

How the U.S. Army's Diann Traina and other young military personnel are getting ripped off—and what's being done to help them

Red, White, and Scammed

by Earl Swift

THE USED BMW WAS PRETTY, its silver paint gleaming, and the \$17,000 price was reasonable. So, in March 2007, U.S. Army Spc. Diann Traina signed a contract, took out a loan, and traded in her pickup to buy the sedan at a dealership in Fayetteville, N.C., right outside the gates of Fort Bragg.

What she didn't know was that the dealer had taken out a loan against his inventory and didn't actually own the vehicle he sold her. Spc. Traina was never able to get the title to the BMW, so when the dealership shut down soon afterward, she was stuck—with-out a car and with an \$11,000 debt. In the meantime, she had been deployed to Iraq, leaving her helpless to do much about it.

Like thousands of service members engaged in fighting America's battles overseas, Spc. Traina had encountered a foe here at home. Young, inexperienced, and often drawing their first paychecks, enlisted men and women are easy marks for sleazy car dealers, insurance scammers, predatory lenders, and identity thieves. So pervasive are the rip-offs—and so troubling the debt incurred by military personnel as a result—that U.S. Department of Defense officials recently labeled the situation a threat to national security. "You don't want them

distracted while they're out on the front lines," says Clifford L. Stanley, undersecretary of defense for personnel and readiness. "But they will be if they're worrying about what's going on at home."

Dwain Alexander II, a civilian lawyer for the Navy in Norfolk, Va., seconds the opinion. "If you're sitting at the helm of a multibillion-dollar vessel and you're worried about whether your wife can stay in the place you're renting, you're not fully focused on what you're doing. Incremental mistakes can lead to catastrophic endings."

America's soldiers, sailors, airmen, and marines have guaranteed paychecks and

'Many people see service members as cash cows,' Holly Petraeus says.



Holly Petraeus of the Better Business Bureau speaking at Texas' Fort Hood in March



Diann Traina is one of many service members who've learned to be smarter consumers

won't ever get laid off. These factors make them good credit risks. It also makes them targets. "There are a lot of people who see service members as cash cows," says Holly Petraeus, director of the military program of the Better Business Bureau (BBB) and wife of Army Gen. David Petraeus, whom President Obama recently named to serve as commander of U.S. and NATO forces in Afghanistan. "Go to any city with a big military installation, and there's a cluster outside the gates—Fast Freddy's auto loans, pawn shops, check cashers." The daughter of a four-star general, Petraeus advocates for service members and their families and works with BBB affiliates to provide troops with financial education.

A recruit typically earns less than \$1800 a month, and too often these modest paychecks are carved to bits by bad deals. According to Navy lawyers, a computer store outside the Great Lakes Naval Training

Arlington, Va., office, Petraeus typed "military loans" into Google. "I got about 2.5 million results from that," she says. "A lot of them are predatory or just outright scams."

Those in uniform have more than money to lose if they're taken for a ride. Financial trouble is a major reason that service members are stripped of security clearance. "When officials do an investigation for security clearance," Petraeus explains, "they look for vulnerabilities that would make you prone to offers."

UNSCRUPULOUS AUTO dealerships are a huge source of complaints, defense officials say. In exchange for "easy credit," buyers may pay jacked-up prices, hidden fees, and interest rates of 15% to 20%. Military financial counselors have files full of horror stories. Bad dealers have taken buyers' cars in trade, promising to pay them off, and then gone out of business without doing so, leaving

service members with two car payments. There are also "yo-yo" deals, in which a service member is sold a car but told a few days later that financing fell through and that keeping the vehicle will cost thousands of dollars more. Some dealers pounce on troops as they arrive home from deployment. "They pick up these guys as they walk off the ship," Alexander says. Marines at North Carolina's Camp Lejeune were offered rides to a dealership that turned out to be more than three hours away—and then were left stranded and in danger of going AWOL if they didn't buy.

Perhaps the most obnoxious offenders are those who pose as all-American boosters. "They put up big flags and say, 'Welcome, sailors; welcome, soldiers,'" says Rosemary Shahan, president of the Consumers for Auto Reliability and Safety, a nonprofit auto-industry consumer watchdog based in Sacra-

What Congress Is Doing

Congress is in the process of creating a new federal Consumer Financial Protection Agency (CFPA) that would guard all Americans, including the military, against scams. Although Pentagon officials specifically requested that the CFPA oversee auto sales, car dealers argue that

they should be exempt from such oversight. They say that they're not responsible for bad loans—bad lenders are. Consumer advocates counter that dealers are often involved in financing and sometimes work directly with loan providers. At press time, the issue remained under debate.

mento. "But the bigger the flag, the worse their practices. You get to be very cynical about it."

In some areas, base brass are relying upon upstanding car dealers to police their own. Near Fort Campbell, Ky., and in coastal southeast Virginia, home to one of the largest military concentrations in the U.S., auto-sales businesses agreeing to a code of ethics have formed well-publicized alliances with the BBB and local commands.

Many of the bad guys, especially those working online, are frustratingly elusive. "They'll just disappear and pop up under different names," Petraeus says. "You have to get the word out to their targets." The Pentagon has responded by mandating financial education for recruits. Since 2004, service mem-

bers have been required to take a course in basic personal finance as part of their early training, and additional instruction is available online or in classes at major installations. The services also encourage enlisted personnel to have military lawyers review contracts before signing them,

a free benefit. David Julian, who oversees the Defense Department's Office of Personal Finance, says education has yielded "service members who are savvier than those of the past." But he adds that the scammers are getting sharper all the time, too.

As for Diann Traina, now a staff sergeant, she has learned a hard lesson. Three years later, her BMW is a memory, but her \$11,000 debt is not. "They said I could give \$5000 and they'd consider it settled," she says. "But I don't have \$5000 to spend on something I shouldn't have to pay for at all.

"I now feel very educated," she adds ruefully, "on the process of buying a car."

LEGAL NOTICE

IF YOU WERE AN AT&T WIRELESS CUSTOMER AFTER MARCH 1, 1999, YOU COULD RECEIVE BENEFITS FROM CLASS ACTION SETTLEMENTS.

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Subject to Court approval, settlements were reached of class action lawsuits against AT&T Wireless Services, Inc. ("AWS") regarding challenges to: (1) charges for mMode Data Service ("mMode") and ENH Discount International Dial ("EDID"), if they were unauthorized or not understood; (2) charges for cellular telephone calls during a billing period other than the one in which the calls were made ("Out-of-Cycle Billing"), if not understood; and (3) imposition of Universal Connectivity Charges ("UCC"), if not understood (collectively, "Settled Claims"). The Settlements concern practices of AWS, which was merged out of existence in 2004, not Cingular Wireless or AT&T Mobility. AWS denies any wrongdoing, but settled to avoid further litigation.

You may be a class member if you:

- o live in the U.S. or its territories, were an AWS subscriber after December 20, 2001, and were billed and paid, but not refunded in full, for mMode or EDID;
- o live in California, initiated AWS service under a "One Rate-type" plan after March 1, 1999, and were charged for calls during a billing period other than the one in which the calls were made; or
- o live in the U.S. or its territories, were an AWS subscriber after March 1, 1999, and paid, but were not refunded or credited, for UCC charges.

You may be a member of multiple classes.

If the Settlements are approved, Class Members may receive:

- o **mMode:** \$8 check
- o **EDID:** \$10 check
- o **Out-of-Cycle Billing:** \$8 check or 250 minute calling card
- o **UCC:** \$7 check.

Who represents you?

Class Members are represented by Arias Ozzello & Gignac, Foley Bezek Behle & Curtis, Breskin Johnson & Townsend, the Houck Law Firm, and Sundeen Salinas & Pyle. Class Counsel will request the Court to award attorneys' fees and expenses, which **will not** be paid by Class Members or from class benefits.

What are my options?

To receive benefits, Class Members **must** submit a Claim Form (available at www.awssettlement.com or 1-866-249-8109) by February 13, 2011.

You may exclude yourself from the lawsuits and keep your individual right to sue AWS, by sending a written request for exclusion to the Claims Administrator by September 29, 2010. If you do not exclude yourself, you will be bound by the Settlements' terms and give up your rights to sue regarding the Settled Claims.

If you do not exclude yourself, you or your lawyer may appear before the Court and object to the proposed Settlements. If you choose to appear through an attorney, you are responsible for paying that attorney. Objections must be filed and served by September 29, 2010. You will be bound by the Settlements' terms even if your objection is rejected.

The Court will determine whether to approve the Settlements at a Fairness Hearing on November 15, 2010 at 12:00 noon at the United States District Court for the Central District of California at 312 N. Spring Street, Los Angeles, California 90012, Courtroom 5.

This notice is only a summary. For further information visit: www.awssettlement.com, call: 1-866-249-8109, or write: AT&T Wireless Settlement, Claims Administrator, c/o The Garden City Group, Inc., P.O. Box 9482, Dublin, OH 43017-4582.

Since 2004, service members learn about personal finance as part of their early training.