

**Keynote Remarks of FTC Chairwoman Ramirez
Hispanic Heritage Month Observance Program
Department of Justice
Washington, DC
October 11, 2016**

I want to thank Attorney General Lynch and the Department of Justice for giving me the honor of speaking with you today as we celebrate Latino Heritage Month.

I would like to begin by showing you a short video. [Video.¹] I wanted to show you that video for several reasons.

First, that story reminds me what a privilege it is to work at the Federal Trade Commission because it is an example of the kind of important work that federal agencies are doing every day to protect and empower citizens from every walk of life, as they deal with a wide range of challenges that threaten their economic well-being and security. In this case, you saw a woman, Maria Juarez, who nearly became a victim of a common type of fraud in which financially-stressed consumers are threatened and bullied into paying debts they do not even owe. What makes this type of scheme particularly detestable is that the perpetrators often target immigrants and leverage fears about their immigration status.

Fortunately, this story ended well, not only because Mrs. Juarez and her family did not fall prey to the scam, but also because the FTC was able to take action against the company involved and put it out of business, permanently.

The second reason I wanted to share that video is that one of the heroes of the story is a former FTC investigator named Manuela Esparza who was critical to our successful prosecution of the scammers, as well as to our subsequent education and outreach activities. I mention that

¹ FED. TRADE COMM'N, "Fraud Affects Every Community: Imposter Scams," *available at* <https://www.consumer.ftc.gov/media/video-0126-fraud-affects-every-community-imposter-scams-spanish-english-subtitles>.

she is a *former* FTC employee because earlier this year Manuela left the FTC and joined DOJ. (There are no hard feelings, though.) In my mind, Manuela represents the bright and dedicated federal employees – like all of you – who use their considerable talents to enforce the law and protect the American public.

The third reason I began with that video is that it is the outcome of an FTC effort that is helping us better address the needs of the diverse communities we serve, including those who are often underserved and may be targeted for fraud, like low-income consumers, minorities, and the elderly.

More fundamentally, to me it embodies Thomas Jefferson’s guiding principle on which the Department of Justice was founded – that “the most sacred of the duties of government [is] to do equal and impartial justice to all of its citizens.”² That sentiment has been echoed by one of America’s great Latina leaders, Supreme Court Justice Sonia Sotomayor, who said, “We educated, privileged lawyers have a professional and moral duty to represent the underrepresented in our society, to ensure that justice exists for all, both legal and economic justice.”³

I think of these principles often as we set out to fulfill our dual mandate at the FTC to promote competition and protect consumers from unfair and deceptive practices.

Our two agencies are at the forefront of federal efforts to help pursue legal and economic justice for all Americans. We do that by identifying threats, prosecuting wrongdoing, and educating and empowering. Whether through the DOJ’s Consumer Protection Branch, the

² See DEP’T OF JUSTICE, “Organization, Mission and Functions Manual: Overview,” available at <https://www.justice.gov/jmd/organization-mission-and-functions-manual-overview>.

³ *Sonia Sotomayor Reflects on Her Success: First Puerto Rican Woman to be a Federal Judge*, 13 HISPANIC OUTLOOK HIGHER EDUC., Nov. 4, 2002, available at 2002 WLNR 11687786.

FTC's Criminal Liaison Unit, the White House Legal Aid Interagency Roundtable, or other initiatives, our agencies often work together to protect Americans.

However, in my view, as we pursue our important missions, we cannot truly meet the needs and challenges confronting American consumers unless we work to understand them. That means using the resources available to us to understand and actively engage with the many and varied communities we serve. I see this as an ever-evolving challenge that requires an ongoing commitment.

Let me explain what I mean. To me, a core American insight – and one we must never forget – is that there is no one face of an American. A corollary for our work at the FTC is that there is no one face of the American consumer.

I am proud to be an example of the diversity that defines America, and that is increasingly present in leadership roles here in Washington and around the country. My own journey to Washington, D.C. and the helm of the FTC was largely unexpected. I was born and raised in a beach town in California, the daughter of immigrants from Mexico City. Until 2007, I followed a fairly conventional route to a career as a corporate attorney. Following law school, I served as a law clerk on the Ninth Circuit; was an associate at one large Los Angeles law firm; and then became a partner at another. I did volunteer work with various legal and community organizations.

I did not step off the corporate law track until a former law school classmate, with whom I had served on the Harvard Law Review, decided to run in the Democratic presidential primaries. I was given the opportunity to join the campaign and to serve as deputy political director and director of Latino outreach in California. Joining the campaign was not an easy decision. At the time, I was a partner at a highly regarded law firm doing a job I enjoyed and

was good at, in my home state of California. My law firm was supportive, but a leave of absence to work on the campaign of a candidate who at that time few thought could win was not exactly seen as the best career move.

But I did join and am so glad I did. Working on the Obama campaign proved to be one of the most rewarding and valuable experiences I have ever had. In reaching out across California to various Latino and other communities with their unique people, beliefs, and dreams, I was reminded of the need to listen – to hear the many voices of America and better appreciate them. And it reinforced that legal and economic justice mean nothing out of context. How a community speaks – where people live, shop, bank, and work – all of this matters when it comes to making sure government and business treat them fairly, honestly, and with respect.

In 2009, when President Obama nominated me to serve as a commissioner of the FTC – and later when he elevated me to Chairwoman – I accepted without hesitation, ready to take all I had learned over the course of my career and life experience and apply it at the FTC, including my distinct perspective as a Latina.

Against this backdrop, I would like to spend the remainder of my time with you sharing some lessons from the effort I referenced at the outset – an FTC initiative I launched soon after I became Chairwoman that is transforming the way we do our work. We call it the Every Community Initiative, and it is central to our efforts to protect all consumers from unfair and deceptive practices. It is also a great example of how we are gathering information and using research to better understand how fraud – and deceptive and unfair practices more broadly – affect particular communities.

The Every Community Initiative sprang from the recognition that fraud affects certain groups in distinct ways. The goal has been to assess the impact of fraud among particular

populations – such as low-income consumers, minorities, military families, and older Americans – and to develop more sophisticated strategies to reduce fraud. From its inception, the Every Community Initiative has focused on using research and engagement to develop strategies for prevention, law enforcement, and outreach.

Among other things, our research has revealed some serious gaps in the reporting of fraud that must be addressed in order to target our law enforcement and outreach efforts more effectively. For example, we have determined that, although certain types of fraud disproportionately hit African Americans and Latinos, fraud is also significantly under-reported in these communities.

Here is some important data. Our most recent FTC Fraud Survey showed that, during 2011, 17% of African Americans and 13% of Latinos were victims of fraud, compared to 9% of whites.⁴ Two particular types of fraud have stood out for their disproportionate effects. First, African Americans were more than three times as likely, and Latinos 2.5 times as likely, to have experienced debt-related fraud than whites.⁵ African Americans were also 2.75 times as likely to have been a victim of income-related fraud, and Latinos experienced income-related fraud at a rate almost 50% higher than the rate for whites.⁶

These findings are particularly troubling when contrasted with new analysis of our Consumer Sentinel complaint database that shows we are not hearing from African American and Latino communities at the same rate as others. Looking at data from last year, we see that African Americans and Latinos filed fewer complaints with us on average than whites. In fact, in communities heavily populated with Latinos, the FTC received about 40% fewer complaints

⁴ FED. TRADE COMM'N BUREAU OF ECON. STAFF, *Consumer Fraud in the United States, 2011: The Third FTC Survey* at 48, Fig. 11 (Apr. 2013), available at <https://www.ftc.gov/reports/consumer-fraud-united-states-2011-third-ftc-survey>.

⁵ *Id.* at 52, Table 11.

⁶ *Id.* at 54-55.

than in white communities.⁷ Our Consumer Sentinel data also shows that several metropolitan areas with large Latino populations reported the fewest complaints, per capita, of any large metropolitan area in the United States.⁸

Let me give you a stark example that illustrates the issue. We recently brought an enforcement action against a company called Ideal Financial Solutions that we alleged placed unauthorized debits on the bank accounts of consumers who had once applied for payday loans. After matching the zip codes from victim addresses with U.S. Census data, we saw what appeared to be a vastly disproportionate impact on the African American community.⁹ Consumers from areas that were heavily African American were more than four times as likely to be victims of this fraudulent scheme than those from areas that were predominantly white.

But when we looked at the complaints we had received about this company, we found that communities with predominant or heavy concentrations of African Americans complained about 45% less often than heavily white communities.

In other words, even though consumers in areas with high concentrations of African Americans were victimized at a much higher rate than other communities, they did not complain proportionately to their victimization rate. Predominantly Latino communities also complained at a lower rate than white communities, even though they were victimized at a similar rate.

We have long suspected there was significant under-reporting among certain groups, but this recent analysis shows just how dramatic it can be.

⁷ FED. TRADE COMM'N REPORT TO CONGRESS, *Combating Fraud in African American and Latino Communities: The FTC's Comprehensive Strategic Plan* at 5-6 (June 15, 2016), available at <https://www.ftc.gov/system/files/documents/reports/combating-fraud-african-american-latino-communities-ftcs-comprehensive-strategic-plan-federal-trade/160615fraudreport.pdf>.

⁸ *Id.* at 6.

⁹ *See id.* at 16-17.

This under-reporting makes it difficult for the needs of these communities to be heard and for us to respond. Not only do consumer complaints help enforcement agencies target violators, but they also help us spot patterns and trends that assist with prioritizing enforcement and outreach activities. Simply put, if we are not hearing from the consumers who are experiencing fraud, how can we possibly protect their rights? This is the challenge we face and the challenge we must work to overcome.

Moreover, we have learned that simply offering and promoting mechanisms for consumer reporting is often not enough to generate the input we need. We have to raise awareness, build relationships, and develop new and creative ways to establish an ongoing exchange between our agency and the communities that may not come to us on their own. This ongoing feedback will help us better respond to existing and emerging threats.

We have sought to respond to these challenges in concrete ways, looking for every opportunity, in local communities, to show that the FTC is listening and acting. Given the ambitious scope of this effort, the Every Community Initiative has altered the way we do almost every aspect of our consumer protection work.

Our response has included increased law enforcement activity and publicity, creative and tailored outreach, and on-the-ground engagement with local advocates and stakeholders who can help us.

Increasing robust law enforcement against unlawful schemes that target underserved communities is an imperative. Since 2003, for example, the FTC has brought over 70 cases affecting Latinos.

In July, we announced a significant law enforcement action against the Los Angeles based multi-level marketing company, Herbalife.¹⁰ Herbalife has a major presence in Latino communities throughout the United States, aggressively promoting its business opportunity in English and Spanish through videos, live presentations, and print materials. Through each of these channels, Herbalife suggested that consumers who became their distributors were likely to earn substantial income by purchasing and re-selling their products.

Despite enticing marketing showing Herbalife distributors enjoying expensive houses, luxury cars, and exotic vacations, we charged that only a small minority of distributors actually made anything near what the company was promising. And, for the few who did profit, their income came mainly from recruiting a “downline” of distributors who purchased the product at wholesale. Herbalife settled our charges and agreed to restructure its business from top to bottom, stop its deceptive practices, and pay \$200 million to compensate consumers who lost the most.

We are hopeful that awareness and publicity surrounding this and other FTC actions will build the brand of the FTC as a vigilant law enforcer and more trusted resource for the Latino community.

Another important component of the FTC’s strategy is outreach and education, which is often best done by leveraging partnerships from within individual communities, and tailoring communications to reflect cultural preferences and habits.

The video I showed you is one example of a series of storytelling videos where personal narratives about fraud are being used effectively to engage specific communities in fraud

¹⁰ See FED. TRADE COMM’N, Press Release, *Herbalife Will Restructure Its Multi-level Marketing Operations and Pay \$200 Million For Consumer Redress to Settle FTC Charges* (July 15, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/07/herbalife-will-restructure-its-multi-level-marketing-operations>.

prevention. Many of these videos model the behavior of talking to others about suspicious calls or offers, because our research shows that talking – to even one person – increases the likelihood of recognizing fraud.

This is just one of our strategies. We are always looking at what works best to reach different communities, frequently working with communication experts and studying the efforts of others.

Another good example of this creative outreach is our development of what are known in the Latino community as “fotonovelas” for consumer education. These are traditional comic-style booklets that originated and are popular in Latin America. Government agencies and non-profit organizations have successfully used fotonovelas to present messages in a format that may better resonate with Latinos living in the United States.

We released our first fotonovela – focused on government imposter scams – in July 2014 and offered it to a variety of community leaders and organizations serving Latino audiences. The response was terrific, and we have since produced additional fotonovelas addressing income scams, debt collection, notario fraud, debt-relief schemes, and tips for buying used cars.

As important as these communications are, however, we know there is no substitute for getting out and engaging with communities challenged by fraud. We also know we cannot do this entirely on our own. In recent years, we have increased our efforts to educate and empower local partners by convening events for stakeholders.

For several years now, we have hosted conferences around the country bringing together legal services providers, consumer advocates, and law enforcers to discuss consumer protection issues, raise awareness, and collaborate on fighting fraud. Our goal is to build and grow a culture of ongoing communication between the FTC and local communities across the country.

More recently, we have begun hosting a series of local roundtable discussions with ethnic media outlets. These briefings have helped connect us and other consumer protection experts who have deep knowledge about the types of fraud prevalent in local communities with journalists who can help deliver our messages. The exchange of information at these events is helping to increase both prevention and the reporting of fraud.

In the coming year, we will also be traveling to areas we have identified as having a high incidence of under-reporting – for instance, that have high populations of Latino consumers and few complaints. It is all part of our concerted effort to address the gap between the occurrence and complaints of fraud.

Before I conclude, I would like to discuss briefly some of the challenges that lie ahead. An important area of the FTC's work that is of concern to all Americans, but may also have a particular impact on low-income and underserved communities, is privacy. In today's big data world, every time we search for or buy something online, click on a link, swipe our credit card, or use social media, our data is being collected, recorded, and analyzed.

In addition to calling for greater transparency and consumer control, among other protections, we have been examining how big data analytics might be used as a tool to exclude as well as include. Earlier this year, the FTC issued a report on the topic.¹¹ We recognized that big data can provide numerous societal and consumer benefits by, for example, helping expand educational, credit, healthcare, and employment opportunities. However, we also highlighted how potential inaccuracies and biases might lead to detrimental effects for low-income and underserved populations. This includes creating or reinforcing existing disparities or excluding

¹¹ FED. TRADE COMM'N., *BIG DATA A TOOL FOR INCLUSION OR EXCLUSION? UNDERSTANDING THE ISSUES* (January 2016), available at <https://www.ftc.gov/system/files/documents/reports/big-data-tool-inclusion-or-exclusion-understanding-issues/160106big-data-rpt.pdf>.

low-income and underserved communities from certain beneficial opportunities. These are risks that we urge companies to guard against and that we will continue to monitor.

Let me conclude by thanking you for inviting me to join you in celebration of Latino Heritage Month, and for allowing me to share some of my thoughts about how we can better understand and more effectively serve the American public.

As our agencies move forward, I am confident that we can and will continue to fulfill our obligations to provide justice and consumer protection to the underrepresented in our society and to all Americans.

Thank you.