

**U.S. House of Representatives**  
**Committee on Ways and Means**  
**Subcommittee on Social Security**

**Statement for the Record**

**Misleading Mailings Targeted to Seniors**

**The Honorable James G. Huse, Jr.**  
**Inspector General, Social Security Administration**

**July 26, 2001**

Good morning, Chairman Shaw and members of the Subcommittee. Let me first thank you for the opportunity to speak with you today on a matter of great importance to the people of the United States—how misleading mailings victimize our nation’s senior citizens, specifically, how direct mail operators use veiled references to “Social Security” to trick senior citizens into parting with sensitive, personal information. By selling such deceptively gathered information, these direct mailers can generate millions of dollars in revenue.

For over sixty years, the words “Social Security” have held special meaning for elderly Americans. Social Security checks have lifted millions out of poverty, and have provided an important source of additional income for many others. So when mailings arrive with the official Social Security seal, or references to “Social Security,” many seniors respond reflexively. After all, Social Security is their lifeline. They rely on their Social Security check to put food on their table, to put a roof over their head, or simply to pay their bills. Surely, if a communication is arriving from Social Security, it must be important.

Today, my testimony will focus on how unscrupulous individuals, companies, and organizations have exploited this special bond between the Social Security Administration (SSA) and its beneficiaries. These parasitic groups recognize the powerful nature of the words “Social Security,” and they seek to include them in their direct mail promotions at all costs. They have one simple goal in mind—lining their own pockets at the expense of individuals on limited or fixed incomes. I will also detail the investigative and legal strategies our office has employed to fight such scams. Finally, I would like to recognize the work of this Subcommittee in providing a variety of novel remedies to fight such scams. I can attest to the fact that these legislative remedies work, having used virtually all of these tools during my tenure as Inspector General.

## **The Predators and Their Mailings**

There are several common themes that pervade the ranks of misleading mailers. First, they recognize the power of the Social Security moniker. Their mailers boldly reference Social Security on the outside of the envelope, promising such things as a “2001 Social Security Update,” a “Social Security Supplement Policy,” or additional Social Security benefits. These “teasers” lure seniors into opening the mailing, often under the mistaken assumption that the mailing is somehow approved by, or affiliated with, the Social Security Administration.

Typically, the mailers seek to disguise their true corporate origin. They will frequently use fictitious names such as “Senior Services” or acronyms such as “USSS” to further the ruse. Additionally, many mailings use Washington, D.C. street addresses or post office boxes in an attempt to confer “official status” on their deceptive mailings.

By now, the confused senior simply succumbs and supplies the personal information allegedly requested by the Social Security Administration or some SSA-approved entity. This is a grave mistake. This information now falls into the unrestricted hands of these private operators. It is typically resold to insurance firms, mailing-list houses, and other companies pitching products to seniors. In the process, these predatory individuals, companies, and/or organizations can derive millions of dollars in revenue. Meanwhile, the senior has exposed himself or herself to potential identity theft, by parting with personal information such as date of birth, Social Security numbers (SSN), home telephone number, and home address. Our experience indicates that such organizations frequently treat such information as a commodity, rather than protecting its personal nature. Indeed, the irony is that if such information were provided directly to the Social Security Administration as intended, it would be protected under the Privacy Act. In reality, the senior has been tricked into providing their personal information to an organization dedicated to its unfettered sale and proliferation.

Typically, the victims of such scams are elderly individuals who enjoy a trusting relationship with the Social Security Administration. Such advertisements cleverly play to their desire for more Social Security-related information or additional Social Security benefits. Indeed, many victims never even realize that they have been tricked into parting with their personal information—they just assume that the Social Security Administration never responded to their request for information.

## **Investigative and Legal Strategies**

Since my appointment as Inspector General in November 1999, I have made fighting these scams a top investigative priority and, as a result, we have conducted major senior scam investigations. Two, in this past year, have resulted in the imposition of large civil penalties and permanent injunctions against the companies involved, and a third caused us to issue a nationwide alert about hoax flyers. In addition, our office receives many inquiries and reviews allegations relating to political fundraising solicitations that reference Social Security. I would like to briefly discuss each of these topics in turn.

One of the most egregious scams perpetrated upon the elderly involves “lead card” mailings. Typically, this scam involves sending misleading solicitations to senior citizens nationwide. These solicitations trick seniors into thinking that such mailings originate from the Agency, or are approved or authorized by the Agency, in direct violation of the Social Security Act. In reality, the solicitations are nothing more than a come-on for the sale of private burial and other funeral related insurance.

### **Case One: The Lead Agency, Inc.**

After receiving complaints about several companies engaged in this type of activity, we took immediate action in two landmark cases pursued under Section 1140 of the Social Security Act, the provision prohibiting the misleading use of Social Security words, symbols or emblems. On February 16, 2001, the United States Attorney's Office, Eastern District of Texas, settled a civil lawsuit filed in Federal court on behalf of our office against The Lead Agency, Inc. (The Lead Agency), a Texas Corporation. The Lead Agency was a private company that formerly sent direct mail solicitations to senior citizens that appeared to be from, or endorsed by, SSA. The direct mail solicitations offered to provide updated information on Social Security benefits, and used explicit terms like "2000 Benefits Update" to lure the seniors into completing the enclosed reply card. In response to these solicitations, senior citizens forwarded highly sensitive personal information to The Lead Agency. Unbeknownst to these seniors, The Lead Agency would then market this sensitive data to insurance companies and agents who would, in turn, solicit the seniors to purchase burial and other private insurance policies. The Lead Agency generated millions of dollars in revenue from the sale of this sensitive personal information.

On November 13, 2000, U.S. District Judge Paul Brown issued a temporary restraining order (TRO), which authorized a modified workplace search of The Lead Agency, froze substantial corporate funds, and ordered the company to cease mailing the misleading solicitations. Pursuant to the final settlement reached in this case, The Lead Agency agreed to a permanent injunction barring them from violating Section 1140 of the Social Security Act. The company also agreed to pay \$595,000 in civil monetary penalties to the Social Security Trust Fund. Additionally, the company agreed to formally dissolve its corporate charter.

### Case Two: United States Senior Services, Inc., et al.

On April 12, 2001, Judge Brown entered a permanent injunction against a series of Texas businesses involved in a separate, but remarkably similar, scam. We learned that a corporate entity doing business as United States Senior Services, Inc. (U.S.S.S.), Acc-U-Lead, and Mass Mail Media had been sending misleading solicitations to senior citizens employing terms such as "Social Security Update" to create the false impression that the mailings were from, or endorsed by, SSA. Again, senior citizens were duped into sending sensitive personal information to a private company, which then sold the information to insurance companies and agents. After several unsuccessful attempts to bring the company into voluntary compliance, we, in conjunction with the U.S. Attorney's Office, Eastern District of Texas, secured a TRO that authorized an administrative search of the business premises, detention of the corporate mail, and the freezing of corporate assets. The TRO also prevented the company from sending further misleading solicitations. The defendants ultimately agreed to pay a \$200,000 civil monetary penalty to the Social Security Trust Fund, and agreed to the entry of a permanent injunction, which prohibits future misleading mailings to senior citizens as they relate to Social Security.

### **Case Three: OIG Nationwide Alert – Hoax Flyers**

As you are aware, we recently issued a nationwide alert to senior citizens urging them to exercise great caution when responding to solicitations promising additional Social Security payments. This alert followed a lengthy investigation, which confirmed that more than 29,000 elderly

persons had been duped by hoax flyers promising \$5,000 in additional Social Security benefit payments, an increase in monthly benefit amounts, and/or slave reparations from the Government. Recipients of the flyers provided their name, address, SSN, telephone number, and date of birth to a post office box listed on the flyers in hopes of receiving the funds. Many seniors were so thoroughly confused by the hoax flyers that they sent copies of identity documents, including Social Security cards, driver's licenses, birth certificates, and military papers along with the completed flyer.

Along with the Postal Inspection Service, we initiated an investigation after our Fraud Hotline received nearly 100 fraud allegations on the hoax flyers. A review of these flyers revealed that a post office box address maintained by the TREA Senior Citizens League (TSCL), a tax-exempt organization that states it advocates for legislative reforms on behalf of senior citizens, was listed on all of the flyers. Consequently, we contacted TSCL, and learned that TSCL had at that time received over 18,000 individual responses to the flyers. We became concerned when we learned that TSCL had directed its data processing contractor to enter all of the victims' personal information into a database. TSCL then sent recipients of the flyers a letter denying any responsibility for the hoax that included a solicitation for funds to support TSCL's campaigns. We requested that TSCL discontinue the keying of personal information into its database, however TSCL refused to comply with this request. Therefore, we issued subpoenas to TSCL and its database firm to obtain all of the original responses in an attempt to determine the person, individual, or entity responsible for the creation and dissemination of the hoax flyers. TSCL disavowed any involvement with the hoax flyers, maintaining that they must have been disseminated by a well-intentioned, albeit confused, supporter.

These hoax flyers appeared in churches, senior centers, nursing homes, magazines, newspapers, and local government offices nationwide. Because of the informal distribution channels employed, which included hand posting on cars and bulletin boards, we were unable to identify the source of the flyers. Although we were not able to link any individual or entity to the creation of the hoax flyers, the investigation served to highlight the vulnerability of senior citizens to exploitation by those who use inaccurate, misleading or false information to solicit money from them. Our alert advised seniors to contact SSA with questions regarding their benefits and to contact their representative in Congress with questions regarding pending legislation.

### Fundraising/Lobbying

Perhaps the most challenging area of deceptive practices we have encountered with respect to mailings targeting the elderly are direct-mail fundraising solicitations. We recognize that there are nonprofit and charitable organizations that work for the benefit of the American public and it is not these groups that concern my office. The companies that we monitor are the exception—those who shield themselves with the First Amendment while using scare tactics and half-truths to solicit contributions from the population least likely to have such funds to spare.

Often, these organizations use the same misleading words and phrases prohibited by Section 1140 of the Social Security Act to entice seniors into opening the mail. Once opened, the senior citizen is faced with urgent and inflammatory notices such as those that describe how the Social

Security Trust Fund is being raided by politicians or those that inform the beneficiary that he or she is not receiving the appropriate benefit amount. The Social Security beneficiary is led to believe that the only way to preserve the Social Security Trust Fund, or to receive the correct benefit amount, is to send a contribution to sustain the fight. Time after time, frightened that their future earned benefits are in jeopardy, recipients of the mailings send their money to these organizations to support the cause. After all, better to spend \$5, \$10, or even \$15 now than to risk losing the check from Social Security that most depend on for their livelihood.

Frequently, my office receives inquiries from senior citizens regarding the legitimacy of various fundraising organizations that target seniors by focusing on Social Security issues. One senior wrote regarding a fundraising organization that she had been "making payments to for a long time" and, she reports, "[t]hey keep pressing for more." See Exhibit 1. The concerned senior speculated that "the news is not as serious as the company states it is" and asked my office to advise her of the company's status. Such inquiries demonstrate how, at times, it is difficult to distinguish legitimate fundraising solicitations from scams. Scam mailings are often designed to resemble the inflammatory, yet constitutionally protected, fundraising solicitations that senior citizens are bombarded with daily. Although the OIG has pursued cases against political fundraising organizations where Social Security words and emblems are misused, our hands are tied when it comes to regulating the content of these mailings. For this reason, earlier this month we issued an alert advising seniors to contact their elected officials directly regarding legislation that may affect their Social Security benefits, rather than sending money time after time to intermediary organizations.

## **Progress on Deceptive Mailings**

On May 14, 1992, this Subcommittee and the Subcommittee on Oversight held a joint hearing to examine deceptive mailings and solicitations to senior citizens and other consumers. In addition to highlighting the magnitude and severity of the problem then, the two Subcommittees expressed concern that existing laws designed to address misleading solicitations targeting the elderly were not being enforced.

Our office has made deceptive Social Security look-a-like mailings a top investigative priority. Through the judicious use of Cease and Desist letters, we have brought dozens of individuals, companies, and organizations into voluntary compliance with Section 1140 of the Act. In situations where such groups have refused to comply, we have imposed substantial civil monetary penalties against these chronic violators. See Exhibit 2. We have also worked closely with the Department of Justice to seek TROs, preliminary injunctions, and permanent injunctions against chronic offenders who refuse to stop disseminating misleading mailings. In short, we have taken this Committee's request for more aggressive enforcement of Section 1140 extremely seriously.

The impact of our enforcement efforts is readily apparent. We have seen a steady decline, since 1996, in the number of new individuals, companies, and organizations engaging in such deceptive SSA-related mailings generally. We have also seen a steady decline in the number of consumer complaints filed with our office about all types of deceptive SSA-related mailings.

That said, there is still a core group of deceptive mailers who are unrelenting. Unfortunately, they have chosen senior citizens as their preferred target group. At times, we have been forced to dispatch teams of investigators to determine which entity or individual is ultimately responsible for these misleading mailings to seniors. These entities go to great lengths to disguise their identities and to frustrate potential Federal or State law enforcement activities. As evidenced by the three cases I previously described, the problem of deceptive mailings aimed at senior citizens is far from eradicated. We will continue our aggressive enforcement efforts until all of these senior scams have been exposed and terminated. Social Security's good name is based on decades of trust and good will—I will never permit swindlers to destroy the faith that America's seniors have placed in the Social Security Administration.

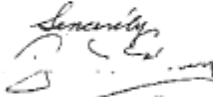
I would like to thank this Committee for its continuing focus on this important problem. A lasting prevention campaign includes not only aggressive enforcement action, but also requires exposure of the problem accompanied by maximal public outreach. I am grateful for the enforcement tools that this Committee has provided under Section 1140 of the Social Security Act. We have tested these tools, with significant success in many instances. I also look forward to discussing any additional tools that this Committee may have under consideration. Quite simply, we need a continuously changing investigative and legislative arsenal to keep pace with today's misleading mailers. Thank you for the opportunity to testify today, and I am available to answer any questions that you may have.

Exhibit 1

EXHIBIT 1

100-2-100-100  
North, plate No. 69101-4955-  
10/14/89

Office of Inspector General,  
I'm mailing you office in regards to  
the mail, I've been making payments to for a  
long time, they keep pressing for more and for on  
a very low income. I'm wondering if their  
address is OK or not?  
I've had some fraud deals lately  
and will appreciate if you can tell me  
that this company is OK or not.  
Enclosed package for some.

Sincerely,  


P.S. I hear that the address is not  
as serious as the company states it  
is. You will probably know.

95 JUN 20 10 11 AM '89  
SERVICES

Exhibit 2

Settlements and Penalties Imposed  
Section 1140 of the Social Security Act

