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## POSTAL FRAUDS

by  
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The Postal Fraud Statutes, 18 USC 1341, and 39 USC 4005, require the Postmaster General to prevent the Postal Establishment from being used in furtherance of schemes to defraud the public. It is interesting to note that the passage in 1872 of the Criminal Statute marked the first official recognition by Congress of the need for consumer protection. Prior to this, the victim who was robbed by mail had little recourse since State prosecutors were without jurisdiction over crooks who were far removed from their borders, and extradition procedures were costly and time consuming.

When the domestic parcel post system--the foundation of the mail order business--started in 1913, it revolutionized our national industry and commerce by providing an economical ready means of sending goods and services to every section of the nation no matter how remote. As in any large field of endeavor, there have been those who utilized this service to foist merchandise of dubious value on the public and this has given rise to numerous complaints throughout the years.

It is important that public confidence in mail order business be maintained and that the public be protected against dishonest promoters. To insure the most effective consumer protection possible, we have coordinated our investigations of major fraud cases with the Criminal Division, Department of Justice, and U. S. attorneys throughout the nation. This program has been very effective; convictions for mail fraud during Fiscal Year 1962 totaled 524, and it appears that this record will be exceeded during the current year. These are impressive figures and the importance of vigorous prosecutive action cannot be overemphasized. However, the fact remains that millions of dollars are annually extracted from the pockets of consumers who can ill afford such losses.

As pointed out by President Kennedy in his Message to the Congress on strengthening of programs for protection of consumer interest, consumers can help themselves by developing and making available reliable information. Consumer information programs are an important adjunct to law enforcement, and it is in this field that organizations such as yours play a most important role.

Time will not permit discussion of all of the many investigative programs bearing on consumer interest which we are presently conducting; however, it is believed that reference to a few of these will be informative.

Much publicity has attended the recent upsurge in alleged land frauds in various parts of the country. These promotions are causing concern to State officials who have requested investigation by postal inspectors. Typically, they offer wholly unsuitable undeveloped land

for sale by means of beautifully illustrated advertisements sent through the mails. In most instances the land is barren and devoid of development. Water is unavailable and the tract is inaccessible for practical purposes. We currently have more than 150 cases of this type under investigation. Fourteen have been presented to U. S. attorneys, one indictment has recently been returned and others are imminent.

Another national fraud currently receiving attention is that of the so-called chain referral selling schemes involving the sale of products such as automobiles, cleaning systems, household appliances, etc., by offering the purchaser a sum of money for each subsequent sale made to a person referred by him. Many victims in these cases have been tricked into signing chattel and real estate mortgages to finance such purchases and have suffered losses when the expected income from subsequent sales did not materialize.

Vending Machine Schemes, Franchises, and Distributorships are also a source of concern, for these swindlers lure their victims by offering lucrative part-time employment for those who need to supplement meager family incomes. The victim is induced to purchase the machines upon representations that the promoter has arranged for their installation in profitable locations, assuring a steady income for a minimum amount of work in servicing them.

Work-at-Home Schemes: These are particularly vicious swindles whereby fees are obtained from victims on the promise of profitable employment in the home, addressing envelopes, post cards, or doing similar work. These schemes have had particular appeal to persons who are ill or indigent or who for various reasons cannot obtain employment outside of the home.

Knitting and Sewing Machine Promotions: Thousands of housewives have been victimized by promoters of this scheme who induced them to purchase machines at exorbitant prices ranging up to \$500 upon representations that they could supplement their incomes while working at home, through the sale of garments which the promoters promise to purchase at a substantial profit.

In addition to the foregoing, an increase has been noted in schemes involving medical quackery.

In closing, let me assure you of our determination to continue the most aggressive possible enforcement of the mail fraud statutes for the protection of the American consumer.