

FEDERAL TRADE COMMISSION

FRAUD AFFECTS EVERY COMMUNITY

Wednesday, October 29, 2014

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Federal Trade Commission

FTC Headquarters

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## FEDERAL TRADE COMMISSION

## I N D E X

	PAGE:
Welcome:	
By Patricia Poss	4
Introduction:	
By Chairwoman Edith Ramirez	8
Panel 1: A Look at the Marketplace for Different Communities	15
Panel 2: How and Why Fraud Affects Different Communities	33
Panel 3: Getting More Specific: Community Case Studies on Fraud	99
Remarks by Commissioner Terrell McSweeney	166
Panel 4: Education and Community Outreach:	

An Open Discussion

174

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I N D E X

PAGE:

Panel 5: Fraud Research: Building on Solid

Date

224

Wrap Up by Monica Vaca

277



## PROCEEDINGS

### WELCOME BY PATRICIA POSS

MS. POSS: Welcome, good morning. My name is Patti Poss. I'm an attorney in our Division of Marketing Practices here at the Federal Trade Commission. I want to thank you for coming to what promises to be a very exciting day here at the agency. It's wonderful to have all of you here. We have many voices here from many different communities coming together to talk about a very important topic, how fraud affects various communities.

Before we begin, I have a few required remarks. So, please wear your name badge throughout the day. There is an overflow room on the third floor if we need it today. It's just directly below us. You can take the

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elevators and go down to it. There will be monitors down there where you can view the sessions.

There is a cafeteria on the seventh floor. It's Top of the Trade. Coffee is available there. You just go up the elevators and take it to the seventh floor. At lunchtime, you may purchase lunch there or you may leave the building. You can go out Sixth or Seventh Street. There are restaurants up there. But please know that if you leave the building, you will be required to go back through the security screening. So, allow time at lunch to make it back up here. The restrooms are located just outside on each side of the elevator. There's a sign there. And same on the third floor.

If an emergency occurs that requires you to leave the conference room but remain in the building, follow the instructions that we'll hear over the public announce system. If an emergency occurs that requires an evacuation of the building, an alarm will sound. Everyone should leave the building, go through the ground floor exit, and after leaving, we'll cross Constitution Avenue and proceed to the FTC emergency assembly area located along the sidewalk on the south side of Constitution avenue. It's near the National Gallery of

Art over there. Remain there until instructed that it's safe to return to the building.

If you notice any suspicious activity, please alert the building security.

Please be advised that this event may be photographed, webcast or recorded, and by participating in this event, you are agreeing to having your image or anything you say or submit may be posted indefinitely on FTC.gov or on one of the Commission's publicly available sites.

So, we have a very full panel and we do want to get to questions. For those of you who are in the room, there are question cards that were available on that desk when you came in. You may pick those up, write your questions on those cards and give them to FTC staff who will be walking around. They should have a badge that says FTC or you can just hold them up and they'll come and pick them up, and they will bring the questions to the moderators. Same on the third floor. There will be staff picking those up. And we do apologize in advance if we can't get to all of the questions. I expect we'll have quite a few.

I do want to say a special welcome to everyone

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watching this event via the webcast. We know that travel funds were tight for a lot of the organizations who wanted to participate here today and we appreciate your participation, especially those who are on the West Coast, as this is quite early this morning. For those of you who are participating by webcast, you can email your questions to [EveryCommunity@ftc.gov](mailto:EveryCommunity@ftc.gov) or tweet it to #ftcfaec and we do also have WiFi available for those in the room. There's a password on the table back there.

So, with that, I would like to introduce the Chairwoman of the FTC, Edith Ramirez. Chairman Ramirez was sworn in as a Commissioner in 2010, and she became our Chairwoman in 2013. As you will hear, Chairman Ramirez has been a strong supported of the FTC's fraud enforcement programs, particularly as we work to protect consumers from a variety of different communities throughout the country.

We're very pleased to have her share her thoughts with you this morning as we start this important day.

Chairwoman Ramirez?

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**INTRODUCTION BY CHAIRWOMAN EDITH RAMIREZ**

CHAIRWOMAN RAMIREZ: Thank you very much, Patti. And good morning and welcome to all of you here this morning. I want to thank you all for joining us today and engaging in a very important discussion examining how fraudulent practices in the marketplace affect our many different communities and how we can all

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work together to better protect them. This discussion is especially important to me because it really does go to the heart of what we do here at the Federal Trade Commission in our consumer protection mission. And, more importantly, it goes to the heart of how we can best fulfill that consumer protection mission.

We've recently launched what we call the every community initiative to take a very fresh look at how the FTC can ensure that our work reaches all consumers in the many communities that we serve. As all of you are well aware, the country has undergone sweeping demographic changes over the last several decades. Our population is getting larger, it's getting older, and it's becoming increasingly ethnically and racially diverse.

And as the face of the American consumer changes, so must the FTC. By examining how we can employ our tools to better protect our diverse communities, including those who experience the market differently, those who may be hit the hardest by illegal conduct, and those who would be the most challenging to reach.

For example, just last week, I was out in Los Angeles where we cohosted a roundtable with the CFPB to examine issues relating to debt collection and its impact

on Latinos and particularly those with limited English language proficiency. And we're also considering how the FTC can work better to understand and protect other communities that are impacted by the illegal conduct that we prosecute, including seniors, veterans and service members, African Americans, Asian Americans, Native Americans, immigrants and low-income consumers.

In undertaking this effort, there's no better place to start than consumer fraud because it's been a long-standing bedrock priority for the FTC. For decades, we've worked aggressively to combat a wide variety of fraudulent operations from those falsely promising financial relief and opportunities to struggling consumers to those deceptively pitching pills for phony weight loss scams or other health -- supposed health benefits. And we've used our many tools to protect consumers from these sorts of frauds, including law enforcement, consumer education, outreach and research.

Unfortunately, however, fraud remains a far-reaching problem in this country. The FTC's Bureau of Economics reported in a recent survey that in 2011 alone, 10.8 percent of U.S. adults or 25.6 million people were victimized by fraud. Importantly, our economists found



that some consumers were more likely to experience fraud than others. For example, consumers hit by a serious negative event, such as a family death, those with limited numeric skills, and those with more debt than they could handle.

The survey also found that 17.3 percent of African Americans and 13.4 percent of Latinos reported experiencing fraud, as compared to 9 percent of non-Hispanic whites. And through our law enforcement, we've also observed that some scams are likely to affect certain communities in larger numbers and that some even specifically target particular populations.

The Commission has a long history of paying close attention to these sorts of trends. For example, back in 2004, then FTC Chairman Tim Muris launched a Hispanic law enforcement initiative to explore strategies to deter and stop fraud targeting Latinos and to create effective consumer education for Latino communities. And since 2004, the FTC has brought approximately 70 cases against companies that have targeted Spanish speakers. Our law enforcement actions have, for instance, stopped marketers from making false promises of mortgage assistance, credit card debt relief and income opportunities to Latinos.

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The FTC has also brought a number of actions involving fraudulent operations that disproportionately affected other groups, like medical discounts and prize promotion scams that target seniors. And beyond our law enforcement efforts we've engaged in extensive outreach to local communities in collaboration with community groups.

In 2010, we began holding what we call common ground conferences across the country to hear from state and local law enforcement, from legal services providers, and also from community-based organizations about what scams they were seeing. These conferences, along with our broad outreach to consumer advocates, have helped us identify law enforcement targets and spurred the creation of new consumer education materials.

Through our collaboration with community organizations, for example, we've learned about an immigration services scam in Baltimore called Loma International which targeted immigrants with deceptive promises of immigration assistance. With significant help of local organizations, the FTC was able to shut down this operation.

And we also created a consumer education

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campaign, including written materials in six languages to help consumers avoid scams and obtain real assistance from authorized providers.

I'm very proud of the work that we've done so far. But I think that we need to redouble our efforts in order to understand how fraud may be impacting different communities and how we can tailor our efforts to account for these differences. And today's event represents an important step in that endeavor.

We have a terrific program planned for you today and I'd just like to spend a minute or two walking you through the program. Our first panel features Courtney Jones from the Nielsen company, and our former FTC chief technologist Latanya Sweeney who is now back at Harvard. The panel will examine what the marketplace looks like today. They're going to describe certain market segments, as well as purchasing trends associated with these groups, and they'll also discuss the marketing media and sources that are most likely to reach these consumers.

Our second panel will focus on how and why fraud affects certain communities in different ways. Our panelists will describe the communities with whom they

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work and how fraudsters may target these groups. For example, we know from our law enforcement experience and outreach that many low income and under-served communities struggle with housing, employment and medical issues, and that as a result, they may be more receptive to fraudulent pitches offering them relief in these areas. We want to learn more about these fraudulent practices and others that affect the communities represented by our panelists and to better understand the context in which fraud thrives.

Our third panel is going to take a deeper dive into specific case studies of particular types of fraud and the consumer groups affected by them, like text scams that victimize seniors or real estate scams that deceive Native American consumers.

In the afternoon, following lunch, you'll hear from one of my colleagues, Commissioner Terrell McSweeney, who will discuss some of our recent cases and educational efforts that touch on the issues that we're going to be exploring throughout the day.

Our fourth panel will consider the steps that we can take to improve our education and outreach. Among other things, this panel will explore how we can

collaborate to ensure that our educational efforts reach all consumers. We know from existing outreach that partnering with trusted community groups is key, but it's also important that we ask how we can further build on those relationships to maximize the impact of our work.

Our final panel of the day will focus on empirical research. Our panelists plan to discuss some of the existing research on fraud and intervention programs in various communities and how we can build on this foundation. I think we can all agree that a great deal more research is needed to understand the full scope of fraud, which specific scams impact which populations, and how to develop interventions that are even more effective.

So, as you can see, we have a full day ahead of us. I want to take this opportunity also to thank the FTC staff organizers who put together this event. I look forward to our discussions and I want to thank you all for being here. Thank you.

(Applause.)

MS. POSS: Thank you, Chairwoman.

We will have our first panel. Michael, do you want to come up and call the panelists forward for panel one.

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PANEL ONE: A LOOK AT THE MARKETPLACE FOR DIFFERENT  
COMMUNITIES

MR. WALLER: Well, good morning. My name is Michael Waller, and it's my pleasure to introduce the next two panelists. And we're really fortunate this morning, we have two fascinating presentations over the next half hour, and it's Courtney Jones and Latanya Sweeney. They're going to help us, through their presentations, understand broadly how marketers study different communities and how these communities interact with the marketplace. So, first let me just introduce both of them.

First is Courtney Jones. She's a vice president of multi-cultural growth and strategy at the Nielsen Company. She's going to give us an example of the type of market research available to marketers and she's going to focus on African American communities.

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Then we're going to hear from Latanya Sweeney, who is a professor of government and technology at Harvard University, and lucky for us, a former chief -- FTC chief technologist. She's going to talk about her fascinating research into how our online experience may be defined by the community or demographic that we belong to.

So, why don't we get started. Courtney?

MS. JONES: Good morning, everyone. First, I'd like to thank Chairwoman Ramirez, Patti, Michael, thank you for inviting Nielsen to participate in this very important forum today. I hope that our insights that we're able to provide help to provide a foundation for the really great programming that you have today.

Today, as Michael mentioned, I'm going to highlight some information from a report that we just recently released called Powerful Growing Influential. It's our 2014 African American consumer report. Again, the focus, just for time today is on African American consumers, but I would encourage you all, anyone who is interested, we do have very similar profiles for African -- excuse me, Asian American communities and the Hispanic and Latino community available on our website for free

download at Nielsen..com. That's N-I-E-L-S-E-N.com. And you can go there for a free download of this report and other reports that can help.

So, we'll get started. So, when we looked at African American buying power, we felt that it was important to really lay the landscape and help people to understand what this community represents in terms of the actual financial resources. Right now, African Americans represent about \$1 trillion in buying power, projected to increase to \$1.3 trillion in the next few years. To put that in context, if we were just to look at African American consumers as a country and rank on GDP, African Americans would represent -- they would fall right about 15th or 16th largest country in the world, above countries like Saudi Arabia, Switzerland and the Netherlands. So, just kind of thinking of that in context.

We think this or we know that these significant increases in buying power is for -- there are a couple reasons. One, we're seeing a higher attainment rate, higher high school graduation rates, but also college graduation rates and post-graduate graduation rates. So, we're seeing many more graduate degrees and doctoral degrees.

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We're also seeing an increase in black-owned business receipts. Between 2002 and 2007, African American-owned businesses grew 55 percent in their overall receipts. So, that is also adding to substantial buying power that we have. Forty-four percent of all African American households earn \$50,000 or more and 23 percent of those households earn a full \$75,000 or more.

Now, when we look at particular ad spending with this community -- and this is not just with black-owned media. This is all media focused on African American audiences. We see that there is a 7 percent growth year to year from 2012 to 2013. \$2.6 billion was spent on African American-focused media, which is a very significant number. And we are seeing growth there. It only, however, represents 2 percent of overall advertising spending. So, there's definitely room for growth there.

We are seeing these significant increases in ad spending because of that marketing sweet spot. For those of you that are marketers in the audience, you know a lot of campaigns are built around the millennials, the 18 to 34-year-olds. And when we look at multi-cultural communities, not just African American communities, the



millennial segment, the younger segment, represents more than about 40 so percent. But 53 percent of African Americans are under the age of 35. So, it's a very important group.

Now, when we look at specific media usage among African American consumers, you'll see that African Americans consume outside of their actual population over-indexing in many of the platforms in terms of usage. When we look specifically at mobile usage, 78 percent of black consumers own smart phones. And one very interesting tidbit that we found in regards to advertising is that 62 or -- African Americans are 62 percent more likely to be receptive to mobile advertising. So that was advertisements that pop up on your mobile phone. African Americans are 62 percent more likely to be open and receptive to those advertising messages, more so than other platforms and definitely more than the general market.

Also, mobile video viewing among African Americans -- actually, among all multi-cultural, but among African Americans specifically, is growing 24 percent mobile viewing increase year-over-year. What we found is that in using the smart phone -- in using smart

phones, African Americans are also much more social on these mobile platforms than the general market. Eighty-one percent -- or African Americans are 81 percent more likely to show support for a brand or product via social media channels and 76 percent more likely to share their opinions across these mobile platforms.

So, what that says to marketers is not only is this population a very attractive population in itself, but your message is actually like mobilized. It's like a microphone or a megaphone, so to speak. And, specifically, with African American women what we found is that they're 80 percent more likely -- or 80 percent of African American women will share a product that they like. So, they'll share amongst friends and family, meaning that your message is being amplified even more. It's not just staying with that one individual.

When we look specifically at radio consumption among African Americans, this still remains high. Obviously, with digital penetration and downloading music and streaming music, there's been some shifts in the way that people listen to music. But radio still remains high with African Americans. Actually, 92 percent of African Americans are reached with using the radio every

week. In the report that I mentioned, we specifically talked to individual people and wanted to ask and get their thoughts around their consumption and various media platforms.

One of the questions we asked is why do you like your favorite radio show, the radio show personalities. And one consumer said, I listen to my favorite radio show personality because they're easy to relate to and talk about topics that are important to me. So, in kind of informing some of the things that you'll talk about later, this is, you know, something where people really relate to popular celebrities, radio personalities and things like that. So, that might be one area you want to discuss later.

Also, when we look at specific usage, even just the radio -- so we're not talking about digital listening here -- African American listeners spend 13 hours per week with the radio. And this was very interesting to me because I think most people feel that radio listening happens during the drive times, so that morning drive and the evening drive, but actually we're seeing double-digit growth in the midday from 10:00 a.m. to 3:00 p.m., which is really when people are closest to making their

purchasing decisions. So, very interesting facts. So, 61 percent of African Americans listen outside of the home.

And what are they listening to? So, the top formats, which isn't very much of a surprise, are those urban contemporary formats, the urban formats. Contemporary, adult contemporary, rhythmic contemporary, those are the top formats for African Americans.

Now, when we looked specifically at television viewing and video viewing content, African Americans watch 14 more hours of television per week than any other group. That's including Hispanics, Asian Americans and non-Hispanic whites. So, this is a very captive audience for the television audience. But, interestingly, digital video usage is also increasing. So, not just on your linear television, but viewing on the mobile phone, on the tablets. We're seeing lots of simultaneous usage, so where people are actually watching their linear television, but also viewing content on their mobile phones, on their mobile devices. And, specifically, 25 to 48 minutes per day are spent view video online. And as I mentioned before, mobile viewing is up 24 percent year to year.

This is very small to see on the bottom here, but one of the reports that I'm going to talk about later, or share where you can get that on Nielsen.com, is our cross platform usage report, which really dives into where viewing is happening across these multiple platforms and also the simultaneous usage that I was talking about. A lot of this growth in digital video usage is from that 18 to 34, the younger demographics. We're seeing a lot of growth there.

And, again, in terms of our resources that are available, again these resources are free. So, if this type of information is interesting to you, please feel free to go to nielsen.com. We also have our Nielsen News Wire, which is Nielsen Wire, where you'll find a lot of our industry insights. That cross platform report I mentioned, also the African American report that I just mentioned, and, again, our 2013 Hispanic and Latino report called the Latino Power Shift is also on there, and our consumer -- Asian American consumer report is on there as well.

So, I hope that this information has helped. I'm happy to answer any questions later on. I think I have to turn it over to the professor now.

Thank you.

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MR. WALLER: Thank you, Courtney.

(Applause.)

MR. WALLER: Now, we're going to hear from  
Latanya Sweeney.

MS. SWEENEY: It worked. Last time I did one  
of these, it didn't work. So I'm pleased at that  
success.

As many of you have heard, my tenure as chief  
technologist here at the FTC has just ended. I have to  
tell you I'm very grateful to Chairwoman Ramirez and to  
the FTC for giving me the opportunity. It was fantastic.  
And if you ever have an opportunity to work at the FTC, I  
strongly recommend it. I know you're sort of saying what  
is it like here. I think, in a nutshell, I would say  
it's like being in Spiderman's den. I've used that  
analogy before. Spiderman is a super hero and he's sort  
of the under-appreciated champion of the underdog. He  
uses his super powers for no other reason than doing the  
right thing. And I think that's how I would describe the  
tireless efforts of the people at the FTC.

This workshop is actually a good example, and I  
do thank Chairwoman Ramirez, Monica Vaca, Patti Poss and  
Michael Waller for allowing me to participate.

So, why did I come here, not to talk to you, but -- I'm almost tearful. This summer we launched a summer research program here at the FTC and we brought in four brilliant fellows -- student fellows to do research of interest to the FTC. So, these fellows were Krysta Dummit, James Graves, Paul Lisker and Jin Zang. Now, while all those fellows worked on all of the projects -- and we did a tremendous amount of projects. I just wanted to let you know how hard you worked for the FTC. We had ten weeks and we did around a year's worth of research. It was pretty amazing. And, so, over time, more and more of the efforts that we've done will get to the public.

The work that I'm going to talk about today, though, is effort primarily done from Jin Zang and myself. And it was motivated by a conversation with Chairwoman Ramirez and Monica Vaca. In that conversation, we became very interested in could we identify, in a technical scientific way, different online communities and what their online experiences might be.

So, we started with an anecdotal exploration of two websites. These were newspapers that have the same owner and use the same ad network to deliver their ads.

It is the Miami Herald and the El Nouveau Herald. One, obviously, has more English content, and the other, more Spanish content. And the demographics of the audiences are very different. MiamiHerald.com visitors are more likely to be male, more affluent, better educated and white than visitors to the other website.

We grabbed the snapshot of ads delivered. At one point in time, 60 of those ads on the MiamiHerald.com and 51 ads on the El Nouveau Herald.com, and one of the -- and you can sort of really see the results here. That the Miami Herald site saw more generic shopping ads from multiple advertisers, while the Spanish site had more ads on phone service and fast foods. So, even though they have kind of a lot of similarities, the ads they were seeing were quite different.

When we saw this particular ad, we did see it on both sides, but the frequency that we saw it was different, and it raised questions in our mind about the nature and character of exposure to areas that have been reported by the FTC as having the most frequently reported incidence of fraud. Now, we're not saying that this ad has fraudulent intent, but it did raise general questions in our mind and we began to try to formulate a more generalized experiment from this anecdotal example.

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The Chairwoman brought up the recent report that every few years, the FTC does issue a report about consumer fraud. And from the 2011 report, the frequently reported fraud areas were weight loss products, prize promotions, work-at-home programs and debt-related offers. As she pointed out, some of the victim demographics highlight African Americans, Hispanics and the aging population as most likely victims.

So, we put together a research format and we had some research questions. Our research questions were which online websites are more exclusive to one demographic audience than to others and does the content of any of these websites relate to frequently reported areas of fraud. So, our approach was to use the data set that records web browsing of people, and navigate through that data set to see what fraud areas they might encounter.

The data set that we used was the comScore data set. It provided us a great overview. This is basically a sampling of 46,000 machines in the United States who allow their web use to be recorded and shared. Each household had two or more -- usually, the average household had more than two people, which gives you

roughly about 100,000 people. So, they installed the software. In one year, those machines visited over 150 million websites.

Then when comScore shares the data with you, obviously, it's de-identified. It doesn't have any names on it or what have you. But one of the things that they shared was every domain that was visited, the date and time, what transactions occurred are also demographics, the kind of demographics that in social science we're used to seeing around race, education, age, income, household size, and whether or not children are present.

So, the first thing we wanted to do to figure out which of these sites might be exclusive to a particular group was we developed an index. And the idea of the index is we would say any web domain is more exclusive to a demographic group if a higher percentage of people from that group visited that domain than the sum of all the percentages of all the other comparable groups.

So, let me give you an example. This is an example of Univision.com and Latino households visiting it. And what we see is that the line is -- this is a division so that the numerator -- the information above

the line is a percentage of the Latinos visiting Univision divided by the percentage of all the other comparable groups who visited Univision. So, it's not to say that Univision.com is only visited by Latinos, for example.

This is a very high number. The closer that number is to 1.89, the more exclusive it is to that particular group. So, that gives us a way of looking at it. This measure was adopted from work that Levitt did earlier, many years ago, in talking about black names versus white names.

So, that allowed us a way to scroll down through the data. So, we started with the four million domains. First, we were only interested in those that are actually popular; that is, they had to be visited by a significant -- a reasonable number of households. And of those domains that were reasonably popular, how many had this kind of group exclusivity and what groups might that be in the various combinations of the demographics.

So, this is an example based on race. And what you see here is the horizontal bar at two is two standard deviations. Anything above that line is more than two standard deviations from the norm. We would consider

that highly exclusive. And, so, if you look at the -- and the other axis that you're looking at is also its popularity rank among that group. So, that triangle in the upper left corner over there is Univision.com. It's showing us that in the case of Latinos, Univision is both a popular site and it's also highly exclusive to Latinos, which was the computation that we just saw.

What about for other communities? Well, for African Americans, WorldStarHipHop.com ranked very high. And in Asian communities, India Times and Youku, all which make a lot of sense. Legacy.com for whites, I'm just going to leave it there and just say it also popped up very high.

But one thing I do want to pull out is Footlocker. Footlocker is clearly not a website only visited by African Americans. But one of the things that was a bit of a surprise to us was that a much higher percentage of African Americans visit Footlocker than any other demographic group.

Also, we did the same thing on all of the combinations of demographics. This is a snapshot. I'm only going to just show you a couple. This is a snapshot based on income, and, so, we have these income range

cutoffs. And then if we look at them, we'll again see a pattern. The gaming websites tend to be more exclusive to lower income groups and news websites are more exclusive to higher income groups.

Similarly, we can look at age as well and what we see there is that younger age groups and seniors tend to have more exclusive domains. And the kinds of domains that you see here is that the younger age group tends to concentrate on free video streaming and education sites while seniors are more on shopping sites.

So far what we've done is we've shown how to use comScore data, which was basically data that captured web browsing behaviors of a sample population in the United States, and we used the exclusivity index to identify which websites are appearing or visiting more often by certain demographic groups. But our original question is how might that relate to fraud areas. And, so, we returned back to the FTC report to look at the fraud areas that they mention. And we did a simple thing. We just simply took key words associated right out of the report, associated with that area of fraud and looked for domains that happened to actually have those words in its title or in its name. This is a very simple way to look at it.

So, the example that's shown here is what happened in prize promotions. We looked at websites that had prize, sweepstakes, lottery or winner in its name and then we ended up plotting for you how exclusive those sites were to one group versus another. And we saw this sort of interesting sort of pattern. We see that some sites were very exclusive to particular -- in this case, particular groups like blacks, Asians or Hispanics. And some were in combinations as you see as well.

One site, which is denoted in the lower left corner, not a part of the Venn diagram, we found was exclusive to groups that were older than 45 and had incomes less than 25k. So, there was a combination of both income and age that tended to characterize that group.

So, I just wanted to give you a sample of the kind of findings that we have found. We did each of the fraud areas and so forth, but the numbers of domains are kind of small because we were looking at an exact match of the term on the name of the domain. Clearly, many sites may still have content that's in that fraud area, but not necessarily have that in its name.

So, how do we go the other way? So, we used a

different data set that I'm just going to tell you a little bit about because that work is ongoing called MixRank. MixRank.com makes it its business to capture images of ads that are delivered every day over the Google ad network to millions of websites. So, they just go through capturing it. You can then visit the site and ask about the ad content, as well as where the ad appeared, how often it appeared and you get an actual copy of the ad as well.

So, we took the MixRank data and we did the same thing. We searched for the key words in the names and we came up with thousands of sites. We then looked for sites that had content that used the exact -- that correlated with the content of those pages. And that gave us thousands of sites.

So, where we are now is working -- that's how we got to one and number two. And, now, where we are with it is step three there is how do we relate those ads back to exclusivity demographics of people. Like how -- instead of just a few ads, we now have thousands of sites, how many of those sites break up and how do they differ. So, stay tuned and look for that work as we come forward. Thank you.

(Applause.)

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MR. WALLER: Thank you, Latanya, and thank you, Courtney. These were very rich presentations and is always the case with this much depth to them, they raise all kinds of very important questions. Unfortunately, we are out of time, and, so, we're not going to be able to ask those right now. But, again, I want to thank you on behalf of everyone here. These are wonderful and please stay in touch. Thank you.

(Applause.)

MS. POSS: All right, we're moving on to Panel 2. Those speakers and the moderators for Panel 2, can you come on up and we'll get set for that. Thank you all.

**PANEL TWO: HOW AND WHY FRAUD AFFECTS DIFFERENT  
COMMUNITIES**

MS. MAYER: Hi, everybody. I'm Julie Mayer with the Federal Trade Commission, and I'm going to be co-moderating this discussion with my colleague, Yaa Apori. And as with the rest of the day, we have a really all-star cast of advocates and experts who work with a

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wide range of communities across the country. They're going to share what attributes of the communities they work with may place them at risk for fraud and, also, some of them will cover what kinds of fraud prevention and assistance messages are most effective for those communities.

I'll just quickly introduce everybody and let them take the floor. Starting to my left down, we have Sarah Dewees, who is the Senior Director of Research Policy and Asset Building Programs at the First Nations Development Institute. Then we have Charles Lowery, who is the Director of Fair Lending and Inclusion at the NAACP; Brent Wilkes, who is a National Executive Director of LULAC, the League of United Latin American Citizens.

To his left is Maggie Flowers, Senior Program Manager for Economic Security at the National Council on Aging. And last, but not least, Marcus Beauregard, who is the -- let me see if I can get through this in one breath -- Chief of the Department of Defense State Liaison Office in the Office of Deputy Assistant Secretary of Defense for Military Community and Family Policy. So, a little longer than the FTC.

So, without further adieu, I'll turn it over to

Sarah who will be presenting some slides. And I'd just remind anyone who is speaking at the table to speak directly into the microphones, which I hope I'm doing, so the webcast folks can hear clearly.

MS. DEWEES: Great. Good morning, everybody. Thank you, Julie. Okay, great, it worked.

As Julie mentioned, I'm Sarah Dewees, I'm with First Nations Development Institute, and I am here this morning to talk with you about financial fraud in native communities. You might be surprised, but financial fraud is actually a big issue in native communities and I'll get into that in one minute. But, first, I just wanted to take this opportunity to thank Yaa and Julie and Chairwoman Ramirez for this opportunity to speak about our community, because as you saw in this morning's presentation, there's not a lot of data about what's happening in Native American communities.

Statistically, Native American people are a minority in the U.S., and, so, a lot of these larger studies actually don't shed light on the challenges and, frankly, problems with fraud that are happening in these communities. So, I really appreciate the opportunity to share some of our stories.

I'm going to speak very quickly about First Nations Development Institute just to give you a little context. We are a 34-year-old native-led, non-profit organization. And we strengthen Native American communities and economies through three strategies: Educating, advocating and capitalizing.

So, through education, we produce reports and do conduct research, but also do a lot of trainings and community outreach. We advocate in certain policy arenas, and then, finally, we are a grant maker. So, we've actually made over \$21 million in grants in native communities over the last 30 years.

So, I'm going to talk today, as I mentioned, I'm going to focus in on the issue of financial fraud. As Chairman Ramirez said a lot of low-income communities are targeted by a broad range of frauds and disproportionately targeted by fraud. And as you know nationally and as an aggregate whole, the Native American population is more likely to be lower income.

But you might be surprised what's been happening over the last ten years in Native American communities. And the reason why I'm talking about financial fraud this morning is that, believe it or not,

like Willie Sutton, the bank robber, said, people go where the money is. So, you might be surprised, there's actually a great deal of money flowing into Indian country right now, and I'll talk a little bit about that.

But, specifically, what's happening is that there's a large influx of lump sum payments to individuals and these are sometimes tribal dividend payments from tribal enterprises, whether it's gaming or oil and gas operations. But there's also been some very significant recent lawsuit settlements that I'll also try to explain.

I have to tell you, Julie, when I was given the opportunity to talk about some of these topics and I realized I only had ten minutes, I practiced it many times and I realized the only strategy that work is talking really fast. So, I apologize in advance. Maybe on the instant replay, you can, you know, review it if I go too fast over certain topics.

So, after talking about the lawsuit issues, I'll also talk a little bit about some outreach efforts that First Nations Development Institute has been working on with the FINRA Investor Education Foundation and the Office of the Special Trustee for American Indians in the Department of the Interior.

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Okay. How many people here have heard about this phenomena called per caps? Just a show of hands. Okay, oh, wow. All right, small number. All right. So, per caps are also known as dividend payments from tribal enterprises, and I talked a little bit about that in the previous slide. I want to give some context here. There are 566 federally recognized tribes and they range in size and membership from a couple hundred people to over 200,000 people in the case of the Navajo Nation.

So, tremendous diversity, also geographic and economic diversity. You've got tribes located in very wealthy urban areas, like Salt River Pima-Maricopa and Scottsdale, and then you've got some tribes located in very remote rural areas and those tribes are more likely to have high poverty levels.

So, a minority, a statistical minority of tribes do offer per capita payments to their members or dividend payments from tribal enterprises. Of the 240 tribes that run 420 gaming establishments across North America, about half distribute some of the profits from those enterprises to their members in per capita payments.

So, again, it is a minority and I don't want to

sort of mislead people and make people think that all the problems of poverty are solved in Indian country. That's not true. But I'm here to talk about this sort of segment of the population that's receiving these per capita payments.

I think of more significance is that in many of these communities the per capita payments are held in trust for tribal citizens or tribal members who are minors. So, that means -- let's just say you get a thousand dollars a year as a per capita payment. Well, if that's held in trust over 18 years and invested prudently and, hopefully, the stock market's doing okay, at a minimum, you turn 18 and you receive a lump sum of 18,000. But in some communities, it's much larger actually. So, as you can see, this combination of youth and large lump sums of money has led to challenges and issues.

I'm going to talk very briefly about the actual frauds that we've seen. I do have a colleague -- I think he's in audience -- who is going to be providing some case studies, so I don't want to steal his thunder. But I wanted to let you know that like most marketers, people in the communities near these tribes that offer per

capita payments, they're very good at marketing and they're very good at knowing their audience. And, so, what we've seen and unfortunately documented is a lot of businesses in the area whether they be car dealers, mobile home dealers or other -- you know, rent-to-own stores -- know of the timing of these pay-outs, know of the size of the these pay-outs, and offer what they refer to as special deals.

And in some cases, it's not -- obviously not outright fraud, but it may be inflated prices and things like that. In other cases, some of these deals are designed to get people to put a down payment on a mobile home or a down payment on a car and the loan or the agreement may not be suitable to the borrower because the borrower may not actually be able to keep up with those payments and they ultimately lose the mobile home or the car. So, that's -- unfortunately, we've documented a lot of that.

And then, in addition, we've also heard a lot of identity theft, whether that be using powers of attorney, a lot of affinity fraud, family members unfortunately using social security numbers, et cetera, to access some of this money.

Finally, we also do see offers for cash advances on the per capita payments or even setting up loans using the per capita payments as collateral.

All right. Well, here's where I'm going to try to tell you about 300 years of American Indian history and law in -- I think I have five minutes left. So, more importantly than these per capita payments is a series of recent historical events. And there are several really important lawsuits, federal lawsuits that have been settled with tribes.

The first I'm going to talk about is *Cobell vs. Salazar*. And really quickly, a lot of tribes and tribal members, Native American individuals, own land that is held in trust by the Federal Government. And that was set up in approximately 1935. And, so, this system has been in place for a long time. And in 1996, there was this growing movement that coalesced into a lawsuit led by Elouise Cobell that alleged that there was very poor record management of -- and sort of ability to account for revenues that came in for this land and, you know, payments that went out.

So, the role of the Federal Government is to act as a fiduciary and manage these lands and lease out



the lands whether it be for oil and gas exploration or grazing permits and thing like that. So, if I own an acre of land and it gets leased out to somebody for them to graze their sheep on, basically I'm supposed to get payment for that.

Well, unfortunately, there was extremely poor record-keeping. And, so, Elouise Cobell and what has been called the largest class action of individuals sued the Federal Government and asked for some sort of proper accounting, but also payment for that mismanagement of the leases.

So, basically, that lawsuit was finally settled in 2012 and President Obama signed it in 2013 and the funding and disbursement pay-outs from that lawsuit did go out starting last year and this year. And those actually were very small. I mean, those were about \$1,800 per person. There were some individuals who received much larger payments as part of that lawsuit, but there was this infusion of money in a lot of tribal communities.

More importantly, was the Land Buy Back Program, and I'll talk about that in one second as well.

So, also, the Keepseagle lawsuit, which is

often referred to as the Indian farmers lawsuit, which was related to basically alleged discrimination in the USDA Farm Loan Program, and it was settled in favor of the Native American farmers who brought the lawsuit, and that resulted in several payments of \$50,000 and \$250,000 in a lot of Native American communities. So, again, this infusion of money.

And most importantly is that between -- you know, so, over the last four or five years, over \$3 billion in individual and tribal trust fund settlements have come into Indian country.

Again, very quickly, out of respect to others on the panel, the Land Buy Back Program is the program that we're seeing the biggest challenges with right now. The *Cobell* settlement also provided funding to allow the Federal Government to purchase land that was held in trust for individuals and sell it back to the tribal government. So, it's the concept of sort of consolidating that land and, hopefully, clearing title on that land and making sure that the tribal government can own that land and can use it for the purpose of the tribe.

And there's \$1 million in land trust

consolidation funds available. Right now, letters have gone out to several reservations -- there's a whole website dedicated to this. I won't go over the actual reservations, but several of them are actually very remote and mostly very low income. And in some of those reservations, the offer to purchase land -- you're given an offer to purchase land and if you sign the agreement, you will receive reimbursement for that land that you own. And some of those offers are in excess of a million dollars at this point.

So, what we're seeing, again, is very large lump sums of money potentially available to a lot of individuals who may or may not have a lot of experience managing that money.

And, in addition, there's been numerous other lawsuit settlements. I know the Standing Rock Sioux had a settlement -- that was actually a few years ago -- regarding land that was flooded. So, the tribe actually received a settlement and per capped it out to individual members who received large lump sums of money.

Navajo Nation actually just settled a pretty big lawsuit with the Federal Government regarding -- they claim that their land was leased out at lower than market

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rates. They actually have chosen not to per cap that money. So, that is not actually going to go out to individuals. But there are many other lawsuits where, in fact, they do per cap the money.

So, as you can see, there's sort of this infusion of a large amount of resources in Indian country. And I think we all know -- those of you who have done research on financial fraud know that individuals with lower income or lower education levels are more susceptible to many different types of financial fraud. So, we're seeing a lot of sort of patterns in that area.

Again, my colleagues Brian Ross -- I don't actually see him in the audience, but he will be speaking about that and providing several case studies on the next panel.

All right. So, I also wanted to just talk about some efforts that we're taking to combat fraud because we see such a need out there and have heard so many stories about people who have been swindled out of their either trust fund settlements or lawsuit settlements. And, so, working with the FINRA Investor Education Foundation, we produced this pamphlet called

Fighting Fraud 101 and it has a lot of tips and pointers in there about specifically investment fraud.

We've actually also been going out into the communities and offering workshops and talking to people one-on-one and finding out what kind of information they need and what kind of challenges they're facing. We also work with tribes that have minor trust payments to provide education to their youth.

There's a report -- we had limited copies, but there's a report out on the table called Learning by Doing, that talks about a financial simulation that we offer with some of these communities, where they actually get their lump sum payment and get to practice spending that money.

So, in the afternoon panel, we'll also hear a little bit about our educational efforts. But I'm happy to say there are some sort of outreach efforts going on. And in addition to providing financial education, we're also collecting information about the frauds that are facing these communities.

So, I'll go ahead and wrap it up and hand it over to the next panel and I'll look forward to further discussion and questions later.

MS. MAYER: Thank you so much, Sarah. That was full of great information.

Next, we're going to hear from Charles Lowery from the NAACP.

MR. LOWERY: Good morning, everyone. Again, my name is Charles Lowery. I'm the Director of Fair Lending and Inclusion for the NAACP. If I'm a little nervous this morning, my wife is here and I don't usually speak in front of her. So, anyway, I'll keep going.

We're happy to be here, we're happy to be invited by the FTC to be a part of this program this morning. I'm not an expert in the area of fraud. I think that's where we're here, to all learn more. So, at first, I talked to Julie about, well, how am I going to get information about fraud in the African American community and sort of learn about that real quickly. And she and Yaa sort of calmed me down and said that all I need to do is talk about sort of the work we do and then bring up the issues as it relates to our work. So, I'm just going to take you all through that real quick.

So, in the NAACP Economic Department, our perspective on economic issues comes from the issue of

racial economic inequality. The four items there you see are the areas that we feel are really important and impact our communities. Employment, the racial wealth gap, home ownership or lack of home ownership as a wealth-building tool in our communities and lack of education.

So, when we look at the employment issue we see -- much of this information when I go around the country and talk to NAACP units and branches, these are things that are happening to people every day. So, sometimes they don't put them in the context of a chart or a graph, but they just experience it. And this is one that makes sense to my experience and my work at the NAACP, that our unemployment rate for the African American community continues to be twice that of white Americans.

If you look at the small phrase at the bottom of this slide it says 27 percent of African Americans between the ages of 20 and 24 are either not employed or in school, which then leaves them in a vulnerable position when we talk about issues affecting our community.

The unemployment intersection with education when I grew up -- and many of us in all of our communities were told that education would be a great way

to help yourself and to really build security for yourself. We see that when you juxtapose unemployment and education together, you still see that there's a disparity that happens for the African American community, that only when a bachelor's degree is attained is when you're able to even out the unemployment or employment opportunities.

And this just shows that sort of the problem of income inequity has been growing, but in the African American community, you can see that the high income African American community still makes much like the middle income white American community or person. So, we still see that that traditional problem of inequality persists.

And then this issue of the racial wealth gap has been talked about and talked about. We know that -- and I believe the Nielsen -- the person that mentioned the Nielsen slide talked about people making \$50,000 or \$75,000. Well, you see that on the income side, there's more close parity. When you look at the wealth, actual wealth that exists within our communities, there's a severe disparity.

And this is one slide that I like because if



you look at the gentleman who is going to be evaluating the couple's mortgage application, you can see the Klu Klux Klan, you can see the picture there that really emphasizes to me the racial barriers that have existed in mortgage lending for people in the African American community. This picture comes from the Atlanta Journal-Constitution that did a study on the problems of the Community Reinvestment Act back in 1988. The series of articles won a Pulitzer Prize about how banks were not investing in communities of color as opposed to the requirement to invest in those communities.

And, so, what we do at the NAACP Economic Department is to really focus in five areas. Many of us know the NAACP for voting rights work, for its criminal justice work. And our desire to grow the Economic Department is to really show the thread that runs through all of those issues related to economics. So, this is one of our game changers that is sort of the focus of the national NAACP. The economic sustainability game changer.

So, we try to work through our Economic Department in terms of empowering local communities, ensuring that the government is knowledgeable and growing a movement of concerned citizens to work in these areas.

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So, how do we do that? We do that through our fair lending work, our financial education work, our community and economic development work and our diversity and inclusion work. I don't want to make this an ad for NAACP, but I just want to show you guys what we do.

So, our economic education work; we work on our fair lending work in terms of working at events like this and being a part of you all; our community economic development work in terms of entrepreneurship and asset development; and then our diversity and inclusion work, which is very interesting in term of partnering with outside groups and organizations in terms of job creation and also development.

So, when it comes to I guess these communities and the problems that exist, we see predatory lending and the preying upon our community as one that's really clear that it happens and occurs very often. So, we support a 36 percent interest rate cap on all lending. To me, that's -- personally, that's a very high interest rate, but it's still much better than the 700, 800 percent interest rates of high cost short term loan products like payday loans or car title loans.

And, so, when we look at where our country's

going, I think this is where the most important part for us is to see that our youth are changing in their composition and their demographics. Our country's changing. And, yet, these are the very people that have been discriminated against and been impacted. So, if we're going to have a future for America, we're going to have to deal and wrestle with that issue.

This slide is really focused on sort of the issue of home mortgages and the fact that 75 percent of new households will be non-white. Yet, those are the very households that have had trouble obtaining a mortgage and obtaining home ownership.

So, I guess if we move that forward to looking at fraud and the vulnerability of our communities, I just wanted to know that when the young lady Ms. Jones with Nielsen mentioned the fact that radio penetration affects 92 percent or impacts 92 percent of the African American community, we have been working at the NAACP to figure out how we deal with various high cost lenders like WeFixMoney.com. If you all have heard that ad, it's on the radio and it's sort of -- the very nature of the things that we use as a community, the companies have been using that to, we feel, prey upon our community.

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And if we also look at the fact that the FDIC study on unbanked and under-banked came out today, they are meeting today in Arlington. I just saw on my cell phone the fact that the numbers haven't changed that much, that 7.7 percent of households are still unbanked and one in five households, which equals 68 million people, that's 20 percent, are still under-banked. And I think it's that issue of the under-banked that people that -- well, this statistic shows that, it says 25 percent of households used alternative financial services within the past year. And, to me, that represents the slippery slope, the fact that people are going to alternative services which then leads them to be more susceptible, I think, to fraud. And we'll learn more about that, I think, in the panel afterwards.

I did a little bit of sort of local research and -- Idriys Abdullah is in the audience. He's a consumer advocate for the D.C. Department of Insurance, Securities and Banking, DISB. He mentioned sort of the fraud that he's seen in terms of his work, shared that with me. I also spoke to one of the U.S. attorneys, and I guess the scams in terms of the health area, the auto area, also the prize area are some things that have

occurred in D.C. locally. They know more about that than I do.

But, to me, it just seems that these areas are very important. They need to be addressed and we can see that in terms of the future of our country that the African American community has a very important place in this that needs to be addressed.

And I just want to finish up here to tell you a little bit about you all sort of wanting to connect with the NAACP. We have our website, our social media, and you can stay in touch with us in a number of different ways. I'll be here afterwards to answer any questions and I thank you for your time.

(Applause.)

MS. MAYER: Next, we have a speaker who I didn't introduce earlier but joined us, Quyen Dinh, who is the Executive Director of the Southeast Asia Resource Action Center, known as SEARAC. It's a national organization. She doesn't have slides, so I think you can just speak from your seat.

MS. DINH: Great.

MS. MAYER: Thank you.

MS. DINH: Actually, is there anyone who could help me distribute handouts by any chance?

MS. MAYER: Sure.

MS. DINH: Thank you so much. And apologies, Julie, for running a little bit late.

So, as Julie mentioned, I'm the Executive Director of the Southeast Asia Resource Action Center. We're a national advocacy organization based here in Washington, D.C.

Just to give you a little bit of context about our organization, we were actually founded in 1979 as the Indochinese Resource Action Center. And the impetus for our organization was actually to provide recommendations for humanitarian resettlement of refugees from Southeast Asia who were coming to America and were facing very serious integration challenges after the Vietnam War and after the wars in Southeast Asia. So, the communities we predominantly represent are Vietnamese, Cambodian, Hmong and Laotian.

And I am honored to be here today to share what I know about our community. And like Charles, we are also not experts in the fraud area, but we are experts on what we know about our community and socioeconomic indicators that make our communities very vulnerable to fraud. And, so, what I would like to share with you

today is just an overview of who the Southeast Asian community is, some of those demographic indicators that we hope that you become more aware of as you think about strategies to prevent fraud, as well as some recommendations and implications, and share with you some other work that we do.

So, at SEARAC, we integrate five major strategies in really uplifting the voices of Southeast Asian American communities through capacity building of community-based organization who are the true leaders and the true service providers providing work within local communities across the country. So, we have a network of about 140 organizations.

We do advocacy here in D.C. around issues of education equity, health access, immigration reform and a little bit around economic development. Community organizing research -- and I'll share two of the studies we've done around financial literacy, as well as some work around foreclosures and leadership development to create a really strong pipeline of leaders to advocate for our communities nationwide.

And to give you context about our population, as of the 2010 census, our population is about 3.1

million. And to take a step back, the Asian American community is about 18.1 million. So, we are about a third of that or a little bit under a third of the entire Asian American umbrella.

And if you look at our distribution across the country, our three most populous states are California, followed by Texas and Minnesota. And if you take a look at the rest of the United States, you'll see that our communities are distributed across every region of the United States, from the West Coast including California and Washington to the South including Texas, Virginia, and emerging communities in North Carolina, including new refugees from Burma and Butan, as well as the Midwest including Minnesota and Wisconsin, and the northeast, Massachusetts, Pennsylvania.

And, so, our communities tend to be clustered in -- and tend to live in geographic regions. And, so, the face of the Southeast Asian American consumer is one that, although is distributed across the country, may not be known or seen very visibly because we are concentrated in small cities and locations.

A couple of the socioeconomic indicators that we have been monitoring and what we see as indicators



that demonstrate a need for multi-generational approaches to building assets and to building political and economic mobility are three major things that we see from a community defined by immigrant and refugee experiences. One is around language barriers. So, the majority of our community members are limited English proficient. So, all of this data is from the 2012 American communities survey. And between 39 percent to 50 percent of all Vietnamese, Laotian, Hmong and Cambodian Americans speak English less than very well, and a larger proportion live in linguistic isolation, meaning that no one in the family speaks English very well.

The majority of our communities live above the poverty threshold when compared to the general American population. So, whereas the U.S. population poverty rate is about 11 percent, for our communities it's between 18 and 27 percent.

And although we are typically portrayed in the media as the superstar model minority student, in fact, whereas the general population only about 13 percent have never -- have not completed their high school degree, for Southeast Asian American communities, it's 34 percent for Cambodian, Laotian and Hmong Americans. So, one in three

of our community members do not have a high school diploma, which is contrary to a lot of images and a lot of the depictions that we understand of the Asian American community.

And these challenges really, for us, lead to very strong indicators that our communities are vulnerable to fraud and also have lower levels of financial literacy. As a lot of research documents that if you -- that communities with lower English proficiency coming from lower backgrounds, lower-income backgrounds with less education, tend to have less financial literacy knowledge and skills.

And, so, we commissioned a report in 2012 called Encouraging Economic Empowerment. And I have a couple of the copies today and I'll leave them in the back if folks would like to see that. And we also created another report called Untold Stories about the Foreclosure Crises. And both of these reports focused on California.

And I'll start with the financial literacy report. What we did was we surveyed about 150 community members in California and did a series of focus groups. And the two major findings that -- and about 50 percent

of our participants were actually under the age of 25. And, so, the findings that we saw are reflective of a younger constituency. And the two major findings that we found out was that, one, although the majority of the participants actually had a checking account or a savings account, they had very limited interactions with banking institutions after that, that there was a lot of misinformation about fees, about -- and also about credit.

And the second finding is that the major source of financial information for both the young people that we surveyed and the older Southeast Asian Americans that we surveyed got their financial information from their peers and their parents. And, so, for us, what this really demonstrated was that there actually was a proliferation of misinformation.

And one of the most common dialogues or narratives that we heard in the focus groups was that a young person would share that they believed that they were not supposed to pay off their entire credit balance -- their credit card balance because it was -- because they were taught by their parents that they should carry it over to build a stronger credit score. Now, this is what we heard recurring over and over.

And, so, for us, what is -- and taking a step back about our population, for the Hmong community, about 50 percent of the Hmong American community is actually under the age of 25. And, so, we're talking about a population that is very young. And the other half is a little bit older. And, yet, the misinformation is multi-generational. And, so, what we see is there really is a need for multi-generational education campaigns and awareness about who our community members are and the challenges that they face.

And a couple findings from our financial literacy report, which focused on Central Valley, California. And the reason why we focused in on Central Valley -- and, actually, we did this report with National CAPACD and I believe that Jane Duong will be a speaker later on to speak a little bit more about the specific fraud that they monitor and track.

The reason why we looked at Central Valley specifically, in California is that 5 out of the 20 cities in the Central Valley had the highest foreclosure rates in the nation. So, this was Fresno, Sacramento, Stanislaus, Merced and San Joaquin Valley. And couple of the really big highlights that we see was that home

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ownership within our communities was low, only about 30 percent of the entire community were homeowners. But of that percentage, about 70 to 80 percent paid more than 30 percent of their income on their mortgage. So, we know that our community members are taking on loans that are very high and thus it makes them susceptible to foreclosure.

We also found that rental rates among the Southeast Asian American community as high, and, so, the majority of our community members actually rent. And when these properties became foreclosed, there was not a lot of protections around rental protection and, also, community members became susceptible to rental fraud as well.

And the last thing to note is that we looked at data from the neighborhood stabilization program to look at notices of -- NODs, notices of default. And we found that in three out of the five counties that we surveyed, the Southeast Asian American percentage of folks with notices of defaults were higher than the county average.

And, so, if I leave nothing behind, I think that the one last message would really be that the lower financial literacy rates and the limited English

proficiency rates for our communities make us vulnerable to fraud in all areas of consumer products. And what we have seen is actually that also leads to affinity markets, so community members who speak our own languages, who target community members because of their lack of knowledge and information.

And a couple of the things that we have seen is that, for example, with the Affordable Care Act rolling out this year, we saw a lot of private insurance brokers opening up shop to enroll folks for a fee, although we know that the services actually should be free and that there are publicly funded programs to outreach and enroll community members. And, yet, these individuals within the community existed and actually proliferated.

We also see a lot of Medicare fraud actually. So, folks getting Medicare account information from older adults and using that information to buy medical supplies.

And the foreclosure rates are also a product of having community members provide loans that were really above what was really allowable and what was secure for families to attain.

So, for us, what we really see is a huge need

in an investment for outreach and education, that it has to be integrated with multimedia, with ethnic media, and that we really need to start not just with the older adults or with the adult population who are starting to buy homes, but really with the younger population so that this misinformation does not continue systemically, and that we really need actually disaggregated data about Asian American communities.

So, the data that we found was from the Census Bureau, which does disaggregate the Asian American category. But for the neighborhood stability data, we had to look at surnames to see a proxy for who was Southeast Asian. And, for us, while this is a good indicator, it doesn't really clearly articulate the true needs within our community. Thank you.

(Applause.)

MS. MAYER: Thank you so much, Quyen. That's really compelling information.

Next, we'll hear from Brent Wilkes, who I think is also going to be staying in his seat.

MR. WILKES: Thank you, Julie. It's great to be here and it's exciting to be part of this panel and part of this very important day that we think is critical

to make sure that we're looking at fraudulent practices not just overall, but how it impacts different diverse communities and what we can do to protect those communities from that type of fraud.

I'm Brent Wilkes, I'm the National Director of the League of United Latin American Citizens. I am joined by our national president, Margaret Moran, who is here all the way from San Antonio, Texas, as well as Paloma Zuleta, who is our director of communications for the organization. And I have to say we're very proud that we're celebrating our 85th anniversary this year. We're the largest and oldest Hispanic organization in the United States and our focus is advancing the economic condition, educational attainment, political influence, housing, health and civil rights of Hispanic Americans.

LULAC is a membership-based organization. We have over 132,000 volunteer members and they're organized into what we call councils. There's 1,017 LULAC councils all across the country. It's actually a record number for us this year. So, we're growing just about as fast as the Latino population is growing in the United States. And we try to be inclusive of all ethnic groups within the Latino community. Many of you know the Latino



community, that it's a very diverse community and different ethnicities have very different demographic statistics and different behavior patterns. So, when we look at the practice of fraud within communities, it's important to take that into account and to make sure that we're addressing the needs of all the different ethnicities within the Latino population.

We're headquartered in Washington, D.C. That's our headquarter office, but we actually have 19 offices in 10 different states that we operate, including our LULAC National Educational Service Centers. We also have, through our SER-Jobs for Progress Affiliate, about 48 employment training centers around the country doing work to help folks find job opportunities; 28 different housing projects mostly Section 8 housing; and 60 technology centers which we have designed to help address the digital divide and help get more Latinos online across the country. So, a fairly substantial footprint in the LULAC network.

For most of our history, we've focused on education, employment opportunities, housing, things that we considered the characteristics necessary to be able to move into the middle class and live that American dream.

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But, lately, we've realized that in addition to that we have to really be vigilant about looking at fraud and how it operates in Latino communities across the country because it does have an impact on the goal of moving Latinos into the middle class and certainly affects income and savings, which we'll talk about in just a bit.

Some of the socioeconomic factors I think that really are important to understand about the Latino community, especially as it relates to fraudulent practices, the Latino population is now 54 million in the United States. So, it's one of the fastest growing populations in the country. It represents 17 percent of the U.S. population now. But quickly, by the year 2060, the population will more than double again to 128.8 million folks and represent 31 percent of the U.S. population.

I guess what all this means is that the future of the United States is very intricately related to the future of the Latino community. And if any one community within this country does poorly, especially one that's going to be 30 percent of the U.S. population, that can affect all of us.

There are 38.3 million Latinos that speak

Spanish predominantly in their home. That's about 73.9 percent of the Latino population. So, that's an important factor to understand as well, because much of the fraud that we see taking place within Latino communities is actually communicated in Spanish, often harder for regulators and law enforcement to detect because they are not monitoring Spanish language markets as well. So, that's something that you have to look out for.

Despite that fact though, half of the Latinos that speak Spanish at home often consider themselves proficient in English as well. So, they're bilingual and they can communicate in either language.

Household income for Latinos is low. It's \$39,000 in the United States, so that's not a very sizeable income. And poverty is high, 25.6 percent of the population. Again, making the community susceptible to income opportunity fraud, folks pitching big-income opportunities and trying to lure folks to take advantage of that.

Sixty-four percent of Latinos that are over the age of 25 have a high school degree, which means that the dropout rate is still pretty substantial, about 35, 36

percent of the Latino population, which, you know, is way too high, something that we think is really a top priority for us to try to address.

Also, about 35.6 percent of the Latino population is foreign-born. So, they're not necessarily used to the way the United States both conducts business, as well as enforces laws designed to protect people from fraud and aren't used to the different mechanisms, like the Federal Trade Commission where you can go and get help.

Hispanic buying power though is incredible. It's \$1 trillion. Like we saw the Nielsen report earlier on the African American population, the Latino population is also \$1 trillion currently, but over the next five years is expected to grow to \$1.5 trillion. So, that purchasing power attracts people who are interested in making a quick dollar, and, so, that's something we have to be concerned about as well.

Then I think, overall, many of us look at the Latino population as being family-focused, very family-oriented, large families in many cases, but also very trusting. If a family member tells you something or a friend tells you something, you're apt to believe it.

Also, there's a high degree of spirituality, a very religious community, a community that also believes in more of the mystic elements. So, folks who are pitching miracle cures and miracle pills for diets and things like that have an easier entree into the Latino population because of the spirituality and the tendency to believe things that might to some of us seem a little bit too good to be true.

So, how does fraud impact Latino communities? Well, overall, 3.4 percent of Hispanics in the FTC consumer fraud survey in 2011 were victims of fraud, which is about one-and-a-half times larger than the rest of the non-Hispanic white population. So, obviously, a fairly significant increase in the level of fraud within Latino populations, which is kind of what we have seen on the ground in terms of fraud reports to LULAC.

Latinos often also under-report fraud due to cultural issues and fear of reporting, also even immigration status. A large number of Latinos are undocumented. They're afraid of going to any types of authority, especially federal or state law enforcement. So, they don't come forward.

And then just the idea of being embarrassed by

being taken advantage of and not wanting to create waves. So, that often is a challenge.

The types of fraud that are very specific, I think, to Latino communities include immigration fraud. A large percentage of the Latino population is working to try to advance their immigration status. Very susceptible to folks pitching false opportunities to adjust status, for example. That's been a big factor that LULAC has really focused on, trying to track down the individuals, especially what we call the notarios that are out there.

These are individuals who, in the United States, simply got a license to be a notary, which is a very simple, simply process, like a couple-hour thing, but in Latin American countries, a notario is somebody who's got -- a person with a law degree who is licensed to conduct immigration law. So, they move from Latin America to here, they see a notario sign and they think that they can go in and get help for their immigration papers. But they're getting it from somebody who's really not trained to do that and, often, those folks take advantage of the community by making them think they have an avenue to a different status and charging

significant amounts of money to get it. In many cases, upwards of \$15,000 to try to adjust status and then it turns out that they never had a chance in the first place.

Also, remittances, we've seen a lot of abuse with exchange rates from different remittance outfits, folks that help -- if people want to send money back home, they want to help the families that they've left and, yet, they go and the rates are not really clearly displayed and many times the exchange rate itself is where the big dollars are made, rather than the actual fee that's kind of shown up on the boards. That's a big area.

We're concerned about check cashing outlets. A lot of the communities are not using traditional banks; they're going to check-cashing outlets and paying the really high fees to pay for basically being a cash-and-carry community. And then, because they carry cash, often when they're leaving those check cashing outlets, they become victims of robberies and other types of criminal action because folks know that they carry a lot of cash and their cards.

Even phone cards, for example, you see a lot of

fraud in these phone cards to be able to call back home and let their family members know that they're okay and let them know things that -- the phone cards are not clearly stating their rates.

And then, certainly, Latinos have issues dealing with healthcare. Lack of health insurance is a big problem and are often victims of health scams as well as weight loss scams.

But I think especially -- and really, Charles, you talked about this a lot, are the predatory lending practices that we really are concerned about in the communities. This includes payday lending where the rates are through the roof in many cases; auto lending where you see that Latino and African American -- oh, goodness, that means that my time is up. I haven't even gotten to the good part yet. I will finish up really quick.

So, auto lending is a big concern as well where the rates are much higher. Predatory mortgages. Luckily, there's been a bit of -- with Dodd-Frank, a bit of some new rules that have been put in place I think that will be very helpful going forward. But, certainly, when we saw the losses that Latino and African American



communities suffered as a result of the financial meltdown and the mortgage crisis, that was probably the biggest loss of income and wealth in our communities bar none. But the same practices that occurred in the mortgages that we were concerned about are still going on with the auto lending industry.

And even title lending, I think, is a growing concern. As you try to crack down on payday lending, people start doing title lending instead. So, we have to be vigilant that they don't find alternative ways of defrauding the community after folks.

And then we just think that Latinos, overall, are often unfairly charged higher interest rates than others.

So, how do the fraudsters reach the Latino community? I think a lot of this is word of mouth. This is very community-friendly. If the word gets out that there's this opportunity or this business and the word gets out, so that's a big part of how fraud is perpetrated.

Spanish language media advertisements are a big part of the fraud. You know, when the FTC has looked at this, they've seen that fraudulent practices in Spanish

are prevalent and I think that that's something that we really have to be concerned about, especially some regulators are not fluent in Spanish, aren't monitoring Spanish language media as much, and as a result, you see them proliferate with their schemes online.

But also street teams, just people out on the street corner kind of pitching scams. If you go down to -- in the barrio and you see folks on the street passing out fliers and things like that, it's oftentimes promoting a fraudulent thing. And then pitch gatherings where they get a group of people together and they talk about the -- they get folks getting up there and talking about testimonials and income opportunities and how I lost all this weight and how I was cured of all these different diseases. People get really emotionally swayed by those pitches and they kind of don't look at the fine print where it says actually most people didn't lose weight and most people didn't make any money. So, they often are confused by that.

I'm going to skip the online stuff. But just in terms of solutions, I think that community-based organizations like LULAC and the NAACP and many others can be very helpful in doing this because we're often on

the front lines. We've got those volunteer members. They're the first people that folks go to when something's gone wrong. It's not just, you know, fraud. It's often discrimination or other types of things, but they come to us and then we can connect with the law enforcement agencies. So, making sure that connection point is strong and that the referrals that we make are taken seriously and acted upon, I think that's really, really important to help detect fraud. So, that's step one.

But I also think financial literacy and fraud prevention are very important as well. So, LULAC is doing a program we call PocketSmart. We have over a hundred classes around the country where it's working with our volunteers, working in communities, helping folks learn good financial practices and at the same time how to detect fraud, what to look out for and to make sure they don't get taken. So, that's an important fact as well.

And, finally, just recommendations for the FTC. I think that we really want to see the FTC continue to strengthen the rules governing industries that tend to commit fraud in Latino communities. So, for example, the

multilevel marketing companies, we believe they should be required to disclose the median net income of program participants in a clear and unambiguous manner so that folks are quite well aware what the income opportunity or lack of income opportunity is, and that these entities should be prohibited from using testimonials touting huge incomes that are, in all practical purposes, fraudulent.

We believe that the types of commissions that auto lenders, for example, are getting for selling Latinos and African Americans into a higher auto rate loan should be prohibited, just like they did with Dodd-Frank in the mortgage industry. So, that should be stopped.

And, then, of course, I agree with the NAACP, we need to lower the -- put rate caps on payday lending and limit the size of those loans. We've seen a lot of evidence that the payday lending is really revolving loans and that the original principal that's borrowed is very small in comparison to the total cost that occurs.

A lot of other things I would recommend to the FTC, but let's just leave it at that because I know I'm taking up too much time. Thanks very much.

(Applause.)

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MS. MAYER: Thank you, Brent and for everyone else who is becoming an expert at speed talking today.

Next up is Maggie Flowers with the NCOA. I think she'll be coming up to the podium.

MS. FLOWERS: Yes.

All right, good after -- good morning, everyone. I fast forwarded the day. I'm delighted to be here to talk about this very important topic today. So, thank you to my colleagues at the FTC for inviting the National Council on Aging to join today.

So, just a little background for those who may not be familiar with the National Council on Aging, or NCOA for short. We are the nation's leading nonprofit service and advocacy organization representing older adults and the organizations that serve them across the country. Our mission is to improve the lives of vulnerable older adults, especially those who are disadvantaged. And we do this through two primary issue areas, healthy aging and economic security.

Through our economic security work, which you'll hear more about today, we focus on benefits access for older adults, employment and training, economic assistance through holistic counseling and also reverse

mortgage counseling. Additionally, we have financial education tools that are designed for low and moderate income seniors because, frequently, this population is left behind in the financial education market.

So, I brought today outside on the table some of our Savvy Saving Seniors material. For those on the webcast, you can find that at [ncoa.org/savvy seniors](http://ncoa.org/savvy-seniors). But I'd encourage you to pick it up. Today, I'll be walking through some of that material. One of the modules is focused on avoiding scams.

So, scams and seniors. Unfortunately, this is commonplace for older adults. I wanted to start with just sharing some of the statistics we gathered on seniors and scams. It's become so prevalent. In fact, many people are now referring to this as the crime of the 21st Century. Unfortunately, seniors have really been focused on because they have a significant amount of wealth. Whether or not it's their retirement income through their own savings and pension or perhaps just their modest social security benefit, they're likely to have a steady income stream coming of some sort.

Additionally, they may have assets in the form of their home equity and their house. So, scammers have

identified this and narrowed in on them trying to steal their money, basically.

Additionally, people see this as a low-risk crime because it's really, really hard to prosecute as all of you know in the room here today. So, scammers think it's potentially an easy target.

And then, unfortunately, if you lose your income, lose your assets later in life, you have very few options on how to recoup those costs. It's harder to regain work if you need to work to make up the loss.

So, individuals over the age of 60 are one in five in this country currently. And, in fact, every day 10,000 baby boomers turn 65. And this happens for the foreseeable future. So, our population is getting older. Additionally, 1 in 13 older persons will be abused, neglected and/or financially exploited and only 1 in 44 of these cases will go reported.

Lastly, I wanted to share that 9 percent of victims end up on Medicaid afterwards, after their income and assets are depleted. In fact, it's estimated about \$2.9 billion have been lost.

One last piece to focus on here is that this isn't exclusive to higher income individuals. In fact,

when it comes to older adults, there's no one who is free from the target of the scams.

So, why are scammers targeting seniors? Well, like many of us, as we age, we have a lot of fears of being dependent on others, of being isolated, of ending up in a nursing home. About 30 percent of older adults when surveyed said they would rather die than go to nursing home. So, unfortunately, care givers, family members will sometimes hold this over people's head and use it as a threat to gain access to their assets and income.

When it comes to isolation, it can't be overstated what a big risk factor that is. Older adults are isolated because they may have, on their own, decided to withdraw from the larger community, perhaps they're developing mobility issues, maybe they live in rural community, maybe they're having a harder time seeing or driving and they just end up becoming homebound and, in turn, end up becoming reliant on their care givers.

So, the likely perpetrators that I wanted to share today are, of course, strangers. There are unscrupulous people who are targeting older adults, but also a large amount of this comes from care givers and



family members themselves. In fact, 90 percent of all reported elder abuse is committed by an older person's family member. Most often, the adult children, also could be grandchildren, nieces and nephews. So, common tactics include depleting a joint checking account, promising but not delivering healthcare services in exchange for money or property, outright theft, and other forms of abuse and neglect.

So, I'll quickly go over these. There's a lot in each of these categories, but this comes from the FBI actually. It's the top ten scams targeting seniors. So, the first that was mentioned earlier is healthcare or Medicare fraud. This usually happens when someone is promised services in exchange for their Medicare information. They don't necessarily receive the services. The fraudster will then turn and claim the expense against Medicare.

Another is counterfeit prescription drugs which happens a lot online. This is not only detrimental to someone's pocketbook, but can be extremely dangerous for their health as well if the drugs are not, in fact, what they claim to be.

Funeral and cemetery scams come in two common forms. The first is that someone will read the

obituaries and identify a deceased person, attend the funeral and then claim that they have a debt that they need to collect from the loved ones. Another is that funeral cemetery places will actually up-charge people, if you will. For example, they'll say even though your loved one's being deceased, we need you to purchase a casket as well in addition to the other funeral services.

So, we talked about the different types of weight loss scams. There's also the anti-aging products. There's telemarketing and seniors are much more highly likely to fall prey to these because they're actually more likely than the general population to just use the phone to purchase things. So, they're familiar with using this method. They've been catalog shoppers, all of those sorts of things, their whole life. And, so, when someone calls offering up a service it's not too surprising or unfamiliar.

Internet fraud is huge. Not only the different types of emails you may get promising you large sums of money, but also those pop-up ads that look like anti-virus software but aren't necessarily, but can then get viruses on your computer.

A huge one, homeowner and reverse mortgage scams, unfortunately, all too common. I just got a couple examples from a colleague yesterday from our reverse mortgage counseling network sharing. They had a report of an older woman who was taken to one side of town and promised a new home by the government through this new product or service. And then, of course, she gets the home, notices that it's in disrepair. The person promises, oh, the loan we're getting will cover that, but, of course, no money ever comes from the loan and the person is stuck with a dilapidated house and no money to cover the costs.

Sweepstakes and lottery scams, unfortunately, pretty self-explanatory.

The grandparent scam is another very common one, also usually done by phone. The person answers the phone and they say, oh, grandma, can you guess who it is. They guess. Now, they know the name of the grandchild and they have that in order to be able to scam them out of money saying things like, oh, I'm in jail in Mexico, don't tell mom and dad, I need you to wire me money.

So, what can you do if you come across an older person who's been a victim of financial fraud? Well, the

first thing is encouraging people to talk about it. It is common, unfortunately, and, so, staying in the shadows because you're ashamed of what will happen will not help you, hopefully, recoup those lost income and assets. So, waiting can make it worse. Just come out and find a trusted source you can talk to. Immediately call your banks and credit card companies canceling any of the affected accounts and file a report with the police.

And, lastly, I wanted to share the resource of Adult Protective Services. This is kind of like 911 for older adults, if you will. So, they can connect people with legal services and counsel to help them pursue the claim.

One other resource I wanted to share from NCOA is our economic check-up tool. This can be found at [EconomicCheckUp.org](http://EconomicCheckUp.org) and it can help people connect with trusted nonprofit and government resources related to employment and training, housing, counseling, you name it, it's probably in here. It's a holistic economic assessment tool. It also has a lot of information on consumer protection. So, you see there protect yourself from scam. That will connect folks to Adult Protective Services. It will provide background information on

education so they can prepare themselves for what may be out there, also connects them to trusted government resources, like the FTC, the CFPB, et cetera.

So, I think I got it in in 10 minutes. I don't know. That was a whirlwind, but thank you so much.

(Applause.)

MS. MAYER: Thank you, Maggie.

And, finally, Marcus Beauregard with the Department of Defense.

MR. BEAUREGARD: Thank you very much. There's benefits to being the last person. I get to reiterate what my colleagues have said. But definitely, there are some down-sides to being the last person. I have maybe seven minutes and that takes all the time. So, I'll try to do this very quickly.

I'm just going to cover three things, but before I do I just want to, first of all, say thank you to FTC for recognizing the military as a unique community. The members of the military are made up by many of the other groups that have already talked, but they are a unique community and I hope to provide some insight on how they are different, basically who are they and why does it matter to the Department of Defense in terms of fraud issues and financial stability.

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Just very quickly to define who are they, you know, military could be active duty, reservists, retirees or you could even consider veterans. But for the purposes of this discussion, I'm going to talk about active duty military and their families. There's about 1.4 million active duty members and about 1.9 million family members. So, a fairly sizeable community.

Some very basic demographics. It's about 20 percent of them are officers; 80 percent of them are enlisted. They are primarily married, about half of them are married. And if you look at the demographics in terms of age, half of the enlisted force, considerably the majority of the service members in general, are 25 years old or below. We tend to call them military annualists because they fall in that demographic group.

Let me just talk a little bit about our enlisted force and how they stack up compared to their contemporaries in the civilian society. As I said, they're younger. They get married at an earlier age. About 35 percent of these 25 or below are married and about 20 percent of them have children. And I think if you go to the Census Bureau, it's about 11 percent of that demographic are generally married. So, they take on more responsibility earlier in their lives.

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Apart from that, how are they different? They tend to be clustered around military installations. So, they're easily identifiable. They're in specific communities. In addition to that, they're in about 10 states that cover about 70 percent of the individuals. They have a steady paycheck and they're not vulnerable to lay-offs or loss of a paycheck for issues such as injury. They are compensated through benefits that are provided outside of a paycheck. And, so, they don't tend to have to concern themselves with things like how am I going to pay for medical coverage.

They get a special housing allowance or have on-base housing. And what this does is it tends to allow them to think of what their paycheck is as something more discretionary. So, they have more of an opportunity to use their paycheck how they might want to, not necessarily have to. It just complicates our effort to cover wants and needs.

They're disciplined, they tend to respect authority. They generally have a very high identification with the military, and they are concerned about their standing and their reputation with their peers, with their unit, with their leadership.

Career is the number one concern in their lives. Interestingly enough, financial stability is their number two stressor in their lives. These characteristics provide opportunities, I think, for different companies to prey upon them. And this goes back to many of the comments that my colleagues mentioned, affinity marketing. Both through just identification with the military and also having previous members of the military as sales reps saying I got your back, I understand where you're coming from. This is a good deal.

They are vulnerable to the use of high cost credit products because they figure they have a higher level of confidentiality. If they're in trouble, they need to have some assistance. They are very vulnerable to threats from creditors in terms of debt collection and they tend to be vulnerable to this just authoritative sales practices. Basically someone saying, hey, this is a good deal for you, believe me, particularly if the individual looks authoritative, looks a little bit older.

Why is this all important to the Department of Defense? Well, it's basically all about readiness. It's about making sure our service members are ready to do



their duty. And financial stability is a big component of that readiness. It can impact their ability to retain a security clearance, their ability to be deployed. Obviously, we don't want to send somebody to a foreign country if they're going to have to be back to take care of their families. And it just absorbs a lot of time in terms of what commands have to do to take care of their service members.

There are lots of things that we do to take care of our service members. I'm going to leave much of that discussion to my colleague Anthony Jackson, who is going to be on a panel this afternoon. But I just want to mention that, in addition to what Anthony's going to talk, we have legal assistance officers on each of our installations who are there to help our service members basically work through their problems; hopefully, to work through them before they get into trouble, but definitely once they have concerns. We have family programs on our installations that are there to assist them and counsel them, and we have the benefit of military relief societies which provide no-interest loans.

The one last thing I wanted to mention is that the Congress has given us the authority to regulate and

limit the terms of credit that are provided to service members through the Military Lending Act. And it's been very helpful in terms of taking care of payday loans, vehicle title loans, and those high cost sources of credit.

I know we're out of time, so I'm going to leave it right there.

MS. MAYER: Thank you.

(Applause.)

MS. APORI: Thank you, Marcus, and thank you to all of our panelists for your excellent presentations. We have a few follow-up questions and I'll open up the question period to the rest of our audience here and on the web after we've followed up with you.

Now, Marcus, I just wanted to delve a little more deeply into the potential effects that service members face that are targeted by fraud. You mentioned financial stability is essential to readiness. Can you go through again or speak again more profoundly about the impacts, the negative risks that are associated with having negative or poor credit?

MR. BEAUREGARD: Certainly. It's an issue that service members take very much to heart, even though that

the Department of Defense and military leadership have tried to emphasize the fact that it's not a character flaw if you end up in a position where you have financial troubles and you need to have some assistance. The CNO of the Navy sent out a message to all the Navy a few years back saying if you were in a situation where you need to have financial counseling, go out and get it, it is not a character flaw. So, it's essentially emphasizing that point.

It is one of the violations of the Uniform Code of Military Justice to be indebted and not be able to pay your just debts. So, there's the potential for non-judicial punishment. It can be the source of separation from the military. Generally, that occurs if the individual has a number of different problems, but this is being one of the factors that is contributing to those problems. So, it can definitely influence somebody's career.

And the difficulty we have is that tends to drive the service member towards perhaps using non-bank sources for credit to see if they can skate by and not have to bring things to their command for resolution. So, it's a two-edged sword in terms of trying to maintain a service member's financial stability.

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MS. APORI: Thank you, Marcus. I think this also touches on an issue that Charles raised in his presentation. So, I would like to follow up with you, Charles.

You mentioned that lenders are working -- or struggling to find appropriate products to serve the low-income community, especially within the African American communities. So, I wanted to find out if you could talk about the tools that could be useful to this segment of the population and how the NAACP is working with lenders.

MR. LOWERY: Okay, thank you. I think that, at the NAACP, we have been working with large banks on development of products that would be better suited for our communities. I think as we look in the mortgage lending areas, we're looking at low down payment products as opposed to higher down payments.

And I think in the area of the short-term lending, I think that that's a really difficult area that is still under review. Credit unions, and there are other institutions that are providing low cost short term lending products, because oftentimes as we look at the data and information, people just don't have enough money to make it through. So, it's really an income

problem and employment problem, but it then gets transferred over into this loan area and people get taken advantage of.

So, I think that we're working with our allies and others to just push forward. The CFPB is looking at payday lending rules now. We're hoping for a strong rule there, and we're looking for innovative products that really can better help our communities.

MS. APORI: Thank you.

MS. MAYER: I just want to ask one question I guess for anyone who wants to answer because even though we talked about a lot of different communities this morning, there were definitely some common themes. I saw a lot of head nodding up here. And one -- well, a couple points that relate, I just want to ask about, obviously, we talked about and heard a lot about low-income consumers being a common denominator. Yet, at the same time, some of these communities do have assets. Certainly, we heard about Native American consumers or even seniors on fixed incomes or service members. So, it's not -- and then other consumers having access to different kinds of credit, maybe it's subprime credit, but there is credit being extended.

But what are the asset building resources that these consumers have and it seems to me that a lot of the -- coupled with people being under-banked or unbanked, that this is also an issue that's sort of perpetuating the cycle. Does anyone want to comment on that?

MR. WILKES: I'll give it a shot. I think that for Latino communities that the number one asset in the communities are the homes. And, so, when we were making progress towards closing the gap for home ownership, up until the financial crisis, we actually saw a pretty significant wealth gap start to narrow. But, unfortunately, you know, part of those loans that were being provided during that time were predatory in nature and they were very much designed to be assuming ever-rising housing prices.

Once the housing market crashed and the loans put people under water, they ended up foreclosing at just drastic rates and the wealth lost between 2005 and 2010 in the Latino community was 66 percent of Latino wealth was lost during that time. So, that's just an enormous loss there.

So, I think the home can be obviously a great place to build wealth in communities, home ownership is

really important, plus, of course, you can live there. But on top of that, I think we have to be really careful to make sure people are getting in the kind of loans that Charles was talking about, the ones with lower down payments, you know, traditional perhaps 30-year fixed or, you know, certain fixed loans and stay away from the loans with the balloon payments and variable interest rates that really got people in trouble.

MS. MAYER: Yeah, I can imagine, too, what crashed also with their worth is their credit ratings. And, so, if anyone wants to comment on that in terms of having thin or poor credit files being a factor.

MR. LOWERY: I think that at the recent CFPB conference there was a session or there were a number of sessions on credit and credit building. One of the sessions that I was involved in dealt with alternative data. And it is true that many of the members of minority communities and communities of color have a thin file or no file. So, how do we bring those people -- when we look at the future of America and the population growth, as Brent mentioned, we need to address that. And, so, issues like counting rent payments towards building credit and other areas, it's a difficult thing.

How do we use these new areas or areas where people are making payments?

Maybe it's remittances or -- how do we use those to help gauge -- to evaluate people in terms of building credit without having them fall into some of these areas of problems that our credit system has done with us already in terms of sometimes evaluating us unfairly. So, there was an effort at times -- sometimes for payday lenders to be viewed as, you know, helping build credit. We, at the NAACP, think that's a terrible idea, that those types of institutions shouldn't. But there are other avenues in terms of how we can look more creatively at evaluating people and their stability in terms of credit.

MS. MAYER: Thank you.

MS. DINH: I think something I would add is that the longer-term approach for Southeast Asian American communities is really about closing that income disparity gap. And without having the resources to be consumers and to really build long-term wealth and assets within our families is the biggest challenge that we're looking at. I think that's why all the civil rights groups look at a comprehensive approach at closing



education disparity gaps, workforce development and in language resources to really building knowledge about financial literacy as a major solution.

And for the Southeast Asian American community, I think Asian American communities in general, there's a huge gap in information that is in language. And, so, as I have been exposed to these new resources, actually just from today, one of my questions is are these resources available in different Southeast Asian American languages. And one of the challenges for the Asian American community is that there are more than 34 distinct languages.

Most of the materials that are translated by the Federal Government are within the top 10 most populous languages, which is a great start, and we really would love to see that replicated in different industries.

MS. MAYER: Thanks.

MS. DEWEES: I just had a quick comment. I think another challenge we face in many of the native communities we work in is access to appropriate financial services. I think, you know, similar to what you found in your communities and many of the other panelists have

discussed, there's just simply not banks or credit unions in some of the communities we work in. So, we tend to work in communities that are very remote and rural. So, people may have to travel a hundred miles or more to even get to a bank.

And I wasn't able to share this during my presentation, but I think it's important to know that, as a whole, the Native American population -- well, I mean, there's a lot of different data sets with different methodologies and different sample sizes, but the data does indicate that Native American people are more likely to use non-bank borrowing compared to white respondents and really the best data source for that is the FINRA Investor Education Foundation financial capability study that tells us that 44 percent of the Native American respondents talked about using non-bank borrowing compared to 25 percent of white respondents.

It's also important to know that many different studies, and if you triangulate the data, seem to indicate that Native Americans are less likely to be banked. The FDIC -- my data is from 2011. I understand the new data has just come out today, so I look forward to seeing that.

The FDIC survey of unbanked individuals says that actually American Indians were more than three times more likely to be unbanked than white respondents, 14.5 percent versus 4 percent, and that 26 percent of the Native American respondents to that survey talked about being under-banked. And, again, under-banked is you may have a bank account, but you use alternative financial services.

So, you know, there's a lot of challenges here, I think, with just access to appropriate products. When they're not available, people go to products that may have higher fees and interest rates.

MS. MAYER: Marcus, I think you had a comment.

MR. BEAUREGARD: Just that in the Department of Defense we've had the -- I think the good fortune to have banks and credit unions that work closely with the military services. We have banking officers on -- designated on our military installations who liaise with these institutions, which are located on the military installation. So, we have a group of bankers and credit union managers who actually understand our service members, understand the dynamics of their life, understand the concerns that they have, and are there to assist them with their financial needs.

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What we have to do is ensure that they see those as the trusted source and not the ones off the installation that line up right outside the front gate as being a good source of credit and other financial services.

MS. APORI: Thank you. Is this our next question?

MS. MAYER: Yeah, I think we have time for this one question from the audience, which is very appropriate to close with, and it's for anyone who cares to answer. It's asking how can you help or your communities help law enforcement learn about scams and frauds, and part of how we get information is through filing complaints, so how can we bolster the filing of complaints or other ways to let us know.

MR. BEAUREGARD: I'll start. We worked closely with the FTC, and like I said, we really appreciate the FTC recognizing the military as a community. They have set up something called Military Sentinel, so that service members can identify fraudulent concerns.

We've worked with our legal assistance attorneys as a primary source of providing input into that resource because of their relationship with military

members seeing firsthand some of the fraudulent concerns that come to them. And, so, our effort has been to educate our service members as much as possible to use the resources that are available.

But as my colleagues have said, it's very difficult to get them to sort of call the mortars in on their own position, to say that I got myself in a very bad situation. So, there's a heavy embarrassment factor involved and they don't want to put the light on themselves in terms of concerns. I know that my colleagues expressed a lot of that, too.

MR. LOWERY: Yeah, I think I'd just like to add to Marcus to say that one of the challenge I see at the NAACP is the just getting the word out, the fact that there are complaint avenues available. I don't think that many people in our communities know about the CFPB or about Consumer Sentinel. And just being able to get to them to know that they do have a place that they can complain.

Because I think people go through that feeling of being embarrassed and feeling like there's no one to help them and they're kind of on their own and they sort of just hold on to that and they don't really just follow

through on -- it's one thing to follow through on finding a solution, but to expose themselves to speaking about it or complaining is even more and that's one challenge that we do face.

MS. MAYER: Well, I guess we will end on that note, and thank you for raising -- mentioning Consumer Sentinel, too, because I should say that all complaints can be filed at FTC.gov, which will collect complaints in the Sentinel system that other law enforcement accesses as well. I know there were some more questions that we couldn't get to, but we're about to have our break, now just over 13 minutes. And, you know, if some of the questions were for particular panelists, I think they'll be around later in the day, so I think they will be happy to chat with you.

Thank you all so so much. It was great to meet some of you and see some of you again and I look forward to continuing to work together.

MS. POSS: We are taking a 15-minute break. We'll be back at 11:00. There is coffee up on the seventh floor if you want to go up there, but please be back down here at 11:00.

(Brief break.)

PANEL THREE: GETTING MORE SPECIFIC: COMMUNITY CASE

STUDIES ON FRAUD

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MS. POSS: If you can all take your seats, we're going to try to stay on time here so we can get started.

So, welcome back, everyone. We're back for Panel 3: Getting More Specific: Community Case Studies on Fraud. So, we heard a lot in the last panel about some serious concerns in many of the communities that we're discussing here today. And as I think the Chairwoman suggested, too, many of these big ticket concerns are about housing and mortgage issues, employment concerns and how to make an income, in addition to security and medical issues, transportation issues we heard about a little bit with some auto issues, that provide access to services.

Scams can come in and prey on these concerns and often promising some much-needed relief. But, often, they take the consumer's money and leave them worse off.

This panel is going to dig in a little bit deeper by focusing on some particular frauds that affect particular communities. We have a terrific panel of experts here with a range of experiences with different kinds of frauds and from very different communities.

We have Ann Schaufele from -- a staff attorney



from Ayuda's Project END, eradicating notario fraud; we have Brian Ross, who's the Director of Financial Education from the Department of the Interior; next, we have Heather Hodges, she's pro bono counsel with the Neighborhood Legal Services Program; we have John Breyault, he's the Vice President of Public Policy, Telecommunications and Fraud at the National Consumers League.

And I'm going to jump for a minute to our monitor where we have Jane Duong, who is the Director of Programs & Advocacy for the National Coalition for the Asian Pacific American Community Development.

Jane, can you hear us?

MS. DUONG: Yes, I can. Can you hear me?

MS. POSS: Perfect, perfect, thank you. It's going to work.

And, next, we have Melissa Armstrong, who is the Assistant Chief Litigation Counsel for the U.S. Securities and Exchange Commission. And on the far end, we have Courtney Gregoire, who is a senior attorney in the Digital Crimes Unit at Microsoft.

So, what do all these folks have in common? We do have a diverse group. So, each panelist will have

about 10 minutes to discuss a type of fraud and its impact on a particular community. The panelists will share the context of the community affected to help us understand how the scams creep in and prey on members of that community.

I also have asked each panelist to share their expertise, and if they have time -- if they have time, I know we're going to be tight with all of these folks -- what remedies and prevention programs to kind of help us start talking about what remedies and prevention programs might be effective, if they've seen them work and why.

John is going to play kind of a special role on this panel. I've asked him -- I'll call on him a couple of times to provide some insight on the trends and the reports that he's seen from the National Consumers League.

So, let's get started. Anne, I believe you have slides. Do you want to -- I'll pass you on here. You should be set.

MS. SCHAUFLE: Okay, great. So, I am, as Patti mentioned, from Ayuda, a nonprofit that provides social, legal and interpretative services to low-income immigrants in the D.C. Metro area, and we started this

project a couple years ago to specifically address notario or legal services fraud, which Ayuda has seen for all 40 years of its existence.

Notario or legal services fraud, I'll sort of describe the problem, some of the remedies that exist, and then talk about a specific case study and end with some suggestions for ways that we can improve our ways of addressing this issue.

So, first of all, just to introduce this issue, there is no right to legal representation in immigration proceedings. You have a right to counsel, but you don't have a right to have government-appointed counsel. So, with that, we have, unfortunately, a real access to justice issue. And, so, we recognize that there are individuals in the community who have responded to that need by providing legal services, even though they don't have the capabilities. They have not gone to law school, they have not passed the bar, but they hold out a shingle that makes someone think that they can provide a legal service that's so badly needed.

About 10 percent of 200 immigrants seeking legal services that we interviewed a couple years ago had been the victims of notario or legal services fraud. In

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the next slide, we'll sort of give you a sense of why this might happen. So, there is a cultural and sort of linguistic issues with the word "notario," so it's really just a -- it's a false cognate for notary. It's not a direct translation, but it makes someone think that if they are a notary, they could call themselves a notario and that may mean that someone in the community will think of them as an attorney. And they'll think of them as an attorney because of these examples from Nicaragua, Mexico and El Salvador, where you have notarios who are actually trained attorneys. So, in Mexico, someone who has been an attorney for five years is over the age of 30, has committed no crimes, passes a rigorous exam and, you know, is someone who has stature in the community can then become a notario, so after they're already an attorney. So, it's almost someone better than an attorney.

But here in D.C., and we often tell our clients this, a notary is anyone who's above the age of 18, who is a person of good moral character, who lives or works in D.C., pays \$75 and submits a bond, they can be a notario, a notary. And a notary is really someone who can authenticate your signature on a document, and we try

to stress that with our clients because that is a cultural misrepresentation.

But those individuals in our community are also calling themselves all kinds of other things. So, these are some signs from D.C., Maryland and Virginia to just give you a sense of what we're seeing in the home country and then what we're seeing here locally.

So, here locally we have notario fraud we see as sort of an umbrella. So, we have individuals who call themselves paralegals. We have individuals who call themselves attorneys. They include a license number on their advertising as -- you can't quite see, but it's in that third advertisement on the bottom, which is a local newspaper advertisement.

And we also find that there are issues with Department of Homeland Security or Immigration and Customs Enforcement impersonators or even impersonators of U.S. Citizenship and Immigration Services. So, they set up shop. We had someone in Maryland who drove around with a pickup truck with a big ICE logo on the side, he wore a gun in his holster, he presented himself as someone who worked directly with Immigration and Customs Enforcement and, therefore, had an in with the

government. And we see that, unfortunately, more frequently than we'd like.

We also have a lot of businesses that call themselves sort of multi-services providers, so they're providing all kinds of services, like travel agency, remittances, they'll prepare your taxes. So, it's a one-stop shop, which is very helpful for some of the consumers who can only take off a few hours from work and if they're able to address all of their needs, legal and otherwise, in one place, that's quite convenient.

We also have a problem with "notario" fraud where we have people on the net who are charging immigrants for forms that are free, that are provided for free on USCIS's website.

And then I coined something called Notario 2.0 which is a partnership with attorneys. So, these are sometimes incompetent or dishonest or absentee or disbarred attorneys. And we also have the problems of notarios who are foreign attorneys, so they are licensed in their home country. And there's a carve-out in Immigration where foreign attorneys can practice immigration law, but only outside of the U.S. and only before the Department of Homeland Security. So, this is sort of a carve-out that exists because they understand

that there is work that has to be done at the embassy abroad. So, those individuals can provide representation, but they cannot provide here in this country and they can't be charging for those.

Who can provide representation are, of course, licensed attorneys, carve-out again for accredited representatives of the Board of Immigration Appeals. So, these are accredited representatives at a nonprofit organization. You can also provide services if you're a law graduate or a law student under supervision of an attorney and you're not charging for your fees. Also, reputable individuals of good moral character is another carve-out. So, this carve-out exists because they recognize that there is an access to justice issue. But a reputable individual of good moral character can only provide the service if they're doing so for free. So, I think that that exists to protect a priest who might be helping fill out a form, someone in your community, a family member. But those people are not allowed to charge, and that is what distinguishes them from these individuals on the slide right now.

So, when the fraud exists and all of the slides before were of companies and businesses who defrauded

immigrant consumers in this area, these are some of the realm of what we have to work with. So, we started Project END with the idea that we would serve as a liaison on the civil and criminal side and directly represent the victims on the immigration side. We can also take some civil complaints, but it's -- of course, our work is limited, because I'm the only attorney at the Project, so my work is limited, especially because the number one concern with our clients is usually how can I fix any damage done to my immigration case. So, we usually have to address that concern first because we go with what the client wants to work on first.

And then, if we are able to take civil action, we can make -- we always make complaints to the Federal Trade Commission. We can also use the state's consumer protection statute to bring a private right of action under the consumer protection statute. We can use the -- if a state has an attorney fraud statute, which about 21 states do, we could use that. We can use common law fraud, a breach of contract, negligent misrepresentation, unauthorized practice of law, and all of those remedies on the civil front can give us an injunction, a consent agreement, a cease and desist order, restitution and/or monetary damages.

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And then the criminal side, I want to highlight a few crimes because these are crimes that are qualifying crimes for the U Visa, so I think it's important to recognize that blackmail, extortion, perjury, obstruction of justice, and I'll add stalking and witness tampering, if those are crimes that the notario has committed, we believe that if that person has suffered substantial physical or mental harm because of those crimes and if they have also been helpful or are willing to be helpful with the prosecution or investigation of those crimes, that those immigrants who have been victims of the crimes should be able to qualify for the U Visa. So, that's something that we wrote a manual on that's free on our website, and we're happy to have immigration practitioners download that manual and use it to help their clients.

And, additionally, on the immigration side, there's prosecutorial discretion, which exists also for - - to protect victims of a crime who are helpful currently. So, it's sort of essentially asking the Government to allow that person to stay or to allow them to terminate their removal proceedings because of certain positive equities, and they're enumerated in Morton memos which the Department of Homeland Security should follow.

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And then, also, back to the assistance of counsel, if the person who had been providing the service previously had done damage to a case that the person could have moved forward on.

What we're seeing from our clients is that the damage includes not just monetary damage, but really severe damage to the immigration case, which can result in their detention and/or their removal from the U.S.

Some of the issues that we have on the civil side are just how many places there are to make consumer complaints. So, in addition to making the consumer complaint with the Federal Trade Commission and Consumer Sentinel, if we take a typical Maryland case, I also have a lot of other places I can submit the complaint. So, ideally all of the agencies would like to have the complaint, right? So, if I have a typical complaint in Montgomery County, I can submit the complaint to the Montgomery County Consumer Protection Agency, to the Montgomery County State's Attorney's Office, to the Maryland Office of the Attorney General, to the Maryland Authorized Practice of Law Committee, and then also the Executive Office of Immigration Review has asked for our complaints and then also the USCIS Fraud Detection and National Security Office, and sometimes even ICE.

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So, there are like -- this is eight places which -- and the advocacy community has a really hard time choosing where to submit the complaint. And what we'd like is that law enforcement would access Consumer Sentinel and have that be really the repository of all complaints about notario or legal services fraud. But what we found on the local level is that unless we highlight a complaint locally, it's not addressed. I've never received a call to follow up on a complaint I've made through Consumer Sentinel. So, I think that's an issue that we face.

We also can't submit all of the materials that we might have about a complaint in Consumer Sentinel. So, that's sort of one of our obstacles moving forward.

I thought I'd give a practical case that we've worked on just to sort of give you a sense of what our community looks like and who they're being affected by. So, RE Services was run by Ramon Escarfullet, who is not an attorney and is not licensed as a tax preparer in Maryland, although he advertises as being able to provide tax and immigration services. So, he'll help you with anything. And he did from anywhere from 10 to 30 years, depending on who you asked, he was in the community.

Unfortunately, he took advantage of some changes in policy, not changes in the law, but changes in policy to define them to the immigrant community as changes in the law, saying that there was a ten-year rule and that if he would allow them to apply for asylum for them, they could get in removal proceedings for the purpose of requesting cancellation of removal, which was an idea that no immigration attorney would advise a client to make without careful consideration and without making sure that they satisfied all of the elements for cancellation of removal, and the clients that he put in removal proceedings did not.

So, he took clients who were undocumented, who had never had any contact with law enforcement, with the Department of Homeland Security, and he placed them in removal proceedings for the cost of \$4,500. He also had a lot of other schemes that we've now found out about after he was prosecuted.

So, what we did to build this case was to find enough victims who would come forward and finding the victims meant reaching out to listservs of immigration practitioners. We see immigration practitioners as the front line to having contact with affected immigrants in

our area. We also did some outreach with the Office of Latino Affairs, outreach with other services providers, and they simply flagged this individual's name and said, if you have had a client who received services from this person, please ask them to come in for a consultation.

And once we had a few consultations and had a group of victims together, we liaised with law enforcement and made the complaints. He had offices in D.C. and Maryland, so we worked with the Montgomery County State's Attorney's Office and the D.C. Office of the Attorney General and the D.C. Unauthorized Practice of Law Committee. We thought that the collaboration was really important for this case and worked well.

On the criminal side, he has now been -- he pled guilty to a violation of the Maryland Immigration Consultant Act, which is the state's notario fraud statute, and to the unauthorized practice of law. He did not plead guilty to theft, but we think that the remedy -- the other remedies were sufficient, because that would also provide about \$8,000 of restitution to those four victims.

It came out during the trial that he had -- or before the trial that he had already been sanctioned

twice by the Maryland Unauthorized Practice of Law Committee for -- seven years ago was the first sanction. So, it didn't quite work, just the civil sanctions. He had also been sued on the civil side and that hadn't worked. But it did work to put him behind bars. So, on October 1st of this year, he started his six-month sentence. And this was publicity that we received from NBC and Univision about the case and NBC -- on that screen shot, you'll see his office was inside of a medical complex and that was the medical complex and then that's a picture of him which Univision put on, and the photo then allowed lots more victims to come out.

So, we always knew there were many, many, many more people affected by him and we were very concerned there were many people affected by him who are now deported. But we wanted to see the folks who were still here, what we could do to help. So, since October 1st, we've received about one new victim every two days, so ten more victims. And we knew that. We knew that going into it and we had our phone number directly on Univision newscasts because we wanted more people to come forward and now we're basically working on what the next steps are on the case. And I won't discuss that further because they're ongoing.

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And I'll end with just what we've seen from the grassroots level as being helpful for our advocacy or some things that I think would help. And I would say that this is particularly for the Latino community, for the Spanish-speaking community, but that this issue affects many other communities. I have a lot of Indonesian clients, I have clients from Togo, from Nigeria, from Morocco. So, this is really a global issue and a global misconception about who can provide legal services. But my action items have to specifically do with the Latino community because they are most affected by notario or legal services fraud.

So, I think what was helpful with the Ramon Escarfullet case were letters of support that we received from law enforcement saying that these victims were being helpful in a criminal prosecution because then on the immigration side, we can use those letters. So, that's something that I think is a very easy ask of law enforcement and something that they ought to do because this is someone who's important to have their complaint. You can't move a case forward without their complaint. So, I think it's helpful to, in exchange, provide a letter and I think the Federal Trade Commission could as well.

Also, I think it's important to let our immigrant clients know that Consumer Sentinel is accessible by the Department of Homeland Security. So, while they're not concerned about immigration status, it is a database that is accessible. So, that means if you're putting your address into that database, it's a concern that I would have as their advocate. And, so, I do think it's worth flagging with the consumer before they put their address into another government database.

I also think that this case allowed the Montgomery County State's Attorney's Office to, on the news, tell immigrant consumers that what they're concerned about is the story that the consumer has and not their status. And, so, I think that these cases sort of highlight that if we can have law enforcement say that publicly, those public statements matter a lot and it's something that we can then go back to the clients who do trust Ayuda as a nonprofit and nongovernmental organization. We can say that we have the confidence that the law enforcement will care about your story.

I think it would be helpful to have more Spanish-speaking investigators and advocates, especially investigators so that if there's a sting operation, the



investigator is someone who looks like the community that would be affected. I think that will be more effective that way.

I think it would also be helpful to make sure that state bars know that they're empowered to act on the unauthorized practice of immigration law. We have some state bars who think they can only act on the unauthorized practice of law within state law, and if they don't act on unauthorized practice of immigration law, there's no other body to do it. So, they really do need to act, especially where they have unauthorized practice of law committees.

And then my last one, I think that this would help with collaboration, would be an online repository of sanctioned notarios so individuals who have been prosecuted, like Ramon Escarfullet, I want to make sure that he never harms anyone else. And I'm very concerned his business is still operating. So, I think it would be really valuable if there was a website where just like the Executive Office for Immigration Review has a website of accredited representatives and sanctioned attorneys, it would be helpful to have a website of sanctioned notarios. These are people who have already been

prosecuted civilly or criminally so they have had their due process and it would just be helpful for consumers, moving forward, to know who those people are.

So, I'll end with that, thanks.

MS. POSS: Wow, another speed talker. And some great ideas there for collaboration already coming out.

Why don't we move on to Brian, if you want to address your points.

MR. ROSS: Thank you very much and thank you for allowing me to be here this morning. I'm very thankful for that. And I also want to recognize the efforts of Shawn Spruce and Sara Dewees from First Nations who have been integral to our work.

I'm sure a lot of you are asking the question, what does the Department of Interior have to do with this? The agency that I represent is called the Office of the Special Trustee for American Indians. We were created in 1994. To give you a brief overview of what that means, you're probably familiar with the Bureau of Indian Affairs, which is part of the DOI. In the simplest of terms, the BIA manages tribal resources, land, minerals, et cetera. The Office of Special Trustee was created to manage the funds that are derived from

those resources. We manage about \$5 billion in tribal trust funds and individual Indian money accounts. So, you can probably begin to see how our work with people's money can, from time to time, show us examples of people being taken advantage of out there, and that's what I'd like to share with you today.

About a hundred days ago, the U.S. Senate confirmed Vince Logan as the Special Trustee for our agency. One of his primary areas of focus is financial education. While our agency has been involved in financial education for some time, when he came on board, he made it such a priority that he created the position of Director of Financial Education, a position that I'm very fortunate to have and a position that I take very seriously.

Part of his motivation in creating this position and focusing on financial education involves, again in part, some of the frauds, swindles and thefts that we have witnessed being perpetrated out in Indian country. I'll show you some examples or share with you some examples that we've come across, but I probably need to explain certain cultural implications.

I grew up in one of the poorest counties in

Oklahoma and I grew up in Cherokee Nation. I'm Cherokee. One of the things that I know about many native cultures is that if there is someone who has taken advantage of you, it's a similar dynamic with the elderly, where there is shame and embarrassment and they don't necessarily come forward to report these incidents. But I have observed that that is a cultural dynamic within native communities. So, we don't have widespread reporting of some of the frauds and swindles that are taking effect out there.

Some of the sources of income that exist in Indian country come in the form of per capita distributions. A lot of times, this is a result of gaming operations within tribes where each individual of a tribe over a certain age will receive a distribution almost quarterly, if not more frequently than that. And even those that are minors, the funds are going into an account held in trust for them.

The recent settlement of the *Cobell* litigation resulted in thousands of dollars being distributed out in Indian country. And on a tribal specific level, the Obama Administration has settled approximately 80 individual lawsuits with tribes during his time in office.

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I was at the National Congress for American Indians as recently as yesterday in Atlanta and the Secretary of Interior Sally Jewell was reporting on some of the efforts of the administration to settle some of this litigation. Well, some of the settlement resulted in pretty large distributions to tribal communities. And *Keepseagle* is another settlement that you might be familiar with. So, there are a number of instances that we have encountered where native people have received large sums of money and they have not always been prepared to receive large sums of money. But what's not unique is that these litigation settlements have resulted in headlines and the headlines have caught the attention of scamsters and fraudsters.

So, what we're seeing out there -- and I'll use the remaining of my time sharing some specific examples of what we're seeing. Of course, we're seeing identity theft, we're seeing affinity fraud, predatory lending. But there's a couple of instances that I'd like to share with you that you may find unique. I certainly did.

One instance is encouraging people to attend real estate investment seminars and what's being reported back to me is the way this works is they bring them in

maybe with a dinner or some sort of an incentive and there's a low buy-in process, maybe \$200, \$300 to get involved in receiving some sort of instruction DVD. And then that takes them onto the next level where they are asked to spend nearly \$10,000 for coaching on how to buy real estate. And the incentive is they are given the opportunity to not use their own money to purchase real estate, but the promise that the company or the perpetrators will promise to buy it with them. You go find the property, we'll use our money, and when we sell it, we'll split the profits.

And you probably aren't surprised to hear that somehow the properties that are presented are never quite good enough. They don't quite work. They aren't up to expectations. And, so, this is something that has come across my desk on a number of occasions.

The last one I'll share with you is particularly heartbreaking, but I know that it can probably be echoed across this table and across this room. One beneficiary that I worked with on a number of occasions who I sat down and did one-on-one financial education sessions with came to me one day and said, Brian, I'm finished, I don't need any more financial education.

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So, I said, well, okay, great, you've graduated. But he said, no, I -- my ship has come in. I said, well, great, sit down and tell me about this. And he said, well, I got a call from an attorney and one of my relatives has passed away and it just so happens that this was a relative that I knew when I was younger who traveled a lot, this relative lived over in Europe. I said, well, I'm sorry for your loss. He said, well, we weren't close, but we used to travel together back in the day and he's pretty well off and he passed away.

I said, well, what is the result of this for you? He said, well, I stand to inherit quite a bit of money. I said, well, that's fantastic. I said, what are your plans? Are you going to travel? Are you going to retire? He said, well, first, I just have to pay another \$5,000 to the attorney. I said, oh, wow, and that's when things started going off. And he said, and the attorney office is out of Nigeria. And, you know, I think that even some of the most sophisticated of us can be blinded by desperation. And, so, I don't think that that is unique to Native America. I don't think it's unique to Indian country. But it certainly is an affirmation that those of us in financial education have to keep up the fight.

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And, so, I appreciate the opportunity to share a couple of thoughts with you today, and I look forward to hearing from our next speaker. Thank you.

MS. POSS: Thank you, Brian.

Heather?

MS. HODGES: Well, good afternoon, everybody. Thank you for inviting me to be here. Good morning, everybody. Thank you inviting me to be here today. I'm pleased to be here today because at Neighborhood Legal Services Program, we agree that when you're trying to develop interventions for protecting low-income consumers, that it's important that they are grounded in a deep understanding of the community you're trying to help and serve. That is, in fact, how we approach all the work we do on behalf of our low-income clients.

And it's also how we learned about the specific problem of students in area job training programs, primarily east of the Anacostia River, who are carrying large debts because they had previously been enrolled or recruited by expensive for-profit universities that offered them easy loans that turned out to be difficult for them to repay when enrollment and graduation did not lead to the promised good-paying jobs.



NLSP is a nonprofit law firm that provides free legal representation to low-income D.C. residents and we've done so since 1964. Since that time, we've been committed to the idea that in order to best serve low-income residents, our lawyers need to be situated in the communities we serve. One of our offices is located in Ward 7, that little house you see up in the corner. It's that little house on the corner of Polk Street just off of Kenilworth Avenue near 295. It is literally a house. There are five lawyers in there. Ward 7 is a collection of diverse, vibrant, historic, mostly African American at this point, working class neighborhoods, but it's also the home of many residents who are challenged to find employment. The unemployment rate for Ward 7 can be nearly double that of the entire District of Columbia.

Low-income District residents seeking to enter the workforce frequently struggle with problems that prevent them from engaging in a focused job seeking effort or cause prospective employers to reject their applications. Those challenges include lack of stable housing or lack of an address, a permanent address, lack of affordable day care, disputes over custody and visitation that bring them into family court, lack of

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adequate health care, criminal records, poor credit histories, lost driver's licenses. All of those issues are common barriers that we see among job seekers which exacerbate the traditional challenges to finding a job, such as a lack of academic credential, including a high school diploma and marketable job skills.

In the face of these barriers to employment, you can understand the appeal of promises made by recruiters for for-profit universities that enrollment will lead directly to a great paying career. Although the District has several major universities, they are out of reach academically and financially for some of the low-income communities we serve. We have learned that some of the job seekers we work with and have tried to help have tried enrolling at our only public university, the University of the District of Columbia, but had to drop out for financial or academic reasons.

Frustrated job seekers may see for-profit universities as the only realistic option left for easily obtaining academic credentials, job skills and, more importantly, much needed assistance with job placement. However, as many of you in this room know, some of these institutions have drawn scrutiny for their high pressure

recruitment tactics that include misleading applicants about job placement rates and pressuring them into taking out loans to cover high tuition costs. In the meantime, a growing body of research shows that students who attend these institutions have no great competitive advantage in the marketplace -- in the job marketplace over those students who attended cheaper, or in the case of UDC's community college, free community colleges.

Thus, for job seekers in the neighborhoods we serve east of the Anacostia River, these for-profit universities can turn out to be another dead end when enrollment fails to lead to employment. Instead, enrollment results only in debts that they cannot pay because they are still not working. They, in fact, may end up in a much worse economic situation than they were before they were -- if they had never enrolled.

So, Carolyn and Sharon are two examples of job seekers who we have encountered. Carolyn is a middle aged mother who, before finding her way to a free job training program in Ward 7 -- and that actually in the top left-hand corner is a job training program that's run out of the cement mason union hall two blocks from our Polk Street office. Carolyn had enrolled at UDC using pell

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grants to finance her education. However, she did poorly academically and lost her financial aid. In order to remain enrolled, she would have to pay her own way until she raised her GPA and became eligible again for financial aid. But this was not feasible at the time because Carolyn was relying on temporary assistance for needy families, or welfare, to support her family.

Despite these clear academic and financial challenges that included no income beyond her TANF payment, a recruitment at a for-profit university told her that she should enroll at the institution and that she should work towards her doctorate. Carolyn agreed to enroll and was then promptly asked to take out \$5,000 in loans to cover the tuition costs for two classes, which were remedial English and remedial math. Neither of these courses would count toward a degree and Carolyn would not be permitted to move into the degree track until she passed both classes.

Carolyn rethought her decision, enrolled in a free local job training program, and called the for-profit to try to withdraw before classes were scheduled to start. The institution made it very difficult for her to withdraw over the phone and pushed

hard for her to try -- just try the classes. They eventually let her withdraw, but they charged her a \$500 early withdrawal fee. This is despite the fact that Carolyn was on TANF and unemployed at the time. So, while she was left without a degree, she had accumulated another debt.

Or consider the case of Sharon. Sharon was a teenage mother who was also receiving TANF, who enrolled in a for-profit university that promised her a lucrative career in the medical field. Like Carolyn, she had previously attempted to attend UDC, but withdrew when she became pregnant. A woman overheard Sharon talking about finding a training class while Sharon was standing outside of a public benefits office in Anacostia one day. The woman told Sharon that the for-profit university she worked for was recruiting students, that they gave generous financial aid, and that it was easy to get in. Sharon, a teenage mother, was sold on both the convenience and the cost factor.

The admission process at the for-profit university was seamless. Sharon called them, said she was interested. They gave her an appointment two days later. She was told to bring her high school diploma or

transcript, her birth certificate and a photo ID. That was it. When she was arrived, she was asked a few questions about her interests and why she wanted to be a medical assistant, which was her chosen field. After that, they made a copy of her high school diploma and told her she was accepted, she was in college.

Sharon told us you pretty much find out the same day that you're in. You don't have to do any type of assessment test. It's easy. You know, it's easy to get in. So, that's when I was like, cool, you don't have to take a test or anything or get bad news that you failed. You are just in. So, I was like, oh, perfect. And then he was like, when can you start? He said, you can start the following class if you want. I got my books that same day and then I went to financial aid. Everything was okay until the end.

So, at the beginning, she was offered many promises about job placement, easy access to student loans. She finished her program and that's when the problems began. After graduation, she was offered almost no assistance with job placement and no real guidance on how to manage her debt. She was able to find a job on her own after a struggle, but when she lost it, she was

left homeless. She continued to ask for job placement assistance from her institution, but received little. What started out as a \$6,000 debt has now grown to almost \$11,000.

She's now in a transitional housing program that is also helping her with job retraining. But she is also back on TANF. She has her family, and her student loan debt remains a significant problem to completely stabilizing her family because, as you can imagine, she is challenged to find affordable rental housing because her now bad credit.

These stories are compelling, but not unusual in the communities that we serve. The abuses of for-profit universities are well documented. The crackdowns by federal agencies on these practices have been front page news. However, it's not clear to us that everyone in the communities we serve is getting the message.

Some of these still unemployed or underemployed job seekers like Carolyn and Sharon find their way to high quality supportive job training programs and that is where we encounter them. NLSP has placed significant resources into helping low-income students remove barriers to employment and part of that effort includes partnering closely with local job training programs.

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We still hear regularly from the program staff that their students have been or are being targeted by for-profit universities. I share information I learn about legal developments regarding for-profit universities with our community partners. In September, I alerted them to the fact that the Consumer Financial Protection Bureau had sued for-profit college chain Corinthian Colleges for its illegal predatory lending scheme. This was September, two months ago.

The response I received from one of the staffers, you can see it coming in in all caps. This is wonderful news. I mean, it's depressing to see all those categories of the systematic ugly, manipulative ways these schools took advantage of eager and poor students, but I'm optimistic that future students won't have to stop similarly. But why stop at Corinthian, let's get -- and then she proceeded to list five more. So, this was just two months ago. So, we still have a real problem in Ward 7 and the other low-income communities we serve.

So, the question for us as the legal aid lawyers based in that community, literally in that community, is how do we help those individual job seekers in the communities we serve to better evaluate the promises made by these institutions and, more



importantly, what are the opportunities for systematic impact. The initial challenge for us in direct services is a basic one, but it's a difficult one. Reaching and educating job seekers about what we know about some of the predatory tactics of some of these legal -- of some of these institutions and the remedies that are available to them, people won't ask us for legal help if they don't think they have a legal issue. So, we have to frame it for them.

Moreover, to the extent that these victims are men, they are not inclined to ask us for help because men are non-traditional legal aid clients, for a number of reasons, and that's another panel and conference.

So, very quickly, we've identified two solutions for making these intervention. First, we serve as a resource for the staff at the job training programs. We provide them with information on legal developments, such as the enforcement efforts that federal agencies are taking. We conduct legal information programs onsite for their students, which is what you see in that top right-hand -- left-hand corner, is two of our staff attorneys who walk the two blocks to that job training site at the hall and they push out this information directly to the students.

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And we connect our partners to the work of consumer protection agencies locally and federally. We've had FTC attorneys come out into this neighborhood, which is Deanwood, come over to the Deanwood Public Library, and deliver information directly to the residents of that community. They, in turn, help us identify students who might benefit from legal assistance because of their debt collection issues, like Sharon and Carolyn. And we also are working with them now to interview more students about their experiences to determine how we might make more pointed and earlier interventions.

Last, a second very important intervention point is the public library system and, in particular, the computer rooms in the library. Library computer use is highest in the District's poorest neighborhoods east of the River. A recent study showed that 40 percent of library users in the District were using the library's computers to look for work. This is consistent with national data that shows that 40 percent of library computer users received help with career needs in the branches. This is not surprising.

A study by the Gates Foundation of public

library use reported that low-income adults are more likely to rely on the public library as their sole access to computers and the Internet than any other income group. Based on this information, we successfully applied for a grant supported by the D.C. Public Library from the District's One City Fund for a project staff attorney to circulate amongst the library branches and provide legal information from job seekers in the branch, and that's what you see. In the bottom left-hand corner is my colleague, Dan Choi, in a computer lab. There are job seekers there. We can't show them for privacy reasons, but he's literally in the branches to help triage situations for them.

It is our hope -- and next to him actually is a stakeholder group that we also convene in the library made up of job training programs, government agencies, library personnel, legal services providers to talk about this particular issue, as well as other challenges facing job seekers.

It is our hope that by continuing to be a highly localized resource to job training programs and by using the local libraries as a platform for pushing out consumer protection information to job seekers and other

patrons, that we can help job seekers and low-income residents make more informed decisions about whether to enroll in a for-profit university as well as assist those who may have been victimized.

I apologize for going over time, but thank you.

MS. POSS: Thank you, Heather. So, we'll take a little break here and, John, how does this mesh with what you're seeing with the reports at NLC?

MR. BREYAUULT: Sure. So, for those of you not familiar with the National Consumers League, we're the nation's oldest consumer advocacy organization, and a pick part of my job there is running our Fraud.org campaign, which is centered around a website at Fraud.org, where we collect consumer complaints, among other things, and publish annually a list of top ten scams.

We also look in through that data to identify trends emerging from the data during the year to issue fraud alerts about scams that we're seeing on the rise. We contribute our complaints directly to FTC. We also make them available to more than 90 federal, state, local and international law enforcement and consumer protection agencies.

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You know, what we've been hearing from the previous three speakers is very typical of what we -- the kind of complaints that we're getting at NCL through Fraud.org. So, for example, Anne talked about the folks in her community who are driving around and impersonating immigration agents, for example. In our last -- one of our last fraud alerts, we were seeing specifically a quick rise in complaints from consumers who were saying they were contacted over the phone by folks who were allegedly with a government agency like the IRS, with Immigration, and threatening them with some kind of dire consequence in an effort to extract a payment from them.

So, a typical example would be someone who receives a call from a local -- someone saying they're with the local police, and we are going to be collecting on a debt that you have failed to pay or claiming to be a loan collection agency. What we have been led to believe from these complaints and similarities we're seeing is that these are consumers who are -- who have filled out an application online for an online payday loan. And these are -- we think that those websites where they are filling out this information are little more than lead generators for scammers who want to make phone calls to

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consumers. We do know that scammers are trading lists amongst themselves of vulnerable consumers. Just as advertising and things like that are targeted at specific communities, scammers do the same thing. And they look for communities like recent immigrants, for example, to contact with scams that are targeted specifically at them.

With regards to what Brian was talking about, this is something we definitely see as well in the investment fraud. I think it' -- you know, when you were talking about how media coverage of a settlement for a particular community is picked up not just by regular consumers, but also by people who want to take advantage, we definitely see that popping up in our complaint data as well. It's not one of the top scams that we see, but certainly given the amount of money that a scammer can get from even one victim of this scam, it's one that I think has a disproportionate impact on vulnerable consumers.

And, finally, the job seeker scams, I think the closest analogy to what we're seeing in our data is mystery shopping scams. So, what we'll see is -- one of our top scams for years has been fake check scams. These

are where a consumer receives a check in the mail and they are told to cash this on a personal account and then wire a portion of that -- those funds back to either the scammer themselves or a third party before the bank finds -- and once the bank finds out it's a fake check, the consumer is left with a negative balance and owing the bank money.

A common variation on this has been website postings, newspaper ads, signs in neighborhoods of folks looking for mystery shoppers who will go out and mystery shop, say, a Wal-Mart location or a Western Union. And they're told to -- again, it's the same scam. You're depositing the check. And I think it's particular concerning to us is as the recession continued on, was how many consumers were out of work and were looking for ways to supplement their income. So, as you talked about, Heather, folks who are already on the margins of society and looking for ways to find a job, to find employment, to help supplement their income, are vulnerable to these sorts of scams. And, so, we certainly see that in our data as well.

So, I'll stop there, but I think I'm going to circle back after Melissa and Courtney speak. I'm definitely happy to do that.

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MS. POSS: Let's see. Next, we're going to go to Jane, who is with the National CAPACD. She is with National CAPACD, but she is sitting in the FTC's regional office in San Francisco.

Jane, I'll let you share what information you have.

MS. DUONG: Great. Can you folks hear me okay?

MS. POSS: Yes, you sound great.

MS. DUONG: Great. So, good morning and thank you for the opportunity to present with you today. I'm really grateful for the other panelists. I think that I'm nodding my head furiously over here because I think that a lot of the things that Anne, Heather, and others described are also very common with the Asian American Pacific Islander community, of which I work with.

So, my role actually with National CAPACD, which is an acronym that stands for the Coalition for Asian Pacific American Community Development, is as the Director of Programs and Advocacy. Our mission at National CAPACD is to improve the quality of life of the Asian Americans, Native Hawaiians and Pacific Islanders whom are low income. And we work in partnership with a membership base of about a hundred different community-



based organizations that are providing the full range of services. They're those neighborhood institutions that are anchoring the community and providing resources and access to social services, as well as helping people to navigate the new system here in the United States, accessing housing and a whole range of services, as well as, you know, getting registered to vote and the like.

So, at National CAPACD, we support a lot of these programs having services that help to improve the economic vitality of these communities and we seek to advance policy change at the federal level.

One of the things that we operate is a HUD housing intermediary where we work with about 20 different organizations around the country that serve the AAPI community, the Asian American Pacific Islander community, and work with probably about 25 different languages and dialects are part of the capacity of our network that provide a full range of services from pre-purchase, post-purchase, foreclosure prevention, as well as homeless and rental assistance programs.

So, today, what I'd like to do is actually to share some of the things that our network of counselors around the country have been able to observe as a part of

this housing crisis. And I think we've heard a lot about it over the last several years and I think certainly the Asian American and Pacific Islander community has not been immune to some of the challenges that have existed in the housing world.

To maybe start this off, I want to provide a little bit of background on the Asian American Pacific Islander community that has made members of our community particularly vulnerable to fraud in the housing sphere. So, I think that Quyen addressed earlier this morning that they AAPI community is quite diverse. It incorporates upwards of 30 different ethnic groups coming from various national origins. As I mentioned, our housing counseling network currently serve about 25 different languages and dialects. They tend to be working with new immigrant communities that are living in pretty isolated areas with limited access to information and education to properly shop for mortgages and other financial products. And they're, many of the times, learning a new system of doing work and that the mortgage system works completely different here than in their home countries.

And many of these individuals do not know where

to turn to for information. So, very few are relying on government institutions or financial institutions. They tend to rely primarily on the advice of family and friends. This data is also confirmed in a survey that we conducted with our members around access to other financial product, like bank accounts, credit cards and the like. So, not just for mortgage products, but all sorts of financial products.

And then, of course, compounding these challenges, we know that at least 40 percent of our community members have difficulty communicating in English. About 70 percent of Asian American households speak a language other than English at home and, so, having to negotiate terms of the mortgage, that already is very difficult in English is, you know, further complicated. So, this has led to massive miscommunication at best and outright fraud in many other circumstances.

So, thinking also to the full range from origination of thinking particularly to mortgage fraud, because many of our AAPI communities have felt so isolated, they have tended to rely on individuals within their community that speak their same language and

understand their culture. And this over-reliance has meant that many homeowners and homebuyers have been susceptible to being sold predatory products.

So, we've heard quite often throughout our network that borrowers were negotiating the terms of the mortgage in one language and then the actual mortgage terms were actually completely different, were very different than what was originally negotiated. Many homeowners were also signing documents with incorrect income information where you know employment information was either falsified or inflated, maybe even income documentation that was provided was subsequently ignored. So, a lot of things that I think did not put the homebuyers in the best positions.

And most common was that homeowners are listed self-employed rather than the income that they had. And because loan documents have primarily been in English, they have had to rely and trust on these mortgage professionals and they don't -- a lot of these homeowners did not have an ability to actually compare what they were given on paper to what was actually communicated, so, I think just really compounding a lot of the challenges and the vulnerability that a lot of these

communities face and the intense trust they had to rely on with the professionals.

As we -- you know, I think certainly we all know sort of the outcome of this is that there was a severe decline in home ownership and I think that probably in the Asian American community, I think home ownership rates were pretty level through the crisis. But we know that in specific communities that there were some that were especially hard hit. So, here in California in the Hmong community in the Central Valley, between 2008 and 2009 at the height of the crisis, we saw that home ownership rates within that one year dropped 10 full percentage points. So, we can suspect that a -- we can guess that there was a lot of predatory lending that was happening in that particular community.

We saw something very similar in Queens, New York with the South Asian community and particularly with the Bangladeshi community and the Pakistani community where similarly a community organization that we worked with looked at surnames of -- South Asian surnames in the notices of foreclosure sale and trustee sale and found that that South Asian homeowners were probably seven times more likely to -- seven times more than their

representation in that community to be in a foreclosure in Queens, New York.

Certainly, as we progress through the crisis, we observed that there were sort of newer instances of fraud with the creation of the Making Home Affordable Program through the Treasury Department and loan modifications that were being more readily available. We saw all sorts of professionals coming out of the woodwork that were offering services to help people to modify their loans, charging upwards of \$2,000. We even heard of a situation of a homeowner being charged \$7,000 to navigate the loan modification process, usually with no results or no intent of achieving any kinds of results.

And through our housing counseling network, these services are free and I think a lot of community members actually don't know that these resources are available and that they shouldn't be paying for them.

So, an example for a mother in Queens, New York, also from this organization working in the South Asian community, she ended up -- because she was so embarrassed by her situation, she didn't answer her phone calls or anything like that. She privately went to a realtor, who was asking \$2,000 to get her through the

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foreclosure crisis. They immediately came back and said, oh, the bank denied your request, and she was devastated and she had been in the home for about 10 years and she really didn't know what to do. Luckily, she was able to connect up with some housing counselors within our network and they were able to actually help her to get a loan modification. And, unfortunately, you know, there are so many others that don't make their way to a counseling agency.

We've also heard this in Los Angeles in the Thai community where there was an attorney that was advertising in the Thai newspaper and was going around to the Thai temples that was also selling similar services and actually skipped the country after collecting all the fees and not doing anything. So, unfortunately, this is quite common in our community.

So, I think that in most of the situations, predatory players have really exploited the fact that mainstream financial institutions have not taken proactive steps to provide information, education and other financial services that are in language, that are culturally relevant. And these predatory players have been very successful in being culturally competent in a

way that our government agencies and institutions have not been able to, including community based organizations. And, so, I think that part of our job is to figure out how we can combat that.

So, just another story we heard of. In the Laotian community in St. Paul, we heard folks offering free trips back to Laos, back to the homeland, if you refinanced your home. So, those were some of the examples of ways that people were able to, you know, get through to homeowners and get them in the doors. And, certainly, local ethnic newspapers which is, you know, I think really prevalent, you know, in the Nepali newspaper and the Chinese newspaper and the Thai newspaper. Around the country, I think we've certainly seen a lot of those ads that have proliferated.

So, to combat some of the issues, we feel that it's, you know, as I stressed throughout is to be able to cultivate and build a capacity of trusted community sources of information. So, this is a lot of what we did at the height of the foreclose crisis is to build out this network of housing counseling organizations that were trained and qualified to be able to provide this information and to do so as a disinterested third party



in the transaction, so not a real estate professional and not a financial institution as an example.

And, you know, but I think certainly our 20 organizations is not sufficient and I think that there's more that can be done around building up that capacity. You know, unfortunately, at the start of the foreclosure crisis, there were only five HUD certified housing counseling organizations that had any capacity to serve the Asian American Pacific Islander community, and, so, you know, I think that certainly a lot of folks have been in a disadvantaged position to even be able to access the help that is available out there.

I would say that our effort does not stop there. I think that we can do more around outreach campaigns about the types of fraud that exist and I think certainly the work that the National Consumers League in identifying those things, I think, are really helpful. And then providing a lot of the tools and resources that are in language so that we can have alternative sources of information that are credible, that are out there, that are proliferating in our community and, you know, not just specific to mortgages, but also other things related to debt relief, credit repair, you know, thinking

about how homeowners get out from the other side and how they sort of get back on their feet that there is and I think we're beginning to hear a lot more about services that are out there to help people to repair their credit, but, again, are taking money away from our communities.

And, you know, I would say that similar to what others have said in thinking about how we make a complaint system accessible for community members, that people feel like there are actually real solutions on the other end of it and then working with community ambassadors within community organizations, you know, that can serve to act as an intermediary in order to access some of these fraud complaint systems. I think that we found, for example, with the CFPB's complaint line that housing counselors on the ground have been really crucial saying, you know, your case should be one that should be reported and working to work with the homeowner to make the complaints known.

I think that a lot of times these communities feel so isolated and they are often victims of a lot of different kinds of scams and I think oftentimes they don't realize that it is a trend that is not unique to their community and how do we get the message out that

the more we say something and do something about this work that, hopefully, we can change the system.

And, you know, as I said, the bottom line is that we need to do a much better job of marketing and selling credible sources of information to our community and we need do a better job of that than the predatory lenders that exist. So, thanks so much for your time.

MS. POSS: Great. Thank you, Jane. We really appreciate you getting up early this morning, too, to join us.

MS. DUONG: It was my pleasure.

MS. POSS: Stay there, though. Hopefully, we'll have some time for questions.

Okay, Melissa, you are up. Let's hear from you.

MS. ARMSTRONG: Okay, thank you, Patti. And I want to echo everyone's thanks to the FTC for organizing this workshop. It's really a wonderful opportunity. I should say at the outset before I begin that my remarks today express my views only and do not reflect the views of other members of the staff or the Commissioners or the Commission itself.

But I would like to talk today about a case

that the SEC brought about six months ago in Massachusetts. It's called Telex Free. The Commission alleges that Telex Free was a ponzi and pyramid scheme that disproportionately targeted and affected members of the Brazilian and Dominican immigrant communities.

It is an interesting scam because it did have a legitimate side. They sold a real product called VOIP, voice over internet protocol, that would allow international long distance calling over the Internet. So, that did exist. But the real money, we allege, was in multilevel marketing. The company would recruit promoters and their only real responsibility was to take stock ads and upload them on to internet sites. So, you would see internet sites that would have tens of thousands of duplicate Telex Free ads up there. But that sort of gave it a gloss of being legitimate because you were technically doing a little something.

But really the way that it worked, we allege, is that promoters would purchase memberships up-front and then they would get small weekly payments. So, for example, you might buy a \$300 package and get \$20 a week or you would buy a \$1,400 package and then you'd get \$100 a week back. Promoters could buy as many memberships as

they wanted and, most importantly, their payments were not tied to actual product sales. You were guaranteed this money in return.

Many promoters who ran these numbers realized that this sounded like a very good deal and, so, they would buy in for tens of thousands of dollars. We know of at least one victim who borrowed, I think, \$50,000 from his mother and gave it all to the company, and it was her entire retirement.

On the pyramid side, promoters got commissions for recruiting new promoters. So, the company would pay you between \$10 and \$100 for each person that you brought into your network, and then they would also receive commissions on the ads placed by the people they recruited and their recruits' recruits and so on down the pyramid.

By the time the SEC filed its complaint, Telex Free, we allege, collected about -- well, over hundreds of millions of dollars from hundreds of thousands of promoters. It had promised to pay them back to the tune of about \$5 billion, but compare that to their actual VOIP product sales which were about \$1.3 million. The company failed and filed for bankruptcy, but a lot of people at the top made out with a lot of money.

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So, how did Telex Free recruit its promoters and get people involved? It had a lot of different media and strategies that it used, but the message was always consistent. It could -- you could go from having nothing to having it all in a very short time with the program. The organizers would travel from city to city and they would host very lavish promotional events at hotels. Promoters would show up and they would give them -- they'd give the organizers sort of a rock star treatment. There would be limos and champagne and the recruiters that sign up to line up to shake their hands.

And then, during the events themselves, recruiters would give testimonials about how their lives had changed using the Telex program. People would get up and say, I am a millionaire now because I participated in this program. They might also be presented with like large mock fake checks from organizers to show and demonstrate their reward.

The events were taped and recorded. The recordings could then be embellished with music or graphics and uploaded to Youtube where they could reach an even broader audience. There were hundreds, if not thousands, of these videos on the internet by the time

the SEC filed its complaint. And they made similar use of other social media. You could find these promotional videos on Facebook, on Instagram, Twitter, you name it.

As Telex Free would gain traction in a specific community, though, its recruiting efforts would become more targeted and more personal. Promoters would rent out storefronts in promising neighborhoods that they would then turn into training centers. The training centers were nothing more than recruitment centers. They would have multiple pitch sessions a day just trying to get people in the door. Once they got in the door, they get hooked on the program.

Several of the organizers of Telex Free had ties to Brazil and the Dominican Republic and they exploited those ties to recruit immigrants from those communities. Promotional materials were typically in Portuguese or Spanish, not in English, and they sold a version of the American dream that was meant to appeal specifically to recent immigrants. You know, it was the possibility of getting out of poverty without having to have skilled labor, without having to speak English it was a chance to get ahead.

One tactic that I wanted to highlight is the

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use of church leaders to recruit new victims. Ministers in predominantly Brazilian churches were brought in as early promoters and they would then use their position with their congregants to bring them into the scam.

One top promoter, who often boasted that he was the first U.S. promoter to become a millionaire, made a large donation to one of these churches and then the church made what was effectively a Telex promotional video talking up the program, talking up the promoter and basically giving the program its stamp of approval.

You can see how immigrant communities would be an ideal target for this scam for several reasons. Members of the community were often eager to get out of -- to break out of their low wage jobs, but lacked the skills that would allow them to do that. They are less likely to report the fraud to authorities if they are here illegally or if their family members are. And in some ways, the product kind of fits the community, also, because it's -- you know, a recent immigrant would have a need for international long distance calling so that they can talk to their families.

Like all pyramid schemes are, this operation was unsustainable. In March of this year, about a month



before the SEC filed its complaint, Telex Free changed its compensation rules to require that promoters actually sell the product. And the promoters, you might imagine, like they just about rioted. They said that the product could not be sold. They started trying to pull their money out and very quickly everything unraveled. Telex Free filed for bankruptcy when it could not meet the obligations. And, actually, the next day, the SEC filed its complaint and moved for a temporary restraining order and, most importantly, an asset freeze.

A month later, the U.S. Attorney for Massachusetts charged two of the organizers with conspiracy to commit wire fraud. One was arrested and the other fled to Brazil, but each of those people had earned millions and millions of dollars before everything fell apart.

So, talking a little bit about what remedies are available generally when the SEC is involved in the case, we are only a civil enforcement agency. We don't have any kind of criminal authority. But what we can do is we can go in and we can obtain an injunction to stop the fraud. We can obtain an asset freeze that will allow us to go to banks that are holding money, and we've had

some luck actually repatriating funds that have been sent overseas.

We can also ask that if there is a web element to the scheme, we can have a TRO that instructs the defendants to disable their website. And we've had some luck with TROs, taking them to social media outlets and having them -- like demonstrating that their websites on their sites violate their terms of use and then getting them to voluntarily take them down even if the TRO isn't specifically directed at third parties.

Then, we are able to seek disgorgement. We have authority to set up distribution funds if we are able to recover sums, so that, you know, you can't get back all of your money, but you can get back some of it. have.

In Telex Free, they set up a website at the FBI where victims could report their involvement in this scheme and they chose the FBI because it is not a mandatory immigration reporter, which was a real concern for how to reach victims who are afraid to come forward.

So, that's sort of what -- and then, I want to talk a little bit more generally about what the SEC can try to do in terms of prevention. When we see cases and

something like Telex Free comes to light, we put out press releases and try to develop investor alerts that sort of help investors see and recognize a pyramid scheme or a ponzi scheme for what it is before they get involved.

We have an Office of Investor Education and Advocacy. One of my colleagues from that office is here today. And they really work on outreach and prevention. And we have a newly established pyramid scheme task force that is going to look specifically about how we can enhance our prevention tools in these particular cases. So, thank you.

MS. POSS: Thank you, Melissa. We really appreciate you coming today.

Okay, we're on to our last speaker, Courtney Gregoire who is from Microsoft.

MS. GREGOIRE: Thank, Patti, and thank you for you the opportunity to speak today. I want to talk -- I have to say I will be echoing a lot of the remarks you've have heard, but a little bit unique in terms of the fraud scheme. I want to talk a little bit about the technical support scam frauds and I will talk a little bit about the multi-factors they're impacting.

But, first, a brief introduction. As mentioned, I'm a senior attorney with Microsoft's Digital Crimes Unit. We are a group of about 70 attorneys, investigators and cyber experts globally based -- I am based out of Redmond -- who work on the offense against cybercrime.

Our mission is really to create a safer internet. And we have three main pillars of work. We have teams that work day-in/day-out focusing on malware and botnets, robot networks that infect large-scale number of servers and computers. We have team that are focused solely on intellectual property crimes and how those have been evolving. And I lead our efforts on what we call our vulnerable populations work, so both addressing online child exploitation and consumer fraud, in this case, that's impacting the most vulnerable.

So, what I wanted to talk a little bit about today is the nature of what we're calling these technical support scams. These are the phone calls that you may have received yourself, because I've received a couple myself, that are literally a cold call representing themselves as Microsoft or Office or as a representative of another technology company, or to be perfectly honest,

just somebody who wants to help you with your slow computer. And your slow computer clearly has malware and viruses on it and these individuals really do not have very many skills. But when you are talking about targeting folks who are less comfortable with technology in the first place, anything they can show you on your computer is going to be eye opening.

We think about this as kind of three vectors that we have seen. There are a lot of folks engaged with these cold calls. There is significant internet search engine advertising, in which these companies set up very legitimate-looking websites. They are technical support. They are to help your computer run faster or access your files or address any of your technical support needs. And they really do create networks of these websites so that when we, as an individual company, and to be perfectly honest, our fellow technology companies try to take down some of them for violations of terms of use. They've got a network of over 100 websites and different filed enterprises. And, so, it's a difficult challenge for us to address solely from that vector.

And, lastly, is the scary -- the old scareware. This is now the same concept. This is you're not doing

anything on your computer and up comes a pop-up ad that says your computer is infected with malware or a virus or a virus, call this number and let's get it cleaned.

So, let me just give you the nature of exactly how, and there's some variations on this, but how the scheme plays out. You are on the phone with one of these fraudsters and they say I know you are having slow experiences with your computer, can you give me remote access to your computer? And by a very simple system, you usually typically just reroute your computer to their website, you are giving their technician access to see your computer. And to establish their legitimacy, they ask you to pull up files that they will show have exclamation points on them or have the word "stop" or have the word "virus," something that is actually totally benign on your computer, and that is your indication that you absolutely have to get your computer cleaned right now.

Another tactic they will do is take you to the registry of IP addresses by which you use that computer to call into the internet and they will make the claim that some of those are foreign, which clearly means that some unnamed countries are accessing your computer and you should use their services right now.

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The scheme is really typically a \$199 to \$300 one-time fee, but the best is the annual subscription by which you give them your credit card and for \$300 to \$600 a year, you will have ongoing technical support.

We have actively been investigating these schemes and, so, we have had outside investigators do test purchases and spend the hour with the individuals to see what happens next. And in some cases, they actually do download free anti-virus software. They go to Windows Essentials or they do another mechanism that is absolutely accessible to the consumer. In other cases, they don't do anything whatsoever, but they are taking you through with their remote access, they're accessing different parts of your computer.

What we have been most concerned about and what we're focusing on studying right now is, yes, the fraud, in and of itself, is harmful, but we are wondering what else they are doing with the remote access. And we have seen them pull documents entitled financial information, mortgage information, over when they have that remote access. We are monitoring to see what else they potentially do and whether they reactivate that remote access after it has been closed off with our test purchases.

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Another example we have seen is them actually installing a password grabber that enables them to quickly search all files to find password key log strokes. And that is, I would say, a minority of the scheme. To be perfectly honest, unfortunately, too many people are falling for the \$199 to \$600 scam and that's enough for these folks to make a significant amount of money.

Here is the global of what we know. We actually commissioned a survey in 2011. Although it was a small sample size of about 2,000 U.S. participants, we heard that 9.3 percent of those were contacted by this scam. That actually was spread across all age groups. But the 12.9 percent that suffered financial loss, as you might expect, fell into the senior citizen category. And that has been our primary focus as we think about how we address this issue from an education outreach.

The average loss was about \$453. And just as Melissa mentioned, you know, one of the challenges here is we are receiving about a thousand consumer calls a month about the nature of this fraud. We are asking those individuals to provide us as much information as they can and, of course, report to their authorities, the



FTC or their State Attorney General's Office. But they really cannot recall the name of the company, how it was represented, what they did on their computer.

And the reality is we also get a handful of folks who say it's okay, that person was very nice, they talked to me on the phone for 60 minutes and that was worth my money. And that is a challenge that we are facing in terms of how we explain to folks this is not an activity that makes sense and is scaring them, obviously, from the technology platforms.

One target company, just to give you a size and scope, we are not seeing one, two, three fraudsters in here. In our about 14 months of investigation, we have seen about 50 different enterprises. Some of have connections to other enterprises. They are incorporated in almost every state in the United States, but they are almost all leveraging Indian call centers.

And the dynamic that we are faced with, as I mentioned, in the Digital Crimes Unit is globally based, and we have engaged our Indian team to talk to local law enforcement there. This probably will not surprise anyone in this room, we have spent over a year trying to find one single Indian consumer victim and they have been

smart not to target that. So, we do believe we've got enough and, of course, the FTC has actually taken enforcement action against the U.S.-based enterprises here. But we do need to get to a point where we actually educate Indian law enforcement that these call centers, maybe unknowingly, are engaged in this widespread fraud.

The bottom corner there is just to give you one company. Over two years, they actually had 125 million impressions. That means the average consumer did a website on Google or Bing for support and their ad popped up and visually was represented to the customer. Of that one million clicks from consumers, we estimate their ads spend about 1.4 million, which we can only assume is being made up over on their revenue side.

We are attempting to proactively address these tech support scams. The website right there makes it very clear that Microsoft does not call you and tell you you have an infection on your computer and provide services. That is not something we engage in. Microsoft will never ask you for your credit card number over the telephone. Those are the simple things you need to say.

It's true, though, they have broadened their reach and they're representing themselves as Facebook, as

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Google, as other tech companies. We are working with law enforcement because they are getting as many complaints as we are. We have been working with both federal prosecutors and are really thankful for the FTC's action just last week, an Upstate New York scammer, who was representing themselves both as Microsoft and as Facebook with this exact scheme. The news on the right is an arrest actually in the U.K. on this similar scheme just in March.

Where we know we need to go is there are multiple vectors that we need to address this. We clearly need to be sending a much broader deterrence message to the individuals and, so, we are hoping to partner with law enforcement and the appropriate agencies, but we do know we need to do some broader education outreach because this is a scheme that has been running for five years and clearly has some longevity attached to it. And, so, we need to find a better way to reach particularly the senior citizen population and other vulnerable communities so that they understand that this is a fraud and something that they should not be suspect to.

So, with that, I will turn it back.

MS. POSS: Thank you. We are right up against the time. I did get one question. I think you just answered it, Courtney. But it was, is there something you can do technically to address the problem or is this because education is going to have to be the answer?

MS. GREGOIRE: We can technically address some of the web online advertising; however, the cold calling remains a vector that we're not going to be able to technically address. And, in fact, in our ability to technically respond to the web advertising platform, these individuals are intentionally obfuscating their identity. They are registering as a medical pharmaceutical company and then bidding in the tech support space. We can go find those on a one-off basis and take that down for a violation of terms of use, but they are proliferating in a much faster rate that they need to receive another message.

MS. POSS: So, several of you answered a lot of the questions that I had. Thankfully, I sent them ahead, so you've mixed them in, which is probably why we ran a little bit long.

Some of you didn't have a chance to address this trusted source issue. I just want to throw, at

least, that question out. For those of you who didn't answer it or would like to add something to it, you know, we have heard it is important that the advice come from a trusted source. A lot of you described how the scam came from a trusted source, but it's important that you hear the advice from a trusted source. Do you think that is true? And, if so, who are the trusted sources in some of the communities you've identified or some have previously identified here today? Anybody want to take a couple minutes to answer that? That's about all we have left.

John?

MR. BREYAULT: I'll take a stab at it. So, it's an interesting question because certainly I think if you went around the room today and asked folks who do you trust more than anybody else, we would get a large percentage, first of all, saying family members, friends, maybe folks in your church or other community that you work with. And, unfortunately, that is exactly the kind of people, as we've heard today, that the scammers also go to to try and leverage you to commit fraud as opposed to protecting you from fraud.

The challenge, I think, for consumer education and advocates in the FTC is how to scale that, how to

scale the consumer education message because I can talk to my mom, but my mom can't talk to 10,000 people. It's a scale versus a trust issue. So, how do you find that balance? How do you get your message out to enough trusted sources that you can start to tip the scale against the scammers?

I wish I had a great answer for that. I think that the organizations here at the table, many of them working with community-based organizations are on the right track when it comes to getting this information out to the folks in those organizations. Unfortunately, I think many of the cultural dynamics that make the communities that have been represented here at the table vulnerable to fraud also make it difficult to reach those communities when they are victims.

So, we heard multiple times about the reluctance to report, the language barriers, the cultural reluctance to admit that you have been scammed. So, I think that that's going to have to be addressed as well and you do address it through finding the trusted sources, but how do you scale it? That's always the issue we run into.

MS. POSS: We did hear a lot about

collaboration and that's a great setup for this afternoon, which the panel right after lunch is going to talk about consumer education initiatives and kind of an open discussion is how it's phrased to think about that.

So, I am going to end this panel now. We have just barely an hour for lunch. And as I said earlier, if you leave the building, there are lunch places up the street, you will have to come back through security. So, please allow time for that so we can start right at 1:30.

Please help me in thanking all of the panelists who did a terrific job. Jane, thank you, too.

(Applause.)

MS. POSS: We will see you back at 1:30.

(Lunch break.)

**REMARKS BY COMMISSIONER TERRELL MCSWEENY**

MS. MAYER: Hello, everyone. I am not Commissioner McSweeney, in case anyone's confused. You saw me this morning. But I want to welcome back everyone from lunch and welcome Commissioner Terrell McSweeney to address the group. She was sworn in as an FTC Commissioner earlier this year and has already made protecting consumers from fraud a top priority and believes very strongly in these kinds of communications and outreach and law enforcement efforts to help all communities.

And without further adieu, Commissioner McSweeney.

COMMISSIONER MCSWEENY: Thank you so much and thank you, everybody, for being here today. I also want to thank the folks that are joining us on the webcast as well. It is so important for our convening around every community to make sure that we're reaching every community, and I'm really pleased to see that we're able to do that today.

I want to begin by reiterating Chairwoman Ramirez's appreciation for all of you taking the time

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today or taking the time to watch the webcast on your own time or now. It's really terrific to have such an impressive roster of advocates, enforcers and researchers gathered here today, and your interest is incredibly heartening to me.

I also want to thank the Chairwoman for her leadership in launching the every community initiative. It really increases the FTC's engagement with diverse communities, which is so important to informing our enforcement and consumer education mission.

We want to make sure different communities are able to easily connect with the FTC to teach us about what types of frauds they are experiencing and how we can help and, in turn, we want to know what we are targeting -- how we are targeting our law enforcement efforts and providing appropriate resources and assistance to protect every community.

I want to start by talking a little bit about some of the law enforcement actions that the FTC has taken against scammers who targeted particular populations, including older adults, immigrant communities and military consumers. Here are some of our recent examples.

Last month, we halted a scheme that targeted Spanish-speaking consumers and others who were uninsured. Using Spanish language radio ads, the defendants in Partners in Healthcare allegedly claimed that they were selling a qualified health insurance plan under the Affordable Care Act. They convinced consumers to pay enrollment and monthly fees ranging from \$99 to several hundred dollars in exchange for a virtually worthless medical discount card.

Our recent case against Sun Bright Ventures involved a scheme that targeted seniors. Callers falsely claimed to be working on behalf of Medicare and allegedly told consumers that they would provide them with a new Medicare card or package of information about their Medicare benefits. They asked consumers for bank account numbers, supposedly in order to verify their identities, and debited them for amounts between \$399 and \$448.

Finally, in a recent case, Centro Natural Corp, another scam that defrauded Spanish-speaking consumers, according to our complaint, which we filed just last week, the defendants claimed that consumers owed them money for previous purchases from third parties. In order to settle these supposed debts, which the consumers

did not actually owe, the defendants told consumers that they had to purchase hundreds of dollars of unwanted goods and threatened arrest or illegal action if consumers did not pay. We charged the defendants with violating the FTC Act, the Fair Debt Collection Practices Act and the Telemarketing Sales Rule.

These are all egregious examples of scams that were targeting people because they were in a specific group or were vulnerable for some reason. When we talk about \$99, \$399 or \$448, it is also important to also remember that this is a large amount of money on a monthly basis to an individual in this situation. This is a really egregious scam. The harm here is real and the people who are hurt are all individuals who were victims because they were trying to engage either in buying health insurance or some sort of very meaningful conduct.

While the enforcement component of our mission is very important to protecting consumers, we're going to turn this afternoon to another critical tool that we use at the FTC to fight fraud. It's one of my favorites, consumer education and outreach. For decades, our Division of Consumer and Business Education has taken the

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time to learn about communities and their needs before determining how best to deliver information that will help them.

For consumers who just want the basics written in a plain and simple style, we have Consumer.gov and Consumidor.gov. Through the process of developing these plain and simple resources, we've learned an invaluable lesson, tell people what they need to know, not what you need to tell them. We applied this approach to Pass It On, one of the FTC's newest education campaigns. We knew we wanted to reach out to active older adults with consumer protection messages. But, first, we did some research.

What does that population want to know? How could we deliver it in a way that will resonate with them? Our researcher Andy Tuck is on the next panel and will have more to add on this topic. But here's what we learned. The materials had to be friendly, respectful and direct, empowering older adults to share what they know with others, and we had to treat older adults as part of the solution, not simply victims.

This is great because this is where I get to my show-and-tell portion of the presentation. We took those

findings and created these resources. This is one of our Pass It On packets, which you can find in English at [Ftc.gov/pass it on](http://Ftc.gov/pass%20it%20on) and in Spanish at [Ftc.gov/paselo](http://Ftc.gov/paselo). We've already received requests for hundreds of thousands of copies.

We also produced a short video about Pass It On, which shows how we incorporated what we learned during our research phase that consumers are ready, will, and able to teach their friends and family members. We have a short video to show you, if it works.

(Video played.)

COMMISSIONER MCSWEENEY: And as that terrific video illustrates, these messages are really clear and very simple to understand. They also are contained in a variety of different ways in the presentation material. Some of my favorites are these bookmarks that also go through the common types of scams we know people are experiencing. Someone is asking for money, someone wants -- you know, your identity is valuable, how to protect it, charitable scams, you've won a prize scams. These are very common.

And I think the important point that really

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underpins the Pass It On campaign is not only how powerful that knowledge can be in the hands of people, but also that in our communities, especially our targeted communities, people are often interconnected. So, if we can get a message out quickly and empower people to pass it along, they are actually also helping people avoid scams and frauds that were probably targeting people that they know.

In a similar way, we're also raising an awareness about scams targeting the Latino community through a recently developed series of Spanish language foto novelas. I love these. These are also available. They're graphic novels of familiar format in Spanish language cultures that share stories based on complaints we've received and offer practical tips to help detect and stop government imposter scams, income scams and illegal debt collection practices.

We also direct outreach to other communities affected by fraud. For example, besides English and Spanish, we have resources available in six other languages, Arabic, Chinese, Haitian Creole, Korean, Tagalog and Vietnamese. All of our materials are free and in the public domain. I can't stress that enough.

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We're also working with the Department of Defense. We've created military consumer protection day with the Consumer Financial Protection Bureau, Military Saves and DOD to help address scams that are targeting our military families and veteran communities.

We can always do more. I think everybody in the room recognizes that because we're all here today to work on fraud in every community and that's where we need your help particularly. We want to hear from you. If you have ideas for educational material and outreach and topics we should address or how we can more effectively communicate with different audiences, please let us know.

I want to call out that Jennifer Leach, who is our acting assistant director to have the FTC's Division of Consumer and Business Education is moderating the next panel. She's right here in the green. Raise your hand. And I hope you approach her, track her down, talk to her. If not today, then take time to do so in the future.

We want all of your ideas. The purpose of this engagement is to gather the ideas, to share the ideas and then to incorporate them into our work and to help us provide you with useful material so that we can reach every community.

So, thank you for being here today. I look forward to hearing more of the discussions. I enjoyed this morning's panels. I was tuning in on the webcast. So, thank you again for making that available. And I hope we can continue to work together to make sure that we are reaching every community with all of our enforcement, education and outreach materials. Thank you so much.

(Applause.)

PANEL FOUR: EDUCATION AND COMMUNITY OUTREACH: AN

#### OPEN DISCUSSION

MS. LEACH: As everybody is getting set, I will thank Commissioner McSweeney. She did a lot of the

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commercial that I normally do, so I don't have to use the panel's time to do it. So, that's fantastic. Thank you.

I'm Jennifer Leach. I'm with the Division of Consumer and Business Education. And I'm very pleased to be co-moderating with Ted Mermin, who is from the Public Good Law Center. He came in from Berkeley last night. Interestingly, he is also with the East Bay Community Law Center, starting one of the first -- first, we think, immigrant justice centers and he will be talking a little bit more about that.

I just want to give you a couple of opening thoughts because we really do want this to be an open discussion and I'm hoping that we will hear from you. If you are on the webcast, I'm hoping we will hear from you. As of 10:30 this morning, we were pushing, I think, 300 people on the webcast. So while not every chair in the room is full, we're burning up the air waves. So, that is great news.

We heard a lot this morning about themes of education. Not really surprised. You know, litigation and law enforcement can't be everywhere. So, oftentimes, we think about education, how can we reach people so that they don't need those things. We have a fantastic panel

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here to talk about exactly that. We want to talk about how we can do education better, how we can do it in ways that the reach every community, both in terms of what they'll understand, what will resonate with them, and actually physically reaching them, how can we get materials to them. And, so, we've got some people here who have some ideas about that and how you put together education in a way that will be useful for people.

So, to start the introductions, I will just go down -- this is sort of our order of speaking. We have Andy Tuck, who is a partner at Applied Research and Consulting. Next to him is Catherine Blinder, who is the Chief Education and Outreach Officer at the Connecticut Office of Consumer Protection. We have Deborah Kennedy next to her, who is Associate Vice President for Adult English Language Education at the Center for Applied Linguistics, who taught us how to write and think for Consumer.gov.

MR. MERMIN: On her left, Shawn Spruce, Financial Education Consultant with First Nations Development Institute, and he tells us a master of hokey '80s trivia for any are interested. Anthony Jackson, Management and Program Analyst with Military Onesource &

Military and Family Life Counseling Programs; Annette LoVoi, Director of Financial Access at Texas Appleseed.

And I am, as Jennifer mentioned, Ted Mermin, I direct the Public Good Law Center and I work with the East Bay Community Law Center in Berkeley and Oakland. We have just launched what we believe is the nation's first immigrant consumer law clinic, and we are working already with clients at Centro Legal de la Raza and we are looking to partner in a similar way with Asian-Pacific Islander organizations.

So, I want to thank Jennifer for her terrific work that -- some of which you have just seen and which is really, I think, leading the way for all of us. I want to thank her, in addition, for bringing this panel together so that -- you know, for what I perceive to be my benefit, so I can ask you all what it is that we should be keeping in mind as we do research and begin work with each new immigrant community that we work with.

I call upon the panel, under strict instructions from the person on my right, not only to follow the time guidelines, but to make sure each of you offers one key takeaway, one key takeaway for me, as well as for all the hundreds of people in the audience. We will begin with Andy Tuck.

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MR. TUCK: Thank you. Good afternoon, everybody. I'm the co-founder and co-owner of Applied Research and Consulting, a New York-based firm that does all kinds of behavioral research, attitudinal research, and we consult with our clients on consumer education strategy, communications strategy, things of that kind.

And I guess as part of the introduction, I should also have a confession, which is we don't just do fraud and scam-related research for the Federal Trade Commission. We also work very closely with FINRA and CFPB. So for better or worse, my firm is increasingly deeply involved with fraud over the last few years.

MS. LEACH: In a good way.

MR. TUCK: Now, one thing I want to say as someone who sort of straddles both being a researcher and a communications consultant or an education consultant is that the kind of research I want to talk about today is not the kind of research that we generally all think about first when we think of fraud research. Almost all of us, myself included, when I think about fraud research, I go to prevalence research. What are the most common types of fraud? Let's rank them in order of severity in terms of how much money is taken.

The kind of research I want to focus on today actually is attitudinal research. It is not what is factual, but what do people believe? What are they concerned about? Who do they trust? What, in fact, are some of the false beliefs that people have that may be very difficult to change? And then, most importantly, which is what I think we're all engaged with, is how do we actually influence their behavior in a way that will benefit them? And that's the kind of research that we have been doing, you know, specifically with Federal Trade Commission.

So, I'm going to give not just one takeaway, I'm going to give three. How about that? And the first takeaway -- and this is not just based on the research we've done over the last couple of years, this is the last couple of decades of research that has to do with consumer education or voter education or financial education. It's incredibly difficult to educate people. One way I normally put it is, if schools can't do it, how can we possibly expect to do it?

Yeah, that's a little cynical on my part. But what I really mean by that is the budgets aren't big enough, the impressions aren't frequent enough, and more

importantly, there's tremendous resistance to certain kinds of education, and it's that resistance to education that I really want to focus on.

So, again, the first takeaway that I would like to leave out there for other people to either agree with or hopefully disagree with is that education can often be a problem. It's extremely difficult and publics, all of us including in those publics, are highly resistant to education, you might say impervious to education, if we don't want to be educated or if we don't want to learn something that goes against what we already believe. So, that's my first point.

The second point is less of a problem and hopefully more of a solution. We have learned that -- and I think the Pass It On project that you just saw a little bit of has some elements of this. We have with learned that if you utilize the biases, the prejudices and the assumptions that are out there in the constituency or that you're trying to influence, you're going to do a better job of motivating them. Rather than telling them that they're wrong or telling them something that they've never heard before, they're very unlikely to either believe it, remember it or tell somebody else

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about it. But if you utilize what they do already believe to be the case, you're already a few steps down the line.

So what have we learned? I'm going to stay within my timeline, I promise. We learned from some of the research we did on the Pass It On project -- and we did multiple stages of qualitative and quantitative research -- that seniors, however you want to define it, we were generally defining it as anyone 65 or older. It's, you know, a loose operational definition. They don't like viewing themselves as victims. And, in fact, I would extrapolate from that from some other research we've done to indicate no one likes viewing themselves as a victim.

People are far more motivated, are far more interested in messaging if, in fact, they can view themselves as heroes rather than victims. We've tested that proposition in a number of ways and it keeps coming back very forcefully, that victimization can be a useful way to -- or the threat of victimization can be very useful, but you're more motivating to people, you're more educative if, in fact, what you're doing is helping someone else from being a victim, you're preventing someone from becoming a victim.

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In the course of that, of course, you're helping yourself as well. So, that's the ethos behind the Pass It On campaign, and it came directly from some of the preliminary research that we did with a number of constituencies where we just started picking up a pattern, where we noticed we were warned by many experts, professionals who deal with older populations that the number one cardinal sin with an older person, a senior, is to condescend to them. Avoiding condescension was something that we noticed was pervasive throughout all of their remarks just in terms of how they do their work. That was the seed that a lot of this other research grew from.

To finish up, and this is the third point I want to make, what we are now learning in research -- a large-scale survey which we refer to as the every community survey that has just come out of the field, which is 5,000 individuals representing a number of discrete, specialized communities in the United States as well as a general population baseline sample. What we have found -- these are just very general findings at the moment -- that seniors are viewed by almost every constituency as what I might call the public face of

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fraud and scam. That doesn't necessarily mean they are the most frequently targeted or the most successfully targeted or the constituency from which the greatest amount of money is stolen or any of those things. However, they are perceived as the primary target or an easily imaginable target.

So, I guess the lesson I would pull together from these various points I've made is, rather than try to reeducate folks, I would try to utilize -- and this is something I'm going to throw open to the panel because we all have different constituencies we're interested in -- rather than try to convince people that seniors aren't the only people to worry about, I wonder, and this is a hypothesis right now, if working with that assumption that seniors are the prime target of frauds and scams is a way to motivate other constituencies to help their own seniors, to help their own parents, to help their own grandparents, to help older people in their communities, and by so doing, educate themselves about the most prevalent frauds, the most prevalent scams and how to avoid being trapped by some of those. I'm done.

MR. MERMIN: Thank you.

MS. BLINDER: Hi. Thank you very much for

having me, Jennifer and the rest of the Federal Trade Commission. When I started my job in Connecticut with the Department of Consumer Protection, my boss, the commissioner, said, I want you to create fewer complaints, not more, which took me a day to figure out. And what he really wanted was he really wanted people to be smarter.

And I focused -- because Connecticut is a tiny, tiny, little state that is unbelievably diverse in every way, there were others in my department as well who were working on looking at the senior frauds, but there wasn't really any place that was looking at immigrants and refugees, documented, undocumented. And they are, in many, many ways, and not just by language, the most isolated and marginalized communities, and if you extrapolate from that, the most vulnerable. So, we can argue who is the most vulnerable, but they are the most vulnerable.

And because I didn't know, because I am not an immigrant in the last few generations of my family, but I do come from a family of storytellers. I'm Irish and my mother is Native American, and we tell stories. And what I discovered was that I needed to get out into the discrete communities and listen to the stories.

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So, I sat on the living room floor of a Caron family. We have a lot of Caron refugees in Connecticut very recently within the last five or six years. These are people who are deeply tribal and they're very, very reticent to let anyone come into their living rooms, let alone a white, middle-class woman. So, I sat on the floor and listened to a social worker talk about what they needed. Although, as someone who's been -- I was talking to Andy earlier -- a community organizer before community organizers got a bad rap, I knew that I needed to spend months listening.

And there were a couple of things I learned. One was that I watched these families who come, they are mostly settled through Catholic Charities with these brown expandable files with their bills very, very neatly arranged. It's important to them that they follow the rules, but first they have to learn the rules. And I saw they were being gouged by third-party electric providers who -- and not just in the Caron community, but in all of the immigrant communities -- who would go into -- because they're resettled largely in the same apartment buildings or the same neighborhoods, the third-party electric providers would go in, in their language, and say your

uncle bought this -- so going back to this morning's panel about trusted brokers and intermediaries. Your uncle bought this and thinks you should, too. Figuring everyone had an uncle, and they did. And they were paying three, four, five times as much for their electricity as a result of this.

So, I have a little bit of show-and-tell and am happy to take names later if folks want these, but what we did was, in 11 languages, we printed and, by need, it is text-heavy. But we printed bulletins that show the electric bills, where to look for the prices, how to compare them, and basically tried to empower them to make the decision, told them how to go back to standard service. I'm hoping to do one these every two months in the 11 languages that are most common in Connecticut.

And what we're doing is we're looking at -- well, let me go back. The next place where I spent time were the braiding salons that the West African women own. A lot of the West Africans come to Connecticut as political refugees. They tend to be -- the Caron people tend to come from refugee camps. They are illiterate in their own languages. The West Africans tend to be more educated. They tend to be harder, however, to deal with

because they're very vulcanized into their countries of origin.

But a lot of them become business owners, small business owners -- clothing stores, braiding salons, nail salons. The woman who I befriended or who befriended me is from Ghana, an electrical engineer who opened a braiding salon. She didn't know how to do it, but she saw there was a market for it so she figured it out. She would have meetings in her basement with other women, and I went sort of as politicians go on a listening tour.

One of the things that is a thread and a narrative between all of this is the power of storytelling, and we all use it in our work in some way, but we tell stories that are familiar to our own culture and it's difficult sometimes for us to tell a story in a way that resonates with other cultures. The FTC actually does a fantastic job of that. But I was speaking to someone who is not in the room, I think, any more, but I was talking about how hard it is to translate appropriately, and she used the word -- and I may be the last person on earth to know this word -- but "transcreationism."

So, when we did these, I understood completely

that we were going to meet a very, very small market because of the way they look. It's not just the language, but the way they look, the sort of officialness of them, the government-ness of them. And it's impossible unless you come from communities that have enormous resources for education and outreach to immigrant and minority populations, which is nowhere, it's really hard to do both of those things.

So, finding those trusted sources, finding those ways to -- and I think that it is true that reaching older folks and reaching folks who want to take care of their older folks is a way to do that that's really powerful.

How am I doing?

MS. LEACH: You're good.

MS. BLINDER: Okay. I'm going into speed talk pretty soon. Our department did a symposium last week and Jennifer was one of our panelists on cross cultural communication, how to reach immigrant and refugee communities. We had the smartest people in the world sitting on panels, maybe next to us. And one of them was Sandy Close who is a woman who started New America Media, and I don't know if of you any of you folks use New

America Media or know of it, but it is -- among other things, that she does she has aggregated a list of ethnic media in the country. It's not complete, but it is a beginning and it's really useful.

So, seeing that ethnic media was a method of teaching, people in those communities don't tend to read the major dailies. They don't read the New York Times, they don't read the Washington Post, they don't read the Boston Globe. They read the little Broad Sheet like this which is a paper in Western Connecticut, all of Western Connecticut that is put out by a family, a mother and her two daughters, and it's translated into English, Spanish and Portuguese. Twice a month, I do a column on consumer protection. I probably reach more people with these messages than we ever could if we were to advertise in the major English language dailies.

Thank you. I thought I was going to make it. We have a little bet over who was going to go over.

UNIDENTIFIED MALE: You win.

MS. BLINDER: So, here are my takeaways, and I hope there is more conversation. The takeaways are don't judge the unfamiliar. Vickie Katz, who was on a panel, talked about using children as brokers. A lot of people

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have a lot of problem with that. There are problems with that, but we should not put ourselves in a position ever to judge the unfamiliar.

That knowledge comes with humble observation. If we don't go into communities with our mouths shut, we are not doing a good job.

The importance of culturally appropriate evaluations of our programs. And work with your libraries. It was talked about several times on earlier panels, the libraries are an opening to communities that are scared to go other places. So, work with your libraries and use the ethnic media and don't just use them, but advertise in them.

And I am -- I know I'm over now, but I'm going to go to speed talk. Notario fraud is a huge issue in our community as it is in others. But if you go to the ethnic media and say can I put in a story about how awful notario fraud is, they are likely to say to me, they are 15 percent of our advertising base. So, we have to figure out how to collaborate and become partners with the ethnic media. Thank you.

MS. KENNEDY: Well, this is really wonderful because the two of you have set me up beautifully for



what I want to say. Just to introduce myself again because it's been a while since Jennifer read the list of names, I'm Deborah Kennedy from the Center for Applied Linguistics. Applied linguistics is the field that looks at how people use, learn and teach languages, and that includes culture, obviously. So at CAL, the Center for Applied Linguistics, we do a lot of work on education related issues both in K-12 arenas and in the adult arena and, also, we have the Cultural Orientation Resource Center, the CORE Center which works closely with the State Department and other agencies that are involved in working with refugees and immigrants.

So, my connection with this panel today has to do with what Jennifer referred to earlier, the FTC came to us three years ago, I guess now, and said we need to create some fraud prevention and financial literacy materials on a website that will be readable by people who have limited proficiency in reading English whether they're native speakers of English or non-native speakers. So, our task was to teach them how to create those kinds of materials, how to control the language level so that people, as the Commission said earlier, receive what they need to know, not what the FTC felt it needed to say.

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And I think that really was the takeaway from this entire project and all of the work that we've done with the FTC on this is that audience awareness. When you're creating materials for these populations, think about them, think about what they need to know, what they need to hear and what they're interested in hearing.

I appreciated very much what Andy said about using the resources that are in place, the knowledge that's in place, whether you regard them as biases and prejudices or as culturally-appropriate approaches to something. In education, we call this asset-based instruction, and it's a way of looking at, as Catherine was saying, listening to where people are coming from, what they already know, what their experience has been. In the case of immigrants to this country, particularly refugees, they have a tremendous experience base to draw on because of what many of them have been through to get here, and that's true whether they're naturalized or still working on the process of naturalization.

The same is true for our citizens who are native speakers of English, but who have had limited opportunities to develop themselves through education for whatever reason, whether simply disabilities of some kind

or socioeconomic status or something else that has interfered with their ability to develop proficiency in reading, in particular. They still have a wealth of experience and many people who are not literate in English, are not literate at very high levels, are actually successful in professional careers.

So, there's a lot always to draw on with folks and listening, as you said, Catherine, to what they have to say and what they know and taking advantage of that, building on that to say, well, then, how would you deal with this situation? How is this situation like a situation that you've experienced, is a really valuable one.

Asset-based instruction is a concept that came out of actually bilingual education, but it's being applied now all over the place, in adult ed and in other arenas as well.

I think that probably the most useful thing I can do is to be short, so that I don't run over my time. But I did want to say a few things about how we taught the FTC to communicate, what we taught them to do. We really focused on keeping the message simple and short. Keep the sentences short, keep the paragraphs really,

really short, use bullet points, keep the text as approachable as possible, use lots of white space.

You're absolutely right in what you said about this. It's not just the way it appears -- those of you on the webcast can't see it, but it's very, very texty, as Catherine pointed out, and that's extremely intimidating for someone who doesn't have strong reading skills.

If you would like to do a little test for yourself about what it's like to not read at the pace that those of us who are way too highly educated read, find a passage that's 60 words long and give yourself 60 seconds to read it and make yourself take 60 seconds to read it. That's the speed at which people with low levels of literacy in any language typically read. And you will find when you do that that by the time you get to the end of the 60 words, you can't remember what the first 10 or 12 actually said because the process is so slow.

So, those were the things that's we emphasized with the folks from the FTC, defining terms, using vocabulary items repeatedly, the same term for the same thing. Instead of alternating youth and young people,

just say youth, youth, youth. And use commonly-used vocabulary. There are resources online that you can use to look at word frequencies. Stick with the first 3,000 or 4,000 words in that list. Those are the ones that your adult English language learners and your low-level readers are likely to be able to recognize. They're not likely to go beyond that.

Watch out for idiomatic expressions. Those are pretty dangerous for non-native speakers because they're coming from a culture where that idiom might not be appropriate.

So, as I said before, the overall lesson is really to go to where people are. We're now in the process of developing some lesson plans to go with the Consumer.gov and Consumidor.gov websites so that teachers in adult education programs will be able to use these resources to create lessons for their learners that teach them both the content, the financial literacy and fraud protection content, and the language, and we'll create those for the English site to teach English reading skills and for the Spanish site to teach Spanish reading skills, so that our Spanish speakers who come with limited educational backgrounds can learn to read in

Spanish because you need to read in your first language before you learn to read effectively in a second one.

Everything is an educational opportunity if you just look at what the person wants to learn and go there with them. Thank you.

MS. LEACH: Thanks, Deborah.

MR. SPRUCE: Well, among being an expert in hokey '80s trivia, I do dabble a little bit in financial education. So, moving right along. I'm a Programs Consultant with First Nations Development Institute and I work with a number of different tribal communities with different financial education, specifically around fraud, investor education initiatives. I'm going to share with you some highlights from different programs I've worked with. Really what I'm going to focus on are some technology-based outreach models that we've worked with, some experiential learning simulations and also community-based workshops bundled with one-on-one financial coaching.

So, we talked a little about Native American communities. There are so many out there, as my colleague Sarah Dewees mentioned earlier, over 550 federally recognized tribes throughout the United States.

Different geographical areas, different income levels. So, most of these programs are going to be facilitated at the local level either through a tribal provider or me coming in as a consultant and partnering closely with a local organization. So, many of the programs are going to be modeled and customized specifically for their unique communities that we're working in.

One tribe that we work with closely is the Eastern Band of Cherokee Indians in Cherokee, North Carolina, just an hour west of Asheville. They're a tribe of about 12,500 members and they do have a pretty significant per capita payment that's made from a successful gaming operation there on the reservation. When the minor members turn 18, they are recipients of a pretty substantial trust fund.

So, this tribe is interesting. They have tribal members in all 50 states including several that live overseas. So, how do you get all the folks together in one room and provide some sort of education specifically around fraud or investing types of topics? So, what we did is we created this online program called ManageYourEBCIMoney.org and it's broken into these seven different modules, as well as an eighth module that

focuses on financial calculators and other rich media content. And as you can see Section Number 7, are you being scammed, that's specifically with regard to fraud awareness.

So, this program is actually required training for each minor member before they actually are able to legally take their settlement, take their distribution.

Here's just an example of one of the slides on that session. This is a classic scam. I think many of us are familiar with it. I know I have personally been approached with this. The old white van scenario where you're in a parking lot. Somebody will pull up in a van and they'll have all the electronics and they'll say, hey, I'm an installer for a local electronics firm and I've got some extra inventory in my van that the warehouse manager accidentally put in my vehicle, we don't have an invoice for it, I would be more than happy to unload on you for a few hundred dollars. Well, essentially this is a very cheap, cheap pair of knock-off speakers that are probably worth a fraction of what the actual sales price will be. So, this is just an example of one of the different lessons that we have on this website. We also have a video related to identity theft. Just another example.

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This is a series of role play videos that I actually co-produced with a tribe that I work with in New Mexico, and this is actually just a screen shot of the video. Jennifer emailed me frantically yesterday and said, Shawn, we got your PowerPoint, we can't play the video. Well, it's actually only a screen shot of the video, I'm not actually going to play it. That's actually me playing the role of a seedy used car salesperson. Somebody that was hoping to see me with my Academy Award winning performance as a used car salesman, I'm not sorry, it's not going to be here today. Catch me on Netflix.

But what's interesting about role play is -- and specifically the community I'm from in New Mexico, the tribal community, traditionally we're a communal type of tribe. We work very closely together. There's not a lot of individuality. We're not really encouraged to question authority or challenge authority. We work closely and cohesively together. We solve problems collectively.

So, when you put a member from my tribe and some other Native American tribes as well into a scenario where they're being pressured with aggressive sales

tactics or just being told to sign documents, they are very likely not to question that or to challenge authority and go right along. So, a lot of our training with this role-based stuff is really encouraging people how do -- how do you say no. It's okay to be rude. Okay?

We talk about different cultural approaches and, you know, a lot of different minorities deal with lower socioeconomic standings. A lot of them are in remote areas, things like that. But this one area with our culture where we're taught not to question, not to challenge, it's a very unique need that I think is specific to some native communities and why we take our role play activity so seriously.

A couple more slides, earlier my colleague mentioned the experiential learning simulation that we do with the play money. So, this is an example. That's actual play money that we had printed up, it's probably about a million dollars worth. And what we do is these kids actually get that amount of their actual minor trust distribution in play money. We'll have kids walking around in a gymnasium with backpacks full of this play money and they actually have to go out and navigate and

negotiate real-life sorts of decisions, purchasing housing, paying for food, paying for entertainment costs and also, you know, there's different scenarios where they will encounter potential fraud and other types of scams that they have to figure out a way to negotiate successfully. It's a lot of fun. Here again, experiential learning, you know, letting them actually participate in the process as opposed to just a lecture, something like that.

We work closely with schools as well. This is a board game that some students on the Rama Indian reservation in New Mexico created called REZ Life, but what it is it's similar like to a monopoly game where they roll dice and they have to go through all these different assessments and challenges. There are challenges with predatory lending and identity theft, as well as other just basic financial topics and issues that are of importance.

So, these are just a sampling of some of the different programs that we're working with at First Nations Development. I hope it was a good overview of some different strategies. I think my key takeaway is the whole idea of how culture and community can play into

the whole victimization of fraud and how it's important to understand that not all community members or not all individuals are confident and comfortable with having to be rude, and sometimes we just have to be rude when we're in a situation like that where we're being victimized.

Thank you.

MS. LEACH: Thanks, john.

MR. JACKSON: Good afternoon. And, again, thank you, Jennifer and the Federal Trade Commission for having Military Onesource here on the panel.

I'm going to switch it up a little bit. You know, military background, that kind of stuff, and I'm going to give you my takeaway right now. I had a moment to refine it and take a couple of words that were said here. But the general gist of it is, and this is what this program is, Military Onesource, it's you've got to educate them young and often and empower, you know, in this case, service and family members.

My colleague Marcus Beauregard mentioned earlier about active duty being 1.2 million and active duty family members being 1.6 or something to that effect. Well, Military Onesource, our demographic as far as the military goes is everybody, and that's a little

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bit over 6 million service and family members in different stages of their military careers.

So, again, you know, educate them young, you know. Let's get them the education that they need, especially -- you know, we have products within Military Onesource that we provide to recruits, that we provide to the youngsters in boot camp. Okay. So, that, number one, they know where to come to if they need an answer, you know. If a situation arises where, you know, in this case, it may be, you know, something that they're suspicious about, our mantra is, hey, call Military Onesource. Call Military Onesource. And Military Onesource is a Department of Defense funded program that was established in 2002 under the -- right now, it's under the direction the Deputy Assistant Secretary of Defense for Military Community and Family Policy, Ms. Rosemary Williams. We're a government oversight of contractor provided services predominantly.

We are an extension of installations and bases. We're an extension. We're one of many programs, many opportunities for service and family members to seek assistance, to be educated, to receive assistance. And one of the big things, you know, I've got highlighted in red at the top, confidential help.

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Andy mentioned about the victimization, and one thing that we did find, that we hear quite a bit, is, you know, that -- and especially with service members, they don't want to come forward, you know, fear of embarrassment and things of that nature. Well, when Ms. Williams came aboard, one of her big pushes was we need to get out that Military Onesource, you know, you can receive confidential help. This information, whatever you're telling us, does not go outside this program. Of course, there are some exceptions, you know, when you're talking crimes and things of that nature.

But for the most part, that's one of the big stigmas we fight and face in the military is, you know, trying to get service and family members to come forward. You know, they don't want to be seen at the family service center, you know, because, usually, if you go to the family service center, that denotes there's a problem, there's so and so's car. So, again, Military Onesource, that's one of the mantras that Ms. Williams definitely wants us to get out.

Just looking at it at a glance, Military Onesource is available to service and family members 24-7, 365. We have a non-medical counseling program. We have some specialty consultation programs. It was

mentioned about elderly earlier. That's one of our specialty consultation programs. Again, that goes into getting our service and family members to start thinking about elder care and things of that nature early on, and Military Onesource definitely has resources that are available 24-7, 365 for our service and family members.

Educational materials. You know, when I came aboard back in 2011, you know, of course, the housing crisis was just in full bloom. You know, we partnered with FINRA and the FTC and got information out early to the service and family members who, you know, potentially could be involved with in a fraud that was happening with the mortgages and things of that nature. So, Military Onesource definitely -- you know, we don't necessarily recreate the wheel, you know, we want to work with other federal agencies and organizations.

Again, I will point out that all of this is no cost to the service and families members. So, using no cost, if anything, no cost definitely gets youngsters, especially to get their little eyebrows to pop up when you say no cost. So, no cost, confidential, those kind of things definitely should get them. Yeah, definitely, definitely.

We have a website. We are on social media.

We've got that going, too, because, again, as my colleague mentioned earlier, we're talking young. Eighteen to 35 is our demographic. Between 18 and 35. And all 18s and -- between 18s and 35s, really the youngsters, what do they got, they got their cell phone. So, you know, okay. We want you to be able to access any and all information, again whether it's education, whether it's prevention or whether you need assistance.

That just talks about our eligibility. One point I want to make on that is regardless of who calls Military Onesource, whether you are a service member or just a civilian that calls Military Onesource, one of the big things about Military Onesource is information and referral. So, if you call, even if you're not eligible, you're going to get somebody.

So, we definitely have a resource table, a resource database that's extensive because, you know, we don't just -- you know, we're not just going to have you call. You call, whether we can help you or not, and say, well, we don't deal in fraud, so, you know, we can't help you. No, you know, although you're not eligible for the Onesource services and programs, you know, why don't you go to Ftc.gov or here's a number, you contact that number and then, you know, we can get you some assistance.

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Just a little more about our services. You know, we do have some other programs, especially non-medical counseling and the financial counseling. You know, those are masters-level consultants. Again, they provide confidential information to all -- everything service family and military.

We kind take a holistic approach as well when we're dealing with -- no matter what it is. So, if a service member calls a consultant -- let's say they call about an issue with fraud, let's say they call and they think they're being scammed about something. Okay, we meet the immediate need, that fraud, let's deal with that. But then let's deal with how you came about getting, you know, with this fraud.

Usually when we're talking young servicemen and women, we're talking payday loans and going out the gate and that kind of stuff. Well, that's a bigger issue. And the issue is how did you get to that point in the first place. So, that's what Military Onesource does, as well as a lot of the resources that are available on installations and bases.

And, again, I don't think I pointed it out, but Military Onesource is simply an extension to the bases

and stations. So, our number one resource is to get you back to your local command, your local base or station. But if you don't want to go there, we're definitely not going to force you to go, because that's the whole point of this program is so that you have options.

Then I just wanted to point out a little bit about our utilization. A little over 880,000 total calls. Just two points, we do about 20,000 -- a little over 20,000 financial counseling services or sessions. And, again, the key being the majorities are basic budgeting. Again, that goes back to when I said, let's educate them early and empower them early.

And then the last point here, 217,000 -- you know, we've got a no-cost tax preparation program and we see a lot of scams and things going on. So, if we can get them to come to, you know, our tax preparation program, we can, you know, have some type of -- I don't want to say control for lack of better term, but control, you know, over this whole scam thing.

So, those are some things that we're doing at Military Onesource. In this case, military community and family policy to assist service and family members. You know, a lot of these things -- you know, we didn't create

these things. These are definitely things that you take from the civilian community. Because, as I mentioned earlier, it's a government oversight program, you know, and we oversee contract services. Okay?

So, you know, it's not a table full of military individuals providing these services. It's civilians. It's you all providing these services. Thank you.

MS. LEACH: Thank you.

MS. LOVOI: That's a perfect segue to my remarks. I'll make three observations on the way the day has gone. But, first, I want to thank you, Jennifer, for putting this together and for inviting me. I've learned a tremendous amount today.

My first observation, and I believe it's sort of a theme of today, is that complaints matter. Complaints are powerful. We heard so many good stories today about why they're important. I'm thinking of Ann Schaufele from Ayuda who talked with us about the notario fraud concerns and complaints. I'm thinking about our D.C. representative who talked about the complaints she receives in her little house. I'm thinking about Jane Duong out on the West Coast and what she provided about Asian complaints. So, I'm overwhelmed by the

underscoring today of the importance of complaints and that they matter.

And my second observation is that complaints are power. Complaints are powerful. All you have to do is look around this room and goodness only knows we can get redress if something goes to litigation through Michaelshoff (phonetic), or we can get help if there are payouts on the reservations, we can get money back to the people who deserve those.

So, in other words, there's tremendous power in this room if we can just get the complaints to the right places. So, I'm seeing some wonderful follow-up work out of today in bringing these minds together and thinking about how complaints get posted to the right places, how complaints are shared, and how we go out and harvest complaints, how we get them, how we get them in in a systematic way, from these very, very important demographic groups that we have out in the field.

And then my third observation is to tie our work today to the work of my own organization, which is Appleseed. In the summer of 2002, we went to the streets of Austin, Texas, because immigrants were being assaulted in our happy little city on payday for the wads of cash

that they were carrying in their back pockets that were visible to anybody who wanted to look. So, we talked to day laborers, 71 day laborers, and we asked them what's going on here? What are your major financial concerns?

And they surprised us. They came back to us and they said, our number one financial concern is sending money home, that we feel like we're putting money in a black box. We don't know when it gets there, we don't know if the mother and the baby in La Huaca (phonetic) are going to get milk or not, the medicines aren't being picked up.

So, this launched my organization on a 10-year odyssey that I'm happy to report resulted in the passage of legislation in Texas, the second consumer protection legislation in any state in the country around protecting the money that immigrants send home. And then the Senate contacted us and said, if you can do this at the state level, we want you to bring this up to the Senate, we're going to do it at the federal level.

So, our 71 immigrants helped produce seven pages in the Dodd-Frank Wall Street Reform Act that give the first federal guarantee of consumer protections in federal law, in the history of the United States to

immigrants. And these are disclosures that any of us would insist upon in our transactions. What are the fees front end? Where is my receipt when I make a transaction? How do I correct an error? Where's the redress. Who's going to help me? Anybody deserves these pieces of information in their financial transactions.

So, thanks to the Director Cordray, the first rule that he issued as director of the consumer bureau was the Remittance Rule. Yesterday was the one-year anniversary of this rule, and it all came out of complaints and it all came out of reactions to those complaints.

So, you might be asking what's next? And, so, I think what's next is for us to collaborate on something that hasn't been seen before, which is taking the best elements of Consumer Sentinel, taking the best elements of the consumer bureau complaint work, taking the best elements of Ayuda and Appleseed and the various groups that are in the room today and thinking how do we make a quantum leap with that power?

Because we know the results. It can be legislation, it can be litigation. It can be things that we haven't seen before. Complaints are power. And I would like to see us harvest those.

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My organization is starting a campaign that we would be happy to join with any of you in the room on. We're calling it Trotojusto (phonetic) which is "fair shake." And at present, we're looking at the immigrant community, but I think this idea has standing in virtually any community. The idea is that we want people to have a fair shake when they have any financial transaction. If they're not getting treated fairly, we want them to know how to get the info into Sentinel, how to get the info into the Consumer Protection Bureau database. In other words, how does that info move?

So, I'll just conclude with my major takeaway, which is Martin Luther King said the arc of the moral universe is long, but it bends toward justice. I'll say, the arc of the complaint universe is long, but it bends toward justice. I think the nexus of those complaints are you make a complaint, it can turn into advocacy, it can turn into enforcement and litigation, and it can turn into legislation. So, let's harness it and go forward.

Thank you.

MR. MERMIN: And to thank our panel, that was a tremendous presentation and with many different aspects to it. Although, I think that being rude and complaining seemed to be right at the top of the list.

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So, on that score, in a sense, let me ask the first question. Others in the audience, please do use your question cards and send them up here. But I will take the opportunity to ask one. Let us say, hypothetically, that there was a legal services provider that had just started, say, an immigrant consumer law clinic that was doing outreach and education to particular communities. What are some of the things that that organization would want to keep in mind?

MS. LOVOI: I would jump in with just one thought, that immigrants come from different places and we learned in our street interviews that someone from Salawi-Potosi (phonetic) is different than someone from Chiavas is different than someone from East Asia. So, I'd say that that young legal services lawyer in a new clinic should think about that. Are they involved in different sectors of employment? Are the Potosians (phonetic) involved in construction while others are involved in service industries? In other words, understand the differences.

MS. BLINDER: And if I could go a little deeper with that, I think that's right. And I also think that understanding internal prejudices in the communities that



you work in are really important. So that if you align yourself with a person in a Spanish-speaking community, be aware that there may be internal conflict, and if you are seen as the colleague and ally of that one section, it may inhibit your work. It's sort of like in -- this may be true other places, but in Connecticut there is a lot of tension between the African-American community and the West Indian community. Those kinds of things, I think, again, you need to listen and talk to everyone and exclude no one.

MS. KENNEDY: One way to approach working with people on things like that from an education perspective, both looking at the not willing to be rude aspect that Shawn brought up and the not willing to be embarrassed or lose face aspect that Tony brought up is to use role-playing to let people express who they are, to draw on whatever their background might happen to be and say this is how it would be where I come from. But then how is it here? What is it that you need to do? And you can, I think, set up some very effective role-playing that helps folks understand where they can go with their communication in fraud-type situations.

MR. MERMIN: Thank you very much.

MS. LEACH: It's kind of a nice segue into one of the questions we got from Twitter because, if you're serving a lot of different communities, Quyen this morning said that there were 34 different languages in Southeast Asia, we often get requests for different languages here. Catherine is facing this right now. One of the questions is, with limited resources, how do organizations get aid to isolated communities with language barriers? Catherine, do you want to take a shot at that?

MS. BLINDER: No, but I will.

MS. LEACH: Thank you.

MS. BLINDER: I think that a language barrier is the easiest barrier. We can translate words. It's easy to find someone to translate words. What's really much harder is to translate culture and to translate what is acceptable in various cultures, who is bringing the message, what is the message, what context is the message in. It's more nuanced, and I wish it wasn't.

But I think that to authentically reach markets, the authentically educate markets, we need to understand that it's really, really nuanced and try to find people within those communities to help us

understand those nuances. Language is, I think, the easiest. But, again -- and we were talking about this earlier, finding the -- translation services aren't cheap and you really want to go to professionals. So, I just heard a yes, which makes me feel better. But also consider the other kinds of languages that we speak also translatable.

MS. LEACH: And I want to follow up with Shawn, actually because, Shawn, you talked about how local everything has to be, and a lot of your programs are, you know, locally given, they are customized for the particular community. I'm really interested in the role of the trusted source there, both having the sort of cultural standing that Catherine was talking about to address people, but also having someone be a trusted source of this information and how you see that mattering in the work that you do.

MR. SPRUCE: Yeah, that's a really good question. There are challenges with that because one of the models that we work with is a train the trainer where we actually go into the community and we have a curriculum and we teach local folks to deliver the curriculum. But one of the criticisms we've had --

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overall, it's a very successful model, but we have had criticism in the fact that some of the people that we've certified to go out and deliver the curriculum have financial troubles themselves and these are small communities and they go out and teach workshops and the participants know these people personally and they say, you know, I know you have problems with your money and what are you doing up here teaching me?

So, I will say a lot of the programs that I work with, as you saw in that, you know, screen shot of that video, I'm very hands-on, I do a lot of the training, a lot of the workshops, and especially like with the younger people, it's important that you have a credible person that's a little bit older than them, but still identifiable. And I think that's where our cultural applicability really comes in is when they have somebody who's Native American who generally is concerned and cares about them.

And as a trainer, I can tell you that there's three things that you really need to be able to do. You need to be credible and you need to understand what you're talking about.

Secondly, you need to be able to take that

information that you're knowledgeable with and present it in a passionate, compelling way to participants.

And then, thirdly -- and this is the hardest one -- is you have to genuinely be able to convince people that you care, that you're doing this from the heart and you're sincere. And that's the only thing that we can't teach people. But it's one of the ways that, you know, we're able to leverage some of these programs and where I play a role in really doing a lot of the facilitation and training and assisting people as well with that.

MS. LEACH: Thanks.

MR. MERMIN: So, we have a couple of questions here from the audience that go to this question. What are good strategies to make people become heroes or ambassadors against fraud, particularly with respect to the needs of seniors, as was mentioned earlier, but maybe even more generally?

MR. TUCK: Well, I can jump in on that because we've heard a lot of stories like that from people that we were talking to. In a way, I also want to refer back to what we were just talking about earlier as part of this answer. If you have limited resources and you want

to work with many different communities, and this has been an issue I think we're talking about in almost every question, I would like to encourage everybody to become a good, effective social researcher. Sure, I would rather you hire me, but I bet that's not going to happen.

The simple trick I will tell everybody and then this will come into this hero story, is basically learn how to become a quiet listener and a quiet observer. That's what a good social researcher does. And the best way to do that is to not ask questions. It's to get people to tell you stories and listen to their stories.

And after you hear a few people tell stories -- so, again, this reinforces everything that you've all been saying. Listen to a few stories from a community, you're going to start hearing some patterns, you're going to start putting some associations together. It's very passive, it's very quiet, and that's usually the quickest, most efficient way of starting to put hypothesis together about what makes this community a little different from a similar community.

So, then to tie this into the hero question. We heard stories about basically shutting up and getting people to talk about their worst experiences with fraud

or their best experiences with fraud, and what we started hearing is that whenever people try to talk to, in this case, seniors about the dangers of fraud, an awful lot of folks would just turn off because they don't like contemplating those dangers. It's really scary. And you want to assume that you've got it all locked up. You're fine. That's never going to happen to me.

So, scare tactics often backfire. You know, be afraid is often a terrible message, if you actually -- it might be good for certain kinds of journalists who want people to pay attention to them. Just a hypothesis. But if you actually want to drive behavior, it's a terrible way to go because you're probably not going to get anybody to change what they do.

So, when we heard stories about heroes, it was always very anecdotal but it was always about somebody's mom or grandma who learned how to be rude, as you were talking about earlier, and for the first time in her life, hung up the phone on somebody while they're in the middle of talking, and they tell that story very proudly. And then that woman, that grandma would tell that story to her friends about how you have to learn to hang up the phone and many versions of that.

And when we heard those stories, it was early on in the process, and often this was from people who were elder care workers and they would talk about the success stories, and it was always about one person in a community who had some success and they felt great about themselves and then they passed that story of success, that heroic story along to their community, and that was the best and most effective way that they had of demonstrating efficacy and self-protection. Just these anecdotal little stories.

MS. LEACH: We've talked a lot about putting things in different languages and making sure that they're culturally appropriate. There's also, I think, an argument to be made that different audiences may need different messages or different forms of message delivery even if it's in one language.

So, Tony, I want to throw this to you. We got a question about useful images to include in consumer education materials, which I think is an interesting general question, but I'm really curious about, in a service member context, what do you do differently for service members to find a way to resonate with them both in terms of how you say things, how you deliver things



and what they look like, than what it would be for a general audience.

MR. JACKSON: A lot less words, more visuals. I mean, it really is true. We just revamped our website, and before that, it was very messy. I mean, don't get me wrong, I'm a reader, so I had no problem with looking at the website, a thousand words all over the place. But, again, we're talking to youngsters, and, you know, you can't hold their attention for, you know, 30 seconds. So, you know, we had to get rid of words, you know, reduce the words and give them more visuals.

Also, you know, you've got to give them what they need. So you've got to know, you know, what the needs are and take the need to the population.

So, you know, the good thing is, as far as the military goes, is we have a captive audience. We know who it is, we know how old they are. I mean, everything is geared toward readiness. So, you know, if you really think about it in that context, it's kind of simple. We've just got to get the awareness out there. I mean, we still have the issue with getting the awareness out to our service members, you know, and the misconceptions.

And, again, you know, Andy talked about the

victimization, you know, and that's a real big one. I mean, we heard a lot of comments about our program, the reason why service members and family members weren't calling in was because they thought whatever they told us was going to get back to their command. So, again, we had to come up with the confidential help. We had to get the message out there that, hey, that's not the case.

So, again, a lot less words, more visuals, know the need, and then you have to get it to them.

MR. TUCK: And, Anthony, I assume with your constituency, that notion is particularly important about not feeling vulnerable, not being publicly vulnerable. I mean, basically, you're dealing with folks whose job is to be invulnerable.

MR. JACKSON: Exactly.

MR. TUCK: And, so, the notion that they are potential victims or they have been victims, that's sort of what I was talking about early on that you're not going to get the message through that way. Some guy is about to take all your money. No, he's not.

MR. JACKSON: Exactly. And you have to know your demographic. You've got to know them.

MR. TUCK: Yeah, yeah, that makes a lot of sense.

MR. JACKSON: Yeah, exactly.

MS. LEACH: I want to throw the question out. It's a question about mobile vs. print. So, we've got a lot of people -- your audience is very much on mobile, a lot of under-served audiences are very much on mobile, but what we hear is that things still need to be in print. So, I wonder if anybody has any ideas or comment on that.

MS. BLINDER: A very quick story. From the symposium that we did last week, one of the women does a project with migrant workers in California using storytelling on their mobile phones. The project came from them, it's developed, called Vozmob, V-O-Z-M-O-B. If you want to Google it, it's fantastic.

But on the same panel was someone who said she does a program with incarcerated youth in California, doing what she imagined as an online publication, and the kid came into her office and said, uh-uh, uh-uh, I want something my grandma can read, I want my name on this. There still is the power of print and I think we need to do both.

In New Haven, years and years ago, I worked for an organization and we were trying to make a community

aware of -- you may disagree or agree with this, but it was a mobile unit for needle exchange. It was in the early days of HIV/AIDS. We could not get -- we would park this van that Yale paid for in communities where we knew there were houses where people were shooting up and we could not get anyone to come.

So, first, we took the doctors and the healthcare workers out of uniform and put them in shirts. Then we had signs all over, still nobody came. One day I was there, I saw 14-year-old kid tagging a building. I said, excuse me, he ran. So, I yelled after him, I'll give you money. So, he came back. I said, will you make a comic book for me, will you make a one-page comic book so people know to come here? He said, sure. Four panels, no words. Just a bodega, a place with familiar landmarks for people. We started putting it up everywhere in the neighborhood and people came.

Sometimes, again, it goes back to knowing how people hear, knowing how people see. The comic book that you guys do, the photo novellas are so beautiful, but they require a literate audience. They have a lot of language and it's simple language, but it still requires a literate audience. And I think all of us have talked

about how to communicate, how to educate, how to do outreach, all the entire narrative from low literacy to high literacy in any language.

MR. MERMIN: We're not quite done because we have Jennifer who's going to wrap things up. I, though, would like to extend my thanks to the panel for, of course, answering my questions which is right at the top of the list, but I think really educating everyone in the room and everyone watching. And I would also like to thank Jennifer for bringing us all together. This has been invaluable.

MS. LEACH: Will the person who just asked the social media question come and find the panelist that you would like the talk to afterwards because we are between you and break right now.

I just want to give my thanks as well. People have come in from Texas, Northern Virginia, North Carolina, Tenley -- though Northern Virginia and Tenley, not as exciting -- Connecticut, New York and California to be here, which is -- that's how important this is to them.

The quick takeaways are education can be a problem if you're working against something, but if you

work with someone's biases and assumptions, the messages start to work. Fair?

Catherine has a list, but they are don't judge the unfamiliar -- my abbreviations don't work -- the need for culturally appropriate materials, work with the libraries, use and advertise in ethnic media.

Deborah's is work with people's own experience. Shawn told us culture and community can make a big impact in anything you're doing. Tony's is educate them and empower them young and often. And Annette, which is a wonderful summation, which is the arc of the complaint universe is long, but it bends towards justice.

With that, we thank you all. Please come and talk to us, please come and work with us. Thanks.

(Applause.)

**PANEL FIVE: FRAUD RESEARCH: BUILDING ON SOLID DATA**

MR. ANGUIZOLA: Good afternoon. I'm Robert Anguizola with the Division of Marketing Practices where our mission is to crush fraud. So, this entire day is near and dear to my heart. I'm really, really eager to do what Andy Tuck suggested and passively listen, which is very, very difficult for me.

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But before we get started with the panel, I have a housekeeping announcement. We have learned there is a potential alarm that may go off because as we speak they're testing our sprinkler system here at the headquarters building. What we have been told is if you hear an alarm, do not be alarmed, just sit tight. If we need to evacuate the building, they will come on the speaker system.

So, with that, we will move onto our final panel of the afternoon. And it's a really exciting panel. At the FTC, as you've heard all day, data and complaints are extremely powerful and we pride ourselves on being data driven at the FTC and we're very interested in research especially when it comes to fraud. Through our research out of the Commission's Bureau of Economics we have learned that fraud is an incredibly significant problem facing every community.

Based on our survey, the FTC can estimate that 10.8 percent of U.S. adults, that's over 25 million people, were the victims of fraud in 2011 alone. We can extrapolate and estimate that 37.8 million incidents of these frauds occurred during the survey year, and that's fraud on every medium, whether it's through internet,

which is the number one medium, at least the last time we surveyed this, or telemarketing or an affinity fraud that is person-to-person. It's a significant problem.

Through our survey, we've learned that risk takers are more likely to be victims of fraud; that those who have experienced a recent serious negative life event, such as a death in the family, are also more likely to be victims of fraud; that folks -- consumers that have limited quantitative skills, those with more debt than they can handle are more likely to be victims of fraud.

We've also learned that African Americans and Latinos experience more of the surveyed frauds than any other group. In fact, based on our fraud survey, 17.3 percent of African Americans and 13.4 percent of Hispanics were victims, while the rate for non-Hispanic whites was 9 percent. So, this is important research.

Next, we have a distinguished panel that's going to speak to you about some cutting edge and innovative research that they have conducted in this very important area.

So, first, to my left, you're going to hear from Gary Mottola. He's the Research Director at FINRA Investor Education Foundation. After that, you will hear

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from Billy Hensley, who is the Director of Education at the National Endowment for Financial Education. Then you're going to hear from our very own Ryan Sandler, who's a staff economist in the Bureau of Economics here at the Federal Trade Commission and who has written a really cutting edge paper that focuses on the Suntasia scam, which is a scam that the FTC shut down. And then, finally, you'll hear from Harvard University professor James Greiner on some of the very interesting work that he's doing.

So, without further adieu, I would like to listen.

MR. MOTTOLA: Thanks, Robert. It really is exciting to be here today with such an engaged group and passionate group of people who are all interested in financial fraud and decreasing the susceptibility and vulnerability of people to fraud.

Now, we'd like to keep that discussion going by talking a little bit about the research and the data. When we were talking about how to structure this panel, we thought, hey, let's start with just a high-level profile of a typical fraud victim, or stated more plainly, who are the victims?

There's been a lot of talk today about victims and what demographics are associated with victimization. I wish an unequivocal answer was available. It's just not that easy to answer the question who are the victims. And the conflicting nature of the findings out there is really nicely summarized in this book by -- I should say report by the Stanford Financial Fraud Research Center. It was coauthored -- the FINRA Foundation coauthored it with them. But, basically, it does a great job, among other things, of summarizing the demographic profiles that are associated with victims.

And one reason there are so many contradictory findings is that there probably is not one profile of a fraud victim. There's not one typical profile. In reality, there's a profile for all the different types of fraud.

So, just an example that I'll be returning to throughout my ten minutes is a lottery fraud victim looks very different from an investment fraud victim. And we have to think about them and think about communicating with them differently.

By the way, another reason we get some -- the evidence is mixed and we get some conflicting results is that the methodologies vary dramatically from study to

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study. Even something as simple as how do you define a fraud victim can vary quite a bit in the research that we're looking at.

So, with that background, what I'd like to do is just take a look at some of the key demographic variables and give you a real high-level whirlwind tour of what we know about it.

So, let's start with age. Age is probably the most researched and perhaps the most controversial demographic variable associated with fraud. The stereotypical view of a fraud victim is what? It's somebody who's older. And that may not, in fact, be the case. There are several studies that actually show lower rates of fraud victimization. When you look across all different types of fraud, these studies show lower victimization rates among older people. However, there are other studies, of course, that show that -- that look at specific types of scams that show that older people are more vulnerable.

Gender, for the most part, the research on gender shows there's not much of a relationship between gender and fraud victimization. But not always the case. You can look at specific times of fraud, and I'll come

back to that lottery fraud, investment fraud example. Lottery fraud victims typically are female. Investment fraud victims typically are male. So, again, if you look across fraud in general you don't really much because the effects wipe out because they differ from fraud type to fraud type.

Race, not a whole lot of evidence to suggest that race is associated with fraud victimization, but, you know, two FTC studies found that -- and, actually, you just mentioned it, two FTC studies found that African Americans, Hispanics and -- and what was the third racial group -- African Americans, Hispanics -- and what's the group I'm missing -- Native Americans, how could I forget -- have higher fraud rates than whites. So, again, we see different -- we see contradicting results.

Income, generally speaking, people think that fraud is more associated with lower income people and households. We have heard that a couple of times today. Likely, you know, there is a lot of evidence to support that. But, again, think to a specific type of fraud. Investment fraud. I can assure you that it's not the lower income households that would be affected by investment fraud. It's the households that have higher

income and that have investments. So, again, we fall back to the scam-specific demographic profile.

Education. I will wrap up with education here. In the FTC studies, there was no effect for education. I think that was the 2003 study. The FTC didn't find a relationship between education and fraud victimization. But there is some research to say that, hey, it's really highly educated people and people with low levels of education that's are victimized.

Again, I will just come back to my favorite example. Lottery and investment fraud. We find that investment fraud victims are higher educated relative to the general population and lottery fraud victims have lower education relative to the general population.

So, bottom line here. I kind of gave you a lot of inconclusive information, probably not particularly satisfying either. But the emerging conclusion is that we just need to think in terms of -- not in terms of fraud victims, but in terms of specific types of fraud and what those victims look like.

Now, since I did just throw a lot of general information at you, I wanted to give you some specific findings from some recent research that we conducted.

So, we did a study -- we released it in 2012. We surveyed 2,300 -- actually, we had the help from Andy Tuck from ARC. They did a fantastic job helping us with this study. We looked at 2,300 adults age 40 and over. And we looked at the entire fraud process. We just didn't just ask if you were a victim of fraud. We said, hey, have you ever been solicited for fraud? Have you engaged with the solicitation? And finally we said, have you lost money, which is the traditional definition of a fraud victim.

Here is just a couple snippets of data from that study. Yes, we did find that older Americans are vulnerable. So, score one for older Americans right there. Older Americans are more likely to be solicited. That can be by email, by mail, by phone than younger respondents. Once solicited, they're more likely to be victims, so, when compared to 40-year-olds. So, 40-year-olds, yes, they're getting solicited, but they seem to have -- they seem to be able to fight off the fraudsters a little better than the 65 and over cohort.

On other snippet of data from the study, this study has a lot of data in it. It's available on the SaveAndInvest.org website. So, definitely check it out

if you get a chance. But we also looked at education. So, this compares high school education -- actually, high school only to college. And across the board, you can see that the higher the education level, the more likely you are to be solicited. Again, the solicitation rate is so high because it's any form of solicitation, including emails. More likely to be solicited, more likely to actually engage or invest with the fraudulent activity, and more likely to lose money.

So, clearly there are some demographic effects here. We've heard a number of them throughout the day. We just need to be careful about how we interpret them and what part of the fraud process we're looking at.

We can go to the next slide. So, I do want to talk a little about the role of race, but we're going to come at this from a completely different angle. The prevalence of financial fraud is commonly measured using surveys. Yet, there is research from other domains that suggest that the context of the survey can really impact the response to survey questions.

So, think about this for a moment. We're going to field a study on crime in general and we're going to ask several questions. Have you ever been burglarized?

Have you ever been the victim of an assault? Have you ever been involved with an armed robbery? And have you ever been a financial fraud victim?

So, the question is getting those four questions about violent forms of crime right before getting a question about financial fraud, which is a serious form of crime, but not necessarily violent, is that going to change the way people respond to the question about whether they're a fraud victim? That's a question that we asked with -- we worked with the Stanford Financial Fraud Research Center and we conducted this study.

In a nutshell what we found -- I'll hold off on the next slide for one second because this slide is a little more complicated than what we found. But what we found that was in the crime context -- so, when somebody was basically primed with questions about violent crimes, they were less likely to report fraud victimization.

Now, why is that the case? Perhaps it has to do with the fact that, you know, after thinking about these violent forms of crime, they may not think financial fraud is as serious. Now, we know that financial fraud is a very, very serious crime and has a



lot of negative impacts on the victims. Nonetheless, in the context of a crime survey, it appears that it's affecting the way respondents are answering that particular question.

So, if you can go to the -- yeah, there you go. One other point I would make is this effect was not true for the black respondents. So, the two bars on the left-hand side. That's for the not black respondents. In the crime context, 21 percent reported being fraud victims and 28 percent of -- I'm sorry, in the crime context, 21 percent reported being a fraud victim compared to 28 percent. But in the black -- for the black respondents, it was 33 percent reporting crime victim compared to 26 in the controlled group. In other words, the crime context pushed down fraud rates in all races but black.

So, why is this happening? We don't know if we're being completely honest. But what does it mean? I can talk a little bit about what it means. Essentially, it means that comparing or trying to understand the effect of fraud on various communities and various racial groups may not be as easy as just comparing fraud rates across surveys because different races may respond to different -- to the survey context in different ways.

And it's just -- it's something researchers need to be aware of. It's something practitioners need to be aware of when they're reading the research and, quite frankly, it's something that needs more research.

So, I will throw that out as a preliminary but interesting finding. The last point with my last, I think, two minutes about, I would like to shift gears and pivot a little here and talk about evaluating the effectiveness of financial education. Throughout the day today, there have been a number of people that have brought up financial education programs. But to this point, we haven't talked about whether they're effective or not.

So, what we did we partnered with AARP on this one. And I'm going to oversimplify this greatly. But what we did, we have a one-hour investment fraud seminar called Outsmarting Investment Fraud. So, what we did was we hired a professional telemarketer to contact the people who just went through the Outsmarting Investment Fraud Program and try to sell them a fraudulent investment. I hear some chuckles in the back. We did this all above the board. We also contacted people who did not take fraud seminar and tried to sell them a fraudulent investment.

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And what did we find? Well, you can see the results up there. In short, we found that if you went through this seminar, 31 percent of the people who went through this seminar agreed to receive material from the fraudster and provide -- confirmed their address with the fraudster. So, that's how we define engagement. So, 31 percent of the people who went through the seminar engaged with the fraudster compared to 44 percent in the control group who did not go through the training.

Now, what we -- so, yes, the training worked. But what was particularly encouraging is that two weeks out we contacted these people again. And we said, hey -- we tried to sell them a fraudulent investment. You know, the same exact rate, only 31 percent engaged with the fraudster two weeks out. So, there was a bit of stickiness to the education as well.

So, I will wrap up now basically just by saying that I'm glad that I could end on a positive note here. So, education, you know, the evidence from this one study suggests that education can be effective in reducing financial fraud. And as a researcher I'll say it again because I like to say it, it's job security, more research is needed. Nonetheless, I leave you with this

promising finding that we have evidence that education works.

Thanks for your time.

MR. HENSLEY: Okay, so, building on that point, my name is Billy Hensley. I'm Director of Education at the National Endowment for Financial Education. For those of you who don't know who we are, we're a private operating foundation headquartered in Denver. We're here more than we're in Denver sometimes it seems like. But we provide educational resources, fund research, provide consumer education and so forth on topics of financial education, financial literacy and financial capability. So, that's a little bit of context of how we are here.

Part of my role is to facilitate research and help fund innovative ideas that are looking at better understanding behavior and so forth within this context.

So, I'm going to talk a little bit about -- oh, and before I begin, the irony is not lost on me that I was told to ignore the alarm at a fraud conference. So, is that a test? Are we being tricked?

So, anyway, all kidding aside. This study, we funded it, I guess, a couple of years -- two or three years ago now and it wrapped up last summer. How many of

you have heard of the term meta analysis before? So, a meta analysis is essentially a study of a bunch of studies. What came out of this was the researchers listed here came to an event that we hosted that was looking at 25 years of research in the field and found that -- had a couple of lingering questions. So, we received a proposal that is looking at what's the connection between financial education, financial literacy and the choices that people make about their finances.

My remarks are going to focus on the educational intervention piece of it and how do classes and workshops and so forth actually change or impact behavior if at all. So, from that, here is a little bit of information about the study. It's 201 different studies that were looked at, 585,000 participants. The authors of the study recoded the data so that -- from the original studies to put all the variables and skills together so that you can kind of really this one big comparison.

Then the breakdown is a randomized control trial, 15 studies, 75 studies that are non-RTC, and then 24 advanced statistics and 87 were basic statistics. So,

you're already kind of seeing a trend of what's wrong in the field in that regard.

So, context. No one is saying that we shouldn't educate the consumer and improve consumer savvy. None of us -- I don't think anyone would say that. What sparks the debate, though, is how to build financial literacy in ways that promote healthier behaviors. And this translates to the direct work you're doing in the sense of fraud and as far as educating consumers.

Then when you look at and try to figure out, well, what works, what's that one thing that we can do that's going to assure change. There is a lot of disagreement about that. And when you take individual studies that look at whether there's impact or not, you have people that have drawn lines in the sand that have fierce debates about the effectiveness of financial education programming. And, you know, these studies have been published for many years and the findings are very wide and then you've got this sense of some studies say it works really well and some studies that say it doesn't work at all. And, so, this is -- this was our attempt to begin to better understand what does that actually mean when you have a wide array of findings coming out here.

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So, three key takeaways from this study, and I'll get into each one of these a little more in-depth. The amount and timing of the financial education matters -- and I think that is -- Gary actually made the point for me here, that when you're looking at the timing of this and it's being close to the points of decision and being close to this -- someone being called, it's actually impactful.

Behaviors and literacy, as measured today, are weakly linked. It doesn't mean that there's no link. It just means it's very weak. That has to do with the other slide I was pointed out about the kinds of studies and the kinds interventions and who is actually teaching the classes and so forth.

Then past findings merit revisiting. Looking at former studies and trying to figure out why -- what were the factors that we think that caused that to be successful and those factors that caused an intervention to not to be successful.

So, the amount and timing matters. The impact of the education varies with how much education you receive. It's just like when you are in school. If you sit through a 30-minute discussion about a topic, it's

going to have a different impact on you educationally, about what you know and about how you make choices then sitting through a semester.

What we found is that the longer the intervention, the more impact it had on behavior. You know, the effects are still going to decay, and that's really the main point to consider here.

So, this chart is really the most telling chart of all. So, when you see the effect size and you see the different links of the intervention, meaning the number of hours of instruction, of the class, there is much more effect based on the larger number of hours. However, over time those -- there is still a decay. It may take longer, but there is also farther to fall when you think about that. It doesn't mean that one hour of intervention is not impactful; it just means that it's going to fall into insignificance quicker than a 3-day training or a 4-day training, for example.

So, the challenge here is how do we define timely and relevant in our work. That's something that we're thinking about at NEFE, we're thinking about in general. If some of you know Ted Beck, he's the CEO of NEFE. He's on the President's Council that's really



considering financial capability work right now. This is something that we think about in the sense of when is the right time, what does relevant education actually mean, and the panel that was before us was really getting into a lot of that in the sense of looking at language, making sure that the things we're saying are appropriate for each audience.

Then how do we deliver education close to a point of decision? Now, I'm not saying that that's the only way to provide effective financial education, but I am saying that it is impactful based on the data that we currently have available to us.

And then something to consider, should financial education take place throughout life and always link to an upcoming financial decision? There is a school of thought that, oh, well, we have succeeded we're successful because we got a class in the local high school. We're done, our work is over. And that is absolutely not what we think is true. We really are looking at this from a sense of how do you approach each decision in your life and how do you build your propensity to plan ahead and so forth.

The other points -- the weak link between the

interventions and behavior. The effect size was .1 percent, and that was the variability here. The effect size below that is very small at 4 -- .4 is above. So, we're right at the very tip of being effective. And that's really not acceptable. So, that's why we want to actually be clearer about this.

So, in the aggregate, we're having very little success, but it's not a reason to walk away; it's a reason to say why it causes that success, how do we mitigate to decay that's happening over time, and then how do we encourage better research and better research tools and so forth.

So, a couple other points. The strongest findings did involve high school instruction. Again, that links to dosage, how long that the topic was covered. But what's discouraging here is that the effects were lower for studies of low-income consumers in relation to the general population.

Another question to consider and think through over the next few days as you're considering all that you've heard today, should more research focus on pedagogical best practice. So, how do we be better educators? Should we really be focused on how do we

improve instruction, how to link instruction to the timeliness and what is happening.

And then looking at the impact of this study, you know, being lower than other domains, like workplace education, looking at career counseling, areas where people have had lots of success in helping change the trajectory of people's decision-making in the workplace and so forth.

And then a good talking point that the folks who did this study bring out in the sense that 20 years of advertising has had more effect than exposure to a single billboard. So, thinking about the work in the sense that it's a lifelong exposure to good financial decision making and good information is more successful than just the one class.

So, from that, and I'm going to skip through some of these, a couple of implications for educators and those of you in the field who are trying to get good information to consumers. You know, identify those teachable moments. I would assume that this audience is probably better at that than most of us that are looking at financial education specifically. Learn from those who have demonstrated a greater impacts in other areas.

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So, for example, how have school systems been successful in increasing math scores maybe in troubled school districts? What have they actually done? How can we replicate those things in school-based as well as community-based education?

Sharing effective interventions and best practices with each other, like we're doing now. Then use research to guide practice. Based on this study, we have actually developed something that we're calling the five key factors for effective financial education. And it's something that we started to talk about and it's really common sense.

The first one -- and there is no slide for this, so you have to write it down. A well trained educator. Just because someone is an expert in a topic doesn't mean they're a good teacher, and the opposite, just because you're a good teacher doesn't mean you can take any subject and be successful at it at first. So, understanding the content, understanding the concepts and then vice versa. So, what are good teaching principals and education principals when you're working with adults, when you're working with those who are retired and so forth? So, really considering that, being a well trained

educator or using a really good e-learning platform if you're doing things online.

Vetted program materials is really important. Just throwing something together, talking, you know, using anecdotes are helpful. But looking at evaluated truly rigorous materials that have been developed by subject matter experts.

Timely instruction, I've already talked about that. Linking it to decision points.

The fourth is relevant topics. So, not talking about a diversified investment portfolio with your ninth grade class or not talking about picking the best cell phone plan with people who are not even considering using a cell phone. So, really looking at the relevance of that. And I know that's simple, but it's important to take the time to really examine the topics.

And then evaluate for impact. Don't be intimidated to see that, you know what, we didn't really have much effect here. But without knowing that, how can you improve? So, looking at evaluation and understanding the jargon associated with evaluation and using evaluation tools to improve your work. So, that's a lot.

MR. SANDLER: I have to leave a little early to

pick up my kids, so I'm setting up a little timer here. I have to draw your attention to the disclaimer at the bottom required being an FTC employee.

So, I'm going to talk today about some research done by myself and some others in the FTC's Bureau of Economics relating to one of the largest telemarketing fraud schemes -- telemarketing fraud cases that the agency brought in the last decade. The firm was called Suntasia Marketing. They would call people up and pretend to be from their bank and tell them they had qualified for some great reward and then would try to confirm their "eligibility."

Their particular gimmick is once they knew where you banked, they would know the routing number on your checks and they would tell you, okay, I just want to confirm your account number, I'll read off the first part on your check and you read off the rest. Lovely people. They took a lot of money from people for basically useless subscription programs where they would bill you every month until you went through the fairly arduous process to quit.

In 2007, the FTC sued them. The judge handed over control of the company to a receiver. The receiver shut the company down.

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Now, here's where things get interesting from a research perspective. During the lawsuit, the company insisted that some of the people who were enrolled in their program surely knew they were enrolled, wanted the service and they ought to be allowed to resume billing them. FTC counsel said this was crazy and they were probably right, but the judge approved a plan, concocted by the company and the receiver to send notification letters to everybody who was still enrolled in the subscriptions by the time the lawsuit happened.

But if you enrolled after a certain date, you were sent an opt-in letter telling you we're going to cancel your account unless you tell us something. And if you enrolled before that date you got an opt-out letter telling you, we're going to start billing you unless you tell us no. So, here's what those two letters. You can't see it all that clearly. Basically, they're identical.

From a research perspective, this is great even if from a policy perspective this is crazy. Because people who enrolled immediately before -- after that date -- that cutoff date shouldn't be really any different than people who enrolled immediately before the cutoff

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date. So, essentially we have created an experiment where the only difference in how these people were treated is the default option that was given to them in response to these notification letters.

Now, on the next slide, I'm going to show you a graph telling the cancellation rate by the date you enrolled in response to these letters. So, this is the percentage of people who got the opt-out letter, who opted out; the percentage of people who got the opt-in letter who did not opt in. And see if you can tell where the opt-in/opt-out cutoff is.

So, February 1st was the cutoff date. Basically, nobody opted in. Opt out, the frequency there is daily. So, on any given day, there may have been only like 30 or 40 people enrolled on a given day. So, that amount of bouncing around is not unexpected. Only about a third of people opted out.

So, where this ties in to today's workshop is we delved into the responses to the opt-out letters to see if they differ by demographic group, because the overall population that population that Suntasia enrolled was actually pretty close to the demographics of the U.S. as a whole. A slightly disproportionate percentage of



African Americans, but otherwise it looks pretty like everybody.

Now, the database we got from the company that we did this project with did not actually contain consumer demographics. What it did contain was people's addresses. So, what we ended up doing is we matched addresses to census geographies. And the census has the sort of average demographics of fairly fine geographies. For income and education, we have a median income and like percentage of people with BAs by census block group, which if you're not familiar with that, that's smaller than a census tract, which in turn is smaller than a zip code. About 600 to 3,000 people in a given census block group.

We have the percentage of people who own their own home and race and ethnicity by census block. The size of the census blocks vary, but there is about 39 blocks to a block group. So, we know the demographics of the very immediate neighborhood around where you live.

For race and ethnicity, we can also supplement it with another set of data from the census that gives the frequency of ethnicities by last name. So, for instance, if your last name is Rodriguez, we know from

the 2007 census that 90 percent of people with that last name are Hispanic. So, that can improve our estimate of what the probability is that you are one ethnicity or another.

And I want to be really clear, again, these are neighborhood characteristics. We don't know anybody's individual demographics, which limits, to some extent, what we can say about these results.

In addition, although we know that all fo these factors are, to some extent, correlated at an individual level, when you aggregate up to any level of aggregation that correlation becomes stronger. So, what that's going to mean is that to the extent that we find results that all kind of point in the same direction along each of these factors, we can't disentangle which of this is actually driving our results.

What we find is that while the company was in operation, while they were billing people every month, if you were more likely to be a minority, if you were in a lower income or less educated census block group, you were more likely, more likely to call the company up and cancel. You were more likely to figure out these people were billing you and go through the fairly arduous

process of getting their customer service to stop doing that.

After the opt-out letters go out, for people that received those opt-out letters, that relationship switches and you find that consumers who are more likely to be white, who live in higher income, higher education census block groups were more likely to respond to those opt-out letters.

To give you a sense of the magnitudes based on the statistic model that estimates each of those visual relationships, we can predict what the probability is that you would cancel given a particular sort of set of characteristics.

So, if you were certain to be a minority and lived in a bottom quartile education, bottom quartile income neighborhood, while the company was in operation, there was about a 9.4 percent chance in any given month that you would figure it out and cancel. Compared to about 7.9 percent if you were certain to be white and in a high education, high income neighborhood. And that's about a 20 percent difference.

That's notable despite the fact that there were slightly more minorities in the pool. And that pretty

much remained true even after people canceled at a high rate early in the program.

In response to the opt-out letters, that switches pretty dramatically. If you were certain to be white, from a high income, high education neighborhood, there was about a 30 percent chance that you responded to the opt-out letter, which is about 9 percent points higher than someone who is a minority in a low income, low education neighborhood. That's about a 40 percent difference in relative terms.

So, again, we don't know exactly what is driving this. We can't affirmatively distinguish whether this is about race or about education or about income. Furthermore, we don't know necessarily know anything about the individual characteristics or about neighborhoods. For instance, if you live in a high education, high income neighborhood, that means that you know a lot of high education, high income people. It also means you are the type of person who, for whatever reason, can or is able to live in that kind of neighborhood. We can't distinguish those.

And if we did were able to distinguish those, we can't readily know what the mechanism is underlying

this. There's a bunch of different -- and it's not because we can't think of an explanation, but because there's actually too many explanations that all fit the data. These include explanations about these are differences in skills, these are differences in your income, which affects your cost of time.

I have heard one explanation from a colleague I've shown this to who thought this is all about your propensity to read your mail. So, we don't know. Again, this is, again, I guess justifying our paychecks, directions for more research.

Nonetheless, it is a point of concern that people who are perhaps less likely to be able to afford to continually be billed month after month for these useless programs were the ones who benefitted least from this particular informational intervention. With the caveat that it is this particular informational intervention, those letters were not exactly a picture of best practices and information disclosures. They were never copy tested, but I wouldn't exactly recommend that format. So, at least this should give us pause when implemented sort of nudged type interventions with a -- certainly, with a more opaque informational tool.

I'm 30 seconds before my time, but I will hand it over anyway.

MR. GREINER: So, I feel a little more comfortable standing, if that's okay. My name is Jim Greiner. And I'm here to present a couple of different research projects that we're working on. One is in the field and one is in year two and a half of planning and it has at least probably another year of planning in it. So, we have only preliminary results of one of the research projects to share with you. But I think you will recognize many of the themes that we're attempting to deploy in the research from the previous speakers and the previous panels. So, maybe part of the message of this is that this is an effort to encapsulate and deploy many of those themes that you've already heard about.

The basic issue that we're attempting to tackle here -- and you can see that all three of the researchers, Dalie Jimenez, Lois Lupica and I are law school professors. We are lawyers. And this is -- our research is going to take place in a very legal space. It's going to start with courtrooms. It's what works to remedy financial distress, particularly with respect to debt management and debt collection, both the litigation

and the post-litigation aspects of debt collection and debt management.

So, some contradictions, some things that should not exist simultaneously in the world and, yet, they appear to do -- they do exist -- exist simultaneously. It appears, at least from the outside -- I want to say that we don't know this for certain and there's a reason for it, I'll explain. It appears, at least from the outside, that there are excellent defenses to a great deal of debt collection lawsuits that are brought in the United States under the current evidentiary structures that exist.

So, what's basically going on here in more -- not legal terms, plaintiffs who file debt collection lawsuits typically, at least again from the outside, appear not to be able to prove that they should win the lawsuit. Plaintiffs bear a burden of proof and they don't have the evidence that they would need to win. So, a debt buyer may lack the evidence that the debt that the buyer purchased is actually legitimately owed or how much and what the source of that debt is, information that the law, what appears in those courtrooms, should require. And, yet, what happens is that the plaintiffs, debt

buyers and the credit card companies are winning more than 90 percent or more of these lawsuits in certain settings. Why is that happening? That shouldn't happen.

Management of debt. There are programs to help people manage debt, medical debt, for instance, public utility debt. There is insufficient use of those programs, and that's a classic social uptake program. In the comments, we would put it that way.

The bankruptcy system. Most economists tend to think that there is massive under-utilization of the bankruptcy process. It can give you a discharge of debts and it can give you an enormous reduction in stress levels we think, you know, expecting your happiness, but folks are not utilizing it. So, what's going on here in terms of why it is that these three sets of things should exist simultaneously in the world, you know, where like if there's fire and ice, one of them is supposed to go away.

We think that -- well, excuse me, the result in terms of what happens here is that consumers become vulnerable to fraud, and that's what we've just heard about with respect to certain aspects of -- certain types



of fraud tend to prey more on low income consumers. And there are some examples there where government agencies, for instance, in the debt collection space have filed lawsuits against debt collectors with fraud type theories in them. That you fraudulently misrepresented, for instance, that you were going to go forward with a lawsuit that you filed when you filed it. And the only intention that you actually had when you filed the lawsuit was to go forward as long as the other side didn't show up.

Government agencies have filed lawsuits saying that is a form of fraud. It's not common law fraud. It's linked to a particular set of statutes, but it's a misrepresentation. It's an example of what happens.

So, our hypothesis here is that among the causal factors of this that -- of what we're seeing that might be susceptible to effective interventions. And, again, let me just say that. It's a mouthful. There's a lot of different causes, but what we're interested in here is what can we do about it. What would actually work?

Among the causes are that folks who are in financial distress have a lot of cognitive barriers that

render them -- have difficulty deploying the remedies that are available to them, to take advantage of the things they could do to address these particular management of debt litigation and debt portfolio issues.

And I have listed some of them there. These were some of our hypotheses going in, and as you will see, we have some evidence for them, in a moment that I will describe. Some evidence in terms talking to members of the population and some evidence in terms of the kind of diagnosis by treatment where we intervene in a certain way. The primary way we'd expect the intervention to work is if one of those is true, and it does work and, so, we conclude, at least tentatively, that that's what's going on.

So, this is what -- again, these are basic feelings, barriers, people are ashamed of debt. When they get hit with a debt collection lawsuit, they feel paralyzed, they feel powerlessness. They don't want to tell people about it. They don't feel like they can do anything about it, the hopelessness. This is our hypothesis.

These are some quotes from some interviews that we conducted where it feels like you're being scolded

when you get hit with a debt collection lawsuit. I'm pretty sure if I were of something different from what I am I would not have to come to court. I felt awful when I got this lawsuit. Well, if you feel awful, you're typically not going to perform your best, you're not going to make the best decisions. This is a hypothesis that we have.

So, what do we do? Well, we want to provide information to people. We might -- from the debt collection space, we might indeed want to provide everybody with legal assistance, actually have their own lawyers. That's never ever, ever going to happen. Never ever, ever. In order to get to the point -- I mean, this is -- you know, and I support, you know, civil Gideon movements, I contribute to them, I know it's never going to happen where we're going to give people lawyers. So, we have to have education and self-help be a major part of the story here because there's just no option. It's not the only measurement, but it has to be part of it.

It's not enough to provide people with the self-help materials alone. This is, again, what you've heard in previous panels, what you've heard about today. And, so, I don't want to go over this in as much details as I would have had you not heard this.

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You've heard about cartoons already, for instance, which is going to be a major theme here. Not photographs. Photographs have too much distracting detail in them. People don't focus on exactly what they should. But with a cartoon, you can eliminate the detail. You can entertain people with a cartoon. You don't care that they're entertained. What you care about is they keep reading if they're entertained. That's what you really are after, et cetera.

And these are the sorts the things that we need to be thinking about with the educational materials that address the cognitive barriers and the psychological impediments to taking action.

So, who knows how to do all of this? Well, if you think of something as an adult education intervention, you might want to think about talking to people who do adult education for a living. And at least in the legal space, very few people are thinking that way. The psychologists have been thinking about this. Public health folks have done research. How do I get people to get flu shots on a particular day? How do I get people to flu shot clinic on a particular day? Well, maybe they know more about how to get people to a

particular location than the lawyers do when we're trying to get people to court on a particular day. Maybe we can take lessons from this.

Political science, which is not listed here. How do we get people to vote on a particular day? That may be something we can learn from.

So, we have read literature in building for these randomized control trials that I'm going to talk to you about. All of these literatures we have tried to read. We also tried to read the legal literature. And this is what it contributed for us in terms of how much we were able to draw from it. So, that's disturbing to the three of us as law professors.

Then from the statistics literature, the idea is test and evaluate and test and evaluate, and not just via randomized control trials. Also test qualitatively and gather information qualitatively. Go down to small claims courts and to debt collection courts and talk to people in those spaces. Find people who are struggling with student loans and talk to them about how it is that they are managing the student loans and what materials -- get qualitative feedback about any proposed education materials.

Find people who are in the bankruptcy process. Show them proposed materials, education materials. Get feedback. This is what we're trying to do.

So, after the construction of the materials, then we test them. And, again, I'm going to talk to you about two tests. One is a much smaller effort in Boston municipal court. The results are not final. We're right smack in the middle of the study, basically, in terms of randomizing, in terms of intake. And the other much more aggressive one will take place in Maine where we will attempt to see if we can empower people to rehabilitate themselves out of severe financial distress. And that one, again, is in two and a half years of planning, at least another year or so -- I think about another year, we'll be able to go forward with the randomization.

Construction of the self-help materials. What are we talking about here? Well, the cartoons again. So, addressing the idea of you can take some action. Do something.

We have Blob on the right and Fat Cat on the left and the idea of this carton, for instance, is not so much to transmit information about what to do, but it's a lead cartoon for us on a letter that we're sending out in

Boston to say take some action, get angry or get empowered. Do something. You can do something. Ask questions. And, again, the great thing about the cartoons is that characters can suddenly grow body parts that they didn't have before. So, Blob has eyebrows on far right that Blob didn't have before to indicate the emotional context. This is what you can do with cartoons that you can't do with photographs.

For this one, the idea from psychology, we don't know if this is strong enough medicine, but psychology and behavioral economics have suggested that if you are giving people threatening or difficult to process information, if you can make them feel a strong sense of self beforehand, if you can make them feel good about themselves, they may be able to more well -- or better able to process the information that you're giving them.

So, from public health, we know that if you, for instance, get people to think about the last time that I was a good parent or that I helped a person in need or that I was compassionate, I may be more likely -- I am more likely to respond to public health literature that says stop smoking or lose weight or exercise more.

Even though my being a good person has nothing to do conceptually with the stopping smoking, it's that I feel as though I'm a good person; therefore, I'm not threatened by the information or -- and, therefore, I can take some action. So, we are going to try to deploy that.

We use analogies to try to teach concepts, although we try to limit the number of concepts that we teach. This hourglass tested well when we were trying to come up with ideas for limitations periods.

Insert a willingness to improve a position. We know we have a trademark position on the slide. We're going to need to change that to capes, but you get the idea here. Showing people what they should do in the mirror, practice in the mirror, et cetera, and give people still a willingness to assert a position, right. You know, this is I am super blob. That's our Blob and Fat Cat character.

Plan implementation and commitment techniques coming from economics. There are several other of these. I'm not going to go through all of them. You can see this is how we're showing people where to look on legal papers by just blotting out the rest of it. Don't show



them a realistic image. Just blot out what we don't want them to look at. And other ideas to get folks in the frame of mind that we want them to get to.

So, what have we found so far? These are all preliminary results. In the Boston study, what are we attempting to do? We found out that at least in individual debt collection cases against individuals, there is about a 90 percent default rate in the sense that people don't not even file answers to the lawsuits. So, we sent -- we are sending mailings. We are randomizing to whom we send mailings. And our two major outcome variables are can we get people to answer the lawsuit and file a legal document that responds to the lawsuit that's called an answer. Can we get people to file an answer to the lawsuit and can we get people to show up to actually -- at the first scheduled court hearing? Those are our two major outcome variables.

We send them a letter with all of these cartoons and, you know, deploy -- and the reading level is about a fifth grade reading level letter, some answer forms, et cetera, we randomize a control group to no mailing, a limited group with the letter and some additional materials, the maximum group with the letter

plus a postcard the day before and stamps on the envelopes to see if those make a difference.

These, again, are preliminary results. They are changing. You know, they are moving around, but this is what we're finding so far. In terms of the answer rates, we're roughly able to do -- in two and a half times double around that. And the key is the difference between the first column, the control group column and the limited group column as of right now is significantly significant. The difference between the middle column and the right-hand column is not statistically significant. It's not -- it, therefore, appears it's based on these very preliminary and still changing results. But the stamps and the postcard the day before is not doing a huge amount of work.

What's instead doing the work is the package itself, getting something that people will actually go find the stamps, for instance, to mail the letters if they need to. That's encouraging for, say, providers of this information because stamps are expensive relative to other things. Again, we don't know whether these numbers will stay stable, but we appear to be on track on that.

We have no figure on the showing up in court

rates yet because we don't have the -- if we didn't have the figures by the time -- those came in -- our first batch of those came in last week. I will just share to you that it looks as though we can roughly quadruple the rate at which people will actually attend the first court proceeding. So, there appears to be an effect of the rate of answering and then you also -- conditional and an answer appear to be more likely to show up.

That's very preliminary. We don't have the data on that. That quadrupling is statistically significant, but it's still moving. So, we don't know what the final results will be.

But this is encouraging. This suggests that some of this stuff appears to be working. And, so, our second, much larger scale study of this -- this is just to suggest that the cartoon base psychologist techniques may be doing the work.

Our second, much larger scale study will take place in Maine and the idea is to see if we can improve these outcomes within a population that has severe debt problems, and the severe debt problems, it is a pine tree as a legal aid provider. It means the pine tree eligibility criteria and has been sued on a debt

collection proceeding in Maine. That's our study population. They will call a hotline number. There is a selection in terms of who calls the hotline number. Can we improve the aspects of financial health? Excuse me, one more that we will be testing via surveys.

And the treatment group gets a packet that covers all of these aspects of how to rehabilitate oneself from financial stress. The packet is very large. We will send it to the folks in pieces. It covers how to litigate a small claims court case, request your credit report. If you decide to try to manage debts, utility debt, credit card debt, students loans -- what's the other one that I'm missing? There's one other -- medical debt, excuse me. Medical debt. How to manage all of those, how to negotiate with creditors. Negotiation, a critical part of this is often not ignored and how to negotiate, just how to do it.

And if you decide not to try to manage, how to try to file a chapter 7 bankruptcy. And then, in addition, how -- there's a self-help packet saying how do you stay out of trouble going forward, basically mirroring the content of a financial education packet. What we're going to contrast that treated group to, the

control gets the professionals. The professionals are really expensive, especially the lawyers. We are seriously expensive. Obnoxiously expensive. Because we're obnoxiously expensive, we are unavailable to a large portion of the population even with the legal aid provision because there just simply is not enough of us to go around.

So, we use the lawyers as the control group for the backwards looking stuff, the mess behind you. And the professional educators, the professional financial counselors as the professionals for the forward grouping. How do you stay out trouble in the future?

So, that leads us to basically a two-by-two set of boxes for study groups where the top left treated group will get the packet on all of these aspects. The top right box will get the packet on the lawyer things, the debts behind you, but the professionals for staying out of trouble going forward. The bottom left group will get the lawyer, not the packet, the lawyer for all of the stuff behind you, but the packet to stay out of trouble going forward. And then the bottom right is our total control, that gets the lawyer for the stuff behind you and the financial counselor for the stuff in front of you.

So, this is the basic contrast. The rows contrast self-help versus attorney representation and the columns contrast self-help versus financial counseling. We give the folks who get the self-help packet placebo counseling, also, to try to equalize the burden in terms of how much folks have to get through. And also to make financial incentives to go through the counseling equal across both groups, we're going to offer people a \$50 incentive to go through these two groups.

This research is supported very kindly by the National Science Foundation and other folks. And this is what we hope to do and find out the results, again, trying to encapsulate a great many of the themes that the previous speakers and the panels had presented.

Thank you.

(Applause.)

MR. ANGUIZOLA: So, if you have any questions, raise your hand and we can have cards collected. But while we wait for questions, I wanted to ask whoever wants to jump in and answer, what suggestions do you have for future research?

MR. MOTTOLA: You go.

MR. GREINER: I guess I would say -- to echo

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themes that have already been emphasized in the previous panels. I think the way in which information is presented is a critical thing. I think the "just in time" idea, one of the themes of this research projects I just presented was we are giving people information when the state has proposed to intervene if their lives in a coercive way. The state is about to screw around with your financial situation unless you do something.

And then randomizing to find out what works, strong evaluation structures, I think, are the three things that I would emphasize as to that question. We have to know and not be afraid of null findings. I mean, we spent three years on working on this. We hoped to randomize it to find out whether any of it does any good whatsoever. We can't be afraid of getting a null finding that says, nope, it doesn't do any good.

MR. MOTTOLA: I've already alluded to the fact that there's a lot of conflicting information out there and some of it is do to the methodology of the studies. Not that the methodology is poor, but that it's not particularly standardized.

So, to really understand the prevalence of fraud, to really understand the correlations between fraud and

different demographic groups, it's important that we, as a community, have some type of agreement or standardization definition on what fraud is. And to that end -- I should say what financial fraud is. To that end, the FINRA Foundation with the Department of Justice and some other groups are working to try to standardize the measurement of fraud so that we can begin to get a better handle on it.

The other area I'll mention that could use additional research, which hasn't been talked about much today are the non-traditional or we'll say non-financial costs of fraud. Yes, the person loses potentially a lot of money. Yes, they lose a lot of their time and perhaps they have lawyer fees. But what about the psychological and emotional cost associated with fraud? Like I said, they have been alluded to. But, so, the research could really shed some light on the devastating impact that fraud can have on other aspects of people's lives outside the financial aspect.

MR. HENSLEY: Just one point. How do we mitigate the efficacy decay that's happening? How do we slow that down? How do we stretch out the impact longer? That's very complicated, lots of factors at play, but



that's something that we're thinking about and I think we need to have more research on.

MR. ANGUIZOLA: So, we have a question from the audience for Jim Greiner, and it is, how did you develop and test the assistance packet for your intervention?

MR. GREINER: So, we spent a lot of time -- I remember spending weeks, about six or seven weeks with a cartoonist and a student looking at different versions of our cartoon figure. Here is Blob again. Trying to figure out what Blob should look like, a protagonist character. We wanted our protagonist character to be genderless which meant no hair, no clothes. We wanted the protagonist to not have a race, to the extent that was possible. We wanted to test that. So, when we showed people, who showed the various shaded-in versions of Blob and asked them what race this character was, what we got was extraordinary puzzlement, bafflement and annoyance, which is exactly what we were looking for because they said, you know, this thing is a cartoon, it doesn't have a race, it's the color of the paper, it's not white. We were like, ding, ding, ding. That's what we wanted.

We then drew -- had the cartoonist and we drew

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Blob and other alternatives in action. From that, we sort of discovered that the nice rounded figure was good. Here you can sort of see Blob is carrying a few extra pounds. Which one of us isn't? That's what we hoped for. And we would ask questions when we were looking at Blob and the interaction with Fat Cat and Judge, who are in this drawing? And we tended to get the right answer.

This is the sort of thing that we've now -- now I don't want to say this was like we anticipated a lot of it. We then drew different substantive cartoons and put them in packets and took them down to small claims courts and debt collection courts and we are about to take student loan packets to student classes, you know, colleges around the country -- excuse me, around Massachusetts and Maine. That's part of the country anyway.

We found out that, to our astonishment, some of our cartoons just bombed. They totally failed to communicate the concepts that we were after. And, typically, to the extent that we were able to find a theme and which cartoons bombed and which ones didn't, it was basically if we got the tiniest bit abstract, we were in trouble. We had to remove as much of the level of

abstraction. So, this one here tested well. The hourglass tested well in terms of communicating a time. That was about as abstract.

We had a glorious cartoon, we thought, about a fat cat pulling evidence out of a trash can and handing it to the judge to say that the evidence may be garbage, it may not be worth believing. This is garbage evidence. Question it. And instead, what we got was people saying, wait a minute, is that the court's trash can right there. Does the court keep evidence in the trash can? Is that where they put it? That seems an odd place to put evidence. We were like, well, back to the drawing board, literally back to the drawing board, right? We had to redraw the cartoon and remove all those.

So, it has been an extraordinarily iterative process in coming up with the packets and we've used again all sorts of things about simplification of language, research, adult education, about the relationship of cartoons and text on pages. There's research on font characteristics, font sizes. We were trying to just internalize as much of that as we could.

MR. ANGUIZOLA: So, my next question is for Gary Mottola, but any of you can jump in. Businesses

have a balance sheet or a income -- and an income statement to tell them how they're doing. We use unemployment rates and growth rates to measure the economy. What should we be doing in terms of research to measure how we're doing our -- in our work to combat fraud?

MR. MOTTOLA: Yeah, that's a great question. It kind of ties in with the point that I was making earlier about just the differing methodologies. So, imagine if we had ten different employment rates in the country, it would be very difficult to really understand how the country was doing from a unemployment standpoint.

So, I think what needs to be done and, again, what we're trying to do but we haven't started yet, is to gather a group of stakeholders in this area and say, okay, how do you define fraud in your area? You know, in the lottery scam area. How do you define it in the investment area? How do you define it in -- pick your fraud that has been brought up today and try to come up with what we're calling a taxonomy of fraud. Essentially a categorization of fraud that when we agree upon that, we can develop survey questions that can be used to go out and different researchers can use the same survey questions.

So, it's not necessarily that everybody will be using this same measure of fraud. Just like you get different measures of unemployment. Seasonally adjusted. With or without certain groups. The point is that it will be a start to try to get a common measure of financial fraud that we can really begin to get a better understanding. So, we won't just come up and say, on the one hand we find this with gender; on the other hand, we find this. So, that's kind of where we're trying to heading with that.

MR. ANGUIZOLA: Anybody else have thoughts on that?

MR. HENSLEY: You know, we've been thinking about this from an educational point of view in a sense of what is success, what is education in itself. What is financial education? What should be covered? You know, what's a minimum standard? So, this theme is permeating a lot of our work right now. I think it's important that we spend time working diligently to define these things.

MR. GREINER: I guess the only thing I would add is that what we've been trying to do is see if we could move beyond knowledge to see about outcomes, not just behavior in terms of what people do, but what their

-- their actual financial situation is actually. So, I'm trying to get to the slide where we have our outcome information. So, what sorts of outcomes are people experiencing in their lives.

So, the public health equivalent of this is if you give somebody anti-smoking literature, you can give them a test afterwards to find out whether they know more about the effects of smoking. But what you really care about is are they stopping. And those may be two very different things, especially when you're thinking addictive behavior or behavior that is resorted to by folks who feel as though they have no other resort or other option.

MR. MOTTOLA: One other point I'll add is that to really understand fraud and its impact in the various communities, we need to measure over time. So, despite - in addition to standardizing a measure, we need something that's tracked over time. You know, once we have that, we can begin to see, hey, are we making a impact. Somebody had alluded today that it's hard to move the dial with education. And it is hard to move the dial with education. But as of right now, we don't have a dial. So, let's get that dial.

MR. ANGUIZOLA: How frequently would you recommend measuring?

MR. MOTTOLA: I don't think we need -- ideally it would be every year. But these things are costly, so you're probably looking at every three years.

MR. ANGUIZOLA: I think we have run out of time. Thank you very much.

(Applause.)

**WRAP UP BY MONICA VACA**

MS. VACA: Hello, I'm Monica Vaca. I'm going to close us out today. First of all, let me just say thank you to everyone. At last count, I think we had 910 views on the webcast. So, thanks to all of you who tuned in. Thanks to all of you in the room. Thanks to all of our marvelous panelists. I learned a ton today listening to you. A big thanks to Patti Poss and Julie Mayer for putting together this event together. You all did a wonderful job. And to all of our moderators and all the paralegals who helped us out today as well, thank you all.

So, I told you my name. Let me tell you who I am. I work in the Division of Marketing Practices, which as Robert so eloquently described is the shop here at the FTC that likes to crush fraud. That is what we like to do.

So, I'm just going to close us out with a few remarks. I want to just begin by observing something that went relatively unspoken today, but is true. Fraud is a multi-billion-dollar industry and people from every community and from every walk of life are affected by it. Today, we've begun a renewed and revitalized conversation

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on how fraud looks in these different communities and what we collectively, and individually as organizations, can do to try to truly move the needle.

So, one of the things -- well, we heard from so many different folks about how fraud looks in different communities. What was really interesting about that to me is that there were some themes that emerged. Some fairly strong themes. And one of them was the theme of trust. We heard it again and again. Trust relationships can help people make decisions, whether they're good decisions or bad decisions. What does that tell us?

So, let's go through it for the different people in the room. For law enforcement, what does this tell us? This tells us we need to look at specific marketplaces. Recall what Latanya Sweeney told us in her last slide which showed websites offering prize promotions. These were found on websites with high exclusivity among a variety of communities. This tells us that we need to be looking outside mainstream commercial advertisements to find the marketplaces these consumers are visiting.

For advocates, how can we use these trust relationships that you have in abundance to help reduce

the incidence of fraud in your communities? Connecting awareness of fraud prevention strategies must include a mechanism to talk with law enforcement about what's plaguing your constituents. We're powerless to do anything if we don't know what is going on, and that's precisely what the con artists are counting on.

For industry, when a good name is used to commit fraudulent acts, especially when it's used against seniors as we heard from Microsoft today and hear regularly from financial institutions and online merchants, everybody loses, not just the one company.

And as Gary from FINRA just told us, he just mentioned that there is a high non-economic cost of fraud. That's important. That's important to remember. Dollars consumers lose to fraudsters in money is lost to legitimate industry. Trust and confidence in the marketplace suffers. So, it's in all of our interests to work to stop that fraud.

How do we do that? All of us, our organizations and agencies and non profits and companies, we have different strengths, we have different weaknesses that we bring to the table. The FTC has and will crack down on fraud. That's a top priority that will remain a top priority. We know how to do that as our record

reflects and as you heard today from Commissioner McSweeney. We're tough on fraud. We're an excellent law enforcer. We're also pretty good at crafting consumer education messages that ring true. The more we hear from you, the better we can get at making those messages ring true.

But this has got to be a collaboration. We need complementary efforts. Many of you have trust relationships with communities that we have less access to or you have specific expertise conducting research to advance policy objectives. All of these are going to be needed to address the fraud problems that creep into every community.

So, as we look to the future, I want you to know what the FTC is going to be doing. And it's going to be engaging with all of you. We are going to be teaming up with the folks in this room and with others to address some of these problems.

So, number one, we're ramping up our work with our federal partners to fight fraud in the marketplace. You have heard today about the concerted work federal agencies have done to crack down on fraud affecting various communities. You'll be hearing more about these

kinds of partnerships with federal agencies and with state agencies in the near future.

Second thing, we're taking the show on the road. We're going to be continuing to host Common Ground conferences around the country to learn from communities what fraud experiences they see. We want particularly to reach out to the folks who are joining us by webcast to let you know that next up we will be in Detroit and soon thereafter, we will be in Seattle. So, please keep in touch with us.

So, the third thing I want to just say is we want to continue to partner to reach further into the diverse American marketplace. We need to hear from you. We need to hear from you even more. We're going to be announcing webinars and other events in the future to keep our dialogue going, but here is one way you can be in touch, complain to the FTC. As Annette Lovoi said earlier, complaints matter. They really matter. They fuel our law enforcement and they help us set priorities, policy priorities. So, please complain to us. We need to hear from you.

To the researchers in the room, we need more high quality data on the prevalence and scope of the

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problem so we can all be more strategic in how we use our resources. We're always looking for strategies that have metrics showing demonstrable success in stopping fraud and preventing injury.

That's all I have for I today. Thank you all. Wait, before you go, I'm going to give you my email address because I do want to hear from you. It is Mvaca@ftc.gov. That's M-V-A-C-A@ftc.gov. I'm also going to give you my direct dial phone number. This is not as dangerous as it sounds because I do this a lot and not that many people call me. But I'm going to give it to you. It is 202-326-2245.

Thank you again for being with us today and have a great day.

(Applause.)

(At 4:33 p.m, the workshop concluded.)

## C E R T I F I C A T I O N   O F   R E P O R T E R

MATTER NUMBER: P144400CASE TITLE: FRAUD AFFECTS EVERY COMMUNITYDATE: NOVEMBER 5, 2014

I HEREBY CERTIFY that the transcript contained herein is a full and accurate transcript of the notes taken by me at the hearing on the above cause before the Federal Trade Commission to the best of my knowledge and belief.

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R

I HEREBY CERTIFY that I proofread the transcript for accuracy in spelling, hyphenation, punctuation and format.

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ELIZABETH M. FARRELL

