offer. Instead, you get a letter telling you to place the same “envelope-stuffing” ad in newspapers or magazines, or to send the ad to friends and relatives. The only way you’ll earn money is if people respond to your work-at-home ad.

If you’re tempted by an envelope-stuffing “opportunity,” before you send any money, ask yourself why anyone would pay you, a stranger, thousands of dollars to stuff envelopes.

Assembly or Craft Work Scams

These programs often require you to invest hundreds of dollars in equipment or supplies. Or they require you to spend many hours producing goods for a company they claim has promised to buy them. For example, you might have to buy a sewing or sign-making machine from the company, or materials to make items like aprons, baby shoes, or plastic signs. But after you’ve purchased the supplies or equipment and performed the work, fraudulent operators don’t pay you. In fact, many consumers have had companies refuse to pay for their work because it didn’t meet “quality standards.” But none of the work is ever “up to standard,” leaving workers with relatively expensive equipment and supplies — and no income. To sell their goods, these workers must find their own customers.



Avoiding Work-at-Home Scams

Before you send money for a work-at-home program, ask the promoter these questions.

- What tasks will I have to perform? (Ask the program sponsor to list every step of the job.)
- Will I be paid a salary or will my pay be based on commission?
- Who will pay me?
- When will I get my first paycheck?
- What is the total cost of the work-at-home program, including supplies, equipment, and membership fees? What will I get for my money?



READ UP!

For more information on work-at-home schemes, visit www.ftc.gov/workathome.

REACH OUT!

Post the FTC’s brochure about work-at-home scams, *Work-at-Home Schemes*, on bulletin boards where local jobs are posted or hand them out at sites where people go to look for work.

International Driver's License Scams

If you're tempted by ads claiming that you can use an international driver's license (IDL) or an international driving permit (IDP) *in place of* a state-issued driver's license, don't fall for it. Ads and offers for fake IDLs and IDPs show up on websites and as spam email. Fake IDLs and IDPs also are sold "on the street." The price for one of these fake documents can range from \$65 to \$350. Many local operations target non-native speakers through ads in foreign-language newspapers that direct consumers to websites or local storefronts.

Although an IDP (sometimes incorrectly called an international driving license) is a real document when issued by the proper authorities, it is not a legal alternative to a state-issued license. If you're caught using an IDP in place of your state-issued driver's license, the consequences can be severe. You could be charged with driving without a license or driving with a suspended or revoked license. If you can't produce proof of your identity (for example, a valid driver's license, a state-issued identification card, valid immigration documents, or a passport), the officer may assume that you're trying to hide your identity and arrest you.

To learn about driver's license requirements in your state, contact your local department of motor vehicles. Check the Blue Pages of your telephone directory for the number, or visit the **American Association of Motor Vehicle Administrators** at www.aamva.org.

Green Card/Visa Lottery Scams

If you or someone you know is trying to get a green card — the right to live in the United States permanently — be aware that some businesses and attorneys offering to help you may not be honest. They'll claim that, for a fee, they can make it easier for you to enter the U.S. State Department's annual Diversity Visa (DV) lottery — also known as the "green card lottery" — or increase your chances of "winning" the DV lottery.

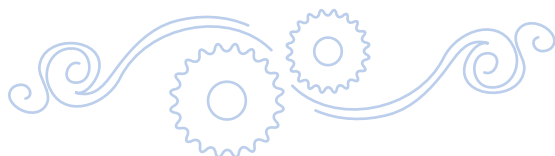
They also claim that:

- they are affiliated with the U.S. government
- they have special expertise or a special entry form that is required to enter the lottery
- their company has never had a lottery entry rejected
- their company can increase an entrant's chances of "winning" the lottery
- people from ineligible countries still are "qualified" to enter the lottery

In addition, some companies may jeopardize your opportunity to participate in the lottery by filing several entries. These companies also may charge lottery-winning applicants substantial fees to complete the application process.

The best way to protect against green card lottery scams is to understand how the State Department's lottery works.

- Each year, the State Department conducts a lottery through its DV program to distribute applications for a limited number of immigrant visas.





- “Winners” of the lottery are selected randomly and have a chance to apply for an immigrant visa, which can be used to enter the U.S. There is no fee to enter the lottery.
- There is no charge to enter the green card lottery. You can enter on your own at the State Department’s website — www.dvlottery.state.gov.
- You may submit only one entry. **If you submit more than one, you will be disqualified.**
- Selection is random. Spouses who are eligible for the DV lottery can apply separately; a spouse can enter the country on the Diversity Visa of the spouse who “wins” the DV lottery. This is the only legitimate way to significantly increase your chance of entering the U.S. through the DV lottery.

Many fraudsters promote green card lottery services online. Beware of websites that:

- promise government travel or residency documents online or by mail. Except for entering the DV lottery, applications for visas, passports, green cards, and other travel and residency documents must be completed in person before an officer of the U.S. government.
- pose as U.S. government sites. They may have domain names similar to government agencies, official-looking emblems (eagles, flags, or other American images like the Statue of Liberty or the U.S. Capitol), the official seals or logos of — and links to — other government sites, and list Washington, D.C., mailing addresses. If the domain name doesn’t end in “.gov,” it’s not a government site.
- charge for government forms. Don’t pay. Government forms and instructions for completing them are available free from the issuing U.S. government agency.

For details about the State Department’s Diversity Visa lottery, visit www.travel.state.gov and www.unitedstatesvisas.gov or call the State Department at **202-663-1225**. This number has recorded information with an option to speak with a visa specialist during business hours.

READ UP!

For more information about international drivers’ license scams and the Diversity Visa lottery (also known as the green card/visa) scam, visit www.ftc.gov/consumer and search for “international driver’s license” or “Diversity Visa.”

REACH OUT!

Partner with a representative from the local police department or the local consumer protection agency to hold a community briefing on these two scams and give consumers information about how to avoid becoming victims.

Vacation Package Scams

Every year, consumers in the U.S. spend more than \$1.3 trillion on travel and tourism. Scam artists go where the money is. But you can take steps to avoid a vacation scam.

- Buy your vacation package from a business with a proven track record. Ask family and friends to recommend a company. Don’t use a company if you can’t get someone on the phone to answer your questions or if an ad doesn’t include a street address.
- Unsolicited faxes or emails for deeply discounted travel packages are tempting, but rarely deliver on their promises. It’s very rare to get something of value for next to nothing.
- Call to verify your reservations and arrangements. Get the details behind vague promises that you’ll be staying at a “five-star” resort or sailing on a “luxury” cruise ship. When you have the names, addresses, and telephone numbers of the airlines, car rental companies, and hotels, confirm all the arrangements yourself.
- Get the details of your vacation in writing. Get a copy of the company’s cancellation and refund policies, and ask “What if...?” Consider whether some form of travel cancellation insurance may be appropriate.

- Use a credit card to make your purchase. If you don't get what you paid for, you may be able to dispute the charges with your credit card company. Remember not to give your account number to a business until you've verified that it is reputable.
- Ask questions before joining a travel club. Find out what you'll get for your money and how you can cancel your membership.
- If you get an offer for a "free" vacation, resist the temptation. Scam artists tell you you've won a "free" vacation, but then they claim to need your credit card number for "verification." If the promotion is legal, you never need to pay for a prize you win.



Pre-Paid Calling Cards

Many people use pre-paid calling cards, whether they are on vacation and want to call home or stay in touch with friends and family who live far away. Pre-paid phone cards represent telephone time you buy in advance. You pay from \$5 to \$15 or more up-front for a card that allows you to make local or long-distance calls; the amount of time you buy depends on the rate per minute you're charged. For many people, pre-paid phone cards offer the ultimate convenience. The phone time is paid for in advance; the card can be used from any phone; and there's no need to think about carrying change or paying a bill later on.

But pre-paid phone cards can have hidden costs. Because you pay in advance, you may be out of luck if you discover a problem when you use the card. That's a big difference between pre-paid phone cards and traditional long distance calling cards, where charges don't appear on your bill until after you've made the call.

When you buy a pre-paid phone card from a store, remember that the store doesn't control the quality of the service. To make sure you get what you pay for, try buying a card for a small amount first to test out the service.

Before Buying a Pre-Paid Calling Card

- Look for the rate for domestic and international calls on the card's package or on the vending machine. These rates may vary depending on where you call. If you can't find the rate, call the card's customer service number.
- Look for disclosures about surcharges, monthly fees, and per-call access. Some cards add a surcharge to the first minute of use. Others charge an activation fee for recharging cards.
- Check on expiration dates. Most cards expire one year after the first use. If there is no expiration date, a card usually is considered "live" until all phone time is used.
- Look for a toll-free customer service number. If the customer service number isn't toll-free or displayed, it may be difficult to contact the company if you have a problem with the card.

Misleading Health and Weight Loss Claims

Medical advancements and improved technology make it possible to cure more diseases today than ever before. New treatments are being discovered, new studies are being released, and new drugs are being approved. Ads for drugs on TV, in magazines, and on the Internet have made information on medical advancements readily available to consumers. But it can sometimes be hard to distinguish between treatments that are proven to work and those that are exaggerated or bogus claims.

Health fraud promoters often target people who are overweight or have serious conditions for which there are no cures, including multiple sclerosis, diabetes, Alzheimer's disease, cancer, HIV/AIDS, and arthritis. To avoid becoming a victim of health fraud, it's important to assess the product claims and always check with a health professional.



Signs of Fraudulent Health Claims

- Statements that the product is a quick and effective cure-all or diagnostic tool for a wide variety of ailments. For example: *“Extremely beneficial in the treatment of rheumatism, arthritis, infections, prostate problems, ulcers, cancer, heart trouble, hair loss, hardening of the arteries and more.”*
- Statements that suggest that a product you can buy *without a prescription* can treat or cure diseases.
- Promotions that use words like “scientific breakthrough,” “miraculous cure,” “exclusive product,” “secret ingredient,” or “ancient remedy.”
- Text that uses impressive-sounding terms like these for a weight-loss product: “hunger stimulation point” and “thermogenesis.”
- Undocumented case histories or personal testimonials by consumers or doctors claiming amazing results. For example: *“My husband has Alzheimer’s disease. He began eating a teaspoonful of this product each day. And now, in just 22 days, he mowed the grass, cleaned out the garage, and weeded the flower beds, and we take our morning walk again.”*
- Limited availability and advance payment requirements. For example: *“Hurry. This offer will not last. Send us a check now to reserve your supply.”*
- Promises of no-risk “money-back guarantees.” For example: *“If after 30 days you have not lost at least 4 pounds each week, your uncashed check will be returned to you.”*

Medical Clinics

If you're considering getting treatment at a clinic you haven't heard of that is in another city, state, or country rather than at a local hospital or clinic, check it out with your doctor first. Although some clinics offer effective treatments, others run by scam artists prescribe untested, unapproved, ineffective, and possibly dangerous "cures." Call to confirm that the healthcare providers who work in these clinics are licensed and have the appropriate credentials.

For information about a particular hospital, clinic, or treatment center, contact the state or local health authorities where the facility is located. If the facility is in a foreign country, contact that government's health authority to see that the facility is properly licensed and equipped to handle the procedures involved.

Weight Loss Claims

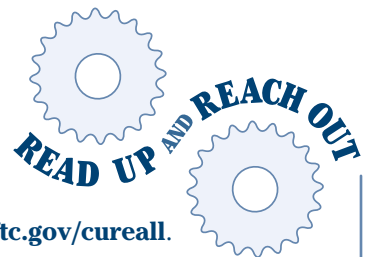
Do you need to lose weight? If you do, you are not alone. Some people want to lose a few pounds to feel and look better, but for many, being overweight is a serious health problem. Unfortunately, there is no magic bullet when it comes to losing weight and burning fat. Some people fall for bogus ads that promise weight loss without sacrifice or effort. When you evaluate claims for weight loss products, be skeptical. Before you spend money on products that promise fast and easy results, judge the claims carefully. Some ads for so-called miracle weight loss products are full of empty promises.

False Weight Loss Claims

Don't believe a claim that says the product will:

- cause weight loss of two pounds or more a week for a month or more without you dieting or exercising
- cause substantial weight loss no matter what or how much you eat
- cause permanent weight loss (even when you stop using the product)
- block the absorption of fat or calories to enable you to lose substantial weight
- safely enable you lose more than three pounds per week for more than four weeks
- cause substantial weight loss for everyone who uses it
- cause substantial weight loss by wearing it on the body or rubbing it into the skin

Doctors, dieticians, and other experts agree that the best way to lose weight is to eat fewer calories and increase your physical activity so you burn more calories. A reasonable goal is to lose about a pound a week. For most people, that means cutting about 500 calories a day from their diet, eating a variety of nutritious foods, and exercising regularly.



READ UP!

For more information about fraudulent health claims, visit www.ftc.gov/cureall.

For more information about weight loss and how to spot false weight loss claims, visit www.ftc.gov/dietfit.

REACH OUT!

- Distribute FTC brochures about weight loss or miracle cures at fairs, town hall meetings, and community seminars that your organization participates in.
- Write an article about false weight loss claims in your newsletter.

INFORMATION SECURITY

Identity Theft

Identity theft is a serious crime. It occurs when someone uses your personal identifying information, like your name, Social Security number, or credit card number, without your permission to commit fraud or other crimes. People whose identities have been stolen can spend hundreds of dollars and dozens of hours cleaning up the mess thieves have made of their good name and credit record. They may lose out on job opportunities or be denied loans for education, housing, or cars because of negative information on their credit reports. They may even be arrested for crimes they did not commit. The potential for damage, loss, and stress is considerable.

The FTC estimates that as many as 10 million Americans have their identities stolen each year. In fact, you or someone you know may have experienced some form of identity theft. While there is no guaranteed way to avoid identity theft, you can minimize your risk and minimize the damage if a problem occurs. You can:

- **deter** identity thieves by safeguarding your personal information
- **detect** suspicious activity by always monitoring your financial accounts and billing statements
- **defend** against ID theft as soon as you suspect a problem

Deter

Deter identity thieves by protecting your personal information.

- Shred paperwork and financial documents with personal information before you discard them.
- Protect your Social Security number. Don't carry your Social Security card in your wallet or write your Social Security number on a check. Ask to use another identifier; give your Social Security number out only if absolutely necessary.

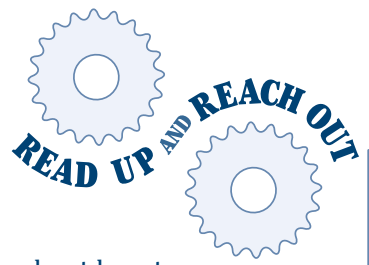
- Don't give out personal information on the phone, through the mail, or over the Internet unless you know who you are dealing with.
- Keep your personal information in a secure place at home, especially if you have roommates, employ outside help, or are having work done in your house.
- Never click on links sent in unsolicited emails; instead, type in a web address you know is the real thing. Some computer programs "hijack" you to a look-alike page to try to get you to give your personal information.
- Use firewalls, anti-spyware, and anti-virus software to protect your home computer; keep them up-to-date.
- Don't use an obvious password like your birth date, your mother's maiden name, or the last four digits of your Social Security number.

Detect

Detect suspicious activity by routinely monitoring your financial accounts and billing statements. Look for charges you didn't make or authorize. Inspect your credit report to make sure all the information is accurate and up-to-date.

It's Your Right to Request a Free Credit Report Every Year

- Visit www.AnnualCreditReport.com
- Call **1-877-322-8228**
- Write to **Annual Credit Report Request Service**, P.O. Box 105281, Atlanta, GA 30348-5281



Defend

Defend against ID theft as soon as you suspect it.

- Place a “Fraud Alert” on your credit reports, and review the reports carefully.
- Close any accounts that have been tampered with or established fraudulently.
- File a report with law enforcement officials to help you with creditors who may want proof of the crime.
- Report the theft to the FTC at www.ftc.gov/idtheft or 1-877-ID-THEFT. Your report helps law enforcement officials across the country in their investigations.

READ UP!

To learn more about how to *Deter, Detect and Defend* against identity theft, visit www.ftc.gov/idtheft.

REACH OUT!

For tips on how to talk to others in your community about identity theft, get the FTC’s *ID Theft Consumer Education Kit* at www.ftc.gov/idtheft. This kit includes tips on getting the word out at work, in your community, and through the media. It has materials to use when you speak to others about identity theft.

How ID Theft Can Happen

Skilled identity thieves use a variety of methods to steal your personal information, including:

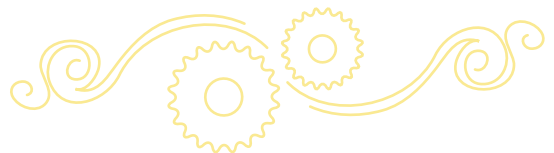
- 1. Dumpster Diving.** They rummage through trash looking for bills or other paper with your personal information on it.
- 2. Skimming.** They steal credit or debit card numbers by using a special storage device when processing your card.
- 3. Phishing.** They pretend to be financial institutions or companies and email spam or send pop-up messages to get you to reveal your personal information.
- 4. Changing Your Address.** They divert your billing statements to another location by completing a “change of address” form.
- 5. “Old-Fashioned” Stealing.** They steal wallets and purses; mail, including bank and credit card statements; pre-approved credit offers; and new checks or tax information. They steal personnel records from their employers, or bribe employees who have access.

Practicing Online Safety

Access to information and entertainment, credit and financial services, products from every corner of the world — even to your work — is greater than earlier generations could ever have imagined. Thanks to the Internet, you can order books, clothes, or appliances online; reserve a hotel room across the ocean; download music and games; check your bank balance 24 hours a day; or access your workplace from thousands of miles away.

The flipside is that the Internet — and the anonymity it affords — also can give online scammers, hackers, and identity thieves access to your computer, personal information, finances, and more.

If you are aware of and know how to protect yourself against certain online scams, like phishing emails, spyware, and viruses and worms, you can reduce your chances of falling victim to them or having them damage your computer.



Phishing Emails

Phishing is a scam where Internet fraudsters send spam or pop-up messages to lure personal and financial information from unsuspecting victims. To avoid a phishing scam, don't reply to email or pop-up messages that ask for personal or financial information, and don't click on links in the message. Don't cut and paste a link from the message into your web browser — phishers can make links look like they go one place, but that actually send you to a different site.

Some scammers send an email that appears to be from a legitimate business and ask you to call a phone number to update your account or access a "refund." Because they use Voice Over Internet Protocol technology, the area code you call does not reflect where the scammers really are. If you need to reach an organization you do business with, call the number on your financial statements or on the back of your credit card, or type in the web address yourself.

Forward spam that is "phishing" for information to **spam@uce.gov** and to the company, bank, or organization impersonated in the phishing email. Most organizations have information on their websites about where to report these kinds of problems.

Spyware

Many free downloads — whether from people you know or businesses you don't — come with potentially undesirable side effects. Spyware is software installed without your knowledge or consent that adversely affects your ability to use your computer, sometimes by monitoring or controlling how you use it. To avoid spyware, resist the urge to install any software unless you know exactly what it is. Your anti-virus software may include anti-spyware capability that you can activate. If it doesn't, install separate anti-spyware software, and use it regularly to scan for and delete any spyware programs that may sneak onto your computer.

Email Viruses and Worms

Most viruses sent over email or instant messenger won't damage your computer without your participation. For example, you would have to open an email or attachment that includes a virus or follow a link to a site that is programmed to infect your computer. So hackers often lie to get you to open the email attachment or click on a link. Some virus-laden emails look like they come from a friend or colleague; some have an appealing file name, like "Fwd: FUNNY" or "Per your request!"; others promise to clean a virus off your computer if you open it or follow the link — but instead infect your computer with a virus.

Don't open an email or attachment — even if it appears to be from a friend or coworker — unless you are expecting it or know what it contains. You can help others trust your attachments by including a text message explaining what you're attaching.

Internet Auctions

Internet auction sites are a great resource for buyers and sellers. They give buyers a "virtual" flea market with new and used merchandise from around the world, and they give sellers a global storefront from which to market their goods. But the online auction business can be risky business. Here's how to use these sites wisely:

- Evaluate how soon you need to receive the item you're bidding on, and whether you can tolerate it being delivered late, or not at all. Many complaints about Internet auctions fraud involve late shipments, no shipments, or shipments of products that aren't the same quality as advertised.
- Carefully consider your method of payment. Learn what recourse you have if something goes wrong. Don't send cash, and don't use a money wiring service.
- Know who you're dealing with. Avoid doing business with sellers you can't identify, especially those who try to lure you off the auction site with promises of a better deal. Confirm the seller's telephone number in case you have questions or problems.

- Know exactly what you're bidding on. Read and print a copy of the seller's description of the product closely, especially the fine print. Save copies of all emails you send and receive from the auction site or seller, too.

Seven Tips for Online Safety

You can reduce the chance of an Internet mishap by following these tips.

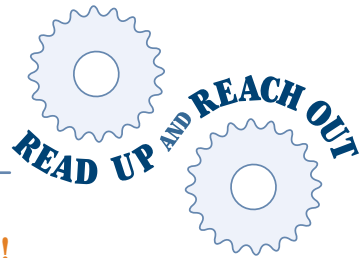
- 1. Protect your personal information.** It's valuable. To minimize your risk of identity theft, don't share your personal information unless you know how it will be used and protected. Don't reply to — or click on — links in any email asking for your personal information.
- 2. Know who you're dealing with.** When shopping online, look for a seller's physical address and a telephone number. Call to see if the number works. Before you download free software or programs, read the fine print — some downloads come with spyware.
- 3. Use anti-virus and anti-spyware software, as well as a firewall, and update them all regularly.** Look for anti-virus software that removes or quarantines viruses, and for anti-spyware that can undo changes spyware makes to your system. Make sure your firewall is on and set up properly. If your firewall was shipped in the "off" mode, turn it on.
- 4. Be sure to set up your operating system and web browser software properly.** Select security settings high enough to reduce your risk of being hacked. Make sure to regularly update your system with the latest patches.
- 5. Protect your passwords.** Keep your passwords in a secure place, and don't share them on the Internet, over email, or on the phone. When it comes to passwords, longer is better.
- 6. Back up important files.** If you have important files stored on your computer, copy them onto a removable disc, and store it in a safe place.

- 7. Learn who to contact if something goes wrong online.** Visit www.OnGuardOnline.gov to learn how to respond if problems occur when you're online.



Teach Your Kids Online Safety

As a parent, you can teach your kids how to be safe online. Use the Internet with them and talk to them about their online habits, like the use of social networking sites. Tell them why it's important to keep their name, Social Security number, address, and phone number to themselves. For more tips, visit www.OnGuardOnline.gov/socialnetworking.html.



READ UP!

To learn more about how to be on guard when you're online and other issues like wireless network security, social networking sites, scams sent through spam, online shopping, peer-to-peer (P2P) file sharing, Internet-based telephone service (VoIP), and cross-border scams, visit www.OnGuardOnline.gov.

REACH OUT!

- Gather your friends, family, or colleagues and test your online knowledge by playing the interactive games and quizzes at www.OnGuardOnline.gov/quiz.
- Host a training session using the tutorials and videos at www.OnGuardOnline.gov/tutorials.

MORE RESOURCES FROM THE FTC

The FTC has a variety of free consumer publications about the issues in this guide and many more. Most publications are available online at www.ftc.gov. For Spanish publications, visit www.ftc.gov/espanol.

How to Order Publications

For limited quantities of publications (1-49 copies per title):

For immediate delivery, you can view, print, and save publications from www.ftc.gov/consumer. And to request a copy in print, you can send your name, organization, address, telephone number, the publications you want, and the quantities of each to:

**Consumer Response Center
Federal Trade Commission
600 Pennsylvania, NW, H-130
Washington, DC 20580**

For bulk orders of publications (50 or more of any title):

Please visit www.ftc.gov/bulkorder and select the publications and quantities you want.

Filing a Consumer Complaint

If you think you've been a victim of fraud, there is a way for you to get even with the scam artists who cheated you: report it. By reporting your complaint to the FTC at www.ftc.gov/complaint or by calling 1-877-FTC-HELP, you are providing important information that can help law enforcement officials track down scam artists and stop them. Spanish-speaking counselors are available.

While the FTC does not resolve individual consumer problems, your complaint helps authorities investigate fraud, and can lead to law enforcement action. 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 United States and abroad.

Filing Complaints

- To file a complaint about a violation of the National Do Not Call Registry, go to www.DoNotCall.gov
- To file a report about Identity Theft, use the **Identity Theft Complaint Form** available at www.ftc.gov/idtheft
- To file a complaint about an online transaction, go to www.OnGuardOnline.gov
- To file a complaint about an online transaction that involves a foreign company, use the complaint form at www.econsumer.gov

