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Consumer Complaints Up, Resources to Help, Down
Debt Collection is Fastest Growing Complaint in Latest Consumer Agency Survey

Washington, DC – State and local consumer agencies deal with problems that directly impact people's lives and their wallets. Unfortunately, the latest survey of these front-line agencies conducted by the Consumer Federation of America (CFA), the National Association of Consumer Agency Administrators (NACAA) and the North American Consumer Protection Investigators (NACPI) shows that while complaints went up, the resources to help consumers went down.

The survey of 34 state, county, and city agencies from 19 states across America provides a national snapshot of the challenges faced by consumers and government consumer protectors in 2008.

- **Sixty-two percent of the agencies reported that they received more complaints last year than in the previous year.**
- **Nearly half (47 percent) of the agencies suffered budget cuts just prior to or during the survey period; one was recently eliminated entirely.**
- **Half of the agencies said that they noticed a trend toward receiving more complaints involving small amounts of money last year than before.**
- **Debt collection topped the list of the fastest growing complaints.**
- **Mortgage-related complaints, especially foreclosure rescue scams, were most frequently cited as the worst complaints.**
- **Inadequate budgets and staffing was the biggest challenge most agencies faced.**

"It's ironic that at the same time that more people are asking state and local consumer agencies for help, their budgets are shrinking," said Susan Grant, CFA Director of Consumer Protection. "They deserve public support so they can continue to protect consumers from losing their hard-earned cash and ensure that the marketplace is fair for legitimate businesses."

Ms. Grant noted the prevalence of complaints related to credit and debt in response to many of the survey questions. "A federal agency that would focus on financial safety would help consumers and state and local consumer agencies by setting minimum standards that would not preempt state laws," Grant said.

Complaints Related to the Nation's Economic Situation

When the agencies were asked what kinds of complaints they received last year that were particularly related to the worsening economy, the responses included:

- **Aggressive debt collection tactics;**
- **False promises to help consumers repair bad credit, modify loans, settle debts, and forestall foreclosure;**
- **High-cost payday loans and bogus offers for loans with upfront fees;**
- **Fraudulent work-at-home and business opportunities;**
- **Business closings resulting in lost deposits, unused gift cards, undelivered products or services, and unfulfilled warranty repairs;**

- **False advertising and billing and cancellation issues;**
- **Tenant problems stemming from foreclosed rental properties;**
- **Unfinished construction projects;**
- **Cheating consumers on the price, quantity or quality of gasoline and home heating oil.**

“During economic hard times, consumers are even more vulnerable to phony promises to loan them money, save their homes from foreclosure, or help them make money,” said Anna Huddleston-Aycock, a Justice Analyst with the Pinellas County Florida Department of Justice and Consumer Services and President of NACPI. “Another big problem is sudden business closings, which can leave consumers without their money or the goods and services they paid for.”

The agencies that responded to the survey handled a total of more than a quarter million complaints and obtained nearly \$250 million in restitution or savings for consumers last year. “State and local agencies help to resolve problems that directly affect people’s lives and their wallets,” said Jim Rabbitt, Director of the Wisconsin Bureau of Consumer Protection and President of NACAA.

The survey showed that the most common complaints last year involved basic necessities such as cars, homes and credit. Following are the complaint categories that most frequently appeared in the agencies’ top ten lists. Their ranking in the top ten in 2007 is noted in parenthesis.

Top Consumer Complaints for 2008

1. **Auto:** (1) *Misrepresentations in advertising or sales of new and used cars, lemons, faulty repairs, leasing and towing disputes*
2. **Home Improvement/Construction:** (2) *Shoddy work, failure to start or complete the job*
3. **Credit/Debt Collection:** (3) *Billing and fee disputes, mortgage-related fraud, credit repair, debt settlement, predatory lending, illegal or abusive collection tactics*
4. **Utilities:** (5) *Service problems, billing disputes with phone, cable, satellite, Internet, electric and gas services*
5. **Retail Sales:** (4) *False advertising, defective merchandise, problems with rebates, coupons, gift cards and gift certificates, nondelivery*
6. **Services:** (9) *Misrepresentations, shoddy work, failure to have required licenses, failure to perform*
7. **Household Goods:** (6) *Major appliances and furniture, problems with nondelivery, misrepresentations, faulty repairs*
8. **Landlord/Tenant:** (10) *Unhealthy or unsafe conditions, failure to make repairs or provide promised amenities, deposit and rent disputes, illegal eviction tactics*
9. **(tie) Internet Sales:** (7) *Misrepresentations, nondelivery in online purchases; Home Solicitations:* (8) *Misrepresentations, nondelivery in door-to-door, telemarketing and mail solicitations, do-not-call violations*
10. **Health Products and Services:** (not in top 10 in 2007) *misleading claims, failure to deliver*

Real-life examples of cases from state and local agencies’ files are used to illustrate the top, fastest-growing, and worst complaints, and the report provides tips on how consumers can protect themselves in those situations. It also describes new types of complaints that the agencies received last year, how they help consumers in disaster situations, and their biggest challenges and achievements.

When asked what new laws were needed to protect consumers, the agencies made many suggestions, including outlawing debt settlement companies that take fees before providing any services, prohibiting overdraft protection unless consumers affirmatively agree to it and restricting unreasonable fees for such protection, strengthening consumers’ rights to cancel contracts and

prohibiting mandatory binding arbitration requirements for contract disputes, barring the use of devices and the fraudulent leasing of telephone numbers that allow telemarketers and identity thieves to “spoof” their identities by showing a different name or number on Caller ID, and prohibiting sub-contractors from placing liens on consumers’ property when they are not paid by the contractors.

Eight Ways That Consumers Can Protect Themselves

1. **Look at the track record.** Before you buy from unfamiliar companies, check with your state or local consumer agency, the Better Business Bureau, and online complaint forums to see if other people have reported serious problems.
2. **Hire licensed professionals.** When you’re hiring home improvement contractors or other professionals, ask your state or local consumer agency if they must be licensed or registered and how you can check to confirm that they are.
3. **Pay the safest way.** When you buy goods or services that will be delivered later, pay with a credit card so you can dispute the charges if they don’t arrive or aren’t what you were promised.
4. **Don’t pay in full upfront.** If you are asked for a deposit for home improvement or other services, pay a small amount, never the full price upfront.
5. **Recognize the danger signs of fraud.** Be suspicious of any requests to wire money; scare tactics or pressure to act immediately; promises that you can borrow, win or make money easily if you pay a fee in advance; and any situation in which someone gives you a check or money order and asks you to send money somewhere in return.
6. **Get all promises in writing.** Verbal agreements are hard to prove. Carefully read contracts or finance agreements and make sure you understand them before you sign.
7. **Seek help for financial problems from legitimate sources.** If you’re having trouble paying your bills, consult your local nonprofit consumer credit counseling service.
8. **When in doubt, check it out.** If you’re not sure what your rights are or you think something might be fishy, ask your state or local consumer agency for advice.

The complete survey report is at

http://www.consumerfed.org/pdfs/consumer_complaints_report_09.pdf

CF A is a nonprofit association of some 300 pro-consumer organizations in the U.S. NACAA and NACPI are membership organizations of consumer protection agencies at all levels of government. CFA has periodically conducted consumer agency surveys since 1992. This survey, conducted with 34 state and local CFA, NACAA and NACPI member agencies in the U.S., was completed in May 2009 and covers a one-year period, which in most cases was January-December 2008.