

AFFINITY FRAUD

Preying on the Faithful.



Department
of Commerce

Division of Securities

WHAT IS AFFINITY FRAUD?

Affinity fraud refers to investment scams that prey upon members of identifiable groups, including religious, elderly, ethnic and professional groups. The fraudsters who promote affinity scams are group members, claim to be members of the group or enlist respected leaders within a group to spread the word about an investment deal. These scams exploit the trust and friendship that exist in the groups of people who have something in common. Victims of such scams often fail to notify authorities or pursue their legal remedies, but are more likely to try to work things out within the group.

DUPED BY FAITH?

Scam artists often find the church and its believers fertile ground for deceitful dealings. Here are 6 tips to look for, especially in your groups, to avoid affinity fraud scams.

1. 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. If you are approached by a self-proclaimed religious-oriented financial planner, hold him or her to the same standards you would apply to anyone from whom you would seek investment advice. Many religious scriptures warn of the danger to those who exploit faith for personal enrichment.

2. Be cautious if the promoter of an investment opportunity tries to capitalize on connections or a leadership position within a religious group.

Remember that the success or failure of the investment is extremely unlikely to be linked in any way to the “inside” contacts of the promoter. Don’t be swayed by talk about “highly placed friends.” Always check out any claim of influence within the church that is made by a promoter.

3. Be on your guard for a new member of your church who springs up out of nowhere with a “surefire” investment scheme.

Some con artists will waste little or no time in worming their way into a religious circle. Find out who you are dealing with and what their background, if any, is within the church. Call the Ohio Division of Securities at 1-800-788-1194 or (614) 644-7381 to check the person’s background.

4. Ignore claims that religious-based investments are unregulated.

Virtually all investments opportunities, including church bonds, come under the scope of state and federal securities or commodities laws. Any claim to the contrary by a promoter is a clear indication that you are dealing with someone who is either grossly uninformed or a con artist.

5. Check out the promoter and the investment opportunity.

Don’t suspend your doubt about an investment just because the promoter has made some claims about church connections. All promoters and investments should be checked out thoroughly before money changes hands. Contact the Ohio Investor Protection Hotline at 1-800-788-1194 to find out if the promoter and investment are properly registered in Ohio. In addition, an inquiry with your local Better Business Bureau will offer further insight into the promoter’s past complaints and business record.

6. Don’t give a break to the swindler who hides behind religion.

Once discovered, investment swindlers promoting schemes to a religious community will plea for forgiveness. Others will warn of the danger to the church or the greater faith if the scam is exposed. By allowing the swindler to escape punishment, they will simply victimize someone else. If you suspect that you have been approached or taken advantage of by a con artist, report them to the Ohio Division of Securities at 1-800-788-1194 or (614) 644-7381.

HOW TO AVOID AFFINITY GROUP FRAUD

Beware of the use of names or testimonials from other group members. Scam artists frequently pay out high returns to early investors using money from later arrivals. Accordingly, early investors may be wildly enthusiastic about a scheme that may collapse entirely once you've invested.

Ask for professional advice from a neutral outside expert not in your group, such as an accountant, attorney or financial planner, to evaluate the possible investment.

Don't be pressured or rushed into buying an investment before you have a chance to think about, or investigate, the opportunity. Just because someone you know made money, or claims to have made money, doesn't mean you will too.

Before investing any money, call the Ohio Division of Securities in order to learn more about the salesperson and firm. The Division of Securities is asking you to ACT now.

A = Ask if the promoter is registered to do business in the state, and is the investment allowed to be sold. If person is not licensed and the investment is not registered, it may be a scam.

C = Call the Division of Securities to check if the person is licensed or the investment is registered. You can also check this by using our website at www.com.ohio.gov/secu.

T = Think about it! Is this opportunity too good to be true? Is the promoter putting pressure on you to make an investment now? Have you taken the time to think about the risks associated with the investment? Lastly, have you consulted with an uninterested professional, such as an attorney or accountant?

**If you think you have been a victim of Affinity Fraud
or any Securities Fraud, telephone or write to the
Ohio Department of Commerce, Division of Securities.**

Call the Division at 1-800-788-1194

or visit our website at

www.com.ohio.gov/secu

for a complaint form.