

AFFINITY FRAUD

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Albert Rocha stared at financial papers on his table for a moment then detailed how he, a World War II veteran, invested more than \$100,000 in what prosecutors now say was a multi-million dollar Ponzi scheme. More than a decade ago businessman John Heath sat in the 91-year-old's home and promised him large returns for investments made into land deals and securities. Instead, Rocha, along with his wife Carmen, 87 found out in 2004 that the pair had lost their life savings in one of the largest elder abuse cases in Riverside County history.

Con artists love Kansans particularly older Kansans who meet in coffee shops and talk too much, a spokesman for the Kansas Securities Commissioner told Clay Center Rotarians. Bonnie Lynch said small towns are favorite targets of con artists because folks are considered naïve, friendly and talk too much about their finances. She said the con artist will meet the victim in a coffee shop, strike up conversation and eventually offer special inside deals that may "pay off" handsomely at first just to lure the victim into making major investments which disappear along with the con artist. Churches are another favorite hunting ground for con men.

Jury selection is set to begin in a downtown Dallas federal courtroom to decide if Gregory Setser and his family carried off a massive Ponzi scheme from 2000-2003 that used religion as part of its sales pitch. Investors and church groups who funded his International Product Investment Corp. lost over \$160 million. "That was the biggest betrayal of the whole thing," said investor Helen DeLemos of Houston. "The Christian affiliation was the big reason we took the risk in the first place."

Neulan Midkiff, 63 the "apostle" of Shiloh Church and leader of a Forest lake ministry organization, is the local focus of a massive national investigation into a Ponzi scheme that has victimized more than 1500 people nationwide to the tune of \$390 million.

Their pitch is simple..."Since I am like you and believe like you, you can believe in me and in what I say."

This is the hook of the affinity fraud con artist. Affinity fraud has just been named as one the 13 top investment frauds by the North American Securities Administrators Association (NASAA) in a list of the most widespread ways investors are likely to be trapped in 2006. The NASAA states that when an investment is presented in this context, the potential investor should be extremely wary. This pitch seeks to substitute an emotional appeal for careful analysis and critical thought. This is becoming more and more prevalent through churches and other religious institutions around the country. The stories I have cited are just four of many examples of affinity fraud that crosses my desk every week. Unfortunately, due to embarrassment and/or denial many of the victims of this type of fraud wait too long to come forward with their suspicions and they often end up losing everything.

Dante Alighieri wrote in his early fourteenth century masterpiece the *Divine Comedy* that in the eighth circle of hell in the eighth ditch "*Fraudulent Advisors*" were sent to be trapped in flames. However in the ninth circle of hell "*Traitors*," were sent, distinguished from the merely fraudulent in that their deeds involved knowingly and deliberately betraying others. These "*Traitors*" according to Dante are frozen in a lake of ice that is kept frozen by Satan's flapping wings while he sits chewing on sinners. It is my belief that perpetrators of affinity fraud are an evil cross

between both "*Fraudulent Advisors*" and "*Traitors*." I wonder what happens to these fraudulent advisors-traitors who use God to sell their scams. Dante does not specify. Wherever and whatever is happening to them, the demons in charge of that ditch are certainly going to be very busy.