Scams Targeting Older Investors
Tuesday, November 12, 2019
2:15 p.m. – 3:15 p.m.

In recent years, senior investors have increasingly been victims of investor scams. During this session, panelists highlight emerging trends in investor scams used to defraud older investors, provide tips to identify potential “red flags” and discuss who to contact if a fraudulent scheme is suspected.

Moderator:

Gerri Walsh
President, FINRA Investor Education Foundation and Senior Vice President, FINRA Investor Education
FINRA Office of Investor Education

Speakers:

Patricia Boyle
Ph.D., Professor Division of Behavioral Sciences and Neuropsychologist, Rush University Medical Center
Rush Alzheimer's Disease Center

E. Elizabeth Loewy
Co-Founder and Chief Operating Officer
EverSafe

Gary Mottola
Director of Research
FINRA Investor Education Foundation

Scams Targeting Older Investors Panelist Bios:

Moderator:

Gerri Walsh is Senior Vice President of Investor Education at the Financial Industry Regulatory Authority (FINRA). In this capacity, she is responsible for the development and operations of FINRA's investor education program. She is also President of the FINRA Investor Education Foundation, where she manages the Foundation's strategic initiatives to educate and protect investors and to benchmark and foster financial capability for all Americans, especially underserved audiences. Ms. Walsh leads FINRA's Corporate Social Responsibility efforts and previously was the founding executive sponsor of FINRA's Military Community Employee Resource Group. She serves on the Advisory Council to the Stanford Center on Longevity and represents FINRA on IOSCO's standing policy committee on retail investor education, the Jump$tart Coalition for Personal Financial Literacy, NASAA's Senior Investor Advisory Council and the Wharton Pension Research Council. Prior to joining FINRA in May 2006, Ms. Walsh was Deputy Director of the Securities and Exchange Commission's Office of Investor Education and Assistance (OIEA) and, before that, Special Counsel to the Director of OIEA. She also served as a senior attorney in the SEC's Division of Enforcement, investigating and prosecuting violators of the federal securities laws. Before that, she practiced law as an associate with Hogan Lovells in Washington, D.C. Ms. Walsh received her J.D. from N.Y.U. School of Law and her B.A., *magna cum laude*, from Amherst College. She is a member of the New York and District of Columbia bars.

Speakers:

Patricia Boyle, PhD, is a Professor of Psychiatry and Behavioral Sciences and Neuropsychologist with the Rush Alzheimer's Disease Center at Rush University Medical Center, Chicago, IL. Dr. Boyle received her PhD from the University of Massachusetts at Amherst and completed her internship and postdoctoral fellowship at Brown University in Providence, RI. Her research focuses on the prevention of cognitive decline and dementia in old age. Her studies examine age-related changes in cognition, financial and health decision making, and psychological well-being, with an emphasis on identifying factors that promote independence and wellbeing in old age. Dr. Boyle's research has been continuously funded by the National Institutes of Health for two decades and she has published extensively, with more than 200 publications. Dr. Boyle also is the director of Research Education at the Rush Alzheimer's Disease Center and serves on national advisory committees on aging and Alzheimer's disease.

Liz Loewy is Co-Founder and Chief Operating Officer at EverSafe, a technology platform that monitors the financial health of older adults and family members for fraud, identity theft, and age-related issues. A graduate of the University of Pennsylvania and Albany Law School, Ms. Loewy was a prosecutor in the Manhattan District Attorney's Office under District Attorneys Robert M. Morgenthau and then Cyrus R. Vance, Jr. before joining EverSafe in 2014. In that office, she oversaw the Domestic Violence Unit before helping to create the Office's first Elder Abuse Unit, where she supervised 18 attorneys who prosecuted approximately 800 elder abuse cases, annually. In 2009, Ms. Loewy served as trial counsel in the high-profile trial involving the late philanthropist, Brooke Astor, against her only son, Anthony Marshall, and his attorney. The trial resulted in convictions as to both defendants. She also led the criminal investigation into the affairs of the late Huguette Clark, whose estate became the subject of another highly publicized will contest - though no criminal charges were filed. Ms. Loewy's current position at EverSafe has enabled her to further her passion for helping seniors and caregivers by focusing on how fintech can prevent, detect, and resolve fraud in later life. She is currently EverSafe's subject matter expert on the issue of elder exploitation and assists in the development and management of product and service offerings, marketing strategy, and system testing. She also serves as EverSafe's liaison to partners including banks, investment firms, credit unions, government agencies, and health and aging organizations. Ms. Loewy participated in the first National Policy Summit on Elder Abuse in Washington, DC in 2001. She was a presenter at the last White House Conference on Aging in July of 2015. In 2019, she was a panelist at the Milken Institute's Global Conference, and has been a guest speaker on the subject of elder financial abuse at conferences in the US and Europe, including those hosted by the North American Securities Administrators Association, the American Bankers Association, the Association of Certified Anti-Money-Laundering Specialists, the National College of Probate Judges, the National Adult Protective Services Association ("NAPSA"), the American Bar Association, commercial financial institutions, and police departments and prosecutors' offices across the US. Ms. Loewy is a recipient of the NAPSA Collaboration

Award and Albany Law School's Kate Stoneman Award. She currently serves on NAPSA's Financial Exploitation Advisory Board and the Board of HelpAge USA. She is the author of "Financial Exploitation of the Elderly: Legal Issues, Prevention, Prosecution, Social Service Advocacy" (Civic Research Institute) and has been quoted in periodicals including the *Wall Street Journal*, *Forbes, Consumer Reports, Money, Kiplinger's*, the *NYTimes*, and the *NY Law Journal*, and appeared on *ABC's "*20/20"*, CNBC, ABC News*, and *NPR*.

Gary R. Mottola is the research director for the FINRA Investor Education Foundation and a social psychologist with more than 25 years of research experience. In his role at the FINRA Foundation, he oversees and conducts research projects aimed at better understanding financial capability in America, protecting investors from financial fraud, and improving financial disclosure statements. Dr. Mottola received his B.A. from the University at Albany, M.A. from Brooklyn College, and Ph.D. from the University of Delaware. He was a visiting scholar at Wharton in 2006 and is an adjunct professor of statistics in Villanova University's MBA program.

2019 FINRA Senior Investor Protection Conference

November 12, 2019 | Washington, DC

Scams Targeting Older Investors

FINRA

Panelists

- **Moderator**
  - Gerri Walsh, President, FINRA Investor Education Foundation and Senior Vice President, FINRA Investor Education, FINRA Office of Investor Education
- **Panelists**
  - Patricia Boyle, Ph.D., Professor Division of Behavioral Sciences and Neuropsychologist, Rush University Medical Center, Rush Alzheimer's Disease Center
  - E. Elizabeth Loewy, Co-Founder and Chief Operating Officer, EverSafe
  - Gary Mottola, Director of Research, FINRA Investor Education Foundation

To Access Polling

- Under the “Schedule” icon on the home screen,
- Select the day,
- Choose the Scams Targeting Older Investors session,
- Click on the polling icon: 

Polling Question 1

1. **Have you ever been targeted for financial fraud?**
   a. **Yes**
   b. **No**
   c. **Don’t Know**

Exposed to Scams

WHAT SEPARATES VICTIMS FROM NON-VICTIMS?

INSTITUTE for MARKETPLACE TRUST BBB

FINRA Investor Education FOUNDATION

STANFORD CENTER ON LONGEVITY

Methodology

18 in-depth interviews

Online survey of BBB Scam Tracker reporters

- **1,408 responses**
- **Fielded August 2018**

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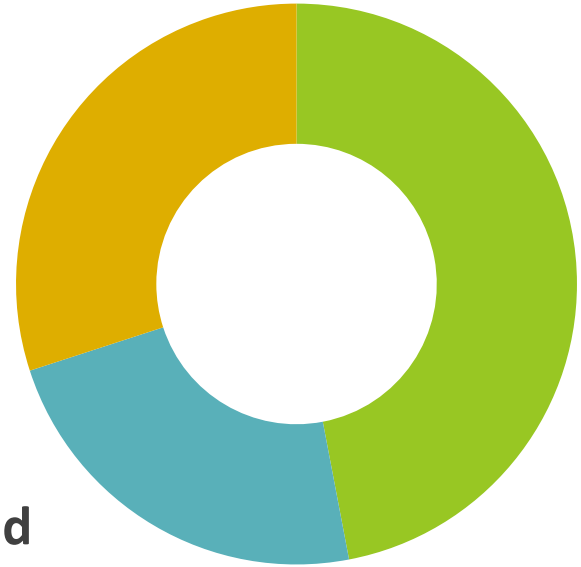
The Path to Victimization



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Financial Insecurity Associated with Victimization

Question	Victims	Non-victims
Spend more than monthly income	23%	17%
Financially fragile*	38%	20%
I have too much debt	39%	28%

*Measured as “could definitely not” or “probably could not” cover a $2,000 emergency expense.

> *“I was overwhelmed with debt.”*

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Lower Financial Literacy and Victimization

Those who did not engage had significantly higher scores on a 5-item financial literacy quiz.

*Range = 0 to 5, where higher scores = higher financial literacy

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Social Isolation Increases Risk of Victimization

Among respondents who engaged…

- Those who ***did not have anyone available*** to discuss it with were also more likely to lose money.
- Those who ***chose not*** *to* discuss the solicitation with anyone while it was happening were more likely to lose money.

> *"I talked to my kids and they said they were pretty sure it was a scam."*

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The Role of Structural Interventions

"I called my credit card on another phone, gave her the billing name and she said, 'Hang up the phone, turn off your computer. You've been hacked.'"

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Preventing Financial Fraud

What reduced the likelihood of engaging?

Knowledge!

- Knowing about the **methods** of scammers in general
- Having **experience** with scams
- Knowing about the **specific scam** you are targeted by—80% less likely to engage, and 40% less likely to be a victim

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Polling Question 2

2. **Do financial decision making abilities improve or decline as we grow older?**
   a. **Improve**
   b. **Decline**
   c. **Don’t know**

Aging and decision making: What can we learn from neuroscience?

Patricia Boyle, PhD

Professor, Behavioral Sciences
Rush Alzheimer's Disease Center
Rush University Medical Center
Chicago, IL

Decision making

Ability to understand and evaluate competing alternatives and make an optimal choice

Virtually all behaviors involve decision making…

Answer the phone if don’t know the caller?

Spend paycheck or invest?

Decision making is critical in old age

Important decisions:

*Social Security benefits
*Retirement spending
*Complex medical/health

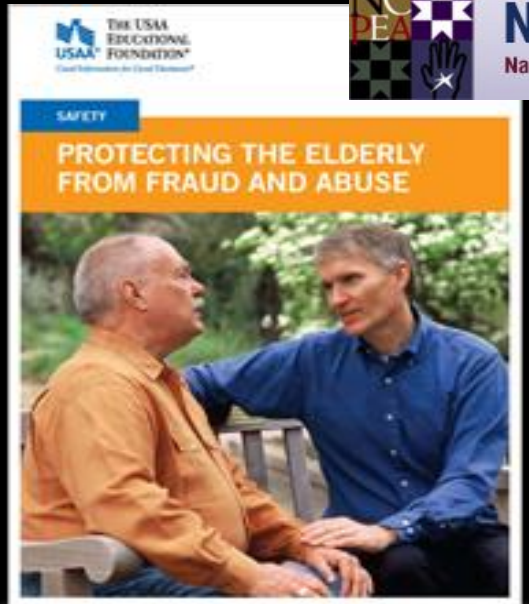
Aging: limited opportunity to recover from mistakes

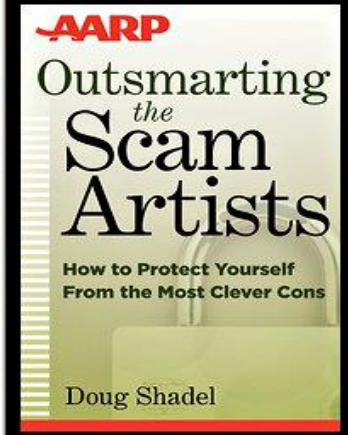
Dramatic increase in bankruptcy filings among those 65+

Elder fraud may exceed $35 billion

Many not demented or disabled; educated, urban, active

*Why?





- Neuroscientific approach to understand how aging affects decision making

- Examine consequences of poor decision making in old age

Rush Memory and Aging Project

- Began >20 years ago
- >2,500 older persons from greater Chicago area
- All without dementia at enrollment
- Undergo detailed yearly cognitive and clinical evaluations
- Assessment of decision making: financial and health, scam/fraud
- Followed until death
- All agree to brain donation

Aging and decision making

Decision making is impaired in dementia

- Financial and healthcare decisions
- Risk seeking
- Scam susceptibility
- Fraud risk

BUT many cognitively “healthy” older adults also struggle

- 30-40% suboptimal
- 8% fraud

Financial decision making

Chart 32

FUND A	
Gross annual return	8%
Management fee	0.75%
Minimum investment	$1,000
Years of activity	10

What is the account management fee for this fund?

(1) 8%
(2) 0.75%
(3) 0.10%
(4) 10%

85% correct

What is the gross annual return on the minimum investment?

(1) $8
(2) $80
(3) $800
(4) $1,000

50% correct

You have $2,000 to invest. You want a mutual fund that has a management fee of less than 1.5%, one that has been active for at least 5 years, and one that has a gross annual return of at least 6.0%. Based on the information in the table below, which fund should you choose?

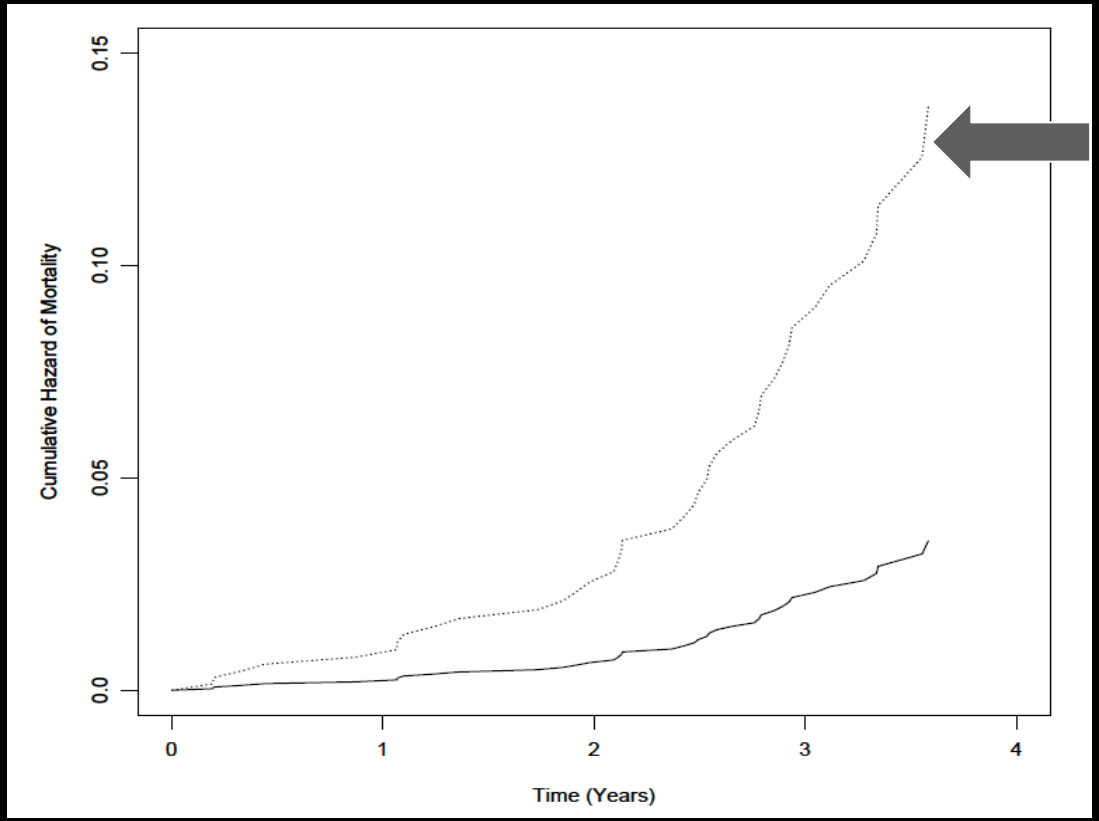
(1) Fund A
(2) Fund B
(3) Fund C
(4) Fund D
(5) Fund E
(6) Fund F
(7) Fund G
(8) Fund H
(9) Fund I

25% correct

	Gross Annual Return	Management Fee	Minimum Investment	Years of Activity
Fund A	6.25%	0.60%	$1,500	4
Fund B	7.30%	1.20%	$2,500	10
Fund C	6.00%	0.80%	$1,500	5
Fund D	7.00%	1.50%	$2,000	4
Fund E	7.15%	0.75%	$2,500	6
Fund F	5.85%	2.00%	$1,000	15
Fund G	6.20%	1.25%	$2,500	8
Fund H	4.00%	1.75%	$500	7
Fund I	5.50%	0.90%	$1,000	6

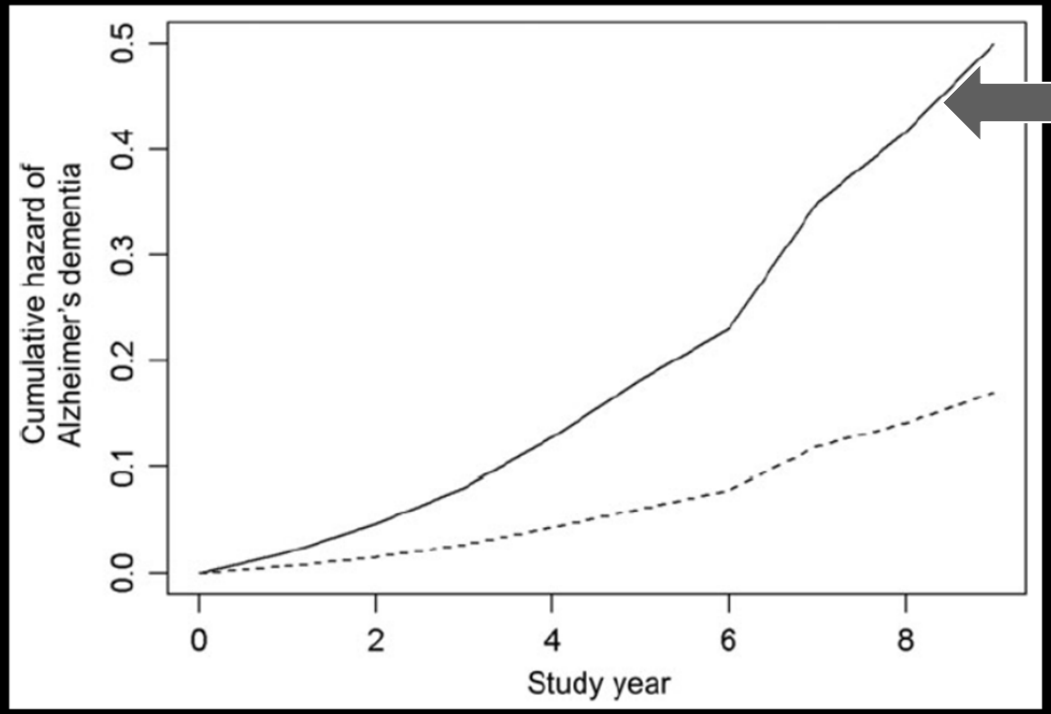
What are the consequences of poor decision making in old age?

Decision making and risk of mortality



Poor decision making 4x more likely to die

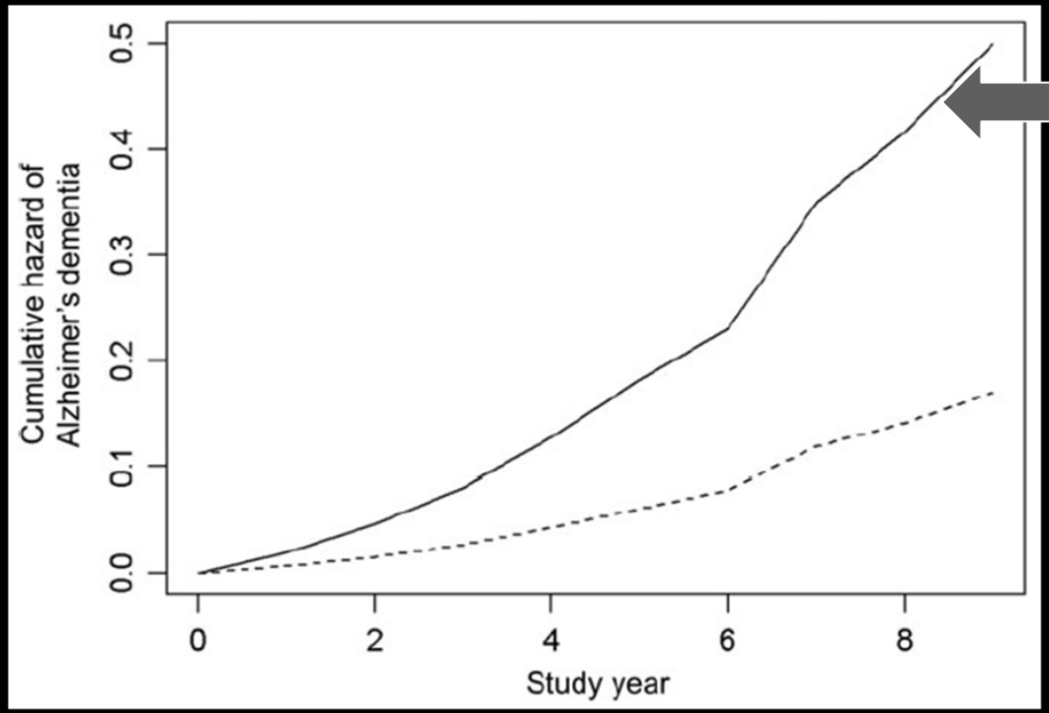
Decision making and risk of Alzheimer's dementia



Poor decision making about 3x more likely to develop dementia

*Also more rapid cognitive decline

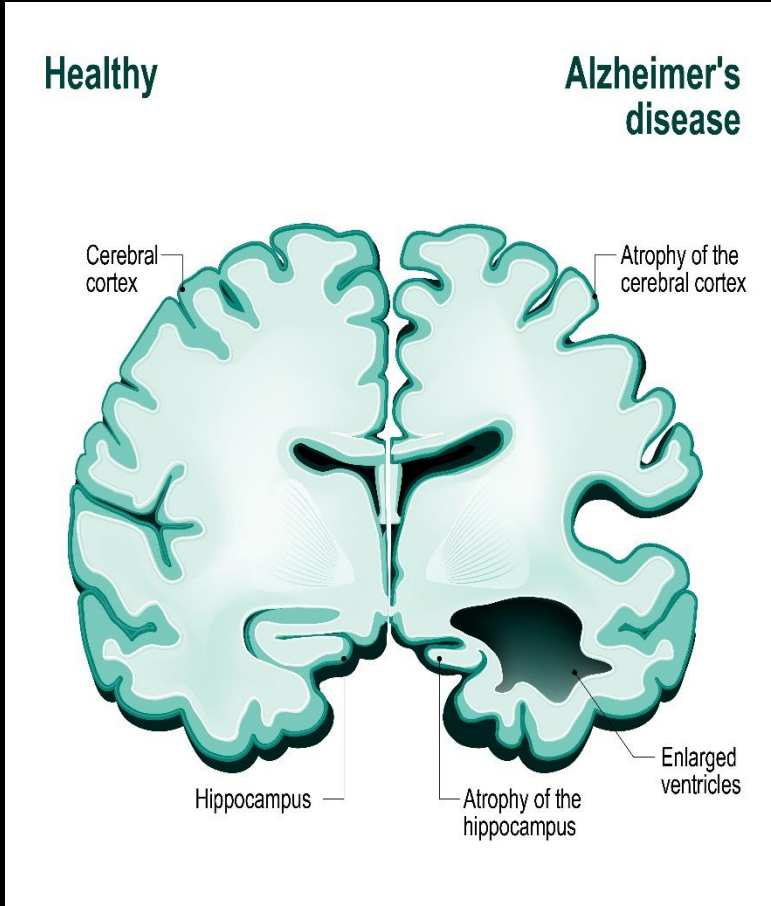
Scam susceptibility and risk of dementia



Highly susceptible 2x more likely to develop dementia

*Also more rapid cognitive decline

The aging brain

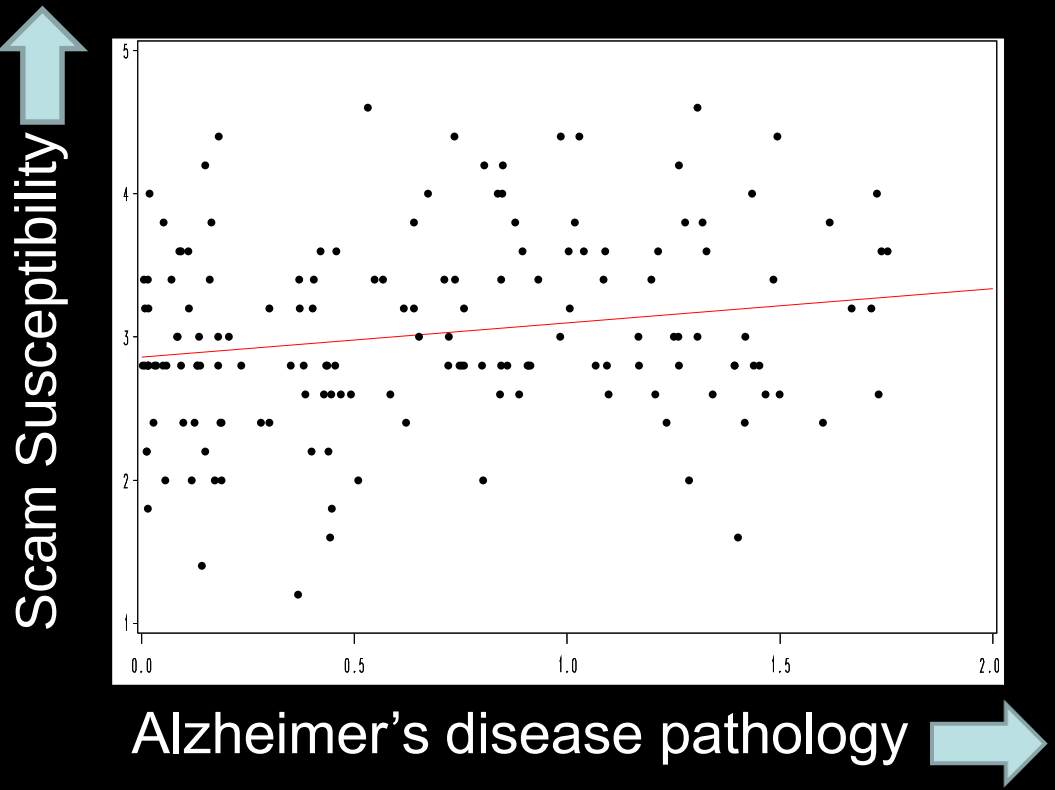


*Highly vulnerable to diseases such as Alzheimer’s

*Nearly always present in dementia

*Also common in cognitively healthy

The aging brain



Conclusions

Poor decision making is common among older adults and a harbinger of adverse health outcomes

May indicate a need for assessment and/or support

Need to develop interventions to preserve decision making in old age (literacy, confidence)

Decisional aids/external protections

Polling Question 3

3. **Do you know of an older adult who has been scammed?**
   a. **Yes**
   b. **No**

Polling Question 4

4. **If your answer to Question 3 was yes, did that senior report the incident to authorities (APS, police, prosecutor, regulator, hotline)?**
   a. **Yes**
   b. **No**
   c. **Don’t Know**

SCAMS TARGETING OLDER INVESTORS: PROMISING INTERVENTIONS

FINRA
SENIOR INVESTOR PROTECTION CONFERENCE

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Co-Founder & COO
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Our Nation's Hidden Epidemic

ELDER FRAUD BY THE NUMBERS

1 in 5

seniors has been the victim of financial exploitation

- 83% assets are held by the 50+
- 1 in 3 seniors dies w dementia
- total annual losses > $37B

Elder fraud has the lowest survival rate of any type of intentional elder abuse.

Financial Health is Critical to Longevity

THREATS TO FINANCIAL SECURITY IN LATER LIFE

SPENDING HABITS

COMPROMISED DECISION-MAKING

POOR PLANNING & COMMUNICATION

IDENTITY THEFT

PHYSICAL HEALTH

EXPLOITATION

THEFT & FRAUD

Elder Financial Abuse

TYPICAL CASES

The People vs. Anthony Marshall & Francis Morrissey

SON, POA, EXECUTOR, HEALTH CARE PROXY, ADVISOR

CHALLENGES FOR FINANCIAL INSTITUTIONS

LIMITED SHARING OF INFORMATION

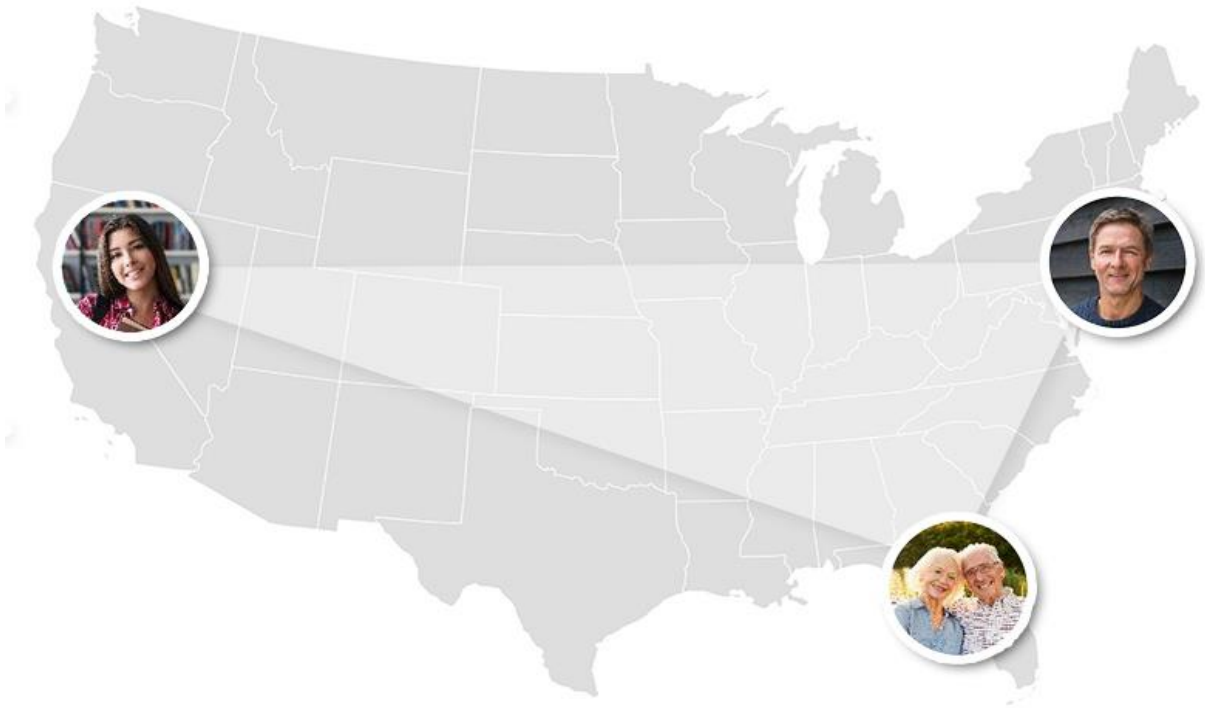
No Visibility
Across Institutions

Static Alerts Unrelated to the
Historical Behavior of Customer

Sharing of Information
Restricted by Privacy Regulations

CHALLENGES FOR CAREGIVERS

LIMITED VISIBILITY & COMMUNICATION



FINRA Rules Protecting At-Risk Investors

TEMPORARY HOLD & TRUSTED CONTACT

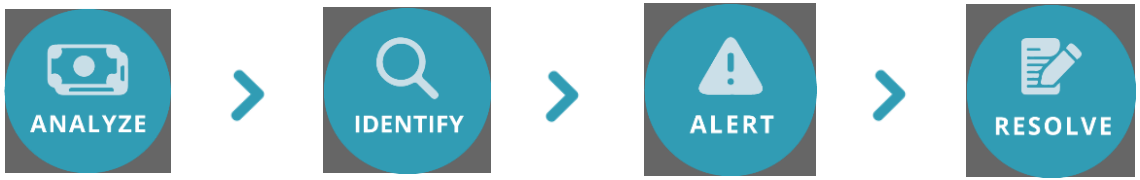
Rule 2165 permits a broker/dealer to place a temporary hold on disbursements of funds or securities from the accounts of specified customers if the broker-dealer has a reasonable belief of financial exploitation of those customers.

Amendment to FINRA Rule 4512 (Customer Account Information) requires members to make reasonable efforts to obtain the name and contact information for a “trusted contact person” for a customer’s account.

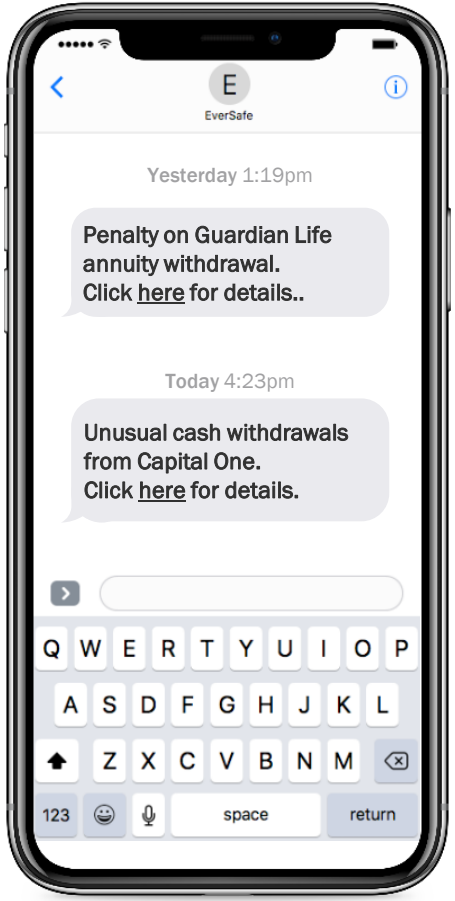
One Solution? Technology.

FinTech Monitoring

AN ‘EXTRA SET OF EYES’



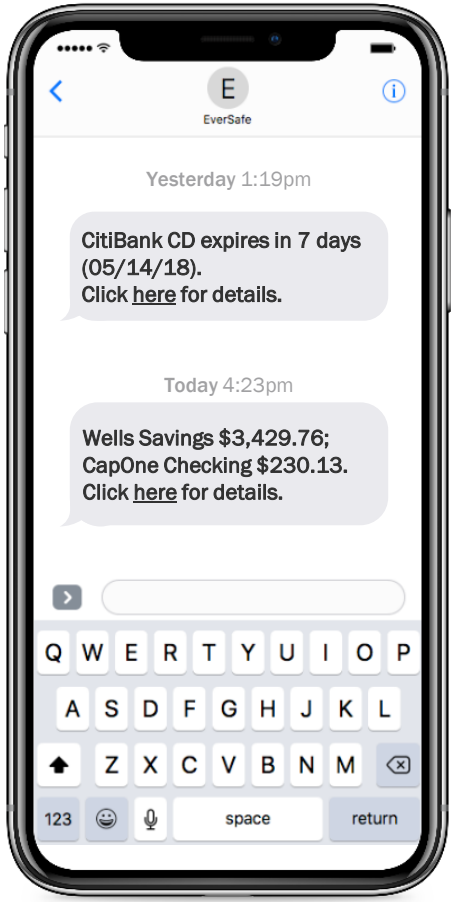
- Analyze Financial Accounts/Credit Card Transactions/Credit Data/Real Estate
- Machine Learning: “Personal Financial Profile”
- Suspicious Activity: Artificial Intelligence Identifies New Types of Abnormal Activity
- Alert Investors & Designated “Trusted Contacts”
- Expert Remediation



Enhanced Alerts: See What the Human Eye Misses

PERSONALIZED INTELLIGENT MONITORING

- Change in spending
- Missing deposit
- Unusual wire transfer
- New account opened
- Skipped check
- Abnormal ATM/ACH activity
- Dormant account activity
- Over/under-payment on bill
- Erratic investment activity
- New loan issued
- Annuity penalty/liquidated
- Address change on account



Keeping Seniors Independent

INFORMATION ACROSS ACCOUNTS & INSTITUTIONS

Account Balances
checking, savings

Interest Rate Changes
credit cards, home equity

Upcoming Bills
credit cards, utilities

Recurring Charges
cable, phone

Bank Charges
late payment, interest

Upcoming Renewals
magazines, subscriptions

Real Estate:

OFTEN A SENIOR'S MOST VALUABLE ASSET

Technology

INNOVATIVE SOLUTIONS TO PREVENT ELDER FRAUD

- Call monitoring (*YouMail; NomoRobo*)
- Help seniors pay their bills on time (*SilverBills*)
- Pre-paid debit card (*Amazing Savings: TrueLink Financial*)
- Preserve legal documents in a digital safe *(EverPlans)*
- Monitor across institutions w/a trusted advocate (*EverSafe*)

FINTECH SOLUTIONS CAN EMPOWER SENIORS TO AGE WITH THEIR SAVINGS & DIGNITY INTACT

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FINRA

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Resources

- FINRA Senior Helpline Webpage

  www.finra.org/investors/have-problem/helpline-seniors

Exposed to Scams

WHAT SEPARATES VICTIMS FROM NON-VICTIMS?

FINRA Investor Education FOUNDATION

BBB INSTITUTE for MARKETPLACE TRUST™

STANFORD CENTER ON LONGEVITY

SEPTEMBER 2019

Exposed to Scams

WHAT SEPARATES VICTIMS FROM NON-VICTIMS?

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ACKNOWLEDGMENTS

The authors would like to thank Craig Honick of Metro Tribal for his work on survey design and data collection, and Susan Arthur for her comments on earlier drafts of the paper. We would also like to thank the Better Business Bureau for access to data from their BBB Scam Tracker database and the FINRA Foundation for funding the research.

[1] The views expressed herein are her own and not necessarily those of the Commission or any individual Commissioner.

Summary

Victimization by scams and fraud depends, in part, on two-way engagement between the target of the scam and the fraudster. Some individuals simply do not engage with a scammer; others engage but at some point recognize the deception and cease engagement. Still others engage with the fraud and lose money (sometimes a lot of money). Despite the enormous personal and financial costs of fraud victimization, little is understood about the factors that differentiate these three groups.

In this survey of 1,408 Americans and Canadians who were targeted and reported a scam, nearly half (47 percent) did not engage with the fraudster and so were not victimized. Thirty percent engaged but did not lose money, yet 23 percent engaged and ultimately lost money. The type of scam and the method by which the respondents were exposed to the offer were highly associated with engaging and losing money. Specifically, scams involving online purchases correlated with the highest levels of engagement and victimization. With regard to modality, survey respondents who engaged and became victims were more likely to report being exposed to those scams on a website or through social media than via telephone, mail, or email. Social isolation and low levels of financial literacy were also associated with engaging and losing money. This research also found that prior knowledge of scams and fraud can reduce susceptibility.

BACKGROUND

Approximately one in ten U.S. adults are victims of fraud each year (Anderson, 2013), and self-reported fraud loss complaints to the Federal Trade Commission's (FTC) Consumer Sentinel Network increased by about 34 percent from 2017 to 2018 (authors' calculations using FTC consumer complaint data). The FTC received more than 372,000 fraud complaints with more than $1.5 billion in direct losses in 2018, and another 1.1 million fraud complaints with no reported losses (FTC, 2019).

In 2017 and 2018, the FINRA Investor Education Foundation, in concert with BBB Institute for Marketplace Trust and the Stanford Center on Longevity, sponsored a study to uncover the process of fraud victimization and understand the factors associated with losing money. The study involved a comparison of those exposed to a scam who lost money (victims) to those exposed to a scam who successfully avoided losing money (targets). The goal of the research was to better understand the conditions under which scam targets do not become victims in order to develop more focused and effective public education based on those protective factors.

All participants in this two-phase study reported a fraud to BBB Scam Tracker℠, an online fraud reporting tool of the Better Business Bureau. The first phase of the research comprised one-hour interviews with 18 consumers, some of whom reported being a scam victim (monetary loss) and others who reported being targets but not victims (no monetary loss). In the second phase of the study, the research team administered a 15-minute online survey to 1,408 consumers who filed a fraud tip or report through BBB Scam Tracker (see Methodology section for more details). The survey questions were informed by the qualitative findings from the first phase of the research, and the survey results are the focus of this issue brief. The survey sample skewed older, female, and college-educated. Sample sociodemographic characteristics are shown in Appendix A.

The most common scams that participants in the survey reported to BBB Scam Tracker were tech support (n=225), bogus tax collection (i.e., "the IRS scam"; n=200), phishing (n=200), and online purchase scams (n=158).[2]

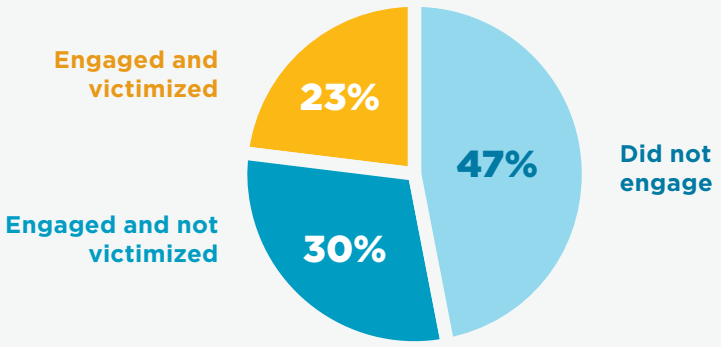
[2] Prevalence and victimization rates reported in this brief refer only to the survey sample. They do not reflect the rates of victimization for all individuals who reported fraud to BBB Scam Tracker. This information can be found in the annual BBB Scam Tracker Risk Reports available at **BBB.org/BBBScamTrackerRiskReport**.

FACTORS RELATED TO VICTIMIZATION

Level of Engagement

The first step to being victimized by a scam is to engage with a fraudster, so it is heartening to see that nearly half (47 percent) of survey respondents rejected the offer outright (Figure 1). They hung up the phone, closed the link, ignored the email, threw away the mailer, deleted the friend request, or otherwise refused to comply. This refusal to engage was the predominant response in bogus tax and other debt collection scams, and in phishing scams where fraudsters impersonate a trustworthy entity to mislead the target into giving them money. However, 30 percent of respondents engaged to some degree, but ultimately did not lose money, while 23 percent engaged with the fraudster or offer and lost money.

FIGURE 1
Engagement in the Fraudulent Offer



NOTE: 33 respondents could not be categorized due to their uncertainty about the incident.

It is heartening to see that **nearly half** of survey respondents rejected the scam offer outright.

Type of Scam

Victimization rates in this sample varied dramatically by scam type. Among the fraud categories with more than 50 respondents, the highest victimization rates were (Table 1) online purchase scams, tech support scams, employment scams, and fake check/money order scams.[3] The victimization rates were very low for phishing and tax collection scams.

Median losses in this survey were $600, while median losses in the *2018 BBB Scam Tracker Risk Report* were only $152. Those who filed BBB Scam Tracker reports with higher loss amounts may have been more motivated to respond to the survey to share their experience.

The highest victimization rate was online purchase scams.

TABLE 1

Engagement and Victimization Rates by Scam Type

SCAM TYPE	% ENGAGED	% LOST MONEY	# OF REPORTS
Online Purchase	84%	47%	157
Tech Support	64%	32%	225
Employment	81%	25%	106
Fake Check / Money Order	64%	22%	106
Sweepstakes / Lottery / Prizes	59%	15%	54
Debt Collection	38%	12%	112
Phishing	18%	4%	199
Tax Collection	15%	3%	200

[3] See Appendices B and C for counts of all the scam types reported and descriptions of the scam types.

Method of Contact

Whether or not a person engaged with the scam and lost money was highly associated with the method in which they were exposed to the offer (Table 2). Phone and email were the most common methods of contact, but relatively few respondents reported losing money as a result of these scams. For example, 39 percent of respondents who said they were contacted by phone engaged with a scammer and only 11 percent lost money. In contrast, of those contacted by email, 42 percent engaged with the scammer and only 13 percent lost money. Of those who said they were exposed to a scam on social media, 91 percent engaged and 53 percent lost money. Similarly, 81 percent of respondents who were exposed to a fraud via a website said they engaged and 50 percent lost money.

81% of respondents who were exposed to a fraud via a website said they engaged.

TABLE 2

Engagement and Victimization Rates by Type of Contact

HOW THE SCAM BEGAN	% ENGAGED	% LOST MONEY	# OF REPORTS
Phone Call / Voice Mail	39%	11%	553
Email	42%	13%	340
Website	81%	50%	123
Social Media	91%	53%	70
Postal Mail	40%	12%	58

NOTE: We did not compute statistics for categories with less than 50 observations. Number of reports does not total 1,408 due to missing data on how the scam began.

Self-Reported Reasons for Engaging

Using a seven-point Likert scale, where "1" was strongly disagree and "7" was strongly agree, we asked those who engaged with the scam a series of questions to understand the factors leading to monetary loss.

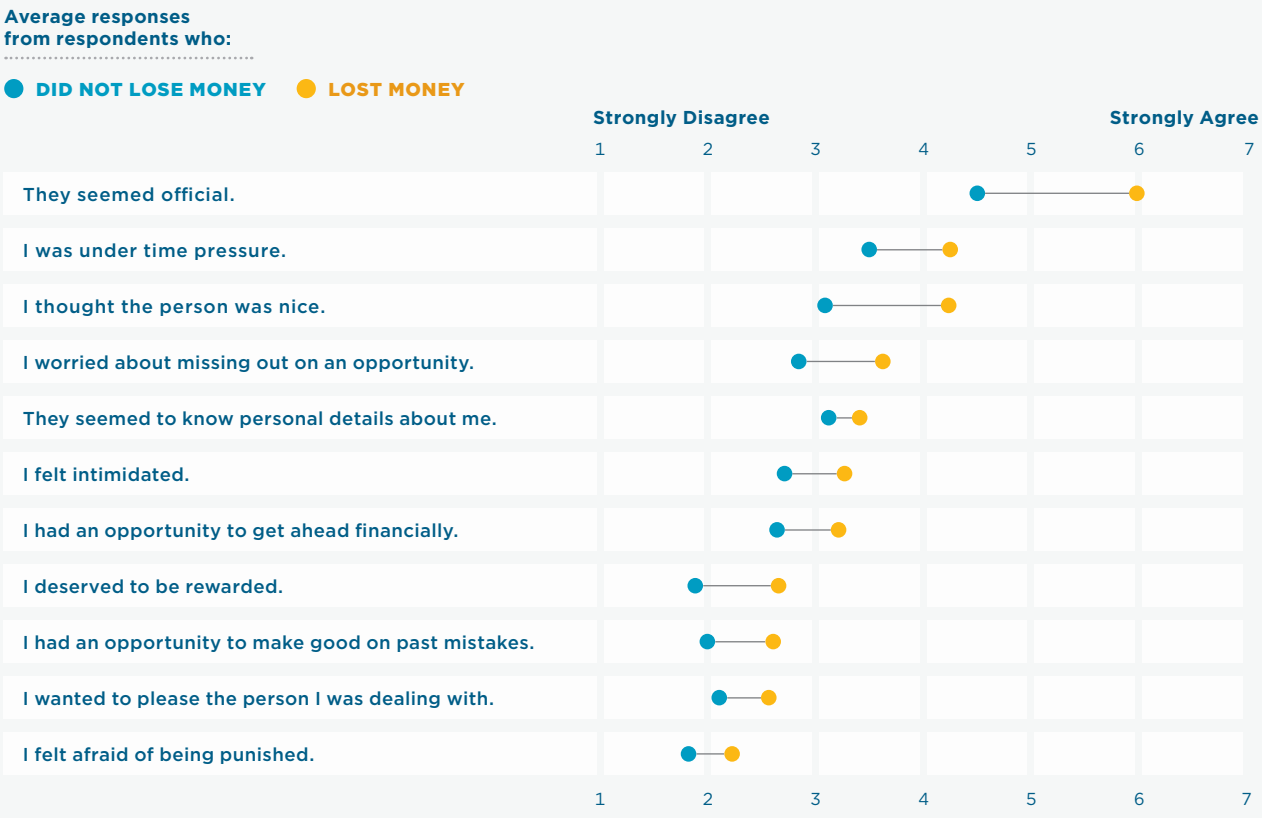
As shown in Figure 2, on a range of factors that the qualitative portion of this study suggested were related to fraud victimization, respondents who engaged and lost money scored higher than respondents who engaged and did not lose money. For example, the more a respondent felt that the person/organization seemed official, the more likely they were to lose money. Respondents were also more likely to lose money the more they felt under time pressure, believed the opportunity would help them get ahead financially, felt that it was "their time" and that they deserved to be rewarded, wanted to make good on past mistakes, and/or were intimidated by the person they were dealing with. Those who lost money were also more likely to agree that they wanted to impress the person they were dealing with and worried about missing out on an opportunity. All of these differences were statistically significant at $p<.01$. These findings align with common persuasion techniques that fraudsters use to convince targets to comply (Cialdini, 2001).

> *"Sounded like a sheriff's deputy and he was threatening me with immediate arrest if I didn't comply."*

> *"I was caught off guard and insufficiently informed."*

FIGURE 2

Perceptions of the Fraudster and the Scam Associated with Financial Loss



Demographics

We found small to no difference in engagement behavior or victimization rates by gender, ethnicity, education, or employment status, though we did find an age-based effect. On average, those who lost money were 2-3 years younger than those who were targeted for a scam but did not engage.[4] This is consistent with published data on fraud reports to both the FTC's Consumer Sentinel Network and BBB Scam Tracker — older adults report more scams in which they were targeted but not victimized compared to younger adults who are more likely to report scams that resulted in financial loss (BBB Institute, 2019; FTC, 2019). Further, those who engaged and lost money were less likely to be married and more likely to be widowed or divorced.

Respondents were more likely to be victimized if they did not have anyone to discuss the offer with. It is noteworthy that single, divorced, and widowed respondents were more likely to indicate that they did not have anyone to discuss things with compared to married respondents and those living with a partner. Those who engaged, in general, and those who lost money expressed significantly higher feelings of loneliness. Specifically, losing money was associated with more frequent feelings of being left out, lacking companionship, and being isolated from others (meanvictim=4.5, meannon-victim=4.0 , p<.001).[5]

Respondents were more likely to be victimized **if they did not have anyone to discuss the offer with.**

Financial Insecurity

Prior work by Anderson (2013) and AARP (2003) has indicated that individuals who are under financial strain might be more susceptible to scams, especially scams that promise financial rewards or an opportunity to get out of debt. In the present study, low household income ($50,000 and below) was significantly associated with engaging and losing money in a scam (p<.001). In addition, those who lost money were significantly more likely than non-victims to show signs of financial insecurity. This included reporting that they spend more than their monthly income (23 percent versus 17 percent; p=.017), and that they "probably could not" or "certainly could not" come up with $2,000 if an unexpected need arose within the next month (38 percent versus 20 percent; p<.001).

Victims were also significantly more likely to agree with the statement "I have too much debt right now" ($mean_{victim}$=3.6 $mean_{non\text{-}victim}$=3.1 out of seven, p=.001). Levels of financial insecurity varied by scam type. For example, respondents who reported advance fee loan, investment, and sweepstakes/lottery/prizes scams were more likely than other reporters to show signs of financial insecurity. It is also possible that the scams themselves contributed to the financial insecurity of the victims.

I was overwhelmed with student loan debt."

[4] Compared to the average individual who reported fraud to BBB Scam Tracker, the survey sample skewed older. Age differences would likely be greater if the sample was representative of all reporters in the BBB Scam Tracker database.

[5] Respondent scores on these three loneliness items (range=1-3) were summed for the analysis (range=3-9).

Financial Literacy

Participants were asked five questions to gauge their financial knowledge. As seen in Figure 3, those who ended the scam attempt immediately scored significantly higher on this five-item quiz, an average of 3.3 correct answers out of a total of five.[6] The average score of those who engaged with the scam was 3.0, and of those who lost money was 2.7 ($p<.001$).[7]

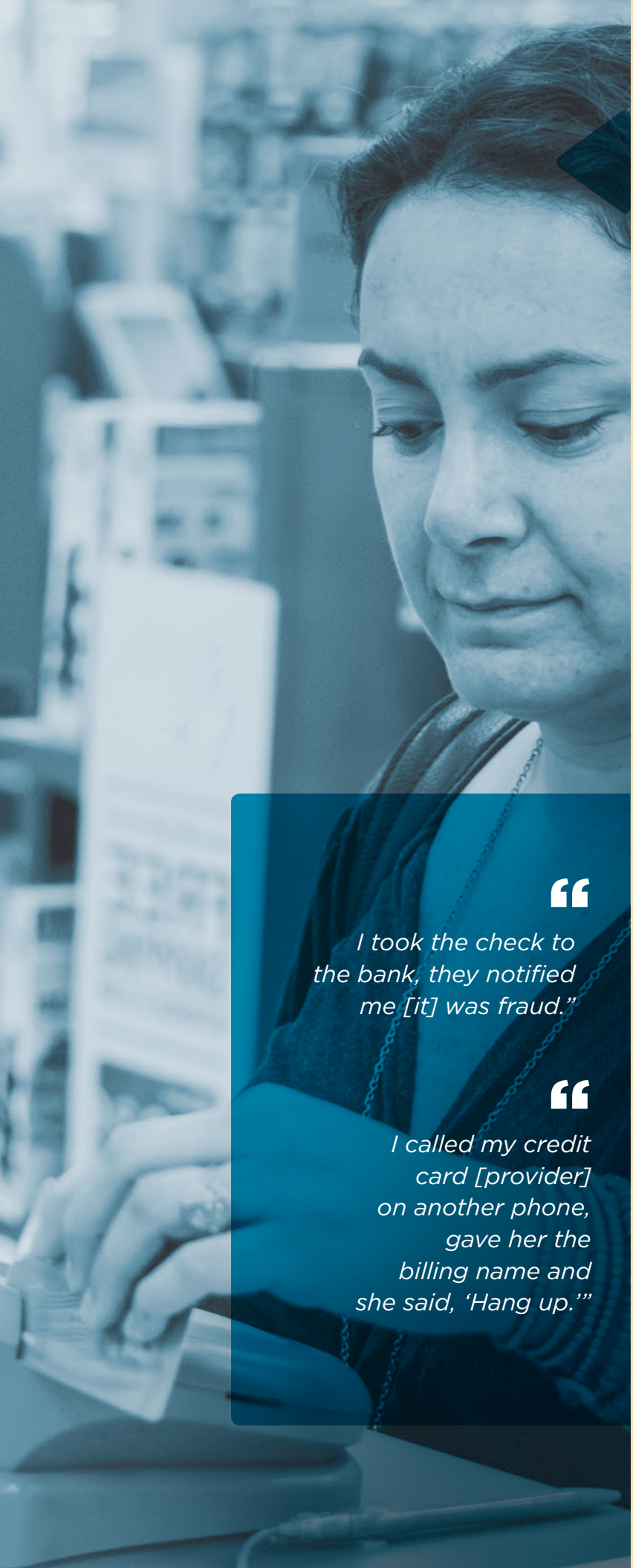
FIGURE 3

Financial Literacy by Engagement:
Mean Number of Questions Answered Correctly Out of 5

Those who ended the scam attempt immediately **scored significantly higher.**

[6] The five financial literacy quiz questions can be found at **USFinancialCapability.org/quiz.php**.

[7] Kieffer and Mottola (2017) and AARP (2007) found that higher levels of financial literacy were associated with higher fraud victimization rates. However, these papers examined investment fraud, and it is possible that some victim characteristics vary by scam type. Investment fraud victims make up less than 2 percent of the current sample.



> *"I took the check to the bank, they notified me [it] was fraud."*

> *"I called my credit card [provider] on another phone, gave her the billing name and she said, 'Hang up.'"*

Intervention By Organizations — The Role Of Structural Protections

Among those who engaged with the scam, 20 percent reported that an organization, company, or agency intervened or tried to intervene to stop the scam. People described interventions by bank tellers and employees of wire transfer services and other financial services companies. Some organizations train their frontline employees to recognize the indicators of fraud (e.g., large cash bank withdrawals or purchases of high-dollar value gift cards). The survey results show that 51 percent of people who reported a third-party intervention were able to avoid losing money. This is a promising finding given that these interventions generally occur at a point when consumers are on the cusp of sending money to a scammer (e.g., at a store checkout counter buying gift cards). The work of cashiers, bank tellers, and other vigilant employees can serve as an important last line of defense for consumers who might otherwise become fraud victims.

We know from previous studies that individuals engaging with scammers are likely to be in a heightened emotional state that impairs their ability to respond appropriately to misleading information (Kircanski et al., 2018). Further, in many cases, fraudsters have developed scripts designed to negate intervention by third parties, such as telling their targets not to speak to anyone and even coaching them on how to respond to a cashier's or bank teller's questions and protests. Additional research in this area could help businesses and others who are well-positioned to intervene to develop more effective training programs and intervention techniques.

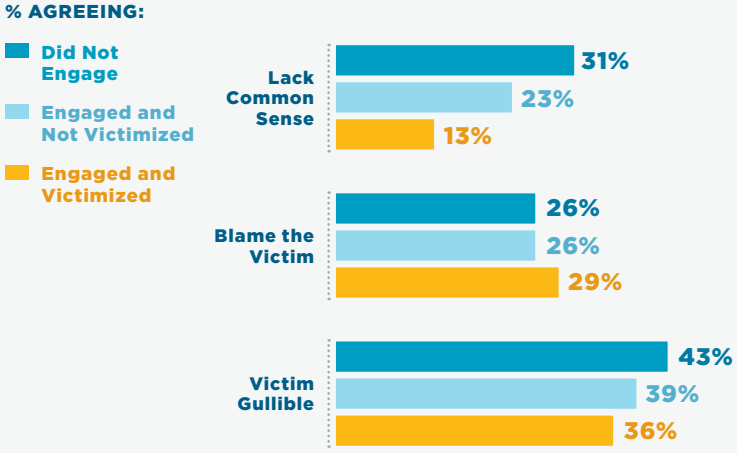
PERCEPTION OF VICTIMS

"Looking back, it was so obvious that it was a scam. I guess I wanted it to be true. I didn't read the comments until it was too late. I'm so embarrassed."

The survey also sought to gauge how respondents view scam victims, in general. A large percentage of respondents believe that victims of fraud are gullible — from a high of 43 percent for those who did not engage to a low of 36 percent for those who lost money (Figure 4). It is noteworthy that nearly a third of those who lost money believe it is likely the victims' fault for being defrauded. When asked if scam victims lack common sense, only 13 percent of victims believe that to be true, compared to a third of those who did not engage.

Reporting rates for fraud and scams are low, and it is possible that widely held negative views associated with victims contributes to a person's reluctance to admit that they were scammed. This could also deter victims from seeking assistance in dealing with the consequences of fraud, whether financial, psychological, or emotional assistance. Earlier work by the FINRA Foundation (2015) found that the non-financial costs of fraud (e.g., stress, health problems) are widespread among victims, and nearly two-thirds (65 percent) report experiencing at least one type of non-financial cost to a serious degree. The FINRA Foundation study also found that 47 percent of victims blamed themselves. These findings suggest that victim support groups could play an important role in destigmatizing the experience and helping those who have lost money recover from fraud.

FIGURE 4
How Victims Are Viewed



PREVENTING FINANCIAL FRAUD

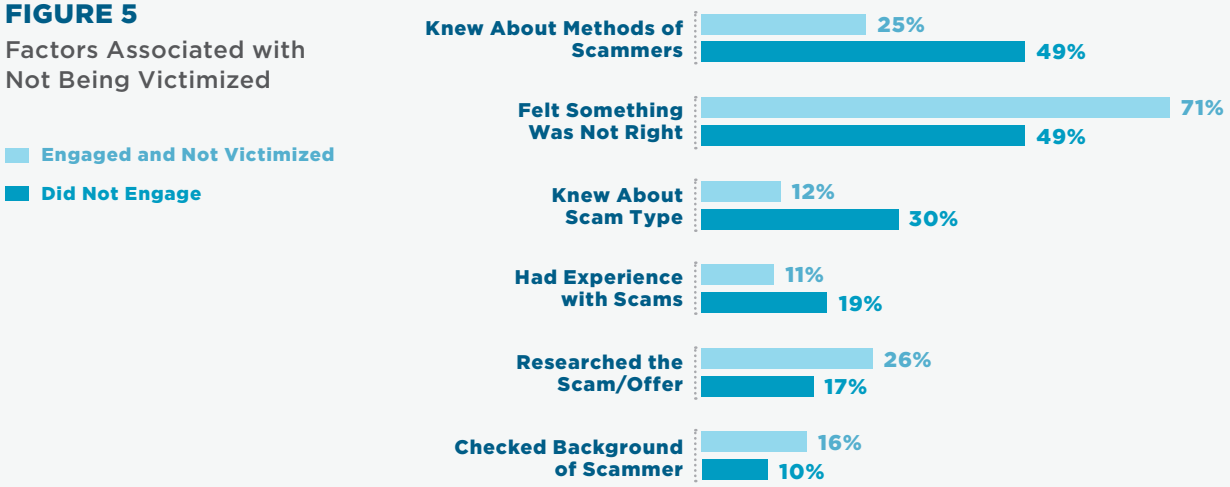
Knowledge is Power

Knowing about specific types of scams and understanding the general tactics that scammers use can help a scam target avoid becoming a victim. In this survey, 30 percent of respondents who did not engage knew about the scam before they were targeted compared to 12 percent of people who engaged but were not victimized (Figure 5). Respondents who had heard about the scam before were significantly less likely to lose money (9 percent versus 34 percent, p<.001). Among respondents who did not engage with the scammer, almost half (49 percent) reported knowing about the methods and behaviors of scammers in general compared to only 25 percent of those who did engage but were not victimized. Those who did not engage were also more likely to say they had experience with scams than those who engaged but were not victimized, 19 percent versus 11 percent, respectively. This indicates that having prior knowledge about fraud, even generally, is particularly helpful in avoiding victimization.

> *I suspected it was a scam very early on, but I didn't pay attention to my instincts."*

The majority of fraud targets did not report looking into the scam or the scammer while they were being targeted. For instance, among those who did not engage, 17 percent researched the offer and 10 percent checked the background of the scammer. For those who engaged but were not victimized, 26 percent researched the offer, and 16 percent checked the background of the scammer. Last, among those who engaged but were not victimized, by far the most common reason cited for not being victimized was that they felt something was not right about the situation.[8]

FIGURE 5
Factors Associated with Not Being Victimized



[8] We do not have these data on victims because we logically could not ask victims what helped prevent them from being victimized.

Among respondents who engaged, those who *chose not* to discuss the solicitation with anyone while it was happening were significantly more likely to lose money, as were those who *did not have anyone available* to discuss it with.

> *I talked to my kids and they said they were pretty sure it was a scam."*

> *Take some time to evaluate rather than proceeding quickly."*

In the Targets' Own Words

Respondents who were suspicious about the offer but who continued to engage were asked what would have helped them avoid engaging altogether. One individual stated, "...if I had done the research before making the purchase." Other suggestions were to speak with someone prior to engaging, use other websites to verify the pricing of the product, check the BBB website for complaints about the organization, and search for the address of the organization on Google Maps. One person said, "not being distracted." Recommendations also included looking for clues that the offer is fake, such as misspelled words in the message or a spoofed email address.

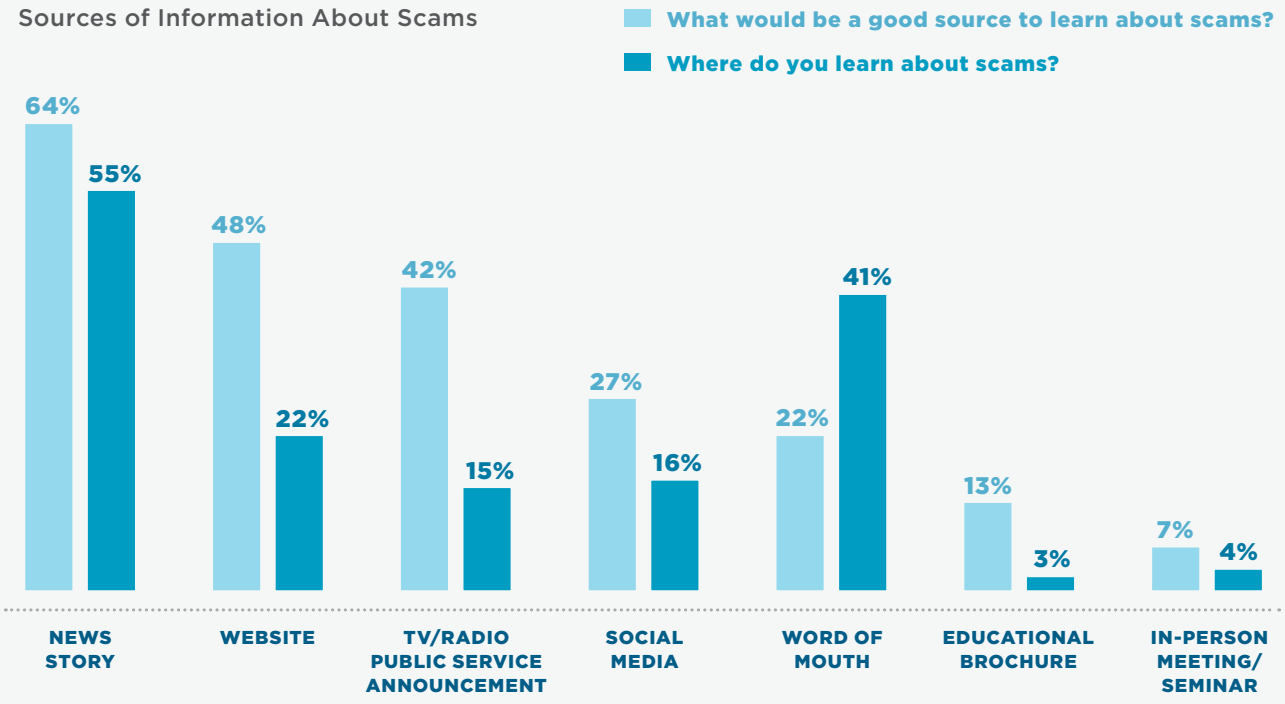
Where do victims and non-victims learn about fraud?

We asked respondents what they believed would be a good source of information on fraud and scams, and where they have actually received such information. While nearly half (48 percent) believed websites would be a good source of information, few actually reported obtaining information about fraud and scams from websites (Figure 6). It is noteworthy that 42 percent of respondents believed that a public service announcement (PSA) on TV or radio would be helpful, but few respondents (15 percent) noted this as an actual source of information where they previously learned about fraud, likely because PSAs about scams are not very common. News stories were, by far, the most popular answer. Conversely, while respondents did not believe word of mouth is a particularly good source of information about scams, more than 40 percent of respondents said they had obtained information about frauds in this way. Educational brochures and in-person meetings/ seminars were infrequently mentioned as good or actual sources of information about scams and fraud. However, they may have an indirect effect on reducing fraud by fueling the communication of information on frauds by word of mouth. While it is beyond the scope of this study to determine the actual effectiveness of sources of information, these findings suggest that the news media has an important role to play in making consumers aware of scams.

News stories were, by far, the most popular answer.

FIGURE 6

Sources of Information About Scams



IMPLICATIONS

In terms of protective factors, **knowledge is power.**

The path to victimization begins with engagement, and there are a number of factors that increase the likelihood of both engaging with a fraudulent offer and losing money.

- **The manner in which consumers are contacted plays a significant role in whether or not they engage and become victims.** Because those contacted via digital means (social media and website) appear from this study to have high engagement and victimization rates, consumers should be particularly careful when sending money based on a digital message or ad.

- **The perception that a fraudster is "official" is highly associated with victimization.** As titles and designations are easily faked, consumers should independently verify the identity of anyone who claims to be an authority and asks for money or information (e.g., call the agency directly to confirm, or use an online tool such as FINRA BrokerCheck).

- **Financial insecurity** appears to increase the likelihood of victimization, as do **low levels of financial literacy.**

- **More than half of people who reported a third-party intervention were able to avoid losing money.** This is a promising finding and speaks to the potential of this approach to reduce fraud victimization given these interventions generally occur at a point when consumers are on the cusp of sending money to a scammer.

- **In terms of protective factors, knowledge is power.** Prior knowledge about fraud, even generally, is particularly helpful in avoiding victimization.

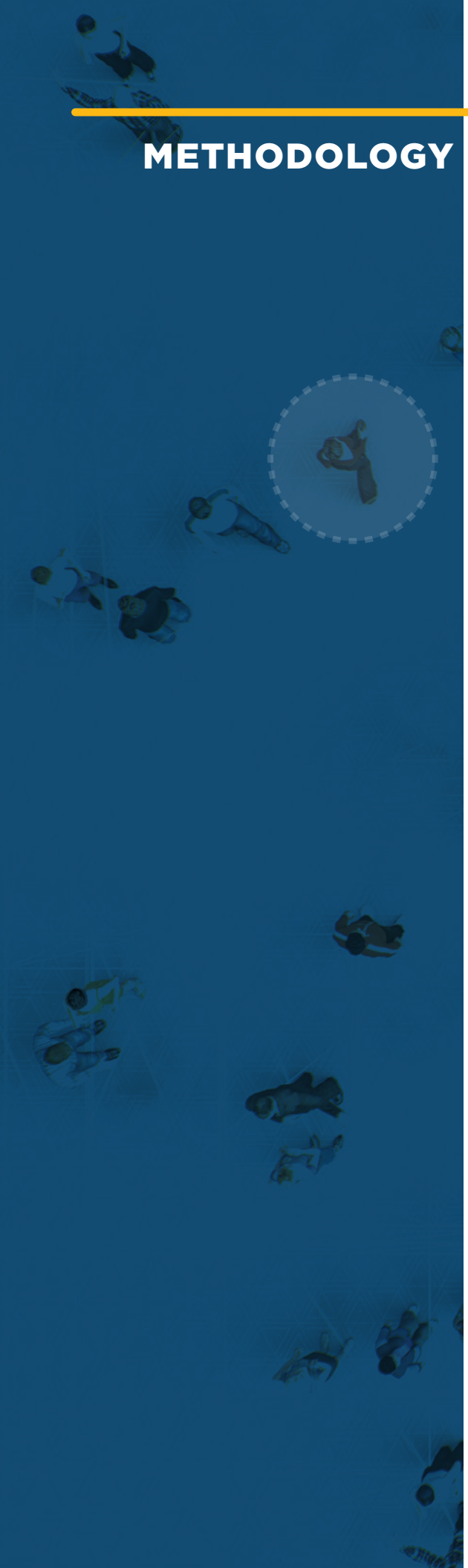
- **Before complying with a solicitation, consumers should consult with those around them** to verify the legitimacy of the offer or the threat. This strategy is helpful because it harnesses collective knowledge about scams and persuasion tactics from friends, family, neighbors, and whoever else is present at the time of the solicitation. These people might encourage the target to pause and take time to assess the situation.

Incorporating these protective behaviors into routine interactions with sellers and other agents of influence could help consumers avoid fraud, but knowing about common scams and the tactics of persuasion ahead of time is potentially even more effective at preventing fraud than doing research in the moment. “Trusting your gut” when you sense something might be wrong with a situation can also serve as a protective factor. However, if your instincts are leading you in the opposite direction and telling you to engage, “trusting your gut” could lead to victimization. Therefore, a wise strategy is to pause, talk it over with others, and do some research before sending any money or sharing personally identifiable information.

Further, given the generally negative perception of victims, support groups can help individuals who have experienced fraud cope with the social and emotional consequences. And the news media can play a role in spreading awareness of how to spot, avoid, and report scams. The media can also help send an empowering message, and perhaps change the negative stigma associated with victimization, by giving people who have experienced a scam the opportunity to help others by sharing their story.

Knowing about common scams and persuasion tactics ahead of time is **potentially even more effective** at preventing fraud than doing research in the moment.

METHODOLOGY



More than 90,000 individuals who submitted a fraud report to BBB Scam Tracker between 2015 and 2018 were invited by email to participate in a 15-minute survey seeking to understand why people are targeted for scams, with the goal to craft better interventions for safeguarding people against them. The survey was fielded in August 2018, and we received 1,408 eligible responses.[9] Before entering the survey, participants read an online consent form and agreed to participate. The study was reviewed and approved by Sterling IRB. No personally identifying information was collected. Respondents who initially submitted a fraud report to BBB Scam Tracker on behalf of someone else, meaning that they were not the targets of the solicitation, were discontinued from the survey.

While the sample size is large enough to detect statistically significant differences between groups, we caution that this does not mean that the findings are representative of the broader population of fraud targets and victims. As a result of response bias, which is common to many surveys, those who responded might differ from individuals who did not submit a fraud report to BBB Scam Tracker and those who do not recall or acknowledge losing money in a scam at all. Future studies should compare these findings with findings using samples of independently identified victims.

Prior to fielding the survey, 18 individuals recounted their experience with scam attempts during in-depth interviews (conducted in person or online via video). These first-hand accounts, video-recorded either in the subjects' homes, at locations near their homes, or online, vividly chronicled the persuasion tactics scammers used; revealed situational characteristics of the scam encounters; and surfaced the personal knowledge, beliefs, and values of the scam targets themselves, all potential factors in the outcome of scam attempts.

[9] Responses were dropped if the respondent did not complete the survey or if they did not answer a data integrity check question correctly.

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APPENDIX A

Sample Characteristics

SOCIODEMOGRAPHIC CHARACTERISTIC	STATISTIC
Average Age	56
Female	66%
Household Income > $50,000	55%
College Degree	73%
Non-Hispanic White	80%
Married	54%
Unemployed	3%

APPENDIX B

Scam Types Reported

SCAM TYPE	NUMBER OF REPORTS
Tech Support	225
Tax Collection	200
Phishing	199
Online Purchase	157
Other[10]	127
Debt Collection	112
Employment	106
Fake Check/Money Order	106
Sweepstakes/Lottery/Prizes	54
Government Grant	36
Advance Fee Loan	32
Travel/Vacations	31
Investment	23

[10] Respondents were asked to select the type of scam they reported to BBB Scam Tracker. In order to reduce the cognitive burden of completing the survey, scam categories that were not well-represented in BBB Scam Tracker were not presented to the respondents. As a result, fewer than half of BBB Scam Tracker's scam categories were presented to respondents. If the respondent did not see their scam, they had the option of choosing "Other" and specifying the scam in writing. As expected, the "Other" category made up less than 10 percent of the total responses. For a list and description of all scams reported to BBB Scam Tracker, see *Tech-Savvy Scammers Work to Con More Victims: BBB Scam Tracker Risk Report* (2018).

APPENDIX C

Scam Type Descriptions

ADVANCE FEE LOAN	In this scam, a loan is guaranteed but once the victim pays upfront charges such as taxes or a "processing fee," the loan never materializes.
DEBT COLLECTION	In this scam, phony debt collectors harass their targets, trying to get them to pay debts they don't owe.
EMPLOYMENT	Targets are led to believe they are applying or have just been hired for a promising new job while they have, in fact, given personal information or money to scammers for "training" or "equipment." In another variation, the target may be "overpaid" with a fake check and asked to pay back the difference.
FAKE CHECK/ MONEY ORDER	In this scam, the victim deposits a phony check and then returns a portion by wire transfer to the scammer. The stories vary, but the victim is often told they are refunding an "accidental" overpayment. Scammers count on the fact that banks make funds available within days of a deposit, but can take weeks to detect a fake check.
GOVERNMENT GRANT	In this scam, individuals are enticed by promises of free, guaranteed government grants. The only catch is a "processing fee." Other fees follow, but the promised grant never materializes.
INVESTMENT	These scams take many forms, but all prey on the desire to make money without much risk or initial funding. "Investors" are lured with false information and promises of large returns with little or no risk.
ONLINE PURCHASE	These scams involve purchases and sales, often on eBay, Craigslist, Kijiji or other direct seller-to-buyer sites. Scammers may pretend to purchase an item only to send a bogus check and ask for a refund of the "accidental" overpayment. In other cases, the scammer will simply never deliver the goods.
PHISHING	Scammers send communications that impersonate a trustworthy entity, such as a bank or mortgage company, intended to mislead the recipient into providing personal information or passwords.
SWEEPSTAKES/ LOTTERY/PRIZES	This scam fools victims into thinking they have won a prize or lottery jackpot, but need to pay upfront fees to receive the winnings, which never materialize. Sometimes this con involves a fake check and a request to return a portion of the funds to cover fees.
TAX COLLECTION	In this scam, imposters pose as government tax collection agents and use threats of immediate arrest or other scare tactics to convince their targets to pay, often requesting that the target load money onto gift cards as payment.
TECH SUPPORT	Tech support scams start with a call or pop-up warning that alerts the target to a computer bug or other problem. Scammers pose as tech support employees of well-known computer companies and hassle victims into paying for "support." If the victim allows remote access, malware may be installed.
TRAVEL/ VACATIONS	Scammers post listings for properties that either are not for rent, do not exist, or are significantly different than pictured. In another variation, scammers claim to specialize in timeshare resales and promise they have buyers ready to purchase.

ABOUT THE STANFORD CENTER ON LONGEVITY

Longer lives are, at once, among the most remarkable achievements in all of human history, and the greatest challenges of the 21st century. Whereas most discussions about aging societies are premised on the assumption that older people are frail and infirm, our premise is that problems of older people demand solutions so that the substantial increase in life expectancy can ultimately benefit individuals and societies. The mission of the Stanford Center on Longevity is to accelerate and implement scientific discoveries, technological advances, behavioral practices, and social norms so that century long lives are healthy and rewarding.

Longevity.Stanford.edu

ABOUT THE FINRA INVESTOR EDUCATION FOUNDATION

Established in 2003 by the Financial Industry Regulatory Authority, the FINRA Investor Education Foundation empowers underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life. The Foundation accomplishes this mission through educational programs and research that help consumers achieve their financial goals and that protect them in a complex and dynamic world.

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ABOUT THE BBB INSTITUTE FOR MARKETPLACE TRUST

The BBB Institute for Marketplace Trust (BBB Institute) is the educational foundation of the Better Business Bureau. BBB Institute works with local, independent BBBs across North America to deliver educational programs that foster a trusted marketplace by empowering consumers to take control of their purchasing decisions and avoid scams, helping businesses deliver excellent service with integrity and become integral stakeholders in their communities, and publishing research that provides critical insights for the average consumer.

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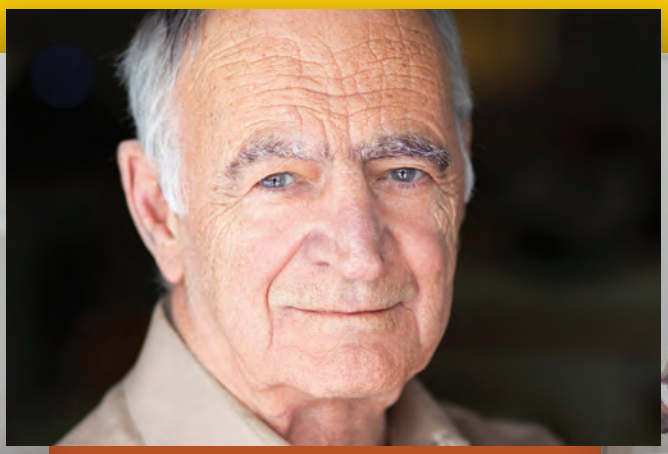
STANFORD CENTER ON LONGEVITY

Taking Action

An Advocate's Guide to Assisting Victims of Financial Fraud

REVISED 2018



THE NATIONAL CENTER FOR Victims of Crime

SaveAndInvest.org

FINRA Investor Education FOUNDATION

Helping Financial Fraud Victims

June 2018

Financial fraud is real and can be devastating. Fortunately, in every community there are individuals in a position to provide tangible help to victims. To assist them, the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation and the National Center for Victims of Crime joined forces in 2013 to develop ***Taking Action: An Advocate's Guide to Assisting Victims of Financial Fraud.***

Prevention is an important part of combating financial fraud. We also know that financial fraud occurs in spite of preventive methods. When fraud occurs, victims are left to cope with the aftermath of compromised identities, damaged credit, and financial loss, and a painful range of emotions including anger, fear, and frustration.

This guide gives victim advocates a roadmap for how to respond in the wake of a financial crime, from determining the type of fraud to reporting it to the proper authorities. The guide also includes case management tools for advocates, starting with setting reasonable expectations of recovery and managing the emotional fallout of financial fraud. Initially published in 2013, the guide was recently updated to include new tips and resources.

Our hope is that this guide will empower victim advocates, law enforcement, regulators, and a wide range of community professionals to capably assist financial victims with rebuilding their lives.

Sincerely,

Gerri Walsh
President
FINRA Investor Education Foundation

Mai Fernandez
Executive Director
National Center for Victims of Crime

About Us

The **Financial Industry Regulatory Authority** (FINRA) is a not-for-profit self-regulatory organization authorized by federal law to help protect investors and ensure the fair and honest operation of financial markets. Under the supervision of the Securities and Exchange Commission (SEC), we regulate the activities of U.S. broker-dealers and perform market regulation pursuant to our own statutory responsibility and under contract for certain exchanges.

Through the **FINRA Investor Education Foundation**, we provide investors with high-quality, easily accessible information and tools to better understand the markets and the basic principles of saving and investing. The FINRA Investor Education Foundation's investor protection campaign seeks to protect investors from investment fraud by helping them:

- recognize they are vulnerable to financial fraud;
- identify persuasion techniques; and
- reduce risky behaviors by asking questions and checking information.

Through tools and resources, available at the SaveAndInvest.org website, the FINRA Foundation helps you teach consumers to make informed financial decisions—and arms you with the information you need to protect others from investment fraud.

The **National Center for Victims of Crime** is the nation's leading resource and advocacy organization dedicated to serving individuals, families, and communities harmed by crime. The mission of the National Center is to forge a national commitment to help victims of crime rebuild their lives. Working with local, state, and federal partners, the National Center:

- provides direct services and resources to victims of crime throughout the country;
- advocates for laws and public policies that secure rights, resources, and protections for crime victims;
- delivers training and technical assistance to victim service organizations, counselors, attorneys, criminal justice agencies, and allied professionals serving victims of crime; and
- fosters cutting-edge thinking about the impact of crime and the ways in which each of us can help victims rebuild their lives.

For more information, please contact:

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Acknowledgements

This guide would not have been possible without the effort and expertise of many individuals and organizations.

The National Center and FINRA Foundation would like to recognize the following organizations whose expertise assisted us in developing this guide. While listed below, their inclusion does not imply an endorsement of this guide.

AARP

California Elder Justice Coalition

Council of Better Business Bureaus, Inc.

Executive Office for United States Attorneys

Federal Bureau of Investigation

National Adult Protective Services Association

National Association of Attorneys General

National Crime Prevention Council

National Identity Theft Victims Assistance Network

National Sheriffs' Association

Network for Victim Recovery of DC

The New York County District Attorney's Office

Office for Victims of Crime, U.S. Department of Justice

U.S. Commodity Futures Trading Commission

U.S. Federal Trade Commission

U.S. Postal Inspection Service

U.S. Securities and Exchange Commission

Contents

Section 1 Laying the Foundation

How to Use This Guide

Taking Action: An Advocate's Guide to Assisting Victims of Financial Fraud is for anyone who finds themselves in a position to help victims of financial fraud.

Those new to financial fraud will want to start at the beginning. This section, **Laying the Foundation**, offers an introduction to financial fraud: the types of crimes being committed and profiles of who commit these crimes and their likely victims.

Once a financial fraud is suspected or verified, the next step is to assist in the recovery process. **The Advocate's Role** and **Action Steps by Fraud Type** provide victim advocates with clear steps to share with victims to assist in their recovery. These chapters walk through how to report financial exploitation and ways for victims to take control of their assets and strengthen their recovery.

Preventing revictimization is also a key role of victim advocates. The **Prevention** section covers steps victims can take to reduce the likelihood of future victimization.

Finally, the **Resources** section lists all resources contained in the guide, categorized by type of fraud.

Talking Points for Advocates

Throughout this guide there is model language for communicating important themes to victims. The statements are not intended to be repeated verbatim but instead are reminders to the victim advocate to normalize the victim's experience to facilitate his or her recovery.

Please Note

Due to the dynamic nature of websites, users of this guide should be aware that resources described may change or move locations at any time. Advocates are encouraged to archive any resources they find particularly useful.

Financial Fraud: Explained

All fraud uses deception to enrich the fraudsters. In the case of financial fraud, deception and misrepresentation are used in conjunction with financial products, investments, or personal assets such as a house. While financial fraud encompasses a wide range of illegal behavior, our focus is on frauds that primarily target individuals: Ponzi schemes, mortgage fraud, advance-fee schemes, and credit card theft are all-too-common examples.

While the actual fraud varies, a similar set of tactics is used to separate victims from their money, including:

- gaining victims' trust and confidence;
- using false information to induce victims to invest in or purchase products that don't exist; or
- stealing identifying information.

A Big Problem

Obtaining an accurate estimate of fraud prevalence has been hindered by a number of factors. Estimates vary, sometimes widely, due to inconsistent definitions of fraud, differences in the types of fraud examined and the populations studied, underreporting of fraud, and the method used to measure fraud, such as law enforcement records or surveys. Prevalence estimates need to be considered in this context.

Recent studies estimate that between 11 and 15 percent of the population are self-reported victims of financial fraud. A Federal Trade Commission report from 2013 estimated 25.6 million people were victims of one or more of the financial frauds included in the survey during 2011. And a 2012 survey by the FINRA Foundation found that more than 8 in 10 respondents were solicited to participate in a potentially fraudulent offer, with 11 percent of

all respondents losing a significant amount of money after engaging with an offer.

Regardless of the varying prevalence rates, these and other studies conclude that financial fraud is a significant and costly problem. The Financial Fraud Research Center—a joint project of the Stanford Center on Longevity and the FINRA Foundation—estimated the financial cost of consumer scams in the U.S. to be nearly $50 billion per year.

These numbers are likely the tip of the iceberg. Experts in the field are well aware that financial fraud is largely underreported. Reporting one's victimization is complicated by feelings of shame and guilt, as well as other complex factors, such as:

- not knowing where to turn;
- feeling that reporting wouldn't make a difference;
- fear that reporting will lead to a loss of legal or financial control;
- threats and intimidation from the perpetrators;
- loss of esteem or prestige in a victim's social group;
- concern that reporting may culminate in a family member or friend being arrested or sent to prison, which is particularly concerning if the individual is dependent on the exploiter; and
- lack of confidence in the ability of authorities to respond and assist.

One valuable contribution victim advocates can make to the cause of fighting financial fraud is to encourage victims to **report the crime**. Advocates can help victims overcome the stigma of being "taken" by a fraudster. They can sympathize with what has happened but also emphasize the value of taking action—including reporting the crime to the proper authorities.

How Fraud Happens

We've all heard the timeless admonition: "If it sounds too good to be true, it probably is." But fraudsters make their living by making sure the deals they tout appear both good and true. The trick is figuring out when "good" becomes "too good." The common thread that binds different types of fraud is the psychology behind the pitch. Many successful con artists are clever, disciplined, and highly skilled at what they do. Whether they make their pitch over the Internet, by telephone, through the mail, or in person, these criminals tend to use the same tactics time after time.

They're masters of persuasion, tailoring their pitches to match the psychological profiles of their targets. They start by asking seemingly benign questions—about their target's health, family, political views, hobbies, or prior employers. Once they know which buttons to push, they'll bombard their targets with a flurry of influence tactics, which can leave even the savviest person in a haze. These methods are used to commit fraud by both strangers as well as family members or other loved ones.

Ultimately, fraudsters ensnare their victims into making an emotional, not rational, decision. To learn more about the psychology of a scam, visit the FINRA Foundation's www.SaveAndInvest.org.

It is impossible to compile a list of all the schemes used by perpetrators because the fraudsters—who spend their "careers" developing schemes to defraud victims—are

continually creating new, inventive scams. Knowing the exact scam is not as important as understanding that fraudsters rely on persuasion tactics designed to take assets from victims. The FBI, AARP's Fraud Watch Network, and the Better Business Bureau (BBB) Scam Tracker, among others, have compiled lists of common schemes, available online at www.fbi.gov/scams-safety/fraud, www.aarp.org/fraudwatchnetwork, and www.bbb.org/scamtracker. Both AARP and BBB have developed scam-tracking maps to help consumers see what types of fraud are prevalent in their community and to make it easier to warn others.

Financial Fraud Statistics

Research on consumer financial fraud is spread across a number of fields—including behavioral economics, psychology, marketing, law, finance, and criminology. In order to centralize research on financial fraud, the FINRA Foundation sponsors a *Consumer Financial Fraud eJournal* on the Social Science Research Network. Subscriptions are free: www.ssrn.com/link/consumer-financial-fraud.html.

The Financial Fraud Research Center—a project of the Stanford Center on Longevity and the FINRA Foundation—also consolidates the latest research and news across a range of disciplines (from psychology to criminology to marketing and more). For more statistics and research briefs, visit www.fraudresearchcenter.org.

In the fall of 2017, the Bureau of Justice Statistics, a division of the Department of Justice, fielded a financial fraud victimization supplement to the National Crime Victimization Survey (NCVS). The supplement yielded a large national sample from which to draw insights about the scope of the problem. The availability of accurate data on financial fraud victimization is a critical component in the fight against it. For access to all NCVS data and reports, visit www.bjs.gov.

> “You were very brave to report this crime. You’re helping yourself and a lot of other people by speaking up. Thanks to you, the authorities can put out the word about this crime and potentially keep other people from being victimized.

Major Categories of Financial Fraud

Although there are countless instances of financial fraud, the vast majority fall into four major categories. A brief description of each category is provided below, followed by some of the most common schemes employed by fraudsters in each major area. A list of key resources, most of them on the web, accompanies each fraud category, along with a brief explanation of what those resources offer. Additional information about financial fraud is available in the **Resources** section at the end of this guide. Specific information about reporting and recovery for each category is provided in Section 3 of this guide, **Action Steps by Fraud Type**.

1. Identity Theft

Identity theft is a crime that involves the illegal access and use of an individual's personal and/or financial information. Identity theft can result in financial loss and seriously damage a victim's credit history, requiring substantial effort to repair. Identity theft often sets in motion, or makes a victim more vulnerable to, other types of financial fraud.

Identity theft may be committed against anyone whose personally identifiable information (name, Social Security number, credit card number, date of birth, etc.) is exposed. In an increasingly electronic world, we are all at risk.

Common Schemes

- **Imposter scams:** pretending to be a trusted individual to convince victims to provide personal information and send money.
- **Credit card skimming:** stealing a victim's credit card information during a legitimate transaction (i.e., at a restaurant, gas station or ATM).
- **Phishing:** using spam email or the phone to pose as a legitimate organization to lure victims into revealing bank or brokerage account information, passwords or PINs, Social Security numbers, or other types of confidential information. Smishing occurs through text messages with the same objectives as phishing.
- **Hacking:** electronically breaking into personal computers, databases at financial institutions, and online retailers to steal personal information.

- **Data breaches:** incidents in which sensitive, protected or confidential data has potentially been viewed, stolen or used by an individual unauthorized to do so.
- **Stealing a wallet or purse:** using someone's driver's license, personal checks, or credit or debit cards directly.
- **Dumpster diving:** searching through trash to find personal information to steal.

2. Investment Fraud

Investment fraud generally refers to a wide range of deceptive practices that scammers use to induce investors to make investing decisions. These practices can include untrue or misleading information or fictitious opportunities. Investment fraud may involve stocks, bonds, notes, commodities, currency, or even real estate, and the scams can take many forms. Fraudsters can turn on a dime when it comes to developing new pitches or come-ons.

Research funded by the FINRA Investor Education Foundation shattered the stereotypes of investment fraud victims. Initial and follow-up research found typical victims to be:

- predominantly male;
- financially knowledgeable (victims scored higher on financial literacy tests than non-victims);
- college educated; and
- self-reliant when it comes to making decisions.

In addition, victims tended to have above-average income, and many older investors (ages 55 to 65) showed a willingness to engage in financially risky behaviors. These behaviors included not checking the registration status of investment professionals or products, being open to new investment information and attending free-meal investment seminars, and relying on investment tips from people they knew.

Common Schemes

- **Pyramid scheme:** when fraudsters claim that they can turn a small investment into large profits within a short period of time. But in reality, participants make money by getting new participants into the program. The fraudsters behind these schemes typically go to great lengths to make their programs appear to be legitimate multi-level marketing schemes. Pyramid schemes eventually fall apart when it becomes impossible to recruit new participants, which can happen quickly.
- **Ponzi scheme:** a person known as a "hub" attracts money from new investors and uses it to pay so-called "returns" to earlier-stage investors, rather than investing or managing the money as promised. Like pyramid schemes, Ponzi schemes require a steady stream of incoming cash to stay afloat. But unlike pyramid schemes, investors in a Ponzi scheme typically do not have to recruit new investors to earn a share of the "profits." Ponzi schemes tend to collapse when the fraudster at the hub

can no longer attract new investors or when too many investors attempt to get their money out—for example, during turbulent economic times.

- **Market manipulation or "pump and dump" scam:** a fraudster deliberately buys shares of a very low-priced stock of a small, infrequently traded company and then spreads positive, usually false, information to build (or "pump") interest in the stock. Believing they're getting in early on a promising investment, unknowing investors create buying demand, resulting in a rapidly increasing stock price. The fraudster then sells (or "dumps") his or her shares at the higher price and vanishes, leaving many people caught with worthless shares of stock when it becomes apparent there was no basis for the positive outlook for the promoted company.
- **Advance-fee scheme:** the fraudster offers to pay an enticingly high price for worthless stock in the investor's portfolio. However, the investor must remit a "processing fee" in advance to pay for the service. The fraudster receives the payment from the investor but never purchases the stock, as intended. Advance-fee schemes often apply to many other common financial frauds, including beneficiary and lottery scams and the oft-mentioned "Nigerian 419" scam. Regardless of the hook, the format is the same—the consumer is tricked into handing over his or her own funds with the expectation of something of greater value, which never materializes.

3. Mortgage and Lending Fraud

Traditional mortgage fraud includes situations in which homebuyers and/or lenders falsify information to obtain a home loan. False information can include overvalued appraisals, guarantees of low interest rates, inflated income, and the fraudulent use of someone's name without the knowledge of that individual. This fraudulent activity can also include loan modification, foreclosure prevention, and other lending fraud, for example, in which a consumer is promised a service related to a mortgage (whether new or refinanced) in exchange for an up-front fee. Unfortunately, many of these loan modification and foreclosure prevention fraudsters take the pre-paid money and disappear before providing any services to the victim.

These scams use a variety of simple tactics to identify their financially distressed victims. Some scammers locate distressed borrowers from published foreclosure notices or other publicly-available sources. Others rely on mass-marketing techniques such as flyers, radio, television and Internet advertising to lure in distressed borrowers. Still others deceptively suggest an affiliation with a government agency to quickly earn the trust of unwitting victims.

Common Schemes

- **Appraisal fraud:** loan officer fraudulently overvalues an appraisal to make a sale.
- **Mortgage rescue and loan modification scam:** an advance-fee scam where homeowners are lured with promises to save them from foreclosure or lower their mortgage payments—in exchange for an advance or monthly fee. Sadly, many of these homeowners never get the relief they have been promised.
- **Reverse mortgage scam:** while they can be useful products and are not fraudulent per se, reverse mortgages have been associated with high fees and aggressive marketing as an easy way for retirees to finance lifestyles—or to pay for risky investments—that can jeopardize their financial futures. In some cases, a victim pays an advance fee to obtain a reverse mortgage that is never provided.
- **Loan origination scheme:** perpetrator originates a loan using false information (e.g., misrepresenting the buyer's income or employment).

4. Mass Marketing and Other Fraud

Mass marketing fraud is the use of false promises of cash prizes, services, goods, or good works in exchange for fees, donations, or purchases. This crime may be committed through the mail, telephone, email, television ads or infomercials, or any other form of mass or individual communication.

This fraud is often defined by the form of communication used to conduct it. Mail and wire fraud occur when U.S. mail or a wiring service, respectively, are used to further a fraud scheme—whether it originated in person, through the mail, by telephone, or over the Internet. In many cases, these violations are associated with other areas of fraud. For instance, a Ponzi scheme investment opportunity may be marketed through U.S. mail with "investment" payments made through a wire service.

Most of the schemes described below are perpetrated through an advance-fee scenario; the targeted consumer is enticed to send money first in anticipation of a much greater reward, opportunity, or return that is never realized.

Common Schemes

- **Fake check scams:** a cashier's check is sent by mail along with a letter that claims the consumer has won a lottery or is otherwise owed money (perhaps is the beneficiary of an estate of a relative they've never met). The consumer is asked to pay a "processing fee" or "taxes" on their windfall before the funds can be released to them. The cashier's check is provided purportedly as an advance to help them pay the fee or taxes. The scammer instructs the victim to deposit the check into a bank account, extract all or a portion of the proceeds in cash from the bank account, and then send a payment via a wire transfer to cover the fee or taxes. By the time the victim and the bank discover the cashier's check is counterfeit, the wire transfer has been claimed by the fraudster, robbing the victim of the amount of the transfer.

- **Foreign lottery schemes:** promises of winnings from a fraudulent foreign lottery with the requirement that the "winner" pay an advance fee to cover taxes, before the winnings can be released.

- **Home-repair scams:** door-to-door campaigns or telephone calls, where scammers offer services at discounts or explain that changes and repairs need to be made immediately. The scammers often lack business licenses, ask for a large portion of the money up front, and either never start or start but never finish the job. Targets for these scams are typically older adults or low-income families.

- **Mystery shopper scams:** "hiring" a victim to serve as a mystery shopper to evaluate stores or restaurants; victim is conned into paying an advance fee to apply and then receives no compensation.

- **"Nigerian" email or telephone schemes:** an offer received by mail, telephone, or email for the "opportunity" to share a percentage of millions of dollars that the scammer purports to be transferring out of Nigeria or other countries; victim is scammed out of an advance payment that was required before receiving his or her "share."

- **Romance scams:** begins with fake profiles on online dating sites created by stealing photos and text from real accounts or elsewhere. Scammers often claim to be in the military or working overseas to explain why they can't meet the target in person. Over a short period of time, the scammer builds a fake relationship with the target, exchanging photos and romantic messages, even talking on the phone or through a webcam. Just when the relationship seems to be getting serious, a health issue or family emergency arises, or the scammer wants to plan a visit. No matter the story, the request is the same: they need money. After the victim sends money, there's another request, and then another. Or the scammer stops communicating altogether.

- **Sweepstakes schemes:** offerings that inform consumers they have "won" a sweepstakes (that they have, in most cases, never entered); victim is conned into paying taxes or service fees but ultimately receives no prizes or benefits.

- **Tax collection scams:** most often perpetrated by phone and take two basic forms. In the first version, the IRS "agent" says the target owes back taxes and pressures the target into paying by prepaid debit card or wire transfer. The scammer threatens arrest and fines for noncompliance. In the other version, scammers claim they are issuing tax refunds and will ask for personal information under the guise of transferring a refund. This information can later be used for identity theft.

- **Tech support scams:** target receives a telephone call or a computer screen popup from someone claiming to be with tech support from a well-known software company. Often the scammer will create a sense of urgency—the computer is sending error messages, they've detected a virus, or your computer is about to crash and you'll lose all your data! The target is told only a tech support employee can fix the problem, and then asked to allow access to his or her machine. Once access is granted, the scammer will claim the computer is infected with viruses and offer to fix the problem...for a fee. That may not be the end of the scam. If allowed remote access, scammers may also install onto the computer, scanning files in search of personal information, which scammers can use to commit identity theft.

- **Work-from-home and business opportunity scams:** for a "small fee," the ad says, individuals can learn how to earn money working from home or buying into a franchise business opportunity. But once they pay the fee, they find out the promoter never had any work or business opportunity to offer. Many times, after the victims send in money, they receive a letter instructing them to convince other people to buy into the same "opportunity" or some other product. The only way to earn any money is if others pay in.

Victims and Perpetrators

Who Are Victims?

Anyone can be a victim of financial fraud. Research consistently shows that victims come from all education levels and socio-economic backgrounds. There is no single profile of a victim of financial fraud, and there is no level of intelligence that can prevent a person from being victimized. Everyone is at risk.

Even though anyone can be a victim, some types of financial fraud are more prevalent among particular groups of people. For instance, victims of investment fraud are most often male, financially literate, college educated, and approaching or in retirement. Lottery fraud victims are more typically single, older consumers and those who have lower levels of education and income. Victims of violent crime are more likely to have experienced identity theft in the years prior to the violent crime than others.

It is important for victim advocates to understand that victims of financial fraud have not only been financially devastated but also emotionally deceived. They often feel isolated and blame themselves and their intellectual capacity for the fraud. Financial predators are skilled operators of scams. They possess a shrewd understanding of human behavior and how to manipulate people. In some cases, perpetrators of financial fraud may also be family members of victims, which can increase victims' emotional turmoil. Recognizing that everyone is vulnerable to fraud, and making this clear to the victim, helps remove the embarrassment that can be so devastating.

> "You are not alone. Millions of people are defrauded every year. And you are a target only because you have money and assets to steal—not because of a failing on your part.

High-Target Populations

Some populations are more frequent targets of fraudsters because of their age, health, or life situation. Among those targeted are:

- senior adults, especially those who depend on family and friends for their care or those who have physical or mental impairments;
- individuals who are physically impaired;
- individuals who have cognitive issues or age-related mental incapacity (e.g., dementia, including Alzheimer's Disease);
- those who are grieving the loss of a loved one;

- victims of domestic violence;
- minorities;
- new and near-retirees; and
- previous victims of financial fraud.

Fraudsters target such populations for a variety of reasons. They may think these groups will more easily hand over control of their finances due to cognitive disability, emotional fragility, or simply a desperate need for a quick financial fix. They may also target them for one simple reason: they have money. This is the case with new and near-retirees who may be likely to have access to retirement savings or pensions, and may be open to suggestions for how to handle these funds. It is also the case for those who have recently come into a financial settlement or monetary windfall—such as an inheritance, lottery winning, or professional athletics contract.

Not every person who encounters a fraudster becomes a victim of financial fraud. The victim's response to the fraud appeal can affect the outcome. Researchers are particularly interested in identifying behaviors that differentiate victims from non-victims in similarly targeted populations. According to an AARP Foundation National Fraud Victim Study, other factors predisposing people to financial fraud (excluding identity theft) include:

- a high level of interest in persuasion statements that are commonly made by fraudsters and sales people; and
- increased exposure to sales situations, such as attending free-meal financial seminars and opening and reading all mail.

These considerations are important for advocates to recognize in individuals to help them prevent further victimization.

Who Are Perpetrators?

For victim advocates, understanding who may be a potential exploiter is every bit as important as knowing who may be commonly targeted. Depending on the type of crime, perpetrators may be perfect strangers whom victims have never met, or individuals whom the victims know and trust, such as relatives, caretakers, friends, or colleagues.

Fraudsters often target their victims through traditional offline social networks, such as community service groups, professional associations, or faith-based organizations. Scammers infiltrate groups of individuals connected through common interests, hobbies, lifestyles, professions, or faith to establish strong bonds through face-to-face contact and sharing personal interests before launching their schemes.

Perpetrators may include:

- Family members, especially those caring for the victim or those in a position of control over the family member's care
- Caretakers
- Trusted advisers, such as:
  - » Accountants
  - » Attorneys
  - » Investment professionals
  - » Bankers

- Members or leaders of a victim's affinity groups, such as:
  - » Religious bodies
  - » Civic groups
  - » Cultural groups
  - » Political parties
  - » Book clubs
  - » Community groups
  - » Professional organizations
- Strangers

In general, most perpetrators of financial fraud (outside of identity theft) are individuals whom the victim trusts. That trust is the vehicle for financial fraud and often makes the fraud particularly devastating to the emotional stability and confidence of the victim.

These perpetrators are manipulative and highly organized. They use tactics to gain your trust. But by working together—being proactive and organized—we can put a stop to their violations and help you recover.

Costs of Financial Fraud

Emotional Costs

Financial fraud can exact a heavy emotional toll on its victims, whose reactions to being victimized may resemble those of other crime victims, including victims of violent crime. Understanding such reactions is key to aiding the emotional recovery of financial fraud victims.

The FINRA Investor Education Foundation's research report, *Non-Traditional Costs of Financial Fraud*, examined the broader impact of financial fraud and found that nearly two-thirds of self-reported financial fraud victims experienced at least one non-financial cost of fraud to a serious degree—including severe stress, anxiety, difficulty sleeping, and depression.

> "You have been through an emotional and financial shock. Your money may or may not be recoverable. But we can work together to rebuild your life and help you move forward.

Fraud victims often suffer from:

- denial;
- fear;
- guilt;
- shame;
- isolation;
- anger;
- loss of sleep;
- loss of self-confidence;
- loss of trust in others; and
- depression or anxiety, or a combination of the two.

Financial fraud victims often feel as though they should have known better or done more to prevent the fraud. It is important for advocates to stress that the blame for the crime belongs to the perpetrator, not the victim.

Monetary Costs

Financial fraud amounts to billions of dollars lost annually. For individual victims, the cost can be devastating. In addition to losing significant sources of income and equity, victims often must spend months sorting through a confusing series of reporting requirements and dealing with financial institutions simply to stop the fraud from continuing to occur.

After all that, financial recovery may be limited or impossible. Advocates can help manage the expectations of the victim in relation to financial recovery. Victims need to understand that although recovery of lost assets may not be possible, they can take back control of their lives and financial futures, and put an end to the trauma and stress of being victimized.

Individual victim losses may include:

- time and money spent clearing up financial and credit records;
- lifetime or retirement savings, benefits, or personal property;
- home or home equity;
- retirement income;
- ability to live independently; and
- employment.

Financial loss can vary significantly by the type of fraud. Romance scams, which occur when a perpetrator uses feigned romantic intentions towards a victim to gain their affection then commits fraud, often result in significant loss. The average victim of a romance scam loses over $100,000. Conversely, tax scams (a type of imposter scam where the perpetrator pretends to be calling from a government agency to demand money or personal information) are quite common, but few victims report monetary loss.

> “Financial fraud is a crime of opportunity, much like burglary. You are not to blame for the fraud. No one deserves to be a victim of fraud, and you are certainly not at fault for this crime. The perpetrator is responsible.

The *Non-Traditional Costs of Financial Fraud* report also found that, beyond psychological and emotional costs, nearly half of fraud victims reported incurring indirect financial costs associated with the fraud, such as late fees, legal fees, and bounced checks. Twenty-nine percent of respondents reported incurring more than $1,000 in indirect costs, and 9 percent declared bankruptcy as a result of the fraud. An important insight from this research is that nearly half of victims blame themselves for the fraud—an indication of the far-reaching effects of financial fraud on the lives of its victims.

In short, the costs of financial fraud go well beyond the loss of money, and include emotional and mental health costs for victims. Advocates can help victims by supporting them emotionally and helping them understand that they are not to blame. Advocates should connect victims with mental health resources. Finally, advocates can give victims a process to follow to report the crime and, to the extent possible, recover losses.

Section 2 The Advocate's Role

A Victim-Centered Approach

Advocates have several important responsibilities in working with victims of financial fraud, but the most important is to use a victim-centered approach. This goal is accomplished by communicating with compassion, managing the expectations of the victims, and assessing any additional safety concerns that arise out of the financial fraud. Advocates also need to assist victims in preventing further victimization as well as strengthening the network of services for financial fraud victims where possible. Finally, advocates need to help victims be attentive to their own emotional and mental health as they recover.

Victim advocates should use the training and skills they've developed for communicating with victims. Active listening skills, coupled with a victim-centered, compassionate approach to all communication, will help achieve a more positive outcome for the victim.

For additional information on managing financial fraud victims' cases, visit:

- The Office for Victims of Crime, ***Expanding Services to Reach Victims of Identity Theft and Financial Fraud***, at www.ovc.gov/pubs/ID_theft/welcome.html.

For additional training on working with victims, visit:

- The Office for Victims of Crime, ***Victim Assistance Training Online***, at www.ovcttac.gov/views/trainingmaterials/dsponline_VATonline.cfm.

Tips for Creating a Victim-Centered Approach

Show compassion:

- From the beginning, victims need to know you care for and respect them.
- Acknowledge the trauma the victim is experiencing at the outset.
- Victims need to know they are not to blame for being victimized.
- Victims may benefit from understanding the powerful persuasion tactics that scammers use.
- Do not infantilize or be too familiar with the victim, particularly if a victim is older.

Listen actively:

- Maintain eye contact.
- Use a friendly tone of voice.
- Paraphrase information given by the victim.
- Let the victim share the story once through, uninterrupted.
- Ask open-ended questions.
- Affirm the victim's experience.

Be sensitive to the victim's fears and safety concerns:

- Build relationships with victims and let them know you are there to help.
- Victims may take time to fully grasp what has happened to them.
- Victims may fear the perpetrator if he or she is a family member.
- Victims may also be victims of other forms of abuse by the perpetrator.
- Victims may have difficulty trusting anyone, including the victim advocate and others attempting to help.

Understand why victims may return to you for help multiple times:

- The fraud may be ongoing.
- They discovered a new facet of the fraud or have additional information to share.
- They need additional support accessing services.
- They may be economically dependent on the exploiter.

Protect and advocate:

- If relevant, create a safety plan to prepare the victim for future contact with the perpetrator.
- Report the financial fraud to law enforcement authorities, when appropriate.
- Assess the victim's need for referral to other professionals, including:
  - » Adult Protective Services;
  - » legal aid or other civil attorneys;
  - » not-for-profit consumer credit counseling;
  - » mental health support; and
  - » medical care or evaluation, especially if there are concerns about a victim's physical or mental capacity.

Identifying Fraud Types

One important step in communicating with victims is identifying the type of financial fraud that occurred. Many victims may already know, but in some cases the advocate may be the first person to speak with the victim about the fraud. Identifying the type and extent of the financial fraud may be challenging.

Even if victims are willing to talk about their experience, they may have difficulty telling their story coherently. They may jump from one time period or detail to another. It is important for victim advocates to first listen, then ask questions. When possible, let victims tell the whole story once through, uninterrupted, from their own perspective. Then the advocate can try to help victims piece together a chronological, fact-based account of the fraud.

Using the following simple, open-ended questions will help the victim speak about the crime they experienced.

- Can you tell me what happened to you?
- Can you tell me about the person or group of people who did this to you?
- How did this take place?
- What has been the impact on your life?

It is important to ask just enough questions to understand the fraud, generally, so that you can direct the victim to the best possible authorities and resources. It is not the role of the advocate to serve as a fraud investigator.

Setting Expectations

It is extremely important that advocates help victims set realistic expectations associated with the aftermath of a financial fraud. Helping victims manage their expectations about their recovery is critical.

From the beginning, victims need to know that emotional trauma is a common reaction to financial fraud and recovery. Feelings of anger, helplessness, even despair—and conditions such as sleeplessness and loss of appetite—may require the help of mental health professionals.

Additionally, victims need to be aware that full financial recovery is rare because fraudsters often dispose of assets immediately after they acquire them. It is possible that some assets may be recovered, but these may be negligible. Even when a case results in an award of restitution, the victim may receive only a small amount relative to his or her total losses.

While many victims may look to advocates for assurances that their assets are recoverable, advocates should guard against providing false hope—even a response of "maybe"—which could lead to further trauma if the end result is loss.

Laying out the following points can help provide meaningful assistance to financial fraud victims.

What Victims Need to Know

1. **Recovery requires work.** Victims need to work with regulatory, criminal justice, or social service agencies to address their problems, pursue justice, and take an active role in their recovery.

2. **Reporting matters.** Reporting any financial fraud, no matter how small, helps law enforcement, regulators, and government agencies put a stop to the fraud, prevent the victimization of more consumers, and pursue the criminals committing the fraud. Reporting is also recommended if the victim is looking for financial recovery.

3. **Full financial recovery is difficult to achieve.** Even when criminal prosecution results in a restitution order, victims rarely obtain full recovery of their losses.

4. **Civil legal action might be necessary to get money or property back—but will not always be a viable option.** Victims of financial fraud often cannot get their money back unless they file their own civil lawsuit against the fraudster. Civil lawsuits take time and can be costly. If successful, the court might order the perpetrator to return some or all of the assets lost to fraud. But even then, it can be difficult to

collect, especially if the money or assets have disappeared.

5 **Resources are available.** There are resources available for victims to assist in their financial recovery. Many, but not all, are listed in the back of this guide. In addition, the National Center and FINRA Investor Education Foundation have created a series of checklists written for victims to help combat the devastating effects of financial crime and to provide individuals with critical information and resources. The free checklists target the four major areas of financial fraud, including identity theft, investment fraud, mortgage and lending fraud, and mass marketing and other fraud. Checklists can be downloaded for free at www.VictimsofCrime.org/taking-action-checklists.

6 **Recovery is also about health.** Recovery is not only about finances, but it is also about the victim facing any emotional trauma caused by the crime and potentially seeking help to process feelings and restore mental health.

7 **Some agencies may not communicate with victims beyond the initial reporting.** However, reporting is important. For instance, filing a Federal Trade Commission (FTC) affidavit does not cause a case to be opened and pursued, but the affidavit filed with the FTC will allow victims to assert certain victim rights with credit reporting companies. Further, reporting helps agencies share information with other consumer protection organizations that may be working on prevention and detecting fraud more broadly.

Help victims track their progress with fraud-specific checklists at:

> www.VictimsofCrime.org/taking-action-checklists

Networking

One key way to assist victims is to help them find local agencies and individuals who can support their efforts to recover. Advocates can enhance the recovery process from fraud and increase opportunities for prevention by networking with other agencies dealing with financial fraud issues. Victim advocates can raise awareness about financial fraud and promote a comprehensive response by creating or joining informal networks within their communities to combat fraud.

Many jurisdictions have multidisciplinary centers, such as Family Justice Centers, Elder Justice Centers, Financial Abuse Specialist Teams, and other coalitions that can save advocates and victims hours by cross-coordinating assistance and services to victims. Below are some initial steps to help connect with existing networks of agencies working on behalf of financial fraud victims.

Making Advocacy Connections

Initial Steps

1 **Contact your state's Attorney General's Consumer Protection Office**
This office will be able to alert you to existing networks within your state. Find contact information from the National Association of Attorneys General at www.naag.org.

2 **Contact your state's Crime Victim Coalition**
Crime victim coalitions often know of multiple local agencies and individuals working in the area of financial fraud. Reaching out to your local coalition and involving it in your case will help provide a connection point for many agencies, and may inform you about task forces you didn't know about. One example of a task force is the Financial Abuse Specialist Teams (FAST). A FAST focuses on complex financial abuse cases. It may comprise public agencies only or public-private partnerships, which include a multidisciplinary range of private practitioners. Learn more from the National Center on Elder Abuse at https://ncea.acl.gov/whatwedo/practice/teams-fast.html.

Additional Contacts

You may find that the network in your state does not encompass your locality, or the network needs further improvements. You should consider contacting some of the organizations and individuals below to strengthen ties. Many of the local law enforcement and other agencies in your jurisdiction will have financial fraud specialists on their staff. Connecting with these individuals will not only improve your service delivery but will also give you direct access to up-to-date resources to help victims.

Area Agency on Aging

The primary mission of the National Association of Area Agencies on Aging is to build the capacity of its members to help older persons and persons with disabilities live with dignity and choices in their homes and communities for as long as possible. Find your local Area Agency on Aging online at www.n4a.org.

Adult Protective Services

NAPSA provides Adult Protective Services (APS) programs with a forum for sharing information, solving problems, and improving the quality of services for victims of elder and vulnerable adult mistreatment. Its mission is to strengthen the capacity of APS at the national, state, and local levels, to effectively and efficiently recognize, report, and respond to the needs of elders and adults with disabilities who are the victims of abuse, neglect, or exploitation, and to prevent such abuse whenever possible. Find out more at www.napsa-now.org.

Banking Regulators

The Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration provide various regulatory services for banks and credit unions. Read more about these regulators and their jurisdictions at www.sec.gov/answers/bankreg.htm.

Better Business Bureau (BBB)

The Council of Better Business Bureaus is the network hub for BBBs in the United States and Canada. There are 110 independent BBBs across North America that serve accredited BBB businesses and consumers in their local communities. Find your local Better Business Bureau at www.bbb.org.

Civil Attorneys

Local civil attorneys who work with victims of crime can often advise victims and help them with financial recovery (when appropriate) by seeking justice in civil court. Find attorneys in your area by contacting the National Crime Victim Bar Association at (844) LAW-HELP or visit www.victimbar.org. Additionally, local legal aid offices may be able to provide assistance to victims. Find legal aid offices at www.lsc.gov.

Financial Services Industry Professionals

Many banks and investment firms have victim service staff responsible for serving your area. Including these individuals in your action plans may enhance your knowledge of what services are available for financial fraud victims.

Investment, Securities, and Insurance Regulators
Investment, securities, and insurance regulators are often willing to help prevent fraud and are important contacts for reporting. There are state, federal, and national regulators, many of which are included in the list of **Resources**. Consider reaching out to the relevant FINRA District Office, www.finra.org/industry/finra-district-offices, or SEC Regional Office, www.sec.gov/contact/addresses.htm. Locate your state securities regulator at www.nasaa.org and your state insurance regulator at www.naic.org.

Law Enforcement Officials
Local and state law enforcement officials who investigate financial crimes are key information sources for victim advocates. Law enforcement is often willing and able to investigate these crimes, and your advocacy on behalf of victims may help those victims get the attention required. Law enforcement may also help you set realistic expectations for the victim concerning criminal prosecution.

Local Prosecuting Attorney
Your state's prosecuting attorney will likely have at least one attorney who specializes in financial crime. Connecting with this individual or office will help you learn how these cases are prosecuted, set expectations, and advocate for the victims you serve.

Local Triad Program
A Triad is a partnership of three types of organizations—law enforcement, older adult, and community groups—to promote older adult safety and reduce the fear of crime that older adults often experience. The National Association of Triads (NATI) provides grassroots-level assistance to help communities organize local Triads. It also provides a clearinghouse of programs and resources for local implementation, as well as training materials for law enforcement, volunteers, and community groups. Find out if there is a Triad in your area at www.sheriffs.org/programs/national-triad.

Section 3 **Action Steps** by Fraud Type

Steps for Advocates

Regardless of the type of financial fraud a victim is experiencing, victim advocates should take the following action steps to help victims resolve the current fraud, protect themselves both now and in the future, and heal from the crime.

STEP 1 – Refer Victims to Resources

Victim advocates play an important role in helping victims of financial fraud assess what happened and identify the most appropriate resources for reporting and recovery. A list of resources is included at the end of this guide and referenced throughout.

STEP 2 – Safety Planning

Safety planning may be necessary in some cases of financial fraud. In cases with co-occurring domestic violence, stalking, or elder abuse, the advocate should take care to ensure that the financial fraud safety plan includes a physical safety plan. Victim advocates can use their training in safety planning to assist victims with co-occurring safety concerns. For assistance in making physical safety plans, contact the Office for Victims of Crime Training and Technical Assistance Center at (866) OVC-TTAC. The suggestions below are designed as a starting point for financial safety planning, but are in no way exhaustive.

If the perpetrator is a family member or knows where the victim lives:

- have the victim think of a safe place to go if afraid of the perpetrator retaliating;
- have the victim make a list of safe people to contact for assistance; and
- consider calling Adult Protective Services, if necessary (see Step 3 below).

In general:

- encourage the victim to change his or her phone number if contacted by the perpetrator by phone;
- ask the victim to screen calls, and take calls only from those people whom the victim trusts;
- guide the victim to put his or her phone number on the Do Not Call Registry at www.donotcall.gov or by calling (888) 382-1222;
- save and document all contacts, messages, injuries, or other incidents involving the perpetrator; and

- follow the prevention steps located in Section 4 of this guide to protect against future fraud.

Step 3 – Assess the Need to Contact Adult Protective Services

If the victim is an adult with impairments due to physical or mental disabilities, the advocate needs to assess if Adult Protective Services (APS) should be involved. This assessment is necessary whether the perpetrator is a family member or a stranger, and referrals to APS should be made as appropriate. Use the National Adult Protective Services Association locator at www.napsa-now.org or call (202) 370-6292.

Step 4 – Refer to Mental Health Counselors

Financial fraud can take a toll on the mental and emotional health of victims. Victim advocates should refer victims to local mental health counseling, as appropriate. Some victims may need financial assistance to see a mental health professional, so referrals to agencies that can provide low-cost mental health counseling are important.

Identity Theft Action Steps

Recovery from identity theft requires victims to take many steps on their own behalf. Victims need to keep complete records to document what has happened. They need to file complaints with the appropriate agencies and know what to expect when they contact these agencies. The information below provides useful guidance for victims of identity theft.[1]

STEP 1 – Place a Fraud Alert

The victim should first place a fraud alert with one of the three credit reporting companies in order to be notified of any fraudulent requests for credit. The victim will need to:

- contact one of the three credit reporting companies (Equifax, Experian, or TransUnion);
- tell the company he or she is a victim of an identity theft and request that a fraud alert be placed on his or her credit report (this initial fraud alert will last for 90 days);
- ask the company to report this request to the other two credit reporting companies; and
- order his or her free credit report (by creating the fraud alert, the victim is entitled to one free copy from each credit reporting company within 12 months of placing the alert).

STEP 2 – Create an Identity Theft File

Victims should maintain one central file that contains all relevant documentation concerning the fraud. This file is for the victims to maintain only and should be kept in a secure location.

TAKING ACTION:
Victim Recovery CHECKLIST

Help victims track their progress with fraud-specific checklists at:

> www.VictimsofCrime.org/taking-action-checklists

FREE CREDIT REPORT

AnnualCreditReport.com **is the only official source for free credit reports.**

Federal law requires each of the three nationwide consumer credit reporting companies—Equifax, Experian and TransUnion—to give consumers a free credit report every 12 months, if asked.

CREDIT REPORTING COMPANIES

EQUIFAX
(800) 685-1111
www.equifax.com

EXPERIAN
(888) 397-3742
www.experian.com

TRANSUNION
(800) 916-8800
www.transunion.com

1 Adapted from the Federal Trade Commission's "Identity Theft: A Recovery Plan." Download or order hard copies online at www.bulkorder.ftc.gov/publications/identity-theft-recovery-plan.

The file should include:

- a timeline of identity theft events;
- the police report, if any;
- the FTC Identity Theft report (See Step 4);
- the victim's most recent credit report from all three credit reporting companies;
- the victim's Internal Revenue Service identity theft affidavit (See Step 8);
- any evidence of the identity theft;
- all written or email communication with creditors, banks, financial institutions, or credit reporting companies; and
- logs of any phone conversations, with dates, names and phone numbers of representatives to whom the victim spoke, and notes on what information was given.

STEP 3 – Know Your Rights

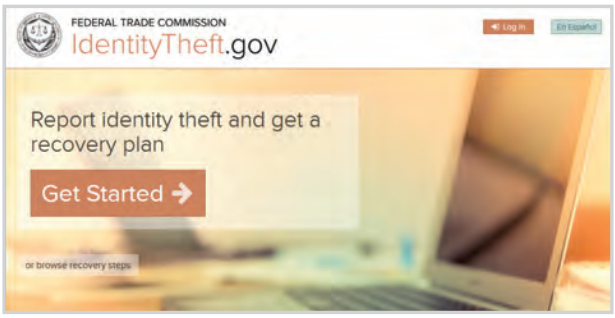
Victims of identity theft have rights created by federal and, in some cases, state law. Victims need to know their rights to protect themselves.

- For federal victim rights, victims can review the Federal Trade Commission's information at www.identitytheft.gov/know-your-rights.
- For state victim rights, victims can check with their state Attorney General, whose contact information is available at www.naag.org.

STEP 4 – Report Identity Theft and Build a Recovery Plan at IdentityTheft.gov

Visit IdentityTheft.gov, the Federal Trade Commission's (FTC) one-stop resource for identity theft victims. The interactive website takes victims through the process step-by-step, or victims can browse all recovery steps.

> **Federal Trade Commission's IdentityTheft.gov**
> www.identitytheft.gov



- After completing the complaint process, the victim should print the FTC Identity Theft report.
- This report may be used by local law enforcement to create a police report.
- Once completed, this report remains in the FTC's database and is entered into the Consumer Sentinel Network, which is used by agencies to track and investigate financial fraud.
- ***This step, while important, will not initiate a criminal investigation. The FTC does not resolve individual consumer complaints.***

STEP 5 – Report the Identity Theft to Law Enforcement

After receiving an FTC Identity Theft report, the victim may ask the local police department to create a police report documenting the identity theft allegation. Ask for a copy of the police report, if possible.

The victim will need to bring:

- the FTC Identity Theft report,
- government identification,
- proof of address,
- any other proof of the identity theft.

The FTC Identity Theft report will create a record that can be used with creditors, banks, credit reporting companies, and other financial institutions to officially corroborate that the identity theft has occurred.

After contacting the local police, the victim can contact the following:

- **District Attorney** – Contact the local District Attorney's Office.
- **Attorney General** – Contact the Attorney General's Consumer Protection unit and the prosecution unit to report the fraud. Find the contact information at www.naag.org.
- **Federal Law Enforcement** – Contact the local FBI Field Office or submit an online tip at http://tips.fbi.gov. Look up the local field office at www.fbi.gov/contact-us/field.

STEP 6 – Consider Placing an Extended Fraud Alert and/or Credit Freeze

Once the FTC Identity Theft report and police report are obtained, the victim is advised to request an extended fraud alert with the three credit reporting companies. This alert will require companies issuing credit in the name of the victim to verify that the victim is actually attempting to open a line of credit.

- Contact all three credit reporting companies separately.
- Use the identity theft report (the combination of the police report and FTC Identity Theft report) to create an extended fraud alert:
  - » The extended fraud alert is free.
  - » The extended fraud alert is good for seven years.
  - » The extended fraud alert entitles the victim to two free credit reports from all three of the credit reporting companies within 12 months of placing the extended alert.
- If permitted in the victim's state, the victim should consider placing a credit freeze on his or her credit report. A credit freeze prevents companies from checking someone's credit, making it more difficult for fraudsters to use the victim's identity to obtain credit.

STEP 7 – Order Three Free Credit Reports

Once an extended fraud alert is created, the victim is entitled to free credit reports from each of the credit reporting companies.

The victim should:

- call all three credit reporting companies, inform them of the fraud alert, and request a free copy of his or her credit report; and
- ask each company to show only the last four digits of the victim's Social Security number on the report.

STEP 8 – Contact the Internal Revenue Service

Even if the victim does not think the identity theft is related to his or her taxes, it is possible that the victim's Social Security number could be used to file fraudulent tax returns. The IRS provides assistance in cases involving identity theft.

> **IRS Identity Protection Specialized Unit**
> (800) 908-4490

STEP 9 – Contact the Social Security Administration

If the victim suspects his or her Social Security number has been misused, he or she should call the Social Security Administration to report the misuse.

› **Social Security Administration Fraud Hotline**
(800) 269-0271 | (866) 501-2101 (TTY)
P.O. Box 17785
Baltimore, MD 21235

STEP 10 – Dispute Fraudulent Activity

If any of the perpetrator's fraudulent efforts were successful, the victim will need to take the following steps, broken down by category:

Check Fraud/ Bank Account Identity Theft	• Contact any financial institution where the victim has a checking or savings account or where the victim's identity was used to fraudulently open such an account. » Close these accounts, fraudulent or otherwise. » Ask the bank to report the identity theft to check verification services.
Credit Card Identity Theft	• Contact the relevant banks or credit card companies to dispute fraudulent charges. » Carefully read account statements regularly to look for fraudulent charges.
Fraudulent Loan or Other Debt Identity Theft	• Contact the credit reporting companies as well as the companies that issued the credit to dispute any fraudulent lines of credit in the victim's name. • Contact any debt collector for a fraudulent debt within **30 days of receiving notice**. • Use copies of the police report, FTC Identity Theft report, and any other documents to assist in this process. • Obtain copies of any documents used to apply for credit or make charges in the victim's name. • Contact the credit reporting companies and file a dispute about fraudulent activity on the victim's credit report.
Medical Identity Theft	• Request from your health insurance company a copy of a listing of benefits that were paid to date. • Examine records from medical and pharmacy providers for accuracy and request corrections, as needed. File a complaint at the U.S. Department of Health and Human Services at www.hhs.gov/ocr/hipaa if the request to review or correct your medical records is refused. Consumers have a right to correct their medical records.

Sample letters for contacting banks and other companies are available from the FTC at www.identitytheft.gov/sample-letters.

STEP 11 – Consider Civil Remedies

Victims should be aware that the best potential for recovery of lost assets may be through a civil lawsuit. They should be encouraged to consult with civil attorneys who work for victims of financial fraud. The attorney can analyze the particular facts and circumstances of the victim's case and counsel the victim on the available civil remedies. The National Crime Victim Bar Association can provide referrals to attorneys who litigate on behalf of victims of crime and who offer initial consultations at no cost or obligation.

There are several potential civil options for victims of identity theft:

- Many states have laws that allow the victim to directly sue the identity thief.
- A business or organization that failed to properly secure the victim's personal information may be held liable if the perpetrator used that information to steal the victim's identity.
- Banks may be held liable for failing to prevent identity thieves from opening a checking account in the victim's name.
- Under the Fair Credit Reporting Act, credit reporting agencies may be required to pay damages to victims for failing to add an identity theft annotation to the victim's credit report.

› **National Crime Victim Bar Association**
2000 M Street, NW, Suite 480
Washington, DC 20036
(844) LAW-HELP
Questions can also be emailed to
victimbar@ncvc.org.

STEP 12 – Follow Up

Review all the steps taken and follow up with each agency contacted to encourage progress and report any new developments.

Investment Fraud Action Steps

Recovery from investment fraud requires victims to take many steps on their own behalf. Victims need to keep complete records to document what has happened. They need to file complaints with the appropriate agencies and know what to expect when they contact these agencies. The information below provides useful guidance for victims of investment fraud.

STEP 1 – Create an Investment Fraud File

Investment fraud victims should start by collecting all relevant documentation concerning the fraud in one file that's kept in a secure location.

The file should include:

- a contact sheet of the perpetrator's name, mail and email addresses, telephone numbers, and website address, as well as any of the fraudster's purported regulatory registration numbers;
- a timeline of fraud events, which may span many years;
- the police report, if any;
- the victim's most recent credit report from all three credit reporting companies;
- any evidence of the fraud including account statements;
- logs of any phone conversations, with dates, names and phone numbers of representatives to whom the victim spoke, and notes on what information was given; and
- any other relevant documentation concerning the fraud.

Help victims track their progress with fraud-specific checklists at:

> www.VictimsofCrime.org/taking-action-checklists

STEP 2 – Know Your Rights

Victims of crime have rights imparted by federal and, in some cases, state law. Victims need to know their rights to protect themselves.

- For federal victim rights, the U.S. Department of Justice provides information on victim rights and financial fraud at www.justice.gov/usao-wdwa/victim-witness/victim-info/financial-fraud.
- For state victim rights, victims can check with their state Attorney General, whose contact information is available at www.naag.org.
- The North American Securities Administrators Association (NASAA) publishes the following "Investor Bill of Rights": www.nasaa.org/2715/investor-bill-of-rights.

STEP 3 – Report to Regulators

Investors have several options for resolving securities-related disputes. They may contact the brokerage firm involved in the securities-related dispute, file a claim in arbitration, pursue settlement through mediation, file a complaint with a securities regulator, including FINRA, or contact the FINRA Office of the Whistleblower. Investors should be aware that in the case of investment fraud, in particular, their money may not be recoverable. Learn more about the investor's options at www.finra.org/optionsforinvestors.

The entities below are the national, federal, and state regulatory agencies for investment products and professionals. The victim may benefit from reporting the fraud to as many agencies as apply.

If complaint involves:	*Contact:*
Brokers and Brokerage Firms	› **Financial Industry Regulatory Authority (FINRA)** FINRA Securities Helpline for Seniors: (844) 574-3577 www.finra.org/complaint – for complaints against known brokers or firms www.finra.org/fileatip – for tips related to suspected fraud › **State Securities Regulator** North American Securities Administrators Association: (202) 737-0900 www.nasaa.org – search for specific state contact information
Investment Adviser Representatives and Firms, and Investment Products	› **U.S. Securities and Exchange Commission** (800) SEC-0330 | www.sec.gov/complaint.shtml › **State Securities Regulator** North American Securities Administrators Association: (202) 737-0900 www.nasaa.org – search for specific state contact information
Salespeople and Products Dealing in Commodities, Futures, Options, Binary Options, Forex	› **National Futures Association** (312) 781-1300 | www.nfa.futures.org/basicnet/complaint.aspx › **U.S. Commodity Futures Trading Commission** (866) 366-2382 | https://forms.cftc.gov/Forms/TipsAndComplaints.aspx
Insurance Agents and Products	› **National Association of Insurance Commissioners** (866) 470-6242 www.naic.org/index_consumer.htm – search for specific state information
Fraud over the Internet	› **Internet Crime Complaint Center** A partnership between the FBI and the National White Collar Crime Center www.ic3.gov

STEP 4 – Report the Fraud to Law Enforcement

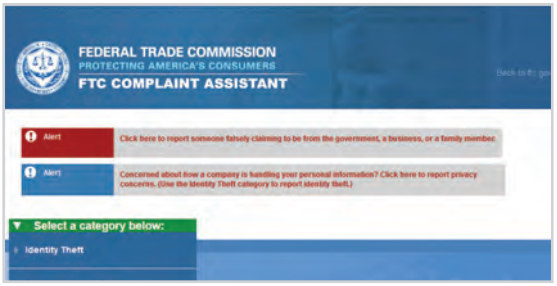
Contact local law enforcement, the local FBI Field Office, and the state Attorney General to file a complaint about the investment fraud with each agency. Reporting the investment fraud to law enforcement is important to begin the recovery process, ensure the responsible parties are investigated, and prevent further damage to other individuals.

- **Local Law Enforcement** – Contact a local law enforcement office to file a police report. Ask for a copy of the police report, if possible.
- **District Attorney** – Contact the local District Attorney's Office.
- **Attorney General** – Contact the Attorney General's Consumer Protection unit and the prosecution unit to report the fraud. Find the contact information at www.naag.org.
- **Federal Law Enforcement** – Contact the local FBI Field Office or submit an online tip at http://tips.fbi.gov. Look up the local field office at www.fbi.gov/contact-us/field.

STEP 5 – Report the Fraud to the Federal Trade Commission

To file a report with the Federal Trade Commission (FTC), contact the FTC's Complaint Assistant. Lodging a complaint will also enter the fraud into the Consumer Sentinel Network so that law enforcement can track these crimes. (Note, however, that this process will not initiate a criminal investigation.)

› **Federal Trade Commission Complaint Assistant**
(877) FTC-HELP
www.ftccomplaintassistant.gov



STEP 6 – Consider Civil Remedies

Victims should be aware that the best potential for recovery of lost assets may be through a civil lawsuit. They should be encouraged to consult with civil attorneys who work for victims of financial fraud. The attorney can analyze the particular facts and circumstances of the victim's case and counsel the victim on the available civil remedies. A victim can also consider filing an arbitration claim with or without an attorney if a securities broker is involved in the fraud.

The National Crime Victim Bar Association and the Public Investors Arbitration Bar Association (www.piaba.org) can provide referrals to attorneys who litigate on behalf of victims of crime or injured investors, respectively, who may offer the victim an initial consultation at no cost or obligation.

› **National Crime Victim Bar Association**
2000 M Street, NW, Suite 480
Washington, DC 20036
(844) LAW-HELP
Questions can also be emailed to
victimbar@ncvc.org.

In addition, some law schools provide services to victims in the form of investor advocacy or securities arbitration clinics. Search the SEC (www.sec.gov/answers/arbclin.htm) or FINRA websites (www.finra.org/findanattorney) for a list of clinics.

STEP 7 – Follow Up

Victims should keep close track of their case files.

ASSET FORFEITURE

Returning assets to victims of crime is a top priority of the **Department of Justice Asset Forfeiture Program**.

During the past decade, the victim compensation program has returned more than **$5 billion in forfeited assets** to victims, through the granting of petitions for remission, or by transferring forfeited funds to courts for payment of restitution through restoration.

For more information, please visit the Department's website at:

www.justice.gov/criminal-mlars/victims

Mortgage and Lending Fraud
Action Steps

Recovery from lending fraud requires victims to take many steps on their own behalf. Victims need to keep complete records to document what has happened. They need to file complaints with the appropriate agencies and know what to expect when they contact these agencies. The information below provides useful guidance for victims of lending fraud.

STEP 1 – Create a Lending Fraud File

Lending fraud victims should start by collecting all relevant documentation concerning the fraud in one file that's kept in a secure location.

The file should include:

- a contact sheet of the perpetrator's name, mail and email addresses, telephone numbers, and website address, as well as any of the fraudster's purported regulatory registration numbers;
- a timeline of fraud events;
- the police report, if any;
- the victim's most recent credit report from all three credit reporting companies;
- any evidence of the fraud;
- logs of any phone conversations, with dates, names and phone numbers of representatives to whom the victim spoke, and notes on what information was given; and
- any other relevant documentation concerning the fraud.

Help victims track their progress with fraud-specific checklists at:

> www.VictimsofCrime.org/taking-action-checklists

STEP 2 – Know Your Rights

Victims of crime have rights created by federal and, in some cases, state law. Victims need to know their rights to protect themselves.

- For federal victim rights, the U.S. Department of Justice provides information on victim rights and financial fraud at www.justice.gov/usao-wdwa/victim-witness/victim-info/financial-fraud.
- For state victim rights, victims can check with their state Attorney General, whose contact information is available at www.naag.org.

STEP 3 – Report to the Appropriate Agencies

The victim can benefit from reporting the fraud to as many agencies as apply. For instance, if the fraud was mortgage fraud, the victim should report both to the state agencies responsible for that type of crime and to the Inspector General for the U.S. Department of Housing and Urban Development.

If complaint involves:	*Contact:*
State Agencies for All Types of Fraud	**Look up the agency to report to at** www.preventloanscam.org/states.
Mortgage Fraud	**Housing and Urban Development (HUD) Office of the Inspector General** (800) 347-3735 | hotline@hudoig.gov
Mortgage Loan Modification Fraud	**Consumer Financial Protection Bureau (CFPB)** (855) 411-2372 | www.consumerfinance.gov
Any Lending Fraud	**Federal Trade Commission Complaint Assistant** (877) FTC-HELP | www.ftccomplaintassistant.gov

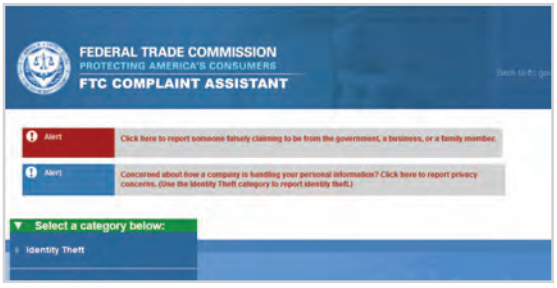
STEP 4 – Report the Fraud to Law Enforcement

Contact local law enforcement, the local FBI field Office, and the state Attorney General to file a complaint about the lending fraud with each agency. Reporting the lending fraud to law enforcement is important to begin the recovery process, ensure the responsible parties are investigated, and prevent further damage to other individuals.

- **Local Law Enforcement** – Contact a local law enforcement office to file a police report. Ask for a copy of the police report, if possible.
- **District Attorney** – Contact the local District Attorney's Office.
- **Attorney General** – Contact the Attorney General's Consumer Protection unit and the prosecution unit to report the fraud. Find the contact information at www.naag.org.
- **Federal Law Enforcement** – Contact the victim's local FBI Field Office or submit an online tip at http://tips.fbi.gov. Look up the local field office at www.fbi.gov/contact-us/field.

STEP 5 – Report the Fraud to the Federal Trade Commission

To file a report with the Federal Trade Commission (FTC), contact the FTC's Complaint Assistant. Lodging a complaint will also enter the fraud into the Consumer Sentinel Network so that law enforcement can track these crimes. (Note, however, that this process will not initiate a criminal investigation.)



› **Federal Trade Commission Complaint Assistant**
(877) FTC-HELP | www.ftccomplaintassistant.gov

STEP 6 – Contact a Housing Counselor (If Mortgage Related)

The U.S. Department of Housing and Urban Development provides housing counselors for individuals buying a home, refinancing a home, or attempting to avoid foreclosure. All victims of mortgage lending fraud should contact a local housing counselor.

Find a local housing counselor at www.hud.gov/program_offices/field_policy_mgt/localoffices or call the Housing Counselor Referral line at (800) 569-4287.

FREE CREDIT REPORT

AnnualCreditReport.com **is the only official source for free credit reports.**

Federal law requires each of the three nationwide consumer credit reporting companies—Equifax, Experian and TransUnion—to give consumers a free credit report every 12 months, if asked.

CREDIT REPORTING COMPANIES

EQUIFAX
(800) 685-1111
www.equifax.com

EXPERIAN
(888) 397-3742
www.experian.com

TRANSUNION
(800) 916-8800
www.transunion.com

STEP 7 – Treat the Loan Fraud as Identity Theft

Because loan fraudsters may have information pertaining to the victim's identity, including his or her Social Security number, the victim will need to visit www.identitytheft.gov and should also consult the Identity Theft Action Steps in this guide to:

- establish fraud alerts at all three credit reporting companies; and
- obtain copies of recent credit reports.

STEP 8 – Consider Civil Remedies

Victims should be aware that the best potential for recovery of lost assets may be through a civil lawsuit. In some cases civil lawsuits have been used to remove liens from victim's homes and provide victims with good title to their homes. They should be encouraged to consult with civil attorneys who work for victims of financial fraud. The attorney can analyze the particular facts and circumstances of the victim's case and counsel the victim on the available

civil remedies. The National Crime Victim Bar Association can provide referrals to attorneys who litigate on behalf of victims of crime and who offer initial consultations at no cost or obligation.

- **National Crime Victim Bar Association**
  2000 M Street, NW, Suite 480
  Washington, DC 20036
  (844) LAW-HELP
  Questions can also be emailed to
  victimbar@ncvc.org.

STEP 9 – Follow Up

The victim should continually follow up with each agency contacted to encourage progress and report any new developments.

Mass Marketing and Other Fraud
Action Steps

Recovery from mass marketing and other fraud requires victims to take many steps on their own behalf. Victims need to keep complete records to document what has happened. They need to file complaints with the appropriate agencies and know what to expect when they contact these agencies. The information below provides useful guidance for victims of mass marketing and other fraud.

STEP 1 – Create a Mass Marketing or Other Fraud File

Mass marketing fraud victims should start by collecting all relevant documentation concerning the fraud in one file that's kept in a secure location.

The file should include:

- a contact sheet of the perpetrator's name, mail and email addresses, telephone numbers, and website address, as well as any of the fraudster's purported regulatory registration numbers;
- a timeline of fraud events;
- the police report, if any;
- the victim's most recent credit report from all three credit reporting companies;
- any evidence of the fraud such as emails, marketing materials and account statements;
- logs of any phone conversations, with dates, names and phone numbers of representatives to whom the victim spoke, and notes on what information was given; and
- any other relevant documentation concerning the fraud.

TAKING ACTION:
Victim Recovery CHECKLIST

Help victims track their progress with fraud-specific checklists at:

> www.VictimsofCrime.org/taking-action-checklists

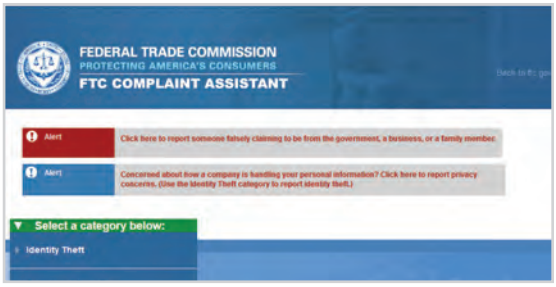
STEP 2 – Know Your Rights

Victims of crime have rights created by federal and, in some cases, state law. Victims need to know their rights to protect themselves.

- For federal victim rights, the U.S. Department of Justice provides information on victim rights and financial fraud at www.justice.gov/usao-wdwa/victim-witness/victim-info/financial-fraud.
- For state victim rights, victims can check with their state Attorney General, whose contact information is available at www.naag.org.

STEP 3 – Report the Fraud to the Federal Trade Commission

To file a report with the Federal Trade Commission (FTC), contact the FTC's Complaint Assistant. Lodging a complaint will also enter the fraud into the Consumer Sentinel Network so that law enforcement can track these crimes. (Note, however, that this process will not initiate a criminal investigation.)



- **Federal Trade Commission Complaint Assistant**
  (877) 438-4338
  www.ftccomplaintassistant.gov

STEP 4 – Report to the Appropriate Agencies

It is important to report mass marketing fraud, no matter the amount in question. The more reports that are made, the easier it is for authorities to hold the perpetrators accountable. Depending on whether the fraud was perpetrated by mail, using wire transfers, or over the Internet, report to the following agencies:

If complaint involves:	*Contact:*
Consumer Scams	**Fraud.org** – a project of the National Consumers League www.fraud.org **Better Business Bureau's Scam Tracker** www.bbb.org/scamtracker
International Scams Targeting U.S. Citizens (at Home or Abroad)	**U.S. Department of State** https://travel.state.gov/content/passports/en/emergencies/scams.html
Mail Fraud (including Foreign Lottery Scams)	**U.S. Postal Inspection Service** (877) 876-2455 | https://postalinspectors.uspis.gov Online Reporting Form: https://postalinspectors.uspis.gov/contactus/filecomplaint.aspx
Wire Transfer, Internet-Based Fraud (Cyber-Crime), or Romance Scams	**Internet Crime Complaint Center** A partnership between the FBI and the National White Collar Crime Center www.ic3.gov **Your State Attorney General** www.naag.org

STEP 5 – Report the Fraud to Law Enforcement

Contact local law enforcement, the local FBI Field Office, and the state Attorney General to file a complaint about the suspected fraud with each agency. Reporting the fraud to law enforcement is important to begin the recovery process, ensure the responsible parties are investigated, and prevent further damage to other individuals.

- **Local Law Enforcement** – Contact a local law enforcement office to file a police report. Ask for a copy of the police report, if possible.
- **District Attorney** – Contact the local District Attorney's Office.
- **Attorney General** – Contact the Attorney General's Consumer Protection unit and the prosecution unit to report the fraud. Find the contact information at www.naag.org.
- **Federal Law Enforcement** – Contact the victim's local FBI Field Office or submit an online tip at http://tips.fbi.gov. Look up the local field office at www.fbi.gov/contact-us/field.

STEP 6 – Consider Civil Remedies

Victims should be aware that the best potential for recovery of lost assets may be through a civil lawsuit. They should be encouraged to consult with civil attorneys who work for victims of financial fraud. The attorney can analyze the particular facts and circumstances of the victim's case and counsel the victim on the available civil remedies. The National Crime Victim Bar Association can provide referrals to attorneys who litigate on behalf of victims of crime and who offer initial consultations at no cost or obligation.

Even if a victim's individual losses may not be large enough to make a civil law suit feasible, in cases of mass-marketing fraud where there are multiple victims, those collective losses may make a civil suit a more practical option.

> **National Crime Victim Bar Association**
> 2000 M Street, NW, Suite 480
> Washington, DC 20036
> (844) LAW-HELP
> Questions can also be emailed to victimbar@ncvc.org.

Step 7 – Follow Up

The victim should continually follow up with each agency contacted to encourage progress and report any new developments.

Section 4 **Prevention** for Victims

Prevention for Victims

Victims of financial fraud are vulnerable to revictimization. This can happen because personal identifying information is being shared by perpetrators, or because victims are looking for other ways to recover money that they had previously lost. Victim advocates should consider all financial fraud victims as potential future victims. Below are brief tips to help victims prevent financial fraud, broken down by category, with directions on where to find more in-depth information.

> “Part of your recovery is preventing something like this from happening again. I want to give you some resources to help you protect yourself from fraudsters and prevent future scams.

Identity Theft Prevention Tips

Protect Yourself:

- Keep all personal and financial records in a locked storage device or in a password-protected electronic file.
- Shred all paper with identifying information before disposing of it.
- Use caution at stand-alone ATM kiosks, gas pumps, and other places where credit cards are often swiped.

Stop:

- When someone requests your Social Security number, ask if you can provide alternate information. At medical offices, use an identifier that is not your Social Security number.

Check:

- Monitor bank and credit card accounts weekly.
- Regularly monitor your credit reports. A free copy from each of the three major credit reporting companies is available every 12 months through www.annualcreditreport.com.
- Review the information at www.safechecks.com to find out how to order safer checks.

Investment Fraud Prevention Tips

Protect Yourself:

- Learn to recognize the red flags of persuasion in sales pitches. Start at www.SaveAndInvest.org/protectyourmoney.
- Reduce exposure to sales pitches and use care with free lunch or dinner seminars.
- Develop a "refusal script."
- Read and save financial account statements, and verify information is consistent with your records:
  - » Investments are as expected.
  - » Any trades were authorized, and the dates align with your notes.
  - » Fees are disclosed and as expected.
- Assess your tolerance for risk. Can you afford to lose some or all of the amount you invested?

Ask:

- Before working with a broker or other financial salesperson, ask:
  - » Who licensed you to sell financial products? Are you a licensed broker? If not, why not?
- Before buying an investment product:
  - » Is this investment registered with the U.S. Securities and Exchange Commission (SEC)? What are the risks? What could go wrong?

Check:

- Before working with a financial salesperson verify that they are indeed licensed with the registering agency and that their license is up to date. Check the licensing status, employment history, and disciplinary history (if any) of:
  - » Brokers and brokerage firms using FINRA BrokerCheck: www.finra.org/brokercheck
  - » Investment advisers using the SEC's Investment Adviser Public Disclosure Database: www.investor.gov
  - » Brokers, firms and investment advisers by contacting your state securities regulator: www.nasaa.org
  - » Insurance agents by contacting your state insurance regulator: www.naic.org
- Before buying an investment product: verify that the investment is registered with the SEC. Go to www.investor.gov. If you were informed the investment is not registered, learn how you can verify information with a third party that does not have a vested interest in the investment.

IDENTIFYING FRAUDSTERS

Help victims learn to spot red flags and resist the high-pressure tactics associated with many fraudulent offers:

Order a free DVD of the award-winning documentary from the FINRA Investor Education Foundation, **Trick$ of the Trade: Outsmarting Investment Fraud** at www.SaveAndInvest.org/tricks-of-the-trade

Mortgage and Lending Fraud Prevention Tips

Protect Yourself:

- Don't make a false statement on your loan application, such as overstating your income.
- Never sign a blank document or a document containing blank lines.
- Read all documents before signing.
- If you don't understand what you're signing, hire an attorney to review the documents for you.

Stop:

- If the terms of a loan sound too good to be true, they probably are.
- Resist high-pressure tactics. Tell the sales person you need time to consider your decision.

Check:

- Get referrals to loan and mortgage professionals when you want to obtain a loan or mortgage.
- Verify the licenses of mortgage and loan professionals with state, county, or city regulatory agencies.
- Find a housing counselor through the U.S. Department of Housing and Urban Development at (888) 995-HOPE.
- Beware of "no money down" and "no doc" loans. "No doc" loans do not require borrowers to provide documentation of their income. Take extra care to check out the source of these loans with a housing counselor.

Mass Marketing and Other Fraud Prevention Tips

Protect Yourself:

- Take your name off of solicitation lists.
  - » Direct mail and email offers: www.dmachoice.org
  - » Credit card offers: www.optoutprescreen.com or (888) 567-8688
  - » Online cookie collecting: www.networkadvertising.org
  - » Telemarketing Calls: www.donotcall.gov.
  - » Block Robocalls: www.nomorobo.com
- Shred suspicious mail.
- Get all offers in writing.

Stop:

- Be cautious when any salesperson solicits you, instead of you seeking them.
- Don't do business with anyone who solicits your money in advance of awarding a prize.
- Don't deposit checks sent by companies that claim the check is for fees or taxes on lottery winnings.
- Don't participate in foreign lotteries. It is against the law.
- Don't respond to junk mail.

Check:

- Check the credentials of sellers with unbiased, third-party sources, if possible.

- Check with your state business licensing agency (names vary) to verify that the service provider is properly licensed.
- Check with your local Better Business Bureau to see if there are any related complaints.

Section 5 **Resources** by Fraud Type

Resources by Fraud Type

General Fraud Reporting and Prevention Resources

- Anti-Fraud Hotline for Seniors to Report Fraud
  www.aging.senate.gov | (855) 303-9470

- AARP Fraud Watch Network
  www.aarp.org/fraudwatchnetwork

- Better Business Bureau
  BBB Scam Tracker
  www.bbb.org/scamtracker
  BBB Scam Tips
  www.bbb.org/scamtips

- Consumer Financial Protection Bureau (CFPB)
  www.consumerfinance.gov

- Elder Justice Initiative, U.S. Department of Justice
  www.justice.gov/elderjustice | (800) 677-1116

- Federal Trade Commission Complaint Assistant
  www.ftccomplaintassistant.gov
  (877) 438-4338

- Financial Fraud Enforcement Task Force
  www.stopfraud.gov

- FINRA Investor Education Foundation
  www.SaveAndInvest.org

- Internet Crime Complaint Center
  www.ic3.gov

- National Adult Protective Services Association
  www.napsa-now.org/get-help/help-in-your-area
  (202) 370-6292

- National Center for Victims of Crime
  www.victimsofcrime.org

- National Center on Elder Abuse
  https://ncea.acl.gov

- National Crime Victim Bar Association
  www.victimbar.org | (844) LAW-HELP

- National Consumers League
  www.fraud.org | (800) 876-7060

- National Network to End Domestic Violence's (NNEDV) "Moving Ahead Through Financial Management Curriculum"
  https://nnedv.org/mdocs-posts/moving-ahead-through-financial-management

- OnGuardOnline.gov
  www.onguardonline.gov

- Public Investors Arbitration Bar Association
  www.piaba.org

- VictimConnect Resource Center
  www.victimconnect.org | (855) 4-VICTIM

Identity Theft Resources

- Annual Credit Report (free)
  www.annualcreditreport.com
- Federal Bureau of Investigation
  www.fbi.gov/investigate/white-collar-crime/identity-theft
- Federal Trade Commission's IdentityTheft.gov
  www.identitytheft.gov
- Identity Theft Resource Center
  www.idtheftcenter.org
- Internal Revenue Service Identity Protection Specialized Unit
  www.irs.gov/uac/identity-protection
  (800) 908-4490
- National Crime Prevention Council
  Identity Theft Prevention
  http://archive.ncpc.org/topics/fraud-and-identity-theft.html
- National Identity Theft Victims Assistance Network
  www.nitvan.org
- National Opt-Out Hotline
  www.ftc.gov/privacy/protect.shtm
  (888) 5-OPT-OUT | (888) 567-8688
- OnGuardOnline.gov
  www.onguardonline.gov
- Social Security Administration Fraud Hotline
  www.ssa.gov/fraudreport/oig/public_fraud_reporting/form.htm
  (800) 269-0271 | (866) 501-2101 (TTY)
- U.S. Postal Inspection Service
  Identity Theft Site
  https://postalinspectors.uspis.gov/investigations/MailFraud/fraudschemes/mailtheft/IdentityTheft.aspx

Investment Fraud Resources

- Federal Bureau of Investigation
  www.fbi.gov/stats-services/publications/securities-fraud
- Financial Industry Regulatory Authority (FINRA)
  www.finra.org/investors
  www.finra.org/brokercheck
  (844) 574-3577 — *FINRA Securities Helpline for Seniors*
- FINRA Investor Education Foundation
  www.SaveAndInvest.org
- National Futures Association
  www.nfa.futures.org
- North American Securities Administrators Association – for state-specific information
  www.nasaa.org | (202) 737-0900
- Securities Investor Protection Corporation
  www.sipc.org | (202) 371-8300
- U.S. Commodity Futures Trading Commission
  www.cftc.gov | www.smartcheck.gov
  (866) FON-CFTC | (866)-366-2382
- U.S. Securities and Exchange Commission
  www.investor.gov
  www.sec.gov/complaint.shtml
  (800) SEC-0330

Mortgage and Lending Fraud Resources

- Consumer Financial Protection Bureau
  www.consumerfinance.gov
- Federal Bureau of Investigation – Mortgage Fraud
  www.fbi.gov/investigate/white-collar-crime/mortgage-fraud
- Federal Trade Commission
  www.consumer.ftc.gov/topics/homes-mortgages
- Homeowner's Preservation Foundation
  www.995hope.org
- Loan Modification Scam Alert
  www.loanscamalert.org
- Mortgage Bankers Association
  www.mba.org/who-we-are/consumer-tools
- National Crime Prevention Council (NCPC)
  Mortgage Fraud Online Toolkit
  http://archive.ncpc.org/mortgage-fraud-online-toolkit/about-this-kit/introduction.html
- Prevent Loan Scams
  www.preventloanscams.org | (888) 995-HOPE

Mass Marketing and Other Fraud Resources

- Federal Bureau of Investigation
  www.fbi.gov/stats-services/publications/mass-marketing-fraud
- Federal Communications Commission Consumer Help Center
  www.fcc.gov/consumers
- Federal Motor Carrier Safety Administration – Protect Your Move
  www.protectyourmove.gov
- MoneyGram
  http://corporate.moneygram.com/compliance/fraud-prevention
- National Consumers League
  www.fakechecks.org | www.fraud.org
- U.S. Department of State – Resources for Victims of International Financial Scams
  https://travel.state.gov/content/travel/en/international-travel/emergencies/international-financial-scams.html
- U.S. Postal Inspection Service
  - Criminal Investigations Service Center
    https://postalinspectors.uspis.gov
    (877) 876-2455
  - Delivering Trust
    www.deliveringtrust.com
  - Mail Fraud
    https://postalinspectors.uspis.gov/investigations/MailFraud/MailFraud.aspx
- Western Union – Consumer Protection
  www.westernunion.com/us/en/fraudawareness/fraud-home.html

THE NATIONAL CENTER FOR Victims of Crime

www.VictimsofCrime.org

SaveAndInvest.org

FINRA Investor Education FOUNDATION

www.finrafoundation.org