Everyone, in some way or another, is connected to a group or association. Our interests, backgrounds and other factors naturally lead us to affiliate with certain groups of people. Race, culture and religious beliefs also play a role in identifying us as members of unique groups that we often come to trust — sometimes to our detrimental.

WHAT IS AFFINITY FRAUD?

Preying on likeness and trust, affinity fraud occurs when a member of a group, organization or community — or someone who pretends to be a part of one of these — abuses trust to take advantage of fellow members. Members of a group are more likely to trust an upstanding member of their community, believing that he or she has their best interests in mind. Unfortunately, this trust can cause people to fall victim to affinity fraud.

POTENTIAL VICTIMS

While these are not the only targeted groups, these are unfortunately the most common targets of scam artists to use their "in" and play upon others' trust.

- Religious groups
- Minority groups
- Elderly people
- Recent immigrants
- Business associations
- Service groups

The Honorable Connie Lawson
Indiana Secretary of State

The Office of the
Indiana Secretary of State
Securities Division

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Securities Commissioner

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Investor Education Coordinator

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Affinity Fraud

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ON THE RISE: FAITH-BASED AFFINITY FRAUD

A particularly egregious form of affinity fraud that is on the rise involves members of the same religious group, such as the notorious 2008 case of Bernie Madoff, who swindled millions of dollars from his friends in the Jewish community through a Ponzi scheme. Due to the closeness of the individuals of the same religious affiliation or fear of judgment by others within the congregation, all too often these cases go unreported, allowing more and more dollars to be stolen from unknowing victims.

Even if your best friend says it's a good investment, check it out.

IF IT HAPPENS, REPORT IT

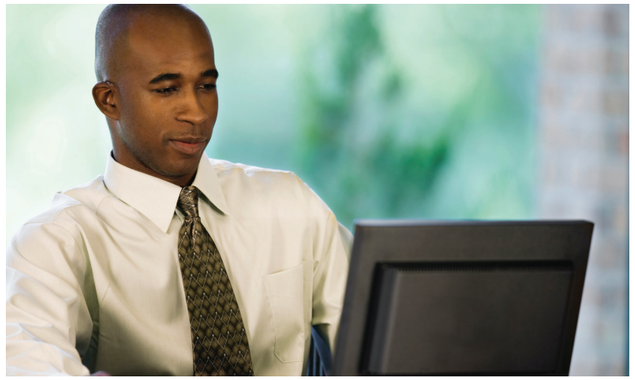
Hoosiers who fail to report that they have been victimized in financial schemes often hesitate out of embarrassment. Don't let embarrassment or fear keep you from reporting investment fraud. Just because someone in your social circle you thought you could trust scammed you, doesn't mean they should get away with it. Con artists know about such sensitivities and, in fact, count on these fears in order to prevent or delay the point at which authorities are notified of a scam. If you feel you or someone you know has been a victim of securities fraud, call 1.800.223.8791 to report it or file a complaint online at www.IndianaInvestmentWatch.com.

CASE EXAMPLE

Thomas and Marietta Squibb were a well-known and respected couple within the Mishawaka/South Bend community. Their fellow church members noted that everyone trusted them, and that Thomas was "a fine Christian man." The Squibbs used these close ties with the church and the community at large to perpetrate a Ponzi scheme. They told investors they were developing campgrounds in Michigan and condos in Florida; in reality, no such land existed. Over the course of 10 years, the Squibbs took approximately $11.5 million from nearly 200 investors, many who were neighbors, friends and members of the same church. In 2007, the Office of the Indiana Secretary of State worked with the U.S. Attorney for the Northern District of Indiana to secure a sentence of 17.5 years in prison for Thomas and eight years for Marietta.

WHEN IN DOUBT, CHECK IT OUT

- **Don't trust someone simply from reputation or word-of-mouth reference.** Even an investment tip from your best friend or neighbor should be fully and thoroughly investigated.
- **Ask questions.** The broker should be comfortable answering them or finding the answer for you quickly. If he or she brushes off the question, that's a red flag.
- **Get written information.** Every investment should have details in writing.
- **Investigate before you invest.** Visit www.IndianaInvestmentWatch.com to use the searchable database, or call 1.800.223.8791 to ensure that your broker is licensed and a product is registered with the Securities Division of the Office of the Indiana Secretary of State.



FOR MORE INFORMATION

North American Securities Administrators Association
www.nasaa.org

Better Business Bureau
www.bbb.org