



# COMMISSION NEWS

---

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

---

TO: EDITORS, NEWS DIRECTORS  
FOR: IMMEDIATE RELEASE

DATE: OCTOBER 15, 1999  
CONTACT: MARK SENDROW (602) 542-0643

## **Telemarketing Fraud Still Flourishing in the Age of the Internet**

*Arizona Corporation Commission-Securities Division regulator says answering machines provide the best protection*

Phoenix (October 15, 1999)-Despite the growth in Internet fraud, most bogus investment schemes are still sold the old-fashioned way--over the telephone. Arizona Securities Director Mark Sendrow says the best protection is an answering machine to screen calls.

But telemarketing is changing in response to the increased use of answering machines and voice mail and repeated crackdowns by regulators. The big "boiler rooms" of yesterday are largely gone, according to Carl J. Kunasek, Chairman of the Arizona Corporation Commission. They've been replaced by smaller "rip and tear" operations--telemarketers who work from home or from hotel rooms, using cell phones and temporary post office boxes to make it harder for regulators to trace and catch them.

Embracing new technology, telemarketers are going "multi-channel," using web sites, direct mail and infomercials to solicit potential customers and get victims to initially contact them. But the sale is usually "closed" over the telephone. "New technologies make hard selling more difficult," says Commissioner Jim Irvin.

Telemarketing hotbeds include California, Florida, Nevada and, increasingly the Caribbean. Arizona has also had its share of "boiler rooms". "All you need is a telephone capability," says Anita O'Riordan, a Phoenix-based consultant on telemarketing fraud and economic crime. Adds Commissioner William Mundell: "With sophisticated 800 number technology, telemarketers can cross borders or go offshore to make investigation and prosecution more difficult. They can as easily be in Costa Rica as in Carefree, Arizona."

Telemarketers pushing investment schemes still target vulnerable older Americans, say regulators. An answering machine, with models costing as little as \$12, deprives con artists of "the courtesy victim" says Sendrow.

Older Americans are especially vulnerable to con artists pushing fraudulent or high-risk investments such as promissory notes, prime bank notes and viatical settlements. All of these promise higher rates of return than banks or money market funds. Commissioner Mundell observed that seniors make tempting targets because they tend to have money, are often home during the day to answer the telephone, and are polite to cold callers. Complicating the matter

is that many older Americans may be lonely and therefore more vulnerable to scammers who befriend them to gain their trust.

Unfortunately, pointed out Commissioner Irvin, many seniors do not have answering machines or voice mail. “They don’t know how to use them and they may be afraid of losing calls.” Commissioner Kunasek suggests baby boomers worried about their parents getting scammed give them an answering machine and make sure they use it. He notes, “The longer the telemarketer can keep the victim on the phone the better the likelihood of a sale. Anything to put distance and time between the fraudulent telemarketer and the targeted victim the better.”

The psychology of telemarketing fraud is complex, says Sendrow. “Victims can get sucked into the scam and let their guard down. Then they’re afraid to tell relatives, afraid they’ll say ‘How could you be so stupid? You obviously can’t handle your money, so we need to take over.’ We shouldn’t blame the victims; we should blame the criminals.”

Regulators are fighting telemarketing fraud in a variety of ways, including enforcement and education. The Arizona Corporation Commission-Securities Division is working with AARP, the Department of Justice, the Arizona Attorney General’s office, and others on the Arizona Elder Fraud Prevention Team to crack down on elder fraud. These efforts include elder investment fraud and education issues such as cold calling, viaticals and affinity fraud. The Securities Division is hosting a seminar focused on financial fraud issues, with the AARP and the Prevention Team on Wednesday, October 20 in Tucson. In addition to such events, the Securities Division maintains extensive investor education materials for the public as well as a speaker’s bureau to give presentation on investment issues.

Tips to follow if a cold caller gets you on the line:

- Get the name of the caller, company, where he/she can be reached at, and an ID number.
- Don’t give out personal information over the phone.
- Hang up on aggressive cold callers.
- Beware of anyone promising you a “once-in-a-lifetime” opportunity of “guaranteed” returns.
- Demand information in writing.
- Don’t be pressured into buying anything especially if you are unfamiliar with the product or investment.
- Report abusive cold callers to your state securities regulator. (Note the caller’s name, their firm’s name, the time and date of their calls, what they said to you and what you said in return.)
- Before making any investment, call your state securities regulator to check out the investment and the person or firm selling it.

**To contact your state securities regulator, call the Arizona Corporation Commission-Securities Division at (602) 542-4242, via e-mail at [accsec@ccsd.cc.state.az.us](mailto:accsec@ccsd.cc.state.az.us), or visit the website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us).**