

FIGHTING FRAUD IN NEW YORK

One Consumer at a Time



NEW YORK STATE OFFICE

of the

**ATTORNEY
GENERAL**

*A report from the
Consumer Frauds & Internet Bureaus*

*February 2015
#NYAGFightsFraud*

Dear Fellow New Yorker,

Every day, in every corner of the State, New Yorkers are purchasing goods and services. Our purchases range from the latest smartphone to buying our first home, and include a wide range of vital services like home energy and cell service. Unfortunately, these transactions also attract bad actors who seek to defraud New Yorkers out of their hard-earned money. My office's Consumer Frauds and Internet Bureaus are dedicated to protecting consumers by providing effective assistance and identifying, investigating, and bringing enforcement actions against these bad actors.

The Consumer Frauds Bureau recovered more than \$1.8 billion in relief for consumers between 2011 and 2014. During that time, we pursued bad actors operating across the State, which included for-profit schools misrepresenting their post-graduate employment numbers and mortgage modification firms collecting illegal, upfront fees from distressed borrowers and promising results they could not obtain. Similarly, my office's Internet Bureau has been at the forefront of today's most vexing online issues, combatting scams that swindle consumers into paying non-existent debts and seeking relief for online services not fully rendered.

Every year, my office also handles thousands of individual complaints and inquiries from New Yorkers. Since I took office in 2011, my Consumer Assistance Program has successfully resolved over 17,000 consumer complaints, and in the process, secured over \$13.5 million in consumer refunds and savings. Through informal and voluntary mediation, our Consumer Assistance Program successfully resolves many of these complaints without the need for litigation or enforcement action. In fact, when appropriate, some mediations are resolved without direct monetary relief, like the removal of incorrect and harmful information from a consumer's credit report or securing a warranty extension for an essential product.

With dedicated consumer representatives posted in all of our fifteen offices, we are ready and able to fight fraud and deceptive business practices in every part of the State. Consumers who observe suspicious activity or believe they may have been defrauded can file a complaint online with the Consumer Frauds or Internet Bureaus. Or you can call our toll-free Helpline at (800) 771-7755. A dedicated consumer representative reviews every complaint to determine if it is eligible for mediation or best referred to another agency. Although we are unable to provide legal representation to individual consumers, the skill and experience of the consumer assistance staff enables them to achieve favorable results for thousands of consumers - free of charge.

This report, "Fighting Fraud in New York: One Consumer at a Time," highlights the tremendous and coordinated efforts of our dedicated staff over the past four years. It also identifies recent fraud trends and provides useful consumer tips. Moving forward, our Consumer Assistance Program will continue to be a vital component of my office's commitment to protect the rights of all consumers.

Sincerely,

Eric T. Schneiderman

Real Results for 17,000+ Consumers

Through the Consumer Assistance Program, the Office of the Attorney General's Consumer Frauds and Internet Bureaus helped 17,647 consumers successfully resolve their complaints between 2011 and 2014. Much of this success can be attributed to the tireless efforts of the legal and support staff at 15 offices located around the state. They conducted hundreds of successful mediations between consumers and businesses that resulted in settlements that provided significant economic benefits to consumers and promoted good business practices. Their hard work on behalf of New Yorkers continues.

Western New York

Had the third-highest number of successful mediations (2,953) and third highest total value of complaint recoveries (\$1.9 million).

Capital Region

Had the second-highest number of successful mediations (3,671).

Hudson Valley

Had the second-highest total value of recoveries (\$2.6 million) for consumers and second-highest recovery amount per complaint (\$1,930).

New York City

Led the state in number of successful mediations (3,881) and total value of complaint recoveries (\$3.5 million).

Long Island

Regional offices in Nassau and Suffolk counties led the way in securing the highest average recovery amount per complaint (\$2,064).

*Consumer Frauds Bureau Consumer Assistance Program (2011-2014).
Regional recoveries do not include Internet Bureau recoveries.*

\$13.5 Million for Consumers

Through the Consumer Assistance Program, the Office of the Attorney General's Consumer Frauds and Internet Bureaus secured over \$13,529,400 in refunds and savings for 12,224 consumers between 2011 and 2014. The Consumer Assistance Program secured these monies by mediating individual disputes between businesses and consumers.

\$1,107

Average recovery per complaint secured by the Consumer Frauds and Internet Bureaus.

12,224

Number of successful mediations by the Consumer Frauds and Internet Bureaus resulting in a financial recovery for a consumer.

Focus: Debt Collection

The Consumer Assistance Program received almost 6,000 complaints pertaining to debt collection between 2011 and 2014. The program recovered nearly \$845,000 in restitution for hundreds of consumers subjected to deceptive or illegal practices. The Consumer Frauds Bureau also reached significant enforcement settlements with three major debt collectors for improper debt collection practices affecting thousands of New Yorkers. In addition to paying the state over \$1.15 million in costs and penalties, these three debt collectors must seek to vacate more than 7,500 judgments against consumers – saving New Yorkers an estimated \$34 million.

Unless otherwise noted, figures are from 2011-2014 for the Internet and Consumer Frauds Bureau's Consumer Assistance Program.

Consumers' Top Complaints

Distressed consumers submitted thousands of complaints to the Office of the Attorney General through calls, emails, and letters. Consumers contacted us asking for help or expressing concern on a range of issues. Here are the five most common topics consumers brought to our attention in 2014.

Landlord/Tenant

1,721 contacts

Utilities

1,778 contacts

Services

2,146 contacts

Credit & Identity Theft

2,224 contacts

Automobile Industry

2,986 contacts

Real Problem, Real Result:

Ms. R, a widowed senior citizen, was contacted by a law office offering loan modification services. Upon hearing the assurances offered by the law office for her likelihood of obtaining a modification, she agreed to an initial retainer fee of \$895 up front and to pay \$595 per month thereafter – totaling an astounding \$6,250. After not receiving the services she was promised, she filed a complaint with our office. The law office offered to provide a full refund, and the promised services at no further cost.

- Long Island

The Internet: A **Hot Spot** for Fraud

The Internet has fundamentally changed the way we do business, providing consumers with a level of convenience and access once unimaginable. However, the Internet has also made it much easier for New Yorkers to be scammed – exposing New Yorkers to major hazards like fraudsters targeting their sensitive personal information or scammers hiding behind phone or computer screens. The Internet Bureau is committed to protecting consumers and families from new and developing online threats.



\$500,000

The Internet Bureau secured \$491,741 in refunds and savings for 1,222 consumers.

5,524

Number of tips and complaints from consumers to the Internet Bureau in 2014.

66%

Increase in complaints submitted online to the Internet Bureau between 2013 and 2014.

1,444

Successful consumer mediations handled by the Internet Bureau.

40%

Increase in all complaints to the Internet Bureau.

\$402

Average recovery per complaint secured by the Internet Bureau.

Unless otherwise noted, figures are from 2011-2014 for the Internet Bureau's Consumer Assistance Program.

#Trending: Internet Scams

The Internet Bureau receives tips from consumers every day about scammers posing as computer tech support, government officials, debt collection firms, and company billing personnel. A skeptical eye is a consumer's first defense!

Fake Court Appearance & Debt Collection Notices

Scammers issue realistic-looking notices to appear in court or collect on a judgment – some even claim to be from the New York Attorney General. These notices direct recipients to call or email for additional information and payment instructions. Consumers who respond are coerced into paying a fraudulent fee with ominous threats of potential arrest, the loss of their job or home, or worse. Be wary of threatening court appearance or debt collection notices that appear to be from this office, or from any government agency or official. And don't click on any links in email messages from parties you don't know as they may lead to the installation of malicious software.

Fake Tech Support Scams

Scammers email or call unsuspecting consumers posing as technical support, claiming that they've identified malware or viruses running on your personal computer. In providing "assistance," the scam artists gain remote access to your computer, after which they are able to view and copy your personal information files for identity theft purposes. Alternatively, the scammers may attempt to extract a fee – sometimes hundreds of dollars – as payment to relinquish control, essentially holding your computer ransom.

Report All Fraud and Scams!

Complete an online complaint form at ag.ny.gov/internet/online-forms

Helping Homeowners

Since the mortgage crisis began in 2008, the Office of the Attorney General observed a spike in deceptive and misleading practices and fraudulent activity targeting homeowners at risk for foreclosure. Our Office helped over 38,000 homeowners through the Homeowner Protection Program (HOPP). Between 2012 and 2014, our escalation attorney team successfully resolved 244 mortgage modification complaints, securing modifications for many consumers. The Consumer Assistance Program successfully mediated 91 complaints against foreclosure rescue companies. Many of these consumers were facing situations that seemed to be hopeless. The Consumer Frauds Bureau also obtained court judgments totaling over \$15 million against two loan modification companies.

AGScamHelp.com

The web application helps homeowners determine whether a company has been vetted by a government agency and urges homeowners at risk of foreclosure to work with a qualified agency within the Homeowner Protection Program (“HOPP”).

Homeowner Protection Program (HOPP)

The Office of the Attorney General allocated \$60 million to 90 qualified organizations to provide legal and housing counseling services to distressed borrowers across seven regions of New York State. HOPP has provided assistance to over 38,000 clients statewide, ensuring that they did not have to navigate the treacherous loan modification or foreclosure process alone.

Thanks to the [Assistant Attorney General's] hard work, we will be able to stay in our home.

- Long Island Homeowner

Real Homeowner, Real Solution

Ms. W. started trying to modify the mortgage on her home in early 2012. Although she submitted multiple modification application packages in 2012 and 2013, her lender denied all modification requests. Ultimately the lender commenced a foreclosure action. Although Ms. W. continued to try to obtain a mortgage loan modification through the court-mandated settlement conference process, the lender repeatedly delayed reviewing her application and allowed documents to go “stale,” requiring Ms. W. to resubmit the same information again and again. After the office’s escalation attorneys received her complaint in August 2014, they escalated the matter with the lender. Ms. W. was approved for a modification in September 2014.

- Staten Island

Words from Consumers

“ I am so grateful that Attorney General Schneiderman’s office is accessible to me, a citizen who couldn’t navigate this by myself. ... there is a sincere government arm that struggles sincerely to do its job. **For that I thank you from the bottom of my heart.**”
- Hudson Valley

“ ... I was extremely pleased with the way [the staff member] handled the entire situation while speaking with my family ... Having been in office, I know that way too often we often hear the criticism. I think it is equally important that employers be made aware of the positive. [The staff member] **should be commended for his level of professionalism ...**”

- North Country

“ I want to thank all involved in righting my problem. Your reaction was **prompt, efficient and very professional.** I could only hope that all government agencies were as efficiently run as yours.”

- Western New York

“ Thank you for resolving this matter and **moving ‘justice’ a few more inches in the right direction...** An ordinary citizen who appreciates and cares about what you do.”
- Long Island

Avoid Getting Scammed:

Consumer Tips

1. Take your time! Don't rush into making purchases or investment decisions.
2. Always carefully read through a contract or terms of service – pay close attention to the fine print!
3. Resist high-pressure sales tactics. If something sounds too good to be true, it probably is.
4. Beware of unsolicited phone and email offers – don't be afraid to hang up on telemarketers who are rude or pushy.
5. Use care when giving out personal information such as bank account or Social Security numbers – never give that information to people you don't know.
6. Get written estimates.
7. Ask about refund policies and warranties before you buy.
8. Prepare a list of questions in advance when considering a major purchase.
9. Call the Better Business Bureau to find out about a firm's track record.
10. Create strong passwords with at least eight characters, incorporating numbers, capital letters and symbols, and which do not contain any variation of your name. Passwords should be changed often and never repeated or used across accounts.

If You Fall Victim to a Fraud ...

Complete the Appropriate Online Form:

Consumer Frauds Bureau:

forms.ag.ny.gov/CIS/consumer-complaints.jsp

Internet Bureau:

ag.ny.gov/internet/online-forms

Or Call the Helpline: (800) 771-7755