Newcomers to the U.S. Can Avoid Financial Fraud

During Fraud Awareness Week, the D.C. Department of Insurance, Securities and Banking will bring you resources and information on fraud prevention. Every day of this week, we will focus on different at-risk groups including newcomers to the country, working families and senior citizens.

During today's events, we will discuss the financial issues that newcomers to the United States face and the means to fight them.

Newcomer Fraud

Fraud Awareness Week is devoted to informing you about the various types of fraud that occur in the District. The Department of Insurance, Securities and Banking has made it their mission to provide fair and efficient supervision of financial-service activities for the protection of the people of the District of Columbia. By educating its citizens about fraud protection, consumers and businesses will have the tools to avoid fraud. The types of fraud that we will highlight include: banking, insurance and security fraud.

Today's newsletter addresses fraud issues most likely to occur among populations of individuals new to the U.S. Taking advantage of someone financially begins with a violation of
trust. Unfortunately, scammers use immigrants’ unfamiliarity with American culture, language and social customs to violate this trust. Also, because of the common language barrier, con artists target those who may speak the same language or share a similar ethnicity. The familiarity creates a false trust between the newcomer and con artist. Remember, just because you can associate with an individual, it does not mean you can trust him or her!

Protect Your Hard-Earned Money

Banking fraud. Banking fraud involves transactions by a fraudster into legitimately owned accounts. Bank fraud is a way of life for some people, and for others it’s a way to get a quick loan. The following are some types of banking fraud.

Automatic debit scams. Automatic debits from your checking account can be a legitimate payment method, but are being abused by fraudulent telemarketers who may ask you to read off the numbers at the bottom of your checks to qualify for some “prize.” Many immigrants associate the U.S.A as a land of wealth, and may not think twice about a stranger offering them free money, but do not be fooled by this scheme that seems too good to be true. Once a telemarketer has your checking account information, he or she can create a draft and use your checking account like a check, only the draft does not require your signature. The bank will process the draft from your account, but you may not know until you receive your bank statement.

Hoax emails and ‘phishing’. These fraudulent emails are sent to bank customers with the purpose of capturing confidential banking information such as password and login details, card information and bank account details. Once this information is captured, it is used to access a customer’s Internet banking facility and their banking accounts.

Counterfeit card fraud. Counterfeit card fraud occurs when an illegal copy of a genuine credit or debit card is made. Most cases involve skimming, where the data on a genuine card’s magnetic stripe is electronically copied onto the magnetic stripe of another card, without the cardholder’s knowledge.

Predatory lending. Predatory lending is the industry professional practice of using a borrower’s ignorance against him or her for profit. Predatory lending can be identified by deceptive marketing and sales practices, non-disclosure of all terms that relate to the qualification and payback of a loan and falsifying documentation to gain otherwise unattainable loan approvals, although the actual term is an umbrella to many scenarios. An individual may speak your language and explain the loan terms in your language, but do
not sign a contract unless you can read and understand the terms, or ask a knowledgeable third party to review it for you.

**Insurance: Know What You Need**

Insurance fraud occurs when people deceive an insurance company or agent to collect money to which they are not entitled. Similarly, it also occurs when insurers and agents defraud consumers, or even each other. It is a deliberate deception perpetrated against honest, unsuspecting people for financial gain. New schemes arise all the time; some are highly organized and involve hundreds of collaborators. Fraud may be committed at different points in the insurance transaction by different parties: applicants for insurance, policyholders, third-party claimants or professionals who provide services to claimants.

**What are deceptive sales practices?**

Inappropriate sales practices, or the deliberate deception of a consumer, can occur in any line of insurance, including auto, homeowners, health, life, worker’s compensation and medical malpractice. Companies or agencies may sell illegal products or policies through direct-mail solicitations, newspaper or magazine advertisements or over the Internet. Anyone can be a victim of deceptive sales practices. But, with a few simple measures, you can protect yourself.

**Do your homework.** Legitimate insurers have their creditworthiness rated by independent agencies such as Standard & Poor’s, A.M. Best Co. or Moody’s Investors Services. An "A+++" or "AAA" rating is a sign of a company’s strong financial stability. You can check a company’s rating online or at your local library. The District of Columbia requires anyone selling insurance to be licensed, so be sure to check their credentials.

**The proof is in the paperwork.** As you complete your research and decide to purchase a particular policy, it’s important to keep detailed records. Get all rate quotes and key information in writing. Also, once you have decided to make a purchase, keep a copy of all paperwork you complete and sign, as well as any correspondence, special offers and payment receipts. Please note: You should receive a copy—not a photocopy—of your new policy within 30 to 60 days of purchase. If you do not receive your copy, contact the insurance company or agent immediately.

**Insurance “Red Flags”**

Watch for these “red flags” that could warn you of possible deceptive sales practices:

- High-pressure sales pitch. If a particular group or agent has contacted you repeatedly, offering a limited-time
offer that makes you uncomfortable or aggravated, trust your instincts and steer clear.

• Quick-change tactics. Skilled scam artists will try to prey on your “time fears.” They may try to convince you to change coverage quickly without giving you the opportunity to do adequate research.

• Unwilling or unable to prove credibility. A licensed agent will be more than willing to show adequate credentials.

If it seems too good to be true, it probably is!

Health Care Coverage
You may find it difficult to obtain full-coverage health insurance, either because you are unable to find employment that will provide you with proper benefits or because it is too expensive to purchase an entire health care policy. In order to provide yourself with some coverage, you may search various sources for more affordable insurance. However, it is important to know the difference between health insurance and a discount health card, and to be able to distinguish between legitimate and fraudulent discount cards. Discount health cards are not insurance and they offer fewer protections for the consumer. DISB does not regulate entities that sell discount health cards.

What to do if you want to buy these cards:

• Do research before buying discount health cards. Legitimate discount cards offer discounts on services from doctors and pharmacists who accept them. Double check the company and the agent.

• Contact the District of Columbia Office of the Attorney General or the Better Business Bureau to look into whether complaints have been logged against a particular individual.

• Check the benefits. Many of these discount plans may exaggerate the savings potential and promise discounts that might not be available.

• Always ensure that the plan has a toll-free phone number for customer service, a reasonable complaint procedure and clear refund and cancellation policies.

Contact the Department of Insurance, Securities and Banking
DISB is your best source for information on company and agent requirements, available products and firm registration. Before you invest, or if you suspect you have been a victim of deceptive sales practices, report it. You can visit DISB’s Web site at www.disb.dc.gov or call (202) 727-8000.