



Consumer Watch

A Monthly Newsletter from the Connecticut Department of Consumer Protection

William M. Rubenstein, Commissioner

Dannel P. Malloy, Governor

www.ct.gov/dcp

Vol. 2, No. 10 March 2013

In This Issue

- 1 Become a Smarter Consumer
- 2 Learn to Read these "Scam Signals"
- 2 Payday Loans: Quick Cash, High Cost
- 3 Prepaid Cards Can Be Convenient for Scammers, Too
- 3 True or False

Suggested Links

[ct.gov/dcp](http://www.ct.gov/dcp)

Our website offers the latest and most comprehensive information that we have on dozens of consumer-related topics!

<https://www.elicense.ct.gov>

To verify a license, permit or registration, or to run a roster of licensees. Also, the place for online renewal!

SmartConsumer.ct.gov

Our newest, website with easy-to-find help for spotting and avoiding fraud and scams. Consumer Info for all ages!

Contact Us

www.ct.gov/dcp

dcp.communications@ct.gov

Find us on facebook

Unsubscribe

To unsubscribe to Consumer Watch, **control-click here** and press "send"

Become a Smarter Consumer at SmartConsumer.ct.gov

National Consumer Protection Week is observed annually, and this year it ran from March 3rd through March 9th. Each participating state and each organization can choose how they want to observe Consumer Protection Week, so we decided to create SmartConsumer.ct.gov, a new website to provide easy-to-find information to help consumers of all ages avoid being scammed. We believe that consumer protection issues are worth your attention every week of the year, so we'll continue to update this website going forward.



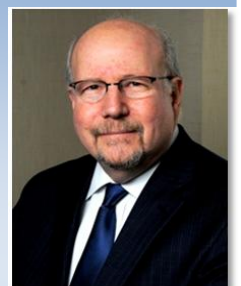
Because we understand that at every age and stage of one's life, some scams and issues are more prevalent or worrisome, SmartConsumer.ct.gov presents information by age category to help users find it more easily.

For example, parents of young children need to beware of unsafe products, and need to know that identity thieves can take their child's information and use it either to create a whole new identity for criminal purposes, or to build a credit history that can be used to their benefit. The child might not find out about this theft until he tries to get a job or a car loan when he's 18, 21, even 25. By then, the scammers will be gone.

More, page 4

From Commissioner Rubenstein

In preparing for national Consumer Protection Week, observed each year during the first week of March, we reflected on how every day in Connecticut, someone falls victim to some scheme that was dreamed up last week or 50 years ago, either locally or in some far away country. We understand that though we can't be everywhere, a key part of our mission is to protect consumers from financial fraud and scams. Given the scope of the problem and the wide variety of scams out there, for Consumer Protection Week we prepared a permanent outreach effort to help consumers recognize many common scams so they can avoid being defrauded. The result is a new consumer website, www.smartconsumer.ct.gov. This issue of *Consumer Watch* includes highlights from that new site. I hope you'll visit!



William M. Rubenstein

Learn to Read these "Scam Signals"

There are many types of frauds and scams, but they all have some things in common. Here are some very common scam signals. If you see any of these when you are in touch with a business, telemarketer, or person, be very careful, especially if **they** contacted **you**. In general, it is probably a scam if someone:

- Makes you an offer that sounds too good to be true
- Promises you that you can win money, make money, or borrow money easily
- Asks you for money to enter a contest, win a sweepstakes or lottery, or claim a prize
- Refuses to send you written information before you agree to buy or donate
- Refuses to give you a physical address or gives you a fake address
- Refuses to give you details of the offer before you make any payment, or provides details that you don't understand
- Asks for your bank account or credit card number, when you are not making a purchase with that account
- Requests information such as social security number, date of birth, or driver's license number without a valid, required reason
- Contacts you to ask for information that the company should already have
- Uses scare tactics or pressures you to act immediately
- Insists that you wire money or have a courier pick up your payment
- Asks you to make payment using a pre-paid card or has you buy a pre-paid card to make a payment
- Refuses to stop calling after you've asked not to be called again
- Gives you a check or money order and asks you to cash it and send some of the money somewhere
- Warns you that you shouldn't tell anyone else about the offer.

Payday Loans: Quick Cash, High Cost



Ads for payday loans, cash advance loans, check advance loans, post-dated check loans, or deferred deposit loans are everywhere. They say that for a small fee, you can borrow enough to make it to your next pay day. But these short-term, high-rate loans come at a very high price. People who borrow this way are often never able to get out of debt.

How these loans work

A borrower writes a personal check payable to the lender for the amount the person wants to borrow, plus the fee they must pay for borrowing. The lender gives the borrower the cash amount of the check minus the fee, and agrees to hold the check until the borrower's next payday. Sometimes, with the borrower's permission, the lender deposits the borrowed cash — minus the fee — into the borrower's checking account electronically. Then the borrower debits the borrowed amount from the lender's bank account on the next payday. The fees on these loans are often a percentage of the amount borrowed. Or, flat fees can be charged depending on the amount borrowed.

Payday loans are *very expensive credit*. For example, say you need to borrow \$100 for two weeks. You write a personal check for \$115. The \$15 is the lender's fee. The lender agrees to hold your check until your next payday -- two weeks away. When that day comes around, you will have paid \$115 for a \$100 two-week loan.

If money is still tight, you might roll over the loan for another two weeks, but you'll be charged \$15 more. When you finally pay up, you will have paid \$130 for a \$100 loan for 30 days. That equates to an annual percentage rate of several hundred percent!

The federal Truth in Lending Act treats payday loans like other types of credit: lenders must disclose the cost of the loan

More, page 4

Pre-Paid Cards Can Be Convenient for Scammers, Too

In the past year, we've learned of more than a few scam attempts in which pre-paid cards are the vehicle used by scammers to collect swindled loot.

In our August 2012 issue, we described the growing popularity of prepaid cards -- plastic cards that you "load" money on from your existing funds (cash, savings or checking account). You can use the prepaid card to spend up to that amount, and then "reload" more funds once the balance is used up. A benefit to this type of card is that once you spend the money on the card, you don't owe a bill, since you were already using your own money.

Scammers find these pre-paid cards well-suited to stealing cash from unwary consumers. During at least three time periods in the past year, consumers have told us that they were called by someone claiming to be from a Connecticut utility company, telling them that they have an overdue bill. The scammer told the consumer that the only way to avoid a shut-off or further legal action was to pay the bill immediately using a pre-paid card. Consumers were instructed to visit their local supermarket or drug store and buy a certain card, such as a "Green Dot" card, and load a specific amount of cash on it to pay their "overdue" bill. (The requested amount was typically more than \$100.) Then, the consumer was to call a phone number they were given, and provide the "utility representative" with the serial number from the back of the card. The serial number allows a scammer to transfer money from the victim's card onto one of his cards.

Scammers can be very convincing, and some consumers were convinced enough to fall victim to this scheme.

Why scammers use prepaid cards

- Unlike stolen checks, debits from checking or savings accounts, or credit card charges, prepaid cards are hard to trace. Like cash, once the money is gone, it's gone.
- No photo identification is needed to collect or spend money loaded on a prepaid card
- One pre-paid card can be loaded with thousands of dollars
- Transactions are quick

How to protect prepaid cards

- Never give anyone the serial number
- Do not send prepaid cards in the mail
- Never give another person the receipt from something you bought with your prepaid card
- When you buy online from an unfamiliar website, an auction or a classified, if the seller requires you to pay with a certain type of prepaid card, make sure that seller is approved by that card company. **If the seller is not approved, they may not be legitimate.** For example, if you are told you must pay with a "green dot" card, you can check online to see if that seller is approved by the "green dot" company. Stores that accept the green dot card are listed on the company's website at <https://www.moneypak.com/WhoAccepts.aspx>. Other prepaid cards also list their approved partners on their websites.
- If you receive a call, text message or email saying that you have won a prize or have an overdue bill, and in order to collect the prize or pay the bill you must buy a prepaid card, hang up or ignore the message.
- If the scammer claims to be from a specific company, help others from being scammed by letting the company know about the fake phone call or message. For your peace of mind, you can also confirm that your account is okay. Please also tell the Department of Consumer Protection. Give us as much information as you can. You can email us at dcp.frauds@ct.gov.

True or False?

Job scams make money by getting **you** to pay for the chance of landing a job. **True or False?**

Answer, page 4

Pay Day Loans, continued from page 2

Payday lenders must tell you the finance charge (a dollar amount) and the annual percentage rate deposits the check; you've (APR) in writing before you sign for the loan. The APR is based on several things, including the amount you borrow, the interest rate and credit costs, and the length of your loan.

Less Expensive Options

Instead of getting involved in expensive credit schemes like pay day loans, try one or more of the following strategies.

Consider a small loan from your credit union or a small loan company. Some banks may offer short-term loans for small amounts at competitive rates. A local community-based organization may make small business loans. A cash advance on a credit card also may be possible, but it may have a higher interest rate than other sources of funds. Find out the terms before you borrow from your credit card. In any case, shop first and compare all available offers.

Contact your creditors or loan servicer as quickly as possible if you are having trouble with your payments, and ask for more time. Many will work with consumers who they believe are acting in good faith. They may offer an extension on your bills. If they do, find out what the charges are for that service.

Contact your local consumer credit counseling service if you need help working out a debt repayment plan with creditors or developing a budget. Non-profit groups offer credit guidance to consumers for no or low cost. In Connecticut you can verify if a company is licensed to do debt adjustment by contacting the Connecticut Department of Banking at 1-800-831-7225. You may also check with your employer, credit union, or housing authority for no- or low-cost credit counseling.

Make a realistic budget, including your monthly and daily expenditures. Plan ahead. Try to avoid unnecessary spending. Small, every-day expenses like a cup of coffee add up. Also try to build some savings. A modest savings plan can help you avoid borrowing for emergencies.

Think about getting overdraft protection on your checking account. If you are always using most or all the funds in your account, overdraft protection can help you if you make a mistake in your calculations. Find out what overdraft protection costs and what it covers.

The bottom line on payday loans: Try to find an alternative. If you must use one, limit the amount. Borrow only as much as you can afford to pay with your next paycheck — and still have enough to make it to the **next** payday.

Smart Consumer, continued from page 1

We know that teens and pre-teens are frequent consumers and spend a lot of their time online. Not only do they need to know how to stay safe online, they also need to understand how online shopping works, and how smart phones, when used carelessly, can share information not meant to be shared. For the unwary, buying and selling with online classifieds can be a significant risk, so all consumers need to know the signs of a shady classified, and be ready to walk away.

All of these issues and many more are covered on the new website. We hope you'll visit smartconsumer.ct.gov and bookmark the site for yourself and your family!

True or False? **Answer**

The answer is True. Ads on bulletin boards, online, or in the newspaper may promise that you will get a job, and might even guarantee that you will make a certain amount of money.

If you respond to the website or phone number in the ad, you will hear more promises. And then someone will ask you to pay:

- to get the job
- for more job listings
- for supplies to start a business at home
- for a certification that is supposed to get you a job

If you pay, you will not get the job they promised. Instead, you might get, a list of jobs, job search advice you could get for free, even nothing at all. For more on job scams, visit:

www.smartconsumer.ct.gov.