

NC CONSUMER PROTECTION

2012 NC LAMP CLE
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AFB

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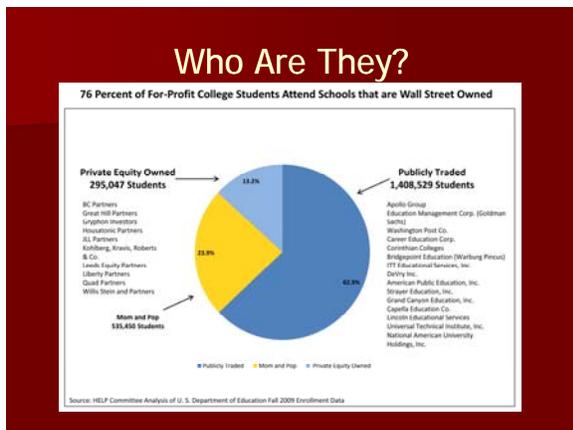
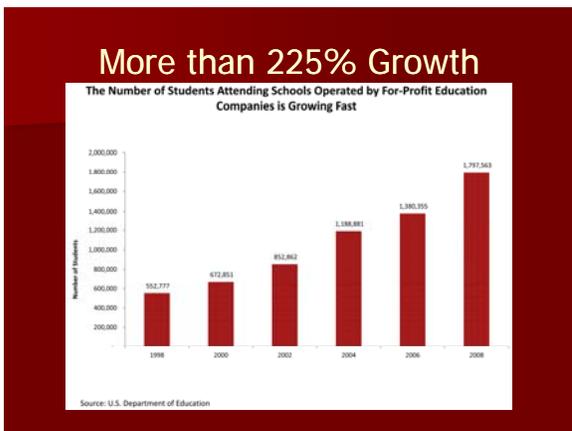
ROY COOPER
 ATTORNEY GENERAL

Hot Topics

- For-Profit Education
- Identity Theft
- Cars

For-Profit Colleges

Source: <http://www.harkin.senate.gov/help/forprofitcolleges.cfm>



Industry Facts

- \$30 Billion in Fed funds (2010).
- > 85% Revenues from Fed Student Aid.
- \$13 Billion in Recruiting and Marketing.
- Fraudulent, Deceptive, or Misleading Recruiting tactics (GAO).
- 95% of FP students Borrow Money (compared with 12% at community colleges).

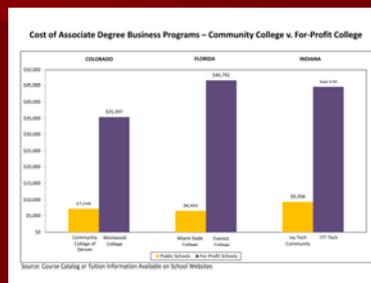
Targeting Military

- 90/10 Rule.
 - Title IV Funds.
- FPs Receive Largest Share of Military Educational Benefit Programs:
 - 37% of Post-9/11 GI Bill.
 - 50% of DoD Tuition Assistance.
- Aggressive Recruiting and Marketing.
 - Military Websites, Billboards, Career Fairs, etc.

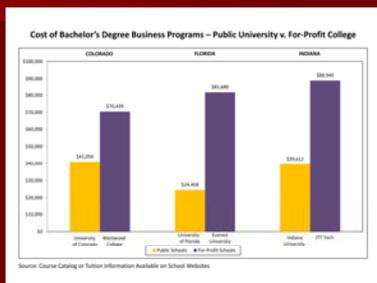
Top Ten Recipients of Post-9/11 G.I. Bill Benefits (2009-11)



Expensive



Expensive



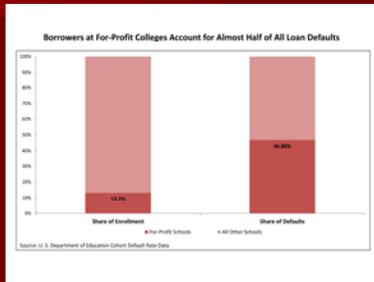
High Drop-out Rates

Ten Highest Withdrawal Rates for Associate Degree Students Enrolling in 2008-2009

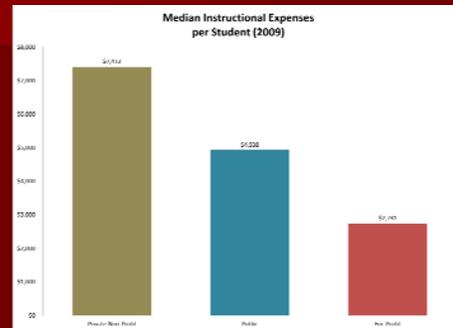
Company	Schools Operated	Withdrawn
Bridgepoint	Ashford University	84%
Lincoln	Lincoln Technical Institute, Euphoria Institute	70%
Wash. Post	Kaplan University, Kaplan College	69%
Corinthian	Everest College, Heald College, WyoTech	66%
Apollo	The University of Phoenix	66%
Keiser	Keiser University, Keiser College	65%
EDMC	The Art Institute, Argosy University, Brown Mackie College	64%
Rasmussen	Rasmussen College	63%
CEC	Sanford Brown, Le Cordon Bleu, Colorado Tech. University	62%
Alta	Westwood College	58%

• These 10 Companies enroll over 1 million students, almost half of all for-profit students.

High Default Rates



Better Product?



Reforms

- President Obama signed Executive Order for Military Families and Vets (April 2012):
 - Targets Aggressive and Deceptive Recruiting.
 - Creates Centralized Database (costs, student outcomes, financial aid, etc.).
 - Creates Centralized Complaint System (DoD, DoE, VA, CFPB).
- Congressional Legislation.
 - Changes to 90/10 Rule.
 - Attorneys General Letter (May 2012).

What to Do?

- Research.
 - What are you getting?
 - Reputation
 - Coursework
 - Job Placement
 - What are you giving?
 - Price (Default Rates)
 - Time (Drop-out Rates & Transferability)
- Compare.

Identity Theft

What is ID Theft?

Identity theft occurs when a thief uses personal information like your bank account or Social Security number to open a new account or get a new credit card in your name.

N.C. Gen. Stat. § 14-113.20

Some Scary Stats



- Nationwide, the number of victims reporting identity theft has tripled in the past few years.
- #1 complaint with FTC three (3) years in a row.
- 70% of victims have trouble removing false information from credit report.
- 60% feel unprotected by police.

Protect Your SSN



- Don't carry Social Security card in your wallet.
- Give your Social Security Number (SSN) only when absolutely necessary.
- Ask why a SSN is needed, who has access to it, and how it is kept confidential.
- Don't print your SSN or driver's license number on your checks.
- Shred old bank statements, insurance forms, credit applications, etc.

Military ID Cards



- DoD plans to remove Social Security numbers from military ID cards beginning in 2012.



Finances

- Limit the number of credit cards you carry.
- Watch billing cycles for missing bills and review monthly statements for odd charges.
- Contact creditors if a bill doesn't arrive when expected or has charges you don't recognize.
- Keep copies of credit cards (front and back) in a safe place in case a card is lost or stolen.
- Destroy receipts that show your entire credit card number. It's illegal for a business to print the full credit card number on an electronically generated customer's receipt.

Protect Your Mail



- Call 1 (888) 5-OPT-OUT to stop pre-approved credit card applications.
- Cut down on junk mail by sending a letter or postcard with your first and last name, home address and signature to Mail Preference Service, Direct Marketing Association, PO Box 643, Carmel, NY 10512. (www.dmaconsumers.org)
- Don't leave incoming mail sitting in an unlocked mailbox.

Online Safety



- Beware of e-mails that ask you to confirm your personal information or account number. This is called "phishing" and a scam to steal your personal information.
- Never send your SSN or financial account numbers by e-mail or to an unsecure website.
- Secure websites (https) often have a lock icon in the lower right-hand corner of the browser.
- Read privacy policies and inquire how your personal information will be used.

Passwords

- Don't carry your personal identification numbers (PINs) in your wallet or purse.
- Don't share PINs or passwords, even with close friends or relatives.
- Avoid using easily available information for your PINs or passwords.
- Secure your computer with virus protection and install firewalls.



TOO LATE!

- Check Credit Bureaus (Experian, Equifax, Transunion).
- Change account #'s (CCs, Bank, etc.).
- 90 Day Fraud Alert with Credit Bureaus.
- Security Freeze?
- Get Police Report to send to creditors.
- Call NC Attorney General 1-877-5NO-SCAM.
- Notify FTC 1-877-ID-THEFT.



A Security Freeze

- Once you've placed a security freeze on your credit, a creditor who asks to see your file will see a message that your file is frozen. The creditor will not see your credit score, and may treat your application as incomplete but not rejected.
- Government agencies collecting child support payments or taxes and your existing creditors or collection agencies acting on their behalf can continue to access your credit despite the freeze.
- You will still be able to get a free copy of your credit report annually from each credit bureau. Go to www.annualcreditreport.com or call 1-877-322-8228.

Other Forms of ID Theft

- Driver's License – call NC DMV 919-715-7000.
- Employment – call Social Security Administration 800-269-0271 and NC Employment Security Commission 919-733-5034.
- Criminal – contact the local District Attorney who represents the district where the crime occurred.
- Mail Fraud or Theft – contact the Postal Inspector.

CARS



Buy Here, Pay Here

- As Is Car Sales (Example: Company sold vehicle with a 53-point inspection checklist and assured buyer it was in "good condition." Vehicle was inoperable within two hours after purchase.).
- Failure to Disclose Damages to Vehicle and Misrepresentation of Condition (Example: Company gave 53 point checklist, car fax report, vehicle history report all showing no record of damage although vehicles had been salvaged.).

Buy Here, Pay Here (cont.)

- Limited Warranty.
- Aggressive Collection Practices.
- More willing to modify terms of loan if buyer becomes delinquent.

More Problems



- Company designs loans that are likely to fail.
- High Sales Price (Hidden Finance Fees) + Highest Interest Rate + No Credit Check = Repossessions.
- Generates enormous share of profits from down payment (Example: Company appeared to have 41% of profits from repossessions with 50% repossession rate.).
- Treats buyers like renters-to-own: Upon the sale of collateral subject to a security interest, "the secured party must account to the debtor for any surplus." *Shields vs. Bobby Murray Chevrolet, Inc.* 44 N. C. App. 427, 430; 261 S.E.2d 238 (1980).

More Problems (cont.)



- Repossession Fees (Example: Company charged \$400 for repossession fee.).
- Repetitive repossession of same vehicle (Example: Company repossessed and resold some vehicles seven times. Mileage issues??).
- Still makes enormous profit if buyer pays off the loan (Example: Company purchased vehicles for 21.09% less than the NADA trade-in price, sold for 121% of NADA retail price.).

Conditional Delivery

- When the buyer takes possession of the vehicle before financing is secured.
- Legal in North Carolina if: seller maintains insurance, dealer tags remain on vehicle, and buyer is not misled into believing that the deal is finalized until financing is secured.
- Practice abused to lock buyer into less favorable terms than original terms (Examples: Tells buyer the deal did not go through, down payment is nonrefundable, trade-in has been sold, and/or charge a rental fee for use of the vehicle if returned.).

Conditional Delivery (cont.)

- Dealer selling trade-in before deal is financed.
- Perpetrated by the seller maintaining the façade that he is not extending credit, only interested in the purchase price, and works diligently to secure financing from a third party lender.
- Applicable Federal Law:
 - Equal Credit Opportunity Act: If credit is rejected, the consumer must be informed in writing.
 - Fair Credit Reporting Act: Notice must be provided if application is rejected because of negative items in credit report.

Some Applicable NC Statutes

- N.C. Gen. Stat. § 75.1 – Unfair and Deceptive Trade Practices.
- N.C. Gen. Stat. § 20-71.4 – Failure to Disclose Prior Damage.
- N.C. Gen. Stat. §§ 20-343, 349 – Unlawful Change of Mileage.
- N.C. Gen. Stat. § 25A-15 – Finance Charge Rates for Credit Installment Sale Contracts.

Questions?

Thank You!

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