

Investment Fraud

Hassan's insurance agent told him about a unique investment opportunity – nine-month promissory notes that would yield an 18 percent annual rate of return. The notes were supposed to be secured by automobile titles. Hassan agreed to invest \$20,000. When it was time for the note to mature, Hassan found out that all the money was gone. The agent had used the money for his personal expenses and to pay back other investors. It turned out that the agent was not even registered to sell securities.

Seniors are the primary target of investment con artists. A fast-talking "financial advisor" can swindle an unsuspecting investor out of his or her life savings in a few minutes.

Beware of strangers touting strange deals.

Trusting strangers is a mistake anyone can make when it comes to their personal finances. Almost anyone can sound nice or honest on the telephone. Say "no" to any investment professional who presses you to make an immediate decision, giving you no opportunity to check out the salesperson, or firm, and the investment opportunity itself. Beware of anyone who suggests investing your money into something you don't understand or who urges that you leave everything in his or her hands.

Do not feel indebted to someone who gives you "unsolicited" financial advice. This person may be trying to gain your trust so he or she can earn fees and commissions by investing your money, sometimes in unsuitable investments. If an investment sounds "too good to be true," it probably is. Some unscrupulous companies try to entice investors with promises of returns as high as 25%, 50%, or even 500%. Such claims are usually fraudulent. All investments involve risk. Con artists know that you worry about either outliving your savings or seeing all of your financial resources vanish overnight as the result of a catastrophic event, such as costly hospitalization.

Take your time - don't be rushed into investment decisions.

Salespersons who use high-pressure tactics to force an investor into an immediate decision are almost always pitching frauds. They don't want you to think too carefully or find out too much because you may figure out that it's a scam.

- Ask how, and by whom, the investment advisor is being paid in connection with the services or products being offered.
- Insist on receiving a prospectus or printed offering materials. READ THEM. Any investment worth making will still be available after you have had time to read about it.
- Don't believe the age-old lie that you will lose money if you don't get in right away. The truth about such claims almost always turns out to be that you will lose money if you do get in.
- If you have questions, ask your attorney, accountant, and financial adviser to explain the investment.
- The death or hospitalization of a spouse has many sad consequences - financial fraud shouldn't be one of them. If you find yourself suddenly in charge of your own finances, get the facts before you make any decisions.

Don't throw good money after bad. Beware of "reload" scams. Con artists know the panic people feel after a sudden financial loss. They know that it's the best time to promise to recover the original funds in another "sure thing" scheme. Don't fall for the same (or a similar) scheme twice.

Check out your broker or adviser. Confirm that your broker and financial adviser is registered and in good standing. Contact the Office of Financial and Insurance Regulation, at 1-877-999-6442, to check out your broker or advisor.

Keep tabs on your investments.

If you suspect that something is wrong and the explanations you receive are not satisfactory, call the Office of Financial and Insurance Regulation at 1-877-999-6442 and file a complaint. Don't let embarrassment or fear keep you from reporting investment fraud or abuse.

- Be wary when a financial planner says "leave everything to me," or "the plan is too complicated to tell you." Everything should be clear and explainable to you.
- Monitor the activity on your account. Insist on receiving regular statements.
- Never be embarrassed or apologetic about asking questions for trading activity that looks excessive or unauthorized. It's your money, not your broker's.
- Keep all of your records relating to your investments, including notes of conversations you have with brokers, salespeople, financial advisers, and the like.
- Don't compound the mistake of trusting an unscrupulous investment professional by failing to keep an eye on the progress of your investment. Insist on regular written reports. Look for signs of excessive or unauthorized trading of your funds.

Don't be afraid to complain.

If your broker or advisor stalls, or hesitates when you want all or part of the principal of, or profits from, your investment, ask the reason for the holdup. You may have uncovered a questionable practice.



Financial Exploitation

Jasmine, who was becoming frail, allowed a woman to move into a room in her home in exchange for some help with light errands. Several months later, Jasmine's daughter discovered that the woman had stolen thousands of dollars from Jasmine's bank account using her ATM card. The woman had also had taken Jasmine to a lawyer and obtained "power of attorney" for herself.

Financial exploitation is the misuse of someone else's money, without their consent. Many people are swindled by people they know – caregivers, neighbors, even relatives.

Examples of financial exploitation include: threatening someone into giving away money; tricking a person with a memory problem into turning over money; forging signatures on checks or withdrawal slips; making unauthorized withdrawals from bank accounts; charging excessive fees for rent or caregiver services; and committing person-to-person, mail, or telephone fraud scams.

What you can do to protect your money:

- Put all financial instructions in writing. This protects you and reduces the likelihood of misunderstandings. Keep records of all transactions.
- Understand any lifelong care agreements you are entering into. Document the agreement and specify the compensation, if there is any, to be paid to the caregiver.
- Ask someone to review your financial agreements. Your attorney, accountant, or a bank employee can detect changes in your financial activity that may signal a problem. You can also ask a trusted friend or relative to review your monthly statements.
- Be cautious of joint accounts. Both parties are equal owners of the account and both have equal access to the money.



- Before you assign a power of attorney, be sure you understand the authority you are giving to your agent. Know the person to whom you are giving this authority. Write in the agreement whether the agent will be paid or not, and if so, how much.

- Ask a bank employee, a trusted family member, or a social worker or other professional for help when you are unsure about financial matters.
- Stay connected to your community. Social isolation increases your risk of becoming a victim of abuse. Find out about community programs or social activities in your neighborhood.

Other tips to help you protect your money:

- Use a direct deposit service for your checks.
- Don't sign blank checks allowing another person to fill in the amount.
- Don't leave money or valuables in plain view.
- Don't sign anything you don't understand.
- Cancel your ATM card if you don't use it.
- Don't give anyone your ATM PIN.
- Check your financial statements promptly and carefully for unauthorized withdrawals.
- Build good relationships with the professionals who handle your money.
- Don't give any account number to a stranger.

Home Equity Fraud

Aaliyah received a call from a lender who asked if she'd like to refinance her mortgage and get extra money to pay off debts, travel, or buy a new car. Aaliyah agreed. The lender called again a few months later and persuaded her to refinance again. This happened three times. Soon, almost all of Aaliyah's equity was gone, and she was having trouble keeping up with the monthly payments.

Seniors often have limited incomes but have built up substantial equity in their homes. That can make them a target of unscrupulous home equity lenders. Some of these lenders promise to refinance your mortgage or give you a home equity loan without disclosing hidden fees and terms. If you can't keep up with the payments, you could lose your home.

Some of the fraudulent lending practices to look out for are:

Repeated refinancing. A lender calls and says it's time your home equity started working for you. He says you can get extra money to pay off debts or take a vacation. You agree to refinance. Some months later, the lender calls again and offers you another refinancing deal. The lender charges you high points and fees each time you refinance. With each refinancing, you've increased your debt.

Hidden loan terms, such as a balloon payment. The new loan may require payments that only pay the interest each month. At the end of the loan term, the entire principal is due in one lump sum (a balloon payment). If you can't make that payment, you face foreclosure.

Credit insurance or other charges "packed" into the mortgage. At closing, the lender may try to include a charge for credit insurance or other "benefits" you did not ask for and don't need, and hope you won't notice when you sign the papers.

Signing over your deed. If you are having trouble paying your mortgage and the lender has threatened foreclosure, you may feel desperate. Another "lender" may contact you with an offer to help you find new financing. Before he can help you, he asks you to deed your property to him, claiming it's a temporary measure to prevent foreclosure. Once the lender has the deed to your property, he may borrow against it, sell it to someone else or evict you.

- Don't sign any document you haven't read or that has blank spaces to be filled in after you sign.
- Read over your documents carefully and look for any hidden charges, or charges that you know should not be included. If you see a charge for something you know should not be included, ask that it be removed. If the company refuses to remove the charge, don't sign the documents.
- Don't deed your property to anyone without first consulting an attorney, a knowledgeable family member, or someone else you trust.
- Always read contracts carefully. Talk them over with someone you trust, such as a knowledgeable family member or an attorney.

For more information about home equity loans and home equity fraud, see the American Association of Retired Person's website at www.aarp.org.

Remember: Make monthly mortgage payments only to your lender or servicer. No matter how good it sounds, don't let another person make mortgage payments for you.

Call the Office of Financial and Insurance Regulation at 1-877-999-6442 to check if a loan company is a licensed financial lender or if you think you are a victim of home equity fraud.

Predatory Lending

Predatory lenders look for people with financial problems who are looking to buy a home, refinance a mortgage, obtain a home equity loan, or save a home from being foreclosed. They blame their outrageous interest and fees on the consumer's shaky credit and take advantage of the consumer's lack of financial knowledge.



Some red flags to look out for:

- The lender tries to hide high closing costs and fees such as loan origination, underwriting fees, broker fees, and transaction/closing costs. The interest rate should not be well above the market average.
- Monthly payments are small, but a large sum is scheduled at the end. This is a common way for lenders to ensure the consumer will have to apply for another high interest loan.

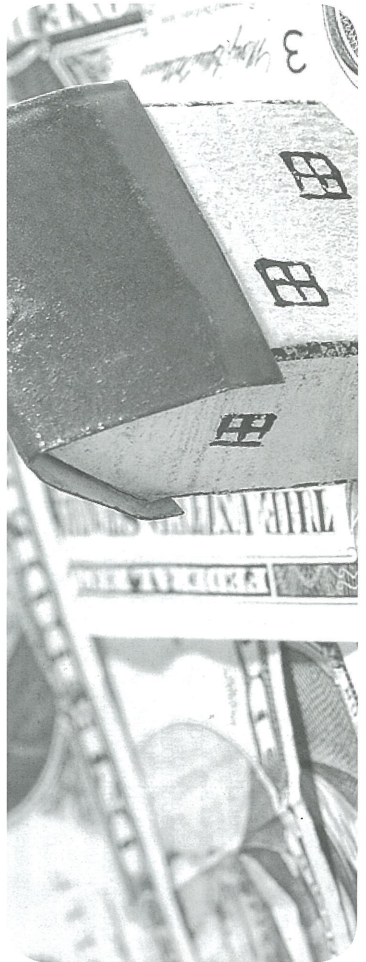
- The lender pressures the consumer to take out a loan for more than the property value. This sort of loan puts both the consumer and his or her financial record at great risk.

- There is a large penalty for paying off loans early. This pre-payment penalty makes it difficult for the consumer to refinance to a lower and better interest rate.

Steps you can take to protect yourself:

- Review every document carefully. Do not feel shy to ask for documents in advance to ensure plenty of reading time. Never sign mortgage documents with blank spaces remaining. Most terms such as interest rate, choice of fixed or variable interest, loan length, and pre-payment penalties are negotiable.
- Shop around and compare loan offers. Remember, do not focus just on monthly payments but on all terms such as contract length and how much you're borrowing.

Remember: Call the Office of Financial and Insurance Regulation at 1-877-999-6442 to check if a loan company is a licensed financial lender or to complain about predatory lending.



3. Health Scams

Home Medical Equipment Scams

Jose was having problems climbing the stairs in his house, so he called a company that advertised it sold stairlifts. A salesman came to his house and promised to install the stairlift within two weeks, and took a payment of \$2,000 from Jose. However, months passed and the company didn't deliver the stairlift, but kept coming up with excuses. Jose finally sued and got some of his money back.

There are many reputable and reliable home medical equipment suppliers, but unfortunately there are also those that charge for equipment they never deliver or sell seniors expensive equipment they don't really need. They sometimes imply or promise that Medicare will pay for the equipment when that may not be true, and the senior is stuck with expensive bills. Some examples of tactics the salespeople use are staying in your home for a lengthy period of time, preventing you from asking others' advice, and setting up equipment that is hard to move.

Before buying home medical equipment:

- Get advice from your doctor, hospital discharge planner, or physical therapist, NOT from a salesperson. They know what your needs are better than a salesperson, and they can likely direct you to honest, reputable sellers of home equipment.
- Check the company's reputation with your health care specialist. Call the Attorney General's Consumer Protection Division at 1-877-765-8388 to see if complaints have been filed against the company.
- Be suspicious if the company does not have a store, showroom, or office you can visit.
- Consult your proper medical authorities to verify when equipment is lauded as a "breakthrough" answer to a common ailment.

- Beware of companies that promote themselves as representatives of Medicare, or send literature having Medicare emblems, leading you to believe Medicare endorses their product or service. Medicare does not solicit by telephone or mail and does not authorize anyone to do so. Medicare does not supply equipment, recommend specific suppliers, or provide beneficiary names to suppliers.

- If the medical equipment is something that needs to be installed in the home, call the Bureau of Commercial Services at 1-517-373-8376, to see if the company is licensed.

The Michigan Wheelchair Law

if you buy or lease a wheelchair, you are protected by the Michigan Wheelchair Law, MCL 445.1081. This law requires the manufacturer of a wheelchair to give the consumer an express warranty, covering everything except the wheelchair's tires and batteries (if applicable) for at least one year for new wheelchairs or 60 days for used, refurbished, or reconditioned wheelchairs. If you report a problem with the wheelchair within that year, the manufacturer must pay to fix the problem, replace the wheelchair, or give you a refund.



Miracle Cures

Several Michigan consumers who had life-threatening illnesses bought a product that was marketed as a "miracle cure" in radio commercials and on the Internet. The treatments cost thousands of dollars and did not appear to help anyone.

According to the Federal Trade Commission, consumers waste billions of dollars on unproven, sometimes useless health care treatments. As a group, older people have more chronic illnesses than younger people and they are more often targets for fraud. Unfortunately, the "cure" is often useless. The victims who fall prey to the scam waste their money, endure painful treatments, and may even forgo traditional medicine that might be able to help them. They can also hinder senior citizens from pursuing valid and needed medical treatments in a timely fashion.

Be skeptical if a product is advertised with these kinds of claims:

- It's a "scientific breakthrough" or has a new, secret ingredient that can cure a wide range of ailments;
- The promoter claims the medical establishment or the government has a conspiracy to suppress the product;
- The promoter uses "testimonials" from people who say they experienced amazing results using the product;
- "Natural" or "herbal" does not equal "safe." Many herbal ingredients are toxic in certain doses, cause allergic reactions, or react with prescription or over-the-counter medications.

If you have a serious illness or condition, the best advice is to always see a doctor. Discuss any products you are considering taking with your doctor. Be suspicious of taking health advice from an advertisement or stranger.

For more information:

Because there is no cure for arthritis, there are many false arthritis cures and remedies. The Arthritis Foundation says that arthritis should be monitored by a doctor because the condition can worsen if it is not properly treated. For a free brochure about unproven remedies, call the Arthritis Foundation toll-free at 1-800-283-7800.

In addition, the Federal Trade Commission (FTC) has created a website which provides helpful information on health care products and services. The website also includes information about common health care-related scams, including Medicare and Medicare Part D Scams, miracle cures, and prescription assistance programs. For more information, please visit the FTC's "Who Cares?" website, at www.ftc.gov/whocares.

4. Wise Charitable Giving

Esther received a phone call from a charity that had a name similar to a national cystic fibrosis organization. Touched by the thought of helping children, she agreed to make a donation. Later, she saw a news report that the organization was not the charity she thought it was, but a scam operation.

The generosity of seniors makes them a favorite target of charity scams. To make the best use of your charitable dollars, always follow these rules:

- Never agree to give money over the phone. Never give credit card or other personal information to a telephone solicitor. If the charity is unfamiliar, ask the caller to send written information about the charity and its work, and read it before making your decision. If someone asking for your donation won't agree give you information until after you have contributed, don't contribute - you should never have to make a pledge to have more information sent to you.

- Call the Michigan Attorney General's Office, Charitable Trust Section at 1-517-373-1152, or visit the Attorney General's website at www.michigan.gov/agcharities to find out if the charity is registered in Michigan, as required. Because not all charities are required to be registered, call our office if the organization is not listed.

- The Attorney General's Charitable Trust Section can tell you what percentage of your donation is used for the organization's charitable mission. While most charities pay outside companies to solicit donations over the phone, in person, or by mail, a few charities permit professional fund-raisers to keep a substantial portion of donors' money - as much as 90% of donations - as their fee. Investigate before you give!

Remember to **BEWARE** when you are asked to donate to a charity and encounter any of these warning signs:

Bills or invoices sent to you even though you never pledged money to the organization.

Evasive, vague, or unresponsive answers to specific questions about the charity and how money is used.

Words making up a charity's name that closely resemble a more well-known charity.

Allowing no time to reconsider your pledge; they insist on collecting your donation immediately.

Refusal to answer questions about where your money will go, refusal to send information about the charity, or refusal to provide a receipt.

Emotional appeals and high-pressure tactics to get you to make a quick decision or feel guilty about not contributing.

B E W A R E

