

Opening Statement  
Senator Susan M. Collins  
Special Committee on Aging

“Hanging Up on Phone Scams: Progress and Potential Solutions to this Scourge”

July 16, 2014

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Chairman Nelson, thank you for calling this hearing to explore, once again, the dangers posed by con artists looking to swindle older Americans out of their life savings. This is our seventh hearing on scams targeting seniors, and I appreciate your maintaining the Committee’s focus on this incredibly important topic.

In fact, a great deal of what we have learned about these scams is a result of reports and complaints made to our Committee’s fraud hotline. Today’s hearing explores a form of impersonation scam that we’ve nicknamed the “Grandparent Scam.”

Basically, it works like this:

A scammer calls a potential victim and claims to be someone he is not, who needs cash immediately because of an emergency.

The scammer plays on the victim’s emotions by claiming to be a grandchild or another loved one. He says that he needs money because he has been in an accident, his car has broken down, or he is stranded in a foreign country. Often, he begs the victim to keep the call a secret and not to tell his parents.

The scammer then asks the victim to send money in the fastest way possible, which involves going to a local retailer, purchasing a pre-paid debit card, and giving the scammer the code on the back of the card to allow him to transfer its value. Once the money is transferred, it is difficult to trace.

One Maine grandparent was called by a scammer impersonating his grandson. This so-called “grandson” told my constituent that he had gotten into a car accident in Nicaragua, and needed \$1,800 to pay back the rental car company, or he wouldn’t be allowed to leave the country.

After my constituent withdrew money from his savings and wired it to his so-called “grandson,” he got another call. This time, the scammer said the government was pursuing criminal charges against him because someone had been injured in the accident, and he needed another \$4,000 to hire a lawyer right away. Since my constituent thought his grandson was traveling abroad for a wedding, he went to his bank again and withdrew \$4,000 more from his savings.

When the scammer called back asking for even more money, my constituent became suspicious and thought to ask him some simple questions he wished he had asked from the start, such as “where were you born?” and “who is your mother?”

It was only when the scammer couldn't answer these questions that this loving and trusting grandfather realized he had been duped. Fortunately, he was able to limit his losses since he hadn't yet released the code to transfer the \$4,000 to Nicaragua.

Another constituent, Mrs. Sandra Jaeger, got a call last fall from someone who claimed to be her son. He told her he had been in a car accident, that it was his fault, and that he didn't have insurance. He asked her to send \$1,500 to pay off the other party, and Mrs. Jaeger did so, using Western Union to wire the money. When she realized she had been scammed, she contacted everyone she could think of to report her case – local and state law enforcement, and the FBI – but she was told there was nothing they could do for her.

As we have learned, these scammers are not only unscrupulous and aggressive, often calling potential victims dozens of times, but they are also technologically savvy. They know how to route their calls using “Voice over Internet Protocol,” which is very hard to trace. And they know how to “spoof” caller ID to make it appear they are calling from a trusted source.

Another version of an impersonation scam might be called the “Tax Man Scam.” In this version of the scam, con artists use a spoofed caller ID that resembles a legitimate Washington, DC, phone number to contact taxpayers, claiming to be from the Criminal Investigative Division of the IRS. The scammer identifies himself as the Investigation Chief and tells the taxpayer that he or she owes more than \$5,000 in back taxes.

According to the scammer, unless these taxes are paid, the taxpayer will face legal action, property seizure and even arrest. The con artist reads the victim actual IRS affidavit language to sound even more legitimate, and then presses the victim to submit a payment via GreenDot- MoneyPak, a prepaid money card that is the payment method of choice for many criminals.

My staff actually spoke to a “Tax Man Scam” con artist as part of the Committee's work on this hearing. We suspect the scammer – who called himself “Steve Parker” -- was located outside the U.S. But this scam is so elaborate that the scammer was able to claim he was calling from the “Federal Investigative Department” at the IRS, and was able to give the correct address for IRS headquarters in Washington, DC, which included a room number. Not surprisingly, that room number does not exist within the IRS building.

Mr. Chairman, these scammers are a scourge to all Americans, but especially to our seniors. I thank you for continuing to shine a light on their appalling practices, and I look forward to hearing from our witnesses.