



Scams are feeding on desperation

By Jason Paul
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Last September, Esmeralda Carmona only had enough money to pay a fraction of her mortgage. Her husband, laid off nearly a year earlier, had not worked in nine months. Debt was mounting, and the mother of four was prepared to give up.

But while driving to her job as a health care clinic coordinator in Chicago, Carmona heard a radio advertisement promising protection from foreclosure. She breathed a sigh of relief.

She scraped together \$1,500 to pay Centurion Loss Mitigation upfront for its help but found out four months later her house had been foreclosed upon. She says she considers herself a victim, like hundreds of thousands of others, whose tough times have been made worse by too-good-to-be-true quick fixes.

So many pitches seem so enticing: "I paid \$2.99 and got \$12,000. Claim yours!" "Would you like to earn an extra \$200, \$900 or even \$5,000 everyday! For just 45 minutes work!" "New mortgage with low payments!"

Local, state and federal authorities are trying to keep up with consumer complaints, but aside from going after fraudsters, officials say one of the best ways to protect yourself is education.

In Carmona's case, the Illinois Attorney General's office filed a complaint against Centurion in early April. A temporary restraining order restricts the company from accepting any upfront fees, and a court date is set for next month. Centurion officials declined to comment for this story.

Here are three areas that have been exploited during the recession:

Foreclosures

According to the Treasury Department's Financial Crimes Enforcement Network, financial institutions filed an estimated 65,049 suspicious activity reports from 2007 through 2008, a 30% jump from 2006.

While the government continues to look for ways to assist distressed homeowners, many like Carmona have turned to what seem like good and easy options.

After eight months of working with her bank to modify her

monthly payments, Carmona received a reduction of \$50. Then she heard the radio ad. For \$1,500 in cash, company officials assured her, they would work with her bank on a loan modification. But she says she ultimately lost her house, without warning, to foreclosure. She had to complain loudly to get her \$1,500 back from Centurion.

Tax rebate scams

Last year's stimulus package included a check for most taxpayers. This year, many thought they received one, too. They were fake.

In 2006, the IRS set up an e-mail account to compile and weed out online scams. Michelle Lamishaw, a spokeswoman for the Internal Revenue Service, says the IRS has received tens of thousands of scam e-mails.

One scam is typical: An apparently authentic check arrives by mail accompanied by a letter promising more money if the consumer calls a toll-free number and supplies more financial information. Similar scams occur in e-mail.

"The IRS does not send unsolicited e-mails to taxpayers," Lamishaw



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says. "We certainly do not trade tax information back and forth with the taxpayer."

Easy-money jobs

These scams typically promise high payouts for little work. From mystery shopping to letter-stuffing programs, the punch line is the same — little or no pay and often big debts.

"When you're out of work and you're looking for a few extra bucks to put food on the table, ultimately you can't afford to give these different work-at-home scams money," says Alison Southwick, spokeswoman for the Better Business Bureau.

While the BBB does not have exact figures on the number of people harmed by these scams, it does consider them to be a substantial threat.

Warning signs to watch out for

There are basic considerations to account for when presented with a financial-help situation that may sound too good to be true.

Peggy Twohig, associate director of the division of financial practices at the Federal Trade Commission, says the first thought homeowners should have when seeking a loan modification is simple:

- ▶ **Is it your bank?** "The real loan modifiers are your loan servicers," she says.
 - ▶ **Upfront fees.** "You don't need to pay anyone to see if you qualify for a loan modification from your servicer," she says.
 - ▶ **Be wary of sharing financial information.** "When you disclose personal information, you put yourself at risk of identity theft," says Kevin Wilmer, federal investigator for the FTC's division of privacy and identification protection.
 - ▶ **Beware of blanket promises.** "If someone is guaranteeing that they can help you, that's a warning sign," Twohig says.
- Other scams include title transfers and house buybacks.

When it comes to tax rebate checks or other supposed Internal

Revenue Service inquiries or offers:

- ▶ **Read carefully.** "Look for language that is stilted or not normally used, even for tax forms," Lamishaw says. Often, scams originate overseas, so documents may have strange words and spelling mistakes.
 - ▶ **Check URLs, but don't click them.** All websites affiliated with the IRS begin with www.irs.gov.
 - ▶ **Ask for assistance.** If suspicious, contact a local IRS office or call the national help number. All telephone numbers are available at www.irs.gov.
- And if you're enticed by the roadside sign that promises work-from-home riches:
- ▶ **Be mindful of promises.** "These companies might say they offer 100% satisfaction guaranteed, but a lot of them don't deliver on those promises," Southwick says.
 - ▶ **Be wary of paying upfront.** Often, work scams promise big payouts so long as you pay first.
 - ▶ **Do homework.** The best way to check on a suspicious company is to check the BBB's website at www.bbb.org.



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Introduction

Financial stress sometimes encourages level-headed consumers to ignore common sense and fall for scams that sound like they could solve all of their financial troubles. With the United States in a recession and more people encountering financial difficulties, scammers have picked up their pace and found more susceptible victims. Read the article, answer the questions and see if you can spot the scams!

Discussion

- What types of scams are listed in the article?
- What is the best way to avoid scams?
- Do you think financial stress makes people more susceptible to scams? If so, why?
- What features do many scams seem to have in common?
- What are some ways you can protect yourself from scams?

Activity

Pair up with one other student and sit down at one of the computers. Go to <http://www.onguardonline.gov/games/spam-scam-slam.aspx> and let's play Spam, Scam, Slam! You'll have three rounds where you're asked questions in a Family Feud format. In each round, you have three strikes. How savvy are you in avoiding online scams?

Now go to <http://www.onguardonline.gov/topics/email-scams.aspx> and choose one of the scams. Create a commercial jingle (a song up to 30 seconds long), a print ad, or a letter to the school editor that includes tips on how to avoid being fooled by that scam. Be ready to share with the class.



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TEACHER'S GUIDE

Overview:

In this lesson, students will:

- Read and discuss the article.
- Analyze ways to avoid being scammed.
- Play a game which includes more tips on scam avoidance.
- Create a teachback on how to avoid getting scammed.

Grade level:

6-12

Subject areas:

career and technical education, language arts, social studies, advisory classes

Time requirements:

Step 1: Read the article (20 minutes).

Step 2: Discuss the articles using the questions provided (10 minutes).

Step 3: Take a short online quiz about scams and then create a public service announcement about how to avoid getting scammed (30 minutes). Students may need to complete the PSA as homework. Have some of the students share their PSA as you have time. You may encourage them to submit their work to the school newspaper, if appropriate.

Total: 60 minutes in class plus homework (Note: Times may vary according to students' grade and ability levels.)

Notes:

1. You'll need one computer workstation with Internet access for each pair of students.
2. You may want to preteach the following concepts and terms: mortgage, foreclosure, IRS, identity theft and BBB (Better Business Bureau).

Links:

- National Cyber Security Alliance: www.staysafeonline.org
- Department of Homeland Security: www.DHS.gov/cyber
- United States Computer Emergency Readiness Team: www.us-cert.gov
- i-SAFE: www.isafe.org
- Wired Safety Organization: www.wiredsafety.org
- Federal Trade Commission: www.onguardonline.gov
- Multi-State Information Sharing and Analysis Center: www.msiscac.org/awareness
- ConnectSafely: www.connectsafely.org/safety-tips-and-advice.html
- iKeepSafe: <http://tools.ikeepSAFE.org/older-students>