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Written statement
before the

Committee on Banking, Housing,
and Urban Affairs
United States Senate

on

“Shopping Smart and Avoiding Holiday
Scams: Financial Literacy During the
Holiday Season”

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Witness: Nancy Smith, Chairman
Consumer and Livable Communities Committee
AARP National Policy Council

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Chairman Dodd, Ranking Member Shelby, and members of the Committee, I am Nancy Smith, Chair of the AARP National Policy Council's Consumer & Livable Communities Committee. Thank you for inviting AARP to offer tips on how to shop smart and avoid scams during this busy holiday season.

Fraud, scams and deceptive practices are crimes that rob their victims of assets, self-esteem and economic security. The impact of such crimes on older persons can be particularly devastating, both emotionally and financially. AARP engages in consumer education and outreach year-round to help older consumers protect themselves against such activity – but such awareness is most important at this time of year. Criminals often see older people as easy marks for charitable giving scams, and target them based on a perception that they are more vulnerable as well as more generous donors.

SMART GIVING

AARP cautions consumers that it is good to give but it is just as important to give wisely. Our state offices (in 50 states, Puerto Rico, the Virgin Islands and the District of Columbia) work in alliance with state officials and non-profit groups to prepare consumers to recognize and resist fraudulent charitable appeals. For example, our AARP Washington State office has joined Washington state officials to launch “Operation Check Before You Give.” This outreach effort helps consumers protect themselves by educating them on how to give to organizations they trust and learning how their donations will be spent *before* they reach for their checkbook.

AARP advises its members that “smart giving” takes just a few extra steps to ensure that one’s holiday donation goes to the worthy cause intended. Among these steps are the following:

- Ask for and review written financial information before making a donation.

- Call your state Attorney General or Secretary of State to see if the charity is registered. In some states, charities must file financial disclosures.
- Pay with a check — not cash — made out to the charity, not the fundraiser.
- Contribute directly to the charity, not the fundraiser.
- Keep written records of your donations and pledges. Check your records if someone says you made a pledge you don't recall.
- Know the difference between "tax deductible" and "tax exempt." Donations to tax-exempt organizations are not necessarily tax deductible for you. If your donation is tax deductible, get a receipt.
- Don't give your credit card number or any personal information over the phone or in response to an email.

IDENTITY THEFT

Fraudulent door to door sales, deceptive direct mail, telemarketing scams and online theft are the most common tactics in season and out that criminals use to separate consumers from their assets. However, identity theft is fast becoming the criminal's weapon of choice. An AARP study found that 81 percent of older consumers are concerned about becoming a victim of identity theft, and according to the latest Federal Trade Commission (FTC) report, they have every reason to be.

An FTC survey released November 27th shows that 8.3 million American adults, or 3.7 percent of all American adults, were victims of some form of identity theft in 2005. Of the victims, 3.2 million, or 2.4 percent of all adults, experienced misuse of their existing credit accounts; 3.3 million, or 1.5 percent, experienced misuse of non-credit card accounts and 1.8 million victims, or 0.8 percent, found that new accounts were opened or other frauds were committed using their personal identifying information.

Security freezes, a valuable preventative measure, when placed at all three consumer reporting agencies, can stop identity thieves from accessing a consumer's credit report and using that information to fraudulently open new lines of credit and bank accounts. A recent report by AARP's Public Policy Institute found that older consumers are largely unaware of the existence of credit security freeze protection, and would be more likely to take advantage of security freezes if the process of placing and using the freeze were easier and less costly.

AARP's website and publications stress the need to protect valuable personal information that can be stolen or misused. We urge our members to be very careful with their credit card and personal information. Identity thieves look for opportunities to take this information. Consumers should be protective of credit card information whether they give their card to the store clerk or shop online.

HOLIDAY ONLINE SHOPPING

Holiday online shopping is an attractive option for consumers who may be homebound, have limited transit options or simply want to avoid large crowds. Netconcepts®, LLC., an E-business and marketing research firm, reports that online shopping has increased this holiday season over 2006 by 14.5% overall. Consumers can find the following tips on the AARP website, endorsed by the FTC and other consumer groups, to help them maintain a cyber-secure online shopping experience and lower their risk of identity theft.

Online Shopping Tips:

- Always investigate the seller. Anyone can sell things online, so it is a good habit to check out the online seller before you make a purchase. Make sure the Web site gives the business' name, mailing address (more than a post office box) and telephone number.
- Check the site's security and take time to read the site's privacy policy.

- Choose your password carefully. Never use part or all of your Social Security number as a password.
- Pay by credit card. It is the safest and quickest way to shop online.
- Keep a record of your transaction.
- Always turn off your computer when you are finished shopping. Leaving it on all the time is a perfect opportunity for scammers to install malicious software and then control your machine remotely to commit cyber crime.

GIFT CARDS

Holiday shopping often includes gift cards. AARP counsels consumers to look at gift cards carefully and read the fine print. Gift cards can have expiration dates, fees and other terms or conditions that reduce the face value of the card. There can be restrictions on where and when the cards may be used. Buyers and recipients of lost or stolen gift cards are often left with no resort and no compensation is offered by the vendor.

The Office of the Comptroller of the Currency reports that consumers lost \$8 billion last year by not using the gift cards that they received out of an estimated \$26 billion spent on gift cards. Before buying any gift card, it is important to read the fine print to see when the card expires and any conditions on its use. Specifically:

- Check for any fees that the recipient might have to pay when trying to turn the card to cash.
- See if you can get your money back if the card is lost or stolen.
- Check for a toll free number to call or a web site on the packaging if either the buyer or recipient has a problem with the card.
- Also be cautious about purchasing a gift card from public display racks.

AARP's website constantly updates valuable consumer education tips that can help to eliminate fraud, scams and theft during the holidays and year-round. In

addition, we provide training to our volunteers as peer counselors who can offer consumer advice.

CONSUMER FRAUD PREVENTION PROJECT

AARP Foundation administers a grant-funded program, the Consumer Fraud Prevention Project (CFPP), which uses peer counselors to help potential victims identify fraudulent schemes and deceptive practices.

CFPP is a result of the success of a 2003 AARP Foundation study, "Off the Hook," which found that the crime of telemarketing fraud is grossly underreported among older victims, but that those who are properly counseled by trained peer volunteers are less likely to fall victim to fraudulent pitches. The Project engages older volunteers in contacting known and potential fraud victims and alerting them to the dangers of telemarketing and other types of fraud. Seven community-based non-profit agencies selected by Project staff recruit and train volunteers to serve as peer counselors. Volunteers contact consumers identified as potentially vulnerable by the AARP Foundation and talk with them about current frauds, consumer resources, and the consumers' own experience with fraud.

The consumers reached through this project meet a demographic profile that AARP research found among known fraud victims. The Project reaches out to those who have expressed an interest in activities that might lead them into financial danger. These dangerous activities include lotteries, gambling, recent bankruptcy, or those who frequently donate to charities or respond to mail order contest offers.

The Project's primary impact is made through conversations that the trained volunteers have with older, at-risk consumers. These peer conversations are valuable to consumers because they provide an information exchange that is tailored to the consumer's level of interest and understanding. Volunteers report

that those consumers are grateful for the information as well as the social interaction.

Since July 2006, Project volunteers have contacted 500,000 older consumers, and over the next four years they will contact 2.5 million more. Overall, the Project involves hundreds of volunteers, each of whom contributes many hours per month. Ultimately, the goal of AARP telemarketing fraud prevention program is to equip consumers with information, ways to identify possible criminal activity and avoid becoming a victim.

CONCLUSION

In conclusion, Mr. Chairman, AARP commends you for holding this hearing on an issue that greatly affects the economic security of all consumers, and especially older consumers. Holiday shopping should not be a prime holiday for criminals. AARP is committed to working with like-minded organizations and government agencies at all levels to deter scam artists who would take advantage of consumers and charitable contributors, especially during the holidays.

Thank you.