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KWCH 12 Eyewitness News

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Subcommittee on Consumer Protection, Product Safety, Insurance, and Data Security

“Staying a Step Ahead: Fighting Back Against Scams Used to Defraud Americans”

Testimony

Chairman Moran, ranking member Blumenthal, and committee members—I thank you for this incredible opportunity to talk about an issue that affects all Americans.

My name is Michael Schwanke with KWCH TV in Wichita, Kansas. In my 17 years as a journalist and investigative reporter I have focused much of time on helping victims of scams and educating the public so they don't fall victim.

I'm honored to be invited here today by Senator Moran. The Senator and I go back almost two decades to my days as a bureau reporter in Dodge City. Then Congressman Moran would routinely stop by my office and talk about the issues affecting Kansans.

But, the issue we are addressing today doesn't stop at a state line. Scams and those who perpetrate them, stop at nothing. No person is immune, and even in our darkest times scammers wait to take advantage.

This month Kansas experienced the largest wildfire event in the state's history. Homes and livestock were lost. While Kansans and surrounding Midwest states came together to help each other, shockingly there were those who saw an opportunity to steal.

Instead of solely focusing on protecting lives and property, Reno County Sheriff Randy Henderson had to warn his residents about a scam. During a time of disaster, victims of the fire were receiving calls from someone offering free federal grants. All they had to do was send in an application fee. The scam was underway before some victims of the fire were even allowed back in to survey what they'd lost.

Scammers don't see tragedy, they see opportunity like when Wichita Police officer Brian Arteburn was critically injured last month. He was run over by a fleeing suspect. Within days we had to warn viewers of telephone scam collecting money in his name.

Our seniors are most at risk, because they often have the most to lose. They feel there is no one to protect them. Much of my time is spent in churches or senior organizations trying to educate.

Those in our most trusting generation rarely go a single day without someone trying to trick them, scam them and ultimately steal the money they've worked a lifetime to earn.

I know, because we talk them. My producer now receives up to a dozen calls from victims every week. Last week that number grew to more than 20.

I personally have told the stories of those who have wired away their entire life savings. The money usually goes overseas never to be seen again. The scammer then starts again, with another unsuspecting American.

I could be here for hours sharing stories of victims—like the Wichita woman in her 70's we interviewed who was taking care of her elderly mother. She was targeted by a scammer who took advantage of her willingness to help others. She had about 25,000 dollars left to care for her mother and lost it all.

There was another couple who fell for what's commonly referred to as the grandparent scam. Thinking he was helping his granddaughter in distress, the 88-year-old walked into two Wichita grocery stores and purchased 13,000 dollars in I-Tune cards. The money was gone. The man's wife told me she had just seen me do a story on this very scam. The scammers were so convincing and she was so scared, she fell for it anyway. The same scam has been used on military families in Kansas.

What's more concerning are those we don't know about—those who are embarrassed and afraid they will lose their financial freedom if they share their stories. I often get calls from victims who want to share their story to protect others, but ask that I shield their identity.

We often hear about seniors falling victim, but even one of our investigative stories found that millennials may be even more likely to fall for scams. The Better Business Bureau backs that up, releasing a study this month that found consumers 18-24 years old are most likely to lose money in a scam.

Alex Cook is one of them. The 19-year-old called me after she fell victim to a scam on Care.com. The teen, who was working three jobs at the time, lost 2,600 dollars. It set her back six months.

Even our county government and area businesses have lost hundreds of thousands to scams.

The estimated loss to the American economy is in the billions. Some estimates show as many as one in 10 Americans will lose money to a phone scam every year.

Just last year the Better Business Bureau worked with more than 5,000 victims...who lost more than 42 million dollars.

(Insert Media)

The top scams reported to the BBB last year include tax collection, debt collection, lottery and online purchase scams.

And what happens when they report it? Usually nothing.

Our District Attorney's Consumer Protection Division fields about 2,000 calls a year. So many the office had to develop a new system to handle the calls because they were overwhelmed. There is one attorney in the consumer protection division.

The Wichita Police Department has four detectives in its financial crimes division. Each one has up to 60 active cases at any given time.

In 2015 they were 3,800 cases. Last year 7,000.

Rarely can local law enforcement or prosecutors do anything because the cases take them out of their jurisdiction or they simply don't have the resources. By the time police are able to obtain proper warrants or subpoenas, the scammers have moved on.

In closing, what we have found in our reporting is many times scammers use fear and intimidation to steal from victims. Law enforcement and prosecutors can do little to stop it. The best weapon we have at this point is education, but it has to be consistent. Tomorrow there will be a new scam, new tactics and Americans will lose money.

Again, I thank you for the invitation to be here today and look forward to any questions you may have.