

Affinity Fraud

CONSUMER ADVISORY & PROTECTIVE TIPS



"We share the same interests and background. I am like you. You can trust me, right? I can help you make a lot of money."

- Said the Scammer

Office of the District Attorney - 18th Judicial District
Proudly Serving Arapahoe, Douglas, Elbert and Lincoln Counties
District Attorney - John Kellner

IDENTIFIABLE GROUPS

Affinity fraud is a type of financial fraud that relies on building trust with victims based on shared affiliations and characteristics; such as age, race, religion, ethnicity, common interests or professional designations. The fraudster preys on members of the group for the purpose of financial gain.

On one level or another, most people are connected to some type of interest group, association or organization. Our backgrounds, values, beliefs, attitudes, relationships or hobbies channel us towards other people and places that serve our similar or shared needs.

According to the Securities and Exchange Commission

"Affinity fraud almost always involves either a fake investment or an investment where the fraudster lies about important details. Many affinity frauds are Ponzi or pyramid schemes, where money given to the promoter by new investors is paid to earlier investors to create the illusion that the so-called investment is successful. This tricks new investors into investing in the scheme, and lulls existing investors into believing their investments are safe."

COMMON APPROACH

One common approach is for the scammer to try and influence the leader or prominent members of a group. Upon gaining the trust of the influential leader, the scammer will try and leverage the buy-in to convince others in the group to join the "investment." He or she is viewed as trustworthy because they appear to be "like" the investor because they claim to have the same shared values, background and interests. If someone starts to believe that they are a victim and being scammed, the typical response is to try to solve problems within the affiliated group and not get the police involved. As a result, it is challenging for law enforcement or regulators to detect and investigate affinity scams in these closed groups before numerous people become victims. When affinity fraudsters convince a few members of a group to invest, the rest of the group becomes less cautious and less likely to do their own independent investigation to vet the legitimacy of the "investment."

TIPS ON HOW TO AVOID

Your investment decisions should always be based on your own careful and considered investigation into the merits of an investment and you cannot trust an investment promoter simply because other people in your community trust them. Do not invest your hard-earned money with someone based solely on shared relationships, the promise of "inside" or "special" information, an urgent "window of opportunity," or promise to earn money quickly. Be a prudent and skeptical investor.



Contact Consumer Fraud Protection
18th Judicial District

Hotline (720) 874-8547 | consumer@da18.state.co.us

