



U.S. Immigration and Customs Enforcement

STATEMENT

OF

VANCE CALLENDER
OPERATIONS CHIEF

HOMELAND SECURITY INVESTIGATIONS

U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT

REGARDING A HEARING ON

“876-SCAM: JAMAICAN PHONE FRAUD TARGETING SENIORS”

BEFORE THE

UNITED STATES SENATE
SPECIAL COMMITTEE ON AGING

WEDNESDAY, MARCH 13, 2013 – 2:00 p.m.
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INTRODUCTION

Chairman Nelson, Ranking Member Collins, and distinguished members of the Committee:

On behalf of Secretary Napolitano and Director Morton, thank you for the opportunity to appear before you today to discuss the efforts of U.S. Immigration and Customs Enforcement (ICE) to combat cross-border financial crimes such as telemarketing fraud.

ICE has the most expansive investigative authority and the largest force of criminal investigators in the U.S. Department of Homeland Security (DHS). With more than 20,000 employees and a budget of nearly \$6 billion, ICE has nearly 7,000 special agents assigned to more than 200 cities throughout the United States and 73 offices in 48 countries worldwide. Working with our other federal and international partners, ICE disrupts and dismantles transnational criminal networks by targeting the illicit pathways and organizations that engage in cross-border crime.

Telemarketing Fraud

Telemarketing fraud schemes—including bogus lottery and sweepstake schemes, phony investment pitches and business opportunities, tax fraud schemes, and others—have grown increasingly sophisticated and international in scope. According to the Federal Trade Commission (FTC), consumers lose hundreds of millions of dollars annually to cross-border financial crimes such as telemarketing fraud. Sadly, in many cases the loss represents the victims' entire life savings.

One of the most common types of telemarketing fraud is the lottery or sweepstakes scam. These schemes typically involve fraudulent telemarketers identifying themselves as a lawyer,

customs official, or lottery company representative to a potential victim. In a typical fraud scenario, potential victims are led to believe that they have won an international multimillion-dollar sweepstakes. The scammers tell the victims that in order to receive their winnings, the victim will need to pay an advance fee. This fee is usually described as a tax, insurance payment or customs duty that must be paid to release the winnings. The victims are instructed to send the funds via mail, courier, or wire transfer. The winnings are invariably non-existent and the scammers steal the victims' money.

Perpetrators will victimize consumers of all ages, backgrounds and income levels, but the elderly are disproportionately targeted. Perpetrators take advantage of the fact that elderly Americans may have cash reserves or other assets to spend on these deceptive offers. A survey conducted by the AARP found that 90 percent of respondents reported awareness of consumer fraud, yet two-thirds said it was hard to spot fraud when it is happening. The survey also shows that elderly victims find it difficult to terminate telephone conversations, even when they say they are not interested in continuing a conversation. Also, the elderly may be reluctant to report the incident for fear of losing financial independence should their families discover the fraud.

Most of these scammers are articulate and will often involve a variety of partners to defraud the victim over the course of a period of time, a strategy that serves to increase the complexity of the matter and leads to greater credibility to the scheme. Scammers have also been known to repeatedly bombard their victims with non-stop calls, even employing verbal abuse to coerce victims to comply. Intimidated, confused and exhausted, victims yield to the telemarketer's demands. Some victims have reported threats made by the perpetrators against their lives or the lives of their family if the victim refuses to continue sending money. Victims

may be told that any cooperation with law enforcement will result in death or injury to them or their family members, which often leads to these schemes going unreported.

Jamaican Criminal Organizations and their Methods

Over the past decade, U.S. complaints about telemarketing fraud originating from Jamaica have increased significantly. According to Jamaican law enforcement, local gangs employ telemarketing fraud tactics to raise capital, which is used to facilitate the smuggling of weapons into Jamaica and narcotics to the United States.

Fraudulent telemarketing has become a lucrative source of income for criminal organizations in Jamaica. A “lead list” (a list of potential victims with their addresses and phone numbers) can be purchased by brokers for \$3 to \$7 per name. These lists can be 10-15 pages long and list hundreds of potential victims. Each name on the list represents a potential profit of tens of thousands of dollars.

One emerging method employed by scammers is to hire callers from the United States, either to fly to Jamaica to make the calls or to do so from within their communities in the United States. When a potential victim hears a caller with an American accent, they may be more likely to believe the call is legitimate and may more willingly send their money.

Violence related to telemarketing scams has grown significantly in Jamaica, as well, with gangs and criminal organizations exchanging gunfire over the lead lists and access to them, according to Jamaican law enforcement. Some of this violence has spilled over into other countries, such as Costa Rica.

Project JOLT

In March 2009, ICE entered into an agreement with the Jamaica Constabulary Force to form the Project JOLT (Jamaican Operations Linked to Telemarketing) Task Force.

Project JOLT focuses on identifying, disrupting, and dismantling organizations perpetrating Jamaican-based telemarketing fraud. Project JOLT also recovers the money fraudulently obtained by the telemarketers and repatriates the funds to the victims.

In the U.S., Project JOLT collaborates with private companies like Western Union, as well as with federal agencies such as the U.S. Department of Justice, the FTC, the U.S. Postal Inspection Service, and the Federal Bureau of Investigation (FBI), to combat telemarketing fraud.

In April 2009, the Police Department in Steamboat Springs, Colorado initiated an investigation into a group of Jamaican nationals who were found to be fraudulently soliciting elderly individuals, leading them to believe that they had won a lottery based out of Jamaica. The victims were instructed to pay a fee in order to secure their winnings. The lottery never existed and the majority of funds sent to the scammers were wire transferred back to Jamaica.

As the investigation evolved and victims were identified nationwide, the police department approached ICE, the U.S. Postal Service, and the FBI to assist with their investigation. Four Jamaican nationals were identified as orchestrating this scheme and defrauding victims of an estimated \$500,000. In a subsequent search of one suspect's residence, investigators found lists of victims' names and addresses, computers, money order receipts, and cell phones. All of these items are commonly used in telemarketing fraud operations.

ICE agents with the JOLT Task Force used information obtained from the search warrants to identify and arrest two additional suspects in Jamaica for their involvement in the

fraud scheme. Both had traveled extensively between Jamaica and the United States and were in the process of building homes using funds believed to be acquired from victims.

As a result of this investigation, six individuals were arrested. Four U.S. defendants entered into a plea arrangement and pled to mail fraud charges. Each received one year in federal prison and were ordered to pay restitution.

Building on the success of this particular investigation, the ICE-led JOLT task force continues to meet with our Jamaican partners to discuss ongoing trends and to share information. ICE is also assisting Jamaican law enforcement by providing training and guidance with financial crimes investigations. Since its inception, Project JOLT has initiated 450 investigations in Jamaica resulting in 149 arrests, 10 indictments, and six convictions. In addition, these investigations have resulted in the seizure of over \$1.2 million, with much of that already returned to victims.

It should also be noted that there has, and continues to be, unprecedented cooperation with the Government of Jamaica (GOJ) on these issues. The GOJ has recently moved to enact new laws to facilitate the investigation, prosecution, and conviction of scammers. The Jamaican Parliament passed this legislation and the Minister of Justice Golding expects this law to start being enforced by the end of this month. This will no doubt help our law enforcement efforts moving forward.

CONCLUSION

Thank you again for the opportunity to appear before you today to discuss our efforts to combat Jamaican-based telemarketing scams.

I would be pleased to answer any questions at this time.