

“Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud”

Topics covered and lessons learned from U.S. Senate Special Committee on Aging Field Hearing Hosted by U.S. Senator Joe Donnelly, August 5, 2014

I. Introduction

Consumer fraud and identity theft have been and continue to be significant problems in the United States, including in Indiana. With the growth and development of communication technologies, such as mobile phones and the Internet, scammers have more methods to contact unsuspecting individuals and trick consumers into providing personal information or giving money for false fees or schemes. The number of reported consumer fraud cases has increased over the past decade, as shown by Figure 1 below.

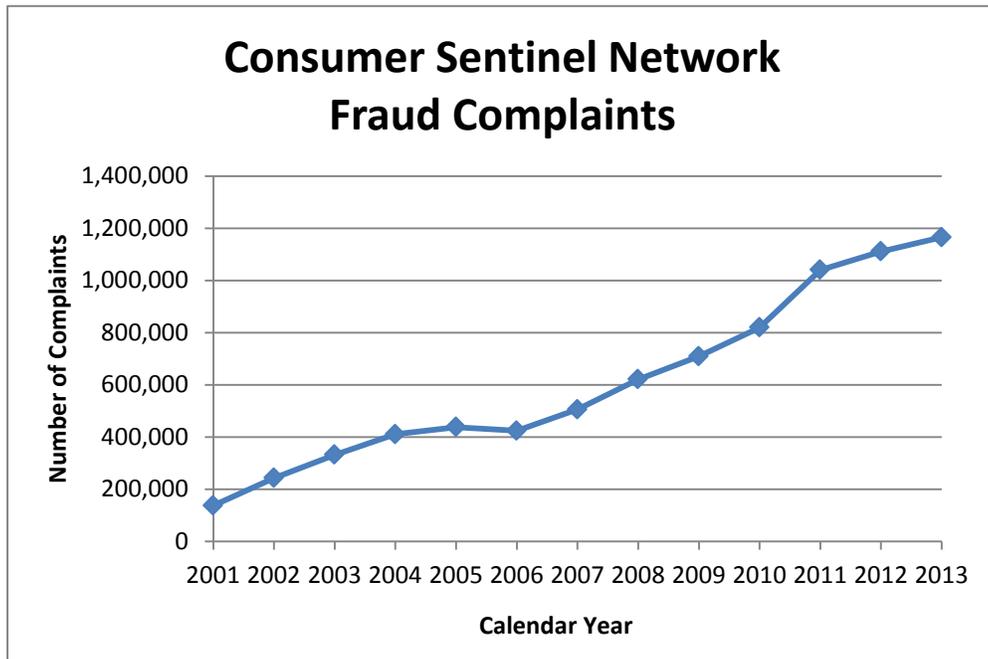


Figure 1. Source: *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

The Consumer Sentinel Network (CSN), a project of the Federal Trade Commission, began in 1997 as a means to collect data on consumer fraud and scam complaints. Since then, almost 8 million fraud cases and more than 3 million identity theft cases have been reported.¹ In 2013, approximately 1.2 million fraud complaints were reported to the CSN.² Scammers frequently target older Americans who tend to have more medical issues, are less savvy with new technology, and are generally more trusting.³ Common scams aimed towards older Americans include buying and selling gold, home improvement scams, grandparent scams, and fake sweepstakes offers.⁴ For all reported fraud complaints in 2013, Americans aged 50-years and older comprised 47% of the victims, and an AARP report shows that older individuals are more likely to fall victim to investment, lottery, and identity theft frauds.⁵

II. How is Indiana affected by consumer scams and fraud?

Indiana alone registered 24,777 cases of fraud and other consumer complaints and 3,845 cases of identity theft in 2013.⁶ Imposter scams were the most common type of fraud that impacted Indiana

consumers followed by debt collection scams. The chart below displays common consumer fraud reported by Indiana consumers.

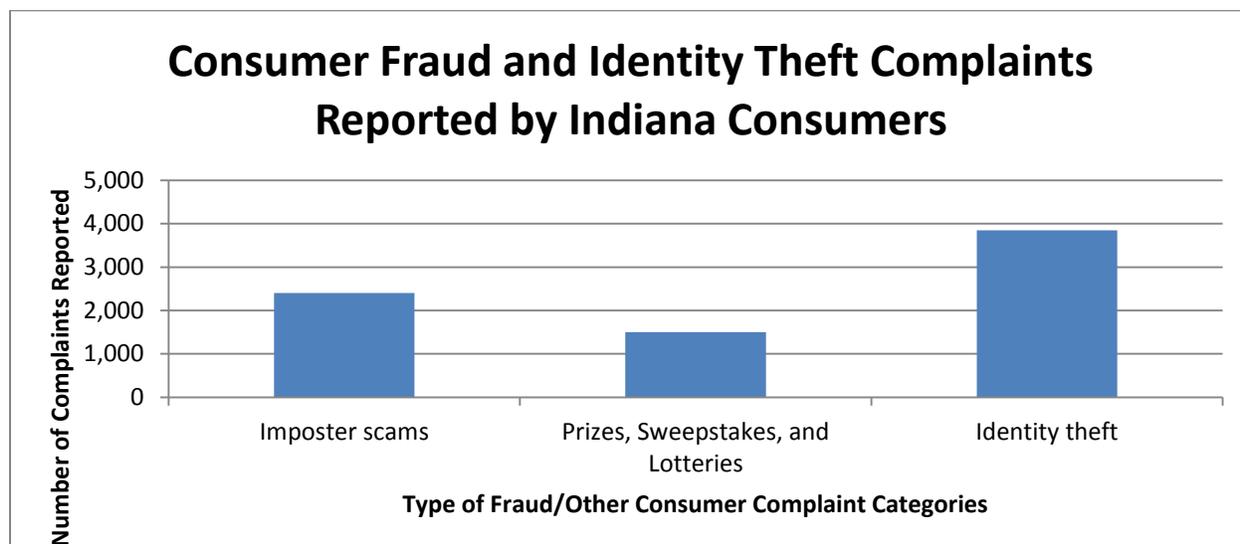


Figure 2, Source: *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

Victims of consumer fraud and scams can lose thousands of dollars because of clever tactics used and complex schemes employed by financial predators. In 2013, 69% of Hoosiers who reported a complaint had paid the scammer, which resulted in consumers losing an overall total of more than \$20 million dollars.⁷ Hoosier victims were conned out of an average amount of \$1,870 as a result of a scam or fraud scheme.⁸

The data that exists does not accurately illustrate the prevalence of consumer scams and fraud in Indiana and nationally because of underreporting by victims. Many victims, especially seniors, are wary of reporting the crime because they are embarrassed, do not know the proper channels to report a crime, or give up on legal assistance.⁹ An AARP report found that victims 55 years of age and older were significantly less likely to report a case of fraud or scam than victims under 55.¹⁰ For this reason, only estimates exist on the number of fraud victims and the amounts paid to scammers. Research by Javelin Strategy and Research on identity fraud cites about 13 million people nationally lost over \$20 billion dollars in 2012.¹¹ According to the same study, older adults pay approximately \$3 billion every year to scammers.¹²

III. What types of scams and frauds exist?

In fraud schemes, individuals are often tricked into wiring money through money transfer services or sending money via prepaid debit products. Thirty-four percent of victims wired money and 28 percent used prepaid cards in 2013.¹³ Other methods used by financial predators to scam consumers include by credit cards or bank account debits. Regardless of the method, it is highly unlikely, if not impossible, for victims to recuperate the lost funds.

Imposter scams

Imposter scams are the most common type of consumer fraud reported in Indiana. Hoosiers reported more than 2,400 imposter scams in 2013.¹⁴ In an imposter scam, the scammer will assume a false

identity to trick the victim into paying money.¹⁵ The scammer lures the victim with a false reason for the call, a sense of urgency, and the need to send money. Grandparent scams, Jamaican lottery scams, and IRS/Law enforcement scams are popular forms of imposter schemes.

Grandparent scams seek to trick a victim that a loved one is in danger, such as in a car accident, in jail, or having trouble in a foreign country.¹⁶ Playing on the emotions of the victim, the scammer convinces the victim that he or she must send money to help a loved one. Scammers will even use social media to learn more about the potential target and refer to pet names or other personal information that makes the impersonation more believable.¹⁷

In a Jamaican lottery scam, the fraudster will call individuals and tell them that they have won a foreign lottery, but must provide advance payment to collect the winnings. Prize, sweepstake, or lottery scams may take many forms, but commonly offer “free” prizes for a fee. Hoosiers reported almost 1,500 cases of prize, sweepstake, and lottery scams in 2013.¹⁸

Fraudsters in an IRS/Law enforcement scam pretend to be an authority figures or organization official to convince seniors to pay “fees.” Scammers will impersonate IRS agents, police officers, or others for improperly filed taxes or traffic violations, and use a senior’s sense of civic duty to coerce him or her to pay.¹⁹

Scammers use technology to further conceal their false identity and make the scam more believable. Tactics such as caller I.D. spoofing and Voice over Internet Protocol allow the scammer to mask his or her true identity and location, taking advantage of trusting seniors by falsifying their identity as local law enforcement, a family member, or other familiar source. The Internet provides a wealth of information that scammers can utilize to manipulate victims in fraud or commit identity theft. Without taking proper precautions to secure their personal information, people can be at greater risk to fall victim to a scheme. In a 2013 study for AARP, Hoosier online users only averaged 5.6 out of 10 questions in an online literacy test on Internet safety knowledge.²⁰ More troubling, 72 percent of adult Hoosiers who use the Internet received at least one fraud offer online in 2013.²¹

Identity Theft

The Federal Trade Commission reported identity theft as the primary consumer complaint nationwide in 2013.²² In identity theft cases, individuals will obtain personal information of victims to take out credit cards, apply for government benefits, or file false tax returns under the stolen identity. This confidential information is obtained through a variety of ways: stealing wallets, purses, or mail; phone scams or phishing emails; looking through the trash; computer hacking; obtaining credit reports by posing as a landlord or employer; or unauthorized disclosures of personal records.²³ Thirty-seven percent of identity theft cases were reported by Americans age 50 years and older.²⁴

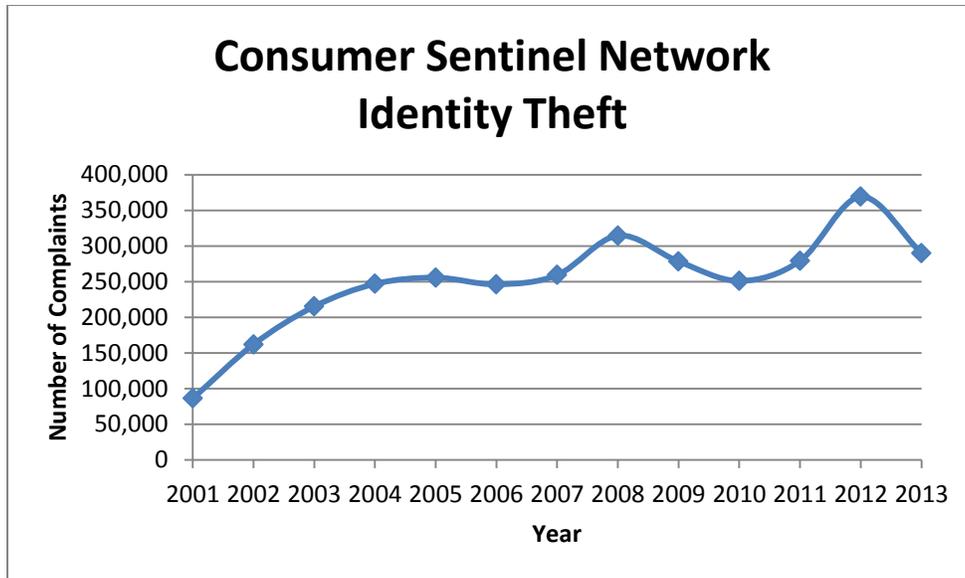


Figure 3. Source: *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

Government document and benefits fraud comprised 34 percent of all identity theft cases in 2013.²⁵ In these cases, the financial predator obtains confidential information, such as a Social Security number, to claim false benefits. Tax-related identity theft, where an individual files false tax returns, has increased tremendously, growing by more than 600,000 cases between 2009 and 2011, according to the IRS.²⁶

Scammers also take advantage of seniors' good credit and equity in their homes through credit card fraud. Credit card fraud, where an individual uses a senior's good credit to open and run up credit in his or her name, is the second-most-common type of identity theft in the United States.²⁷

Incomplete Service or Misrepresented Repairs

Scams can also originate from legitimate services and businesses. For example: incomplete, no-show, or a misrepresentation of necessary home repairs and services will target seniors, who may not understand the type of work required. Nine-hundred twenty three complaints of home repair and construction scams were reported to the Indiana Attorney General's office in 2013.²⁸ Auto services also fall under this category, such as non-delivery of auto services or excessive document charges.²⁹

Financial predators frequently target seniors in health care or health insurance fraud schemes. Health care fraud can assume many forms: from unnecessary or sometimes fake tests that are billed to insurance companies or Medicare, to stealing Medicare numbers to bill for merchandise or services that are either unnecessary or never actually provided.³⁰ New programs or laws, such as the Affordable Care Act, create opportunities for scammers, who know that consumers do not understand all the nuances of the health care law. Medicare fraud that targets the Affordable Care Act includes asking seniors for personal information in order to obtain a new federal health insurance card and false websites that claim to sell Affordable Care Act health care policies.³¹

IV. Recommendations for Individuals to Identify and Avoid Consumer Scams and Fraud

Seniors should be vigilant and educate themselves to learn about how to identify scams. Many seniors are unfamiliar with the common practices scammers use, especially when it comes to imposter scams.

Fraud and Scam Preventive Resources for Hoosiers

Fraud Watch Network

The AARP launched the Fraud Watch Network to connect people to experts, law enforcement, and fellow Hoosiers who have identified fraud to help seniors identify warning signs of fraud and scams. The Fraud Watch Network is available to both AARP members and non-members of all ages. The program includes prevention tips, a phone number that connects victims to volunteers trained to help fraud victims, and emails on breaking scam information.³² Resources are available online at www.fraudwatchnetwork.com or in print by calling 877-908-3360.

Fraud Alert Program

Similar to the AARP Fraud Watch Network, Indiana's Fraud Alert Program will send seniors who sign up emails and text messages on new fraud schemes and how to best avoid them.³³ Registration is free, and can be accessed at www.in.gov/attorneygeneral.

Indiana Outreach Services Team

Indiana also offers free workshops to teach Hoosier seniors how to avoid scams and fraud, and to identify early warning signs of schemes through its Outreach Services Team.³⁴ These workshops can be scheduled for an organization or community by calling 317-234-6668.

ID Prevention Toolkit

Indiana's Prevention Toolkit can help Hoosiers reduce their risk of identity theft. It allows an individual to maintain an inventory of credit cards, identification, and other personal information carried in a purse or wallet in case of theft.³⁵ The ID Theft Prevention Toolkit can be accessed at www.indianaconsumer.com/idtheft.

National Do Not Call Registry

The National Do Not Call Registry, managed by the Federal Trade Commission, allows consumers to opt-out of telemarketing calls. Once an individual registers for the Do Not Call Registry, his or her contact information does not expire.³⁶ Not only can these calls be an annoyance, but it prevents an individual's contact information from appearing on consumer call lists that can be obtained by scammers.³⁷ Hoosiers can register their home or mobile number online at <https://www.donotcall.gov/register/reg.aspx> or by phone at 1-888-382-1222.

V. Resources for Hoosier Victims of Fraud or Scams

Toll-Free Hotline

The U.S. Senate Committee on Aging unveiled a toll free hotline in November to assist seniors who have been the victims or attempted victims of fraud. The hotline number is 1-855-303-9470 and is staffed by a team of committee investigators Monday-Friday from 9 a.m. EDT to 5 p.m. EDT. Alternatively, seniors can also report cases of fraud on the committee's website, <http://www.aging.senate.gov/fraud-hotline>.

Indiana State Insurance Fraud Bureau

Each state has its own Insurance Fraud Bureau, where individuals can report cases of insurance fraud. The Indiana Department of Insurance is located in Indianapolis and the number to report cases is 800-835-6422.³⁸

Security Freeze

A security freeze blocks someone from opening a new account or obtaining credit in a victim's name.³⁹ Even if an identity thief has access to a victim's Social Security number or other confidential information, he or she cannot access the victim's credit report. The security freeze service is free of charge and more information can be found at www.in.gov/attorneygeneral.

VI. Conclusion

One of the most effective strategies to help prevent seniors from becoming victims of consumer scams and fraud is proactive prevention education. If seniors can identify warning signs of fraud and scams and use the many resources available, fewer may lose money as a result of these schemes. As technology improves, scammers and identity thieves are likely to develop more clever mechanisms and schemes to trick and prey upon seniors. By keeping older Americans up-to-date on the types of new fraud and scams and how to recognize them, seniors can protect themselves and their savings.

"After a lifetime of hard work, seniors should have peace of mind knowing they can enjoy their retirement in peace and with financial security. By providing seniors with knowledge and resources to identify scams and fraud, we can reduce the number of victims who lose out financially to these often-sophisticated schemes."

-Senator Donnelly

For Hoosiers who have questions or need assistance, do not hesitate to [contact any of Senator Donnelly's offices](#).

¹ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

² *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

³ Federal Bureau of Investigation. "Fraud Target: Senior Citizens." <http://www.fbi.gov/scams-safety/fraud/seniors>

⁴ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Mandla Moyo, Community Outreach Director at Indiana AARP).

⁵ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013; *AARP Foundation National Fraud Victim Study*. Washington: AARP, 2011. <http://assets.aarp.org/rgcenter/econ/fraud-victims-11.pdf>

⁶ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

⁷ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

⁸ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

⁹ Federal Bureau of Investigation. "Fraud Target: Senior Citizens." <http://www.fbi.gov/scams-safety/fraud/seniors>

¹⁰ *AARP Foundation National Fraud Victim Study*. Washington: AARP, 2011.

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¹¹ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Mandla Moyo, Community Outreach Director at Indiana AARP).

¹² *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Mandla Moyo, Community Outreach Director at Indiana AARP).

¹³ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

¹⁴ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

¹⁵ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.

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- ¹⁶ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Joe Donnelly, U.S. Senator for Indiana).
- ¹⁷ Federal Bureau of Investigation. "The Grandparent Scam." April 2, 2012. http://www.fbi.gov/news/stories/2012/april/grandparent_040212
- ¹⁸ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.
- ¹⁹ Olson, Elizabeth. "Phone Swindlers Tap into Fear and a Sense of Duty." *The New York Times*, May 3, 2014. http://www.nytimes.com/2014/05/24/your-money/phone-swindlers-tap-into-fear-and-a-sense-of-duty.html?_r=0
- ²⁰ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Mandla Moyo, Community Outreach Director at Indiana AARP).
- ²¹ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Mandla Moyo, Community Outreach Director at Indiana AARP).
- ²² *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.
- ²³ Internal Revenue Service. "Identity Protection Tips." Last modified June 3, 2014. <http://www.irs.gov/uac/identity-protection-tips>; Dixon, Pam. "Medical Identity Theft: The Information Crime that Can Kill You." San Diego: World Privacy Forum, 2006. http://www.worldprivacyforum.org/pdf/wpf_medicalidtheft2006.pdf; U.S. Department of Education, Office of Inspector General. "How Identity Theft Happens." Last modified July 30, 2009. <http://www2.ed.gov/about/offices/list/oig/misused/how.html>.
- ²⁴ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.
- ²⁵ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.
- ²⁶ Treasury Inspector General for Tax Administration - There Are Billions of Dollars in Undetected Tax Refund Fraud Resulting From Identity Theft (<http://www.treasury.gov/tigta/auditreports/2012reports/201242080fr.pdf>)
- ²⁷ *Consumer Sentinel Network Data Book*. Washington: Federal Trade Commission, 2013.
- ²⁸ Office of the Indiana Attorney General. "State AG Announces Top 10 Consumer Complaint Categories for 2013." March 3, 2014. http://www.in.gov/activecalendar/EventList.aspx?fromdate=1/1/2014&todate=12/31/2014&display=Year,Month&type=public&eventidn=162001&view=EventDetails&information_id=196621&print=print
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- ³¹ National Hispanic Council on Aging. "The Affordable Care Act Prompts New Medicare Fraud." July 23, 2013. <http://www.nhcoa.org/blog/the-affordable-care-act-prompts-new-medicare-fraud/>
- ³² *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Mandla Moyo, Community Outreach Director at Indiana AARP).
- ³³ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Greg Zoeller, Indiana Attorney General).
- ³⁴ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Greg Zoeller, Indiana Attorney General).
- ³⁵ *Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud: Field Hearing in Indianapolis, Before the U.S. Senate Special Committee on Aging*, 113th Cong. (2014). (statement of Greg Zoeller, Indiana Attorney General).
- ³⁶ National Do Not Call Registry. <https://www.donotcall.gov>

³⁷ Olson, Elizabeth. "Phone Swindlers Tap into Fear and a Sense of Duty." *The New York Times*, May 3, 2014.
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³⁸ National Health Care Anti-Fraud Association. "State Insurance Fraud Bureau."
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