To: Tom Freedman
Mary Smith

From: Tony Castaneda

Date: July 21, 1997

Re: Disaster Strike Force for Consumers

---

**BACKGROUND:**

After recent natural disasters, a surge of crimes has followed that ultimately deepened the impact of natural disasters upon citizens. Disasters have proven to be an area of opportunity for con-artists who flock to exploit victims desperate for assistance. For example, after the 1994 Los Angeles earthquake, an 84 year-old woman unsuspectingly signed documents she thought were for FEMA assistance and food stamps. Weeks later she discovered the signed contract was not for the help she desperately needed but instead for an $18,000 mortgage. Or take an elderly Iowa couple who needed their roof repaired after the floods of 1993, and two men suddenly appeared at their doorstep to offer their services at a "reduced" price of $500. After their work was complete, however, they tersely claimed the cost was $500 per hour of work, and the intimidated couple consequentially wrote a $2000 check for what ended up being careless repair work. Recent disasters have shown these exploitations are not limited to small numbers of the unsuspecting population, but instead they often extend to plague entire populations already coping with a crisis.

**PROPOSAL:**

The United States Office of Consumer Affairs (USOCA) has proposed a Disaster Strike Force for Consumers to provide the desperately sought assistance and coordination disaster victims seek during the recovery period. As proposed by USOCA, the strike force, established through Executive Order, would be comprised of lawyers from the Federal Trade Commission and the Justice Department along with consumer specialists. In coordination with the Federal Emergency Management Agency (FEMA), state and local consumer affairs offices, and state attorneys general, the effort would be in close alliance with state and local authorities, but still provide an influential and much needed federal presence through three major areas of action:

**1) Consumer Assistance & Consulting:** As highlighted above, con-artists often exploit citizens through the use of confusing or deceiving contracts. One of the primary roles of the lawyers on the strike force would be to offer legal advice to disaster victims by reviewing the thousands of contracts prepared by contractors and eventually committed to by consumers. The consumer specialists would focus on other exploitation attempts, such as price gouging, false warranty promises, negligent insurance companies, etc., and forewarn the public of common crimes and the available remedies. By establishing themselves as a center for public assistance, any disaster victim could approach the group for consultation on contracts, suspicions of illegal activity, or on any legal questions they may have. In this and other possible instances, the federal government's presence could produce great dividends.

**2) Information Dissemination:** The strike force would aim to distribute public information on consumer rights and provide advice on detecting scams. Schemes such as false charitable solicitations, advance fee loan scams, and fraudulent water testing firms are common attempts to collect money from disaster areas, and the strike force would be prepared to inform the public of these and other scams. A combination of state, federal, and common law statutes have long been established to help citizens during disasters, but oftentimes these protections go unnoticed or unutilized by the average citizen. The strike force would strive to inform all disaster victims of potentially helpful information and explain the complex web of legal remedies and protections available to the public. For example, in the above mentioned story regarding the elderly woman, she had a wide array of remedies available, such as the Federal Trade Commission's Cooling Off Period for Door-to-Door Sales which would have allowed her to lawfully dismiss the contract within a limited amount of time. However, oftentimes these remedies are complex and subject to various restrictions, so individuals do not use the tools the law has provided them. The strike force would inform the public of the many established consumer protections, which include the state unfair and deceptive acts and practices laws (UDAP), state unfair insurance practices acts (UNIP), Racketeer Influenced and Corrupt Organizations Act (RICO), Article 2 of the Uniform Commercial Code, the Magnuson-Moss Warranty-Federal Trade Commission Improvement Act, the federal Truth in Lending Act (TILA), and the State Retail Installment Sales Acts (RISAs).

**3) Regulation:** Large numbers of contractors typically flock to disaster ridden areas in attempt to fulfill the booming demand for repair services. The influx of people typically includes scam artists attempting to exploit common citizens, many of whom have just received large sums of insurance settlement money. Regulation of contractors exists across various parts of the country, but it varies from state to state and oftentimes even from county to county. A regulation system enables consumers to discern the reputable contractors from con artists, and it could be established either voluntary or by state mandate. A federal presence could coordinate the regulation efforts by streamlining the registration system for contractors and providing the information to consumers looking for reputable contractors.

**RECOMMENDATION:**

We recommend the President establish a Disaster Strike Force for Consumers by Executive Order. This initiative to provide vital consumer assistance could be warmly welcomed by the general public who has recently seen the ill effects of the federal government not providing immediate or appropriate assistance after natural disasters.