

INVESTOR EDUCATION: AFFINITY FRAUD

WHAT IS AFFINITY FRAUD?

- Affinity fraud refers to an investment scam that preys upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups.
- This scam relies on the trust and friendship in groups of people who have something in common.

Examples:

- A leader in the Deaf Community scams other local deaf people.
- A union member recruiting his union friends into a fake investment.

SOME TARGETS OF AFFINITY FRAUD

- Elderly/Senior Groups
- Church Members
- Union Members
- Military Groups
- Ethnic Groups
- Professional Groups
- Athletic Groups



AFFINITY FRAUD

THE APPROACH OF AFFINITY FRAUD

- It is human nature to trust people who are like you.
- Con artists are increasingly targeting religious, ethnic, cultural, military and professional groups to gain trust and then steal the savings of members of the group.
- Con artists prey on their group ties or recruit a respected member of a community or religious congregation to promote their schemes by convincing them that a fraudulent investment is legitimate.
- The con artists use their relationships to get their “friends” to buy into fake investments, often Ponzi schemes.
- A Ponzi scheme is where claims of underlying investments are bogus; very few, if any, actual physical assets or financial investments exist.

THE RESULT OF AFFINITY FRAUD

- In many cases, the recruiting member or even the leader of the group becomes a victim of what turns out to be a Ponzi scheme or some other fraud.



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AFFINITY FRAUD

WAYS TO AVOID AFFINITY FRAUD

- Never make an investment solely based on the reputation or “friendship” of a member of a group to which you belong.
- Beware of investment opportunities that sound too good to be true.
- Do not let a “friendship” stop you from getting the offer in writing and asking hard questions.
- Be suspicious if you are told NOT to share details of the investment with people outside of the group or to keep the investment opportunity confidential.
- Understand exactly how the investment works.
- Don’t be pressured or rushed into buying.
- Use common sense – just because someone you know made money or claims to have made money doesn’t mean you will make money too.



AFFINITY FRAUD

REPORT AFFINITY FRAUD

Report Affinity Fraud even if the scam artist is your “friend”. It could help save you, your family and your community lots of money and heartache.

- Gather as much information as you can when reporting including:
 - Promoter’s name and address
 - Investment documents
 - Some examples include – all contracts, agreements, documents that are signed, evidence of payments and/or returns, statements, etc.
 - Investment promotional materials
 - Any written material used in solicitation.



WHERE TO REPORT

Call the DCCA Securities Branches:

1. Enforcement **Call 587-2267**
To report securities fraud (Toll Free) 1-877-587-447-2267
2. Compliance **Call 586-2722**
To check on your broker/adviser registration.
3. Investor Education **Call 587-7400**
To request educational information and schedule presentations.

To report investment fraud, call 587-2267/Toll Free 1-877- 447-2267.

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