

DEPARTMENT OF CORPORATIONS*Business Services and Consumer and Investor Protection***JAN LYNN OWEN****California Corporations Commissioner****MEDIA RELEASE****For Immediate Release**

March 9, 2012

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California Department of Corporations Warns Consumers of Top Investor Traps

SACRAMENTO, CA (March 9, 2012) – In recognition of National Consumer Protection Week, the California Department of Corporations warns consumers to avoid common investor traps. “These scams have become very lucrative for those out to make a fast buck at the expense of innocent consumers,” Corporations Commissioner Jan Lynn Owen said. “But the best defense is an educated and cautious investor.” The following lists some of the top areas where con artists prey on unwary investors.

- **Distressed Real Estate Schemes.** Investment offerings involving distressed real estate are on the rise following the collapse of the real estate market. Like other securities, interests in real estate ventures must be registered with the Department of Corporations. By contacting the Department’s Consumer Services Office toll-free at 1-866-275-ASK-CORP (1-866-275-2677), investors can find out whether an interest is licensed.
- **Gold and Precious Metals.** High prices of precious metals and the prospect of prices escalating even further, will lure many unsuspecting investors into a variety of scams. Consumers should remember that, despite lofty promises, there is never a guarantee that gold or precious metal investments will pay off.
- **Promissory Notes.** Fraudulent promissory notes often give investors a false sense of security with promises or guarantees of fixed interest rates and safety of principal. Most promissory notes and the persons who sell them must be registered with the Department of Corporations. Check with the Department to determine whether a promissory note and the seller/borrower are properly registered.
- **Securitized Life Settlement Contracts.** Life settlement contracts, or “viaticals,” are investment products that allow people to invest in life insurance policies of unrelated third parties. Some scammers offer “securitized” life settlement contracts with supposedly guaranteed fixed returns. Again, it is best to check out anyone who is offering such a product with the Department of Corporations.

The Department of Corporations asks consumers and investors who have concerns or problems with questionable financial professionals to call the Department for assistance and consider filing a formal complaint. Since 2001, the Department has brought approximately 6,000 enforcement actions against people or companies perpetrating frauds, making misrepresentations, and pursuing predatory practices. Consumers should call the Department’s Consumer Services Office at (866) 275-ASK-CORP or go to www.corp.ca.gov to investigate before you invest.

The Department of Corporations website also has more information on [National Consumer Protection Week](#) as well as a variety of other [consumer resources](#).

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the Department to check on the status of the companies, investments or other services they are considering and the licensing status of the person at the Department's toll-free Consumer Services Office at 1-866-ASK-CORP (1-866-275-2677) or at www.corp.ca.gov.

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