

# CIVIL LEGAL AID SUPPORTS FEDERAL EFFORTS TO HELP PROTECT CONSUMERS

## THE NEED

Each year, approximately 25 million adults are victims of consumer fraud. Victims include the poor, the elderly, and other vulnerable populations. In the worst cases, fraud can lead to homelessness and bankruptcy. The shame of being defrauded inhibits some victims from reporting scams and seeking help.

Fraud takes many different forms, and perpetrators use a variety of approaches. Although anyone may be susceptible to abusive practices, the most vulnerable among us are often the target of mortgage scams, Ponzi schemes, identity theft and predatory lending schemes. The Government Accountability Office (GAO) reports that financial exploitation of the elderly has reached epidemic proportions. Older adults are targeted for their retirement savings and accumulated home equity, and because they also are more likely to experience cognitive decline, they can be more susceptible to financial scams.

Identity theft also threatens consumers. Using someone else's personal information to fraudulently obtain goods or services was the number one complaint to the Federal Trade Commission's (FTC) Consumer Sentinel database, and the third most common credit card complaint made to the Consumer Financial Protection Bureau (CFPB). There are 16.6 million new victims annually, with devastating consequences, including tax problems, lowered credit ratings, lawsuits, and garnishment. Children are also victims. A study of 40,000 children found that about 10% had someone else using their Social Security Number.

## EXAMPLES OF THE FEDERAL RESPONSE

Following the financial crisis in 2008, as well as the increasing number of scams arising from constantly changing technologies, several federal agencies came together to combat fraudulent practices targeting Americans. In 2009, President Obama launched the Financial Fraud Task Force. With more than 20 federal agencies, 94 U.S. Attorneys' Offices and state and local partners, it represents the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to prevent fraud. The Task Force's [Stopfraud.gov](http://stopfraud.gov) website also allows victims to report fraud, and it provides education and prevention materials to consumers.

In 2010, CFPB was established to help consumer financial markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. CFPB's Office of Financial Empowerment focuses on low-income and other economically vulnerable consumers. The Office developed [Your Money, Your Goals](#) for legal aid organizations, a financial empowerment training and toolkit initiative to help legal aid staff identify clients' financial challenges and get them resources and tools to help them achieve their goals. CFPB also reaches consumers directly through interactive, user-friendly tools. For example, "Ask CFPB" is a tool that provides consumers with answers to common financial questions in plain language to help enable sound financial decisionmaking.

The FTC vigorously pursues frauds that target every community, such as mortgage foreclosure relief scams, job scams, offers of phony health insurance, imposters who claim to be part of government, and phantom debt collection to name a few. It also enforces federal laws to prevent abusive debt collection practices, and runs [Consumer.gov](http://Consumer.gov), which presents easy-to-use information through text, videos, presentations, and worksheets. FTC regularly partners with legal aid programs to help consumers. The FTC recently launched [IdentityTheft.gov](http://IdentityTheft.gov), a new resource that makes it easier for identity theft victims to report and recover from identity theft. Also available in Spanish at [Robodeidentidad.gov](http://Robodeidentidad.gov), the new website provides an interactive checklist, sample letters, and other resources.

At the Department of Justice, the Civil Division's Consumer Protection Branch protects the health, safety, and economic security of consumers. The Branch brings civil and criminal enforcement actions focusing on financial and health care fraud, tainted food, hazardous and unsafe consumer products, unfair and deceptive advertising practices, unfair consumer credit and debt collection practices, and other unlawful practices that target vulnerable consumer populations. The Branch also meets with consumer groups as part of its continuing efforts to prevent consumer fraud through education, outreach, and enforcement.





We know that **LEGAL AID ATTORNEYS** serve as **FIRST RESPONDERS** when it comes to **ENSURING FINANCIAL SECURITY** of American families.

-Richard Cordray, Director, Consumer Financial Protection Bureau

### Legal Aid Helps

- **Assert consumer rights** when businesses, lenders, or debt collectors have not followed the law.
- **Create awareness through outreach** by educating consumers about federal and state laws and how to spot and avoid abusive tactics.
- **Provide debt collection information** on their websites, linking to free legal hotlines for individuals to ask questions about their rights.
- **Prevent unnecessary foreclosure** or repossession by defending or asserting claims against brokers and lenders who violate laws, negotiating loan modifications to reduce debt and interest rates, and representing victims in civil proceedings.
- **Identify predatory loans** so that consumers can avoid improper or illegal lending terms and practices.
- **Correct harm caused by identity theft or credit reporting errors** by providing forms and letters to fix credit discrepancies and by aiding victims to report theft to the proper federal and local authorities.
- **Report complaints** about financial and other consumer harms to appropriate government entities.

### Standing up for Victims of Mortgage Fraud

A home repair contractor approached “Sadie,” an 85-year-old African American woman who has owned her home for forty years, promising to perform home improvements under a “free government program” for seniors. Sadie did not understand the papers she signed, and did not realize that the contractor had taken \$122,000 from a reverse mortgage on her home even before any work was done. He eventually remodeled two bathrooms, but the work was sloppy and defective. No other home improvements were performed. Legal Assistance Foundation of Chicago (LAF), a federally-funded Legal Services Corporation grantee, filed a lawsuit to void the loan and recover money damages from the contractor’s company, ultimately settling for \$110,000. LAF continues to represent other mostly elderly and minority victims of this reverse mortgage scheme.

### FTC-Legal Aid Collaboration Halts Deceptive Practices

While investigating mortgage loan modification companies, the FTC identified a company that appeared to target Spanish-speakers with fake mortgage assistance relief. To investigate further, the FTC needed to locate the targeted consumers. Because obtaining information from these consumers can prove difficult—some do not speak English fluently and may be reluctant to speak with federal law enforcement—the FTC contacted an attorney at Texas RioGrande Legal Aid who had filed complaints on behalf of her client, a consumer victimized by the company. The attorney helped the FTC obtain a sworn statement about how the company deceived consumers, which was critical to the FTC’s law enforcement action against the mortgage company. Ultimately, a court halted the company’s deceptive practices.

Third-party debt collectors (acting on behalf of or in the place of the original creditor) bring at least half of all small claims cases in Maine. The debt collectors – represented by counsel -- prevail because for a variety of reasons consumers do not appear in court on the hearing date. Over a three-year period, **Pine Tree Legal Assistance legal aid lawyers:**

- **represented 550 low-income consumers** (which collectively involved \$1.86 million in alleged debt)
- **won all but 2 of those cases by showing that the debt collectors did not have sufficient evidence to establish the debt under Maine law.**

