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New York State Consumer Protection Board
5 Empire State Plaza, Suite 2101
Albany, New York 12223-1556
1-800-697-1220

www.nysconsumer.gov

OPERATION: MILITARY



Scams against the military:
*what are they, why they occur and how you
can protect yourself and your family.*

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Introduction

Military personnel and their families are attractive targets for scam artists and identity thieves. These individuals view our military as inexperienced young adults with steady paychecks, no possibility of losing their job, and in some cases, needing quick cash to make ends meet. Many of our military personnel have become the victim of a consumer scam and some are currently struggling financially as a result. The New York State Consumer Protection Board has prepared this material to help arm our military with the information they need to protect themselves and their families from these scams.

HIGH COST LOANS and CASH REBATES

Payday loans: Some companies provide extremely expensive short-term loans, referred to as payday loans, cash advance loans, check advance loans or post-dated check loans. These companies are often located in communities surrounding military bases. The borrower writes a post-dated personal check, or provides the lender with electronic access to his/her bank account, for the amount borrowed plus a "fee." Fees are usually a percentage of the amount loaned, such as 25% for each \$100 borrowed. At the end of the loan period, usually one-to-two weeks, the lender either deposits the check, the borrower pays the amount of the check in cash, or the loan is extended for another two weeks, resulting in additional fees.

Benefit buyouts aimed at veterans: Some entities offer to purchase future military benefits, such as retirement pay, for a lump sum. The assignment of veterans benefits to a third party is prohibited by federal law.

-The Defense Department teamed up with the Federal Trade Commission to form Military Sentinel. This is an online complaint system that enables military personnel and civilian employees to report identity theft and other consumer frauds against Military personnel.

-Websites for the Army, Marines and Navy are being modified to include information on identity theft, recent consumer frauds, and other materials to help Military personnel avoid becoming victims of fraud.

-Financial organizations on some Military bases provide education on debt management. In some cases, they also provide interest free loans when there is an unforeseen financial need.

-All four branches of the service provide financial training as part of basic training.

-Bases in California have a list of "OFF LIMITS" companies, these are companies that have very high fees for goods or services.

-There is also a Military wide code governing solicitation on bases.

-Army Commanders in Kentucky had local car dealers sign a code of ethics to not overcharge or mislead buyers. Those who sign the code of ethics get preferred billing. Since the program started, complaints about car dealers are down 80% percent.

“RED FLAGS”

- **Some of these fraudulent businesses actually hire former Military personnel to make soldiers feel comfortable and at ease.**
- **Many of these scams have military type names. They sound official.**
- **Many of these scams are advertised in Newspapers that are not official Military publications, but many service people think that they are.**

What is being Done?

-In 2004, the Defense Department of Finance and Accounting dropped the first 5 digits of the Social Security number from checks and all hard-copy leave and earnings statements to guard against identity theft.

-The Department also put into place measures that help control what personal information may be accessed from government websites.

Catalog Coupons: High cost loans are often made to military personnel under the guise of catalog sales. The consumer provides a post-dated personal check to a lender who provides up front cash of a lesser amount than the check, as well as coupons or rebates that can be used for the purchase of goods or services from a catalog. Often, the goods or services in the catalog are high-priced or of poor quality. In effect, the consumer is receiving a loan at very high cost.

Sales of Internet Access Service: Some companies offer instant cash rebates to purchasers of internet access service. One example of this scam is a company that offers a \$480 rebate when customers commit to a year's Internet service. The cost is \$80 every two weeks for up to eight hours of service, and the Internet can only be accessed at the company's handful of storefront sites. Customers buying the \$480 rebate option are being asked to pay \$2,080 (\$173.33 per month) for a year of limited service (eight hours every two weeks,) minus the rebate that brought the price down to \$1,600 or \$133.33 a month. Take note that unlimited Internet access on a home computer can be purchased for less than \$20 a month or \$240 a year in most places.

Phone card sales: This is quite similar in structure to the Internet sales scam above except that the product is different. Some of the offers for these phone card membership clubs advertise a \$300 cash back rebate in exchange for the consumer's agreement to purchase 300 minutes worth of phone cards twice a month over a year. The cost is \$135 a month. Phone cards with 600 minutes worth of call time can be purchased at many stores for a fraction of the price.

HOW TO Avoid Unwise High Cost Loans And Unwise Cash Rebates

Understand the full cost you will pay Many of these offers sound good initially, especially when presented by a polished salesperson. Upon further examination, however, these opportunities are extremely costly to the consumer. Read all materials regarding loans or the transfer of your military benefits, completely. If you don't understand them, ask for assistance from someone you trust. Do not feel pressured to agree to anything until all your questions are answered

Save for unexpected expenses Try to save money each month, even if it is a small amount, so that you can avoid borrowing. Also consider asking creditors for more time to pay your bills so that you may avoid high cost loans and the need for cash rebates.

Shop around Businesses such as check cashers, finance companies and pawnbrokers make small, short-term loans, often at very high interest rates. In general, these loans are more expensive than many alternatives. Under the Truth in Lending Act, the cost of loans must be disclosed. You must receive, in writing, the finance charge and the annual percentage interest rate, or APR. New York State law limits the interest that may be charged on a loan to 25% per year, but out-of-state companies may be able to charge higher rates if permitted by their home states. You should shop around until you find a loan with a reasonable APR and other terms. Compare the APR you will be required to pay, the total amount you will repay, and the fees added onto the load with the cost of load from other sources. Credit unions and some commercial banks offer small loans at interest rates that are far more reasonable than those available from payday lenders.

- Next, contact creditors or any accounts that have been tampered with. If personal checks are lost or stolen, notify the bank immediately and have a "stop payment" put on all of the missing checks. Also, file a police report and retain a copy of the report. (In some situations, Military Police won't take identity theft cases because a perpetrator is a civilian, and the local civilian police can't take the case because the soldier lives on base and they have no jurisdiction. In cases like this, other military organizations may help. For example, for cases involving Navy Personnel, the Navy Criminal Investigation Service can assist.)
- Contact the military security office with specific documentation, especially if you have security clearance that could be affected.
- Quickly report the identity theft through the chain of command, to the Legal Assistance Office and the Military Sentinel online complaint system.

***Please refer to CPB's id theft
brochure for further detailed information
on this topic.***

Identity Theft

There are three segments of the population most at risk of becoming victims of identity theft: Senior Citizens, College Students and **Military Personnel**. It takes the average person about 14 months to realize they have become a victim of identity theft. It may take much longer for a soldier on active duty overseas to realize he or she has become a victim. According to the Federal Trade Commission, 27 million American adults have been victims of id theft.

What should Military personnel do if they become victims of identity theft?

- Active duty alerts last 12 months and can be filed by active duty military personnel with each credit reporting agency to help prevent identity theft while they are on active duty.
- If you are in service and a victim of identity theft you can file an extended alert which lasts seven years. Consumers may be required to provide an identity theft report along with proof of identification. These alerts are intended for those instances when identity thieves have really taken over the financial lives of the victim.
- First and foremost, contact the fraud departments of the three major credit reporting agencies, report that your identity has been stolen, and ask that a “fraud alert” be placed on your file and that no new credit be granted without your approval.

Auto Scams

The purchase, operation and maintenance of an automobile represents a significant cost to most service people and their families. The Navy-Marine Corps Relief Society, for instance, gives the largest single portion of its cash aid to military families, nearly a quarter of all its aid, for car-repair assistance. The Consumer Protection Board has prepared a brochure containing information regarding current consumer issues related to the purchase, repair, renting and use of a an automobile, which is available at www.nysconsumer.gov. In addition, many scams related to automobiles target military personnel.

“Title Pawn” lending: This is a form of short-term lending where instant cash loans—usually for no more than a quarter of the car’s value—are provided using the car’s title as collateral. Interest rates are usually very high, and there are many cases of cars being lost to lenders for what amounts to a fraction of their value.

“Buy Here/Pay Here” used car dealers: These dealers finance usually old used cars with a large down payment, often equal to the car’s value, then put the customer on a bi-weekly payment plan for ‘the rest.’ The car breaks down, the payments stop, they repossess the vehicle and sell it again.

“Spot delivery” or “yo-yo sales”: This scam is a form of bait-and-switch. Several sources describe these fundamentals: consumer buys a car, signs a financing agreement, and drives the new purchase away. The dealer calls later and says the buyer’s credit has not been approved, and in order to keep the car, the buyer will have to agree to either a higher interest rate, a larger down-payment, or both. If a trade-in was involved the buyer is often told the trade-in has already been sold and is not recoverable. The dealer then offers an alternative in which the buyer loses the value of the trade-in if he or she wants to keep the remaining terms of the original deal.

HOW TO Avoid Auto Scams

Don't finance at the dealer if you have bad credit. Try to arrange your own financing then see what the dealer has to offer. By bringing in your own financing, you won't have to endure all the monthly payment quotes and scams, and the deal will be conducted the way it's supposed to be: based on the selling price of the car, not based on the monthly payment.

Be wary of a deal that sounds too good to be true such as a vehicle being sold below fair market value. This is frequently used in scams for odometer fraud and other types of vehicle fraud.

Work only with registered automobile repair shops such shops display a green and white "Registered State of New York Motor Vehicle Repair Shop" sign on the outside and a valid registration certificate inside. If you are unsure if the shop is registered, check with the NYS Department of Motor Vehicles by calling 1-800-CALL-DMV.

If your credit is in a rough spot and you need to buy a car for cash. Have the car checked out by an independent mechanic first to make sure it works. You never want to buy a car where inspection is done by the seller.

Before you choose a title loan ask your creditors for more time to pay your bills and find out how much a late charge will cost. You can also get help from local consumer credit counseling services that offer a debt repayment plan for a small fee.

OTHER SCAMS

Rent-to-Own: A common practice in low-income communities nationwide, rent to own businesses are essentially furniture and appliance retailers who lease their products to those who can't pay cash or obtain market-rate credit. Those customers who rent long enough to actually assume ownership of the goods have often paid two to three times the retail price by the time they've stopped renting and of course many only rent at what turn out to be very high prices.

HOW TO AVOID General Consumer Scams

Avoid the most common scams The main message is that services aimed at people with bad credit or other financial problems are often rip-offs. If they seem too good to be true, they probably are.

Read before you sign Make sure you or someone you trust reads any agreement or contract before you sign it. Look at the long term cost of the contract and figure out if it is worth it in the long run.

Ask questions if you have any concerns about a company contact the NYS Consumer Protection Board to determine if complaints have been filed against the company.