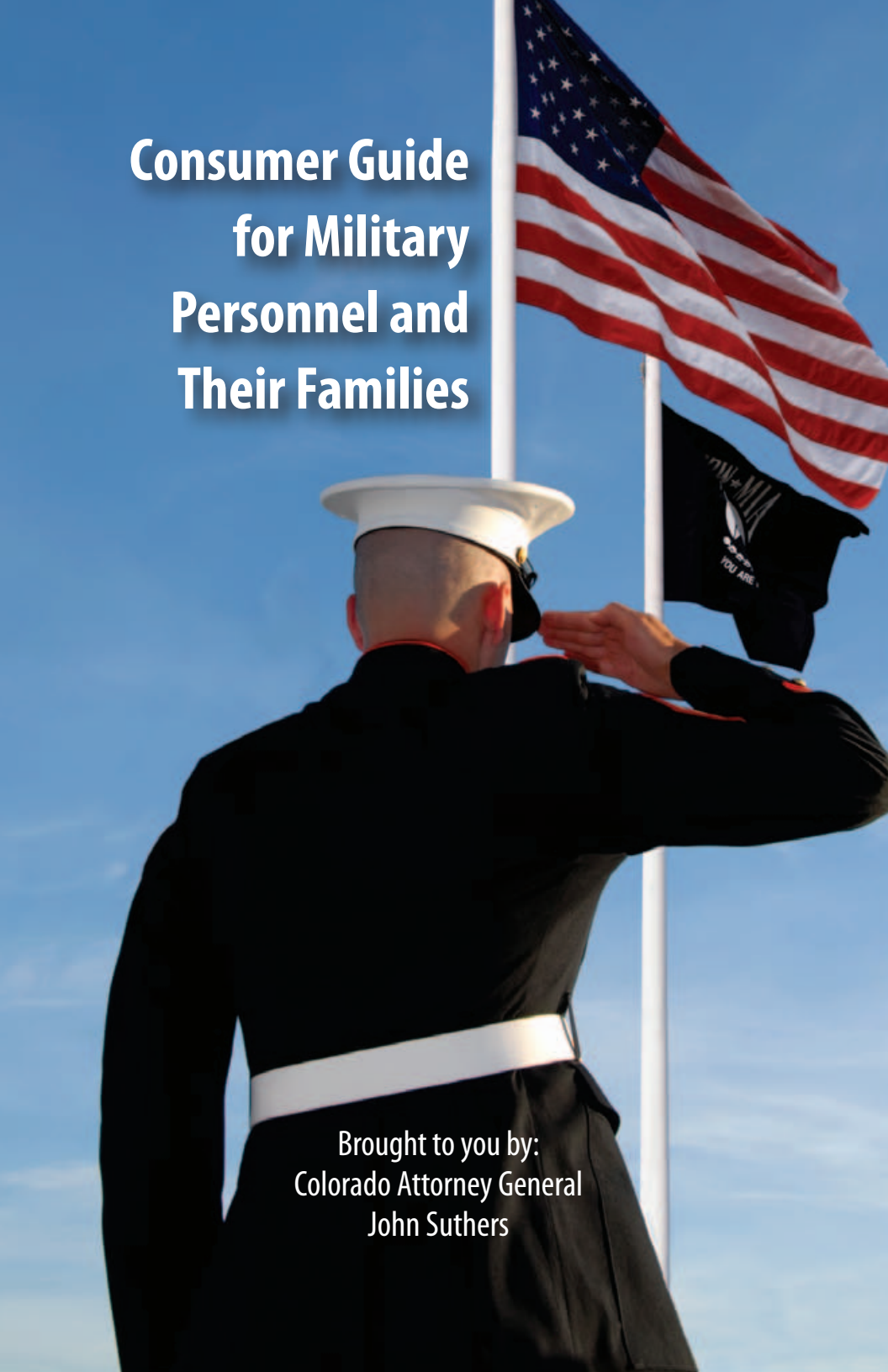
Consumer Guide for Military Personnel and Their Families



Brought to you by:
Colorado Attorney General
John Suthers

Message from Attorney General John Suthers

To Colorado's Military Families,

On behalf of the Colorado Attorney General's Office, I would like to thank you and your family for the sacrifices you make for our national security. It is an honor to have more than 400,000 veterans living in Colorado and more than 50,000 members of our nation's armed services who are either from Colorado or stationed in our great state.

In an effort to help you and your family avoid being victimized by consumer fraud, my office has prepared this pamphlet. As you know, service members living here in Colorado or while stationed across the nation and abroad face a number of demands on their time and resources. Unfortunately, scam artists find service members an attractive target, precisely because they are often busy protecting our county overseas or focused on their duties here at home.

From identity theft to phishing scams, consumer fraud takes many forms. This pamphlet is aimed at helping you and your family better prepare yourself to confront several types of fraud which service members encounter.

This pamphlet will help you learn to identify and counteract these common scams:

Predatory Lending	Debt Collectors
Foreclosure Fraud	Rental Scams
Education Fraud	Identity Theft

This pamphlet is based on comments my office has received from military service members and their families. I hope you will find this guide a helpful resource.

John W. Suthers

Protecting your Finances

Military personnel have become prime targets of scammers who are looking to take advantage of the regular paycheck military members receive for their service to our country. Being aware that you are a target and knowing the deceptive sales practices scammers use can help protect you and your family from fraud.

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The information contained within this booklet is for education purposes only and should not be substituted for the advice of an attorney.

Predatory Lending—High Interest Loans

Scammers attempt to take advantage of an individual's need for quick access to money for a variety of uses, such as unexpected housing costs, fast-cash payday loans, auto loans, credit cards, and financing for general household items.

Many of these loans are often combined with extremely high interest rates along with exorbitant fees and add-on costs, most of which are in direct violation of the Servicemembers Civil Relief Act, 50 USC App. § 501-596 (SCRA).

What to do:

- Know your rights—Familiarize yourself with your legal rights under state and federal law.
- Contact your branch of the military to see what financial assistance programs are available to you.
- Always work with known businesses, specifically those that cater to military families and personnel.
- Check out a business or charity with the local Better Business Bureau through the BBB Military Line at **www.military.bbb.org**.
- If you encounter a fraud, report it to the Colorado Attorney General at 1-800-222-4444 and the Consumer Financial Protection Bureau at 1-855-411-2372.

Know your rights

Active duty members are provided certain protections aimed at postponing or suspending certain obligations, in order to allow members to focus their full attention on their military duties, without a negative effect for themselves or their families. Much of these protections are provided through laws such as the Servicemembers Civil Relief Act (SCRA).

Mortgage and credit card protection

The SCRA limits the interest rate that may be charged on mortgages and credit cards held by a service member or joint spouse during a period of active duty service to a rate of no more than 6%.

Lenders must allow a limited grace period and may not foreclose on a property for failure to pay a mortgage debt while a member is on active duty without approval of the court.

Payday loans, tax refund loans, car title loans

Members are also provided a 36% annual interest rate cap, which includes most fees (excluding late and default charges) and insurance premiums, with no prepayment fees due to the Military Annual Percentage Rate (MAPR). This includes a ban on secured loans by using a personal check or bank account, vehicle title, or military allotments.

Need more information?

To learn more about your specific rights and how they may apply to your particular situation, you may wish to contact your nearest Armed Forces Legal Assistant Program or the Consumer Financial Protection Bureau, by calling 1-855-411-2372 or by visiting their web site at **http://www.consumerfinance.gov/servicemembers/**.

Debt Collectors/Payday Loan Collections

Scammers are putting a twist on a traditional debt collection scheme in an effort to extort money from soldiers. The scam begins with an urgent phone call to the soldier's home, informing the soldier or spouse that he or she is delinquent on an outstanding loan. These loans may include a payday loan, credit cards, auto loan, etc., in an effort to extort money.

In most cases, the thieves are attempting to collect a paid loan or an entirely non-existent loan by insisting money to be sent immediately through a money transmittal service similar to Western Union or MoneyGram. The unscrupulous scammers will use a range of tactics which may include threatening to go to the soldier's commanding officer and/or threatening court marital if the fraudulent debt is not settled.

What to do:

- Know your rights—You are required to pay "just" debts but don't be pressured into paying an uncertain debt.
- Verify who the caller is and what company they represent by asking for the caller's name, company's name and address, and a return telephone number.
- If the call pertains to a legitimate debt, hang up the phone and contact the company or person(s) you are working with, using contact information from your original contract and other associated paperwork from your lender.
- Always be wary of demands for payment through a money transmittal service, such as Western Union or MoneyGram.
- Within Colorado, verify licensing and disciplinary history by contacting the Colorado Attorney General's Office at 1-800-222-4444 or visiting our web site at **www.coloradoattorneygeneral.gov/cp**.
- If the claim for debt is false, report it to the Federal Trade Commission at **www.ftc.gov** and the Consumer Financial Protection Bureau by calling 1-855-411-2372 or visiting their web site at **http://www.consumerfinance.gov/servicemembers**.
- For additional assistance and resources, contact the Colorado Consumer Hotline at 1-800-222-4444 or visit us on the web at **www.coloradoattorneygeneral.gov**.

Foreclosure Rescue Firms

With the increased number of foreclosures in recent years, many consumers are being targeted with elaborate sales tactics which offer false promises of loan renegotiation to enable you to avoid foreclosure. Service members are targeted through unsolicited telephone calls and mailers from so-called foreclosure rescue firms and loan modification companies, making false promises of saving the consumer's home from foreclosure.

In most cases, stories of foreclosure prevention are fabricated by these firms in an attempt to acquire up-front service fees. Once the up-front fee is paid, the scammers take off with the money and are never heard from again, leaving the homeowner in worse financial condition and with a greater possibility of losing their home.

Red flags to look out for:

- Requests for an upfront fee in exchange for saving your home or helping you avoid foreclosure.
- Instructions from a company that you stop making your mortgage payments or funnel your payments through an outside company.
- Instructions to ignore mail or other communications from your lender.
- Requirements that you pay via cashier's check, wire transfer, or through a money transmittal service similar to Western Union or MoneyGram.
- Requests to buy your home for an unreasonable price.

What to do:

- Never stop making your monthly payments—Consumers who do could find themselves in foreclosure.
- Contact your Judge Advocate General (JAG) as certain federal rights are afforded to military personnel for their service to our country.
- Do not ignore communication from your lender. Most lenders have loan modification programs that can help you save your home. In some cases, all a borrower needs to do is call the lender and provide some current financial information.
- Military personnel with a V.A. backed mortgage should contact the V.A. directly by calling 1-800-827-1000 to be connected with regional assistance or access their web site at **http://www.va.gov**.
- Before retaining an outside company or firm in an attempt to modify your home loan, consumers are advised to obtain free help from the Colorado Foreclosure Hotline at 1-877-601-Hope (4673), or through the web at **www.coloradoforeclosurehotline.org**.
- If you need additional assistance, contact the Attorney General's Office by calling 1-800-222-4444, or you can file a formal complaint at **www.coloradoattorneygeneral.gov**.

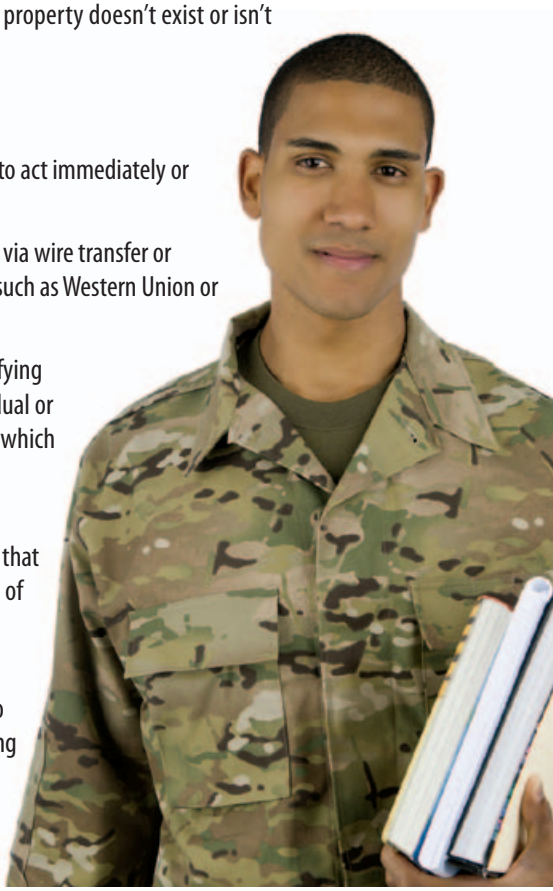
Keep in mind that in most cases it is illegal in Colorado for a loan modification or renegotiation company to charge an upfront fee or charge ongoing monthly service fees.

Rental Scams

Scammers often take advantage of the transient nature of the military and the constant relocation many soldiers and their families endure on a regular basis, particularly targeting personnel seeking off-base housing.

It begins when a scammer advertises a property for rent at a great price through free Internet sites such as Craigslist and other similar web sites. The advertisements appear to be legitimate, often containing what appears to be property details along with a variety of photos to entice victims.

Once the soldier shows interest in the property, the scammer pressures that soldier to send a deposit immediately. After the money is sent, the soldier never hears from the scammer again as the property doesn't exist or isn't really for rent.



What to do:

- Avoid any listing that requires you to act immediately or pressures you to act urgently.
- Be wary of sending deposit money via wire transfer or other money transmittal services, such as Western Union or MoneyGram.
- Never provide your personal identifying information to an unknown individual or entity, especially to those contacts which are made solely through email.
- Be wary of poorly written correspondence or advertisements that contain misspellings, improper use of language, or unusual formatting.
- Always use a reputable property management company or agency to locate legitimate housing by checking out the company with an agency such as the Better Business Bureau at **www.military.bbb.org**.

Education Fraud

The military offers financing opportunities for active and veteran military personnel to further their education. In many cases, service personnel may be required to advance their education for promotional opportunities and to advance their rank. Due to the ever changing environment military personnel encounter, on-line and for-profit educational institutions may offer added convenience and ease of obtaining an education. However, not all opportunities are the same.

Service members should be aware that a number of these for-profit academic institutions are seeking to leverage the guaranteed tuition reimbursements through the GI Bill and other federal financing options. Some of these institutions offer low-quality programs with extraordinary high costs and may provide deceptive information and/or data in an effort to entice service personnel and to garner the guaranteed federal funds. Examples of misleading information may occur in the following areas: high graduation rates, inflated job placement statistics, promises of regional accreditation, transferability of credits, and low costs.

What to do:

- Always be skeptical of unsolicited offers. If you didn't request the information, disregard it.
- Be wary of high-pressure sales tactics, guarantees of job placement, or a guaranteed refund if you do not become employed in your field of study within a certain amount time after graduation.
- Before submitting an application, verify if the college is state licensed and if any disciplinary action exists from the Colorado Commission on Higher Education.
- Ask the school for graduation and drop-out rates for the program you are seeking and get specific documentation to verify the claims—keeping in mind this data may be skewed.
- Do your own research—Search for the school's overall ranking within the program you are seeking, get the opinions of current/former students, and ensure you are fully informed prior to making any financial commitment for enrollment.
- If you encounter a fraud, report it to the Colorado Attorney General by calling the Colorado Consumer Hotline at 1-800-222-4444, or by filing an electronic report on our web site at **www.coloradoattorneygeneral.gov/complaint**.

Identity Theft

Identity theft occurs when someone fraudulently uses your personal identifying information to obtain credit, take out a loan, open accounts, create false identification, or any other activity in which a criminal uses your information in an unauthorized manner.

While military personnel are providing service to our country, thieves are diligently seeking ways to exploit a soldier's vulnerabilities and susceptibility to identity theft.

How do thieves get your information?

- Stealing your wallet
- False or misleading Internet sites
- Purchase of your personal information
- Computer hackers
- Diverting your mail
- Phony email or "pop-up" messages
- Burglarizing homes and businesses
- ATM skimming

What to do if you become a victim:

- Contact your bank and credit card issuers
- Notify the Social Security Administration
- Contact all creditors by phone and in writing
- Contact all credit reporting agencies
- Contact the Colorado Bureau of Investigation (CBI)
- File a report with your local law enforcement
- Notify your telephone and utility companies
- Notify the Post Office

Tips on preventing identity theft

- Never provide personal identifying information over the telephone, except to known sources.
- Never keep your Social Security number in your wallet.
- Never respond to email or "pop-up" messages on your computer, claiming you have won a prize or that there is an issue with your credit card, bank account, or other service.

- Always use a cross-cut shredder to properly dispose of personal identifying information.
- Password protect all credit card accounts.
- Control access to your credit history. If applicable, place a no-charge active duty alert on your credit report.
- Take all credit card receipts with you after paying for goods and services.
- Be careful of all incoming and outgoing mail.

Visit **www.coloradoattorneygeneral.gov/cp** for additional resources and to view our complete *Identity Theft Handbook*.

Fraud Prevention Tips

Military personnel are prime targets of criminals wanting to steal a piece of their financial livelihood. Knowing and understanding some of the deceptive tactics used can significantly reduce your chance of becoming a victim. Although each scam has its own twist, here are some general guidelines you can follow to reduce your chances of becoming victimized by the myriad of different scams in operation.

- Know your rights under the Servicemembers Civil Relief Act (SCRA). Interest rates and fee structures are capped along with additional financial protections for many active personnel.
- Do your homework before engaging in a business transaction—talk with your neighbors and friends, ask for referrals, do your own Internet research, and make sure to check out the business with an agency such as the Better Business Bureau at **www.military.bbb.org**.
- Do not take anything on its word and never sign blank documents. Get verbal promises in writing and read all documents carefully prior to offering up your signature.
- Check with the appropriate state agency as most lenders, creditors, and other businesses are required to be licensed within the state at **www.colorado.gov**.
- Always be cautious of any unsolicited offer or offers from high-pressure sales personnel. Be wary of any offer that sounds to good to be true.
- Don't assume a web site is credible—anyone can make an official looking web site designed to steal your money.

Resources

Service Specific Assistance
U.S. Army: **www.army.mil**
U.S. Marine Corps: **www.marines.mil**
U.S. Navy: **www.navy.mil**
U.S. Air Force: **www.airforce.com**
Coast Guard: **www.uscg.mil**

Better Business Bureau Military Line
www.military.bbb.org

Department of Veterans Affairs
www.va.gov
1-800-827-1000

Colorado Attorney General
www.coloradoattorneygeneral.gov
Consumer Hotline: 1-800-222-4444

Colorado Bureau of Investigation
www.cbi.state.co.us
1-855-443-3489

Colorado Department of Higher Education
http://highered.colorado.gov
303-866-2723

Consumer Financial Protection Bureau
www.consumerfinance.gov/servicemembers
1-855-411-2372

Federal Trade Commission
www.ftc.gov/sentinel/military

MilitaryOne Source
www.militaryonesource.com

United States Department of Defense
www.defense.gov

If you have been victimized by fraud or would like more information on how to report fraudulent activity, call the Colorado Consumer Hotline at:

Toll Free:	1-800-222-4444
Greater Denver Area:	303-222-4444
Outside of Colorado:	303-866-5189

Complaints may be filed through our web site at:
www.coloradoattorneygeneral.gov/complaint

Register to receive future electronic fraud advisories and the *Consumer Fraud Awareness Bulletin* at **www.coloradoattorneygeneral.gov/fraudawareness**.

ColoradoAttorneyGeneral **@COAttnyGeneral**

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