



Chapter
1

PROTECTING YOURSELF FROM SCAMS AND SALES

In This Chapter, Learn:

- How to Avoid Scams
- How to Prevent Identity Theft
- What to do if You Are a Victim of Identity Theft
- How to Get Rid of Junk Mail
- How to Stop Telemarketers
- How to Get a Refund from a Door-to-Door Sale
- What to Know Before Hiring a Contractor
- Whether You Should Get a Reverse Mortgage
- About Much More

SCAMS

How do I avoid consumer scams?



- Don't give into high-pressure sales tactics.
- Take time to make decisions.
- Do your homework before hiring a contractor, giving to a charity, making an investment, or purchasing goods or services.
- Don't hire people that solicit your business.
- If it sounds too good to be true, it is!
- Ignore offers that go away if you don't act now.
- Ask for everything in writing, and don't sign until you understand and agree with the terms of the offer and consequences.
- Don't open your door to strangers and solicitors.

What are the top scams?

Medicare Scams

Watch out for Medicare con artists. Some con artists are trying to cash in on the Medicare program (see chapter 6). They call pretending to be Medicare employees offering health insurance programs. They ask you to sign up and pay over the phone. The catch is that they are not Medicare employees (because Medicare employees don't initiate calls to enroll you), they are not signing you up for a legitimate Medicare program, and any information

you give them may be used to steal money and your identity.

Investments with “High Returns and Low Risks”

If you hear about an investment that is low risk with a high return, run away! If you want a high return, you have to take larger risks. Investigate carefully before purchasing an investment.

Travel Scams

“Free vacations” are not bargains. Free or bargain vacation deals often come with “hidden fees.” For example, after accepting the vacation, you might be asked to pay a high tax or other fees. Or once you book the trip you may have to pay for upgrades so you can travel on the dates and to the destinations you desire. In the end, you have paid more for the “free” vacation than you initially expected.

Predatory Lending

Say no to predatory lending! Companies with predatory lending practices may target you with unfair and abusive loan terms through aggressive and deceptive sales tactics that take advantage of your lack of understanding. Predatory lending practices are commonly seen in situations where you have equity built up in your home and, faced with medical bills or home repairs, you decide to refinance. Predatory lending includes “loan flipping.” This is when a lender convinces the homeowner to refinance several times. The lender entices you by promising cash or much lower mortgage payments. However, the refinancing may include an excessively

high interest rate, unnecessary closing costs, or an undisclosed “balloon payment.”



Living Trust Scams

Living trusts can be legitimate and a valuable estate planning tool. However, living trust scams are a growing concern as they are not appropriate for all people. Do your homework before getting a living trust. A trust is a person or organization that owns, holds, or manages your assets for the benefit of yourself or another. A living trust is when you create a trust while you are living. Property is moved into a trust, and the trustee (the person in charge of the trust) manages the property for the benefit of the beneficiaries.

Generally, people with lower incomes or small estates don't need a living trust. There are many false and misleading statements about the costs and benefits of living trusts. Some people may exaggerate the cost and length of probate, falsely imply AARP endorsement, tell you the court will force or could force you into a guardianship, or tell you that a living trust is the only way to protect yourself from probate and from the government taking your money. If you think you might need a living trust, talk to an estate planning attorney.



Foreclosure Rescue Scams

Run away from Rescue Scams! With the recent increase in the number of mortgage delinquencies and foreclosures, there has been an increase in the number of foreclosure rescue scams. These con artists create companies that advertise services to

help you and others avoid foreclosure. However, they make misleading promises, take large fees, or fraudulently induce you into transferring the deed (a legal document that gives someone title to real property) of your home. In the end, you've received no help and are out of a home and out of money. For example, the con artist slips the deed into a stack of documents and you end up signing your deed over to the con artist. Alternatively, the con artist promises to save your home from foreclosure for a fee by negotiating with the bank or mortgage lender and rarely stops the foreclosure.

What to do if you have been scammed.

If you have been scammed, report it to the Federal Trade Commission (FTC) and the Utah Division of Consumer Protection (see the “More Information” section on page 16 for contact information).

IDENTITY THEFT

What is identity theft?



Some thieves want to steal your identity to profit from it. All they need is your name and Social Security Number to open an account and to buy goods or services in your name. This is a serious crime that can destroy your credit and cost you time and money.

Identity thieves will try anything to get your personal information. They will steal your wallet, go through your trash, and hack into your computer.

How do I prevent identity theft?



Be Very Cautious When Giving Out Personal Information

- Don't carry your Social Security card, passport, or birth certificate with you unless absolutely necessary.
- Very few people other than your employer, bank, Medicare, IRS, Medicaid, Motor Vehicle Department, brokerage, and the Social Security Administration (SSA) need your Social Security Number (SSN).
- If a company asks for your SSN, decline to provide it. Ask if you can give an alternative form of identification.

Be Careful about Your Trash

- Buy a shredder. Shred any paper that contains personal information, including receipts, bank statements, checks, and credit card offers.

Protect Your Computer

- Install anti-spyware and firewall software on your computer to prevent unauthorized access to your computer.

- Beware of any email that looks like it's from a legitimate company but states that your account has been compromised and you need to go to the link provided in the email. This is called phishing. The email is not from that company, but a scam. The link in the email takes you to a similar but fake website where you are asked to put in your personal information. Forward any phishing emails to the FTC at spam@uce.gov.

How will I know if my identity has been stolen?



Warning Signs of Identity Theft Include:

- Your bills are late or don't arrive.
- Your mail is forwarded.
- You are denied credit for no reason.
- You receive bills for things you didn't purchase.

To detect identity theft you should review your financial statements and credit reports for discrepancies. Request a free copy of your credit report once a year from the Annual Credit Report Request Service or order a copy of your credit report from one of the major consumer credit reporting companies in the “More Information” section (page 16).

What should I do if I am a victim of identity theft?



If You Are a Victim of Identity Theft:

File a Police Report

This will prove to creditors that you are a victim of identity theft.

Contact a Major Consumer Credit Reporting Company

Ask that a fraud alert be placed on your credit report. This requires companies to call you before they extend credit under your name and SSN (see the “More Information” section on page 16 for contact information).

Close Tampered Accounts

Call the places where fraudulent accounts were tampered with or opened. Talk to someone in the fraud or security department. Ask them to close the account. Follow up with a written letter, and include supporting documents. Ask for a letter confirming that the account was closed and the debts were discharged.

File a Report and Complaint

File a complaint with the Federal Trade Commission. Also, file a report with the Utah Attorney General’s Office (see the “More Information” section on page 17 for contact information).

JUNK MAIL

How do I get rid of junk mail?

Contact the Direct Marketing Association and request that your name be taken off mailing lists and that it not be sold or given to companies (see the “More Information” section on page 17). Don’t fill out consumer and marketing surveys or sweepstakes entry forms.

TELEMARKETERS

How do I stop telemarketers from calling?



Hanging up only temporarily resolves the issue. There are better and more permanent ways to get telemarketers to stop calling. When the telemarketer calls, cut them off by saying, “We don’t want to receive calls from your company. Put this number on your Do-Not-Call list.”

Prevent Telemarketing Calls:

- Register with the Do-Not-Call Registry at 888-382-1222 or www.donotcall.gov.

- Don't fill out consumer and marketing surveys, warranty registration cards (you get warranty rights without the card), or sweepstakes entry forms.
- When doing business with companies, including charities, ask them to not "rent" or "sell" your number to any other organization.

What rules do telemarketers have to follow?

Telemarketers Cannot:

- Call before 8 a.m. or after 9 p.m.
- Call if your number is on the Do-Not-Call list (unless there is an exception).
- Deceive you to get you to sign up with the company.
- Fail to identify themselves.
- Block their telephone number from your caller identification service.
- Misrepresent their product or service.

If telemarketers violate these rules, you can file a complaint with the Utah Division of Consumer Protection (DCP), Federal Communications Commission (FCC), or the Federal Trade Commission (FTC). You can also file a lawsuit.

DOOR-TO-DOOR SALESMEN

How do I get my money back from a door-to-door salesman?



The law protects you from door-to-door salesmen by giving you three business days to cancel the sale or the contract (a legal agreement between two or more parties). The rule applies if the salesman came to your home or to any place other than his place of business. However, this right to cancel does not cover purchases under \$25.

To cancel the sale, send a written notice to the seller at the address listed on the contract. The notice must state that you don't want the goods or services. Mail the notice before midnight on the third business day. Send the notice by certified mail, with a return receipt request, and keep a copy for your records.

Generally, the salesman must give you back any payments you made within 30 days after the cancellation. You must return, within a reasonable time, any goods the salesman gave you.

CONTRACTORS

What should I know before hiring a contractor?



Most of us at some time or another will hire a contractor to do a home repair or improvement. There are many contractors who do a great job, but there are some who do not. They may do substandard work, overcharge for “improvements,” or not finish the job.

When Hiring a Contractor:

- Always get estimates for the job from two or three contractors who are recommended by friends or family.
- Speak to others who have hired the contractor. Ask about the quality, cost, and timeliness of the work.
- Check the Better Business Bureau (BBB) of Utah for complaints against the contractor. Make sure that the contractor has a business license and liability insurance by contacting the Utah Division of Occupational and Professional Licensing.
- Make sure that the contractor agrees to the following in writing: the price; a summary of the work to be done and materials to be used; start date and the estimated completion date; responsibility for clean up; guarantees; and financing and credit terms, if applicable.
- Agree in advance that full payment is not due until the work is complete.

What contractors should I avoid?



Avoid Contractors Who:

- Tell you the repair is urgent, when in reality it is not.
- Quote a price, then raise it because materials must be substituted.
- Don't give out their business address and only use a P.O. box.
- Come to your door seeking business.
- Ask for a deposit, especially a large deposit.

Can a contractor put a lien on my house?



If you fail to pay a contractor for labor, materials, or equipment, the contractor may file a mechanic's lien against your home. A mechanic's lien is a claim against your property for the cost of the contractor's work. If you don't pay the contractor, he or she can go to court and force the sale of your home. Once you have paid in full, the contractor must cancel or remove the mechanic's lien on your property.

REVERSE MORTGAGES

What is a reverse mortgage?

With a traditional mortgage, a lender finances the purchase of your home and you make monthly payments to the lender. To qualify, the lender checks

your income to determine how much you can afford to pay back each month, and the amount you owe on the loan decreases with each monthly repayment to the lender.

With a “reverse” mortgage, you receive money from the lender and the loan is secured by your principal residence. Generally, there are no monthly repayments as long as you live in the home, and therefore, you do not need an income to qualify for a reverse mortgage. The amount you owe on the loan increases each time you receive money from the lender, and the interest is added to the outstanding loan balance. The loan is repaid when you sell your home, when you die, or when you no longer live there as your principal residence. If your home is sold and the lender is repaid, any money left over goes to you, your estate, or your heirs.

Why do people get a reverse mortgage?

A reverse mortgage can help a homeowner stay in their home and convert part of the equity in their home into cash. Many seniors use it to meet financial obligations, finance home repairs or improvements, pay health care expenses, and more.

What costs are involved in a reverse mortgage?

When Considering a Reverse Mortgage, Be Aware That:

- Lenders generally charge closing and other fees for a reverse mortgage.

- Your total debt increases over time as loan funds are given to you and the interest is charged on the balance.
- The reverse mortgage may have a fixed or adjustable rate. If it has an adjustable rate, it will likely change according to market conditions.
- Reverse mortgages use up some or all of the equity in your home, leaving fewer assets or no assets for you and your heirs.
- Because you retain title to your home, you still have to pay for property taxes, insurance, utilities, repairs, and other expenses.
- The interest on a reverse mortgage is not deductible on income tax returns until the loan is paid off in whole or part.

Should I get a reverse mortgage?



A reverse mortgage should be a last resort option. For most people, their house is their largest asset. Keeping this financial safety net as long as possible is recommended.

So you should be cautious and research your options before talking to a lender about a reverse mortgage. If you are considering a reverse mortgage as a way to remain living in your present home, compare it to selling your home and using the proceeds to buy or rent a new home.

If someone tries to sell you something, such as an annuity, and suggests that a reverse mortgage is an easy way to pay for it, be skeptical. You should fully understand what you are buying and the cost of a reverse mortgage.

MORE INFORMATION

SCAMS

Report scams

Federal Trade Commission
877-FTC-HELP (382-4357)
www.ftc.gov

Utah Division of Consumer Protection
800-721-SAFE (721-7233)
801-530-6601
www.dcp.utah.gov

Information about scams

National Consumer Law Center
www.consumerlaw.org

National Fraud Information Center
www.fraud.org

IDENTITY THEFT

Check your credit report and report identity theft

Annual Credit Report Request Service
877-322-8228
www.annualcreditreport.com

Equifax
800-525-6285 (fraud alert)
800-685-1111 (credit reports)
www.equifax.com

Experian
888-397-3742 (fraud alert and credit reports)
www.experian.com

TransUnion
800-680-7289 (fraud alert)
800-916-8800 (credit reports)
www.transunion.com

Report identity theft

Utah Attorney General's Office, Identity Theft Reporting
www.idtheft.utah.gov

Federal Trade Commission's Identity Theft Hotline
877-IDTHEFT (438-4338)
www.ftc.gov/idtheft

TELEMARKETERS

Register your phone number on the National Do-Not-Call Registry

888-382-1222
www.donotcall.gov

File a complaint against a telemarketer

Utah Division of Consumer Protection
800-721-7233
801-530-6601
www.dcp.utah.gov

Federal Communications Commission
888-CALL-FCC (225-5322)
www.fcc.gov

Federal Trade Commission
877-FTC-HELP (382-4357)
www.ftc.gov

JUNK MAIL

Get your name removed from mailing lists by registering for the mail preference service

Direct Marketing Association
www.dmachoice.org

CONTRACTORS

Check complaints against contractors or file a complaint

Better Business Bureau of Utah

800-456-3907

801-892-6009

www.utah.bbb.org

Check contractor's business license and liability insurance or file a complaint

Utah Division of Occupational and Professional Licensing

866-275-3675

801-530-6628

www.dopl.utah.gov

Information about hiring a contractor

Federal Trade Commission

www.ftc.gov

National Association of Home Builders

www.nahb.org

REVERSE MORTGAGE

Information about reverse mortgages

AARP Foundation

888-687-2277

www.aarp.org

DOOR-TO-DOOR SALES

File a complaint regarding door-to-door sales

Utah Division of Consumer Protection

800-721-7233

801-530-6601

www.dcp.utah.gov