

November 11, 2011

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 11-42 - Lifeline and Link Up Reform and Modernization
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:

Enclosed are two news articles -- one from KMOV.com, St. Louis, Missouri; the other from KOMOnews.com, Seattle, Washington. Each describes situations in which consumers have received unsolicited and unrequested wireless telephones from companies offering Lifeline and Link Up. The named companies are Tag Mobile and YourTel America. According to these articles, consumers received these phones as a result of what one of the carriers (YourTel) calls a mistake. The other carrier (Tag Mobile) blames the fraud on an independent contractor. Significantly, Tag Mobile is a member of the Link Up for America Coalition. YourTel is not a member of that coalition but has signed on to the Link Up for America Coalition's Code of Conduct submitted in this proceeding.¹ Thus, it appears that both companies receive Link Up support in addition to Lifeline support for each phone sent to consumers.

Both companies indicated that they have advised recipients of these unrequested phones to return them or to at least notify the companies so that the telephone numbers may be reassigned. According to the KMOV.com article, Tag Mobile has refunded money to the Universal Service Fund.

The purpose for this letter is not to criticize either of those companies who appear to have been defrauded by unscrupulous third parties. Rather, the purpose is to respectfully suggest that these kinds of fraudulent schemes can be detected and prevented by requiring that all Eligible Telecommunications Carriers (ETCs) offering Lifeline service take certain steps. In prior submissions, TracFone has proposed that the Commission require all ETCs to do what TracFone has done voluntarily since the advent of its SafeLink Wireless[®] Lifeline program -- collect from every customer the customer's date of birth and Social Security Number (last 4 digits). TracFone has encountered similar efforts to engage in fraud as those experienced by these companies. By requiring applicants' date of birth and Social Security Number (last 4 digits) data, TracFone has been able to prevent such attempted defrauding of the Universal Service Fund. These additional data points enable ETCs to confirm that customers are who they claim to

¹ Letter from John J. Heitman and Joshua T. Guyan, counsel for the Link Up for America Coalition, to Marlene H. Dortch, Secretary, Federal Communications Commission, filed October 3, 2011.

be and that it is actually the customer -- not the ETC itself or a third party independent contractor working on commission -- who has sought to enroll the customer in the ETC's Lifeline program. Unless there is total theft of someone's identity, these additional measures prevent fraudulent enrollment by Lifeline applicants as well as attempted enrollment by third parties. This simple step of collecting date of birth and last 4 digits of Social Security Numbers is an effective tool to prevent schemes such as those which victimized YourTel and Tag Mobile. As TracFone has explained in several prior filings, if all ETCs are required to collect this additional information, there would be no reason to require Lifeline applicants to produce proof of program-based eligibility (so-called "full certification"). Full certification is not necessary to prevent fraudulent enrollment. However, it would serve as a virtual bar to many thousands of qualified low-income consumers enrolling in Lifeline. Lifeline-eligible low-income consumers rarely have such documentation readily available. Moreover, even when such documentation is available, most such consumers do not have access to copier machines, scanners, fax machines or computers with Internet access, necessary to send such documentation to their chosen ETCs. As a result, full certification deters many qualified low-income consumers from completing the Lifeline enrollment process.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. If there are questions, please communicate directly with undersigned counsel for TracFone.

Sincerely,



Mitchell F. Brecher

Enclosures

cc: Ms. Kimberly Scardino

Enclosure 1



Criminals target government funded cell phone program



by Chris Nagus

KMOV.com

Posted on November 10, 2011 at 10:36 PM

Updated today at 10:00 AM

(KMOV) -- Even if you don't want a government funded cell phone, you might get one in the mail. St. Louis area residents called News 4 after phones started showing up in their mailboxes from several different telecom providers.

Barb Combs was surprised when she received two free phones from **Tag Mobile**, "I'm thinking why do I have these where did they come from and what do I do with them now." Rose Smith said, "I don't need a

cell phone" after she received a free phone from Life Wireless.

According to the **Federal Communications Commission** (FCC) telecom providers receive money from the Universal Service Fund to provide cell service to low income residents. In order to qualify for the program you need to show you are receiving additional forms of assistance like food stamps or TANF (Temporary Assistance to Needy Families). The Universal Service is funded by fees paid to telephone providers when customers pay their phone bill.

A spokesperson for **Life Wireless** tells News 4 they discovered fraud involving an independent contractor who signed up 917 St. Louis area residents for phones they never requested. Michael Geoffroy says hundreds of orders were stopped before shipment, but hundreds of others were delivered. "They signed up hundreds of folks to get commission from us, as we were processing the orders we discovered the fraud" said Geoffroy. The Life Wireless spokesperson also said his company plans to prosecute, and has filed a report with St. Louis police. Geoffroy also said, "Fraud is a serious issue, it's something that costs us money." In this case Life Wireless refunded 20 thousand dollars back to the Universal Service Fund after the fraud was discovered.

Consumers like Rose Smith are still left with lots of questions. Smith wanted to know, "how did they get my name, my address, your personal information, what else do they have of mine." Geoffroy didn't know how the independent contractor obtained the names of 917 unknowing consumers, but speculated the names could have been pulled from the phonebook.

Free phones also showed up from **YourTel America** and Tag Mobile. Those companies also receive money from the Universal Service Fund to provide cell service to low income Missouri residents. According to the FCC each customer receives ten dollars worth of free service - which covers the cost of the phone and up to 250 free minutes for some providers. In Missouri the ten dollar per person fee adds up to millions of dollars each year. **Click here to see how much money Missouri telecom providers collected from the Universal Service Fee.**

News 4 received this response from Tag Mobile concerning potential fraud. "In the last three months we have had a little over 100 handsets returned back to us due to being non-deliverable or refused by the customer. During this same time period we activated approximately 14,800 customers in MO. This equates to a less than 1% of our accounts being returned or cancelled. "

According to YourTel America "[We are very concerned about any fraud, not only as it affects us directly but as it potentially harms the Universal Service Fund and Low-Income consumers who](#)

benefit from the fund.”

Although the program has been the target of fraud, Michael Geoffroy points out, "it's a lot of money and a lot of customers but it's a program that helps people in need at a low price per person." Telecom providers told News 4 the program allows low income residents to stay in touch with health care providers and possible job opportunities. Michael Geoffroy also says companies that receive money from the Universal Service Fund are required to do outreach to get customers signed up.

Add another comment

Enclosure 2

KOMO News

[Print this article](#)

Free cell phones: Too good to be true or mailing mistake?

Originally printed at <http://www.komonews.com/news/consumer/133587768.html>

By [Connie Thompson](#) November 9, 2011

We're used to getting free product samples in the mail, and in some cases, even free money if you open a new checking account. But what about a free cell phone?

Local consumers report receiving unsolicited cell phones from a company offering discounts on phone service for people with low incomes. State regulators want to know whether it's a potential problem or a few isolated mistakes or pranks.

Brian Mullis of SeaTac says he never ordered a cell phone but he got one out of the blue. The previously-owned cell phone just turned up in the mail.

"It's a used Palm phone. You can see it's scratched and the lens is kinda scratched up a little bit. No manual with the phone or anything else," said Mullis.

The phone was sent by a company called YourTel America. Mullis called customer service find out what the free phone was all about..

"They said it's a government program, government-assisted program that we're working with," he said.

The government program is called [Lifeline](#), and it provides discounts on monthly wireless or landline service for low-income customers who receive medical or food assistance from the government.

Eligible individuals get access to quality landline or wireless service at a reduced fee. Landline customers get basic phone service. Cell phone customers get a certain number of minutes each month.

Look on your next phone bill and you'll likely see a fee for something called the Universal

Service Fund. That's the fund that helps provide quality telecommunications access for rural insular and high costs areas, schools and libraries, rural health care and low income programs. The wireless Lifeline program has been around in our state for more than a decade.

But Mullis, who already has a cell phone, isn't eligible.

"None of that applies to me," he said.

According to the state [Utilities and Transportation Commission in Olympia](#), YourTel is one of nine phone companies authorized to offer low-income phone service discounts in the state of Washington.

"They're very new," said UTC's Amanda Maxwell. "We're still watching them, watching what they're programs are doing."

Calls to the Commission's Consumer Helpline indicate Mullis is not the only local person to receive a cell phone they didn't ask for. Records show Carol Kinney of Seattle called the state to inquire after receiving a cell phone from YourTel which she had not requested. Both Kinney and Mullis report YourTel's response was to ask them to mail the phones back to the company. Mullis says the customer service rep told him the phone was sent to him by mistake.

"And they said, 'Well it was sent to you by mistake. Please just put on there 'return to sender' and send it back,'" said Mullis.

"As a consumer, you need to know that if you did not ask for this phone, then you don't have to do anything with it." said Maxell. "They didn't ask for it. They don't have to send it back."

Maxwell says while at this point, there does not appear to be a wide pattern of complaints, the state is monitoring the situation and wants to hear from anyone who receives a cell phone they did not request.

"We would like you to call the commission, because like I said, we are reviewing this tactic, and we would like to know if more people have received these phones," said Maxwell.

YourTel wants to hear from you, too. Vice president Dale Schmick was very concerned to

hear about the unsolicited phones, and insists the only people receiving free cell phones, should be people who placed an order, which many people do over the Internet. Schmick wonders if the cases reported so far might be part of pranks, where the phone recipients were signed up by another person without their knowledge or permission.

Schmick acknowledges that consumers are not obligated to return unsolicited merchandise, but because of the operating costs involved, Schmick asks anyone who receives a phone they didn't ask for to at least call the customer service number provided, so they can reassign the programmed cell phone number to another phone. Ideally, Schmick says the company would appreciate people returning the phones- which is what Mullis ultimately decided to do.

Free phones, by the way, are not part of the government's Lifeline assistance program. Lifeline only provides discounts on monthly service fees. Any deals involving phone equipment are up to the service provider. According to a coalition of consumer groups, only about a third of eligible low-income Americans are currently enrolled in the wireless Lifeline program.