

March-April 2000

**Volume II, Issue 2
Seniors and Consumer Fraud**

Inside this Issue

- 1** Elder Fraud
- 2** Magnitude and Scope of Fraud
- 3** Who Is Perpetrating Fraud?

View from Bankers

- 4** Partnership
- 5** Triad

Steps to Prevent Fraud

- 6** Editorial Advisory Board and Staff

Invitation to Dialogue

Family and Youth Institute
201 Gibbons Building
Colorado State University
Fort Collins CO 80523-1501

970-491-6358 or 491-2292

Elder Fraud

– Barbara Martin-Worley

Violet believed that, at 79 years old, she finally won the big one. The official on the other end of the phone said it repeatedly – she was the grand prize sweepstakes winner. She had paid out large contestant fees for many years, and now her investments were about to pay off. All she had to do was wire \$7,000 in taxes and winner’s fees to this nice young man and the \$700,000 would be hers.

Whose responsibility is it to protect our elders from scams and unscrupulous con artists? Too often we excuse ourselves, falling back on the old adage of *buyer beware*. But the reality of elder abuse and exploitation is complex. Far too many seniors fall victim, their life’s savings depleted in the process. By learning more about this problem, each of us can help prevent elder fraud.

In recent years, Colorado State University Cooperative Extension (CSUCE) has collaborated with several partners featured in this issue of the *Briefs* to combat senior fraud. This dynamic network of professionals meets regularly through committees such as the Colorado Coalition for Elder Rights and Adult Protection and SAFE (Seniors Against Financial Abuse and Exploitation). Sharing resources and expertise, these coalitions tackle the problem head-on, raise public awareness, develop educational tools, and draft more punitive legislation targeting those who perpetrate crimes on seniors.

Last year, CSUCE launched *Project Colorado*, a training video

designed to help front-line staff in financial institutions spot and report elder financial fraud. Funded and co-produced by CSUCE, this video grew out of a partnership of financial institutions, State Adult Protective Services, and the Denver district attorney’s office. See page 5 for ordering information.

In November 1999, CSUCE’s statewide network of family and community educators partnered with the state attorney general’s office and the American Association of Retired Persons (AARP) to kick-off the Colorado “*Sweepstakes Sweep*” campaign. Sweepstakes mail was collected from seniors around the state to raise legislator awareness of common deceptions used by sweepstakes promoters. To date, several elder fraud prevention bills have come before the Colorado Legislature. Not surprisingly, well-financed groups such as direct-mail advertisers are lobbying hard to squelch more restrictive legislation.

Increasingly, the fight against elder fraud and exploitation necessitates a multifaceted, problem-solving approach. This dilemma will continue to rely on integrated partnerships and the pooling of resources. One task of this partnership is to employ new educational strategies as the incidence of elder fraud increases. These efforts will help prevent cases such as a 79-year-old widow being defrauded of her retirement income.

– Barbara Martin-Worley is a gerontologist and director of Denver County Colorado State University Cooperative Extension.

Magnitude and Scope of Fraud

– by Lisa Curtis

Colorado’s older citizens lose millions of dollars every year to fraud and financial exploitation. Con artists target older adults, preying on their loneliness, trusting natures, and lack of financial savvy. Some of these criminals are trusted advisors or care givers. Others are strangers, who by their gift of verbal camouflage are able to trick the victims into parting with money and other valuables.

Frauds Perpetrated by Strangers

Telemarketing Fraud

- *Prizes and Sweepstakes* – phony prize awards requiring payment of fees
- *Slamming* – consumers’ phone service switched without authorization
- *Credit Card Offers*– phony promises of cards requiring advance fees
- *Credit Card Loss Protection* – unnecessary insurance using scare tactics
- *Investments* – stocks and investments that don’t pan out as promised

Currently, callers from Canada account for a large portion of illegal telemarketing in Colorado. Posing as government officials or lawyers, these criminals tell victims they have won the Canadian lottery, but must first send money for Canadian taxes. Typical losses to Denver area victims of these schemes exceed \$60,000 per victim over time.

Sweepstakes Fraud

Sweepstakes mailings use false government logos, official-sounding statements, or other deceptive pitches to persuade recipients the promotions are legitimate. Seniors may not be as likely to read or understand the small print that states you are only a winner **if** you have and submit the winning number. In-

stead, they enter numerous promotions and spend thousands of dollars in entry fees and for magazines or other products, falsely believing the more they order, the better their chances to win.

Identity Theft

Organized rings of thieves steal purses and wallets, as well as rummage through trash for personal information. The thieves use checks, credit card numbers, driver’s licenses and other information to impersonate others, spending as much money in as short a period of time as possible. This is the fastest growing crime in metro Denver.

Confidence Games

- *Utility Inspector* – Impersonating a utility company or city worker, he or she gains entry to the victim’s home under the ruse of inspecting the furnace or water heater. Once inside, he or she steals money and jewelry.
- *Home Repair Frauds* – Workers known as “travelers” go from place to place and offer bargain prices for roofing, paving or tree trimming, then demand much more once the job is done. Work performed, if any, is shoddy and will not last.

• *Good Neighbor* – Going door-to-door, this con artist convinces victims a neighbor has an emergency and needs money.

• *Needy Family* – A family appears at a victim’s door and pleads to use the phone or bathroom. Once they are inside, one distracts the victim while the others steal money and jewelry.

• *Bank Examiner* – Pretending to be a bank officer, the crook persuades the victim to make a large cash withdrawal to assist the bank in catching a dishonest employee.

Although anyone can be the target of a con game, elderly people are most often victimized, because many are less likely to identify the

thieves and to report the crime. Studies show the average con game victim is 78 years old.

Home Improvement Fraud

In addition to travelers, other crooked contractors prey on seniors. Victims claim these con artists:

- received a substantial deposit, but never returned to start the work;
- started demolition and left the house in disrepair;
- performed poor quality work.

Theft by Non-Strangers

Two-thirds of the cases filed by the Denver district attorney for theft against older adults involve known perpetrators such as a care giver, trusted advisor or relative. Due to the level of trust in these relationships and the fact that the perpetrator may have easy access to assets, these cases often result in a total loss of life savings. Cases prosecuted in Denver in the last three years include:

- A probate attorney managed the trust accounts of at-risk adults, but stole almost \$300,000 from those trusts for his drug habit.
- An insurance agent swindled \$1.8 million from his elderly clients in a phony investment scheme.
- A stockbroker lost over \$400,000 of his clients’ stock portfolios through risky investments and by borrowing against the equity of the stock. Many clients were elderly.
- Sub-sandwich shop workers befriended an elderly woman who frequented their shop. After convincing her to give them power of attorney, they stole \$60,000 from her bank account in one month.
- A grandson stole checks and forged his grandmother’s signature, emptying her bank account in two months.
- A nephew convinced his aunt to trade in her \$1.7 million bond portfolio and buy stock in his one-year-old oil and gas firm that had not done any business.

– Lisa Curtis is the director of consumer services for the Denver district attorney’s office.



Who is Perpetrating Fraud?

– Joanne Marlatt Otto

Elderly people often fear that they will be the victims of crimes committed by strangers. The truth is that the perpetrator is more likely to be a family member than a stranger. In fact, in Colorado, 66 percent of abusers of at-risk adults are family members. What may start out as a well-meaning older person's attempt to help out a relative in financial difficulty can result in fraud and financial exploitation.

The family members most likely to abuse and exploit are adult children. A common example is a son with a history of substance abuse or mental illness. Unable to sustain himself independently in the community, he may live with his aging mother and depend on her financially and emotionally. He may not understand her mental or physical limitations. When she refuses to give him money, he may threaten to abandon her or place her in a nursing home. Often verbal abuse escalates into physical assault.

Another type of familial abuse, which is on the increase, is the situation in which a grandmother is raising one or more grandchildren. In addition to dealing with a child's normal adolescent rebellion, the grandparent may be struggling to protect herself and her assets from a teenager who is addicted to drugs. Crack dealers and gang members may invade her home and extort money from her by physical threats and/or assault.

Elderly people who live alone and lack family supports are particularly vulnerable to fraud perpetrated by a new best friend. The cleaning lady or the boy who delivers the groceries may gradually make places for themselves in the older person's life. In the process, they may gain access to bank accounts, personal property and even valuable real estate. Through manipulation and coercion, they strip the victim of

money and possessions, and disappear. If found and confronted, they will claim that it was a gift. In some cases the victim is so confused that he or she can't remember whether the gift was intentional. Without proof that an actual theft has occurred, the justice system usually cannot pursue a criminal conviction. And even when a conviction occurs, the perpetrator usually has squandered all of the assets, so that restitution is impossible.

Sometimes older people are vulnerable in situations of late marriage. Loneliness and fear of growing old without a partner sometimes influences the elderly person to enter into marriage with little knowledge of the partner's history. While some of these partnerships are successful, others become exploitative. The victim becomes trapped in a legal relationship with someone whose real interest is to gain access to assets built up over a lifetime. Shame and fear make it difficult for the exploited spouse to leave the marriage.

Betrayal of trust by a family member does lasting damage to an elderly person. Income and property meant to sustain the victim in old age cannot be regained. In addition, the emotional trauma is devastating. Studies show that older victims who have been mistreated or exploited have a higher morbidity rate than older people who have not.

Mainly because of shame and fear, elderly victims seldom ask others for help. For this reason, it is important that concerned family and friends are aware of their elderly loved ones' situations, and that they report possible financial fraud or exploitation to either law enforcement or adult protective services.

– Joanne Marlatt Otto, MSW,
is the program administrator for
Adult Protection/Elder Rights,
Adult and Veterans Services,
Colorado State Department of
Human Services



View from Bankers

– by Mike Caldwell

Many financial institutions are concerned about seniors and consumer fraud and are taking steps to stop it. Members of banks' security community have noticed the following recurring frauds and scams:

1) Australian or Canadian Lottery

Many seniors receive unsolicited letters informing them they are winners in either the Canadian or Australian lotteries. The senior is asked to provide account information or send a processing fee.

2) Nigerian Scam

Letters are received from someone purporting to be a high government official in Nigeria, stating that funds are on deposit. For a finder's fee, account information or a signed acknowledgment, the recipient is told that she or he can obtain millions of these deposited dollars.

3) Bank Auditor Scam

The trusting senior is contacted and told the bank needs help to catch a dishonest employee. The helpful customer is told to withdraw cash and give it to the auditor, so the embezzler can be caught.

Banks routinely send statement inserts and post brochures in their lobbies warning all customers of these types of frauds. Financial institutions do not want their customers victimized by these unscrupulous scam artists. Tellers are trained to be wary of elderly customers requesting large cash withdrawals or large official check purchases that seem to be out of the ordinary. Supervisors and managers attempt to discover exactly what the funds are to be used for, with the hope of preventing bank customers from being defrauded.

– Mike Caldwell is Senior District Security Officer at Key Bank.

Partnership

– by Dell Rae Moellenberg

Golf. A summer home. Bingo in the afternoons. Weekends with grandkids. That's how most people envision retirement.

But all too often a dishonest person robs an elderly person of economic security in the golden years. Elder fraud is one of the most prevalent crimes in the nation today. The Colorado attorney general has declared war on it.

In Denver, district attorney Bill Ritter established a special program for prosecuting and preventing elder fraud. In Denver alone, elder fraud makes up about



30 percent of all fraud cases that pass through the district attorney's office, according to Lisa Curtis. Only 17 percent of the city's population are over 60 years old.

Financial ruin characterizes these crimes. Curtis, who promotes crime prevention and consumer education to the citizens of Denver, said the amount of money taken by these swindlers varies annually. However, because of elder fraud, seniors' life savings are whittled away by more than \$50 million each year in Colorado. And that's not counting the cost to these seniors' quality of life and dignity.

For a number of reasons, elder fraud is tough to fight. Many scam artists move around a lot. They base their scams out of the country, making it harder to trace their phone calls to victims. They have to be caught in the act to be prosecuted. Worse yet, the perpetrator often is the victim's child, sibling, niece, nephew or nurse. Perhaps the biggest obstacles are traits of many elderly people that make them a target: their desire to please, feelings of overwhelming embarrassment at being a victim, a slipping mental capacity, difficulty saying no, and

an eagerness to trust. These traits make avoiding and reporting the crime especially difficult.

One woman was conned by a home-repair scam. After a man worked on her roof, he returned to Denver from Arizona each month to demand more money, telling her she had never paid him. Her memory was slipping, so she wrote him another check each time. In all, he took her for \$42,000.

Curtis said that many senior citizens fear violence in their neighborhoods but cannot imagine being afraid of the telephone, the mail, or visitors. They trust a stranger at their door or someone who mails them an official-looking letter.

"There's an air of legitimacy to it. They think the government wouldn't allow such a thing if it weren't legal. We tell them that if they see a stranger at their door today, don't even open it," said Curtis.

Elder fraud comes in all shapes and sizes: from relatives or trusted friends, telemarketers, utility or government employee imposters, sweepstakes contests, and travelers.

Project Colorado zooms in on the one thing these swindlers have in common: a need to access their victim's money. Training financial institution employees to identify potential cases of fraud helps prevent crimes and capture criminals.

Gale Loeffler and Barbara Martin-Worley, Colorado State University Cooperative Extension agents in the Denver area and members of the organization's gerontology team, worked with several partners to develop *Project Colorado* training material. The project's training manual and videotape tell the true story of Mildred* and show financial institution employees how to spot and report elder fraud.

Two crooks approached Mildred in her yard. They told her that her roof was in bad shape and gave her an estimate to repair it. She told

them she didn't have that kind of money, but they ignored her and crawled up on the roof to do the "repairs." After spraying silver paint on the roof, they demanded money and scared her.

The men drove her to the bank and told her to withdraw money. An alert loan officer noticed that Mildred seemed upset and sent the bank guard out to the parking lot to talk to the men.

Mildred's case is an example of the good that can come from training tellers and loan officers. Both suspects were convicted of felony theft by the Denver district attorney's office. Before visiting Mildred, they had ripped off two other elderly women. One man is serving a prison sentence in Louisiana and the other is on probation in Texas and paying restitution. The district attorney's office confiscated their pick-up truck and sold it to repay the victims.

Unfortunately for many like Mildred, these scams often go undetected or remain unnoticed until the criminals have made off with the money and it cannot be recovered.

"Financial institutions are a critical part of our efforts to protect seniors," said Curtis. "Reaching this audience with educational messages about elder fraud can stop a crime and lessen the losses. Being successful in fighting elder fraud depends on increasing awareness about the types of scams and how to spot them and how to intervene once you're suspicious. Often, it's a lack of awareness or information that leads to too few reports of suspected fraud from banks."

Curtis said that most of the elder fraud prevention efforts in Denver focus now on training people to spot and report it. See page 5 for ordering information for *Project Colorado* training material.

– Dell Rae Moellenberg is media relations specialist for Colorado State University Cooperative Extension.

*name changed to protect privacy

**Family and Youth Institute
Colorado State University
970-491-6358**
*Feel free to copy this page
to share with others.*

Triad

Through Triad, older and retired people work with community law enforcement agencies to reduce criminal victimization of elderly people. Triad is a nationwide organization of American Association of Retired Persons (AARP), International Association of Chiefs of Police and National Sheriffs' Association to promote safety, security and prevention of fraud and crime.

Across the state of Colorado and the nation, Triads identify problem areas for seniors and develop community-wide solutions. Triad works through local SALT groups (**Seniors And Law enforcement Together**) to educate communities in crime prevention. For more information, call the national Triad office at 1-800-424-7827 or contact your local Office on Aging, Retired & Senior Volunteer Program (RSVP), AARP office or law enforcement agencies.

“Crime and fear of crime severely impact older citizens. You can help improve the quality of life of seniors—now!”

– This information was adapted from Larimer County Triad and RSVP brochures by Sandy Tracy, Briefs editor.

Related Web Sites

- Internet Fraud Watch <http://www.fraud.org/info/aboutside.htm>
- Consumer League's Elder Fraud Project <http://www.fraud.org/info/thanks/elder dono.htm>
- National Fraud Information Center <http://consumerlawpage.com/>

10 Steps to Prevent Fraud and Financial Exploitation

– Lisa Curtis

1. Don't listen or talk to strangers who call on the telephone or stop you on the street. Tell all telephone solicitors to put you on their “Do Not Call” lists, then hang up.
2. Do not buy magazines or products, or pay any fees to participate in sweepstakes.
3. Make an annual charitable giving plan, including a budget and list of charities that send you written information. Do not allow a runner to pick up your check.
4. Never allow strangers in your home until you have verified their identification with the company they claim to represent. Keep your doors locked at all times.
5. You can safeguard personal and financial information if you:
 - ✓ Never disclose credit card or bank account numbers over the phone;
 - ✓ Keep checkbooks and credit cards in a safe and secure place;
 - ✓ Reduce the number of personal and financial items you carry in public;
 - ✓ Wear a close-fitting pouch rather than carry a purse or wallet;
 - ✓ Invest in an inexpensive shredder and shred financial and personal documents before placing them in the trash;
 - ✓ Call 1-888-567-8688 to opt out of credit agency marketing lists.

6. Only do business with contractors who are licensed and insured, and whom you have checked out with your city or

county building department and the Better Business Bureau. Insist on a written contract, and pay nothing in advance except the cost of materials listed in the contract, if required. Do not sign a lien waiver or make a final payment until you are satisfied.

7. Plan for your future by seeking the advice of an attorney on general and durable powers of attorney and other estate matters, but do not become solely dependent on one caregiver or advisor.
8. Don't be rushed into any financial decision. Seek at least two other opinions regarding any investment opportunity or insurance offer.
9. No matter how well you know and trust someone, don't sign legal papers you don't understand or that seem unusual.
10. Immediately report suspected fraud by calling your local district attorney's office.

– Lisa Curtis is the director of consumer services for the Denver district attorney's office

Project Colorado

To order the training manual and video for **Project Colorado: Prevention of Financial Abuse**, call Barbara Martin-Worley at 720-913-5266, or send \$25 to Colorado State University – Denver Cooperative Extension, 110 16th Street, Suite 300, Denver, CO 80202. Include your name, institution, address and telephone number.



Editorial Advisory Board

Colorado State University Cooperative Extension

Jan Carroll, Ph.D., 4-H Youth Development Specialist

Mary Ellen Fleming, San Luis Valley Area Agent

Gary Lancaster, Sedgwick County Director

Jan Miller-Heyl, DARE To Be You Director

Verla Noakes, Fremont County Agent

Nori Pearce, Rio Blanco County Agent

Debby Weitzel, Outreach Communications and
Technology Publications Specialist

Guest Editor for this Issue

Judy McKenna, professor, Department of Design and
Merchandising, Colorado State University

FYI Staff

Coordinator

Cheryl Asmus, Ph.D.

Co-directors

Mary McPhail Gray, Ph.D., associate director, Colorado
State University Cooperative Extension

Bradford Sheafor, Ph.D., associate dean, College of
Applied Human Sciences, Colorado State University

Other staff

Elizabeth Hornbrook Garner, coordinator, County
Information Services, Colorado State University
Cooperative Extension

Sandy Tracy, *Briefs* editor

Invitation to dialogue

What issues and concerns would you like to
see addressed?

Contact FYI at:

Family and Youth Institute
201 Gibbons Building
Colorado State University
Fort Collins, CO. 80523-1501
Phone: 970-491-6358
Fax: 970-491-7859
E-mail: clasmus@lamar.colostate.edu



<http://www.cahs.colostate.edu/fyi/>

***Coming next:
Housing Issues***

*Volume II, Issue 2: March-April 2000
Seniors and Consumer Fraud*