

Opening Statement
Senator Susan M. Collins
Special Committee on Aging

“Private Industry’s Role in Stemming the Tide of Phone Scams”

November 19, 2014

Chairman Nelson, before we get started, I would like to take this opportunity to thank you for the extraordinary leadership you have provided this Committee these past two years. The never-failing courtesy you have shown to me and my staff, to the other members of the Committee, and to all who have testified before us has truly been the hallmark of your tenure as Chairman. Our achievements as a Committee trace directly to the bipartisan tone you set, and the spirit of comity and cooperation that have prevailed as a result.

Your high standards have carried over to your staff as well, and I would be remiss if I did not thank them also for all of the hard work they have done on behalf of the Committee.

It is fitting that the last hearing you and I will lead as Chair and Ranking Member examines once again the problem of scams targeting America’s seniors, and how to stop them. This incredibly important topic has rightly been the focus of more of our hearings in the past two years – eight, counting today – than any other issue we have explored together as a committee.

Our work on this topic began with a hearing early last year on the notorious “Jamaican Phone Scam,” run by sophisticated criminal gangs operating out of boiler rooms in Jamaica. Before our hearing, these con artists placed an estimated 30 thousand phone calls every day to victims in the United States, and stole an estimated \$300 million each year from tens of thousands of American seniors.

As a result of our hearing, the Jamaican government finally reformed its laws to target the scammers, and federal prosecutors have since indicted dozens of individuals on conspiracy charges for their participation in these scams.

One common theme that has emerged from these hearings is the role played by prepaid debit cards. It is difficult to say exactly how much money Americans lose through scams involving prepaid debit cards, since many victims don’t report their losses. The Federal Trade Commission, however, says that Americans reported losing nearly \$43 million through prepaid debit card scams last year alone. Because these cards are widely available and convenient to use, and because money transferred using them is untraceable, prepaid debit cards have become the monetary tool of choice for scammers.

This is especially true for cards that can be “reloaded” with money, which have a unique PIN that customers can use to transfer funds. In the typical scam, the con artist will pressure the victim into purchasing reloadable cards, putting money on the card, and then sharing the card’s PIN with the scammer. Armed with the PIN, the scammer can transfer the money to his or her own prepaid debit card account and then access those funds from an ATM, through PayPal, or even by buying and reselling consumer goods on Internet auction sites.

There are many legitimate reasons why consumers would want to use prepaid debit cards, and I note that these cards are especially important to lower-income consumers who may not have access to traditional banking services. Still, it is important that we understand what can be done by card providers and retailers to make it harder for criminals and con artists to use these cards to advance their nefarious schemes.

The witnesses who are testifying before us today will describe the actions some prepaid debit card companies and retailers have already taken to push back against the scammers, including phasing-out PIN-based reloadable cards and issuing prominent warnings to customers to be on their guard against fraud. Some retailers have also joined the battle by training their sales clerks on what to do when they spot customers who are engaging in suspicious transactions with prepaid cards. I appreciate the willingness of the witnesses to describe these efforts, and I look forward to their testimony.

Mr. Chairman, before the witnesses begin, allow me to thank you again for your leadership of this Committee. Although we will be serving in different capacities next session, I am confident we will have the opportunity to continue our work together to protect America’s seniors.