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National Institute of Justice

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A recent national study revealed that citizens over the age of 65 comprise 11% of the U.S. population. But when it comes to victims of con games, we see that people over 65 comprise 30% of all victims. This implies that seniors throughout the nation are being specifically targeted by con artists.

To attack this growing national problem, I have directed two different task forces within my office to travel the state giving informational workshops. The Attorney General's Telemarketing Fraud Task Force and the Senior Outreach Program will give approximately 75 presentations throughout the state in 1988. A majority of these presentations will be given at senior centers to warn people of con games they may encounter in the future.

However, law enforcement cannot act alone to alert consumers to the various types of schemes used by con artists. Instead, we must act in partnership with the legitimate business community and, most importantly, with those on the frontlines providing services to seniors: senior service caseworkers.

The information in this handbook should provide a first step towards building such a partnership. It is intended to provide a concise overview of the most common con games which target the elderly. It will also serve as a reminder that my office wants to know about questionable practices in the marketplace. If we work together, I believe we can significantly reduce the incidence of fraud against seniors in our state.

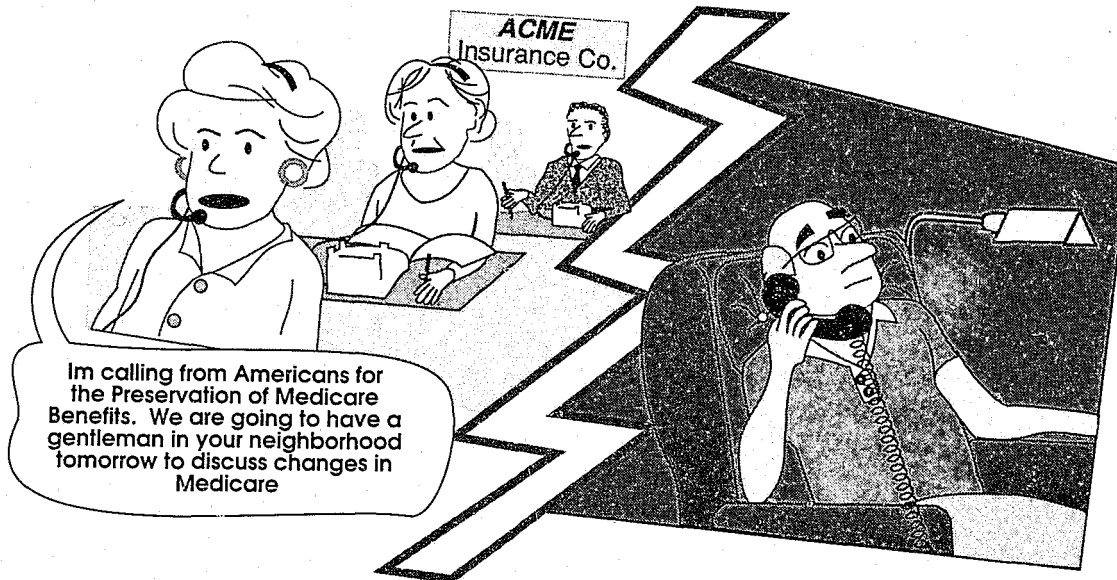
Sincerely,

Ken Eikenberry
Attorney General

September 1988

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Telephone Solicitation

Anyone who has a telephone in their home has been solicited to give to a charity, try a new product or purchase services.

In the past two years, telemarketing - selling goods and services over the phone - has become the third most popular form of advertising among American business. Only television and newspapers rank ahead of telemarketing, and the growth in telephone sales is accelerating.

Currently, there are 80,000 businesses in the United States using telemarketing, but by 1990, it is estimated that 265,000 businesses will be using the telephone to sell their products. Many are ethical, but a growing number are not -- they are dishonest firms intentionally committing fraud over the phone.

Specific Schemes

There are dozens of schemes which utilize the telephone to take people's money. Here are some examples of current frauds:

Credit Card Schemes

These are designed to obtain a person's Visa or Master Card number so that unauthorized charges can be made on it. There can be many methods of doing this...saying the person has won a free prize, but "shipping and handling costs" must be put on their credit card, or selling vitamins or other products with the promise of a free gift.

Once the caller has the credit card number, it is used by that firm, and others which purchase such numbers, to make unauthorized charges. These charges continue to show up on credit card bills for months in the future. Under federal law, you have the right to dispute these charges within 60 days of being billed. Contact the issuer of the credit card in writing, explaining that the charges are unauthorized. Even if more than 60 days have passed, you can still contact the card issuer, who might still remove the charges.

We tell every group we speak to that you should never give out your credit

card number to anyone unless you have dealt with the business before and you initiate the contact.

The Retirement Association Scheme

A growing number of telephone boiler rooms are operating around the state, calling seniors to make appointments in their homes to sell Medigap insurance. While such offerings are legitimate, a number of companies use misleading statements to get appointments.

One of the more common approaches is calling a senior and saying the caller represents an organization with a name similar to a well-known retirement association. Typically, callers will say that there will be someone in their neighborhood the next day who would be available to discuss recent changes in the Medicare laws. In some cases, the senior may even ask the caller if they will be selling anything. The caller may very well lie and say "no, we're just available to talk about changes in Medicare".

When the person comes to visit the senior, the purpose is in fact selling medigap and/or nursing home insurance. Once a salesperson is in a senior's home, it can be very difficult to convince them to leave.

How to Combat Telephone Fraud

The Attorney General's Task Force on telemarketing fraud has developed four questions a person should ask themselves when they are talking with a telephone solicitor.

Question 1: Does the caller refuse to give me time to make up my mind?

Many times telephone salespeople use high pressure to convince a person to make a quick decision. There is an impression given that the same deal won't exist tomorrow. Legitimate businesses should give customers time to make up their mind.

Question 2: Does the caller refuse to mail me any free information?

Problems or questions about the legitimacy of a telephone offer can usually be resolved if the caller simply mails you something in writing before you make a decision. If the caller is unwilling to mail you written information, a red flag should go up in your mind.

Question 3: Does the caller pressure me for my credit card number or for immediate payment?

Some telephone fraud firms will send out a courier to pick up payment as quickly as possible. This should be a warning that the caller doesn't want

to give you time to reconsider your decision. Other callers insist they do not take checks but must have your credit card number. As we mentioned earlier, never give out your credit card number to a stranger who calls on the phone.

Question 4: Do I have to pay to win a free prize, enter a contest or receive a gift?

If you have to make a purchase or pay any kind of "shipping and handling" fees in order to get a prize or gift, it isn't free. This includes giving your credit card number in order to receive something.

IF THE ANSWER TO ANY OF THESE QUESTIONS IS YES, WE ADVISE HANGING UP BEFORE YOU MAKE A COSTLY MISTAKE.



Home Improvement Schemes

These schemes cost elderly homeowners vast amounts of money each year. Itinerant crews of roofers or pavers travel across the country, stopping to victimize neighborhoods and mobile home parks with high senior citizen populations, then disappearing before law enforcement agencies can catch up with them.

The approach is for the con artists to go into an area, driving new trucks, usually with out-of-state license plates. The workers will knock on doors and say they are in the neighborhood doing some work down the

street and have some materials left over, and therefore can give the homeowner a good deal on roof or driveway repairs. No exact cost is quoted and there isn't a written contract.

If the homeowner says yes, the work is done quickly and usually poorly. The final price then turns out to be far higher than the original estimate. If the senior protests, the workers become threatening and usually frighten the person into paying.

The work these crews perform is almost always shoddy -- roofs are

sprayed with a paint-like substance which washes off in the rain. The paving is incorrectly done and breaks down very shortly.

If seniors need home repairs performed, they should find a reputable local company by asking friends for recommendations, and check that the firm is registered with the state Dept. of Labor & Industries.

It might be easier to hire someone who simply comes to your door, but it can cost thousands of dollars if you are victimized by one of these itinerant con artists.

Equity Skimming Schemes

While door-to-door home improvement schemes have been around for decades, another type of fraud known as equity skimming is relatively new. There are many varieties of this real estate fraud, and most are complicated. They can cost homeowners their homes and their credit ratings.

One version targets homeowners who are behind in payments and need to sell their home quickly to avoid foreclosure. The "skimmer" promises to take over the payments, and make any back payments for the seller. After the seller has signed over the deed, the skimmer rents out the house, but never assumes the loans or makes any monthly mortgage payments. After a while, foreclosure is begun against the seller.

Another version targets senior citizens who own their homes free and clear. The con artist approaches a senior who is selling a home, and offers to buy the property for the full asking price. However, to close the transaction more quickly and easily, the buyer doesn't go to a bank for financing, but instead proposes a real estate contract. In that contract is a clause which says the sale is "subject to a rehabilitation loan," which enables the skimmer to go to a lender and borrow money using the home as collateral.

After the skimmer has used the house as collateral to borrow thousands of dollars, and has possession of the home, it is often rented out. At the same time the skimmer defaults on the rehabilitation loan and also never makes payments to the seller. Eventually the seller must take back the house. But in order to do so, he or she must take over the payments on the loan in order to keep the house. The skimmer has disappeared with the rehabilitation loan and the rent

collected from the house. The senior who started with a house which was owned free and clear now has a house with a new substantial mortgage on it.

When selling a home, it's important to have any contracts or unusual sales arrangements checked out by your attorney. Sales should go through normal escrow procedures, so that all loan assumptions can be completed before the property changes hands.

"The Bank Examiner" Scheme

This scheme has been around for years and has been worked successfully throughout the country.

A con man (or con woman) first calls a senior who they have identified as being a customer of Bank XYZ. The caller tells the senior that she is from XYZ Bank, and is aware that the senior has been a loyal and dedicated customer of the bank for years. She says that they are having a problem at the bank with one of their bank tellers.

The con artist continues the scheme by saying they think a particular teller is exchanging real money with counterfeit and handing it out to customers. The con artist then wants the senior to help bank officials "catch him in the act" by withdrawing a large sum of money through that teller. The amount of money can be as little as \$200 or as much as \$12,000, depending on the financial situation of the victim.

The con artist tells the senior that once the money has been withdrawn, the bank examiners will inspect the bills. She assures the senior that the money will be immediately redeposited once it has been inspected.

But, as expected, once the con artist gets the money, it is never redeposited, and the con artist is nowhere to be found. This scheme is successful because the senior is trusting and has a genuine desire to help his or her community.

Investment Schemes

Senior citizens can be prime targets for investment schemes advertised in newspapers and magazines, and sold over the phone. These offers promise very high interest rates with very low risk.

A number of these schemes seen by the Attorney General's Office have been based on real estate holdings. Investors are told their money is secured by real estate, making it a "safe" investment. But after the schemes collapsed, it was found that the property was worth only a fraction of the amount claimed, and was insufficient to repay the investments it supposedly secured. Most investors in these schemes lost all their money.

Other investments are sold over the phone by high-pressure salespeople. Often the investment programs are based in high-risk oil or gas leases, or gemstones. Some are completely fraudulent, and exist only to take people's money and then vanish.

Always investigate an investment plan before putting money into it. Consult with an attorney or a trusted financial advisor. Never invest over the phone without seeing written material and having it evaluated.

Work At Home Schemes

One of the most common frauds against seniors is the "work at home" scheme, which promises thousands of dollars for in-home work such as stuffing envelopes or making craft items. Few of these offers are legitimate. They appeal particularly to those on fixed incomes who would welcome the chance to make extra money in their homes.

The programs for making craft items require the person to buy expensive materials to assemble, with the promise that the firm will buy the finished products back. But when the items are completed, the company always has an excuse for not wanting them, and the worker has lost the money.

Other common work-at-home frauds promise the secret of making money in return for the payment of an up-front fee, usually \$25.00. The consumer then receives a set of instructions on how they can place their own ad, and thus earn money by collecting fees from others who want the secret of money-making at home. One victim therefore victimizes others in order to make money.

You can get further information on work-at-home schemes and other frauds that use the mails from the U.S. Postal Service.

Sources of Information:

WASHINGTON STATE ATTORNEY GENERAL'S OFFICE

Seattle 464-6684
Olympia 753-6210
Tacoma 593-2904
Spokane 545-3123
Statewide toll-free 1-(800)-551-4636

CONSUMERLINE

*A telephone tape library with over 124
taped messages on consumer topics.*

Seattle 464-6811
(available 24 hours a day to callers
with touch-tone phones.)

Spokane 328-0642
Statewide toll-free 1-(800)-551-4636

INSURANCE COMMISSIONER'S OFFICE

Statewide toll-free 1-(800)-562-6900

LABOR & INDUSTRIES CONTRACTOR REGISTRATION

Statewide toll-free 1-(800)-647-0982
Olympia 753-6807

U.S. POSTAL SERVICE

Postal Inspector
P.O. Box 400
Seattle, Wa 98111