
ftc consumer feature



Bureau of Consumer Protection

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Auction Guides: More — And Less — Than You're Bidding For

Washington, D.C. — An office manager was looking for an affordable place to live near her business in Jerome, Idaho. Scanning the classified section of her local newspaper, she noticed an ad promising great deals on government-foreclosed or repossessed homes.

She called the toll-free telephone number in the ad for more information, and listened to the details. For \$43, she'd receive a booklet outlining the ins and outs of buying a home at a foreclosure sale, plus current listings of homes offered through these sales in her area. Best of all, she could review the materials at no cost for 90 days and could return them if she wasn't satisfied. Her account would be charged only if she decided to keep the materials at the end of the trial period.

Several weeks later, the woman received the booklet she had ordered, plus one she hadn't, about government automobile auctions. But, as soon as she placed her order, her checking account was charged \$98.90 — more than twice the amount she had agreed to pay at the end of the trial period. Efforts to get her money back turned into a nightmare.

Think this is an isolated incident? Not so. Each year, untold numbers of consumers get lured by ads in newspapers and magazines, on TV and the Internet, and on coupons sent to their homes promising vehicles for as little as \$500 or foreclosed homes from \$5,000, with no money down.

Many consumers take the bait, shelling out their hard-earned dollars for fraudulently marketed auto and home auction guides.

That's what happened to a homemaker in Showlow, Ariz., when she responded to an ad in her local newspaper touting "Cars for \$100." She was told that she would receive regular listings of the dates and locations of auto auctions for a full year, and that she'd be charged only if she wanted to continue receiving the list after the one-year trial period. "I had nothing to lose," she said she was told. She admits that she became "a bit skeptical" when she was asked to provide her checking account information — not to make a payment, she was told, but to verify that she had a credit history. Soon after the call, her checking account was debited \$98.90.

A 62-year-old retiree in Taos, N.M., experienced similar problems when she responded to an ad pitching foreclosed or repossessed homes for as little as \$5,000. It wasn't until she was about to hang up the phone that she learned the information would cost her almost \$100. "I repeated several times that I did not want the listing information if there was a charge," she said, "and that no money should be withdrawn from my checking account." The company sent her the materials and charged her account anyway.

Similarly, a young automotive technician in Beacon Falls, Conn., thought buying a guide to government auctions of seized vehicles was his ticket to inexpensive transportation. He called the toll-free telephone number in an ad in his local paper, and agreed to pay \$48 for an auction guide. As it turned out, his credit card account was billed more than twice that amount, and the information he received turned out to be, in his word, "useless."

None of these consumers found the materials they received to be of any value in buying a home or vehicle at the advertised auction prices. And when they contacted the company to get their money back, not one was successful.

The Federal Trade Commission, the federal government's consumer protection agency, is cracking down on companies that fraudulently market auction guides and use deceptive billing techniques.

"Everybody loves a bargain," says Steven Baker, director for the FTC's Midwest Region. "But when a company makes alluring promises about the price of cars or homes and then asks you to give out your bank account or credit card number, it should raise a red flag."

The FTC has these tips for consumers to keep them from being "mis-guided" by ads for auction guides:

- ◆ Avoid giving your bank account or credit card number to company representatives who say they need it for verification or credit purposes.
- ◆ Recognize that seized vehicles often *are* sold at government auctions, but rarely at the bargain-basement prices in some misleading ads. Expect to pay what the vehicle is worth, or just slightly less, and expect to compete against other bidders, including those who are well-financed.
- ◆ Be aware that foreclosed homes often are sold for slightly less than their appraised values, but may require substantial repairs.
- ◆ Recognize that the auction guide company isn't the only source for the information you're seeking. Chances are it's available from individual government agencies for free or at a low cost. Ask to be put on a mailing list to be notified of upcoming sales. Some government sales programs advertise in the media, on the Internet or through postings in government buildings.
- ◆ Get the name and location of the company and check it out with the local Better Business Bureau or your state Attorney General.
- ◆ Get a written copy of the return policy before you pay for an auction guide or list of foreclosed homes. Some fraudulent sellers of auction guides give consumers the impression that refunds are no problem. But often, the businesses put so many conditions on refunds that few consumers ever get them.
- ◆ Use your credit card to pay for an auction guide. It offers more consumer protections than other payment methods if you run into problems with your purchase.

For more information about auction guides, call the FTC's toll-free helpline, 1-877-FTC-HELP (382-4357) for a copy of "Auction Guides: Not So Hot Properties." The publication also is online at www.ftc.gov under "Consumer Protection."