

Guide for Senior Consumers on Financial Services

Tips to Prevent Fraud, Abuse and Inappropriate Marketing of Financial Products and Services

*This document was developed by the **State Financial Regulators Roundtable (SFRR)**, a group of State Regulators' Membership Associations including banking, consumer lending, credit unions, insurance, money service businesses, mortgage lending institutions, savings institutions, and securities. The associations that make up the State Financial Regulators Roundtable are listed at the end of this document.*

Fraud Targeted at Senior Citizens – Why should senior citizens be concerned?

It has been the experience of the Federal Bureau of Investigation (FBI) that the elderly are targeted for financial fraud for several reasons:

- 1) Older American citizens are most likely to have a “nest egg,” own their home and/or have excellent credit all of which the con man will try to tap into. The fraudster will focus his/her efforts on the segment of the population most likely to be in a financial position to buy something.
- 2) Individuals who grew up in the 1930s, 1940s and 1950s were generally raised to be polite and trusting. Two very important and positive personality traits, except when it comes to dealing with a con man. The con man will exploit these traits knowing that it is difficult or impossible for these individuals to say “no” or just hang up the phone.
- 3) Older Americans are less likely to report a fraud because they do not know who to report it to, are too ashamed at having been scammed, or do not know they have been scammed. In some cases, an elderly victim may not report the crime because he or she is concerned that relatives may conclude that the victim no longer has the mental capacity to take care of his or her own financial affairs.
- 4) When an elderly victim does report the crime, they often make poor witnesses. The con man knows the effects of age on memory and he/she is counting on the fact that the elderly victim will not be able to supply enough detailed information to investigators such as: How many times did the fraudster call? What time of day did he/she call? Did he provide a call back number or address? Was it always the same person? Did you meet in person? What did the fraudster look like? Did he/she have any recognizable accent? Where did you send the money? What did you receive if anything and how was it delivered? What promises were made and when? Did you keep any notes of your conversations?

The victim's realization that they have been victimized may take weeks or, more likely, months after contact with the con man. This extended period will test the memory of almost anyone.

5) Lastly, when it comes to products that promise increased cognitive function, virility, physical conditioning, anti-cancer properties and so on, older Americans make up the segment of the population most concerned about these issues. In a country where new cures and vaccinations for old diseases have given every American hope for a long and fruitful life, it is not so unbelievable that the products offered by these con men can do what they say they can do.

What to Look For and How to Protect Yourself and Your Family

Health Insurance Frauds

Medical Equipment Fraud

Equipment manufacturers offer “free” products to individuals. Insurers are then charged for products that were not needed and/or may not have been delivered.

“Rolling Lab” Schemes

Unnecessary and sometimes fake tests are given to individuals at health clubs, retirement homes, or shopping malls and billed to insurance companies or Medicare.

Services Not Performed

Customers or providers bill insurers for services never rendered by changing bills or submitting fake ones.

Medicare Fraud

Medicare fraud can take the form of any of the health insurance frauds described above. Senior citizens are frequent targets of Medicare schemes, especially by medical equipment manufacturers who offer seniors free medical products in exchange for their Medicare numbers. Because a physician has to sign a form certifying that equipment or testing is needed before Medicare pays for it, con artists fake signatures or bribe corrupt doctors to sign the forms. Once a signature is in place, the manufacturers bill Medicare for merchandise or service that was not needed or was not ordered.

Some Tips to Avoiding Health Insurance Frauds

- Never sign blank insurance claim forms.
- Never give blanket authorization to a medical provider to bill for services rendered.
- Ask your medical providers what they will charge and what you will be expected to pay out-of-pocket.
- Carefully review your insurer’s explanation of the benefits statement. Call your insurer and provider if you have questions.
- Do not do business with door-to-door or telephone salespeople who tell you that services of medical equipment are free.
- Give your insurance/Medicare identification only to those who have provided you with medical services.
- Keep accurate records of all health care appointments.
- Know if your physician ordered equipment for you.

Counterfeit Prescription Drugs

Some Tips to Avoiding Counterfeit Prescription Drugs

- Be mindful of appearance. Closely examine the packaging and lot numbers of prescription drugs and be alert of any changes from one prescription to the next.
- Consult your pharmacist or physician if your prescription drug looks suspicious.
- Alert your pharmacist and physician immediately if your medication causes adverse side effects or if your condition does not improve.
- Use caution when purchasing drugs on the Internet. Do not purchase medications from unlicensed online distributors or those who sell medications without a prescription. Reputable online pharmacies will have a seal of approval called the Verified Internet Pharmacy Practice Site (VIPPS), provided by the Association of Boards of Pharmacy in the United States.
- Product promotions or cost reductions and other "special deals" may be associated with counterfeit product promotion.

Funeral and Cemetery Fraud

Some Tips to Avoiding Funeral and Cemetery Fraud

- Be an informed consumer. Take time to call and shop around before making a purchase. Take a friend with you that may offer some perspective to help make difficult decisions. Funeral homes are required to provide detailed price lists over the phone or in writing. Ask if their lower priced items are included on their price list.
- Be informed about caskets before you buy one. It is a myth that funeral providers can determine how long a casket will preserve a body.
- Research funeral home service fees when shopping for products elsewhere. Some of these charges are prohibited by the Federal Trade Commission.
- You should know that embalming is not legally required and that a casket is not needed for direct cremations.
- Do not be pressured by high-priced pitches from funeral industry vendors.
- Require all proposed plans and purchases to be put in writing.
- Remember to read carefully contracts and purchasing agreements before signing. Find out if agreements you sign can be voided, taken back or transferred to other funeral homes.
- Before you consider prepaying, make sure you are well informed. When you do make a plan for yourself, share your specific wishes with those close to you.

Fraudulent "Anti-Aging" Products

Some Tips to Avoiding Fraudulent "Anti-Aging" Products

- If it sounds too good to be true, it probably is. Watch out for "Secret Formulas" or "Breakthroughs."
- Do not be afraid to ask questions about the product. Find out exactly what it should do for you and what it should not.

- Research a product thoroughly before buying it. Call the Better Business Bureau to find out if other people have complained about the product.
- Be wary of products that purport to cure a wide variety of illnesses (particularly serious ones) that do not appear to be related.
- Testimonials and/or celebrity endorsements are often misleading.
- Be very careful of products that are marketed as having no side effects.
- Products that are advertised as making visits to a physician unnecessary should be questioned.
- Always consult your doctor before taking any dietary or nutritional supplement.

Telemarketing Fraud

If you are age 60 or older, you may be a special target for people who sell bogus products and services by phone. Older women living alone are special targets of these scam artists. Telemarketing scams often involve offers of prizes, low-cost vitamins and health care products, and travel offers.

There are warning signs to these scams, including promises of “free” or “low cost” vacations and get rich quick schemes. If you hear these--or similar--"lines" from a telephone salesperson, just say “no thank you,” and hang up the phone:

- “You must act ‘now’ or the offer won't be good.”
- “You’ve won a ‘free’ gift, vacation, or prize.” But you have to pay for “postage and handling” or other charges.
- “You must send money, give a credit card or bank account number, or have a check picked up by courier.” You may hear this before you have had a chance to consider the offer carefully.
- “You don’t need to check out the company with anyone.” The callers say you do not need to speak to anyone including your family, lawyer, accountant, local Better Business Bureau, or consumer protection agency.
- “You don’t need any written information about their company or their references.”
- “You can’t afford to miss this ‘high-profit, no-risk’ offer.”

Remember, if you hear the lines above, or similar “lines” from a telephone salesperson, just say “no thank you,” and hang up the phone.

Some Tips to Avoiding Telemarketing Fraud

It's very difficult to get your money back if you've been cheated over the phone. Before you buy anything by telephone, remember:

- Do not buy from an unfamiliar company. Legitimate businesses understand that you want more information about their company and are happy to comply.
- Always ask for and wait until you receive written material about any offer or charity. If you get brochures about costly investments, ask someone whose financial advice you trust to review them. But, unfortunately, beware -- not everything written down is true.
- Always check out unfamiliar companies with your local consumer protection agency, Better Business Bureau, state Attorney General, the National Fraud Information Center, or other watchdog groups. Unfortunately, not all bad businesses can be identified through these organizations.
- Obtain a salesperson's name, business identity, telephone number, street address, mailing address, and business license number before you transact business. Some con artists give out false names, telephone numbers, addresses, and business license numbers. Verify the accuracy of these items.
- Before you give money to a charity or make an investment, find out what percentage of the money is paid in commissions and what percentage actually goes to the charity or investment.
- Before you send money, ask yourself a simple question. "What guarantee do I really have that this solicitor will use my money in the manner we agreed upon?"
- You must not be asked to pay in advance for services. Pay services only after they are delivered.
- Some con artists will send a messenger to your home to pick up money, claiming it is part of their service to you. In reality, they are taking your money without leaving any trace of whom they are or where they can be reached.
- Always take your time making a decision. Legitimate companies won't pressure you to make a snap decision.
- Do not pay for a "free prize." If a caller tells you the payment is for taxes, he or she is violating federal law.
- Before you receive your next sales pitch, decide what your limits are --the kinds of financial information you will and will not give out on the telephone.
- It is never rude to wait and think about an offer. Be sure to talk over big investments offered by telephone salespeople with a trusted friend, family member, or financial advisor.
- Never respond to an offer you do not understand thoroughly.
- Never send money or give out personal information such as credit card numbers and expiration dates, bank account numbers, dates of birth, or social security numbers to unfamiliar companies or unknown persons.
- Your personal information is often brokered to telemarketers through third parties.
- If you have been victimized once, be wary of persons who call offering to help you recover your losses for a fee paid in advance.
- If you have information about a fraud, report it to state, local, or federal law enforcement agencies.

Internet Fraud

As Internet use among Senior Citizens increases, so does their chances to fall victim to internet fraud. Internet fraud includes non-delivery of items ordered over the Internet and credit/debit card fraud. Please visit the FBI's ["Internet Fraud" webpage](#) for details about these crimes and tips to protect yourself.

Investment Schemes

Senior citizens, as they plan for retirement, may fall victim to investment schemes. These may include Advance Fee Schemes, Prime Bank Note Schemes, Pyramid Schemes, and Nigerian Letter Fraud schemes. Please visit the FBI's ["Common Fraud Schemes" webpage](#) for more information about these crimes and tips for protection.

In addition to fraudulent investments, seniors can also be sold investments that are inappropriate based on their risk and maturity structure. Seniors should always ask the following questions before making any investment decision:

1. Do you understand the product? If the product is too complex to be easily and reasonably understood, you probably do not need to be investing in it.
2. Have you been provided with a clearly presented analysis of the risks of this product, including the risk of loss of principal and the liquidity risk (the risk of being able to quickly sell the product preferable on an established market, for a cash value of at least the amount that you invested in the product)?
3. Do you understand the maturity of the product and the investment return characteristics of the product? Are the investment returns fixed or are they variable, based on investment or market returns?
4. In the case of an investment product, what are the historic returns of the product over the past twelve months, last five years and last ten years?
5. What are the total fees and commissions that are being received for the sale of the product? If the seller is unwilling or unable to adequately explain the compensation structure of the product, and then you need to question the suitability of the product.
6. Were you exposed to aggressive selling tactics or are you being told that this opportunity will only exist for a short period and that you need to purchase this investment today? If this is a sound decision, you should be able to fully consider your decision, consult with a subject matter expert and otherwise exercise due care and discretion in the consideration of this investment.

Mortgage Fraud

Mortgage fraud is one of the most rapidly growing segments of fraudulent activity and seniors may be targeted due to the fact that they often have large amounts of equity in their homes and may need funds to make home improvements or to provide

supplemental income. It is important that senior take precautions to prevent being the subject of mortgage fraud and having equity stripped from their homes

1. Always check with your State Agency in charge of mortgage supervision (in most States it is the State Banking or Financial Institutions Department) to determine if the mortgage broker or lender that you are dealing with is properly licensed. Under a new federal statute adopted in 2008 known as the SAFE Act (Secure and Fair Enforcement for Mortgage Licensing Act of 2008), residential mortgage loan officers will be licensed or registered through a Nationwide Mortgage Licensing System and Registry which will eventually provide for broader information on lenders, including their licensing or registration status and any regulatory sanctions that may be outstanding.
2. Shop around for your mortgage just like you would for any other product or service. Ask to be provided a good faith estimate that provides an estimate of the interest rate and charges associated with the mortgage you are shopping for.
3. Educate yourself as a consumer and protect your credit rating by using credit appropriately. A poor credit rating could result in lower cost mortgage alternatives not being available to you.
4. Be aware of the characteristics of adjustable rate, interest only mortgages and option adjustable mortgages. Adjustable rate mortgages are subject to an increasing mortgage rate and higher monthly payments. Interest only mortgages typically have an adjustable interest rate and start paying principal after a period of time, often five or ten years, resulting in sharp increases in payments. Option Adjustable mortgages may have features that result in negative amortization, which could actually increase the principal balance on your mortgage over time.
5. Be on the lookout for features that could be viewed as predatory in nature. These include excessive loan fees, prepayment penalties or features that require arbitration of disputes and limit legal remedies for consumers.
6. If a mortgage lender or broker encourages you to place any information in the mortgage application that misrepresents your status as a borrower, your employment status or conditions of employment or the condition or value of the property, you should not proceed with the application and should contact regulatory authorities.
7. If you go to a loan closing and the terms of the loan are at substantial variance with the good faith estimate you should not hesitate to postpone the closing until these issues are resolved. Do not sign loan documents that contain material discrepancies from the good faith estimate, since in many cases, there is not a right of rescission from these loan contracts.

Reverse Mortgages

Perhaps no recent financial product has been more specifically marketed to senior citizens than reverse mortgage products. Reverse mortgages can be appropriate products for seniors who have accumulated equity in their homes and require funds for

home maintenance or to enhance retirement income. It is however important for seniors to recognize the characteristics of this product, including the following:

1. Seniors should carefully review all disclosures related to a reverse mortgage transaction and consider obtaining independent homeowner counseling to assist them in making this important decision.
2. Reverse mortgages are borrowing transactions and the lender will have a lien against the homeowner's residence. Although the borrower will typically not have to make payments during their lifetime, the residence may ultimately have to be sold in order to liquidate this obligation, unless there is some other source of repayment.
3. Although the characteristics of a reverse mortgage, which may have a lump sum payment, a series of annuitized payments to the homeowner or a combination of the two is different than a traditional mortgage, it is still a borrowing transaction. Many financial advisors recommend to seniors that they avoid debt in retirement rather than borrowing money.
4. Reverse mortgages have relatively high fee structures. Like other financial products it is important for seniors to comparison shop for these products from different companies, in order to obtain the best deal.
5. The reasons for entering into a reverse mortgage are extremely important. Home equity is an important resource and a financial backstop for seniors. It is important for seniors to make certain that they don't outlive their financial resources and reverse mortgages taken out in order to gift funds to children or grandchildren or used for temporary lifestyle enhancement may not represent a sound financial strategy.

Contact Information for Seniors on Financial Products and Services

There are a number of additional resources that can assist seniors in making sound decisions regarding financial products and services. These include:

- ✓ The American Association of Retired Persons (AARP), money and financial services

<http://www.aarp.org/money/>
(888) 687-2277

- ✓ The Administration on Aging

<http://www.aoa.dhhs.gov/>
(800) 677-1116

- ✓ USA. Gov Government Made Easy

<http://www.usa.gov/Topics/Seniors.shtml>

(800) 333-4936

- ✓ U.S. Senate Special Committee on Aging

<http://aging.senate.gov/resources.cfm>

(202) 224-5364

Contact Information for Regulatory Associations

- ✓ For issues related to State Charter Savings Institutions: The American Council of State Savings Supervisors

<http://www.acsss.org/>
(202)-728-5757

- ✓ For issues related to State Chartered Banks and related financial institutions: The Conference of State Bank Supervisors

<http://www.csbs.org/>
(202) 296-2840

- ✓ For issues related to State Chartered Credit Unions: The National Association of State Credit Union Supervisors

<http://www.nascus.org/>
(703) 528-8351

- ✓ For issues related to Insurance and the supervision of insurance companies: The National Association of Insurance Commissioners

<http://www.naic.org/>
(866) 470-6242

- ✓ For issues related to the supervision of Mortgage Lenders and Brokers: The American Association of Residential Mortgage Regulators

<http://www.aarmr.org/>
(202) 521-3999

- ✓ For issues related to the supervision of consumer lenders (consumer finance lenders, deferred presentment lenders and other consumer lenders): The National Association of Consumer Credit Administrators

<http://www.naccaonline.org/>
(614) 326-1165

- ✓ For issues related to the supervision of money transmitters (Check Cashers, Check sellers, money transmitters and stored value card issuers): The Money Transmitter Regulators Association

<http://www.mtraweb.org/>
(717) 545-9991

- ✓ For issues related to State supervision of securities, investment advisors, and related issues: the North American Securities Administrators Association

<http://www.nasaa.org/home/>
(202) 737-0900