



Beware of Phony Collection Scams

From the Office of Minnesota Attorney General Lori Swanson

Americans are now more in debt than at any other time in history. In 2004, according to the Federal Reserve, American consumer debt topped \$2 trillion for the first time. The recent and dramatic increase in consumer debt has spawned hundreds of new credit-related scams. According to a recent survey by the Federal Trade Commission (FTC), three out of the top four categories of fraud were credit-related. The Attorney General warns Minnesota businesses and consumers to be on guard and vigilant against phony collection calls and notices.

How the Scam Works

Most phony collection scams occur through a combination of telephone calls and written mail. Typically, the unsuspecting consumer will receive a threatening call followed by a “legal” sounding letter claiming that he/she owes an outstanding debt. The scam artist usually threatens severe legal action if the “debt” is not paid immediately. The scam artist will offer a substantial “settlement discount” if the consumer pays immediately with a credit card or provides a bank routing number. The scam artist will also typically threaten that this “settlement discount” is a one-time offer and that failure to pay immediately will result in the consumer being responsible for the whole debt.

Do not give out your credit card or banking information to unknown callers!

Make sure the debt collector is legitimately collecting on behalf of your creditors. You should have the collector send written confirmation of the source of the debt before making any payment. Victims of phony collection frauds can be bilked out of thousands of dollars. Furthermore, it can be difficult to track down the scam artists, leaving victims little recourse or hope of recovering their money. Prevention is the best protection against such scams.

Red Flags

- ✓ The debt collector only contacts you over the phone and you never receive anything in writing.
- ✓ The debt collector refuses to give you the name of its agency or mailing address.
- ✓ The debt collector asks you for your credit card number or banking information.
- ✓ The collector and/or collection letter is vague and does not disclose to whom the debt is owed.

Fair Debt Collections Practices Act - Know your Rights

Knowledge and awareness are the best defenses against consumer fraud and unfair collection practices. The federal Fair Debt Collections Practices Act (FDCPA) establishes a standard procedure for debt collection and provides consumers with certain protections. Understanding your rights may help you avoid being the next victim.

Under the FDCPA:

- Within *five (5) days* after the debt collector’s initial contact, the collector must send you a statement of the total amount owed to the creditor. In that written correspondence, the collector must inform you what action you can take if you dispute owing the money.
- If you send a letter within *thirty (30) days* disputing that you owe the money, the debt collector cannot make further collection efforts until you receive proof of the debt. If you cannot obtain an address by which to

contact the collection agency in writing, you may be the target of a scam.

■ The debt collector cannot collect for any debt that cannot be verified. The FDCPA also restricts debt collectors from trying to collect any debt in dispute.

Check your Credit Report - You may be a victim of ID Theft!

Another way to verify the validity of the debt is to obtain a copy of your credit report. If you owe money, it may appear on your credit report. If the collection agency appears to check out but you have no recollection of the charge, you may be a victim of identity theft. By obtaining one or two pieces of personal information, such as your social security number or birth date, identity thieves can assume your financial identity, access your existing accounts, and obtain a wide range of services in your name.

Every year consumers can get a free credit report from each of the credit agencies — Equifax, TransUnion and Experian. The credit bureaus have created a centralized website, toll-free telephone number and mailing address for Minnesota consumers to order their reports. Annual reports may be requested the following way:

- 1) Logging on to: www.AnnualCreditReport.com
- 2) Calling: 1-877-322-8228
- 3) Writing: Annual Credit Report Request Service
P.O. Box 105281, Atlanta, GA., 30348-5281

Although consumers can only receive their credit reports for free once per year, consumers may still request additional reports by mail from the three credit bureaus. Consumers may contact the credit bureaus as follows:

Experian
P.O. Box 2104
Allen, TX 75013
1-888-397-3742
www.experian.com

Equifax
P.O. Box 105851
Atlanta, GA 30348
1-800-685-1111
www.credit.equifax.com

TransUnion
P.O. Box 1000
Chester, PA 19022
1-800-888-4213
www.transunion.com

If you are a victim, immediately contact the security or fraud divisions of all companies that maintain a credit or bank account for you. You should also closely monitor your monthly bills to ensure that you are not incurring any fraudulent charges. Although the harm to victims of identity theft can be significant and long-lasting, quick and assertive action can minimize the damage.

For more information concerning phony collections or identity theft, contact the Minnesota Attorney General's Office as follows:

Office of Minnesota Attorney General

Lori Swanson
1400 Bremer Tower
445 Minnesota Street
Saint Paul, MN 55101
(651) 296-3353
(800) 657-3787
www.ag.state.mn.us

