

NC CONSUMER PROTECTION

2012 NC LAMP CLE
Seymour Johnson
AFB

Presented by
Ward Zimmerman
 Assistant Attorney General

David Fox
 Consumer Protection Specialist
 NC Department of Justice



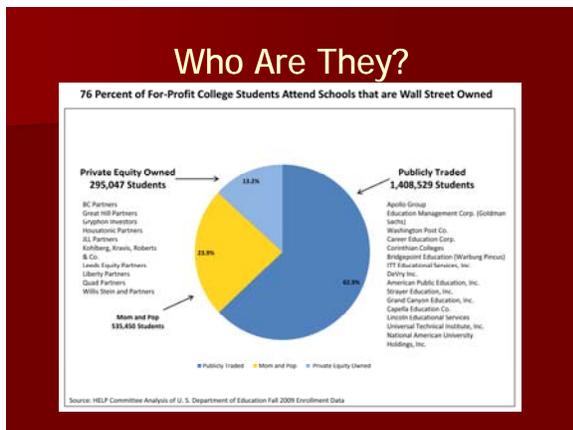
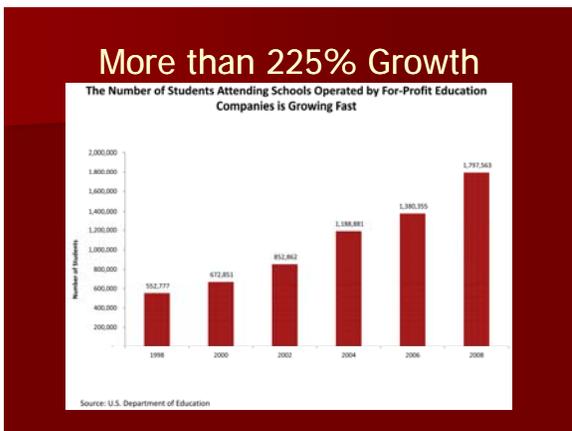
ROY COOPER
 ATTORNEY GENERAL

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).

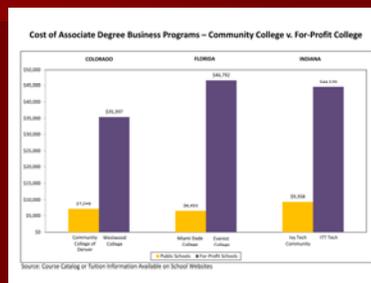
Targeting Military

- 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.

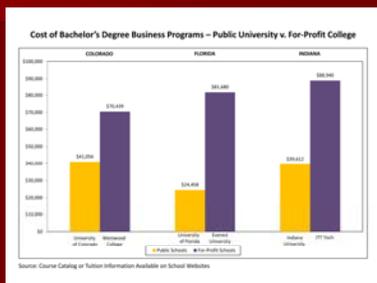
Top Ten Recipients of Post-9/11 G.I. Bill Benefits (2009-11)



Expensive



Expensive



High Drop-out Rates

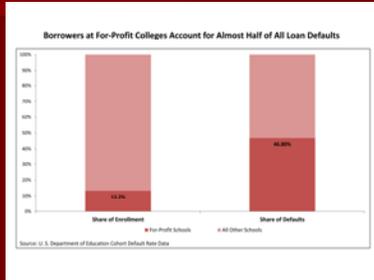
Ten Highest Withdrawal Rates for Associate Degree Students Enrolling in 2008-2009

Company	Schools Operated	Withdrawn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%

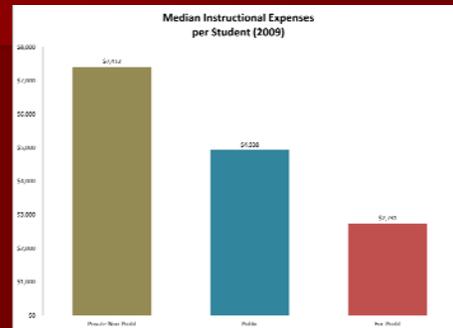
Source: HEDP Committee analysis of documents provided by 30 for-profit education companies during 2008-2009 as of September 30, 2010.

• 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!

North Carolina Department of Justice
Consumer Protection Division
Roy Cooper, Attorney General
9001 Mail Processing Center
Raleigh, NC 27699-9001
Tels. 919-716-6000, 1-877-566-7226