



**Written Testimony of Robert Romasco,**

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**The Jamaican Phone Lottery Scam and Fraud**

**Prevention Hearing**

**United States Senate Special Committee on Aging**

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Chairman Nelson, Rankin Member Collins, and members of the committee, my name is Robert Romasco and I am the President of AARP. I want to thank you for inviting AARP here today to discuss the issue of financial exploitation of our older population.

AARP is a nonprofit, nonpartisan organization, with a membership of more than 37 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment security and retirement planning. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at [www.aarp.org](http://www.aarp.org).

As you may know, AARP and the AARP Foundation have been deeply involved in fraud prevention research dating back to the mid-1990s. I want to briefly summarize three areas of this work:

1. Who are the victims?

2. Why do older persons fall for scams?
3. Are there prevention programs that work?

## **1. Who are the victims?**

Since 2003, AARP and its' research partners have completed five studies of lottery fraud victims. The most recent effort was the 2011 National Victim Profiling Study that surveyed 1,500 consumers from the general public and over 700 fraud victims.

This study showed that while consumer fraud can happen to anyone, some people are more likely to be taken than others. Lottery fraud victims, for example, are more likely to be women, who are over the age of 70, divorced or widowed, have less formal education, have less income and they may have more cognitive impairment than others their age.

In other words, Mr. Chairman, this is our most vulnerable population.

From a behavioral standpoint, our research has shown that lottery fraud victims are more likely to listen to sales pitches over

the phone from unknown callers, read advertising solicitations that come through the mail and email, and they are less likely to be signed up for the national Do Not Call list.

## **2. Why do older persons fall for scams?**

In the past ten years, there has been a flurry of research about why older consumers fall for fraud. In the interest of time, Mr. Chairman, I am going to provide just a few quick highlights from this work, and please note that the committee staff has been given complete copies of several of these studies.

AARP and its' research partners have pursued three research questions: what persuasion tactics are used by cons to successfully scam victims; what is going on psychologically with victims that makes them vulnerable and is cognitive impairment a factor in fraud victimization?

**A. Persuasion Tactics** – AARP and the FINRA Foundation have analyzed hundreds of tape recordings of con artists pitching elderly victims. Three specific persuasion tactics

have been found most frequently in fraud schemes: offering **enormous wealth**, using **scarcity** to create urgency and using **fear** to frighten the victims. And as we have seen with the Jamaican lottery scam, fear has been used over and over again to literally scare older victims into handing over their money.

**B. Psychological Factors** – AARP and Stanford have pursued research that tested the application of positivity theory to fraud. Positivity theory says that as we age, we tend to focus on positive events and ignore negative events as a coping strategy. If a con man calls an older person and tells her she has just won \$8 million dollars, there is a tendency for her to focus only on the winnings and ignore the more negative possibility that it is a scam. This could be a contributing factor to why older people are more victimized.

**C. Cognitive Impairment.** It is no secret that as we age, some of us experience diminished cognitive capacity. In 2009,

AARP hired highly skilled geriatric social workers to go into the homes of lottery victims and give them a series of cognitive tests. Close to 80% were found to have some cognitive loss, which is a much higher rate than for others in the same age group.

I want to emphasize Mr. Chairman that all three of these areas of research are in early stages and much more needs to be done to definitively determine why older people fall prey to fraud.

### **3. Are there prevention programs that work?**

While it is true that anyone can be taken by a scam, profiling research has taught us that some people are more likely to be taken than others. These profiles enable fraud prevention practitioners to direct information to those being targeted by the con artists. I want to share a few examples:

One example is the Fraud Fighter Call Centers, operated by the AARP Foundation. There are currently centers in Seattle, Denver and Charleston, West Virginia. In each center, older

volunteers offer support, peer counseling and referral information to individuals who have been victimized or who meet the profile of a vulnerable consumer.

There have been two major studies of this program. The first study was done by the US Department of Justice in 2003. The second was done by the Stanford University's Fraud Research Center in 2010. Both studies found that significantly more of those who received peer counseling from the Fraud Fighter Call Center were able to resist fraud.

Mr. Chairman, AARP's prevention efforts would be greatly enhanced with increased funding and lead lists. Criminals are most successful targeting the most vulnerable when they use what is commonly called lead lists.

Our research and experience has shown that there are three types of vulnerable consumers:

- A. Less Vulnerable - Randomly selected consumers from the general population;

B. Moderately Vulnerable - Individuals who meet the profile of a lottery victim and the;

C. Most Vulnerable - individuals who have been previously victimized and/or who have been targeted by scammers on a lead list.

The Call Center would prefer to call only victims and victim targets (from lead lists) because they are by far the most immediate targets and the most vulnerable. It is not uncommon for a volunteer to call one of these "most vulnerable" consumers and hear them say "I was just about to wire \$5,000 to Jamaica". There is nothing more powerful than the good guys calling the same people the bad guys are calling and saving the day.

Right now, only a tiny fraction of those we call are in this most vulnerable category, primarily because our access to lead lists is extremely limited (about 200 a month from the FTC). Most of the people we call are in the "moderately vulnerable" category (approximately 15-18,000 a year). We never call the general public.



If we could reach 200,000 of the most vulnerable consumer population (victims or targeted victims) a year by accessing seized lead lists from law enforcement, we could dramatically increase our impact on this problem.

Partnerships with major organizations have produced mixed results. For example, we have had some preliminary conversations with the SEC and with ICE about entering into MOUs with them to allow the transfer of lead lists but nothing has materialized yet.

AARP has strategic partnerships with the FTC and the US Postal Inspection Service (USPIS). The FTC forwards AARP those lottery and sweepstakes complaints it receives from older consumers who have consented to have their name released so we can provide peer counseling to them.

One recent partnership with the US Postal Inspection Service to send out millions of foreign lottery fraud warnings to older persons across the country is very promising. This month (March, 2013), USPIS and AARP launched an effort to warn millions of older

Americans about foreign lottery fraud. Postal is mailing 25 million postcards to Americans aged 45-65 that has the AARP logo and the US Postal Inspection Service logo on it. In addition, brochures will be in 33,000 post offices around the country and several television PSAs will air on the topic throughout the month of March. Also, the AARP Foundation's Fraud Fighter Call Center's phone number is on cards being mailed into Washington State as a pilot project.

Already, thousands of caregivers and victims are calling in who have been targeted by fraud.

Already there is evidence that this effort is helping in the fight against foreign lottery fraud. A woman from Washington State called AARP last week and told us she got the card in the mail and about an hour later, a scammer called her and told her she had won the lottery. She literally read the warning off the card to the scammer and hung up. Perhaps forewarned really is forearmed.

Finally, even AARP has to contend with misrepresentation and exploitation of older Americans. In Maine, our state office received information from local law enforcement concerning fraudulent

telephone calls being made to residents from callers claiming to be AARP representatives. Claimants who contacted the Sheriff's Office stated that the scammers said that in order to send out the claimant's new AARP card, personal information needed to be "verified" including a telephone number, address and personal banking information. To be clear, AARP does not ask for personal banking information from its members. Our Maine state office responded with a full press blitz warning residents who receive telephone calls from someone claiming to be from AARP or any other entity that asks for sensitive information should contact their local police department immediately to report the incident.

## **Conclusion**

Mr. Chairman, Ranking Member Collins, and members of the Committee,

Consumer fraud has been and continues to be a significant problem in the United States. Intervention, prevention and tough

enforcement at both the federal and state level are needed to combat these ruthless con artists and international criminals.

A quote from a recent AARP report summarizes the devastation of these criminal activities, “After a lifetime of doing all the right things to prepare for a comfortable and dignified retirement, too many older Americans are having their retirement security threatened by financial predators.”

AARP will continue to work with all partners, including Congress, to inform Americans about these scams, and to prevent more tragedies like the ones we have heard today.

Thank you.