

Calling Card Abuse

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Why is THI Involved in this issue?

- This abuse disproportionately harms immigrants; more than sixty percent of whom come from Central and South America.
- This population is vulnerable because they do not have strong English skills or familiarity with/ access to any path of remediation.
- Vendors selling prepaid calling cards present them as a cost-effective option for new immigrants to stay in touch with family members abroad.

Facts and Figures

- Immigrants use calling cards because – especially for those who don't have a Social Security number – they have difficulty obtaining a home phone line.
- The volume of international calls originating in the U.S. has risen from 200 million in 1980 to 11 billion in 2004.
- Prepaid phone cards are a \$4 billion industry.
- The vendors of these cards advertise rates for international calls that represent savings of between 18 to 64 percent over calls charged to landlines or mobile phones.
- International calls from landlines that use “10-10 dial-around” services cost 22% more than the advertised prepaid card rates.
- Traditional long-distance plans, purportedly, cost 58% more than prepaid card rates.
- Wireless service rates for international calls are 176% higher than the advertised rates of these prepaid cards.

Problems With Calling Cards

- Prepaid phone cards generally assess maintenance, connection, or other fees in completing calls.
- The assessment of these fees will reduce the number of minutes available for use in making calls.
- Occasionally these fees are disclosed in the fine print of the purchase agreement but oftentimes they are hidden.
- For most prepaid cards the only way for a caller to have access to the total number of minutes advertised is to use the entire balance in one phone call.

THI Calling Card Study

The impetus for our study is to determine if calls using commercially available prepaid calling cards actually are providing the amount of minutes advertised by the card providers.

Methodology

- Call generators used to place calls via the calling card
- Calls completed to destination call generators
- Attempt made to use all available time in a single call
- Interruptions most commonly due to poor connections and dropped calls
- Additional calls made to the same destination until remaining balance used
- Each call is recorded to determine minutes announced by the calling card platform
- Calls originated in Washington, D.C. and New York to destination numbers in Mexico and Guatemala

Cards

The calling cards were purchased in:

- Florida (\$5 value)
- New York (\$2 value)
- Washington, DC (\$2 value)
- Two cards of each brand were used for each destination call

Results

- Test calls placed November 12 through December 08, 2007
- 45 cards tested
- Only 4 provided the entire balance advertised
- 6 provided 50% or less of the time advertised
- Only 15 cards used the entire time balance provided in a single call
- 8 cards had a completion rate of 1% to 50%
- 7 cards had a completion rate of 0%

What are the problems?

- Fraudulent phone cards result in users, especially Hispanic immigrants, being cheated out of nearly **\$1 million each day**.
- Hispanics and other immigrants are often preyed upon because they're less likely to have the means or knowledge of the legal system to pursue any recourse.
- Because most losses are small amounts, \$2-\$10, if the consumer even notices she/he does not see the benefit of reporting problems.
- Most cards deliver just 60 % of the total advertised minutes.
- Only 11 states currently have laws specifically regulating calling cards (most rely on broad consumer protection statutes that may not address this particular kind of fraud).
- In all cases and in every state enforcement has been limited and inconsistent (of course, this inconsistency is directly related to the dearth of consumer complaints).