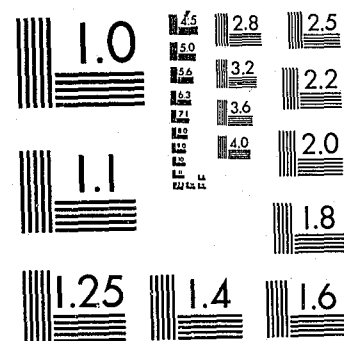


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STATE OF IOWA - DEPARTMENT OF JUSTICE

OFFICE OF THE ATTORNEY GENERAL

CONSUMER PROTECTION DIVISION

1980 ANNUAL STATISTICS AND REPORT

-CONSUMER PROTECTION DIVISION-

AND

1980 CONSUMER CREDIT CODE REPORT

-CONSUMER CREDIT PROTECTION BUREAU-

THOMAS J. MILLER
Attorney General

78743

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A MESSAGE FROM THE ATTORNEY GENERAL

April 1, 1981


This report lists in detail, information about the activities of the "Consumer Protection Division" of my office during 1980. As you can see, last year was the busiest year ever for the Division.

Also included in this document is the Attorney General's "1980 Consumer Credit Code Report." This report outlines in detail the actions of the "Consumer Credit Protection Bureau," in regard to administering, enforcing and interpreting the Iowa Consumer Credit Code.

During 1980, the activities of the Consumer Protection Division and the Consumer Credit Protection Bureau were directed by Assistant Attorney General Douglas R. Carlson. The Division currently operates with seventeen full-time staff members, one part-time staff member and several volunteers.

The Iowa Consumer Fraud Act and the Iowa Consumer Credit Code, are among several state consumer protection statutes enforced by my office for the protection of all Iowans. The Division mediates and investigates consumer complaints, litigates violations of state consumer protection statutes, interprets questions of consumer law and generally works to assist all Iowa consumers.

Iowans who have problems, complaints or inquiries in the consumer protection area should address them to my office. If the members of my Consumer Protection Division staff cannot directly assist you with your problem, they will be happy to try and refer you to the proper place to obtain the assistance you may need.


THOMAS J. MILLER
Attorney General of Iowa

/vlt

NCJRS

MAY 29 1981

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INTRODUCTION

The year 1980 was the busiest year ever for the Attorney General's Consumer Protection Division. During the year, the Division came to the assistance of more Iowans than ever before.

The Division received 12,039 new written consumer complaints, a new record up from the previous record of 9,303 set in 1979.

The Division was able to complete action on 10,802 complaints, very close to the 1979 record of 10,967 closed complaints.

Many of the 10,802 complaints the Division completed in 1980 involved financial savings to the complainants. For the year, about 45.5 percent of the complaints closed by the Division involved some cash restitution or monetary savings for Iowans involved. The total amount of monies saved or recovered by the Division in 1980 was \$1,015,263.56.

Although last year was the busiest year ever for the receipt of new complaints, the Division was able to start 1981 with a complaints pending backlog of only 4,441 complaints. Currently, many of the pending 4,441 complaints are awaiting the results of pending lawsuits. Work on complaint investigations and mediations not involved in litigation is well in hand.

The Division started 1980 with 3,911 pending complaints which coupled with the 12,039 complaints received during the year, resulted in the handling of 15,950 complaints overall for the year.

Nineteen eighty was also a major year for Division litigation. The Division filed twenty-seven lawsuits, the second largest number ever filed since the enactment of the Iowa Consumer Fraud Act in 1965. The Division was able to complete action on thirty-five lawsuits, the second largest number of suits ever completed in any one year.

The Division ended the year with twenty-eight lawsuits pending in court and during the year engaged in a total of sixty-three consumer protection lawsuits. The Division's attorneys also wrote eight attorney general opinions during the year.

One of the more important Division achievements during 1980 was a dramatic increase in the ability to assist the public. Last year the Division was able to be of some assistance to 81.3 percent of the individuals that complained to it, up from 64.5 percent in 1979. A number of major lawsuits involving restitution for large numbers of individuals take most of the credit for such an increase in the assistance statistics.

Although such figures are important, they are only statistics. The most important thing to remember is that behind each complaint is a consumer with a problem that to him or her is very important. There is much more at stake in the handling of consumer complaints than simply the number of complaints or the dollar figures involved.

Victimized consumers tend to retrench on their purchases and often begin to believe that all businessmen are crooks, which of course is not the case. Iowa enjoys an enviable position among the states since it is not a state

that harbors a large numbers of suspect companies. Most of the truly fraudulent companies that victimize Iowans are out-of-state companies rather than local merchants. This is emphasized by examining the list of defendants sued by the office showing substantially more out-of-state companies and individuals. Thus, victimized Iowans not only lose their dollars to out-of-state schemes but local, honest merchants are deprived of the income from money that cannot be spent in normal business channels. The prosecution of those who would cheat Iowans of their hard-earned dollars directly assists the victims and very importantly also assists honest Iowa businesses.

Consumer protection in Iowa is not simply a concept where the complaints of consumers are pitted against the merchants of the state. The true result of a viable consumer protection effort is not only the protection of consumers from being victimized but the protection of the honest businessman from unfair competition.

Readers with any additional specific questions about areas not covered in this report are welcome to contact the Division for any further information desired.

CONSUMER RIGHTS

One of the goals of the Consumer Protection Division of the Attorney General's Office is to enforce and protect "Consumer's Rights." Although these rights are not explicitly contained in any written statute or drafted constitution, they

are nonetheless real and viable. We believe that the consumer basically has the following five specific rights:

1. The consumer has the right to be able to make an intelligent choice among products and services.
2. The consumer has the right to accurate information on which to make his choice.
3. The consumer has the right to expect that his health and safety are taken into account by those who seek his patronage.
4. The consumer has the right to have his complaint heard, weighed and acted upon.
5. The consumer has the right to be able to believe and rely upon what is told him about a product being sold or advertised.

If the consumer believes that any of these rights have been violated, he should call this to the attention of the Consumer Protection Division.

1980 GENERAL STATISTICS

New Complaints Received.....	12,039
Complaints Closed.....	10,802
Complaints Pending at End of Year.....	4,441
Complaints Worked on During Year.....	15,950
Lawsuits Filed.....	27
Lawsuits Closed.....	35
Lawsuits Pending at End of Year.....	28
Lawsuits Engaged in During Year.....	63
Attorney General Opinions.....	8
Monies Saved and Recovered.....	\$1,015,263.56
State Cost Recoveries.....	\$ 3,750,00

TOP TEN COMPLAINT CATEGORIES

1980

	<u># OF COMPLAINTS</u>	<u>CATEGORY</u>	<u>PERCENT</u>
1.	1840	Advertising	15.3%
2.	1202	Magazine Sales & Services	10.0%
3.	1077	Mail Order	9.0%
4.	866	Travel & Transportation	7.2%
5.	861	Health Spas & Weight Salons	7.2%
6.	654	Consumer Credit Code	5.4%
7.	624	Automobiles	5.2%
8.	351	Business Opportunities	3.0%
9.	255	Appliances	2.1%
10.	238	Food Products	2.0%

1979

	<u># OF COMPLAINTS</u>	<u>CATEGORY</u>	<u>PERCENT</u>
1.	1758	Automobiles	18.9%
2.	1021	Mail Order Companies	11.0%
3.	525	Consumer Credit Code	5.6%
4.	405	Magazine Sales & Services	4.4%
5.	385	Funeral Homes & Cemeteries	4.1%
6.	367	Advertising	4.0%
7.	356	Home Improvements	3.8%
8.	309	Business Opportunities	3.3%
9.	271	Health Spas & Weight Salons	2.9%
10.	190	Real Estate (Rentals)	2.0%

1978

	<u># OF COMPLAINTS</u>	<u>CATEGORY</u>	<u>PERCENT</u>
1.	1550	Automobiles	17.5%
2.	845	Mail Order Companies	9.6%
3.	783	Agricultural Equipment & Supplies	9.0%
4.	534	Consumer Credit Code	6.1%
5.	408	Home Improvements	4.6%
6.	392	Advertising	4.5%
7.	356	Business Opportunity Schemes	4.0%
8.	298	Magazine Sales & Services	3.4%
9.	267	Real Estate (Rentals)	3.0%
10.	187	Appliances	2.1%

1980 HANDLING STATISTICS

THIS OFFICE ASSISTED THE COMPLAINANT - 81.3%

Directly Assisted Complainant - 45.5%

Saved or Recovered Money or Merchandise	4138
Merchandise Delivered	526
Merchandise Repaired or Replaced	257
TOTAL	4921

Indirectly Assisted Complainant - 21.6%

Provided Information Requested	1700
Enjoined Complained Of Practice	356
Stopped Complained Of Practice	196
Assisted in Filing Bankruptcy Claim	79
TOTAL	2331

Assisted by Referral - 14.2%

Referred to Other State Attorney General	479
Referred to Other Iowa State Agency	376
Referred to Private Attorney	306
Referred to Postal Authorities	247
Referred to Federal Agency Other Than Post Office or Federal Trade Commission	67
Referred to Federal Trade Commission	34
Referred to County or City Attorney	20
TOTAL	1529

TAKEN CARE OF BY ACTION OF COMPLAINANT - 7.5%

No Reply or Response From Complainant	570
Complainant Settled Privately	168
Complainant Withdrew Complaint	75
TOTAL	813

COULD NOT ATTEMPT TO ASSIST - 5.7%

No Basis	367
No Jurisdiction	249
TOTAL	616

UNABLE TO ASSIST - 5.5%

Respondent Out of Business	264
Insufficient Evidence	224
Unable to Locate Respondent	104
TOTAL	592

TOTAL COMPLAINTS CLOSED 10,802

1980 DISPOSITION OF CLOSED COMPLAINTS

	# OF COMPLAINTS	DISPOSITION	PERCENT
1.	4138	Money Saved or Recovered/Contract Cancelled	38.3%
2.	1700	Information Requested Furnished	15.7%
3.	570	No Reply From Complainant	5.3%
4.	526	Merchandise Delivered	4.9%
5.	479	Referred to Other State Attorney General	4.4%
6.	376	Referred to Other Iowa State Agency	3.5%
7.	367	No Basis	3.4%
8.	356	Injunction Issued	3.3%
9.	306	Referred to Private Attorney	2.8%
10.	264	Respondent Out of Business	2.4%
11.	257	Merchandise Repaired or Replaced	2.4%
12.	249	No Jurisdiction	2.3%
13.	247	Referred to Postal Authorities	2.3%
14.	224	Insufficient Evidence	2.1%
15.	196	Complained Of Practice Discontinued	1.8%
16.	168	Private Agreement of Parties	1.6%
17.	104	Unable to Locate Respondent	1.0%
18.	79	Assisted in Filing Bankruptcy Claim	less than 1%
19.	75	Withdrawn by Complainant	less than 1%
20.	67	Referred to Federal Agency Other Than Post Office or Federal Trade Commission	less than 1%
21.	34	Referred to Federal Trade Commission	less than 1%
22.	20	Referred to County or City Attorney	less than 1%
TOTAL COMPLAINTS CLOSED -			10,802

1980 OPENINGS BY CATEGORY

	# OF COMPLAINTS	CATEGORY	PERCENT
1.	1840	Advertising	15.3%
2.	1202	Magazines (Sales & Services)	10.0%
3.	1077	Mail Order Companies	9.0%
4.	566	Travel & Transportation	7.2%
5.	861	Health Spas & Weight Salons	7.2%
6.	654	Consumer Credit Code	5.4%
7.	624	Automobiles (Includes Trucks)	5.2%
8.	351	Business Opportunity Schemes	2.9%
9.	264	Miscellaneous	2.2%
10.	255	Appliances	2.1%
11.	238	Food Products	2.0%
12.	207	Home Improvements	1.7%
13.	193	Securities & Investments (Other Than Stocks & Bonds)	1.6%
14.	184	Furniture	1.5%
15.	163	Service Stations & Garages (Other Than Auto Repair)	1.4%
16.	151	Multilevel & Pyramid Distributorships	1.3%
17.	149	Insurance	1.2%
18.	141	Services (General)	1.2%
19.	139	Book, Record & Tape Clubs	1.2%
20.	137	Health Services (Doctors, Dentists, Hospitals, Etc.)	1.1%
21.	130	Invoice & Billing Schemes (Noncredit)	1.1%

1980 OPENINGS BY CATEGORY

	# OF COMPLAINTS	CATEGORY	PERCENT
22.	118	Clothing	1.0%
23.	118	Heating & Air Conditioning	1.0%
24.	116	Interest Rates & Lending Companies (Other Than Credit Code)	1.0%
25.	114	Aluminum Siding	1.0%
26.	108	Real Estate (Rentals)	1.0%
27.	102	Sundries	less than 1%
28.	97	Energy Saving Devices	less than 1%
29.	95	Fund Raising (Charities, Etc.)	less than 1%
30.	75	Contests	less than 1%
31.	73	Office Equipment & Supplies	less than 1%
32.	72	Kitchenware	less than 1%
33.	71	Utilities	less than 1%
34.	64	Franchise Sales	less than 1%
35.	64	Photo Equipment & Services	less than 1%
36.	57	Door-To-Door Sales Act Violations	less than 1%
37.	57	Television & Radios	less than 1%
38.	52	Services (Professional)	less than 1%
39.	50	Mobile Home & Campers (Sales & Services)	less than 1%
40.	46	Funeral Homes & Cemeteries	less than 1%
41.	46	Home Building	less than 1%
42.	44	Warranty Problems	less than 1%
43.	43	Stereos & Record Players	less than 1%
44.	41	Trade & Correspondence Schools	less than 1%

1980 OPENINGS BY CATEGORY		
# OF COMPLAINTS	CATEGORY	PERCENT
40	Government Agencies	less than 1%
37	Nurseries, Gardening Eqpt. Etc.	less than 1%
37	Real Estate (Houses)	less than 1%
35	Land Sales (Out-of-State)	less than 1%
33	Toys	less than 1%
31	Water Softeners & Conditioners	less than 1%
29	Construction (Other Than Houses)	less than 1%
25	Motorcycles & Bicycles	less than 1%
24	Real Estate (Other Than Houses)	less than 1%
22	Insulation	less than 1%
21	Home Repair Schemes (Lightning Rods, Roof Repairs, Septic Tanks)	less than 1%
21	Moving & Storage	less than 1%
16	Musical Instruments, Lessons, Etc.	less than 1%
15	Discount Buying Clubs	less than 1%
15	Pets	less than 1%
12	Loan Finders	less than 1%
12	Pest Control	less than 1%
10	Boats, Boating Eqpt., Repairs, Etc.	less than 1%
9	Fire, Heat & Smoke Alarm Sales	less than 1%
8	Mobile Home Parks	less than 1%
7	Floor Coverings (Carpet, Etc.)	less than 1%
6	Hearing Aids	less than 1%

<u>1980 OPENINGS BY CATEGORY</u>			
	<u># OF COMPLAINTS</u>	<u>CATEGORY</u>	<u>PERCENT</u>
67.	6	Sewing Machines	less than 1%
68.	5	Land Sales (Iowa)	less than 1%
69.	5	Sporting Goods	less than 1%
70.	3	Encyclopedias	less than 1%
71.	2	Failure to Furnish Merchandise (Other Than Mail Order)	less than 1%
72.	2	Referral Selling	less than 1%
73.	1	Land Resale Companies	less than 1%
74.	1	Stocks & Bonds	less than 1%
75.	0	Vending Machines	less than 1%

ADVERTISING

In 1980, the top category Iowa consumers complained about was "advertising." Iowans filed 1,840 complaints about various advertising practices and statements. These complaints compromised a total of 15.3 percent of all the complaints received by the office last year.

Last year's record number of advertising complaints, 1,840 were divided into the following subcategories:

1.	Bait and Switch Advertising.....	13
2.	Deceptive Advertising.....	1,661
3.	Advertising Merchandise Not Available.....	35
4.	General Advertising Complaints.....	134

As advertising complaints clearly are on the increase for 1981, the Division is going to further subdivide advertising complaints into the additional subcategories of "Sale Ads", "Coupons", "Price Rebates", "Labeling" and "False Pricing." Details of advertising complaints run the gamut from "bait and switch" sewing machine ads to a number of complaints during the year about fraudulent advertising of interest rates on automobile purchases. Other advertising areas complained of included advertising ticket sales for "name" entertainment groups that did not show up, advertising "sale" merchandise that was not available to customers who made a special trip to the store in answer to the ad and other advertising complaints of almost every possible description.

As the economy worsens, unfortunately many companies attempt to bolster lagging sales by the use of various kinds of advertising "gimmicks." When these gimmicks cross the line from "puffing" to "deception" the Division often finds itself in the position of trying to intervene in a case between an aggrieved consumer and a usually honest businessman trying to survive in today's tight economy. Clearly the substantial rise in advertising complaints indicates that the Division must devote more time in 1981 to investigating and litigating problems in this consumer complaint category.

AUTOMOBILE COMPLAINTS

For the first time in five years, consumer complaints about their automobile problems failed to lead the categories

that Iowa consumers complained about. Last year's automobile complaints broke down into the following subcategories:

1. General..... 53
2. Odometer Setbacks..... 7
3. New Car Sales Practices.....110
4. Repair & Service Problems.....279
5. Used Car Sales Practices..... 92
6. Warranty Problems..... 83

Although automobile complaints constituted the seventh largest category of complaints, in 1980, the 624 complaints received nowhere began to equal the 1979 figure of 1,758 written complaints. Does this great drop in written automobile complaints mean that consumer car complaints are decreasing? Probably not.

The office attributes the decline in automobile complaints handled by the Consumer Protection Division to a new automobile complaint program called Autoline which was initiated and run by the Des Moines Better Business Bureau (BBB) in 1980, and which has the support of many major automobile manufacturers and dealers.

The BBB project has received widespread publicity and community support. The Consumer Protection Division has cooperated with the BBB by referring non-fraud consumer car complaints to the Autoline program. In return, the BBB employees are committed to referring fraud complaints, such as odometer rollback cases, fraudulent inspections and other complaints

that would violate state criminal or consumer fraud laws back to the Attorney General's Office.

The car complaint cooperation between the Des Moines BBB and the Consumer Protection Division has benefited both offices, and, more importantly, has been beneficial to consumers. Prior to the Autoline program, the Consumer Protection Division received many more car complaints from Polk County residents. Oftentimes, these complaints involved non-fraud problems such as repair and service problems that occur when a good faith effort is made to fix a car with no success. In such situations, consumers are frustrated at paying for repair work and dealers may believe that they are still entitled to payment because they performed some work that at least partially improved the car.

Through the BBB program, many dealers precommitted themselves to participate in a binding arbitration hearing if a compromise can't be worked out informally. This provides consumers with an alternative to Small Claims Court or District Court.

Because the BBB has handled more non-fraud automobile complaints, the Consumer Protection Division has had more time to concentrate on fraudulent practice cases with the Motor Vehicle Enforcement Division of the Department of Transportation and has made an increasing number of referrals which resulted in punitive actions taken against car inspectors. Also, the office became more active in car warranty cases, dealer prep charge problems and automobile advertising problems.

The office filed suit against a Missouri company selling automobile franchises in Iowa in violation of Iowa laws which

regulate motor vehicle dealers and automobile franchises. Iowa victims who purchased these franchises were told that they need not be licensed brokers in Iowa and that the Attorney General's Office had approved the franchise. In its petition, the state alleged that both statements were false. After trial, a Des Moines County District Court Judge found in favor of the state.

In 1980, the Division continued its cooperation with the Iowa Automobile Dealers Association and during 1981 anticipates additional work with the major American automobile manufacturers who are working on setting up statewide "third party dispute mechanisms" to negotiate automobile complaints. Some manufacturers will be joining the Des Moines Better Business Bureau as it expands its Autoline program to a statewide basis which will hopefully continue to offer Iowans excellent mediation and arbitration service on their "non-fraud" automobile complaints. Hopefully, as the variety of programs for assisting Iowans in handling their automobile problems continue to increase, the Division will be saved perhaps handling as many as 1,000 "non-fraud" automobile mediations a year and have this time available to assist consumers with investigation and litigation in areas of major fraud and misrepresentation.

BUSINESS OPPORTUNITY PROJECT

Another one of last year's top ten complaint categories were complaints about business opportunities. The Division received 351 such complaints. Although this category ranks

only eighth, it is viewed as a very serious problem.

Some of the other top ten categories involve legitimate purchases with accompanying problems that in many cases are not true "fraud" complaints. However, in the business opportunity area, this is not the case. Almost all of the "business opportunity complaints", arise from schemes established solely to part the unsuspecting consumer from his money.

Great advances were made in 1980 in our efforts to keep fraudulent business opportunities out of Iowa. Along with monitoring the business opportunity columns of several Iowa papers, we asked the major daily newspapers to assist us further.

In July, letters were sent to forty-one daily papers. These papers were asked to assist us in our effort to fight business opportunity fraud by running warnings in their business opportunity columns. Some typical samples of warnings are:

WARNING

The (name of newspaper) recommends that you investigate every phase of investment opportunities. We suggest that you consult your own attorney or ask for a free pamphlet and advice from the Attorney General's Consumer Protection Division, Hoover Building, Des Moines, Iowa 50319, Phone: 515/281-5926.

INVESTORS

In responding to ads where an established business is not offered for sale, (name of newspaper) recommends that YOU INVESTIGATE EVERY PHASE OF THE OFFER BEFORE YOU INVEST. We haven't checked any statements in the ads and don't know if they are correct. We suggest you contact the

Attorney General's Consumer Protection Division, Hoover State Office Building, Des Moines, Iowa 50319. Phone: 515/281-5926.

Most Iowa newspapers are now running such these or similar warnings as a service to their readers.

Even with all the help of the papers and our increased efforts in fighting this type of fraud, Iowans continue to lose hundreds of thousands of dollars each year. During 1980, we thoroughly reviewed fifty-three of the complaints received from Iowans in the fiscal year, July 1, 1979, through June 30, 1980. This number represented approximately 60 percent of the actual complaints received. The numbers are not large, but the dollar losses are. The fifty-three complaints just referred to reflect a total investment of \$344,329.63. Of this amount, only 4 percent or \$14,475.63 was recovered. The reason for this pessimistic outlook is that out-of-state con artists typically are difficult subjects from which to collect any refund or judgment.

During 1980, in a cooperative effort with the National District Attorneys Association and the Direct Selling Association, an excellent pamphlet on "business opportunities" was published and is available at no cost from the Division. These pamphlets explain what business opportunities are, describe typical cases where individuals have lost their money and offer a series of questions and other tips for the potential investor. We encourage Iowans interested in purchasing a business opportunity to write to the Division for a copy of this pamphlet and further information and advice.

From several years of experience in combating business opportunity fraud, it became clear to the Division that this was an area justifying the need for specific regulatory legislation. During the last part of 1980, the Division spent a great deal of time drawing up a proposed "Business Opportunity Sales Act" which will be presented to the 1981 Iowa Legislature. This statute will make it a specific crime to advertise for sale or lease, offer for sale or lease or sell or lease a business opportunity in Iowa or to Iowans without first completing a filing with the Iowa Insurance Commission, without being accompanied by a proper written disclosure statement and a number of other protective sections, including strong prosecution authority allowing the Attorney General's Office or the appropriate County Attorney to criminally prosecute unlicensed individuals seeking to sell Iowans business opportunities.

CONSUMER CREDIT CODE REPORT

The Attorney General is directed by Chapter 537 of the Code to administer the Iowa Consumer Credit Code. Since 1974, the Attorney General has delegated primary authority for the administration and enforcement of the ICCC to the Consumer Protection Division whose staff also comprises the Consumer Credit Protection Bureau of the office.

The office's responsibility under the ICCC includes resolving complaints, investigating serious complaints, formulating and carrying out litigation, drafting legal opinions,

consumer credit educational activities and the monitoring of the status of consumer credit in the state. Additionally, the office coordinates its activities with various other Iowa agencies and with other states which have versions of the Uniform Consumer Credit Code.

The provisions of § 537.6104(1)(2) establish as one of the responsibilities of the Administrator, the handling of consumer complaints. Coupled with this are the provisions of § 537.6104(1)(b) establishing the goal of encouraging voluntary compliance with Code requirements. The office has engaged in a conscientious effort to combine these two areas and has shaped almost all complaint handling activities toward the goal of voluntary compliance.

The Consumer Protection Division of the Attorney General's Office received a total of 12,039 written consumer complaints during the calendar year 1980. Since the Consumer Credit Protection Bureau functions as a unit of the CPD, the processing, assignment and handling of ICCC complaints has become part of the daily activity of the Division. Six hundred and fifty-four of the complaints received in 1980 were filed pursuant to the provisions of the ICCC. This was over 129 more ICCC complaints this year than in 1979. Thus, for 1980, credit code complaints constituted 5.4 percent of the total received by the Division.

In analyzing the top ten categories of the consumer complaints, credit code complaints ranked sixth and thus must be regarded as an area of major concern. The 654 credit code complaints break down as follows:

1. Complaints about interest rates.....	386
2. Complaints about other loan charges.....	39
3. Complaints about contract clauses.....	7
4. Complaints about collateral and security requirements.....	4
5. Complaints about the lack or misuse of the required cure notice.....	9
6. Complaints about truth-in-lending disclosures.....	3
7. Complaints about holder in due course or contract assignment problems.....	1
8. Complaints about debt collection practices.....	128
9. Complaints involving miscellaneous other ICCC areas.....	77

Complaints concerning debt collection practices continue to appear with the greatest frequency. In line with the policy of mediating such complaints, the office has tried to resolve complaints at the administrative level, obtain redress for any aggrieved consumers and stop any problem practices. Litigation in this area is only rarely practical because suits would have to be brought in the various district courts throughout the state in which the practices occurred, and would thus involve a substantial commitment of unavailable attorney resources.

The provisions of Article 7 of the ICCC set forth with impressive thoroughness exactly what debt collection techniques, practices and procedures are prohibited by the statute. Most debt collection complaints are filed by the borrowing public who believe that they have been aggrieved by an unlawful debt

collection practice. Generally, the office has resolved the problem by an informal agreement with the lender or debt collector. In the case of a clear violation of the statute, the office requires not only redress for the aggrieved consumer, but usually a letter of agreement from the respondent clearly stating that they have been notified as to what is wrong with the practice that they have been using and they are agreeing to discontinue it.

In many instances, the respondent is able to demonstrate either that there has been no violation of Article 7 or that if there has been, it was unintentional and the respondent is desirous of complying with the statute. Unfortunately, the office does occasionally obtain evidence of clearly unlawful debt collection practices in the state. The office may engage in at least a few enforcement actions this year to ensure that Iowa lenders and debt collection agencies keep their debt collection practices in compliance with the ICCC.

The second area of concentration of credit code complaints involves complaints about interest rates (386 for the year) and complaints about other charges that are added to, or assessed on, loans (39 for the year). Some such complaints are based on what apparently is confusion about the average daily balance computation of the interest rate on revolving open-end credit accounts established by § 537.2402. Sometimes it is the lender that does not understand how to properly compute such interest and sometimes it is the complainant who does not understand that the interest is being added to his account correctly.

A number of complaints received by the office are based upon problems arising from the actual posting of charges on major credit cards. Different companies have different methods of posting, take different time periods to so post, all of which result in confusion to the consuming public in this day of mass credit card usage.

Other complaints involve problems that occur when loans have been prepaid. Since various methods are used to assess the actual amount due, occasionally discrepancies occur in regard to the amount of proper interest refunds. Sometimes similar questions arise when insurance is involved with the loan and the prepayment involves a cancellation of the policy and a rebate of part of the insurance premium.

The office has found that many of the complaints received are answered by explanations of the applicable provisions of the statute to those involved in the complaint. Other times the office must first investigate the complaint and determine the exact facts involved in order to outline to the parties how the law applies to the facts of their specific situation.

In addition to the formal written complaints received by the office, the day-to-day work of the attorneys working on ICCC problems includes a great deal of interaction with the borrowing public, credit industry, attorneys and other state agencies. Numerous telephone calls, letters, informal interpretations, responses and resolutions are necessary in the day-to-day activities of the office as part of the total administration of the ICCC.

The ICCC requires five primary activities of the Administrator. One of those, mandated by § 537.6104(e) is the establishment of educational programs with respect to credit practices and problems. It has been the belief of the office that with little staff to devote to ICCC matters, a top priority must be the education of the consuming public, the lending industry and members of the Bar in regard to the many provisions of the Act.

During the summer months of 1980, presentations were made to a number of large groups concerning the Iowa Consumer Credit Code. In mid-June, over eighty agricultural cooperative managers held a conference at Lake Okoboji. They were addressed by a staff attorney on the significant changes in the credit code when applied to the agricultural industry. Late in June, another staff attorney addressed a meeting of Midwest Credit Managers. Over fifty credit managers from Iowa and surrounding states were informed about broad changes made by the Legislature in its 1980 session. In September, 1980, a staff attorney was asked to update the biannual meeting of the National Association of Attorneys General in Denver, Colorado, on a major lawsuit which was successfully concluded by our office in the United States Supreme Court.

In a less formal manner, the office has participated in a variety of consumer-oriented conferences, seminars, meetings and speaking presentations. These have included presentations to law school classes, high school classes and speeches to senior citizen's groups.

In addition to the above educational programs and presentations that were focused strictly on the ICCC, the office also had numerous other consumer and business contacts throughout the state. On a regular basis, the attorneys and investigators in the Consumer Protection Division fulfill speaking engagements around the state on the general topic of "Consumer Fraud and Protection in Iowa." Although these presentations deal more generally with the overall work of the Consumer Protection Division, they also always briefly discuss the basic provisions of the ICCC and quite often respond to specific ICCC questions from members of the audience.

As another educational activity, the office sets up a "Consumer Protection Booth" each year at the Iowa State Fair and, occasionally at other locations. The booth has been staffed by the Consumer Protection Division and the Farm Division. Many of the educational materials presented in the booth and many of the questions asked by members of the public coming into the booth bear upon general questions pertaining to the Consumer Protection Division and the Farm Division. However, those staff members operating the booth have reported receiving a great many ICCC questions.

The many ICCC related questions posed to staff members during all these public contacts shows that there is still a great deal of confusion about the ICCC and even stronger educational activities are needed.

Staff members also have informal discussions and meetings with affected individuals. It is not uncommon for businessmen

or members of the credit industry to come into the office with their attorneys to ascertain just what they must do to comply with specific ICCC provisions. Staff members regularly respond to questions posed by other state agencies concerning the interpretation and application of the ICCC and their specific regulatory duties thereunder.

Because education can smooth the way to a broader understanding and more efficient administration of the ICCC, it is the opinion of the office that in the future more emphasis should be placed on education. In the coming year, it is the hope of the office to participate in more programs on the ICCC. In the long run, the office believes that a good educational program can effectively reduce ICCC problems and result in continual improvements of its administration.

During the year 1980, lengthy litigation in a case of national importance was successfully concluded in the United States Supreme Court. This action entitled, "Aldens, Inc., vs. State of Iowa," and its collateral case, "State of Iowa vs. Aldens, Inc.," considered the territorial application of the Iowa Consumer Credit Code in relation to Aldens and other mail order companies.

The point in conflict in this case was that the ICCC requires on such revolving charge accounts in amounts up to \$500, the maximum interest rate of 18 percent per year. Aldens was charging the rate allowed by Illinois law of 21 percent per year for amounts up to \$350. In 1974, the Attorney General notified Aldens that its interest rate was in conflict with

the ICCC and would have to be brought into compliance or litigation would be initiated.

On July 12, 1974, Aldens, Inc., filed suit against the State of Iowa in the United States District Court for the Southern District of Iowa. The case sought a ruling that Aldens should be allowed to charge the higher Illinois rate. The State of Iowa also filed suit against Aldens in the District Court of Polk County, Iowa, charging Aldens, Inc., with violation of the interest rate provisions of the ICCC and asking that they be permanently enjoined from continuing such usurious interest rates.

In 1976, a temporary injunction was issued requiring Aldens to alter their rates to comply with Iowa law during the pendencies of the two lawsuits. Although the difference between the 18 percent allowed in Iowa and the 21 percent that Aldens sought to impose for the first \$350 may sound minimal, it is not. Evidence submitted by Aldens in 1978 indicated that if allowed to charge the higher rate of interest, that computing from the Iowa credit accounts they had pending at that time, they would be able to collect over \$81,000 per year in additional interest charges.

In December of 1979, the United States Court of Appeals in St. Louis, upheld the Attorney General's position. Aldens appealed this decision by filing an Application for Writ of Certiorari to the United States Supreme Court. Following a strong resistance by the state, the court on April 28, 1980, denied

Aldens application and thereby concluded this action in favor of the State of Iowa. This landmark decision reaffirms the right of the State of Iowa to prevent certain out-of-state lenders from extracting usurious rates of interest from its citizens. By agreement with the defendant, in early 1981 over \$95,000 will be paid out to over 17,000 Iowans. The most important aspect of this decision is that it applies to all out-of-state mail order companies who sell to Iowans on credit. The decision could well result in Iowans saving literally hundreds of thousands of dollars each year as all of the many mail order companies selling to Iowans on credit will have to bring their interest rate charges into compliance with the ICCC. This important decision will save millions of dollars for credit consumers on a nationwide basis.

The Consumer Protection Division of the Attorney General's Office issued two formal opinions on issues relating to the ICCC and several informal letter opinions. The office continued a policy of issuing formal ICCC opinions only to members of groups authorized by Chapter 13 of the Code to request opinions, on subjects likely to have broad, general application. Inquiries from the general public and more narrow questions from state officials are handled informally through the Attorney General's power specified in §537.6104(d) to counsel persons and groups on their rights and duties under the credit code. While some informal letter opinions have general application, most apply credit code provisions to specific factual situations.

The first formal credit code-related opinion was issued on Jun 11, 1980, and addressed in a very general manner six hypothetical fact situations presented by the requestor. The opinion discussed non-credit code usury laws primarily and provisions of the credit code peripherally. (Since the opinion deals only indirectly with the credit code, it will be discussed in more depth in the general opinion section of this report).

The June 11 opinion highlights two provisions of House File 2492 which deal with the ICC:

1. Sections 13 and 14, which raise from 15 percent to 21 percent the maximum rate which lenders and creditors may charge in consumer credit transactions pursuant to open-end credit, and
2. Section 7 which clarifies that House File 2492 does not affect the disclosure requirements of the federal Truth-In-Lending Act.

An opinion issued on July 25, 1980, again dealt with the credit code only peripherally by recognizing that credit for agricultural purposes had been removed from the coverage of the credit code. Since the holding of the opinion dealt with non-credit code usury laws, the opinion will be discussed at more length in the General Opinion section of this report.

The Attorney General also received a request to address the interpretation of § 537.3304, Use of Multiple Agreements, as it applies to supervised lenders who issue credit cards. This request was handled through an informal letter opinion

issued October 20, 1980, since the request did not come from a member of the General Assembly or a state official.

The specific issue addressed was whether lenders who issue more than one credit card to an individual would violate § 537.3304 which prohibits creditors from using multiple agreements with the intent to obtain a higher finance charge than would otherwise be permitted. We responded that the presence of certain circumstances in the transactions leading to a credit arrangement may indicate that a lender intended to exact higher finance charges when establishing more than one bank card account with an individual. In accordance with that premise, we suggested that before issuing more than one credit card account to an individual, a lender should:

1. Clarify that having two bank accounts with one lender may not necessarily result in a higher total credit limit than the consumer would have if he or she had only one bank card account with the lender.
2. Advise consumers that having two bank card accounts may result in the consumer being assessed higher total finance charges than he or she would be assessed having only one bank card account with that lender.
3. Avoid granting an additional bank card account concurrently with lowering the credit limit on an existing account unless the consumer clearly indicates in writing the following:

- a. That he or she understands that higher finance charges may result from having more than one bank card account with the lender, and
- b. That he or she desires a second bank card account for reasons other than extending his or her credit limit.

In addition to issuing formal opinions and informal advisory letters, the office continues to answer several telephone calls daily on a broad range of problems relating to the ICCC.

Five state regulatory units are charged by § 537.6104(5) with enforcing the credit code with respect to the lending institutions they license and regulate. Each of the five has submitted an annual report to the Attorney General summarizing the consumer credit activities of the agency. The five units are:

1. Department of Banking
Superintendent of Banking
2. Department of Banking
Small Loans Division
3. Auditor of State
Industrial Loan Division
4. Auditor of State
Savings & Loan Division
5. Credit Union Department

Throughout the year the Office of the Administrator has had regular and frequent contact with these regulatory agencies

regarding interpretation and enforcement of credit code provisions and changes in the consumer credit industry. Since the Office of the Administrator and the five regulatory agencies have concurrent jurisdiction in enforcing the credit code, the information exchange has improved the enforcement capabilities of all involved.

The Office of the Administrator notifies a regulatory agency when the office receives a complaint involving one of the agencies' licensees. Likewise, the agencies alert the Office of the Administrator of serious violations that have come to their attention through consumer complaints or their regular examinations. For example, on one occasion during 1980, the Banking Department discovered a willful violation by an industrial loan licensee of § 537.2505, which regulates finance charges on consolidation. An ensuing investigation by the Office of the Administrator and the Industrial Loan Division indicated that the violation was an isolated event. The parties agreed to a \$1,000 penalty and the Office of the Administrator agreed to accept an Assurance of Voluntary Compliance.

Each regulatory agency continues to examine its licensees for Consumer Credit Code compliance during the agency's regular, periodic examinations. The 1980 reports from the regulatory agencies show that most supervised lenders operated within the dictates of the ICCC. None of the regulatory agencies reported substantial recurring violations. As in prior years, problems such as overcharges and insufficient

rebates or disclosures are reported by the agency to the lender. The lenders are generally instructed to correct the problem within a specified time period and to report the correction to the agency.

In addition to other legislative recommendations, the Banking Department attached to its report a proposed amendment to § 537.2308. The proposed amendment would permit supervised lenders to make single payment loans of \$1,000 or less. Section 2308 currently requires loans under \$1,000 to be repaid in not less than five equal installments.

Our statistics and experiences show that this office has made significant progress in administering the ICCC and in carrying out its stated purposes, both in terms of protecting consumers against violators and advising the public of its rights and duties under the code. Nevertheless, our enforcement activities lag behind the activities of the other ten states which have adopted the UCCC, because of our comparatively small staff and budget. (The 1979 ICC Report describes the organization and funding of UCCC Administrators in other states).

We are able to benefit from the experience and knowledge of the Administrators in other states by participating in the American Conference of Uniform Consumer Credit Code States (ACUCCCS), which meets semiannually. The conference is an excellent forum to discuss common problems in UCCC administration and collectively work toward fair resolutions. The meetings also enable each state to keep its administration in harmony with the other states as required by § 537.6104 of the Code.

A representative of this office attended the fall meeting in Milwaukee but was unable to attend the spring meeting in Florida for budget reasons. Much of the discussion in Milwaukee centered around the activity of several federal agencies and Congress toward preempting state consumer credit laws. The conference adopted a resolution which was sent to various agencies and congressmen, opposing further federal preemption of the area which has traditionally been left to the states. The conference also adopted a resolution in support of a bill which would create a commission to study usury and the need for federal preemption.

In the months since the fall meeting, the ACUCCCS legal committee prepared and submitted comments on proposed rules of the Federal Reserve Board and the Federal Trade Commission. The legal committee met in Washington, D.C., in February of 1981 to air its views on preemption to influential members of the FRB, FTC, Federal Home Loan Bank Board and members of Congress.

By having frequent contact and information exchanges with other state Administrators throughout the year, our list of contact people has branched out significantly. As a result, we are able to keep abreast of, and supply input regarding the most recent issues in the consumer credit industry.

Information from the five reporting agencies, as well as information flowing to the Office of the Administrator, indicates that credit continues to be reasonably accessible

to all groups. The Banking Department, Savings & Loan Division, and the Credit Union Department figures all show that the total dollar amount of credit outstanding to Iowans has increased from last year. Again, neither the agency reports nor our experiences indicate that people of small means have had serious problems in obtaining credit.

Of course, the availability of closed-end consumer credit was decreased somewhat when the prime rate raised substantially above the maximum rate allowable on closed-end transactions. The problem was largely alleviated by the House File 2492 amendment raising the allowable interest on closed-end accounts from 15 percent to 21 percent.

The Administrator has no data documenting that open-end credit has become less available even though the maximum allowable finance charge on open-end accounts remains at 18 percent on amounts under \$500 and 15 percent on amounts over \$500. It has been less profitable for lenders to maintain open-end accounts at those rates when the cost of money has risen substantially. Lenders have responded in four ways:

1. Assessing a minimum annual charge to open-end charge accounts.
2. Increasing monthly minimum payments.
3. Decreasing credit limits.
4. Utilizing an average daily balance method of computation whereby finance charges are assessed from the day the purchase is debited to the account.

Although each of the above has the effect of either increasing the cost of credit to consumers or decreasing its availability, we are not aware of any serious problems in availability of open-end credit.

The interpretation and enforcement of the Iowa Consumer Credit Code is an important area where the activities of the Attorney General's Office effect every Iowan. As the office deals with broad authorities in the areas of interest rates, lending practices and debt collection, it is clear that the ICCC is one of the more comprehensive and complicated of the state's laws.

ENERGY SAVING DEVICES

Individuals and companies perpetrating schemes of fraud are always ready to seize upon specific economic conditions by conceiving new and ingenious scams. Once again, during 1980, the area of "energy saving devices" was a perfect example of this.

Many energy saving devices and schemes were marketed during 1980 via the use of false and deceptive advertising and sales practices. The two basic areas the sale of such devices have been aimed at are:

1. The sale of gas saving devices to motorists with the representations that they will vastly increase gas mileage.

2. The sale of energy saving devices and systems to the homeowner with representations that they will greatly decrease the homeowner's utility bills.

Unfortunately, as we pointed out in our 1979 Annual Report, most of these devices either do not work at all or do not live up to the represented savings claims and may be "out and out frauds".

During 1980, marketing of "gas saving devices," because of increased gas prices, continued to be seized upon by companies promising consumers that devices and/or additives can save gas and increase gas mileage. Consumers unfortunately do purchase such devices, and in their desire to see them work, sometimes end up changing their driving habits which would have saved gas without the device and/or additive purchased.

Unless a device has been tested in a rigorous, standardized lab procedure, and approved by an independent laboratory or the Environmental Protection Agency, there is no guarantee that it will provide the gas mileage improvements that it's advertising promises. In fact, the U.S. Environmental Protection Agency Test and Evaluation Branch in Ann Arbor, Michigan, advised this office that the EPA has given their stamp of approval to only one gas saving device that can result in gasoline savings up to 4 percent, when the autos air conditioner is in use.

Specific areas of misrepresentation found in our investigations of gas saving devices and/or additives include:

1. Flagrant misrepresentations as to the percentage of fuel savings.
2. False representations that the device has been tested and approved by one or more government agencies.
3. False representations that the device has been properly tested and proven to live up to its advertised expectations by a competent private testing laboratory.
4. The use of false and deceptive private user testimonials.
5. Blatant misrepresentations in regard to alleged applicable scientific theories of fuel saving, which are not pertinent to the device being sold.

This office during 1980 began exchanging on a regular basis energy saving device and gas additive information with the Metropolitan Denver District Attorney's Office, Energy Saving Device Clearing House. The Clearing House presently has at their disposal funds for device testing and will be in a position during 1981 to evaluate and test energy saving devices being marketed. Our office in addition to exchanging information with the Clearing House makes available to other

attorney's general offices around the country investigative material involving energy saving device cases of mutual interest.

During 1980, advertising of gas saving devices and/or gas additives within the State of Iowa has somewhat diminished in comparison with the latter part of 1979. When this office becomes aware of an advertisement pertaining to a gas saving device the office contacts the company and requests information on the new product being marketed within the State of Iowa. The office advises the company that we will be opening an informational file and further requests that the company send all materials about the device or additive, bona fide test results if available and that the company provide all information regarding the marketing of the device or additive. It should be noted that some of the companies that we have contacted and requested such information from have failed to respond. However, they have also ceased to advertise within the State of Iowa.

Examples of some of the devices and additives currently being investigated by this office include a gas additive that claims increased gas mileage increases from 5 to 50 percent and fuel heating devices that claim mileage increases from 10 to 50 percent.

The latest gimmick in this area is the cow magnet. Briefly, dairy farmers and cattlemen know that cow magnets are a

small magnet fed to cows so that barbs from hay bails would not travel through their digestive system. By putting a cow magnet on a car's gas line, it is alleged that this will improve the gas mileage. The theory is that by putting a cow magnet on a gas line, this would help to vaporize the gasoline and improve mileage. We now have profit hungry salesmen who are selling the \$3 cow magnets for up to \$20 a piece. The Metropolitan Denver District Attorney's Office Energy Saving Device Clearing House is presently requesting that the Environmental Protection Agency test one of these devices thoroughly but knowledgeable sources say the idea of such a magnet improving gas mileage is just a "hoax."

The sale of home energy saving devices constitutes another significant area of consumer fraud and misrepresentation. Problem areas have included solar space heating devices, new types of home furnaces, and stove pipe heat exchanger attachments. Many firms marketing these devices significantly misrepresent the product's ability to reduce home heating costs. The products are often not cost effective to the homeowner because the investment cost is not recaptured in energy savings within a reasonable amount of time.

Solar space heating devices typically consist of an air solar panel, thermostat, and small fan. The panel is usually attached to the south wall of the home. Broadly speaking, there are two applications for which these systems can be well suited: 1) On buildings with few windows on the south side, where heat is required for a specific room near the south side during daytime hours, or 2) on a building which is occupied primarily during daytime hours. Consumers are not, as yet, very familiar with solar products or their capabilities. Solar Technology is changing, and standards

for testing performance are not well established. This office has been working very closely with the Solar Office of the Iowa Energy Policy Council to evaluate the performance and energy saving claims being made about these products.

New home heating systems have also come onto the market recently. Advertising claims made regarding some of these appear to violate the laws of physics in that it is claimed the heat produced does not rise to the ceiling. Other furnaces have been advertised in ways that make them appear to violate the laws of thermodynamics. The first law of thermodynamics is the law of conservation of energy; energy can neither be created or destroyed, merely converted from one form into another. A furnace cannot create energy, but it can convert fuel into heat. The second law of thermodynamics states that heat flows only from hot to cold. This means there are limits to the efficiency of any heat engine. The Federal Trade Commission has recently passed rules which may clear up some of these problems. The rules require tags on major appliances showing the energy efficiency of the appliance; home furnaces are included under these rules.

Other home energy saving devices of questionable value are heat exchanger stove pipe attachments. These products claim to convert waste heat escaping up the chimney into usable heat for the home by running the hot chimney gases through a heat exchanger.

Theoretically, this will gain the homeowner some additional heat, but it is debatable whether the device is cost effective. The homeowner might be better advised to consider having the burner settings adjusted to reduce waste heat. Another question concerning these devices is whether they are permissible under local building

codes. If the heat exchangers reduce the temperature of the chimney gases too much, certain toxic fumes may not be carried out of the home. Insulation complaints have dropped off recently but this important area continues to be of concern.

The Federal Trade Commission passed regulations effective in the fall of 1980 regarding substantiation of thermal conductivity (R value) claims for most types of home insulation. These regulations provide for standard test procedures for determining the R value of insulation, prepurchase point-of-sale disclosures of the R value, and requirements for substantiation and qualifying disclosure in connection with any energy savings claims. This should clear up a major area of consumer concern: the reliability of advertised R value claims for various types of insulation.

In 1981, the office will continue its investigation of questionable "energy saving devices." Several devices have recently been tested at Iowa State University and a review of these findings may lead to additional litigation in this area. Currently, the Division has a lawsuit pending against the Texas manufacturer of a "moleculator" gas saving device alleged to substantially increase gasoline mileage by the manufacturer and claimed to be a fraud by the Attorney General's Office. The Division also is suing a California company and several individuals for promoting "100 Mile Per Gallon Seminars" claiming that they possess miraculous information to assist Iowans to obtain up to one hundred miles per gallon out of their automobile carburetors. Statements the office and

experts at Iowa State University believe to be totally without accuracy or foundation.

Obviously, everyone realizes the tremendous needs for proper energy saving methods and techniques. It is the goal of the office to make sure that Iowans can properly make legitimate energy saving decisions without being victimized by being sold worthless devices, additives and systems or being sold units with misrepresentations as to the percentages of fuel savings that can be realized.

FUND RAISING AND CHARITABLE SOLICITATION PROBLEMS

During the 1980 calendar year, the Consumer Protection Division received an increasing number of complaints and inquiries about professional fund raisers. Typically, these fund raisers were out-of-state businesses that had contracted with or were attempting to contract with Iowa civic organizations to put on musical programs, magic shows or circus performances or to sell coupon books.

Because of the increasing number of questions and problems that arose in this area, the Attorney General sent out a letter to over four hundred service organizations explaining what problems existed, what Iowa law is in the fund raising area and giving suggestions as to what organizations can do to protect themselves and consumers from fraudulent fund raising activities. Included with the letter was a

checklist for organizations to follow when checking the references of fund raisers and when reviewing contracts prior to signing.

Many local organization members are tired of participating in fund raising activities such as selling light bulbs or candy or putting on variety shows. To these members, professional fundraisers seem an attractive alternative. In many instances, all the organization has to do is sign a contract on the dotted line and the fund raisers would do everything else including hiring people to make the sales, collecting the money and paying the expenses. The contract usually provides that the organization would receive some minimal percentage of the net profit such as 15 percent to 20 percent or a minimum monetary guarantee, whichever was greater. The fund raisers would reap the bulk of the profits.

Problems arose because many of the professional fundraisers did not disclose to the consumers that they were involved in the fund raising events. Consumers and businesses would receive phone calls asking them to buy tickets to events and would assume that the callers were volunteers since the callers said they were calling "on behalf of" the organization. Many tickets were purchased by businesses hoping to buy goodwill with local organizations and to support the local community. Some of these business people later complained that they would not have purchased tickets had they known that they were being called by a paid employee of a professional

fund raiser and the local organization was actually going to receive only a small percentage of the profits.

Other complaints arose when fundraisers sold too many coupon books and businesses refused to honor all the coupons, when entertainment events which were scheduled were cancelled or last minute entertainment substitutions were made, and when tickets were sold to send "underprivileged children" to events and the tickets not distributed to these children. Some organizations complained of fund raisers that left town and left them holding the bag, a bag full of unpaid bills and consumer complaints.

The Attorney General's Office has taken the position that organizations must take the responsibility for the fund raisers that they hire and who act "on the organizations' behalf." Some organizations complained that they were victims of fraudulent fund raisers, but in many of these cases, the organizations failed to take any active part in writing the phone solicitation script, collecting the money and overseeing the other activities performed on behalf of the organization. The Attorney General's Office has urged local organizations not "to merely sell the organization's good name for a price." The office has attempted to educate organizations that they must take responsibility for these fund raisers because "but for" the contract signed between the fund raiser and the local organization, the fund raising event and problems would not have occurred.

During the 1980 calendar year, the Consumer Protection Division spent a considerable amount of time reviewing proposed contracts between organizations and fund raisers. Many organizations asked us to review proposed sales solicitation scripts to ensure that they weren't misleading or deceptive in violation of the Iowa Consumer Fraud Act. We received an increasing number of calls from legitimate organizations informing us about questionable fund-raising activities and organizations. Other organizations asked us to check on fund raisers that they were contemplating hiring and to determine whether there had been complaints in Iowa or other states.

The Consumer Protection Division welcomes the opportunity to educate and work with local organizations to ensure that charitable solicitations are not fraudulent. In a number of instances, we believe that our efforts prevented problems that were unforeseen by organizations and prevented a rush of consumer complaints. Through our efforts, we hope to help protect the legitimate fund raisers, the organizations and the contributor.

In a related area, the office also receives occasional complaints and inquiries from Iowans who have received in the mail a charitable solicitation, often from an unknown out-of-state solicitor. They ask what can be done to determine whether or not the solicitation is proper and whether or not the solicitor is a worthwhile subject for them to donate their hard-earned money to.

In Iowa, these questions are somewhat hard to answer. Just as the state has no law requiring the licensing of professional fund raisers, the state really has no viable law requiring the licensing of out-of-state organizations who merely mail their charitable solicitations to Iowa recipients. To offset this lack,

the office in 1980 operated a fairly low key "Charitable Solicitation Project."

Working in cooperation with the Philanthropic Advisory Service of the Council of Better Business Bureaus in Washington, D.C., the office regularly receives the services' informational reports in regard to charitable organizations that either do meet or do not meet the Council's very strict guidelines. These reports are filed by the Division in such a way that whenever a consumer writes or calls inquiring about a solicitation he has received from a fund raiser, office personnel can immediately determine whether or not we have information on the fund raiser. If so, the Iowan is sent a copy of the Better Business Bureau's "report" on the fund raiser and told to read the report carefully and base their donation decision accordingly. If no information is available, the office contacts the Council in Washington, D.C., to obtain information on the fund raiser and forward it on to the Iowan.

HEALTH SPAS AND WEIGHT SALONS

Thousands of Iowans were victimized during 1980 by carefully engineered "take the money and run" health spa schemes, which have been plaguing consumers nationwide over the past several years. The perpetrators, who are capitalizing on the rising trend toward physical fitness awareness, make their fast buck by selling at unrealistic and irresistably low rates,

"preopening memberships" to health spas. Most often, they leave with the money either before or shortly after the club opens.

The problem is exemplified by the activities of the operators of Lady Venus Figure Salons, who are defendants in a consumer fraud lawsuit filed by this Division on December 5, 1980. These operators sold over 4,000 memberships in Cedar Falls and Sioux City for approximately \$50 apiece. The operators encouraged individuals to purchase the preopening memberships for \$50 to avoid paying twice that amount after the spa would open. Both salons closed after only a few months of operation without providing refunds to the membership purchasers. Neither spa ever offered the facilities that had been promised to membership purchasers.

The Lady Venus Salons were only two among a string of salons that were opened and closed in Iowa and across the nation during the past few years. The Consumer Protection Division obtained a permanent injunction in a lawsuit against the operators of Figure Girl, Inc., which had a very similar promotional pattern but never did open its doors. Since the individual defendants in the Figure Girl lawsuit have reportedly left the country, leaving no assets, chances of collecting the \$12,000 judgment do not appear promising.

In addition to having similar promotional patterns, the different figure salon schemes reflect similar patterns of

ownership. Often the salons will change hands every few months; prior owners walk away with membership fees and their successors acquire the assets for a nominal fee, often \$1. The successors continue to sell memberships but often will not carry through with promises made by the prior owner. When the business eventually fails, each person in the line of ownership points a finger at another in the chain for responsibility for the financial demise. Our office and other attorneys general are taking the position that since, in most cases, the transfers are not at arm's length, each person in the succession of ownership must share responsibility for financial failure and for refunding membership fees to consumers.

Iowa is particularly vulnerable to such schemes since it is not armed with statutes which would enable the Attorney General or other law enforcement agencies to take action against the operators before the schemes get off the ground. Two possible methods of controlling the problem legislatively are 1) to require a percentage of sales receipts to remain in escrow for a specified period of time after the club opens, and 2) requiring the operators to post a protective bond to be distributed to consumers in the event the club fails.

The Consumer Protection Division is examining the different actions it may pursue to decrease Iowa's vulnerability in this area. The Consumer Protection Division's first step was to contact the attorneys general in each state requesting information regarding laws designed to control the problem either by regulating businesses involving preopening sales in general, or health club businesses in

particular. Approximately ten states either have adopted or have pending such legislation. The Consumer Protection Division plans to review the laws of those ten states to determine whether the laws have succeeded in alleviating health spa frauds in the states where the laws were enforced.

Until protective legislation is adopted, Iowans are warned to be wary of any business requiring payment of membership fees before the business opens. If the operators give credit references or mention affiliated companies, the references and affiliates should be checked out. Finally, consumers should contact the Attorney General for information regarding businesses soliciting preopening memberships.

INVOICE SOLICITATION SCHEMES

In 1980, the office saw a marked increase in the number of complaints involving fraudulent mailings and phony invoice schemes perpetrated against Iowa businesses, hospitals, schools, churches, as well as local, city and state entities. These schemes can take on a variety of forms:

1. Phony invoices for products that the business never ordered or received.
2. COD merchandise which was never ordered.
3. Mailings which take on the appearance of an invoice for a product or service.

4. Billings for advertising never ordered.

It is our belief that many Iowa entities are being taken in by these schemes and that a considerable amount of money is involved.

The Consumer Protection Division received 130 complaints this past year involving phony invoices, up from 110 in 1979. The intent of the phony invoice scheme is to send a billing disguised as an invoice for goods or services already ordered, in the hopes that they can defeat the accounting department of those targeted. The scheme may involve simply a mailing, or it may be followed by the actual delivery of the product. It may or may not be preceded by a phone solicitation.

We have received seventy-three additional complaints involving invoices for office equipment and supplies. Typically, the business was contacted via telephone requesting an order. The order was not placed; however, the merchandise was sent. We have been quite successful in informally resolving these disputes.

In 1980, we received sixty-one complaints involving merchandise which was unordered. A considerable number of these complaints involve businesses receiving unordered COD merchandise. In one case handled by the Division this year, the COD mailing of office supplies was sent to Iowa gas stations. Our office contacted the company responsible for the COD mailings and refunds were issued to the businesses who had been taken in.

We have also gotten a number of complaints from businesses who have received mailings that take on the appearance of an invoice; however, their disclosure is just enough to meet U.S. postal standards and no more. In one such case this year, our office, along

with the Insurance Commissioner's Office, signed a voluntary agreement with Check Writer Insurance. Check Writer's conducts a mailing for forgery insurance and a check writing machine maintenance policy which goes to 35,000 Iowans. The agreement which was signed called for changes on the face of the mailing as well as building in other safeguards for Iowa businesses.

Another problem area is billings for advertising which reportedly had been solicited via phone. It is our belief that many "boiler room operations" exist for the sole purpose of seeking "ad sales" in a variety of publications. It certainly appears to be a lucrative business for those victimizing Iowans and is an area wide open to misrepresentations.

Losses in these schemes vary from a \$10 COD mailing to the invoice for \$499 or more. Although we have no way of putting an exact dollar figure on the amount of monies that Iowa businesses, churches, schools, hospitals and government entities are victimized out of each year by such schemes, the amount is certainly quite significant and consequently, is of major concern to the Division.

LOAN FINDERS

An old consumer fraud scheme has once again been thrust into prominence. With today's tight economy and spiraling high interest rates, the old-fashioned "loan finders" who charge an

advance fee for high-sounding promises of loan availability are back with us again in force. In 1980, the Division discovered a substantially increasing number of fraud schemes based upon the charging of large advance fees for the arrangement of loans that never came to be. Four suits were filed in 1980 charging operators of such schemes with serious violations of the Consumer Fraud Act. These schemes tend to have certain hallmarks which include common misrepresentations used to lure prospective applicants to their downfall.

Perpetrators of such schemes tend to represent themselves or their colleagues as having substantial financial and international banking experience and expertise. Often this turns out to be pure falsehood and fabrication. The available money source is usually represented as being virtually unlimited and quite often the source is some kind of a large trust fund or "foreign" money. Again, upon an investigation such funds and monies simply do not exist.

Victim applicants are often told that the operators of the scheme have many sources for such funds and have been very successful in obtaining such loans. Usually when asked for names and addresses of specific individuals the loans have been obtained for, the loan finder becomes very "non-committal."

In several cases investigated by the Division, the promised loans ranged from one million dollars to thirty million dollars involving a "new system" for getting loan monies. The applicants in several cases were told they would not have to pay the loan back at all or that through some kind of a financial

plan they would be responsible solely for the interest. Some defendants in suits brought by the Division have charged advance loan finding fees of up to \$15,000 per person to applicants to cover expenses for loans that never materialized. To date, after years of investigating and looking at such loan finding cases, the Division has never found one loan that has ever been made in such a situation.

In a late 1979 lawsuit, the office charged an individual defendant with defrauding three Iowans of almost three thousand dollars by representing himself as a "financial consultant" offering low interest loans. The defendant advertised in Iowa newspapers information about his "money business" which fraudulently claimed offices in ten states and international connections. On December 5, 1980, the District Court entered a judgment finding the loan finding activities of Edward Broome to be in violation of the Iowa Consumer Fraud Act and permanently enjoined him accordingly.

In August of 1980, the Division filed another loan finder suit involving a number of out-of-state companies and individuals as well as several Iowa residents. The defendants here contacted the clients of a company specializing in doing taxes for Iowa farmers and informed many Iowa farmers they could obtain low interest or interest free multimillion dollar loans. Perhaps as many as one hundred Iowa farmers paid the defendants advance fees between three thousand five hundred dollars and eleven thousand dollars in reliance upon the defendants' claims that they had foreign sources through which they could obtain such

loans. The most outlandish claim in this case is that the loans would never have to be repaid since the applicant would "over borrow" and via an arrangement with a large American company guaranteeing the loan, the loan would be paid off in its entirety without the applicant ever having to make any payments himself.

Another 1980 Division loan finder suit was filed against a group calling itself Arco Leasing. The claim in this case was that loan applicants were told that the corporation was a subsidiary of Atlantic Richfield Oil Company (a complete false statement) and that for advance fees, this large, well-known company would arrange financing. The defendants made no effort to obtain any of the promised loans and were eventually enjoined from continuing such Iowa sales activities and were ordered to make restitution to Iowa victims although they apparently have no assets to make such restitution.

Toward the end of 1980, the Division was hard at work on investigating and preparing a loan finder case for filing early in 1981 which will involve out-of-state individuals and companies who have induced many Iowans to travel to poolside meetings in Nassau to be fleeced out of advance fees from four thousand to fourteen thousand dollars to obtain multimillion dollar loans that never matured.

This is another area of serious concern to the Division since complainants have typically been completely defrauded and usually restitution is highly unlikely if not impossible since the monies disappear out of state.

LOTTERIES AND CHAIN LETTERS

Do you believe in the pot of gold at the end of the rainbow? Some Iowans tried to believe this during 1980 by investing money in illegal chain letters after hearing guarantees from zealous chain letter sellers who proclaimed the letters to be a buyer's "golden opportunity" to make a bundle in these tough economic times.

In early February of 1980, the Attorney General's Office started to get reports of chain letter rallies occurring in the Sioux City area. The letters were sold at rallies for \$50. A buyer was to mail \$50 to the top person on the list of twelve names, add his or her name to the bottom and then sell the letter to two new buyers for \$50 each. Along with many other remarkable claims, buyers were told that they could receive as much as \$200,000 in twelve days. Thus, the number of new investors who threw their money into the pot increased daily and the rallies spread to other Iowa communities.

The Attorney General's Office took the position that the chain letter scheme constituted a lottery in violation of state lottery statutes, the sanctions for violating the statutes were criminal and, therefore, the jurisdiction fell within the authority of the county attorney to prosecute. Interestingly enough, there were no known cases in Iowa where individuals had been criminally charged for violating the lottery statutes as the result of their participation in chain letter activities.

When the chain letter activities reached Des Moines in mid-February, the Attorney General's Office, in cooperation with the Polk County Attorney's Office, filed criminal charges against three promoters of the chain letters. The Consumer Protection Division filed a civil suit at the same time alleging that the chain letter activities violated the Iowa Consumer Fraud Act, the state lottery statutes and the state law and common law on nuisances. The equity court issued temporary and permanent injunctions against the defendants and found that the chain letter did constitute a lottery and violated all the laws that the state alleged were violated.

This decision had a noticeable effect. Many prospective letter buyers called the office prior to buying a letter and chose not to buy after learning of the court decision which held that the letters did violate the lottery laws. County attorneys in several counties filed criminal charges against subsequent promoters of various lottery schemes.

During the latter part of 1980, the number of Iowans participating and promoting illegal lotteries in Iowa seemed to decrease. The Consumer Protection Division did, however, receive an increasing number of chain letters from Iowans who had received the letters in the mail from out-of-state promoters and who passed them on to our office for our information without participating. If Iowans' names appeared on the letters, the Iowans received letters from our office explaining why the chain letters violate the law and requesting that the Iowans not participate. Many of the letters sent to our office contained

only the names of the out-of-state participants and these letters were forwarded to the U.S. postal inspectors.

LITIGATION

During 1980, the Consumer Protection Division handled a total of sixty-three lawsuits. Of these, thirty-five were completed during 1980 and twenty-eight were still pending as of January 1, 1981. The Division filed twenty-seven new lawsuits for the year, up from the twenty-two filed in 1979.

Nineteen eighty was, in fact, one of the busiest years for the Division in regard to litigation activities. The following is a brief description of the sixty-three lawsuits handled last year by the Consumer Protection Division.

CLOSED CASES

1. State vs. Garden Centers, Inc., Polk County, closed January 16, 1980. In this case, the defendants were permanently enjoined from advertising or selling business opportunity distributorships or dealerships for their "Egg-A-Tarium" plant growing products.

2. State vs. Traub Car Sales, Cerro Gordo County, closed February 28, 1980. The defendant in this case was permanently enjoined from rolling back automobile odometers. The defendant also made restitution of \$5,000 to seventeen individuals who purchased automobiles he had rolled back the odometers on. In a related administrative action, the state also revoked the defendant's Motor Vehicle Dealers license.

3. State vs. Midwest Development Corporation, Webster County, Closed April 15, 1980. This action was originally commenced in 1968 and later refiled in 1972 against sixteen defendants who compromised the chains of ownership of several cemeteries from the 1950's through 1968. After several interlocutory appeals to the Iowa Supreme Court, the state was able to get its case to trial in late 1979 when its claims that the defendants had sold hundreds of elderly Iowans "pre-need" cemetery merchandise such as vaults and headstones without escrowing fifty percent of the sale proceeds as promised. Pursuant to several agreed upon court orders and settlements in late 1979 and early 1980, three hundred and sixty-three Iowans were sent restitution checks totalling over \$35,000 amounting to restitution of about \$.30 on the dollar.

4. State vs. Compuvend Systems, Ltd., Polk County, closed on April 15, 1980. These defendants entered into a binding Assurance of Voluntary Compliance agreeing to discontinue the advertising, promoting, offering for sale or sale of the defendants' vending machine distributorships in the State of Iowa. Upon execution of

the Assurance coupled with statements that no sales had ever actually been made in Iowa, the lawsuit was dismissed.

5. State vs. American Frontier Alarm Systems, Polk County, closed April 23, 1980. These defendants were permanently enjoined from making false representations in connection with their business of selling alarm systems for hog confinement barns to warn farmers that if there had been a power failure effecting the heating or cooling system in the hog barn. Complainants alleged the systems were faulty and the defendants would not properly repair them. Although in addition to obtaining the permanent injunction the state also obtained a restitution order, the restitution judgment was uncollectible because of the financial situation of the defendants.

6. State vs. Solar Electric, Inc., Polk County, closed June 16, 1980. These defendants sold solar heating units called "Hot Shot Collectors" promising consumers they would save twenty percent to fifty percent on their heating expenses. After a trial, the court ruled that the defendants' claims were false and misleading and in addition to a permanent injunction, a substantial restitution order was entered against the defendants. Restitution to a number of complainants was made by a series of monthly payments.

7. State vs. Gourmet Systems, Inc., Polk County, closed June 16, 1980. These defendants were permanently enjoined from using fraud and misrepresentation in connection with the sale of their nut vending machine distributorships in the State of Iowa. Investigation showed that the same individual defendants had been associated with a number of other fraudulent business opportunity sales in Iowa in the past.

8. Aldens, Inc., vs. Thomas J. Miller, U.S. District Court for the Southern District of Iowa, closed June 18, 1980. In this lawsuit, the Eighth Circuit Court of Appeals in St. Louis, Missouri ruled against Aldens, Inc., and in favor of the State of Iowa ruling that Aldens, Inc., a Chicago-based mail order sales company, could only charge interest rates to its Iowa customers in compliance with the rates set by the Iowa Consumer Credit Code. Aldens' attempt to appeal to the United States Supreme Court was denied.

9. State vs. Larry Thomas Roofing, Polk County, closed June 25, 1980. This lawsuit charged the defendant with violations of both the Consumer Fraud Act and the Door-to-Door Sales Act in connection with his roof repair and home repair business. A permanent injunction enjoined the defendant from continuing his fraudulent home repair activities and he was ordered to make restitution to twenty-five victims of slightly over \$16,000. Investigation showed the defendant to be judgment proof and collection was impossible.

10. State vs. R-Key Ltd., Polk County, closed June 25, 1980. The defendant was permanently enjoined from violating the Consumer Fraud Act in connection with its plastic sign business opportunity distributorship operation.

11. State vs. CHAS Industries, Inc., Polk County, closed June 30, 1980. This defendant sold distributorships for tire sealants, floor cleaning products and dog food promising substantial profits and exclusive territories. The court permanently enjoined the defendants from continuing such activities and the defendants also paid restitution to Iowa victims totalling \$13,521.77 plus \$1,500 in state costs.

12. State vs. Small World Enterprises, Inc., Polk County, closed June 30, 1980. These defendants were permanently enjoined from the use of fraudulent and deceptive practices in connection with toy distributorship sales. As the main individual in the case was eventually sentenced to prison in Florida, restitution for Iowa victims of another business opportunity, turned out to be impossible.

13. State vs. Palm Restaurant, Inc., Polk County, closed June 30, 1980. This case charged the defendants with fraud and misrepresentation in connection with the sale of jewelry and perfume distributorships. As the same defendants were defendants in a federal criminal mail fraud case and were fugitives from warrants in the federal criminal case, the state dismissed its civil prosecution.

14. State vs. Friedman Motors, Inc., Polk County, closed July 10, 1980. The defendant, a former Des Moines new car dealership, was permanently enjoined from selling daily rental cars as "executive cars" or "demos." Iowans purchasing such cars received restitution payments of slightly over two hundred dollars each to compensate them for the misrepresentations made at the time of purchase.

15. State vs. Detroit Automobile Services, Inc., Polk County, closed July 11, 1980. These defendants were permanently enjoined from selling automobile brokerages in Iowa, a business outlawed by the provisions of Chapter 322 of the Code. The state was unable to collect on its money judgment against the then defunct New Jersey defendants.

16. State vs. Armor Chemical, Inc., Polk County, closed July 11, 1980. These defendants were permanently enjoined from the use of fraud, misrepresentation in connection with the sale of synthetic cleaning oil product distributorships.

17. State vs. Cactus Garden, Inc., Polk County, closed August 29, 1980. These defendants were permanently enjoined from selling plant and plant product distributorships.

18. State vs. Associated Schools, Inc., Polk County, closed September 19, 1980. This lawsuit charged a Florida-based airline trade and correspondence school with violations of the consumer fraud statute. A permanent injunction was issued enjoining the defendants from continuing to make certain false promises to prospective students. The order also included a partial restitution arrangement for complaining Iowans.

19. In Re General Motors Corporation Engine Interchange Litigation, U.S. District Court for the Northern District of Illinois, closed October 28, 1980. In probably the largest automobile fraud case ever, the attorneys general of many states moved against General Motors Corporation in the so-called "Chevy-mobile" case where tens of thousands of consumers on a nationwide basis purchased 1977 Oldsmobiles, Pontiacs and Buicks which contained a Chevrolet engine. This information was never disclosed to purchasers prior to or at the time of sale. An eventual settlement agreement accepted by General Motors and the attorneys general of forty-nine states offered each individual with a covered vehicle a \$200 cash payment and a \$200 extended warranty for a total settlement package of \$400. In the case, the Consumer Protection Division individually processed 1,441 Iowa complaints and from this group, 1,285 chose to accept

the settlement terms and received restitution totalling \$474,200. This was the largest number of individuals and the largest amount of money ever actually paid out to claimants in any case filed under the Iowa Consumer Fraud Act.

20. State vs. Ascott Furriers, Inc., Polk County, closed October 31, 1980. These defendants were permanently enjoined from selling used furs in Iowa without giving purchasers their proper "3-Day Notice to Cancel" as required by the Iowa Door-to-Door Sales Act.

21. State vs. Power Chemical Corporation, Polk County, closed October 31, 1980. The defendants were permanently enjoined from sending Iowa businesses fraudulent invoices for un-ordered chemical products.

22. State vs. Automazing Corporation of America, Polk County, closed October 31, 1980. These defendants were permanently enjoined from the use of fraud and misrepresentation in connection with the sale of distributorships for home video equipment. Iowa victims who lost over \$20,000 in this fraud were not compensated as the Pennsylvania-based defendants had no known assets to collect from.

23. State vs. R. J. Wiley Marketing Systems, Inc., Polk County, closed October 31, 1980. These defendants were permanently enjoined from engaging in deceptive practices in connection with the sale of toy and sporting good distributorships.

24. State vs. Holiday Furs, Polk County, closed October 31, 1980. These defendants were permanently enjoined from failing to give buyers their "3-Day Notice to Cancel" pursuant to the state's Door-To-Door Sales Act in connection with the sale of used furs at Des Moines area motels.

25. State vs. Columbia Research Corporation, Polk County, closed November 5, 1980. These defendants were permanently enjoined from fraud and misrepresentation in connection with deceptive promotions of special trips and the sale of trip certificates.

26. State vs. Arco Leasing, Inc., Polk County, closed November 5, 1980. In this case, the defendants were enjoined from the use of fraud and misrepresentation in connection with their advance fee loan finder scheme.

27. State vs. Diversified Ventures, Inc., Polk County, closed November 18, 1980. These defendants were charged with false and deceptive sales of jewelry distributorships. As the main defendant in the case was sentenced to a 4-year federal prison term for fraud by wire, the state's civil case was dismissed.

28. State vs. Gazaway, Polk County, closed November 18, 1980. This was the office's first civil lawsuit charging promoters of the sale of chain letters with violations of the Iowa Consumer Fraud Act and Iowa lottery statute. The court ruled that in addition to the sale of chain letters constituting a violation of the lottery statute that such sales were also accompanied by misrepresentation in violation of the consumer fraud statute. The three individual defendants in this case were permanently enjoined from selling and promoting chain letters in the State of Iowa.

29. State vs. Durbin Tree Service, Wapello County, closed December 10, 1980. The defendant in this case was enjoined from failing to give the proper 3-day notice to cancel in connection with his business of trimming trees for Iowans. Certain victims who testified at trial were given restitution.

30. State vs. Vegas Bay Corporation, Polk County, closed December 29, 1980. These defendants were charged with fraud and misrepresentation in connection with their sale of business opportunity distributorships. As the defendants were awaiting federal criminal fraud prosecution in Philadelphia on the same charges and as the federal authorities' investigation showed them to be insolvent, the state's civil case for injunction and restitution was dismissed.

31. State vs. International Marketing and Engineering, Inc., Polk County, closed December 30, 1980. These defendants were permanently enjoined from the use of fraud and misrepresentation in connection with the advertisement, solicitation, sales and promotion of alleged electrical energy saving devices. The injunction was issued against the individual defendant, and the corporate defendant was eventually dismissed from the case since it was involved as a debtor in a federal bankruptcy action.

32. State vs. Jimbo's Beef Service, Polk County, closed December 31, 1980. These defendants were permanently enjoined from fraud and misrepresentation in connection with the bait and switch sale of beef. Although the primary defendant immediately fled the state, the finance company that had purchased his paper eventually was ordered to make restitution of over \$9,000 to Iowa claimants.

33. State vs. Intranational Marketing Corporation, Polk County, closed December 31, 1980. These defendants were permanently enjoined from the use of fraud and misrepresentation in connection with the sale of magazine vending machines.

34. State vs. Figure Girl, Inc., Polk County, closed December 31, 1980. These defendants were permanently enjoined from the use of fraud and misrepresentation in connection with the selling of health spa memberships. The state's restitution judgment of \$12,888 in favor of 288 individuals was deemed uncollectible as the defendants had removed all funds from the State of Iowa and the primary Georgia-based individual defendant left the country.

35. State vs. International Auto Brokers, Inc., Polk County, closed December 31, 1980. These defendants were permanently enjoined with the unlawful sale of automobile brokerages in the State of Iowa.

PENDING LAWSUITS

1. State vs. Aldens, Inc., Polk County. This case charges the Chicago, Illinois mail order company with violating the Iowa Consumer Credit Code in connection with interest rate overcharges to Iowa customers. After related federal court litigation was decided in the state's favor, the District Court of Polk County on December 31, 1980, entered a permanent injunction against Aldens, Inc., requiring it to comply with the interest rate ceilings established by the ICC. Pursuant to an agreement between the Attorney General's Office and Aldens, Inc., in early February of 1981, approximately 17,000 Iowans will be mailed restitution checks totalling approximately \$95,000.

2. State vs. Villager Restaurant International, Poweshiek County. This case charges the defendants with deception in the sale of restaurant franchises. A permanent injunction has issued against the deceptive sales activities and monthly payments are being made on a restitution judgment.

3. State vs. Gordon Copley, Polk County. In this case, the defendant was tried and found to have committed fraud and misrepresentation in connection with his home repair business. After refusing to complete a court ordered job completion schedule, the defendant was jailed for several days for contempt and then released after he made a cash payment to settle the amount due. Subsequently, he failed to complete additional court ordered restitution and completions, so the state is seeking a further contempt citation against the defendant.

4. State vs. Key Associates, Polk County. Business opportunity sale of vending machines.

5. State vs. Broome Consultants, Polk County. Advance fee loan finder.

6. State vs. National Business Directory, Polk County. Invoice billing scheme.

7. State vs. Marketex International Advertising Agency, Polk County. Business opportunity sale of vending machines.

8. State vs. Wheels Unlimited, Scott County. Business opportunity sale of auto brokerages. On March 11, 1980, the court entered a permanent injunction and restitution order and the state is currently attempting to execute on its restitution judgment.

9. State vs. Direct Auto Buying Services, Inc., Polk County. Business opportunity sale of auto brokerages.

10. State vs. Consolidated Reliance Agency, Polk County. Envelope stuffing scheme.

11. State vs. Commercial Brokers Exchange, Des Moines, County. Business opportunity sale of auto brokerages. Case tried on October 21 and 22, 1980, under submission to court for expected early 1981 decision.

12. State vs. Mr. Sirloin, Inc., Polk County. Business opportunity sale of food products.

13. State vs. Internal Energy Management, Polk County. The defendants in this case are charged with fraud and deception in connection with the sale of "moleculator" gasoline saving device. After the defendants' attempt to remove the state case to federal court was thwarted by the case being remanded back to state court, the remaining Texas corporation and two Texas individuals filed a special appearance contesting the court's jurisdiction. In early January, the court ruled that the state had jurisdiction over the Texas corporation but not the two individual officers as they did not have the necessary "minimum contacts" with the state for jurisdictional purposes. The case is expected to go to trial in July of 1981.

14. State vs. Omega Verde, Inc., Polk County. The Florida defendants in this case were charged with misrepresentation in connection with Texas located subdivided land. On October 31, 1980, the court entered a permanent injunction and restitution order against the defendants and the plaintiff is currently attempting to collect on its restitution order.

15. State vs. Auction Action, Polk County. In this case, the defendants are charged with selling over \$400,000 of vacations, accepting advance payment therefor and spending the money on other business needs. The vacations being sold for one-half of their cost made the defendants insolvent and the plaintiff is currently attempt to set up a restitution program to obtain \$400,000 in restitution for slightly over 600 Iowa couples.

16. N. Dwight Johnston vs. Iowa Real Estate Commission, Marion County. In this case, the Division represents the Iowa Real Estate Commission who suspended the real estate license of the appealing plaintiff.

17. State vs. Health-Mor, Inc., and Filter Queen Products, Polk County. Alleged illegal referring sale of vacuum cleaners.

18. State vs. Interstate Industrial Products, Inc., Polk County. Business opportunity sale of industrial chemicals.

19. State vs. Estate Planners Trust, Polk County. Estate trust tax saving scheme.

20. State vs. Franklin Productions, Inc., Polk County. The defendants here are charged with fraud and misrepresentation in charging Iowans a \$35 admission fee to their "100 Miles Per Gallon Gas Saving Seminars" where they claim they could train attendees to get over one hundred miles per gallon out of their passenger automobile.

21. State of Iowa (Intervenor) vs. Citizen Loan and Thrift Company, U.S. Bankruptcy Court, Northern District of Iowa. The state's intervention in a reorganization of a regulated industrial loan company under the provisions of the Iowa Consumer Credit Code. On November 5, 1980, the Bankruptcy Court upheld

the state's intervention on behalf of claiming consumer clients of the debtor.

22. State vs. Steinbach School of Music, Polk County.

Alleged deception in regard to the sale of music lessons and alleged violations of the Iowa Trade School Act.

23. State vs. Color-Glo International, Inc., Polk County.

Business opportunity sale of vinyl auto top repair distributorships.

24. State vs. Sierra Blanca Ranches, Polk County. Sale

of Texas subdivided land in violation of the Consumer Fraud Act and Subdivided Land Sales Act. Permanent injunction issued on October 31, 1980, against two defendants and case still pending as to three additional defendants.

25. State vs. House of Microwave Ovens, Polk County.

Alleged deceptive sales and advertising by sellers of microwave ovens.

26. State vs. Leo Wayne Wilson et al, Polk County. Farmer-

oriented advance fee loan finder scheme.

27. State vs. World Travel, Inc., Polk County. Sale of

Las Vegas-style vacation packages.

28. State vs. Lady Venus Centers, Polk County. Health

spa and figure salon membership sales.

As can be seen from the above, 1980 was a very busy year for the Division attorneys in handling litigation. The Division starts 1981 with twenty-eight pending lawsuits and expects 1981 to be an equally busy year in terms of litigation.

The Division expects 1981 to be an equally busy year because of the very current nature of its pending case load. Unlike in past years, there are few old, uncompleted cases remaining

as only nine of the Division's pending twenty-eight lawsuits were filed prior to 1980. In the coming year, the Division's attorneys expect to substantially shorten the length of time the cases are in court and to adopt procedures to guarantee quicker resolutions of consumer fraud cases that go into the Iowa court system.

MAGAZINE SALES AND SERVICES

For 1980, the second largest area complained of by Iowans were the 1,202 complaints filed involving magazine sales and service disputes. Of these, 994 were filed in regard to sales problems and 208 were service disputes.

As in the past, almost all the magazine complaints involved out-of-state companies who used deceptive sales practices or an out-of-state publisher or shipping house where the Iowan was simply having trouble getting service on an existing subscription. Recently there have been two new trends visible in magazine disputes reported to this office by Iowans.

First, quite a few companies are now either doing publishing or subscription clearing house activities in Iowa and more of the magazine area complaints involve Iowa companies. Also, the increasing concentration of publishing and subscription handling in Iowa is increasing the number of magazine complaints being referred to our office by the attorneys general of other states who have received the complaints from their own citizens against an Iowa company.

The second area is in a more pure "fraud" context where it is becoming more popular for individuals to promise that they are going to publish a magazine, sell a large number of subscriptions

and perhaps even sell advertising and then either not publish the magazine at all or publish only a very few copies and not advertise, promote and sell the magazine as promised.

The Division is going to give both of these areas of magazine problems a more serious look in 1981 to make sure that this area of increased Iowa complaint receipt does not get out of hand.

MAIL ORDER PROBLEMS

The third largest category of consumer complaints last year were mail order problems wherein the office received 1,077 complaints. These complaints break down as follows:

Failure to Deliver.....	759
Refusal to Make Refunds.....	225
Unordered Merchandise.....	61
Deceptive Practices.....	23
Defective Merchandise.....	8

As in past years, mail order complaints about companies that failed to ship merchandise ordered or refused to make refunds on returned merchandise led the list. Also, unordered merchandise complaints slightly increased.

Due to the tremendous increase in the receipt of new complaints and the fixed nature of the Division's staff, the handling of mail order complaints was one area that the Division was forced to back away from in 1980. Experience showed that most mail order complaints were "non-fraud", involved small amounts of money and that a simple phone call or letter from a law enforcement authority would

usually resolve the problem, although it might go on for several additional months and need a series of letter and phone calls to eventually clear up the problem. Analyzing the receipt of an average of about ninety mail order complaints each month showed that they were almost all against out-of-state companies and that about seventy-five of the ninety complaints we received each month involved disputes of less than \$25.

Lacking adequate staff to continue handling each year the large number of additional complaints filed, mail order complaints were chosen as an area where the office has reluctantly had to reduce some of its efforts to assist every Iowan that complains to it. For the last few months of the year and continuing into 1981, Iowans who complained against an out-of-state mail order company where the amount in dispute totals less than \$25 will have their complaints referred to the attorney general's office of the state the company is located in as this office lacks the personnel to handle the ever increasing annual complaint load without a staffing increase which appears impossible in the near future.

The office expects that due to the close relationship between the Consumer Protection Divisions of all the attorneys general offices that Iowans will get good service from most of the states their complaints are referred to just as this office tries to be of assistance to out-of-state residents who have complaints or problems with Iowa companies.

OPINIONS

The Consumer Protection Division shares in discharging the duty placed upon the Attorney General by Section 13.2, to provide written opinions on questions of law submitted to him by the General Assembly or state officials. The Attorney General released five formal and one letter opinion written by the Consumer Protection Division during 1980. A broad range of issues and statutes are covered by the opinions. Three opinions, two of which were mentioned earlier in the Credit Code Section of this report, dealt with issues arising from various usury laws. The two discussed in the earlier section were issued after a major overhaul of the usury laws, House File 2492, took effect on May 10, 1980. The primary purpose of both was to clarify the changes that House File 2492 affected in existing usury laws.

A June 11, 1980, opinion discussed the following important changes in Iowa usury laws:

1. Section 7 of House File 2492, which allows sellers to charge interest within the restrictions imposed by Subsection 2 without a prior written agreement with the debtor. This section was a direct legislative response to the "5% Opinion" issued by this office in 1979 holding that interest above 5 percent per year could be charged only pursuant to a bilateral written agreement between the parties.

2. Section 2 of House File 2492 which creates new classes of borrowers, including persons borrowing any amount for business or agricultural purposes, who may agree in writing to pay any rate of interest.

3. Section 13 and 14 of House File 2492 which raised from 15 percent to 21 percent the rate of finance charge which creditors in closed-end consumer credit transactions may charge.

The opinion also capsulized the law on post judgment interest holding that statutory post judgment interest may be added to contractual prejudgment interest, but may not be compounded.

A July 25, 1980, usury related opinion also highlighted changes in the usury laws holding that House File 2492(2) allows both wholesale and retail agri-business companies to charge any rate of interest to which the parties agree by a bilateral written agreement. Prior to the opinion, various groups of creditors had advanced the argument that a combination of notice and implied consent may lead to a binding agreement between the parties. The opinion pointed out that such a proposition is contrary to the clear language of House File 2492 and the intent of the Legislature to pre-empt the common law in the area.

The third opinion relating to Iowa usury statutes was released on March 14, 1980, and addressed mortgage lending by out-of-state institutions. The opinion confirmed the legality of using Iowa real estate as collateral for mortgage loans by out-of-state lenders.

The opinion discussed the general rule that Iowa law governs the requisites, validity and construction of mortgages as well as the maximum rate of interest that may be assessed. One

exception the opinion mentions is that under a 1978 U.S. Supreme Court decision, national banks from out of state may assess any rate of interest to Iowans that is valid in the bank's home state.

With the approach of Independence Day, came a request to interpret § 727.2 which defines and sets penalties for the sale of fireworks. The opinion, timely released on June 25, 1980, applies the language of § 727.2 to the "Champagne Party Popper," "Ozark Smoke Bomb" and the "Pop-It." Since each of the above fireworks depends upon explosive substances to produce audible and/or visible effects by combustion, deflagration or detonation, and none are among the exceptions enumerated in the statute, they were ruled to fall within the category of fireworks prohibited by the State of Iowa.

The Consumer Protection Division issued its last opinion of the year on December 9, 1980. That opinion discussed real estate time sharing, a relatively new marketing concept whereby two or more purchasers share possession or use of land or appurtenant structures for designated time periods. Among other things, the opinion distinguished Time Share Use which is founded upon contractual rights derived from another's ownership of a Time Share Estate, from Time Share Estates themselves. The opinion concludes that the sale or lease of Time Share Estates are governed by Chapter 117A which regulates the sale of subdivided land outside the State of Iowa when the time sharing arrangements meet the definitional standards of § 117A.1(1).

Two additional opinions which were assigned to the Consumer Protection Division during 1980, are scheduled for release in 1981.

REAL ESTATE COMMISSION

During 1980, the Consumer Protection Division took on a substantial additional area of obligation when it was assigned to represent the Iowa Real Estate Commission. The Division has, since 1968, represented and dealt with the Real Estate Commission solely in the area of out-of-state subdivided land sales pursuant to the Attorney General's joint authority with the Commission established by the Iowa Subdivided Land Sales Act, Chapter 117A, 1981 Code of Iowa. However, the Division has not in the past generally represented the Commission in their day-to-day responsibilities of licensing, regulating and disciplining all of the thousands of Iowans licensed as real estate brokers and salespersons pursuant to the authority of Chapter 117 itself.

The Division now represents the Commission both administratively in disciplinary actions and hearings for the Commission in regard to license suspensions and revocations and the Division also represents the Commission in court when suspended or revoked licensees appeal Commission decisions.

Although this duty requires a very substantial time commitment from Division attorneys, it serves a strong consumer protection purpose. Many Iowans each year deal with real estate licensees and clearly the policing of the real estate marketplace and the handling of disciplinary actions against the small percent of Iowa licensees who act improperly is a very important consumer protection function.

In the Division's early handling of such administrative and court cases for the Commission, it is clear that both the

Division and the Commission lack adequate investigative, hearing officer and attorney staff to properly deal with such disciplinary actions against real estate licensees on the level of work and time commitment that needs to be committed.

SUBDIVIDED LAND SALES

The year 1980 saw some additional activity in the area of out-of-state subdivided land sales in Iowa as regulated by the provisions of Chapter 117A, giving certain joint enforcement authorities to the Iowa Real Estate Commission and the Attorney General's Office. Two lawsuits against out-of-state companies selling unfiled and unregistered subdivided land in Iowa were filed in 1980. Both lawsuits have resulted in permanent injunctions and restitution orders being entered by the courts but because of the out-of-state nature of the defendants, their current status and lack of assets, only limited recoveries are expected.

In the fall of 1980, a Division staff member and the Director of the Iowa Real Estate Commission inspected several Arkansas land developments seeking registration for sale in Iowa. The Division assists the Commission in making such inspections as the Commission relies on the opinions of the Division attorney assigned to them in regard to making registration, bonding and licensing decisions in regard to such out-of-state land companies.

Also during the latter part of 1980, the Attorney General's Office issued an opinion ruling that the Land Sales Act,

Chapter 117A, covered "Time Sharing." Time Sharing is a relatively new concept whereby a purchaser can share the use of land or apartments at a particular development with from one to thousands of other purchasers. There is an arrangement controlled by the developer whereby the purchaser is to notify the developer of the time they wish to use the property and they can then hopefully use the property for that particular reserved time period.

The Attorney General's Office and the Iowa Real Estate Commission anticipate increased activity in the Time Sharing field as well as possible litigation challenging this opinion. Although true sales activities in Iowa by out-of-state subdivided land sales companies are currently very limited because of the economic situation, the sale of such Time Sharing Plans is on the rise and the office will either see a large increase in such companies seeking filing approval and registration or litigation against those who fail to comply or by those who wish to contest the correctness of the office's position.

For many years, subdivided land sales were the largest category of consumer complaints and millions of dollars were taken from Iowans from the late 1950's to the early 1970's. Fortunately, the state's tough protective statute in this area saw complaints against out-of-state subdividers fall to only thirty-five in 1980 and those filed against properly licensed subdividers usually resulted in a satisfactory conclusion for the complainant.

TRADE AND CORRESPONDENCE SCHOOLS

The Consumer Protection Division assists and advises the Department of Public Instruction in connection with filings

made with the Department by trade and correspondence schools pursuant to the provisions of Section 714.17, Unlawful Advertising and Selling Courses of Instruction, 1979 Code of Iowa. In addition to examining filings submitted to the Department of Public Instruction, the Division issues an opinion to the Department as to whether or not the filing complies with the statute and as to whether or not the proposed seller of a trade and correspondence school course is properly ready to be allowed to advertise, solicit and sell in the state.

The Division also continues to get complaints from Iowans who believe they have been victimized by false promises and representations used by individuals selling them trade and correspondence school courses. Nineteen eighty was a fairly fortunate year in this area as the Division only received forty-one complaints against trade and correspondence schools and, unlike in past years, no major such schools went out of business. In some years, such schools closing their doors have left hundreds of students in the position of "holding the bag" for prepaid courses.

During 1980, the Division completed a lawsuit filed in 1979 charging a Florida trade school, Associated Schools, with violations of both the Consumer Fraud Act and the trade and correspondence school sections of the Code. The Division obtained a permanent injunction enjoining the continuation of any deceptive practices and restitution for complaining students.

In July of 1980, the Division filed suit against Steinbach School of Music in Des Moines, again alleging violations of the Consumer Fraud Act and the trade school provisions of the Code in connection with the defendants' sale of music courses. This case

is still pending but is expected to be completed in early 1981.

Complaints received against those schools that are properly filed and bonded with the Department of Public Instruction were readily and satisfactorily resolved during 1980. Major investigations are pending against two trade and correspondence schools the Division received complaints against in late 1980 and litigation against one or both may be initiated in early 1981.

In 1980, the Division investigated and made recommendations to the Department of Public Instruction in regard to obtaining registration for nine new trade and correspondence schools. A number of other applications were examined but were never completed due to the school's failing to comply with either the provisions of the statute or information requests submitted prior to granting registration. The Consumer Protection Division staff is working with the Department of Public Instruction in attempting to find the means to assure greater quality control over trade and correspondence schools selling in Iowa. In 1981, some investigatory visits will be made to the sites of such schools to determine thier compliance with the Trade School Act and the Consumer Fraud Act.

The Division is considering recommending the implementation of an annual review process whereby trade and correspondence schools will file annual reports with the Department of Public Instruction. Especially important would be information about the number of persons actually receiving jobs after graduating from the schools in areas they were being trained in. One serious problem that has often developed is trade schools selling Iowans courses of instruction promising well-paid jobs after graduation yet no such jobs existed. Examples have been trade schools training Iowans to

be "forest rangers," "medical receptionists," and "cattle buyers," areas in which graduates of such courses had no hope of obtaining employment in Iowa based upon the credentials received from the school. Hopefully, additional activities in the trade school area will prevent fraudulent trade schools from actively selling in Iowa and keep trade school complaints quite low like they were in 1980.

TRAVEL AND TRANSPORTATION COMPLAINTS

One of the fastest growing categories of complaints in 1980 involved travel and vacation problems. In 1979, only 1.2 percent of the complaints received pertained to travel and vacations. The majority of these problems concerned disputes between consumers and airline or travel agencies. However, in 1980, the travel and transportation category rose to 7.2 percent, a total of 866 consumers filed complaints with the Attorney General's Office, and travel and vacation problems in 1980 grew to the fourth largest category of complaints.

For a number of years, all of the various complaints received by Iowans about travel problems, airlines, buslines, travel agents, hotels, motels, resorts, etc., have all been lumped into the general category of "Travel and Transportation." Recognizing the need for more definite information and statistics in this area beginning on January 1, 1981, the Division's general category of travel and transportation will see complaints in this category divided into the following subcategories:

1. Hotels, Motels and Resorts
2. Travel Agencies
3. Common Carriers
4. Vacation Packages and Plans

Thus, for the ensuing years, the Division will have better information as to just how Iowans with travel and transportation complaints and problems are specifically involved in different areas of the travel and transportation industries.

Probably the biggest reason for the sharp increase in travel and transportation complaints in 1980 is the filing of a major consumer fraud lawsuit, State of Iowa vs. Auction Action, Dick Vance, et al. This one lawsuit involves 607 claimants claiming over \$400,000 due to non-delivery of prepaid vacation trips.

The individual named in the lawsuit, Dick Vance, leased a cable television channel from Hawkeye Cablevision, a division of Heritage Communications, Inc., of Des Moines. One of the programs produced on Vance's channel was a one-hour tv show called "Auction Action." On this program, items were auctioned off to the viewing audience, who would call in bids.

Most of the vacations were being sold for less than half of what the retail value would be at a travel agency. Vance explained the low prices by telling people these vacations were available to him free in trade for advertising time. This in fact was not true. Auction Action made reservations through several travel agencies at their regular prices. In other words, vacations were being sold for

half the cost Vance had to pay for them. Word of bargain vacation prices spread and soon more than 1,200 trips had been purchased, by Polk County residents.

Problems began to surface when the vacation purchasers tried to make reservations. Some of the individuals actually went on their trips, but many were stalled for months. Eventually, the whole system collapsed, leaving 600 couples holding vacation certificates that they could not use.

In April of 1980, a temporary injunction was obtained by the Consumer Protection Division and a permanent injunction and complete restitution is being sought in Polk County District Court.

Companies selling fraudulent Las Vegas vacation packages are the second factor contributing to the 1980 jump in travel and transportation complaints. These out-of-state companies solicit businesses and individuals on a nationwide basis. Typically, these firms contact prospective buyers by telephone or mail and offer vacation certificates consisting of three days - two nights lodging for two people in a Las Vegas hotel. Potential purchasers are also told meals, shows and a gambling package valued at anywhere from \$250 to \$1,000 is also included.

The consumer is generally offered a certificate to a choice of resorts, for example Disney World, Miami Beach or Lake Tahoe. Most certificates however feature Las Vegas as the destination. The company then tells the consumer they can receive all of this for a service charge. (Some companies call this a reservation deposit, others call it a gift tax).

There are actually two kinds of certificates that are being sold: "Breakage" and "Hooker." A "breakage" certificate is "serviced" by the seller, i.e. the consumer sends the reservation request to the seller who books and pays for the hotel accommodations. A "hooker" certificate is not "serviced" by the seller. The company servicing these certificates often require the consumer to attend sales presentations, usually on condominium time-sharing plans. Hooker certificates require attendance at these sales presentations to receive a deposit refund for the "free" hotel space.

The Consumer Protection Division has been receiving numerous complaints concerning these vacation packages. The following is a synopsis of the major complaints this office received, although all are not applicable to every company.

1. The vacation certificates did not contain all the benefits that were represented. Transportation was not included, additional reservation deposits were almost always required, additional restrictions were imposed, and the participating hotels were not the ones mentioned in the phone solicitation. Quite often inaccurate facts were related to the consumers concerning the actual value of the certificates.

2. Many of the companies that were selling certificates for larger companies would change their locations or have their phones disconnected making it difficult for consumers to inquire about reservations and refund policies.

3. Consumers were misled on the gambling package. They were usually led to believe that they would receive a lump sum of cash once they arrived in Las Vegas. In fact, the gambling packages usually require betting, and all the coupons cannot be used in a

3-day time period. Furthermore, the consumers thought that the gambling package was available only by purchasing the vacation certificate, when in fact many such packages were freely available or are distributed by the hotels to their guests.

4. The salespeople contacting the consumer by telephone often told them that they had "won" this trip or were specially selected. In actuality they had been chosen at random from the telephone book. Generally, the sales pitch also included talk of "the Las Vegas Hotel Association" backing this project. When in fact, there is no such Association.

5. Credit card numbers were often asked for by these companies for a "credit reference" and then consumers were charged for the certificates without having given their expressed authorization. Many times, consumers were overcharged for the certificates or never received their certificates at all. Often, consumers were told they could examine the certificates for a period of time and obtain a refund if they were dissatisfied. In fact, the charge was immediate, and if the consumers then decided not to purchase a certificate, they would have to request a charge back. Customers requesting a refund from the seller were most often assured that the charge back would be made immediately. However, later the consumer would discover that the credit was never issued.

6. For the consumer who actually did take the trip, quite often the hotel reservation did not exist or the quality was far less than what the consumer had been led to believe.

7. Consumers did not receive refunds of the deposits they were told would be made at their hotel. Many of the companies tell the customers that the deposit would be refunded by using the gambling pack.

8. In most cases, the reservation requests must be sent within thirty days in advance of arrival. However, confirmation is generally not sent until a week prior to arrival. When they were denied space, the consumers often could not rearrange their schedules or comply with air fare restrictions. "Breakage certificate" companies assume that a consumer would never make it to Las Vegas so the company would never incur the cost of the hotel space. Sworn testimony made to the Las Vegas City Attorney's Office indicated that one company serviced only three percent of 21,000 certificates sold.

9. Businesses that purchase large quantities of these certificates to use for their promotional purposes often learned that, upon receipt, additional fees were required.

Often such sponsoring businesses then found that they incurred a great deal of customer dissatisfaction in regard to the "vacation certificates" they had given to their customers in their various promotional arrangements.

10. Almost all such companies are out of state, many are transient and fly-by-night and give the offices of the various state attorneys general a great deal of difficulty in trying to halt deceptive advertisement, solicitation and sales activities in the vacation certificate area.

In 1980, the state sued World Travel, Inc., to litigate the state's allegations that their sale of vacation certificates and packages were false and deceptive. Several other investigations are pending and the Division is working quite closely with the federal authorities to try and prosecute major offenders in this area.

VOLUNTEER PROJECT

It has been more than one year since the Consumer Protection Division began its "Volunteer Project." It has been a good experience not only for the volunteers but for the Division as well. It should be noted that the Volunteer Project as described herein involves both students from a number of Iowa colleges and universities who receive college credit for their work, as well as others who work strictly on a volunteer basis. Both groups of individuals are known as "Complaint Handlers." The use of these Complaint Handlers has greatly increased the efficiency of Investigator/Attorney work time and has improved the quality of service the Division has provided to the citizens of Iowa.

During 1980, sixteen individuals worked for the Consumer Protection Division as Complaint Handlers. Of these sixteen, eight worked strictly on a voluntary basis and two of these were referred to us by the Retired Senior Volunteer Program (RSVP). The other eight Complaint Handlers were student interns from various Iowa colleges and universities. Three of these were from the Des Moines Area Community College Legal Assistant Program, three were from Iowa State University, and two were from Luther College in Decorah, Iowa. During the latter part of 1980, the Division received the services of an area high school student who was referred to us by Iowa Comprehensive Manpower Services, Inc. This individual works in the office two hours per day, four days per week and handles a variety of assignments, from assisting with mailings to typing letters. He receives payment for his work from the referral agency.

A volunteer receptionist, who works one day per week, rounds out the volunteer staff. All of these people do a wonderful job and we wonder how we got along without them.

Statistics are one measure of how effective the Complaint Handlers have been to the Division. In 1980, the Consumer Protection Division received 12,039 new complaints and closed 10,802. One million, fifteen thousand dollars was recovered for Iowans. Of these figures, the supervised Complaint Handlers closed 838 complaints and recovered \$20,441.25.

In the 1979 Consumer Protection Division Annual Report, it was mentioned that one of the goals of the Division was to have an ongoing volunteer complaint-handler program under the direction of a "Volunteer Director." This goal was realized in 1980. The Volunteer Director's principal duty is to receive and screen all incoming phone calls. She also handles a small number of non-fraud type complaints. The rest of her time is spent working with the Complaint Handlers.

One advantage of having one individual take all the phone calls and train the Complaint Handlers is that there is consistency in the information disseminated. Another advantage is that the other investigators have more time to pursue fraud investigation and other special projects. It has long been a goal of the Division to spend less investigator time handling and mediating non-fraud type complaints. Nineteen eighty seemed to bring us closer to that goal. The investigators are finding more time to investigate consumer fraud cases and to assist the attorneys with lawsuits than ever before.

CONTINUED

1 OF 2

It is clear that incorporating Complaint Handlers into the staff of the Consumer Protection Division is a definite asset in dealing with the consumer problems that Iowans face. The use of Complaint Handlers is one way the Division tries to improve the quality of service to the consumers in the State of Iowa, without increasing the Division's paid staff.

CONCLUSION

Nineteen eighty was a very active year for the Consumer Protection Division. This year, 1981, also promises to be very busy, especially with the number of pending fraud investigations that are expected to go to litigation within the first six months of the year.

In the coming year, the Division intends to put a great deal of effort into several major areas that Iowa consumers complain about:

1. Travel and Transportation Problems
2. Health Spas and Weight Salons
3. Consumer Credit Code Disputes
4. Business Opportunity Schemes

Work was begun in 1980 toward the implementation of rules and regulations to further effect the provisions of the Iowa Consumer Credit Code. Rough drafts of rule proposals prepared in 1980 will be finalized in 1981 to enable the office to more fairly and effectively enforce the provisions of the ICC.

The Division's Business Opportunity Project will continue after being strongly assisted in 1980 by the cooperation of the Iowa newspaper industry. Division staff members will be working very hard in 1981 encouraging the Legislature to pass the Attorney General's offered "Business Opportunity Sales Act" to provide more adequate protection to Iowans from being preyed upon by out-of-state sellers of fraudulent business opportunity schemes.


Much of the content of this report deals with complaints, investigations, opinions, litigation, projects and other technical points. One thing that should not be forgotten is that underlying all of these facts and figures are real people, the people whose lives are affected by the purchases they make and how their complaints are handled and responded to by this office and by the businesses they deal with.


The Iowa Consumer Fraud Act, the Iowa Consumer Credit Code, and the other statutes enforced by the Consumer Protection Division are very broad and encompassing acts covering almost every area of advertising, solicitation, selling, interest rates, lending practices, and others that Iowans may become involved with in their day-to-day lives. Very simply, the Consumer Fraud Act mandates that "It is unlawful to lie or fail to tell the complete truth when advertising or selling goods or services." The Division's responsibilities touch upon almost every Iowan in the state during the course of the year and substantially effect not only the rights of purchasers but also the rights and responsibilities of sellers.

The Consumer Protection Division is confronted each day

with new and intriguing complaints, schemes, questions of law and other matters that must be addressed and solved. All in all, the enforcement of the various Iowa consumer protection statutes by the Attorney General's Office, is a most rewarding undertaking.

Dated this 1st day of April, 1981.


THOMAS J. MILLER
ATTORNEY GENERAL OF IOWA


DOUGLAS R. CARLSON
Assistant Attorney General/Division Head
Consumer Protection Division
Consumer Credit Protection Bureau



THOMAS J. MILLER
ATTORNEY GENERAL

DOUGLAS R. CARLSON
ASSISTANT ATTORNEY GENERAL IN CHARGE
CONSUMER PROTECTION DIVISION

Department of Justice

ADDRESS REPLY TO:
CONSUMER PROTECTION DIVISION
HOOVER BLDG., SECOND FLOOR
1300 EAST WALNUT
DES MOINES, IOWA 50319
515/281-5926

APRIL 1981

MONTHLY REPORT

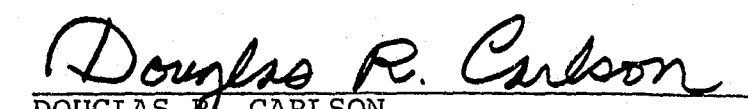
<u>New Complaints</u>	<u>Complaints Closed</u>	<u>Complaints Pending</u>
855	596	5,151
<u>Lawsuits Filed</u>	<u>Lawsuits Closed</u>	<u>Lawsuits Pending</u>
1	1	26

Monies Recovered For Complainants

\$66,270.05

YEAR TO DATE

<u>New Complaints</u>	<u>Complaints Closed</u>	
4,478	3,768	
<u>Lawsuits Filed</u>	<u>Lawsuits Closed</u>	<u>Monies Recovered For Complainants</u>
3	5	\$304,449.50


DOUGLAS R. CARLSON
Assistant Attorney General in Charge
Consumer Protection Division

TOP TEN COMPLAINT CATEGORIES

(For the Year 1981)

APRIL

1.	Health Spas & Weight Salons.....	789
2.	Consumer Credit Code.....	774
3.	Mail Order.....	252
4.	Heating & Air Conditioning.....	237
5.	Automobiles.....	213
6.	Magazine Sales & Service.....	174
7.	Advertising.....	170
8.	Trade & Correspondence Schools.....	165
9.	Loan Finders.....	161
10.	Invoice & Billing Schemes (Non-Credit Code).....	112

NEW COMPLAINTS

A. Catagories of New Complaints

	<u>Month</u>	<u>Year to Date</u>
Miscellaneous (Fits No Category)	22	91
Aluminum Siding	0	12
Advertising	79	170
Bait & Switch	(1)	(2)
Deceptive	(13)	(40)
Merchandise Not Available	(4)	(6)
General	(45)	(83)
Sales Ads	(1)	(3)
Coupons	(10)	(23)
Price Rebates	(5)	(12)
Labeling	(0)	(1)
False Pricing	(0)	(0)
Appliances	10	52
Automobiles (Includes Trucks) (Total)	71	213
General	(1)	(7)
Odometer Setbacks	(3)	(3)
New Car Sales Practices	(21)	(32)
Repair & Service Problems	(26)	(78)
Used Car Sales Practices	(10)	(49)
Warranty Problems	(7)	(33)
Inspection Stations	(3)	(11)
Boats, Boating Eqpt., Repairs, etc.	1	2
Book, Record & Tape Clubs	9	61

	<u>Month</u>	<u>Year to Date</u>
Business Opportunity Schemes (Total)	27	62
Work at Home	(13)	(23)
Rack & Vending Equipment	(0)	(0)
Distributorships (Other Than Rack & Vending)	(7)	(21)
General	(7)	(17)
Clothing	8	33
Construction (Other Than Homes)	6	15
Contests	4	31
Credit Code	26	774
Credit Cards	(4)	(26)
Interest Rates	(5)	(685)
Other Charges	(0)	(4)
Contract Clauses	(0)	(1)
Collateral & Security	(0)	(0)
Cure Notice	(1)	(2)
Truth-In-Lending Disclosures	(3)	(4)
HDC or Assigned Contracts	(0)	(2)
Debt Collection Complaints	(12)	(37)
Other Credit Code Complaints	(1)	(13)
Diet Products & Advertising	9	14
Discount Buying Clubs	2	7
Door-To-Door Sales Act Violations	0	3
Educational Institutions (Other Than Trade & Correspondence)	1	2
Encyclopedias	0	0
Energy Saving Devices	10	34

	<u>Month</u>	<u>Year to Date</u>
Entertainment	0	4
Failure to Furnish Merchandise (Other Than Mail Order)	1	1
Fire, Heat & Smoke Alarm Sales	1	4
Floor Coverings (Carpet, etc.)	3	17
Food Products	4	10
Fund Raising (Charities, etc.)	12	32
Franchise Sales	3	15
Funeral Homes & Cemeteries	2	13
Furniture	9	34
Government Agencies	4	17
Health Services (Dr's, Dentists, Hospitals, etc.)	7	42
Health Spas & Weight Salons	32	789
Hearing Aids	0	2
Heating & Air Conditioning	16	237
Home Improvements	14	40
Home Building	1	4
Home Repair Schemes (Lightning rods, roof repairs & septic tanks)	0	2
Insulation	1	6
Insurance	15	69
Invoice & Billing Schemes (Non-Credit Code)	28	112
Interest Rates & Lending Companies (Other Than Credit Code)	13	58
Jewelry & Watches	10	31
Kitchenware	8	25
Land Sales (Subdivided Out-Of-State)	3	9
Land Sales (Subdivided Iowa)	0	3

	<u>Month</u>	<u>Year to Date</u>
Land Resale Companies	0	0
Loan Finders	147	161
Magazines (Total)	46	174
Magazine Subscriptions (Sales)	(27)	(103)
Magazine Subscriptions (Service)	(19)	(71)
Mail Order Companies (Total)	45	252
Defective Merchandise	(0)	(0)
Failure to Deliver	(36)	(183)
Refusal to Make Refunds	(7)	(60)
Deceptive Practices	(0)	(0)
Unordered Merchandise	(2)	(9)
Mobile Homes & Campers (Sales & Service)	3	20
Mobile Home Parks	1	3
Motor cycles & Bicycles	6	9
Moving & Storage	5	11
Multilevel & Pyramid Distributorship Co.s	22	53
Musical Instruments, Lessons, etc.	0	1
Nurseries, Gardening Equipment, etc.	5	13
Office Equipment & Supplies	5	25
Pest Control	6	23
Pets	1	5
Photo Equipment & Services	2	33
Plumbing	0	1
Referral Selling	0	1
Real Estate (Houses)	1	12
Real Estate (Other Than Houses)	3	14
Real Estate (Rentals)	9	29

	<u>Month</u>	<u>Year to Date</u>
Securities & Investments (Other Than Stocks & Bonds)	15	54
Service Stations & Garages (Other Than Auto Repairs)	6	46
Services (General)	9	30
Services (Professional)	4	13
Sewing Machines	1	3
Sporting Goods	0	10
Stereos & Record Players	1	14
Stocks & Bonds	1	2
Sundrys	4	20
Television & Radios	7	22
Toys	2	6
Trade & Correspondence Schools	3	165
Travel & Transportation (Total)	9	46
Hotels, Motels & Resorts	(3)	(5)
Travel Agencies	(1)	(7)
Common Carriers	(0)	(6)
Vacation Packages & Plans	(5)	(28)
Utilities	3	32
Vending Machines (Other than Bus. Opp. Sales)	0	0
Warranty Problems	5	14
Water Softeners, Conditioners, Purifiers, etc.	6	9
TOTAL	855	4,478

B. Dispositions of Closed Complaints

	<u>Month</u>	<u>Year to Date</u>
Money Refunded/Contract Cancelled	121	1,714
Merchandise Delivered	42	171
Merchandise Repaired or Replaced	28	140
Referred to Other Iowa Agency	36	135
No Reply Complainant	50	147
Practice Discontinued	10	38
Referred to Post Office	78	112
Unable to Locate Respondent	5	23
Referred to Federal Trade Commission	1	3
Referred to County/City Attorney	3	38
No Basis	20	119
Information Only	102	581
Respondent Out Of Business	3	43
No Jurisdiction	19	67
Agreement of Parties	10	43
Referred to Private Attorney	11	123
Insufficient Evidence	8	47
Referred Other Attorney General	35	155
Withdrawn	11	41
Injunction Issues	0	6
Assistance in Filing Bankruptcy Claim	1	10
Referred to Federal Agency Other Than No. 7 & 9	2	12
Other	0	0
TOTAL	596	3,768

YEAR	COMPLAINTS RECEIVED	COMPLAINTS CLOSED	COMPLAINTS PENDING	LAWSUITS FILED	LAWSUITS CLOSED	LAWSUITS PENDING	MONIES SAVED & RECOVERED
1965	201	No Record	No Record	1	0	1	No Record
1966	322	No Record	No Record	2	3	0	No Record
1967	523	No Record	No Record	7	5	2	No Record
1968	703	436	275	14	5	11	\$ 48,493.73
1969	1,085	781	579	13	8	16	\$ 126,751.96
1970	1,883	1,671	730	24	15	25	\$ 324,881.20
1971	3,714	2,999	1,445	17	25	19	\$ 652,495.68
1972	3,876	2,799	2,522	14	11	23	\$ 487,878.27
1973	5,334	4,372	3,399	20	15	30	\$1,029,038.03
1974	5,383	4,727	4,175	39	23	45	\$1,482,521.15
1975	5,166	4,721	4,620	23	15	52	\$1,009,937.64
1976	5,163	4,713	5,070	16	30	38	\$1,060,445.22
1977	6,456	6,158	5,368	13	11	40	\$ 756,608.00
1978	8,728	8,521	5,575	18	9	49	\$ 918,171.16
1979	9,303	10,967	3,911	22	37	36	\$1,278,781.04
1980	12,039	10,802	4,441	27	35	28	\$1,015,263.56

CONSUMER PROTECTION DIVISION PUBLICATIONS:

1. 1979 Annual Statistics & Report
Consumer Protection Division
2. 1979 Consumer Credit Code Report
3. How to Complain Effectively (Pamphlet)
4. Insulating Your Home (Pamphlet)
5. 1980 Annual Statistics & Report
Consumer Protection Division
(Including)
1980 Consumer Credit Code Report
Consumer Credit Protection Bureau

Available From:

Consumer Protection Division
Hoover State Office Building
Des Moines, Iowa 50319
(515) 281-5926

END