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## **NEWS RELEASE**

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### **TELEMARKETING FRAUD STILL FLOURISHING IN THE AGE OF THE INTERNET**

**Idaho's Securities Regulator Says Answering Machines Provide Best Protection  
A "Cold Calling" Alert Available to Idaho Consumers**

BOISE, IDAHO (October 15, 1999) -- Despite the growth in Internet fraud, most bogus investment schemes are still sold the old-fashioned way--over the telephone. Idaho's securities regulator Gavin Gee says the best protection is an answering machine to screen calls. But telemarketing is changing in response to technology, the increased use of answering machines and voice mail, and repeated crackdowns by regulators. The big boiler rooms of yesterday are largely gone, according to Gee. They've been replaced by smaller operations--telemarketers who work from home or from hotel rooms, using cell phones and temporary post office boxes to make it harder for regulators to trace and catch them.

Embracing new technology, telemarketers are going "multi-channel," using web sites, direct mail and infomercials to solicit potential customers and get victims to initially contact them. But the sale is usually "closed" over the phone. "The hard sell is hard to do with a computer screen," says Gee.

Telemarketing hotbeds include California, Florida, Canada and, increasingly, the Caribbean. "All you need is telephone capability," says Idaho Securities Bureau Chief Marilyn Scanlan: "With sophisticated 800 number technology, telemarketers can cross borders or go offshore to make investigation and prosecution more difficult. They can as easily be in Costa Rica as in Costa Mesa, Calif."

Telemarketers pushing investment schemes still tend to target vulnerable older Americans, say regulators. An answering machine, which can cost as little as \$12, deprives con artists of "the courtesy victim," says Gee.

Older Americans are especially vulnerable to con artists pushing fraudulent or high-risk investments such as promissory notes, prime bank notes and viatical settlements. All of these investments have been recently sold in Idaho and promise higher rates of return than banks or money market funds. Seniors make tempting targets because they tend to have money, are often

home during the day to answer the telephone, and are polite to cold callers. In addition, regulators say, many older Americans are lonely and therefore vulnerable to scammers who befriend them to gain their trust.

Unfortunately, says Scanlan, many seniors don't have answering machines or voice mail. "They often don't know how to use them and they may be afraid of losing calls." She suggests baby boomers worried about their parents getting scammed give them an answering machine and make sure they use it. "The longer the telemarketer can keep the victim on the phone the better likelihood of a sale. Anything to put distance and time between the fraudulent telemarketer and the targeted victim the better."

The psychology of telemarketing fraud is complex, says Gee. "Victims can get trapped into the scam and let their guard down. Then they're afraid to tell relatives, afraid they'll say 'How could you be so stupid? You obviously can't handle your money, so we need to take over.'" We shouldn't blame the victims; we should blame the criminals. If you get mugged, nobody blames you for being a victim. Likewise, we shouldn't blame people who get mugged over the phone. "For more information on telemarketing fraud, visit the North American Securities Administrators Association (NASAA) website.

Tips to follow if a cold caller gets you on the line:

- Hang up on aggressive cold callers.
- Beware of anyone promising you a "once-in-a-lifetime" opportunity or "guaranteed" returns.
- Demand information in writing.
- Don't be pressured into buying anything, especially an unknown "microcap" stock.
- Report abusive cold callers to your state securities regulator. (Note the caller's name, their firm's name, the time and date of their calls, what they said to you and what you said in return.)
- Before making any investment, call your state securities regulator to check out the investment and the person or firm selling it.
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To contact the Idaho Securities Bureau, call 208/332-8004 or 1-888/346-3378.