



**NORTH CAROLINA CENTER FOR
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NEWS RELEASE

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STATE NEEDS TO UPDATE LAWS TO PROTECT ELDERS FROM FRAUD

Fraud committed against the elderly is on the rise, and North Carolina needs to do more to protect its seniors, says a new study released today by the N.C. Center for Public Policy Research. Schemes to rip off unsuspecting senior citizens have been around as long as older citizens with accumulated wealth. What is new, however, is the increasing sophistication and international scope of the fraudulent operations, a growing population of older and wealthier citizens, and the widening role of the Internet and other forms of advanced technology as a means of perpetrating new and often hard-to-detect schemes. The expectation is that fraudulent telemarketers will increasingly use computer technology to contact potential victims because the aging Baby Boomers rely on computers twice as much as the current generation of older Americans.

"The stories of fraud against the elderly are rampant and appalling," says Mebane Rash, editor of the Center's journal, *North Carolina Insight*. "It is all the more tragic because often the fraud is carried out by relatives, family friends, and caregivers."

In one mountain county, an elderly couple started sending money to a California televangelist who said he wanted to spread Christianity to the Middle East. Over time, the televangelist started visiting them at their home in Western North Carolina. When the elderly man moved into a nursing home, the televangelist visited and asked the couple to sign over a general power of attorney, health care powers of attorney, and a real estate deed transfer reserving only a life estate for the couple. The sheriff was called, the documents were shredded, the minister was chased out of the county, and Medicare fraud charges were filed. But the elderly man in the nursing home died, and his wife was deemed incompetent to testify, so the charges were dropped. The minister came back just weeks after the man's death, and the widow signed all of the documents again. This time, there was no one to protect her, no one to call the sheriff.

The Scammers and Their Schemes

The Center says the financial exploitation of the elderly is carried out by two categories of perpetrators: (1) strangers; and (2) relatives, family friends, and caregivers. Examples of fraud by **strangers** include (a) sophisticated, international telemarketing check and sweepstake schemes and (b) Internet-based identity theft through spam emails and illegally acquiring information such as usernames, passwords, and credit card details by pretending to represent a trustworthy organization. Other schemes include (c) the "sweetheart scam," where an opportunistic con artist befriends an elderly widow or widower and over time feigns false love which

they use to gain control of the senior citizen's estate and finances, and (d) local home repair fraud rings that persuade elderly homeowners to undertake needless repairs.

For example, Debbie Brantley, Chief of the Elder Rights Section of the N.C. Division of Aging and Adult Services, tells how a 92-year-old Army colonel in Raleigh was bilked out of more than \$227,000 by home repair con artists. They convinced him that his perfectly sound attic needed substantial repairs by bringing in rotten pieces of wood and a jar of termites. The colonel admitted at the time that he had been defrauded and wanted to aid in the scammers' prosecution. However, after a hurricane struck his neighborhood, the colonel contracted with the scammers to make repairs again. The scammers then took another \$22,000 of his money.

Unlike strangers, **family members, friends, and caregivers** have a legal, fiduciary, or moral responsibility to take care of, not abuse, the older adults within their care. They also start out from a position of trust. These individuals use methods such as (a) intentional theft of money, property, or valuables from the senior citizen's home; (b) "borrowing" money without any real intent to repay it; (c) withholding services or medical care to conserve and enlarge the elder person's financial estate; (d) selling or disposing of the elderly person's personal property without permission; (e) misappropriating funds from pension or retirement checks received by the elderly; (f) misusing ATM and credit cards; or (g) forcing the senior citizen to part with resources or sign over property.

"In some cases, the caregivers walk away with everything but the kitchen sink," says Rash. In a case involving a Clinton, North Carolina elderly man, his caretakers took close to \$16,000 worth of jewelry, charged \$14,000 on his credit cards, and stole his trailer and hauled off his computer, refrigerator, and washing machine.

N.C.'s National Rankings in Fraud, Identity Theft, and Internet Fraud and the Effect on the Elderly

North Carolina is no stranger to this crime. According to data collected by the Federal Trade Commission, consumers in the Tar Heel State lodged 14,846 fraud complaints in 2007 and 23,128 in 2008. In 2008, 85 percent of these complaints reported a total loss of \$25.5 million. In addition, North Carolina consumers lodged 6,069 identity theft complaints in 2007 and 7,609 in 2008. In 2008, North Carolina ranked 24th among the 50 states in the number of fraud complaints and 21st in the number of identity theft victims. Nationwide in 2008, 30 percent of all consumer fraud complaints and 26 percent of identity theft complaints were lodged by individuals aged 50 and over.

In addition, six North Carolina metropolitan areas ranked among the top 50 largest metropolitan areas nationwide for per capita consumer fraud complaints in 2008. These are Dunn (4th with 827 complaints), Thomasville-Lexington (11th with 1,003 complaints), Salisbury (18th with 822 complaints), New Bern (27th with 673 complaints), Statesville-Mooresville (31st with 829 complaints), and Durham (33rd with 2,566 complaints). The ranking was based on the number of fraud complaints per 100,000 inhabitants. Thus, even though Dunn had fewer overall fraud complaints (827) than Charlotte-Gastonia-Concord (6,235), Dunn ranked in the top 50 because it had an overall greater number of complaints per 100,000 inhabitants.

Five North Carolina metropolitan areas also ranked among the top 50 for identity theft consumer complaints: Thomasville-Lexington (6th with 437 complaints), Dunn (12th with 250 complaints), Salisbury (17th with 286 complaints), Goldsboro (46th with 194 complaints), and Statesville-Morrisville (49th with 246 complaints). Though these scams often originate in other states and even other countries, they have a very real and significant impact in North Carolina.

The Internet Crime Complaint Center (IC3), a partnership between the FBI (Federal Bureau of Investigation) and the National White Collar Crime Center, compiles statistics on Internet fraud. In 2007, the IC3 received 4,625 complaints from North Carolina with reported losses exceeding \$3.6 million. Individuals 50

and older accounted for 26.9 percent of reported complaints. The IC3 group also says North Carolina ranks 15th among the 50 states in the total number of perpetrators who reside in this state.

Why the Elderly Are Vulnerable to Fraud

Although age alone is not necessarily a good predictor of being a victim, it is clear that many scam artists specifically target elders due to several risk or lifestyle factors. The elderly are the most financially well-off population group, and their assets tend to be liquid or easily converted into cash. As retirees, older individuals are more likely to be at home to respond to telephone calls or door-to-door scams. Especially at risk are the elderly homebound. Also, the elderly are vulnerable because their memory can be poor, they seldom make written notes about phone conversations, and only occasionally ask for written guarantees. Finally, their most notable weakness is that once they recognize the deceit, they are often too embarrassed to relay the events to their children, friends, counsel, or law enforcement. And, as victims lose all their money and become indigent, the state often feels a budgetary impact when the victims turn to public assistance.

Recommendations by the Center To Reduce Fraud Against the Elderly

Based on its research, the N.C. Center for Public Policy Research makes four recommendations to prevent and reduce fraud against the elderly.

1. In 1973, North Carolina enacted the first elder abuse law in the United States. But the “Protection of the Abused, Neglected, and Exploited Disabled Adult Act” has not been updated since 1981. **The Center recommends that the N.C. General Assembly clarify and strengthen the laws to support a broader system of protection for older adults.** The definition of abuse should include physical abuse, emotional abuse, sexual abuse, financial exploitation, neglect, and abandonment. And, in keeping with the definition in the federal Older Americans Act, older adults should be defined as those 60 and over.

2. In response to national studies that document the importance of establishing reliable information on mistreatment of elders, **the Center recommends that the N.C. General Assembly require reporting on the statewide incidence and prevalence of mistreatment of the elderly, including statistics on age, gender, and ethnicity of victims and perpetrators, as well as information on outcomes.** Prevalence is the *total* number of elderly mistreated in a given period, and incidence is the number of *new* cases identified or reported in a given time. Currently, no one knows how many older adults in America suffer from elder fraud, abuse, and mistreatment. Even the definitions vary. In the absence of a uniform reporting system for states or a nationwide tracking system, information on the prevalence of this problem is hard to come by. The Center says North Carolina needs better data if it is going to tackle fraud against the elderly in a meaningful way.

3. **The Center also recommends that the 2009 N.C. General Assembly establish a study commission to examine how the N.C. Commissioner of Banks, the financial management industry, and law enforcement agencies can partner to prevent fraud against the elderly. The study commission should assess whether training for bank employees can help them recognize, report, and reduce the incidence of fraud against the elderly.** The Center says banks are the first line of defense against these scams because they are in the best position to give consumers information at the key moment they need it – when they are depositing checks or withdrawing money to send to crooks.

Efforts in other states have demonstrated the value of bankers’ role in preventing fraud. For example, Susan Grant, director of consumer protection at the Consumer Federation of America, says, “West Suburban Bank in Illinois has demonstrated that if you talk to your customers better about these scams, you can really reduce the instances of fraud.” In one year, it reduced losses to these scams by 85 percent by doing three things: (1) training the tellers to talk to people more fully when they ask questions and explain the difference between funds ‘being available’ and the check ‘being good’; (2) handing everybody who comes in to deposit or withdraw \$1,000 or more a flier about fake check scams; and (3) using technology to try to flag suspicious

checks. Grant says, “We’re encouraged to see that this model has been implemented in a partnership between the Ohio Attorney General and the banks and credit unions of that state, and we hope it will catch on in other states as well.” Four states – California, Florida, Georgia, and Mississippi – require bank employees to specifically report financial abuse of elders.

4. The Center recommends that the N.C. General Assembly consider giving the N.C. Attorney General the authority to initiate prosecutions for fraud against the elderly. Only five states do not give their Attorney General any authority to initiate local prosecutions of any kind – North Carolina, Arkansas, Connecticut, Texas, and West Virginia. In North Carolina, the Attorney General does not have original criminal jurisdiction. Thus, criminal prosecutions for fraud against the elderly either have to be referred to federal authorities or to local district attorneys. Both of these options, however, can be problematic in prosecuting fraud against the elderly. Many times, the amount of the loss fails to satisfy the minimum amount needed for the federal government to prosecute. And, local district attorneys do not have enough funding or time to handle cases that can be complex and resource-draining in light of the multi-jurisdictional issues. Thirty states give their Attorney General the authority to initiate local prosecutions under certain statutes for particular crimes. In other states, the Attorney General also may initiate prosecutions upon request by the Governor, the legislature, or a local prosecutor, for example.

The editor of the Center’s journal, Mebane Rash, says, “To prepare for its fast-growing aging population, North Carolina needs to update its laws to protect vulnerable adults age 60 and over.”

About the N.C. Center for Public Policy Research

The Center’s report on elder fraud is part of a larger study to be published in the Center’s journal, *North Carolina Insight*, on key issues facing the state’s aging population. The study will include reports on the demographics of our aging population, the crisis in the number of caretakers for the elderly, the contributions of the aging to society, the impact of the growing aging population on the state budget, and the need for an aging policy plan for the future. Reports will be released as they are completed.

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit research organization created in 1977 to evaluate state government programs and to study public policy issues facing North Carolina. The Center is supported in part by a grant from the Z. Smith Reynolds Foundation in Winston-Salem, with additional support from nine other private foundations, 137 corporate contributors, and almost 500 individual and organizational members. This research on issues affecting the aging in North Carolina is funded by grants from the Kate B. Reynolds Charitable Trust of Winston-Salem, The Hillsdale Fund of Greensboro, and Mission Health System of Asheville. The Center publishes a journal called *North Carolina Insight*, a citizens’ guide to the legislature, and in-depth research reports such as a study of governance of the state’s public universities. The Center recently has conducted studies of the future of the state’s community colleges, how to prevent high school dropouts, and ways to reduce domestic violence. Upcoming studies will examine other key issues facing the state’s aging population and policies on financial aid for students in colleges and universities.

The Center’s 40-page study of fraud against the elderly in North Carolina is part of a larger study to be published in the Center’s journal, *North Carolina Insight*. It is available to download electronically for \$10. If you join the Center for \$36, you will receive all other articles in the Center’s study of aging as they are completed, future issues of *Insight*, and the Center’s quarterly newsletters for an entire year. To order or join the Center, call Tammy Bromley at (919) 832-2839, fax (919) 832-2847, or send an email to tbromley@nccppr.org.

For more information, call Mebane Rash, editor of *North Carolina Insight*, at the N.C. Center for Public Policy Research, at (919) 832-2839, or email her at mrash@nccppr.org.

SUGGESTED SIDEBAR FOR THIS STORY**12 Signs That an Older Adult
May Have Been Targeted by Telephone Con Artists**

1. Frequent visits to the person's home by overnight courier services.
2. Numerous cheap prizes in the home (e.g., plastic cameras, gold-plated jewelry, vacation certificates, small television sets).
3. Phone bills showing a sudden, unexplained increase in long distance calls to other countries.
4. Several colorful mailings in the home about international lotteries, puzzle-solving contests, etc.
5. Questions about other countries, foreign taxes, Lloyd's of London insurance policies, wire transfers, "barristers," customs duties, or registering bonds overseas.
6. Checking and credit card accounts showing sudden increases in transactions with wire services, numerous unexplained debits or charges from out of state, purchases of money orders, or counter checks in large amounts.
7. Wire transfer receipts showing large sums going to areas near the Canadian border and to various foreign countries.
8. Unexpected or unexplained borrowing patterns or an unexpected inability to pay bills or meet living expenses.
9. A sudden reluctance to be away from home or to have visitors in the home.
10. Visits to wire transfer outlets by a person who normally does not use such services.
11. Unexpected secretiveness or defensiveness regarding any of the above.
12. Social withdrawal, depression, or anxiety that cannot be attributed to other events or conditions, together with any of the above.

Source: Virginia H. Templeton and David N. Kirkman, "Fraud, Vulnerability, and Aging," *Alzheimer's Care Today*, Vol. 8, No. 3, Lippincott Williams & Wilkins, Hagerstown, MD, July-Sept. 2007, p. 276.

**Fraud and Other Consumer Complaints by Largest Metropolitan Areas,
in Rank Order, January 1 – December 31, 2008**

<u>Metropolitan Area in N.C.</u>	<u>Total Number of Fraud and Other Consumer Complaints</u>	<u>Complaints Per 100,000 Population</u>	<u>Ranking Among 382 Metro Areas in U.S. with 100,000+ Population</u>
Dunn	827	778.1	4
Thomasville-Lexington	1,003	642.0	11
Salisbury	822	603.3	18
New Bern	673	571.0	27
Statesville-Mooresville	829	567.0	31
Durham	2,566	552.6	33
Fayetteville	1,424	417.2	106
Greenville	655	395.1	138
Charlotte-Gastonia- Concord, NC-SC	6,235	393.9	140
Raleigh-Cary	3,914	393.5	142
Jacksonville	587	389.6	146
Hickory-Lenoir-Morganton	1,393	387.1	150
Wilmington	1,231	377.4	165
Rocky Mount	545	372.6	175
Asheville	1,412	354.8	206
Burlington	489	342.8	221
Winston-Salem	528	334.6	236
Greensboro-High Point	2,257	329.3	239
Lumberton	384	297.6	288
Goldsboro	314	275.8	325

Note: This chart illustrates Metropolitan Areas (Metropolitan and Micropolitan Statistical Areas) with a population of 100,000 or more. Ranking is based on the number of fraud and other complaints per 100,000 inhabitants for each Metropolitan Area. Metropolitan Areas presented here are those defined by the Office of Management and Budget as of December 2005 and the population estimates are based on the 2006 U.S. Census Table CBSA-EST2006-01.

Source: *Consumer Sentinel Network Data Book for January-December 2008*, FTC, Feb. 2009, at Appendix D1, pp. 83-90, on the Internet at <http://www.ftc.gov/sentinel/reports/sentinel-annual-reports/sentinel-cy2008.pdf>