Re. Federal Communications Commission
CG Docket No. 11-116

Addressing reporting/underreporting in consumer response to unauthorized charges ("cramming").

Cramming combines two problems: detection and reporting. While the former may be helped by education, the latter is particularly troublesome given the diffuse nature of the charges. Part of the reason fro cramming's success is that individual consumer challenges aren't "worth it" for the small amount on the bill. Given that fraud is vastly underreported even when sums lost are substantial[1], the likelihood that small charges will be reported is low. As such, making the process for reporting/disputing cramming charges a low-cost, low-effort one for consumers will likely be necessary to support substantial collective consumer action.

Critically, the dispute option must be readily available (on the same page as the bill, fully visible). For example, third-party charges (already segregated as line-items per FCC rules) could include a box that can be checked if the consumer does not understand/disputes the charge. By engaging the customer at the time of initial exposure to the charges with the minimum possible effort required to invest in challenging the fee, subsequent reporting action may be more likely.[2]

Once the consumer proceeds to the payment page, he/she would be prompted to clarify: Does the consumer a) not understand or b) dispute the charge? If (a), an explanation could be provided, at which point the customer could proceed to accept the explanation and proceed to pay, or dispute the amount in question — option (b). If the customer disputes the charge from the outset, a prompt could present standard explanations and next steps. By minimizing the "cost" (in effort) of challenging the charge, consumers crammed for money and time may have sufficient incentive to report faulty charges.

The balance between enabling impacted consumers to respond to inappropriate charges and protecting communications companies from an onslaught of complaints and frivolous challenges could be calibrated by means of the detail and explanation required in the dispute process. In conjunction with the proposed "opt-in" features for third-party charges (increasing awareness of the existence of third-party charges on consumers'

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[1] Between 35-85% of even substantial ($10k+) fraud losses fail to report (or even admit when questioned) fraud the occurred in the preceding year. Estimates of underreporting vary dramatically, suggesting there may be significant amenability to structural decision-making pressures (such as costly vs. efficient reporting mechanisms). MARTHA DEEVY, SHOSHANA LUCICH & MICHAELA BEALS, SCAMS, SCHEMES & SWINDLES: A REVIEW OF CONSUMER FINANCIAL FRAUD RESEARCH (Fin. Fraud Research Ctr. 2012).

[2] Small initial investments provide psychological groundwork for future action, as individuals seek to act consistent with prior actions. *See,* e.g., DAN ARIELY & KLAUS WERTENBROCH, No. 3, 13 PROCRASTINATION, DEADLINES, AND PERFORMANCE: SELF-CONTROL BY PRECOMMITMENT (Psychological Sci. 2002).

phone bills), the user-friendly dispute option may provide the necessary low-cost mechanism to free the underreporting bottleneck inherent to many (if not most) frauds.