



FEDERAL TRADE COMMISSION

# Consumer Fraud in the United States, 2011 The Third FTC Survey

Staff Report of the Bureau of Economics  
Federal Trade Commission

April 2013



# **Consumer Fraud in the United States, 2011: The Third FTC Survey**



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**Keith B. Anderson**

**April 2013**

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# Executive Summary: Findings from the 2011 Consumer Fraud Survey

- This report discusses the findings of the third survey commissioned by the Federal Trade Commission to examine consumer experiences involving fraud. This survey, which was conducted in late 2011 and early 2012, provides insights into the prevalence of certain types of consumer fraud in 2011 and how the incidence of such frauds has changed since the last survey in 2005. It also provides information about the mechanisms through which such transactions occur. Finally, to improve understanding of why certain people are more likely to be victimized by fraudulent offers and to improve consumer education efforts, the survey also explores the relationship between certain consumer characteristics, including demographics, and the likelihood of having been a victim of the surveyed frauds.
- As in the two earlier FTC fraud surveys, consumers were asked questions designed to learn whether they had been victims of certain types of fraudulent transactions (See Table 1), rather than being asked more generally whether the consumer had been a victim of a consumer fraud. In selecting the frauds to include in the survey, an attempt was made to be as consistent as possible with the previous surveys – in order to obtain information about trends in these areas – and to include those frauds that have generated the most fraud complaints in the FTC’s Consumer Sentinel complaint system or been the subject of concerted FTC enforcement activity in recent years. Most of the frauds covered by the survey were also included in the 2005 FTC survey. However, two new areas – mortgage relief fraud and grant fraud – were added to the 2011 survey.<sup>1</sup>
- During 2011, an estimated 10.8 percent of U.S. adults – 25.6 million people – were victims of one or more of the frauds included in the 2011 FTC Consumer Fraud Survey (Table 2). There were an estimated total of 37.8 million incidents of these frauds during 2011 (Table 3).<sup>2</sup>

## Top Frauds Among Surveyed Frauds

- The specific types of fraud most frequently reported by survey participants included fraudulent weight-loss products, fraudulent prize promotions, being billed for a buyers’ club membership that one had not agreed to purchase, being billed for Internet services that one had not agreed to purchase, and fraudulent work-at-home programs.

### FRAUDULENT WEIGHT-LOSS PRODUCTS

- More consumers were victims of fraudulent weight-loss products than of any of the other frauds covered by the 2011 survey. An estimated 2.1 percent of consumers – 5.1 million U.S. adults – purchased and used such fraudulent weight-loss products during 2011 (Table 2 and Figure 1). There were an estimated 7.6 million incidents of weight-loss fraud during the year (Table 3 and Figure 2).

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1 The 2011 survey consisted of interviews with 3,638 U.S. adults at least 18 years of age. Interviews were conducted via telephone – both cell and landline – and in both English and Spanish.

2 The number of incidents of fraud is greater than the number of victims, because some consumers were victims of more than one of the frauds covered by the survey and because some consumers experienced a particular type of fraud more than once during 2011.

- For purposes of this report, weight-loss products are considered to be fraudulent if they were promoted as enabling consumers who used the product to easily lose a substantial amount of weight or to lose the weight without diet or exercise. However, when consumers purchased and used the product, they lost less than half of the weight they had expected to lose, if they lost any weight at all. Weight-loss products were considered to include nonprescription drugs, dietary supplements, skin patches, creams, wraps, or earrings.

### **FRAUDULENT PRIZE PROMOTIONS**

- The second most common type of fraud among those covered by the survey was fraudulent prize promotions. An estimated 2.4 million U.S. adults – 1.0 percent of the population – were victims of fraudulent prize promotions during 2011 (Table 2 and Figure 1). There were an estimated 2.9 million incidents of prize promotion fraud during 2011 (Table 3 and Figure 2).
- In this study, a prize promotion was considered to be fraudulent if consumers were told that they had to make a payment, purchase a product, or attend a sales presentation in order to receive a prize or other award. However, after making the purchase or payment or attending the sales presentation, the promised prize was not received or the prize was not what was promised.

### **UNAUTHORIZED BILLING FOR BUYERS' CLUB MEMBERSHIPS AND INTERNET SERVICES**

- Tied for third place were two types of unauthorized billing fraud, situations in which consumers received and paid bills for two types of services they had not agreed to purchase.
- The first of these involved consumers being billed without their permission for memberships in buyers' clubs. A buyers' club is designed to permit consumers to purchase products at a lower price than is generally available.
- The second involved consumers being billed by a company with which they had not previously done business, and with which they had not agreed to do business, for Internet-related services such as Internet access or website hosting or development.
- There were an estimated 1.9 million victims – 0.8 percent of the U.S. adult population – of unauthorized billing for buyers' clubs memberships and, also, 1.9 million victims of unauthorized billing for Internet services during 2011 (Table 2 and Figure 1).

### **FRAUDULENT WORK-AT-HOME PROGRAMS**

- Fraudulent work-at-home programs – programs where purchasers paid for a program that was promoted as enabling consumers to earn money by working at home and where purchasers did not earn at least half of the amount they were told they would earn – ranked fifth among the specific frauds included in the survey, with an estimated 1.8 million victims – 0.7 percent of the adult population (Table 2 and Figure 1).
- Victims of fraudulent work-at-home programs were more likely to have purchased more than one such program during the year than were victims of most of the other frauds included in the survey. As a result, fraudulent work-at-home programs ranked third, behind fraudulent weight-loss products and fraudulent prize promotions, in terms of the number of incidents during 2011. There were an estimated 2.8 million incidents of this type of fraud (Table 3 and Figure 2).

## Changes in the Prevalence of Certain Surveyed Categories of Fraud since 2005

- For 12 of the 17 frauds included in the 2011 survey, the questions in the survey were essentially unchanged from the FTC's 2005 fraud survey.
- Comparing the percentage of consumers who were victims of these 12 types of fraud in 2011 with the percentage in 2005 shows that the prevalence of these frauds in 2011 was slightly lower than in 2005 (9.2 percent versus 10.7 percent, Table 5 and Figure 3).

## How Were the Surveyed Frauds Promoted?

- The Internet was the most common way victims first learned about offers that turned out to be fraudulent. The Internet was the source of information in almost one-third of instances (Table 7 and Figure 7). The Internet has increased from being the source of information in just over 20 percent to just under 33 percent of incidents (Figure 8).
- Print media – direct mail solicitations, newspaper or magazine advertisements, and posters or flyers – were the second-most frequent source of information about offers that turned out to be fraudulent, accounting for almost 20 percent of incidents (Table 7 and Figure 7). This was a decline of about 8 percentage points since 2005 (Figure 8).
- Telemarketing was the source of information in just under 10 percent of incidents, a figure that was essentially unchanged since the 2005 survey (Table 7, Figures 7 and 8).

## How Were Fraudulent Products Purchased?

- Orders were placed using the Internet in almost 40 percent of fraudulent incidents in 2011 (Table 6 and Figure 5). This was an increase of 20 percentage points since the 2005 survey when roughly 20 percent of frauds were ordered via the Internet (Figure 6).
- Orders were placed by telephone in another 30 percent of incidents (Table 6 and Figure 5). This figure was largely unchanged from the results of the 2005 survey (Figure 6).
- The percentage of orders placed by mail decreased from just over 20 percent to 12 percent, while the proportion of orders that were placed at the sellers' place of business fell from around 16 percent to 12 percent (Table 6, Figures 5 and 6).
- Credit cards were used as the method of payment in over half – 56 percent – of all fraudulent transactions (Table 9 and Figure 9). In another 15 percent of incidents, consumers paid for a fraudulent product or service directly from their checking account. These include cases where the seller obtained the money by using the consumer's debit card or card number and cases in which the seller took the money directly from the account after obtaining the account number, as well as cases where the consumer wrote a check to the seller.

## Characteristics of Fraud Victims

- In addition to examining the prevalence of certain types of fraud in the United States and the mechanisms through which such fraudulent transactions occurred, the survey also asked participants about various personal characteristics that may be related to the likelihood of having

been a victim. The results of this analysis contribute the understanding of why certain people are more likely than others to be victimized by fraudulent offers. They should also help improve consumer education efforts.

### **RISK TAKERS WERE MORE LIKELY TO BE VICTIMS OF FRAUD**

- The relationship between risk taking and the likelihood of having been victimized by a fraudulent offering was examined using two measures of consumers' willingness to take risks. The more general measure was based on survey participants' self-reported willingness to take risks, while the other looked at whether consumers had engaged in Risky Purchasing Practices. Using either measure, those who were more willing to take risks were found to be at greater risk of being victimized.<sup>3</sup>
- Looking at the more general measure, those who reported a high general willingness to take risks were more than twice as likely to have been victimized as were those who reported a low willingness. Among those who had a high willingness, the prevalence of victimization was 15.8 percent, compared to 7.5 percent of those with a low willingness (Table 15 and Figure 15).
  - Those who reported a high willingness to take risks were over six times as likely to have been victims of Income-Related Fraud as those whose willingness was low. They were also three times as likely to have been victims of fraudulent prize promotions.
- The second measure – “Risky Purchasing Practices” – looked at consumers' willingness to take risks in terms of the settings in which they were willing to make purchases. Some types of purchases may be riskier than others because consumers have more limited information about the seller and the product.
  - To serve as a proxy for the willingness to take risks in this context, a consumer was considered to have engaged in Risky Purchasing Practices if (i) the consumer purchased a product or service as a result of a telemarketing call, after seeing a television advertisement or infomercial, or after receiving an unsolicited commercial (“SPAM”) email, (ii) the purchase was from a company with whom the consumer had not previously done business, and (iii) the consumer did not make the purchase at a store or the seller's place of business, but rather purchased the item via the Internet or by telephone.
- Almost one-quarter of those who engaged in Risky Purchasing Practices as defined were victims of one or more of the included frauds (Table 16 and Figure 16). This is almost three times the rate of those who did not meet the definition (24.8 percent v. 8.5 percent). The likelihood that those who engaged in Risky Purchasing Practices were victims was higher than the likelihood for any other group of consumers considered in this report.
  - Those who met the definition of Risky Purchasing Practices were more than four times as likely to have been victims of fraudulent weight-loss products. They were almost four times as likely to have been victims of fraudulent prize promotions.

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3 Two different methodologies were used in examining how differences in the various characteristics are correlated with the likelihood of having experienced various frauds. The first, which forms the basis of the results reported in Chapters 5 and 6, relies on simple cross-tabulations of the characteristic being considered and whether a person reported being a victim. As such, any effects of other characteristics on the reported relationship are not considered. The second approach, which is used in Chapter 7, includes all of the characteristics in a joint multivariate analysis. As such, the results show how a change in a single characteristic is correlated with the likelihood of having been a victim of fraud after controlling for everything else. Unless otherwise noted, the results reported in this summary are taken from the cross-tabulation results.

### THOSE WHO EXPERIENCED A SERIOUS NEGATIVE LIFE EVENT WERE MORE LIKELY TO BE VICTIMS

- Survey participants who had experienced a serious negative life event in the last two years – events such as a divorce, the death of a family member or close friend, a serious injury or illness in their family, or the loss of a job – were more than two-and-a-half times as likely to have experienced fraud as were those who had not suffered such a negative event (Table 17 and Figure 17). Of those who had experienced a serious negative event, 15.8 percent had been a victim of one or more of the surveyed frauds during 2011. For those who had not experienced a negative life event, only 6.1 percent had been a victim.
  - Those who had experienced a serious negative life event were 3.75 times as likely to have been a victim of Debt-Related Fraud as were those who had not experienced a negative event.
  - Those who had experienced a serious negative life event were more than three times as likely to have been a victim of a fraudulent prize promotion.

### MORE PATIENT CONSUMERS EXPERIENCED LESS FRAUD

- Victimization rates were lower among those who self-reported themselves as more patient. The differences across categories, however, were relatively small: 12.1 percent for those with low patience, 9.7 percent for those with high patience in the simple cross-tabulations (Table 19 and Figure 19).
- After controlling for other characteristics, patience was more important and more significant. In the multivariate analysis, those who reported being highly patient were 7.0 percentage points less likely to have been a victim of one or more of the frauds in the survey than those with low patience (Table 23). Those reporting medium patience were 3.8 percentage points less likely to have been victims than those with low patience.
  - Those with low patience were 2.6 percentage points more likely to have purchased and used a fraudulent weight-loss product and 2.6 percentage points more likely to have been a victim of Debt-Related Fraud than those who had high patience.

### THOSE WITH LIMITED NUMERIC SKILLS WERE MORE LIKELY TO BE VICTIMS

- Those with the lowest numeric skills were at least 50 percent more likely to have been victims of the frauds covered by the survey than were those with greater numeric skills: 13.5 percent of those with the lowest numeric skills were victims, compared to 8.4 percent of those whose skills were rated high and 9.0 percent of those rated highest (Table 20 and Figure 20).
  - Those with the lowest numeric skills were particularly susceptible to prize promotion frauds. While overall 1.0 percent of survey participants were victims of prize promotion frauds, 2.1 percent of those in the lowest scoring group were victims. For those whose skills were rated as high or highest, the rates were 0.2 percent and 0.8 percent respectively.

### CONSUMERS WITH MORE DEBT THAN THEY COULD HANDLE FINANCIALLY WERE MORE LIKELY TO BE VICTIMS OF SURVEYED FRAUDS

- In the simple cross-tabulation analysis, those who indicated that they had more personal debt than they could handle financially were significantly more likely to have been a victim than those with less debt. Of those who felt that their debt was more than they could handle financially, 18.8 percent were victims. This is almost twice the rate of 9.6 percent for those who felt that they could



handle more debt and more than twice the 8.3 percent for those who indicated that they did not have any personal debt (Table 18 and Figure 18).

- However, after controlling for other characteristics, the differences across debt levels were smaller and no longer statistically significant (Table 23).

#### **AFRICAN AMERICANS EXPERIENCED MORE OF THE FRAUDS COVERED BY THE SURVEY**

- African Americans were almost twice as likely to have experienced one or more of the surveyed frauds as were non-Hispanic whites (Table 10a and Figure 11). During 2011, 17.3 percent of African Americans were victims, compared to 9.0 percent for non-Hispanic whites.
  - African Americans were more than three times as likely to have been a victim of Debt-Related Fraud (4.4 percent of African Americans were victims of Debt-Related Fraud, compared to 1.3 percent for non-Hispanic whites, Table 11 and Figure 12).
  - African Americans were also 2.75 times as likely to have been a victim of Income-Related Fraud.
- After controlling for other characteristics, African Americans were still estimated to be more likely than non-Hispanic whites to have been victims of fraud. However, the estimated differences were considerably smaller (3.9 percentage points for having been a victim of any included fraud compared to 8.3 percentage points in the simple cross-tabulation analysis) and the differences were not statistically significant (Table 23).

#### **HISPANICS EXPERIENCED MORE OF THE FRAUDS COVERED BY THE SURVEY**

- Hispanics were also more likely than non-Hispanic whites to have been victims of the surveyed frauds. During 2011, 13.4 percent of Hispanics were victims – almost 50 percent higher than the rate for non-Hispanic whites (Table 10a and Figure 11).
- Hispanics were more likely to have been a victim of each of the groupings of fraud included in Table 11 and Figure 12. The differences were greatest for Debt-Related Fraud, where Hispanics were more than 2.5 times as likely to have been a victim as non-Hispanic whites and fraudulent weight-loss products where they were almost 60 percent more likely to be victims.
- The difference between Hispanics and non-Hispanic whites in the likelihood of being a victim was slightly greater after controlling for the effect of other characteristics. Other things being equal, Hispanics were 5.4 percentage points more likely to have been a victim of one or more of the frauds included in the survey during 2011. In contrast, when looking just at race and ethnicity, the difference was 4.4 percentage points (Table 23 and Table 11).
- Among the approximately one quarter of Hispanic participants in the survey who were not comfortable doing business in English, the probability of being a victim was 9.2 percent. For the quarter of Hispanics who only did business in English, 10.2 percent were victims. On the other hand, among the half of Hispanic participants who said that they would be comfortable doing a business transaction in English, but also indicated that they sometimes used Spanish in such situations, the probability of being a victim was 17.0 percent.
  - In addition, in almost all cases where someone who said that they were not comfortable doing business in English was a victim, they indicated that the fraudulent transaction was presented to them in Spanish.

**AGE AND FRAUD**

- Those between 55 and 74 had the greatest chance of being victims of fraudulent prize promotions: 2.8 percent of those between 65 and 74 were victims of fraudulent prize promotions as were 1.8 percent of those between 55 and 64 (Table 13 and Figure 13).
- More generally, consumers age 55 and older were less likely to have been victims than those between the ages of 45 and 54. The rate of victimization for any fraud included in the survey was 14.3 percent for those between 45 and 54. It was more than one-third lower (9.1 percent) for those between 55 and 64. The rate for those 65 to 75 (7.3 percent) was just over half the 45 to 54 rate, and for those 75 and older the rate was 6.5 percent.
- Consumers under the age of 45 were somewhat less likely to have been victims than those between 45 and 54. However, they were more likely to have been victims than those ages 55 and above.



# 1. Introduction

This report discusses the findings of the third survey commissioned by the Federal Trade Commission to examine consumer experiences involving fraud.<sup>4</sup> This survey, which was conducted in late 2011 and early 2012, provides insights into the prevalence of certain types of consumer fraud in 2011 and how the incidence of such frauds has changed since the last survey in 2005. It also provides information about the mechanisms through which such transactions occur. Finally, to improve understanding of why certain people are more likely to be victimized by fraudulent offers and to improve consumer education efforts, the survey also explores the relationship between certain consumer characteristics, including demographics, and the likelihood of having been a victim of the surveyed frauds.

The next chapter briefly discusses the approach used in the survey and the types of frauds included in the survey. Chapter 3 provides the basic results of the survey. What percentage of consumers were victims? Which types of fraud were experienced the most often? In Chapter 4, the mechanisms involved in the transactions that involved fraudulent products or services are explored. How did consumers first learn about offers that turned out to be fraudulent? How did they place orders for fraudulent items?

Chapters 5, 6, and 7 examine how the likelihood of being a victim of fraud varied with consumer characteristics. In Chapter 5, the relationship between consumer demographics and the likelihood of being a victim is explored. Chapter 6 considers the role of certain other individual characteristics – including the willingness to take risks, whether consumers had experienced a serious negative life event, whether they felt like they had too much debt, and how they thought their income would change in the next few years. Finally, Chapter 7 reports the results of an analysis that looks at the impact of all of these characteristics – both demographic characteristics and the other individual characteristics – at the same time.

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4 The first FTC fraud survey was conducted between May 20 and June 3, 2003. The findings from that survey are reported in Keith B. Anderson, *Consumer Fraud in the United States: An FTC Survey*, published in August 2004. Interviews for the second survey were conducted between November 16 and December 20, 2005, and the results are found in Keith B. Anderson, *Consumer Fraud in the United States: The Second FTC Survey*, which was published in October 2007. (These reports can be found at <http://www.ftc.gov/reports/consumerfraud/040805confraudrpt.pdf> and <http://www.ftc.gov/opa/2007/10/fraud.pdf>, respectively.)



## 2. Survey Description

This chapter provides an overview of the 2011 Consumer Fraud Survey commissioned by the Federal Trade Commission, including the design of the survey and the types of fraud that were included.

### 2.1 Survey Design

Interviews for the 2011 FTC Consumer Fraud Survey were conducted between November 28, 2011, and February 5, 2012.<sup>5</sup> The survey was conducted by telephone by Synovate, a commercial survey research firm. Interviews were conducted in both English and Spanish using computer-assisted telephone interviewing (“CATI”) and random digit dialing. A total of 3,638 interviews were completed with U.S. adults who were at least 18 years of age.<sup>6</sup> Because of the increasing importance of cell phones, both cell and landline phone numbers were included in the sample. Interviews were conducted with consumers in all 50 states and the District of Columbia. As is standard practice in such surveys, weights were applied to the survey data to ensure that the overall results are as representative as possible of the national population.

As in the two earlier FTC fraud surveys, consumers were asked if they had particular experiences rather than asking more generally whether the consumer had been a victim of a consumer fraud. A problem with asking whether the consumer has been the victim of a consumer fraud in an open-ended manner is that each survey participant is left to define what is, and what is not, a fraud. This will lead to inconsistencies in the survey responses, a problem that is avoided by asking about specific event patterns and applying clearly articulated standards to determine whether a particular set of responses is taken to represent a fraud or not. Inconsistencies are further reduced because the survey questions never use the term fraud.

As part of the first FTC fraud survey in 2003, participants were asked generally if they felt that they had been the subject of a consumer fraud and then were also asked about specific experiences. The analysis of these responses showed that many consumers who reported having experienced one of the specifically-defined frauds said that they had not experienced a consumer fraud when asked the more general question. In addition, many of the consumers who said that they had been the subject of a consumer fraud described something other than the problems included in the specific questions.<sup>7</sup>

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5 Interviewing was suspended for a few days around Christmas and New Years.

6 The sampling procedures were designed to over-sample members of certain minority groups.

A total of 51,192 working telephone numbers were called while conducting the survey. If a call to a particular telephone number did not result in contact with a consumer – *e.g.*, if no one answered the call – the number was redialed, up to at least seven attempts, in order to increase the chances of finding a potential participant at that number. The response rate for the survey was 14 percent using Response Rate 3 as defined by the American Association for Public Opinion Research. (See The American Association for Public Opinion Research, *Standard Definitions: Final Dispositions of Case Codes and Outcome Rates for Surveys*, 7<sup>th</sup> Edition, AAPOR, 2011.)

See “2011 Consumer Fraud Survey Methodology Report,” prepared by Synovate and included as Appendix B for more details on the procedures used in constructing the sample for this survey.

7 See Anderson (2004), *supra* n.1, pp. 41-48, for additional details about this analysis.

## 2.2 Specific Frauds Included in the Survey

The 2011 FTC fraud survey asked questions designed to learn whether consumers had been the victim of 17 types of fraud. In selecting the frauds to include in the survey, an attempt was made to be as consistent as possible with the previous surveys – in order to obtain information about trends in these areas – and to include those frauds that have generated the most fraud complaints in the FTC’s Consumer Sentinel complaint system or been the subject of concerted FTC enforcement activity in recent years.<sup>8</sup>

Most of the frauds covered by the survey were included in the 2005 FTC survey. Two new areas – mortgage relief fraud and grant fraud – were added to the current survey.<sup>9</sup> Fifteen of the frauds in the survey are specific types of fraud, such as purchasing a weight-loss product that did not perform as expected or a work-at-home program that did not generate the level of income promised by the promoter. The other two types of fraud are a bit more general in nature – whether the consumer paid for a product but never received it and whether the consumer had been billed for a product that he or she had not agreed to purchase, other than those covered by the specific frauds.

Table 1 identifies each of the frauds included in the 2011 fraud survey, indicates whether it was included in the 2005 survey, and if so, whether significant changes were made to the questions in the 2011 survey. The questionnaire used in the 2011 survey is included as Appendix D of this report and Appendix Table D-1 identifies the particular questions used to identify each fraud.

### FRAUDULENT WEIGHT-LOSS PRODUCTS

For purposes of this research, fraudulent weight-loss products are defined as products such as nonprescription drugs, dietary supplements, skin patches, creams, wraps, or earrings that were promoted as making it easy for consumers to lose a substantial amount of weight or allowing them to lose weight without diet or exercise, but which did not deliver as promised.<sup>10</sup> The Federal Trade Commission has brought numerous cases against sellers of these products.<sup>11</sup>

In order to learn about consumer purchases of such weight-loss products, the survey asked consumers whether they had paid anyone for such a product where the seller suggested or implied that using the product would help the consumer lose a substantial amount of weight (Question 44a). Consumers who indicated that they had made such a purchase were then asked whether the seller had suggested that “this product would make it easy to lose weight” and whether the seller had suggested that “by using this product you could lose weight without exercise and/or without reducing the amount you eat” (Questions 44c and 44d). Consumers who indicated that they had purchased products for which either

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8 The categories included in the first fraud survey commissioned by the Commission were based on a review of the categories in Consumer Sentinel, the Commission’s consumer complaint database, that were receiving the most complaints. Some additional categories have been added in each of the subsequent surveys to cover areas in which there was considerable Commission law enforcement activity.

9 As discussed in Section 3.5 below, the questions covering three of the frauds included in both surveys were revised to, hopefully, better measure the desired experiences. One fraud that was included in the 2005 survey – Unauthorized Billing for Information Services – was deleted from the current survey.

10 Exercise equipment would not, therefore, be included in this definition of fraudulent weight-loss products, for instance.

11 See, e.g., *FTC v. Leanspa, LLC*, No. 11-01715 (D. Conn. filed Nov. 2011); *FTC v. Central Coast Nutraceuticals, Inc.*, No. 10-4931 (N.D. Ill. filed Aug. 2010); *FTC v. Romeo*, No. 09-1262 (D.N.J. filed Mar. 2009); *FTC v. Medlab, Inc.*, No. 08-0822 (N.D. Cal. filed Feb. 2008).

**Table 1. Types of Fraud Included in the 2011 FTC Fraud**

Fraud	Description	Was This Fraud Included in the 2005 Survey? <sup>a</sup>
<b>Specific Surveyed Frauds</b>		
Weight-Loss Products	Purchased a weight-loss product that was promoted as making it easy to lose weight or to lose weight without diet or exercise. Only lost a little of the weight anticipated or lost no weight.	Yes
Prize Promotions	Paid money, made a purchase, or attended a sales presentation to receive a promised prize or lottery winnings. Did not receive the prize or winnings or the prize was not as promised.	Yes – Questions changed in 2011
Unauthorized Billing – Buyers’ Clubs	Billed for a buyers’ club membership consumer had not agreed to purchase.	Yes
Unauthorized Billing – Internet Services	Billed for Internet services consumer had not agreed to purchase.	Yes
Work-at-Home Programs	Purchased a work-at-home program. Did not earn at least one-half of the promised level of earnings.	Yes
Credit Repair	Paid someone who promised to remove negative, but accurate, information from credit report or promised to provide information on how to establish a new credit record that would not contain negative information in current credit report.	Yes
Debt Relief	Paid someone who promised to arrange to pay off credit card debts for less than the amount owed or to arrange a lower interest rate on current credit card debt and then failed to provide the promised services or obtain the promised results.	Yes – Questions changed in 2011
Credit Card Insurance	Purchased insurance against the misuse of a lost or stolen credit card.	Yes
Business Opportunities	Purchased a business opportunity. Did not earn at least half as much as promised or did not receive promised assistance.	Yes
Mortgage Relief	Made an advance payment to someone other than the company that holds or services the mortgage to obtain a mortgage modification. The modification was either not received or the terms offered were significantly worse than what had been promised.	No
Advance Fee Loans	Paid an advance fee to obtain a promised or guaranteed loan or credit card. Promised credit was not received.	Yes
Pyramid Schemes	Purchased a membership in a pyramid scheme. Did not earn at least half of the amount the promoter promised would be earned.	Yes
Government Job Offers	Made a payment to someone who falsely represented that the purchaser would receive a government job.	Yes
Counterfeit Checks	Received a check and sent some of the money back to the sender or to someone else. Later learned that the check was counterfeit.	No
Grants	Paid someone who promised to obtain a grant either from the government or from someone else. No grant was received.	No
<b>More General Surveyed Frauds</b>		
Paid for Something Never Received	Paid for a product that was not received.	Yes
Unauthorized Billing – Other Products	Billed for a product or service consumer had not agreed to purchase, products other than those identified above.	Yes

Source: 2011 FTC Fraud Survey

**Note.**

- a. In addition to the significant changes to the wording of the questions about prize promotions and debt relief services, the questions seeking information about payments made were changed for all of the frauds included in the 2011 survey. In addition, minor wording changes were made to clarify some questions.



of these claims had been made were also asked how much weight they had lost while using the product relative to the weight they had expected to lose (Question 44e). For purposes of this study, and in order to provide a conservative estimate of the extent of this type of problem, only those who indicated either that they lost only a little of the weight they expected to lose or that they did not lose any weight were counted as victims of weight-loss fraud.<sup>12</sup>

### **FRAUDULENT PRIZE PROMOTIONS**

In a fraudulent prize promotion, sellers tell consumers that they have won a prize – or that they have won one of four or five possible prizes – but that they must buy a product or make some other payment before they can receive their prize. Even when the seller does not directly tell consumers that they must make a purchase, consumers may be misled into believing that they are more likely to win the prize if they make a purchase. Alternatively, consumers may be told that they have to attend a sales presentation to receive the promised prize. The survey sought to determine the extent to which promised prizes are not delivered or are not as represented by the promoter.<sup>13</sup>

In seeking to learn about prize promotion frauds, the survey first asked survey participants whether they had been told that they had “won a prize or a lottery or had been selected to receive an award such as money, a free vacation, or other product or service” (Question 39). Those who answered this question in the affirmative were then asked whether they had been told that they needed to make a purchase, make a payment, or attend a sales presentation in order to receive the item and whether they had, in fact, made the purchase or payment or attended the sales presentation (Questions 39a.1 and 39a.2). Those who had done so were then asked whether they had received the prize, and if so, whether it was essentially what had been described to them (Questions 39a.4 and 39a.5). Finally, those who had not received the promised prize or who found the actual item not to be what they had been promised and who had made a payment or purchase were asked how much money they had actually paid (Questions 39a.7 and 39a.11). Consumers were only considered to be victims if they had not received the promised prize or the prize was not what they had been promised, and if they had actually paid money or had attended a sales presentation.

### **UNAUTHORIZED BILLING FOR MEMBERSHIP IN A BUYERS’ CLUB**

The survey also examined the practice of billing consumers without their consent for memberships in a buyers’ club. A buyers’ club is designed to permit consumers to purchase products at a lower price than is generally available.

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12 Consumers who purchased a weight-loss product but did not use it were not considered to be victims of weight-loss fraud for purposes of this survey. As with a number of the other frauds, calculations were also made using alternative definitions of what amounted to a fraud. For example, alternative calculations of the number of victims of the sale of fraudulent weight-loss products were made assuming that those who did not use the product were also victims. A second alternative involved only treating a product as potentially fraudulent if the seller represented that weight could be lost without diet or exercise, but not if the product was represented as making it easy to lose weight. The results of these alternative calculations are provided in footnotes to the tables of results.

13 Prize promotions are regulated by a variety state and federal laws. *See e.g.*, Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(2)(iv)-(v). A prize promotion could be unlawful even if the promised prize is awarded. For the purposes of this survey, however, instances where a consumer received the prize that was promised are not counted as fraudulent. This is again an effort to ensure that the estimates are conservative given the limitations of the survey data.

Cases the Commission has brought in this area include *FTC v. National Awards Service Advisory, LLC*, No. 10-5418 (N.D. Cal. filed Nov. 2010); *FTC v. VGC Corporation of America*, No. 11-21757 (S.D. Fla. filed May 2011); *FTC v. National Prize Information Group Corp.*, No. 06-1305 (D. Nev. filed Oct. 2006).

The Commission has taken action against the deceptive marketing of buyers' clubs.<sup>14</sup> In recent years, for example, sellers have offered a membership in a buyers' club as an add-on or "upsale item" at the end of a telemarketing sale. Having completed the sale that ostensibly was the reason for the call, the telemarketer then offers the consumer a free trial membership in a buyers' club as a "thank you."

Sometimes the membership is offered as a negative option, whereby the credit card that the consumer used to make the initial purchase is automatically charged for the price of the membership unless the consumer cancels the membership by the end of the free trial period. If the seller does not make the negative option clear, however, consumers may agree to accept the free trial offer believing that the membership will not continue beyond the free trial period unless the consumer affirmatively takes steps to continue the membership.<sup>15</sup> Consequently, consumers are charged for the membership without their authorization.<sup>16</sup>

Buyers' clubs were just one of several problems involving unauthorized billing that were covered by the survey.<sup>17</sup> This section of the survey began with a general question about whether, in the last year, participants had "been billed for a product or service which [they] did not agree to purchase or were ... billed for an amount that was substantially more than [they] expected to pay."<sup>18</sup> Participants who answered in the affirmative were then asked a series of questions designed to learn more about the products or services involved. In the case of buyers' club memberships, the survey asked whether participants had been billed for "a membership in a club that the seller told [them] would allow [them] to purchase something for a lower price than is generally available" but that they had not agreed to purchase (Question 21.1).

When dealing with unauthorized billing, sometimes consumers may be billed for a product they did not order as a result of an honest mistake by a legitimate business. Such mistakes should not be counted as frauds. The survey, therefore, asked participants who indicated that they had experienced a billing-related problem whether they had sought a refund from the seller. When a refund had been sought, the survey then asked whether the seller provided a refund or other adjustment that the purchaser found

14 See, e.g., *FTC v. FTN Promotions, Inc.*, No. 07-1279 (M.D. Fla. filed July 2007); *FTC v. Universal Premium Services*, No. 06-849 (C.D. Cal. filed Feb. 14, 2006); *FTC v. Wellquest Int'l*, No. 03-5002 (C.D. Cal. filed July 2003).

15 Indeed, consumers may only be informed about the negative option in introductory membership information that is mailed to them after they have agreed to accept the free trial membership. This information is often sent by third-class bulk mail and many consumers do not open the mail because it appears to be unsolicited promotional materials.

16 The Commission addressed this problem in the amendments to its Telemarketing Sales Rule ("TSR") that became effective March 31, 2003. Under the revised TSR, sellers are prohibited from using a consumer's credit card account that the seller had previously obtained to charge for a membership that automatically converts from a free trial unless the consumer repeats at least part of the account number to the seller and gives his or her express agreement to be billed for the membership. (See 16 CFR 310.4(a)(6)(i).)

17 The Commission has filed a number of cases concerning negative option fraud occurring in contexts other than buyers' clubs. See, e.g., *FTC v. Johnson*, No. 10-2203 (D. Nev. filed Dec. 2010) (concerning "free" trial memberships for government grant and money-making programs); *FTC v. Wilms*, No. 11-00828 (W.D. Wash. filed May 2011), (concerning "free" trial memberships in a variety of health, cosmetic, and money-making programs).

18 Question 18.1. The question noted that this situation could arise where the consumer had agreed to accept a free trial of the product or service and had been subsequently billed even though the consumer had not approved the continuation of the service beyond the free trial period.

acceptable.<sup>19</sup> Survey participants who answered in the affirmative were not considered to be victims of a fraud in most instances, because they did not suffer any monetary harm as a result of the billing error.<sup>20</sup>

### UNAUTHORIZED BILLING FOR INTERNET-RELATED SERVICES

The survey also examined unauthorized billing involving the provision of Internet-related services by entities with which the consumer had not previously done business. In particular, the survey inquired about whether consumers had been billed for services such as Internet access or website hosting or development (Questions 19.1 and 19a).

This problem is illustrated by a couple of cases brought by the Commission. In *INC21.com*, the Commission alleged that defendants were offering services such as website design services, website hosting, Internet directory listings, search-engine advertising, and Internet-based faxing. The Commission alleged that in some cases, victims were told that they would receive a free trial period, but were not told that they would be charged if they did not cancel the service during the free trial period. In other cases, consumers were charged even after declining to accept defendants' offer. In still other instances, the Commission alleged that consumers were charged without ever being contacted by defendants.<sup>21</sup> Similar allegations were made in a case against *Websource Media*.<sup>22</sup>

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19 Questions 26 and 27. These two questions were asked about any of the unauthorized billing problems.

20 Some consumers who obtained refunds may, in fact, have been defrauded. In some cases, for example, fraudulent operators may provide refunds to consumers who complain – particularly if the consumer complains to a Better Business Bureau or a legal authority. In this way, the fraudulent operator can appear responsive to consumer complaints and therefore avoid attracting the attention of law enforcement, while continuing to profit from consumers who are less aggressive. Moreover, consumers who obtain refunds nonetheless experience some injury because they must spend time and effort to obtain the refund or other adjustment. The estimates provided here are, therefore, conservative.

Participants who did not ask for a refund are somewhat harder to categorize. Some who failed to seek a refund probably did fall victim to fraud and would not have obtained a refund if they had asked for one. Others were likely dealing with legitimate firms and would have received one – and thus should not be considered victims of fraud. To address this issue, it has been assumed that, had they asked, the same fraction would have received a refund as is observed for those who did ask.

The decision to treat consumers who received refunds, and those who probably would have received a refund if they had asked, as not having been defrauded results in a conservative estimate of the number of victims of fraud. It may also initially seem to be at odds with some of the cases brought by the Commission. However, the analysis used in a study such as this cannot be applied to the FTC's fraud cases or vice versa. For example, the FTC has sued a number of companies that operate high-volume, low-dollar fraudulent credit card billing schemes that charge consumers' credit card accounts without their authorization. See, e.g., *FTC v. J.K. Publications, Inc.*, 99 F. Supp. 2d 1176, 1201 (C.D. Cal. 2000). In such cases, the FTC frequently argues that most or even all of the transactions are fraudulent. After a trial, the court in *J.K. Publications* found that more than 90 percent of the transactions were demonstrably fraudulent. Even so, only about 15 percent of the more than \$40 million billed to consumers was credited or refunded to victims before the FTC brought its case. Applying the standard used in this study to the facts in that case would have yielded a result whereby consumers who received refunds – and even some who did not – would have been excluded from the pool of victims, when in reality virtually all of the transactions associated with the defendants were fraudulent. Applying the analysis from such cases to this study, however, would lead to an equally erroneous result. In the context of a randomized telephone study, we have very limited information about the nature of the businesses with whom the consumers were interacting.

21 *FTC v. INC21.com Corp.*, No. 10-0022 (N.D. Cal. filed Jan. 2010). See also, "FTC Halts Massive Cramming Operation that Illegally Billed Thousands; Alleges Scam Took in \$19 Million over Five Years," FTC Press Release March 1, 2010, available at <http://www.ftc.gov/opa/2010/03/inc21.shtm>. In some cases, defendants would contact consumers and offer a free 15 day trial period. In other cases, they simply crammed charges on consumers' telephone bills, either without any contact with the consumer or after a call in which defendants' telemarketers represented that they were only verifying an address.

22 *FTC v. Websource Media, L.L.C.*, No. 06-1980 (S.D. Tex. filed June 2006).

## FRAUDULENT WORK-AT-HOME PROGRAMS

Consumers are often interested in work that they can perform at home. Unfortunately, offers of such work often promise greater earnings than consumers can actually earn – such as promising large payments to consumers who agree to stuff envelopes or construct craft items. Such fraudulent offers often require consumers to make payments to obtain the materials needed to perform the task.<sup>23</sup>

In seeking to learn more about this type of fraud, survey participants were asked whether they had paid anyone “who promised to provide you with work that you could do at home,” and if so, whether the seller had led consumers to believe that they would earn a certain amount of money (Questions 31a.1 and 37a). Where sellers had made earnings representations, purchasers were asked how the money they made from the work-at-home program compared to what they had been led to expect (Question 37b). Again, in an attempt to develop conservative estimates of the extent of the problem, only consumers who had purchased such programs and indicated that they had earned less than half of what they been led to expect or had not earned any money were considered to be victims of work-at-home fraud.<sup>24</sup>

## DEBT RELIEF

As used in this survey, debt relief fraud can take two forms. Perpetrators may suggest that they can get a consumer’s creditors to settle outstanding debts for a fraction of the amount owed and then fail to obtain the promised results. Alternatively, there may be a promise of a reduced interest rate on an existing credit card. Again, the promised rate reduction is not provided. The Commission has brought numerous cases alleging these kinds of misrepresentations in recent years.<sup>25</sup> In mid-2010, the Commission amended its Telemarketing Sales Rule to address many of the abuses that were arising in this area.<sup>26</sup>

In order to learn whether consumers had experienced these types of problems, the survey first asked whether participants had paid money to anyone who promised to reduce or eliminate their credit card debts or to get the interest rate or monthly payments on their credit card debts reduced (Questions 16a.1.a, 16a.1.b, and 16a.3). Those who indicated that they had paid someone to get the interest rate on their credit card reduced were then asked to compare the results obtained with what had been promised

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23 FTC cases involving sellers of work-at-home programs include *FTC v. Darling Angel Pin Creations, Inc.*, No. 10-335 (M.D. Fla. filed Feb. 2010); *FTC v. Real Wealth Inc.*, No. 10-0060 (W.D. Mo. filed Jan. 2010); *FTC v. Infusion Media, Inc.*, No. 09-1112 (D. Nev. filed June 2009); *FTC v. Grant Connect, LLC*, No. 09-01349 (D. Nev. filed July 2009).

24 Consumers who purchased a work-at-home program where an earnings claim was made but did not work at the program were also counted as victims. This differs from how consumers who purchased, but did not use, a weight loss product were counted (See note 12, *supra*). In the FTC’s enforcement experience, some victims of fraudulent work-at-home programs realize that the program will not work as soon as they receive the program materials. As a result, they do not try to use the program. It seems less likely that consumers who had purchased a weight-loss product, such as a pill or a dietary supplement, would learn something that would convince them that the product would not work by visually examining the product. Therefore, those who failed to use a weight-loss product are not counted as victims.

25 See, e.g., *FTC v. Southeast Trust, LLC et al.*, No. 12-72441 (S.D. Fla. filed Dec. 2012); *FTC v. Ryan Golembiewski, et al.*, No. 12-893 (S.D. Ohio filed Sept. 2012); *FTC v. Mallett*, No. 11-1664 (D.D.C. filed Sept. 2011); *FTC v. Premier Nationwide Corp.*, No. 12-0009 (D. Ariz. filed Jan. 2012); *FTC v. FDN Solutions, LLC*, No. 12-820 (C.D. Cal. filed May 2012).

26 See, “FTC Issues Final Rule to Protect Consumers in Credit Card Debt: Amendments to Telemarketing Sales Rule Prohibiting Debt Relief Companies From Collecting Advance Fees Will Take Effect in October 2010,” FTC Press Release, July 29, 2010, available at <http://www.ftc.gov/opa/2010/07/tsr.shtm> (last visited October 19, 2012).

(Question 16a.8). Anyone who said that the reduction was less than half of what had been promised was treated as a victim.<sup>27</sup>

Those who said that they had purchased a debt-settlement service were then asked whether they were still making payments under the plan (Question 16a.4). For purposes of this survey, those who were still making payments were not considered to be victims.<sup>28</sup> Participants who had dropped out of such a program were then asked whether they had settled their debt on at least one credit card using the seller's services (Question 16a.5), and if so, how the amount they paid to settle the debt related to any representations made by the seller (Questions 16a.6 and 16a.7). In those instances where no debts had been settled, purchasers of such services were asked if the seller had refunded all monies the person had paid into the program (Question 16a.5.1). Those who had either not received a refund or whose settled debts were reduced by less than half of what they had been led to expect were considered to be victims.

### **FRAUDULENT CREDIT CARD INSURANCE**

Questions were included in the survey to learn about the extent of fraudulent offers of credit card insurance promoted as protecting consumers against the misuse of their credit cards in the event the card is lost or stolen. Federal law limits consumers' liability for the misuse of their credit cards to \$50.00,<sup>29</sup> and credit card companies often do not require that consumers pay even this amount. Nevertheless, some fraudulent operators attempt to defraud consumers by misrepresenting that card holders face considerable financial risk if their credit cards are misused. These operators then offer to sell consumers insurance to protect against this purported risk.

To examine this type of offer, participants were asked: "In the past YEAR, have you paid money to anyone who promised to provide you with credit card insurance?" Those who answered yes were then asked whether the insurance was to protect against unauthorized use if the card was lost or stolen or to protect them from falling behind with payments because of a lost job or illness (Questions 15.1 and 15a). For purposes of this study, participants were considered to be victims if they had purchased insurance that protected them against unauthorized use.

### **CREDIT REPAIR**

Consumers who have trouble obtaining credit because of negative information in their credit records are sometimes targets of offers claiming that the seller, in exchange for a fee, will help the consumer improve his or her credit record and thus enable the consumer to obtain credit. The survey asked specific

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27 Of those who said that they had paid someone who promised to obtain a reduction in the interest rate on their credit card, 51 percent said that the rate had been reduced by less than half of what had been promised and an additional 36 percent said that no reduction had been obtained. Only 8 percent said that the interest rate had been reduced as much as they had expected. (The remaining 5 percent said that they did not know how the reduction that was obtained compared to what had been promised.)

28 Of course, some consumers who were still making payments for a debt settlement service may have been victimized if the service ultimately failed to deliver the promised services. There is, however, no way to know whether this was the case based on questions that were asked before the consumer completed or dropped out of the program. For this reason, as in other cases, the estimates here are conservative.

29 15 U.S.C. 1643. See also, Federal Trade Commission, "Consumer Information: Credit Card Loss Protection," available at <http://www.consumer.ftc.gov/articles/0093-credit-card-loss-protection> (visited March 26, 2013).



questions about two types of so-called “credit repair” schemes, both of which are illegal under the Credit Repair Organizations Act.<sup>30</sup>

The first type of scheme involves a false claim that the seller can remove derogatory information from a credit report – even though it is accurate and even though the credit reporting agency is legally permitted to include the information in the credit report – and thereby improve the consumer’s ability to obtain credit. Consumers are generally required to make an up-front payment to obtain these services. Not surprisingly, little, if any, of the negative information is actually removed after consumers pay the required fee. To assess the extent of this fraud, survey participants were asked: “In the past YEAR, have you paid money to anyone who promised to remove negative, but true, information from your credit record?” Those who answered in the affirmative were then asked whether the negative, but true, information was removed from their credit report (Questions 13.1 and 13a).<sup>31</sup>

In the second type of scheme, the seller promises – in exchange for a payment – to tell consumers how to create a new identity to use in applying for credit. Typically, the seller directs consumers to obtain a new personal identification number, often an employer identification number (“EIN”), and then to use this number in applying for credit, rather than their Social Security numbers. The seller claims that by using the new identity on credit applications, the consumer can hide derogatory credit report information from potential lenders. The survey question related to this scheme was: “In the past YEAR, have you paid money to anyone who promised to help you obtain credit by creating a new credit identity or new credit record?” (Question 14.1).

### **BUSINESS OPPORTUNITY OFFERINGS WITH FALSE EARNINGS CLAIMS OR FALSE OFFERS OF ASSISTANCE**

Business opportunity offerings sometimes involve false promises that purchasers will make a large amount of money. Similarly, sellers sometimes make false promises that they will provide purchasers with assistance in finding customers or locations in which to place their equipment. For example, sellers of fraudulent vending machine business opportunities may promise to provide high-volume locations where purchasers can place their machines.<sup>32</sup>

Business opportunity offerings generally include some package of information, equipment, and services that purportedly will enable the consumer to establish and operate a successful business. Such offerings often appeal to consumers who have little or no business experience, because they supposedly provide everything needed to own and operate the business. By promising that the business is certain to make at least a specific income, a seller can lead potential purchasers to believe that there is little risk in purchasing the business. Similarly, claims that the seller will provide consumers who purchase their

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30 15 U.S.C. 1679. The Commission has brought numerous cases against those offering credit repair services. *See, e.g., FTC v. Latrese & Kevin Enterprises, Inc.*, No. 08-1001 (M.D. Fla. filed Oct. 2008, contempt proceedings filed June 2012); *FTC v. Credit Restoration Brokers, LLC*, No. 10-0030 (M.D. Fla. filed Jan. 2010, contempt proceedings filed Apr. 2011).

31 Although the survey questions only asked about instances where the participant paid money for credit repair services that were not, in fact, provided, the Credit Repair Organizations Act (“CROA”) makes it illegal for a credit repair organization to charge or pay for any credit repair services in advance of providing those services in full. (15 U.S.C. 1679c(b)). Accordingly, the survey results are conservative and may not indicate the full extent of CROA violations.

32 Commission cases against promoters of fraudulent business opportunities have included *FTC v. The Online Entrepreneur, Inc.*, No. 12-2500 (M.D. Fla. filed Nov. 2012); *FTC v. Shopper Systems, LLC, et al.*, No. 12-23919 (S.D. Fla. filed Oct. 2012); *FTC v. North America Marketing & Associates, LLC*, No. 12-0914 (D. Ariz. filed May 2012); *FTC v. Ivy Capital, Inc.*, No. 11-00283 (D. Nev. filed Feb. 2011).

business opportunity offerings with customers or selling locations can convince potential purchasers that they do not need to do much work to operate this business and that they are highly likely to succeed.

To measure the extent of problems with false earnings claims, survey participants who indicated that they had purchased a business opportunity were asked whether they had been “led to believe that [they] would earn a certain amount of income or profit from this business” (Questions 31.1 and 35.1). Those who answered in the affirmative were then asked how much they made compared to what they had been led to expect (Questions 35.2). Similarly, participants were asked whether they had been promised “help in locating customers who would use [their] services or allow [them] to sell [their] products from their premises,” and if so, whether they had obtained the promised assistance (Questions 36.1 and 36.2). Victims of this type of fraud are limited to those who said that they had less than half as much as they had been led to believe they would make, or that they had not received the assistance that had been promised.<sup>33</sup>

### MORTGAGE RELIEF

With the onset of the housing crisis in 2008 and the downturn in the economy, many homeowners found themselves having trouble paying their mortgages. This provided expanded opportunities for fraudulent sellers who promised to obtain modifications on consumers’ mortgages or obtain other relief so that the consumers could avoid foreclosure or lower their monthly payments. The Commission has brought dozens of law enforcement actions in this area and has also enacted new trade regulation rules governing sellers who offer mortgage assistance services.<sup>34</sup>

To learn about consumers’ experiences with this type of problem, the survey first asked participants whether they had paid someone who promised to obtain a modification of their mortgage so that they could avoid foreclosure and keep their homes, whether these payments were made to someone other than their mortgage lender or the company that serviced the loan, and whether payments were required before the modifications were obtained (Questions 11.1, 11.3, and 11.4). Those who had made payments to someone other than their lender or the company that serviced the loan and had done so before the modification was arranged, were asked whether a mortgage modification had actually been arranged by the person to whom they made these payments (Question 11.5). Where payments were made to a third party, payments were required before the mortgage modification was obtained, and the promised mortgage modification was not obtained, the consumer was considered to be a victim of mortgage relief fraud.<sup>35</sup>

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33 As with Work-at-Home offerings, consumers who purchased a business opportunity offering where an earnings claim was made or assistance was promised and then failed to operate it are counted as victims.

34 Cases include *FTC v. Prime Legal Plans, LLC, et al.*, No. 12-61872 (S.D. Fla. filed Sept. 2012); *FTC v. American Mortgage Consulting Group, LLC, et al.*, No. 12-01561 (C.D. Cal. filed Sept. 2012); *FTC v. U.S. Mortgage Funding, Inc.*, No. 11-80155 (S.D. Fla. filed Feb. 2011); *FTC v. Lakhany*, No. 12-00337 (C.D. Cal. filed Mar. 2012); *FTC v. Residential Relief Foundation, Inc.*, No. 10-3214 (D. Md. filed Nov. 2010). For information on the Commission’s Mortgage Assistance Relief Services (“MARS”) Rule, see “FTC’s Mortgage Assistance Relief Services Advance Fee Ban Takes Effect,” FTC Press Release, February 10, 2011, available at <http://www.ftc.gov/opa/2011/02/mars.shtm> (last visited October 19, 2012).

35 The questionnaire also asked anyone who said that the person to whom they had made the payments had, in fact, arranged a modification, how the terms compared to what the consumer had been led to expect. If the terms of the modified loan were significantly worse than what was expected, the person would also have been counted as a victim. However, no survey participants gave this pattern of responses.

## ADVANCE FEE LOANS AND CREDIT CARDS

The FTC frequently receives complaints about offers for a loan or credit card in return for the payment of a fee. These offers, which are often directed to consumers with tarnished credit records, require that the consumer pay the fee before the promised loan or credit card is received. In most instances, however, consumers who pay the required fee do not receive the promised loan or credit card.<sup>36</sup> Indeed, it is a violation of the Telemarketing Sales Rule to ask for a payment before delivering a promised credit card or loan, if the offer is made by telephone.<sup>37</sup>

To assess the frequency of this problem, the survey asked “In the past YEAR, have you paid money to anyone who promised or guaranteed to provide you with a credit card or loan, but required you to pay a fee before receiving the credit card or loan?” (Question 16.1). Participants who answered in the affirmative were then asked whether they were promised a credit card, a mortgage loan, or some other kind of loan, and whether they had actually received the promised loan or credit card (Questions 17a and 17). Only those who had been promised something other than a mortgage loan, who said that they were required to make the payment before the card was received, and who had not received it were considered to be victims of an advance fee loan fraud.<sup>38</sup>

## PYRAMID SCHEMES

Pyramid scheme promoters often claim that purchasers will operate their own businesses selling a particular product or service and that they will make money both from their own sales and from the sales of those they recruit to join the program. Although such a business may look like a legitimate multi-level marketing program, they differ because the income earned by participants in a pyramid scheme comes ultimately from recruiting, rather than the sale of products or services to consumers. Most participants in pyramid schemes lose money, because the program really just transfers money from those who have joined most recently to those who have been involved for a longer period of time. At any point in time, the vast majority of those who have joined the program – often 90 percent or more – will not have recouped the money they paid to join.<sup>39</sup>

In order to differentiate those who had purchased a pyramid scheme from those who had simply purchased a business opportunity, the survey asked those who said that they had paid someone for an opportunity to operate their own business, whether they had been led to believe that most of the money they would earn would come from recruiting others to join the business, rather than from the sale of products (Questions 31.1 and 33). Those who indicated that the income was to come from recruitment

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36 The FTC has brought numerous law enforcement actions addressing this problem. See, e.g., *FTC v. Apogee One Enterprises, LLC, et al.*, No. 12-588 (N.D. Ill. filed Jan. 2012); *FTC v. Group One Networks, Inc.*, No. 09-00352 (M.D. Fla. filed Feb. 2009); *FTC v. Integrity Financial Enterprises, LLC*, No. 08-914 (M.D. Fla. filed May 2008); *FTC v. Financial Advisors & Assocs. Inc.*, No. 08-00907 (M.D. Fla. filed May 2008); *FTC v. Assail, Inc.*, No. W03CA007 (W.D. Tex. filed Jan. 2003).

37 See Telemarketing Sales Rule, 16 C.F.R. § 310.4(a)(4).

38 Mortgage loans were excluded because it is common business practice for those applying for a mortgage to pay for items such as credit reports and property appraisals before the loan is provided.

Almost half of those who said that they had paid money to obtain a promised credit card or loan said that they had actually received the credit card or loan.

39 See, e.g., Peter J. Vander Nat and William W. Keep, “Marketing Fraud: An Approach for Differentiating Multilevel Marketing from Pyramid Schemes,” *Journal of Public Policy & Marketing*, 21 (Spring 2002), pp. 139-151. In one of many such cases, the FTC sued a promoter of a pyramid scheme in *FTC v. BurnLounge, Inc.*, No. 07-03654 (C.D. Cal. filed June 2007).



were then asked whether they had been led to believe that they would earn a certain amount of money from the business, and if so, how much they had actually earned, relative to what had been promised (Questions 35.1 and 35.2). As with business opportunities and work-at-home programs, those who had been led to believe that they would earn a certain amount of money and had, in fact, earned less than half of that amount are considered to be victims for purposes of this survey.<sup>40</sup>

### **FRAUDULENT PROMISES OF GOVERNMENT JOBS**

The survey also asked about a type of employment fraud in which the seller guarantees or represents that it is highly likely that consumers will obtain a government job. Often, these offers promise jobs with the U.S. Postal Service. The ads often look like “Help Wanted” ads, but in fact, they are not placed by the government or anyone who can provide the promised jobs. Rather, they typically are offers to sell a course or study guide that supposedly will improve the consumer’s score on a test that is allegedly required to obtain the promised job. It is not clear that the materials offered can actually improve consumers’ scores, and in any event the ads frequently are run in areas where the test will not even be offered, because there are no job vacancies to be filled.<sup>41</sup>

To identify consumers who had been victims of this type of misrepresentation, survey participants were asked “In the past year, have you paid anyone who promised that you would obtain a job at the U.S. Postal Service or another branch of state or federal government?” Those who answered in the affirmative were then asked “Did you get the job that was promised?” (Questions 32.1 and 38). Anyone who had not received the promised job was considered a victim of this type of fraud.

### **COUNTERFEIT CHECKS**

As the name suggests, a counterfeit check scam involves the victim being sent a check that turns out to be bogus. In the context of a prize promotion or a grant promotion, the perpetrator of the underlying prize or grant fraud may send a check purportedly to cover the cost of a fee or payment that the victim is told must be paid before receiving the required grant or fee.

In other contexts, the victim may be selling a product in which the perpetrator pretends to be interested, and the counterfeit check is provided purportedly to cover the cost of the item being purchased. Instead of just covering the fee or payment for the item being sold, the check that is sent is written for an amount greater than the amount that was needed. This is frequently explained as being a mistake made by an assistant who misunderstood the amount for which the check was supposed to be written. The perpetrator then asks the consumer to cash the check and return the excess amount or send the excess to a supposed third party, often using money transfers. The perpetrator’s hope is that the victim will wire the excess money before he or she discovers that the check is bogus, and as a result, the victim will be out the amount of money that was wired.

The survey sought to learn whether this kind of bogus check fraud was perpetrated in three separate settings – in connection with a prize promotion, in connection with a grant, or in some other context. In each case, those who had made a payment were asked whether they had received a check to cover a fee

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40 Also consistent with the treatment of business opportunities and work-at-home programs, those who purchased a pyramid scheme but did not work at it are counted as victims.

41 The FTC has filed complaints against a several promoters of such schemes. *See, e.g., FTC v. Government Careers Inc.*, No. 09-721 (D. Ariz. filed Dec. 2008); *FTC v. Frontier Publishing, Inc.*, No. 11-01537 (C.D. Cal. filed Oct. 2011); *FTC v. U.S. Work Alliance, Inc.*, No. 08-2053 (N.D. Ga. filed June 2009).

or the cost of an item and been asked to send some of the money back to the sender or to a third party, and if so, whether they had actually sent the money as requested (Questions 39a.9, 41a.8, 42, and 42a). Those who indicated that they had received a check and had made a payment were then asked whether the check turned out to be valid so that they were able to obtain the promised money, whether it was counterfeit, or whether they had never attempted to cash the check (Questions 39a.10, 41a.9, and 42e). Those who found that the check was counterfeit or who did not attempt to cash the check are treated as being victims of a counterfeit check fraud.

## GRANTS

Another fraudulent offering that has appeared in recent years is the promise of free grants for which prospective victims are told that they are qualified. Often the claim is that the government is making these grants available and that the money can be used for most any purpose, for example, paying off existing debt or remodeling a home. Sometimes the party making the offer states that consumers who pay a required fee are guaranteed to receive a grant. In other cases, the claim is that the seller offers services that will help consumers apply for the grant – which they are then certain to obtain. The Commission has brought numerous cases alleging situations along these lines.<sup>42</sup>

To investigate the extent of this problem, the survey asked participants whether they had been told that they “were eligible to receive a grant either from the government or from someone else or that someone would help [them] prepare a proposal for a grant that was certain to be approved” (Question 41). Those who said that they had been told that they were certain to receive such a grant were asked whether they had been told that they had to pay a fee to receive the grant or to have the grant proposal prepared, and if so, if they had made such a payment (Questions 41a.1 and 41a.2). Finally, those who had made payments were asked whether they had actually received the grant, and if so, whether it had been essentially what had been described by the seller (Questions 41a.4 and 41a.5). Those who made a payment and either did not receive the promised grant or who received a grant that was not essentially what had been described were considered to be victims of this fraud.

## 2.3 More General Types of Fraud Included in the Survey

In addition to the 15 specific types of frauds described above, the survey also asked consumers whether they had experienced two more general problems that may indicate fraud.

### BILLING PROBLEMS, OTHER PRODUCTS

In addition to asking participants if they had been billed without their consent for the particular products or services described above, the survey also asked more generally whether the participant had been billed for “some other product or service” that they had not agreed to purchase (Question 22.1).

### PAID BUT NOT RECEIVED

The survey also sought information about consumers who paid for a product or service but never received it. The Federal Trade Commission often receives complaints from consumers who report that they purchased an item and paid for it, but the seller never provided it. To gauge the extent of this

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<sup>42</sup> See, e.g., *FTC v. Real Wealth, Inc., et al.*, No. 10-60 (W.D. Mo. filed Jan. 2010); *FTC v. Affiliate Strategies, Inc.*, No. 09-04104 (D. Kan. filed July 2009); *FTC v. In Deep Services, Inc.*, No. 09-01193 (C.D. Cal. filed June 2009); *FTC v. Grant Connect, LLC*, No. 09-01349 (D. Nev. filed July 2009).

problem, the survey asked participants: “Other than the things we have already discussed, in the past year have you purchased something which you paid for but NEVER received?” (Question 45).<sup>43</sup>

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43 As with problems of unauthorized billing, if consumers fail to receive a product for which they paid, this may indicate that the seller was engaged in fraud. Alternatively, it may simply indicate a mistake made by an honest seller. As with the questions about billing, an attempt was made to differentiate between the legitimate and illegitimate by asking about the seller’s willingness to provide a refund or to make some other adjustment that was satisfactory to the purchaser (Questions 47 and 48). A willingness to make such an adjustment may indicate that the seller is more likely to be legitimate and just made a mistake, whereas a seller who refuses to make an adjustment or who makes it overly difficult for the consumer to obtain one is more likely to have fraudulent intentions.

## 3. Prevalence of Surveyed Categories of Fraud

Chapter 3 reports the basic results of the 2011 FTC Fraud Survey. What share of consumers were victims of the frauds examined in the survey during 2011? How many incidents of these frauds occurred? Which types of fraud were the most prevalent?

### 3.1 Overall Rates of Victimization and Number of Incidents

- An estimated 10.8 percent of U.S. adults – those at least 18 years of age – were victims of one or more of the frauds covered by this survey (“Any Surveyed Fraud”) during 2011.<sup>44</sup> This implies that 25.6 million U.S. adults were victims during 2011 (Table 2).<sup>45</sup>
- Some victims experienced more than one incident of fraud during 2011, either because they were victims of more than one type of fraud or because they were victims of the same type of fraud multiple times. During 2011, there were an estimated 37.8 million incidents of Any Surveyed Fraud (Table 3).
- Of the estimated 25.6 million victims, 18.8 million were victims of one or more of the specific frauds covered by the survey (“Any Specific Surveyed Fraud”), while 7.9 million experienced one or both of the two more general frauds (“Any Surveyed More General Frauds”).<sup>46</sup> Of the 37.8 million incidents, 28.8 million involved one of the specific frauds and 9.0 million involved the more general frauds.

### 3.2 Specific Surveyed Frauds

#### FRAUDULENT WEIGHT-LOSS PRODUCTS – THE MOST VICTIMS OF ANY SURVEYED FRAUD

- During 2011, more consumers were victims of fraudulent weight-loss products than of any of the other specific frauds covered by the survey. An estimated 2.1 percent of consumers – a total of 5.1 million U.S. adults – purchased and used fraudulent weight-loss products (Table 2 and Figure 1).

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44 Survey participants were asked about experiences they had had during the year before they were interviewed. Responses to these questions will be characterized as involving events that occurred during 2011 even though there may be a few events that actually occurred in late 2010 or in early 2012 since interviews were conducted between November 28, 2011, and February 5, 2012.

Throughout the report, the estimated number of victims of the various frauds and the number of incidents are projections from the responses of those interviewed as part of the survey. The projections are based on the estimated U.S. population of 237.66 million adults – 18 and older – as of July 1, 2011. (U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2011 (NC-EST2011-02), released May 2012, available at <http://www.census.gov/popest/data/national/asrh/2011/index.html>.)

If survey participants either over- or under-reported whether they had experienced any of the included frauds, the reported figures will differ from the actual extent of the various frauds. In addition, if the experiences of those who agreed to participate in the survey differ from that of those who declined to participate, the results reported here will differ from the actual extent of the various frauds. (See Appendix C for an analysis of whether the experience of those who refused to participate in the survey differs from that of those who did participate.)

45 The approach used in analyzing the number of victims and the number of incidents in this report is the same as was used in the analysis of the previous surveys. For a description of this methodology see the “Methodological Appendix to Chapter 3” in the report on the 2003 survey. (Anderson (2004), *supra* n.1, pp. 45-48.)

46 Because the same individual could have experienced both specific and general frauds, the sum of those experiencing specific frauds and those experiencing general frauds exceeds the total number of victims. Similarly, the sum of the number of victims experiencing each of the 17 types of fraud exceeds the total number of victims because some individuals experienced more than one type.

**Table 2. Estimated Number of Adults Who Were Victims of Fraud, 2011**

Type of Fraud	Number of Victims (millions)	Victims as Percent of Adult Americans
<b>Any Surveyed Fraud</b>	<b>25.6</b> <b>(22.4 – 28.7)</b>	<b>10.8%</b> <b>(9.4% - 12.1%)</b>
<b>Any Specific Surveyed Fraud</b>	<b>18.8</b> <b>(16.0 – 21.5)</b>	<b>7.9%</b> <b>(6.7% - 9.1%)</b>
Weight-Loss Products <sup>a</sup>	5.1 (3.6 – 6.6)	2.1% (1.5% - 2.8%)
Prize Promotions <sup>b</sup>	2.4 (1.5 – 3.3)	1.0% (0.6% - 1.4%)
Unauthorized Billing – Buyers' Clubs	1.9 (1.3 – 2.6)	0.8% (0.5% - 1.1%)
Unauthorized Billing – Internet Services	1.9 (1.1 – 2.7)	0.8% (0.5% - 1.1%)
Work-at-Home Programs <sup>c</sup>	1.8 (0.8 – 2.8)	0.7% (0.3% - 1.2%)
Credit Repair	1.7 (0.8 – 2.7)	0.7% (0.3% - 1.1%)
Debt Relief <sup>d</sup>	1.5 (0.6 – 2.3)	0.6% (0.3% - 1.0%)
Credit Card Insurance	1.3 (0.6 – 2.1)	0.6% (0.3% - 0.9%)
Business Opportunities <sup>e</sup>	1.1 (0.4 – 1.8)	0.5% (0.2% - 0.8%)
Mortgage Relief	0.8 (0.2 – 1.4)	0.3% (0.1% - 0.6%)
Advance Fee Loans <sup>f</sup>	0.7 (0.1 – 1.3)	0.3% (0.0% - 0.6%)
Pyramid Schemes <sup>g</sup>	0.7 (0.2 - 1.1)	0.3% (0.1% - 0.5%)
Government Job Offers	0.5 (0.0 – 1.1)	0.2% (0.0% - 0.5%)
Counterfeit Check Scams	0.4 (0.1 – 0.8)	0.2% (0.0% - 0.3%)
Grant Scams	0.2 (0.0 – 0.5)	0.1% (0.0% - 0.2%)
<b>Any More General Surveyed Fraud</b>	<b>7.9</b> <b>(6.1 – 9.6)</b>	<b>3.3%</b> <b>(2.6% - 4.0%)</b>
Paid for Something Never Received	4.5 (3.1 – 6.0)	1.9% (1.3% - 2.5%)
Unauthorized Billing – Other Products	3.6 (2.6 – 4.6)	1.5% (1.1% - 1.9%)

*(Table 2 continues on next page)*

**Table 2 (continued)****Source:** 2011 FTC Fraud Survey**Notes.**

Numbers are rounded to the nearest 0.1 million and percentages to the nearest 0.1 percent. 0.0 denotes a value of less than 0.05 million. 0.0% denotes a value of less than 0.05 percent.

Amounts in individual categories will not sum to totals because some individuals are victims of more than one of the listed frauds.

Figures in parentheses are 95 percent confidence intervals.

Projections are based on estimated U.S. population of 237.66 million adults – 18 and older – as of July 1, 2011. (See U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2011 (NC-EST2011-02), released May 2012, available at <http://www.census.gov/popest/data/national/asrh/2011/index.html>.)

- a. These figures do not include those who purchased a weight-loss product and then did not use it. If these people are included as victims, there were an estimated 6.0 million victims – 2.5 percent of the adult population. If the definition of a victim is limited to those who purchased and used a product that was promoted as allowing one to lose weight without diet and/or exercise – but not products that only claimed that weight loss would be easy – there were only 4.0 million victims – 1.7 percent of the adult population. (All of the estimates only include those who lost less than half of the weight anticipated.)
- b. If those who did not receive a promised prize after attending a sales presentation are not included as victims, the estimated number of victims would be 1.2 million – 0.5 percent of the adult population.
- c. These figures include those who purchased a work-at-home program but then did not work at it. If these people are not counted as victims, the estimated number of victims is 1.2 million – 0.5 percent of the adult population.
- d. These figures do not include as victims anyone who was promised a reduction in the amount they owed and who received half or more of the reduction they expected on the debt or debts that were settled. If such people are counted as victims, the estimated number of victims remains at 1.5 million. Only one survey participant reported having had at least one debt settled and having received at least half of the amount that had been promised.
- e. These figures include those who purchased a business opportunity but then did not work at the offering. If these people are not considered to be victims, there were 1.0 million victims – 0.4 percent of the adult population.
- f. These estimates assume that those who were required to pay an advance fee were not victims if they, in fact, received the promised credit card or loan. If everyone who paid a fee is considered to be a victim, whether or not the credit card or loan was received, the estimated number of victims would be 1.7 million – 0.7 percent of the adult population.
- g. These figures include only those who purchased a membership in a pyramid scheme, were told that they would realize a promised level of earnings, and then earned less than half of that promised amount. Consumers who purchased a membership in a pyramid scheme but then did not work at the offering are considered to be victims. However, changing these assumptions either to count everyone who purchased a pyramid scheme as a victim or counting only those who actually worked at the scheme and earned less than half of the promised amount has only a negligible effect on the estimated number of victims.

**Table 3. Estimated Number of Incidents of Fraud, 2011**

Type of Fraud	Number of Incidents (millions)	Incidents per Hundred Adult Americans	Incidents per Victim
<b>Any Surveyed Fraud</b>	<b>37.8</b> <b>(32.1 – 43.5)</b>	<b>15.9</b> <b>(13.5 – 18.3)</b>	<b>1.5</b>
<b>Any Specific Surveyed Fraud</b>	<b>28.8</b> <b>(23.5 – 34.1)</b>	<b>12.1</b> <b>(9.9 – 14.3)</b>	<b>1.5</b>
Weight-Loss Products <sup>a</sup>	7.6 (4.9 – 10.4)	3.2 (2.0 – 4.4)	1.5
Prize Promotions <sup>b</sup>	2.9 (1.8 – 4.1)	1.2 (0.7 – 1.7)	1.2
Work-at-Home Programs <sup>c</sup>	2.8 (0.4 – 5.1)	1.2 (0.2 – 2.1)	1.6
Unauthorized Billing – Buyers' Clubs	2.3 (1.4 – 3.2)	1.0 (0.6 – 1.3)	1.2
Unauthorized Billing – Internet Services	2.2 (1.3 – 3.2)	0.9 (0.5 – 1.4)	1.2
Credit Card Insurance	2.2 (0.5 – 3.9)	0.9 (0.2 – 1.7)	1.7
Credit Repair	2.0 (0.9 – 3.1)	0.8 (0.4 – 1.3)	1.2
Debt Relief <sup>d</sup>	1.7 (0.7 – 2.7)	0.7 (0.3 – 1.1)	1.1
Business Opportunities <sup>e</sup>	1.2 (0.5 – 2.0)	0.5 (0.2 – 0.8)	1.1
Advance Fee Loans <sup>f</sup>	0.9 (0.1 – 1.6)	0.4 (0.0 – 0.7)	1.2
Mortgage Relief	0.8 (0.2 – 1.4)	0.3 (0.1 – 0.6)	1.0
Pyramid Schemes <sup>g</sup>	0.7 (0.3 – 1.2)	0.3 (0.1 – 0.5)	1.1
Counterfeit Check Scams	0.6 (0.1 – 1.1)	0.2 (0.0 – 0.5)	1.3
Government Job Offers	0.6 (0.0 – 1.3)	0.2 (0.0 – 0.5)	1.2
Grant Scams	0.2 (0.0 – 0.5)	0.1 (0.0 – 0.2)	1.0
<b>Any More General Surveyed Fraud</b>	<b>9.0</b> <b>(7.0 – 11.0)</b>	<b>3.8</b> <b>(3.0 – 4.6)</b>	<b>1.1</b>
Paid for Something Never Received	4.8 (3.3 – 6.4)	2.0 (1.4 – 2.7)	1.1
Unauthorized Billing – Other Products	4.2 (2.9 – 5.4)	1.8 (1.2 – 2.3)	1.2

(Table 3 continues on next page)

**Table 3 (continued)****Source:** 2011 FTC Fraud Survey**Notes.**

Values are rounded to the nearest 0.1 million. 0.0 denotes a value of less than 0.05 million.

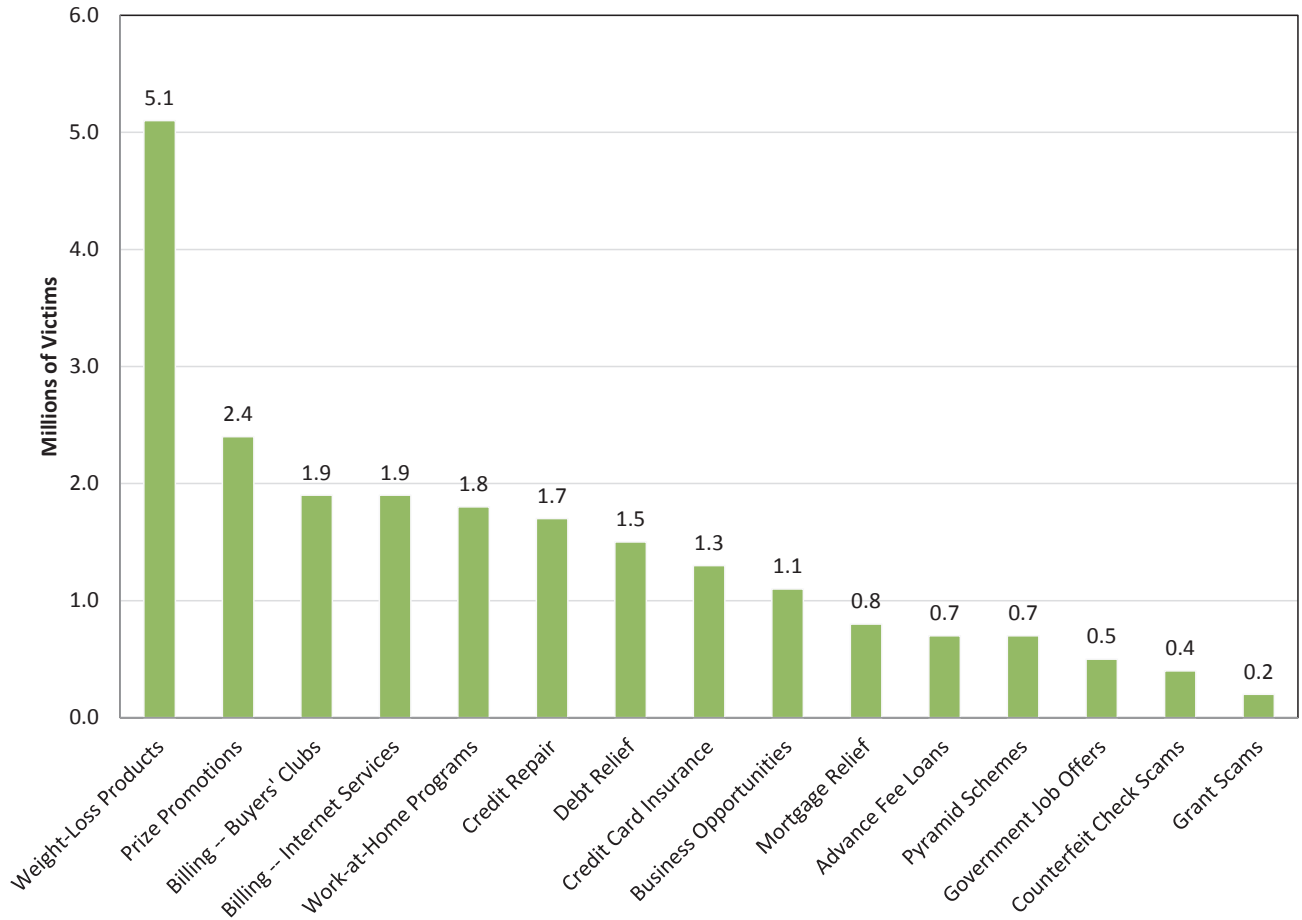
Figures in parentheses are 95 percent confidence intervals.

Projections are based on estimated U.S. population of 237.66 million adults – 18 and older – as of July 1, 2011. (See U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2011 (NC-EST2011-02), released May 2012, available at <http://www.census.gov/popest/data/national/asrh/2011/index.html>.)

- a. These figures do not include instances in which a consumer purchased a weight-loss product and then did not use it. If these incidents are included, there were an estimated 9.8 million incidents of weight-loss fraud – 4.1 per hundred adult Americans. If only those cases where a product was promoted as allowing one to lose weight without diet and/or exercise – but not products that only claimed that weight loss would be easy – are included, there were only 5.6 million estimated incidents – 2.4 per hundred adults. (All of the estimates only include those who lost less than half of the weight anticipated.)
- b. If instances in which a person did not receive a promised prize after attending a sales presentation are not included, there were an estimated 1.4 million incidents of prize promotion fraud – 0.6 per hundred adults.
- c. These figures include instances in which consumers purchased a work-at-home program but then did not work at it. If these incidents are not included, the estimated number of incidents is 1.8 million – 0.8 per hundred adults.
- d. These figures do not include instances in which consumers were promised a reduction in the amount they owed and received half or more of the reduction they expected on the debt or debts that were settled. If such incidents are included, the estimated number of incidents of debt relief fraud remains at 1.7 million incidents. Only one survey participant reported having had at least one debt settled and having received at least half of the amount that had been promised.
- e. These figures include incidents in which consumers purchased a business opportunity but then did not work at it. Excluding those who did not work at the business opportunity has only a negligible effect on the estimated number of incidents.
- f. These estimates do not include instances in which consumers were required to pay an advance fee, but received the promised credit card or loan. If all incidents in which a fee was required prior to receipt of a credit card or loan are included, the estimated number of incidents would be 2.6 million – 1.1 per hundred adults.
- g. These figures include only those who purchased a membership in a pyramid scheme, were told that they would realize a promised level of earnings, and then earned less than half of that promised amount. Consumers who purchased a membership in a pyramid scheme but then did not work at the offering are considered to be victims. However, changing these assumptions either to count all instances in which a pyramid was purchased or counting only those incidents where the consumer actually worked at the scheme and earned less than half of the promised amount has only a negligible effect on the estimated number of incidents.



**Figure 1. Specific Surveyed Frauds, by Number of Victims**



Source: Table 2.

These consumers purchased and used weight-loss products that they were told would enable them to lose weight easily or to lose weight without diet or exercise. However, when they used the product, they lost less than half of the weight they had expected to lose. There were a total of 7.6 million incidents of weight-loss fraud during 2011. On average, consumers who were victims of weight-loss fraud purchased and used 1.5 such fraudulent weight-loss products during the year (Table 3 and Figure 2).<sup>47</sup>

- Of those who purchased a weight-loss product that was supposed to make it easy to lose weight or allow them to lose weight without diet or exercise, 13 percent reported that they lost at least as much weight as they had expected to lose, while 8 percent reported losing about half of the weight they expected to lose. Another 18 percent said that they lost only a little of the weight they expected to lose, while 45 percent said that they had not lost any weight, or had gained weight, while using the product. Fifteen percent said that they had not used the product they had purchased.<sup>48</sup>

### FRAUDULENT PRIZE PROMOTIONS

- Fraudulent prize promotions were the second-most prevalent of the specific frauds covered by the survey. These are situations in which a consumer paid something, purchased a product, or attended a sales presentation in order to obtain a promised prize or award such as money or a free vacation. However, after making the payment or purchase, or attending the required sales presentation, the consumer either did not receive the prize or award, or it was not what had been described. This type of fraud was experienced by 1.0 percent of survey participants during 2011, representing 2.4 million U.S. adults (Table 2 and Figure 1). There were 2.9 million incidents of this type of fraud during 2011, 1.2 incidents per 100 U.S. adults (Table 3 and Figure 2).
  - Approximately 53 percent of those who reported being a victim of a fraudulent prize promotion said that they had attended a sales presentation in order to obtain their prize. An additional 33 percent said that they had made a payment, while 14 percent said that they had been required to make a purchase.<sup>49</sup>
  - If only those who made a payment or purchase in order to receive a promised prize – and not those who attended a sales promotion – are counted as victims of fraudulent prize

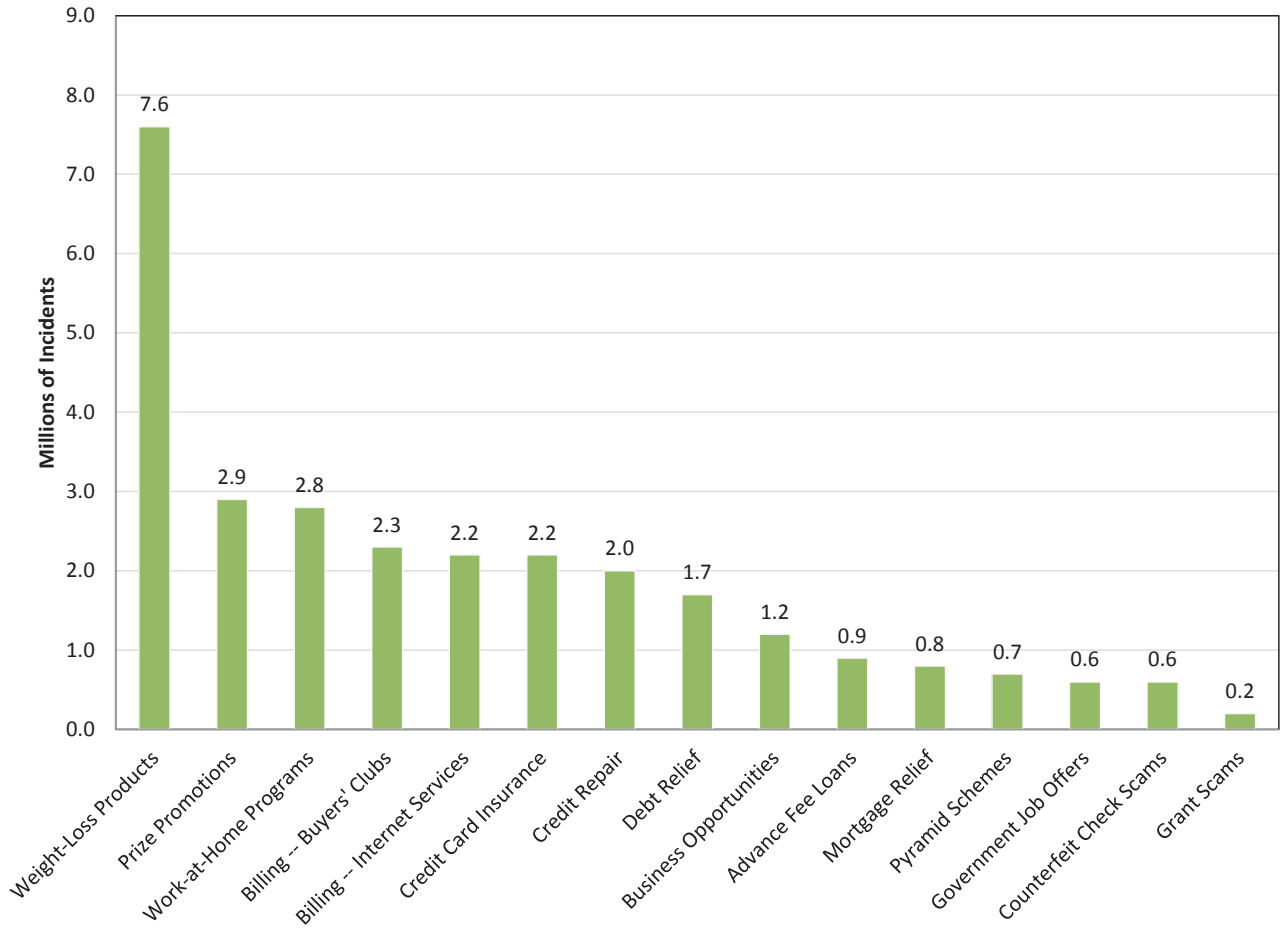
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47 People who purchased one or more of these weight-loss products but then indicated that they had not actually used the product are not counted as victims in the figures reported above and in Tables 2 and 3. If such people are counted as victims, the estimated number of victims of this type of fraud would be 6.0 million and the estimated number of incidents would be 9.8 million. Products that sellers promoted as making it easy to lose weight, but where the seller did not claim that using the product would make it possible to lose weight without diet or exercise, are considered to be frauds in the figures in the text and tables. If one only includes products that were promoted as resulting in weight loss without diet or exercise, there were only 4.0 million victims and only 5.6 million incidents.

48 The distribution of responses here is not significantly different from the responses in the 2005 survey. (In order to perform the statistical test here and in other cases where the analysis is of a subset of those who participated in the survey, it was sometimes necessary to omit a few observations from the test. As described in the methodology report in Appendix B, 20 strata were used in selecting telephone numbers to call as part of the survey. In examining responses to questions that were only asked of a subset of survey participants, in some cases it turns out that there is only a single person in a particular stratum for which the question being analyzed was relevant. Where this happens, it is not possible to calculate a standard error if those observations are included. It is therefore necessary to delete such observations when performing the analysis. For example, in this case, it was necessary to delete 7 observations – 4 from the 2011 survey and 3 from the 2005 survey – because there was only one person in particular strata who had purchased a weight loss product that was promoted as making it easy to lose weight or allowing one to lose weight without diet or exercise, and who was, therefore, asked how much weight they lost using the product.)

49 The distribution of what victims of fraudulent prize promotions did to obtain the promised prize – attend a sales presentation, buy a product, or make a payment – is essentially unchanged from what was found in the 2005 survey.

**Figure 2. Specific Surveyed Frauds, by Number of Incidents**



Source: Table 3.

promotions, there were an estimated 1.2 million victims of fraudulent prize promotions (0.5 percent of the U.S. adult population).

### UNAUTHORIZED BILLING FOR BUYERS' CLUB MEMBERSHIPS

- Being billed for a membership in a buyers' club that the consumer had not agreed to join was one of two problems that tied as the third-most prevalent of the specific frauds reported by survey participants. This problem was reported by 0.8 percent of survey participants, representing 1.9 million U.S. adults. There were an estimated 2.3 million incidents of this type of fraud, 1.0 incidents per hundred U.S. adults.<sup>50</sup>

### UNAUTHORIZED BILLING FOR INTERNET SERVICES

- Like receiving an unauthorized bill for a buyers' club membership, 0.8 percent of survey participants – representing an estimated 1.9 million adults – reported that, during 2011, they had received an unauthorized bill for Internet services such as Internet access or website hosting or development from a company with which the consumer had not previously done business. There were an estimated 2.2 million incidents of this type of fraud.

### FRAUDULENT WORK-AT-HOME PROGRAMS

- The purchase of a work-at-home program where the consumer failed to earn at least half of the amount that they had been told they would earn was the fifth-most prevalent of the specific frauds in the survey. During 2011, this fraud was experienced by 0.7 percent of survey participants, representing an estimated 1.8 million U.S. adults.<sup>51</sup>
  - Victims of work-at-home frauds were more likely to report having experienced multiple incidents of this fraud than was the case for the more-prevalent frauds. On average, victims of work-at-home fraud purchased 1.6 different fraudulent work-at-home programs during

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50 Unauthorized billing for a membership in a buyers' club is one of three frauds included in the survey that involved being billed for a product or service that the consumer had not agreed to purchase or being billed for an amount that was substantially more than the consumer had agreed to pay. The other two areas covered unauthorized billing for Internet services and unauthorized billing for a product other than a buyers' club or Internet services.

Because the estimates of the prevalence of unauthorized billing are based on the responses of consumers who were interviewed as part of the survey, these estimates likely understate the extent of the problem of unauthorized billing. (The same problem exists with the estimates derived from the earlier surveys.) Consumers can only tell an interviewer that they have received an unauthorized bill if they noticed it. Consumers would not know that they had been victims of this type of fraud if unauthorized charges were placed, for example, on their credit card or telephone bills but were not noticed and just paid.

Unauthorized billing frauds were also included in the earlier surveys and, as in the earlier surveys, when participants indicated that they had experienced an unauthorized billing, they were asked whether they had sought a refund and whether the seller had been willing to provide one. In order to avoid counting an incident where an honest mistake is made by a legitimate business as a fraud, those who indicated that they had obtained a refund are not considered to be victims of fraud. (For a discussion of how those who had not sought a refund are treated, see Anderson (2004), *supra* n.1, p. 12.)

Also consistent with the previous surveys, in order to be considered victims of an unauthorized billing fraud, consumers also had to indicate that they had actually made a payment. Consumers who received an unauthorized bill but did not make a payment in response to the bill were not considered to be victims.

51 Those who purchased a work-at-home program and then did not work at the program are included among the fraud victims in estimating the number of victims of this type of fraud. In the FTC's enforcement experience, some victims of fraudulent work-at-home programs realize that the program will not work as soon as they receive the program materials. As a result, they do not try to use the program. If people who did not work at the program they had purchased are not counted as victims, there were 1.2 million victims of this type of fraud – 0.5 percent of the U.S. adult population – and 1.8 million incidents.

2011.<sup>52</sup> As a result, work-at-home fraud ranks third in terms of the number of incidents of fraud during the year, with an estimated 2.8 million incidents.

- Of survey participants who bought work-at-home programs during 2011, 21 percent said that they made no money, and may have lost money. An additional 17 percent said that they made less than half of the money they had been told that they would make from the program, while 27 percent said that they had not worked at the program after buying it. These people are considered to have been victims of fraudulent work-at-home programs.
- The remaining 35 percent of work-at-home program purchasers were not considered to be victims of fraud. About six percent of purchasers indicated that they had made as much or more than they had expected to make, while another five percent indicated that they had made at least half as much as they had expected. In approximately 25 percent of cases, purchasers indicated that the seller of the program had not represented that they would earn a particular level of income.<sup>53</sup>

### 3.3 More General Surveyed Frauds

- One of the general frauds covered by the survey – paying for a product but never receiving it – was reported by more survey participants than any other fraud in the survey with the exception of the purchase of fraudulent weight-loss products. During 2011, this fraud was experienced by 1.9 percent of survey participants. This represents an estimated total of 4.5 million adults (Table 2). There were an estimated 4.8 million incidents of this type of problem during the year, 2.0 incidents per 100 adult Americans (Table 3).
  - More than half of those who were victims of this type of fraud – 57 percent – ordered the product or service that they did not receive from an Internet website, while 23 percent said that they used the telephone to order the product or service. Only 4 percent of victims of this type of fraud purchased the product by mailing in an order.<sup>54</sup>
  - Just over 50 percent of those who were victims of this type of fraud reported that they first learned about the product or service on the Internet, with 10 percent reporting that they had learned about the product or service from an Internet auction site and 29 percent reporting that it was a standard Internet website. None of the victims of this type of fraud reported that they had first learned about the product from an online classified ad site. (The remaining 11 percent reported that they had learned about the product from an Internet site, but did not answer a follow-up question that asked whether that was an Internet auction site, an online classified ad site, or another Internet website.)<sup>55</sup>
  - Survey participants reported this type of problem involving a wide range of products including telephone services or equipment, particularly cell phone services and equipment, books and magazines, and health care products and services.

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52 This compares to 1.5 incidents per victim for fraudulent weight-loss products and 1.2 for prize promotions and the two unauthorized billing frauds.

53 The distribution of responses concerning whether an earnings representation was made, and if so, how much the purchaser earned relative to what they had been told to expect is not significantly different from that in the 2005 survey.

54 In 2005, 20 percent of the orders for products that were never received were mail orders.

55 The percentage of victims of this type of fraud who first learned of the product or service from Internet auction websites or from general Internet sites is not significantly different from the results of the 2005 survey.

- An estimated 1.5 percent of those surveyed – representing 3.6 million people – reported that they had been billed without authorization for a product or service, other than Internet service or a buyers’ club membership, during 2011 (Table 2). There were an estimated 4.2 million incidents of this type of fraud (Table 3).
  - Unauthorized billing was reported involving a range of products and services including health care products and services, books and magazines, and CDs, video tapes, and DVDs.

### 3.4 Incidents of Fraud by Product

- While Table 3 provides estimates of the number of incidents for each of the types of fraud covered by the survey, both specific and general, Table 4 provides an alternative view of the areas in which consumers were victimized. Survey participants who reported that they had experienced the more general types of fraud were asked to identify the product that had been involved the last time they had experienced this problem (Questions 23 and 49). In constructing Table 4, these data were used along with the data on the specific frauds to estimate the incidence of fraud by product, rather than by the type of fraud.
- As in Table 3, Table 4 shows that weight-loss products that did not perform as represented were the most often involved in fraudulent offerings. There were an estimated 7.9 million incidents of fraud involving weight-loss products during 2011.
- Similarly, the figures for the products that are listed as number 2 through 9 in Table 4 – Prize Promotions, Work-at-Home Programs, Internet Services, Buyers’ Clubs, Credit Card Insurance, Credit Repair Services Debt Relief, and Business Opportunities – occupy essentially the same place as on Table 3.
- The next three products on Table 4 – Health Care Products and Services, Other than Weight Loss (1.0 million incidents in 2011), Books, Magazines, and Newspapers (also 1.0 million incidents), and Telephone Service and Equipment (0.9 million incidents) – do not appear in the earlier table.

### 3.5 Changes in the Prevalence of Certain Surveyed Categories of Fraud since 2005

- Table 5 and Figures 3 and 4 provide a comparison of the estimated prevalence of fraud in 2011 with that found in the 2005 survey, looking at the 10 specific and 2 more-general surveyed frauds where no significant changes were made to the questions asked between the two surveys.
- Areas where changes were made to the survey questions included:
  - Prize Promotion Fraud – The survey questions about prize promotions were changed to, hopefully, provide a better estimate of this type of fraud. In addition, the 2011 figures were designed to include fraudulent representations of foreign lottery winnings, something that was treated separately in the 2005 survey.
  - Debt Relief – The 2005 survey included questions that were characterized as asking about debt consolidation. Since the 2005 survey was completed, the Commission has spent considerable time and effort studying the debt relief industry, and the questions included in the 2011 survey were modified to reflect the Commission’s improved understanding of the different types of services debt relief firms offer and the promises they make.

**Table 4. Estimated Number of Incidents of Fraud by Product or Service Involved, 2011**

Product or Service	Number of Incidents (millions)
Weight-Loss Products	7.9
Prize Promotions	2.9
Work-at-Home Programs	2.8
Internet Services	2.3
Buyers' Clubs	2.3
Credit Card Insurance	2.2
Credit Repair Services	2.0
Debt Relief	1.7
Business Opportunities	1.2
Health Care Products and Services, Other Than Weight Loss	1.0
Books, Magazines, and Newspapers	1.0
Magazines	0.5
Books	0.2
Not Specified	0.2
Telephone Service or Equipment	0.9
Cellular telephone service or equipment	0.5
Telephone service or equipment, except cellular	0.5
Advance Fee Loans	0.9
Mortgage Relief	0.8
Pyramid Schemes	0.7
Counterfeit Check Scams	0.6
Government Job Offers	0.6
CDs, DVDs, etc.	0.5
Games or Other Programs Delivered to a Cell Phone or Other Mobile Device	0.4
Travel services and vacations	0.3
Grant Scams	0.2
Cable or Satellite TV or Satellite Radio	0.1
Real estate (including timeshares)	0.1
Cameras	0.1
Credit Monitoring Services, ID Theft Services, Copies of Credit Reports	0.1
Other	3.5
Don't Know / Refused	0.7

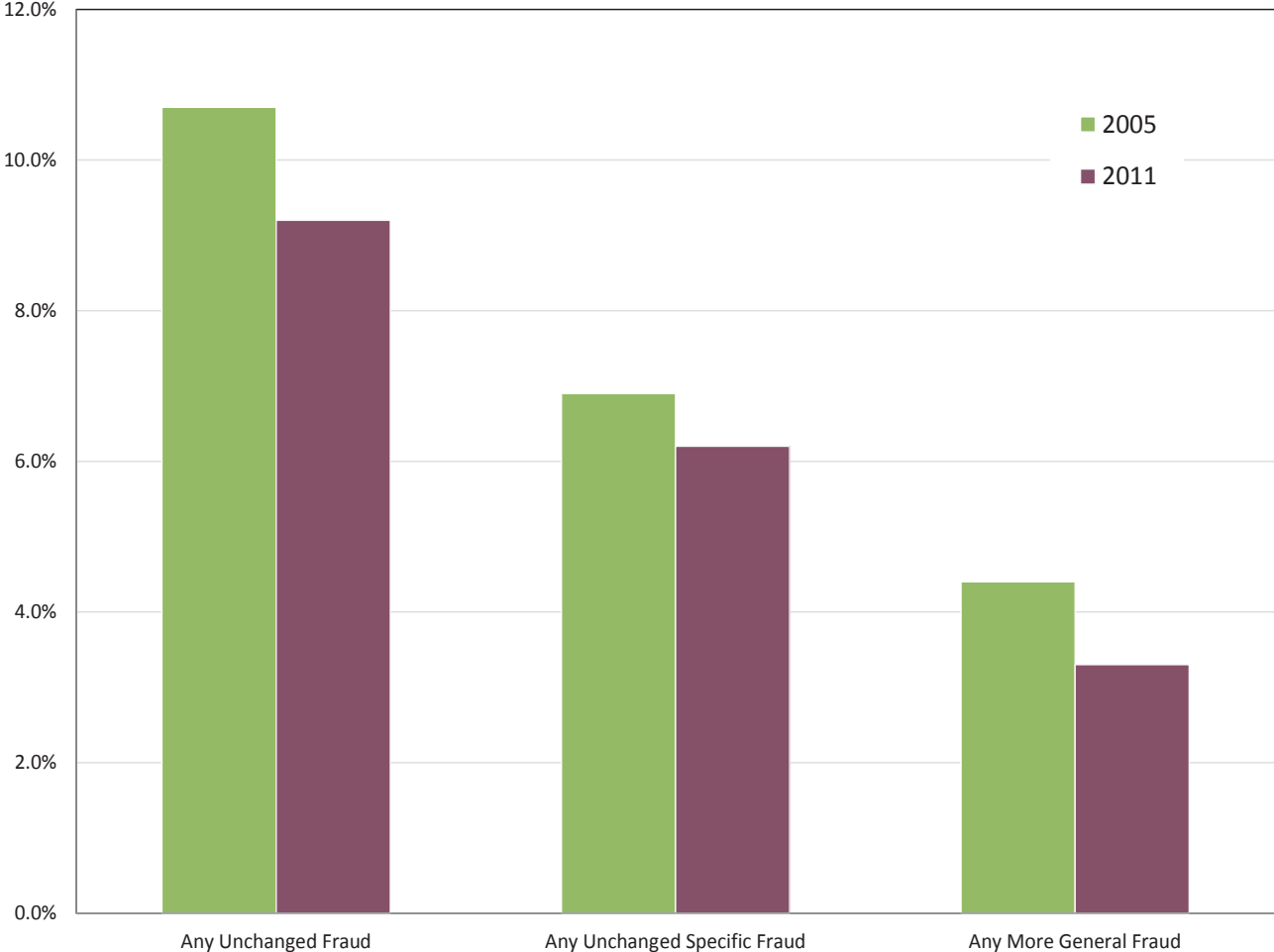
**Source:** 2011 FTC Fraud Survey

**Notes.**

In this table, incidents of the two more general frauds have been allocated to specific products or services. Values are rounded to the nearest 0.1 million.

Projections are based on estimated U.S. population of 237.66 million adults – 18 and older – as of July 1, 2011. (See U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2011 (NC-EST2011-02), released May 2012, available at <http://www.census.gov/popest/data/national/asrh/2011/index.html>.)

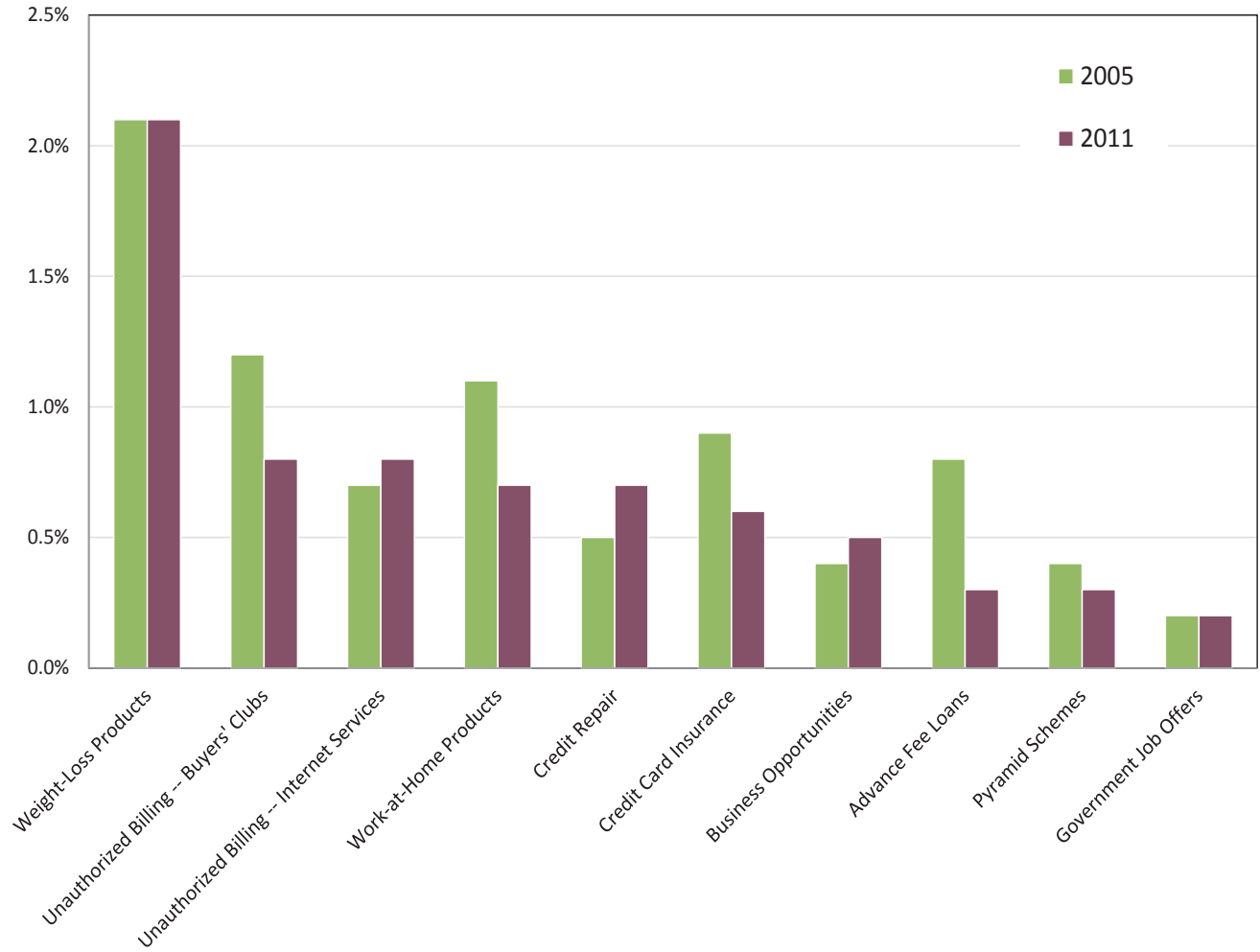
**Figure 3. Fraud Prevalence, Unchanged Frauds, Aggregate Figures, 2005 and 2011**



Source: Table 5.



**Figure 4. Prevalence of Specific Unchanged Frauds, 2005 and 2011**



Source: Table 5.

**Table 5. Prevalence of Fraud Victimization in 2011 and 2005 Surveys,  
Frauds Included in Both Surveys<sup>a</sup>**

Type of Fraud	Victims as Percent of Adult Population		Sig. <sup>b</sup>
	2005 Survey	2011 Survey	
<b>Victims of Any Fraud Included in Both Surveys</b>	<b>10.7%</b> (9.5% - 11.9%)	<b>9.2%</b> (8.0% - 10.4%)	*
<b>Victims of Any Specific Fraud Included in Both Surveys</b>	<b>6.9%</b> (5.9% - 7.9%)	<b>6.2%</b> (5.2% - 7.3%)	
Weight-Loss Products	2.1% (1.5% - 2.7%)	2.1% (1.5% - 2.8%)	
Unauthorized Billing – Buyers' Clubs	1.2% <sup>c</sup> (0.8% - 1.5%)	0.8% (0.5% - 1.1%)	
Unauthorized Billing – Internet Services	0.7% <sup>c</sup> (0.4% - 1.0%)	0.8% (0.5% - 1.1%)	
Work-at-Home Programs	1.1% (0.7% - 1.5%)	0.7% (0.3% - 1.2%)	
Credit Repair	0.5% (0.2% - 0.8%)	0.7% (0.3% - 1.1%)	
Credit Card Insurance	0.9% (0.6% - 1.3%)	0.6% (0.3% - 0.9%)	
Business Opportunities	0.4% (0.2% - 0.6%)	0.5% (0.2% - 0.8%)	
Advance Fee Loans	0.8% (0.4% - 1.1%)	0.3% (0.0% - 0.6%)	**
Pyramid Schemes	0.4% (0.1% - 0.6%)	0.3% (0.1% - 0.5%)	
Government Job Offers	0.2% (0.0% - 0.3%)	0.2% (0.0% - 0.5%)	
<b>Victims of the More General Frauds Included in the Both Surveys</b>	<b>4.4%</b> (3.6% - 5.1%)	<b>3.3%</b> (2.6% - 4.0%)	*
Paid for Something Never Received	2.9% <sup>c</sup> (2.3% - 3.6%)	1.9% (1.3% - 2.5%)	**
Unauthorized Billing – Other Products	1.5% <sup>c</sup> (1.1% - 1.9%)	1.5% (1.1% - 1.9%)	

Source: 2005 and 2011 FTC Fraud Surveys

**Notes.**

Figures in parentheses are 95 percent confidence intervals. 0.0% denotes a value of less than 0.05 percent.

a. In addition to the frauds included in this table, prize promotion and debt relief frauds were included in both the 2005 and 2011 surveys. However, the questions used in the two surveys differed enough that it is difficult to compare the results from the two surveys.

b. Indicates significance of the differences across the two surveys.

- \* denotes statistical significance at the 10 percent level
- \*\* denotes statistical significance at the 5 percent level
- \*\*\* denotes statistical significance at the 1 percent level

c. This figure differs from what was reported in "Consumer Fraud in the United States: The Second FTC Survey." A mistake was made in the analysis that generated the figures published in the previous report.

- Counterfeit Checks – The 2005 survey only asked about the problem of a perpetrator of a fraud sending a consumer a counterfeit check and asking him or her to return part of the money in the context of foreign lottery frauds. In the 2011 survey, consideration of the problem of fraudulent checks was expanded to cover other areas, including all prize promotions and grant promotions.
- Questions about two additional frauds – mortgage relief fraud and grant fraud – that were not included in 2005 were added to the 2011 survey.
- As shown in Table 5, 9.2 percent of participants in the 2011 survey indicated that they had experienced at least one of the frauds that were included in both the 2011 and 2005 surveys in essentially the same form. Looking at this set of frauds, 10.7 percent of participants in the 2005 survey indicated that they had experienced at least one of the frauds during the preceding year. The decline in the prevalence of this set of frauds is statistically significant ( $p < 0.10$ ).<sup>56</sup>
- The percentage of those who experienced one of the ten specific frauds that are unchanged between the 2005 and 2011 surveys declined from 6.9 percent in 2005 to 6.2 percent in 2011. However, this difference is not statistically significant.
- The percentage of survey participants who experienced the individual specific frauds fell for five of the ten specific frauds where comparison is possible. However, only one of these differences – Advance Fee Loans – was statistically significant ( $p < 0.05$ ).
  - For three of the frauds – unauthorized billing for Internet services, credit repair, and fraudulent business opportunities – the percentage of survey participants experiencing that fraud rose between 2005 and 2011, though in two of the three cases the increase was only 0.1 percentage points. None of the increases was statistically significant.
  - For the two remaining specific frauds where comparison across the two years is possible – weight-loss products (the most frequently experienced fraud) and government job offers (the least frequently experienced) – there was no change in the prevalence of the frauds between the two years.
- The share of survey participants who reported experiencing one or both of the two more general frauds declined from 4.4 percent in 2005 to 3.3 percent in 2011. This difference was statistically significant ( $p < 0.10$ ).
  - This decline is the result of a decline in the percentage of survey participants who reported having paid for something but never having received it. This problem was reported by 2.9 percent of survey participants in 2005. In 2011, only 1.9 percent of participants reported having this experience. The difference was statistically significant ( $p < 0.05$ ).

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56 Where statistically significant differences are reported, the level of significance is denoted by  $p < 0.10$ , which indicates that the difference is significant at the 10 percent level,  $p < 0.05$ , difference is significant at the 5 percent level, or  $p < 0.01$ , the difference is significant at the 1 percent level.

Where a result is not statistically significant, this means that the likelihood that the observed difference could have occurred just by chance even if there really was no difference in the underlying parameters is greater than 10 percent. If an estimated difference is not statistically significant, this means that one cannot have a high degree of confidence that the actual differences are not zero. However, even if the estimated difference fails to meet the standard for statistical significance, the estimate is still the best estimate of the difference.

## 4. Characteristics of Transactions Involving Surveyed Frauds

The nature of the transactions that involved the frauds covered by the 2011 fraud survey is explored in this chapter.<sup>57</sup> How did victims order the fraudulent products or services? How were these products or services promoted to victims? How much did they pay, and how did victims make these payments?

### 4.1 How Were Fraudulent Goods and Services Purchased?

- As shown in Table 6 and Figure 5, in almost 40 percent of cases, victims of the frauds covered by the survey used the Internet to purchase the fraudulent goods or services.
- The telephone was the medium used to place orders in another 30 percent of incidents.
- In just over 10 percent of incidents orders were placed by mail,
- Just over 10 percent of purchases were also made by visiting a brick-and-mortar store.
- Comparing these results to the 2005 survey shows that the proportion of cases in which the Internet was used to place orders for items that turned out to be fraudulent increased by 20 percentage points – from roughly 20 percent to 40 percent – between 2005 and 2011 (Figure 6).<sup>58</sup>
- The percentage of incidents in which the purchase was made by telephone was largely unchanged from 2005.
- During this period of time, the proportion of orders that were made by mail decreased from just over 20 percent to 12 percent, while the proportion of purchases made at a store fell from around 16 percent to 12 percent.

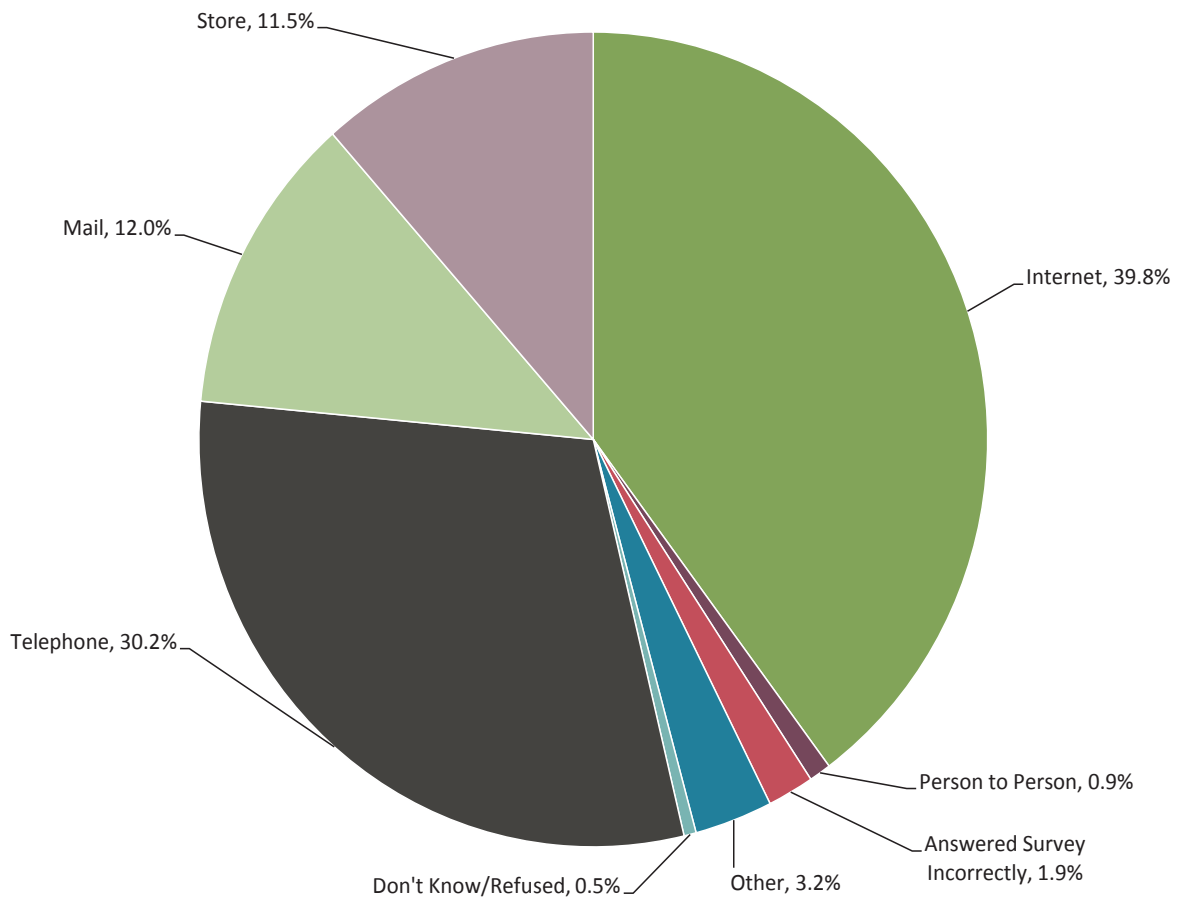
### 4.2 How Were Fraudulent Goods and Services Promoted to Victims?

- The Internet was the most common way victims first learned of offers that turned out to be fraudulent. The Internet was the source of information in almost one-third of incidents (Table 7 and Figure 7).
  - In almost 20 percent of incidents where victims first learned about a fraudulent offer via the Internet – 6.3 percent of all incidents – the information came from an email or a text message.
  - In just over 10 percent of cases involving the Internet – 3.8 percent of all incidents – the information came from social media sites.
  - Internet auction sites and online classified advertising sites were each the source of information in approximately 2 percent of all incidents.

<sup>57</sup> Because of the way the estimates are constructed, it is not feasible to test whether or not the differences between 2005 and 2011 reported in this chapter are statistically significant.

<sup>58</sup> The data on how purchases were made in 2005 are found in Table 10 on page 46 of Anderson (2007), *supra* n.1.

**Figure 5. How Fraudulent Goods and Services Were Purchased**



Source: Table 6.

**Table 6. How Fraudulent Goods and Services Were Purchased**

Purchased by	Number of Incidents (millions)	Percent
<b>Total Incidents of Surveyed Frauds That Involved Purchases (Specific and More General)<sup>a</sup></b>	<b>25.1</b>	<b>100.0%</b>
Internet	10.0	39.8%
Telephone	7.6	30.2%
Mail	3.0	12.0%
Store	2.9	11.5%
Person to Person	0.2	0.9%
Answered the Wrong Question <sup>b</sup>	0.5	1.9%
Other	0.8	3.2%
Don't Know / Refused	0.1	0.5%

Source: 2011 FTC Fraud Survey

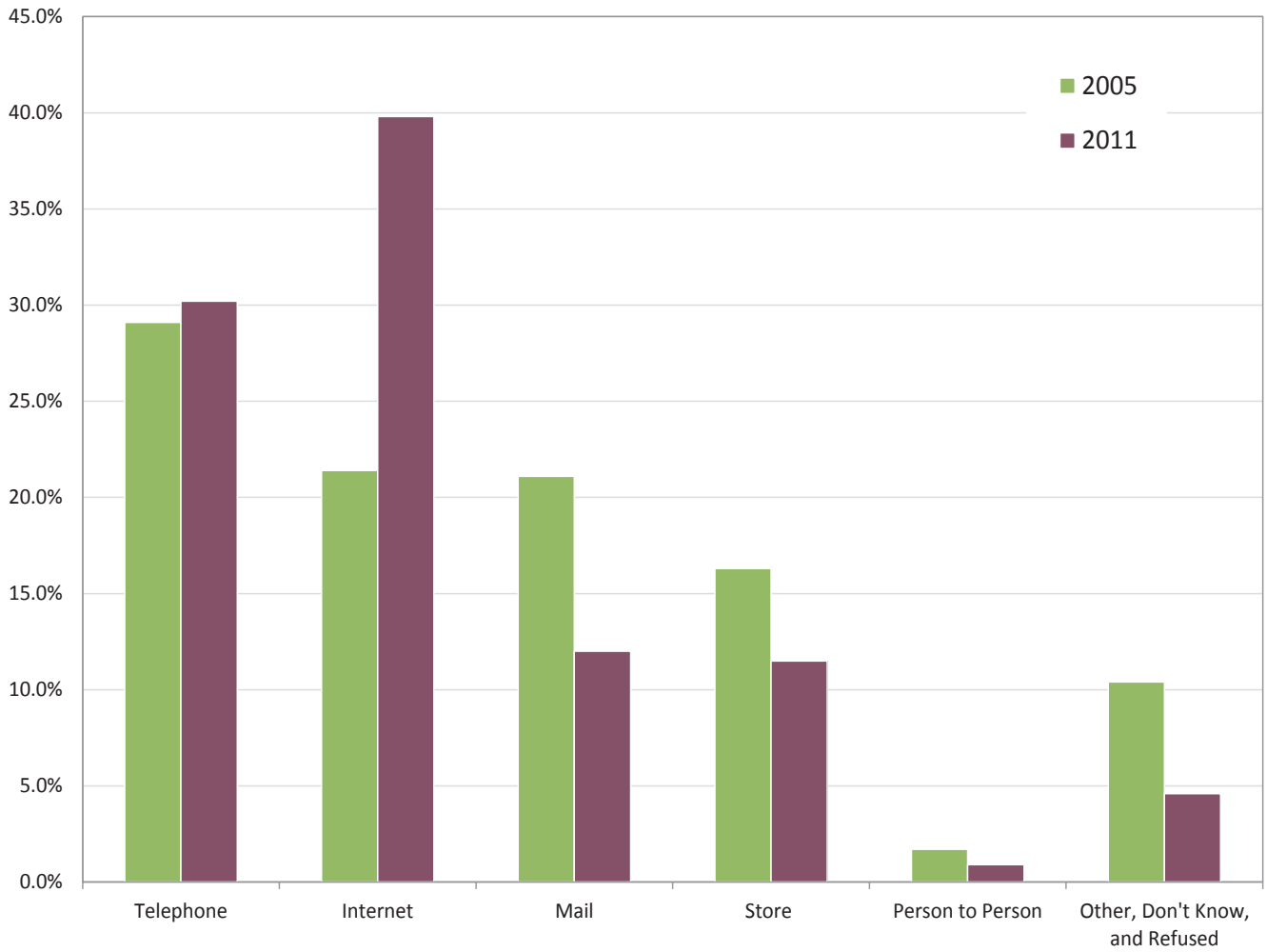
**Notes.**

Numbers are rounded to the nearest 0.1 million and percentages to the nearest 0.1 percent. Estimates for individual categories may not add to totals due to rounding.

The percentage of transactions purchased in each way was estimated for each type of fraud. These percentages were then multiplied by the estimated number of incidents for that type of fraud and summed across fraud types. The resulting totals are then expressed as percentages of the totals.

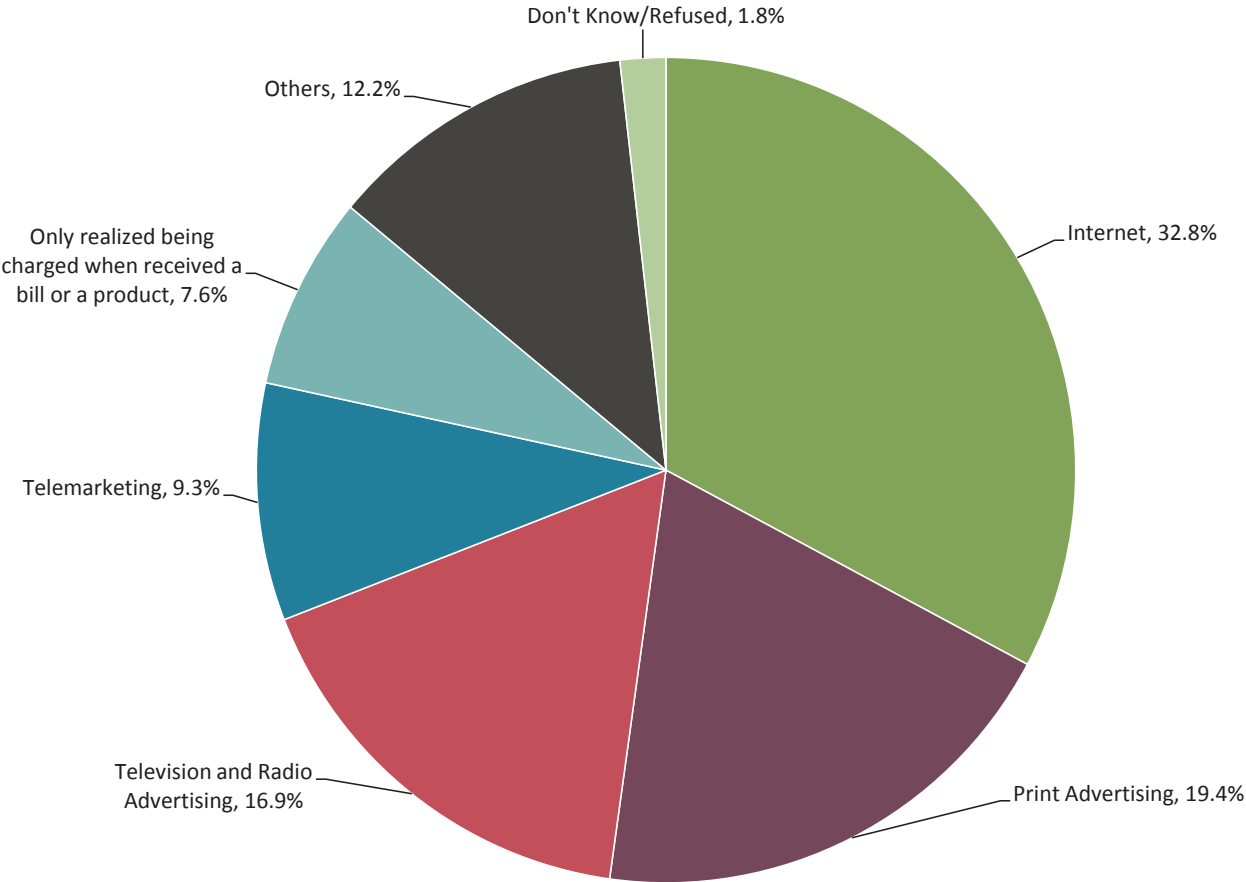
- a. Does not include frauds involving unauthorized billing or prize promotion frauds since, in many cases, the victim of these frauds does not knowingly purchase anything.
- b. When asked how they purchased the fraudulent product or service, some survey participants' answers indicated how payment was made, not how the purchase was made

**Figure 6. How Fraudulent Items Were Purchased, 2005 and 2011**



**Source:** 2011 data from Table 6, 2005 data from Anderson (2007), *supra* n.1, Table 10.

**Figure 7. How Fraudulent Offers Were Promoted to Victims**



Source: Table 7.



**Table 7. How Victims First Learned About Fraudulent Offers**

Media	Number of Incidents (millions)	Percent
<b>Total Incidents of Surveyed Fraud (Specific and More General)</b>	<b>37.2</b>	<b>100.0%</b>
<b>Internet and Email</b>	<b>12.2</b>	<b>32.8%</b>
General web pages	6.3	16.9%
Email	2.3	6.3%
Social media	1.4	3.8%
Internet auction sites	0.8	2.2%
Internet classified ad site	0.7	1.9%
Internet, unspecified	0.6	1.6%
<b>Print Advertising</b>	<b>7.2</b>	<b>19.4%</b>
Direct mail, including catalogs	3.6	9.8%
Newspaper and magazine advertising	3.0	8.0%
Posters and flyers	0.6	1.6%
<b>Television and Radio Advertising</b>	<b>6.3</b>	<b>16.9%</b>
Television advertising, including infomercials	5.5	14.9%
Radio advertising	0.8	2.0%
<b>Telemarketing</b>	<b>3.5</b>	<b>9.3%</b>
<b>Only Realized Being Charged When Received a Bill or a Product</b>	<b>2.8</b>	<b>7.6%</b>
<b>Others</b>	<b>4.5</b>	<b>12.2%</b>
Word-of-mouth	2.8	7.6%
Visiting a store	0.7	1.9%
Someone visiting the consumer's home	0.4	1.1%
Attending a seminar or presentation	0.4	1.0%
Other	0.2	0.6%
<b>Don't Know / Refused</b>	<b>0.7</b>	<b>1.8%</b>

Source: 2011 FTC Fraud Survey

**Notes.**

Numbers are rounded to the nearest 0.1 million and percentages to the nearest 0.1 percent. Estimates for individual categories may not add to totals due to rounding.

The percentage of transactions promoted by each medium was estimated for each type of fraud. These percentages were then multiplied by the estimated number of incidents for that type of fraud and summed across fraud types. The resulting totals are then expressed as percentages of the totals.

- Print media – direct mail solicitations, newspaper or magazine advertisements, and posters or flyers – were the second-most frequent source of information about offers that turned out to be fraudulent, accounting for almost 20 percent of incidents.
- Television and radio advertising was the source of information in 17 percent of incidents.
- Telemarketing was the source of information in just under 10 percent of incidents.
- Comparing these results to those from the 2005 survey shows that the Internet has increased from being the source of information in just over 20 percent to just under 33 percent of incidents (Figure 8).<sup>59</sup>
- The share of incidents in which information was obtained by telemarketing was unchanged at just under 10 percent between 2005 and 2011.
- The importance of print advertising as a source of fraudulent offers declined from 27 percent to slightly below 20 percent. Most of this decline was in direct mail solicitations, including catalogs, which declined from 16 percent of all incidents in 2005 to 10 percent in 2011.

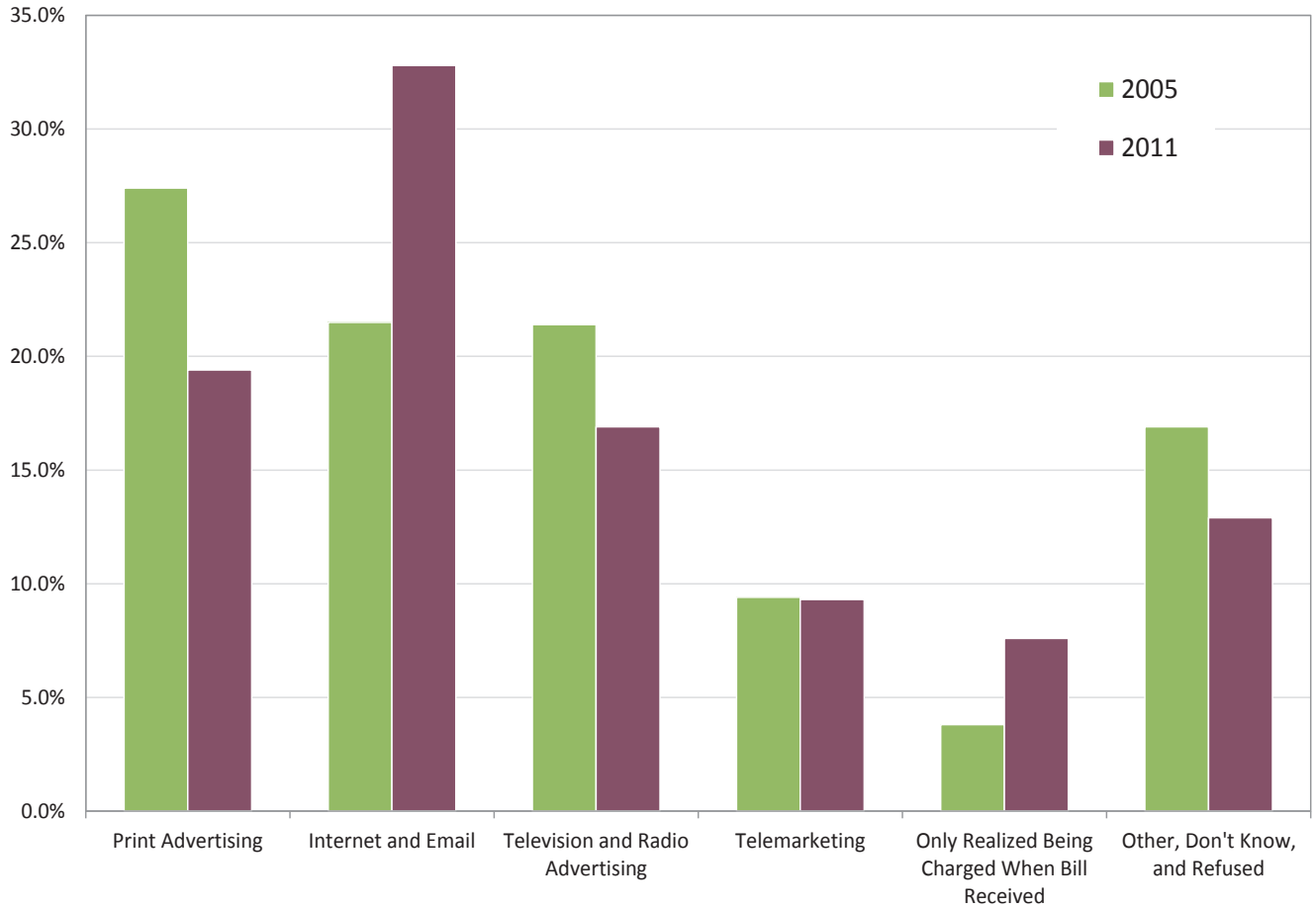
### 4.3 How Much Did Consumers Pay for Fraudulent Offerings?

- The median amount victims reported paying in connection with an incident of fraud was \$100 (Table 8). (The median value – the value of the 50<sup>th</sup> percentile – is the value where 50 percent of incidents involved payments of more than this amount and 50 percent involved smaller payments.)
- In 25 percent of cases – the 75<sup>th</sup> percentile – survey participants reported that they paid \$300 or more in connection with an incident of fraud.
- While the data on the amount paid by type of fraud is limited, 50 percent of victims who provided information on how much they paid for fraudulent business opportunities, credit repair, and pyramid schemes said that they had paid at least \$200. For the same three frauds, 25 percent of victims said that they paid at least \$500.

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<sup>59</sup> Data on the source of information about fraudulent offers from the 2005 survey is found in Table 9 on page 44 of Anderson (2007), *supra* n.1.

**Figure 8. How Fraudulent Offers Were Promoted, 2005 and 2011**



**Source:** 2011 data from Table 7, 2005 data from Anderson (2007), *supra* n.1, Table 9.

**Table 8. Amount Paid per Incident of Fraud**

Type of Fraud	Percentile			Number <sup>a</sup>
	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	
<b>Any Surveyed Fraud</b>	<b>\$45</b>	<b>\$100</b>	<b>\$300</b>	<b>267</b>
<b>Any Specific Surveyed Fraud</b>	<b>\$45</b>	<b>\$100</b>	<b>\$350</b>	<b>188</b>
Business Opportunities	\$200	\$300	\$600	12
Credit Repair	\$100	\$250	\$500	15
Pyramid Schemes	\$100	\$200	\$500	10
Unauthorized Billing – Internet Services	\$20	\$100	\$170	14
Weight-Loss Products	\$50	\$80	\$150	57
Unauthorized Billing – Buyers’ Clubs	\$35	\$70	\$150	21
Work-at-Home	\$30	\$45	\$150	16
<b>Any More General Surveyed Fraud</b>	<b>\$40</b>	<b>\$85</b>	<b>\$150</b>	<b>79</b>
Paid, Never Received	\$45	\$85	\$150	43
Unauthorized Billing – Other Products	\$30	\$50	\$200	36

Source: 2011 FTC Fraud Survey

**Notes.**

Dollar figures rounded to nearest \$5.

Data are not provided for frauds where the amount paid was available for less than 10 observations. In addition, data are not reported for Prize Promotions, because victims of this fraud often do not incur monetary payments. Rather, the injury is often the value of the time spent attending a sales presentation.

a. Number of cases in which a victim reported the amount paid.

## 4.4 Method of Payment for Fraudulent Offerings

- Credit cards were used as the method of payment in over half – 56 percent – of all fraudulent transactions consumers reported encountering during 2011 (Table 9 and Figure 9).
- In another 15 percent of incidents, consumers paid for a fraudulent product or service directly from their checking account.
  - In one-quarter of cases where payment was made from a consumer’s checking account – 3.9 percent of all incidents – the seller took the money directly from the victim’s checking account. In most cases, this probably occurred after consumers disclosed their account numbers to sellers as part of the fraudulent transaction.
  - In 22 percent of cases involving payment from a checking account – 3.4 percent of all incidents – payment was made using the consumer’s debit card or debit card number.
  - Compared to 2005, credit cards were used more often to pay for fraudulent transactions and checking accounts and cash were used less often (Figure 10).<sup>60</sup>

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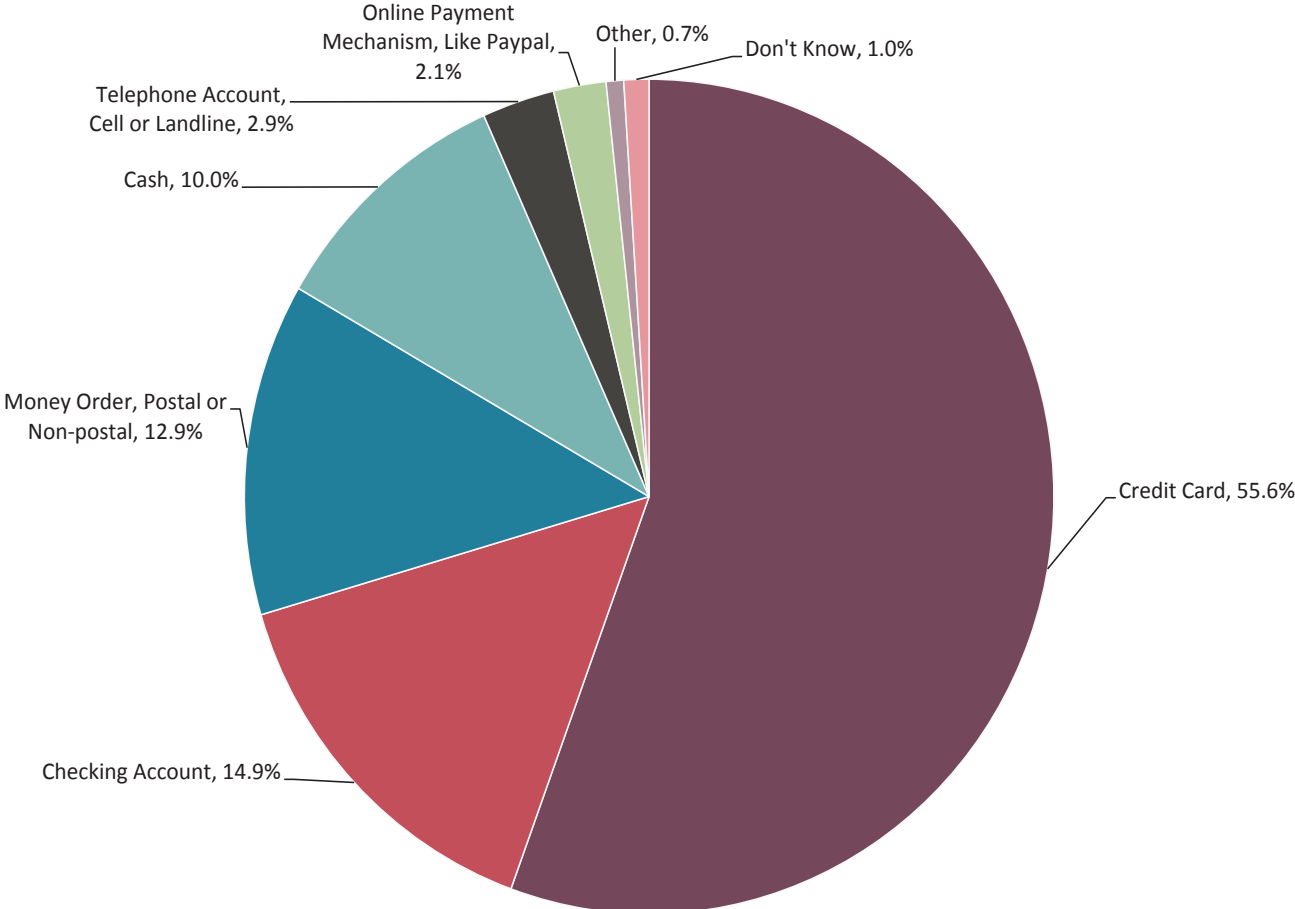
60 Data on the method of payment for fraudulent offers from the 2005 survey is found in Table 12 on page 49 of Anderson (2007), *supra* n.1. The percentage of fraudulent transactions in which payment came from a checking account in 2005 in Figure 10 is the sum of the figures for “Check,” “Debit Card,” and “Seller Took Money Directly from the Victim’s Checking Account” in the 2007 report, since debit cards and directly taking money from a checking account are alternative mechanisms for paying from a checking account.

There is some ambiguity as to what is included in the “Money Order” category in Table 9 and in Figure 10. In the 2011 survey, listed responses to question 65 – “How did you pay for this transaction?” – included “Postal money order” and “Non-postal money order, like Western Union or MoneyGram.” What is unclear is whether consumers who gave the second of these responses were indicating that they received a paper payment order that could then be presented to a seller as one would do with a paper personal check or whether they were referring to money being transferred electronically for pick-up at a different location. The reported data should therefore probably be considered to approximate the combination of paper-based payments and electronic transfers. It is not possible to go further and disentangle these two mechanisms.

In the 2005 survey, money orders were not one of the listed payment categories. Rather, those who used a money order, whether paper or electronic, should have been indicated as giving an “Other” response and their specific response been entered (See question 65 in the 2005 questionnaire, which is included as Appendix B of Anderson (2007), *supra* n.1). While the 2005 survey results show a number of people answering “money order” in response to what the other payment mechanism they used was, a few are shown as responding “Wire Transfer.” As a result, the 2005 data show a small percentage of fraud victims – 0.6 percent – using a payment mechanism identified as “Wire or Bank Transfer.” To get as close to a reasonable comparison as is possible, these victims have been included in the Money Order category in Figure 10. However, it is again unclear exactly what was meant by those who indicated that they had paid by money order. (It is also possible that some of the transactions in the Wire and Bank Transfer category might better be assigned to the Checking Account or Other categories. The share of victims in this category is sufficiently small, however, that it would not alter the basic results reflected in Figure 10 if they had instead been assigned to the Checking Accounts or Other categories.)

Also, as noted in footnote 57 above, it is important to note that it is not feasible to test whether or not the differences between 2005 and 2011 reported in Figure 10 are statistically significant.

**Figure 9. How Victims Made Payment in Fraudulent Transactions**



Source: Table 9.

**Table 9. How Victims Made Payment in Fraudulent Transactions**

<b>Payment Mechanism</b>	<b>Number of Incidents (millions)</b>	<b>Percent</b>
<b>Total, All Surveyed Fraud Incidents Except Prize Promotions Requiring Attendance at a Sales Presentation</b>	<b>36.2</b>	<b>100.0%</b>
<b>Credit Card</b>	<b>20.2</b>	<b>55.6%</b>
<b>Checking Account</b>	<b>5.4</b>	<b>14.9%</b>
Seller Took Money Directly from the Victim's Checking Account	1.4	3.9%
Debit Card Used	1.2	3.4%
<b>Money Order, Postal or Non-Postal</b>	<b>4.7</b>	<b>12.9%</b>
<b>Cash</b>	<b>3.6</b>	<b>10.0%</b>
<b>Telephone Account, Cell or Landline</b>	<b>1.0</b>	<b>2.9%</b>
<b>Online Payment Mechanism, Like PayPal</b>	<b>0.8</b>	<b>2.1%</b>
<b>Other</b>	<b>0.2</b>	<b>0.7%</b>
<b>Don't Know</b>	<b>0.4</b>	<b>1.0%</b>

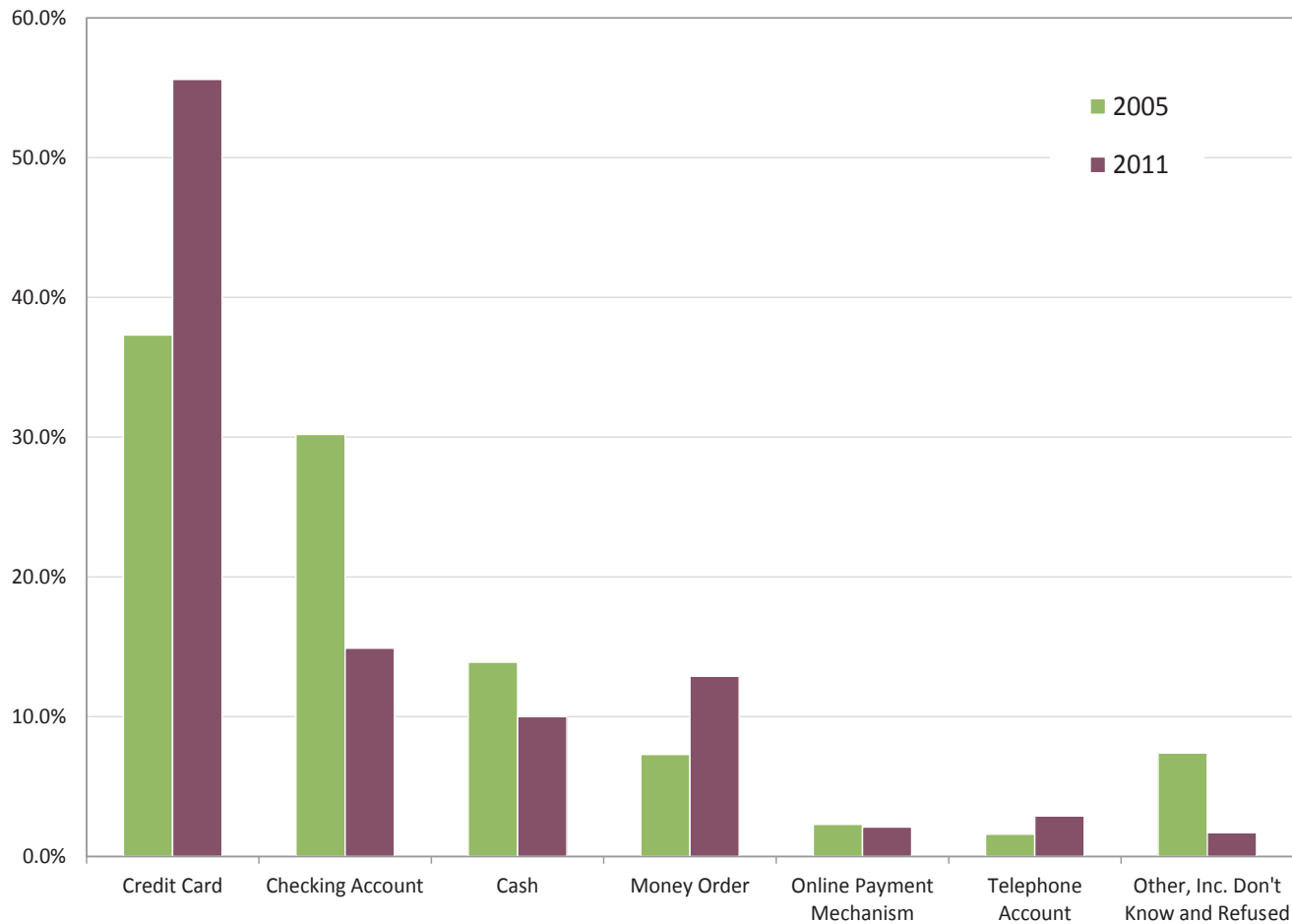
Source: 2011 FTC Fraud Survey

**Notes.**

Based on all frauds except prize promotions where victims were required to attend a sales presentation rather than make a payment or purchase.

The percentage of transactions in which each payment mechanism was used was estimated for each type of fraud. These percentages were then multiplied by the estimated number of incidents of each type of fraud and summed across fraud types. The resulting totals are then expressed as percentages of the totals.

**Figure 10. How Victims Made Payment in Fraudulent Transactions, 2005 and 2011**



**Source:** 2011 data from Table 9, 2005 data from Anderson (2007), *supra* n.1, Table 12.





## 5. Basic Demographic Characteristics of Victims of Surveyed Frauds

- This chapter explores the demographic characteristics of victims of the frauds covered by the survey and how they differ from the demographics of non-victims.<sup>61</sup> Were older consumers more likely to have been victims than those who were younger? Were members of some racial and ethnic groups more likely to have been victims? How does income relate to the likelihood of being victimized; how about education?

### 5.1 Race and Ethnicity

- Table 10a and Figure 11 provide data on the percentage of those in different racial and ethnic groups who experienced one or more of the frauds included in the survey (“Any Surveyed Fraud”) during 2011.<sup>62</sup>
- Table 11 and Figure 12 provide additional detail on the experiences of African Americans, Hispanics, and non-Hispanic whites. The first two rows of the table provide figures for those who were victims of Any Surveyed Fraud and those who were victims of any of the specific frauds included in the survey (“Any Specific Surveyed Fraud”).<sup>63</sup> The remainder of the table provides data on the two most often reported specific frauds – weight-loss products and prize promotions – and data for several groups of the frauds included in the survey – Unauthorized Billing-Related Fraud, Debt-Related Fraud, Income-Related Fraud, and Other Fraud. The individual frauds included in each of these are set forth in Table 12.

#### AFRICAN AMERICANS

- African Americans were almost twice as likely to have experienced Any Surveyed Fraud as were non-Hispanic whites (Table 10a and Figure 11). During 2011, 17.3 percent of African Americans were victims of Any Surveyed Fraud. As shown in the second column of data in Table 10, the prevalence of fraud victimization among African Americans was 192 percent of the 9.0 percent figure for non-Hispanic whites, the comparison group when looking at race and ethnicity. The

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61 The results reported in this chapter are based on simple cross-tabulations. That is, they look only at the relationship between the two variables being discussed and do not control for the effects of other variables.

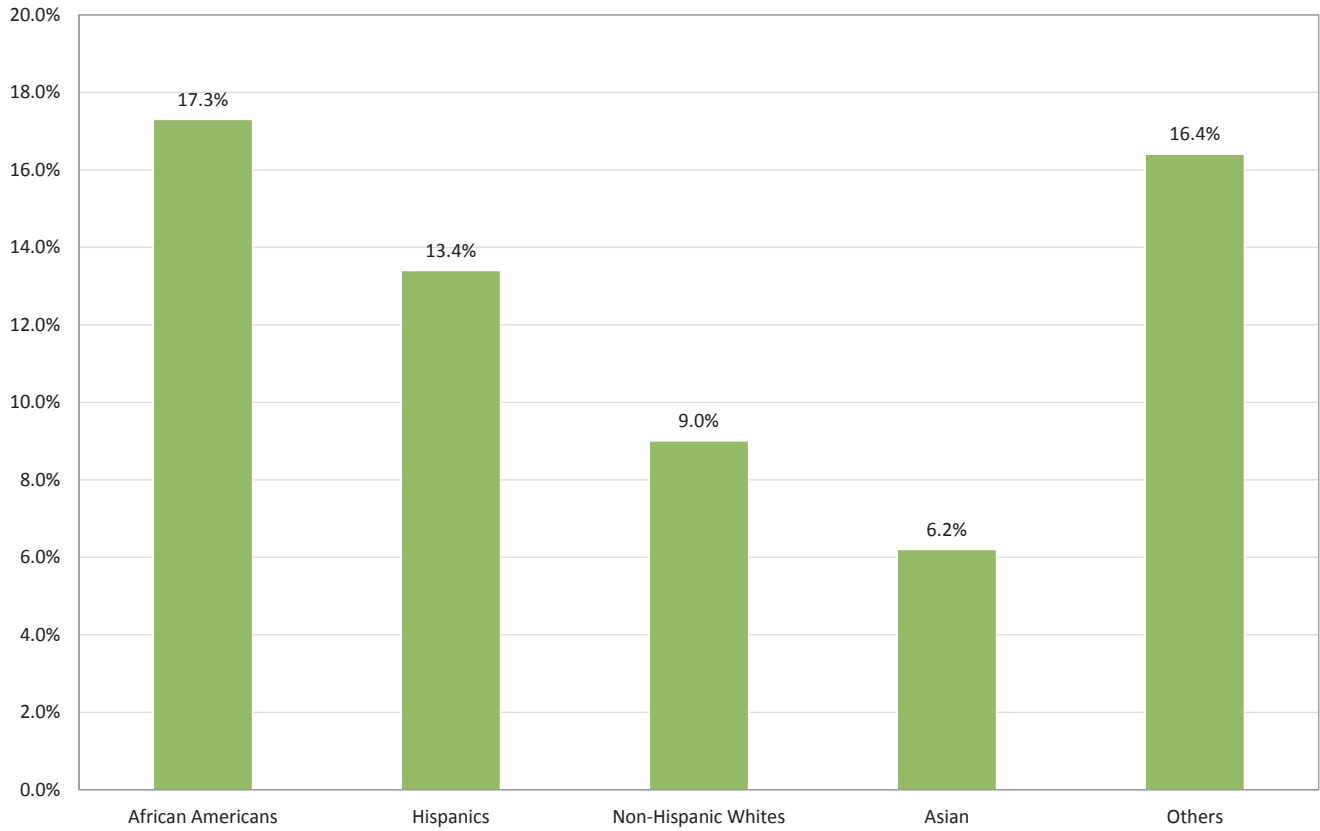
The comparisons in the text examine the experiences with the frauds included in the current survey during 2011 and look for differences across those with different demographic characteristics. They explore questions such as whether older consumers were more or less likely than younger consumers to have experienced any of the frauds included in the current survey during 2011. Similar comparisons were included in the report on the earlier survey (Anderson (2007), *supra* n.1, pp. 26-43).

62 The figures in this table include victims of both the specific frauds and the more general frauds included in the survey.

Survey participants were asked two separate questions about race and ethnicity. First, they were asked whether they were of Hispanic or Latino origin and then were asked to identify the racial category or categories that best indicated their race. Those who indicated that they were of Hispanic or Latino origin are included in the Hispanic category, regardless of their responses on the question about race. Those who indicated that they belonged to more than one racial category were included in the “Others” group.

63 The “Any Surveyed Fraud” row of Table 11 presents the same data as in Table 10. The same is true for Tables 13 and 14.

**Figure 11. Aggregate Likelihood of Being a Victim of Fraud, by Race and Ethnicity**



Source: Table 10a.

**Table 10. Fraud Victimization Rates, 2011, Demographic Characteristics**

a. Race and Ethnicity	Percent Victims <sup>a</sup>	Relative Risk <sup>b</sup>	Significance of Difference <sup>c</sup>
African Americans	17.3%	192.2%	***
Hispanics	13.4%	148.9%	*
Non-Hispanic Whites [comparison group]	9.0%	—	—
Asian	6.2%	68.9%	
Others <sup>d</sup>	16.4%	182.2%	*
<i>Number of Observations / Overall Significance</i>	3,532		***

b. Age	Percent Victims <sup>a</sup>	Relative Risk <sup>b</sup>	Significance of Difference <sup>c</sup>
18 – 24	11.7%	96.7%	
25 – 34	11.1%	91.7%	
35 – 44 [comparison group]	12.1%	—	—
45 – 54	14.3%	118.2%	
55 – 64	9.1%	75.2%	
65 – 74	7.3%	60.3%	**
75 and older	6.5%	53.7%	***
<i>Number of Observations / Overall Significance</i>	3,524		***

c. Marital Status	Percent Victims <sup>a</sup>	Relative Risk <sup>b</sup>	Significance of Difference <sup>c</sup>
Single [comparison group]	11.4%	—	—
Married	10.2%	89.5%	
<i>Number of Observations / Overall Significance</i>	3,598		

d. Gender	Percent Victims <sup>a</sup>	Relative Risk <sup>b</sup>	Significance of Difference <sup>c</sup>
Male [comparison group]	9.8%	—	—
Female	11.7%	119.4%	
<i>Number of Observations / Overall Significance</i>	3,638		

(Table 10 continues on next page)

**Table 10 (continued)**

e. Current Income	Percent Victims <sup>a</sup>	Relative Risk <sup>b</sup>	Significance of Difference <sup>c</sup>
Less than \$20,000	12.5%	140.4%	
\$20,000 to \$40,000	12.3%	138.2%	
\$40,000 to \$60,000 [comparison group]	8.9%	—	—
\$60,000 to \$80,000	10.6%	119.1%	
\$80,000 to \$100,000	13.4%	150.6%	
Over \$100,000	10.1%	113.5%	
<i>Number of Observations / Overall Significance</i>	<i>3,091</i>		

f. Education	Percent Victims <sup>a</sup>	Relative Risk <sup>b</sup>	Significance of Difference <sup>c</sup>
Did not complete high school	13.3%	164.2%	**
Graduated from high school [comparison group]	8.1%	—	—
Attended some college or post-secondary technical or vocational school	11.8%	145.7%	**
Graduated from college or more	10.9%	134.6%	*
<i>Number of Observations / Overall Significance</i>	<i>3,600</i>		*

**Source:** 2011 FTC Fraud Survey

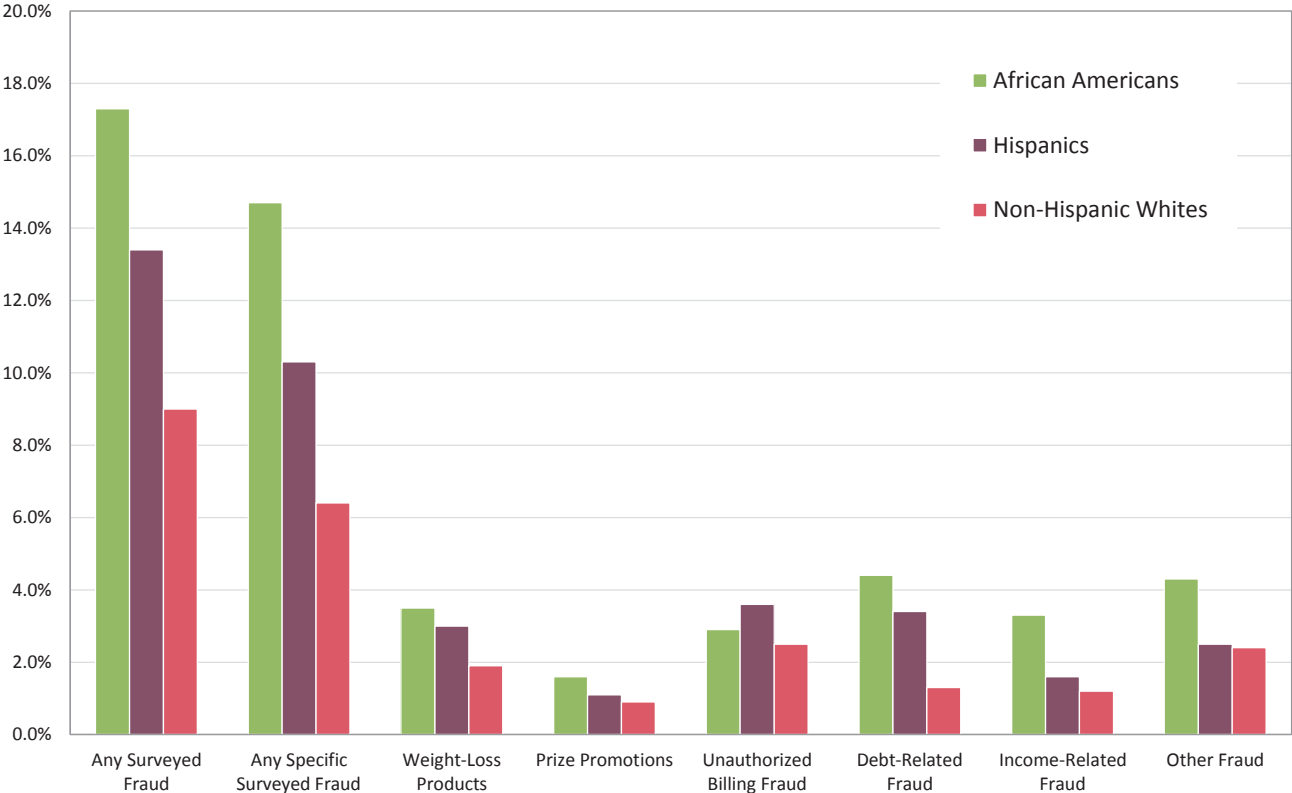
**Notes.**

- a. Percent victim figures are based on simple cross-tabulations, not taking into account other characteristics.
- b. Relative risk is the ratio of the percentage of those who are victims for a particular group and the percentage of victims in the comparison group. That is  $100 * P_i / P_c$  where  $P_i$  is the percentage of those in group  $i$  who were victims and  $P_c$  is the percentage of those in the comparison group who were victims.
- c. Statistical significance for individual values is the significance of the difference between the percentage of those who are victims for the particular group and the percentage of those in the comparison group who are victims. Overall significance is the significance of the test that variables are jointly equal to zero.

- \* denotes statistical significance at the 10 percent level
- \*\* denotes statistical significance at the 5 percent level
- \*\*\* denotes statistical significance at the 1 percent level

- d. Those included in the “other” racial and ethnic group include those who described themselves as “Native Hawaiian or Other Pacific Islander,” those who described themselves as “American Indians, including Alaskan Natives,” those belonging to a racial group other than the five specific categories included in Question 85 of the survey, and those who indicated that they belonged to more than one racial and ethnic group. Of the 297 survey participants included in this group, just under 40 percent described themselves as being “American Indian, including Alaska Natives,” approximately 30 percent described themselves as belonging to more than one racial group, while just under 10 percent described themselves as “Native Hawaiian or Other Pacific Islander.”

**Figure 12. Victimization Rates, by Race and Ethnicity**



Source: Table 11.

**Table 11. Fraud Victimization Rates, 2011, Selected Racial and Ethnic Groups<sup>a</sup>**

Type of Fraud	Overall <sup>b</sup>	Racial and Ethnic Group			Sig. <sup>c</sup>
		African American	Hispanic	Non-Hispanic White	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	17.3% (12.1% - 22.5%)	13.4% (8.8% - 17.9%)	9.0% (7.6% - 10.4%)	***
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	14.7% (9.7% - 19.7%)	10.3% (6.4% - 14.2%)	6.4% (5.2% - 7.6%)	***
Weight-Loss Products	2.1% (1.5% - 2.8%)	3.5% (0.8% - 6.2%)	3.0% (0.6% - 5.5%)	1.9% (1.3% - 2.6%)	
Prize Promotions	1.0% (0.6% - 1.4%)	1.6% (0.0% - 3.4%)	1.1% (0.1% - 2.2%)	0.9% (0.5% - 1.4%)	
Unauthorized Billing-Related Fraud <sup>d</sup>	2.9% (2.4% - 3.5%)	2.9% (1.5% - 4.4%)	3.6% (1.5% - 5.7%)	2.5% (1.8% - 3.1%)	
Debt-Related Fraud <sup>e</sup>	1.9% (1.2% - 2.5%)	4.4% (1.4% - 7.4%)	3.4% (1.0% - 5.8%)	1.3% (0.6% - 1.9%)	**
Income-Related Fraud <sup>f</sup>	1.7% (1.1% - 2.3%)	3.3% (0.6% - 5.9%)	1.6% (0.2% - 3.0%)	1.2% (0.5% - 1.8%)	
Other Frauds Included in Survey <sup>g</sup>	2.6% (2.0% - 3.3%)	4.3% (1.7% - 6.8%)	2.5% (0.0% - 5.0%)	2.4% (1.6% - 3.1%)	
<i>Number of Observations</i>	<i>3,638</i>	<i>443</i>	<i>444</i>	<i>2,271</i>	

Source: 2011 FTC Fraud Survey

**Notes.**

Figures in parentheses are 95 percent confidence intervals. 0.0% denotes a value of less than 0.05 percent.

- Figures are based on simple cross-tabulations, not taking into account other characteristics.
- Overall figures include survey participants who indicated that they belonged to racial and ethnic groups others than the three broken out in this table.
- Indicates the joint significance of the differences across the racial and ethnic groups included in the table.

- \* denotes statistical significance at the 10 percent level
- \*\* denotes statistical significance at the 5 percent level
- \*\*\* denotes statistical significance at the 1 percent level

Including, in addition to the three groups included in this table, Asian and Other, differences were significant at the 1 percent level for Any Surveyed Fraud, Any Specific Surveyed Fraud, Weight-Loss Products, Debt-Related Fraud, and Income-Related Fraud.

- Unauthorized Billing-Related Fraud includes Unauthorized Billing – Buyers’ Guides, Unauthorized Billing – Internet Services, and Unauthorized Billing – Other Products (one of the more general types of fraud included in the survey).
- Debt-Related Fraud includes Credit Repair, Debt Relief, Mortgage Relief, and Advance Fee Loans.
- Income-Related Fraud includes Work-at-Home Programs, Business Opportunities, Pyramid Schemes, and Government Job Offers.
- Other Frauds Included in Survey include Credit Card Insurance, Counterfeit Checks, and Paid for Something Never Received.

**Table 12. Groupings of Frauds Used in Analyzing Characteristics of Victims**

Type of Fraud	Victims as Percent of Adults Americans
<b>Weight-Loss Products</b>	<b>2.1%</b>
<b>Prize Promotions</b>	<b>1.0%</b>
<b>Unauthorized Billing-Related Fraud</b>	<b>2.9%</b>
Unauthorized Billing – Buyers' Clubs	0.8%
Unauthorized Billing – Internet Services	0.8%
Unauthorized Billing – Other Products	1.5%
<b>Debt-Related Fraud</b>	<b>1.9%</b>
Credit Repair	0.7%
Debt Relief	0.6%
Mortgage Relief	0.3%
Advance Fee Loans	0.3%
<b>Income-Related Fraud</b>	<b>1.7%</b>
Work-at-Home Programs	0.7%
Business Opportunities	0.5%
Pyramid Schemes	0.3%
Government Job Offers	0.2%
Grant Scams	0.1%
<b>Other Fraud</b>	<b>2.6%</b>
Credit Card Insurance	0.6%
Counterfeit Check Scams	0.2%
Paid for Something Never Received	1.9%

**Source:** 2011 FTC Fraud Survey

**Notes.**

Percentages rounded to nearest 0.1 percent. Figures for individual categories will not sum to totals because some individuals were victims of more than one of the categories in the group.



difference between the prevalence for African Americans and that for non-Hispanic whites is statistically significant ( $p < 0.01$ ).<sup>64</sup>

- As with Any Surveyed Fraud, African Americans were 8.3 percentage points more likely to have been a victim of Any Specific Surveyed Fraud than were non-Hispanic whites (14.7 percent of African Americans were victims of Any Specific Surveyed Fraud compared to 6.4 percent for non-Hispanic whites, Table 11 and Figure 12). This difference was statistically significant ( $p < 0.01$ ).
- African Americans were more likely than non-Hispanic whites to have experienced each of the groupings of frauds for which data are provided in Table 11 and Figure 12.
  - African Americans were more than three times as likely to have been a victim of Debt-Related Fraud (4.4 percent of African Americans were victims of Debt-Related Fraud, compared to 1.3 percent for non-Hispanic whites,  $p < 0.05$ ).
  - African Americans were also 2.75 times as likely to have been a victim of Income-Related Fraud (3.3 percent of African Americans were victims of Income-Related Fraud, compared to 1.2 percent of non-Hispanic whites).<sup>65</sup>

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64 Where significant differences are reported, the level of significance is denoted by  $p < 0.10$ , which indicates that the difference is significant at the 10 percent level,  $p < 0.05$ , difference is significant at the 5 percent level, or  $p < 0.01$ , the difference is significant at the 1 percent level.

While comparisons are sometimes stated as ratios in the text – e.g., “African Americans were almost twice as likely to have been victims of Any Surveyed Fraud than non-Hispanic whites” – the statistical tests reported are on the difference between the risks – e.g., was the rate of victimization for African Americans (17.3 percent) significantly different from the rate for non-Hispanic whites (9.0 percent) – not the ratio.

When significance levels are expressed in the text, they are the significance of the difference for the two specific groups being examined – e.g., is the prevalence of Any Surveyed Fraud among African Americans significantly different from that for non-Hispanic whites. The significance levels in the tables measure the joint significance across all of the categories in the table – e.g., is there a significant difference among African Americans, Hispanics, and non-Hispanic whites. As a result, the significance level presented in the text may sometimes differ from what appears to be the comparable figure presented in the table.

65 This difference was, however, not statistically significant.

- African Americans were also found to be significantly more likely to have been victims than non-Hispanic whites in both of the previous surveys ( $p < 0.01$ ).<sup>66</sup>

## HISPANICS

- Hispanics were also more likely to have been victims of Any Surveyed Fraud than were non-Hispanic whites. During 2011, 13.4 percent of Hispanics were victims – almost 1.5 times the rate for non-Hispanic whites (Table 10a and Figure 11). The difference between the rate of victimization for the two groups was statistically significant ( $p < 0.10$ ).
- As shown in Table 11 and Figure 12, Hispanics were 3.9 percentage points more likely to have been a victim of Any Specific Surveyed Fraud than non-Hispanic whites, and this difference was statistically significant ( $p < 0.10$ ).
- Hispanics were more likely to have been a victim of each of the groupings of fraud included in Table 11 and Figure 12.
  - Hispanics were more than 2.5 times as likely to have been victims of Debt-Related Fraud (3.4 percent of Hispanics were victims, compared to 1.3 percent for non-Hispanic whites) and that difference was statistically significant ( $p < 0.10$ ).
  - Hispanics were around 50 percent more likely than non-Hispanic whites to have purchased a fraudulent weight-loss product or to have been a victim of an Unauthorized Billing-Related Fraud.<sup>67</sup>
  - For fraudulent prize promotions, Income-Related Fraud, and Other Fraud, the differences were very small – 0.4 percentage points or less – and none of these differences were statistically significant.
- Hispanics were also found to be significantly more likely than non-Hispanic whites to have been victims of one or more of the surveyed frauds in the two previous surveys.<sup>68</sup>

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66 Anderson (2004), *supra* n.1, Table 4-2 and Anderson (2007), *supra* n.1, Table 5.

It would also be interesting to know whether the differences among those with different demographic characteristics have changed between the two surveys. There are, however, a couple of considerations that complicate any such analysis. First, as discussed in Section 3.5 above, it is not possible to directly compare the prevalence of fraud found in the 2005 survey with that in the current survey because of differences in the frauds covered by the two surveys. Rather, comparisons need to be restricted to the ten specific and two more general frauds that were included in both surveys and for which the survey questions were comparable (See Table 5).

Second, any attempt to compare the prevalence of fraud across different demographic groups between the two surveys is complicated by the overall decline in the prevalence of these 12 frauds between the two surveys, from 10.7 percent to 9.2 percent (Table 5,  $p < 0.10$ ). The relevant question to ask in any comparison therefore is whether the prevalence of fraud declined more or less for those with certain characteristics than for others.

The results from performing this kind of analysis show that, in most cases, the differences across those with different demographic characteristics did not change significantly between 2005 and 2011. The differences across racial and ethnic groups, across age groups, between men and women, and between those who were married and those who were single were not significantly changed. Examining the prevalence across different income levels showed a significantly increased prevalence among those who reported incomes in the \$80,000 to \$100,000 range ( $p < 0.10$ ). In 2005, 5.7 percent of those in the \$80,000 to \$100,000 income group reported being victims of one or more of these 12 frauds. In 2011, the figure was 10.9 percent. Examining education levels, there was a significant decline in the prevalence of fraud among those who only graduated from high school ( $p < 0.05$ ). Of this group, 12.5 percent were victims in 2005, while only 6.0 percent of this group were victims in 2011.

67 These differences were not statistically significant.

68  $p < 0.05$  in the 2005 survey and  $p < 0.01$  in the 2003 survey. Anderson (2004), *supra* n.1, Table 4-2, and Anderson (2007), *supra* n.1, Table 5.

- Participants who indicated that they used a language other than English in conducting personal business were asked the following question: “If you were engaged in a somewhat complicated transaction, such as trying to buy a home, rent an apartment, or purchase a car, would you be comfortable conducting the transaction in English?”<sup>69</sup>
  - Of the Hispanics in the sample, 72 percent indicated that they were comfortable doing business in English – 23 percent indicated that they only used English in conducting personal business, while 49 percent indicated that they, at least sometimes, used Spanish but were comfortable doing business in English. Only 27 percent indicated that they were not comfortable in English.<sup>70</sup>
  - Among those who were not comfortable doing business in English, the probability of being a victim of Any Surveyed Fraud was 9.2 percent. Of Hispanics who only did business in English, 10.2 percent were victims. On the other hand, among those who said that they would be comfortable doing a transaction in English but, at least sometimes, used Spanish in conducting business, the rate was 17.0 percent.<sup>71</sup>
  - The language in which the fraudulent offers were presented provides additional insight. In 97 percent of cases where Hispanics who were not comfortable doing business in English were victims, the fraudulent offer was presented to them in Spanish. For those who indicated that they were comfortable doing business in English, the situation is almost completely reversed. Here, in 94 percent of cases, the frauds were presented in English.
  - The evidence therefore suggests that, if the increased prevalence of fraud among Hispanics is the result of language problems, the problem is found among Hispanics who believe that they can do business in English and not those who realize that they have limited grasp of the English language.

## 5.2 Age

- As shown in Table 13 and Figure 13, those between 45 and 54 years of age were the most likely to have been a victim of Any Surveyed Fraud: 14.3 percent of this age group were victims during 2011.
- The rate of victimization for consumers age 55 or older (9.1 percent for those between 55 and 64, 7.3 percent for those between 65 and 74, and 6.5 percent for those 75 and older) was significantly lower than for those between 45 and 54 ( $p < 0.01$ ).
- For consumers under the age of 45, the rate of victimization was lower than for those between 45 and 54, though the differences were not statistically significant.

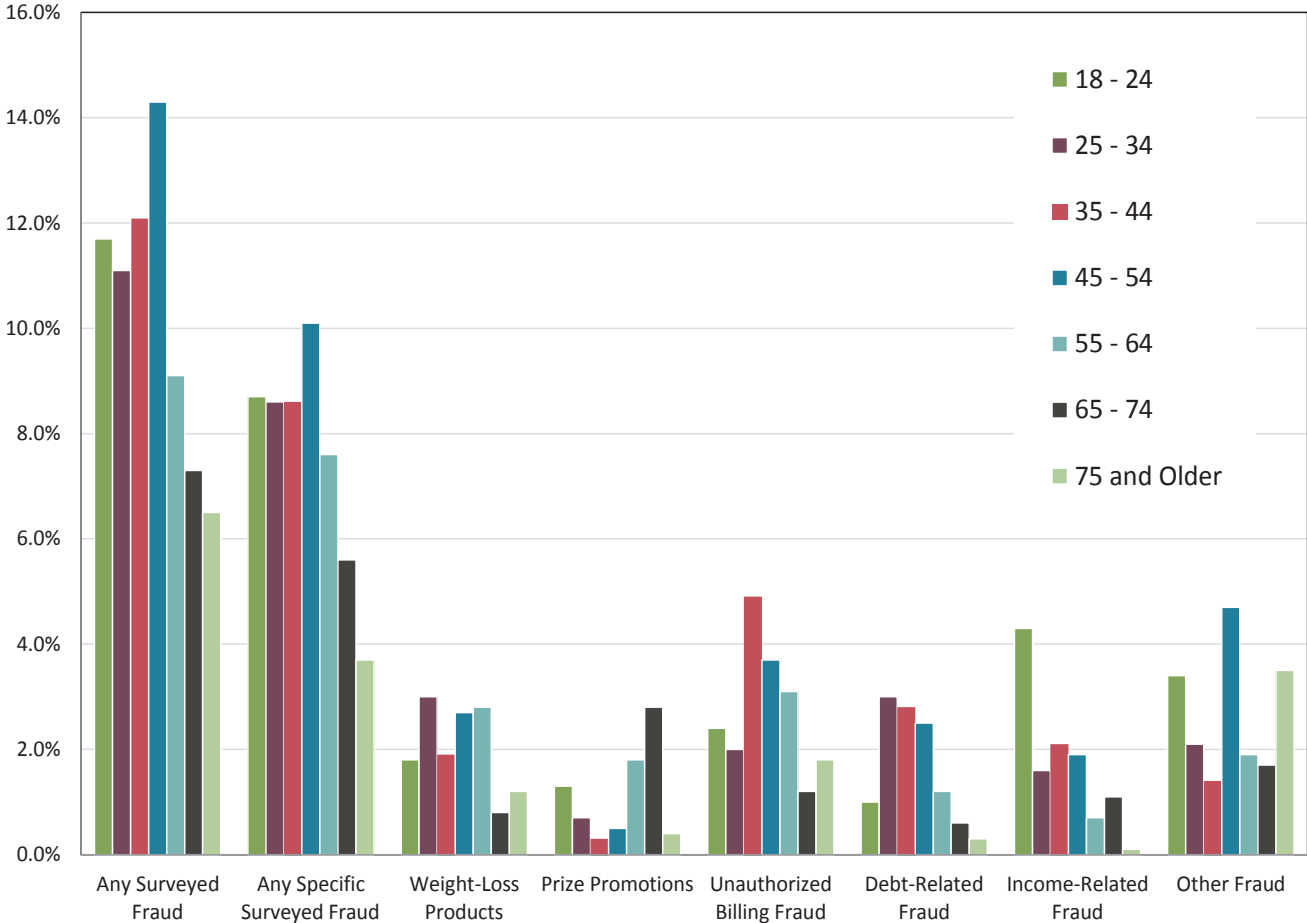
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69 The question about doing business in a language other than English was worded in such a way that a person who conducts personal business in both English and in Spanish would be counted among those who do business in Spanish. The question about comfort in doing business in English was asked of all participants who indicated that they used a language other than English, not just those of Hispanic origin. However, for each non-Hispanic racial and ethnic group, there were too few participants who indicated that they were uncomfortable doing business in English to do a meaningful analysis of the data. Therefore, the focus here is limited to Hispanics.

70 The remaining 1 percent indicated that they did not know whether they would be comfortable conducting a hypothetical transaction in English. While it might be argued that these people fall somewhere between those who are comfortable and those who are uncomfortable in English, there are so few of them that they will not be included further in the analysis.

71 The difference between these two figures is not statistically significant, possibly because of the relatively small number of Hispanics participating in the survey who indicated that they were not comfortable doing business in English.

Figure 13. Victimization Rates, by Age



Source: Table 13.

**Table 13. Fraud Victimization Rates, 2011, By Age<sup>a</sup>**

Type of Fraud	Overall	Age					Sig. <sup>b</sup>		
		18 – 24	25 – 34	35 – 44	45 – 54	55 – 64		65 – 74	75 and older
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	11.7% (6.5% - 16.8%)	11.1% (7.4% - 14.9%)	12.1% (8.7% - 15.6%)	14.3% (11.1% - 17.5%)	9.1% (6.8% - 11.4%)	7.3% (4.8% - 9.9%)	6.5% (3.4% - 9.6%)	***
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	8.7% (4.4% - 13.1%)	8.6% (5.1% - 12.2%)	8.6% (0.6% - 11.6%)	10.1% (7.3% - 12.9%)	7.6% (5.4% - 9.7%)	5.6% (3.3% - 8.0%)	3.7% (1.5% - 5.9%)	***
Weight-Loss Products	2.1% (1.5% - 2.8%)	1.8% (0.0% - 3.9%)	3.0% (0.5% - 5.5%)	1.9% (0.7% - 3.1%)	2.7% (1.3% - 4.1%)	2.8% (1.4% - 4.2%)	0.8% (0.0% - 1.8%)	1.2% (0.0% - 2.7%)	
Prize Promotions	1.0% (0.6% - 1.4%)	1.3% (0.0% - 3.0%)	0.7% (0.0% - 1.8%)	0.3% (0.0% - 0.6%)	0.5% (0.0% - 1.0%)	1.8% (0.6% - 3.0%)	2.8% (1.0% - 4.6%)	0.4% (0.0% - 1.2%)	**
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	2.4% (0.5% - 4.3%)	2.0% (0.9% - 3.0%)	4.9% (2.9% - 6.9%)	3.7% (2.1% - 5.3%)	3.1% (1.9% - 4.3%)	1.2% (0.4% - 2.1%)	1.8% (0.2% - 3.4%)	***
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	1.0% (0.0% - 2.6%)	3.0% (0.8% - 5.3%)	2.8% (0.6% - 4.9%)	2.5% (1.1% - 4.0%)	1.2% (0.4% - 2.0%)	0.6% (0.0% - 1.2%)	0.3% (0.0% - 0.9%)	***
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	4.3% (1.0% - 7.5%)	1.6% (0.0% - 3.1%)	2.1% (0.6% - 3.6%)	1.9% (0.0% - 1.5%)	0.7% (0.0% - 1.5%)	1.1% (0.0% - 2.2%)	0.1% (0.0% - 0.3%)	***
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	3.4% (0.2% - 6.5%)	2.1% (0.7% - 3.6%)	1.4% (0.0% - 2.8%)	4.7% (2.7% - 6.7%)	1.9% (0.7% - 3.0%)	1.7% (0.5% - 2.8%)	3.5% (1.2% - 5.8%)	
Number of Observations <sup>g</sup>	3,638	196	338	520	702	776	580	412	

Source: 2011 FTC Fraud Survey

**Notes.**

Figures in parentheses are 95 percent confidence intervals. 0.0% denotes a value of less than 0.05 percent.

- a. Figures are based on simple cross-tabulations, not taking into account other characteristics.
- b. Indicates the joint significance of the differences across the included groups.
  - \* denotes statistical significance at the 10 percent level
  - \*\* denotes statistical significance at the 5 percent level
  - \*\*\* denotes statistical significance at the 1 percent level
- c. Unauthorized Billing-Related Fraud includes Unauthorized Billing – Buyers’ Guides, Unauthorized Billing – Internet Services, and Unauthorized Billing – Other Products (one of the more general types of fraud included in the survey).
- d. Debt-Related Fraud includes Credit Repair, Debt Relief, Mortgage Relief, and Advance Fee Loans.
- e. Income-Related Fraud includes Work-at-Home Programs, Business Opportunities, Pyramid Schemes, and Government Job Offers.
- f. Other Frauds Included in Survey include Credit Card Insurance, Counterfeit Checks, and Paid for Something Never Received.
- g. The sum of the number of observations in the subgroups will not sum to the total. Some people did not answer the questions necessary to assign them to a subgroup.

- As shown in Table 13 and Figure 13, in general, the rates of victimization for the various groupings of frauds were lower for those 65 and older than for younger consumers.
  - The exception to this pattern is fraudulent prize promotions where those between 65 and 74 were more likely to be victims than were younger consumers. This difference was statistically significant ( $p < 0.01$ ).
  - Seniors – combining the 65 to 74 and 75 and older age groups – were 1.5 percentage points less likely to have purchased a fraudulent weight-loss product than were younger consumers. They were between 1.3 and 1.8 percentage points less likely to have been victims of Unauthorized Billing-Related Fraud, Debt-Related Fraud, and Income-Related Fraud. The differences are statistically significant ( $p < 0.01$ ) for Unauthorized Billing-Related, Debt-Related, and Income-Related Fraud.
- Consumers who were at least 55 years of age were also found to be less likely to have been victims in the previous two surveys ( $p < 0.05$  or better).<sup>72</sup>

### 5.3 Education

- High-school graduates were the least likely to have been a victim of Any Surveyed Fraud during 2011 (Table 10f, Table 14, and Figure 14). Those with additional education – both those who attended some college or post-secondary technical or vocational school and those who at least graduated from college – were, on average, more than three percentage points more likely to have been victims. These differences were statistically significant.<sup>73</sup> Those who had not completed high school were the most likely to have been victims (13.3 percent).
- Those with more education were more likely to have been victims of Unauthorized Billing-Related Fraud. Only 1.7 percent of those who had not graduated from high school were victims of these frauds, compared to 3.9 percent of those who had graduated from college (Table 14 and Figure 14,  $p < 0.05$ ).
- Similarly, those who had attended some college but did not receive a degree were significantly more likely to have been victims of Income-Related Fraud ( $p < 0.05$ ). Indeed, those who had attended some college, but had not received a college degree, were the most likely to have experienced this type of fraud, though the difference between the rate for this group and the rate for those who had graduated from college was not statistically significant.
- Those who did not complete high school were also the most likely to have been victims of the surveyed frauds in the 2005 survey. However, in that survey, high-school graduates were the second most likely to have been victims, not the least likely as in the current survey.<sup>74</sup>

### 5.4 Other Demographic Characteristics

- The remainder of Table 10 shows the relationship between other demographic characteristics and the rate of victimization. These analyses provide few clear insights.

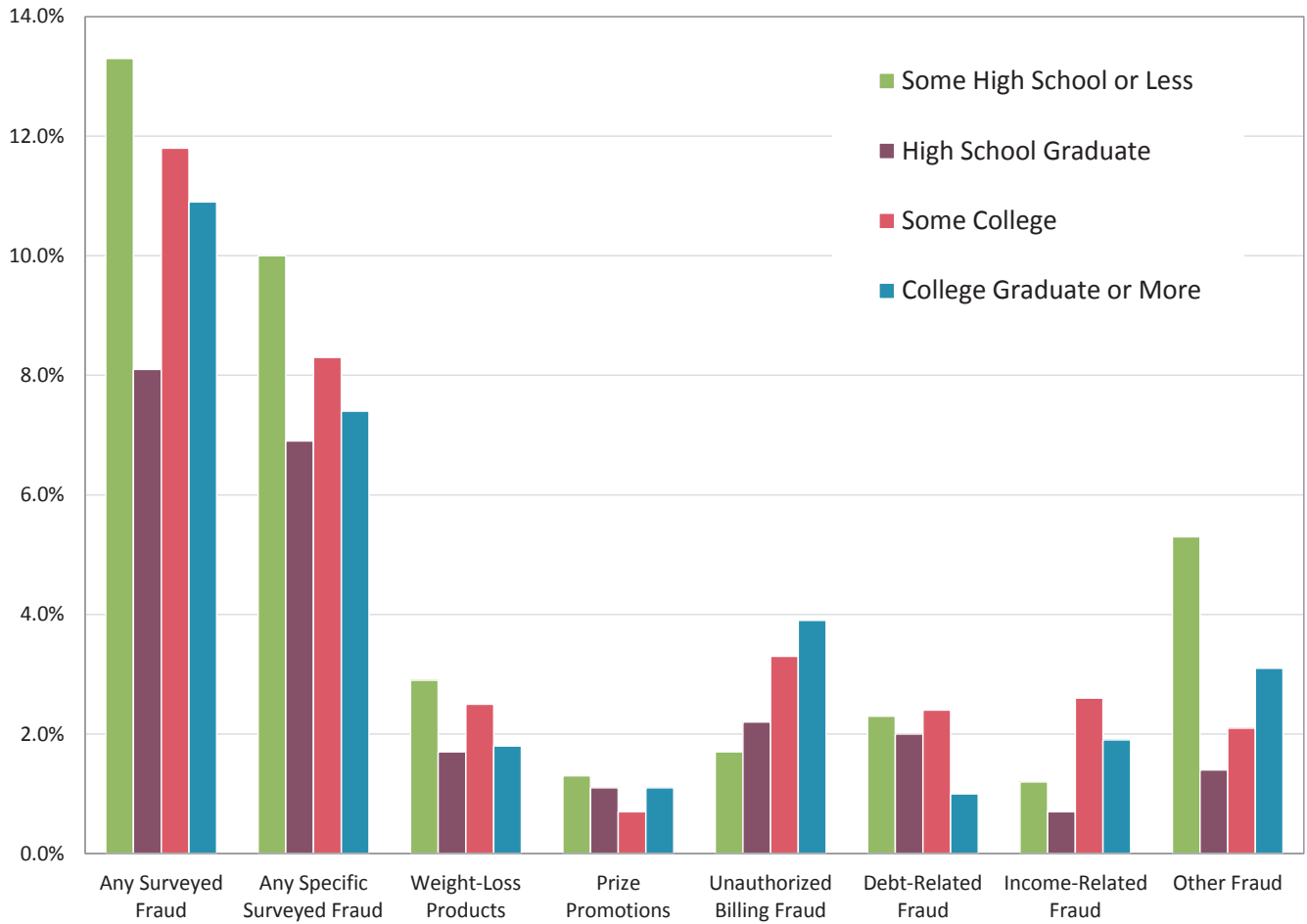
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<sup>72</sup> Anderson (2004), *supra* n.1, Table 4-2, and Anderson (2007), *supra* n.1, Table 5.

<sup>73</sup> For those who had only attended some college, technical or vocational school,  $p < 0.05$ . For those who had graduated from college or obtained post-graduate education,  $p < 0.10$ .

<sup>74</sup> Anderson (2007), *supra* n.1, Table 5.

**Figure 14. Victimization Rates, by Education**



Source: Table 14.

Table 14. Fraud Victimization Rates, 2011, By Education<sup>a</sup>

Type of Fraud	Education				Sig. <sup>b</sup>	
	Overall	Some High School or Less	High School Graduate	Some College, Technical, or Vocational School		College Graduate or More
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	13.3% (8.5% - 18.0%)	8.1% (6.1% - 10.2%)	11.8% (9.1% - 14.5%)	10.9% (8.8% - 13.1%)	*
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	10.0% (6.0% - 14.0%)	6.9% (5.0% - 8.8%)	8.3% (5.9% - 10.8%)	7.4% (5.6% - 9.2%)	
Weight-Loss Products	2.1% (1.5% - 2.8%)	2.9% (0.8% - 5.0%)	1.7% (0.7% - 2.8%)	2.5% (1.1% - 3.9%)	1.8% (0.9% - 2.7%)	
Prize Promotions	1.0% (0.6% - 1.4%)	1.3% (0.0% - 2.8%)	1.1% (0.2% - 1.9%)	0.7% (0.1% - 1.2%)	1.1% (0.5% - 1.7%)	
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	1.7% (0.5% - 2.9%)	2.2% (1.4% - 3.0%)	3.3% (2.0% - 4.6%)	3.9% (2.7% - 5.1%)	**
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	2.3% (0.0% - 4.7%)	2.0% (0.9% - 3.2%)	2.4% (1.1% - 3.6%)	1.0% (0.1% - 1.8%)	
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	1.2% (0.0% - 2.6%)	0.7% (0.2% - 1.2%)	2.6% (1.1% - 4.2%)	1.9% (0.9% - 2.9%)	**
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	5.3% (2.0% - 8.6%)	1.4% (0.6% - 2.3%)	2.1% (1.1% - 3.2%)	3.1% (1.9% - 4.4%)	**
Number of Observations <sup>g</sup>	3,638	419	1,002	906	1,273	

Source: 2011 FTC Fraud Survey

(For notes, see Table 13.)



- There is no clear relationship between current income and victimization (Table 10e). For incomes below \$100,000 there appears to be a rough u-shape to the relationship. The rate of victimization was lowest for those with incomes between \$40,000 and \$60,000. The rate was highest for those with incomes between \$80,000 and \$100,000, though it was only about 1 percentage point higher than the rate for those with incomes less than \$40,000. Furthermore, the rate of victimization for those with incomes above \$100,000 was the second lowest. None of the differences across income ranges were statistically significant.<sup>75</sup>
- Women were almost 20 percent more likely to have been a victim of Any Surveyed Fraud – 11.7 percent versus 9.8 percent for men. However, the difference is not statistically significant (Table 10c).<sup>76</sup> The principal contributor to this difference is fraudulent weight-loss products: 2.6 percent of women were victims of this type of fraud compared to 1.6 percent of men ( $p < 0.10$ ).
- Those who were married were just over 10 percent less likely to have been a victim (Table 10d). This difference, also, is not statistically significant.<sup>77</sup>

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75 The pattern across income groups has not been consistent from survey to survey. In both the 2003 and the 2005 surveys, those with incomes between \$80,000 and \$100,000, the group that was most likely to be victims in 2011, were the least likely to have been victims. Those with incomes between \$20,000 and \$40,000 were the most likely to have been victims in both of the earlier surveys. Here this group ranks third. (See Anderson (2004), *supra* n.1, Table 4-2, and Anderson (2007), *supra* n.1, Table 5.)

76 The 2005 survey also found that women were also more likely than men to have been victims, though again the difference was not statistically significant. In the 2003 survey, there was virtually no difference in the rate of victimization between men and women. (See Anderson (2004), *supra* n.1, Table 4-2, and Anderson (2007), *supra* n.1, Table 5.)

77 The 2005 survey also found that those who were single were more likely to have been victims. On the other hand, the 2003 survey found that those who were married were somewhat more likely to have been victims. In neither case was the difference statistically significant. (See Anderson (2004), *supra* n.1, Table 4-2, and Anderson (2007), *supra* n.1, Table 5.)

## 6. Other Individual Characteristics of Victims

Consumers have differences other than simple demographics. Some people are more likely to take risks, while others avoid risky situations. Some people have taken on more debt than they can comfortably manage. Some people have experienced the loss of a loved one in the recent past, and this may affect how they behave going forward. This chapter explores how some of these differences are correlated with the likelihood that people will be victims of fraud.<sup>78</sup> Are people who are risk takers more likely to have been victimized by a fraudulent offer? Does having too much debt increase the likelihood of having been victimized? How about expecting a change in one's income in the next few years? Do victims of fraud have poorer computational skills?<sup>79</sup>

### 6.1 General Willingness to Take Risks

- Consumers who are willing to take greater risks may be more vulnerable to fraudulent offers. To see whether this is the case, two different measures of a consumer's willingness to take risks were constructed. A more general measure based on survey participants' self-rating of their willingness to take risks in general is discussed in this section. The next section discusses a more specific measure based on whether participants engaged in certain risky purchasing practices.
- The general measure of risk taking is drawn from one of several questions in which survey participants were asked to indicate how well various statements described them. Participants were asked to rate each characteristic on a scale of 1 to 7 where a 1 indicates that the statement almost never describes, and a 7 indicates that the statement almost always describes, the participant. One of the descriptions read to participants was "I am willing to take risks."<sup>80</sup> Responses to this question were used to define participants as having a low, medium, or high general willingness to take risks.<sup>81</sup>
- As shown in Table 15 and Figure 15, those who reported a high general willingness to take risks were more likely to have been victims of Any Surveyed Fraud. Those rated high were more than twice as likely to have been a victim as those in the low risk category (15.8 percent v. 7.5

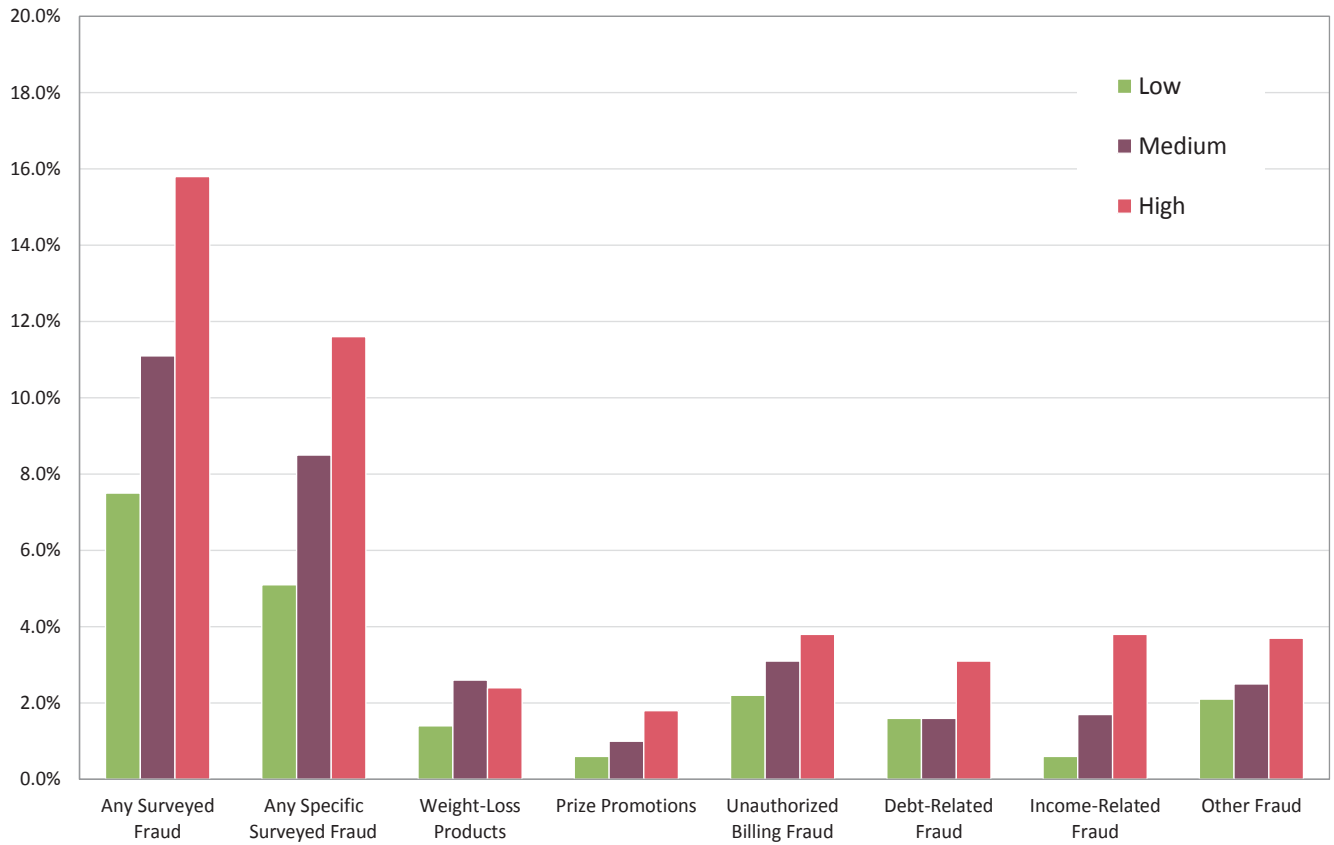
78 As in Chapter 5, the results reported in this chapter are based on simple cross-tabulations. That is, they look only at the relationship between the two variables being discussed and do not control for the effects of other variables.

79 With the exception of questions about consumers' ability to handle their existing debt and their expectations about their future income, the characteristics discussed in this chapter have not been included in the previous FTC fraud surveys. Economists have, however, previously examined a number of the characteristics considered in this chapter when looking at consumers' experiences. For example, Gerardi, Goette, and Meier look at risk taking, patience, and numeric skills in exploring subprime mortgage delinquency (Kristopher Gerardi, Lorenz Goette, and Stephan Meier, "Financial Literacy and Subprime Mortgage Delinquency: Evidence from a Survey Matched to Administrative Data," Federal Reserve Bank of Atlanta, Working Paper 2010-10, April 2010). Numeric skills are also considered by Banks and Oldfield as an explanator of retirement savings (James Banks and Zoe Oldfield, "Understanding Pensions: Cognitive Function, Numerical Ability and Retirement Savings," *Fiscal Studies*, 28 (June 2007), pp. 143-170). Pak and Shadel include having experienced a negative life event in their study of consumer fraud (Karla Pak and Doug Shadel, "AARP Foundation National Fraud Victim Study," AARP, March 2011), while Bertrand and Morse looked at self-control in their study of payday borrowing (Marianne Bertrand and Adair Morse, "Information Disclosure, Cognitive Biases, and Payday Borrowing," *Journal of Finance*, 66 (December 2011), pp. 1895-1931). Courtemanche, Heutel, and McAlvanah look at the relationship between patience and obesity (Courtemanche, Charles, Garth Heutel, and Patrick McAlvanah. "Impatience, Incentives, and Obesity," National Bureau of Economic Research Working Paper 17483, October 2011).

80 Question 72e.

81 Participants who rated themselves at 1 or 2 on the seven point scale were considered to have a "low" willingness to take risks, while those who gave a rating of 6 or 7 were considered to have a "high" willingness. Responses of 3, 4, or 5 were treated as "medium."

**Figure 15. Victimization Rates, by General Willingness to Take Risks**



Source: Table 15.

**Table 15. Fraud Victimization Rates, 2011, By General Willingness to Take Risks<sup>a</sup>**

Type of Fraud	Overall	General Willingness to Take Risks			Sig. <sup>b</sup>
		Low	Medium	High	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	7.5% (5.6% - 9.3%)	11.1% (9.1% - 13.0%)	15.8% (12.0% - 19.6%)	***
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	5.1% (3.7% - 6.6%)	8.5% (6.7% - 10.3%)	11.6% (8.2% - 15.1%)	***
Weight-Loss Products	2.1% (1.5% - 2.8%)	1.4% (0.7% - 2.1%)	2.6% (1.6% - 3.7%)	2.4% (0.7% - 4.1%)	
Prize Promotions	1.0% (0.6% - 1.4%)	0.6% (0.2% - 1.0%)	1.0% (0.4% - 1.6%)	1.8% (0.5% - 3.0%)	
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	2.2% (1.4% - 2.9%)	3.1% (2.1% - 4.0%)	3.8% (2.2% - 5.3%)	
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	1.6% (0.6% - 2.6%)	1.6% (0.7% - 2.4%)	3.1% (1.2% - 5.0%)	
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	0.6% (0.1% - 1.1%)	1.7% (0.9% - 2.6%)	3.8% (1.5% - 6.1%)	***
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	2.1% (0.9% - 3.4%)	2.5% (1.6% - 3.5%)	3.7% (1.9% - 5.5%)	
<i>Number of Observations<sup>g</sup></i>	3,638	1,360	1,591	630	

Source: 2011 FTC Fraud Survey

**Notes.**

Figures in parentheses are 95 percent confidence intervals. 0.0% denotes a value of less than 0.05 percent.

- a. Figures are based on simple cross-tabulations, not taking into account other characteristics.
- b. Indicates the joint significance of the differences across the included categories.
  - \* denotes statistical significance at the 10 percent level
  - \*\* denotes statistical significance at the 5 percent level
  - \*\*\* denotes statistical significance at the 1 percent level
- c. Unauthorized Billing-Related Fraud includes Unauthorized Billing – Buyers’ Guides, Unauthorized Billing – Internet Services, and Unauthorized Billing – Other Products (one of the more general types of fraud included in the survey).
- d. Debt-Related Fraud includes Credit Repair, Debt Relief, Mortgage Relief, and Advance Fee Loans.
- e. Income-Related Fraud includes Work-at-Home Programs, Business Opportunities, Pyramid Schemes, and Government Job Offers.
- f. Other Frauds Included in Survey include Credit Card Insurance, Counterfeit Checks, and Paid for Something Never Received.
- g. The sum of the number of observations in the subgroups will not sum to the total. Some people did not answer the questions necessary to assign them to a subgroup

percent). The differences in the likelihood of having been a victim across the three risk categories was statistically significant ( $p < 0.01$ ).

- Similarly, those with high general willingness to take risks were more than twice as likely to have been victims of Any Specific Surveyed Fraud. Almost 12 percent of those who had a high willingness were victims of Any Specific Surveyed Fraud, while this was the case for just over 5 percent of those with a low willingness to take risks. Again, the difference across categories was significant ( $p < 0.01$ ).
- Participants with a high general willingness to take risks were more likely to be victims of each of the groupings of fraud shown on Table 15 and in Figure 15, with one exception.<sup>82</sup>
  - Those whose general willingness to take risks was high were 6.33 times as likely to have been a victim of Income-Related Fraud as those whose willingness was low. (3.8 percent of those with a high rating were victims compared to 0.6 percent of those with a low rating. The difference was statistically significant ( $p < 0.01$ )).
  - Of those with a high general willingness, 1.8 percent were victims of fraudulent prize promotions – three times the 0.6 percent point rate for those with a low general willingness.<sup>83</sup>
  - For the other categories, the difference ranged from 1.0 to 1.6 percentage points, and the differences were not significant.

## 6.2 Risky Purchasing Practices

- The second measure looks at consumers' willingness to take risks in terms of the settings in which they are willing to make purchases. Some types of purchases may be riskier than others, and consumers who are willing to take such risks may be at greater risk of being victimized by fraudulent offerings.
- Buying something from a seller about whom the consumer has little information is more risky than buying from a well-known company with which the consumer has done business for years. Visiting a seller's store or other place of business where the consumer can view the product and take it home if he or she decides to make the purchase can reduce the risk. Visiting the seller's business premises also increases the likelihood that the seller can be located if something turns out to be wrong with the product. Finally, there may be greater risks in purchasing products that are promoted via certain media – in particular, telemarketing calls, unsolicited commercial ("SPAM") emails, or television infomercials.
- The second – more specific – measure of a consumer's willingness to take risks ("Risky Purchasing Practices") attempts to measure whether the consumer made purchases in situations where these considerations were apt to increase the risk of being defrauded.
  - To serve as a proxy for such risky behavior, a consumer is considered to have engaged in Risky Purchasing Practices if (i) the consumer purchased a product or service as a result of a telemarketing call, after seeing a television advertisement or infomercial, or after receiving

82 For fraudulent weight-loss products, those reporting a medium willingness to take risks were slightly more likely to have been a victim than those reporting a high willingness. However, the differences are nowhere near being statistically significant.

83 The difference in victimization rates between those reporting a high general willingness to take risks and those with a low general willingness was significant ( $p < 0.10$ ). Overall, considering those with a medium willingness in addition to the high and low categories, the relationship was not significant.

a SPAM email, (ii) the purchase was from a company with whom the consumer had not previously done business, and (iii) the consumer did not make the purchase at a store or the seller's place of business, but rather purchased the item via the Internet or by telephone. (Questions 1-2.2, 5.1-5a.2).<sup>84</sup>

- Those who met this definition of Risky Purchasing Practices were almost three times as likely to have been victims of Any Surveyed Fraud as were those who did not: 24.8 percent of those who met the definition had been a victim<sup>85</sup> – a rate that is 6 percentage points higher than the rate associated with any other characteristic examined in this study.<sup>86</sup> In contrast, only 8.5 percent of those who had not engaged in such practices had been victims. The difference between the two groups was significant ( $p < 0.01$ ) (Table 16 and Figure 16).<sup>87</sup>
  - Looking at Any Specific Surveyed Fraud, 19.4 percent of those who met the definition of Risky Purchasing Practices were victims at some point during 2011, almost 3.25 times the 6.0 percent rate for those who did not ( $p < 0.01$ ).
  - The rate of victimization among those who engaged in Risky Purchasing Practices was more than twice as high as the rate for those who had not for all of the groups of frauds shown in Table 16 and all of the differences were statistically significant ( $p < 0.05$  or better).
  - Those who met the definition of Risky Purchasing Practices were more than 3.5 times as likely to have been victims of fraudulent weight-loss products (4.43 times as likely,  $p < 0.01$ ), fraudulent prize promotions (3.71 times as likely,  $p < 0.01$ ), and Debt-Related Fraud (3.57 times as likely,  $p < 0.05$ ).
  - Considering just those who had made a risky purchase as a result of a telemarketing call suggests that those who engage in this specific practice have an even higher likelihood of having been a victim than do those who made a risky purchase after seeing a television infomercial or receiving a SPAM email. Those who purchased something in response to a telemarketing call were estimated to have more than a 50 percent chance of being a victim of

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84 Clearly, not all transactions that meet these conditions are high risk transactions. However, the definition of Risky Purchasing Practices is limited by the questions that were included in the survey. In particular, Question 5.1 asked whether consumers had made purchases from a company with whom they had not previously done business after seeing a television ad or infomercial. Consumers who purchased something from a well-known company with which they had not previously done business after seeing an advertisement on prime-time television would appropriately answer yes to this question. And, if these consumers purchased the product by placing an order on the firm's Internet website, they would meet the definition of Risky Purchasing Practices. However, the risk in this particular situation is probably not much greater than in any transaction, because the firm is well-known, even though the consumer has not previously bought anything from it.

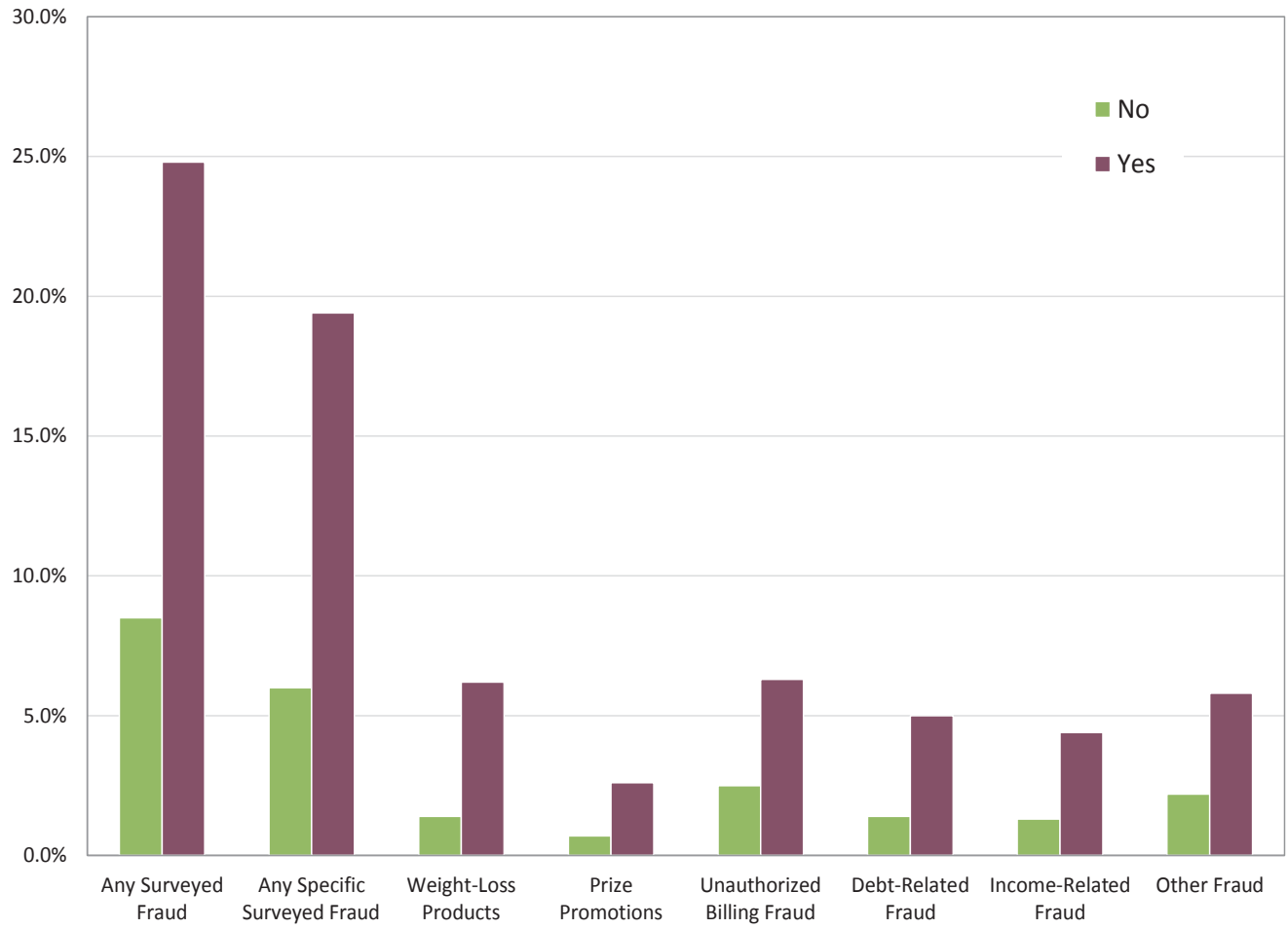
That the measure of Risky Purchasing Practices imperfectly measures those who have actually engaged in risky practices should reduce the likelihood that the analysis will find an increased risk of victimization among those who are identified as being at high risk. Furthermore, the estimate of the risk faced by those who are defined as engaging in Risky Purchasing Practices will understate the risk faced by those who actually engaged in risky practices.

85 It should be clear that not all transactions that involve Risky Purchasing Practices result in the consumer being defrauded. Three quarters of those who engaged in such practices were not defrauded at any time during the year.

86 The group with the second highest risk consisted of those who had more debt than they could handle financially. During 2011, 18.8 percent of this group were victims of one or more of the frauds included in the survey.

87 Given the way the survey questions were structured, there is no way to know whether the transaction that resulted in a consumer being victimized was the transaction in which they engaged in the risky purchasing behavior. One cannot, therefore, say that almost 25 percent of incidents in which a product was purchased from a company with which one had not previously done business and where the purchase was made without visiting a store were frauds. Rather, what can be said is that almost 25 percent of people who engaged in such a transaction at some point in the year were victims of a fraudulent transaction either as a result of that transaction or as the result of a different transaction that occurred during the year.

**Figure 16. Victimization Rates, by Risky Purchasing Practices**



Source: Table 16.

**Table 16. Fraud Victimization Rates, 2011, By Risky Purchasing Practices<sup>a</sup>**

Type of Fraud	Overall	Engaged in Risky Purchase Practices		Sig. <sup>b</sup>
		No	Yes	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	8.5% (7.2% - 9.8%)	24.8% (19.9% - 29.7%)	***
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	6.0% (4.9% - 7.2%)	19.4% (14.9% - 23.8%)	***
Weight-Loss Products	2.1% (1.5% - 2.8%)	1.4% (0.8% - 2.0%)	6.2% (3.5% - 9.0%)	***
Prize Promotions	1.0% (0.6% - 1.4%)	0.7% (0.3% - 1.1%)	2.6% (1.1% - 4.1%)	**
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	2.5% (1.9% - 3.1%)	6.3% (4.1% - 8.5%)	***
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	1.4% (0.8% - 2.0%)	5.0% (2.3% - 7.6%)	**
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	1.3% (0.7% - 1.9%)	4.4% (2.2% - 6.7%)	***
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	2.2% (1.5% - 2.8%)	5.8% (2.9% - 8.8%)	**
<i>Number of Observations<sup>g</sup></i>	3,638	2,992	535	

Source: 2011 FTC Fraud Survey

(For notes, see Table 15)



one or more frauds. However, because there were relatively few survey participants who had made such purchases, that estimate is not very precise.

### 6.3 Serious Negative Life Event

- Survey participants were also asked whether in the last two years they had “experienced a serious negative life event, such as a divorce, the death of a family member or close friend, a serious injury or illness in your family, or the loss of a job.”<sup>88</sup>
- Those who indicated that they had experienced a serious negative life event were more than two-and-a-half times as likely to have experienced Any Surveyed Fraud during 2011 as were those who had not suffered such a negative event (Table 17 and Figure 17). Of those who had experienced a serious negative life event, 15.8 percent had been a victim, while this was the case for just over 6 percent of those who said that they had not experienced one. This difference was statistically significant ( $p < 0.01$ ).
- Survey participants who had experienced a serious negative life event were more than twice as likely to have experienced Any Specific Surveyed Fraud ( $p < 0.01$ ).
- They were also more than twice as likely to have experienced each of the groups of fraud. For all of the groups, the difference between those who had experienced a serious negative life event and those who had not was statistically significant ( $p < 0.05$  for fraudulent weight-loss products and Income-Related Fraud,  $p < 0.01$  for all other groups.)
  - Those who had experienced a serious negative life event were 3.75 times as likely to have experienced Debt-Related Fraud as were those who had not – 3.0 percent for those who had experienced a negative life event versus 0.8 percent for those who had not.
  - Those who had experienced a serious negative life event were also more than three times as likely to have been a victim of a fraudulent prize promotion – 1.6 percent of those who had experienced such an event compared to 0.5 percent of those who had not.
- The percentage of survey participants who said that they had experienced a serious negative life event in the past two years – 49.1 percent – was surprisingly high (Appendix Table A-1).
  - The percentage of those saying that they had experienced a negative life event ranged from 38 percent for those between 18 and 24 years of age to 55 percent for those between the ages of 55 and 64.

### 6.4 Comfort with Current Level of Debt

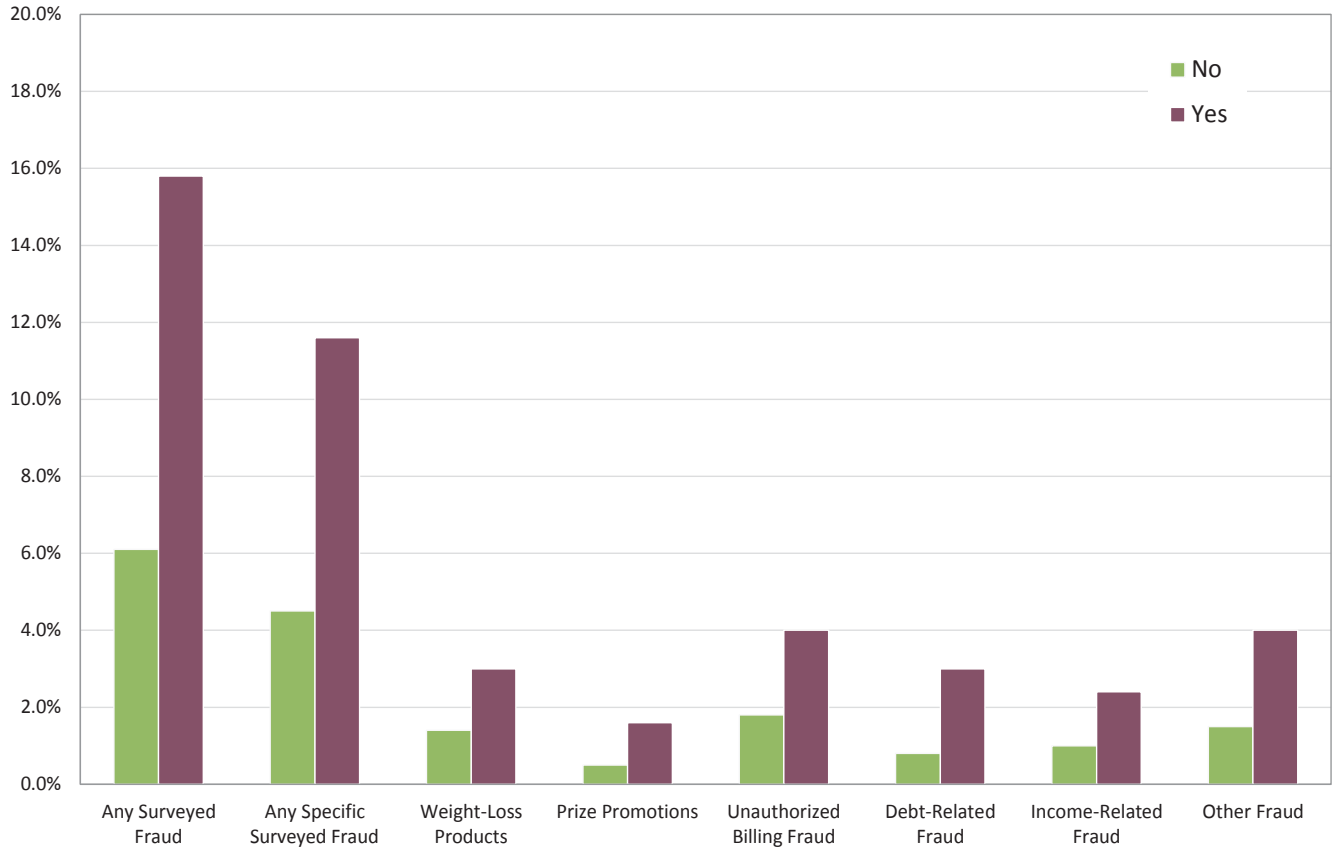
- Survey participants were asked how they would describe the amount of personal debt they had. They were asked whether they would say that “the amount of debt you currently have is (i) more than you can handle financially, (ii) about as much as you can handle financially, or (iii) you could handle more debt than you currently have.” Participants could also indicate that they had no personal debt.<sup>89</sup>

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88 Question 73.

89 Question 81.

**Figure 17. Victimization Rates, by Serious Negative Life Event**



Source: Table 17.

**Table 17. Fraud Victimization Rates, 2011,  
By Serious Negative Life Event in Last Two Years<sup>a</sup>**

Type of Fraud	Overall	Experienced a Negative Life Event		Sig. <sup>b</sup>
		No	Yes	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	6.1% (4.7% - 7.5%)	15.8% (13.5% - 18.0%)	***
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	4.5% (3.2% - 5.8%)	11.6% (9.6% - 13.6%)	***
Weight-Loss Products	2.1% (1.5% - 2.8%)	1.4% (0.6% - 2.2%)	3.0% (1.9% - 4.0%)	**
Prize Promotions	1.0% (0.6% - 1.4%)	0.5% (0.2% - 0.8%)	1.6% (0.9% - 2.3%)	***
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	1.8% (1.2% - 2.5%)	4.0% (3.0% - 5.0%)	***
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	0.8% (0.2% - 1.5%)	3.0% (1.9% - 4.2%)	***
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	1.0% (0.3% - 1.7%)	2.4% (1.4% - 3.5%)	**
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	1.5% (0.8% - 2.1%)	4.0% (2.7% - 5.3%)	***
<i>Number of Observations<sup>g</sup></i>	3,638	1,837	1,786	

Source: 2011 FTC Fraud Survey

(For notes, see Table 15)

- Those who indicated that they had more debt than they could handle were significantly more likely to have been victims of Any Surveyed Fraud than those with lower levels of debt ( $p < 0.01$ ) (Table 18 and Figure 18). Similarly, they were significantly more likely to have been victims of Any Specific Surveyed Fraud ( $p < 0.01$ ).
- Those who felt that they had too much debt were more likely to report being a victim of fraud during 2011 for all of the groupings of fraud, with two exceptions.
  - Those who felt that they had more debt than they could handle were more likely to have fallen victim to Debt-Related Fraud (6.7 percent of those who felt that they had too much debt compared to 0.6 percent of those who felt that they could handle additional debt,  $p < 0.01$ ). This was true across all of the frauds included in Debt-Related Fraud: credit repair, debt relief, advance fee loans, and mortgage relief.
  - Those who felt that they had too much debt were almost 3 percentage points more likely to have been a victim of a fraudulent weight-loss product than those who felt that they could handle more debt ( $p < 0.10$ ) and 3.4 percentage points more likely to have been a victim than those who had no debt ( $p < 0.05$ ).
  - Prize promotion fraud was more prevalent among those who had about as much debt as they could comfortably handle and those who said that they could handle more debt than among those with too much debt. However, the differences were very small – 1.2 percent and 1.3 percent of those with about the right amount of debt and those who could handle more debt, respectively, versus 0.9 percent of those who had too much debt – and the differences were not statistically significant.<sup>90</sup>
  - Unauthorized Billing-Related Fraud was more frequent among those who said that they could handle more debt than those who had too much debt – 3.8 percent versus 3.1 percent. However, the differences were not statistically significant.
- Both of the earlier surveys included the question about the consumers' ability to handle their current debt. In both cases, those who had more debt than they could comfortably handle were significantly more likely to be victims than those who were more comfortable with their debt ( $p < 0.01$ ).<sup>91</sup>

## 6.5 Patience

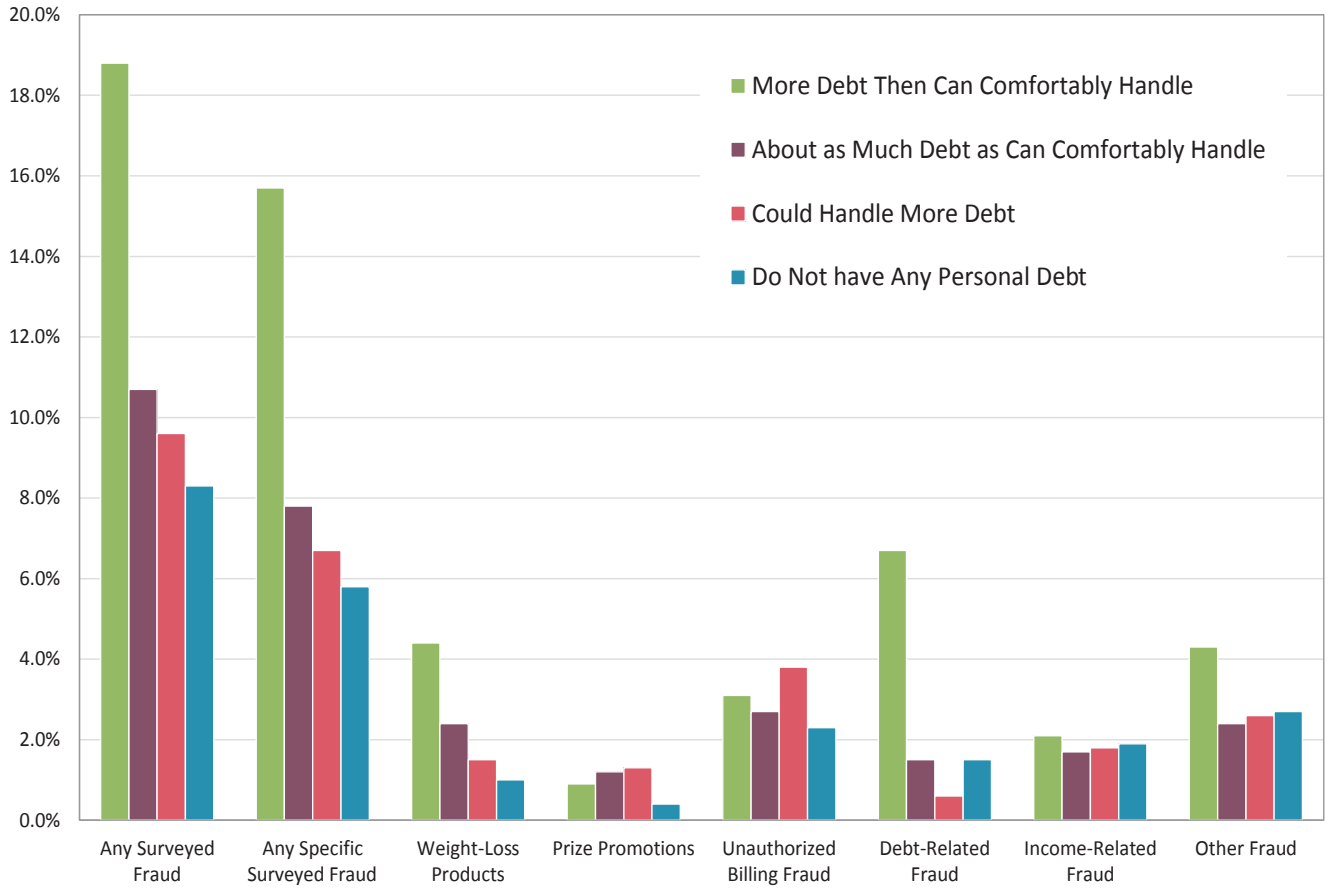
- Survey participants were also asked how well the statement “I am patient” would describe them.<sup>92</sup>
- As shown in Table 19 and Figure 19, victimization rates were lower among those who rated themselves as being more patient. However, the differences across categories here are relatively small – 12.1 percent of those with low patience were victims of Any Surveyed Fraud compared to 9.7 percent for those with high patience – and the differences were not statistically significant.

90 Only 0.4 percent of those who indicated that they had no personal debt were victims of prize promotion fraud.

91 Anderson (2004), *supra* n.1, Table 4-2, and Anderson (2007), *supra* n.1, Table 5.

92 Question 72f. As with the general risk question, participants were asked to rate themselves on a scale of 1 to 7 and those who rated themselves at 1 or 2 on the seven point scale were considered to have “low” patience, while those who gave a rating of 6 or 7 were considered to have “high” patience. Responses of 3, 4, or 5 were treated as having “medium” patience.

**Figure 18. Victimization Rates, by Debt Level**



Source: Table 18.

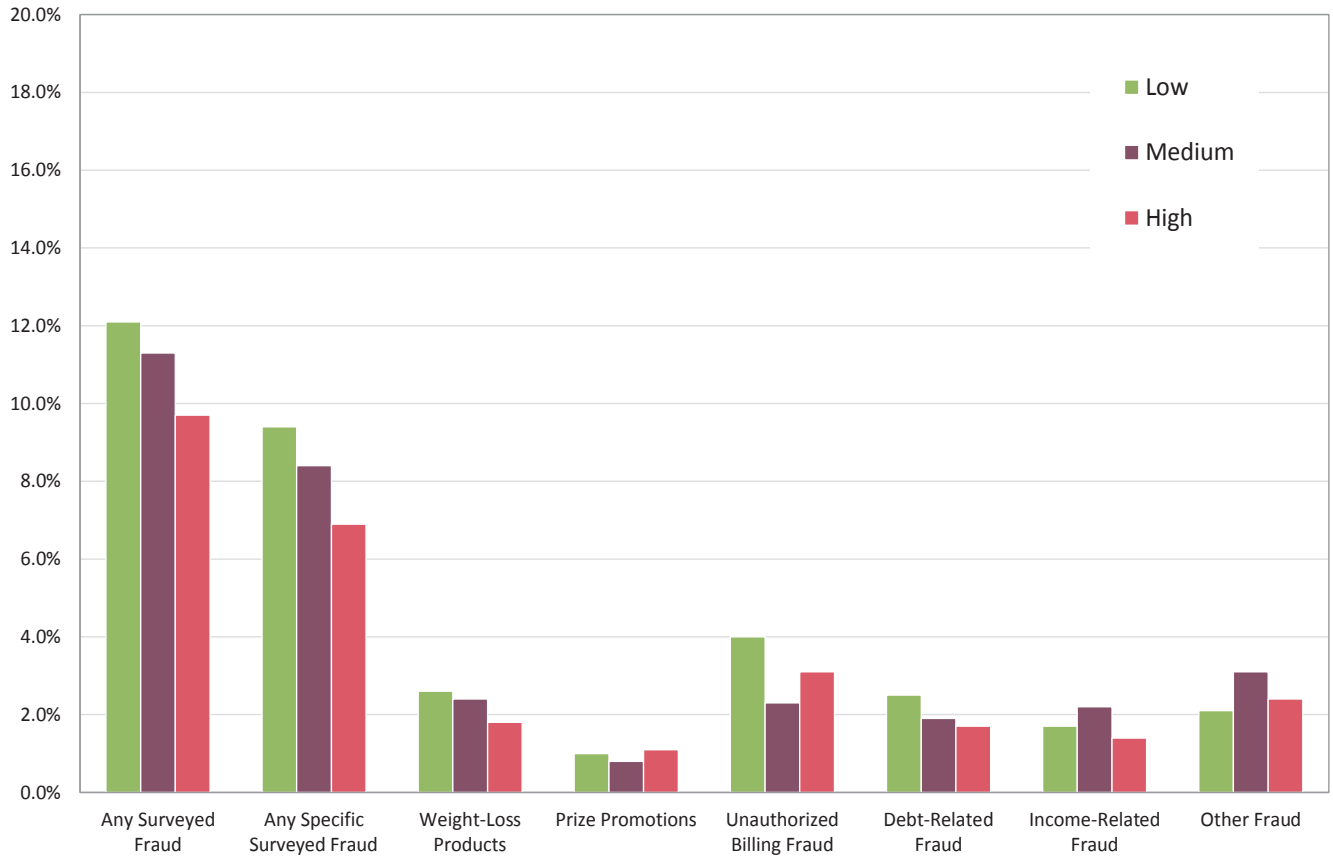
**Table 18. Fraud Victimization Rates, 2011, By Comfort with Current Debt<sup>a</sup>**

Type of Fraud	Overall	Comfort with Current Debt				Sig. <sup>b</sup>
		More Debt Than Can Comfortably Handle	About as Much Debt as Can Comfortably Handle	Could Handle More Debt	Do Not Have Any Personal Debt	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	18.8% (13.6% - 24.0%)	10.7% (8.7% - 12.7%)	9.6% (7.4% - 11.8%)	8.3% (4.8% - 11.8%)	***
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	15.7% (10.7% - 20.6%)	7.8% (6.1% - 9.5%)	6.7% (4.6% - 8.7%)	5.8% (3.1% - 8.6%)	***
Weight-Loss Products	2.1% (1.5% - 2.8%)	4.4% (1.4% - 7.5%)	2.4% (1.4% - 3.4%)	1.5% (0.7% - 2.3%)	1.0% (0.0% - 2.2%)	*
Prize Promotions	1.0% (0.6% - 1.4%)	0.9% (0.0% - 2.0%)	1.2% (0.5% - 1.8%)	1.3% (0.4% - 2.1%)	0.4% (0.0% - 0.8%)	
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	3.1% (1.4% - 4.8%)	2.7% (1.8% - 3.6%)	3.8% (2.5% - 5.0%)	2.3% (0.9% - 3.7%)	
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	6.7% (3.1% - 10.4%)	1.5% (0.8% - 2.3%)	0.6% (0.0% - 1.4%)	1.5% (0.0% - 3.3%)	***
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	2.1% (0.2% - 4.1%)	1.7% (0.7% - 2.6%)	1.8% (0.5% - 3.1%)	1.9% (0.3% - 3.5%)	
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	4.3% (1.6% - 7.0%)	2.4% (1.4% - 3.3%)	2.6% (1.5% - 3.7%)	2.7% (0.3% - 5.1%)	
<i>Number of Observations<sup>g</sup></i>	3,638	374	1,551	960	597	

**Source:** 2011 FTC Fraud Survey

(For notes, see Table 15)

**Figure 19. Victimization Rates, by Patience**



Source: Table 19.

**Table 19. Fraud Victimization Rates, 2011, By Patience<sup>a</sup>**

Type of Fraud	Overall	Patience			Sig. <sup>b</sup>
		Low	Medium	High	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	12.1% (8.3% - 15.8%)	11.3% (9.1% - 13.4%)	9.7% (7.8% - 11.6%)	
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	9.4% (5.9% - 13.0%)	8.4% (6.5% - 10.4%)	6.9% (5.3% - 8.5%)	
Weight-Loss Products	2.1% (1.5% - 2.8%)	2.6% (0.9% - 4.4%)	2.4% (1.3% - 3.5%)	1.8% (0.9% - 2.7%)	
Prize Promotions	1.0% (0.6% - 1.4%)	1.0% (0.0% - 2.1%)	0.8% (0.3% - 1.3%)	1.1% (0.5% - 1.7%)	
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	4.0% (2.0% - 6.1%)	2.3% (1.6% - 3.1%)	3.1% (2.2% - 4.0%)	
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	2.5% (0.7% - 4.3%)	1.9% (0.9% - 2.9%)	1.7% (0.7% - 2.6%)	
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	1.7% (0.0% - 3.5%)	2.2% (1.0% - 3.3%)	1.4% (0.6% - 2.1%)	
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	2.1% (0.4% - 3.7%)	3.1% (2.0% - 4.2%)	2.4% (1.3% - 3.5%)	
<i>Number of Observations<sup>g</sup></i>	<i>3,638</i>	<i>482</i>	<i>1,467</i>	<i>1,651</i>	

Source: 2011 FTC Fraud Survey

(For notes, see Table 15)



- Those who rated themselves as being most patient were least likely to be victims of fraudulent weight-loss products, Debt-Related Fraud, and Income-Related Fraud. However, in none of these cases were the differences statistically significant.

## 6.6 Numeric Skills

- Five questions that sought to measure consumers' performance on the kinds of basic arithmetic calculations that might be encountered in the marketplace or in reading the news were included in the survey. The questions ranged from asking what the sale price would be for an item whose sale price was half off of a stated pre-sale price to a question about the amount of interest that would be earned on a savings account.<sup>93</sup> Following the practice of those who have previously used this set of questions, participants' responses to these five questions were used to create four categories of numeric skills – lowest, low, high, and highest.<sup>94</sup>
- Consumers who scored higher on the numeric skills questions were less likely to report being victims of Any Surveyed Fraud during 2011. Of those in the lowest scoring group, 13.5 percent were victims, compared to 9.0 percent of those with the highest scores. (Table 20 and Figure 20). However, the relationship between numeric skills and the overall likelihood of being a victim was not statistically significant.<sup>95</sup>
- With the exception of fraudulent weight-loss products and Other Frauds, those in the top two numeric-skills categories were less likely to have experienced each of the groupings of fraud, though the differences were not generally statistically significant. With 2.8 percent having purchased a fraudulent weight-loss product, those in the high numeric-skills category were the most likely to have been a victim of this type of fraud.
- There were statistically significant relationships ( $p < 0.01$ ) between numeric skills and the likelihood of being a victim of a prize promotion and of a Debt-Related Fraud.
  - Those with the highest numeric skills were 1.7 percentage points less likely to have been a victim of Debt-Related Fraud than those with the lowest skills.

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93 Questions 87b through 87f. These questions are slightly revised versions of questions first used in Banks and Oldfield (2007), *supra*, n. 79. The original Banks and Oldfield questions were expressed in pounds, and the numbers in the questions used in this survey were altered to make them more realistic when expressed in dollars.

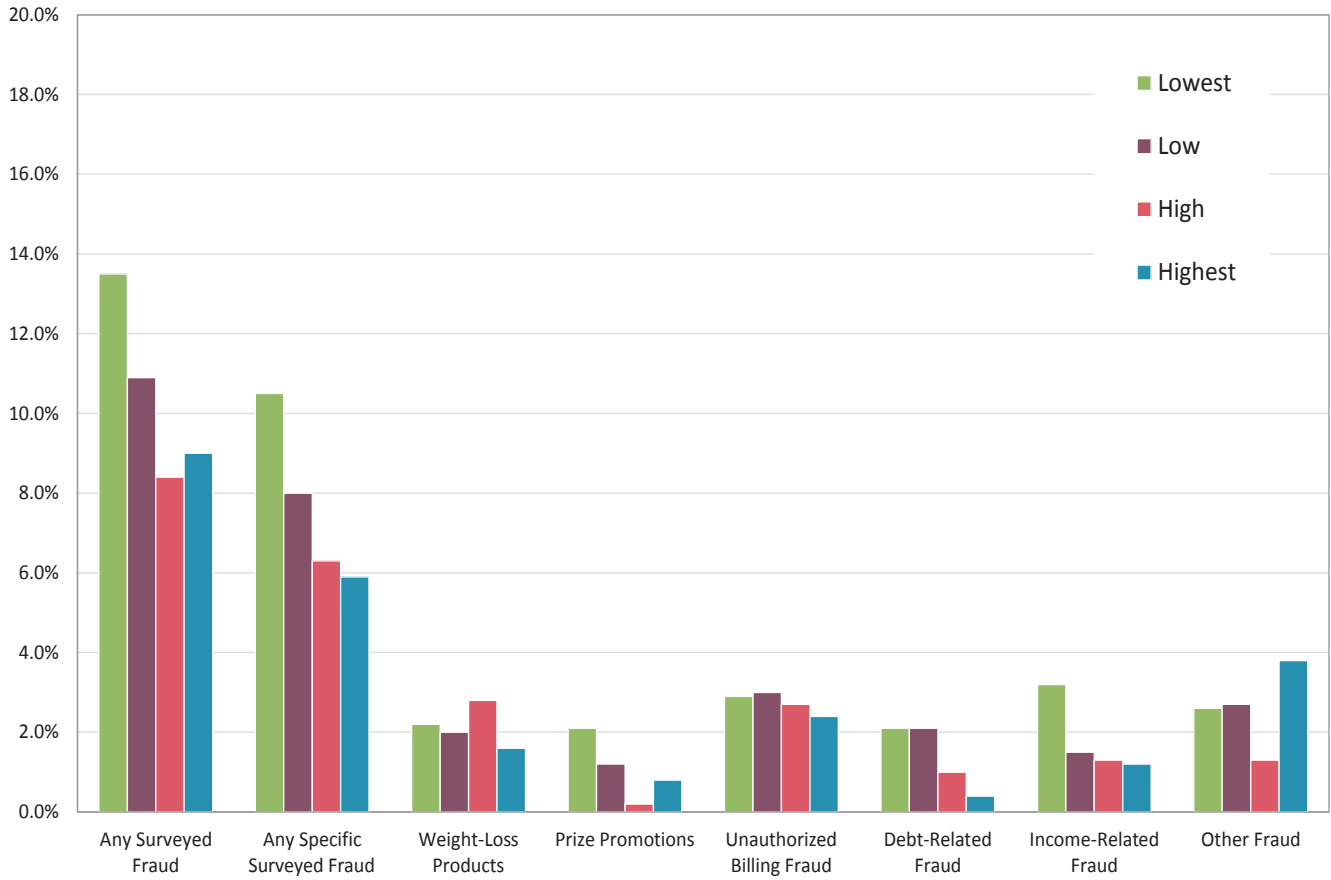
94 Those who answered the first three questions incorrectly, or who answered the first question correctly, but got questions 2, 3, and 4 incorrect are considered to have the “lowest” level of numeric ability. Those who correctly answered more than just the first question, but who got at least one of the first four questions incorrect, are in the “low” group. The “high” numeric ability group consists of those who answered the first four questions correctly, but got the fifth question wrong. The “highest” numeric ability group consists of those who answered all five questions correctly.

One change to the way responses were scored was explored. The final question asked participants to assume that they had \$200 in a savings account that earns 10 percent interest per year and asked how much would be in the account at the end of two years. Previous studies that have used this set of questions only counted as correct an answer of \$242 – that is, a response that correctly incorporates the compounding of interest. However, the mistake of not properly compounding interest should have little, if any, effect on a person's ability to make useful financial decisions. Therefore, an alternative scoring in which a response of \$240 – that is one that does not recognize that in the second year \$2 of interest would be earned on the \$20 of interest earned in the first year – was explored.

Whether the scoring system used by Banks and Oldfield or the alternative was used did not have any substantial effect on the results. Therefore, the results reported here are based on the scoring system used in the previous studies.

95 The likelihood of being a victim of one or more of the included frauds was slightly higher for those in the group with the highest numeric ability scores than for those in the high group. However, this difference is not statistically significant.

**Figure 20. Victimization Rates, by Numeric Skills**



Source: Table 20.

**Table 20. Fraud Victimization Rates, 2011, By Numeric Skills<sup>a</sup>**

Type of Fraud	Overall	Numeric Skills				Sig. <sup>b</sup>
		Lowest	Low	High	Highest	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	13.5% (8.1% - 18.9%)	10.9% (9.2% - 12.6%)	8.4% (5.7% - 11.2%)	9.0% (4.9% - 13.1%)	
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	10.5% (5.7% - 15.3%)	8.0% (6.4% - 9.5%)	6.3% (3.8% - 8.8%)	5.9% (2.2% - 9.7%)	
Weight-Loss Products	2.1% (1.5% - 2.8%)	2.2% (0.0% - 4.9%)	2.0% (1.2% - 2.7%)	2.8% (1.1% - 4.5%)	1.6% (0.0% - 4.0%)	
Prize Promotions	1.0% (0.6% - 1.4%)	2.1% (0.3% - 3.8%)	1.2% (0.6% - 1.8%)	0.2% (0.0% - 0.4%)	0.8% (0.0% - 1.8%)	***
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	2.9% (0.8% - 5.1%)	3.0% (2.2% - 3.8%)	2.7% (1.3% - 4.1%)	2.4% (1.0% - 3.8%)	
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	2.1% (0.2% - 3.9%)	2.1% (1.2% - 3.0%)	1.0% (0.0% - 2.2%)	0.4% (0.0% - 0.9%)	***
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	3.2% (0.1% - 6.2%)	1.5% (0.7% - 2.2%)	1.3% (0.2% - 2.5%)	1.2% (0.0% - 3.0%)	
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	2.6% (0.0% - 5.4%)	2.7% (1.9% - 3.5%)	1.3% (0.2% - 2.3%)	3.8% (1.0% - 6.6%)	
<i>Number of Observations<sup>g</sup></i>	3,638	284	2,177	553	256	

Source: 2011 FTC Fraud Survey

(For notes, see Table 15)

- In the case of fraudulent prize promotions, those in the high numeric skills category were almost 2 percentage points less likely to be a victim than were those in the lowest category. Those ranked highest in numeric skills were slightly more likely to be a victim, though the difference between those in the high and the highest categories was not statistically significant.

## 6.7 Self-Control

- Four questions designed to measure a participant’s self-control were included in the survey. These questions asked participants to rate the degree to which the statements “I am a planner,” “I am impulsive,” “I am self-controlled,” and “I enjoy spending money” applied to them.<sup>96</sup>
- While the likelihood of having experienced fraud during 2011 does not vary substantially with the level of self-control, those who are classified as having high self-control are slightly less likely to have been a victim of Any Surveyed Fraud (10.6 percent of those with high self-control were victims compared to 11.8 percent of those with low self-control) or of Any Specific Surveyed Fraud (7.1 percent for high and 9.4 percent for low, Table 21 and Figure 21). However, neither difference was statistically significant.
- Somewhat surprisingly, those with high self-control were slightly more likely to have been victims of fraudulent weight-loss products (2.9 percent of those with high self-control were victims compared to 2.1 percent of those rated low and 1.8 percent of those rated medium). Again, however, the differences were not statistically significant.

## 6.8 Expected Future Income

- Finally, survey participants were asked how they expected their income to change over the next three years. Did they expect their income three years in the future to be (i) much lower than current income, (ii) slightly lower, (iii) about the same as currently, (iv) slightly higher, or (v) much higher?<sup>97</sup>
- As shown in Table 22 and Figure 22, those who expected their future incomes to be much lower than today were the most likely to have experienced Any Surveyed Fraud, and also, Any Specific Surveyed Fraud.
  - Those who expected their incomes to increase – either a little or a lot – were also more likely to have been victims than those who thought their incomes would remain constant or decline just a little.

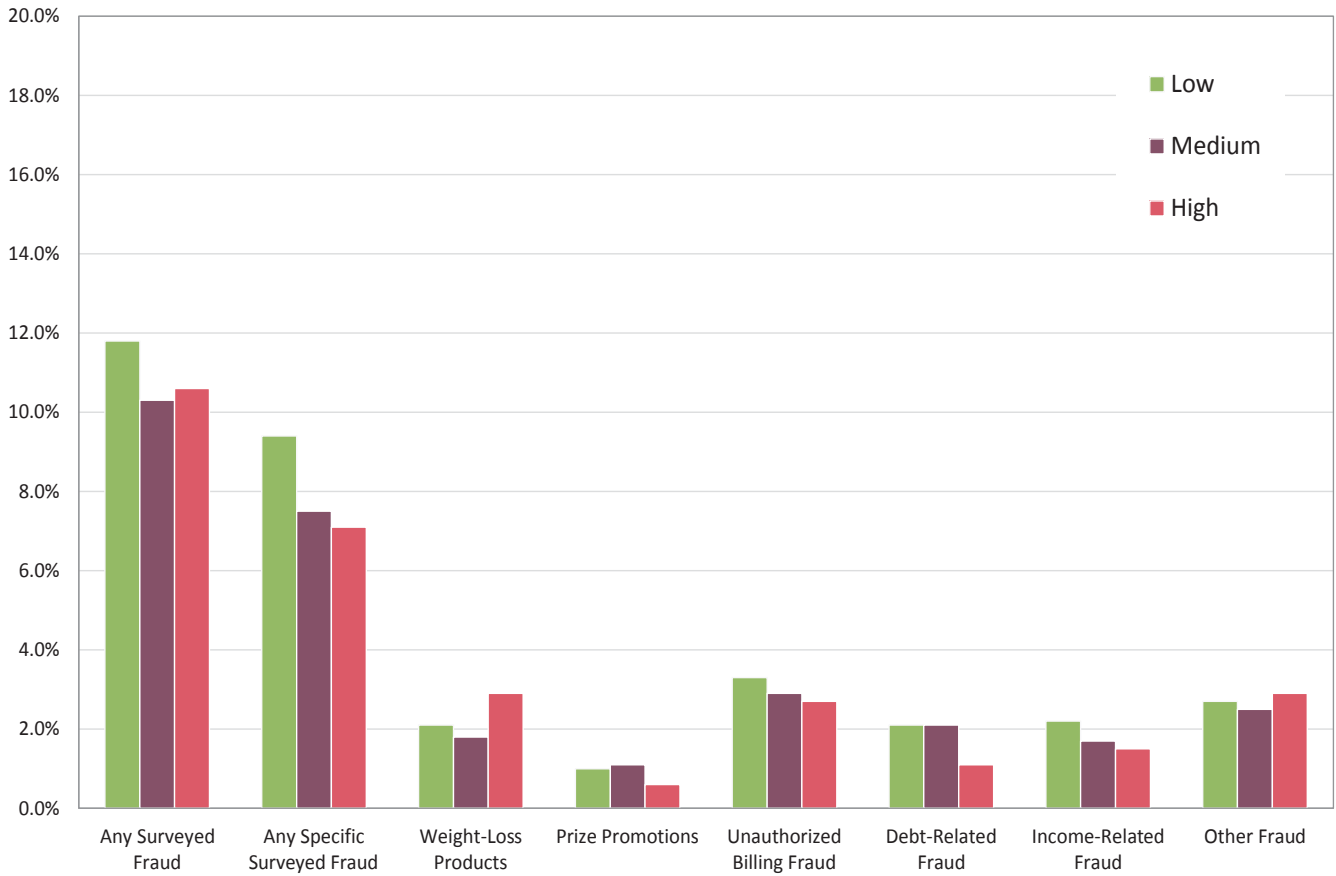
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96 Questions 72a through 72d. As with the questions on risk taking and patience, participants were asked to rate themselves on a scale of 1 to 7 where 1 meant that the statement almost never applied to them and a 7 meant that the statement almost always applied. The self-control measure used here was constructed by summing the scores on the four questions with the responses to the questions on impulsiveness and enjoying spending money reverse coded. Those with a sum of less than zero were categorized as having “low” self-control; those with sums between 1 and 6 were categorized as having “medium” self-control, while those with a score in excess of 6 was categorized as having “high” self-control. As shown in Appendix Table A-1, approximately one-quarter of participants were categorized as having low and high self-control, while the remaining half were in the medium category.

This series of questions has previously been used by Marianne Bertrand and Adair Morse in work on payday loans (“Information Disclosure, Cognitive Biases, and Payday Borrowing,” *Journal of Finance*, 66 (December 2011), pp. 1895-1931). The questions are adapted from an index first developed by Radhika Puri (“Measuring and Modifying Consumer Impulsiveness: A Cost-Benefit Accessibility Framework,” *Journal of Consumer Psychology*, 5 (1996), pp. 87-113).

97 Question 80.

**Figure 21. Victimization Rates, by Self-Control**



Source: Table 21.

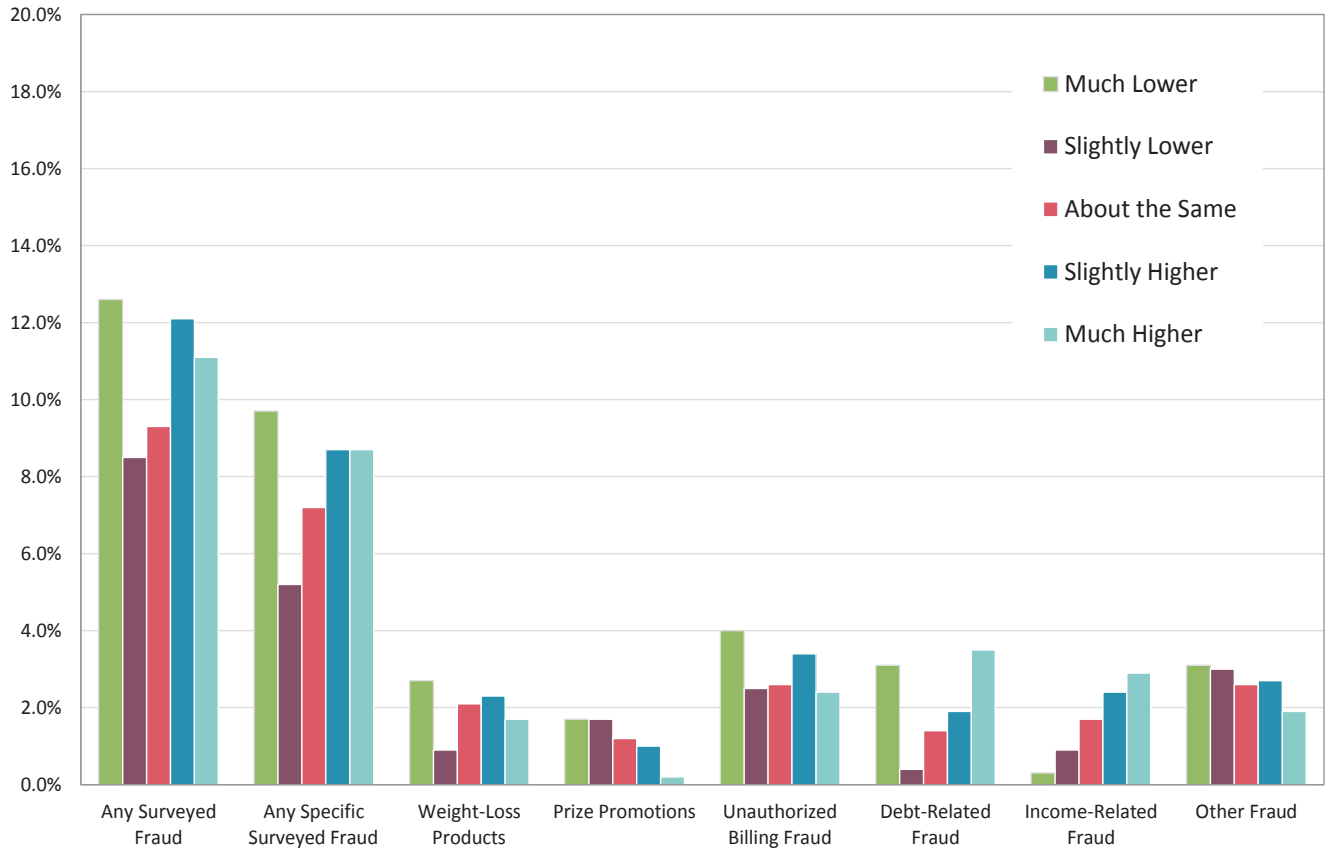
**Table 21. Fraud Victimization Rates, 2011, By Self-Control<sup>a</sup>**

Type of Fraud	Overall	Self-Control			Sig. <sup>b</sup>
		Low	Medium	High	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	11.8% (9.2% - 14.5%)	10.3% (8.4% - 12.2%)	10.6% (7.8% - 13.3%)	
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	9.4% (6.9% - 11.8%)	7.5% (5.8% - 9.2%)	7.1% (4.8% - 9.4%)	
Weight-Loss Products	2.1% (1.5% - 2.8%)	2.1% (0.8% - 3.3%)	1.8% (1.1% - 2.6%)	2.9% (1.2% - 4.5%)	
Prize Promotions	1.0% (0.6% - 1.4%)	1.0% (0.1% - 1.8%)	1.1% (0.5% - 1.7%)	0.6% (0.2% - 1.0%)	
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	3.3% (2.0% - 4.6%)	2.9% (2.1% - 3.7%)	2.7% (1.6% - 3.9%)	
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	2.1% (1.0% - 3.3%)	2.1% (1.0% - 3.2%)	1.1% (0.1% - 2.1%)	
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	2.2% (0.8% - 3.6%)	1.7% (0.8% - 2.6%)	1.5% (0.3% - 2.7%)	
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	2.7% (1.4% - 3.9%)	2.5% (1.5% - 3.5%)	2.9% (1.2% - 4.6%)	
<i>Number of Observations<sup>g</sup></i>	3,638	859	1,702	935	

Source: 2011 FTC Fraud Survey

(For notes, see Table 15)

**Figure 22. Victimization Rates, by Expected Future Income**



Source: Table 22.

**Table 22. Fraud Victimization Rates, 2011, By Expected Future Income<sup>a</sup>**

Type of Fraud	Overall	Expected Future Income					Sig <sup>b</sup>
		Much Lower	Slightly Lower	About the Same	Slightly Higher	Much Higher	
Any Surveyed Fraud	10.8% (9.4% - 12.1%)	12.6% (7.6% - 17.7%)	8.5% (4.8% - 12.1%)	9.3% (7.4% - 11.3%)	12.1% (9.6% - 14.6%)	11.1% (7.0% - 15.1%)	
Any Specific Surveyed Fraud	7.9% (6.7% - 9.1%)	9.7% (5.0% - 14.4%)	5.2% (2.3% - 8.1%)	7.2% (2.3% - 8.2%)	8.7% (6.5% - 10.8%)	8.7% (4.9% - 12.4%)	
Weight-Loss Products	2.1% (1.5% - 2.8%)	2.7% (0.3% - 5.2%)	0.9% (0.0% - 2.3%)	2.1% (0.1% - 3.0%)	2.3% (1.2% - 3.4%)	1.7% (0.0% - 3.5%)	
Prize Promotions	1.0% (0.6% - 1.4%)	1.7% (0.0% - 3.4%)	1.7% (0.0% - 3.6%)	1.2% (0.4% - 2.0%)	1.0% (0.3% - 1.6%)	0.2% (0.0% - 0.5%)	**
Unauthorized Billing-Related Fraud <sup>c</sup>	2.9% (2.4% - 3.5%)	4.0% (1.5% - 6.5%)	2.5% (0.7% - 4.2%)	2.6% (1.6% - 3.5%)	3.4% (2.2% - 4.6%)	2.4% (1.2% - 3.7%)	
Debt-Related Fraud <sup>d</sup>	1.9% (1.2% - 2.5%)	3.1% (0.0% - 6.6%)	0.4% (0.0% - 0.8%)	1.4% (0.6% - 2.2%)	1.9% (0.8% - 3.1%)	3.5% (0.8% - 6.1%)	***
Income-Related Fraud <sup>e</sup>	1.7% (1.1% - 2.3%)	0.3% (0.0% - 0.6%)	0.9% (0.0% - 2.1%)	1.7% (0.4% - 2.0%)	2.4% (1.2% - 3.7%)	2.9% (0.5% - 5.3%)	***
Other Frauds Included in Survey <sup>f</sup>	2.6% (2.0% - 3.3%)	3.1% (1.2% - 4.9%)	3.0% (0.6% - 5.3%)	2.6% (1.5% - 3.6%)	2.7% (1.4% - 4.1%)	1.9% (0.2% - 3.7%)	
<i>Number of Observations<sup>g</sup></i>	3,638	260	369	1,447	1,026	343	

Source: 2011 FTC Fraud Survey

(For notes, see Table 15)



- Those who thought that their incomes three years from now would be the same as or slightly lower than today were the least likely to be victims.<sup>98</sup>
- Overall, the differences across the categories of future income were not statistically significant.
- The more optimistic consumers were about their expected future income, the greater the likelihood of having been a victim of Income-Related Fraud during 2011. This relationship was statistically significant ( $p < 0.01$ ).
- Those who expected their incomes to be much lower or much higher three years from now were more likely to have been victims of Debt-Related Fraud than were those who indicated that they expected their incomes to remain relatively stable. This relationship was statistically significant ( $p < 0.01$ ).
- Those who said that they expected their incomes to be much higher three years in the future were significantly less likely to be victims of fraudulent prize promotions ( $p < 0.05$ ).

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98 The question about expected future income was included in the two previous surveys. In the 2003 survey, a pattern much like that in the current results was found – those who expected their incomes in three years to be about the same or slightly lower were the least likely to have been victims of fraud. And, the differences across the future income categories were significant in the 2003 data ( $p < 0.01$ ). (Anderson (2004), *supra* n.1, Table 4-2) The 2005 survey did not find the same pattern and the differences there were not statistically significant (Anderson (2007), *supra* n.1, Table 5).

## 7. Multivariate Analysis of Victim Characteristics

In the previous two chapters, the relationships between various characteristics of consumers and the likelihood of being a victim of fraud were explored individually. For example, the reported relationship between age and victimization considered only age and victimization. Other characteristics – such as the willingness to take risk or how comfortable people were with the amount of debt they had – were not included in that analysis.

Looking at the data in this simple way may provide useful answers to certain questions. If one wants to know whether older consumers are more – or, in fact, less – likely to be victims, the simple analysis in the previous chapters may provide the answer.

However, additional insights can be gained by controlling for other characteristics while considering the relationship between the likelihood of victimization and age or other characteristics. Such an analysis can provide insights about the underlying characteristics that may be more directly related to becoming a victim of consumer fraud. For example, older consumers may differ from those who are younger in ways other than just age, and the relationship between age and victimization may arise because of these other differences. Perhaps older consumers are, on average, less likely to take risks, and it is the reduced willingness to take risks, not age, that is really correlated with a reduced likelihood of being a victim.

Jointly examining the effects of other characteristics can also provide useful insights. In the previous chapter, it was found that those who felt that they had too much debt were more likely to be victims of fraud. However, this relationship may exist because some other factor is related to both the likelihood of being a victim of fraud and the likelihood of accruing too much debt. Perhaps having excessive amounts of debt is correlated with taking more risks or having experienced a serious negative life event. And, perhaps it is taking more risks or having experienced a serious negative life event that is more directly associated with being a victim of fraud.

The contribution of each characteristic after controlling for other characteristics is explored in this chapter. The results are reported in Table 23. The interpretation of the numbers in Table 23 is somewhat different from those on the earlier tables. In this table, the numbers represent the estimated difference between the likelihood of being a victim of a fraud for two individuals who differ *only* in terms of the one characteristic being analyzed – one individual has the value of the characteristic shown while the other has the comparison value. On all of the other characteristics included in the analysis, the two individuals are identical.<sup>99</sup>

For example, the first two rows of Table 23 provide the analysis of how the likelihood of being a victim varies with the general willingness to take risks, holding all of the other characteristics constant. The coefficient in the first column of data (+ 4.1 percent) represents the difference in the likelihood of being a victim of Any Surveyed Fraud between someone who has a medium willingness to take risks and someone who has a low willingness – the comparison group for the analysis of general willingness to take risk – if all of the other characteristics of the two individuals are the same. That is, if the analysis

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<sup>99</sup> More precisely, the figures in Table 23 are the coefficients of a regression that includes all of the demographic and other individual characteristics as independent variables. For each characteristic, dummy variables are included for all but one of the values of the characteristic. The omitted value is the comparison value or value relative to which the other values of that characteristic are compared.

**Table 23. Fraud Victimization Rates, 2011, Multivariate Analysis**

	Any Surveyed Fraud	Any Specific Surveyed Fraud	Weight-Loss	Prize Promotions	Unauthorized Billing Fraud <sup>a</sup>	Debt-Related Fraud <sup>b</sup>	Income-Related Fraud <sup>c</sup>	Other Fraud <sup>d</sup>
<b>General Willingness to Take Risks (Relative to Low Willingness to Take Risks)</b>								
Medium	+ 4.1% **	+ 3.8% ***	+ 0.5%	+ 0.4%	+ 0.5%	+ 0.2%	+ 1.5% **	+ 1.5% *
High	+ 7.8% ***	+ 4.8% **	+ 0.1%	+ 0.5%	+ 1.2%	+ 1.4%	+ 3.2% **	+ 2.7% **
<i>Joint Significance</i>	***	**					**	**
<b>Engaged in Risky Purchasing Practices (Relative to No Risky Purchasing Practices)</b>								
	+ 11.6% ***	+ 11.7% ***	+ 4.5% ***	+ 1.7% *	+ 3.0% **	+ 1.5%	+ 3.3% **	+ 1.8%
<b>Patience (Relative to Low Patience)</b>								
Medium	- 3.8%	- 3.0%	- 2.1%	- 0.5%	- 1.6%	- 2.0%	+ 1.8% **	+ 0.4%
High	- 7.0% ***	- 5.9% **	- 2.6% *	- 0.7%	- 1.0%	- 2.6% *	+ 0.2%	- 0.9%
<i>Joint Significance</i>	**	**						
<b>Serious Negative Life Event (Relative to No Serious Negative Life Event)</b>								
	+ 8.3% ***	+ 5.8% ***	+ 1.3% *	+ 0.9% *	+ 2.5% ***	+ 1.9% ***	+ 1.5% *	+ 1.6% **
<b>Numeric Skills (Relative to Lowest Numeric Skills)</b>								
Low	- 3.7%	- 3.1%	- 0.3%	- 1.8%	- 0.5%	+ 1.0%	- 3.0%	+ 0.2%
High	- 4.7%	- 3.4%	+ 1.3%	- 2.4% *	- 0.9%	- 0.1%	- 2.5%	- 1.0%
Highest	- 3.7%	- 2.7%	+ 0.5%	- 1.7%	- 1.8%	- 0.1%	- 3.0%	+ 1.6%
<i>Joint Significance</i>				**				

(Table 23 continues on next page)

Table 23 (continued)

	Any Surveyed Fraud	Any Specific Surveyed Fraud	Weight-Loss	Prize Promotions	Unauthorized Billing Fraud <sup>a</sup>	Debt-Related Fraud <sup>b</sup>	Income-Related Fraud <sup>c</sup>	Other Fraud <sup>d</sup>
<b>Self-Control (Relative to Low Self-Control)</b>								
Medium	+ 0.3%	+ 0.1%	+ 0.8%	+ 0.2%	- 0.7%	+ 0.9%	- 0.1%	- 0.4%
High	+ 1.2%	+ 1.0%	+ 1.6%	- 0.2%	- 0.9%	+ 0.2%	+ 0.9%	+ 0.1%
<i>Joint Significance</i>								
<b>Comfort with Current Debt Level (Relative to Having More Debt Than Can Handle)</b>								
About as Much as Can Handle	- 1.9%	- 1.9%	- 0.8%	+ 0.9%	- 0.0%	- 2.3%	+ 0.9%	- 0.9%
Could Handle More	- 3.1%	- 3.1%	- 2.0%	+ 1.2%	+ 1.4%	- 3.3% *	+ 0.6%	- 0.7%
No Debt	- 3.9%	- 2.5%	- 1.3%	+ 0.0%	- 0.1%	- 2.0%	+ 1.6%	- 2.2%
<i>Joint Significance</i>						**		
<b>Expected Future Income (Relative to Expect Future Income to Be Unchanged)</b>								
Much Lower	+ 4.4%	+ 3.5%	- 0.5%	+ 1.0%	+ 2.7%	+ 2.3%	- 1.3% **	+ 1.4%
Slightly Lower	- 1.8%	- 3.9% *	- 2.4% *	- 0.9%	+ 0.6%	- 1.4% **	- 0.6%	+ 1.6%
Slightly Higher	- 0.8%	- 1.5%	- 1.7% *	+ 0.1%	+ 0.5%	- 0.4%	+ 0.5%	- 0.2%
Much Higher	+ 1.5%	+ 1.8%	- 1.2%	- 0.7%	- 0.4%	+ 3.4% *	+ 0.8%	- 0.1%
<i>Joint Significance</i>						**	**	

(Table 23 continues on next page)

Table 23 (continued)

	Any Surveyed Fraud	Any Specific Surveyed Fraud	Weight-Loss	Prize Promotions	Unauthorized Billing Fraud <sup>a</sup>	Debt-Related Fraud <sup>b</sup>	Income-Related Fraud <sup>c</sup>	Other Fraud <sup>d</sup>
<b>Age (Relative to Being 35-44)</b>								
18 – 24	- 1.9%	- 1.4%	+ 2.1%	+ 1.0%	- 2.9% *	- 4.0% *	+ 0.6%	+ 0.9%
25 – 34	- 2.7%	- 2.3%	+ 0.3%	+ 0.1%	- 3.1% **	+ 0.3%	- 0.9%	+ 0.4%
45 – 54	+ 0.3%	+ 0.2%	+ 0.7%	+ 0.1%	- 1.4%	- 1.5%	- 0.3%	+ 2.7% **
55 – 64	- 3.7%	- 1.6%	+ 1.0%	+ 1.8% **	- 2.4% *	- 1.8%	- 1.4%	+ 0.6%
65 – 74	- 6.1% **	- 3.6%	- 1.7% *	+ 2.8% **	- 4.1% ***	- 2.1%	- 1.7%	- 0.5%
75 or older	- 1.2%	- 2.8%	+ 0.8%	+ 0.8%	- 1.9%	- 2.4%	- 2.0% *	+ 3.9% *
<i>Joint Significance</i>								
<b>Race &amp; Ethnicity (Relative to Non-Hispanic White)</b>								
Hispanic	+ 5.4% **	+ 5.3% **	+ 0.6%	+ 1.5%	+ 3.4% **	+ 1.8%	- 0.1%	- 0.5%
African American	+ 3.9%	+ 4.3%	+ 1.5%	- 0.3%	+ 0.3%	+ 1.0%	+ 0.9%	+ 1.0%
Asian	+ 2.2%	- 1.4%	- 0.7%	+ 0.9%	- 1.5% *	- 0.3%	- 1.0% *	+ 4.6%
Other	+ 3.0%	- 0.4%	- 1.8% **	- 0.7% *	+ 3.0%	- 1.1%	+ 3.5%	+ 0.2%
<i>Joint Significance</i>								
<b>Income (Relative to \$40,000 to \$60,000)</b>								
Less than \$20,000	+ 1.5%	+ 1.3%	- 2.7% **	- 0.2%	+ 1.1%	+ 2.6% *	+ 1.1%	+ 0.5%
\$20,000 - \$40,000	+ 4.2% *	+ 1.5%	- 1.2%	- 0.4%	+ 1.4%	+ 0.9%	+ 0.5%	+ 2.5% *
\$60,000 - \$80,000	+ 0.3%	+ 0.1%	+ 0.0%	- 0.5%	+ 0.6%	+ 0.4%	+ 0.3%	- 0.5%
\$80,000 - \$100,000	+ 3.2%	+ 4.1%	+ 1.8%	- 1.3% *	+ 0.6%	+ 1.5%	+ 0.0%	- 0.4%
Over \$100,000	+ 3.1%	+ 0.4%	+ 0.9%	- 0.3%	+ 1.8%	+ 2.1% *	- 1.6%	+ 0.2%
<i>Joint Significance</i>								

(Table 23 continues on next page)

Table 23 (continued)

	Any Surveyed Fraud	Any Specific Surveyed Fraud	Weight-Loss	Prize Promotions	Unauthorized Billing Fraud <sup>a</sup>	Debt-Related Fraud <sup>b</sup>	Income-Related Fraud <sup>c</sup>	Other Fraud <sup>d</sup>
<b>Education (Relative to High School Graduate)</b>								
Some High School or Less	+ 4.2%	+ 1.9%	+ 4.0% **	- 1.1%	- 1.3%	- 1.9%	+ 0.7%	+ 2.3%
Some College	+ 1.8%	- 0.9%	- 0.2%	- 0.3%	+ 0.7%	- 0.7%	+ 1.5% *	+ 0.7%
College Graduate or More	+ 2.6%	+ 0.1%	- 0.6%	+ 0.2%	+ 1.8%	- 1.9% **	+ 1.4% *	+ 1.9% *
<i>Joint Significance</i>								
<b>Married (Relative to Single)</b>								
	- 0.2%	- 1.0%	- 0.3%	- 0.1%	- 0.4%	- 0.1%	+ 0.5%	+ 0.9%
<b>Female (Relative to Male)</b>								
	+ 1.1%	+ 1.3%	+ 0.4%	- 0.1%	- 0.7%	+ 0.9%	+ 1.0%	- 0.1%
<b>Constant</b>								
	+ 8.0%	+ 8.6%	+ 3.5%	+ 1.2%	+ 3.1%	+ 3.4%	- 1.5%	- 1.8%
<i>R<sup>2</sup> / Overall Significance</i>	0.089 ***	0.083 ***	0.043	0.029	0.042 **	0.065	0.046	0.032
<i>Number of Observations</i>	2,509	2,509	2,509	2,509	2,509	2,509	2,509	2,509

(Table 23 continues on next page)

**Table 23 (continued)**

**Source:** 2011 FTC Fraud Survey

**Notes.**

Coefficients are the difference between this group and the comparison group expressed as percentages.

Asterisks indicate significance relative to the comparison group.

- \* denotes statistical significance at the 10 percent level
- \*\* denotes statistical significance at the 5 percent level
- \*\*\* denotes statistical significance at the 1 percent level

- a. Unauthorized Billing-Related Fraud includes Unauthorized Billing – Buyers’ Guides, Unauthorized Billing – Internet Services, and Unauthorized Billing – Other Products (one of the more general types of fraud included in the survey).
- b. Debt-Related Fraud includes Credit Repair, Debt Relief, Mortgage Relief, and Advance Fee Loans.
- c. Income-Related Fraud includes Work-at-Home Programs, Business Opportunities, Pyramid Schemes, and Government Job Offers.
- d. Other Frauds Included in Survey include Credit Card Insurance, Counterfeit Checks, and Paid for Something Never Received.

predicts that there was a 5.8 percent chance that someone with a certain set of characteristics, including a low willingness to take risks, was a victim of Any Surveyed Fraud, the analysis would also predict that another person who had the same characteristics with the exception that this person had a medium willingness to take risks would have a 9.9 percent probability of being a victim – 5.8 percent plus 4.1 percent.

## 7.1 General Willingness to Take Risks

- As noted above, the first section of Table 23 provides data on the relationship between the general willingness to take risks and the likelihood of being a victim of Any Surveyed Fraud, of Any Specific Surveyed Fraud, and of the various groups of frauds that have been previously discussed.
- Looking both at Any Surveyed Fraud and at Any Specific Surveyed Fraud, a greater general willingness to take risks was associated with a greater likelihood of being a victim. Those who reported a high general willingness were 7.8 percentage points more likely to be a victim of Any Surveyed Fraud than someone with a low willingness, other things equal. Looking at Any Specific Surveyed Fraud, the difference was 4.8 percentage points. In both cases, the relationship between risk and the likelihood of being a victim was statistically significant ( $p < 0.01$  for Any Surveyed Fraud,  $p < 0.05$  for Any Specific Surveyed Fraud).
- As was the case when the relationship between risk taking and victimization was considered alone, those with a high general willingness were more likely to be victims of all of the groups of frauds reported in Table 23, with one exception, even after controlling for the other characteristics included in the analysis.<sup>100</sup>
  - Those who reported a high general willingness to take risks were 3.2 percentage points more likely to be victims of Income-Related Fraud than those with a low willingness. This difference was statistically significant ( $p < 0.05$ ).
  - Those with a high general willingness were also 2.7 percentage points more likely to be a victim of Other Fraud, and this difference was also significant ( $p < 0.05$ ).
- Controlling for other characteristics has very little effect on the estimated relationship between general willingness to take risk and the likelihood of having been a victim of fraud. The estimated differences across different willingness to take risks are roughly similar and, with the exception of Other Fraud, the relationships are statistically significant for the same groups of frauds in both types of analysis.<sup>101</sup>
  - Table 15 shows that 7.5 percent of those who expressed a low general willingness to take risks were victims of Any Surveyed Fraud, while 15.8 percent of those with a high willingness to take risks were victims – a difference of 8.3 percentage points. The multivariate results in Table 23 show a difference of 7.8 percentage points after controlling for the effect of other characteristics (both differences  $p < 0.01$ ).

100 As was the case in the analysis in Chapter 6, the exception is fraudulent weight-loss products where those with a medium willingness to take risks were slightly more likely to have been a victim than those with a high willingness. The difference was, however, not statistically significant.

101 The relationship between being a victim of Other Fraud and general willingness to take risks is significant ( $p < 0.05$ ) when controlling for other factors, but not when the relationship is considered alone.



- Considering Any Specific Surveyed Fraud, the Table 15 results show a difference of 6.5 percentage points between the low and high willingness-to-take-risks group (11.6 percent minus 5.1 percent). The multivariate results show a difference of 4.8 percentage points.<sup>102</sup>

## 7.2 Risky Purchasing Practices

- Even after controlling for other characteristics, consumers who engaged in risky purchasing behavior were much more likely to have been victims than were those who did not. During 2011, those who engaged in risky purchasing practices were 11.6 percentage points more likely to have been a victim of Any Surveyed Fraud than were those who had not. Looking just at Any Specific Surveyed Fraud, those who made such risky purchases were 11.7 percentage points more likely to have been a victim (both  $p < 0.01$ , Table 23).
  - Those who had made such purchases were more likely to have experienced each of the groups of frauds included in Table 23.<sup>103</sup>
- After controlling for other characteristics, the effect of engaging in risky purchasing practices was slightly smaller than when risky purchasing practices were considered alone. For example, Table 16 shows that, when considered alone, those who had engaged in risky purchasing practices were 16.3 percentage points more likely than those who had not to be a victim of Any Surveyed Fraud (24.8 percent minus 8.5 percent). After controlling for other characteristics, Table 23 shows that the difference is 11.6 percentage points.
- Surprisingly, there was very little relationship between general willingness to take risks and engaging in risky purchase practices. Overall, 18.7 percent of consumers engaged in risky purchasing practices. Of those whose responses to the question about general willingness to take risks put them in the low risk group, 17.1 percent indicated that they had engaged in risky purchasing practices. For those in the high general risk group, the figure was 19.3 percent— just over 2 percentage points more than those in the low general risk group.

## 7.3 Patience

- Patience was associated with larger differences after controlling for other characteristics than when it was considered in isolation. Those who were very patient were 7.0 percentage points less likely to be victims of Any Surveyed Fraud than were those who were least patient, other things equal, and the relationship between patience and victimization was statistically significant ( $p < 0.01$ ). Looking at patience alone, the difference was only 2.4 percentage points and was not statistically significant (12.1 percent minus 9.7 percent, Table 19).
- Patience was also associated with larger differences in Any Specific Surveyed Fraud after controlling for other characteristics. The difference in the likelihood of being a victim of Any Specific Surveyed Fraud between those with high patience and those with low was 5.9 percentage

<sup>102</sup> When considering only the correlation between Any Specific Surveyed Fraud and general willingness to take risks,  $p < 0.01$ . In the multivariate analysis,  $p < 0.05$ .

<sup>103</sup> For weight-loss frauds,  $p < 0.01$ , for Unauthorized Billing-Related and Income-Related Fraud,  $p < 0.05$ , for prize promotion frauds,  $p < 0.10$ . The relationships were not statistically significant for Debt-Related and Other Fraud.

points, other things equal, compared to 2.5 percentage points in the simple analysis (9.4 percent minus 6.9 percent).<sup>104</sup>

- After controlling for other factors, those who rated high in terms of patience were less likely to have experienced each of the groups of frauds in Table 23, with the exception of Income-Related Fraud.
  - Those who rated high on patience were 2.6 percentage points less likely to have purchased a fraudulent weight-loss product than those who had low patience ( $p < 0.10$ ). This compares to a not statistically significant difference of 0.8 percentage points in the results in Chapter 6 (2.6 percent minus 1.8 percent, Table 19).
  - The highly patient also were 2.6 percentage points less likely to have been a victim of a Debt-Related Fraud ( $p < 0.10$ ). Again, when patience was examined alone, the difference was only 0.8 percent (2.5 percent minus 1.7 percent, Table 19) and the difference was not statistically significant.
  - On the other hand, the highly patient were 0.2 percentage points more likely than the impatient to have been a victim of an Income-Related Fraud, and those with medium patience were 1.8 percentage points more likely to be victims than those with low patience.<sup>105</sup>

## 7.4 Serious Negative Life Event

- As in the simple results reported in the previous chapter, those who had experienced a serious negative life event in the previous two years were substantially more likely to have been a victim of fraud during 2011. After controlling for other characteristics, those who had experienced a serious negative life event were 8.3 percentage points more likely to have been a victim of Any Surveyed Fraud ( $p < 0.01$ ). By comparison, when examined alone, the difference was 9.7 percentage points (15.8 percent minus 6.1 percent, Table 17,  $p < 0.01$ ).
- Considering Any Specific Surveyed Fraud, those who had experienced a serious negative life event were 5.8 percentage points more likely to have been a victim, other things equal ( $p < 0.01$ ).
- Those who had experienced a serious negative life event were significantly more likely to have been a victim of each of the groups of fraud on Table 23 after controlling for other factors.
  - Having experienced a serious negative life event was associated with a 2.5 percentage point increase in the likelihood of having experienced an Unauthorized Billing-Related Fraud, other things equal, and a 1.9 percentage point increase in the likelihood of having experienced a Debt-Related Fraud (both  $p < 0.01$ ).

## 7.5 Self-Control

- As when self-control was considered alone, the likelihood of being a victim of fraud varied little with self-control, and the differences were not statistically significant. Somewhat surprisingly, and unlike the earlier analysis, after controlling for other characteristics, the likelihood of being a

104 Again, the difference across levels of patience is statistically significant ( $p < 0.05$ ) after controlling for other characteristics, but not when looking at patience alone.

105 The difference between those with low patience and medium patience is statistically significant ( $p < 0.05$ ). The difference between those with low patience and those with high patience is not statistically significant.

victim of Any Surveyed Fraud or of Any Specific Surveyed Fraud appears to be slightly higher – rather than slightly lower – among those with more self-control.

## 7.6 Comfort with Current Level of Debt

- After accounting for other characteristics, the likelihood of being a victim of fraud varied less across groups of consumers with different perceived abilities to handle their existing debt than when this relationship was examined by itself.
  - Those who indicated that they could handle additional debt were 3.1 percentage points less likely to be a victim of Any Surveyed Fraud than were those who had more debt than they could handle financially, other things equal, and the difference was not statistically significant (Table 23).
  - When the relationship between comfort with debt and the likelihood of being a victim was examined alone, the difference between these two groups was 9.2 percentage points (18.8 percent minus 9.6 percent) and difference was statistically significant ( $p < 0.01$ , Table 18).
- The one place where a significant relationship between the likelihood of being a victim and having too much debt existed even after controlling for other characteristics was in the case of Debt-Related Fraud ( $p < 0.05$ ). As shown in Table 23, even after controlling for other characteristics, those who said that they had about as much debt as they could handle were 2.3 percentage points less likely to be victims of a Debt-Related Fraud than those who said that they had more debt than they could handle financially. Those who said that they could handle more debt were 3.3 percent less likely to be a victim of one of these Debt-Related Fraud than those with excessive amounts of debt.<sup>106</sup>
- At least in part, the weaker relationship between the amount of debt and the likelihood of being a victim of fraud may be because people who had too much debt were more likely to be willing to take risks. Twenty percent of those whose responses indicated a high general willingness to take risks indicated that they had more debt than they could handle, while only 10 percent of those who had a low willingness to take risks indicated this.<sup>107</sup>
- Similarly, those who experienced a serious negative life event in the previous two years were more likely to have excessive debt. Of those who had experienced such an event, 19 percent indicated that they had more debt than they could handle. Among those who had not experienced such a negative event, only 6 percent indicated that they had more debt than they could handle.

## 7.7 Numeric Skills

- Looking either at Any Surveyed Fraud or Any Specific Surveyed Fraud, those with the lowest level of numeric skills were more likely to be victims than those with greater numeric skills. However, these differences were not statistically significant.

106 The difference between the rate of Debt-Related Fraud victimization among those with too much debt and those who could handle more debt was statistically significant ( $p < 0.10$ ), while the difference between those with too much debt and those whose current debt is about as much as they can handle was not statistically significant.

107 In contrast, the percentage of consumers who had engaged in risky purchasing practices was between 19 and 22 percent for those who had more debt than they could handle financially, had about the right amount of debt, or could handle additional debt. Of those who had no debt, only 12 percent had engaged in risky purchasing practices.

- The only place where there was a statistically significant relationship between victimization and numeric skills was when looking at fraudulent prize promotions ( $p < 0.10$ ). Those with high numeric skills were 2.4 percentage points less likely to have been a victim of a fraudulent prize promotion, other things equal, than those in the lowest numeric skills group.<sup>108</sup>
- Those with the lowest numeric skills were 2.5 to 3.0 percentage points more likely to have been victims of Income-Related Fraud than those in the other groups. The differences were, however, not statistically significant.
- The relationship between victimization and numeric skills after controlling for other characteristics is quite similar to that when looking at numeric skills alone, though the magnitude of the differences across the different groups are somewhat smaller.

## 7.8 Expected Future Income

- As in the simple analysis, even after controlling for other characteristics, those who expected their incomes to be much lower three years in the future were the most likely to have been victims of Any Surveyed Fraud and also of Any Specific Surveyed Fraud. (Compare the results in Table 23 to those in Table 22.)
  - Those who expected their incomes to decline slightly over the next three years were the least likely to have been victims.
  - Those who expected their incomes to increase a lot were more likely to have been victims than those whose income was expected to remain the same or decline slightly.
  - Overall, however, the relationships were not statistically significant in either analysis.
- Other things equal, the only times there were statistically significant relationships between how consumers expected their income to change over the next three years and the likelihood of being a victim of fraud in 2011 were when Debt-Related Fraud or Income-Related Fraud were analyzed (both  $p < 0.05$ ). This is very similar to the relationships found in the simpler analysis.

## 7.9 Age

- Older consumers were less likely than those between 35 and 54 years of age to be victims of all but one of the surveyed frauds, even after controlling for other characteristics (Table 23). This was true for being a victim of Any Surveyed Fraud and also for being a victim of Any Specific Surveyed Fraud. It was also true for Unauthorized Billing-Related Fraud, Debt-Related Fraud, and Income-Related Fraud. However, in the simple analysis (Table 13), the relationship between age and victimization was, in most cases, statistically significant. Once other characteristics are included in the analysis, the relationship was generally not statistically significant.
- Again, similar to the results of the simple analysis, the likelihood of being a victim of fraudulent prize promotions tended to increase, not decrease, with age; being highest among those who were between 65 and 74 years of age.

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108 As with the simple analysis, after controlling for other characteristics, those in the highest numeric ability group were slightly more likely to be a victim of fraudulent prize promotions than were those in the high ability group. However, the difference between the victimization rates for the two groups was not statistically significant.

- One thing that may be contributing to the reduced statistical significance of the results after controlling for other characteristics is that older consumers tended to indicate less general willingness to take risks than those who were younger. Of those in the 18 to 24 year old age group, 17 percent reported a low general willingness to take risks while 34 percent reported a high willingness. Among those who are between 35 and 44, 29 percent reported a low willingness and 17 percent a high willingness. Of those between 65 and 74, 44 percent reported a low willingness and 17 percent had a high willingness. Of those 75 and older, more than half indicated a low willingness to take risks.<sup>109</sup>

## 7.10 Race and Ethnicity

### HISPANICS

- The difference in the likelihood of being a victim of Any Surveyed Fraud or Any Specific Surveyed Fraud between Hispanics and non-Hispanic whites was slightly greater after controlling for the effect of other characteristics.
  - Other things equal, Hispanics were 5.4 percentage points more likely to have been a victim of Any Surveyed Fraud during 2011. They were 5.3 percentage points more likely to have experienced Any Specific Surveyed Fraud (both  $p < 0.05$ , Table 23).
  - In contrast, when looking at race and ethnicity alone, the differences were 4.4 percentage points for Any Surveyed Fraud (13.4 percent minus 9.0 percent), and 3.9 percentage points for Any Specific Surveyed Fraud (10.3 percent minus 6.4 percent, both  $p < 0.10$ , Table 11).
- As in the simple cross-tabulation analysis, Hispanics were more likely to have been victims of fraudulent weight-loss products, fraudulent prize promotions, Unauthorized Billing-Related Fraud, and Debt-Related Fraud (Table 23).<sup>110</sup> However, after controlling for other factors, these differences were not statistically significant with the exception of Unauthorized Billing-Related Fraud ( $p < 0.05$ ).

### AFRICAN AMERICANS

- As shown in Table 11, the simple analysis of victimization and race and ethnicity found that African Americans were much more likely to be victims than were non-Hispanic whites. African Americans were 8.3 percentage points more likely to have been a victim of Any Surveyed Fraud (17.3 percent minus 9.0 percent) and were 8.3 percentage points more likely to have been a victim of Any Specific Surveyed Fraud (14.7 percent minus 6.4 percent). These differences were statistically significant ( $p < 0.01$ ).
- After controlling for other characteristics, African Americans were still estimated to be more likely than non-Hispanic whites to have been victims of fraud. However, the estimated differences were considerably smaller (3.9 percentage points for having been a victim of Any Surveyed Fraud and 4.3 percentage points for having been a victim of one Any Specific Surveyed Fraud) and the differences were not statistically significant (Table 23).

109 In contrast, there was virtually no difference between seniors and younger consumers in terms of their use of risky purchasing practices.

110 As in the simple analysis, the differences in the risk of victimization from Income-Related and Other Fraud were very small. In the multivariate analysis, Hispanics were estimated to be slightly less likely to have been a victim of these two groups of frauds.

- That a larger share of African Americans had several characteristics that tended to be associated with higher rates of victimization may have contributed to the difference in results.
  - African Americans were more likely to say that they had experienced a serious negative life event in the past two years. While 46 percent of non-Hispanic whites reported having experienced a negative life event, 67 percent of African Americans said that they had experienced such an event.<sup>111</sup>
  - Census data shows that African Americans tend to be younger than non-Hispanic whites. While 16 percent of non-Hispanic whites were 65 or older, the comparable figure for African Americans was 9 percent.<sup>112</sup>
  - African Americans who participated in the survey were also somewhat more likely to indicate a high general willingness to take risks. Of African Americans, 27 percent indicated a high willingness, compared to 16 percent of non-Hispanic whites.<sup>113</sup>

### 7.11 Education

- As with the simple analysis reported in Table 10f, the multivariate analysis finds that high-school graduates were the least likely to have been victims of Any Surveyed Fraud (Table 23). Those who had not completed high school were the most likely to have been victims. However, after controlling for other characteristics, the likelihood of having been a victim varied less across education levels, and the differences were not statistically significant.
- Also similar to what was found in the simpler analysis, those who had more than a high school education were more likely to be victims of Unauthorized Billing-Related and Income-Related Fraud.
- Those who had not graduated from high school were significantly more likely to have been victims of Weight-Loss Fraud than those with more education, once other characteristics are included in the analysis ( $p < 0.05$ ).
- High school graduates were the most likely to have been victims of Debt-Related Fraud, other things equal.<sup>114</sup>

### 7.12 Other Characteristics

- As was true when examining characteristics individually, there were few systematic relationships between the various other demographic characteristics examined and the likelihood of being a victim of fraud.

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111 This difference was statistically significant ( $p < 0.01$ ).

112 Source: U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population by Race, Hispanic Origin, Sex and Age for the United States: April 1, 2000 to July 1, 2009 (NC-EST2009-04), released September 2011, available at <http://www.census.gov/compendia/statab/2012/tables/12x0010.pdf>.

113 This difference is statistically significant ( $p < 0.01$ ).

114 The overall relationship between having been a victim of a Debt-Related Fraud and education was not statistically significant. However, those who had graduated from college were significantly less likely to have experienced Debt-Related fraud than were high-school graduates.

- As in the simple analysis, the likelihood of being a victim of Any Surveyed Fraud was lowest for those whose income was between \$40,000 and \$60,000 (compare Table 10e and Table 23). As in the simple analysis, overall, there was no significant relationship between income and the likelihood of being a victim.
- Similarly, the differences between men and women and between those who were married and those who were not were substantially smaller once other factors were included in the analysis. In neither case were the differences statistically significant.



## 8. Conclusion

During 2011, an estimated 10.8 percent of U.S. adults – those at least 18 years of age – were victims of one or more of the types of fraud included in the 2011 FTC Fraud Survey. This implies that 25.6 million U.S. adults were victims of these frauds during 2011. Some survey participants experienced more than one of the included frauds during 2011 or experienced multiple incidents of the same fraud. There were an estimated 37.8 million incidents of the frauds covered by the survey during 2011.

The survey included 17 types of fraud – 15 specific types and two more general types. The most commonly reported fraud was weight-loss products that did not enable consumers to lose even half of the weight they had anticipated. Weight-loss products that did not work were purchased by an estimated 2.1 percent of U.S. adults – 5.1 million consumers – during 2011. Also among the five most frequently experienced specific frauds were prize promotions where consumers did not get the prizes they had been promised after they made a payment, purchased a required product, or attended a required sales presentation; unauthorized billing for buyers' clubs memberships; unauthorized billing for Internet services such as Internet access or website hosting or development; and work-at-home programs where consumers were unable to earn even half of the income promised by the programs' promoters.

The Internet, including email, social media, Internet auction sites, and Internet classified advertising, was the medium through which consumers most often learned about offers that turned out to be fraudulent. Print advertising, followed by television and radio advertising, were the next most frequent ways victims first learned about fraudulent offers.

Forty percent of fraudulent product purchases were made via the Internet. Thirty percent of orders were placed over the telephone, and 12 percent of orders were placed by mail.

Older consumers were more likely to be victims of fraudulent prize promotions. However, they were less likely to be victims of the other frauds included in the 2011 survey. Minority consumers – specifically African American and Hispanic consumers – were more likely to have been victims of the included frauds during 2011.

Consumers who engaged in risky purchasing practices and those who were generally more willing to take risks were more likely to have been victims of one or more of the included frauds, as were those who have experienced a serious negative life event in the past couple of years. Consumers who were more patient were less likely to have fallen victim to fraud.





# Appendix A. Distribution of Responses on Key Variables

**Table A-1. Distribution of Values for Key Variables<sup>a</sup>**

	Number	Percent of Total <sup>b</sup>
<b>Current Debt</b>		
More debt than can comfortably handle	374	10.3%
About as much debt as can comfortably handle	1,551	42.6%
Could handle more debt than currently have	960	26.4%
Do not have any personal debt	597	16.4%
Don't know / Refused	156	4.3%
<b>General Willingness to Take Risks</b>		
Low	1,360	37.4%
Medium	1,591	43.7%
High	630	17.3%
Don't know / Refused	57	1.6%
<b>Risky Purchasing Practices</b>		
Yes	535	14.7%
No	2,992	82.2%
Don't know / Refused	111	3.1%
<b>Patience</b>		
Low	482	13.3%
Medium	1,467	40.3%
High	1,651	45.4%
Don't know / Refused	38	1.0%
<b>Have Experienced a Serious Negative Life Event</b>		
Yes	1,786	49.1%
No	1,837	50.5%
Don't know / Refused	15	0.4%
<b>Numeric Skills</b>		
Lowest	284	7.8%
Low	2,177	59.8%
High	553	15.2%
Highest	256	7.0%
Don't know / Refused	368	10.1%

(Table A-1 continues on next page)

Table A-1 (continued)

	Number	Percent of Total <sup>b</sup>
<b>Self-Control</b>		
Low	859	23.6%
Medium	1,702	46.8%
High	935	25.7%
Don't know / Refused	142	3.9%
<b>Race and Ethnicity<sup>c</sup></b>		
Hispanic	444	12.2%
African American	443	12.2%
Asian	77	2.1%
Non-Hispanic White	2,271	62.4%
Other	297	8.2%
Don't know / Refused	106	2.9%
<b>Age</b>		
18 – 24	196	5.4%
25 – 34	338	9.3%
35 – 44	520	14.3%
45 – 54	702	19.3%
55 – 64	776	21.3%
65 – 74	580	15.9%
75 and older	412	11.3%
Don't know / Refused	114	3.1%
<b>Marital Status</b>		
Single	1,688	46.4%
Married	1,910	52.5%
Don't know / Refused	40	1.1%
<b>Gender</b>		
Male	1,656	45.5%
Female	1,982	54.5%
<b>Current Income</b>		
Less than \$20,000	626	17.2%
\$20,000 to \$40,000	802	22.1%
\$40,000 to \$60,000	499	13.7%
\$60,000 to \$80,000	395	10.9%
\$80,000 to \$100,000	291	8.0%
Over \$100,000	478	13.1%
Don't know / Refused	547	15.0%

(Table A-1 continues on next page)

Table A-1 (continued)

	Number	Percent of Total <sup>b</sup>
<b>Expected Income Three Years in the Future</b>		
Will be much lower	260	7.2%
Will be slightly lower	369	10.1%
Will be about the same	1,447	39.8%
Will be slightly higher	1,026	28.2%
Will be much higher	343	9.4%
Don't know / Refused	193	5.3%
<b>Education</b>		
Did not complete high school	419	11.5%
Graduated from high school	1,002	27.5%
Attended some college or post-secondary technical or vocational school	906	24.9%
Graduated from college or more	1,273	35.0%
Don't know / Refused	38	1.0%

Source: 2011 FTC Fraud Survey

**Notes.**

- a. The numbers and percentages in this table are based on unweighted responses. Numbers reported elsewhere are weighted, unless otherwise noted.
- b. Percentages may not add to 100 percent due to rounding.
- c. The sampling procedure was designed to over sample minorities – African Americans, Hispanics, and American Indians.



## Appendix B. Methodological Report

# 2011 Consumer Fraud Study Methodology Report

Prepared for:

**Federal Trade Commission**

Prepared by:



## I. Background and Objectives

The FTC has previously contracted for two surveys about consumers experiences with consumer fraud. The results of the first survey, conducted in May and June of 2003, were reported in an FTC staff report entitled “Consumer Fraud in the United States: An FTC Survey” ([www.ftc.gov/reports/consumerfraud/040805confraudrpt.pdf](http://www.ftc.gov/reports/consumerfraud/040805confraudrpt.pdf)) that was released in August 2004. The second survey was conducted in November and December of 2005. The results of this second survey were reported in another FTC staff report – “Consumer Fraud in the United States: The Second FTC Survey” (<http://www.ftc.gov/opa/2007/10/fraud.pdf>), which was published in October 2007. Both surveys asked consumers about their experiences with particular types of fraud during the preceding year. The reports examined the extent of consumer fraud and the degree to which certain groups of consumers are more or less likely to become victims. The reports also noted the means by which fraud victims first learned about a fraudulent offer or product – such as print advertising, telemarketing, Internet/e-mail, and television/radio advertising.

The present survey was similar to the earlier ones, again asking consumers about their experiences with particular types of fraud during the preceding year. The survey was conducted through telephone interviews using a Random-Digit Dialing (RDD) sampling methodology. The sampling scheme was designed to obtain a random sample of U.S. adults age 18 and older. A total of 3,638 interviews were completed between November 28, 2011, and February 5, 2012.

## II. Methodology

### A. SAMPLING FRAME

The sample frame consisted of all blocks of telephone numbers with at least one listed residential telephone number. A block of telephone numbers consists of 100 numbers having the same first eight digits. A recent concern for telephone survey research is to adequately account for cell-phone only households versus land-line only households and mixed households. These can be identified as a block reserved for cell-phones versus blocks with only land-line telephone numbers or mixed landline and cell.

Synovate used the GENESYS sampling system, which was developed by the Marketing Systems Group (MSG), to generate random samples of telephone numbers. The GENESYS system was used to generate each telephone number in the sample by first randomly selecting a block known to contain at least one listed residential telephone number and then randomly generated the two final digits to complete the number. The advantage of beginning with blocks containing a known residential number was that it avoided generating numbers in blocks that are assigned exclusively to businesses or are unassigned. The resulting sample of telephone numbers represented all households in the U.S. with telephones, both listed and unlisted, without bias and with the efficiency of a single-stage sample.

The sampling frame was stratified to meet the goals of the sampling plan. The strata were constructed such that the resulting sample:

- Provided a nationally representative statistical sample of the U.S. households in the continental U.S.

- Provided sufficient representation of key demographic subgroups including but not limited to: Native Americans, African-Americans, and Hispanic households,
- Included cell-phone only households

Use of the GENESYS system avoided using a clustered design by taking advantage of known information about demographic characteristics for small areas defined by area code and telephone exchanges to increase the efficiency of sampling low incidence groups. Synovate, with the help of Marketing Systems Group compiled area code and exchange combinations along with key population statistics. All area codes/combinations were assigned to strata.

Twenty strata were defined. There were sixteen strata defined and compiled by ethnic/racial, geographic and urban/nonurban requirements. Another four strata were defined by Census Region and reserved solely for cell phone area codes and exchanges. The percentage of adults living in cell phone only telephone households is made available by region (and unfortunately the state specific percentages are released less frequently and, hence, are not as current as region estimates). Therefore, we did not stratify samples for geographic areas smaller than census region.

### Sixteen Strata for Land-line and Mixed Land-line/ Cell Phone Households

Area Code & Exchanges with High Ethnic/ Racial Incidence By Urban/Nonurban Designation								Area Code & Exchanges Without High Ethnic/ Racial Incidence By Region and Urban/Nonurban Designation							
Native American		African-American		Hispanic		Asian		East		Mid West		South		West	
Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban

The priority of assignment to strata definition was Native-American, Asian-American, Hispanic American, African-American, and finally Region. The region strata were all area code exchanges without high incidence of key ethnic / racial group within the four Census regions.

### Four Strata for Cell Phone Only Numbers

Percentage of Adults Living in Cell-only Households			
East	Mid West	South	West
15.8%	26.6%	29.3%	23.5%

Synovate does not recommend further division of the strata to level lower than region due to the portability of numbers from one locale to another. Our experience shows that almost all numbers in a study stay within a region with a few exceptions. However, all cell phone only respondents were asked in what state they resided, and this information was used to assign the record to a region (rather than using the area code of the number called.).



The summary of sample records released and completed interviews by strata is as follows:

Strata	Records released	Percent of sample released	Completed interviews	Percent of interviews completed
<b>Landline</b>				
Native American (1&2)	1,871	3.6%	247	6.8%
African American (3&4)	8,858	17.3%	738	20.3%
Hispanic (5&6)	9,790	19.1%	898	24.7%
Asian American (7&8)	3,924	7.7%	214	5.9%
East (9&10)	2,191	4.3%	212	5.8%
Midwest - Urban (11)	1,390	2.7%	155	4.3%
Midwest - NonUrban (12)	679	1.3%	86	2.4%
South - Urban (13)	1,784	3.5%	205	5.6%
South – NonUrban (14)	847	1.7%	116	3.2%
West - Urban (15)	1,397	2.7%	137	3.8%
West - NonUrban (16)	385	0.8%	43	1.2%
<b>Cell-only</b>				
East (17)	2,549	5.0%	70	1.9%
Midwest (18)	4,446	8.7%	136	3.7%
South (19)	7,807	15.2%	256	7.0%
West (20)	3,274	6.4%	125	3.4%
<b>TOTAL</b>	<b>51,192</b>	<b>100.0%</b>	<b>3,638</b>	<b>100.0%</b>

Note: an additional 44,915 records were dialed and determined to be non-working numbers. These have been removed from the table above.

## B. RESPONDENT ELIGIBILITY

To be eligible to participate in the study, the respondent had to be 18 years of age. If the household had more than one adult aged 18 or older, the “most recent birthday” was selected for the interview. Those households that failed to identify the “most recent birthday” were called at different times in order to maximize the chance of reaching an individual who could identify the correct person within the household.

## C. TELEPHONE DATA COLLECTION

Interviewing began on November 28, 2011 and continued through February 5, 2012. Interviews were conducted from Synovate’s telephone facilities in Fresno, CA, between 9 a.m. and 9 p.m. Monday through Friday, between 10 a.m. and 9:00 p.m. on Saturdays, and between 11 a.m. and 9:00 p.m. on Sundays (all times local).

A total of 3,638 interviews were completed.

Interviewers were monitored for quality and provided with guidance and correction when necessary. In addition, project management reports were generated by computer on a daily basis in order to track sample disposition and production rates.

Synovate's Computer Assisted Telephone Interviewing (CATI) system was used for data collection. Questionnaires were programmed into the system, and telephone interviewers read questions as they were logically fed in predetermined order from the computer to a viewing screen. The answers were sent back to the computer through the keyboard. This system reduced interviewer (non-random) error, such as not adhering to skip patterns, thus enhancing the quality of the data.

#### **D. QUESTIONNAIRE DESIGN**

The initial draft of the survey was provided by the FTC and subsequent drafts were developed collaboratively by the FTC and Synovate. Pilot testing of the survey instrument was done during a pre-test phase to ensure all aspects of the survey instrument and Synovate protocol were working as designed. This involved trained interviewers and the fully developed survey instrument programmed into CATI. The questionnaire (after minor revisions), sample, and general survey procedures were deemed to be working as designed, allowing the full data collection effort to proceed.

During the full data collection field period an additional refusal survey instrument was provided by the FTC. This additional, abbreviated survey instrument was designed to gather key information and demographics from respondents who twice refused to participate in the main study. A total of 76 two-time refuser interviews were completed. The driving purpose of these refusal conversion interviews was to serve as a proxy for non-respondents thus allowing comparisons between participants and these proxy non-responders. These refusal conversion interviews were delivered as part of the final data set to the FTC.

#### **E. PROCEDURES TO MAXIMIZE RESPONSE RATES**

Several procedures were undertaken in order to increase the response rates as much as possible and reduce the chance of interpretive error or bias associated with low response rates. The procedures were:

- Experienced interviewers were assigned to the project. Interviewers with experience conducting interviews for government studies received extensive training and were used for this study.
- Interviewing was conducted both in English and in Spanish, to include those more comfortable being interviewed in Spanish. Bilingual interviewers were used to do the interviewing and respondents were offered the opportunity to do the interview in either language.
- Telephone interviews were conducted at different times of the day and days of the week in order to increase the likelihood of locating available respondents at times convenient for them. Calling took place Monday-Friday, 9 a.m. to 9 p.m., Saturday 10 a.m. to 9 p.m., and Sunday, 11 a.m. to 9 p.m. All times indicated are based on the respondent's local time. When possible, callbacks were scheduled at specific time requested by respondents.
- Every telephone number that did not result in contact with a respondent (this excludes business numbers, disconnects, faxes and modems) was re-dialed in order to increase the chances of finding a potential respondent. Re-dialing continued until 7 attempts had been made.

- Production rates, interview length, and sample dispositions were monitored closely every other day to detect potential problems with the sample so they could be addressed and resolved immediately.

#### **F. FINAL SAMPLE DISPOSITIONS AND RESPONSE RATES**

The table below shows the final dispositions for the entire random digit dial (RDD) sample generated by GENESYS for the 2011 Consumer Fraud Survey. The classification of each sample piece was based on the most significant attempt. For example, if a respondent was not available on the first attempt and subsequent attempts resulted in a no answer, the final disposition was Respondent Not Available. If a respondent quit during the first phase of dialing, and the number was found to be an answering machine on a subsequent conversion attempt, it was categorized as a Quit.

Response rates were computed using the AAPOR Response Rate formula #3:

	Final AAPOR Disposition Codes	Total
<b>INTERVIEW (Category 1)</b>		<b>3,837</b>
Complete	1.0/1.10	3,714*
Partials	1.2000	123
<b>ELIGIBLE, NON-INTERVIEW (Category 2)</b>		<b>9,391</b>
Refusal and Break off	2.1000	9,391
<b>UNKNOWN ELIGIBILITY, NON-INTERVIEW (Category 3)</b>		<b>26,229</b>
Always Busy	3.1200	577
No Answer	3.1300	8,138
Answering Machine-don't know if household	3.1400	8,224
Call Blocking	3.1500	474
No Screener Completed	3.2100	8,816
<b>NOT ELIGIBLE (Category 4)</b>		<b>56,650</b>
Fax/data Line	4.2000	2,156
Non-working/disconnected	4.3000	3,896
Temporarily Out of Service	4.3300	42
Number changed	4.4100	589
Cell Phone	4.4500	732
Business, Government office, Other organizations	4.5100	3,986
No Eligible respondent	4.7000	334
<b>TOTAL PHONE NUMBERS USED</b>		<b>51,192</b>

\*Note: This includes the 76 demographic interviews from the refuser sample.

The response rate calculation yields a final response rate of 14%.

An additional 44,915 numbers were found to be non-working at the time of dialing the record for the first time (as opposed to pre-cleaning the sample prior to fielding the survey which was done in the 2005 survey). Inclusion of these records as a "Not eligible" disposition would change the response rate calculation to 20%.

## **G. INTERVIEWER TRAINING**

Synovate staff trained a group of interviewers at Synovate's Fresno, CA facility. Interviewers were briefed extensively on the content and format of the survey, including the use of skips and prompts. A list of answers to commonly asked questions and objections was provided. Further, each interviewer was provided with a list of reasons respondents refuse to participate and ways to gain cooperation. The briefing was conducted in an interactive manner, allowing interviewers to raise questions and make suggestions for the successful completion of the survey.

The interviewing effort was managed by data collection supervisors. They maintained records on the sample and the numbers of completed interviews, callbacks, and refusal conversions, and they managed the staffing requirements. All interviewers were monitored throughout the project by quality control supervisors. If an interviewer had a high refusal rate, corrective measures were taken, and interviewers with a low refusal rate were selected for refusal conversion calls.

## **H. DATA PREPARATION AND PROCESSING**

Data cleaning and quality control checks were automatically performed during the interviewing process on the CATI system. Final cleaning runs checked all questionnaire logic and relationships among items.

## **I. SAMPLE DESIGN AND SAMPLING WEIGHTS**

The 2011 Consumer Fraud Survey utilized a dual-frame telephone design to account for landline and cell phones. This design incorporates households and individuals with only a landline to receive telephone calls, individuals with only a cell phone to receive telephone calls and households and individuals with both a landline and cell phones. The sample design consisting of 20 strata was split into two groupings – a national landline sample with 16 strata and a national cell phone sample with 4 strata. The strata in the national landline sample consisted of eight strata for area code and exchanges with high concentrations of African-Americans, Hispanics, Asian-American and Native Americans split by urban and non-urban designations, and another 8 strata for the remaining area codes and exchanges for the four census regions split by urban and non-urban designations. This allowed for controlled or oversampling of key ethnic and racial groups without screening. The cell phone sample consisted of area codes and exchanges reserved for cell phones. Four strata were created based on Census regions, and the sample was proportionately allocated to these samples. Sample was supplied for these strata from the GENESYS Sampling System.

Population statistics were derived from the Jan-June 2011 National Health Interview Survey for regional household percentages for cell phone-only households and landline households, the GENESYS Sampling System for statistics for the national landline sample strata, and the 2011 Current Population Survey March Supplement for national statistics for Education, Gender, Race/ Ethnicity and Region.

The weighting had two steps. Design weights for the cell phone strata were determined from NHIS statistics and from the GENESYS System statistics for the landline strata. The design weights across all 20 strata were then corrected for different rates of contact and non-response across key population subgroups using post-stratification to create a final weight. Iterative proportional fitting, also known as raking or rim weighting, was used to correct the sample distribution under the design weights to population marginal distributions estimated from the Current Population Survey. The final weights were corrected across the 20 strata such that the marginal distributions for Education (High School or less, Some College and College plus), Gender (Male, Female), Age (18-34, 35-54, 55 plus), Race (White

Black/African American, Other), Hispanic Ethnicity (Yes, No) and Census Region (Northeast, Midwest, South and West) matched the CPS estimates.

The sample design was constructed to over represent some small population groups. By definition, these groups will have small weights to correct for the design. Other groups will be under-represented in the sample due to design and non-response. Some respondents in these situations will have large weights. The distribution of the final weights is as follows:

Number of Respondents	Mean	Minimum	Maximum
3638	1.000	0.004	5.853



## Appendix C. Analysis of Those Who Refused to Participate and Those Who Did Not Complete the Survey

As with any survey of a sample of a population, the results of this survey may differ from what one would find if all adult Americans – the population covered by this survey – were interviewed. There are a number of reasons for this. First, uncertainty is introduced because only a sample of the population was interviewed and their experiences may differ somewhat from those who were not interviewed. Perhaps a smaller or larger percentage of this group of individuals experienced a particular type of fraud than was true of the population as a whole. The degree of uncertainty resulting from the use of a sample rather than a census is a function of the number of people who were asked a particular set of questions and is captured by standard statistical methods in standard errors of the estimates which are included in the figures on the prevalence of the various types of fraud.

However, additional problems can arise because not everyone who was asked to participate in the survey agreed to do so. In addition, some of those who began the survey failed to complete it. Finally, for some of the phone numbers that were called, no one ever answered the phone. If the experiences of those in any of these groups differed from those who completed the survey, the survey results will not be completely representative of those of the population as a whole in ways that are not captured in the number of completed interviews and the standard errors of the estimates.<sup>1</sup>

In order to get some idea of the representativeness of the sample of people who completed the survey, this appendix reports on an examination of responses to certain questions by those who refused to participate or who started the survey but then dropped out before completing the survey. If the responses of those who failed to complete the survey are substantially similar to the responses of those who completed the survey, this may provide added confidence that the results of the survey are representative of the experiences of the population as a whole.

A second analysis examines whether there are variations in responses depending on the number of times it was necessary to call a particular number before someone answered the call and completed the survey. As noted in the Methodology Report in Appendix B, if a telephone number was selected to be called and no one answered, that number was called up to at least seven times in an attempt to find someone at home. In spite of this, no one ever answered calls to more than 17,000 of the numbers that were called as part of this survey. Some insight as to the effect of the failure to reach these consumers may be obtained by comparing the responses of survey participants who were reached on the first or second attempt to call them with those where six or more attempts were needed before reaching someone to participate in the survey. If the responses of those who were difficult to reach differ substantially from the responses of those who were easy to reach, this may raise questions as to whether those who were even more difficult to reach – those who were not interviewed – would look different from those who were interviewed. On the other hand, if the pattern of responses does not differ much by how many attempts were needed before reaching someone, this may reduce the likelihood that the failure to reach others poses significant problems for the interpretation of the survey results.

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<sup>1</sup> If there are problems, they arise primarily in estimating the prevalence and number of incidents of the various frauds included in the survey. The problems are much more minor in the context of the analyses that explore the characteristics of those who are victims.



## Refusers

To gain some insight into how the survey results may have been affected because some people who were called refused to participate, an attempt was made to get a sample of those who refused to participate to answer a limited set of questions. Those who refused to participate in the survey the first time they were called were called again several days later. Those who again refused to participate in the survey were asked if they would answer a short subset of questions from the survey.

These questions included the first question asked about four of the specific frauds included in the survey – mortgage relief, advance fee loans, prize promotions, and weight-loss products. Since only the first of a series of questions were asked, it is not possible to determine whether the refusers were, in fact, victims of a fraud. However, comparing responses on these questions for refusers and for those who completed the survey should provide insights into likely differences. Questions were also asked about the race and ethnicity of the person and the person's age.

A total of 76 people agreed to answer this short version of the questionnaire. Their responses are summarized in the second column of data in Appendix Table C-1. Comparing these figures with those in the first column, which summarizes the responses of those who completed the survey, shows that the responses of the two groups do not vary by much.<sup>2</sup> The greatest difference is in the responses to Question 39, which asks about being told that you had won a prize, a lottery, or an award. While 51 percent of those who completed the survey said that they had been told this, only 45 percent of those in the refuser group reported having been told this. This may suggest that the experiences of those who completed the survey may overstate a bit the prevalence of problems with prize promotions. However, the differences between the two figures are not statistically significant and, while being told that one has won a prize is a necessary precursor to being a victim of a fraudulent prize promotion, being told that you have won a prize is a very common experience and does not mean that one is a victim of a fraud.

A comparison of the demographic characteristics of those who refused to participate in the survey with the characteristics of those who completed the survey also shows no major differences. Hispanics made up a slightly higher percentage of the refuser sample than of those who completed the survey and African Americans made up a slightly smaller fraction of the refusers. However, the differences are not large. Similarly, the median age of the refuser sample was slightly older – two years – than of those who completed the survey.

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<sup>2</sup> The figures in all columns of Appendix Table C-1 are based on un-weighted data.

**Table C-1. Analysis of Those Who Refused to Participate**

Question Number	Text of Question	Completes	Refusers <sup>a</sup>	Incompletes <sup>b</sup>
		<b>Percent Answering Yes</b>		
Q11.1	In the past year, have you paid money to anyone who promised to obtain a modification of the mortgage on your home so that you could avoid foreclosure and keep your home?	0.6%	0.0%	1.2%
Q16.1	In the past year, have you paid money to anyone who promised to provide you with a credit card or loan, but required that you pay a fee before you received the credit card or loan?	1.2%	1.3%	0.5%
Q39	In the past year, has anyone told you that you had won a prize or a lottery or had been selected to receive an award such as money, a free vacation, or other product or service?	51.1%	44.7%	37.7%
Q44a	In the past year, have you paid anyone for a product such as nonprescription drugs, dietary supplements, skin patches, creams, wraps, or earrings that the seller suggested or implied would help you lose a substantial amount of weight?	3.0%	0.0%	3.9%
	Hispanic Origin	12.4%	15.3%	c
	African American	13.0%	8.7%	c
		<b>Median Value</b>		
	Age	55	57	c

**Notes.**

There were 3,638 persons who completed the survey and 76 in the Refuser group. In these two groups, the number of participants answering each question was slightly less than this because some people refused to answer specific questions. There were 1,749 persons in the Incomplete group. However, only between 416 and 427 answered Q11.1, Q16.1, Q39, and Q44a. Because the order in which questions about different types of fraud were asked was randomized, the people who answered each question can roughly be considered a sample of all incompletes.

- a. Refusers are those who declined to participate in the survey but agreed to answer a limited number of questions.
- b. Incompletes include those who agreed to begin the survey but then quit before the survey was completed. Also included are those who after beginning the survey asked the interviewer to call them back to complete the survey. However, later attempts to contact the person to complete the survey were unsuccessful.
- c. The number of Incompletes answering these questions was so small relative to the number of people in this group that the figures are not reported here. All demographic questions came near the end of the survey. Therefore, those who stayed with the survey long enough to answer the demographic questions but then failed to complete may not be representative of all those who dropped out before completing the survey.

## Incompletes

The third column of data in Appendix Table C-1 provides similar data for those who began, but did not complete the survey. Again, with the exception of Question 39 the differences between the responses of those who started but did not complete the survey are quite similar to the responses of those who completed it, again suggesting that the failure of some people to complete the survey is not causing major problems for interpreting the results.<sup>3</sup> As with those who refused to participate in the complete survey, it appears that fewer of those who started the survey but then failed to complete it had been told that they had won a prize.<sup>4</sup>

## Hard to Reach

Appendix Table C-2 shows the prevalence of various frauds and groups of frauds for different values of the number of calls that had to be placed to a telephone number before someone answered the call and agreed to participate in the survey.<sup>5</sup> Did someone answer the first time the number was called or was the call only answered the tenth time the number was called?

In general, there are few differences in victimization rates between those who answered the first or second time a number was called and those who only answered after six or more attempts. Looking at whether a person was a victim of any of the frauds included in the survey, 10.2 percent of those who answered the telephone on the first or second attempt were victims. This is compared to a rate of 11.3 percent for those who answered calls three, four or five, and a rate of 11.2 percent for those who answered on the sixth or later attempt.

The one place where there may be differences that matter is, again, in the prize promotion area. Of those who answered the first or second call, 1.4 percent were victims of a fraudulent prize promotion. For those who answered on the third, fourth, or fifth call, the rate was 0.7 percent, and only 0.5 percent of those who answered the sixth or later call were victims. The rate for those who answered on the sixth or later attempt was significantly different from the rate for those who answered on the first or second attempt ( $p < 0.05$ ).

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3 There were 1,749 people who began, but did not complete, the survey. For the four questions that were the initial questions about four types of fraud, the number of people answering each question ranged between 416 and 427. Because the order in which questions about the different types of fraud were asked was randomized, the people who answered each question can roughly be thought of as random sample of all those who did not complete the survey.

The demographic questions were asked at the end of the survey, however. As a result, very few people who did not complete the entire survey provided answers on these questions. Therefore, no attempt is made to compare the demographic characteristics of those who dropped out of the survey with those who completed it.

4 The difference here is statistically significant ( $p < 0.01$ ).

5 While the data in Table C-1 examines only the responses to the initial question about a fraud, since the data for the analysis reported in Table C-2 all involves people who completed the survey, the figures in this table look at rates of victimization.

**Table C-2. Prevalence of Fraud Victimization,  
By Difficulty of Reaching Respondents**

Type of Fraud	Number of Call Attempts		
	1-2	3-5	6 or more
Any Fraud Included in the Survey	10.2%	11.3%	11.2%
Any Specific Fraud Included in the Survey	7.5%	8.3%	8.1%
Weight-Loss Products	1.9%	2.6%	1.8%
Prize Promotions	1.4%	0.7%	0.5%
Unauthorized Billing-Related Fraud	2.9%	2.7%	3.4%
Debt-Related Fraud	1.8%	1.6%	2.5%
Income-Related Fraud	1.3%	2.5%	1.3%
Other Frauds Included in the Survey	2.4%	3.1%	2.5%
<i>Number of Observations</i>	<i>1,729</i>	<i>1,202</i>	<i>707</i>

## Conclusion

In general, the analyses reported here support the overall reliability of the results of the survey. In most cases, the responses of a limited sample of consumers who declined to participate in the entire survey suggest that these people and their experiences are not substantially different from the experiences of those who completed the survey. Similarly, the experiences of those who started but failed to complete the survey do not appear to be substantially different from the experiences of those who completed it. Finally, the rate of victimization of those who were more difficult to reach – e.g., required at least six calls to reach – are not substantially different from the rate for those who answered the telephone the first or second time that number was called.

One possible exception to this general result arises in the area of fraudulent prize promotions. All three of the analyses reported here point to the possibility that fraudulent prize promotions may be less prevalent than are suggested by the results of the survey. First, the data suggest that those who refused to participate in the entire study were somewhat less likely to have been told that they had won a prize. However, this difference is not statistically significant. Second, those who started, but did not complete, the survey also appear to have been less likely to have been told that they had won a prize. Finally, those who were more difficult to reach were less likely to have been victims of a prize promotion fraud than those who answered the first or second call made. These last two differences are statistically significant.

It is not possible to go further and confirm that the estimates of the prevalence of fraudulent prize promotions are indeed inaccurate, let alone say how great the difference is. All that can be done is to raise the possibility that these numbers may be less reliable than is reflected in the standard errors reported.



## Appendix D. Survey Questionnaire

**Table D-1. Questions in the 2011 FTC Fraud Survey Used to Define Each Type of Fraud**

Fraud	Questions in 2011 Survey Used to Define the Fraud
<b>Specific Surveyed Frauds</b>	
Weight-Loss Products	Q44a – Q44e, Q64p <sup>a</sup>
Prize Promotions	Q39 – Q39a.7, Q39a.11, Q39a.12
Unauthorized Billing – Buyers’ Clubs	Q18.1, Q21.1, Q21.2, Q26 – Q28 <sup>b</sup>
Unauthorized Billing – Internet Services	Q18.a, Q19.1, Q19.2, Q26 – Q28
Work-at-Home Programs	Q31a.1, Q31a.2, Q37a, Q37b, Q64p
Credit Repair	Q13.1, Q13.2, Q13a, Q14.1, Q14.2, Q64p
Debt Settlement	Q16a.1.a – Q16a.8, Q64p
Credit Card Insurance	Q15.1, Q15.2, Q15a, Q64p
Business Opportunities	Q31.1, Q31.2, Q33, Q35.1, Q35.2, Q36.1, Q36.2, Q64p
Mortgage Relief	Q11.1 – Q11.6b, Q64p
Advance Fee Loans	Q16.1, Q16.2, Q17a, Q17, Q17b, Q64p
Pyramid Schemes	Q31.1, Q31.2, Q33, Q35.1, Q35.2, Q64p
Government Job Offers	Q32.1, Q32.2, Q38, Q64p
Counterfeit Checks	Q39a.9, Q39a.10, Q41a.8, Q41a.9, Q42, Q42a – Q42c, Q42e
Grants	Q41, Q41a.1 – Q41a.6
<b>More General Surveyed Frauds</b>	
Paid for Something Never Received	Q45 – Q48, Q64p
Unauthorized Billing – Other Products	Q18.1, Q22.1, Q22.2, Q26 – Q28

**Notes:**

- a. Q64p was asked for many of the types of frauds and the responses were tabulated separately for each type.
- b. Q26, Q27, Q28, and Q28c were asked for each of the “unauthorized billing frauds and the responses were tabulated separately for each of these frauds.

**FTC FRAUD SURVEY 2011**

**[PROG.: FOR ANY QUESTIONS WITH MULTIPLE RESPONSES, PLEASE CAPTURE FIRST, SECOND, AND THIRD RESPONSE. SET UP A MAXIMUM OF THREE MENTIONS]**

Hello, I'm ..... of Synovate, on behalf of the Federal Trade Commission, an agency of the U.S. government, with a research survey. We are not selling anything, and no sales calls will be made as a result of your participation. This is strictly a research project. The project has been approved by the Office of Management and Budget, which assigned OMB Control Number 3084-0125 This call may be monitored for quality control purposes.

**[PROG: PLEASE HAVE THIS ON A NEW SCREEN FOR THE INTERVIEWERS TO USE ONLY IN CASE RESPONDENTS HAVE OBJECTION]**

➤ **If the objection is:** “Do you have approval to do this?” or “Under what authority are you doing this?”

*Interviewer response should be:* “The survey has been approved by the office of management and budget, which assigned OMB control number 3084-0125.”

➤ **If the objection is** “How do I know that my answers will be confidential?”

*Interviewer response should be* “We will not ask you for your name or any other personally identifying information. Your answers will only be used in combination with those of others who participate in the survey.”

**[PROG: IF CALLING A NUMBER IN THE LANDLINE FRAME, GO TO QL1; IF CALLING A NUMBER IN THE CELL FRAME, GO TO QC1]**

QL1. May I please ask if I have reached you on a landline phone or a cell phone?

1. Landline phone
  2. Cell phone
- RF. Refused

**[PROG, QL1: IF QL1:2, TERMINATE; ELSE GO TO QL2]**

QL2. In order to interview the right person, I need to speak with the member of your household who is aged 18 or over and has had the most recent birthday. Would that be you?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, QL2: IF QL2:1, GO TO QL5; IF QL2:2, GO TO QL3; ELSE TERMINATE]**

QL3. May I please speak to the person in your household who is 18 years of age or older and has had the most recent birthday?

- 1. New respondent available and called to telephone
- 2. New respondent not available
- RF. Refused

**[PROG, QL2: IF QL2:1, REPEAT INTRODUCTION AND THEN ASK QL2 WITH NEW RESPONDENT, IF QL3:2, ASK QL4, IF QL3:RF, TERMINATE]**

QL4. When would be a good time for me to call him or her back?

**[PROG, QL4: SCHEDULE CALLBACK AND TERMINATE]**

QL5. For personal calls, do you only use your home landline phone or do you also have a cell phone?

- 1. Landline only
- 2. Also have a cell phone
- DK. Don't know
- RF. Refused

**[PROG, QL5: IF QL5:1 OR 2, GO TO INTRODUCTORY LANGUAGE BEFORE Q1; ELSE TERMINATE]**

QC1. May I please ask if I have reached you on a cell phone or a landline phone?

- 1. Landline phone
- 2. Cell phone
- RF. Refused

**[PROG, QC1: IF QC1:1, TERMINATE; ELSE GO TO QC2]**

QC2. Is it convenient for you to talk with me now or are you driving or doing something else where talking with me would be too distracting?

- 1. Can talk now
- 2. Cannot talk now
- RF. Refused

**[PROG, QC2: IF QC2:1, GO TO QC4; IF QC2:2, GO TO QC3; ELSE TERMINATE]**

QC3. When would be a good time for me to call you back?



**[PROG, QC3: SCHEDULE CALLBACK AND TERMINATE]**

QC4. Are you at least 18 years of age or are you under 18?

1. 18 or over
  2. Under 18
- RF. Refused

**[PROG, QC4: IF QC4:1, GO TO QC5; ELSE TERMINATE]**

QC5. For personal calls do you only use your cell phone or do you also have a home landline phone?

1. Cell phone only
  2. Also have a landline phone
- DK. Don't know  
RF. Refused

**[PROG, QC5: IF QC5:1, GO TO QC6; ELSE TERMINATE]**

QC6. May I ask what state you live in?

1. Alabama
- ....
50. Wyoming
- RF. Refused

**[PROG, Q6, GO TO INSTRUCTIONS BEFORE Q1]**

The next few questions are about some experiences you personally might have as a consumer...

Q1. Have you, yourself, received a telemarketing phone call in the past year?

1. Yes
2. No
- DK. Don't know
- RF. Refused

**[PROG, Q1: IF Q1:1, ASK Q2.1 TO Q6.1 AND FOLLOW-UPS IN RANDOM ORDER;  
ELSE ASK Q5.1, Q5a.1, Q6.1 AND FOLLOW-UPS IN RANDOM ORDER]**

Q2.1. In the past YEAR, have you bought anything from a telemarketer who called you?

1. Yes
2. No , Did not make any purchases from telemarketers
- DK. Don't know
- RF. Refused

**[PROG, Q2.1: IF Q2.1:1, ASK Q2.2 AND THEN GO TO NEXT QUESTION IN THE  
RANDOMIZED SERIES OF Q2.1 TO Q6.1; ELSE GO TO NEXT QUESTION IN THE  
RANDOMIZED SERIES OF Q2.1 TO Q6.1]**

Q2.2. Did you make any purchases from a telemarketer who was selling for a company with which you had NOT previously done business?

1. Yes, Made purchase(s) from a company with which had not previously done business
2. No – Made purchase(s), but only from sellers with whom had previously done business
- DK. Don't know
- RF. Refused

Q3.1. In the past YEAR, have you contributed to a charity after receiving a telemarketing call from the charity?

1. Yes
  2. No– Did not make any such contributions
- DK. Don't know  
RF. Refused

**[PROG, Q3.1: IF Q3.1:1, ASK Q3.2 AND THEN GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1; ELSE GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1]**

Q3.2. Did you make such contributions to a charity to which you had NOT previously donated?

1. Yes, Contributed to a charity or charities to whom had not previously contributed
  2. No – Contributed but only to a charity or charities to whom had previously contributed
- DK. Don't know  
RF. Refused

**[THERE IS NO Q4]**

Q5.1. In the past YEAR, after seeing a television ad or infomercial, have you purchased anything from a seller with which you had not previously done business?

1. Yes
  - 2 No – Did not make any such purchases
- DK. Don't know  
RF. Refused

**[PROG, Q5.1: IF Q5.1:1, ASK Q5.2 AND THEN GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1; ELSE GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1]**

Q5.2 In making this purchase, did you visit a store or did you place the order by phone, Internet, or mail?

1. Purchased from a store
  2. Ordered by phone, Internet, or mail
  3. Made purchases BOTH from a store and ordered by phone, Internet, or mail
- DK. Don't know  
RF. Refused

Q5a.1. In the past YEAR, after receiving an unsolicited commercial email or SPAM, have you purchased anything from a seller with which you had NOT previously done business?

1. Yes
  2. No – Did not make any such purchases
- DK. Don't know  
RF. Refused

**[PROG, Q5a.1: IF Q5a.1:1, ASK Q5a.2 AND THEN GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1; ELSE GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1]**

Q5a.2. In making this purchase, did you visit a store or did you place the order by phone, Internet, or mail?

1. Purchased from a store
  2. Ordered by phone, Internet, or mail
  3. Made purchases BOTH from a store and ordered by phone, Internet, or mail
- DK. Don't know  
RF. Refused

Q6.1 In the past YEAR, after receiving an unsolicited piece of mail, have you purchased anything from a seller with which you had NOT previously done business?

1. Yes
  2. No – Did not make any such purchases
- DK. Don't know  
RF. Refused

**[PROG, Q6.1: IF Q6.1:1, ASK Q6.2 AND THEN GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1; ELSE GO TO NEXT QUESTION IN THE RANDOMIZED SERIES OF Q2.1 TO Q6.1]**

Q6.2 In making this purchase, did you visit a store or did you place the order by phone, Internet, or mail?

1. Purchased from a store
  2. Ordered by phone, Internet, or mail
  3. Made purchases BOTH from a store and ordered by phone, Internet, or mail
- DK. Don't know  
RF. Refused

**[THERE ARE NO QUESTIONS 7-12]**

Now I'd like to read you a list of experiences that some consumers have had. For each of the following, please tell me which of these things, if any, have happened to you in the past YEAR, that is since \_\_\_\_\_.

**[PROG: RANDOMIZE AS BLOCKS: A) Q11.1-Q16a.8, B) Q18.1-Q28C, C) Q31.1-Q38, D) Q39-Q42e, AND E) Q44a-Q44e. BLOCK F, QUESTIONS Q45 – Q49, ALWAYS COMES LAST. SET A MARKER FOR THE ORDER OF BLOCK PRESENTATION. CREATE A VARIABLE “BLOCK” THAT TAKES ON THE VALUES A, B, C, D, E, OR F EQUAL TO THE BLOCK OF QUESTIONS CURRENTLY BEING ASKED.]**

**[PROG: AT VARIOUS POINTS, THE INSTRUCTIONS CALL FOR CONTINUING TO THE NEXT GROUP OF QUESTIONS WITHIN A BLOCK. WHEN ALL OF THE GROUPS OF QUESTIONS WITHIN A BLOCK HAVE BEEN ASKED, THIS INSTRUCTION SHOULD BE INTERPRETED TO GO TO THE NEXT BLOCK OF QUESTIONS.]**

**[PROG: INSTRUCTIONS TO ASK SOME OR ALL OF THE GENERAL FOLLOW-UP QUESTIONS Q62 TO Q68 WILL APPEAR IN CONNECTION WITH EACH OF THE FOLLOWING GROUPS OF QUESTIONS – Q11.1 – Q11.6b, Q13.1 – Q13a, Q14.1 – Q14.2, Q15.1 – Q15a, Q16.1 – Q17b, Q16a.1.a – Q16a.8, Q19.1 – Q19a, Q21.1 – Q25, Q22.1 – Q23, Q31.1 – Q37, Q31a.1 – Q37b, Q32.1 – Q38, Q39 – Q39a.12, Q41 – Q41a.9, Q42 – Q42e, Q44 – Q44e, AND Q45 – Q49. FOR EACH OF THESE GROUPS OF QUESTIONS CREATE SEPARATE VARIABLES FOR Q62 TO Q68 TO UNIQUELY TIE THE RESPONSES TO THE GROUP OF QUESTIONS BEING ASKED.]**

## BLOCK A STARTS HERE

**[PROG, BLOCK A: WITHIN BLOCK A, RANDOMIZE THE FOLLOWING GROUPS OF QUESTIONS Q11.1 – Q11.6b, Q13.1 – Q13a, Q14.1 – Q14.2, Q15.1 – Q15a, Q16.1 – Q17b, AND Q16a.1.a – Q16a.8]**

Q11.1. In the past year, have you paid money to anyone who promised to obtain a modification of the mortgage on your home so that you could avoid foreclosure and keep your home?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q11.1: IF Q11.1:1, ASK Q11.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q11.2. How many times has this happened in the last year? If you made multiple payments in connection with the same promised mortgage modification, please only count this as one time.

Record number of times \_\_\_\_\_  
DK. Don't know  
RF. Refused

**[PROG, Q11.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT YOU PAID SOMEONE TO ARRANGE A MORTGAGE MODIFICATION FOR YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q11.2: IF Q11.2 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME YOU PAID SOMEONE TO ARRANGE A MORTGAGE MODIFICATION FOR YOU ...” BEFORE READING Q11.3; ELSE JUST READ Q11.3]**

Q11.3. Were all the payments you made to obtain this mortgage modification made to your mortgage lender or the company to whom you make your monthly payments or were at least some payments made to someone else?

1. Payments were made to someone other than your mortgage lender or the company to whom you make your monthly payments
  2. All payments were made to your mortgage lender or the company to whom you make your monthly payments
- DK. Don't know  
RF. Refused

**[PROG, Q11.3: IF Q11.3:1, ASK Q11.4; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q11.4 Were you required to pay something to the person or company offering to arrange the mortgage modification before the modification was arranged or were all payments made after the modification was received?

1. Payments were required before the loan modification was received
  2. All payments were made after the loan modification was received
- DK. Don't know  
RF. Refused

**[PROG, Q11.4: IF Q11.4:1, ASK Q11.5; ELSE GO TO NEXT QUESTION IN THE RANDOMIZED SERIES Q11.1 TO Q17a.]**

Q11.5 And, did the efforts of this person or company result in your being offered an actual modification of your mortgage loan?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q11.5: IF Q11.5:1, ASK Q11.6a; IF Q11.5:2 GO TO Q62; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q11.6a. Did the person lead you to believe that the modified mortgage would have specific terms, like how much your monthly payment would be or how much lower it would be than what you were then paying?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q11.6a: IF Q11.6a: 1, ASK Q11.6b; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q11.6b. And, did the terms of the modified mortgage you were offered generally match what the person or company led you to believe they would be or were the terms offered significantly better or worse than you had been promised?

1. The terms were significantly better than what I had been led to expect
  2. The terms were generally about what I had been led to expect
  3. The terms were significantly worse than what I had been led to expect
- DK. Don't know  
RF. Refused

**[PROG, Q11.6b: IF Q11.6b:3, GO TO Q62; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q13.1. In the past YEAR, have you paid money to anyone who promised to remove negative, but true, information from your credit record?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG, Q13.1: IF Q13.1: 1, ASK Q13.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q13.2. How many times has this happened to you in the past year? If you made multiple payments in connection with the same transaction, please only count this as one time.

Record number of times \_\_\_\_\_

- DK. Don't know
- RF. Refused

**[PROG, Q13.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q13.2: IF Q13.2 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ..." BEFORE READING Q13a; ELSE JUST READ Q13a]**

Q13a. Was the negative, but true, information removed from your credit record as promised?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG, Q13a: IF Q13a: 2, GO TO Q62; ELSE GO TO NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q14.1. In the past YEAR, have you paid money to anyone who promised to help you obtain credit by creating a new identity or new credit record?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused



**[PROG, Q14.1: IF Yes in Q14.1. ASK Q14.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q14.2. How many times has this happened to you in the past year? If you made multiple payments in connection with the same transaction, please only count this as one time.

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

**[PROG, Q14.2: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q14.2: FOR ANY CODES IN Q14.2, GO TO Q62]**

Q15.1. In the past YEAR, have you paid money to anyone who promised to provide you with credit card insurance?

1. Yes

2. No

DK. Don't know

RF. Refused

**[PROG, Q15.1: IF Q15.1: 1. ASK Q15.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q15.2. How many times has this happened to you in the past year? If you made multiple payments in connection with the same transaction, please only count this as one time.

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

**[PROG, Q15.2: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q15.2: IF Q15.2 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ...” BEFORE READING Q15a; ELSE JUST READ Q15a]**

Q15a. What was the insurance supposed to protect you against? Was it to protect you against:  
**[PROG.: READ BOTH 1 AND 2 IN RANDOM ORDER; THIS IS A SINGLE PUNCH RESPONSE]**

1. UNAUTHORIZED USE IF YOUR CARD WAS LOST OR STOLEN
  2. FALLING BEHIND IN YOUR PAYMENTS IF YOU LOST YOUR JOB OR BECAME ILL
  3. BOTH (DO NOT READ)
  4. OTHER (SPECIFY) (DO NOT READ)
- DK. Don't know  
 RF. Refused

**[PROG, Q15a: IF Q15a:1 OR 3, GO TO Q62; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16.1. In the past YEAR, have you paid money to anyone who promised to provide you with a credit card or loan, but required that you pay a fee before you received the credit card or loan?

1. Yes
  2. No
- DK. Don't know  
 RF. Refused

**[PROG, Q16.1: IF Q16.1: 1, ASK Q16.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16.2. How many times has this happened to you in the past year? If you made multiple payments in connection with the same transaction, please only count this as one time.

Record number of times \_\_\_\_\_  
 DK. Don't know  
 RF. Refused

**[PROG, Q16.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q16.2: IF Q16.2 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ...” BEFORE READING Q17a; ELSE JUST READ Q17a]**

Q17a. Were you promised a credit card, a mortgage loan, or another type of loan? [PROG: ONE RESPONSE ONLY]

1. CREDIT CARD
  2. MORTGAGE LOAN
  3. OTHER LOAN
- DK. Don't know  
RF. Refused

Q17. Did you actually receive the promised loan or credit card?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q17b: IF Q17a: 1,3, ASK Q17b; ELSE GO TO GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q17b. Were you required to make this payment before you received the credit card or loan or were you to pay after the credit card or loan was received? For example, if you were promised a credit card, did you make the payment before you got the card or was the charge to be included on your first bill?

1. PAID BEFORE CREDIT CARD OR LOAN WAS RECEIVED
  2. PAID AFTER CREDIT CARD OR LOAN WAS RECEIVED
- DK. Don't know  
RF. Refused

**[PROG, Q17b: IF Q17a:1,3, Q17:2, and Q17b:1, GO TO Q62; ELSE JUST GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.1.a. In the past YEAR, have you paid money to anyone who promised to reduce or eliminate your credit card debts?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

Q16a.1.b. In the past YEAR, have you paid money to anyone who promised to get the interest rate or monthly payments on your credit cards reduced?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q16a.1.b: IF Q16a.1.a: 1 OR Q16a.1.b: 1, ASK Q16a.2; ELSE GO TO THE**

**NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.2. How many times in the last year have you paid money to someone who promised to reduce your credit card debt or get your monthly payments or interest rates reduced? If you made multiple payments as part of the same program, please count this combination of payments as only one time.

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

**[PROG, Q16a.2: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT YOU PAID SOMEONE TO REDUCE YOUR CREDIT CARD DEBT OR TO GET YOUR MONTHLY PAYMENTS OR INTEREST RATES REDUCED (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q16a.2: IF Q16a.2 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME YOU PAID SOMEONE TO REDUCE YOUR CREDIT CARD DEBT OR TO GET YOUR MONTHLY PAYMENTS OR INTEREST RATES REDUCED ..." BEFORE READING Q16a.3; ELSE JUST READ Q16a.3]**

Q16a.3. Did the person promise to make payments to your credit card company on your behalf, to get your credit card company to reduce the interest rate it charges you, or to do both?

1. Make payments to your creditors
  2. Get your credit card company to reduce the interest rate it charges you
  3. Both
  4. Other (specify)
- DK. Don't know  
RF. Refused

**[PROG, Q16a.3: IF Q16a.3: 1 OR 3, GO TO Q16a.4; IF Q16a.3: 2, GO TO Q16a.8; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.4. Are you still making payments under this plan?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q16a.4: IF Q16a.4: 2, GO TO Q16a.5; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.5. Using the seller's services were you able to pay off what you owed on at least one of your credit cards?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q16a.5: IF Q16a.5: 1, GO TO Q16a.6; IF Q16a.5:2, GO TO Q16a.5.1; ELSE JUST GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.5.1. When you dropped out of the program, did the seller provide you with a refund of all of the money you had paid to them?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q16a.5.1: IF Q16a.5.1: 2, GO TO Q62; ELSE JUST GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.6. Did the person promise to negotiate with your creditors to reduce the amount of money you had to pay to settle your debts?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q16a.6: IF Q16a.6:1, GO TO Q16a.7; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.7. Which of the following best describes how much the debts that were paid off were reduced? **[ROTATE RESPONSES TOP TO BOTTOM AND BOTTOM TO TOP.]**

1. My debts were reduced as much or more than I had been led to expect
  2. My debts were reduced at least half as much as I had been led to expect
  3. My debts were reduced less than half as much as I had been led to expect
  4. My debts were not reduced at all
- DK. Don't know  
RF. Refused

**[PROG, Q16a.7: IF Q16a.7: 2, 3 OR 4, GO TO Q62; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

Q16a.8. Which of the following best describes the reduction in the interest rate on your credit card as a result of the efforts of this person? **[ROTATE RESPONSES TOP TO BOTTOM AND BOTTOM TO TOP.]**

1. The interest rate was reduced as much or more than I had been led to expect it would be
  2. The interest rate was reduced at least half as much as I had been led to expect it would be
  3. The interest rate was reduced less than half as much as I had been led to expect it would be
  4. The interest rate was not reduced at all
- DK. Don't know  
RF. Refused

**[PROG, Q16a.8: IF Q16a.8: 2, 3 OR 4, GO TO Q62; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK A]**

**BLOCK A ENDS HERE**

**[RANDOMIZE AS BLOCKS: A) Q11.1-Q16a.8, B) Q18.1-Q28C, C) Q31.1-Q38, D) Q39-Q42e, AND E) Q44a-Q44e; BLOCK F – Q45 – Q49 – ALWAYS COMES LAST]**

## **BLOCK B BEGINS HERE**

Q18.1. In the past year, have you been billed for a product or service which you did not agree to purchase or have you been billed for an amount that was substantially more than you expected to pay? This could include a situation where you were offered a free trial of the product or service and were subsequently billed even though you had not agreed to continue beyond the end of the free trial period.

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q18.1: IF Q18.1:1, CONTINUE; ELSE SKIP TO NEXT BLOCK.]**

**[PROG, BLOCK B: WITHIN BLOCK B, RANDOMIZE THE FOLLOWING GROUPS OF QUESTIONS Q19.1-Q19a AND Q21.1 – Q25; ALWAYS ASK Q22.1 – Q23 LAST]**

**[PROG, Q19.1, Q21.1, Q22.1: WHEN RETURNING TO Q19.1, Q21.1, OR Q22.1 FROM Q27 OR FROM THE GENERAL FOLLOW-UP QUESTIONS, READ: "THINKING AGAIN ABOUT BEING BILLED FOR A PRODUCT OR SERVICE WHICH YOU DID NOT AGREE TO PURCHASE OR BEING BILLED FOR AN AMOUNT THAT WAS SUBSTANTIALLY MORE THAN YOU EXPECTED TO PAY..." BEFORE THE QUESTION]**

Q19.1. Did you receive an unauthorized bill for Internet-related services, such as internet access or web-site hosting or development?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q19.1: IF Q19.1:1, ASK Q19.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK B]**

Q19.2. How many times has this happened to you in the past year? If you received more than one bill for the same unordered item or if an unauthorized charge for the same item or service from the same provider appeared on your credit card, telephone, or other bill in more than one month, count this as only one time.

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

**[PROG, Q19.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q19.2: IF Q19.2 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ...” BEFORE READING Q19a; ELSE JUST READ Q19a]**

Q19a. What service was this unauthorized bill for? Was it for a service you had never agreed to purchase, though you may have accepted an offer for a free trial period? Was it continued billing after you asked to cancel a service for which you had been paying? Or, did it involve some other situation?

1. A service for which I had never agreed to pay
2. Continued billing after cancelling a service for which I had been paying
3. Other (If “Other” ask: “And, could you please briefly describe the situation to me?)

DK. Don't know

RF. Refused

**[PROG, Q19a: GO TO Q26]**

**[THERE IS NO QUESTION 20]**

Q21.1. Did you receive an unauthorized bill for a membership in a club that the seller told you would allow you to buy something for a lower price than is generally available?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q21.1: IF Q21.1:1, ASK: Q21.2; ELSE GO TO THE NEXT RANDOMIZED GROUP WITHIN BLOCK B]**



Q21.2. How many times has this happened to you in the past year? If you received more than one bill for the same unordered item or if an unauthorized charge for the same item or service from the same provider appeared on your credit card, telephone, or other bill in more than one month, please count this as only one time.

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

**[PROG, Q21.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q21.2: IF Q21.2 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ..." BEFORE READING Q24; ELSE JUST READ Q24]**

Q24 Did the membership enable you to make purchases at reduced prices as you had been promised?

1. Yes

2. No

DK. Don't know

RF. Refused

Q25. And what kinds of products were you supposed to be able to purchase at a reduced price? **[PROG: DO NOT READ; OPEN-END PRE-CODE; 1<sup>ST</sup>, 2<sup>ND</sup>, AND 3<sup>RD</sup> MENTIONS]** Any other products?

1. Automobiles that had been seized by the government or had been repossessed

2. Books / Magazines

3. CDs / DVDs

4. Electronic equipment: audio, video, computer

5. Houses where the owner had fallen behind on their mortgage payments and the mortgage holder had foreclosed

6. Travel services

7. Medical goods and services, such as dental care, eye care, or prescription drugs

8. Entertainment, such as restaurant meals or movie tickets

9. General Merchandise, like food or household products

10. OTHER (SPECIFY)

DK. Don't know

RF. Refused

**[PROG, Q25: GO TO Q26]**

Q22.1. Did you receive an unauthorized bill for some other product or service

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q22.1: IF Q22.1:1, ASK Q22.2; ELSE GO TO NEXT BLOCK.]**

Q22.2. How many times has this happened to you in the past year? If you received more than one bill for the same unordered item or if an unauthorized charge for the same item or service from the same provider appeared on your credit card, telephone, or other bill in more than one month, count this as only one time.

Record number of times \_\_\_\_\_

- DK. Don't know  
RF. Refused

**[PROG, Q22.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q22.2: IF Q22.2 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ..." BEFORE READING Q23; ELSE JUST READ Q23]**

**Q23. What was the product or service? (DO NOT READ LIST)(OPEN-END PRE-CODE-SINGLE-RESPONSE)**

1. Books
  2. Business opportunities / franchises / distributorships / work-at-home plans
  3. Buyers clubs
  4. Cable or satellite TV services
  5. Cameras (including digital cameras and camcorders)
  6. CDs / video tapes / DVDs
  7. Cell phone service or equipment
  8. Computers: equipment or software
  9. Credit monitoring service / ID theft service / Copy of your credit report
  10. Games or other programs delivered on your cell phone or other mobile device
  11. Health care products and services
  12. Information such as psychic or adult entertainment services delivered over the internet
  13. Internet access services
  14. Internet web site design / advertising on the internet
  15. Investments
  16. Magazines
  17. Office supplies
  18. Pay-per-call and information services such as adult entertainment, gambling or psychic services delivered over the telephone or internet
  19. Real estate (including timeshares)
  20. Telephone service or equipment, other than cell phone
  21. Travel services / vacations
  22. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

**[PROG, Q23: GO TO Q26]**

**[PROG, Q26 – Q28c: INSTRUCTIONS TO ASK Q26 – Q28c WILL APPEAR IN CONNECTION WITH EACH OF THE FOLLOWING GROUPS OF QUESTIONS – Q19.1 – Q19a, Q21.1 – Q25, Q22.1 – Q23. FOR EACH OF THESE GROUPS OF QUESTIONS CREATE SEPARATE VARIABLES FOR Q26 – Q28c TO UNIQUELY TIE THE RESPONSES TO THE GROUP OF QUESTIONS BEING ASKED.]**

**Q26. Did you try to get the seller to give you a refund or otherwise make an adjustment?**

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q26: IF Q26:1, ASK Q27; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK B]**

Q27. And was the seller willing to provide a refund, or otherwise make an adjustment that satisfied you?

1. Yes
2. No
- DK. Don't know
- RF. Refused

**[PROG, Q27: IF Q27:2 ASK Q28; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK B]**

Q28. And how much did you actually end up paying (INSERT POP-IN LANGUAGE)? If you paid something but later received a refund of all or part of the money you paid, please do not include the amount that was refunded. **[PROBE ANY RESPONSE OVER \$500, "You said you paid (READ AMOUNT ENTERED) – Is this correct?"]**

AMOUNT PAID \_\_\_\_\_ (RANGE 0 – 99,999)

- DK. Don't know  
RF. Refused

**[PROG, Q28: IF Q28 = 0, ASK Q28a; ELSE GO TO Q28c]**

Q28a. How much in total did the bill or bills you were sent ask you to pay? (PROBE ANY RESPONSE OVER \$500, "You said (READ AMOUNT ENTERED) – Is this correct?")

AMOUNT BILLED \_\_\_\_\_ (RANGE 0 – 99,999)

- DK. Don't know  
RF. Refused

Q28b. And, how were you billed for this transaction? For example, did you provide the seller with your credit card number or the number of some other account or did the seller send you a bill either in the mail or email? **[DO NOT READ LIST]**

1. Charged to credit card bill
  2. Charged to my cable television account
  3. Charged to my on-line payment account like PayPal
  4. Charged to my cell phone account
  5. Charged to my non-cell phone account
  6. Seller sent me a bill by mail
  7. Seller sent me a bill by email
  8. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

**[PROG, Q28b: IF COMING FROM GROUP Q19.1 – Q19a AND Q19a:2, GO TO Q67; IF COMING FROM GROUP Q19.1 – Q19a AND Q19a NOT EQUAL TO 2, GO TO Q62; IF COMING FROM GROUP Q21.1 – Q25 OR GROUP Q22.1 – Q23, GO TO Q62]**

Q28c. And, how did you pay for this transaction? For example, did you provide the seller with your credit card number; pay with cash, write a check to the seller; or did you pay in some other way? **[DO NOT READ LIST]**

3. Credit Card
  4. Cash
  5. Check
  6. Charged to my cable television account
  7. Debit card
  8. On-line payment system like PayPal
  9. Postal money order
  10. Non-postal money order, like Western Union or MoneyGram
  11. Seller took money directly from my checking account
  12. Charged to my cell phone account
  13. Charged to my non-cell phone account
  14. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

**[PROG, Q28c: IF COMING FROM GROUP Q19.1 – Q19a AND Q19a:2, GO TO Q67; IF COMING FROM GROUP Q19.1 – Q19a AND Q19a NOT EQUAL TO 2, GO TO Q62; IF COMING FROM GROUP Q21.1 – Q25 OR GROUP Q22.1 – Q23, GO TO Q62]**

**BLOCK B ENDS HERE**

**[RANDOMIZE AS BLOCKS: A) Q11.1-Q16a.8, B) Q18.1-Q28C, C) Q31.1-Q38, D) Q39-Q42e, AND E) Q44a-Q44e; BLOCK F – Q45 – Q49 – ALWAYS COMES LAST]**

## **BLOCK C BEGINS HERE**

**[PROG, BLOCK C: WITHIN BLOCK C, RANDOMIZE THE FOLLOWING GROUPS OF QUESTIONS Q31.1 – Q37, Q31a.1 – Q37b, AND Q32.1 – Q38]**

Q31.1 In the past year, have you paid anyone for an opportunity to operate your own business, such as a business opportunity or a franchise?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q31.1: IF Q31.1:1, ASK Q31.2; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK C]**

Q31.2. How many different such business opportunities have you purchased in the past year?

Record number of times \_\_\_\_\_  
DK. Don't know  
RF. Refused

**[PROG, Q31.2. PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT YOU PURCHASED (READ NUMBER ENTERED) BUSINESS OPPORTUNITIES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q31.2: IF Q31.2 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME YOU PURCHASED A BUSINESS OPPORTUNITY ...” BEFORE READING Q33; ELSE JUST READ Q33]**

Q33. Were you led to believe that most of the money you earned from this business would be from recruiting others to join the business, rather than from the sale of products?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[THERE IS NO Q34]**

Q35.1 Did the seller lead you to believe that you would earn a certain amount of income or profit from this business?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG, Q35.1: IF Q35.1:1, ASK Q35.2; ELSE SKIP TO Q36.1]**

Q35.2. Which of the following best describes the amount of money you made from this business?

- 1. Made roughly as much or more money than I had been led to expect
- 2. Made at least half as much money as I had been led to expect
- 3. Made less than half as much money as I had been led to expect
- 4. Did not make any money or lost money
- 5. Did not work at the business
- DK. Don't know
- RF. Refused

Q36.1. Were you promised help in locating customers who would use your services or allow you to sell your products from their premises?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG, Q36.1: IF Q36.1:1, ASK Q36.2; ELSE SKIP TO INSTRUCTION BEFORE Q37]**

Q36.2. Did you obtain the promised assistance?

- 1. Yes - Promised assistance was provided
- 2. No - Promised assistance was NOT provided
- DK. Don't know
- RF. Refused

**[PROG, Q36.2: IF Q33:1 OR Q35.2:2-5 OR Q36.2:2, ASK Q37, ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK C]**

Q37. And how many months ago did you purchase this business?

RECORD NUMBER OF MONTHS \_\_\_\_\_ (range 0-12 months)

- DK. Don't know
- RF. Refused

**[PROG, Q37: GO TO Q62]**

Q31a.1. In the past year, have you paid anyone who promised to provide you with work that you could do at home?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG, Q31a.1: IF Q31a.1:1, ASK Q31a.2; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK C]**

Q31a.2. How many times have you paid someone to provide you with work you could do from home in the past year? (This payment may have been to purchase equipment or supplies that the seller said were needed to perform the job.) If you made multiple payments in connection with the same work-at-home offer, please only count this as one time.

Record number of times \_\_\_\_\_

- DK. Don't know
- RF. Refused

**[PROG, Q31a.2: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT YOU PAID SOMEONE TO PROVIDE YOU WITH WORK YOU COULD DO FROM HOME (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]****[PROG, Q31a.2: IF Q31a.2 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME YOU PAID SOMEONE TO PROVIDE YOU WITH WORK YOU COULD DO FROM HOME ..." BEFORE READING Q37a; ELSE JUST READ Q37a]**

Q37a. Did the seller lead you to believe that you would earn at least a certain amount of money from this job?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG, Q37a: IF Q37a: 1, ASK Q37b; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK C]**



Q37b. Which of the following best describes the amount of money you made in this job?

1. Made roughly as much or more money than I had been led to expect
  2. Made at least half as much money as I had been led to expect
  3. Made less than half as much money as I had been led to expect
  4. Did not make any money or lost money
  5. Did not work at the job
- DK. Don't know  
RF. Refused

**[PROG, Q37b: IF Q37b: 2-5, GO TO Q62; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK C]**

Q32.1. In the past year, have you paid anyone who promised that you would get a job at the U.S. Postal Service or another branch of state or federal government?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q32.1: IF Q32.1:1, ASK Q32.2; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN BLOCK C]**

Q32.2. How many times has this happened to you in the past year? If you made multiple payments in connection with the same transaction, please only count this as one time.

Record number of times \_\_\_\_\_  
DK. Don't know  
RF. Refused

**[PROG, Q32.2: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q32.2: IF Q32.2 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ..." BEFORE READING Q38; ELSE JUST READ Q38]**

Q38. Did you get the job that was promised?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

**[PROG.: IF Q38:2, GO TO Q62; ELSE GO TO NEXT GROUP OF QUESTIONS  
WITHIN BLOCK C]**

**BLOCK C ENDS HERE**

**[RANDOMIZE AS BLOCKS: A) Q11.1-Q16a.8, B) Q18.1-Q28C, C) Q31.1-Q38, D) Q39-Q42e, AND E) Q44a-Q44e; BLOCK F – Q45 – Q49 – ALWAYS COMES LAST]**

## **BLOCK D BEGINS HERE**

**[PROG, BLOCK D: WITHIN BLOCK D, RANDOMIZE THE FOLLOWING GROUPS OF QUESTIONS Q39 – Q39a.12 AND Q41 – Q41a.9. THE GROUP OF QUESTIONS BEGINNING WITH THE INSTRUCTIONS BEFORE Q42 ALWAYS COMES LAST]**

Q39. In the past year, has anyone told you that you had won a prize or a lottery or had been selected to receive an award such as money, a free vacation, or other product or service?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q39: IF Q39:1, GO TO Q39a.1; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q39a.1. Were you told that you had to pay something, purchase a good or service, or attend a sales presentation in order to receive any of the prizes you were told you had won in the last year?

1. Yes
  2. No – DID NOT HAVE TO DO OR PAY ANYTHING TO RECEIVE ANY PRIZES
- DK. Don't know  
RF. Refused

**[PROG, Q39a.1: IF Q39a.1:1, GO TO Q39a.2; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q39a.2. In connection with any of these prize offerings, did you make the required payment or purchase or attend the required sales presentation?

1. Yes
  2. No
- DK Don't know  
RF Refused

**[PROG, Q39a.2: IF Q39a.2:1, GO TO Q39a.3; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q39a.3. How many times during the last year did you make a required payment or purchase or attend a required sales presentation? If you made multiple required payments in order to obtain the same prize, only count this as one time.

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

**[PROG, Q39a.3: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q39a.3: IF Q39a.3 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT PRIZE PROMOTION WHERE YOU MADE A REQUIRED PAYMENT OR PURCHASE OR ATTENDED A REQUIRED SALES PRESENTATION ...” BEFORE READING Q39a.4; ELSE JUST READ Q39a.4]**

Q39a.4. Did you ever receive the prize or award?

1. Yes

2. No

DK. Don't know

RF. Refused

**[PROG, Q39a.4: IF Q39a.4:1, GO TO Q39a.5; IF Q39a.4:2, GO TO Q39a.6; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q39a.5. And was the prize or award essentially what had been described to you?

1. Yes

2. No

DK. Don't know

RF. Refused

**[PROG, Q39a.5: IF Q39a.5:2, GO TO Q39a.6; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q39a.6. And, what were you required to do? Were you required to make a payment, make a purchase, or attend a sales presentation? (IF RESPONDENT GIVES MORE THAN ONE OF THESE RESPONSES, REMIND THEM THAT YOU ARE LOOKING FOR INFORMATION ABOUT THE MOST RECENT TIME THEY WERE TOLD THAT THEY HAD TO DO ONE OF THESE THINGS.)

1. Make a payment
  2. Make a purchase
  3. Attend a sales presentation
- DK. Don't know  
RF. Refused

**[PROG, Q39a.6: IF Q39a.6:1, GO TO Q39a.7; IF Q39a.6:2, GO TO Q39a.11; IF Q39A.6:3, GO TO Q62; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q39a.7. How much did you pay? **[PROBE ANY RESPONSE OVER \$500, "YOU SAID YOU PAID (READ AMOUNT ENTERED). IS THIS CORRECT?"]**

- AMOUNT PAID \_\_\_\_\_ (RANGE \$1 - \$99,999)  
DK. Don't know  
RF. Refused

Q39a.8. And, how did you make this payment? For example, did you pay by check, use a credit card, or use some other payment mechanism? **[DO NOT READ LIST]**

1. Credit card
  2. Cash
  3. Check
  4. Debit card
  5. Postal money order
  6. Non-Postal money order, like Western Union or MoneyGram
  7. Online payment system like PayPal
  8. Seller took money directly from my checking account
  9. Charged to my cell phone account
  10. Charged to my non-cell telephone account
  11. Charged to my cable television account
  12. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

Q39a.9. Did the person who told you that you had to pay this money send you a check or money order to cover the payment you were required to make, perhaps telling you the money was for part of your winnings?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q39a.9: IF Q39a.9:1, ASK Q39a.10; ELSE GO TO Q62]**

Q39a.10. And, was the check good or was it counterfeit so that you were either unable to cash it or later had to return the money? **[DO NOT READ LIST]**

1. The check was valid and I obtained the money for which the check was written
  2. The check was counterfeit. I was unable to cash the check or later had to return the money.
  3. I did not attempt to cash the check
- DK. Don't know  
RF. Refused

**[PROG, Q39a.10: GO TO Q62]**

Q39a.11. How much did you pay for the items you had to purchase? **[PROBE ANY RESPONSE OVER \$500, "YOU SAID YOU PAID (READ AMOUNT ENTERED). IS THIS CORRECT?"]**

AMOUNT PAID \_\_\_\_\_ (RANGE \$1 - \$99,999)  
DK. Don't know  
RF. Refused

Q39a.12. And, how did you pay this money? For example, did you pay by check, use a credit card, or use some other payment mechanism? **[DO NOT READ LIST]**

1. Credit card
  2. Cash
  3. Check
  4. Debit card
  5. Postal money order
  6. Non-Postal money order, like Western Union or MoneyGram
  7. Online payment system like PayPal
  8. Seller took money directly from my checking account
  9. Charged to my cell phone account
  10. Charged to my non-cell telephone account
  11. Charged to my cable television account
  12. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

**[PROG, Q39a.12: GO TO Q62]**

Q41. In the past year, has anyone told you that you were eligible to receive a grant either from the government or from someone else or that someone would help you prepare a proposal for a grant that was certain to be approved?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q41: IF Q41:1, GO TO Q41a.1; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q41a.1. In connection with any of the grants you were told in the last year that you were eligible to receive or that you were certain to receive if you applied, were you told that you had to pay a fee in order to receive your grant or have the grant proposal prepared?

1. Yes
  2. No – DID NOT HAVE TO PAY ANYTHING TO RECEIVE GRANT
- DK. Don't know  
RF. Refused

**[PROG, Q41a.1: IF Q41a.1:1, GO TO Q41a.2; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q41a.2. In connection with any of these grant offerings, did you make the required payment?

1. Yes
  2. No
- DK Don't know  
RF Refused

**[PROG, Q41a.2: IF Q41a.2:1, GO TO Q41a.3; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q41a.3. How many times did you make the payments required to receive a grant? If you made multiple payments in connection with the same grant offering, please count this as only one time.

Record number of times \_\_\_\_\_  
DK. Don't know  
RF. Refused

**[PROG, Q41a.3: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?"]**

**[PROG, Q41a.3: IF Q41a.3 NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT GRANT OFFERING WHERE YOU MADE A REQUIRED PAYMENT ...." BEFORE READING Q41a.4; ELSE JUST READ Q41a.4]**

Q41a.4. Did you ever receive the grant?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q41a.4: IF Q41a.4:1, GO TO Q41a.5; IF Q41a.4:2, GO TO Q41a.6; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**

Q41a.5. And was the grant essentially what had been described to you?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q41a.5: IF Q41a.5:2 GO TO Q41a.6; ELSE GO TO THE NEXT GROUP OF QUESTIONS WITHIN BLOCK D]**



Q41a.6. How much did you pay to the person who promised to obtain the grant for you?  
**[PROBE ANY RESPONSE OVER \$500 – You said you paid \_\_\_\_\_. Is this correct?]**

AMOUNT PAID \_\_\_\_\_ (RANGE \$1 - \$99,999)

DK. Don't know

RF. Refused

Q41a.7. And, how did you pay this money? For example, did you pay by check, use a credit card, or use some other payment mechanism? **[DO NOT READ LIST]**

1. Credit card
2. Cash
3. Check
4. Debit card
5. Postal money order
6. Non-Postal money order, like Western Union or MoneyGram
7. Online payment system like PayPal
8. Seller took money directly from my checking account
9. Charged to my cell phone account
10. Charged to my non-cell telephone account
11. Charged to my cable television account
12. Other (**SPECIFY**)

DK. Don't know

RF. Refused

Q41a.8. Did the person who told you that you would receive the grant send you a check or money order to cover the payment you were required to make?

1. Yes
  2. No
  3. DK. Don't know
- RF. Refused

**[PROG, Q41a.8: IF Q41.a.8:1, ASK Q41.a.9; ELSE GO TO Q62]**

Q41a.9. And, was the check good or was it counterfeit so that you were either unable to cash it or later had to return the money? **[DO NOT READ LIST]**

1. The check was valid and I obtained the money for which the check was written
2. The check was counterfeit. I was unable to cash the check or later had to return the money.
3. I did not attempt to cash the check

DK. Don't know

RF. Refused

**[PROG, Q41a.9: GO TO Q62]**

**[PROG, Q42: IF Q39A.9:1 OR Q41A.8:1, READ: “OTHER THAN IN CONNECTION WITH THE PRIZE PROMOTIONS AND GRANTS WE JUST DISCUSSED,” BEFORE READING Q42]**

Q42. In the past year, has anyone sent you a check and asked you to send some of the money from the check back to the sender or to someone else? This may have happened in connection with something you were selling, a job, or something else.

1. Yes
  2. No – Did not receive a check with money that was supposed to be sent back to the sender
- DK. Don't know  
RF. Refused

**[PROG, Q42: IF Q42:1, GO TO Q42a; ELSE GO TO THE NEXT BLOCK OF QUESTIONS]**

Q42a. In any of the instances in the last year where you received such a check, did you actually send the money as requested?

1. Yes – Sent the money as requested
  2. No – Did not send the money
- DK. Don't know  
RF. Refused

**[PROG, Q42a: IF Q42a:1, GO TO Q42b; ELSE GO TO THE NEXT BLOCK OF QUESTIONS]**

Q42b. How many times in the last year did you send money as requested?

Record number of times \_\_\_\_\_  
DK. Don't know  
RF. Refused

**[PROG, Q42b: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT YOU SENT MONEY AS REQUESTED (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q42b: IF Q42b NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME YOU DID THIS ....” BEFORE READING Q42c; ELSE JUST READ Q42c]**

Q42c. How much money did you send? **[PROBE ANY RESPONSE OVER \$500: “YOU SAID YOU SENT \$ \_\_\_\_ . IS THIS CORRECT?”]**

1. AMOUNT PAID \_\_\_\_\_ (RANGE \$1 - \$99,999)
- DK. Don't know  
RF. Refused

Q42d. And, how did you pay this money? For example, did you pay by check, use a credit card, or use some other payment mechanism? **[DO NOT READ LIST]**

1. Credit card
  2. Cash
  3. Check
  4. Debit card
  5. Postal money order
  6. Non-Postal money order, like Western Union or MoneyGram
  7. Online payment system like PayPal
  8. Seller took money directly from my checking account
  9. Charged to my cell phone account
  10. Charged to my non-cell telephone account
  11. Charged to my cable television account
  12. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

Q42e. And, was the check good or was it counterfeit so that you were either unable to cash it or later had to return the money? **[DO NOT READ LIST]**

1. The check was valid and I obtained the money for which the check was written
  2. The check was counterfeit. I was unable to cash the check or later had to return the money.
  3. I did not attempt to cash the check
- DK. Don't know  
RF. Refused

**[PROG, Q42e: GO TO Q67]**

**BLOCK D ENDS HERE**

[RANDOMIZE AS BLOCKS: A) Q11.1-Q16a.8, B) Q18.1-Q28C, C) Q31.1-Q38, D) Q39-Q42e, AND E) Q44a-Q44e; BLOCK F – Q45 – Q49 – ALWAYS COMES LAST]

## BLOCK E STARTS HERE

Q44a. In the past year, have you paid anyone for a product such as nonprescription drugs, dietary supplements, skin patches, creams, wraps, or earrings that the seller suggested or implied would help you lose a substantial amount of weight?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

[PROG, Q44a: IF Q44a:1, GO TO Q44b; ELSE GO TO THE NEXT BLOCK OF QUESTIONS]

Q44b. How many different such weight-loss products have you purchased in the last year?

Record number of times \_\_\_\_\_

DK. Don't know

RF. Refused

[PROG, Q44b: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING "YOU SAID THAT YOU PURCHASED (READ NUMBER ENTERED) WEIGHT-LOSS PRODUCTS IN THE LAST YEAR. IS THIS CORRECT?"]

[PROG, Q44b: IF Q44b NOT EQUAL TO 1 READ: "THINKING NOW ABOUT THE MOST RECENT TIME YOU PURCHASED A WEIGHT-LOSS PRODUCT ..." BEFORE READING Q44c; ELSE JUST READ Q44c]

Q44c. Did the seller suggest or imply that using this product would make it easy to lose weight?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

Q44d. Did the seller suggest or imply that by using this product you could lose weight without exercise and/or without reducing the amount you eat?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

Q44e. Which of the following best describes your experience in using the product: **(Read All Responses, Record Only One Response)**

1. I lost about as much or more weight than I expected to lose
2. I lost about half of the weight I expected to lose
3. I only lost a little of the weight I expected to lose
4. I lost no weight or gained weight
5. I did not use the product

**[PROG, Q44e: IF Q44c:1 or Q44d:1, GO TO Q62; ELSE GO TO THE NEXT BLOCK OF QUESTIONS]**

**BLOCK E ENDS HERE**

**[BLOCK F ALWAYS COMES LAST, AFTER BLOCKS A – E]**

## **BLOCK F BEGINS HERE**

Q45. Other than the things we have already discussed, in the past year have you purchased something which you paid for but NEVER received?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q45: IF Q45:1, ASK Q46; ELSE GO TO Q71a]**

Q46. How many times has this happened to you in the past year?

- Record number of times \_\_\_\_
- DK. Don't know  
RF. Refused

**[PROG, Q46: PROBE ANY RESPONSE GREATER THAN 5 BY ASKING “YOU SAID THAT THIS HAPPENED TO YOU (READ NUMBER ENTERED) TIMES IN THE LAST YEAR. IS THIS CORRECT?”]**

**[PROG, Q46: IF Q46 NOT EQUAL TO 1 READ: “THINKING NOW ABOUT THE MOST RECENT TIME THIS HAPPENED TO YOU ...” BEFORE READING Q47; ELSE JUST READ Q47]**

Q47. Did you try to get the seller to give you a refund or otherwise make an adjustment?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q47: IF Q47:1, ASK Q48; ELSE GO TO Q71a]**

Q48. And was the seller willing to provide a refund or otherwise make an adjustment that satisfied you?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q48: IF Q48:2, ASK Q49; ELSE GO TO Q71a]**

**Q49. What was the item that you purchased? (DO NOT READ LIST)(OPEN-END PRE-CODE)**

1. Books / Magazines
  2. Business opportunities / franchises / distributorships / work-at-home plans
  3. Buyers clubs
  4. Cameras (including digital cameras and camcorders)
  5. CDs / video tapes / DVDs
  6. Computers: equipment or software
  7. Games or other programs delivered to your cell phone or other mobile device
  8. Health care products and services
  9. Information such as psychic or adult entertainment services delivered over the internet
  10. Internet access services
  11. Internet web site design / advertising on the internet
  12. Investments
  13. Office supplies
  14. Pay-per-call and information services such as adult entertainment, gambling or psychic services delivered over the telephone or internet
  15. Real estate (including timeshares)
  16. Travel services / vacations
  17. Other (SPECIFY)
- DK. Don't know  
RF. Refused

**[PROG, Q49: GO TO Q62]**

**BLOCK F ENDS HERE**

**[THERE ARE NO QUESTIONS 50 – 61]**

**GENERAL FOLLOW-UP QUESTIONS (Q62-Q68)**

Q62. How did you first learn about (INSERT POP-IN LANGUAGE)? **[READ, RANDOMIZE]**

1. from an Internet website
  2. from an email
  3. from a television advertisement or infomercial
  4. from a mail advertisement or solicitation, including from a catalog
  5. from a telemarketer
  6. from a store you visited
  7. from someone who came to your home
  8. from a radio advertisement
  9. from a poster or flier
  10. from a magazine or newspaper advertisement
  11. from a social media site, such as Facebook, Twitter, YouTube, or blogs
  12. when you received the bill for (INSERT POP-IN LANGUAGE)
  13. other **(SPECIFY) [READ LAST]**
- DK. Don't know  
RF. Refused

**[PROG, Q62: IF Q62:1, GO TO Q62a; IF Q62:12 AND BLOCK: A, C, E, OR F, GO TO Q64p; IF Q62:12 AND BLOCK: B OR D, GO TO Q67; ELSE GO TO Q62b]**

Q62a. Was this an Internet auction site, an online classified ad site like Craigs List, or some other type of Internet web site?

1. an Internet auction site
  2. an online classified ad site such as Craigs List
  3. another Internet web site
- DK. Don't know  
RF. Refused

Q62b. Was the information about (INSERT POP-IN LANGUAGE) presented in English or some other language? **[PROG.: IF OTHER THAN ENGLISH, ASK: "IN WHAT LANGUAGE WAS THE INFORMATION PROVIDED?"]**

1. ENGLISH
  2. SPANISH
  3. CHINESE/MANDARIN
  4. JAPANESE
  5. FRENCH
  6. HINDI
  7. OTHER **(SPECIFY)**
- DK. Don't know  
RF. Refused

**[PROG, Q62b: IF BLOCK: D, GO TO Q67; ELSE GO TO Q63]**



Q63. And how did you purchase this product (**RANDOMIZE**)?

1. VISITED A STORE
  2. ORDERED ON THE TELEPHONE
  3. MAILED IN AN ORDER
  4. ORDERED FROM INTERNET SITE
  5. SOME OTHER WAY (**SPECIFY**) [**READ LAST**]
- DK. Don't know  
RF. Refused

**[PROG, Q63: IF BLOCK: B, GO TO Q67; ELSE GO TO Q64p]**

Q64p. And how much did you actually end up paying (INSERT POP-IN LANGUAGE)? If you paid something but later received a refund of all or part of the money you paid, please do not include the amount that was refunded. [**PROBE ANY RESPONSE OVER \$500, "You said you paid (READ AMOUNT ENTERED) – Is this correct?"**]

AMOUNT PAID \_\_\_\_\_ (RANGE 0 – 99,999)  
DK. Don't know  
RF. Refused

**[PROG, Q64p: IF Q64p = 0, ASK Q64b; ELSE GO TO Q65]**

Q64b. Did the seller try to get you to pay something (INSERT POP-UP LANGUAGE) by, for example, sending you a bill or putting a charge on your credit card bill?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q64b: IF Q64b:1, ASK Q64b.1, ELSE GO TO Q67]**

Q64b.1. How much did the seller try to get you to pay? (PROBE ANY RESPONSE OVER \$500, "You said (READ AMOUNT ENTERED) – Is this correct?")

AMOUNT BILLED \_\_\_\_\_ (RANGE 0 – 99,999)  
DK. Don't know  
RF. Refused

Q65a. And, how were you billed for this transaction? For example, did you provide the seller with your credit card number or the number of some other account or did the seller send you a bill either in the mail or email? **[DO NOT READ LIST]**

9. Charged to credit card bill
  10. Charged to my cable television account
  11. Charged to my on-line payment account like PayPal
  12. Charged to my cell phone account
  13. Charged to my non-cell phone account
  14. Seller sent me a bill by mail
  15. Seller sent me a bill by email
  16. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

**[PROG, Q65a: GO TO Q67]**

Q65. And, how did you pay for this transaction? For example, did you provide the seller with your credit card number; pay with cash, write a check to the seller; or did you pay in some other way? **[DO NOT READ LIST]**

1. Credit Card
  2. Cash
  3. Check
  4. Charged to my cable television account
  5. Debit card
  6. On-line payment system like PayPal
  7. Postal money order
  8. Non-postal money order, like Western Union or MoneyGram
  9. Seller took money directly from my checking account
  10. Charged to my cell phone account
  11. Charged to my non-cell phone account
  12. Other (**SPECIFY**)
- DK. Don't know  
RF. Refused

**[THERE IS NO Q66]**

Q67. And, did you complain to anyone about your experience with (INSERT POP-UP LANGUAGE)?

1. Yes
  2. No
- DK. Don't know  
RF. Refused

**[PROG, Q67: IF Q67:1, ASK Q68; ELSE GO TO NEXT GROUP OF QUESTIONS WITHIN THE BLOCK]**

**Q68. To whom did you complain? [PROG.: DO NOT READ OPEN-END PRE-CODE)  
(PROBE FOR MULTIPLE RESPONSES. AND CAPTURE 1<sup>ST</sup>, 2<sup>ND</sup>, AND 3<sup>RD</sup>  
MENTIONS]. Did you complain to anyone else?**

1. Family or friends / tell family or friends not to buy from the seller
  2. The company that sold the product
  3. The product manufacturer
  4. The Better Business Bureau
  5. A bank
  6. A credit card company
  7. A local consumer agency
  8. The local police department
  9. The Department of Motor Vehicles
  10. A local consumer help line
  11. The state Attorney General or state consumer agency
  12. The FTC
  13. Another federal agency (SPECIFY)
  14. Complained to the phone company
  15. Complained to an Internet service provider
  16. Other (SPECIFY)
- DK. Don't know  
RF. Refused

**[PROG, Q68: GO TO NEXT GROUP OF QUESTIONS WITHIN THE BLOCK]**

**DEMOGRAPHICS (ASK ALL)**

Changing Topics and thinking some more about you...

Q71a. Have you listed your home telephone number on the national do-not-call registry?

- 1. Yes
- 2. No
- DK. Don't know
- RF. Refused

Now I would like to read you several brief sentences that could describe you. On a scale of 1 to 7 where 1 indicates that the sentence would almost never describe you and 7 indicates that it would almost always describe you, please indicate how well each of the following would describe you. **[RANDOMIZE Q72a – Q72f]**

Q72a. I am a planner

Record response \_\_\_\_ [range 1-7]  
DK. Don't know  
RF. Refused

Q72b. I am impulsive

Record response \_\_\_\_ [range 1-7]  
DK. Don't know  
RF. Refused

Q72c. I am self-controlled

Record response \_\_\_\_ [range 1-7]  
DK. Don't know  
RF. Refused

Q72d. I enjoy spending money

Record response \_\_\_\_ [range 1-7]  
DK. Don't know  
RF. Refused

Q72e. I am willing to take risks

Record response \_\_\_\_ [range 1-7]  
DK. Don't know  
RF. Refused

Q72f. I am patient

Record response \_\_\_\_ [range 1-7]

DK. Don't know

RF. Refused

Q73. In the past two years, that is, since \_\_\_\_\_, have you experienced a serious negative life event, such as a divorce, the death of a family member or close friend, a serious injury or illness in your family, or the loss of a job?

1. Yes

2. No

DK. Don't know

RF. Refused

And for statistical purposes only...

Q74. In what year were you born?

\_\_\_\_\_  
DK. Don't know

RF. Refused

Q75. Are you married, widowed, separated, divorced or have you never been married?

1. MARRIED

2. WIDOWED

3. SEPARATED

4. DIVORCED

5. NEVER BEEN MARRIED

DK. Don't know

6. RF. Refused

Q75a. How many people currently live in your household? Please include yourself and any children.

Record actual number \_\_\_\_\_

DK. Don't know

RF. Refused

Q75b. How many people under the age of 18 currently reside in your household?

Record actual number \_\_\_\_\_

DK. Don't know

RF. Refused

Q76. And what was the last grade you completed in school? **(DO NOT READ CATEGORIES)**

1. SOME GRADE SCHOOL
2. SOME HIGH SCHOOL
3. GRADUATED HIGH SCHOOL
4. TECHNICAL OR VOCATIONAL SCHOOL
5. SOME COLLEGE
6. GRADUATED COLLEGE
7. GRADUATE/PROFESSIONAL SCHOOL

DK. Don't know

RF. Refused

Q77. Have you or anyone in your household served or are you or a household member currently serving in the United States military? **[PROG: DO NOT READ LIST, ACCEPT MULTIPLE RESPONSES AND CAPTURE 1<sup>ST</sup>, 2<sup>ND</sup>, AND 3<sup>RD</sup> MENTIONS]**

1. Yes SELF CURRENTLY
2. Yes HH MEMBER CURRENTLY
3. Yes SELF PAST
4. Yes HH MEMBER PAST
5. No

DK. Don't know

RF. Refused

Q78. Other than English, what languages, if any, do you regularly use in conducting personal business? **[PROG.: DO NOT READ LIST, ACCEPT MULTIPLE RESPONSES AND CAPTURE 1<sup>ST</sup>, 2<sup>ND</sup>, AND 3<sup>RD</sup> MENTIONS]**

1. NONE – ENGLISH ONLY
2. SPANISH
3. CHINESE/MANDARIN
4. JAPANESE
5. FRENCH
6. HINDI
7. OTHER (SPECIFY)

DK. Don't know

RF. Refused

**[PROG, Q78: IF Q78:2-7, ASK Q78a; ELSE GO TO Q79]**

Q78a. If you were engaged in a somewhat complicated transaction, such as trying to buy a home, rent an apartment or purchase a car, would you be comfortable conducting the transaction in English?

1. Yes
2. No

DK. Don't know

RF. Refused

Q79. And for statistical purposes only...is your total annual HOUSEHOLD income greater or less than \$60,000 dollars?

1. Less than \$60,000
  2. \$60,000 or more
- DK. Don't know  
RF. Refused

**[PROG, Q79: IF Q79:1, ASK Q79a; IF Q79:2, ASK Q79b, ELSE GO TO Q80.]**

Q79a. Is it...

1. Under \$20,000
  2. BETWEEN \$20,000 - \$40,000
  3. OVER \$40,000
- DK. Don't know  
RF. REFUSED

**[PROG, Q79a: GO TO Q80]**

Q79b. Is it...

1. UNDER \$80,000
  2. BETWEEN \$80,000 - \$100,000
  3. OVER \$100,000
- DK. Don't know  
RF. Refused

Q80. Thinking ahead to three years from now, how do you think your income will compare to your income today? Do you think it will be **(ROTATE TOP TO BOTTOM, BOTTOM TO TOP BETWEEN VERSION 1 AND VERSION 2) ...?**

1. MUCH LOWER
2. SLIGHTLY LOWER
3. ABOUT THE SAME
4. SLIGHTLY HIGHER
5. MUCH HIGHER

DK. Don't know

RF. Refused

Q81. And thinking for a moment about your personal debt on which you currently make interest payments. I am talking about your debts you partially pay-off each month for things like mortgages, credit cards, personal loans or car loans. Would you say the amount of debt you currently have is...(DO NOT ROTATE)

1. More than you can handle financially
2. About as much as you can handle financially ...or...
3. You could handle more debt than you currently have
4. Do not have any personal debt (**DO NOT READ**)

DK. Don't know

RF. Refused

Q84. Are you of Hispanic or Latino origin?

1. Yes
2. No

DK. Don't know

RF. Refused

Q85 . I am going to read a list of racial categories. Please choose one or more categories that best indicates your race. Are you? [PROG.: CAPTURE 1<sup>ST</sup>, 2<sup>ND</sup>, AND 3<sup>RD</sup> MENTIONS]  
(PROBE: Would any other race apply?)

1. WHITE
2. BLACK OR AFRICAN AMERICAN
3. AMERICAN INDIAN OR ALASKA NATIVE
4. ASIAN
5. NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER
6. OTHER (**DO NOT READ**)

DK. Don't know

RF. Refused

Q86.1. Gender (**BY OBSERVATION**)

- 1.. MALE
2. FEMALE

Q86.2. Are you employed outside of the home, are you a homemaker, or are you retired?

1. Employed outside the home
2. Homemaker
3. Retired
4. Not in the workforce

DK. Don't know

RF. Refused



**[PROG, Q86.2: IF Q86.2:1, ASK Q86.3; ELSE GO TO INTRODUCTORY TEXT BEFORE Q87a.]**

Q86.3 And, are you paid on an hourly basis or do you draw a yearly salary?

1. HOURLY

2. SALARY

DK. Don't know

RF. Refused

OK. We are now in the last section of the survey. Dealing with some of the situations we have discussed today requires you to think about numbers. I would therefore like to ask you a few questions to get a sense of how you deal with numbers. After that, we are finished.

Q87a. Using a scale of 1 to 7, how would you rate your ability to work with numbers? An answer of 1 means that that you are really bad with numbers, while a 7 means that you are really good with numbers. How would you rate your ability to work with numbers?

Record response \_\_\_\_\_

DK. Don't know

RF. Refused

On these next questions, if you do not immediately know the answer, please try to figure it out. If you would like me to repeat the question, just ask.

**[PROG, Q87b: ON Q87b – Q87f, IF PERSON GIVES AN ANSWER IN A RANGE – FOR EXAMPLE, “SOMEWHERE BETWEEN \$250 AND \$350,” ASK FOR A SINGLE ANSWER.]**

Q87b. During a sale, a store is selling all items at half price. Before the sale, you had admired a sofa that cost \$600. How much would you have to pay to buy the sofa during the sale?

1. \$300

2. All other answers

DK. Don't know

RF. Refused

Q87c. If the chance of getting a disease is 10 percent, out of 1,000 people, how many would be expected to get the disease?

1. 100

2. All other answers

DK. Don't know

RF. Refused

Q87d. A used car dealer is selling a car for \$10,000. This is two-thirds of what the car cost new. How much did the car cost when it was new?

1. \$15,000

2. All other answers

DK. Don't know

RF. Refused

Q87e. If 5 people have the winning number in the lottery and the prize is \$2 million, how much will each of them get?

- 1. \$400,000
- 2. All other answers
- DK. Don't know
- RF. Refused

Q87f. Let's say you have \$200 in a savings account. The account earns 10 percent interest per year. How much will you have in the account at the end of two years?

- 1. \$240
- 2. \$242
- 3. All other answers
- DK. Don't know
- RF. Refused

READ TO ALL:

Those are all the questions we have for you today. Thank you very much for your time – we appreciate it very much. Have a good (day/evening).

READ ONLY IF ASKED: This study was sponsored by the Federal Trade Commission, an agency of the US government. Your answers today will be used to help shape future policies protecting US consumers. We appreciate your help.

Q28 / Q62 / Q62b / Q64b / Q64p / Q67 POP-INS

Q11.1 – Q11.6b

Q62 / Q62b / Q67 “this offer to modify your mortgage”  
Q64p / Q64b “for the promised modification of your mortgage”

Q13.1 – Q13a

Q62 / Q62b / Q67 “this offer to remove information from your credit report”  
Q64p / Q64b “to have the information removed from your credit report”

Q14.1 – Q14.2

Q62 / Q67 “this offer to provide information about creating a new identity or credit record”  
Q62b “learning how to create a new identity or credit record”  
Q64p / Q64b “for this information about creating a new identity or credit record”

Q15.1 – Q15a

Q62 / Q62b / Q67 “this credit card insurance”  
Q64p / Q64b “for this credit card insurance”

Q16.1 – Q17b

Q62 / Q62b / Q67 “this promise to get you a credit card or loan”  
Q64p / Q64b “for the promised credit card or loan”

Q16a.1.a – Q16a.8

Q62 “this offer to help reduce or eliminate your credit card debts”  
Q62b / Q67 “this help in reducing or eliminating your credit card debts”  
Q64p / Q64b “for this help in reducing or eliminating your credit card debts”

Q19.1 – Q19a

Q62 / Q62b / Q67 “these Internet services”  
Q28 “for these Internet services”

Q21.1 – Q25

Q62 / Q62b / Q67 “this buyers’ club membership”  
Q28 “for this buyers’ club membership”

Q22.1 – Q23

Q62 / Q62b / Q67 “this product or service”  
Q28 “for this product or service”

Q31.1 – Q37

Q62 / Q62b / Q67 “this business opportunity”  
Q64p / Q64b “for this business opportunity”

Q31a.1 – Q37b

Q62 / Q62b / Q67 “this work-at-home opportunity”  
Q64p / Q64b “for this work-at-home opportunity”

Q32.1 – Q38

Q62 / Q62b / Q67 “this promise to get you a job”  
Q64p / Q64b “for the promised job”

Q39 – Q39a.12

Q62 / Q62b / Q67 “having won this prize”

Q41 – Q41a.9

Q62 / Q62b / Q67 “this grant”

Q42 – Q42e

Q67 “this check you were sent”

Q44 – Q44e

Q62 / Q62b / Q67 “this weight loss product”  
Q64p / Q64b “for this weight-loss product”

Q45 – Q49

Q62 / Q62b / Q67 “this item”  
Q64p / Q64b “for this item”



