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Dallas Ranks Eighth In Vehicle Dumping and Insurance Scams

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According to the National Insurance Crime Bureau, Texas is second in the nation for potential "owner give-up" cases, with 353 between January 2004 and March 2009. "Owner give-up" is the insurance fraud scam where drivers abandon or destroy their cars, then report them stolen to collect insurance money.

During the first quarter of 2009, owner give-ups nationwide rose by 24% over the first quarter of 2008. James Quiggle, a spokesman for the Coalition Against Insurance Fraud, says that "ditching your car for insurance money is not a new scheme. People have been ditching cars for as long as people have been on the road. What is new is the sheer volume of people willing to take this drastic step."

The Dallas Morning News reported the case of Sonia and Erik Stice, who were charged with insurance fraud and arson on June 12, 2009. After firefighters found the Stices' flaming Dodge pickup, Eric Stice told them that it was a gas guzzler and he couldn't sell it in the depressed economy. In another pending case, former Dallas police officer Jose Gomez resigned in July 2008 over insurance fraud allegations when he was accused of falsely reporting his car stolen.

Quiggle attributes the increase in insurance fraud to the difficult economy and the resulting financial problems many face. "People are normally honest, but people are literally being driven to desperation by the recession," he said. "People's finances are being squeezed so badly that many are willing to risk a criminal record by committing insurance fraud as their personal stimulus bailout package."

Another factor influencing the rise in owner give-up cases is the price of fuel. Claims of potential owner give-up cases were twice as high in October 2007, when gasoline cost $2.80 per gallon, compared to October 2004, when gas prices were about $1.50 per gallon.

There are other alternatives for people who are unable to afford their vehicles, and are looking for a legal way to unload them. By filing a Chapter 7 bankruptcy, it is possible to relinquish a vehicle without any liability for the deficiency that may result when the car is auctioned by the lender. In a Chapter 13 bankruptcy, if the consumer has owned the car for more then 910 days, the vehicle can be "crammed down," meaning the consumer only has to pay what the vehicle is worth rather than the entire amount owed on the note. Even if the consumer has not owned the vehicle for more than 910 days, the interest rate can be lowered in a Chapter 13 case to about 4%, which may make the vehicle more affordable. While filing bankruptcy may be a drastic step, it is far better than committing a crime and possibly facing jail time.

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