

Facts for Consumers



You know the routine. You sit down to dinner and the phone rings. You answer it. There's a pleasant voice trying to sell you something. If you're tempted by the offer, you'd better get the facts before a potential fraud gets you.

While most phone sales pitches are made on behalf of legitimate organizations offering bona fide products and services, many sales calls are frauds. Consumers lose more than \$40 billion a year to telemarketing fraud. That's why the Federal Trade Commission (FTC) encourages you to be skeptical when you hear a phone solicitation and to be aware of a new law—the Telemarketing Sales Rule—that can help you protect yourself from abusive and deceptive telemarketers.

After you read this brochure, you'll know:

- ◆ how fraudulent telemarketing operations work;
- ◆ how you can use the new Telemarketing Sales Rule to recognize a fraud and stop unwanted calls;
- ◆ how to protect yourself; and
- ◆ what to do if you've been scammed or want to file a complaint.



How Telemarketing Scams Work

The heart of a fraudulent telemarketing operation is usually a "boiler room," a rented space with desks, telephones, and experienced sales people who talk to hundreds of people across the country every day. Telephone fraud knows no race, ethnic, gender, age, education or income barriers. Anyone with a phone can be victimized by telemarketing scam artists.

Fraudulent telemarketers and sellers may reach you in several ways, but the telephone always plays an important role.

Cold Calls. You may get a call from a stranger who got your number from a telephone directory, mailing list, or "sucker list." The latter refers to lists of consumers who have lost money through fraudulent prize promotions or merchandise sales. These lists contain names, addresses, phone numbers, and other information, such as how much money was spent by people who have responded to telemarketing solicitations. "Sucker lists" are bought and sold by unscrupulous promoters. They are invaluable to scam artists who know that consumers who have been deceived once are vulnerable to additional scams.

Direct Mail. You may get a letter or postcard saying you've won a prize or a contest. This often is a front for a scam.

Instructions tell you to respond to the promoter with certain information. If you do, you'll be called by a salesperson who may use persuasive sales pitches, scare tactics, and exaggerated claims to deceive you and take your money.

Broadcast and Print Advertisements.

In some cases, you may make the telephone call in response to a television, newspaper or magazine advertisement, or a direct mail solicitation. The fact that you make the call doesn't mean the business is legitimate or that you should be less cautious about buying or investing on the phone.



The Telemarketing Sales Rule

The FTC's Telemarketing Sales Rule requires certain disclosures and prohibits misrepresentations. It gives you the power to stop unwanted telemarketing calls and gives state law enforcement officers the authority to prosecute fraudulent telemarketers who operate across state lines.

The Rule covers most types of telemarketing calls to consumers, including calls to pitch goods, services, "sweepstakes," and prize promotion and investment opportunities. It also applies to calls consumers make in response to postcards or other materials received in the mail.

Keep this information near your telephone. It can help you determine if you're talking with a legitimate telemarketer or a scam artist.

- ◆ It's illegal for a telemarketer to call you if you've asked not to be called. If they call back, hang up and report them to your state Attorney General.
- ◆ Calling times are restricted to the hours between 8 a.m. and 9 p.m.
- ◆ Telemarketers must tell you it's a sales call and who's doing the selling **before** they make their pitch. If it's a prize promotion, they must tell you that no purchase or payment is necessary to enter or win. If you're asked to pay for a prize, hang up. Free is free.
- ◆ It's illegal for telemarketers to misrepresent any information, including facts about their goods or services, earnings potential, profitability, risk or liquidity of an investment, or the nature of a prize in a prize-promotion scheme.
- ◆ Telemarketers must tell you the total cost of the products or services offered and any restrictions on getting or using them, or that a sale is final or non-refundable, before you pay. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win, and

any restrictions or conditions of receiving the prize.

- ◆ It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization.
- ◆ Telemarketers cannot lie to get you to pay, no matter what method of payment you use.
- ◆ You do not have to pay for credit repair, recovery room, or advance-fee loan/credit services until these services have been delivered. (*Credit repair* companies claim that, for a fee, they can change or erase accurate negative information from your credit report. Only time can erase such information. *Recovery room* operators contact people who have lost money to a previous telemarketing scam and promise that, for a fee or donation to a specified charity, they will recover your lost money, or the product or prize never received from a telemarketer. *Advance-fee* loans are offered by companies who claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars.)
- ◆ If you have the slightest doubt about a telephone offer, wait until you can get information in writing and check it out!

Exceptions to the Rule

While most types of telemarketing calls are covered by the Rule, there are several exceptions. The Rule **does not** cover the following situations:

- ◆ Calls placed by consumers in response to general media advertising (except calls responding to ads for investment opportunities, credit repair services, recovery room services, or advance-fee loans).
- ◆ Calls placed by consumers in response to direct mail advertising that discloses all the material information required by the Rule (except calls responding to ads for investment opportunities, prize promotions, credit repair services, recovery room services, or advance-fee loans).
- ◆ Catalog sales.
- ◆ Calls that are initiated by the consumer that are not made in response to any solicitation.
- ◆ Sales that are not completed, and payment or authorization for payment is not required, until there is a face-to-face sales presentation.
- ◆ Calls from one business to another unless nondurable office or cleaning supplies are being offered.

- ◆ Sales of pay-per-call services and sales of franchises. These are covered by other FTC rules.



Defensive Moves

In addition to knowing about the Telemarketing Sales Rule, it's a good idea to keep the following tips in mind whenever you hear a phone solicitation:

- ◆ Resist high pressure sales tactics. Legitimate businesses respect the fact that you're not interested.
- ◆ Take your time. Ask for written information about the product, service, investment opportunity, or charity that's the subject of the call.
- ◆ Before you respond to a phone solicitation, talk to a friend, family member, or financial advisor. Your financial investments may have consequences for people you care about.
- ◆ Check out testimonials to make sure they're genuine—not statements that have been bought or paid for.
- ◆ Don't send money—cash, check, or money order—by courier, overnight delivery, or wire to anyone who insists on immediate payment.
- ◆ Keep information about your bank accounts and credit cards to yourself—unless you know who you're dealing with.

- ◆ Before you pay, check out the company with your state or local consumer protection office.



To Report a Scam

Fight telephone fraud. Report telephone scam artists to your state Attorney General. The Telemarketing Sales Rule gives these local law enforcement officers the power to prosecute fraudulent telemarketers who operate across state lines.

You can file a complaint with the FTC by contacting the Consumer Response Center by phone, toll-free at 1-877-FTC-HELP (382-4357); TDD: 202-326-2502, by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580, or by e-mail: use the complaint form at www.ftc.gov.