**Affinity Fraud: Scams Preying on Trust**

Affinity fraud is an investment scam that preys upon members of specific groups or communities that can include religious, social, ethnic, political or professional associations. The problem with affinity fraud is that people may let their guards down when offered an investment opportunity by a fellow member of a church or social club, or someone they know and trust. The District of Columbia Department of Insurance, Securities and Banking (DISB) wants consumers to be on guard against affinity fraud and properly research investment opportunities.

**How do they do it?**

The criminals behind affinity fraud commonly are—or pretend to be—members of the group they are trying to scam. They exploit the faith, love, trust, and friendships that exist in groups of people who have something in common.

Affinity fraud is often associated with Ponzi or pyramid schemes. These schemes give an illusion that the investment is successful by raising money from new investors to make payments to earlier investors. The con artists want you, the investor, to believe your investment is safe so you will reinvest or encourage others to invest.

**Ways to avoid being a victim**

* **Sense of duty.** Beware of investment opportunities that are based on, or challenge, your faith or obligation to give because of religious beliefs or interest in advancing your group.
* **Trust but verify.** Check out everything before you invest. Never make an investment decision that is based on testimonials or endorsements from other group members. Investigate offers thoroughly.
* **Too good to be true.** Do not fall for investments that promise spectacular profits in a short period of time or guaranteed returns. If an investment seems too good to be true, then it probably is. Generally, the greater the potential return the investment offers, the greater the risk of losing money.
* **Legitimate business.** Be skeptical of any investment that is not fully documented in writing. Avoid an investment if you are told there is insufficient time to reduce the details or terms to writing. Also, you should be suspicious if you are told to keep the investment opportunity to yourself.
* **Slow down.** Don’t be pressured or rushed into an investment before you have a chance to think about it and investigate it. Watch out for investments that are pitched as once-in-a-lifetime opportunities, especially when the promoter bases the recommendation on inside or confidential information.
* **Ask for a second opinion.** Seek professional advice by asking a neutral outside expert who is not in your group—an attorney, accountant, banker, stockbroker or financial planner—to evaluate the investment.

**Questions to ask before investing**

* Is the seller licensed? Is the investment registered in the District of Columbia?

To find out, call DISB at 202-727-8000. According to District of Columbia law, securities to raise funds for any nonprofit organization must be filed with DISB. This measure provides an opportunity for DISB to review offerings for appropriate disclosure.

* Has the seller given you written information that fully explains the investment?
* Are claims made about the investment realistic?
* Does the investment meet your personal investment goals?

**More information and how to file a complaint**

DISB works to prevent fraudulent, deceptive and unfair business practices in the marketplace. Contact DISB if you have questions about the legitimacy of an investment opportunity or the person offering the investment. You can reach us at 202-727-8000 or visit [disb.dc.gov](http://disb.dc.gov).

**DISB Mission**  
Our mission is three-fold: (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents; and (3) support the development and expansion of business.

**Social Media**

DISB Twitter: [@DCDISB](https://twitter.com/dcdisb?lang=en)

DISB Facebook: [facebook.com/DISBDC/](https://www.facebook.com/DISBDC/)

DISB Website: [disb.dc.gov](http://www.disb.dc.gov)

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