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The optics of fraud: affiliations that enhance offender credibility

The optics
of fraud

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Abstract

Purpose – The purpose of this paper is to illustrate how a financial fraud practice, known as affinity fraud, relies on building trust with victims based on shared affiliations or characteristics such as age, race, religion, ethnicity or professional designations, for the purpose of exploiting the trust factor for financial advantage.

Design/methodology/approach – Sources of information consisted of scholarly articles and articles retrieved from the web.

Findings – Findings suggest that these fraud offenders rely on a myriad of persuasion techniques to overcome offender skepticism coupled with victims engaging in a psychological concept known as projection bias to evaluate the credibility of these offenders. These factors create a negative synergy that dilutes the perceived need for due diligence normally required prior to engaging in securities transactions. In addition, these offenders display a predatory quality, debunking the myth that fraud offenders exhibit a homogenous crime group behavioral profile.

Practical implications – Social institutions that include both for profit and not for profit should consider evaluating their interactions with those who share similar characteristics and affiliations that attempt to offer goods or services by considering some of the factors contained within this article that may dilute due diligence protocol.

Originality/value – This paper serves to alert and educate anti-fraud professionals, law enforcement and policy makers of a predatory fraud practice that targets organizations exploiting the inherent trust that these organizations rely upon.

Keywords Affinity fraud, Ponzi scheme, Projection bias, White-collar crime, Fraud, Criminals

Paper type Research paper

Introduction

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 practices (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 28 states lost more than \$2.2 billion in affinity fraud schemes (Fairfax, 2002-2003). Recently, over the past several years, citizens of Utah alone who belong to faith-based organizations have been defrauded through the practice of affinity fraud of more than \$1.5 billion dollars (Morgan, 2011).

Consider that 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, but not exclusively, 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 is enough to make them appear more credible.

In this paper, 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. Furthermore, the authors will debunk myths surrounding the affinity offender behavioral profile that victims may subscribe to in order to illustrate how affinity fraud offenders possess the same predatory traits as non-white-collar crime criminals that are typically referred to as street or conventional crimes that involve property violations and violence.

Moreover, research has confirmed that affinity fraud offenders 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. In addition, the authors apply the psychological concepts of projection bias that victims engage into explain how their projection actually exposes them to being exploited, and examine the techniques of persuasions used by these fraud predators to manipulate their subjects to participate in their schemes.

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 offenders who promote affinity scams frequently are – or pretend to be – members of the group. These offenders often enlist respected community or religious leaders from within the group to spread the word about the scheme by convincing the leaders that a fraudulent investment is legitimate and worthy of advancing the social and economic interests of the group.

Once the leader has been convinced, the leader is used as the offender’s pawn to convince his followers to invest with him or her because the offender is assumed to be trustworthy. These scams exploit the special trust and friendships that exist in groups of people who have something in common. 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 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 their members can be construed as a weakness to be exploited by those who may share these traits. Offenders have ulterior motives of how to use these shared traits against those who view them as strength. 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.

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 because I'm like you [...] We share the same background and interests. And I can help you make money" (Perri and Brody, 2011). The normal process of cautious skepticism is replaced by social banter (Reed, 2007). 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. As another fraud 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).

Consider the affinity fraud case that involves multiple affiliations: ethnic, religious and racial. Cambodian fraud victims said that fellow immigrant Seng Tan, together with her Canadian-Cambodian citizen husband James Bunchan, impressed many of her uneducated fellow Cambodians with appearances of wealth. Like them, Seng had fled the horrors of the Pol Pot regime and prayed, cried and laughed with them over their shared experiences (Abraham, 2006). Fraud victims recall how they believed the couple, especially since they understood the community's suffering prior to relocating to the USA. 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.

The offenders perpetrated a fraud scheme referred to as a Ponzi scheme. 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 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).

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 (Saltzman, 2009).

Challenges in overcoming affinity fraud

It is not 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 so, less likely to report the fraud outside of the group (Fairfax, 2010). Church-based affinity fraud poses special problems for securities regulators because victims are reluctant to inform investigators that they have been scammed. 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). 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 (Perri and Brody, 2011). 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 Markopolos (2010, p. 114), 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 observed 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 (Perri and Brody, 2011).

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 1,600 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 whom 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.

To gain the trust of his victims, Guy de Chimay operated a \$7 million Ponzi scheme claiming a link to a Belgian royal family fortune (Carter, 2011). The fraudulent money manager used a link to the Chimay royal family of Belgium to entice victims to lend him money for what he termed a bridge loan. He guaranteed the investments, falsely claiming control over more than \$100 million associated with the royal family. Marian Golemo, 60, a Polish immigrant, was convicted on securities fraud charges for defrauding fellow members of the Polish community out of hundreds of thousands of dollars in the 1990s (AP, 2011). Golemo had operated a local market and travel agency when he borrowed money by targeting the Polish community with promises of repaying the loans with interest of 10-13 percent. The loans went unpaid and as one victim stated, "He destroyed dreams and hopes" (AP, 2011).

Thomas Petters, Founder of Petters Group Worldwide, operated a Ponzi scheme with a value of over \$3.65 billion appealing to religious and charitable organizations (Phelps and Tevlin, 2008). Petters donated millions of dollars to these organizations creating the appearance of legitimacy so that these organizations would invest in his alleged opportunities. We observe how affinity fraud offenders gain credibility of those they appeal to by engaging in philanthropic activities by supporting their cause. Kenneth Starr, on the other hand, affiliated with several Hollywood celebrities defrauding them of over \$30 million in a Ponzi scheme (Golding and Fermino, 2011).

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 Emeritus 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 [...] Bernie Madoff was the

chairman of NASDAQ, an advisor to the Securities and Exchange Commission (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. Table I visually illustrates in a matrix format the affiliations, although not inclusive of all potential affiliations, offenders use to exploit the inherent trust that members of an identifiable group rely upon to reduce the formality to engage in investment opportunities.

The impact of projection bias

Projection bias is a psychological defense mechanism to reduce personal anxiety where an individual transfers his or her own attributes, thoughts, feelings and emotions, usually to other people, given a set of circumstances. It is the tendency to assume that others share similar values, beliefs or thoughts with their own. Thus, it may be surprising to observe those individuals, who may look like us in terms of being from the same faith, racial and ethnic background, behaving dishonestly especially in an altruistic, faith-based setting. Projecting a value system to another because of a shared characteristic or affiliation can be problematic and the billions of dollars lost to fraud offenders is evidence of this value system attribution.

Consider the statement of one victim that exemplifies the application of projection bias. 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). Again observe how victim’s

Offenders	Religious	Ethnic	Racial	Age	Charitable	Celebrity	Royalty
Bernard Madoff	X	X			X	X	
Seng Tan	X	X	X				
James Bunchan	X	X	X				
Edward Gigges				X			
Abraham Kennard	X		X				
Guy De Chimay							X
Winston Ross	X						
Marian Golemo		X					
Kenneth Starr						X	
Thomas Petters	X				X		

Table I.
Affinity fraud
affiliation matrix

project values on individuals they do not know by affiliations the offender claims to belong to implying that the person is trustworthy without any evidence to substantiate the offender's claims.

In addition, character assessments made through projection bias and not facts accelerates the degree of trust individuals are willing to expend on another. People who know affinity fraud offenders often claim that their offense is "out of character" which may partially explain why victims of affinity fraud are unwilling to take action against such offenders because of the erroneous belief that they will see the error of their ways. However, when a person does something that is out of character, there may be more to the story than is initially evident. As forensic psychologist Dr Stanton Samenow posits, people who believe the criminal acted out of character often 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).

Persuasion and influence techniques

Human nature is to trust others until they prove they are not trustworthy (Peltier, 2006) and this is a factor that affinity fraud offenders are very successful in exploiting. In situations where a person seeks to persuade another to do something, social psychology has identified alternative routes to persuasion: direct and indirect routes, attitudes, beliefs that affect human interactions and techniques for persuasion that help establish emotional cues used for influencing fraud victims (Peltier, 2006). A direct, central route to persuasion depends on logical argument to stimulate a favorable response, prompting the listener or reader to think deeply about an issue and possibly reach consensus if that is required. Thus, the direct route, which depends on the responder's logical thinking toward the offered information from the offender, may not necessarily succeed as a strategy of persuasion because there may be statements that reveal symptoms of illegitimate, fraudulent activity.

An indirect route to persuasion relies on mental shortcuts that serve as distractions to bypass logical argument and counterargument seeking to trigger acceptance without deeply thinking of the matter. Affinity fraud offenders make the intended victim more susceptible to persuasion by triggering an emotional response with the ultimate goal of having them participate in their fraud scheme. For example, James Bunchan gave emotional speeches to convince the immigrants to invest with him and Seng Tan. James would cry, recalling how his people had suffered under the Pol Pot Regime and explaining why it was their turn to prosper. The Cambodian fraud victims recall how they believed the couple, especially since they understood the community's suffering prior to relocating to the USA. Recall the sales material convicted affinity fraud offender Vaughn Reeves 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).

Moreover, rooted in social psychology several other factors can constitute effectual persuasions that display themselves in affinity fraud cases: authority, similarity, reciprocation and social proof (Luo *et al.*, 2011). For example, authority plays a vital role since people are conditioned to respond to authority figures without diligently verifying their legitimacy. Social psychologist, Robert Cialdini, has observed that unless

there is strong evidence to the contrary, people have a natural tendency to think that statement reflects the true attitude of the person who made it (Rusch, 1999). These observations are clearly illustrated in affinity fraud schemes because tactics of the offender is to target the leaders of a group, such as the religious leaders of an organization that represent an authority figure, to convince those in their congregation to join him or her in the financial opportunity before them.

Thus, the leaders are usually the first to gain financially from the scheme which reinforces the belief that the financial opportunity is legitimate. Psychology experiments have shown that for some people who tend not to scrutinize persuasive messages closely, their post-message attitudes were less dependent on scrutinizing the message when they perceived the source to be honest, and in this case if the authority figures endorse a salesperson as being legitimate, followers are more apt to accept the salesperson's opportunity as being legitimate (Rusch, 1999). In many social situations one of the mental shortcuts relied upon, in determining what course of action is most appropriate, is to look to see what other people in the group are doing or saying. This phenomenon, known as social proof, can prompt one to take actions that may be against one's self-interest without taking the time to consider them more deeply. Social proof also is evident in affinity fraud.

Our identification of a person as having characteristics identical or similar to our own such as other personal interests provides a strong incentive for people to adopt a mental shortcut in dealing with that person, to regard him or her more favorably merely because of that similarity. The optics of identifiable characteristics and affiliations creates the dynamic of inuring moral, trustworthy traits on an individual that may or may not exist. Again we can observe this factor illustrated by the Ronald Cass who commented on Madoff were he stated, "You had every reason to trust the guy. He looked like and sounded like you and your friends". The relationship between similarity, credibility, and compliance to a request has been well established (Burgoon *et al.*, 2002; Pornpitakpan, 2004). As posited by Heider's (1982) balance theory, people are motivated to be attracted and influenced by similar others because it reinforces their own self-concept (Burgoon *et al.*, 2002). People gravitate to and exhibit more pro-social behavior towards similar others (Baumeister, 1998), even others with incidental similarities, such as date of birth (Burger *et al.*, 2004). Similar others are perceived as more persuasive (Brock, 1965; Byrne, 1971) and are favored in trust games (Debruine, 2005).

Moreover, a well-recognized rule of social interaction requires that if someone gives us or promises to give something, there is an inclination to reciprocate by providing something in return. For example, one can observe how affinity fraud offenders contribute to their target's cause by donating money in order to prove their allegiance to the group with the expectation that the target audience will feel obligated to listen to the offender's opportunity and/or participate in the opportunity. This dynamic is illustrated by offender Petters donating millions of dollars to charities and religious organizations that invested with him.

Affinity fraud offender behavioral profile

Even though there has been research focusing on the behavioral traits of white-collar offenders, this area comparative to conventional crime offenders and their behavioral traits have remained largely unexamined until recently (Ray, 2007). However, Ramamoorti (2008) points out, fraud is a human endeavor and it is important

to understand the psychological factors, including personality that might influence the fraud offender's behavior. If scholars posit that personality is an important predictor for common forms of crime and deviance, then its application to explaining white-collar crime seems a logical extension even though most criminological research does not include personality traits in studies of white-collar crime (Listwan *et al.*, 2010).

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 personality traits that facilitates the decision that make them more likely to see white-collar crimes as a solution to satisfy a motive (Alalehto, 2003). Fraud offenders simply manifest their exploitation in a different form creating victims nonetheless (Perri, 2011). Yet, what is becoming increasingly clear is that personality traits do impact whether fraud offenses occur even though it was widely accepted by some scholars that personality traits do not impact an individual's decision of whether to engage in fraud because fraud was regarded as a collective act born within the complexity of an organization (Alalehto, 2003).

What are some of the personality dispositions that have been linked to affinity fraud offenders? Research confirms that these 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 and lack of a social conscience or 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. White-collar criminals displayed a greater tendency toward irresponsibility, lack of dependability, and a disregard for laws and social conventions (Collins and Schmidt, 1993).

Consider the statement of convicted white-collar criminal Samuel Antar 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).

One's humanity, for example, might consist of one's morals, standards of conduct, good will, customs, ethics, sense of fairness, giving one the benefit of the doubt, and belief in the rule of law (Antar, 2009). Antar further states that one's humanity may make them a better person, but it also makes it easier for criminals to commit their crimes because they have no constraints on their behavior to reciprocate the victim's humanity. In fact humanity is to be exploited for the benefit of the offender because their motives can be more easily satisfied. These observations are clearly evident in affinity fraud cases.

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). These fraud offenders are skilled at reading their victims verbal and non-verbal behaviors and adjusting their own behavior to appear more credible. Fraud offenders can be adept at understanding the mindset of the ones they will defraud,

feel no compassion for the weak they will exploit and no empathy for the financial destruction they cause others. Offenders measure effectiveness by the comfort level of their victims, and in order to increase a victim's comfort level they have to build walls of false integrity around themselves (Antar, 2010), such as belonging to professional organizations, appearing pious when they are not and contributing to charitable causes.

Predatory fraud offenders, especially those that engage in affinity fraud, exhibit traits of extreme entitlement, callousness, lack conscience, have an inability to empathize with others, and show no remorse for their actions when they violate the rights of others. 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 (Perri, 2011). According to 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).

Further stating, 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). 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 offender's persuasion skills. 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).

Current research unequivocally illustrates that white-collar offenders can display behavioral traits that are normally associated with street-level offenders. 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). 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 and 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 and Geyer, 2004). Predatory fraud offenders methodically plan and seek out individuals and/or organizations where they can quickly establish fraud schemes (Perri, 2011).

One of the inherent problems is to further challenge the myth that white-collar criminals are somehow behaving out of character considering 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 since there is no victim (Dhami, 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 commingling 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.

Lastly, 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 and this dynamic is displayed in affinity fraud practices (Perri, 2011). Often there has been an implicit, but misguided, assumption that because the classification of white-collar crime is labeled non-violent, it is assumed that the offender is also non-violent. The theory examining white-collar criminals becoming violent toward their victims is a phenomenon many scholars and researchers have ignored (Brody and Kiehl, 2010). In circumstances where there is a threat of fraud detection, this sub-group of white-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 (Perri and Lichtenwald, 2007). In addition, research clearly illustrates that these offenders commit instrumental (planned) murders as opposed to reactive (spontaneous) murders (Perri, 2011).

While in custody for his fraud charges, previously mentioned James Bunchan schemed to have the Cambodian fraud 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 by grouping his targets in order of priority. The prices ranged from \$10,000 to \$20,000 per murder. Bunchan was found guilty of the murder-for-hire scheme in 2009 (Saltzman, 2009). 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 as contrasted to those that are not willing to resort to violence when faced with similar circumstances?

Violent white-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 and Lichtenwald, 2010; Perri, 2011). The fact that these offenders 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. 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 murdered (Brown, 2004).

Conclusion

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. 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 reducing formality as a result of their familiarity impulses that vigilance is in order to protect the goodwill of groups who want to engage in legitimate investment opportunities.

It would behoove those that may be viewed as potential victims to implement due diligence protocol to minimize the risk of affinity fraud. Due diligence protocol should include seeking neutral, outside counsel who can serve as an objective voice in the evaluation of an offer for financial instruments and being skeptical of those that appear to cater to one's emotional state by invoking that trust is inherent because of similar characteristics and affiliations. Affinity and the "special trust" members of a group believe they share with someone is not a substitute for due diligence and implementing safe guards to protect the interests of the group that must rely on representation of others that may or may not be genuine.

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