

being swayed by emotional pitches. Obtain a prospectus or other form of written information that details the investment's risks and the procedures for getting your money out.

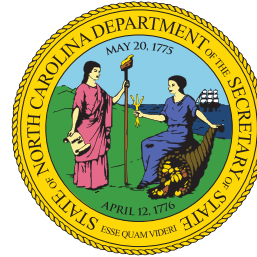
5. Ignore claims that religion-based investment opportunities are not regulated. State and federal securities or commodities laws regulate almost all investments, including church bonds.
6. Ask for professional advice from a neutral outside expert not in your group – an accountant, attorney, investment adviser – to evaluate the investment.
7. Be careful with whom you share your personal information – including financial information. Be especially wary of new acquaintances within your real life group and with people you meet in online groups. Each bit of information shared could help a scammer fabricate just the right con to make you trust them with your money.
8. Check out the promoter and the investment yourself. Do not rely solely on the word of a salesperson! Contact the Securities Division of the North Carolina Secretary of State at 1-800-688-4507 to find out if the promoter and investment are registered in the State. With limited exceptions, North Carolina law requires both the person selling the investment and the investment product to be registered with the Securities Division. If neither is registered, you should inquire further. Your local Better Business Bureau may have records of complaints about the promoter. Always remember: If an investment sounds too good to be true, it probably is!

Want to be kept in the know?

Read about the latest scams and fraud prevention tips by subscribing to our monthly e-newsletter. Visit:
<http://www.sosnc.gov/sec/SubScribeEmail.aspx>.

North Carolina Department of the Secretary of State

Hon. Elaine F. Marshall
Secretary of State



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NORTH CAROLINA DEPARTMENT OF THE SECRETARY OF STATE SECURITIES DIVISION

AFFINITY FRAUD: SCAMMING AN ENTIRE GROUP



The world of finance just keeps getting more complicated, and many people feel the need for a shorthand way of knowing whom to trust. This is especially true when it comes to investing their money.

WHOM CAN YOU TRUST?

Affinity fraud is fraud directed against members of a group sharing a common characteristic, like belonging to the same ethnic or religious group, being retirees or senior citizens, having the same career or occupation, or engaging in the same community activity. The world of finance just keeps getting more complicated. Many people are unfamiliar with how financial markets work, while others don't know how to research an investment or its seller. It is natural – and, indeed, often encouraged – for a person to seek the advice of someone else who seemingly knows more about the world of investments and investing. Often we turn to our trusted circle of friends or family members for such advice or information without realizing that this might put us at risk of becoming victims of affinity fraud.

Con artists realize that people tend to trust other members of their group more than they trust outsiders. This is why a key tactic in affinity fraud is to use references from a few people within a group to persuade other members to part with their money. Once the crook has sold a few high-profile members on the investment scheme, their names can be used to dispel others' skepticism or doubt. Group members often unknowingly aid the con artist by persuading unsuspecting friends or family members to get in on the "deal."

Unfortunately, even after recognizing the scam, the investor often does not notify authorities. Instead, he tries to solve problems within the group. Swindlers preying on group affinity play the loyalty angle for all it is worth. The authorities, including the NC Secretary of State Securities Division, cannot effectively investigate or prevent the scammer from continuing to steal other people's money without cooperation from known victims.

FRAUD TARGETING IMMIGRANTS

Immigrant groups are particularly vulnerable to affinity fraud because they are sometimes isolated from the larger community, and their flow of information may be limited due to language differences and other barriers. This seclusion can make it easier for the con artist to convince the victim he is trustworthy.

FRAUD TARGETING THE FAITHFUL

Affinity fraud targeting religious groups has become an especially widespread problem, with swindlers found across all denominations. Consumers have complained about con artists who cite endorsements by parishioners and even clergy or who claim to have spiritually-inspired investment advice. Con artists frequently deliver targeted, unverified advertisements to the faithful through religious-oriented magazines, newspapers, radio stations and cable television outlets and claim to be affiliated with religious groups that will match those of the audience. These tactics aim to gain your unquestioning trust. The con artist portrays himself as being just like you. "We share the same background, interests and values," he says, "And I can help you make money."

The bottom line is that your financial future cannot afford assumptions. You must learn to remove emotion from what is essentially a business decision – whether or not the decision to invest is right for you. Always call the Securities Division to verify that both the seller and the product being offered are registered. Don't let a swindler take advantage of new victims elsewhere by allowing him to hide behind religion or his affinity with your group. Do not be victimized a second time by letting an investment scammer off the hook. Report him to the Securities Division.

HOW TO PROTECT YOURSELF

Unfortunately, despite its efforts, the Securities Division cannot stop all scams or recover all monies investors lose to fraudsters. The tight-knit structure of many professional, community, religious and social groups is a perfect



environment for the con artist. But there are some steps you can take to protect yourself from fraud, regardless of the group with which you are affiliated:

1. Be wary of investments that seem to benefit only those within your group. While you may be interested in investment opportunities that mirror your moral or lifestyle views, it makes little economic sense that an investment opportunity would be available only to members of a specific group, union, nationality or faith.
2. Be wary of testimonials. Be cautious if the promoter of an investment opportunity uses connections or relies on the testimonials of leaders within an ethnic, social, religious, or civic group. Scam artists frequently pay high returns to early investors with money received from later investors. As a result, early investors often are wildly enthusiastic about a scheme that later collapses. (For more information about these scams, see the brochure entitled, **Ponzi Schemes**.)
3. Beware of a new group member springing up out of nowhere with a sure-fire investment scheme. Some con artists waste no time making friends within a group. Find out about their background and history, if any, within the church or group.
4. Approach all investment opportunities in a business-like manner. Exercise the same caution and skepticism that you would with any other business transactions. Avoid