

Testimony before the Senate Commerce Committee

On

Calling Card Fraud

Mr. Chairman and distinguished Senators of the Commerce Committee, my name is Gus West, President and Board Chair of The Hispanic Institute, a Washington DC based non-profit. Thank you for inviting us here today to give testimony regarding International prepaid calling cards. These calling cards are an economical way to make international phone calls. In the United States Latinos purchase and use these cards more frequently than any other group. The cards are used primarily to talk with family, friends, and relations.

These cards are sold in neighborhood stores/tiendas/bodegas. We all have seen posters in the windows of these stores, advertising the cost of a certain number of minutes to a particular country. The cards are normally in boxes behind the cashier and the customer is able to select the card they wish to purchase. On the back of each card is an eight hundred number and a pin number assigned to the card. One calls the eight hundred number, enters the pin number, the international phone number desired, and then receives a message telling the caller how many minutes he has for a phone call.

We have tested hundreds of these cards and have found that on average these cards deliver about half the minutes promised. In an effort to have the most objective analysis we hired a private firm, Washington based Network Analytics, to conduct testing of international prepaid calling cards sold in the Florida, New York and the Washington DC markets. I have a copy of our study here today and it is posted on our website at www.thehispanicinstitute.net. The conclusions of the independent study mirror the results of the internal testing that we conducted at The Hispanic Institute.

I have been using these cards myself, and been cheated out of minutes. In my current role as chairman of The Hispanic Institute I have often been asked by reporters if we could put them in contact with other victims this fraud. I ask them to go to anyone of these neighborhood stores where these cards are sold, and ask anyone you see buying these cards, if they have been cheated out of call minutes. You will find that 100 percent of the people who use these cards will tell you that they have been cheated out of minutes.

The most popular cards, the ones that are purchased most often, are the two and five dollar cards. While losing money on a two or five dollar card may seem minimal to some, it can be significant to a low wage earning family. For reasons such as language, income, and lack of familiarity with regulations the users of these cards have had little recourse to address this fraud by a billion dollar industry.

This is false advertising and it is illegal under existing federal, state, and local laws. Moreover, we believe that other industries intentionally prey on Hispanics when advertising in Spanish as the majority of advertising for pre-paid calling cards is done.

THI has been highlighting this issue for well over a year now. While several State Attorney Generals, State Legislatures, and the Federal Trade Commission have begun to take action against calling card fraud we have not seen any measurable improvement in this situation. We look forward to the day when consumers in the United States can be protected against this kind of fraud. Thank you.