



Federal Trade Commission

*Introductory Remarks to
Follow the Lead: An FTC Workshop on Lead Generation*

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Good morning. Welcome to *Follow the Lead*, the FTC's workshop on online lead generation. The topic of this workshop is of particular interest to me, so I am very pleased to kick off this event.

I. What is lead generation?

Let me start by stating the obvious – which is that lead generation is a well-established industry that has served an important role in the marketplace for many decades. In fact, lead generators are fairly ubiquitous across many different industries, and offer benefits to both consumers and advertisers. Consumers can spend hours, days, or even weeks, searching for the goods or services that meet their needs, at their price. Advertisers and businesses constantly are searching for new and better ways to reach these consumers. Lead generators serve the important function of connecting the two. That's a good thing.

For example, today we will hear about a study showing that the ability to sell consumer leads in the mortgage market translates into real financial benefits to consumers. According to the study, when mortgage companies were able to sell consumers' information to third parties, consumers received lower cost mortgages. That economic benefit is of enormous value to consumers, and we hope to learn about other specific benefits throughout our panels today.

II. Why a workshop on lead generation?

That sounds pretty straightforward, right? Something we've known about for a long time. So what's new? Why are we having this workshop?

The answer is that we're seeing a number of trends in the marketplace that point to lead generation as not just a source of leads for legitimate businesses, but also a source of sensitive consumer data for scam artists. One of the benefits of being a general consumer protection agency is that we see what's happening across different industries and topic areas, and we can make links between them. Here are some of the things we've observed:

First, starting about five years ago, we began bringing cases against companies that were seeking repayment of payday loan debts from consumers that either never owed the debt or owed the debt to someone else. We learned that these companies – dubbed phantom debt collection companies, which is a polite way to describe these scam artists – had purchased payday loan applications from other companies as “leads” for their debt collection calls. The fraudsters then called the consumers, demanding repayment and threatening arrest, jail, or even violence. In many of these cases, the fraudsters were able

to collect millions of dollars that the consumers did not owe, simply because the consumers were intimidated and scared by the fraudsters' demands and threats.

Second, we observed a similar pattern – that is, the purchase of highly sensitive data from lead generators or data brokers – in other types of fraud cases. Debt relief scams. Unauthorized charges. Prepaid card scams. Sweepstakes fraud. Recovery room scams. For example, in two recent enforcement actions, the FTC alleged that two payday loan lead generators, LeapLab and Sequoia One, sold consumers' sensitive bank account information to fraudsters who then used the data to withdraw funds from consumers' accounts. These sales of leads resulted, again, in millions of dollars of consumer losses.

Third, the data being sold in these cases went well beyond the usual lead lists we've been seeing for years. No, it wasn't just so-called "sucker lists" of consumers who had fallen for scams in the past. The data being sold often included detailed loan applications, account information, and Social Security numbers, making it easier than ever for the scam artists to perpetrate their frauds.

Fourth, even apart from fraud, we have observed certain lead generators or brokers being incredibly reckless with sensitive consumer data. Earlier this year, for example, we took action against two debt brokers, Bayview and Cornerstone, for posting the sensitive information of more than 70,000 consumers on a public website as part of their efforts to sell portfolios of past-due payday loan, credit card, and other purported debt. The posted data included bank account and credit card numbers, birth dates, contact information, employers' names, and information about debts the consumers allegedly owed. They simply posted this sensitive information in plain text on a website.

Finally, we know from our privacy program that highly detailed information is increasingly available for sale to any buyer and that the implications for consumers can be quite serious. Purchasers may use this data to decide whether or not to provide consumers with important benefits – such as a loan, a job, insurance, housing. They may use it to decide who gets the best customer service and who sits on hold, who gets the best coupons, and who gets ads for the best deals. Use of this data also could result in certain consumers being denied benefits based on stereotypes. We explored this issue in our workshop last fall, *Big Data: A Tool for Inclusion or Exclusion?*

Given the benefits that lead generation can provide, and the perils when the information they collect and sell is misused, we thought it was time to have a workshop to develop a more detailed understanding of this segment of the economy. What are the mechanics as leads journey from website, to aggregator, to end-purchaser? How is lead generation evolving with the advancement of online marketing techniques, the presence of data brokers, and the fast-paced marketplace that mobile technology creates? What best practices and codes of conduct have been developed in this industry? What legal standards apply? Through discussion at this workshop, we hope to provide insight into how to be one of the good guys in this industry and to help ensure an efficient and fair marketplace for consumers.

III. The Workshop

So that's the purpose of the workshop. Here's how the day will go: We'll have five panels to explore this important topic, composed of consumer advocates, industry experts, and researchers.

Our first panel will set the stage for the discussion by providing a survey of the industry, describing the role of lead generators and related entities in the market, and detailing the various lines of business, or “verticals,” that rely on lead generators. We will hear about how companies collect, process, and use leads, and how this practice benefits consumers.

On our second and third panels, we will have case studies focused on industries that rely heavily on lead generation – consumer lending and education, respectively. Representatives from industry and consumer groups will drill down into the specifics of the lending and education verticals to explore more fully how lead generation works on a day-to-day basis in those industries. We will discuss the potential vulnerabilities of collecting and selling consumer information, as well as what industry is doing to address any consumer protection concerns.

Our fourth panel will focus on the consumer protection issues raised by lead generation – as discussed in the case studies and as they occur in other lines of business. Among other things, panelists will discuss what laws apply in this space, including the FTC Act, which prohibits unfair or deceptive practices. They will also discuss the risks of violating these laws posed by various business practices.

Our final panel will discuss the steps industry can take to better protect consumers. We will hear about the self-regulatory codes developed by the Online Lenders Alliance, BBB, and LeadsCouncil. I look forward to a robust discussion of how to promote a better consumer understanding of lead generation to help consumers avoid those lead generators who cut corners and break the law.

I want to thank the team that put together this event: Evan Zullow, Katie Worthman, Patrick Eagan-Van Meter, and Sandy Brown, from our Division of Financial Practices; Jessica Skretch from our Division of Consumer and Business Education; and Devesh Raval from our Bureau of Economics.

I also want to thank our federal and state partners who are participating today – Deputy Under Secretary Jeff Appel of the Department of Education, Nathan Blake of the Iowa Attorney General’s Office, and Joseph Chambers of the Connecticut Attorney General’s Office.

And thanks also to our event planning and web teams, press office, honors paralegals, and, of course, our great panelists and audience. Enjoy the day, everyone.