



**Mesa Police Department**  
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# **Scams, Frauds and Other Cons**



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## Psychology of a Scam

### Common tactics include:

- **The “Phantom Riches” Tactic**— dangling the prospect of wealth, enticing you with something you want but can’t have. “These gas wells are guaranteed to produce \$6,400 a month in income.”
- **The “Source Credibility” Tactic**— trying to build credibility by claiming to be with a reputable firm, or to have a special credential or experience. “Believe me, as a senior vice president of XYZ firm, I would never sell an investment that doesn’t produce.”
- **The “Social Consensus” Tactic**— leading you to believe that other savvy investors have already invested. “This is how \_\_\_ got his start. I know it’s a lot of money, but I’m in—and so is my mom and half of her church— and it’s worth every dime.”
- **The “Reciprocity” Tactic**—offering to do a small favor for you in return for a big favor. “I’ll give you a break on my commission if you buy now—half off.”
- **The “Scarcity” Tactic**—creating a false sense of urgency by claiming limited supply. “There are only two units left, so I’d sign today if I were you.”

Fraudsters are masters of persuasion, tailoring their pitches to match the profiles of their “targets” - You. They look for your weak points by asking simple questions about your health, family, hobbies or experience. Once they know what “buttons to push” they will bombard you with a flurry of influence tactics, which leave even the savviest person in a haze.

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# BANK SCAMS

## ATM Scams

**Scam:** There are attachments that can be placed on the ATM to read the card number or capture the PIN number for the card; false facades can be added that will “eat” the card so that the victim asks for help from a “helpful bystander”, or, worst of all, fake ATM’s.

### What to do:

- Always use the same ATM machine so that anything attached to it will look out of place; the most secure ATM is in the lobby of your bank
- Protect your PIN number by covering your hand while entering the number on the key pad
- Never accept or ask for help from anyone waiting to use the ATM, they may be part of the scam
- If the ATM “eats” your card, immediately either go into the bank or contact the bank — If you return and your card is gone, make a report immediately with the bank and the police

**BOTTOM LINE:** Do not use an ATM just because it is convenient — use it because it is the most secure. Be alert and aware of everyone around you while you conduct your transaction. If you feel uncomfortable about the machine or any nearby persons use another ATM.

## Bogus Bank Notes

**Scam:** Prime Bank Instruments (PBI’s) are phony bank notes usually advertised in newspapers. Sellers of PBI’s promise profits of 20 to 200 percent return on your investment. Official looking documents may make the scheme more legit. PBI’s are always bogus.

### What to do:

- Always do your homework, don’t depend on the word of the person selling the notes
- Never buy investments from strangers or without researching the seller

**BOTTOM LINE:** Always be wary of any investment that will pay the investor more than the going rate of interest. *The greater the profit, the greater the risk.*

## Counterfeit Check / Overpayment Scam

### Scam:

1. The seller of an item is given a forged check that is issued for more than the purchase price with the agreement that the difference will be returned to the buyer when the check has been cashed or deposited. The problem is that the buyer is immediately sent the refund and when the check is found to be forged the seller must reimburse the bank for the original amount. Now the seller is out the full amount of the check and the item that it paid for.

### What to do:

- Never accept a check made for more than the selling price of the article
- Make sure you have been paid for the article you are selling before it leaves your possession.
- Ask for cash, cashier’s check drawn on a local bank or a wired transfer for the amount of the purchase only
- If it is an on-line sale consider using Pay pal or an escrow service that protects the buyer and the seller against fraud.

## BANK SCAMS

**BOTTOM LINE:** The depositor is guaranteeing the validity of the check, if it is fake they will be held responsible for entire amount. Never accept a check where money needs to go back to the check writer.



## BUSINESS SCAMS

### Blue Sky Business Scam

**Scam:** A person is persuaded to spend a large amount of money investing in vending machines all set up and ready to go in "good" locations. Buyer finds out that the locations were less than ideal and they never recoup their initial investment.

#### What to do:

- Be wary of local ads for new vendors that offer a toll-free number and a chance to make "big bucks"
- Research the company by contacting local companies
- Know the price of the equipment to prevent overpaying

**BOTTOM LINE:** An investor should have a working knowledge of any business they are investing in, including the price of the equipment, and the approximate rate of return.

### Business Opportunities Scams

**Scam:** Victim is offered the opportunity to buy a business that will make a lot of money without putting in long hours or hard work. Many times they are charged a nominal fee for any information concerning the opportunity.

#### What to do:

- Know the law - There are disclosures that must be given to the prospect so that an informed decision can be made
- Study the disclosure documents and contracts
- Interview any current owners, if possible
- Investigate claims of earnings
- Shop around
- Get all promises in writing
- Consider getting professional advice
- Check out the company with the local consumer protection agency, State Attorney General's Office, the Better Business Bureau, not only where the company is located, but where the business will be addressed

**BOTTOM LINE:** If it sounds too good to be true, it probably is. The more the business opportunity is investigated, the better chance it has of being legitimate.

# BUSINESS SCAMS

## Internet/Website Based Work / Work From Home Scam

**Scam:** Victim purchases website to advertise products on-line: Weight loss products, pharmaceuticals, travel or vacation sites. However, the website price was over-inflated and the products are usually overpriced or non-existent.

### What to do:

- Check out all work at home ventures with the Better Business Bureau
- Look at the cost of start up versus realistic profits prior to signing up for anything

**BOTTOM LINE:** There is no fast and easy way to make money staying at home. Check each possibility thoroughly before investing.

## Mystery Shopper Scam

**Scam:** Ads found in newspapers or magazines encourage applicants to send resume and submit to a "background" check before being accepted. They are given an employment package that included their training assignment, business forms and a cashier's check often ranging between \$2,000 to \$4,000. Their assignment is to cash the check, pose as a customer and evaluate the ease of wiring all of the money to a known address through a specific business, all within a specified time frame. After the money has been wired, the employee finds that the check was fake and is now responsible to reimburse the bank for the entire amount of the check.

### What to do:

- Be wary of any jobs that advertise for shoppers in newspapers, emails, or unsolicited mail
- Never accept a check that you deposit and then send the cash elsewhere

**BOTTOM LINE:** Always check with the Better Business Bureau before accepting employment from a business that has "open" advertisement such as newspapers, magazine ads or unsolicited mail.

## Process Payments/ Transfer Funds Scams

**Scam:** Process payments, reship products, stuff envelopes, or transfer funds are a few of the more popular work-at-home scams. In each scheme, the victim is asked to receive and cash fraudulent checks, transfer illegal funds for criminals or receive stolen merchandise and ship it to the criminals.

### What to do:

- Thoroughly investigate any job that expects you to handle money or merchandise from home.

**BOTTOM LINE:** Investigate thoroughly any company that requires you to be responsible for checks, payments or merchandise. If in doubt, pass on the opportunity.

# CREDIT CARD SCAMS

## Credit Card Skimming

**Scam:** The restaurant wait staff or the retail clerk takes the credit card out of the view of the buyer, slides the card through a skimmer hidden in the belt or sleeve of the employee, which saves the credit card number. The number is later transferred to a new card made by the skimmer.

### What to do:

- Keep the credit card in sight at all times
- If used on-line, use a "secure" website and a reputable seller. If the seller is unknown, use the pay-pal or other secure escrow account

**BOTTOM LINE;** The credit card has less of a chance in being "skimmed" if it is never out of sight, This will not, however, keep anyone from stealing the number off a receipt, if all of the numbers are visible ( only on old "slide" type machines).

## Free Trial Offer Scams

**Scam:** Whiter Teeth? Flatter Stomach? Shiny Hair? Products are offered on-line or through the mail for a free trial offer, with the offer to return any unused product for a full refund. However, many require a credit card number to qualify. Once you get the free trial sample, it is often almost impossible to cancel additional deliveries or the billing for unwanted products.

### What to do:

- Know the terms and conditions of the offer
- Pay attention to any pre-checked boxes
- Look for information about how to cancel future shipments of merchandise
- Read credit card statements diligently to spot any charges not authorized. If the merchant will not resolve the issues, contact the card issuer promptly to stop charges

**BOTTOM LINE:** Free is not always "FREE". Read all small print and conditions prior to requesting the initial sample.

## PROTECT YOUR CREDIT CARDS

- ✓ Always reconcile all credit card statements
- ✓ Dispute any unauthorized charges
- ✓ Never sign a blank charge slip
- ✓ Never put the account number on the outside of an envelope
- ✓ Protect the account number, report any stolen cards
- ✓ Shred all documents containing the account number
- ✓ Sign the back of the credit card adding "Please ask for ID"



## EMPLOYMENT SCAMS

**Scam:** While many ads for jobs may be legitimate, there are firms that will misrepresent their services, promote out-dated offerings, or charge high fees in advance for services that may not lead to a job.

### What to do:

- Reject any company that promises to provide a job
- Be skeptical of any employment service firm that charges first, even if it guarantees refunds
- Get a copy of the firm's contract and read it carefully before any money is paid
- Do not be rushed to pay for services
- Be cautious about purchasing services or products from a firm that is reluctant to answer any questions
- Be wary of firms promoting "previously undisclosed" federal government jobs

**BOTTOM LINE:** Be aware that all federal positions are announced to the public on [www.usajobs.gov](http://www.usajobs.gov). Always check with the Better Business Bureau, the state's Attorney General's Office and local consumer protection agency for any complaints against the firm considered.

### Other Employment Fraud Schemes

- Distributorship and Franchise Fraud
- Multi-Level Marketing Jobs (Pyramid Schemes)
- Postal Job Scams

## FINANCIAL FRAUD

### '900' Telephone Number Fraud

**Scam:** Victim received a call or letter stating they are a winner of a prize or the promise of a product such as a travel package and they must call a 900 number to either get the prize or product information. The victim may not be aware there is a charge for the caller for the 900 call and later be billed for a large phone bill without receiving any prize or product.

### What to do:

- Never dial a 900 number without knowing the charge upfront and are willing to pay it
- Never dial a second 900 if directed to it after placing the first 900 call
- Make sure the company making the promotion is known and been checked out with the Better Business Bureau or Consumer Protection Agency

**BOTTOM LINE:** There is always a charge for a 900 number call and be willing to pay it, even if no prize or product is received.



## GRANDSON SCAM

**Scam:** The caller claims to be a grandson and either they know the child's name or they just say, "Its me" and hope that the name is provided by the grandparent. They claim they are in trouble, either an arrest or an accident and need money wired to them. They plead with the grandparent not to contact their parents. Sometimes they even use a third party claiming to be law enforcement, a lawyer or bondsman. Social media and genealogy sites have made it easier for these con artists to obtain factual family information and making it harder to spot the scam.

### **What to do:**

Make the caller give his name rather than supplying one for him ( "Who is this?" rather than "Jimmy, is that you?")

Regardless of what the caller asks, before sending any money anywhere , contact family members to verify the possibility of an actual problem

To help verify the identity of the caller, ask more than one question that only that grandson would know

**BOTTOM LINE: Never send or wire any money anywhere without first checking out the possibility that the family member was really in trouble. The scam only works when the grandparent tries to keep the parent out of the loop.**

## HOME REPAIR SCAMS

**Scam:** Someone shows up at the door saying they just happened to be in the neighborhood working for a neighbor and they are looking to do some sort of home repair such as roofing repairs, painting, installing new windows, repaving the driveway. Often the work will be shoddy, or they may have created more damage in order to keep billing for work that needs to be done.

### **What to do:**

- Always get a written estimate from at least 2 sources
- Get recommendations from friends or professional organizations
- Check for any licenses that are needed to do the work, ie. A contractors license is needed for building- licensed professionals will have insurance to assure the work is completed well
- Never pay until the job is done and done satisfactorily

**BOTTOM LINE: If a non-registered contractor is used, there is no recourse for damages or a shoddy job except through the small claims court. The work completed by registered contractor generally is covered by a state fund (in Arizona).**



# IDENTITY THEFT

## ID Theft Prevention Tips

- Shred all personal documents
- Avoid giving out a Social Security Number unless it is required for services
- Check credit bureau activity reports at least once a year, challenging any information or activity that is incorrect
- Avoid using home mailboxes for outgoing mail; use the blue Postal boxes instead
- Review and reconcile all bank and credit card statements
- Do not do on-line banking or other sensitive activities over a 'wireless' system without the use of a good system security program and strong passwords (a combination of numbers, letters and symbols at least 6 characters long)
- Never leave personal documents in a vehicle

## Jury Service Scam

**Scam:** Individuals identifying themselves as US court employees contact residents by phone advising them that they have been selected for jury duty. They ask the residents to verify their names and social security numbers, then ask for their credit card numbers. If this information is refused, the residents are threatened with fines

### What to do:

- Jury duty notification is always done by mail, do not give out any information over the phone
- If in doubt, call the court for verification

**BOTTOM LINE:** The court will never contact jurors on the telephone, just hang up.

## Medical Identity Theft

**Scam:** Anyone can get medical treatment, prescription drugs or even surgery using the personal and health insurance information of another. Dishonest medical employees can submit false bills.

### What to do:

- Always check medical bills for services not received
- Challenge any collections for bills not owed
- Check credit reports on an annual basis and challenge any collection notices not recognized
- Keep track of all bills submitted to insurance and know the limit it pays
- Investigate any denial of coverage
- Always verify a source before sharing information
- Keep copies of all bills and health records
- Shred any unneeded personal files

**BOTTOM LINE:** Always check any medical bills against personal copies of the bills; do not assume any errors may have just been mistakes on the part of the clerical staff. Medical fraud happens because most people do not check their bills.

## INTERNET CRIME COMPLAINT CENTER'S SCAM ALERTS

### Fake Online Receipts

**Scam:** This scam targets the websites of unsuspecting online market-place sellers' by generating fake receipts. This is an executable file that has shown up on hacking forums. Buyers who have issues with the product will contact the seller and the receipts are accepted at face value without checking for details.

### Malicious Code in .gov E-Mail

**Scam:** Malware is disguised as a holiday greeting from the White House and targeted government employees. When the link is accessed the file "card.exe" programs an information stealing Trojan into the computer and disables the recipient's computer security notifications, software updates and firewall settings.

### Social Network Misspelling Scam

**Scam:** Misspelling the domain name of this site would redirect users to websites coded to look similar to the actual website. By answering three or four survey questions, the user is offered choices for gifts, but after hours of completing surveys no gifts are ever received.

#### What to do:

- If doing business via the internet, be aware that not all buyers are honest and check all receipts for accuracy
- Never open an .exe file from an unknown source
- Keep a good virus protection program on a personal file.

**BOTTOM LINE: Never download an .exe file from an unknown source. Many information stealing viruses are introduced into personal computers from files that are sent containing the virus as part of an innocent looking file.**

## LOTTERY/ SWEEPSTAKES SCAMS

**Scam:** There are many variations to these scams:

- A letter from Nigeria or another country stating that they have a large amount of money they will share with the recipient of the letter if they will aid them in getting the money out of the their country. *The only thing needed was money.*
- A telephone or a letter is received saying the recipient is the winner of a foreign lottery or sweepstakes. *The only thing the winner needs to do is send money to get prize sent to them.*

#### What to do:

- KNOW the Law! It is illegal to buy a lottery ticket in the US for a foreign lottery. The ticket must be purchased in the country in which it is held. *For example: in order to participate in the Canadian Lottery the ticket must be purchased in Canada.*
- Never send money to collect winnings
- Never send money to help someone bring you lottery winnings

## LOTTERY/ SWEEPSTAKES SCAMS

**BOTTOM LINE:** There are no winnings; there is no money to share; the only thing that is for sure is that the person who gives anyone any money will be poorer for it!

## MAIL SCAMS

### Fake Check / Rebate Check Scam

**Scam-** An unsolicited “mystery” check or a “rebate” check is received in the mail. The checks are signed and deposited in the bank. The checks turn out to be either fake checks or the victim has unknowingly purchased a service or product they had no intention of buying.

#### What to do:

- Never sign and deposit a check that has been received from an unsolicited source
- Always read any print on the check—often the fine print will reveal the terms

**BOTTOM LINE:** Nothing is really free. Always read the fine print.

### Fake Expiration Notices

**Scam:** The victim receives an expiration notice on a magazine subscription, a vehicle warranty offer with a special rate if it is mailed before a certain date or an “official” notice letter for a specialty product such as Medicare.

#### What to do:

- Check the current subscription expiration date. Make sure when the renewal is paid that it will add time to the existing subscription and not start a new one
- Read carefully the vehicle warranties offer as there are restrictions and conditions that may not apply for older, high mileage vehicles
- All official looking mail is not always really “official”, but a ploy to get the receiver to believe it is. Always read all of the letter, looking for conditions or restrictions that might apply if the product is bought.

**BOTTOM LINE;** Make sure you know what you are buying, read all fine print and conditions.

### Fake Official Notices

**Scam:** A letter comes in the mail with “Urgent” or “Official Notice” on it. The letter may hint that they have records showing the property deed was recorded, but due to property foreclosures and loan modifications in the county, the homeowner should obtain a copy of their property deed and for a fee of about \$150 they can insure rapid processing

#### What to do:

- Check to see where the letter originated, does it really come from an official county or state office or someone else
- Do not assume you need this service, check it out

## MAIL SCAMS

**BOTTOM LINE:** Always check to see who actually sent the letter and if there is some doubt as to the legitimacy, contact the source, using the phone numbers from the phone book rather than the letter.

### Fraudulent Medical Discount Plans

**Scam:** An offer is received for a medical plan with discounted rates from hundreds of providers for a wide range of medical services from doctors visits, dental exams to hospital stays and prescription drugs. However, many plans fail to make good on these claims.

#### What to do:

- Ask for a list of providers who participate in this plan - It should be a red flag if none is provided
- Ask for a website where more information can be found concerning which providers participate in the plan, whether other doctors in the area accept the plan and will accept the discounts promised
- Investigate the details of any plan carefully paying specific attention to the refund policy
- Calculate the total cost for the discount plan
- Contact the local consumer protection agency, Insurance Department or Better Business Bureau

**BOTTOM LINE:** Saving on health insurance premiums may not save money in the long run, especially if they exclude the important or expensive procedures or medicines. Investigate thoroughly.

## MORTGAGE SCAMS

### Advance Fee Loans

**Scam:** A mortgage broker claims to be able to obtain a loan with a legitimate lending institution, such as a bank or savings and loan association, regardless of credit rating or low credit scores. However, there will be a "fee" charged up front for their expenses.

#### What to do:

- Investigate the business making the guarantee
- Don't accept the guarantee at "face value"
- Insist on being told the name of the lending institution which will supposedly fund the loan
- Verify with the lender all of the oral and written representations made by the broker
- Consider consulting an attorney or accountant for advice

**BOTTOM LINE:** Take care of protecting existing assets by exercising caution when asked to pay a fee to obtain a loan. Wonder why this person is able to contract a loan from a legitimate lender when they refused previously.

## MORTGAGE SCAMS

### Reverse Mortgages

**Scam:** Available to people 62 years and older, this will allow the homeowner to convert their home equity into cash. Instead of making payments to the bank each month, the bank pays the homeowner, who can elect to receive a lump sum, a line of credit or monthly payments. The loan is repaid, with interest, when the borrower dies, moves, sells the house or fails to pay property taxes or insurance. The fraud occurs when homeowner is unaware of how much money the loan was for and how it was distributed. The fraud is usually perpetrated by either the homeowners relatives or unscrupulous loan brokers who will benefit from the homeowner having a large amount of cash available for them to manipulate.

### What to do:

- Know the market value of the property
- The main institutions require counseling prior to taking out a loan. This should be a face-to-face meeting for the homeowner
- Never sign documents with blanks
- Check the bank statements or checking accounts regularly
- Refuse to do business with any company or person requiring a fee to get the mortgage
- Ask for information about the broker, the company and consider using resources such as HUD or the National Reverse Mortgage Lenders Association to check them out
- When home improvements or estate planning services are needed, shop for the best deal.
- Never use someone who has come to the door or from an unsolicited phone call or found on a flyer left at the door

**BOTTOM LINE:** A reverse mortgage may be the right option as long as trusted, reputable companies are used and the homeowner has trusted assistance from relatives or brokers.

## PYRAMID SCHEMES

**Scam:** An invitation is received from a friend, neighbor or coworker to attend an "opportunity meeting" to learn how to earn lots of money. The presentation downplays the traditional methods of earning money and will offer instead an exciting shortcut to wealth and adventure that includes payment of a large fee for products, courses, etc., with the right to recruit others and profit from their participation.

### What to do:

- If the emphasis is on recruiting others to invest, remember that pyramid schemes are illegal in most states
- If the profit for the investor calls for another to invest, just say "no"
- For a true pyramid scheme to work, the number of participants must increase for the recruiters to make money — if 1 person only recruited 5 people and they all recruited 5 persons, by step 10 there would need to be 1,950,000 new recruits with 2,400,000 total participants.
- Chain letters requesting money are also considered pyramid schemes

**BOTTOM LINE:** Most people who participate in pyramid schemes lose, because sooner or later, no new participants can be recruited to keep the scheme going.

## REAL ESTATE SCAMS

**SCAM:** A real estate company puts listings for homes for sale on a web site that is viewable by the public. Another person, usually living overseas searches the public information databases to find the name of the owner of the property. That person then lists the property "for rent" at a very low price, on Craig's list using the actual name of the owner of the property. When the potential renter contacts the scammer about renting the home, the renter will complete an application. Upon receipt of the application, the scammer will ask for a down payment of at least one months rent, security deposit, etc. with the promise they will send the keys upon receipt of the money. This is all done by email and the renters only view of the house were the photos on the website. After sending the money, the renters never receive the key.

**What to do:**

- If renting a home out of state, deal only with a reputable real estate agent
- If the rent is lower than what is normal for the home and area, consider that a "red flag", and investigate further
- If renting a home listed on a website, ask to see the home's interior prior to paying any money
- If possible, have a personal representative drive by the home and if there is a real estate sign in the yard, contact that agent to make sure they are the ones renting out the home

**BOTTOM LINE:** Renting a home out-of-state or out-of-town can be tricky. Reduce the risk of being scammed by dealing with a real estate professional and ask to see the property personally before paying any money.

## ROMANCE/FRIENDSHIP SCAMS

**Scam:** The con artist and the victim meet on-line — often through Internet dating or employment sites. The con artist will ask for money to get out of a bad situation or to provide a service. Photographs are usually shared, showing him/her to be a very attractive person and appears to have been taken at a professional agency or studio. The con artist has incredibly bad luck — often getting into car crashes, arrested, mugged, beaten or hospitalized, all within the course of a couple of months, even claiming that their key family members (parents or siblings) are dead. The con artist claims to be a native-born American citizen, but uses poor grammar indicative of a non-native English speaker. Sometimes the con artist will use eloquent romantic language that is plagiarized from the Internet.

**What to do:**

Look for the obvious "red flags" that may indicate the on-line friend may be a fraud:

- The friend is from a foreign country and not able to meet "face-to-face"
- The romance seems to progress at "warp speed"
- The friend often asks for monetary help, especially with money to be sent or wired

**BOTTOM LINE:** Be very careful when corresponding with people over the Internet because you can never be sure of their identity or motive.

## SECURITIES AND INVESTMENT FRAUD

### “Free Lunch” Investment Seminars

**Scam:** Invitations are sent out offering the receiver a free lunch if they attend the seminar concerning any number of financial products such as real estate or securities. The goal of the meeting is to get people into a setting where they feel more obligated to listen since they were given something for attending. If they will listen, the sales people have a better chance to get them to buy something.

#### What to do:

- Watch for the red flags that indicate the investments might not be as good as the sales person is saying, such as
  - The investment requires a large up-front investment
  - Promise of high returns at a low risk
  - High pressure tactics
  - Returns will be relying on off-shore investments

**BOTTOM LINE:** There is no such thing as a “free lunch”. Never invest without checking out the product thoroughly.

### Mining Venture : Classic Swindles

**Scam:** Claims that there is a new “revolutionary” process that can extract minerals, or some process that will allow an old depleted mine to be reopened. One scam professed to be able to extract gold from water and kitty litter.

#### What to do:

- Do not be ‘blinded by the gold’; many times it has been planted
- Check out any claims with other sources
- Use extreme caution and consult with experts not attached to the property

**BOTTOM LINE:** All that glitters is not gold. Investors should make sure that the investment and the salesperson are licensed through the state in which they are selling.

### Ponzi Schemes

**Scam:** Individual says that there is a lot of money to be made in a short time by investing in bonds, bank notes or any other type of investment. Investor is either guaranteed a large percentage rate of interest or a large profit. However, many times there is no actual product to invest in and the money paid goes for the scam artist’s personal use. The only profits generated are from new investors. The new investors never see any profit at all.

#### What to do:

- Verify salesperson’s license status and background with a regulator
- Avoid companies lacking audited financials and verifiable business history
- Don’t invest until terms of contract are understood
- Get an objective third party to review the deal

## SECURITIES AND INVESTMENT FRAUD

**BOTTOM LINE:** Make sure the investment and the salespeople are licensed. Ponzi schemes fail because the money for the original investors comes only from the money made by new investors. Eventually, it collapses.

### Real Estate as Securities

**Scam:** A company offers shares to investors in their company. The money from these shares will offer mortgages to seniors to refinance their home, telling them that the accumulated equity will be invested for them. However, the money is never invested, but used for the personal use of the scammer. In this scam there are two victims: the senior who lost their home's equity and the people who invested in the shares of the company.

### What to do:

- Check financial and business history of any company before investing in it
- Understand all the contract information before signing
- Contact a knowledgeable, objective third party or a trusted relative if there are questions about the investment or the company

**BOTTOM LINE:** If it sounds too good to be true, it probably is. The only way to be sure the security is a good investment is to check reference and license information.

### SOURCES

Securities 101: Handbook for Law Enforcement, Arizona Corporation Commission, March 2011.  
Fraud! How to Protect Yourself, Marsha Bertrand, 2000.  
Federal Trade Commission, Office of Consumer & Business Education

## Additional Resources

Arizona Attorney General: [www.azag.gov](http://www.azag.gov)

Receive fraud alerts — any one can sign up to receive alerts

Arizona Corporation Commission: [www.azinvestor.gov](http://www.azinvestor.gov)

Securities Division - Check if a broker or company is registered in Arizona

Arizona Registrar of Contractors: [www.azroc.gov](http://www.azroc.gov)

Search on-line for registered contractors or claims filed against them

Better Business Bureau: [www.bbb.org](http://www.bbb.org)

Search for businesses, their ratings and any claims filed against them

Federal Bureau of Investigation: [www.fbi.com](http://www.fbi.com)

Federal Trade Commission: [www.ftc.gov](http://www.ftc.gov)

Internet Crime Complaint Center: [www.ic3.gov](http://www.ic3.gov)

Website registers complaints from fraud victims

Scambusters: [www.scambusters.org](http://www.scambusters.org)

Private website dedicated to warning consumers of fraud schemes

U. S. Postal Inspectors: <http://postalinspectors.uspis.gov>

Receives complaints from victims; Alerts consumers on Email and USPS mail fraud schemes

U.S. Secret Service: [www.secretservice.gov](http://www.secretservice.gov)

Counterfeit bank notes and how to report it