

BIRDS OF THE SAME FEATHER: THE DANGERS OF AFFINITY FRAUD

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ABSTRACT: The authors discuss the concept of affinity fraud, the ease with which it is perpetrated, and the difficulty fraud victims encounter in reconciling the “special trust” they believe they shared with this white-collar criminal. Additionally, the paper challenges misconceptions as to the homogenous criminal nature of white-collar criminals as it relates to (1) the behavioral factors that facilitate these offenders in committing affinity fraud, and (2) the motivation for these offenders to resort to violence, and makes recommendations on what individuals can do to protect themselves from the allure of affinity fraud.

Keywords: Affinity fraud, Ponzi schemes, Due diligence, Fraud detection homicide

INTRODUCTION

In this article, the authors examine what affinity fraud entails, explore the difficulties in overcoming this type of fraud, and present an example of a community that was the victim of affinity fraud. This article offers a unique perspective on affinity fraud because, not only was the community financially devastated, but its members were the targets of violence by those that perpetrated the fraud upon them.

It is crucial to understand the behavioral traits of these fraud offenders, together with white-collar criminal dispositions in general, since it has been only recently that the forensic accounting and business community have started to explore the relationship between destructive individual behavioral traits and fraud. Understanding behavioral traits of fraud offenders assists the forensic accounting and business community in analyzing why certain individuals may be more at risk to commit fraud. The article concludes with recommendations on how to identify red flags associated with the perpetration of affinity fraud.

Every day, millions of individuals contribute their time, money and goodwill to institutions that are established to benefit not only the members of the particular organization, but the wider community as well. These organizations are typically non-profit and religious organizations. In

addition, there are for-profit organizations that attempt to utilize their shared characteristics by establishing bonds, an affinity, with customers based on race, ethnicity, age, professional designation, or other characteristics. These organizations claim to be trustworthy and honest brokers of their services because they share some of the characteristics listed above. Often the fact that a person or organization shares similar characteristics to his or her target audience makes them appear more credible.

Securities regulators at the federal, state, and international level have expressed concern about the dramatic growth of affinity fraud, and since 1998 affinity fraud has been ranked one of the top five investment schemes (Fairfax, 2002-2003; NASAA, 2011). Historically speaking, one nationwide survey found that between 1984 and 1989, affinity fraud cheated 13,000 investors out of \$450 million and from 1998 to 2001, over 90,000 investors in twenty-eight states lost more than \$2.2 billion in affinity fraud schemes (Fairfax, 2002-2003). Over the past several years, citizens of Utah that belong to faith-based organizations, have been defrauded through the practice of affinity fraud of more than \$1.5 billion dollars (Morgan, 2011).

WHAT IS AFFINITY FRAUD?

Affinity generally refers to a sense of “kinship” or likeness based on characteristics common to a specific group. Affinity fraud refers to investment scams that prey upon members of identifiable groups, such as racial, religious and ethnic communities, the elderly, professional groups, or other types of identifiable groups. The fraudsters who promote affinity scams frequently are—or pretend to be—members of the group. These fraudsters often enlist respected community or religious leaders from within the group to spread the word about the scheme by convincing these people that a fraudulent investment is legitimate and worthy of advancing the social and economic interests of the group. These scams exploit the special trust and friendships that exist in groups of people who have something in common. Relying on group trust is often so powerful in overcoming people’s skepticism that both the financially unsophisticated and the seemingly sophisticated fall victim to these scams. These people probably fall victim to this type of scam because they allow the trust they have for someone “like them” to substitute for paying attention to the details of what they are getting involved in.

Unfamiliar with how our financial markets work, too many people do not know how to thoroughly research an investment and its salesperson. Affinity fraud poses a danger since it undercuts the usual warnings about investment schemes promoted by strangers (Reed, 2007). In these cases, fraudulent investments may come to one’s attention as the result of a contact from a friend, colleague, or someone who inspires a bond of trust. “You can trust me,” says the scammer, “because I’m like you.” We share the same background and interests. And I can help you make money.” The normal process of cautious skepticism is replaced by social banter (Reed, 2007). In addition, it is not at all unusual for affinity fraud scams to last significantly longer than other frauds. This is because once the trust is established, not only are investors less likely to fully investigate the scam, but they also are less likely to believe they have been — defrauded—and even when they do —believe—less likely to report the fraud outside of the group (Fairfax, 2010).

Because of the tight-knit structure of many groups, it can be difficult for regulators or law enforcement officials to detect an affinity scam. At times the reluctance to involve securities

regulators can be attributed to a negative impression of law enforcement and a desire to resolve the problem within a group rather than from outside help (Austin, 2004). Many affinity scams involve "Ponzi" or pyramid schemes, where new investor money is used to make payments to earlier investors to give the false illusion that the investment is successful. This ploy is used to trick new investors into investing in the scheme and to lull existing investors into believing their investments are safe and secure. In fact, in many cases it is the existing investors that help sell the investment to the new investors. In reality, the fraudster almost always steals investor money for personal use. Both types of schemes depend on an unending supply of new investors. When the inevitable occurs and the supply of investors dries up, the whole scheme collapses and investors discover that most or all of their money is gone.

THE BETRAYAL OF TRUST

Exploiting the trust that members within a specific group share is at the heart of affinity fraud. For those that perpetrate affinity fraud, trust is viewed as a weakness to be taken advantage of. A defrauded church member commented concerning another member to whom she had donated funds for a church project stating, "I trusted her as if she were a member of my family...we had the same values and beliefs" (Reed, 2007, para.7). This victim lost \$100,000 by investing with a church member who was going to produce a film about the beliefs of the group. The film was not made and the scammer disappeared.

LuElla Day, who belonged to a faith-based organization in Utah, stated she was conned out of \$1.25 million by a man who used religion to swindle her. She said the man claimed her LDS bishop had sent him to help her with her finances. "I don't understand how anyone that could claim to be a good person, go to church every Sunday and then do the things that he did...it's just unbelievable" (Winslow, 2011).

As another Utah victim defrauded of \$35,000 indicated about her experience, "He told me that he had been guided by the spirit to people who are struggling financially and he had the revelation that he should come to me and he would be my financial rescue... [T]hese people who target and are doing affinity fraud, they know what they're doing and they're good at it and they just work you until you have their trust" (Winslow, 2011).

Church-based affinity fraud poses special problems for securities regulators because victims are reluctant to inform investigators that they have been scammed. Their reluctance may be attributable to a sense of embarrassment and the desire to not want to have a member of their organization prosecuted. In reality, these perpetrators never shared the goodwill and belief systems of the organization's membership to begin with (Austin, 2004). Victims may also believe that alerting the authorities may preclude the perpetrator from having a "change of heart" and returning the money (although often there is no money left to return). Another reason that authorities are not alerted is because of the desire of the defrauded group to have the culprit "repent" stealing from the church (Fairfax, 2002-2003).

Moreover, victims refuse to believe that someone from their own congregation would steal from them, especially when the perpetrators cloaked themselves in a religious value system to convince others that they were sent by a higher authority to make others wealthy (Fairfax, 2002-2003). The reason victims may be unable to face the truth is the fraudster was able to build

emotional bonds with the victims based on the belief that their shared characteristics creates a “special trust” that only those within the group share and would not violate. As stated by Harry Markopolos, the Certified Fraud Examiner and whistle blower in the Bernard Madoff securities fraud case, “Nobody thinks one of their own is going to cheat them, not when they can cheat so many others” (Markopolos, 2010, p.114).

Markopolos also said that Madoff exploited the Jewish community he belonged to most egregiously. Individual Jewish investors were hit the hardest because they invested everything they had with Madoff (Carozza, 2009). The legitimacy of their investments is often based on specific religious references such as quoting certain verses from religious texts. Furthermore, perpetrators often incorporate some element of their charitable giving from the return on their investments to establish their credibility by telling investors that a portion of their investment will enable them to “give back” to their community (Fairfax, 2010).

Affinity fraudsters also mislead victims by convincing them that, by cooperating with the government to investigate the discovered fraud, they may be persecuted for their religious beliefs or their race. They also assert that reporting the fraud will prohibit any possible return on their investment (Austin, 2004). Moreover, when these criminals are confronted by the authorities, they often attempt to persuade investors not to cooperate by referring to previously signed confidentiality agreements (Reed, 2007). Defrauding investors in church-based settings is particularly effective because con artists can reach large groups of people when touting fraudulent investments to an entire congregation. However, perpetrators also use Internet sites, ethnically affiliated media, and conferences or other social gatherings of these groups to gain access to members of a specific group.

Perpetrators of such scams also design their investment opportunities to appeal to specific groups. For example, literature or other presentations stress their shared heritage, language, or identity with other group members. With these techniques, perpetrators use group affinity as a means of legitimizing themselves and their fraudulent investment programs. Consider the sales material convicted affinity fraud offender Vaughn Reeves, age 66, used to train church members to sell securities to other church members urging them to fulfill their religious duties. The teams were given training materials stating “Never sell the facts, sell warm stewardship and the Lord” (AP, 2010). Consider the impact of Reeve’s promotional material with the statement of a church member who lost over \$40,000 in Reeve’s Ponzi scheme, “It was a good place where Christians would be investing in the work of other Christians...We wanted to invest in something honest, doing the Lord’s work and that just sucked us right in” (Wilson, 2010).

Networks of church communities are also exploited. In a scheme in Arizona, members of a Baptist congregation were defrauded of \$530 million when the perpetrators used the Baptist network to scam other Baptist churches (Fairfax, 2002-2003). In a similar fashion, an investment scheme in Florida was effectuated by utilizing a church mailing list to target individuals who belonged to other churches of the same denomination. In Alabama, Abraham Kennard was convicted of using a network of African-American churches, approximately 1600 churches in over 41 states, to defraud investors of almost \$9 million (Fairfax, 2002-2003). During his trial, where Kennard represented himself, he attempted to appeal to the potential

religious inclinations of jurors telling them “God is the biggest financial backer you can ever have...and that’s who these people (the victims) put their trust in” (Reed, 2007, para.61).

Another notable affinity fraud case that exemplifies the pervasiveness of this scheme involves convicted white-collar criminal Winston Ross of Florida. Ross defrauded over 250 members of the Seventh-day Adventist Church by collecting more than \$6.5 million to support a Ponzi scheme (Yang, 2005). During seminars to his target group, Ross encouraged attendees to incorporate themselves so they could avoid paying federal income taxes. For a fee of \$600, Ross would assist in preparing paperwork to become incorporated. At his presentations, Ross told investors that one of his investment programs was completely risk-free and provided guaranteed returns of at least 10 percent a month for 15 months. Investors who deposited more than \$100,000 would be paid 12 percent per month; those who invested more than \$300,000 were guaranteed 15 percent per month. Ross encouraged victims to refinance their homes or to take cash advances on their credit cards so they could invest in his programs.

Although affinity fraud often occurs in a religious-based environment, as illustrated above, there are those frauds that prey on other specific traits such as age. For example, convicted white-collar criminal and disbarred attorney Edward Digges, age 63, targeted senior citizens, which he located with newspaper ads (Pretty, 2010). Interestingly, Digges had already served time in federal prison for mail fraud which entailed an over billing scheme. In the case in which he defrauded senior citizens, he collected at least \$10 million for a Ponzi scheme by promising investors annual returns of 12 percent. This case, too, exemplifies the importance of checking the background of any financial professional one conducts business with and, in this case, the senior citizens were not compensated for their losses.

A common thread in many of these schemes is that new investors do little or no research into the investment opportunity being presented to them. The mere fact that other members of their group are already investors is enough for them to write a check to these fraud offenders. Consider the tremendously insightful comments of Ronald Cass, Dean Emertis of the Boston University School of Law, commenting on the Madoff case and how easily one can be drawn into a scam:

“When my wife, who's a lawyer, and I were going to try to pick somebody to do health insurance for us, we asked the rabbi in our congregation, do you know anybody who does this? And he recommended another member of the congregation. We didn't go out and do due diligence, we didn't have to. The rabbi said this one's OK. And I think a lot of that is the sort of thing that was happening with the Madoff investments. [S]ome groups don't speak English fluently, or they're marginalized economically. But some of the people and institutions who say they were duped by Madoff were very sophisticated folks like Steven Spielberg, or university endowments, which have very fancy people sitting on their boards watching out for their investments. In some ways, it's easier to fool people who are very successful. If you're talking to somebody who is used to being successful, used to knowing what they're doing, they don't want to appear foolish. But if they have someone vouching for them, someone they know to be very successful - Bernie Madoff was the chairman of NASDAQ, an advisor to the SEC, he was someone who had within his circle of clients enormously successful

people. It was like he came pre-certified. You had every reason to trust the guy. He looked like and sounded like you and your friends. It is, in some ways, exactly that sort of set-up that makes sophisticated and successful people easy targets” (Wertheimer, 2008, para.11-13).

Even those victims that, on the surface, would appear to be immune can be drawn into a fraud scam. The comment above by Ronald Cass exemplifies how well-educated individuals are also capable of ignoring due diligence protocol for the sake of convenience established through trusting relationships.

AFFINITY FRAUD CASE

Cambodian fraud victims said that fellow immigrant Seng Tan arrived at their homes explaining investment opportunities in a black Mercedes S500. With her Canadian-Cambodian citizen husband, James Bunchan, Seng impressed many of her uneducated fellow Cambodians with appearances of wealth and with the way she dressed. Like them, Seng had fled the horrors of the Pol Pot regime. She knelt in their temple to pray and they cried and laughed together over their shared experiences (Abraham, 2006). The immigrant families, who did not have enough cash to invest, collected money from relatives, cashed out retirement accounts, and took out equity loans on their homes. The loans were signed over to James and Seng, totaling approximately \$30 million from about 400 victims. Seng told them they would need to pay \$26,347.86 into a company called Worldwide Marketing Direct Selling, Inc., a vitamin and beauty-aid supplier. For that investment, the company would send them a \$2,497 bonus, then \$300 a month for life as well as money for their children.

For every five investors they recruited, the payments would jump again. Seng targeted longstanding members of the community, knowing that once they bought into the investment scheme, other Cambodians would follow. Some of the members of the Cambodian community asked Seng why only Cambodians were investing and Seng replied, "We have to help all the Cambodian people first, before we go to another culture” (Abraham, 2006, para.33). As fraud victim Tai Kim came to believe, “God sent her here to help our community” (Abraham, 2006, para.13). Bunchan gave emotional speeches to convince the immigrants to invest with him and Seng. He would cry, recalling how his people had suffered under the Pol Pot Regime and explaining why it was their turn to prosper. Fraud victims recall how they believed the couple, especially since they understood the community’s suffering prior to relocating to the United States.

Immediately the investments brought returns and checks arrived every month, just as had been promised. However, after five years, the payments stopped, the Ponzi scheme collapsed, and the community lost all of its investment. The pyramid scheme and the huge losses took even leaders of the Cambodian community by surprise. "The Cambodian community is very close-knit and very private," said Vong Ros, director of the Cambodian Mutual Assistance Association, in Lowell, Massachusetts. Seng "knows the Cambodian population don't trust anybody but their family and friends. That is why the wider non-Cambodian community didn't know about it” (Abraham, 2006, para.62). Seng, knowing the immigrant investors were wary of those outside their tight-knit community, succeeded in keeping word of their operation secret. It was only until one of the investors told someone at his place of work what had transpired that the FBI became involved. Bunchan and Seng used their ethnic heritage to infiltrate a Cambodian

community by speaking its language; professed their religious piety as the group did; exploited the group's cultural propensity of maintaining a distant relationship with outsiders who could, therefore, not have knowledge of the fraudulent investments; and used the group's leaders to legitimize their reputation and their alleged investments. Bunchan and Seng were found guilty of fraud in 2007; both are imprisoned (Saltzman, 2009).

As if the financial devastation to the victims was not enough, James Bunchan had other plans for his Cambodian brethren. While in custody awaiting the conclusion to his fraud charges, Bunchan schemed to have the Cambodian victims murdered so that the government could not prove the fraud charges against him. Erroneously, Bunchan believed that by eliminating the victims, the fraud case against him would be dismissed (Saltzman, 2009). He offered the "hit man," who turned out to be an undercover FBI agent, \$160,000 to eliminate the witnesses. Bunchan mailed the "hit man" a list of the people he wanted killed. He grouped his targets into tiers, in order of priority, and included the prices he was willing to pay for each "hit". The prices ranged from \$10,000 to \$20,000. Bunchan was found guilty of the murder-for-hire scheme in 2009 (Saltzman, 2009).

It is a rare occurrence when white-collar criminals, such as Bunchan, turn violent, but it does occur with enough frequency to be more than an anomaly. One perception commonly held by both anti-fraud professionals and society is that white-collar criminals are not violent. This false belief perpetuates the myth that fraud victims are not at risk for violence. Unfortunately, there is an implicit assumption made that, because the classification of white-collar crime is labeled non-violent, it is assumed that the offender is also non-violent (Perri, 2011). The theory examining white-collar criminals becoming violent toward their victims is a phenomenon many scholars and researchers have ignored (Brody & Kiehl, 2010).

Now, research has confirmed that white-collar criminals, regardless of gender, commit violent acts, including murder, that are contrary to this popular but misguided perception (Perri & Lichtenwald, 2010; Brody & Kiehl, 2010). In circumstances where there is a threat of fraud detection, this sub-group of white-collar criminals (referred to as red collar criminals), will resort to brutal acts of violence, one, to silence the people who have detected or could potentially detect their fraud, and two, to prevent disclosure of the fraud to authorities (as the Bunchan and Seng story illustrates) (Perri & Lichtenwald, 2007; Brody & Kiehl, 2010). In addition, research clearly illustrates that red-collar criminals commit instrumental (planned) murders as opposed to reactive (spontaneous) murders¹ (Woodworth & Porter, 2002).

What behavioral traits have been identified to explain why some white-collar criminals, such as James Bunchan, who commit affinity fraud with ease are also willing to cross the line and resort to violence to prevent detection and disclosure of their fraud schemes as contrasted to those that are not willing to resort to violence when faced with similar circumstances? To assist in this explanation, it is imperative to understand that some white-collar criminals may harbor certain personality traits that increase the risk for fraud and violence to occur. Additionally, criminological studies have repeatedly confirmed that some white-collar criminals may display

¹ A murder is classified as reactive when there is an emotional outburst that is contemporaneous with the catalyst, such as a provocation, that prompted the spontaneous murder.

anti-social traits that are no different than what is commonly assigned to street-level offenders in terms of resorting to fraud to satisfy their criminal motivations.

WHITE-COLLAR OFFENDER MISCONCEPTIONS

One of the deficiencies in the financial and forensic accounting community is the lack of insight into the behavioral disposition of those that commit fraud. However, there does appear to be a movement within the field to better understand the behavioral characteristics of those that engage in fraud. This movement was endorsed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in their report titled *Fraudulent Financial Reporting: 1998-2007* (Beasley et al, 2010, p.3). Current research unequivocally illustrates that white-collar offenders can display behavioral traits that are normally associated with street-level offenders. Although fraud offenders may not manifest their criminality in ways that are easily recognized by the general public, such as property or violent crimes, this does not mean that they may not harbor negative behavioral traits which facilitate their decisions to see white-collar crime as a solution to satisfy their motive of financial gain (Alalehto, 2003). White-collar criminals display behavioral traits that are as diverse as those that are considered street-level offenders, and there is support that white-collar offenders possess the same cold, self-serving ends of even the most unsavory non-white-collar offenders and at times adopt street-level violent tactics when necessary (Perri, 2011).

White-collar offenders are often thought to be ‘one shot’ criminals who are not likely to be processed into the criminal justice system following an initial brush with the law. People who know the white-collar criminal often claim that their offense is ‘out of character’ (Perri & Lichtenwald, 2007). However, when a person does something that is out of character, there may be more to the story than is initially evident. People who believe the criminal acted out of character, often just lack information about aspects of the criminal's behavior and thought processes (Samenow, 2010a). There are thinking patterns that predate the behavior at issue, and these thinking patterns express themselves at a moment of opportunity; the crime may very much be within the character of the perpetrator (Samenow, 2010a).

Even though white-collar criminals may be more educated than conventional street-level criminals, “white-collar offenders do not form a homogenous group with respect to their pattern of offending, level of deviance, attitudes toward crime, or social identity” (Walters & Geyer, 2004, p.280). There are white-collar criminals whose criminal deviancy is indistinguishable from non-white-collar criminals—especially those that are chronic re-offenders (Walters & Geyer, 2004). Predatory fraud offenders methodically plan and seek out individuals and/or organizations where they can quickly establish fraud schemes (Perri, 2011). For example, a predatory fraudster may evaluate whether there are adequate internal controls to prevent and detect fraud. In addition, they exploit human interrelationship weaknesses, such as in the case of affinity fraud, where they manipulate the perceived trust that exists between members of a given group by pretending to be part of that group.

To further challenge the myth that white-collar criminals are somehow behaving out of character, consider how these offenders view themselves. According to one recent study, surveyed white-collar criminals in prison indicated that they should not be in prison because they perceived their own behavior as non-criminal (Dhami, 2007). Offenders, especially those that work in business,

are not likely to consider their conduct as criminal (Moohr, 2007). White-collar criminals view fraud as both acceptable and common to overcome financial difficulties or to make a profit for the organization (Dhami, 2007). In addition, one of the reasons white-collar criminals are capable of neutralizing the criminality of their acts is because fraud often is intertwined with legitimate activities so that there are legal and illegal acts occurring contemporaneously. This comingling of activities facilitates the fraudster's ability to rationalize the fraud because the fraudster is capable of attaching a moral argument to the act by pointing to a higher purpose behind the fraud. This moral argument preempts an unsavory explanation such as greed.

Consider the comment by convicted white-collar criminal Jay Jones that supports the research by Dhami (2007): "I certainly knew it was nefarious, a little wormy, unethical, make no mistake about that...but criminal...fraud?" (Porter, 2004, p.53). As a result of his fraudulent behavior, Jones left at least 4,000 people jobless when the debt collection business he helped co-found went bankrupt. Research has confirmed that white collar criminals, like conventional street-level criminals, legitimize their behaviors; and this legitimization also reduces the offender's inhibition. Such attempts at excuse have been termed techniques of neutralization (Sykes & Matza, 1957). Neutralization paves the way for fraud by nullifying internal moral objections. Regardless of the type of fraud, most offenders seem to seek to justify or rationalize their activity. In doing so, they will use vocabularies of adjustment that manufacture rationale and extenuating circumstances and remove the perception of criminality from the act. Typical responses as to how white-collar offenders neutralized their crimes include, "There's no victim in white-collar crime...white-collar crime isn't a danger to society...There was no visual damage, no physical damage, no none was hurt. It was mostly a financial matter" (Dhami, 2007, p.70). For example, fraudsters denied the existence of a victim by arguing that the victim was absent or unknown and often blamed the victim, arguing that they somehow deserved to have the fraud inflicted upon them, especially if the victim was an organization.

What are some of the personality dispositions that have been linked to fraud offenses? Research confirms that white-collar criminals can exhibit an antisocial personality disposition that is characterized as a pervasive pattern of disregard for and violation of the rights of others, lack in social conscience, and conventional morality. Such fraud offenders deceive, exploit and manipulate others in order to achieve personal gain, for example money or power, through fraud (Barnard, 2008). One study found that convicted fraud offenders exhibited antisocial traits that were "amoral, uncontrolled and detached from normal relationships" (Blum, 1972, p. 49). They blame their victims for being ignorant or deserving of their fate, they minimize the harmful consequences of their actions, or they may simply display an arrogant indifference. Collins and Schmidt (1993) compared 365 male federal prison inmates incarcerated for white-collar offenses to 344 control subjects who occupied positions of authority in business. They found large and measurable psychological differences between the white-collar offenders and the control subjects. White-collar criminals showed a greater tendency toward irresponsibility, lack of dependability, and a disregard for laws and social conventions.

Moreover fraud offenders, especially those that are considered predatory, seek out organizations and individuals to victimize, are pathological liars in that they are adept at lying without feeling uncomfortable about it, and may exhibit highly refined interpersonal skills where they are able to cajole, excite, and persuade their victims (Barnard, 2008; Dorminey et al, 2010). These fraud

offenders are skilled at reading their victims verbal and non-verbal behaviors and adjusting their own behavior to appear more credible. They are skilled at projecting images of being generous, 'free-loving' and 'free-and-easy' individuals (Barnard, 2008, p.205). Fraud offenders can be adept at understanding the mindset of the ones they will defraud and feel no compassion for the weak they will exploit and no empathy for the financial destruction they cause others (Barnard, 2008). Consider the statement of this convicted white collar criminal that parallels the traits listed above: "White-collar criminals consider your humanity, ethics, and good intentions as a weakness to be exploited in the execution of their crimes...we preyed on your hopes and dreams by feeding you our spins and lies" (Antar, 2009, para.31).

Predatory fraud offenders, especially those that engage in affinity fraud, exhibit traits of extreme entitlement. They may not be deterred from committing fraud because they may not 'fear being caught or what punishments may come their way' (Bucy et al, 2008, p.417). Moreover, their sense of entitlement facilitates the use of deception to achieve fraud and does not create a moral dilemma for them to resolve (Barnard, 2008). Research further reveals that the white-collar offender seems not to be impulsive, meaning unpremeditated, or lacking in self-control, but rather opportunistic and calculating (Ray, 2007). According to internationally renowned forensic psychologist Dr. Robert Hare, those who are most adept at successfully perpetrating affinity fraud are psychopathic because they are able to target victims that establish emotional bonds with them even though they themselves are not capable of forming empathetic attachments with others (Carozza, 2008).

Psychopathic traits are characterized by those who are callous, lack conscience, have an inability to empathize with others, and show no remorse for their actions when they violate the rights of others (Hare, 1993). White-collar criminals often share the same exploitative, psychopathic traits as other criminals; what distinguished these criminals are the victims they prey upon (Hare, 1993). Those criminals who engage in affinity fraud are successful at the identification and manipulation of victims who are vulnerable to the fraudster's persuasion skills (Barnard, 2008). Ray (2007) found that the psychopathic fraud offender traits that drive their intention to commit fraud include egocentricity, manipulation, deceitfulness, and a Machiavellian attitude where the means justify the ends regardless of its criminal nature.

Moreover, during the course of a fraud scheme, these psychopathic criminals are not distracted by compassion or the generosity of their victims. Ironically, victims must sense an emotional connection with the defrauder, yet the defrauder displays an emotional deficit by never having bonded with those they victimized (Barnard, 2008). According to Dr. Hare, religious groups are extremely vulnerable; belief in the inherent goodness of others and the uncritical acceptance of professions of faith by others are tailor-made for the psychopath who views their inherent goodness not as a strength but rather as a weakness to be exploited (Carozza, 2008). Unfortunately, given the negative personality traits that are unique to these individuals, they also are more apt to retaliate against those they perceive to be interfering with their schemes, as observed by Bunchan's desire to have victims of his Ponzi scheme killed (Brown, 2004).

White-collar criminals are capable of resorting to brutal violence as a solution to a problem if they believe their narcissistic sense of entitlement is infringed upon (Perri, 2011). Negative personality traits, such as psychopathy, are not the cause of violence but should be understood as

a risk factor that has been empirically linked to violent aggression. However, red-collar criminals have been known to display psychopathic traits, and this is a plausible extension of the fact that there are those white-collar criminals who are psychopathic (Perri & Lichtenwald, 2007; 2010, Hare, 1993). The fact that red-collar criminals who commit fraud may share the same criminal deviant thinking and behavioral dispositions as non-white-collar street-level criminals should counter the belief that somehow they would not resort to violence as a solution to satisfy their motives.

MINIMIZING THE RISK OF AFFINITY FRAUD

Attacking affinity fraud is inherently difficult because group trust is often so powerful in overcoming people's skepticism that the sophisticated and the unsophisticated, the educated and uneducated fall prey to such scams. Because of the special trust relationship they believe they share with the scammer, due diligence in researching the legitimacy of these investments is ignored by the victims. Ironically, the qualities of trust and affinity that groups use to advance the economic and social well-being of their members are also their weakness.

It is precisely because this type of fraud relies on people lowering their guard as a result of their trusting impulses that vigilance is in order to protect the goodwill of groups who want to engage in legitimate investment opportunities. Consequently, there are ways to minimize the risk of investing unwisely by asking questions and getting the facts about any investment before one acquires an investment. Remember that affinity and the "special trust" members of a group believe they share with someone is not a substitute for due diligence (Wertheimer, 2008). Although not a complete list, to avoid affinity and other scams, the Securities and Exchange Commission and other experts recommend (SEC, n.d.):

1. Investors should not let their guard down because someone is appealing to their professional, cultural, racial, or religious background. Investigate the investment thoroughly and check the truth of every statement disclosed about the investment.
2. Be wary of investments that promise spectacular profits or "guaranteed" returns. If an investment seems too good to be true, then it probably is. Promises of fast and high profits, with little or no risk, are classic warning signs of fraud.
3. Be skeptical of any investment opportunity that is not in writing. Fraudsters often avoid putting things in writing whereas legitimate investments are usually in writing. Avoid an investment if told by the promoters that they do "not have the time to reduce to writing" the particulars about the investment or that they are unregulated because they are for "religious" institutions.
4. Be wary of investments that are pitched as "once-in-a-lifetime" opportunities, particularly when the promoter bases the recommendation on "inside" or confidential information.
5. Fraudsters are increasingly using the internet to target particular groups through e-mail spams. Be wary of unsolicited e-mails containing a "can't miss" investment opportunity.
6. When investors are told to keep the investment opportunity "confidential", it is a red flag to increase the level of investigation. Find out how long the business has been in operation, where it is registered, and make sure it is registered to do business in your state.
7. Obtain in writing information that details the risk in the investment, financial statements, any conflicts of interests, and procedures to get your money out.

8. Ask for neutral professional advice from an outside expert not associated with the salesperson to evaluate the investment. It is a red flag when someone tries to discourage a potential investor from obtaining outside counsel.

CONCLUSION

Affinity fraud relies on building trust with the victim based on shared characteristics such as age, race, religion, or ethnicity. No one group is immune from this type of fraud. This article challenges the notion that white-collar criminals somehow display a homogenous criminal disposition that is different from other offenders. To the contrary, white-collar criminals can exhibit criminal traits that are no different than what is typically associated with street-level offenders.

Research has confirmed that some white-collar offenders and affinity fraud offender's harbor negative personality traits such as antisocial and psychopathic dispositions that enable them to commit fraud with ease, without conscience, while leaving victims bewildered and, at times, financially ruined. The inherent trust individuals who belong to specific groups with identifiable characteristics inure to others who belong to the same group can be construed as a strength because of the desire to rely on others by reducing the amount of formality needed to attain certain goals. Unfortunately, the qualities of trust and affinity that groups use to advance the economic and social well-being of its members can be construed as a weakness to be exploited by those that may share those traits, but have ulterior motives of how to use those shared traits against those who view them as a strength. It is precisely because affinity fraud relies on people lowering their guard as a result of familiarity impulses that vigilance is in order to protect the goodwill of groups who want to engage in legitimate investment opportunities. It is imperative that due diligence not be substituted by perceptions of "special trust" that may never have existed between the group and promoters of securities investment.

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