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Facts for Consumers from the Federal Trade Commission

Every year, American consumers lose hundreds of millions of dollars purchasing supposedly valuable commodities that do not live up to their billing. You should be aware that counterfeit art prints are included in these items.

Among the most frequently counterfeited prints are ones purportedly done by famous artists such as Salvador Dali, Pablo Picasso, Marc Chagall, and Joan Mir. Consumers from all walks of life are targeted in these scams. Recent FTC cases indicate that those buying counterfeit art work include doctors, farmers, stockbrokers, housewives, and even other artists.

If you are taken in by a false art sales pitch, what you get is often much less than promised. After paying anywhere from $500 to $10,000 or more, you may get art work valued at no more than $50-_ the equivalent of a poster you might buy at a museum.

Many of these bogus pieces are copies of images created by well-known artists, which are produced without the artist's knowledge or authorization and carry a forged signature of the artist's name. Others are counterfeit art pieces produced in the style of well-known artists. In still other instances, the art work is authentic but its value and investment potential are far less than what you are led to believe.

How the Scam Works

The scenario for trapping consumers into paying inflated prices for counterfeit art works varies. One common tactic is to send you a letter describing a contest or drawing giving away a free original lithograph by a famous artist. You are asked to return the postcard with your name, address, and phone number. Your post card probably will trigger a telephone call from the scam operator, who tries to convince you to buy a valuable work of art. The caller may claim to be offering a "fabulous opportunity" to obtain a limited-edition print that will be an "excellent investment." You may be told that a famous artist is near death and that you should buy now, since the value of the art work will increase after the artist's death. You will likely be offered a "certificate of authenticity" attesting to the genuineness of the work. And, often you are promised a trial examination period with a 30-day money-back guarantee. There are as many variations to this basic sales pitch as there are con artists.

Fake art prints are not just sold over the telephone. They also may be sold at seemingly reputable art galleries in your own community. You may find authentic works by contemporary artists hanging side by side with fake Dalis and Chagalls. Sometimes the dealer will pitch the print as an investment opportunity. The dealer also may downplay the investment angle and try to sell the print as a valuable collectible.

How To Protect Yourself

Although there is no foolproof way to protect yourself if you decide to invest in art, the following suggestions may be helpful.

Get professional advice. Counterfeit prints are often so well produced that few laypersons can tell the real thing from a fake. Therefore, it is very important to consult a reputable expert, such as an art appraiser or museum curator, before finalizing the purchase of any artwork attributed to a well-known artist. Ask the seller for specific information about the piece, including the edition size, the print medium (such as lithograph, etching, silkscreen, or woodcut), the year of publication, and the printer/publisher _ all of which will help an expert evaluate the work. Some states have disclosure laws that require the dealer to give you such information. These include Arkansas, California, Georgia, Hawaii, Illinois, Maryland, Michigan, Minnesota, New York, Oregon, South Carolina, and Wisconsin.

Tell the dealer you want the sale to be conditioned on an appraisal of the piece by an expert of your choice. Make sure that you have the right to get your money back in case the work is found to be a fake. Be sure to read the fine print. Some sales invoices only give you the right to exchange your print for another and do not provide a money-back guarantee.

Be extremely careful about buying art work over the telephone. It is very difficult for consumers to gauge the value and authenticity of a work of art or the credentials of an art firm by telephone. You may want to check with your local or state consumer protection agencies, the Better Business Bureau, or your state Attorney General to determine whether complaints have been lodged against the company contacting you. Be aware, however, that many fraudulent telemarketing companies frequently change their names, so there may be no complaints registered against them.

Be skeptical of authenticity claims. Art dealers often provide "certificates of authenticity" or written appraisals with the prints they sell to support their claims of authenticity. You should be wary of any art dealer who refuses to put his authenticity claims in writing. Keep in mind, however, that such documents are only as reliable as the firm that backs them. Don't be taken in by dealers who refer you to "art appraisers" who are on the dealer's payroll.

Be suspicious of promises of great investment returns and high-pressure sales tactics. Fraudulent offers often revolve around the idea that, unless you act now, you will be passing up a terrific investment opportunity. But remember _ no offer is so good that it cannot wait for a cool professional examination. Ask yourself: if this offer is so good, why is a total stranger making the effort to sell me this investment?

Do not give out your credit card number over the phone or by mail. Without your credit card number, salespeople have minimal access to your money. They may say they need your card number for "verification purposes" and not for payment. Be careful. You risk big losses when you give your credit or charge card numbers or other personal information (such as bank account numbers) to unfamiliar salespeople who make unsolicited calls.

What to Do If You Have Problems

If you buy a work of art and discover that it is a fake, first try to resolve your dispute with the company that sold you the piece. If you are not satisfied, contact your local consumer protection agency, Better Business Bureau, or state Attorney General to report the company. You also can contact the National Fraud Information Center at 1-800-876-7060 (9:00 am - 5:30 pm, EST, Monday - Friday).

The Center will forward your complaint to the Federal Trade Commission, Washington, D.C. 20580. Although the FTC generally does not intervene in individual disputes, the information you provide may help establish a pattern of law violations by a company that could result in legal action by the FTC.

For more information about telephone scams or other consumer protection issues, contact: Public Reference, Federal Trade Commission, Washington, DC 20580; 202-326-2222. Ask for a free copy of Best Sellers.

Facts for Business from the Federal Trade Commission, Buying by Phone

If you work at a small business or charity, you probably order some of your supplies by phone. Such business-to-business transactions are covered by the Federal Trade Commission's (FTC) Mail or Telephone Order Rule.

Mail or Telephone Order Rule

Under the Rule, companies are required to have a reasonable basis for being able to ship your order within the time promised in their advertisements or their solicitation for your order. If no time period is promised, the company must ship your order within 30 days after they receive it. The only exception to this 30-day requirement is if you are applying for credit to pay for your purchase. In that case, the company is allowed 50 days to ship. Whenever the company later learns it cannot ship in the time originally promised or 30 days, it must notify you of the shipping delay and give you the alternative of agreeing to the delay or canceling your order and receiving a prompt refund.

WATS-Line Hustlers

You probably find most telephone salespeople are honest and from reputable companies. Unfortunately, this is not always the case. The FTC has received complaints indicating that businesses and charities have problems with some telephone solicitors who use illegal tactics to make sales or who send unordered merchandise.

These solicitors often are called "WATS-line hustlers" because they operate using long-distance phone lines, such as Wide Area Telecommunication Service ("WATS-lines"), to sell to businesses and charities.

Even though most companies using long-distance phone lines do not engage in illegal practices, telephone sales schemes are increasing. This brochure describes how you can protect your business or organization from these illegal practices and what to do if you have a problem with a WATS-line hustler.

See:

Typical WATS-Line Hustler Tactics

Typical WATS-Line Hustler Tactics

WATS-line hustlers target all kinds of businesses and charities, from restaurants, professional offices, and religious groups to schools and hospitals. They sell products that must be replaced continually, such as office supplies (pens, typewriter ribbons, copy machine ink, toner, etc.) and maintenance supplies (light bulbs, cleaning compounds, etc.).

While WATS-line hustlers use many different ploys, these are the common tactics:

They rarely deal with the authorized purchasing agent. WATS-line hustlers usually try to talk with an employee unfamiliar with purchasing procedures _ for example, an inexperienced clerk, secretary, or maintenance person.

They may mislead you to get orders. WATS-line hustlers usually mislead you into thinking that they are your regular supplier. For example, they may call pretending to conduct a "survey" of office equipment or to "update their records." Once you give them the information they want (perhaps the model numbers of your copying machines), they may pose as "your new supplier" or "authorized" dealer for whatever products you use.

They may pressure you into placing an immediate order. WATS-line hustlers may offer you "bargain prices" if you order right away _ but their prices may be no bargain. They often make up stories to explain why certain goods are available for a limited time at so-called low prices. For example, they may falsely claim that prices are going up tomorrow, that someone was forced out of business, that a warehouse is overstocked, or that a limited supply of government surplus is available. They may claim that, because of some computer foul-up, you were not notified of a recent price increase, so they have reserved an order for you at your regular or "old" price. These stories are designed to force you into making a quick purchase.

They may offer free gifts. WATS-line hustlers may offer to send a free gift to your home to induce you to place an order. Often the gift never arrives or is worth less than promised.

They may misrepresent merchandise. WATS-line hustlers may misrepresent the quality, type, package size, price, and brand name of their products. For example, contrary to what you believe, ribbons "for your I.B.M. typewriter" might not be I.B.M. brand ribbons, or toner "for your Xerox copier" might not be Xerox brand toner. Some hustlers even package their products to look like brand name products. Others will sell you a carton of toner at the price you normally pay, but their carton may contain only half as much toner as you normally get for that price.

They may call you over and over again. If you pay once for the goods they ship you, some hustlers will call again soon after, telling you that "the balance of your order" is ready for shipment. They will keep doing this as long as you continue to pay.

They may refuse to accept returned merchandise. If you complain about receiving misrepresented or unordered goods, WATS-line hustlers may try to get you to keep the shipment at a so-called discount price. They are usually reluctant to accept returned merchandise or pay for return shipments. To discourage you from returning merchandise, they may charge an exorbitant "restocking fee." To induce you to make a purchase, some may continue to send you partial shipments, which only increase the "bill."

Unordered Merchandise Problems

If you ever have unordered merchandise problems with WATS-line hustlers, you can deal with them more effectively if you understand your legal rights.

If you receive unordered merchandise, federal law, as interpreted by the FTC, says you may keep it as a free gift. The same law makes it illegal to send you bills or dunning notices for unordered merchandise, or to ask you to return unordered merchandise even if the seller offers to pay for your out-of-pocket shipping expenses. If, without your express agreement, the seller substitutes merchandise differing from the merchandise you ordered with respect to the brand name, type, quantity, size or quality, the substitute merchandise can be treated as unordered merchandise.

You also may refuse a shipment arriving by U.S. mail if you do not open it. Some private carriers provide return service as well.

To avoid misunderstandings with the company sending you such merchandise, contact them, preferably by certified letter with a return receipt requested.

If you are not certain whether you ordered goods, send the company a letter (preferably certified with a return receipt requested) and ask for proof of your order. If you are sure the merchandise was never ordered, write the company stating that you have a legal right to keep it as a free gift. Say you are sending a copy of your letter to the FTC _ and do so. Keep a copy for your records.

If you believe the sender made an honest mistake, you can offer to return the goods at the sender's expense. Of course, if a bona fide order was placed and you receive exactly what you ordered, you are responsible for paying the bill.

The point is: if you are billed for something you did not order or receive, always demand proof of your order and of delivery. Do not pay for any merchandise until you have proof of both. If you pay for something you did not order or receive, it may be hard to get your money back.

Precautions Against WATS-Line Hustlers

In addition to knowing your legal rights, you can protect yourself against WATS-line hustlers by making sure that you:

Ask the name of the company the caller represents. Never order goods by phone if you have doubts about the salesperson or company. If you are unfamiliar with the firm calling, ask for local references so you can check them out before you buy.

Use only authorized purchasing agents for ordering, receiving, and paying for supplies. Use written purchase orders whenever possible.

If you do order over the phone, make sure you understand the quantity you are ordering, and whether you will be getting a brand name or a generic product. Also, ask if there will be any added charges (e.g., shipping, handling, etc.) and exactly how much they will be.

Inform all employees about your organization's purchasing, receiving, and paying systems.

Never accept or pay for shipments without being sure they were authorized. Examine both the invoice and the merchandise carefully before you pay.

Where to Complain

If you have any problems with a purchase made by phone or with WATS-line hustlers, first try to resolve your dispute with the company. If the problem is not readily corrected, contact your local Better Business Bureau or state consumer protection office for assistance.

You also can contact the Federal Trade Commission. Although it cannot resolve individual disputes, the Commission wants to know if you have had trouble with WATS-line hustlers. The Commission can take action if there is evidence of a pattern of deceptive or unfair practices. Send your complaint to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580.

To learn more about the Mail or Telephone Order Rule, request the free brochure, Shopping by Phone or Mail. Contact: Public Reference, Federal Trade Commission, Washington, D.C. 20580; (202) 326-2222. TDD: (202) 326-2502. You also may contact Public Reference to receive a free copy of Best Sellers - a listing of the FTC's consumer and business publications.

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Facts for Consumers from the Federal Trade Commission, Credit Card Fraud

The cost of credit and charge card fraud- to card holders and to card companies alike- was $864 million in 1992. Everyone pays for credit and charge card fraud in higher prices, whether or not they are personally defrauded.

While theft is the most obvious form of credit and charge card fraud, fraud occurs in other ways, as well. For example, someone may use your card number (not the card itself) without your permission. This may occur in a variety of ways:

A thief rifles through trash to find discarded receipts or carbons to use the card numbers illegally.

A dishonest clerk makes an extra imprint from your credit card or charge card for his or her personal use.

You receive a postcard or a letter asking you to call an out-of-state number to take advantage of a free trip or a bargain-priced travel package. When you call, you are told you must join the travel club first. You are asked for your credit card number so you can be billed for the membership fee. The catch? New charges continue to be added at every step and you never get your free or bargain-priced vacation.

How to Guard Against Credit and Charge Card Fraud

Here are some suggested precautions you can take to help protect yourself against credit and charge card fraud. You also may want to instruct any other person who is authorized to use your account to take the same precautions.

Sign your new cards as soon as they arrive.

Carry your cards separately from your wallet. Keep a record of your card numbers, their expiration dates, and the phone number and address of each company in a secure place. Keep your card in view, whenever you can, after you give it to a clerk. Retrieve your card promptly after using it.

Avoid signing a blank receipt, whenever possible. Draw a line through blank spaces above the total when you sign card receipts.

Void or destroy all carbons and incorrect receipts.

Save your card receipts to compare with your billing statements.

Open billing statements promptly and reconcile your card accounts each month, just as you would your checking account.

Report promptly and in writing any questionable charges to the card issuer.

Notify card companies in advance of a change in address.

In addition, here are some things you should not do:

Never lend your card(s) to anyone.

Never leave your cards or receipts lying around.

Never put your card number on a postcard or on the outside of an envelope.

Never give your number over the phone unless you are initiating a transaction with a company you know is reputable. If you have questions about a company, check with your local consumer protection office or Better Business Bureau before ordering.

What To Do If Your Cards Are Lost or Stolen

If your credit or charge cards are lost or stolen, call the issuer(s) immediately. Most card companies have a toll-free number for reporting missing cards. Some companies provide 24-hour service. By law, once you report the loss or theft, you have no further liability for unauthorized charges. In any event, your maximum liability under federal law is $50 per card.

What To Do About Suspected Fraud

If you suspect that someone has illegally used your credit card, call the card issuer immediately. Use the special telephone number that many card issuers list on their billing statements. You also may want to follow up your phone call with a letter. You may be asked to sign a statement under oath that you did not make the purchase(s) in question, but you cannot be required to do so.

FTC Consumer Alert - When Opportunity Knocks ... See Who's There - Get-Rich-Quick Schemes

Washington, D.C. -- Want to be your own boss...earning "big" money working part-time...or better yet, working from your own home? Dont pay for a promise, no matter how tempting it sounds. The Federal Trade Commission (FTC) and the North American Securities Administrators Association (NASAA) say that typical business opportunity -- biz op -- or franchise scam advertisements use "guarantees" as lures to promise easy and fast returns on your investment. Their advice to would-be investors: To tell the difference between a great-sounding biz op and a potentially big biz flop, youll have to do some homework.

Before you invest in any "get-rich quick" business venture, take the following steps:

1. Check out the company with the consumer protection agency and Better Business Bureau not only in the state where you live, but also in the state where the company is headquartered. These organizations can tell you if they have any consumer complaints about the company on file.

2. Ask current owners or employees about their experiences with the company. Don't accept a list of references selected by the company as a substitute for a complete list of franchise or business opportunity owners.

3. Get all promises in writing. Any promises you hear should be written into the contract you sign.

4. Ask for the details of the companys refund policy before you buy. Get that in writing too.

5. Investigate all earnings claims. Talk to others who have purchased the opportunity to see if their experience verifies the claims. Demand to see the company's basis for its claims in writing. Be skeptical in judging whether the claims are backed up.

6. Listen carefully to sales presentations. Be wary of any opportunity that sounds too easy. The thought of "easy money" may be appealing, but success generally requires hard work.

7. Be wary of buying if company representatives either try to evade your questions -- or ignore them altogether.

8. Ask for the disclosure document if youre investing in a franchise. This document, required by law, should provide detailed information to help you compare one business to another. If the company has no disclosure document, beware!

9. Ask a lawyer, accountant, or business advisor to read any disclosure documents and proposed contracts. Entering into any business opportunity generally requires a substantial investment.

10. Resist high pressure sales tactics. Buying a business opportunity is a big, expensive decision. Take time to think it over.

For free information about buying a business opportunity or franchise without getting scammed, call the FTC at 1-800-554-5706 or visit the FTC web site at www.ftc.gov. Produced in cooperation with the North American Securities Administrators Association

Facts for Consumers from the Federal Trade Commission, Automatic Debit Scams

Fraudulent telemarketers have found yet another way to steal your money, this time from your checking account. Consumers across the country are complaining about unauthorized debits (withdrawals) from their checking accounts.

While automatic debiting of your checking account can be a legitimate payment method (many people pay mortgages or make car payments this way), the system is being abused by some telemarketers. Therefore, if a caller asks for your checking account number or other information printed on your check, you should follow the same warning that applies to your credit card number _ do not give out checking account information over the phone unless you initiate the call or are familiar with the company. Remember, if you give your checking account number over the phone to an unknown person for "verification" or "computer purposes," that person may use it to improperly take money from your checking account.

How the Scam Works

The new telemarketing scam usually works like this. You either get a postcard or a telephone call saying you have won a free prize or can qualify for a major credit card, regardless of past credit problems. If you respond to the offer, the telemarketer often asks you right away, "Do you have a checking account?" If you say "yes," the telemarketer then goes on to explain the offer, making it sound too good to pass up.

Near the end of the sales pitch, the telemarketer may ask you to get one of your checks and to read off all of the numbers at the bottom. Sometimes you may not be told why this information is needed. Other times you may be told the account information will help ensure that you qualify for the offer. And, in some cases, the telemarketer may explain that this information will allow them to debit your checking account and ship the prize or process the fee for the credit card.

Once the telemarketer has your checking account information, it is put on a "demand draft," which is processed much like a check. The draft has your name, account number, and states an amount. Unlike a check, however, the draft does not require your signature. When your bank receives the draft, it takes the amount on the draft from your checking account and pays the telemarketer's bank. You may not know that your bank has paid the draft until you receive your bank statement.

What You Can Do to Protect Yourself

Automatic debit scams involve a fraud that is hard to detect and could expose you to large financial losses. However, the following suggestions may help you avoid becoming a victim.

Do not give your checking account number over the phone in response to solicitations from people you do not know.

If anyone asks for your checking account number, ask them why they need this information.

Beware of offers that sound too good to be true, especially any offers that require your checking account number. Ask to review the company's offer in writing before you agree to a purchase.

What to Do if You are a Victim

If a telemarketer has issued a draft against your checking account without your knowledge or permission, or the amount is more than you authorized, contact your bank immediately. Depending on the timing and the circumstances, you may be able to get your money back. You also may want to contact your local consumer protection agency, state Attorney General and the Better Business Bureau to report the telemarketer.

You also may file a complaint with the FTC by writing to: Correspondence Branch, Federal Trade Commission, Washington, DC 20580. Although the FTC generally does not intervene in individual disputes, the information you provide may help to indicate a pattern of possible law violation requiring action by the Commission.

For More Information

The FTC has a series of Facts for Consumers that explain fraudulent sales practices that often take place over the phone. The brochures list precautions you can take to avoid becoming a victim. Titles include:

"900" Numbers
Jobs Ads, Job Scams, and "900" Numbers
"Gold" and "Platinum" Cards
Fraud by Phone
Telemarketing Travel Fraud
Telephone Investment Fraud
Dirt-Pile Scams
Magazine Telephone Scams
Water Testing Scams
Art Fraud
Swindlers are Calling

If you want any of these free brochures, or a copy of our Best Sellers - a complete listing of all consumer and business education publications from the FTC - contact: Public Reference, Federal Trade Commission, Washington, D.C. 20580; (202) 326-2222.

Facts for Consumers from the Federal Trade Commission, Gemstone Investing

Each year, thousands of consumers invest in diamonds, sapphires, tourmalines, aquamarines, and other precious and semi-precious stones. Often, these consumers have been sold on the promise that gemstone investing brings immediate profits, with little or no risk. Unfortunately, many investors discover too late that such promises can be false- after they have lost all or most of the money they invested in gemstones.

Investigations show that few consumers profit from investing in gemstones. This is because consumers generally do not know enough about gemstones to make smart purchasing decisions. They pay too much for gemstones and believe sellers who falsely claim the stones will jump in value quickly. Of course, if you buy gemstones purely for their beauty, and not their potential resale value, investment risks will not concern you.

However, if you want to invest in gemstones despite the risks, this brochure tells you some things you should know. It describes the market for buying and selling gemstones and offers tips on settling complaints against sellers.

Researching the Market

Before you make an investment, study both gemstones and the gemstone market thoroughly. Read books about gemstones and also talk to knowledgeable jewelers, dealers, and appraisers. When you do your research, keep the following points in mind.

Gemstone quality. Because differences in quality can make huge differences in market value, do not rely only on what a seller tells you about the value of his gemstones. Familiarize yourself with the characteristics (size, color, clarity, and cut) that determine a gemstone's value. Market value. Even a rare and valuable gemstone may not be a good investment if you pay too much for it. Shop around to determine what various sellers are charging for stones of a comparable quality.

Appreciation potential. Be wary of sellers who make exaggerated promises about appreciation. For example, you may be told "sapphires have appreciated 300% in the last five years." This may be true, but only for a particular quality of stone. Also, the claim reveals nothing about current price trends_which may be down instead of up. To get an idea of the appreciation potential, find out how prices have fluctuated recently for the specific quality of gemstone you are interested in buying.

Evaluating Gemstones

A seller may provide you with gemstone certificates that describe, or "grade," the quality of the stones. These certificates are prepared by laboratories that have been established for certification purposes. You should understand, however, that grading is subjective, especially for colored gemstones. This means several labs may have different opinions about the value of the same gemstone.

Also, some laboratories are more well-regarded in the industry than others. To check out a lab's reputation, talk to knowledgeable jewelers and dealers.

While a gemstone certificate describes a gemstone's quality, an appraisal estimates its selling price. You should be aware that appraisals may be highly inflated, especially if they are provided by the seller. This may be true even when the appraiser appears to be independent of the seller.

Also, most appraisers evaluate a gemstone based on a jeweler's retail price, sometimes called an estimated replacement cost. Usually, the retail price of a gemstone is much higher than its cash liquidation value -- that is, the price you could get if you sold it. In fact, you can expect the gemstone's cash value to be much lower than its wholesale value. Therefore, when you get an appraisal, hire someone you trust and ask for the estimated cash liquidation value of the gemstone, not the retail value.

Making the Investment Decision

Once you have researched the gemstone market, you may be ready to make an investment. Just be sure to take your time when considering whether to buy a particular gemstone. Do not be pressured into making a quick decision by a seller who tells you "the offer is only good for a limited time," or "supplies are running out." By waiting, you may find that better investment opportunities are available.

If you receive an unsolicited phone call or a brochure from a gemstone seller, investigate before sending a check. Ask the seller to send written information. Also, find out about the seller's reputation by contacting local and state consumer protection offices, the Postal Inspector, and the Better Business Bureau. Those offices may have information about the seller. Finally, get all the terms of the sale in writing, including promises about return privileges and resale provisions. But keep in mind, guarantees are only as good as the company that stands behind them. You may have no recourse if the company goes out of business.

Re-selling Your Gemstones

Gemstones are not a "liquid" investment, which means they generally cannot be resold quickly for a profit. One reason is that the market fluctuates for faceted gemstones, the type available to individual purchasers. If you need to sell your stones quickly and the market is down, you could lose money. Also, although you may pay retail price when you buy gemstones, you probably will have to sell them at wholesale price, or lower, when you sell to a dealer. In the gemstone industry, retail prices may be much higher than wholesale prices. In order to make a profit, you may have to wait several years for the gemstone's value to increase enough to make up the difference. In fact, many knowledgeable collectors plan to hold their gemstones for 10 years or more.

Finding a Buyer

You should be aware that finding a buyer for your gemstones can be very difficult and may take several months. Unlike markets for stocks and bonds, there is no organized market where you can sell gemstones. Also, because dealers and jewelers generally buy their gemstones directly from wholesale suppliers, they usually are reluctant to deal with individual investors. If you are not prepared to spend considerable time and effort to locate a buyer, consider investing in something other than gemstones.

Some dealers "guarantee" the resale of your gemstones, promising either to buy them back or to find a buyer for you. Many consumers find these promises mean little when they later try to resell their gemstones. There is no guarantee that a dealer's efforts to resell your gemstones will produce a profit. Also, the company could go out of business, leaving you without a "guaranteed" buyer.

Settling Complaints

If you have a complaint, try to resolve it with the seller. If that does not work, you can complain to your local consumer protection office or Better Business Bureau, but they may not be able to settle your grievance, especially if it involves lack of profit.

You also can report any problems to the FTC. Write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. Although the FTC cannot resolve individual disputes, the information you provide may help show a pattern of possible law violations requiring action against the seller by the Commission.

Facts for Consumers from the Federal Trade Commission, Leveraged Investments of Precious Metals

Every year consumers lose billions of dollars to fraudulent telemarketing investments. Under one scheme, telemarketing companies may use high-pressure sales tactics to persuade consumers to make leveraged investments in precious metals, such as silver, gold and platinum. The companies may falsely claim such investments carry low risk and can be expected to generate high profits. However, the price of precious metals is volatile and an investment in these commodities is speculative and risky.

And by leveraging, borrowing money to make the investment, the degree of risk is magnified. During recent years, many consumers who have invested in these programs have lost a high percentage of their investments.

Before you agree to make a leveraged purchase of precious metals, read this brochure.

How the Scams Works

A salesperson may call urging you to invest in precious metals. The caller may predict that the market price of metals is about to skyrocket during the next few days or weeks and that if you don't act now, your investment opportunity may be lost. Claims may be made that your investment can be expected to generate substantial profits, with little risk, in as little as six months.

The salesperson may explain that, under their investment plan, you are to pay a portion of the cost of the metal in cash, often 20 percent, and a financial institution will loan you the balance. The financial institution will arrange for your metal to be held as collateral for the loan.

During the sales pitch, you also may be given information about program fees and commissions. But, in fact, FTC cases against such telemarketers suggest that many of the fees and commissions charged were misrepresented or concealed and that fees ate up the majority of the money that the consumers actually paid into the program. In addition, consumers often do not receive written account statements that completely disclose program fees.

Besides potentially losing your initial cash outlay to commissions and fees, a highly leveraged investment increases the risk of an equity call. An equity call occurs when changes in the price of the metals or program fees causes the value of your investment to fall to where the financing company considers your metal insufficient collateral to secure the loan. Upon receiving an equity call, you must decide whether to put more money into the investment or have the financing company sell the metal in order to pay off the loan. Either way, you are likely to lose some or all of your investment.

How to Avoid Losing Your Money

Consider the following precautions if you receive an investment solicitation.

I. Be skeptical about any unsolicited phone calls about investments. You may be on a list that contains the names, addresses, phone numbers, and descriptions of people who have responded before to telephone solicitations regarding questionable schemes.

Avoid high-pressure sales tactics. Sales presentations that urge you to buy now or you'll lose your investment opportunity are clues to a possible fraud. If you feel pressured, simply hang up the phone.

Ask the caller to send you information about the company and its operation and verify the data. Check out the company's offer with someone whose financial advice you trust.

Contact the consumer protection agency, Attorney General, and Better Business Bureau in your state and in the state where the company is located to learn if they know of any consumer complaints against the firm.

What to Do If You Feel Victimized

If you believe you are a victim of a fraudulent precious metals investment, first contact the company and try to get your money back. Write a complaint letter to the company that sold you the metal and to the company that financed the transaction. If possible, direct your complaint personally to the highest ranking officials in the company. Also, report your problem to your local consumer protection agency, state Attorney General, and the Better Business Bureau.

In addition, you may wish to contact the National Fraud Information Center (NFIC), Consumer Assistance Hotline at 1-800-876-7060, 9 a.m. - 5:30 p.m. EST, Monday - Friday, to report the company. The NFIC is a private, non-profit organization that operates a hotline to provide services and assistance in filing complaints.

You also may file a complaint with the FTC by writing to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. Although the FTC generally does not intervene in individual disputes, the information you provide may help to indicate a pattern of possible law violations requiring action by the Commission.

Facts for Consumers from the Federal Trade Commission, Telemarketing: Reloading and Double-Scamming Frauds

Prepared in cooperation with Call For Action, Inc., a Washington, D.C.-based international network of radio and television consumer hotlines

If you've taken the bait and lost money to a telemarketer, expect that the same or another telemarketer will try to hook you again. Consumers who have been victimized often are placed on what is known in the trade as "sucker lists" and then victimized again. "Sucker lists" contain the names, addresses, phone numbers, and sometimes other information of people who have responded to bogus telephone solicitations. These lists, which are created, bought, and sold by some telemarketers, are invaluable because unscrupulous promoters know that consumers who have been tricked once are vulnerable to additional scams. These telemarketers hope that consumers believe that "this time" they will win the "grand prize." Most often, however, these consumers simply lose more money.

The Federal Trade Commission (FTC) is investigating complaints about some telemarketing firms that take your money, not just once, but repeatedly. Such activity is known as "reloading" or "double-scamming."

This brochure explains how reloading scams work, what precautions you can take to avoid becoming a victim, and where to go if you have a complaint about a telemarketer.

How the Scam Works

"Reloaders" or "double-scammers" use a variety of approaches to retarget consumers.   For example, if you have lost money to a telemarketer you may be contacted by an individual claiming to represent a government agency, private company, or consumer organization that works, for a fee, to recover lost money or a product or prize.   The problem is that the second caller may be just as bogus as the first. And, if you've paid the recovery fee -- you guessed it -- you've been double-scammed.   In some instances, the second caller works for the firm that took your money in the first place.

Understand that some local government agencies and consumer organizations do provide assistance to consumers who have lost money.   But they will not guarantee to get back your money and they will not charge a fee.

In another approach, a telemarketer may use prize incentives to persuade you to purchase merchandise. If you buy, you may get a call back saying that you now qualify for a more valuable prize. They lead you to believe that making an additional purchase could increase your chances of winning.   If you buy a second time, the telemarketer may contact you yet a third time, repeating the same salespitch.   The only change is that you are now a "grand prize" finalist and, by buying more merchandise you could win the "grand prize."

Of course the telemarketer wants payment when you agree to the purchase usually by a credit card phone order or the delivery of a check by courier service.   However, it may be several weeks or more before you get your products and prizes.   When your merchandise or prizes do arrive, you may discover that you paid too much for inferior products and that you did not win the "grand prize" after all.   By that time your credit card account has been charged and your checks cashed.

How to Protect Yourself

To avoid being victimized by a reloading operation, consider the following precautions.

Beware of individuals claiming to represent companies, consumer organizations, or government agencies that will recover your lost money for a fee. National, state, and local consumer enforcement agencies, such as your Attorney General and consumer protection offices and non-profit organizations, such as Call For Action, or the National Fraud Information Center, do not charge for their services.

Before you make a purchase by phone from a company you do not know, ask the company to send you written materials about its operation. You may be on a "sucker list." Even if you don't get information, you can still check out the organization with your state or local consumer protection office before you send any money.

Be skeptical of promoters who repeatedly contact you, stating that if you purchase more of their merchandise, you have a better chance of winning valuable prizes. Make sure you receive and inspect your original purchase or prize before making additional purchases.

If You Have a Complaint

Always try to resolve complaints with the company first, but be careful. Don't let the company representative persuade you to accept a substitute product or award if this truly isn't what you want. If you want your money back, say so and don't accept less.

If that does not work and you believe you have been defrauded, contact the National Fraud Information Center at 1-800-876-7060, 9 a.m. - 5:30 p.m. EST, Monday - Friday; Call For Action (CFA) at (202) 537-0585; TDD (202) 537-1551; your state Attorney General; local consumer protection office; and Better Business Bureau, to report the company.

The National Fraud Information Center is a private, non-profit organization that operates a consumer assistance hotline to provide services and assistance in filing complaints. Call For Action (CFA) is a Washington, D.C.-based international network of radio and television consumer hotlines. The CFA Network of 800 volunteers helps consumers retrieve money or services.

In addition, you may wish to file a complaint with the FTC by writing to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. Although the FTC generally does not intervene in individual disputes, the information you provide may help to indicate a pattern of possible law violations requiring action by the Commission.

Facts for Consumers from the Federal Trade Commission, Telemarketing Fraud: How To Spot It

Prepared as a public service by the Federal Trade Commission and the National Association of Attorneys General

Fraudulent telemarketers swindle American consumers out of more than a billion dollars each year. These professional con artists peddle everything from overpriced and useless water "purifiers" to "gold mines" that are nothing more than piles of dirt.

Of course, selling products or services by phone is not in itself a crime. Most telemarketers represent honest, reputable businesses. But because so many customers enjoy the ease and convenience of shopping by phone, it is an attractive tool for unscrupulous salesmen.

Anyone with a telephone is vulnerable to the high-pressure sales tactics and enticing offers of the dishonest telemarketer. Stockbrokers have been lured into phony investment schemes. Real estate professionals have bought into worthless land deals.

The Federal Trade Commission (FTC), state Attorneys General, and others are working hard to put fraudulent telemarketers out of business. Unfortunately, though, fraudulent telemarketers are hard to track down. Most are "fly by night" operators working out of so-called "boilerrooms"- leased space with banks of telephones staffed by professional scam artists. Once under investigation, they can easily shut down and move- virtually overnight- to another town or state. They may even change their name- anything to cover their tracks.

Because enforcement is so difficult, it is essential that today's consumer be an informed telephone shopper. The following tips suggest how you can detect telemarketing fraud and avoid becoming a victim.

Investments

"Get rich quick" schemes involving rare coins, gemstones, real estate, securities, oil and gas leases, and precious metals are commonly pushed on the unsuspecting consumer. Most are worthless. Frequent targets are those who have been victimized before, since they are often eager to recoup losses from previous deals.

Water Purifiers

Capitalizing on growing environmental awareness, some businesses are selling so-called water purification or filtration systems. Callers use scare tactics to convince you that your tap water is filled with impurities or cancer-causing substances. You may end up paying $300 to $500 for a device that is worth less than $50.

Charities

Some unscrupulous telemarketers will say they're calling on behalf of a charity. They may ask you to buy tickets for a benefit show, make a donation toward sending handicapped children to the circus, or purchase light bulbs or other household items at inflated prices, to cite a few examples. If you are not careful, your generosity may be exploited and little or none of your contribution will actually go to the charity.

Travel

So-called "free" or "low-cost" vacations often come with extra charges, hidden restrictions, and hard-to-meet conditions. You might be required to join a travel club. A vacation-for-two may only include airfare for one. You could be charged extra for "peak season" reservations. As a result, your vacation ends up costing two to three times what you would have paid had you made your own arrangements.

Vitamins

Some health conscious consumers fall prey to telemarketers selling vitamins. As with many other scams, the sales pitch may include a prize offer to get you to pay as much as $600 for a six-month supply of vitamins that are worth as little as $40.

Tips on Spotting Fraud

As the examples in this brochure illustrate, there are many kinds of telemarketing scams, and new ones are invented every day. But certain elements are common to most of these scams. Beware of:

"Free" gifts that require you to pay "shipping and handling" charges, "redemption" fees, or "gift taxes" before delivery.

"High-profit, no-risk" investments. No high-profit investment is free of any risk.

High-pressure sales tactics and demands for you to "act now."

A request for your credit card number for "identification" purposes or to "verify" that you have won a prize.

Refusal to provide written materials or even the most basic details about the organization, such as its exact location or names of its officers.

Organizations that are unfamiliar to you or that have only a P.O. Box for an address. (Some organizations use a P.O. Box so you will not know their location.)

Don't Be a Victim!

To avoid being swindled, follow these precautions.

Don't give out your credit card number over the phone unless you know the organization is reputable.

Insist on getting written information about the organization. At the same time, don't assume an organization is legitimate solely on the basis of impressive-looking brochures or enthusiastic testimonials.

Find out if any complaints have been registered against the company with your state Attorney General or local Better Business Bureau. But remember that scam artists frequently change names and locations. Just because there are no complaints on file does not mean a business is trustworthy.

In the case of charitable organizations, you have the right to know if the caller is a volunteer or a professional telemarketer/fundraiser. Don't commit yourself over the telephone. Ask for written information about how much of your donation will actually go to the charity and how much will be spent on administrative costs.

Take time to make a decision before investing. Consult someone whose financial advice you trust _ a banker, lawyer, accountant, or friend. Have them review any contract or prospectus before you commit yourself.

If a caller is uncooperative in answering your questions, simply hang up the phone. Remember, you have a right to know specifics. They have no right to your money.

Above all, follow the advice: "If it sounds too good to be true, it probably is!"

If You are Victimized

The nation's leading consumer protection enforcers, the FTC and the state Attorneys General, have declared telemarketing fraud as a high priority. Together they are working to end this problem that robs American consumers of more than a billion dollars each year.

If you get swindled by a telemarketer, don't be embarrassed to report it or assume it's not worth your time. By reporting the incident, you can help ensure that others aren't victimized.

Contact:

Federal Trade Commission
Telemarketing Fraud, Room 200
6th & Pennsylvania Avenue, NW

or

Your State Attorney General
Office of Consumer Protection
Your State Capital

(Most Attorneys General have toll-free consumer hotlines- check with your local directory assistance)

Telecommunication Scams Using FCC Licenses FTC Fast Facts

Fraudulent investments in high technology and Federal Communications Commission (FCC) licenses are a fast growing scam.

If a company calls you touting the profits and minimizing the risks of investing in communications systems and licenses, hang up the phone.

An FCC license is mere permission to use radio spectrum (the airwaves) to provide communications services. A license holder must develop a communications system to make the license valuable and comply with FCC rules.

Fraudulent telemarketers often take most of the money they solicit from consumers as profit and commissions.

The Appearance of Legitimacy

Fraudulent investments in high technology and FCC licenses have become one of the fastest growing scams of the 1990's, costing consumers hundreds of millions of dollars. Scam artists tell investors they can make a lot of money with little financial risk just by "owning airwaves"-- without developing communications systems.

The FCC grants a variety of telecommunications licenses -- permission to use radio frequencies --to individuals and entities who seek to provide telecommunications services to the public. With few exceptions, these licenses are available to everyone.

Scam artists have found a way to exploit public interest in telecommunications by marketing fraudulent investments in new technologies that often require FCC licenses. These fraudulent telemarketers deceptively portray mere ownership of FCC licenses or communications businesses as golden opportunities to participate in the industry without substantial capital or business experience.

LICENSE APPLICATION SERVICES often charge consumers thousands of dollars to apply for FCC licenses. In most instances, however, the actual license application process costs a fraction of what the services charge. Scam artists say that legitimate communications companies will lease or buy consumers' licenses, even though a market for such licenses rarely exists. Legitimate communications providers typically apply for licenses themselves and acquire operational communication businesses -- not bare licenses. Moreover, leasing or selling arrangements may violate FCC rules and lead to loss of the license.

Scam artists have repeated this pattern for numerous FCC licenses. Do not invest in any of these licenses unless you are prepared to spend time and money developing telecommunications systems:

Paging refers to the transmission of signals or messages along the 929, 931, and 454 MHz broadcast bands, among others. Scam artists claim paging companies will lease paging licenses from consumers to provide lucrative, two-way paging services to the public. In fact, no such leases are likely. Often, licensees have frequencies that may allow only one-way paging or that must be shared with other licensees. If licensees try to develop their own systems, they may find themselves facing stiff competition from established paging companies.

Specialized Mobile Radio (SMR) refers to dispatch services using the 220, 450, 800, and 900 MHz broadcast bands. Scam artists describe these licenses as frequencies that can be developed to compete with cellular telephone companies. However, the single channels and five-channel blocks fraudulent telemarketers are promoting are incapable of accommodating enough telephone traffic to allow such competition. Large SMR providers are acquiring large, developed systems and generally are not buying or leasing single-channel licenses alone.

Wireless Cable. During the 1980's, the FCC held lotteries for wireless cable licenses in 4-channel blocks. Scam artists charged thousands of dollars for application services, falsely describing the application process and the potential for competition with cable television operators. Investors -- who typically received frequencies of little value and questionable capacity to provide competitive cable services -- had to spend millions more developing cable systems to compete against established wired-cable operators and satellite TV broadcasters.

PARTNERSHIPS, or LIMITED-LIABILITY COMPANIES (LLCs), also have been formed by scam artists, supposedly to raise capital to develop communications systems for wireless cable, interactive video, or mobile phone services. In fact, most of the money raised in these scams goes to the scammers' profit and marketing expenses. Consumers are left in need of substantial additional capital to operate the business and provide the types of services promoted by fraudulent telemarketers:

Interactive Video and Data Service (IVDS) is licensed by FCC auction for a small amount of radio spectrum to allow IVDS users to send data responses to such interactive TV programming as ads, polls, and game shows. Scam artists raise funds from investors to bid for licenses and develop IVDS systems, touting services IVDS can't perform, such as "movies on demand." These scammers leave consumers little capital to develop an IVDS system or complete the payments to the FCC for the licenses they were to receive.

SMR Partnerships are sold by fraudulent telemarketers who claim to acquire groups of SMR licenses or systems so investors can enhance them to provide mobile phone services to compete with cellular telephone systems. In fact, these telemarketers have pocketed substantial amounts of investor money, leaving consumers unable to afford the enhancements, which cost millions of dollars more than the telemarketers promised. Moreover, scam artists frequently don't acquire sufficient SMR channels to compete with established mobile phone service providers, who usually develop large numbers of channels to attract subscribers.

Fraudulent Wireless Cable partnerships also have been formed by scam artists, leaving consumers with insufficient channels to provide cable service and limited capital to operate a business.

As new radio frequencies are licensed, such as for Personal Communication Services (PCS), these scams are likely to continue. It is important to understand the risks involved in such investments, and the obligations you would have as a license holder. You may be required to spend more money to comply with FCC rules or recover your investment, while big communications companies are competing with you, applying for their own licenses and developing their own systems.

Avoiding Fraud

Be suspicious of any telemarketer who refuses to provide all representations in writing. This is particularly true of profit projections or estimates of how much money you have to invest before you receive a return on your investment. Be particularly suspicious of any oral representations that conflict with written materials. Scam artists often refuse to provide representations in writing because they do not want to leave evidence that they have lied.

Be skeptical about any unsolicited phone calls about investments. Think twice before you buy investments from salespeople you do not know. Remember that an unsolicited call can be made from any locale, including a jail cell.

Be suspicious of sales pitches that downplay risk or portray written risk disclosures as routine formalities required by the government. If risk disclosures tell you that you could lose your whole investment, believe them! If you are spending thousands of dollars over the phone, be prepared to lose your money.

Be suspicious of promotional materials or telemarketers that do not tell you about investment risks. No potential high-profit investment is low-risk.

Do not be impressed by a smooth sales pitch or descriptions of high technology riches. Scam artists spend years going from fraud to fraud. Their years of sales experience make them clever liars. They have an answer for everything -- often because they have scripts designed to hide the truth. If a promotion promises high profits and low risk, hang up the phone.

Be cautious of investment promotions comparing your potential investment to those made by well known businesses and individuals. These investors generally achieved their gains by investing thousands, if not millions, of dollars developing communications business, not by giving their money to telemarketers.

Be wary of claims that you can apply for a license and let other companies buy, lease, and develop it. In almost all instances, the FCC prohibits the acquisition of licenses for speculation or profitable resale. Moreover, in all instances -- whether the license is for television, cable, video, mobile phone, or paging transmission -- the FCC requires the license holder to construct an appropriate communications system for the license, usually within one year.

Beware of telemarketers who emphasize the "bells and whistles" of cutting-edge technology. Fraudulent FCC-application preparers falsely describe one-way, shared paging licenses as two-way paging and mobile phone service frequencies. Fraudulent IVDS promoters use "movies-on-demand" hype to sell licenses that allow transmission of small amounts of data. First, an undeveloped license provides no services without substantial capital investment. Second, many systems and licenses marketed to investors on the telephone will not be able provide the services that make the opportunity seem attractive.

Beware of promoters who say it is urgent to invest. If investments are truly fast and furious, savvy entrepreneurs already will have captured them. Salespeople who need to call unknown investors over the phone ("cold calls") are not likely to be pitching high-quality investments. Once you send your money to a fraudulent operation, it may be gone forever.

Do not trust any representations that well-known telecommunications companies will develop systems for your license or buy your license from you for a profit. Talk to representatives of the companies to gauge their interest in acquiring your license before you invest.

Ask how much of the investment is going to "profit," "commissions," "broker's fees," or "marketing costs." Fraudulent FCC application services usually charge thousands of dollars for applications that cost hundreds of dollars. Fraudulent promoters of partnerships and LLCs leave consumers with little working capital and minimal assets for the millions they supposedly raise. The worth of most communications investments can be measured in how much money is spent on developing or acquiring communications systems, not on telemarketers. The more money that goes to sales expenses and costs, the greater the risk and the lower your return. Do not be fooled by slick promotional materials, high-profile addresses (like Wall Street), or 1-800 telephone numbers. Anyone can produce brochures at a local copy center, buy a toll-free number, and rent a mailbox at a prestigious address. Demand proof for profit claims. Legitimate telemarketers have a basis for their projections. Ask for published data to back up all claims. Be wary of general statements that the industry is profitable. You must be certain that the actual license or system you will acquire will be profitable. Disregard projections qualified as company opinions. Determine how much money you will have to spend to obtain a return on your investment. Keep in mind that developing advanced communications systems can cost millions of dollars. Fraudulent telemarketers may tell you the cost of high-technology is dropping to prices you or your partnership can afford, but they may be describing rudimentary systems, not those capable of providing the advanced services they're pitching. Remember that the communications industry is highly competitive. In most areas, companies with substantial capital compete to provide communications services. As a license holder or share holder in a partnership or company holding a license, you may have to compete with these companies to recover your investment. Talk to someone at the FCC about the status of the license application process. Wireless cable applications were frozen in April 1992. IVDS auctions were completed for most of the top markets in July 1994, and auctions for the remaining licenses have not yet been scheduled. As of October 1995, the FCC was no longer accepting direct applications for 800 and 900 MHz SMR licenses. Consult someone whose financial advice you trust -- a banker, a lawyer, or an accountant. A registered securities broker also may give you insight into investing in high-tech industries. Find out if complaints have been registered against the company with your state Attorney General. Remember that scam artists often change names and locations. Just because there are no complaints on file does not mean a business is trustworthy. New -- or re-named -- frauds simply have no record of wrongdoing.

Preparing for Retirement?

Protect your retirement funds. Many scam artists may tell you their investments have been approved for the use of Individual Retirement Account Funds. There is no formal, governmental approval process for certifying the appropriateness of funds for IRA status. Consult a tax advisor or attorney before using IRA funds as investments in a profit-making enterprise. Your investment decision may have tax consequences.

Be cautious about promised income streams. Scam artists exploit consumers' concerns about having income after retirement. Profits in telecommunications often are long-term at best and usually require spending thousands, if not millions, of dollars on communications systems development, not license acquisition.

If You Have Invested

You may be targeted by companies who claim they can recover your investment or market your license through their broker service. Be skeptical of any company that charges an up-front fee. These companies may be violating federal regulations. License brokers may pocket the up-front fee and do nothing to market your license.

Even law enforcement officials cannot guarantee that they'll recover your money. The law holds you responsible for the development of communications systems for your license. Remember, there may be no market for your license, partnership, or LLC share. Until you construct a system for the license, arrangements to sell or lease your license may violate FCC rules and cause you to lose your license entirely.

File a complaint if you have been defrauded. Even sophisticated investors get scammed. Law enforcement cannot work effectively if injured parties do not come forward. The government does not charge you to file a complaint and has cost-free ways to report your experiences.

The National Fraud Information Center maintains a toll-free Consumer Assistance Service, 1-800-876-7060, to offer information about how and where to report fraud and help in filing complaints. You also may file complaints with the Federal Trade Commission, Room 200, Washington, D.C. 20580, the Securities and Exchange Commission, Division of Enforcement, Washington, D.C. 20549, your state Attorney General or Securities Division. For more information on a particular type of FCC license, call the Federal Communications Commission at 202-418-0569.

Facts for Consumers from the Federal Trade Commission, Telephone Investment Fraud

Every year tens of thousands of consumers put some of their money in investments. The Federal Trade Commission (FTC) estimates that every year American consumers from all walks of life lose $1 billion or more in investments that turn out to be fraudulent.

Between 1983 and 1992, the FTC put a variety of such fraudulent companies out of business. It brought suit against 325 defendants and recovered almost $100 million for injured consumers.

But if you invest in what turns out to be a fraudulent scheme, the chance of getting all of your money back is slim. Even in cases where money is recovered, consumers often get back less than 10 cents on every dollar invested. That is because companies engaged in fraud often operate a particular scam for a short time, quickly spend the money they take in, and frequently close down before they can be detected. Then they reopen under another name selling another investment scam.

Investment frauds are sold in a variety of ways print and television advertising, for example but three-quarters of the investment scams the FTC investigates are sold by the telephone. There has been a dramatic increase in telemarketing investment fraud because of the ease of establishing fraudulent operations and the popularity of telephone selling. Everyone with a telephone is vulnerable.

How Telephone Investment Fraud Works

To be sure, many investment plans are sound. Ones that are not take many forms. Typical investments sold by fraudulent operators have included coins, gemstones, art, oil and gas leases, interests in oil wells, application services related to cellular telephone licenses, precious metals such as gold and silver, or strategic metals such as chromium, used in defense and high-tech industries. Fraudulent companies often choose to sell investments that may fluctuate substantially in response to world events. For example, fraudulent sellers may offer you an investment based on the scarcity of a foreign metal after news of a trade embargo, or they might offer you an investment in a new, widely publicized high-tech product. The fraudulent seller's goal is to make it difficult for consumers to scrutinize their overinflated value claims.

The heart of the telemarketing operation is usually centered in a "boiler room," a setting filled with desks, telephones, and salespeople who spend their days calling hundreds of prospects all over the country. You may be contacted by one of these boiler room operators if you respond to a newspaper ad or fill out a card asking for more information about an investment, or you might be called "cold." Some fraudulent investment sellers target investors who have been victims of an earlier scam. These sellers know that investors who have been tricked once often have a certain vulnerability because they hope to recoup their losses.

Who Are The Fraudulent Salespersons?

Salespersons in boiler room operations often spend years going from fraud to fraud. Their years of selling experience and natural sales talent make them very good at what they do. They use persuasive sales pitches that weave together facts and half-truths in ways that are likely to deceive all but the most experienced investor. Their sales pitches are directed to the universal desire to get great financial return for very little risk.

In addition to being glib, these sales operators are resourceful. They use a wide variety of reasons why their investment opportunity is a sure thing. They may say, for example, that they: have high-level financial connections; are privy to inside information; will guarantee the investment; or will buy back the investment after a certain period. To close the sale quickly, these fraudulent sellers may offer you phony statistics, misrepresent the significance of a current event, or stress the uniqueness of their offerings to try to dissuade you from verifying the story.

What Is Their Typical Sales Pitch?

Often, fraudulent salespersons will:

Say you have been specially selected to participate in an unusual investment opportunity;

Present a popular, believable message mixed with truth and lies;

Guarantee large and rapid profits;

Claim that virtually no risk is involved; and

Require that money be paid immediately because the "market is moving." The salesperson even may give price quotations to "document" the rise.

How To Avoid Losing Your Money

Because it is so difficult to recover money paid to fraudulent sellers, the best thing you can do is refuse to give them money in the first place. If you are approached by anyone selling an investment opportunity, remember the following cautions. They may help you avoid investing in a bogus firm.

If it sounds too good, it probably is a scam. No legitimate salesperson will ever claim to offer a risk-free investment. Big returns usually mean big risks. Any claim that there is little or no risk should act as a red flag.

Do not be pressured into buying. High-pressure sales tactics that urge you to buy now or forever lose your opportunity to profit are tip-offs to possible fraudulent operations. If you are being pressured, you can simply hang up the phone. Once you send a fraudulent investment seller your money, it may be gone forever.

Invest in business opportunities you know something about. It is unlikely you will make money in a business deal that you cannot understand and verify. You especially should be wary of any investment where you need to rely exclusively on the seller's representation of the investment's value.

Be skeptical about any unsolicited phone calls about investments. Think twice before you buy investments from out-of-state salespeople you do not know. You may find it very hard to get your money back if the deal sours.

Get all the information you can about the company and verify the data. Before you invest with any company, check the seller's prospectus with someone whose financial advice you trust. Also check the company's reputation with appropriate references. Many are listed at the end of this brochure.

Any resistance you get from a seller when you seek additional investment information or references should make you suspect. But if you do receive additional references, keep in mind that these may not provide reliable information about the investment or the company. For example, a bank may tell you that an investment company has an account, but this does not mean the company is legitimate.

Beware of testimonials. Fraudulent companies sometimes hire references to claim that the firm's investments brought them sudden wealth. And Ponzi schemes, where promoters use the money from new investors to pay high returns to early investors, may explain why the company is praised.

If in doubt, do not invest. Before you invest, ask questions and seek information from a variety of sources. If you cannot get solid information about the company and the investment, you may not want to risk your money.

Where To Go For More Information

Listed here are government agencies and business organizations that register, regulate, investigate, or monitor companies and individuals who offer investment opportunities. If you have questions about a company or an individual, or you wish to make a complaint, contact one or more of these offices, as appropriate. When you seek information, understand that the absence of complaints filed with governmental and private agencies does not mean that a company or an investment is necessarily sound.

The Federal Trade Commission is a law enforcement agency that investigates and prosecutes a variety of investment frauds. If you have questions or complaints about claims made in advertising or in telephone promotions for investment services, write to: Federal Trade Commission, Investment Fraud Project, Room 200, Bureau of Consumer Protection, Washington, D.C. 20580.

Your State Attorney General's office and your local District Attorney's office investigate and prosecute fraud cases. You can find their telephone numbers by checking your local directory in the state and local government section.

Your State Securities Commission, Securities Department, or Department of Corporations regulates the public offer and sale of securities by companies in your state. You can get the name and telephone number by calling the operator in your state capital.

The Chief United States Postal Inspector, United States Postal Service, Washington, D.C. 20260-2112, handles complaints about bogus mail-order investment services. The USPS has jurisdiction over fraudulent business operations that use, advertise, or sell through the mail. The Federal Bureau of Investigation also has jurisdiction when investment offerings constitute mail or wire fraud, or other violations of criminal law.

The Commodity Futures Trading Commission regulates most firms that deal in commodity futures markets. Futures trading markets include petroleum products, U.S. government securities, foreign currencies, options on futures contracts, and dealer options. Write the Commodity Futures Trading Commission at 2033 K Street, N.W., Washington, D.C. 20581.

The Securities and Exchange Commission is a federal agency that regulates the public offer and sales of securities. Contact the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, or call (202) 272-7440.

The Better Business Bureau mediates disputes between consumers and businesses and may be able to inform you about complaints lodged against local investment firms. Contact the BBB in the city in which the firm is located for information or to report a problem. For the phone number of an out-of-state BBB, write to the Council of Better Business Bureaus, 4200 Wilson Boulevard, Arlington, VA 22203.

The National Association of Securities Dealers is a self-regulatory organization that governs stock brokers. Check your phone directory for a local district office of the National Association of Securities Dealers, or contact its Washington office at 1735 K Street, N.W., Washington, D.C. 20006, or call (202) 728-8221.

The National Futures Association is a self-regulatory organization for all registered individuals or brokerage firms. Contact the National Futures Association at 200 West Madison Street, Suite 1600, Chicago, IL 60606, or call (800) 621-3570. In Illinois, call (800) 572-9400.

Facts for Consumers from the Federal Trade Commission, Telemarketing Travel Fraud

Have you ever been tempted to buy one of those bargain-priced travel packages sold over the telephone? Be careful. Your dream adventure may be a misadventure if you fall victim to one of the travel scams sold over the phone. While some of these travel opportunities are legitimate, many of them are scam operations that are defrauding consumers out of millions of dollars each month.

How The Scams Work

These schemes take many forms. Often, schemes involve vacation travel packages. A consumer pays hundreds of dollars or more to receive a travel package that includes round-trip air transportation for one person and lodging for two people in Hawaii, London, or another vacation place for a week. The catch?

You must purchase a high-priced, round-trip ticket for the second person from the fraudulent travel operation or you must pay for costly accommodations in less-than-ideal timeshares or resorts. You may end up paying more than what it would cost if you purchased your own tickets in advance or bought them through an airline or reputable travel agency.

Another scam starts by sending you a postcard stating: "You have been specially selected to receive a free trip." The postcard instructs you to call a phone number, usually toll-free, for details about the trip. Once you call, you are given a sales pitch for a supposedly luxurious trip that is not free at all. Sometimes, a credit card number is requested so that your account can be billed for the package. Only after you pay are you sent the vacation package with instructions on requesting reservations for your trip. Usually, your reservation request must be accompanied by yet another fee. The catch here? New charges are being added at every step of the way. And, you never get your "free" trip because your reservations are not confirmed or you must comply with hard-to-meet hidden or expensive "conditions." Telemarketing travel scams usually originate out of "boiler rooms." Skilled salespeople, often with years of experience selling dubious products and services over the phone, pitch travel packages that may sound legitimate, but often are not.

These sales pitches usually include some of the following techniques:

Oral Misrepresentations. Whatever the particular scheme may be, telephone salespeople are likely to promise you a "deal" they cannot deliver. Unfortunately, you often do not realize this until after you have paid your money.

High Pressure/Time Pressure Tactics. These scam operators are likely to tell you they need your commitment to buy right away or that this special offer will not be available tomorrow. Often, they will brush aside your questions with vague answers.

"Affordable" Offers. Unlike telephone fraud operators who try to persuade people to spend thousands of dollars on a particular investment scheme, travel scam operators usually pitch their membership or vacation offers in the range of hundreds of dollars. Because this amount is often in the price range of those planning vacations, offers may appear to be reasonably-priced.

Contradictory Follow-up Material. Some firms may agree to send you written confirmation of the deal. You will find, however, that the literature bears little resemblance to the offer you accepted. Often, the written materials will disclose additional terms, conditions, and costs.

How To Protect Yourself

No one wants unpleasant surprises on a vacation. Therefore, it pays to thoroughly investigate a travel package before you commit to purchase. While it is sometimes difficult to tell a legitimate sale pitch from a fraudulent one, there are some things you can do to protect yourself.

Be wary of "great deals." One tip-off to a scam is that the offer is very low-priced. Few legitimate businesses can afford to give away things of real value or to undercut substantially everyone else's price.

Do not be pressured into buying _ NOW. Generally, a good offer today will remain a good offer tomorrow. Legitimate businesses do not expect you to make an instant decision.

Ask detailed questions. Find out exactly what the price covers _ and does not cover. Ask if there will be any additional charges later. Find out the names of the specific hotels, airports, airlines, and restaurants that your package includes. You may wish to contact these places yourself to double-check arrangements. Find out exact dates and times. Ask about cancellation policies and refunds. If the salesperson cannot give you detailed answers to these questions, this is not the deal for you.

Get all information in writing before you agree to buy. Before purchasing a travel package, ask for detailed written information. Once you receive the information, make sure the written material confirms everything you were told by phone.

Do not give your credit card number over the phone. One easy way for a scam operator to close a deal is to get your credit card number and then charge your account. Sometimes scam operators say they need the number for verification purposes only. Never give your credit or charge card numbers _ or any other personal information (such as bank account numbers) _ to unsolicited telephone salespeople.

Do not send money by messenger or overnight mail. Instead of asking for your credit card number, some scam operators may ask you to send a check or money order right away _ or offer to send a messenger to pick these up. If you use money rather than a credit card in the transaction, you lose your right to dispute fraudulent charges under the Fair Credit Billing Act. (See following section, "What To Do If You Have Problems.")

Check out the company. Before buying any travel package, check first with various government and private organizations to see if any complaints have been lodged against the travel firm calling you. A list of some of these organizations is included on page 5. Be aware that fraudulent firms change their names frequently to avoid detection.

If in doubt, say "no." Sometimes an offer appears legitimate, but you still have doubts. In that case, it is usually better to turn down the offer and hang up the phone. Remember, if something goes wrong, the likelihood of your receiving any money back is very slim.

What To Do If You Have Problems

If you have problems with a travel package, try resolving your disputes first with the company that sold you the package. If you are not satisfied, try contacting your local consumer protection agency, Better Business Bureau, or state Attorney General. In addition, you may want to write to the American Society of Travel Agents, Consumer Affairs, at 1101 King Street, Alexandria, Virginia 22314, which may be able to mediate your dispute. You also may contact the National Fraud Information Center, 1-800-876-7060 (9:00a.m. - 5:30 p.m.. EST, Monday - Friday). Or, write to the Federal Trade Commission, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580. Although the FTC generally does not intervene in individual consumer disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.

If you charged your trip to a credit card, you may dispute the charges by writing to your credit card issuer at the address provided for billing disputes. Try to do this as soon as you receive your statement, but no later than 60 days after the bill's statement date. In some circumstances under the Fair Credit Billing Act, your credit card issuer may have to absorb the charges if the seller does not resolve your dispute. If you did not authorize the charge, you are not responsible for its payment.

For More Information

If you would like more information about travel issues, write to ASTA, at the address above, for a list of its publications. In addition, for single free copies of Timeshare Tips, Timeshare Resales, or Fair Credit Billing contact: Public Reference, Federal Trade Commission, Washington, D.C. 20580; 202-326-2222.

Facts for Consumers from the Federal Trade Commission, Work-at-Home Schemes

In newspapers and magazines around the country you may see ads like this:

Would you like to earn hundreds of dollars a week at home, in your leisure time? Many people are supplementing their income in a very easy way. Let us tell you how...

An offer like this may sound very attractive, particularly if you are unable to leave your home to work. But, be cautious about work-at-home ads, especially ones that promise you large profits in a short period of time. While some work-at-home plans are legitimate, many are not. Home employment schemes are among the oldest kinds of classified advertising fraud.

What many of these ads do not say is that you may have to work many hours without pay. There also may be hidden costs. Many work-at-home schemes require you to spend your own money to place ads in newspapers, make photocopies, or buy the envelopes, paper, stamps, and other supplies or equipment needed to do the job. The company also may demand that you pay a membership fee or make regular payments in order to get continued instructions or materials. Consumers deceived by these ads have lost thousands of dollars and have wasted their time and energy.

Common Work-at-Home Schemes

Work-at-home ads may advertise these types of employment:

Envelope-Stuffing. Work-at-home schemes come in many varieties, but the most common type is envelope-stuffing. Promoters of these programs usually advertise that, for a "small" fee, they will tell you how to earn money stuffing envelopes at home. Only when it is too late do you find out the promoter really has no employment to offer. What you are likely to receive for your fee is a letter telling you to place that same "envelope-stuffing" ad in newspapers or magazines, or to send the ad to friends and relatives. The only way you will earn money is from the people who respond to your work-at-home ad.

Assembly or Craft Work. Assembly or craft work is another common type of work-at-home scheme. These programs often require you to invest hundreds of dollars in equipment or supplies or many hours of time to produce goods for a company who has promised to buy them. For example, you might be required to buy from the company a sewing machine, a sign-making machine, or materials to make items such as aprons, baby shoes, or plastic signs. However, in fraudulent schemes, after you have purchased the supplies or equipment and performed the required tasks, the company does not pay you for your efforts. Many consumers, for example, have had companies refuse to pay for their work because it did not meet "quality standards." Unfortunately, no work is ever "up to standard." Thus you are left with relatively expensive equipment and supplies, and no income. In reality, those who produce goods in response to such ads must usually find their own customers.

Precautions Against Fraudulent Schemes

If a work-at-home program is legitimate, its sponsor should readily tell you -- in writing and for free -- what is involved. Here are some questions you might ask a potential employer:

What tasks will I be required to perform? (Ask the program sponsor to list every step of the job.) Will I be paid on salary or commission? Who will pay me? When will I get my first paycheck? What is the total cost of the work-at-home program, including supplies, equipment, and membership fees? What will I get for my money?

The answers to these questions may enable you to detect whether a work-at-home scheme is legitimate and to guard against the loss of your money and time.

You also might wish to investigate the company's reputation by checking with the consumer protection agency and the Better Business Bureau in the area where the company is located. These organizations can tell you if they have received any complaints about the work-at-home program that interests you.

Where To Complain

If you already have spent your money and time in a work-at-home program that you now have reason to believe may not be legitimate, contact the company and ask for your money back. Let the company know that you plan to notify officials about your experience. If you cannot resolve the dispute with the company, here are some organizations that may be able to assist you:

The Attorney General's office in your state or in the state where the company is located. That office will be able to advise you if you are protected by any state law that may regulate work-at-home programs. Your local consumer protection offices. Your local Better Business Bureau. Your local Postmaster. The U.S. Postal Service investigates fraudulent mail practices. The advertising manager of the publication that ran the ad you answered. The advertising manager may be interested to learn about the problems you have had with the company. The Federal Trade Commission. While the FTC cannot help resolve individual disputes, the agency can take action if there is evidence of a pattern of deceptive or unfair practices. To register a complaint, write to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580.

FTC Fast Facts - Wireless Cable Television Scams: Buildouts

Some unscrupulous companies, mostly through telemarketing, are promoting wireless cable "buildouts"--the sale of partnerships or shares to raise capital to develop wireless cable television systems.

In some cases, salepersons misrepresent the number of wireless cable licenses they hold, the number of channels needed for a commercially based system, or the amount of investment capital required to fully develop a wireless cable system.

Often, most of the money goes to company promoters, not to capital investment.

Before investing, check with the FCC to make sure the company has the appropriate licenses.

You may have seen television commercials, program-length infomercials, or newspaper ads touting the high profits to be made from investing in wireless cable television systems. Some companies, mostly through telemarketing, are promoting wireless cable ";buildouts"; that is, the sale-of partnerships or shares to raise capital to build wireless cable systems. These companies claim to have the appropriate Federal Communications Commission (FCC) licenses, as well as the necessary expertise to develop and run wireless cable systems. Many of these companies, however, have neither the licenses nor the expertise to develop the systems. Most of the invested money goes to the company promoters, not to capital to develop the system. This brochure explains how wireless cable buildout scams operate and how consumers can avoid them.

Wireless Cable Television

Unlike conventional cable television, wireless cable TV uses microwave technology to transmit video programming to the rooftop antennas of subscribers. Wireless cable television has a maximum of 33 channels available for programming in a given area. Licenses for these 33 channels are awarded by the FCC, and as many as 12 different entities can be awarded licenses in each market. Each license can include either one or four channels. Several of these licenses are needed to establish an economically-viable wireless cable system.

The Buildout Scam

Through television infomercials, mail offerings, and "cold-call" telemarketing, unscrupulous wireless cable promoters are soliciting potential investors. They represent that they have the necessary FCC licenses and are selling shares in a partnership or other venture to develop a wireless cable system. In many cases, however, salespersons are misrepresenting the number of licenses they hold, the number of channels needed for a commercially-viable system, or the amount of investment capital required to fully develop a wireless cable system. In truth, it can cost hundreds of thousands of dollars to build even a small system with only four channels and limited programming choices. A larger, more economically-viable system that offered a greater selection of channels to subscribers could cost millions of dollars.

In one case, the Federal Trade Commission (FTC) alleged that telemarketers; sold partnership interests in wireless cable television systems for $7,500 to $20,000 each, promising returns on the investment of more than 35% per year. After a year, in fact, the investors, who had spent a total of $7 million on partnerhship interests, had not realized any return on their investments. Moreover, after their wireless cable system began operations, these investors were told that an additional investment was necessary to keep the system going.

Tips For Investors

Before investing in a wireless cable buildout partnership, you should find solid answers to the following questions:

* How many channels does the wireless cable company have the rights to use? This can be answered by checking with the FCC at 1919 M Street, NW, Washington, DC 20554; 202-634-1706. The company should have all licenses available for examination by potential investors.

* Are there enough households in the market to. make the system economically viable? If the population in the area is too low, or if there is competition from conventional cable, his could affect the number of potential wireless cable subscribers.

* Is the license area geographically-suited for wireless cable? Because the wireless cable microwave signal is a line-of-sight transmission, obstacles such as hills, foliage, and large buildings can interfere with it.

* How many partnership shares is the company selling? How much does each partnership share cost? This will tell you how much money is being raised. In many of these wireless cable offerings, the majority of the money goes to the company promoters, and not to capital investment.

* Does the company have the technical and business expertise to develop and manage the wireless cable system? Ask the company where it has developed other cable systems and follow-up by checking with the Better Business Bureaus in those areas or the Wireless Cable Association, 202-4527823. If you want to check if a buildout company has the necessary licenses, contact the FCC as listed above.

* Are there any complaints against the company or is it under investigation by any state or federal agency? The best places to check are with the Attorney General or the securities regulator of your state.

To Make a Complaint

If you have a complaint about a wireless cable investment promotion, write: Correspondence Branch, Federal Trade Commission, Washington, DC 20580. You also can contact the National Fraud Information Center (NFIC) at 1-800-876-7060 (9:00 a.m. - 5:30 p.m., EST, Monday - Friday). NFIC will forward all appropriate information to the FTC.

Facts for Consumers from the Federal Trade Commission, Credit Repair Scams

Produced in cooperation with the National Association of Attorneys General

Credit Problems? No Problem!

Erase Bad Credit! 100% Guaranteed!

Remove Bankruptcy and Liens from Your Credit File!

If you are looking for a way out of your credit problems, do not believe promises like these!

There is a brisk business among so-called "credit repair" companies that charge from $50 to more than $1,000 to "fix" your credit report. In many cases, these outfits take your money and do little or nothing to improve your credit report. Often, they just vanish.

There are no quick or easy cures for a poor credit history. If a credit repair company promises you it can clean up your credit report, remember the following:

Your credit history is maintained by private companies called credit bureaus that collect information reported to them by banks, mortgage companies, department stores, and other creditors.

These credit bureaus can legally report accurate negative credit information for seven years and bankruptcy information for ten years.

Accurate items that are within the seven (or ten) year reporting period cannot be erased from your credit record by companies advertising "credit repair" services.

If you have a poor credit history- even if your past problems were due to illness or unemployment- time is the only thing that will heal your credit report.

The only information in your credit report that can be changed are items that are actually wrong or beyond the seven (or ten) year reporting period.

If there are genuine mistakes or outdated items in your report, you can fix them yourself.

In fact, you can do anything a credit repair company can do-- for free or for only a few dollars.

What's in Your Credit Report?

If you are having trouble getting credit, try checking your credit report yourself. The credit report tells how you have managed your credit in the past. Companies examine your credit report before deciding whether to give you credit. When a company denies your request for credit because of your credit report, it must tell you so and identify the credit bureau that supplied the report.

Credit bureaus are required by law to share with you any information they have on file about you. You can find out what is in your credit report by taking the following steps:

Contact local credit bureaus. You can find them listed in the telephone Yellow Pages under "Credit Bureaus" or "Credit Reporting Agencies." Your local bank or retailer also may be able to identify them.

Ask for a copy of your credit report. There may be a fee of $5 to $20, but if you have been denied credit within the past 30 days, your credit report is free.

Most credit bureaus will mail you a copy of your report. Under the law, you also have the right to visit their offices to review your credit report in person.

How to Correct Mistakes in Your Credit Report

Review your credit report for any mistakes or information more than seven years old (ten years for bankruptcy). This information should be deleted. If you do not understand something, ask. The credit bureau is required by law to explain your report to you. If there are mistakes, you can take the following actions:

Notify the credit bureau of the problem and provide as much information as you can about what is wrong with the report. The bureau must, at no charge to you, reinvestigate the disputed information. It then must correct any mistake or delete any information it cannot verify. At your request, the bureau must send a corrected copy of your report to anyone who received the incorrect version within the past six months.

Sometimes, it also is helpful to contact the creditor directly to ensure that the creditor's records are correct.

If these steps do not resolve matters, you can file a written statement of up to 100 words with the credit bureau explaining your side of the story. This explanation will be included in your credit report.

Spotting Credit Repair Scams

If you are tempted to contact a credit repair company for help, use considerable caution. The Federal Trade Commission (FTC) and a number of state Attorneys General have sued credit repair companies for falsely promising to remove bad information from credit reports. Consider the following:

Contact your state Attorney General, local Better Business Bureau, and state or local consumer affairs agency to check out the credit repair company. See if complaints have been lodged or legal actions taken against the company.

Be alert if you are told that accurate information will be changed or erased or that only the credit repair company can remove old or inaccurate information. Such claims are false.

Be especially wary if you are asked for a large sum of money in advance, before the credit repair company completes the job it promises to do. Even a money-back guarantee will not protect you if the company is dishonest.

Other Credit-Related Scams

Consumers searching for an easy way out of their credit problems are susceptible to a wide range of credit-related scams in addition to credit repair fraud. Some of these include:

See:

Credit by Phone

"Gold" or "Platinum" Cards

Credit by Phone

Pay-per-call or "900-number" services have become a popular vehicle for phony credit schemes. Television or print ads promise that "guaranteed" credit or cash loans are only a phone call away. Instead, the caller might receive a list of banks offering low-interest credit cards or a booklet on how to establish credit. Such calls can cost $50 or more, but consumers rarely end up getting credit as a result.

Be aware that if you call "900" or "976" exchanges for information, you will be charged for the call, even if you decide you do not want what the company is promoting.

"Gold" or "Platinum" Cards

Beware of promotions for "gold" or "platinum" cards that promise to get you credit and build your credit rating even if your credit history is poor. Although they may sound like general purpose credit cards, some of these "gold" or "platinum" cards only permit you to buy merchandise from special catalogs and will not help you obtain credit from other sources.

You also may find that ad for these cards direct you to call "900" or "976" exchanges for more information. Remember that charges for these calls add up quickly.

Checking Accounts Scams

Another scam involves your checking account number. It typically begins with a postcard advertising easy credit approval or low credit card interest rates. When consumers call, they are asked for their checking account number, supposedly as part of a "verification process." This number can be magnetically encoded on a draft, which is forwarded to the consumer's bank. Sometimes banks pay out hundreds of dollars from the consumer's account, not realizing that the consumer never approved the withdrawal. For your protection, never give out your checking account number or credit card number unless you are certain that you are dealing with a reputable company.

If You are Victimized

Many states have passed laws regulating credit repair companies. This may help if you have lost money to credit repair scams. Even if your state has no such law, you still may have legal rights against the company. Plus, by reporting the incident, you can help ensure that others are not victimized.

If you have had a problem with a credit repair company, do not be embarrassed to report it or assume it is not worth your time. Contact your local consumer protection agency or your Attorney General's office in your state capital. Many Attorneys General have toll-free consumer hotlines. Check with your local directory assistance.

You also may write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. While the FTC does not handle individual cases, it can act when it sees a pattern of possible law violations develop.

Facts for Consumers from the Federal Trade Commission, Business Opportunity Scams: Vending Machines and Display Racks

Business Opportunity

Service a company-established vendingmachine/display rack route. Part-time. No experiencerequired. No selling. Earn $5,000+ per month.

You may find newspaper advertisements like this appealing, especially if you are looking for part-time employment to supplement your income. But be cautious. While some business opportunities servicing vending machines or display racks are legitimate, many are not and you may lose your investment.

The Federal Trade Commission (FTC) has been investigating complaints about vending machine and display rack business opportunity promoters. The FTC has charged some companies with misrepresenting the earnings potential; misrepresenting the ease and speed to which machines can be delivered, maintained, located, and repaired; providing phoney references; and failing to provide key pre-investment information required by the FTC's Trade Regulation Rule on Franchise and Business Opportunity Ventures.

This brochure explains how vending machine and display rack business opportunities work, what you should look for when considering such an investment, and how to avoid unscrupulous business opportunity promoters. The brochure also lists organizations to contact for assistance if you believe you have been defrauded.

What is a vending machine or display rack business opportunity?

A business opportunity may involve food vending machines, fax machines, amusement games, or racks with items for sale such as small toys, greeting cards, or cosmetics. The machines or racks may be placed in locations such as malls, airport terminals, bowling alleys, or other public facilities.

Your responsibilities typically involve cleaning and restocking the machines or racks, making sure the machines or racks are in good repair, and collecting money. You may earn a portion of the proceeds from the products or services sold to the public. Some promoters may claim you can earn a specific level of income, or may assure you a minimum income. They may claim that their income projections are averages based on existing distributors' incomes.

The promoters may promise to assist you in operating the business opportunity. For example, they may:

Provide vending machines or display racks already in established locations, or find locations for you;

Relocate the machines or racks to more profitable locations at your request; or

Provide repair services to fix damaged machines, or offer to replace damaged racks.

What problems should I be aware of when considering such a business opportunity?

Some consumers have experienced problems related to misrepresentation of earnings claims and support services. Consider the following complaints received by the FTC about some vending machine and display rack business opportunities.

After investing several thousand to tens of thousands of dollars in vending machines, display racks, and products for resale, some investors discovered that the promoters did not deliver the promised machines or display racks.

Some promoters did not provide support services as represented in their sales presentation. For example, the promoter may not have found promised locations for vending machines routes, or may have relocated the machines to different, but not more profitable locations.

In other cases, some promoters would not hire a repair service to fix broken machines or were unwilling to replace damaged racks. In these instances, investors had to pay out of pocket for repairs or for the purchase of new display racks.

Some investors found that they did not earn the promised level of income.

In some instances, promoters refused to honor requests for promised refunds.

When is a business opportunity a franchise?

If the following three conditions apply, a business opportunity is considered a "franchise."

If you will sell or distribute goods or services that are supplied either by the company or a designated supplier.

If the company will assist you by securing locations or sites for the vending machines or display racks.

If you are required to pay the company $500 or more at the time you sign the contract or within six months after beginning operations.If the company's business opportunity constitutes a franchise, as outlined above, the company must provide you with a copy of its Disclosure Document before you sign any agreement or invest any money. The Franchise Disclosure document, which is required by the FTC Franchise Rule, provides important information about a business. Pay special attention to the sections detailing:

the business experience of the company and its directors;

any lawsuits brought against the company or its directors by franchisees, and suits alleging fraud;

fees to be paid and the conditions under which any fees or deposits will be returned;

the total number of franchises, the names and addresses of franchisees in your area, and the number of franchises terminated or not renewed during the previous year;

the company's balance sheet for the most recent fiscal year and an income statement and statement of changes in financial position for the three most recent fiscal years; and

substantiation for any claims about your potential earnings or the earnings of existing investors.

This information may help you decide whether the company is likely to stand behind its promises. It also may help you determine the probability of your own success.

How can I protect myself?

You can take the following precautions to help protect yourself from fraudulent vending machine or display rack business opportunities:

Check out the company with the Attorney General, a consumer protection agency, and the Better Business Bureau in your state and where the business is headquartered. These organizations can tell you if they have any unresolved complaints about the company representing the business opportunity. Complaints may alert you to problems, but be aware that an absence of complaints does not necessarily mean the company is legitimate because unscrupulous companies may settle complaints, change their names, or move in order to avoid detection.

Try to verify claims made by the company and the company's references. To ensure that their representations are accurate, visit existing locations and the anticipated locations for your machines or racks. You may be able to determine from conversations with shop owners andmanagers whether the machines and racks are, or will be, successful. Ask them how many people come through their establishment daily and what they are interested in buying. Also ask other investors in your area about their experiences with the company.

Call the Secretary of State in the state where the company is headquartered to determine how long the company has been in business.

Ask the company to substantiate all earnings claims. Be aware that investors' incomes vary due to a host of factors, such as location, usage, products sold, and demand for the products. The fact that investors have earned a "high" income in one community or state is no guarantee that you will be able to do as well in your territory.

Remember that entering into a business opportunity may require a substantial investment. Therefore, you may wish to contact your attorney, accountant, or other business advisor before signing any agreement or making any upfront payments. Your attorney can review the company's contract and advise you on how best to proceed. If the company requires that you make a deposit, you may want to have your attorney establish an escrow account where the money will be maintained by a neutral third party.

Where can I complain and get more information?

If you believe you have been defrauded in a vending machine or display rack business opportunity, first contact the company and ask for your money back. Let the company know that you plan to notify officials about your experience. Keep a record of your conversations and correspondence. If you send documents to the company, make sure you send copies, NOT originals. Send correspondence by certified mail, return receipt requested. This will document what the company received. If you cannot resolve the dispute with the company, the organizations listed below may be able to assist you. Look in your phone book for the complete names, addresses, and phone numbers for those organizations where this information is not provided.

The Attorney General's (AG) office in your state and the state where the company is headquartered. The AG staff can tell you if you are protected by any state laws that regulate business opportunities.

The National Fraud Information Center (NFIC), a project of the National Consumer League, at 1-800-876-7060, 9a.m. - 5:30p.m. EST, Monday - Friday. NFIC is a private non-profit organization that operates a consumer assistance hotline to provide services and assistance in filing complaints. NFIC also sends appropriate information to the Federal Trade Commission/National Association of Attorneys General Fraud Database for investigation and enforcement use.

Your local consumer protection office.

Your local Better Business Bureau (BBB) and the BBB where the company is located.

Your local Postmaster. The U.S. Postal Service investigates fraudulent mail practices.

The advertising manager of the publication that ran the business opportunity ad.

The Federal Trade Commission. While the Commission cannot help resolve individual disputes, the agency can take action if there is evidence of a pattern of deceptive or unfair practices. Write to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580.

To learn more about the Commission's Franchise Rule, you may request a free copy of Franchise and Business Opportunities. Contact: Public Reference, Federal Trade Commission, Washington, D.C. 20580; (202) 326-2222. TDD call (202) 326-2502. You also may contact Publication Reference for a free copy of Best Sellers, a listing of all the FTC's consumer and business publications.

Facts for Consumer from the Federal Trade Commission, Land Sales Scams

Although buying land may seem like a safe investment, it sometimes can be highly speculative and risky. Many consumers have complained to the Federal Trade Commission (FTC) that land they bought more than 20 years ago still is not worth the original selling price. In all that time, they have had to pay property taxes and, in some cases, association dues on land that remains vacant and undeveloped. More important, there is little, if any, resale market for the land.

Unfortunately, land sales scams continue even today. In some instances, the FTC has found that sellers overprice land as much as 400 percent.

This brochure describes land sales scams and tells you how to avoid them. It explains what protection you have under the Interstate Land Sales Full Disclosure Act, which is administered by the Department of Housing and Urban Development (HUD), and offers tips on selecting a lot.

The Hard Sell

Be wary of sellers who offer land primarily as a great investment opportunity. They may show you slick brochures and videos that promise "nearby" beaches or lakes, and locations "convenient" to tourist attractions, shopping malls, schools, and hospitals. Some sellers spin a tale of paradise, show you model homes, and all but "guarantee" that the land's value will increase rapidly. Prices will rise, they may claim, because a large number of planned housing communities and businesses will be moving to the area soon. As an incentive to visit the land site and attend a sales presentation, sellers may offer special discounts on lodging, meals, golf, or airfare.

The Full Disclosure Act

To help protect consumers against land sales scams, the Interstate Land Sales Full Disclosure Act was passed in 1968. This Act generally applies to developers selling or leasing_through interstate commerce_100 or more unimproved lots. Under the Act, developers must register their subdivisions with HUD. They also must give consumers a summary of that registration in a disclosure statement called a Property Report before a contract or agreement is signed.

The Report contains information about the property, such as distances to nearby communities over paved or unpaved roads; present and proposed utility services and charges; and soil and foundation conditions which could cause construction or septic tank problems. Read the Report carefully; it is meant to provide basic information about the property. However, the Federal Government does not inspect lots or prepare or verify the contents of the Property Report, so you may wish to question some of the information.

HUD has two publications, "Buying Lots from Developers" and "Before Buying Land...Get the Facts," which discuss the Full Disclosure Act, the Property Report, and more. For free copies, write to HUD at the address on page 5. You also can write to HUD to find out if a seller is subject to the Full Disclosure Act.

The Shopping Process

Whether you are looking for an immediate home site or vacation/retirement land, know what you are buying before committing yourself to making a downpayment and years of monthly payments. Here is a checklist that may help you answer some important questions: how much is the property worth now; what could you resell it for in an emergency; and how much might the property appreciate over the next five to ten years?

Inspect the property. Do not buy "site unseen." If possible, talk to people who live in the development and ask if they are satisfied. Also ask the subdivision's owners' association about the status of development in the subdivision.

Talk to local real estate agents to learn more about area land values and the resale market. You also can scan the classified ads of local newspapers to compare prices of similar properties. To find out about property appraisals and sales prices of area lots, check with the tax assessment and county recorder offices. Visit the county planning office to learn about future residential and commercial developments that may affect land values.

Contact the appropriate state or local offices to find out who is required to develop and maintain roads and put in utilities for water, electricity, and sewerage, if the land is undeveloped. Ask if there are any zoning regulations or environmental land-use restrictions that prohibit building on the property or make it costly.

Contact HUD, your local or state consumer protection office, Chamber of Commerce, or Better Business Bureau to find out if they have any information about the developer or sales agent. They may be able to tell you the number and kind of complaints that have been filed.

Consider the annual cost of property taxes and any assessment fees that may be required by the owners' association. Keep in mind, these probably will rise.

Check the clerk's office at the local court house to learn of any civil actions that have been brought by or against the seller or developer.

Check with HUD to determine whether the property is registered. Carefully read the contract and any disclosure documents, such as the Property Report, before making a commitment. You also may want a financial advisor or an attorney to review the documents.

Cancellation Rights

Ask about your cancellation rights before you sign a contract. If the lot is subject to the Full Disclosure Act, the contract should specify a "cooling-off" period of 7 days (or longer if allowed by state law). During this time, you may cancel the contract for any reason by contacting the developer, preferably in writing. Also, if the contract does not state that you will receive a warranty deed within 180 days after signing the contract, you may have up to two years to cancel.

If the land is not covered by the Full Disclosure Act, check the cancellation clause in the contract. In some contracts, the buyer has only three days to cancel the transaction.

Along with your contract, keep copies of promotional materials you received at the sales presentation, as well as any newspaper articles about the development. These materials would be important should you try to cancel your contract because of misrepresentations made at the time of purchase.

A Special Alert For New Immigrants

New immigrants who have difficulty understanding English may be the target of another kind of deceptive land-sales tactic. The new immigrant is paired with a salesperson of the same nationality, and the sales pitch is delivered in the immigrant's native tongue. When it is time to close the deal, however, the sales documents are written in English, which the buyer may find difficult to read and understand. Also, the sales documents may not include all the salesperson's oral promises.

Under the Full Disclosure Act, the seller must provide the buyer with sales documents and a Property Report in the same language as the sales presentation, or attach a translation to the documents. Failure to do so could void the contract.

Complaint Handling

If certain amenities, such as a swimming pool or tennis courts, are not being built as promised, or you believe false representations were made about the land, complain immediately in writing to the seller. If that does not solve the problem, write to your local or state consumer protection office. If the developer is not fulfilling the terms of your sales contract, you may want to ask an attorney to advise you of your rights. To determine whether you have any rights under the Full Disclosure Act, send details about your complaint to the Department of Housing and Urban Development, Interstate Land Sales Registration Division, 451 - 7th Street, S.W., Washington, D.C. 20410. Include the name of the developer, name and location of the subdivision, and copies of the contract or any other documents you signed.

You also can file a complaint with the FTC. Write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. Although the FTC usually does not handle individual cases, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.