

Protecting Your Financial Interests



Government of the District of Columbia
Department of Insurance, Securities and Banking

DC Eder Abuse Prevention
Committee

Financial Exploitation and
Risk Prevention Training
Conference

Affinity Fraud Presentation



Who We Are

- Regulate financial services businesses in the District
- Administer insurance, securities and banking laws, rules and regulations
- Develop and improve market conditions
- Attract and retain financial services firms





What We Do

- Ensure residents have choices in financial services and
- Treated fairly by companies and individuals that provide services





Who We Regulate

- Insurance companies
- Investment advisors
- Broker-dealers
- Banks
- Check cashers





Who We Regulate

- Mortgage lenders, brokers and originators
- Sales finance companies
- Money transmitters
- Money lenders
- Non-bank ATM operators





Services We Provide

- Consumer Information
- Consumer Protection
- Small Business and Economic Development
- Financial Literacy and Education
- Consumer Services





What is Affinity Fraud ?

Investment scams that prey upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups



What is Affinity Fraud?

- Exploit the trust and friendship that exist in groups of people with something in common
- Fraudsters frequently are - or pretend to be - members of the group
- Tight-knit group structure make it difficult for regulators or law enforcement to detect

What is Affinity Fraud?

- Scams may involve "Ponzi" or pyramid schemes-new investor money is used to make payments to earlier investors
- Leads new investors to invest and existing investors to believe investments are safe and secure!



Local Church Based Case

- Subject was a successful pastor of local religious institution
- Operated what was determined to be an unlicensed securities business
- Won victims trust and confidence by virtue of being spiritual leader



What Happened?

- Church members were persuaded to invest in real estate secured by promissory notes
- Investors were guaranteed 20 percent return in one year regardless of market !
- Investors could liquidate after one year or continue investing

What Happened?

- Three victims invested a total of \$50,000.00
- After one year victims requested monies back with 20% interest
- Subject requested additional time and offered to raise rate to 25%



Regulator Steps In!

- DISB opened investigation and presented case to the FBI and U.S. Attorney's Office
- Regulatory action resulted in charges of unlicensed activity
- Settlement agreement was reached with victims



How To Avoid Affinity Fraud

- Check out everything - no matter how trustworthy the person or group!
- Question investments that promise spectacular profits or "guaranteed" returns
- Be skeptical of any investment that is not in writing.

How To Avoid Affinity Fraud

- Don't be pressured to invest before you have a chance to investigate the “opportunity”
- Fraudsters are increasingly using the Internet to target particular groups through e-mail
- Check Before You Invest!



Who to Contact

District of Columbia Department of Insurance, Securities and Banking
810 First St NE, Suite 701, Washington DC 20002
202/727-8000 www.disb.dc.gov

District of Columbia Department of Human Services-Adult Protective Services
64 New York Avenue, NE, 6th Floor, Washington, DC 20002
Phone: (202) 671-4200 <http://dhs.dc.gov/service/adult-protective-services>

District of Columbia Metropolitan Police Department
Financial and Cyber Crimes Unit
300 Indiana Avenue, NW Room 3019, Washington, DC 20001
(202) 727-4159, mpd.fraud-unit@dc.gov





Who to Contact

- Consumer Financial Protection Bureau
1700 G St, NW, Washington, DC 20552
(855) 411-2372, <http://www.consumerfinance.gov>
- U.S. Securities and Exchange Commission
100 F Street, NE, Washington, DC 20549
(202) 942-8088, <https://www.sec.gov/>
- Financial Industry Regulatory Authority
1735 K Street, Washington DC, 20006
FINRA Call Center: (301) 590-6500, <http://www.finra.org/>



DISB

Questions???

