

# Frauds That Target The Elderly

## Beware of Strangers Bearing Gifts

It's true – senior citizens are often the targets of fraud and financial crimes. Among the reasons: Some older people have built substantial assets (including their own home and large savings accounts), they're easy to find at home, and they can be swayed by fears of losing their financial independence. "Also, despite the efforts of law enforcement, criminals are getting smarter and using technology to their advantage to commit fraud and other financial crimes, such as identity theft," said Michael Benardo, manager of the FDIC's Financial Crimes Section.

The following are common cons designed to trick consumers – especially elderly people – into giving up money, property or valuable personal information. These scams often are committed by strangers posing as legitimate business people, government officials or other "trusted" individuals. (For a look at frauds committed by relatives or caregivers, see [Inside Jobs: Elder Fraud by Relatives or Caregivers](#).) The information is based on reports from the U.S. Justice Department, FDIC fraud specialists, the Federal Trade Commission (FTC) and other sources:

**Prize and Sweepstakes Frauds:** This type of scam may involve a congratulatory phone call or letter informing a consumer that he or she has won a prize or a large sum of money in a lottery or sweepstakes. But before any "winnings" are delivered, you are told you must pay for fees, taxes, shipping and handling or other charges. Of course, the prize never comes or any products that do arrive are essentially worthless.

"Prize and sweepstakes fraud is more prevalent among older consumers than among the public at large, and is particularly prevalent among consumers age 70 and older," Lois Greisman, an Associate Director in the FTC's Bureau of Consumer Protection, said in testimony before the U.S. Senate Special Committee on Aging in July. She said nearly 12,000 older consumers complained to the FTC that they lost almost \$35 million in fraudulent prize or sweepstakes promotions in 2004, with the median loss being about \$2,000. "These frauds can be devastating to consumers who sometimes cash out retirement funds to claim their purported prizes," Greisman said.

**Fraudulent Investments:** A firm or individual "guarantees" fantastic returns on investments, business opportunities, gems and other "no-risk" deals. These will sound attractive compared to what local banks are paying on deposits. At some point the seller takes the money and runs, leaving the investor with a big loss.

**Charitable Donation Scams:** Crooks disguised as charities collect donations or money for raffles. While you think you're helping people in need, you're really helping con artists pad their pockets. You should make donations only to charities you are familiar with or after consulting with the Better Business Bureau (BBB), which maintains reports

on national and local charities. Contact your local BBB as listed in the phone book or check out charities online at [www.give.org](http://www.give.org).

**Home or Auto Repair Scams:** Someone calls or knocks at your door offering a super deal to fix your roof or driveway or repair your car. After you hand over the funds you discover the work hasn't been completed, is of poor quality or wasn't needed in the first place. Some scammers have billed consumers for maintenance or repairs that were never performed.

**Loan or Mortgage Fraud:** These typically involve unscrupulous "predatory" lenders (typically from the non-bank or home improvement industries) that use false or misleading sales tactics to make high-cost loans to consumers in need of cash, including older homeowners concerned about paying bills. Victims often can't afford the loan, and they may be pressured to refinance a loan repeatedly and pay high fees each time – a scam known as "loan flipping." Borrowers who pledge their house as collateral and can't repay the loan could lose the home in a foreclosure.

**Help for Avoiding Foreclosures:** The fraudster goes through records at the local courthouse listing homes facing foreclosure. He or she then contacts the homeowners and offers assistance to prevent the foreclosure from taking place. Instead, the homeowner is then tricked into signing documents that, in the fine print, transfer the ownership of the property to the fraudster.

**"I-Need-Your-Help" Scams:** Unlike the previous scams that involve selling or giving something to the victim, here the con artist is asking to receive some assistance... and in the process obtains account information or access to funds. Example: Someone claiming to be a bank examiner, bank security officer or police officer calls asking for help investigating a possible fraud by withdrawing cash from your bank account or providing account information. If the trick works, the bogus investigator can walk away with the money or use the confidential information to raid the victim's bank account.

**Counterfeit Checks:** In one example, you sell an item over the Internet and the buyer sends a cashier's check for more than the agreed-upon price. The buyer instructs you to wire the excess funds back. If you comply, you will most likely find out that the check you received is phony and the money you wired cannot be returned to you.

Source: FDIC Consumer News