

## Colorado Bar Association

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### Chapter 10 - Consumer Information

The following information briefly discusses some of your rights as a consumer. It is not a complete listing of all laws that help consumers.

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#### Credit Purchases

Buying on time or buying on credit means that you borrow the amount of money needed to purchase the item or service. You agree to pay back the money plus a **finance charge** (interest). This extra charge is the cost of paying for the item or service over time instead of in one payment. (All words in **bold** are defined in the glossary at the end of this chapter.)

When using retail credit cards, you must pay a monthly finance charge on your unpaid balance. If you pay for purchases within 25 to 30 days you often can avoid paying the finance charge. This depends on your credit card agreement. Some credit cards have a finance charge from the date of purchase.

Consumer contracts must show the finance terms as required by the Colorado Consumer Credit Code and the federal **Truth in Lending Act**.

The Truth in Lending Act requires businesses that extend credit to show you in writing how much your credit will cost. They must give you a written statement showing the **amount financed**, **annual percentage rates (APR)** of finance charges and **payment total**. The statement must include all of this information before you sign. If the terms are not shown, you can recover damages from the seller.

The Colorado Consumer Credit Code allows you to cancel most credit transactions within three days if you use your home to secure the loan or if the sale takes place in your home.

#### Identity Theft

Criminals, using a variety of methods, steal personal information about their victims. They look for bank account, credit card and Social Security numbers, driver's licenses, ATM cards, telephone calling cards and other key pieces of individuals' financial identities. Criminals use this information to impersonate victims, spending as much money as they can in as short a period of time as possible. Victims, faced with a damaged financial reputation and bad credit reports, spend months or even years trying to regain their financial health.

#### To protect against identity theft:

- Wear a close-fitting pouch instead of carrying a purse that can be easily snatched.

- Wear your wallet in your front pocket.
- Don't leave your purse for even a moment in a grocery cart or restaurant chair, or locked in your car.
- Carry only the cards you know you will need. Do not carry extra credit cards, checkbook, birth certificate or passport in your wallet or purse. Only carry your Medicare card when you are going in for health service.
- Protect your Social Security number (SSN). Don't carry your Social Security card with you or use your SSN on your driver's license or checks.
- Don't give any part of your SSN or bank/credit card numbers over the phone or e-mail, unless you have made the call. One ploy criminals use is to call or e-mail and pose as your bank or business and ask to "confirm" your SSN or other data.
- Take ATM, credit card and other receipts home with you. Save them in a safe place until you have verified the charges on your bank or credit card statement and then destroy them in such a way they cannot be read.
- Shred pre-approved credit card offers and any papers that have your personal information using a cross-cut or confetti shredder.
- Cancel all credit card accounts you are not using. Even though you don't use them, an identity thief can.
- Never put your account number on an envelope or postcard.
- Keep a record of your card numbers, expiration dates, and phone numbers for each company in a safe place (away from where you keep your cards).
- Don't put checks for paying bills in your mailbox for carrier pickup - mail the bills inside the post office, or consider using automated payment plans or online banking - yes, it is safe!
- Have new boxes of checks sent to your bank or credit union, not to you.
- Tell your credit card issuers you wish to "opt out" of their marketing programs, including credit card convenience checks.
- Call the credit reporting agencies' "opt out" line to get your name off marketing lists for credit card applications and other offers of credit: (888) 5-OPTOUT (567-8688) or online at <http://www.optoutprescreen.com>.
- Open credit card billing statements promptly and compare them with your receipts. If there are any mistakes, report them in writing immediately. Under the Federal Fair Credit Billing Act (FCBA), the card-issuer must investigate billing errors if you report them within 60 days of the date your card issuer mailed you the statement.
- If you report the loss before the cards are used, the card-issuer cannot hold you responsible for any unauthorized charges. If someone uses your card before you report them missing, the most you will owe for the unauthorized charges on each card is \$50.
- Be cautious of telemarketers pushing credit card protection plans. The FCBA gives you the right to contact credit card companies directly in the event of loss or suspected unauthorized use.
- Request a free copy of your credit report once a year from the three major credit reporting companies: (877) 322-8228 or online at <http://www.annualcreditreport.com>.
- Keep your doors locked at all times - even when you are in the yard.
- Do not allow strangers in your home even if they say they are a neighbor or utility company worker.
- Do not allow someone in your home to use the phone or get a drink of water.

**If you think your identity has been stolen:**

- File a report with the police, U.S. Postal Inspection Service or district attorney immediately. You will need a copy of the police report as proof you were a crime victim.
- Contact the fraud departments of any one of the three major credit reporting companies:
  - Equifax: (800) 525-6285 or <http://www.equifax.com>
  - Experian: (888) 397-3742 or <http://www.experian.com>
  - Trans Union: (800) 680-7289 or <http://www.transunion.com>
- Ask them to flag your accounts and add a victim's statement to your file.
- Consider subscribing to a credit report monitoring service from one of the above credit reporting agencies.
- Send a copy of the report/affidavit to your creditors and the credit reporting companies. Under Colorado law, once they receive your report/affidavit, they cannot put negative information in your credit file. Close any accounts that you think have been taken over or opened fraudulently. Get new cards with new account numbers.
- If you notice any irregularities on a bank statement, notify your bank immediately. You may need to cancel checking and savings accounts and open new ones. You have 30 days from the date of your bank statement to report checking account fraud and complete an "Affidavit of Forgery." If you prove fraud, the most for which your bank can hold you liable is \$50; but it must be done within 30 days of the bank statement date.
- Get a new ATM card, account number and PIN or password.
- Call your utilities, especially cell phone service providers. Tell them someone may try to get new service using your identification.
- Review the information available online at the Colorado attorney general's identity theft website: <http://www.ago.state.co.us/idtheft/idtheft.cfm>.

## Your Credit Report

Your credit rating is one of your most valuable assets because it determines whether, and on what terms, you will be extended credit (such as for credit cards, installment purchases, and home and automobile loans). Your credit rating comes from a report issued by a consumer reporting company (CRC). CRCs operate nationwide and keep records such as your payment history for past credit transactions, court **judgments** and bankruptcy filings. You have important rights with regard to your credit rating:

1. A CRC cannot report your credit history to just anyone. Generally, they are limited to requests from you or from anyone having a legitimate business need for the information.
2. Negative credit information about you cannot be shown after a certain number of years. For example, most judgments cannot be shown after seven years and most bankruptcies after 10 years.
3. If you have been denied credit, you have the right to receive a copy of your credit report free of charge.
4. If you find something on your credit report that is not correct and you report this to the CRC, the company must conduct an investigation. If the CRC verifies that the item is incorrect, it must remove the item from the report within 30 days. It also must remove the item if the creditor fails to respond.
5. Even if the CRC does not feel the item is incorrect, you still have the right to place your own statement in the credit report that explains why you dispute the item, and to challenge

the report in court.

6. At any time, you have the right to request a copy of your credit report. Under Colorado and national law, you have the right to annual free credit reports from each CRC. CRCs must notify Colorado consumers if eight or more inquiries are made on their report, or an adverse action is included in any 12-month period.

Your free credit report is available at <http://www.annualcreditreport.com> - the only authorized online source under federal law. The website is secure, easy-to-use and free. You also can get your free credit report by calling (877) 322-8228. Follow these tips if using the website:

Watch the spelling if you type in the Web address - many bogus sites are just one letter away from the official site.

For maximum benefit, space out your three free reports over the year; this will allow you to see changes that occur over time.

Print or download your credit report(s) immediately; you may not be able to gain access again for free later. After getting your report, quit your browser so no one else can access it.

### **Credit Reporting Agencies**

**Equifax** - <http://www.equifax.com>

- Report fraud: (800) 525-6285
- Order copy of report: (877) 322-8228

<http://www.annualcreditreport.com>

P.O. Box 105281

Atlanta, GA 30348-5281

- Dispute report/credit denied: (800) 216-1035

P.O. Box 704256

Atlanta, GA 30374-0256

**Experian** - <http://www.experian.com>

- Report fraud: (888) 397-3742;

P.O. Box 949

Allen, TX 75013

(877) 322-8228

P.O. Box 105281

Atlanta, GA 30348-5281

<http://www.annualcreditreport.com>

- Dispute report/credit denied; (888) 397-3742

P.O. Box 2106

Allen, TX 75013

**Trans Union** - <http://www.transunion.com>

- Report fraud: (800) 680-7289

- Order report: (877) 322-8228

P.O. Box 105281

Atlanta, GA 30348-5281

<http://www.annualcreditreport.com>

• Dispute report/credit denied: (800) 916-8800  
TransUnion Consumer Solutions  
P.O. Box 2000  
Chester, PA 19022-2000

To stop unsolicited credit offers, you can "opt out" by calling (888) 567-8688 or registering online at <http://www.optoutprescreen.com>. One call covers you for all three credit reporting companies. You will have to give your Social Security number; the website is secure.

### **Freezing Your Credit Report**

Beginning on July 1, 2006, Colorado consumers can request to place a security freeze on their credit reports. A freeze will prohibit each credit reporting agency from releasing the credit report or any information in that report. Requests must be in writing and sent by certified mail to each of the three major consumer credit reporting agencies (see addresses below).

Your request must include all of the following: full name, with middle initial and generation, such as JR, SR, II, III, etc.; Social Security number; date of birth; current address; and previous addresses for the past two years. In addition, enclose one copy of a government-issued identification card, such as a driver's license, state ID card, military ID card, etc., and one copy of a utility bill, bank or insurance statement, etc., that displays your name and current mailing address, and the date of issue (statement dates must be recent). Each agency must place a security freeze on a consumer's credit report within five business days after receiving the request.

To remove the security freeze, consumers must request that the freeze be temporarily lifted by providing 1) proper identification; 2) the unique personal ID number and password provided by each credit reporting agency; and 3) information on the third party who is to receive the credit report and the time period that the report will be available.

The credit reporting agency is to remove the security freeze within three business days of the removal request. The initial security freeze is free of charge; however, the temporary or permanent removal of the freeze may cost up to \$10 per agency.

The agency addresses are:

Equifax Security Freeze Experian TransUnion  
P.O. Box 105788 P.O. Box 9554 P.O. Box 2000  
Atlanta, GA 30348 Allen, TX 75013 Chester, PA 19022

A security freeze will not block access to that report, or to information contained in the report to the following:

- Any person that owns a financial obligation owed by the consumer for purposes of reviewing the account or collecting on that financial obligation;
- An assignee or prospective assignee of a financial obligation owed by the consumer;
- A subsidiary, affiliate, agent, assignee or prospective assignee of a person to whom access to a consumer's credit report has been granted for the purpose of facilitating the

extension of credit or other permissible use;

- A state or local agency, law enforcement, trial court, private collection agency, or person acting under a court order, warrant or subpoena;
- A child support enforcement agency enforcing a child support obligation;
- The Colorado Department of Health Care Policy and Financing to investigate fraud;
- The Colorado Department of Human Services to investigate fraud;
- The Colorado Department of Revenue to investigate or collect delinquent taxes or unpaid court orders;
- The use of credit information for prescreening as provided by the Fair Credit Reporting Act - see opting-out on the previous page to stop credit prescreening.
- Any person or entity administering a credit file monitoring service to which the consumer has subscribed;
- Any person or entity for the purpose of providing a consumer with a copy of his/her credit report upon the consumer's request;
- Any person or entity for use in setting or adjusting a rate, adjusting a claim, or underwriting for insurance purposes;
- A pension plan acting to determine the consumer's eligibility for plan benefits or payments authorized by law to investigate fraud;
- A person conducting a presentence investigation in a criminal matter or a probation officer for supervision of an offender;
- A collection investigator collecting fees, fines or restitution in a court proceeding;
- A licensed hospital with which the consumer has had contact or a debtor-creditor relationship to review the account or to collect a financial obligation; or
- A law enforcement agency investigating crime or conducting a criminal background check.

## Debt Collectors

If you cannot make your credit payments, the seller, loan company or bank may give your debt to a lawyer or **collection agency**, which is a business that tries to collect debts. These debt collectors can use any legal means to collect money you owe.

The federal Fair Debt Collection Practices Act and the Colorado Fair Debt Collection Practices Act control debt collectors' activities. They cannot do the following:

1. Continue calling or writing after you told them, in writing, that you do not want to be contacted;
2. Call your friends or neighbors;
3. Contact you or your boss at work if the collection agency knows your boss prohibits these types of calls;
4. Call you before 8 a.m. or after 9 p.m., or use harassment or scare tactics;
5. Threaten to file criminal charges against you, take your property or garnish your wages without first filing a lawsuit to give you a chance to defend yourself; (a lawyer acting as a debt collector cannot threaten criminal prosecution) or
6. Threaten you with any physical harm.

## Debt Collection in Court

If you owe money to a creditor, he or she usually has the right to demand that you pay it all. A creditor still can sue you for the whole amount even if you offer to pay a small amount such as \$5 to \$10 per month. (This may be different if the creditor has agreed to let you make partial payments and you haven't missed any payments.)

If you miss a payment, pay less than the agreed amount, are late on a payment, or do something else that violates a written contract regarding the payments, the seller or creditor may have the right to demand payment of the full balance you owe on the debt. In this case, the creditor also may have the right to repossess the item on which you are making payments.

If a loan company, bank, collection agency or creditor decides to sue you, it must first serve you with a summons to appear in court and a complaint that states why you are being sued. The summons must tell you when you are to appear in court or how many days you have to respond to the complaint. If you do not appear or respond, the other party may obtain a "default judgment" against you. This means the court can enter a judgment against you even though you were not present to defend yourself. A judgment is a court decision that you owe the money. The judgment-holder must follow legal procedures to try and collect on the judgment. The judgment-holder may put a lien on your property, garnish your wages or bank account, or take personal property. However, the judgment-holder cannot take certain property protected by law. This property is known as **exempt property**.

Examples of exempt property include:

1. Social Security, other government benefits and pensions, which are exempt even when placed in a bank account;
2. Household goods with a **market value** of up to \$1,500 per person. Market value is the cost a willing buyer would pay for a product "as is";
3. An automobile with a market value of up to \$1,000 per person;
4. Clothing with a market value of up to \$750 per person;
5. All prescribed health aids;
6. All net wages if you earn less than a certain amount each week. If you earn more than a certain amount, a creditor cannot garnish more than 25 percent of your total net wages;
7. The first \$30,000 of equity in your house.

A creditor may try to take your property even though it is exempt. If this happens, you must file a **claim of exemption** with the court. The creditor or the court should mail the proper forms to you. This form will list your exempt property and stop the creditor from taking it. It doesn't cost anything to file the claim of exemption, but you must act very quickly to protect your property.

The legislature may change the amounts of these exemptions. If anyone sues you, contact an attorney immediately. If you take no action, you may automatically lose the case.

If you find that your debts have reached a level where you can no longer manage them, you may need to file for bankruptcy protection. When you file for bankruptcy and obtain a discharge (which is the final court order approving your bankruptcy protection), nearly all of your creditors will be prevented from taking any further actions to collect your debts. There are various types of bankruptcy protection available to you. Certain types of debts cannot be affected by a bankruptcy, most notably taxes and child support obligations. Consult an attorney if you have

any questions about whether you should file for bankruptcy.

Bankruptcy is a drastic measure that may adversely affect your ability to obtain credit for up to 10 years. Many creditors will work with you to arrange better payment terms, rather than have you file for bankruptcy.

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## Contracts

Every word in a contract is important. Before signing any contract, read all of it. If you do not understand any part, ask questions or consult an attorney. Do not do business with anyone who refuses to give you a copy of the contract before you sign it.

If you and the other party come to an agreement about something that is not written in the document, you must put that agreement in writing. To make sure there are no misunderstandings, you need to write down everything you have agreed to do. You can mark up the document to add any changes. You and the other party should initial or sign next to the added terms.

If you have been pressured or rushed to sign - or if you just change your mind - you can get out of some contracts. With some contracts you must be told in writing about your rights to cancel the contract. You usually can cancel contracts from door-to-door sales, and any contract which calls for placing a lien on your house, within three days. You have one day to cancel a contract which was solicited over the telephone. You always should put your notice of cancellation in writing. It is a good idea to send the notice by certified or registered mail so you will have proof of when you sent the notice and that the company received it. Most other contracts are binding as soon as you and the other party sign. Also, never sign a contract with blank spaces that can be filled in later.

Do not sign a contract that takes away your legal rights unless you know what you are giving up and agree to give it up. Insist that all guarantees and warranties be in writing. Keep copies of all contracts, receipts, payment records and letters you send about the product or service.

**Before you sign any type of sales or services contract, ask yourself these questions:**

1. Do I really want what I am paying for?
2. Do I understand the contract I am about to sign?
3. Do I know the total price, including interest and other charges, I will have to pay?
4. Do I know how many payments I will have to make?
5. Can I get the same thing somewhere else for a cheaper price?
6. Am I getting any guarantees on the product or for the services I am paying for? (Note: Get all guarantees in writing!)
7. Can I make the payments the contract requires?

Always remember that it will cost you far less to have an attorney review the contract before you sign than it will to have an attorney represent you in court afterward because you made a deal that was unfair to you.

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## Warranties

Many products come with information about your consumer rights if the product is defective, damages property or injures people.

Warranties explain what the manufacturer or the seller must do if the product is defective.

Warranties are either express or implied. Express warranties are written or oral. An **express warranty** specifically states what the manufacturer or seller will do. Express warranties usually last from 30 days to one or more years. During this time, you can have the seller repair or replace a defective product. However, some warranties cover the failure of only certain parts. Other warranties cover products only for a short time.

An **implied warranty** is not written, but is one that the customer may assume is present in most products of the same type. An implied warranty assures that the product will be of good quality and can be used for the purpose it was made. The instructions for the product may specifically exclude uses of the product which might otherwise fall within the implied warranty.

Keep your sales receipt to prove you bought the product within the warranty period. Often, warranty registration cards come with the product. If the warranty is a full warranty, you do not have to return the registration card to be protected. The seller giving the full warranty must repair any defects without charge. If you have problems getting your products repaired or replaced under a warranty, ask an attorney.

Remember that a warranty is only as good as the company giving it. If you buy a product with a warranty and the maker goes out of business, you probably will not be able to enforce your warranty rights.

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## Complaints About Merchandise

If you buy defective goods, send a written complaint to the business that sold them. Be specific about the problem. Include a copy - not the original - of your receipt, check, bills, warranties or other documents. Note the following important tips:

1. Tell the seller what you want.
2. Provide your name, address and telephone number.
3. Send the letter as soon as possible after the problem arises.
4. Send the letter to the complaint department, the company president or the customer service department. You may send the letter to all three.
5. Keep a copy of letters you send. Note the date you send the letter so you know how long the business takes to respond.
6. Allow a reasonable time for a response.
7. If you do not receive a response, write another letter. Tell the business that you will seek help from one or more consumer agencies. Contact the Better Business Bureau, Attorney General Consumer Line or local media consumer action programs. You also may go to an attorney or to small claims court.
8. If you owe money for defective merchandise not repaired or replaced by the seller, you

may not have to continue payments. Consult an attorney about your rights.

9. If the amount of the dispute is small, you may sue in small claims court, which does not require an attorney.

10. If the amounts involved are large, the case is complex or you are being sued, contact a lawyer immediately.

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## Protection from Schemes, Frauds and Rip-Offs

### Quit Claim Deeds

Quit Claim Deed fraud is increasing. A Quit Claim Deed is a type of contract in which a homeowner agrees to give up any interest they may have in a piece of property. If you are of sound mind and knowingly sign a Quit Claim Deed to your home, you are giving up ownership. The new owner - the person to whom you signed over the deed - may legally evict you! Never sign a Quit Claim Deed without getting the advice of an attorney.

### Predatory Lending

Predatory lending schemes also are on the rise. Predatory lending is the name given to an assortment of loans that take advantage of people who need to borrow money. Predatory lenders target older homeowners with attractive-sounding loan offers that drain the value from the homes. Some warning signs that you are target for a predatory loan:

- You've fallen behind in your mortgage payments or you already are in foreclosure.
- You're getting phone calls and visits from companies offering to help you pay off your debts.
- You're receiving numerous fliers in the mail or on your door offering low-interest cash loans.
- A friend, advisor or relative asks you to sign some forms without letting you read them.

To prevent predatory lending:

- Beware of companies who contact you in person or by fliers offering a foreclosure relief service.
- Don't sign any forms or papers without reading and understanding what you're signing. If you're uneasy or feeling pressured, get advice from a lawyer or other advisor.
- Don't deed your property to anyone. First consult an attorney, a knowledgeable family member or someone else you trust completely. Once you sign legal papers, it can be difficult, or even impossible, to reverse the action.
- If you're having trouble paying your mortgage, contact your bank or mortgage company and discuss potential payment plans!

### Hearing Aids

Have an audiologist test your hearing before you decide to buy a hearing aid or replace an old one.

Do not believe ads offering an effective hearing aid at a bargain price. You may get just what

you pay for.

Shop around and compare prices - for the fitting, adjusting and servicing, as well as comparable aids.

By law, you may cancel an agreement to purchase a hearing aid within 30 days after receiving it. You must return the hearing aid, and you are entitled to a full refund of all money you paid (except anything you may have paid for individualized ear molds). The law has other restrictions on the practices of hearing aid dealers. Talk to an attorney, your local District Attorney's Office, the Better Business Bureau, or AARP ElderWatch through the Colorado Consumer Line at (800) 222-4444.

### **Bait & Switch**

Bait and Switch ads lure you into the store to buy something available only in limited quantities. Once you get into the store, a salesperson tries to sell you a more expensive item than the one advertised.

If the advertised item is the bargain you expected, do not let the salesperson convince you to spend more on something else.

Stores must have enough stock of an advertised product to satisfy public demand. If the product is out of stock, insist on a "rain check" so that you still can take advantage of the sale price when the product becomes available in the store.

### **Prepaid Funeral Plans**

When you prepay for your funeral, you are contracting with the funeral home (or cemetery) to deliver specific services at a set price when you die. While it is a good idea to plan ahead so your family knows how you want your funeral and burial to be conducted, some prepaid plans can be risky.

Read the policy carefully and understand all of its terms before you invest in the plan. Know what happens should you decide to move to another area, change your mind about your wishes or want to withdraw from the plan. Verify that your money is being placed in a secure trust so it will be available to your family when they need it.

Make sure you understand any conditions before you make your purchase. Under some plans, you will receive the benefits no matter how long you have made payments. Other plans require you to pay a set amount before you receive any benefits.

### **Health Insurance**

1. Do not purchase coverage you do not need or coverage that duplicates what you already have.
2. Before buying or changing coverage, discuss your plans with someone you trust.
3. The Colorado Division of Insurance operates a special counseling program for Medicare recipients and their families who need assistance in understanding Medicare benefits and coverage gaps, medical bills, and other insurance options, including long-term care

insurance. For more information, call the Colorado Senior Health Insurance Assistance Program, (303) 894-7553.

## Con Games

In the **Pigeon-Drop Scheme**, the person running the scam will tell you that you have the chance to obtain money or valuable property. However, before you can get your "prize," you must first give the person your own money to be held as "collateral" to prove that you are trustworthy. Typically you do not see the person or your money again. If you are approached for what appears to be a pigeon-drop, immediately report it to the police.

In the **Bank Examiner Fraud** someone poses as an official of the victim's bank. Using the ploy that the bank suspects a teller is stealing funds from the person's account, the bank "official" requests that the victim go to the bank and withdraw a large sum of money, usually \$3,000-\$5,000 to give the cash to a "law enforcement" official who will be in the bank parking lot. According to the story, law enforcement will then mark the bills, which will enable them to catch the teller in the act of stealing from the victim's account. If you fall for this scam, you will never get your money back. Legitimate financial institutions never use their customers to investigate internal fraud. If you receive such a call, report it immediately to the police and your bank.

In the **Latin Lotto Con**, a Spanish-speaking person approaches the victim outside a store. An accomplice, posing as a stranger, happens by and offers to translate. The Spanish-speaker claims to have a winning lottery ticket, but can't turn it in for fear of being deported as an undocumented alien. The con artist offers to split the winnings if the stranger and victim will turn in the ticket. To show trust, the translator says he and the victim will have to withdraw money from their bank accounts. Once the victim hands over the money, the con artist and accomplice give the victim the slip. It is important to note that the Colorado Lottery does not require proof of citizenship.

Another scam is the **Neighbor Assistance Con**. Going door-to-door, this con artist convinces victims that a neighbor has an emergency and needs money. Or a child may need an operation. Or a son needs to get to a dying mother. The stories can be very emotional and creative, but the con is still the same cold effort to take your money. To protect yourself from con games, simply DO NOT respond to ANY stranger who approaches you on the street, at your door or over the telephone.

## Financial Planning & Investments

Many elderly Americans deal with people with titles such as "financial planner" or "investment advisor." The majority of them are competent and dedicated professionals. However, every year many people lose thousands of dollars due to incompetent or unscrupulous financial advisors.

A stockbroker, financial planner or telemarketing con artist who wants your money will assure you that he/she can handle everything, thereby relieving you of the need to watch over and protect your nest egg. Beware of any advisor who suggests putting your money in something you don't understand or who urges you to leave everything in his or her hands. Constant

vigilance is a necessary part of being an investor.

To protect yourself from investment or financial-planning fraud:

1. Don't become solely-dependent on one financial advisor or consultant. Diversify your advisors as well as your investments.
2. When selecting a financial planner or investment advisor, ask for and thoroughly check out references. If using a financial planner, call the National Board of Certified Financial Planners at (888) CFP-MARK to determine if the planner is licensed. Before selecting a stockbroker or investment advisor, call the Colorado Division of Securities at (303) 894-2320.
3. Don't make a major financial decision without getting a second or third opinion from a friend, family member, attorney, banker or accountant.
4. Don't be rushed into making a quick decision.
5. Be absolutely certain that you understand the amount of risk involved in an investment, and decide if you are willing to live with that risk. Risk means the possibility that you will lose some, or even all, of your investment. For example, federally-insured bank deposits carry very little risk, but corporate stocks may carry a high-degree of risk. A good financial advisor will tell you if an investment is too risky for you.
6. Monitor your investment and insurance plans. Look for signs of excessive or unauthorized trading of your funds.
7. Make sure you easily can retrieve your funds. Don't let a false sense of friendship or trust keep you from demanding a return of your investment.
8. The moment you suspect that something is wrong, call the Colorado Division of Securities and make a complaint. Fraudulent promoters will go to great lengths to avoid your calls or make up explanations to stall you. Accepting this behavior only delays the point at which the fraud will be uncovered.
9. Don't let embarrassment or fear keep you from reporting investment fraud or abuse. Not reporting fraud allows a criminal to get away with stealing your life savings and potentially the life savings of other unsuspecting citizens.

### **Indicators of Potential Investment Fraud**

1. High-pressure sales tactics with an insistence on an immediate decision.
2. Unwillingness to let you discuss the deal with another person to get a second opinion.
3. A "guaranteed" investment with a return more than 10 percent or one with "no risk."
4. Unwillingness to provide written information, including state securities registrations and verifiable references.
5. A suggestion that you invest on the basis of trust.

### **Living Trusts**

A funded living trust is an estate-planning device that has become increasingly popular in recent years. Its purpose is to hold and manage an individual's assets during his or her lifetime and then distribute them at the time of death. If done properly, a living trust may eliminate the need for probate of the person's estate. While your attorney may recommend and prepare a living trust for you, many of these trusts are now being sold by companies using direct mail or "free" seminars. Often, unscrupulous sales people will try to conduct their seminars at senior or

community centers. Don't assume that the senior center is endorsing them or their financial plans. These promotions typically make false claims about the merits of a trust and exaggerate the cost of the probate process, while selling a one-size-fits-all document that may not even be legal in Colorado.

If you are thinking about a living trust, here is what you should consider:

1. Talk with a Colorado attorney about all the ways you can direct how your property will be distributed after your death. There are many other ways to "avoid probate" that are cheaper than a trust.
2. Do not deal with a seller of living trusts who refuses to let you review the trust with an independent advisor such as an attorney.
3. Beware of claims that the trust arrangement will offer big savings over what it will cost to probate a will. Colorado law provides for informal probate, and most estates will qualify for this treatment. The cost of establishing a living trust may actually be greater than the cost of probate in some cases.
4. Beware that the living trust company may not use any Colorado attorneys, or any attorneys at all. State laws differ, and a "national" trust form may not work well under Colorado law.
5. Remember that your estate plan is special to you. One form will not fit all people, and important questions cannot be answered the same way for all people.

## **Sweepstakes Scams**

Consumers often are enticed by a valuable prize or award to buy merchandise or services or contribute to bogus charities. It isn't free if you have to pay a fee. If you have to buy a product like vitamins or light bulbs, pay a fee or make a donation before you claim your award or receive your prize, you haven't won anything.

Sweepstakes companies prey on consumers' sense of greed and luck that they've won something for nothing. But sweepstakes companies are not in the business of giving away millions of dollars - they're in the business to make money.

Under Colorado's Sweepstakes and Contests Law, promoters are prohibited from engaging in any of the following:

- Falsely representing that you have won a prize.
- Falsely representing an item as a "prize" if it is given to all promotion recipients.
- Falsely representing that you have been specially selected or that you are in a select group of potential winners.
- Making false, deceptive or misleading statements about your odds of winning or what you need to do to become eligible to win.
- Falsely representing that your envelope has been delivered by express or first class mail.
- Displaying urgent messages on envelopes unless there is truly a limited time period for a sweepstakes entry and the true deadline is disclosed adjacent to the urgent message.
- Representing that sweepstakes entries accompanied by an order for products will be treated differently than entries without an order.
- Creating a false impression of the solicitation's source, authorization or approval.

The law requires a promoter to prominently disclose:

- A "No Purchase Necessary Message" in all capital letters.
- The fact that the recipient has not yet won anything.
- The value of the prize.
- The odds of winning.
- The name of the promoter.
- The true deadline for entering the sweepstakes.
- The official rules of the sweepstakes.

Keep in mind:

Sweepstakes can be fun as long as you keep your eyes open to the games the sweepstakes promoters want to play with you.

1. Don't pay to win. Buying products such as magazines doesn't increase your chances of winning a sweepstakes. You never have to pay to play when the contest is legitimate.
2. No purchase is necessary to win. Prizes are free. If you have to pay before you can receive your prize, it's a purchase. It's against the law to require you to buy something to win a prize or participate in a sweepstakes or prize promotion.
3. Be cautious of charities that use sweepstakes promotions. More of your donation is going to the promotion than to any charitable purpose.
4. Keep your credit card and bank information to yourself. Never give your credit card number, bank account information or Social Security number to anyone you don't know, especially if the reason is to verify your eligibility or to "deposit" winnings to your account.
5. Lottery sweepstakes from foreign countries such as Canada and Australia are illegal. No foreign lotteries may be conducted in the United States. You cannot win.
6. Participating in sweepstakes promotions is the best way for you to get on every junk mail list in the country. Selling your name to other direct mail marketers is a huge part of sweepstakes companies' business.

To receive fewer sweepstakes and advertising promotions by mail, consumers may register with the Direct Marketing Association by writing to:

Mail Preference Service  
Direct Marketing Association  
P.O. Box 643  
Carmel, NY 10512

<http://www.dmaconsumers.org/cgi/offmailinglist> (\$5 charge)  
[http://www.dmaconsumers.org/consumers/optoutform\\_emps.shtml](http://www.dmaconsumers.org/consumers/optoutform_emps.shtml) (for e-mail lists)

### **Telemarketing Scams**

Coloradans lose millions of dollars a year to illegal telemarketers. A phone caller asks you to send money, and in return you are promised that you will receive a much larger sum of money due to some unique opportunity. These callers are not salespeople just doing their job - they're criminals who will say anything to get your money. Do the following if you receive such a phone call:

1. Be wary of a friendly voice or demeanor. Crooks can sound like a relative or neighbor.
2. Never send money based on a promise given over the telephone from a stranger.
3. If you suspect a scam, contact the police, your local District Attorney's Office, the Better Business Bureau, or AARP ElderWatch through the Colorado Consumer Line at (800) 222-4444.
4. For Canadian telemarketers, call Phone Busters at (888) 495-8501.
5. It's hard to hang up on people, especially when the caller sounds so polite and friendly. But you wouldn't let a nice-looking stranger in your house or accept a ride from one, so handle telephone calls from strangers the same way.

## Colorado No-Call Law

Under the Colorado Telemarketing No-Call Law:

- Telephone customers can place their telephone numbers on a no-call list free of charge.
- You can sign up your home and cell phone numbers for the no-call list by calling (303) 776-2678 or (800) 309-7041 or registering online at <http://www.coloradonocall.com>.
- Commercial telemarketers may not call or send faxes to you at your home if you have placed your telephone number(s) on the no-call list, unless the telemarketer has an "established business relationship" with you.
- You have the right, under the federal Telemarketing Sales Rule, to tell companies with whom you have established business relationships, i.e. Qwest, MCI, AT&T, etc., to put you on their "Do Not Call" lists.
- Calls by charities, political groups and other non-commercial organizations are not subject to the Colorado No-Call Law.
- Report offending telemarketers to the attorney general or district attorneys. You also can use the Colorado Consumer Protection Act to sue in small claims court if you are on the no-call list and get unwanted calls or fax transmissions from telemarketers.
- You also should add your home or cell phone numbers to the National Do Not Call Registry at <http://www.donotcall.gov> or by calling (888) 382-1222.

## Federal Telemarketing Sales Rule

All telemarketers must maintain a "Do Not Call List." It is illegal for a telemarketer to call you if you have asked not to be called. Anytime you get a call that you do not want, tell the caller to put you on their "Do Not Call List." Keep track of names and phone numbers of these telemarketers, so you can report them should they call again.

All telemarketers also must comply with these federal telemarketing rules:

- Telemarketers only can call you between 8 a.m. and 9 p.m.
- Telemarketers must tell you it's a sales call, the name of the seller, and what they are selling before they make their pitch. If it's a prize promotion, they must tell you that no purchase or payment is necessary to enter or win. Don't be fooled by trick surveys and other ploys.
- It's illegal for telemarketers to misrepresent any information; any facts about their goods or services; earnings potential, profitability, risk or liquidity of an investment; or the nature of a prize in a prize promotion.
- Before you pay, telemarketers must tell you the total cost of the goods and any

restrictions on getting or using them; or that a sale is final or non-refundable. In a prize promotion, they must tell you the odds of winning, that no purchase is necessary to win, and any restrictions or conditions of receiving the prize.

- It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization.
- Telemarketers cannot lie to get you to pay, no matter how you pay.
- You do not have to pay for credit repair, recovery room or advance-fee loan/credit services until these services have been delivered.

To report sweepstakes and telemarketing scams, call AARP Elder Watch, the Better Business Bureau or the Attorney General through the Colorado Consumer Line at (800) 222-4444. They will need the name and as much information as you have about any telemarketing company that you are complaining about.

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### Home Repairs and Improvements

1. Choose the people you hire to do repairs and improvements on your home very carefully. Don't do business with anyone who comes to your door offering a bargain because he says he has materials left over from another job. That line is so worn out it needs its own remodeling job.
2. Ask for references from previous customers and examples of the contractor's past work. On larger projects, get at least three written bids, and don't always choose the lowest bidder. Contact the Better Business Bureau for a report on any contractor you're considering.
3. Never pay money in advance or make a final payment until you are satisfied with the work.
4. Get the contractor's full name, address, phone number and truck license number.
5. Ask the contractor to show you proof that he is bonded, carries liability insurance and covers his workers with workers' compensation insurance. Also find out if the person is required to be licensed to perform this type of work in your city and/or county. If so, is the license current? In Denver, contact the Building Inspection Service at (720) 865-2770 for answers to these questions. Other localities have similar offices.
5. Before you decide to hire someone to do your home repairs, get a detailed written estimate. The estimate will show how much the work will cost. This is very important to prevent problems later.
6. Always get a written contract that specifies everything that was in the estimate, including all charges and costs, specific materials to be used, and the start and completion dates. You and the contractor both sign the contract to make it binding. It always is a good idea to review the contents of this contract with your attorney before you sign.
7. Make the financing of your job separate from the contracting for the work. Compare loans as carefully as you compare estimates from workmen. Watch out for contractors that want to steer you to a particular lender and never give the contractor a mortgage on your home.
8. If you sign a loan for home repairs that involves a mortgage, you can cancel the loan within

three business days from the day you signed the contract.

9. The creditor must give you a written notice explaining your right to cancel the contract. You can use this notice to let the creditor know you want to cancel. You must mail the notice, or your own letter, before midnight of the third business day after you signed the contract.

10. The contractor may be entitled to what is known as a mechanic's lien. The law grants this special lien on your property for work performed there and not paid for. A mechanic's lien also can result in a forced sale of your home. Don't make a final payment to a home improvement contractor unless you've received a "lien waiver," which is a document showing that the contractor has paid his subcontractors and suppliers. These parties can place a mechanic's lien against your property as well if they aren't paid by the general contractor.

11. If someone threatens to take your home from you, call an attorney immediately.

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### **Auto Repairs**

These are your rights under the Colorado Motor Vehicle Repair Act:

1. An auto repair facility must give a written estimate that includes the total cost, completion date, a statement of your right to have parts returned (except exchanged or warranty parts) and a statement on storage fees. You waive the right to an estimate if: you sign a waiver, the vehicle is towed to the facility or the vehicle is left before/after hours. No more than \$100 can be charged without an estimate.

2. If you have not been given a written estimate, the facility must call to get oral consent before the repairs can be done. The facility must record on the invoice/work order: the date and time of the call, your name, name of the employee making the call and your phone number.

3. The facility must give a written estimate that includes the cost of disassembly and reassembly, and the costs of parts needed to replace those lost in disassembly. The facility must obtain oral consent before the repairs are completed. If more work causes an increase in the bill, the facility must obtain your consent before doing the work. The oral consent must be recorded as described above.

4. All parts and labor charges must be written clearly on the final bill. If the facility has not gotten approval, the final bill cannot be more than 10 percent or \$25 over the estimate, whichever is less.

5. A facility may charge storage fees at the facility's discretion if the vehicle is not picked up within three business days of completion notification. Storage fees should be conspicuously printed on a separate authorization provided to the customer.

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### **Charitable Organizations**

You probably receive many requests from charities asking you to give money. The Colorado

Charitable Solicitations Act controls the activities of the people who place the calls or mail the letters and the organizations they represent. Here are some of your rights:

- You have the right to ask if the solicitor is registered with the secretary of state.
- If you make a donation in response to a telephone solicitation, the solicitor is required to give you a written confirmation of the expected donation. The confirmation should contain:
  - The name, address and telephone number of the solicitor's employer;
  - A disclosure that the donation is not tax-deductible, if applicable;
  - A disclosure that the solicitor is a paid employee of a for-profit professional fund-raiser;
  - The name, address and phone number of the office from which the solicitation occurred; and
  - The name, address and phone number of the charity associated with the solicitation.
  - You may cancel your donation if the solicitor has failed to provide any of the above information. You have three days after you get the written confirmation to cancel. The solicitor must refund your donation within 10 business days of your cancellation.

To ensure your charitable dollars are wisely spent:

- Make an annual charitable giving budget and list - and stick to it! Give once to those charities on your list and disregard all other solicitations.
- Remember that many organizations intentionally use names which are similar to the names of well-known charities.
- Get proof that your deduction will be tax deductible, such as a letter from the U.S. Department of the Treasury stating that the organization qualifies under Section 501(c)(3) of the Internal Revenue Code.
- Ask for a written description of the programs, services and finances of the charity, such as an annual report. A legitimate charity will be happy to send this to you, while fraudulent solicitors may evade the question.
- Find out how much of your donation will go to the charity and how much will be spend on fundraising. Contact the Better Business Bureau's charity watchdog service <http://www.give.org>, <http://www.denverbbb.org>, or call (800) 222-4444 for a report.

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## Glossary

### **Amount Financed**

The amount of a purchase on credit without adding interest. Also called the principal amount.

### **Annual Percentage Rate (APR)**

The rate of interest you pay for using credit.

### **Cash Price**

The cost of a purchase paid in full with cash at the time of the purchase.

### **Claim of Exemption**

A form you complete and send to the court if a creditor tries to take your exempt property.

**Collection Agency**

A business that tries to collect debts.

**Creditor**

The person or company you owe money to.

**Exempt Property**

Property the law protects from being taken away if a loan company, bank, collection agency or creditor sues.

**Express Warranty**

A written or oral warranty.

**Federal Reserve Board Regulation Z**

A rule that works with the Truth In Lending Act to ensure all consumer credit terms are shown in writing.

**Finance Charge**

The total dollar amount of interest you pay for buying a product or service on credit.

**Implied Warranty**

An unwritten warranty. It is one that a customer may assume is present in most products and it implies the product will be of good quality and can be used for the purpose it was made.

**Judgment**

A court decision that you owe money to a party who sues you. It is not a court order to pay the money.

**Market Value**

The cost a willing buyer would pay for a product or service.

**Payment Total**

The amount you pay for a purchase over time. It includes the principal cost plus the finance charge.

**Truth in Lending Act**

This requires businesses offering credit to show in writing what the credit will cost.

**Warranty**

A guarantee, either written, oral or implied, that explains the obligations of the manufacturer or the seller if a product is defective.

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**Resources**

**The following are excellent resources for information on your rights as a consumer or**

**to report complaints:**

The Colorado Consumer Line will connect you with AARP ElderWatch, the Better Business Bureau and the Colorado Attorney General. Toll-free (800) 222-4444, or in metro Denver, call (303) 222-4444. For the hearing impaired: (303) 758-4786.

Attorney General's Office Consumer Credit Division  
(For questions about credit and debt issues)  
(303) 866-5544

Denver District Attorney's Fraud Hotline  
(720) 913-9179

TDD (For the hearing impaired.)  
(720) 913-9182

Adams/Broomfield Counties District Attorney's Office  
Consumer Fraud: (303) 659-7720

Arapahoe/Douglas Counties District Attorney's Office  
Consumer Fraud: (720) 874-8547

Jefferson/Gilpin Counties District Attorney's Office  
Consumer Fraud: (303) 271-6980

For Medicare insurance issues:

Colorado Senior Health Insurance Assistance Program  
(303) 894-7553

**To report financial and other abuse of the elderly:**

Denver Department of Human Services, Adult Protection  
(720) 944-2994

Colorado Department of Human Services, Adult Protective Services  
(303) 831-4043

Elder Rights Hotline  
(800) 773-1366

**For Financial Planning:**

National Board of Certified Financial Planners  
(888) CFP-MARK

Colorado Division of Securities  
(303) 894-2320

**For Home Repairs and Improvements:**

Denver Building Inspection Service  
(720) 865-2770

### **Internet Resources**

AARP ElderWatch  
<http://www.aarpelderwatch.org>

AARP  
<http://www.aarp.org/money/consumerprotection/>

Better Business Bureaus  
<http://www.bbb.org>

For charities:  
<http://www.give.org>

Colorado Attorney General  
<http://www.ago.state.co.us>

Denver District Attorney's Office  
<http://www.denverda.org>

Federal Government Consumer Information  
<http://www.consumer.gov>

**To receive fewer sweepstakes and advertising promotions by mail, register with:**

Mail Preference Service  
Direct Marketing Association  
P.O. Box 643  
Carmel, NY 10512

<http://www.dmaconsumers.org/cgi/offmailinglist>

[http://www.dmaconsumers.org/consumers/optoutform\\_emps.shtml](http://www.dmaconsumers.org/consumers/optoutform_emps.shtml) (for e-mail lists)