

SPECIAL REPORT

AMERICA'S VETERANS TARGETED BY CROOKS

AARP and the U.S. Postal Service announce campaign to fight fraud

BY MICHAEL HEDGES

Clarance "Woody" Herndon's military service included a year of flying helicopters to rescue fellow soldiers in Vietnam in the 1960s. But after he died last June, it was his wife, Donna, of Murray, Ky., who was soon under assault from the kind of con artists who target veterans and their families.

A week after the funeral, Donna Herndon got a call from someone claiming to represent the Department of Veterans Affairs. "I was very vulnerable," she said. "The lady was amazingly kind and sympathetic." But she had bad news: Woody had failed to pay premiums on a \$50,000 insurance policy for two years. Donna Herndon doubted her meticulous husband had made that mistake, but the woman was insistent. "She said, 'If you can make these payments now, we can reinstate the policy.'"

With the pain of her husband's death still fresh, Herndon was being led into a trap set by crooks who had scoured her husband's obituary for his personal details in an attempt to cheat her while grief was clouding her thinking.

The scheme is just one of many that target veterans and their families. Overall, vets

receive fraudulent pitches at a significantly higher rate than the general public, according to research by AARP's Fraud Watch Network. As a result, vets have been twice as likely as nonveterans to become fraud victims over the past five years, a Fraud Watch Network survey found. These frauds take on many forms, from bogus phone calls asking for their VA information to calls from so-called fellow vets seeking money for investment or help. Others target the vets' pensions or benefits.

To fight back, AARP and the U.S. Postal Inspection Service announced in November the formation of a national campaign called Operation Protect Veterans. (See the website at aarp.org/protectveterans.)

"While veterans are bombarded by the same scam pitches we all receive, our research found that they're also under special attack from scams aimed just at them," said AARP CEO Jo Ann Jenkins.

"With advances in technology, scam artists have become much more sophisticated at



Donna Herndon at the grave of her husband, Clarence "Woody" Herndon, and (below) a photo of the couple that she keeps at her home in Murray, Ky.



tailoring their pitches and zeroing in on their targets," said Guy

Cottrell, chief postal inspector with the U.S. Postal Inspection Service.

For Kentucky widow Donna Herndon, the call that came in soon after her husband's death wasn't even the first time thieves had tried to rip her off in a moment of tragic loss.

The couple's son Roger had wanted to follow in his father's footsteps as a military aviator. But he died in a training flight before his senior year at the U.S. Military Academy in West Point, N.Y.

That tragedy was made worse when, soon after his death, the family got a bogus call from someone claiming Roger owed payments on an expensive watch, and asking them to wire money. "We knew he had paid it off," she said. "Even then people were trying to take advantage."

Perhaps that earlier experience prepared Herndon for the call seeking money for "insurance premium" payments. She quickly hung up and avoided follow-up attempts. Thanks to her diligence and experience, this time the scam artists lost.

"Be wary of any unsolicited phone calls," Herndon said. "And if someone starts talking about an immediate need to transfer money, that's a big red flag. These people are convincing. It was just unimaginable to me that someone was doing something that evil." ❧

VET FRAUD: BY THE NUMBERS

AARP commissioned NORC, a research organization at the University of Chicago, in October to survey veterans and non-veterans about their fraud experiences. Among the findings:

16%
of veterans lost money in frauds in the past five years. That's double the 8% rate for adults who haven't served.

80%
of veterans said they've been targeted by a veteran-specific rip-off attempt in the past five years.

33%
of those who lost money to investment scams in the U.S. had served in the military.

25%
of veterans say they receive 10 or more suspicious phone calls every week.

How scam charities target veterans/P. 10
The five main types of vet frauds/P. 11

Charity Scams Hurt Veterans

Several organizations that claim to help veterans have turned out to be scams. Others have been criticized for giving too little of the money that they raise to veterans and their families. Here are some recent cases of fraud and mismanagement.

▶ In October John Thomas Burch, 75, was sentenced to five months in prison for embezzling \$149,317 from a former charity that he headed called the National Vietnam Veterans Foundation, which raised \$29 million between 2010 and 2014.

▶ Harvard-educated lawyer John Donald Cody is serving a 28-year prison sentence for running a fraudulent organization called the U.S. Navy Veterans Association. Donors were swindled out of nearly \$100 million, according to trial testimony.

▶ The Wounded Warrior Project fired its two top executives in 2016 after news accounts of excessive spending on parties, salaries and conferences. Plus, a report had determined that only 60 percent of the money raised went to injured veterans. The charity vowed major changes to “restore trust in the organization.”

Here are some tips to help you find out which charities are worthy of your support, compiled by AARP's Fraud Watch Network:








-  **DO** ask for a lot of information, including the registration number of the charity, its web address and how much of a donation actually goes to those in need.
-  **DON'T** donate to the charity if it can't give you its registration number.
-  **DO** conduct an online search that includes the name of the charity and the word “complaint” to see if it has been reported for any wrongdoing.
-  **DON'T** authorize an automatic withdrawal from your bank account or credit card to make payments to the charity or fundraiser.
-  **DO** verify that a charity is registered by contacting the state office of your secretary of state or attorney general. Most states require charities to register and regularly report their fundraising activities.
-  **DON'T** make an emotional decision to support the cause without first conducting a background check.
-  **DO** look up the charity on Charity Navigator at charitynavigator.org.

ILLUSTRATION BY ELIAS STEIN

HOW VET SCAMS WORK

Operation Protect Veterans is exposing schemes like these 5 that are aimed at ex-military members

1. PENSION PREDATORS Billie Jo Slater of Mounds View, Minn., borrowed against her late husband's military pension to pay for her dog's emergency surgery, but the \$2,100 loan turned into a \$21,000 debt. Shady companies are giving money to vets upfront in exchange for monthly payments transferred from pension accounts that add up to many times the amount borrowed. In August, Minnesota Attorney General Lori Swanson filed a lawsuit against two companies she said exploited veterans. “People should be very cautious about giving away their future pension benefits to get just pennies on the dollar,” she said.

2. PHONE SCAMS In May, Veterans Affairs issued a warning: Watch out for “mimic phone line” scams. The alert was triggered by reports that scam artists had set up a phone line with a number that was very similar to a real veterans hotline number. (The number for that program, Veterans Choice, starts with 866; scammers were using an 800 area code.) When a vet accidentally calls, he or she is talked into disclosing credit card information with the promise of a \$100 rebate. “VA would never ask veterans for this information,” a spokesman said.

3. INVESTMENT FRAUD Federal regulators have warned that some former service members are using their military ties to lure vets into risky or downright illegal investments. For example, in January 2017 former Marine

Clayton Cohn, now 31, was sentenced to 52 months in prison for defrauding investors—many of whom had served with him in Iraq. According to the case brought by the U.S. Securities and Exchange Commission, Cohn raised almost \$2 million from investors by lying about previous successes as a stock trader. He then spent hundreds of thousands of dollars on things like a Hollywood mansion and a luxury automobile.

4. PREDATORY LENDING Veterans with home mortgages backed by the VA are being targeted by companies that aggressively call and send letters to coerce them to refinance. After receiving many complaints, the Government National Mortgage Association, known as Ginnie Mae, investigated and found the loans were not to help veterans but to generate fees, and some veterans ended up with a higher mortgage, said Michael Bright, Ginnie Mae's acting president.

5. BENEFITS SCAMS In October, Elizabeth Honig, 52, of Morganville, N.J., was sentenced to two years in prison for stealing from a VA program that was set up to help older vets train for new jobs. She signed up nearly 200 veterans, but few got any real training. Many were never eligible for the program, federal prosecutors said. She was ordered to repay \$2.8 million.

▶ For more information on fraud prevention, go to aarp.org/fraudwatchnetwork. For information about programs aimed at stopping scams against veterans, go to aarp.org/protectveterans.