



**Consumer Federation of America
National Association of Consumer Agency
Administrators
North American Consumer Protection Investigators**

2007 Consumer Complaint Survey Report

July 30, 2008

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Introduction

One of the most important consumer protections and resources in the American market are the state and local consumer agencies. They provide advice to individuals, mediate complaints, educate the public, and advocate for better consumer protections. They bring civil or criminal actions to stop abusive practices, recover funds for consumers, and investigate violations for prosecution by other agencies. Some license certain professions, operate home improvement guaranty funds, run new car lemon arbitration programs, or check the accuracy of weights and measures. In disasters, these agencies are often part of the response team, providing information about how to obtain needed services and avoid the consumer rip-offs that regularly surface after a disaster. In short, these are the agencies consumers turn to in their communities when they need help. As such, they receive thousands of consumer complaints each year.

In order to provide a national snapshot on the problems facing consumers, the Consumer Federation of America and the National Association of Consumer Agency Administrators have periodically surveyed these front line consumer agencies. This time, they have been joined in this important effort by the North American Consumer Protection Investigators. This report contains the results of this survey. Thirty-nine state, county, and city agencies from 25 states, representing 19 percent of the state and local consumer agencies across the U.S., participated in this effort. The survey, completed in April 2008, covers a one-year period, which in most cases was January through December 2007¹

While the focus of this effort was to find out just what Americans are complaining about, the survey uncovered some critically important and larger issues that must be addressed, especially as consumer pocketbooks get squeezed by our current economic problems. Among the 39 different agencies, there was clear consensus on the following:

- The biggest challenge to agencies by far is **budget cuts and inadequate staffing**.
- Consumer agencies say that new laws are needed in **car sales, credit and debt collection, home improvement/construction, sales contracts, ID theft**, and other areas to give consumers better protection.
- Consumer agencies also cited the need for **greater enforcement powers** at the state and local level and **beefed-up consumer agencies** at the federal level.

The bottom line: The 39 state and local agencies that responded to the survey recovered and saved more than **\$1 billion** for consumers in the 12-month period covered. With proper staffing, sufficient resources, and more effective laws, this number could easily increase significantly. Much more importantly, the economic hardship felt by millions of American scam victims could be eased.

¹ Some agencies keep records on a different basis, such as July through June; all were asked for data for the most recent 12-month period available.

Top Ten Complaints in 2007

Following are the top complaint categories that most frequently appeared in the agencies' top ten lists:

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

In the last survey, which highlighted complaints in 2003-2004, many of the same categories were included in the top ten. However, in this new survey, some of the categories have been changed and re-grouped.²

Top Ten Complaints: Real World Examples and What Consumers Should Do

Sleazy Auto Sales: After a consumer drove away with his new Mazda Miata from a Delaware car dealer, his check bounced. Thirty days and 600 miles later, he finally relinquished the car to the dealer. It was put back on the lot labeled as "new." When the next buyer asked why it had so many miles on it, the salesman lied and said that the car had been driven to the dealership from another one. That person returned the car when he found the registration paper work for the first buyer in the glove compartment and complained to the **Delaware Attorney General's Office**. Meanwhile, the dealer sold the car a third time, again as new and with the same false statement about the reason for the mileage. Contacted by the agency, the third buyer decided to keep the car, but the dealer agreed to cease and desist from making misrepresentations in the future and paid a fine.

² The 2003-2004 survey is at <http://www.consumerfed.org/pdfs/NACAAComplaintreport.pdf>. The appendix to that survey shows the top ten complaints for 1999, 2000, 2001, 2002, and 2003-2004. No surveys were conducted for 2005 or 2006.

To protect themselves, consumers should question high mileage on new cars and ask for documentation about the car's history before deciding whether or not to purchase it.

Home Improvement Swindle: An elderly Delaware man was approached by two men who offered to clean and waterproof his roof and fix some loose shingles for \$1,300. After they started, they claimed to find a water leak and showed him water streaming down a wall. They said they would fix it but could not say how much it would cost. When they were done they gave him a bill for \$4,170. He was afraid to refuse to pay so he wrote them a check. Later, a home inspector confirmed that the only work the men did was to power-wash the roof, and the leak had been intentionally caused by knocking a hole in the roof and pouring water through it. The **Delaware Attorney General's Office** charged the men with fraud of a victim over the age of 62. Just before trial, they agreed to refund the money to that victim and 8 other seniors.

To protect themselves, consumers should ask for written estimates and check contractors' complaint records and licensing requirements before agreeing to any work.

Questionable Mortgage Payment Plan: Nationwide Biweekly Administration advertised weekly and biweekly mortgage payment plans that could build home equity "twice as fast" as making monthly payments. Consumers paid \$75 to set up the service. However, according to a lawsuit filed by the **Ohio Attorney General's Office**, while Nationwide deducted money from consumers' bank accounts every one or two weeks as agreed, it only paid their mortgage lenders once a month, so consumers did not save the money on interest they were promised.

To protect themselves, consumers should check with their mortgage lenders to confirm that payments through an intermediary are being made as promised.

Dubious Debt Collections: The **West Virginia Attorney General's Office** received a complaint from a consumer about a letter from a collection agency threatening to sue unless a 12-year old debt was paid. Thanks to intervention from the AG's Office, the company, which was not licensed to collect debts in West Virginia, agreed to close all accounts in that state with a zero balance, eliminating more than \$5,000 in debts that residents may never have owed or would have been impossible to prove that they were paid.

To protect themselves, consumers should write to the collection agency immediately to dispute any questionable debts and check with their state attorney general's office about licensing requirements for the collection agency.

Retail Rip-Off: When a Virginia woman purchased a diamond ring from Kim Thu, Inc., a local jewelry store, it came with a certificate that it was a "D color, internally flawless."

But two independent appraisers said it was a lower grade color and flawed. Furthermore, the diamond did not have a warranty required by the Kimberly Process Certification Scheme to validate that it was “conflict free” – that it did not come from places where trade in diamonds funds violent civil conflicts. The lab in Belgium that certified the diamond claimed that the gem must have been switched, but could provide no documentation for the source of the stone. The **Fairfax County Virginia Department of Cable Communications and Consumer Protection** obtained a refund of \$8,857 for the ring and the appraisal costs, and has referred the case to the FBI and U.S. Customs Enforcement.

To protect themselves, consumers should only purchase expensive jewelry such as diamonds from retailers that they know and trust or whose reputations they have checked beforehand.

Utility Hang-Up: A Tampa, Florida resident who had his telephone, cable television and Internet service with Verizon decided to switch them to a new provider, Bright House Networks. After the change was made, he discovered that the services only worked from 9 a.m. to 9 p.m. – outside of those hours, he could not get Internet access, cable television, or phone service, even to call 911. The consumer made many calls to Bright House, to no avail. After he turned to the **Hillsborough County Florida Consumer Protection Agency**, the problem, which had to do with porting his phone line from Verizon to Bright House, was fixed and the consumer received an adjustment on his Bright House bill.

To protect themselves when switching utility services, consumers should keep notes of the date of the transaction, who they dealt with, and what was promised, and test the service immediately to make sure that the promises have been fulfilled.

Household Goods Missing in Action: When High Point Furniture Store suddenly closed its doors, the **Summit County Ohio Office of Consumer Affairs** received more than 50 complaints from consumers who had been paying for items on layaway. The agency obtained refunds totaling more than \$23,000.

To protect themselves, consumers should pay for items that will be delivered in the future by credit card so they can exercise their rights to dispute the charges if the goods are never delivered.

Internet Imposter: A Florida man saw a car advertised on the Internet. He checked with the Better Business Bureau and found that the dealer had a good reputation. Responding to the ad, he was instructed to wire a \$4,000 deposit. But he never got the car. An investigation by the **Orange County Florida Consumer Fraud Unit** revealed that the scammer copied a legitimate car dealer’s Web site and used a fake passport as identification to pick up the cash from the money transfer service.

To protect themselves, consumers should never respond to requests to wire money – that’s a danger sign of fraud, since no legitimate business asks for payment to be made in that way.

Scary Home Solicitations: The **Los Angeles County California Department of Consumer Affairs** investigated complaints that a company that sells cookware door-to-door was using scare tactics to pressure consumers into buying pots and pans for thousands of dollars at high interest rates. Consumers were allegedly deceived into believing that using other brands of cookware would lead to cancer, strokes and other major diseases, and that this company’s cookware was not only better for their health but would save them money on energy and grocery bills. The company is also accused of misrepresenting the annual finance rate as 2 percent when it was actually 24 percent and of giving non-Hispanic customers better cancellation terms and financing policies than Hispanic customers. The California Attorney General’s Office is now suing the company.

To protect themselves, consumers should be wary of scare tactics used to sell household products and carefully read the terms of all finance agreements.

No-Show Photos: The **Pinellas County Florida Department of Justice and Consumer Services** received dozens of complaints from unhappy couples against a wedding photographer who took their money but never delivered the pictures of what one bride described as “the most important day of my life.” Some consumers had paid the full price, several thousand dollars, in advance. The photographer is out of business and has not responded to the complaints.

To protect themselves, consumers should only pay a small deposit, if requested, for services to be provided in the future, never the total cost upfront.

The Landlord/Tenant Blues: A couple left homeless by Hurricane Katrina in Louisiana relocated temporarily to Maryland. Initially they lived in a motel, but when the payments for that from the Federal Emergency Management Agency ran out, they found a landlord who was willing to rent them an apartment on a short-term basis. The verbal agreement was that that they would stay for two or three months and when they were ready to return to Louisiana, they would give a 30 day notice and pay one additional month’s rent. But when they notified the landlord that they were leaving, he insisted that they had committed to a year’s rent and demanded more than \$2,000, which they refused to pay. The landlord also placed negative information on their credit report, making it very difficult for the couple to resettle. The **Howard County Office of Consumer Affairs** came to their rescue, negotiating for them to pay one month’s rent plus an outstanding utility bill, and for the landlord to remove the negative information from their credit file.

To protect themselves, consumers should ask for agreements to be in writing instead of relying on verbal agreements.

Other types of complaints that some agencies reported among their top ten included: bogus **business opportunities**; **club memberships** that consumers were billed for without authorization or that were misrepresented; misleading solicitations for **investments**; ineffective **health products and services**; **ID theft**; **insurance** disputes; sales of **unsafe products**; misrepresentations in **real estate sales**; unsatisfactory **travel services**; high-pressure sales of **extended warranties and service contracts**; and cheating consumers in **weights and measures**.

Top Five Fastest-Growing Complaints

The agencies were asked what types of complaints had increased during the survey period compared to the previous year. The shady practices that have recently been in the news clearly account for the increase in complaints about **mortgage fraud and foreclosure scams**. The top five fastest-growing complaint categories were:

1. **Home improvement/construction**
2. **Internet sales**
3. **Mortgage fraud/foreclosure scams**
4. **Credit/debt collection**
5. **Fake check scams**

Top Five Fastest-Growing Complaints: Real World Examples and What Consumers Should Do

Bait and Switch Mortgage Scam: As a result of an investigation by the **Los Angeles County California Department of Consumer Affairs**, Lifetime Financial faces a civil lawsuit by the California Attorney General and the operators have also been charged criminally by the San Bernardino County District Attorney for conspiracy, grand theft, forgery and elder abuse. Lifetime promised consumers low mortgage payments, and then switched them to loans with high adjustable rates and fees. Some consumers, unable to pay hidden fees of as much as \$20,000, lost their homes to foreclosure.

To protect themselves, consumers should read all loan agreements carefully and be sure they understand the terms.

False Foreclosure Help: A Georgia company advertised through the Internet and by mail that it could help consumers whose mortgages were in danger of foreclosure. It charged \$400 to \$500 plus additional amounts for appraisals, title searches, and other services in connection with obtaining new loans for homeowners to pay their arrearages. However, according to the **Georgia Governor's Office of Consumer Affairs**, none of the services promised were ever provided and most, if not all of the consumers who participated in the program have lost their homes. The investigation is ongoing.

To protect themselves, consumers who face foreclosure should seek advice from their state or local consumer protection agency about how to find legitimate sources of assistance.

Another fast-growing subject of complaint, **fake check scams**, involves situations in which consumers are lured with plausible stories into depositing realistic-looking checks or money orders and wiring a portion of the funds somewhere. By the time the checks are discovered to be phony, the money has been sent to the crooks and consumers owe it back to their banks. Some victims have even been arrested for check fraud.

Fake Check Fiasco: An elderly West Virginia man responded to an email offering an opportunity to make money working at home by processing payments for the owner or an art gallery in England. For every check he processed, he would receive a 10 percent commission. He agreed and in short order received a package with six \$500 traveler's checks. Following instructions, he deposited them in his bank account and wired the money, minus his commission, to a supposed associate of the gallery owner. Several weeks later, when he went to the bank with more checks, he was told that the previous checks were counterfeit and the police were summoned. They arrested him and took him away in handcuffs. Contacted by the man's neighbor, the **West Virginia Attorney General's Office** assisted in getting the charges dropped and unfreezing his bank account so that he could recover access to his monthly social security payments.

To protect themselves, consumers should never agree to accept a check or money order if they are asked to wire money anywhere in return.

Other fast-growing complaints cited by agencies included: **landlord/tenant** problems; telemarketing **do-not-call** violations; high pressure sales of **extended warranties and service contracts**; problems related to **business closures** such as nondelivery and failure to honor gift certificates; bogus **lotteries**; **financial abuse of older people**; complaints from small businesses about **advertising rip-offs** or other misrepresentations; and **Internet fraud**.

Top Five Worst Complaints

The worst complaints were based on the number of consumers affected, whether the victims were particularly vulnerable because of age, income or other factors, or any other criteria that agencies chose to use. The top five worst complaint categories were:

1. **Home improvement/construction**
2. **Mortgage fraud/foreclosure scams**
3. **Fake check scams**
4. **Internet fraud**
5. **Payday loans**

Top Five Worst Complaints: Real World Examples and What Consumers Should Do

Payday loans are short-term loans that typically charge very high interest rates and other fees and are secured by a consumer's check. They are often renewed repeatedly if the

borrowers cannot pay them off. Consumers who are in financial distress can end up in a never-ending cycle of debt because of these high-priced loans.

Case of the Shrinking Check: A South Carolina woman whose sole means of support is a Social Security disability payment of about \$630 per month heard from neighbors in her low-income community about a local financing company that provided small loans. She approached the company and took out a loan for \$1,000. Embarrassed to say that she was illiterate, she signed the contract without it being read to her or understanding the terms. Among those terms was a requirement that she cash her disability check at the loan company each month. To ensure compliance with this, the company changed the mailing address for her disability payments to another address, from which they were forwarded to the company. Each time the company cashed the checks it deducted \$100-\$150 for the loan payments and check cashing fees. With the amount of her income reduced by 25 percent due to these payments, bills piled up, and the woman was offered more loans. An investigation by the **South Carolina Department of Consumer Affairs** revealed that this woman was not the only person caught in a perpetual debt cycle with this financing company; her daughter (a woman in her 20s, also on disability) and several elderly neighbors were in similar positions.

Debt Merry-Go-Round: An Arkansas couple paid more than \$2,000 in fees and interest to six different payday loan stores within four months. The amounts borrowed ranged from \$300 to \$600, with the full amounts due in two weeks. Four of the lenders gave separate loans to both the husband and the wife during the same time period. At times, the couple had up to seven loans due on the same day. The finance charges ranged from \$35 to \$89 per loan; annual percentage rates of 295 percent almost 500 percent. The couple regularly renewed most of the loans the same day they became due. As a result of a pay-day loan crack-down by the **Arkansas Attorney General's Office**, three of the lenders so far have agreed to void the transactions.

To protect themselves, consumers who are having difficulty paying their bills should get advice from a local nonprofit credit counseling service.

Not Really Dead: When a West Virginia couple bought pre-need funeral services from the Runner Funeral Home for themselves and their disabled son, they felt good about having those arrangements in place and paid for in advance. The money was to be placed in certificates of deposit at a local bank. But when the wife checked with the bank because she was not receiving statements for the CD for her son, she discovered that not only had the funds never been deposited for him, but that the funeral home owner had withdrawn the money from her husband's CD, claiming that he had died and presenting the bank with a phony death certificate. The couple was able to recover the money through the state pre-need funeral guarantee fund. The **West Virginia Attorney General's Office** had the funeral home's license to sell pre-need services revoked and the proprietor is being prosecuted.

To protect themselves when their funds are supposed to be placed in trust accounts, consumers should monitor their statements and immediately inquire if they don't receive them or if there are any discrepancies.

Phony Profits: The **Utah Division of Consumer Protection** investigated a number of complaints about business opportunities in which consumers purchased software and instructions to help them set up Web-based businesses and then received calls from “partners” of the business opportunity sellers offering “coaching services,” for several thousand dollars, to help them make their businesses successful. After spending the additional money, the consumers realized that the promises about how much they would earn were empty.

To protect themselves, consumers should ask for references of other people who have purchased the business opportunity and contact them to ask whether their experiences matched the promises for success that the company made.

Charity Cheats: A center for protecting abused women complained to the **Utah Division of Consumer Protection** about a man who was soliciting money door-to-door purportedly on its behalf but was not turning any contributions over to it. When contacted about the complaint, the man first claimed that he was sending the money that he was collecting to other battered women’s groups, but after the agency asked to look at his records, he admitted to using the money for his own personal expenses. Another case involved a charity that solicited money for sending veterans to Washington, DC to see the World War II memorial. The director of the charity misappropriated the money and the flights were canceled. However, others involved in the organization organized another charity and raised enough money to fly the vets as originally planned. Both cases have been referred to law enforcement agencies for criminal prosecution.

To protect themselves, consumers should ask their state attorney general’s office if the charity is properly licensed or registered and how donations are used before they agree to give.

Finance Finagling: More than 1,700 consumers have complained to the **Virginia Department of Agriculture and Consumer Services** about Financial Alternatives, Inc., a Virginia company that offered to finance computer purchases and failed to deliver as promised. Consumers were referred to the company by Dell when they called to order computers and failed to qualify for credit. Financial Alternatives provided credit on costly terms – a \$350 computer would cost five times as much once all the payments were made. Consumers were to receive the computers after paying for three months and continue to make payments for another nine months. But Financial Alternatives often delayed delivery and in some cases never delivered the computers even after consumers paid in full, or delivered refurbished computers instead of the new ones consumers were promised. The Virginia Attorney General’s Office has brought suit against Financial Alternatives. It is not clear what steps, if any, Dell took to research the finance company to which it was referring customers and prevent this abuse.

To protect themselves, consumers should save for major purchases instead of agreeing to high-cost financing that significantly adds to the total cost of the item.

Home Improvement Horror Story: Seven homeowners made complaints to the **District of Columbia Department of Consumer and Regulatory Affairs** against a contractor for failing to complete work and, in two instances, damaging their property. After being contacted about the complaints, the contractor sued the consumers and the department for slander. The department is suing the contractor to try to recover a total of \$503,000 for the consumers.

To protect themselves, consumers should ask for references and talk to other homeowners for whom the contractor has done work, and withhold enough payment until the end of the job to cover any work that is not completed or damage that the contractor may cause.

Pet Care Nightmare: A New Jersey woman brought her \$2,500 English bull dog to stay at a “pet resort” boarding facility while she was on vacation. When she returned, she was told that the dog was being groomed. After waiting several hours she was informed that the dog had died, apparently from becoming overheated in the drying room after being groomed. Through the **Somerset County New Jersey Division of Consumer Affairs**, the woman received restitution.

To protect themselves, consumers should check the complaint records of service providers with the Better Business Bureau, state or local consumer protection agencies, and other sources of information such as online complaint forums.

Unsafe Product Roundup: The **Connecticut Department of Consumer Protection** seized counterfeit and dangerous toothpaste imported from South Africa and China from the shelves of discount and dollar stores around the state. The toothpaste, which had been recalled but was still being sold, contained diethylene glycol, which is a chemical used in anti-freeze. It can cause liver and kidney damage, and even death.

To protect themselves, consumers should keep up with the latest recalls that are listed in newspapers, in magazines, and online, and report any recalled items that are still being sold to their state or local consumer agencies.

Empty Pool Promises: A Sacramento company, Imperial Pools doing business as Aquarius Pools, suddenly halted work, leaving 60 consumers with partially completed pools and many subcontractors unpaid. The Contractors State License Board in the **California Department of Consumer Affairs** investigated and, with the help of a forensic accountant, found that the business managers used consumers’ money to buy a timeshare in Mexico, take vacations, pay for season’s tickets to sporting events, and for other personal expenses. They now face criminal charges for fraud and filing false tax

returns. The agency worked with a pool industry association to find contractors willing to complete the pools for the consumers at reduced prices.

To protect themselves, consumers should ask for references and talk to others for whom the contractor has done work before hiring the company, and never pay the full amount upfront.

Tale of the Wayward Taxidermist: Thirteen consumers have complained to the **Montana Attorney General's Office** that several months after their "once in a lifetime hunting trips," they discovered that the taxidermist to whom they gave their trophy animals had gone out of business, leaving his freezers disconnected and the animal hides to rot.

To protect themselves, consumers should get contracts that clearly state the time period within which the services will be completed and keep in regular touch with the service provider to ensure that the work is proceeding on track.

Oil Heist: The **Nassau County New York Consumer Affairs** participated in a joint operation with the FBI and IRS regarding a \$75 million scheme to cheat consumers by rigging meters on heating-oil trucks and reselling the oil it charged them for but did not deliver on the black market.

To protect themselves, consumers should know how much oil their tanks hold and keep track of their usage and the quantities that are supposedly delivered to them to detect any discrepancies. Suspicions about short measures should be reported to the local weights and measures inspector.

Dealing with Disasters

In disaster situations, state and local agencies helped consumers find the government services they needed and avoid fraud. They also took action when consumers were taken advantage of in disaster-related scams. Examples include:

Wildfires: The **California Department of Consumer Affairs** and the **Los Angeles County Department of Consumer Affairs** reached out to wildfire victims to provide information about how to rebuild their lives, access government services, deal with insurance adjusters, and avoid contractor fraud. The Contractors State License Board, which is part of the state consumer affairs department, conducted several sting operations in which contractors were invited to homes that were burned to bid for work and were arrested if they were unlicensed.

Tornadoes, hail storms and floods: In Wisconsin and other parts of the country, disaster situations result from tornadoes, hail storms, and flooding. The **Wisconsin Department of Agriculture, Trade and Consumer Protection** provided advice on its Web site and sent representatives out to affected areas to advise consumers about the

resources available to them and deter “storm transients,” unlicensed contractors that prey on storm victims. In Pennsylvania, the **Bucks County Consumer Protection Office** set up help centers to assist consumers after a flood. After a major hail storm, the **North Dakota Attorney General’s Office** created a task force to send investigators to job sites to check on the licensing of people who were repairing roofs and removing dents.

Hurricanes: Many consumers in Florida invest in home improvements designed to provide stronger protection from hurricane damage. The **Pinellas County Florida Department of Justice and Consumer Services** investigated several companies that took large deposits from consumers for hurricane windows and shutters that they never delivered. Some of the companies have filed for bankruptcy. Complaints against one have been referred to the Florida Department of Law Enforcement. The **Louisiana Department of Justice** is still dealing with contractor fraud in the wake of Hurricane Katrina.

Mortgage crisis: The crisis that many homeowners have been facing recently as a result of lending abuses was viewed by some agencies as a man-made disaster. The **Montgomery County Maryland Office of Consumer Affairs** created a triage program to direct consumers who contacted it for help to the resources that best fit their needs. The agency also participated in the Governor’s Foreclosure Task Force, which produced a report that served as the basis for emergency legislation that included a 45 day moratorium on foreclosures and a longer foreclosure process.

Biggest Achievements

Several agencies said that helping homeowners caught in the mortgage crisis was their biggest achievement. Agencies also brought cases to stop other types of abuses and made internal changes to improve the services that they provide:

Autos: The **Georgia Governor’s Office of Consumer Affairs** rewrote its guidelines for dealers on Automobile Advertising Enforcement Policies. The **Delaware Attorney General’s Office** obtained judgments and cease and desist agreements from some large auto dealers to stop abusive practices.

Buyers Clubs: The **Arkansas Attorney General’s Office** settled with a company that allegedly tricked consumers into paying for memberships in discount buyers clubs. Consumers were offered free trial memberships without being adequately informed that if they did not cancel within a certain time their credit cards would be charged.

Charities: The **Wisconsin Department of Agriculture, Trade and Consumer Protection** brought a Rico prosecution against a nationwide fake charity telemarketing firm.

Counterfeit Goods: The **Johnson County Kansas District Attorneys Office** executed search warrants against two businesses marketing counterfeit goods such as high-end

purses, wallets and sunglasses. They stopped their illegal activities and pled guilty to criminal violations as well as paying civil fines and fees.

Credit: The **South Carolina Department of Consumer Affairs** published a report about a State of Credit Counseling in South Carolina Report.

Elder Abuse: The **West Virginia Attorney General's Office** partnered with AARP to create an ElderWatch program that provides consumer education and assistance to older residents through events such the Consumer University and Credit Round-Up. The **Virginia Beach Consumer Affairs Program** initiated CASE (Communities Against Senior Exploitation), a partnership with Adult Protective Services and community groups, which now has 23 partners and issues monthly fraud alerts that reach more than 7,000 people.

Home Improvement/Construction: Because home improvement is the most prevalent complaint that it receives, the **District of Columbia Department of Consumer and Regulatory Affairs** created a special unit to deal with it and launched a campaign, "Don't Get Nailed," that combined consumer education and enforcement action, including a sting to snare unlicensed contractors. The **Orange County Florida Consumer Fraud Unit** conducted also conducted a sting, which resulted in seven contractors pleading guilty to misdemeanor or felony charges. The **Bucks County Pennsylvania Consumer Protection Office** worked on the prosecution and conviction of several contractors. The **Schenectady County New York Department of Consumer Affairs** conducted 12 educational programs to help consumers learn how to hire contractors and protect themselves from fraud. The **Cape May County New Jersey Consumer Affairs Office** returned \$33,000 to a consumer from a contractor. The **Delaware Attorney General's Office** obtained judgments and cease and desist agreements from some large home builders.

ID Theft: The **Somerset County New Jersey Division of Consumer Affairs** organized a paper shredding project in conjunction with the county fair. Three tons of paper was shredded and recycled. The **Montana and North Dakota Attorneys General** helped to get new laws passed in their states that enable consumers to put security freezes on their credit files.

Improving Internal Systems: The **Pinellas County Florida Department of Justice and Consumer Services** used investigative analysis software to help it chart activities of local businesses involved in telemarketing fraud and aid in investigations against some major telemarketing operations. The **District of Columbia Department of Consumer and Regulatory Affairs** implemented a new Oracle database that provides comprehensive tracking system for complaints. The **Utah Division of Consumer Affairs** converted processes to electronic, and from hard-copy file system to digital retention system, working to make it possible for more of its business to be done online.

Internet Service: The **Arkansas Attorney General's Office** joined 47 other states and District of Columbia to reach an agreement with AOL that required the company to make

significant changes in the way it handles consumers' requests to cancel their service. AOL made it confusing and difficult for consumers who wanted to cancel to do so. AOL agreed to refund consumers who wanted to cancel and couldn't and paid \$3 million to the states. Arkansas used its share of the settlement for its consumer education and enforcement efforts.

Mortgage Crisis: The **Hillsborough County Florida Consumer Protection Agency** worked on a major racketeering case against eight defendants, resulting in prison time. The **California Department of Consumer Affairs** put information on its Web sites, made special phone center recordings, coordinated outreach efforts, and held town hall meetings to inform consumers about their rights and available resources. The **Ohio Attorney General's Office** implemented the Ohio Homebuyers Protection Act to combat predatory mortgage lending. The **Howard County Maryland Office of Consumer Affairs** obtained a restraining order against a "foreclosure rescue" company that purchased a home and leased it back to the owners, then attempted to have them evicted. The **South Carolina Department of Consumer Affairs** published a report on mortgage fraud in that state.

Public Outreach: LA Co. CA, Public Information and Community Outreach Program. The **Florida Department of Agriculture and Consumer Services** implemented a program to teach high school students in grades 11 and 12 basic consumer survival skills, empowering them to make informed decisions about basic consumer transactions such as buying cars, car repairs, landlord/tenant, credit reporting and scoring, responsible credit card use, and ID theft. The **South Carolina Department of Consumer Affairs** obtained funding from legislature to create a Media Center which enables the agency to do video streaming, podcasts, and public service announcements.

Web Sites: The **Tennessee Division of Consumer Affairs** posted a Buyer Beware list on its site, which is updated at least once a week, to warn consumers about businesses that have a track record of problems. The **Arkansas Attorney General's Office** created a Spanish-language version of its Web site

Biggest Challenges

Budget and Staffing: This was cited by 26 agencies as their biggest problem. It includes budget and staff cuts, hiring freezes, and mandates to do new things with no additional funding.

In Florida, property tax rollbacks have affected county agencies significantly. The **Virginia Beach Consumer Affairs Office** was nearly eliminated but had a last-minute reprieve. In Wisconsin, deregulation of much of the telecommunications industry has shifted complaints from the state utilities regulator to the consumer protection agency, resulting in increased workload with no increased funding. Also new laws creating new violations, while needed – for instance, for mortgage foreclosure rescue scams – often do not provide funding to compensate for more staff or other resources. To keep morale up, the **Fairfax County Virginia Department of Cable Communications and Consumer**

Protection instituted an “investigator of the day” award to motivate employees who are dealing with increasing amount of advice calls and demands for more consumer education outreach.

Other challenges that agencies listed included:

- Lack of training opportunities.
- Serving needs of an increasing diverse population.
- Dealing with scams from overseas.
- Getting the message out to consumers effectively and increasing the agency’s visibility in the community.
- Laws with no or inadequate penalties. For instance, while local consumer agencies can help to enforce the New Jersey Home Improvement Registration Act, it does not provide the ability to fine contractors for violations, which would help to ensure compliance with requirements such as including the registration number in advertisements for contractors’ services.
- Keeping up with trends, as fraud and innovations in the marketplace evolve quickly.
- Keeping up with technology.
- Having to turn cases over to other agencies in some cases rather than prosecuting them themselves.

New Laws Needed

Agencies provided many suggestions for new or improved legal protections for consumers, including:

Auto:

- In states where towing companies are regulated locally, enact statewide regulation to provide consistent protection and prevent abuses.
- Enact state laws to protect auto buyers that trade in or consign cars for sale. For instance, the California Consumer Motor Vehicle Recovery Corporation Law established a fund to which \$1 from every car sale is dedicated to compensate consumers if the liens on their trade-ins or consigned vehicles are not paid off by the dealer as promised, or who buy used cars that cannot be registered because the dealers have not obtained clear title.
- Provide a three-day cancelation right for car buyers to counteract high pressure sales tactics.
- Strengthen new car lemon laws. For example, Georgia recently revised its new car lemon law to include as “consumers” businesses that purchase up to ten new vehicles a year and cover trucks up to 12,000 pounds, lengthen the period covered by the law from 1 year or 12,000 miles to 2 years or 24,000 miles (whichever comes first), and cap the deduction for mileage from the refund when a lemon is bought back to the number of miles at the time of the first repair attempt.
- Enact used car lemon laws in states that do not have them.

Cell Phones:

- Enact regulations to require written contracts, in large type, that clearly describe the specific calling plan and spell out the terms for cancelation, termination fees, and other material terms.

Contracts:

- Expand the federal Three-Day Cooling-Off Rule for door-to-door sales to cover all contracts for consumer purchases, no matter how the transactions are made.

Credit/Debt Collection:

- Eliminate federal preemption that prevents states from taking action against national banks on issues related to credit and banking.
- Require better disclosures so that consumers entering into credit and mortgage agreements understand the terms.
- Cap interest rates that payday lenders can charge.
- Limit fees that credit card issuers can charge.
- Enact federal and state legislation to protect consumers from mortgage fraud and foreclosure rescue scams.
- Implement criminal penalties for mortgage fraud.
- Enact laws that enable consumers who are victims of mortgage fraud to stay in their homes.
- Provide stronger protections for consumers against abusive debt collection practices.

Enforcement:

- Give local consumer agencies the power to enforce state laws.
- Increase penalties for violating deceptive trade practice laws. For example, change monetary penalties from a per-violation basis to a per-day basis, and increase the amount of penalties when the victims are elderly.
- Give consumers private rights of action to enforce consumer protection laws.
- Enact a federal law prohibiting mandatory arbitration clauses in consumer contracts, which prevent them from taking their disputes to court.

Federal Agencies:

- Alleviate the increased workloads for state and local agencies caused by inaction at the federal level by providing more funding for federal agencies such as the Consumer Product Safety Commission, the Food and Drug Administration, the US Department of Agriculture, and the Federal Trade Commission.

Fraud:

- Require money transfer services to ask for additional identification when people pick up the cash to prevent con artists from using them as a means of obtaining payment from fraud victims.
- Impose criminal penalties, including jail time, when consumers are defrauded, especially older consumers.

Gift Cards:

- Prohibit expiration dates and charges for non-use over time.

Home Heating Oil:

- Regulate the prices that consumers can be charged for home heating oil.
- Give consumers stronger protection against abusive practices such as failure to honor heating oil contracts and service agreements.

Home Improvement/Contracting:

- Require licensing or registration for contractors in states where that requirement does not exist.
- Give agencies the ability to suspend or revoke licenses to keep bad contractors from continuing to victimize consumers.
- Create guarantee funds in every state to provide restitution to consumers and require contractors to pay into the funds if they have violated the law.
- Require developers to post bonds in case they don't finish building or there are defects in their work.
- Prohibit developers from charging consumers for amenities such as pools and fitness centers until they are built and available for use.

ID Theft:

- Enact laws that enable consumers to put freezes on their credit files.
- Require that businesses holding consumers' personal information must secure it properly and dispose of it in a secure manner.
- Require businesses to notify consumers when their personal information has been breached and to help them with any problems that result.

Licensed Professions:

- Make it a felony to practice a licensed profession without a license.

Travel Clubs:

- Regulate clubs that charge membership fees for discounted travel.

Methodology

Thirty-nine state, county, and city agencies from 25 states, representing 19 percent of the state and local consumer agencies across the U.S., responded to the survey, which was conducted from March to April 2008. The list of agencies is appended to this survey report.

The survey covers a one-year period, in most cases January through December 2007 (some agencies keep records on a different basis, such as July through June; all were asked for data for the most recent 12-month period available).

Since there is no uniform set of complaint categories that all agencies use, the survey posed open-ended questions such as “List the top ten subjects of complaint to your agency received during the survey period, with 1 being the highest number of complaints.” Some agencies use general complaint categories, while others break complaints into more specific categories. For instance, some record all car-related complaints in one “Auto” category; others have separate categories for new car sales, used car sales, auto repairs, auto leasing and towing. Some include complaints about telephone services in utilities; others use a separate category for communications services. CFA grouped complaints under general subject headings as necessary and calculated the top complaints by the frequency with which agencies cited them.

The thirty-nine agencies reported recovering or saving a total of \$1,137,903,720.00 for consumers during the survey period.

Agencies were contacted by CFA to provide specific examples of complaints. Not all agencies provided the names of the businesses. In some cases, that information is not publicly available because the investigation is ongoing or because of the terms of a settlement. When business names were provided, CFA included them in the report.

Appendix

State and Local Consumer Protection Agencies Participating in CFA/NACAA/NACPI 2007 Complaint Survey

Arkansas Attorney General's Office

Bucks County Pennsylvania Consumer Protection

California Department of Consumer Affairs

Cape May County New Jersey Consumer Affairs

City of Chicago Department of Consumer Services

Connecticut Department of Consumer Protection

Delaware Attorney General's Office

District of Columbia Department of Consumer and Regulatory Affairs

Fairfax County Virginia Department of Cable Communications and Consumer Protection

Florida Department of Agriculture and Consumer Services

Georgia Governor's Office of Consumer Affairs

Hawaii Office of Consumer Protection

Hillsborough County Florida Consumer Protection

Howard County Maryland Office of Consumer Affairs

Hyannis Massachusetts Consumer Assistance Council

Iowa Attorney General's Office

Johnson County Kansas District Attorney's Office

Greater Lawrence Massachusetts Consumer Protection Program

Los Angeles County California Department of Consumer Affairs

Louisiana Department of Justice

Montana Department of Justice

Montgomery County Maryland Office of Consumer Protection

Nassau County New York Consumer Affairs

New York State Consumer Protection Board

North Dakota Attorney General's Office

Ohio Attorney General's Office

Orange County Florida Consumer Fraud Unit

Pinellas County Florida Department of Justice and Consumer Services

San Francisco District Attorney's Office

Schenectady County New York Department of Consumer Affairs

Somerset County New Jersey Division of Consumer Affairs

South Carolina Department of Consumer Affairs

Summit County Ohio Office of Consumer Affairs

Tennessee Division of Consumer Affairs

Utah Division of Consumer Affairs

Virginia Beach Consumer Affairs Program

Virginia Department of Agriculture and Consumer Services

West Virginia Attorney General's Office

Wisconsin Bureau of Consumer Protection