

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 linked to the promoter's inside contacts.
- 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.
- Exercise the same caution and skepticism that you would with any other investment.
- 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 Ohio Division of Securities at 800-788-1194 to find out if they are registered in the state. Your local Better Business Bureau may have records or complaints about the promoter.

# AFFINITY FRAUD



## STATE OF OHIO DEPARTMENT OF COMMERCE DIVISION OF SECURITIES

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## 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."

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. Then, using their names, the con artist pitches the scam to the rest of the group. The effect is the same: Once the connection to the group is established, the natural skepticism of the individual member melts away and one more group name is added to the sales column.

Once a victim recognizes that he or she has been scammed, too often the response is not to notify the authorities but instead to try and solve problems within the group. Swindlers who prey on affinity groups often play the loyal angle for all it

is worth.

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 fraud remains a widespread problem, with swindlers 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 the 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 con artists to target the faithful.

## Protect Yourself

In short, the tight-knit structure of many religious, community and social groups is a

perfect environment for the con artist. What can you do to protect yourself?

- **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.
- **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** not in your group - an accountant, attorney, financial planner - to evaluate the investment.
- **Contact the Ohio Division of Securities for information** about the firm and the person selling the investment, including whether they're registered.

## How The Faithful Can Avoid Scams

- Be wary of investments that seem 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