

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

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Contact: Tom Dresslar

(916) 324-9011

State Issues Alert about Deceptive Investment Scheme Tied to Veteran Benefits

SACRAMENTO – The California Department of Business Oversight (DBO) today warned veterans and investors about a scheme that involves the deceptive sale of securities linked to military pension and disability benefits.

“There are unscrupulous operators out there misleading investors and preying on vulnerable veterans who need cash,” said DBO Commissioner Jan Lynn Owen. “We want veterans to know they cannot sign away their right to their pension or disability benefits.”

In the scheme, companies sell investors the revenue stream from veterans’ pension or disability benefits. The veterans receive the cash from the sale. In exchange, they purportedly relinquish their right to future benefit payments for a specified period of time. Those payments instead are supposed to go to the investors.

The problem: Federal law prohibits the assignment of U.S. government pension and disability benefits. So, in reality, the veterans retain the right to their benefit payments. That places the investors at risk. The firms offering and selling these securities often fail to tell investors about the risk associated with the federal prohibition. That failure violates state laws that prohibit deceptive practices in the offering or sale of securities.

A recent federal audit found that of the 38 companies across the nation that arrange these so-called “pension advance loans,” 18 are incorporated in California.

The DBO on Nov. 7 issued an order to stop an Arkansas-based firm’s alleged deceptive sale of such securities. The company, Voyager Financial Group, has been hit with similar enforcement actions in Arkansas, Pennsylvania and New Mexico.

Today’s consumer alert can be accessed at

http://www.dbo.ca.gov/Consumers/Advisories/Military_Pension_Advisory_11-14.pdf. The alert notes the cash payments typically are worth much less than the value of the future benefit payments.

Consumers considering investments or other financial services should check the licensing status and enforcement history of businesses by visiting the DBO website, www.dbo.ca.gov, or calling the DBO Consumer Services Office toll-free at 1-866-275-2677. Consumers who believe they may have been defrauded can file a complaint through the DBO website, at http://www.dbo.ca.gov/Consumers/consumer_services.asp.