

# Scams, Schemes & Frauds Impacting Older Adults and How to Avoid Being a Victim

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CITY NAME/LOGO



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# Scams, Schemes and Frauds Facts

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- **Financial fraud is one of the most common yet under-reported forms of elder abuse**
- **Financial scams targeting seniors have become so prevalent that they are now considered the crime of the 21st century**
- **Elder financial fraud victims lose an estimated 2.9 billion dollars annually [2011 Met life study]**
- **As the population of senior citizens increases, so does the number of people willing to take advantage of them**

# Top Ten Scams, Schemes, and Frauds

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- Home Improvement Fraud
- Debt Relief Fraud
- Funeral Fraud
- Reverse Mortgage Scams
- Investment Scams
- Telemarketing Fraud
- Internet Fraud
- Lottery and Sweepstakes Fraud
- Phony “Government” Scams
- Grandparent Scam

# Home Improvement Fraud

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Be wary of the contractor who:

- Solicits door to door
- Just happens to have materials left over from a previous job
- Only accepts cash payments
- Asks you to get the required building permits
- Does not list a business number in the local telephone directory
- Uses high pressure sales tactics
- Fails to provide a written contract
- Requests full payment before completing work
- Offers exceptionally long guarantees
- Offers home improvement loans



# Home Improvement Fraud

## Tips for Avoiding Home Improvement Scams

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- Obtain more than one bid for the job
- Insist that the contract be in writing
- Don't pay contractor before you read and sign a contract
- Don't pay contractor more than 1/3 of the contract price to begin work
- Sign contract before the work begins and keep a copy for your records
- Contract must state the exact work to be done and include start and completion dates along with the total cost of the project
- Obtain the name, address (not P.O.Box) and phone number of contractor on contract.
- Get license number and name license is under on the contract
- Check to see if contractor registered with Minnesota Attorneys General office.
- Check for complaints with the Better Business Bureau
- Never make final payment until you are completely satisfied with the work

# Debt Relief Fraud

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## **Bogus Credit Counseling Services and Debt Management Plans (DMP)**

- Lie about their nonprofit status
- Don't provide education and counseling
- Often arrange for consumers to pay debt through a DMP
- Many have been shut down by the FTC

### **How A DMP Works:**

- Deposit money each month with the credit counseling service, which uses your deposits to pay your unsecured debts
- Counselor develops payment schedule with creditors
- Creditor may agree to low interest rates and waive certain fees
- DMP requires the counseling service to make regular timely payments
- May take up to 48 months to complete
- Must agree not to apply for or use any additional credit while in the plan



# Debt Relief Fraud

## Tips for Avoiding Debt Management Plan Fraud

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### Be wary of credit counseling organizations that:

- Charge high up-front fees for enrolling in credit counseling or a DMP
- Pressure you to make “voluntary contribution,” another name for fees
- Try to enroll you in a DMP without spending time reviewing your financial situation
- Offer to enroll you in a DMP without teaching you budgeting and money management skills
- Demand that you make payments into a DMP before your creditors have accepted you into the program

# Funeral Fraud

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- Overcharging for goods and services
- Selling unnecessary services and goods
- Stealing or mismanaging funeral prepayment funds





# Homeowner/Reverse Mortgage Scams

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## What is a Reverse Mortgage?

- Home loan that lets a homeowner convert the equity in his/her home into cash
- The loan is repaid when you die, sell your home, or when home is no longer primary residence
- Many have no income qualifications
- One owner Must be 62 or older
- Cash can supplement income, pay taxes, insurance, home repairs
- Retain title to home



# Homeowner/Reverse Mortgage Scams

## Scam 1: Charged for Information

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- Beware of companies who call themselves advisors or estate planners, and offer nothing more than information
- Say they will help you find a reverse mortgage lender and provide you with basic information about the loans for a fee
- HUD provides the same facts and services for free
- Do not pay for any type of Reverse Mortgage Information, brochures, or calculations of what you can qualify for
- Senior home owners who have fallen prey to this scam have lost thousands of dollars
- Contact HUD for information on reverse mortgages at 1-888-466-3487 or go to HUD.gov

# Homeowner/Reverse Mortgage Scams

## Scam 2: Shady Counseling

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- Beware of counselors that are partners with other reverse mortgage lenders or financial service individuals and will try to push you into their products or services

### **To Avoid the Shady Counselor:**

- Meet with a HUD approved Reverse Mortgage Counselor
- FHA Housing Counseling Agency Listing at 1-800-569-4287 or HUD.gov

# Homeowner/Reverse Mortgage Scams

## Scam 3: Equity Theft

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- **Scheme designed to withdraw false and inflated equity from residential properties**
- Scammer purchases the residential property using a "straw buyer"
- The scammer then recruits a senior to "purchase" the property from the straw buyer by transferring the deed to the senior with no exchange of money.
- After the senior has occupied the property for 60 days, the scammer arranges for the senior to obtain a reverse mortgage
- With the aid of a fraudulently inflated property appraisal - senior is encouraged to request a lump sum from the lender
- Often with the help of the settlement attorney, the scammer absconds with all of the equity money at closing.
- **How the Senior Loses:**
- Senior gets no equity money at closing
- Senior is an unwitting accomplice to lender fraud
- Senior is put into a home and cannot afford to pay for the maintenance, taxes and insurance.
- If approached about using a reverse mortgage on a rehab or foreclosure property and asked to sign a Quit Claim Deed up front - this is a fraud. <sup>12</sup>

# Homeowner/Reverse Mortgage Scams

## Scam 4: Mortgage Repair Scams

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- Due to strict FHA Appraisal requirements, a reverse mortgage may require repairs made to the property before closing

### **How to Protect Yourself:**

- Find out from the appraiser exactly what needs to be repaired
- Get multiple quotes - don't just use contractor recommended by the Reverse Mortgage company
- Reputable contractors will agree to be paid at closing
- Work needs to be up to HUD guidelines

# Investment Schemes

## Types of Investment Schemes

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- Investments for working capital
- Oil-rich land, film production company, brokers of gemstones, communication businesses, ownership interests in company
- Investment Questions:
  - If the answer to any of these questions is no, vague or complicated = fraud
  - Is company registered to sell securities? (Obtain annual report from SEC)
  - Is it "too late" if I don't invest my money now or "can I wait to think it over?" (Pressure tactic)
  - Does investment have a track record? (Get track record and background of people promoting it)
  - Where is my money going?(Ask for written proof of where money is going and investors)



# Investment Schemes

## Investigate

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- Get an independent appraisal of the specific asset, business or venture
- Search for published information about the company, particularly proof that the company has registered the securities it is selling (SEC)
- Check with someone you trust who has heard of the company
- Check with BBB, FTC and AG for any complaints
- Don't let appearances fool you - anyone can incorporate an entity and put a toll-free number into their home
- Beware of sales pitches that play down risk or portray written risk disclosures as routine formalities required by the government
- Scam artists lie
- Demand written proof of profit projections from independent sources
- If the investment sounds too good to be true, it usually is

# Investment Schemes (cont.)

## The Seminar Pitch

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- Earn up to \$100,000 a year
- Multiply your money in 6 months or less
- Insider secrets for making money fast
- You can't afford to pass up this valuable opportunity
- Letter, infomercial



# Investment Schemes

**Be Wary of Promotional Materials or Sales Pitches that Make these claims**

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- Earn big money fast, regardless of your lack of experience or training
- Offered for a short time only
- "Sure thing"
- Reap financial rewards by working part time at home
- You will be coached each step of the way to success
- The program worked for other participants - even the organizers

# Investment Schemes

## How to Avoid the Seminar Pitch

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- Avoid high pressure sales pitches that require you to buy now
- Investigate the business
- Be wary of "success stories" - generally paid skills
- Be cautious of seminar representatives who are reluctant to answer questions, or who give evasive answers
- Ask how much money you need to qualify for the investment or sales opportunity - get it in writing - ask about the company's refund policy

# Telemarketing Fraud

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- Scam artists use the telephone to prey on older people's vulnerability
- High pressure tactics- you must act NOW or offer will be no good
- Can't afford to miss this "no risk" offer
- One of the most common schemes -no face to face interaction- no paper trail
- Once deal has been made, victim's name is shared with other scam artists looking for easy targets



# Telemarketing Fraud

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- Scam artists may use any of the following tactics:
  - Cold Calls- scam artists get victims' name from telephone directory , mailing list or "sucker list" (information about people who've responded to previous telemarketing scams)
  - Direct mail- Letter or postcard saying you've won a prize and please call this # for more info.
  - Can begin with a letter, postcard, TV, newspaper or magazine ad directing victims to call for more information.
  - Text messages-Use of cellular telephones and locked into a fee for use without even understanding it.

# Internet Fraud

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- “Cyberspace”- newest area being used by con artists
- Effective means of reaching a mass audience without spending a lot of time, money or effort

Websites, online message, or “spam” e-mails

- used for the purpose of fraudulent solicitations to prospective victims
- Easy to make messages look real and credible





# Examples of Internet Fraud

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- **Internet auction fraud is a misrepresentation of a product advertised for sale through an Internet auction site**
- **Free credit report fraud**
- **Get rich quick schemes-make money in your spare time**
- **Work at home scams and business opportunities**
- **Advertising that promises much more than can be delivered (Dramatic Weight Loss in 2 weeks)**
- **‘Phishing,’ con artists attempt to gather personal information by asking consumers to “update” or “verify” billing information, such as credit card**

# How To Avoid Internet Fraud

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- Avoid filling out forms in emails or on websites that ask for personal information
- Only open attachments from known senders
- Do not click on links in unsolicited emails
- Contact businesses that supposedly sent the email to verify
- Look for the small yellow lock icon that appears in the browser window
- Do not click on Internet “pop ups”

# More Tips to Avoid Internet Fraud

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- Don't respond to unsolicited e-mails
- Make certain you have a firewall and up to date anti-virus software
- Don't use the same password for all online accounts
- Don't do online banking or access Internet accounts using unsecured wireless networks



# Lottery and Sweepstakes Fraud

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- Fraudulent foreign scam artists telephone or send mail to people in the U.S. telling them they've won a sweepstakes or foreign lottery
- Victim is told he or she must first pay "fees" for shipping, handling, taxes, customs or other supposed expenses by wiring money, sending a personal check, providing credit card information or sending a money order by overnight delivery or courier



# Phony Government Scams

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- Letters, notices or emails misrepresenting government agencies such as the Social Security, Medicare, FBI, Department of Labor and IRS
- Appear legitimate because they contain phony government seals, symbols and/or names
- Callers, who claim to be associated with the United States Government, tell you that you have been awarded a substantial government grant BUT must first pay a processing fee
- Method to intimidate victim into providing personal information



# Grandparent Scam

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- Scam artists contact unsuspecting grandparent by phone
- Scam artists may pose as a law enforcement agent medical personnel or as the "grandchild"
- Tell grandparent that there has been an arrest or injury, or some other emergency situation (often outside of the U.S.) and provide specific details
- Most caring grandparents are extremely alarmed and willing to do what they can to help their grandchildren get out of trouble





# Nigerian Bank Scam

- If you send us money or information, we will send you more money.
- There are many variants of the letters sent. One of these, sent via postal mail, was addressed to a woman's husband and inquired about his health. It then asked what to do with profits from a \$24.6 million investment, and ended with a telephone number. Other official-looking letters were sent from a writer who said he was a director of the state-owned Nigerian National Petroleum Corporation. He said he wanted to transfer \$20 million to the recipient's bank account – money that was budgeted but never spent. In exchange for transferring the funds out of Nigeria, the recipient would keep 30% of the total. To get the process started, the scammer asked for a few sheets of the company's letterhead, bank account numbers, and other personal information. Yet other variants have involved mention of a wealthy Nigerian seeking to transfer large sums of money out of the country.

Do you have any questions  
or discussions?



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