

Common Financial Scams to Avoid

By David Kuhl, Past Chairman of the Illinois Bankers Association

It seems as though you read about consumers getting “scammed” every day – unsuspectingly giving their money to fraudsters in the hopes of getting something bigger and better in return. Banks, government agencies, consumer watchdogs, police and sheriffs’ departments each have done their part to provide important information and warn consumers of the possible dangers associated with these types of scams. Despite the warnings, people like you and me have been known to let their guard down and be taken in by these unscrupulous scammers.

Following is a brief overview of three of the most common scams that have deceived thousands throughout the country:

1) Investment Fraud

Americans lose more than \$40 billion a year to telemarketing fraud. Investment fraud, an offer using false or fraudulent claims to solicit investments or loans, is a large portion of that. Phony investment companies may use official-looking e-mail, mail or telephone calls to entice you to join in their investment scheme.

Don't fall for it! These “get rich quick” offers only end in tragedy, with consumers – many of them older Americans looking to build their retirement fund – being swindled out of their life savings.

2) Nigerian Advanced Fee Scam

The Nigerian Scam is one that's been around for a long time. As many as 100 people per day are tricked into providing money in the hopes of receiving large sums in return. It begins with an unsolicited e-mail or letter, often all in capital letters, from the Nigerian Central Bank or even the Nigerian government. The letter solicits a company account where the solicitor can deposit funds. As with the investment fraud scam discussed above, it seems legitimate, because there are official seals, bank drafts, payment schedules and even meetings with the “officials” involved. The solicitor will then ask the consumer or business for more and more fees or more up-front money. This cycle could go on for months, each time with it “being the very last time” such fees will be needed.

Don't fall for it! These scammers are defrauding hundreds of thousands of dollars from unsuspecting consumers and businesses.

3) Lottery Scam

Have you ever won a contest or lottery that you did not enter? As preposterous as it seems, that is the basis for the common “lottery scam.” Often referred to as

the Canadian lottery scam, because it originates in Canada or the money requested must be wired to Canada, this is a scam that most often lures seniors. The FBI has estimated that \$80 - \$100 million have been stolen by criminals in this scam.

It usually begins with a phone call to the "winner," who then is asked to pay fees in order to collect prize money. The victim may be taken in by the friendly, excited voice on the phone announcing that they have won a large sum of money. The scammer will string the "winner" along by sending smaller dollar amounts than promised and asking for more fees.

Don't fall for it! There should *never* be a fee paid to collect prizes for a lottery or contest.

In a future article, I will define some of the most common scamming practices like "phishing" and "pharming." In the meantime, it is better to be cautious than fall victim to one of these unscrupulous schemes. Keep in mind that your local banker is a great resource. If you have misgivings about wiring funds or depositing a check from a questionable source, be sure to check with your banker before doing so or check the FBI's list of "Common Fraud Schemes" at www.fbi.gov. There are many more scams "floating around," including ones involving jury duty, medical equipment and Medicare fraud. Protect yourself from financial scams!

About the author: David Kuhl is Chairman of Freestar Bank in Champaign and Past Chairman of the Illinois Bankers Association (IBA). The IBA is known in the industry as the leader in bank fraud prevention, providing the tools that bankers need to help stop fraud and protect their customers.