

>> Claudia Bourne Farrell: Good morning. Welcome. Thank you for coming. I'm Claudia Bourne Farrell in the Office of Public Affairs. Would you please turn your phones and PDAs off? I know there was quacking in the White House the other day. This is a quack-free zone here. [ Laughter ] You'll be hearing this morning from David Vladeck, the director of the FTC's Bureau of Consumer Protection; from Tony West, the assistant attorney general at the Justice Department; from Roy Cooper, the attorney general of North Carolina; and from Beverly Steward, a consumer guest. After brief opening remarks, we'll take questions, first, from reporters in the room and then from reporters on the phone. We only take questions from reporters at press conferences. If you' be good enough to identify yourself and your media organization before you ask your question, that would be good. This is David Vladeck.

>> David Vladeck: Thank you, Claudia, and good morning. Rising unemployment, shrinking credit, record-setting foreclosures, and disappearing retirement accounts are causing consumers tremendous anxiety about making ends meet. But to con artists, today's challenging economic environment presents an opportunity to exploit consumer's fears and bilk them out of money. Thousands of people have been swindled out of millions of dollars by scammers who are exploiting the economic downturn. Their scams promise jobs, access to free government grant money, or the chance to make a living by working at home. But these promises deliver nothing. They raise people's hopes, and then they drive them deeper into a hole. And that's why the FTC, the states, the Department of Justice are aggressively trying to stop them. Today, the FTC, along with the Department of Justice in 14 states, are announcing Operation Short Change, a massive, coordinated crackdown on scams that rip off financially strapped consumers, involving more than 100 cases nationwide. You'll hear from several law-enforcement officials, as well as from Miss Beverly Steward, who responded to a job ad in "The Washington Post" that turned out to be a come-on for a job scam. I'm pleased to be here today with Tony West, assistant attorney general for the Civil Division. The collaboration between the Federal Trade Commission and the Department of Justice underscores the federal government's abiding commitment to consumer protection. More than that, many of the people that we prosecute civilly are subsequently prosecuted criminally and sent to

prison by the Department of Justice, and we're grateful for Tony for joining us today. I'm also pleased to be joined by North Carolina's state attorney general, Roy Cooper. General Cooper, you personify the commitment to consumer protection in state capitals across the nation. You are the FTC's go-to partner on a range of consumer-protection issues, and we're delighted that you've come here today, as well. The FTC today is announcing 15 cases. These cases target scams using infomercials, robocalls, classified ads, websites, shopping-club memberships, and so forth, to deceive consumers. But it was the scammers who made the big bucks. They did it by extracting money from consumers in a variety of ways, and I'd like to give you a few examples of some of the allegations that we've made in the complaints in Operation Short Change. Grants For You Now seized on the economic-stimulus legislation as the basis for its business model. It promised, for a hefty fee, to help consumers get free government grant money to pay personal expenses. It lied, plain and simple. I assure you there is no free grant money -- government grant money -- to pay down personal debts or to remodel homes. Mutual Consolidated Savings added insult to injury by using invasive robocalls, which are themselves illegal, to offer phony lifelines to people hoping to reduce their debt by negotiating lower interest rates with their creditors. Job Safety USA -- and we'll hear more about this scam from Miss Steward -- promised job hunters maintenance and cleaning jobs, but it was the defendants who took the consumer to the cleaners, tricking them into paying about \$100 for a credential that would entitle them to a job. But there were no jobs. The credential was just a scam. In John Beck Mentoring of America, deceptively market real estate and Internet money-making schemes and high-priced worthless consulting and mentoring arrangements. Hundreds -- Literally, hundreds of thousands of people bought the John Beck Free & Clear Real Estate System and related scams, paying a staggering \$300 million for these worthless programs. Other defendants in cases we're announcing today allegedly defrauded people trying to earn money while working from home or engaged in other business opportunities; tricked people into disclosing their financial information, resulting in months of unauthorized charges; stole money from online consumers through unauthorized charges and debits for supposed membership services; and maybe worst of all, ripped off homeowners at risk of foreclosure. We are seeking a permanent halt to each of these operations, as well as the return of the ill-gotten gains to the people who were fleeced out of their money. At the FTC, tough enforcement is what we're all about, but we'd rather that no one falls prey to schemes like this in the first place. So we're hoping to hear from -- We're hoping that

the people who hear about these cases will pause to think about how to spot a scam. To that end, we produced a video that features a former telemarketer of fraudulent business opportunities explaining exactly how he got people to part from the money. Here's a brief preview. The entire video will be played at the end of this conference.

>> Male Speaker: It may come as no surprise that when the economy is in decline, fraud is on the rise.

>> Jim Vitale: You have people who have been successful for the last 10 years, so they got a little something put away. Now, you know, they took their expense account, they cut their overtime, so now they're looking to increase their earning potential. Business opportunities can boom in a recession and in a downturn of the economy.

>> Eileen Harrington: Nobody in business is going to give you your money back if your business fails.

>> Jim Vitale: You never saw me in your life. You saw a commercial on TV, you got on the phone with me, you spoke to me for 10 seconds. I gave you some names to call and I gave you some things to look up, and you called me back three days later and you wrote me a check for \$50,000. Does that sound a little screwed up?

>> Eileen Harrington: People want to believe that there is some opportunity that they can invest in that will guarantee that they will have financial success. There is no such thing. There just is no sure deal -- none.

>> Jim Vitale: The best advice I could give to anybody who's looking to purchase a business opportunity or purchase any investment over the phone is fast "nos" and slow "yeses." Period and the end -- fast "nos" and slow "yeses."

>> David Vladeck: It's worth noting that Mr. Vitale, through the good offices of the Justice

Department, spent 37 months in jail for his part in telemarketing scams. The entire video will be shown later on. You can also see it at [FTC.gov/money matters](http://FTC.gov/money matters) or at our YouTube site, [YouTube.com/FTCvideo](http://YouTube.com/FTCvideo). We encourage you, particularly the law-enforcement or news organizations, to link this video to your own site. And by the way, the [ftc.gov/moneymatters](http://ftc.gov/moneymatters) site has a slew of practical tips about how to recognize a variety of frauds related to the economic downturn and how to report them to the Federal Trade Commission. Federal and state law enforcers are on the front lines of the battle against fraud, lowering the boom on criminals who are trying to take advantage of people in distress. So the next time you see an ad promising to teach the secret of making money, getting a job, or weathering the economy, think about it. Why would someone share a secret with a perfect stranger when they could spend their time making their money themselves? Now I am pleased to introduce Tony West, assistant attorney general for the Civil Division at the Department of Justice. Tony? Thank you.

>> Tony West: Good morning. Thank you, Director Vladeck, for inviting me to be here. The FTC and the American people are fortunate for your leadership. It's also a pleasure to be here with the attorney general from North Carolina and with Miss Steward. It's a pleasure to be here to talk about this collaboration between the Department of Justice and the FTC. You know, we've all heard about these opportunities which are just too good to be true -- the "work at home and make more money" scheme or the "free government grant money" ploy. Unfortunately, many opportunities, especially in these very difficult economic times, are just that -- too good to be true. Now, these schemes have cost American consumers millions of dollars, and justice must be served to those who are partaking in these fraudulent activities. As assistant attorney general for the Civil Division at the Department of Justice, I oversee a division called the Office of Consumer Litigation, which has both criminal and civil jurisdiction. That office has worked hand in hand with the FTC for many years to obtain consumer redress, civil penalties, and federal court orders that require compliance with the FTC Act and the FTC's Business Opportunity Rule. Now, the cases that bureau director Vladeck has already previewed for you and that you'll hear more about today demonstrate that when law enforcement works together, when we work at all levels -- state and federal, criminal and civil -- the American people can be protected and justice can be brought to those who would seek to defraud the American public. Now, we've learned that fraud, like the economic downturn, doesn't

discriminate. These schemes target men and women alike, urban and rural communities, people of all backgrounds. The cases announced today involve felony indictments against 20 individuals, felony guilty pleas from a dozen individuals -- a dozen defendants -- and the sentencing of eight defendants who received a total of 279 months' imprisonment. That's is more than 23 years. Together, these defendants sold business opportunities with at least 18 different company names. They are the latest in a string of prosecutions begun in 2005 that have, together, resulted in felony charges against 109 individuals and have already led to 96 convictions. In Miami, we prosecuted a case that involved a connection with two strings of business-opportunity rip-offs based in Costa Rica -- schemes that victimized over 550 people, who lost a total of over \$13 million. In Tampa, just last month, a grand jury indicted an individual for criminal contempt of an order that we obtained against him in 2003, banning him from being involved in selling business opportunities again. Those two indictments are examples of the coordinated effort that the Department of Justice, working with the FTC and with U.S. attorneys' offices around the country, can have and the focus that we can have when we focus on these types of fraudulent schemes and fraudulent efforts. I think the message from the FTC, the message from our states' attorney generals, the message from the Department of Justice is clear -- that if you operate an illegal business-opportunity scheme, we will stop you when we can, we will punish you if you break the law and seek to take advantage of the American public. I also want to mention, as a former federal prosecutor who did a lot of work with the U.S. Postal Inspection Service, as well as with the FBI, I want to acknowledge the hard work and great efforts that they've played in these cases that we're talking about today and without whom the success of these efforts would not be possible. Thank you for being here today.

>> David Vladeck: I'd like to now introduce Roy Cooper, the attorney general of the state of North Carolina.

>> Roy Cooper: David and Tony, thank you for this important federal and state partnership that has a mission to protect consumers, not only in North Carolina but across the country. People are losing their jobs, their retirement savings, and even their homes. For a con artist, a bad economy is like a gold rush. Families in desperate need of cash often let their guard down -- a gold mine for scammers. We're here today because we're cracking down on these con artists who get rich off of

other people's misery. These scammers promise to get you a job, help you start a business, fix your credit, lift you out of debt, show you how to get a government stimulus grant, launch a new career. The list goes on. Of course, to do these things, they want you to pay cash up front. Con artists are clever and convincing, as Beverly will tell you in just a minute. As the economy has soured, we've heard from more consumers in North Carolina who have been the victim of these scams.

Complaints to my office are up 27% compared to a year ago, and many other state attorneys general can tell you the same thing. In the past few months, my office has taken action against 19 companies that used the bad economy to swindle North Carolina consumers out of their hard-earned money. For example, we had a concert promoter who promised jobs to people in struggling counties, but he wanted chosen applicants to pay him an up-front fee first. The jobs have yet to materialize, and we are investigating. Another company promised people that they could earn a large income by starting an online business. They just had to pay a few thousand dollars for this special software. After our case, the court ordered refunds that we are now enforcing. We've won court orders stopping property-investment schemes that left dozens of unsuspecting consumers with loans that they couldn't afford and property worth far less than what they paid for it. We've seen companies promise to negotiate reduction in people's debts and fix their credit. But all they did was take people's money and do little, if anything, to help them. We've gotten court orders to stop them, as well. State attorneys general across the country are fighting crime and fraud while protecting consumers, and we are pleased to see Washington's growing appreciation for the role of states in fighting fraud. And I think that we've had to tell the FTC or the U.S. Department of Justice we've worked very well with them. But both the lending and securities fraud that contributed to the current financial meltdown of the kind -- is the kind of fraud that we've worked against and the kind of fraud that we're fighting today. Just this week, the United States Supreme Court ruled, in *Cuomo v. Clearing House*, that states can enforce their laws against unfair and irresponsible lending practices of national banks and their affiliates. The OCC, unfortunately, has been fighting attorneys general for years as we try to root out unfair lending practices. Now, hopefully, the OCC will work with us to protect consumers just like the FTC and the U.S. Department of Justice is doing now. In addition, the president has just proposed a new consumer financial-protection agency which will fully recognize state authority to protect its consumers. We look forward to coordinating our efforts with this new agency, as well. There is no question that right now we need all hands on deck

to fight fraud and protect consumers. Washington is waking up to the reality that you can't take 50 cops off the beat and still expect to catch all the bad guys. With state and federal agencies cooperating like we're doing today, we can be more effective in fighting the crooks. We're going to continue to work with the Federal Trade Commission and the United States Department of Justice to fight these scams that often reach across our borders into other states. We also believe that bringing these scams to light -- and I'm glad that Beverly is going to be here to talk about this -- it can help educate people to protect themselves. If I could give everybody one good piece of advice today, it would be, "Don't pay any money up front to someone who claims that they can cure your financial problems." Number-one rule, "Don't pay up front." There are many nonprofit businesses that help counsel people, help negotiate loan modifications, help people set up a financial plan and get out of debt without an up-front fee. And we and other state attorney generals' offices across the country can help steer you in the right direction. It's important to contact your state attorney general for important information about dealing with financial woes and dealing with the right people to help you. We're delighted to be a part of this Operation Short Change, and we look forward to continued coordination and collaboration. Thank you, David.

>> David Vladeck: We'll hear next from Miss Beverly Steward, and I would very much like to thank her for her courage to come here today and tell us her story. Thank you.

>> Beverly Steward: Thank you. Good morning, everyone. My name is Beverly Steward. I'm a single mother of two. One of my children is a brain-cancer survivor. I wanted a job, so I saw an ad in "The Washington Post" on January 20th. And I was desperate, and the company's name was Sparkle Industries and Associates, and it was for a cleaning position. I was really excited, so I went online. And I called the number, and they instructed me to call another number to get a certified registered number for Job Safety USA, handling hazmat materials. And I called the number, and the response was to call another number, which was a triple 800 number. A woman answered. She said to go online, to download my certification, and that's what I did. And also she told me to give her my bank-account number and to send them \$89, and then they would send me a certified form that would allow me to handle these materials. And I did just that. And after printing this information, I realized that I had been taken. I was upset, I was angry, and I wanted to do something about this.

So I called them back, and I complained. And what I was told was that, "We have a backlog of people with getting jobs. We'll get to you as soon as we can." I knew right then and there that they had gotten me. Even though it was \$89, it was all that I had, and I was desperate. The certification was supposed to last for five years. The company gave me a P.O.-box address. The website looked great. Anybody would have fallen for it. Once I realized it was a scam, I called my local police department. They said they couldn't help me, and that was the financial-crimes division. So I called the Better Business Bureau, and I didn't get any help there. So I thought to myself, "Why not call 'The Washington Post'? Why not ask them to stop running the ad?" Well, I was told in so many words, "We can't help you." You know, "We have no -- We can't control the ads, you know. They're paying for the ads, we print them. That's it. Sorry." So, at that point, I was determined that I was going to stop these people. Even though you got me for \$89, I wasn't going to let you get anybody else for \$89. So what I did was I called the Better Business Bureau, I called the FBI, I called Consumer Fraud, the U.S. District Attorney's office, and to no avail. So then I decided that - - I got some information, and I called the Federal Trade Commission, and that's when the help began. And I am really pleased and happy that things are working out with stopping these people. I don't want anybody else -- and I mean, nobody in this world -- to be taken, not even for 5 cents. Thank you. [ Applause ] [ Inaudible ]

>> David Vladeck: Gentlemen, you want to join me, and maybe we can take some questions from the press? I would just say that, unfortunately, Beverly was not alone. Thousands of people fell victim to the same scam. And because of the courage of Beverly and others like her, we were able to identify the company that was behind all of this, and they're one of the cases that we've brought to stop exactly the kind of practices that took advantage of Beverly. Questions from reporters?

>> Female Speaker: Hi. I'm the reporter from CBS News. A lot of these schemes seem like variations on the types of fraud that have been taking place for years. Is there a way to definitively say that fraud like this is up during this economic downturn?

>> David Vladeck: Well, I think our statistics would suggest that fraud is up during this economic downturn. And some of the cases that we've brought are directly related, are scams based on the

stimulus package. These are people essentially trying to trick consumers into believing that there's free government money out there to help people get out of debt, to keep their homes, and so we are seeing those scams. I wonder whether Roy would want to comment on that. In North Carolina, I think the statistics are up.

>> Roy Cooper: Yeah, ours are up 27%, and we can directly relate it to these kinds of scams because people are more desperate. You hear more about the debt-adjustment scams, the fix-your-credit scams, the "we'll stop foreclosure" scams. We're going to be working on that together pretty soon, as well. So it's pretty clear that, in the down economy, that when people are struggling, that the scam artists crawl out from under rocks and they see this as a great opportunity for them to get people when their guard is down.

>> David Vladeck: Tony, do you...

>> Tony West: I think the only thing I would add is that it is across the board. The way we know it's related is because we're getting more cases referred to us, not only from the FTC but we're seeing it in other agencies that deal with stimulus funds, particularly related to the economy. I think one of the areas that we see an explosion -- I won't say an explosion, but we're seeing a rising tide of fraud activity -- is in the mortgage-fraud area. I was out in California, in the eastern district, just about three or four weeks ago, and it's one of the high-priority items that they are dealing with, are individuals who are taking advantage of folks who believe that there's money available because of special programs -- people who will offer to modify loans for consumers but will only leave them with no meaningful service and will leave them really holding the bag. And so we're seeing it at the Department of Justice in terms of how many more cases are coming through.

>> David Vladeck: Other questions? Yes?

>> Female Speaker: I'm from Cox Broadcasting. General Cooper, I wanted to ask you and Mr. West if you have anything. We've got local news stations that we cover. One of them is in Charlotte. I wanted to see if there were any cases of this -- of any of these scams -- in the Charlotte

area and, Mr. West, if there's any in Orlando. [ Inaudible ]

>> Roy Cooper: Yeah, we've shut down a number of these scams in Charlotte. One tool that we have in North Carolina that some states don't have -- and I know the FTC wants to try to expand -- is a tool that prohibits up-front fees for any help with adjusting debts or stopping foreclosure. This has prevented us from having to go in and determine what kind of work these companies are doing, because oftentimes they will send a letter to creditors and then really just let it lay, and they really don't do anything, although they've collected a lot of money from the consumer to try to reduce their debt. So in North Carolina, all we have to prove is that they said they were going to try to reduce debt or stop foreclosure and they took money up front, and we have our case. Because we've seen such widespread fraud, that way we're able to come in and get quick injunctions against these companies, we're able to stop them from doing it again in North Carolina, we're able to get refunds. And we would encourage other states to look at that law and encourage the Feds to try to expand that authority, because we think it's a very useful tool in getting these scams stopped quickly, because most all of the time, if they want money up front, then they're up to no good. And there are plenty of nonprofits and governmental entities who are out there available to help counsel people with loan modifications, with trying to set up a financial plan to deal with their credit-card debt. There's plenty of help out there for people that doesn't cost them money up front and they don't get scammed.

>> David Vladeck: Tony, did you want to...

>> Tony West: I'm not aware of anything that we have filed in Orlando at this point. But I also don't want to speak for the U.S. attorney out there, because I know that folks are working hard on this, so...

>> David Vladeck: Yes?

>> Devin Dwyer: Mr. Vladeck, Devin Dwyer with ABC News. Miss Steward just told us that it took her a long time to get to the FTC. She went to the police department, all these different places,

and was rebuffed, essentially. It seems like most of your investigations are based on tips from consumers and tips from victims. I mean, what are you doing to reach out to potential victims, and what do victims need to know to make it to the FTC?

>> David Vladeck: Okay, well, it's easy for them to find us. [www.FTC.gov](http://www.FTC.gov). Or we have 1-877-FTC-HELP. We have extensive outreach that we are trying to -- I mean, let me take a step back. We depend heavily, like any other law-enforcement agency, on consumer complaints. We are trying to encourage the states to give us their complaint data so our database is comprehensive. Many of the cases that we've announced today were generated by consumer complaints. So if I had one plea to make today it was for consumers who fall prey to these scams -- and you're not alone. Hundreds of thousands of Americans have. Let us know. [FTC.gov](http://FTC.gov), 1-877-FTC-HELP. That's the best thing that they can do. If it hadn't been for the courage of people like Miss Steward, USA Jobs might still be out there scamming people, cheating people out of 100 bucks, dangling the false promise of a job in this tight economy. So we depend on consumer complaints. We urge people to have the courage to step forward, to help us protect other Americans.

>> Devin Dwyer: Just to follow on that.

>> David Vladeck: Sure.

>> Devin Dwyer: Do you think there's a -- Based on her story, do you think there's a problem of perception getting to the FTC? I mean --

>> David Vladeck: Well, and we're working -- Yes?

>> Devin Dwyer: Do you see that as an issue?

>> David Vladeck: Well, we're working every day to make the path easier. We -- The attorney general and I visited this morning about how we can deepen our collaborations. One of the things that the FTC is going to redouble its efforts in is to try to strengthen our ties to state and local law-

enforcement agencies so we can clear the path for people who have been victimized by these scams, to get redress quickly and more efficiently. Thank you. Other questions? You want to...

>> Claudia Bourne Farrell: Do we have questions on the phone? Operator?

>> Male Speaker: At this time, I would like to remind everyone, in order to ask a question, press star, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Cathy Jett from "The Free Lance-Star." Your line is open.

>> Cathy Jett: Hi. My name is Cathy Jett. I'm a business reporter with "The Free Lance-Star" in Fredericksburg, Virginia. And I was interested in finding out if Virginia is involved in this effort. You said that there were 14 states with attorney generals who are involved. Is Virginia one of them?

>> David Vladeck: Virginia is not one of the states participating in this particular sweep, no.

>> Cathy Jett: Okay. Thank you.

>> Male Speaker: Your next question comes from the line of Susan Tompor from the "Detroit Free Press." Your line is open.

>> Susan Tompor: Thank you. A similar question. Are you noticing any increase of scams in Michigan? And is Michigan part of -- the Michigan attorney general part of this effort?

>> David Vladeck: The Michigan attorney general is not part of this effort. And we do not -- One of the problems the FTC faces is we get complaints nationwide, but the states are not currently plugged in to our Sentinel network in the sense that we don't get their data. One of the things that I will be pressing state attorney generals to do is to share their complaint data directly with the Federal Trade Commission so we can have a comprehensive, nationwide database on all consumer

complaints. And this is a priority for the Federal Trade Commission.

>> Susan Tompor: Can I ask one more question?

>> David Vladeck: Sure.

>> Susan Tompor: What is your advice to consumers who do go through this? I mean, what is the wrong thing to do? You know, what mistakes do they make after, you know, they have been ripped off?

>> David Vladeck: Well, I think the key mistake most people make is they're ashamed of it, and they don't come forward and they don't report it. That's why I'm so grateful for Miss Steward for appearing here today in front of a large audience here in your office. But there may be 100 more people in this press conference. There are bright lights, and Miss Steward, nonetheless, had the courage to come up and explain to us how she fell victim to this scam. I think that the key thing for Americans to understand is they're not alone. More than 100,000 people fell prey to the John Beck Mentoring of America scam. There are lots of people out there who have been scammed. These are very sophisticated con artists who know what they're doing, and so I think that the one thing that I would implore people to do is don't be ashamed. Get angry like Miss Steward did. Find us so we can prevent other people from falling prey to the same scam artists. Roy?

>> Roy Cooper: Another thing that happens in all kinds of scams is that, once you get taken, your name is gold to scam artists. They tend to trade names with each other, so you are much more susceptible to a follow-up scam. Sometimes it would be, "We've heard you've been scammed. We can help you out. It will cost you 'X.'" And that happens more frequently than you can imagine. So the other thing is just remember, if you've fallen for a scam, to be extra careful to learn about what's happening out there so that you can protect yourself.

>> David Vladeck: Tony, did want to...

>> Tony West: No.

>> Male Speaker: Your next question comes from the line of Jon Gelbard from Conservation Value. Your line is open.

>> Jon Gelbard: Thank you. Dr. Jon Gelbard here from Conservation Value. My question for the FTC and the attorney generals is, our research shows that there are several legitimate companies that operate in some of these spaces that have been targeted and plagued by spammers. And what's happening from your organizations to help protect the legitimate businesses that operate in real estate, loan modification, debt consolidation, business opportunities?

>> David Vladeck: If that was a question, I'm sorry, I may not have heard it all. But, yes, we recognize that there are organizations that do provide useful services for people in debt or people at risk of losing their home, and we applaud their efforts. Those are not the people who are the target of these sweeps. We conduct very careful investigations and make sure that the businesses we target are businesses in name only. They're simply scams that are run for one purpose, which is to drain the consumer's wallet, not to provide a valuable service.

>> Tony West: I think the only thing I would add to what David has said, which is absolutely right, is we know that there are legitimate businesses out there. And, in fact, these schemes hurt them because it makes it more difficult for them, when they're trying to do the right thing, to deal with the fact that many people are getting painted with a broad brush in the public's mind. And so, you know, not only is it important for those of us in law enforcement to make sure that we're careful in our investigations -- and we are -- it's important for those legitimate businesses who know about these schemes -- and many of them actually have quite good information -- to help us in this effort. And so we welcome legitimate businesses who are knowledgeable about their particular area but also have information that they can share that can help us. We welcome their cooperation in this.

>> David Vladeck: Roy, did you want to...

>> Jon Gelbard: Excellent. Thank you for that follow-up.

>> David Vladeck: Thank you.

>> Male Speaker: Your next question comes from the line of Kevin Thompson of "Next Generation Law." Your line is open.

>> Kevin Thompson: This question is for Mr. Vladeck. I've heard about -- You guys have referenced work-from-home schemes, but I haven't heard any reference to the network-marketing industry. And my question is, do you guys have any plans to get involved in that industry right now, where the sponsorship rates are skyrocketing? And I understand there's good companies and there's bad companies. And in your bad companies, the average victim loses about \$6,000. So what are your intentions there?

>> David Vladeck: I trust you're talking about the pyramid schemes or multi-marketing schemes. Is that what your question is directed to?

>> Kevin Thompson: Yes, sir.

>> David Vladeck: Yes, well, I'm not going to talk about ongoing investigations, but we are looking for scammers writ large. We're not excluding any kind of scams. Our principle goal in these tough economic times is to target scammers who are preying on those people who are suffering as a result of the economic downturn. And I assure you we are being thorough and we are not -- you know, we're not passing on any kind of scam that presents a risk to the American people.

>> Kevin Thompson: Okay. Thank you.

>> David Vladeck: Thank you.

>> Male Speaker: Your next question comes from the line of Cathy Jett from "The Free Lance-

Star." Your line is open.

>> Cathy Jett: Hi. I have two questions. One, I wanted to know how to spell Beverly Steward's name. And the second one, I'm doing something about scams involving companies that say that they'll help you get government jobs. And I was wondering if you could tell me a little bit about how big a problem that is and what you're doing about it.

>> David Vladeck: Well, let me give you the answer to the first question, which is easy. Miss Steward's last name is spelled S-T-E-W-A-R-D, I believe. Is that correct? Yes. And your second question -- I'm sorry -- related to scams with respect to promoting government jobs?

>> Cathy Jett: Finding -- Getting help with finding a government job. There's a company in particular is selling people a \$1,000 packet that helps them, supposedly, pass a civil-service test and do their résumé so that they get -- and pretty much guarantees that you would get a government job.

>> David Vladeck: I have not heard of that particular scam, and, in fact, I would urge you to send me whatever information you have. [ Laughter ] And our Division of Marketing Practices would like to take a look at it. There are so many job-related scams. We do sweeps all the time to find them. I can't tell you for sure whether we've looked at this one or not, but we'd be grateful for any information you have on it. You know, these scams are -- You know, there are a lot of them, and some of them appear overnight. And any help you can give us in identifying scams like that which are plainly not legitimate. Yeah, and have them call the press office with any information you have. We'd be very grateful for your help.

>> Cathy Jett: Okay. Actually, I had called, and that's how I found out about this conference today.

>> David Vladeck: Well, we'll tell -- Please call our press office, and we'll pin this down for you. Thank you so much.

>> Cathy Jett: All right. Thank you.

>> Male Speaker: Your next question comes from the line of Cecilia Assam from BNA, Inc. Your line is open.

>> Cecilia Assam: Hello. I was wanting to ask about state A.G.s and which ones are involved in law-enforcement initiatives. You've already said that Michigan and Virginia are not involved in this particular effort. Could you please identify which state A.G.s are involved? I don't think they're listed in the press release.

>> David Vladeck: They are listed on our website. And rather than rattle them off here, I just urge you to go to the press part of the FTC.gov website. There's a chart of all of them, as well as the cases that were brought by the FTC and by the states and by the Department of Justice. So all of that information is available online. Thank you.

>> Cecilia Assam: Okay, great. Thank you very much.

>> Male Speaker: Again, if you would like to ask a question, press star, then the number 1 on your telephone keypad. There are no further questions at this time. I turn the call back over to you.

>> Claudia Bourne Farrell: Are there any for questions here? Okay. Well, thank you.

>> David Vladeck: Thank you so much. [ Applause ]

>> Jim Vitale: I think the catalyst is money. In my best month, I made \$50,000.

>> Male Speaker: In 2005, Jim Vitale was convicted for his role in a business-opportunity scam.

>> Jim Vitale: There was ridiculous money being made. Kicked out \$20 million in eight months.

>> Male Speaker: He sold the American dream -- the dream of being your own boss.

>> Jim Vitale: It's basically learning how to listen and manipulate people. Once you understand the dynamics of what you're trying to do, which is separate them from their money, that's it.

>> Eileen Harrington: Business-opportunity fraud occurs when someone tells you they will give you what you need to successfully operate a profitable business and when they do that in a way that guarantees and ensures your success.

>> Male Speaker: Every year, thousands of people lose millions of their hard-earned dollars to con artists selling fraudulent business opportunities.

>> Eileen Harrington: The telltale signs of business-opportunity fraud are, "You can earn a lot of money, I will show you how to do it, and you can count on being successful."

>> Male Speaker: It all starts with an ad full of promises.

>> Jim Vitale: Things like, "Stay at home, no real legwork required, turnkey business opportunity" - things that get people's attention. And then they call in.

>> Male Speaker: Sometimes the voices behind these claims are celebrities.

>> Adam West: Hi, folks. I'm Adam West. Oh, I wish I had one of these in the old cave. It's called EZ Link.

>> Bob Eubanks: And every feature could earn money for you.

>> Ernest Borgnine: For a piece of tomorrow, call now.

>> Eileen Harrington: When somebody responds to one of their advertisements, there's a very careful process to lure them in.

>> Jim Vitale: "Hey, how are you, Jim? First thing I want you to do is grab a pen. I want you to write my name down." Now I have control. You're -- I'm already telling you what to do. I give you my name, my phone number, I tell you a little bit about myself. And then I set an appointment and I also give you references.

>> Male Speaker: Craig D'Angelo is from Upstate New York. A TV ad said he could get in on the ground floor of a new, high-tech revolution by owning and operating Internet kiosks.

>> Craig D'Angelo: My main goal for getting into buying the machines wasn't so that I could have a business and retire and get rich. I was just looking for something to supplement things and really kind of make it easier for my wife and kids. I was a police officer at the time, and I was very cynical. Dealt with people who got scammed before. [ Siren wailing ] So, you know, I was really looking for the warning signs.

>> Male Speaker: It sounded simple and lucrative -- a plan that couldn't miss.

>> Craig D'Angelo: You got to remember, this is before Wi-Fi and before, you know, Twitter and all that and before these BlackBerrys could do everything. So it was really awesome to have a terminal that you could walk up and throw a buck or two in and check your e-mail, get money out of, or pay a bill.

>> Male Speaker: He called the Better Business Bureau. There were no complaints against the EZ Link company. Then, he sat down with his wife and father to discuss the investment.

>> Craig D'Angelo: I bought two machines. I ended up paying like \$12,500 apiece for them -- \$25,000. It was a lot of money. And I didn't have that money laying around. I took a second mortgage on my house to do this.

>> Eileen Harrington: If somebody has figured out a foolproof way to earn a lot of money, why are

they possibly going to tell you how to do that, rather than just doing it for themselves all over the place? So be very skeptical.

>> Craig D'Angelo: The warning sign came right when it was kind of too late, and I think the jerk's name was Vitale. He said, "Thanks a lot, Craig. We're going to make a lot of money together." And I said, "Oh, man, I think I'm in for a ride."

>> Eileen Harrington: The first thing that anybody interested in investing should do is ask for the written disclosure document. It should list all of the people who have purchased the business opportunity. If there are any earnings representations being made, there's a separate earnings-claim document. If they won't give you that, just don't go near it.

>> Male Speaker: Like Craig, Debra Eaton thought she'd found a solid business opportunity.

>> Debra Eaton: I've got right here a cashier's check for \$8,500 that I mailed to them.

>> Male Speaker: The company, AmeriP.O.S., repeatedly called Debra over six months.

>> Debra Eaton: He had given me like four people to call to give me references that have been in the business for the last two years.

>> Jim Vitale: Let's be honest. You don't know me from a hole in the wall. You called a 1-800 number on the TV. "And I don't want you to take my word for it. Let me put you in touch with some distributors -- people just like you."

>> Debra Eaton: One of the girls was in Kansas City, so we called her up. And she said that she sent her son through college with just the money she made off the machine.

>> Male Speaker: Debra and her husband hoped to retire on the income they would receive from five prepaid-phone-card machines.

>> Debra Eaton: These three were installed in different stores and never made a penny.

>> Eileen Harrington: What they usually do is give you just a few references, and those references invariably are in cahoots with the fraudsters. [ Telephone rings ]

>> Female Speaker: You have three of those EZ Link machines?

>> Male Speaker: Yes, I do.

>> Female Speaker: How's it going?

>> Male Speaker: [ Chuckles ] Going fine. I start out with one, and I bought another two about three, four months later.

>> Female Speaker: Can I ask you, um, how soon you recouped your money?

>> Male Speaker: Sure. Uh, the first machine, in about 10 months.

>> Female Speaker: Wow, so you're doing pretty well.

>> Male Speaker: Yeah.

>> Eileen Harrington: Even if it's the kind of business that doesn't require a storefront, you need to go and visit them physically. You need to see what the setup is, go to their homes, ask to see a list of their accounts.

>> Debra Eaton: "Oh, you'll get it back in three months, but I'm going to say six just to be on the safe side." "Three months?! Wow! Are you sure?" "Oh, yeah, I've had people do it a lot sooner than that, even." "This is great!" No, it wasn't great. It was a nightmare.

>> Jim Vitale: If you're talking to somebody who is asking questions in reference to the legitimacy of the business, at that point, you do a slap takeaway. "You know what, Jim, let's stop now, because I have a whole full day of appointments with people who are looking to get into this business, who want to make money, not people who are gonna pick apart my disclosures line by line. Okay, with all due respect, listen, there's plenty of things out there. Take your time, shop around. You want to give me a call back in a couple months, if I have something available, I'll be willing to put you in it. But right now, I need to focus on somebody who's serious."

>> Eileen Harrington: When they tell you, "You need to hurry up and make your decision, because there are other people who are also interested in buying this opportunity in your area and there are only a certain number of opportunities," back off. That is a sure sign of fraud.

>> Male Speaker: And it may come as no surprise that when the economy is in decline, fraud is on the rise.

>> Jim Vitale: You have people who have been successful for the last 10 years, so they got a little something put away. Now, you know, they took their expense account, they cut their overtime, so now they're looking to increase their earning potential. Business opportunities can boom in a recession and in a downturn of the economy.

>> Craig D'Angelo: You know that show "Get Smart," where he walks down the hallway and these doors open up? All right? And he goes through a door, a door shuts behind you? It's like that. It was like this process they had you going through, you know, you walk through a door, then -- Bang! -- the door shuts behind you. You're not going back. They knew exactly what they were doing, and they were very, very good at it. And by the time you get to that little phone booth at the end and you dial that number to make the purchase -- Whoop! -- down the chute you go. [ Laughs ] And your money's gone.

>> Eileen Harrington: Nobody in business is going to give you your money back if your business

fails.

>> Jim Vitale: You never saw me in your life. You saw a commercial on TV, you got on the phone with me, you spoke to me for 10 seconds. I gave you some names to call and I gave you some things to look up, and you called me back three days later and you wrote me a check for \$50,000. Does that sound a little screwed up?

>> Eileen Harrington: People want to believe that there is some opportunity that they can invest in that will guarantee that they will have financial success. There is no such thing. There just is no sure deal -- none.

>> Jim Vitale: The best advice I could give to anybody who's looking to purchase a business opportunity or purchase any investment over the phone is fast "nos" and slow "yeses." Period and the end -- fast "nos" and slow "yeses."

>> Male Speaker: If you're considering buying a business opportunity, get a written copy of the disclosure document. It includes information about the company, a list of previous purchasers, and information about lawsuits the company has faced from buyers. Get information in writing about earnings claims. This should include the number and percentage of recent buyers who earned at least as much as the company claims. Interview previous buyers of the business opportunity in person. The FTC requires business-opportunity sellers to give potential buyers the names, addresses, and phone numbers of at least 10 previous purchasers. Resist the urge to buy a business over the phone. Promoters of fraudulent businesses are likely to tell you, "There are a limited number of opportunities, and this is the time to get in on a great deal." Finally, if you suspect that a business opportunity is fraudulent, report it to the Federal Trade Commission. Go to [FTC.gov](http://FTC.gov) or call 1-877-FTC-HELP.

>> Debra Eaton: They're nice machines. [ Laughs ] Anybody out there want one? [ Laughs ] I'll give it to you for free. [ Laughs ]