

Scams Target YOUR WALLET

BY STUART PHILLIPS

THANKS for your service – now give me your money. While most Americans truly appreciate the sacrifices made by those who serve in the Armed Forces, to many others, you represent a prime target for scams.

Why? One reason is that the military population has a large number of young adults with disposable income, often away from their families for the first time.

Additionally, you have a predictable pay date and job security — both of which make you, and your wallet, attractive. In today's operational environment, you are especially vulnerable, as deployments increase the financial stress, and make it much more difficult to challenge any abuses.

Foreclosure Avoidance

One of the areas ripest for abuse is foreclosure avoidance. According to the FBI, mortgage-related fraud has increased greatly over the last two years. With the increasing rate of defaults, it is likely that this will continue to be a growth industry.

Typically, the scam artist will review foreclosure notices in public records to identify potential victims. Then, they contact the homeowner, promising to help avoid foreclosure.

There are at least three ways the frauds take advantage of this situation. First, some scammers claim to have “connections” with mortgage lenders, and offer to use their special expertise to negotiate drastically reduced monthly payments. They charge up to \$5,000 upfront for “counseling,” which consists of making phone calls to the lender (calls you could easily make yourself). Often, once the payment is made, you never hear from the “rescuer” again.

A second method involves simply convincing the homeowner that they are obtaining a new loan that will solve all their problems. In this classic “bait and switch,” scam however, they are actually signing over ownership of their home. The scammer ends up with the house, and the homeowner ends up with nothing.

The third scheme is similar, as the scammer convinces the homeowner to sign over the house, this time by



promising to allow them to stay on as renters and to sell the house back to them once things are “fixed” and new financing is obtained. Unfortunately, since the “rent” payments never make it to the lender, each payment actually strips away whatever equity the homeowner accumulated in the house, and does nothing to stop the foreclosure. At the end of the day, no financing materializes, the home is foreclosed, the equity is gone, and the scammer vanishes with your money.

If you are facing foreclosure, there are a number of steps you can take to avoid these types of scams, and actually help yourself.

First, find a counseling agency that can help you through the situation. A reputable counseling agency will not charge up front. Your first step should be your Command Financial Advisor, Family Service Center, or unit Personal Financial Management Specialist.

Second, ignore posters, flyers, and handwritten notes offering miraculous results; there are no easy answers, and no “secrets” to avoiding foreclosure.



Third, do not trust anyone who advises you to break off contact with your lender. If you are facing foreclosure, you should be in constant contact with them to work out a possible solution, especially since most major lenders are participating in federal programs that require them to work with you to restructure or refinance your loan.

Fourth, never sign any document relating to your home without having your own attorney, or JAG, review it. There are no deadlines too pressing that you cannot take the time to have a professional look over the papers.

If you find yourself ensnared in one of these scams, contact an attorney immediately, as there may be ways to recover your money if you act quickly.

Identity Theft

The second area where scammers are most active is identity theft. The Federal Trade Commission (FTC) estimates that as many as 9 million Americans have their identities stolen each year. Identity theft happens when someone obtains some of your personal identifying information, such as your SSN, driver's license number, or date of birth, and uses them for their own gain.

The thief might rent an apartment, obtain a credit card, or open a bank account in your name. You may not find out about the theft until you review your credit report or a credit card statement and notice charges you didn't make — or until you're contacted by a debt collector.

How do they obtain their information? It can start with a lost or stolen wallet, pilfered mail, a data breach, a computer virus, phishing, a scam, or dumpster diving for documents with your information (this is especially vulnerable with military documents, where everything from orders to evaluations contains personal information).

A particularly unscrupulous version of phishing was found in when an identity-theft scam targeted families of deployed troops. A scammer would call a military spouse and claim to be a representative of the Red Cross, calling to notify her that her husband had been hurt in Iraq and was being medically evacuated to Germany. The caller then claimed that doctors could not start treatment until paperwork, including the husband's Social Security number and birthdate, was completed. In reality, this was nothing more than a callous attempt to obtain information for identity theft.

There are efforts to combat identity theft. For example, New York recently passed a law restricting when businesses and government agencies can request a SSN be given, and from putting it in a publicly-available record. Additionally, the FTC's "Disposal Rule" requires any business that uses your information to put "reasonable measures" in place to prevent unauthorized access, including shredding documents containing personal information.

However, the best protection is vigilance. Never give out personal information over the phone or Internet unless you initiated the contact and you know with whom you're dealing. Keep bank statements, Social Security cards, charge receipts, military orders, and ID cards in a safe place. Get a locking mailbox, and make sure to have your mail held if you're on vacation or deployed.

Additionally, if you are facing deployment, put an "active duty alert" on your credit report. This alert, which is effective for one year, requires creditors to take steps to verify your identity before granting credit in your name, and will go a long way toward frustrating identity thieves. To place it, call the toll-free number for one of the three major credit reporting agencies (TransUnion, Experian or Equifax); they are required to notify the other two.

If you detect identify theft, make sure to file a police report. This “Identity Theft Report” entitles you to certain legal rights when it is provided to the three major credit reporting agencies or to companies where the thief misused your information. For example, it can be used to permanently block fraudulent information, such as accounts or addresses, from appearing on your credit report. It will also make sure these items do not reappear on your credit reports. Identity Theft Reports can prevent a company from continuing to collect debts that result from identity theft, or selling them to others for collection. An Identity Theft Report is also needed to place an extended fraud alert on your credit report.

Credit Repair

Phony credit repair is a perennial scam, taking advantage of consumers who are often trying to recover from financial difficulty. Since lenders are tightening their lending standards in response to the mortgage meltdown, credit repair scams will likely increase.

These scams usually include promises that the credit repair organization can permanently remove even truthful negative information from your credit report; this is simply not true. No matter how many times truthful information is challenged, the law allows delinquencies, defaults, foreclosures, and lawsuits to remain for seven years, and bankruptcies to remain for 10 years from the date of filing. Even if it is removed temporarily in response to a dispute, it will be replaced as soon as the consumer-reporting agency verifies its accuracy. The only way to ease the sting of truthful negative information is with time, effort, and sound financial practices. You can obtain credit counseling for free — DoD Instruction 1342.27 requires all branches to provide financial planning and counseling, education and training.

You can obtain a free copy of your report once a year via <https://www.annualcreditreport.com>. Be sure to type in the Web address directly into your browser’s address bar (instead of clicking through another website’s link) to ensure your

information is protected. If you find errors, federal law gives you the right to have them corrected without charge. Keep in mind, that you will never receive an e-mail from this website. If you do receive an e-mail, it is bogus and should be deleted immediately.

Most scams can be avoided by remembering the old saying, “If it looks too good to be true, it probably is.” Nevertheless, if you are targeted, you

need to tackle it head on. Contact JAG. For companies that show a pattern of taking advantage of service members, regulations authorize placing them “off limits” through a local Armed Forces Disciplinary Control Board (AFDCB). Additionally, enter your complaint in “Military Sentinel,” a special database for scams impacting the military at www.consumer.gov/military. Above all, act quickly to protect your rights. 