

# AFFINITY FRAUD

**NO ONE HAS AN AFFINITY  
FOR BEING SCAMMED**



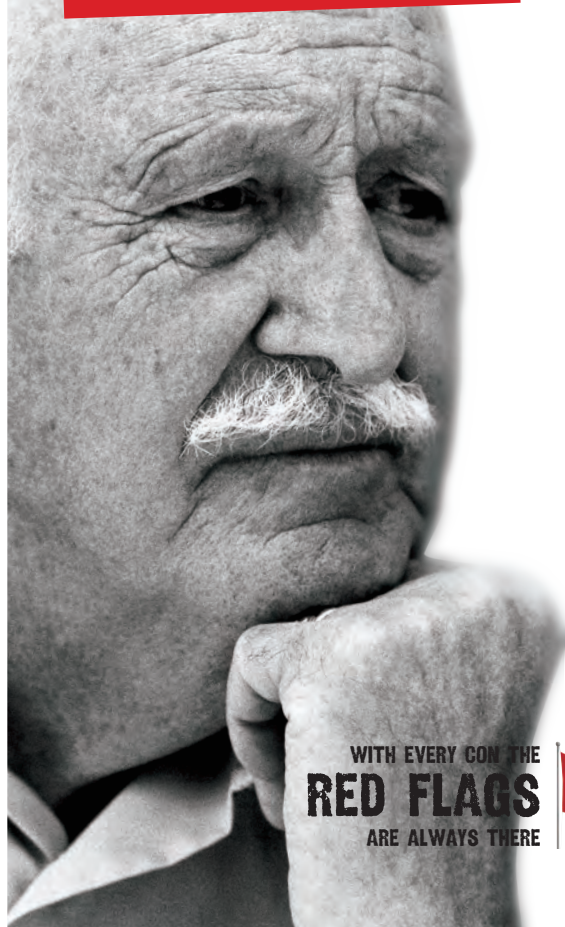
## **New Mexico Regulation and Licensing**

### **Securities Division**

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WITH EVERY CON THE  
**RED FLAGS**  
ARE ALWAYS THERE



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In a world of increasing complexity, many people feel the need for a shorthand way of knowing whom to trust. This is especially true when it comes to investing money. Unfamiliar with how our financial markets work, many people don't know how to research an investment or its seller thoroughly. Many fall prey to affinity group fraud, in which a con artist claims to be a member of the same ethnic, religious, career or community-based group.

**AFFINITY FRAUD IS A CRIME. IN RECENT YEARS IT HAS CAUSED HUNDREDS OF HONORABLE PEOPLE TO LOSE MILLIONS OF DOLLARS OF THEIR HARD-EARNED MONEY TO INDIVIDUALS THEY BELIEVED COULD BE TRUSTED**

## WHOM TO TRUST

**IN A WORLD OF INCREASING COMPLEXITY, MANY PEOPLE FEEL THE NEED FOR A SHORTHAND WAY OF KNOWING WHOM TO TRUST**

This is especially true when it comes to investing money. Unfamiliar with how our financial markets work, many people don't know how to research an investment or its seller thoroughly. Many fall prey to affinity group fraud, in which a con artist claims to be a member of the same ethnic, religious, career or community-based group.

"You can trust me" says the con artist, "because I'm like you. We share the same background and interests. And I can help you make money."

Many new arrivals to America are seen by swindlers as ripe for the picking. Sometimes, they are isolated from the larger community, their access to information limited by language and other barriers.

Some members of long-established minority groups have accumulated savings and achieved a certain standard of living through years of hard work. Often, they want to give back to the community in order to help others like themselves. However, such inclinations often make these groups easy prey for con artists who, despite sharing the same ethnicity or culture, are motivated by greed.

Religious affinity group swindlers are found across all denominations. Consumers have complained about fraud and abuse by "born again" financial planners, con artists claiming church endorsements, and givers of "divinely inspired" investment advice.

Many of these scams are based on dire predictions of imminent financial and social chaos, such as a sharp drop in the stock market. Specialized media outlets - religious-oriented magazines, newspapers, radio stations and cable television outlets - make it easy for a con artist to target the faithful.

## HOW THEY DO IT AND GET AWAY WITH IT

Another equally effective pitch - if the con artist is not a member of the group - is to lull members into a misplaced trust by first selling to a few prominent members and giving them a quick return on their money. Using their names, the con artist pitches the scam to the rest of the group. Once they have gained your confidence, the individual's skepticism melts away and another sale occurs.

Even after the investor recognizes the scam for what it is, he often doesn't notify authorities. Instead, he tries to solve problems within the group. Swindlers who prey on minorities play the loyalty angle for all it is worth.

It is usually difficult to catch perpetrators of affinity fraud scams because victims are embarrassed to admit that they were conned and reluctant to turn in "one of their own." Even when victims realize they have been deceived, rather than notifying the authorities, they often keep quiet or try to work things out within the group. Con artists understand and exploit this reluctance to report the fraud. As a result, good people lose their hard-earned savings and sense of trust, the authorities cannot act without the cooperation of victims - and the fraudsters keep the money, moving on to repeat the scam with other groups in new places.

Don't get taken. Investigate before you invest. Notify authorities if you think you've been scammed.

## HOW THE FAITHFUL CAN AVOID SCAMS

### BE WARY OF ANY INVESTMENT THAT SEEMS CLOSELY TIED TO A PARTICULAR RELIGIOUS BELIEF

It makes little sense that an investment opportunity would be available only to members of a specific church or faith. Many religious scriptures warn of those who would exploit faith for personal enrichment.

### BE CAUTIOUS

If the promoter of an investment opportunity tries to capitalize on connections or leadership within a religious group. The success of the investment is unlikely to be linked to the promoter's inside contacts. Exercise the same caution and skepticism that you would with any other investment.

### BEWARE OF A NEW MEMBER OF YOUR CHURCH WHO SPRINGS UP OUT OF NOWHERE WITH A SURE-FIRE INVESTMENT SCHEME

Some con artists will waste no time ingratiating themselves within a religious circle. Find out about their background, if any, within the church.

### IGNORE CLAIMS THAT RELIGION-BASED INVESTMENTS AREN'T REGULATED

Almost all investments, including church bonds, are regulated by state and federal securities or commodities laws.

### CHECK OUT THE PROMOTER AND THE INVESTMENT

Contact the New Mexico Securities Division at 1-800-704-5533 to find out if they are registered in the State of New Mexico. Your local Better Business Bureau may have records of complaints about the promoter.

### DON'T GIVE A BREAK TO A SWINDLER WHO HIDES BEHIND RELIGION

Don't be victimized for a second time by letting an investment scammer off the hook. He might take the opportunity to take advantage of new victims elsewhere.

## PROTECT YOURSELF

### THE TIGHT-KNIT STRUCTURE OF MANY RELIGIOUS, COMMUNITY AND SOCIAL GROUPS IS A PERFECT ENVIRONMENT FOR THE CON ARTIST

### BEWARE OF THE USE OF NAMES OR TESTIMONIALS FROM OTHER GROUP MEMBERS

Scam artists frequently pay high returns to early investors with money generated from later investors. As a result, early investors might be wildly enthusiastic about a scheme that collapses once you've invested.

### GET PROOF IN WRITING

Obtain a prospectus or other form of written information that details the risks in the investment, as well as procedures for getting your money out.

### ASK FOR PROFESSIONAL ADVICE FROM A NEUTRAL OUTSIDE EXPERT

Consult with someone not in your group - an accountant, attorney, or financial planner - to evaluate the investment.

### CONTACT THE NEW MEXICO SECURITIES DIVISION

Ask for information about the firm and the person selling the investment, including whether they're registered. Any investment and the person selling the investment must both be registered with the New Mexico Securities Division.

### PROTECT YOURSELF

The New Mexico Securities Division strongly urges every New Mexican, particularly seniors, to investigate before they invest. Check out the investment opportunity and the person selling you the investment before you give them any of your money. Always ask for written information about investment opportunities and keep this information in your permanent records.