

## WELL-BEING AND BEING SAFE: FINDING A BALANCE

**Notice:** Published in *Alzheimer's Care Today*, Sept. 2007, Vol. 8, No. 3; pp 265-277. Copyright 2007 Wolters Kluwer Health/Lippincott Williams & Wilkins. Reprinted with permission for the benefit of participants in the FTC Fraud Forum, Washington, DC, February 2009. Further reproduction and distribution without the publisher's permission is prohibited.

# Fraud, Vulnerability, and Aging

## Case Studies

BY VIRGINIA H. TEMPLETON, MD, AND DAVID N. KIRKMAN, JD

Defrauding older consumers has become a multi-billion dollar industry. Employing the latest in communication and funds transfer technologies, organized fraud groups now spot vulnerable older adults and exploit them from several continents away. In this article, a geriatrician and a consumer fraud prosecutor from North Carolina describe the vulnerabilities of victims they have encountered and the techniques by which the fraud groups exploit those vulnerabilities repeatedly. One technique, "reloading," sometimes costs victims their homes or their life's savings. Readers also will learn the tell-tale signs of repeat victimization plus techniques for addressing the problem. Brief cases histories illustrate the authors' comments.

**Key words:** elder fraud, reloading, repeat victimization scams, "super victims"

For centuries, certain individuals have been willing to exploit the age-related vulnerabilities of older adults and steal their life's savings. Traditionally, these criminals have interacted with their victims face-to-face. This exploitation problem has become severe in recent years. The generation that overcame the Great Depression, won World War II and the Cold War, ended segregation, and introduced us to so many new forms of music, technology and medical treatment now is being preyed upon by a sophisticated multi-billion dollar "elder fraud" industry. Thanks to the technologies developed by the generation upon which they prey, these criminals need not defraud their victims face-to-face. From several continents away, they can identify vulnerable seniors, contact them, and induce them to part with their savings.

In this article, a geriatrician and a consumer protection enforcement attorney from North Carolina describe this fraud industry, the vulnerabilities of its victims and the techniques the scammers have devised to exploit those

vulnerabilities. The information they share was compiled from fraud incidents and prosecutions in North Carolina. Specific victimizations are illustrated in case history boxes that appear throughout the article. Some of the victims discussed in this article were encountered by both authors in their day-to-day professional endeavors. The incidents described are not unique to North Carolina. Many of the same fraud groups prey upon older adults throughout the world.

The worst of this fraud industry's crimes involve repeat victimization of the same vulnerable consumer. Examples of these frauds are listed in Box 1.\* To illustrate

\*A much longer list compiled by the North Carolina Attorney General and entitled "Frauds, Scams and Questionable Business Practices Currently Targeting Our Seniors" is available at [http://www.ncdoj.com/seniors/ifs\\_senior\\_scams.jsp](http://www.ncdoj.com/seniors/ifs_senior_scams.jsp).



**BOX 1.****Repeat Victimization Scams  
Targeting Seniors**

- Sweetheart Scams
- Power of Attorney Abuses
- Counterfeit Checks
- Nigerian Money
- Transfer Scams
- Overseas Sweepstakes
- Overseas Lotteries
- Phony Charities
- Telephone Psychics
- Home Repair
- Identity Theft
- Estate Planning Scams
- Internet Fraud
- Clergy Scams
- Overseas Payment Agent

the scammers' techniques and the victims' vulnerabilities, this article focuses upon 2 cross-border scams (contest awards and trapped funds) and 1 domestic scam (home repair). It is hoped that this article will better equip readers to

1. recognize the telltale signs that an older client, relative or friend is being exploited or is about to be exploited;
2. understand what the criminals behind the scams are looking for and what they are likely to attempt next;
3. understand age-related changes being experienced by the victims and exploited by the criminals, and
4. take steps to get vulnerable older adult out of harm's way.

**MEMORY, AGING, AND DEMENTIA**

Some may dismiss elder fraud incidents as evidence that older adults are less capable than they were in their younger years, but such an assumption would be inaccurate. It is true that older adults often are targeted by scammers and are frequently victimized. Approximately once a week, the North Carolina Attorney General learns of an older consumer who has lost more than \$10,000 through a series of telemarketing cons. His staff refers to them as "super victims." Every 6 or 7 weeks, they encounter another super victim who has lost in excess of \$100,000. Such victims are, overwhelmingly, retired professionals whose sharp memories, executive decision-making skills and financial sophistication enabled them to amass such nest-eggs in the first place. The question thus becomes, what is behind their decisions to engage in these scandalous transactions, and who among the older adults is particularly at risk? To address this question, it may help to

discuss changes in thinking that happen with normal aging and changes that happen with early dementia.

With normal aging, the brain processes information at a measurably slower rate but the overall mechanism of making memories is intact. Each step of making a memory—putting information into the brain, storing it into long-term memory, and recalling it—requires more focus than in younger years and takes longer to accomplish. Older adults are more easily distracted, which can lengthen the memory-making process. This change in pace may increase susceptibility to errors in judgment, especially those judgments requiring quick decisions. But with concentration older adults *can* learn new information and grow in intelligence until they die. They can also learn from mistakes they make. In someone with a memory disorder, this process is disrupted and the person becomes significantly more vulnerable to the techniques of scammers. With decreased ability to learn from mistakes, the risk of becoming a "super victim" is greatly increased.

Dementia is defined as progressive memory loss significant enough to impair functional skills such as shopping for groceries, organizing meals, managing finances, taking medications, driving, or other activities. Memory loss is a cardinal feature of dementia, but judgment, reasoning, decision-making skills, ability to learn new information, orientation, and other skills are also affected. At early stages, changes in memory and thinking can be quite subtle, making it a challenge to distinguish a true memory disorder from the slowing seen with normal aging. Even with a medical evaluation by specially trained staff, an accurate diagnosis is difficult, particularly at the early stages. Many people with memory disorders are genuinely not aware that they have a problem, so they are unable to give their physicians information needed to make a diagnosis. And because of privacy laws and a cultural emphasis on autonomy and independence, information from other sources that could help the diagnostic process is at times unavailable or limited.

Dementia is *not* a normal part of aging. But age is among the greatest risk factors for developing a memory disorder. The risk of developing Alzheimer's disease increases significantly with each decade of life with close to 50% of those older than 85 showing signs of the disease<sup>1</sup>; in North Carolina, the Alzheimer's Association estimates that 132,329 residents have Alzheimer's disease.\* This

\*Alzheimer's Association information sheet, *Incidence of Alzheimer's Disease Using 2000 Census Figures*. Based on US Census Bureau's PPL-47 Report projections using East Boston Studies percentages.



*under* states the total number of dementia cases as Alzheimer's disease is only one of many different types of dementia. Alzheimer's disease is the most common and well known of the disorders (~60%) but there is also vascular dementia, Lewy Body disease, fronto-temporal disease, and many others.

Experience teaches us that those with mild dementia tend to be the most vulnerable (Box 2). During the transition from normal aging to having a diagnosable memory disorder, there is a period of time when no one yet knows the person needs help. When cognitive changes are subtle, even with the knowledge that a loved one is falling for scams, families often struggle to know when it is time to intervene. Many with mild dementia still have advanced cognitive skills that enable them to manage higher level interactions (such as overseas money wires) that can mask the underlying illness and ultimately increase their losses.

Even when they possess a clear understanding that there is a cognitive problem, many families hesitate to become involved in an elder's financial affairs. This may be out of deference to the person, respect for their privacy and independence, reluctance to take on the responsibility, avoidance of the issue, or other reasons. Stepping in means acknowledging there may be cognitive impairment, which can be difficult for family members and is often resented by the person. The cost of intervention to relationships can be very real and for some not worth the price. Clarifying a high functioning person's capacity to manage his or her own business affairs can be extremely difficult to accomplish. But if the person resists involvement of others in his or her affairs and is repeatedly falling victim to fraudulent claims, the question of capacity becomes an important issue to address. For some families, preventing victimization is a priority long before there is a problem; for others, it is discovering the repeat victimization to scams that makes the necessity of intervention clear.

## BOX 2.

### Vulnerabilities With Aging

- Children grown—fewer financial responsibilities
- Financial liquidity—easy access
- Limited income—looking for a break
- Loneliness/isolation
- Age itself
- Medications/medication cycles
- Chronic illness
- Physical frailty
- Depression
- Risk of cognitive impairment

When asked why “super victims” fall for the same scams repeatedly, there are several possibilities. They may forget what happened. They may remember what happened but think it could never happen again. They could realize it might happen again but enjoyed the interaction enough to be willing to suffer the consequences even though they could lose their home or be unable to pay for food, medications, or other. They may also feel sorry for the scammers and believe the scammer needs the money more than they do. The isolation many experience with aging (from retiring to new communities, living far from family, loss of spouse and friends, and more), may contribute to a willingness to entertain conversation with the strangers and increase the chance of falling for a scam. In these cases, it is not just memory loss but changes in judgment and reasoning skills that increase vulnerability. At times, it is the repeated participation in such interactions and inability to learn from the mistakes that helps make a diagnosis of dementia.

No two people are alike in how they express the disease of dementia, but the potential safety concerns are present for all. Involvement of family or trusted individuals throughout the aging process can minimize the potential dangers by facilitating a means for those involved to know when help is needed. Knowing when to intervene is a much-needed start for improving a person with dementia's safety. But because dementia is a progressive illness with no cure, the expectation is that the need for help will increase and become more pronounced over time. With support, many with dementia can remain safely in their homes for the majority of their lives. Without such involvement and support, independence is often compromised much sooner (Box 3).

## A MULTI-BILLION DOLLAR FRAUD INDUSTRY

The federal government has determined that fraudulent telemarketers alone rake in more than \$40 billion each year.<sup>2</sup> Studies have shown that most of the money lost to telemarketing fraud is lost by seniors.<sup>3,4</sup> For other forms of elder fraud, statistics are harder to come by, as such crimes are very much underreported.<sup>5</sup> In North Carolina, the statistics on home repair fraud can be considered only partial, yet they are disturbing. During the 1990s, a home repair fraud ring based in the Rocky Mount, NC, area plagued elderly consumers from the mountains to the coast and all the way up to northern Virginia. It collected as much as a quarter of a million dollars from some elderly victims. It employed up to 150 workers. Each week it sent as many as



**BOX 3.****Case 1: MW: Retired Librarian**

- 88-year-old retired librarian. Widow. No children. Has a niece she sees once a month
- MW asked niece to check her bank stubs one day. Niece found she
  - was 10 days from foreclosure on her house.
  - had spent her entire life savings.
  - had tapped out her overdraft protection of \$10K.
  - had maxed-out on 3 different credit cards.
- After obtaining power of attorney, niece found MW
  - was sending money to more than 90 psychics and sweepstakes.
  - had applied for more credit cards.
  - did not understand this was a problem.
- MW asked her to please pay the psychics because “they are my friends.”

5 crews to cities like Charlotte, Raleigh, Fayetteville, and Richmond (VA), with individual crews scamming seniors in several other communities. According to Special Agent in Charge, Karen Nensiel, Director of the Financial Crimes Section of the North Carolina State Bureau of Investigations, more than 400 felony convictions have been entered against members of that home repair fraud ring since 1998. Those convictions represent only a fraction of the fraud incidents perpetrated by that group. Better known and much larger itinerant home repair groups continue to victimize elderly home owners throughout the nation.

With overseas money transfer schemes, sometimes referred to as “trapped funds” or “Nigerian 419” schemes, the data on victimizations are even more difficult to come by. The North Carolina Attorney General seldom encounters victims willing to admit that they were defrauded in these transactions. When he does learn about them, he notices that those with losses in excess of \$10,000 tend to be older consumers in their seventies and eighties. One such victim is a retired manager for an international construction firm who has lost over \$200,000. He made so many wire transfers to Nigeria and other countries that the banks and wire service companies, recognizing that he was being defrauded, refused to transfer funds for him anymore. In response to those steps, he hired former employees to wire his funds in their names.

The increasing life expectancies and financial resources of older adults appear to have created a burgeoning num-

ber of targets for these criminals and a substantial pool of wealth to be stolen. Other societal trends may be contributing to the problem, such as our mobile national work force and the fact that more elderly citizens are spending their final years far from their children and grandchildren. In addition, the perpetrators of many of these frauds have become more organized and scientific in the ways they target and exploit vulnerable seniors. The same can be said about their techniques for collecting victims' funds and avoiding detection and prosecution.

### THE EXCITING OR ALARMING ANNOUNCEMENT

Older adults are not the only consumers whom fraud artists target successfully. Younger consumers fall for a wide array of scams and frauds. The scammers push certain emotional hot buttons to make consumers suspend their natural skepticism and buy into the questionable scheme. In doing so, they exploit feelings of personal desperation (eg, baldness cures, diet pills, loan scams), instinctive appreciation for good deals or windfalls (eg, “Free,” “50% off,” and “You have won!”), fear (certain fire or burglar alarm systems), or personal animosities (eg, offshore investment scams touted as ways to defeat the hated tax man).

In cases wherein elderly victims are defrauded repeatedly and systematically, these same hot buttons are employed over and over, often to the point that one might wonder why the victims keep falling for it. While interviewing victims and perpetrators of home repair and telemarketing fraud during the 1990s, state and federal agents from Virginia and North Carolina quickly learned that an exciting or alarming statement was the con artists' most important tool. The criminals stated that greatly alarming or exciting the victims knocked them off balance emotionally. By putting them in such a state, the scammers taxed their victims' decision-making skills, made them less skeptical, and rendered them more amenable to suggestions and directions.

For the home repair con artists, the initial alarming statement typically was 1 of 2 things: “Your roof is so rotten that my leg went right through it!” or “Your chimney is about to come lose and collapse onto your neighbor's property!” To punctuate the statement and give the matter even more urgency, the scammers liked to add, “There is a building inspector in the neighborhood right now who might condemn the house if it is not fixed right away” (Box 4).

Cross-border phone fraud groups begin their conversations with, “Congratulations! You have won!” As soon as the



**BOX 4.****Case 2: Retired Executive of Top-10 Corporation**

- 80-year-old retired executive of a multinational company
- Married; avid golfer; appears very sharp; "high functioning"; and self-assured
- Wired \$135K overseas thinking he had won an international lottery; more than 20 money transfers in 7 months
- Sent additional \$15K in cash via FedEx after banks and wire transfer companies cut him off
- Ignored all advice from family, CPA, an Assistant Attorney General, and an FBI agent and demanded they prove to him each caller was a crook
- Kept sending money
- Trained fraud victim assistance volunteer assigned. Helped him look for signs of fraud rather than signs the callers were legitimate
- Transfers stopped

victim wires money to Canada or Jamaica or some other country (to pay required taxes on the award in accordance with the scammer's instructions), the scammers call back again and again with similar exciting comments followed by directives to wire more money somewhere else. The first follow-up call may be from one of the scammers posing as a US Customs Officer: "I have your package containing a \$250,000 check here in my warehouse, which I can release to you once you wire \$25,000 to cover the customs duties"\* The second follow-up call might be from a phony FedEx, DHL, or UPS official with news that is exciting and alarming at the same time: the prize package is on one of their trucks but it must be returned to the overseas sweepstakes or lottery company unless additional thousands of dollars are wired immediately to cover insurance premiums securing the delivery.

With Nigerian 419 and other overseas money transfer scams, the initial exciting message is that the consumer can receive one quarter of a large sum of money, typically \$10 million to \$25 million. The callers or e-mail correspondents claim that the funds are trapped in another

\*A recording of such a call from a Canadian phone fraud artist posing as a US Customs officer in New York and urging a North Carolina man to wire money to a Montreal customs agent to cover duties on the award can be heard by calling the North Carolina Attorney General's consumer information line, 919-716-6001, and selecting option #3. The recording lasts approximately 18 minutes.

country by corrupt officials. All the consumer has to do is let the sender of the exciting e-mail or letter utilize the consumer's bank account to get the funds into the United States. Recent versions of these scams feature disturbing representations about the sender of the message being targeted for persecution by the corrupt officials because he or she is a practicing Christian or a Western property owner in a country where neither is in favor.

**CULTIVATING AFFECTIONS:  
SELLING THE FANTASY**

Cultivating the affections and trust of their older victims is an important technique of the scammers, as one might guess. In the North Carolina and Virginia home repair fraud cases mentioned above, state and federal officials were quite startled by the victims' affections for and loyalty to their victimizers. One of the few exceptions to that trend was a blind, 92-year-old retired Army Colonel named Vachel Watley. He lost more than \$227,000 to the fraud ring in 1994 and 1995. He conceded to one of the coauthors that he had been defrauded and wanted to help with the prosecution. The morning after Hurricane Fran devastated his Raleigh neighborhood in 1996, however, the first people he sought out for help were not the honest contractors who were addressing the scammers' bogus repairs. He contacted the scammers themselves. They took him for another \$22,000.

Also important to the fraud artists is developing and reinforcing certain powerful images in the minds of their victims. For the lottery and sweepstakes scammers, the image is that of a large sum of prize money making its way slowly to the victim's doorstep from overseas but encountering roadblocks and impediments along the way. The overseas money transfer scammers cultivate the same imagery (eg, "Sir, the money is in London's Heathrow Airport but a corrupt customs agent there is demanding \$10,000 before he releases the money to your bank ...") For the home repair con artists, it is the image of a home badly needing and receiving repairs so its occupant might continue living there and pass it onto his or her children. The excited or alarming statements, however, kick off most frauds and are injected again and again to keep the series of scams going (Box 5).

**COUNTERFEIT CHECKS—A NEW AND  
EFFECTIVE TOOL**

Those who defraud older consumers from outside the country have discovered a powerful new tool: the counterfeit



**BOX 5.****Case 3: "Buddy"**

- 70-year-old divorced male with longstanding bipolar disorder that has been controlled for years with medications: no current psychiatrist
- Estranged daughter now involved in care, designated as power of attorney and willing to participate
- Followed in Memory Clinic for one full year; found to be stable; no diagnosis of dementia given
- Lost \$125,000 in phony overseas sweepstakes. Refused to listen to daughter, lawyer, or local police
- Became famous among scammers who used his name when calling other victims
- Diagnosed with dementia 1 year later based on his dealings with lottery scams—still scored well on testing

check. In recent years, older consumers have taken to heart repeated warnings never to send money to receive a prize or award. The criminals have countered these warnings by sending seniors checks that bear the names, logos, and account numbers of legitimate companies or banks. They remind their intended victims that it is, in fact, illegal for any sweepstakes company to require an upfront payment before releasing an award. They claim that the check represents an advance on the sweepstakes or lottery prize, an advance that is meant to cover taxes, insurance premiums, or customs duties on the award.

The checks are counterfeit, but the consumers' banks seldom spot the fraud until harm has been done. As for the targets of these scams, there could not be a more effective "excited utterance" than an unexpected check for thousands of dollars combined with the promise that 100 times that amount is on its way. Between the time that the check is first delivered and the bank learns that it is counterfeit, the fraud artists will have contacted the elderly person, given directives to deposit the check immediately, and repeatedly had him or her to use the proceeds of the check to wire funds overseas to cover taxes, insurance premiums, administrative fees, etc.

Nigerian 419 money transfer fraud rings now employ the counterfeit check tool as well. They tell their target to deposit the check, then immediately wire the proceeds of the check overseas to cover taxes, fees, duties, or even bribes that must be addressed before millions in funds can be transferred into the target's US bank account.

The problems created by these counterfeit checks became so acute last year that many North Carolina banks

and credit unions began posting in their lobbies and on tellers' counters special FBI posters warning about such frauds. Anecdotal information coming to the North Carolina Attorney General from members of the banking community indicates that the excitement generated by these checks and the verbal and written representations by the criminals easily counteract the effectiveness of the FBI posters and the personal pleas by bank employees.

**RELOADS AND RECOVERY SCAMS**

*It appears that one of the surest ways to become a personal fraud victim is to have been a victim.*

—Richard M. Titus, PhD<sup>6</sup>

The staff of the North Carolina Attorney General knows of one victim of telemarketing fraud in the state who tried to wire \$250,000 to Canadian con artists in a single transaction. Reports of that kind of telemarketing scam remain quite rare. What the Attorney General and his law enforcement colleagues throughout North America usually observe is that elderly super victims of fraud lose their funds in a long series of transactions. The fraud artists accomplish this through a technique they call "reloading." Examples of this are the follow-up phone calls from the phony Customs agents or FedEx officials described above.

Each scam in the series sets up the next. When directing the victims to wire money overseas to pay taxes on the award, the scammer may mention "other expenses" that might arise before the prize is delivered, such as customs duties or insurance fees. Later in the series of scams, when the victim expresses skepticism or claims to be out of funds, the criminals shift tactics and exploit the victim's anxiety over having lost so much money already. The ensuing reloads are called recovery scams. In reloading the victim for yet another round of fraud, the scammers may claim to be foreign lawyers or law enforcement officials who have shut down the fraudulent operation and recovered the victim's money and prizes. They state that all the victim needs to do to recover his or her lost payments and undelivered prizes is to pay the taxes on the prizes, duties on the check, retainer fees for the phony lawyer, insurance on the delivery of the prize, etc. The North Carolina Attorney General's Office has encountered desperate victims who mortgaged their homes to make these requested payments.

*I didn't want the one-time (victim), I didn't want the two-timer. I wanted to sell these people 10 times!<sup>7</sup>*

—Interview quote from a telemarketing con artist



In home repair fraud transactions, the scammers reload by asking to visit another part of the home to determine whether additional repairs are needed. They repeatedly invoke the specter of water intrusion and water damage. They will ask to visit the attic to determine whether the same water seepage that necessitated a new roof has damaged the rafters and the roof trusses inside the attic. As they emerge from the attic, they lie to the home owner about the rafters and trusses needing extensive bracing and, thereby, gain permission to start another expensive and unneeded project. Later, after invoking the specter of possible water damage yet again, they visit basements and other parts of the house, returning with warnings about other needed repairs.

Home repair scammers, like fraudulent telemarketers, execute recovery scams. Typically they are initiated via the Inspector Scam, wherein a member of the fraud group never seen by the victim arrives and says that the earlier repairs were done incorrectly and could result in the house being condemned if not redone immediately. Then other members of the fraud ring show up and perform the same unnecessary repairs all over again.

The story, above, about the supposed customs official in London's Heathrow Airport is just one example of the many "reload" ploys executed by the Nigerian 419 fraud groups. In 2005, the staff of the North Carolina Attorney General encountered citizens to whom these scammers represented themselves as officials with the Department of Homeland Security. Attempting a new form of reload scam, the bogus officials told them that the funds were sequestered in a special Treasury Department account in Washington, DC, that the funds' origins appeared unusual, and that a special audit needed to be conducted to ensure that they did not represent the proceeds of drug trafficking or fundraising for terrorists. Then they informed their victims that they had to pay the costs of the special audit themselves if they wanted the funds released, otherwise it would be sent back to the country of origin. The costs had to be wired to Washington, DC, immediately. Making this ploy even more believable was the ability of the overseas scammers to "spoof" phony caller ID displays on the victims' phone sets. It read "Dept. of Homeland Security" and gave a Washington, DC area code, 202 (Box 6).

### **"SIR, YOU FORGOT TO PAY ME"**

Another technique common to these 3 types of fraud involves a false claim that the older victim promised to wire money or write a check yet failed to do so. There may have

## **BOX 6.**

### **Case 4: The Florida-Mountains Resident**

- 82-year-old part-time resident of NC mountains with background in finance; very bright; lives alone; resides half the year in Florida.
- Lost \$110K to overseas sweepstakes and lottery scammers; poised to wire \$30K more but bank convinced her to call state Attorney General first
- She told scammers the Assistant Attorney General had convinced her they were frauds; they called her back and convinced her they were the Assistant Attorney General and told her to "Go ahead and wire the money!"
- Real Assistant Attorney General then called; convinced her again not to send money
- Local fraud victim assistance volunteer placed with her that same day
- Transfers ceased

never been such a promise at all, or the requested payment might have been made the day before. Nevertheless, the victim promptly writes a check to the criminals or wires them money. Sometimes, the victims are simply frightened into doing this, such as when a large, angry man is standing at the front door complaining that he was not paid for repair work. This may be the first time the man has set a foot on the property, yet he walks away with a check. On other occasions, victims will wire the money or write the check without being confronted in an angry or intimidating manner at all. They know they are having trouble with failing memories. Often, they assume that the pending request for payment represents another embarrassing episode of forgetfulness.

## **TARGETING TECHNIQUES OF THE CRIMINALS**

The perpetrators of these 3 types of fraud employ an assortment of techniques to locate vulnerable older adults. Most sophisticated are those employed by the overseas sweepstakes and lottery scammers. Via the Internet, they obtain lists of potential targets from US-based list brokers. These brokers have compiled the names, phone numbers, and addresses of seniors who responded to sweepstakes or contest entries sent to them in the mail. Mass-mail facilities, many of which are owned by the list brokers themselves, send hundreds of thousands of these



mailings to seniors here and abroad each month. If an older adult responds to the contest or sweepstakes mailing by returning the accompanying claim form, he or she will be contacted by a phone fraud artist claiming to be with that contest or sweepstakes company. The call may be placed as quickly as 3 days after the older adult drops the claim form in the mail.

Less efficient, yet quite effective, is the overseas money transfer con artists' main technique for locating vulnerable older adults. Many consumers in their late seventies and eighties now have e-mail accounts. The scammers purchase CDs containing thousands upon thousands of random e-mail addresses, load them into their computers, and blast out their Request for Assistance e-mails to strangers around the globe. To most people, these "spam" e-mail messages are an annoyance. Vulnerable older adults, however, often provide the 1 response out of 50,000 e-mail messages that makes the fraud scheme so lucrative (Box 7).

Home repair fraud rings physically prowl for victims the old-fashioned way. An FBI informant working inside the North Carolina home repair fraud ring told officials that they drove around looking for older homes in established neighborhoods, homes where elderly persons might live. They considered aluminum awnings over windows and Astroturf on the front steps (a common slip-and-fall prevention measure) to be good indicators that a very elderly person resided in a particular home. An older car out front with a handicapped placard was something they looked for, as well. Members of this fraud ring did not eschew other forms of research. They often were found with city directories in their trucks. These were reverse look-up phone directories that allowed one to see the names of each telephone subscriber at a specific ad-

dress on a given street, together with the number of years an occupant had possessed that phone number. They would knock on the doors of addresses listed with names that people age 70 or younger seldom possessed. They would knock on certain doors if the city directory reflected telephone service at that number for several decades. And, of course, if they spotted an elderly home owner in the yard, they would approach.

### SOME TRAITS AND BEHAVIORS OF "SUPER VICTIMS"

In the course of investigating and prosecuting the crimes described above, North Carolina law enforcement officials have encountered certain patterns among the repeat victims. These patterns include the following:

- Victims tend to be bright, accomplished and capable of conducting their day-to-day affairs without assistance.
- Victims tend to be in their late 70s or older.
- Victims often live alone.
- Victims are familiar with warnings about con artists who might prey upon the elderly.
- Victims might acknowledge being scammed in earlier incidents, yet succumb to a similar fraud later that same day.
- Victims often are quite secretive about their transactions.
- Victims might promise to call law enforcement officials if the scammers contact them again, yet they fail to do so.
- Many victims neglect their family, church or community activities as they await another call or visit from the con artists.
- Most repeat home repair fraud victims are quite fond of their victimizers and resistant suggestions that they have been cheated.
- In the middle and latter stages of a series of scams, many victims respond as if by rote when directed to wire more money overseas or to pay for another home repair.
- Most victims are worried about the adequacy of their savings or their abilities to remain in their own homes.
- Repeat victims of phone fraud or home repair fraud often are victims of the other forms of elder fraud.
- Victims worry about their adult children's reactions to the transactions and seem primed to believe that warnings about their victimizers from children or law enforcement are motivated by the latter's greed or officiousness.
- Victims seldom complain to law enforcement about being defrauded; reports often are submitted by others who spot the signs of fraud.

#### BOX 7.

##### Case 5: "Mrs. D"

- In her early eighties
- No support network—left church; no family nearby
- Repeat sweepstakes fraud victim; aware of it
- Attorney General investigator intercepted and returned a \$10K check she had written to the scammers; made her promise to call him before sending money again
- "Oh, I've learned my lesson!"
- Called investigator the following morning: "I think I made another mistake last night...."



- Repeat victims tend to receive enormous numbers of pitches for lotteries, sweepstakes, and other contests in the mail; these mailings are openly displayed in their homes.
- Cross-border fraud victims make repeated visits to MoneyGram or Western Union wire transfer counters at their local grocery store.
- Home repair fraud victims often have the same trucks and vans parked in front of their homes; the "tradesmen" who own those vehicles often drive off when the home owner has a visitor.
- In a strategy, they often refer to as "blocking the exits," the scammers frequently persuade victims that it is a bad idea to mention the transactions to anyone. For example:
  - Telling friends about the pending arrival of a big prize check could cause one to be robbed while taking the check to the bank.
  - Telling local officials about home repairs could cause them to send the building inspector out, and he might condemn the house before it is fixed.
  - Telling family members about the transactions might cause them to take the checkbook away.
  - Asking a consumer protection agency about the company could cause the agency to seize the check before it is delivered to ensure payment of state taxes.

■ ■ ■

*The North Carolina  
Division of Aging and  
the North Carolina  
Attorney General  
secured a 2-year  
Governor's Crime  
Commission grant to  
train and place special  
volunteers with elderly  
repeat victims of  
telemarketing fraud  
last year. The grant is  
funded through the  
federal Victims of  
Crime Act.<sup>8</sup>*

■ ■ ■

Canada using the Western Union system, approximately 1 transfer out of 3 was induced by fraud, usually telemarketing fraud. Almost 60 cents on every dollar of those person-to-person wire transfers went to fraud artists, according to the survey results. At the time when the transfers were made to Canada, a large segment of the telemarketing fraud industry was based there.

In November of 2005, Western Union, 46 states, and the District of Columbia executed an agreement to address this cross-border fraud problem. The company introduced clear and prominent fraud warnings on its send forms. It enhanced training for its agents, so they can better spot the tell-tale signs that elderly and other consumers may be transferring money to fraud artists. It shares information on fraud incidents with state authorities and cuts off transfers to problematic locations and recipients. It is funding an \$8.2 million AARP Foundation fraud prevention program aimed at vulnerable seniors, including seniors whose names have been found on the criminals' target lists. The agreement allows an Attorney General to ask Western Union to block future money transfers by an elderly fraud victim residing in his or her state.

The overseas con artists have learned how to debit their victims' bank accounts through the services of US-based third party payment processors. The processors can place Automated Clearing House (ACH) electronic debits against those accounts or they can present bank drafts that resemble personal checks and contain the words "payment authorized by depositor" rather than a customer's signature. To place these debits, all they need is the victim's contact information and bank account numbers. Many of the contest mailings mentioned above request that the recipient return their entry form with a check for processing fees, usually in a small amount such as \$12. The checks defray the costs of the mailings. They also contain the transit numbers and other information needed to initiate a fraudulent ACH debit or bank draft for a much larger sum of money.

Banks and federal bank regulators have moved to reduce these abuses of the banking system. The bank trade

#### **PAYMENT COLLECTION TECHNIQUES— NEW AVENUES TO PROTECT VICTIMS**

In recent months, there have been important developments in the fight to separate overseas con artists from their elderly victims and their funds. Directing an elderly target to wire money overseas from the Western Union or MoneyGram counter at their local grocery store has been a favored ploy of the scammers for the past decade. A survey conducted by the Attorneys General of North Carolina and 6 other states in 2003 showed that for person-to-person transfers over \$300 to the 4 largest provinces in



association that regulates ACH debits, the National Automated Clearing House Association, adopted rules to prevent the use of ACH debits in most outbound telemarketing transactions and to make it easier for consumers' banks to recourse unauthorized debits to the merchant banks or payment processors for the scam artists.\* In 2006, the Federal Reserve Board of Governors adopted amendments to its Regulation CC, amendments making it easier for a consumer's bank to recourse unauthorized or fraudulent paper demand drafts to the scammers' payment processing agents or their merchant banks. These developments mean that victims, their families and law enforcement officials now have better opportunities to undo these damaging debits.

#### **NORTH CAROLINA'S SENIOR FRAUD VICTIMS ASSISTANCE PROJECT**

The North Carolina Division of Aging and the North Carolina Attorney General secured a 2-year Governor's Crime Commission grant to train and place special volunteers with elderly repeat victims of telemarketing fraud last year. The grant is funded through the federal Victims of Crime Act.<sup>8</sup> The volunteers' responsibilities are as follows:

1. Become friends with the victims and counteract the false friendship that the scammers employ.
2. Help victims to recognize the telltale signs that a pitch may be fraudulent rather than looking for the signs (created by the scammers themselves) that the pitch may be legitimate.<sup>†</sup>
3. Help victims to change bank accounts and phone numbers, thereby severing important links with the scammers.

\*Operating Rules of the National Automated Clearing House Association, Art. 14, Subsection 1.57 ("Tel" entry).

<sup>†</sup>For more on the failure of certain seniors to recognize the warning signs that a pitch is fraudulent, see American Association of Retired Persons 1996 study, *Telemarketing Fraud and Older Americans: an AARP Study*, conducted by Princeton Survey Research Associates.

4. Help victims to obtain charge-backs on unauthorized bank debits or to reverse wire transfers that have not been picked up by the scam artists.
5. Place victims' phone numbers in the national Do Not Call Registry and their mailing addresses in the Direct Marketing Association's Do Not Mail Registry; impress upon victims that marketers who contact them are not honoring those registries and should not be trusted.
6. Spot other frauds and scams that might be occurring and report them to authorities.

This program, still in its early stages, has produced some promising results. Of the 9 victims who have been assigned volunteers since the initiation of the program, only 1 has been revictimized by telemarketing con artists. In one instance, a volunteer was placed with an 80-year-old retired executive of a Top-10 corporation. He had wired more than \$130,000 to overseas scammers who had convinced him he had won millions in a sweepstakes contest. His wire transfer attempts eventually were blocked by the banks and wire transfer companies, so he resorted to sending bundles of cash to the scammers via overnight courier. Visits from an FBI

agent and one of the authors of this article could not dissuade him from engaging in such transactions. As soon as a Victims' Assistance Volunteer began working with him last summer, the transactions ceased (see Case 2 in Box 4; see also Case 4 in Box 6).

#### **CONCLUSION**

Like most people, older consumers tend to learn from their experiences once they have been scammed. They do not engage in similar transactions again. With elderly repeat victims of fraud, however, the opposite appears to be the case. The fraud industry has learned how to spot older consumers whose judgment, memory or executive decision-making skills might be impaired. They have developed and refined their techniques for exploiting those impairments. Most of the repeat victims of fraud encountered by the authors of this article were victimized well before they were evaluated by a doctor and found to have such

■ ■ ■  
*The fraud industry has learned how to spot older consumers whose judgment, memory or executive decision-making skills might be impaired. They have developed and refined their techniques for exploiting those impairments.*  
 ■ ■ ■



impairments. The tell-tale signs of repeat victimization should be signals that more attention should be focused on the activities and health of the older adult. This is so, not because their lifestyle and independence needs to be restricted and controlled by the courts or their families, but to avoid financial devastation and unhealthy codependent relationships with people who are criminals.

The involvement of trusted individuals throughout the aging process, early medical evaluation and treatment, and freedom from these scams, offers the best opportunity for older adults to maintain their regular activities and their financial independence.

---

*Virginia H. Templeton, MD, is Associate Director of MemoryCare, a nonprofit organization providing medical services to those with memory disorders, support to caregivers, and community education.*

*David N. Kirkman, JD, has been an enforcement attorney with the North Carolina Attorney General's Office since 1987. He works to stop organized groups that target and defraud older consumers.*

The views expressed in this article are those of the authors and not of MemoryCare, the Attorney General of North Carolina, or the North Carolina Department of Justice.

Address correspondence to: Virginia H. Templeton, MD.  
E-mail: templeton@memorycare.org.

---

## REFERENCES

1. Evans DA, Funkenstein HH, Albert MS, et al. Prevalence of Alzheimer's disease in a community population of older persons: higher than previously reported. *JAMA*. 1989;262:2552-2556.
2. Pub L No. 103-297, August 16, 1994; Congressional findings in creating Telemarketing Consumer Fraud and Abuse Prevention Act of 1994, 15 USC 6101 *et seq.*
3. Elder Fraud and Abuse: New Challenges in the Digital Economy: Hearing before the Senate Special Committee on Aging, 106th Congress (2000).
4. Lewis T. Fifty ways to exploit your grandmother: the status of financial abuse of the elderly in Minnesota. *William Mitchell Law Rev*. 2001;28(2):927.
5. Johnson KD. Financial crimes against the elderly. 2003;4. Available at: [http://www.popcenter.org/Problems/problem-financial\\_crimes.htm](http://www.popcenter.org/Problems/problem-financial_crimes.htm)
6. Titus R. The victimology of fraud. Paper presented at: the Restoration of Victims of Crime Conference; September 1999; Melbourne, Australia.
7. Shover N, Coffee GS. *The Origins, Pursuits and Careers of Telemarketing Predators*. Final Report to the National Institute of Justice. US Department of Justice; 2002.
8. 42 USC §10601 *et seq.*



## APPENDIX 1

### 12 Signs That an Elderly Person May Have Been Targeted by Telephone Con Artists\*

1. Frequent visits to the person's home by overnight courier services.
2. Numerous cheap prizes in the home (eg, plastic cameras, gold-plated jewelry, vacation certificates, small television sets).
3. Phone bills showing a sudden, unexplained increase in long distance calls to other countries.
4. Several colorful mailings in the home re international lotteries, puzzle-solving contests.
5. Questions about other countries, foreign taxes, Lloyd's of London insurance policies, wire transfers, "barristers," customs duties, registering bonds overseas.
6. Checking and credit card accounts showing sudden increases in transactions with wire services, numerous unexplained debits or charges from out of state, purchases of money orders or counter checks in large amounts.
7. Wire transfer receipts showing large sums going to areas near the Canadian border and to various foreign countries.
8. Unexpected or unexplained borrowing patterns; an unexpected inability to pay bills or meet living expenses.
9. A sudden reluctance to be away from home or to have visitors in the home.
10. Visits to wire transfer outlets by a person who normally does not use such services.
11. Unexpected secretiveness or defensiveness regarding any of the above.
12. Social withdrawal, depression, anxiety that cannot be attributed to other events or conditions, together with any of the above.

## APPENDIX 2

### Reacting Positively and Proactively: 20 Steps to Take Upon Discovering That an Older Client or Loved One Has Been Targeted Successfully by Fraud Groups

1. Remain calm, supportive, and nonjudgmental. (eg, "These groups are very persuasive. They have taken advantage of lots of bright people.")

\*Source: Consumer Protection Division, North Carolina Department of Justice.

2. Make sure that others in the client or loved one's family do the same. Harsh or judgmental reactions by loved ones often drive victims even farther into the psychological grips of the con artists.
3. Know that the scammers will try and strike again.
4. Try and get the client or loved one out of harm's way.
5. Enroll his or her phone number in the Do Not Call Registry. Call 1-888-382-1222 or enroll online at <http://donotcall.gov>.
6. Reduce "junk mail." Help the client or loved one draft and sign a letter to the Mail Preference Service, Direct Marketing Association, PO Box 643, Carmel, NY 10512, requesting to be taken off the mailing lists of the association's members. Make sure the letter contains his full address and name.
7. Discuss changing phone numbers and email addresses and switching the mailing address to a Post Office Box where a trusted person can screen sweepstakes, contest and other suspicious mailings.
8. Help the client or loved one to view with suspicion any mail solicitations and phone calls from people who are not honoring the do-not-call registry or their mailing list requests mentioned above.
9. Help the victim to understand that responding to sweepstakes, lottery, and other contest mailings gets them on target lists that are purchased by scam artists or, at the very least, increases the number of telemarketing calls they will receive.
10. Negate the false friendships being offered by the scammers. Strengthen the victim's network of friends and their social activities. Visit or call frequently. Seek out "senior companion" or fraud victims' assistance programs that can work with the victim regularly.
11. If one type of fraud has been spotted, look for signs that other types of scams might be occurring.
12. If fraud artists obtained the victim's funds via wire transfer, contact security department of wire services (eg, MoneyGram, Western Union; Ph. Number on the wire transfer receipt). Report the fraud and request a block on future transfers by the client or loved one. Request return of the current transfer if it has not been picked up by recipient. Request a refund of transfer fees for fraud-induced transfer that has already been completed. (Note: wire services sometimes do the latter on a discretionary basis.)
13. If electronic Automated Clearing House (ACH) debits have been placed against the client or loved one's bank account by the fraud group, help him or her



contact security at the his or her bank, report the fraud, and close the account to prevent further debits. Request a charge-back of the fraudulent or unauthorized debit. Request a fraud affidavit for the victim to execute. If the bank contends the victim's debit authorization was recorded by the telemarketer, ask the bank to obtain and share a copy of the recorded authorization. Often there is no such recording or the recording shows that the charge in question was not, in fact, authorized. If these steps do not resolve the problem, contact the merchant bank used by the scam group or the ACH processor the scam group employed to debit the victim's account electronically. This information appears on the bank statement. Report the fraud and request a refund check. Do not request an electronic credit to the old account, since it has been closed as a precaution.

14. If paper demand drafts (look like personal checks but are not signed) have been presented and paid out of the client or loved one's bank account, follow the procedure found in the preceding paragraph.
15. If home repair contractors or other have been preying on the client or loved one face to face, let his or her local bank manager know, as well as local law enforcement. Bank personnel often provide police with important tips that enable them to catch the culprits.
16. With the client or loved one's permission, let state and federal law enforcement agencies know of the fraud incidents. The best way to report to the largest number of agencies is through the Consumer Sentinel fraud database, <http://www.consumer.gov/sentinel/>. Reports filed here are nonpublic.
17. Canadian citizens who have been defrauded over the phone, and citizens of the United States or other countries who have been scammed by phone fraud groups situated in Canada, should also contact the PhoneBusters law enforcement task force, <http://www.phonebusters.com/>.
18. If your client or loved one shows a tendency to keep falling for the frauds, consider the following:
  - a. Discuss future planning needs, such as advance directives, healthcare power of attorney.
  - b. Recommend an evaluation by geriatrician.
  - c. Recommend that power of attorney or joint control over checking accounts be given to trusted family member.
19. Contact local law enforcement if you suspect face-to-face scams are occurring. Notify Adult Protective Services where appropriate or required by law.
20. Do not do nothing. The scammers are counting on that.