



Posted on Fri, Oct. 12, 2012

U.S.: South Florida investors must guard against rampant fraud

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John Gentile, a Miami chiropractor, trusted his best friend. They had known each other since 1972, been roommates in the Army Reserve, traveled together.

So Gentile plunked down \$155,000, and his family members put in another \$1.6 million, to invest in a mortgage portfolio offered by accountant and attorney Lorn Leitman.

But the investment turned out to be a Ponzi scheme and Gentile and his family lost all their principal. Leitman is now serving a 17.5 year prison sentence.

Gentile's advice: "Get as much information as you can and you'd better vet it with everyone you can."

Eradicating financial fraud and protecting the rights of consumers like Gentile was the focus of the Southeastern Regional Investor Fraud Summit, held Friday at Miami Dade College. Gentile was a speaker during a panel discussion titled "It Can Happen to Anyone: A Victim's Perspective."

United States Attorney General Eric Holder delivered the keynote address at the conference, organized by the U.S. Dept. of Justice; U.S. Attorneys for the Southern, Middle and Northern Districts of Florida; the Securities and Exchange Commission and the Financial Fraud Enforcement Task Force.

"Especially today – as our nation continues to recover from once-in-a-generation economic challenges, and as we move to confront a recent, and troubling, rise in investment fraud schemes – the urgency of this work has been brought into stark focus," Holder said.

Since 2011, more than \$20 billion has been lost to investment fraud schemes, Holder said. And between 2008 and 2011, the incidence of such crimes rose by more than 130 percent.

"From illegal kickback and market manipulation plots, to Ponzi schemes, business opportunity scams, affinity fraud, and 'strike it rich' scams – we've seen that these crimes are as diverse as the imaginations of those who perpetrate them, and as sophisticated as modern technology will permit," Holder said. "Their costs can be measured not only in dollars and cents – but in lives turned upside down."

South Florida has emerged as one of the nation's worst breeding grounds for investment fraud, ranking second behind just New York in federal prosecutions of securities and investment fraud last year. Recent swindles include disgraced Fort Lauderdale attorney

Scott Rothstein's \$1.2 billion Ponzi scheme, Miami Beach businessman Nevin Shapiro's \$930 million Ponzi scheme and real estate developer Gaston Cantens' bogus \$135 million promissory note scam. All are now serving prison terms.

Authorities said Friday that Ponzi schemes and precious metals scams, in particular, are increasingly prevalent in South Florida. Also common are business opportunity and job scams, and schemes involving Texas oil wells and Costa Rican real estate.

"In our Miami field office, every single day someone walks in or sends an email or letter saying they have been victimized in a Ponzi scheme," said David G. Nanz, supervisory special agent and white collar crime program coordinator for the FBI's Miami Division.

Boiler-room telemarketers call with offers of gold or silver, for example, saying the precious metals will be held in a vault.

"The problem is, there is no gold and there is no vault," Nanz said. "The people are going to take the money for themselves, buy expensive cars and live a lavish lifestyle."

Foreclosure relief scams that require fees upfront are also rampant in South Florida, said Cindy Liebes, regional director of the Federal Trade Commission.

"If anyone asks you to pay an advance fee, you can almost determine right then that it's a scam," she said.

Even friends can be swindlers, and scammers often target members of the same ethnic group or religious affiliation.

To avoid becoming a victim, experts advise, consumers should beware of promises of low or no-risk investments, guaranteed returns and higher-than-normal rates of return on investments.

"You have to ask questions: Is this too good to be true?" said Assistant U.S. Attorney Robert Luck.

Typos on investment documents are another red flag, said Glenn S. Gordon, associate regional director of the SEC's enforcement division.

Would-be investors should also be suspicious of deals offered by email or by phone, said Patrick Stokes, deputy chief of the fraud section of the Dept. of Justice's Criminal Division. And they should check to see that financial advisors are licensed and investments are registered.

Authorities urge consumers to contact them as soon as they realize that something is not right with an investment. Consumers can drop by an FBI office, for example, or send an email.

"It's very important, no matter how small it may be," Nanz said, "bring it to our attention."

Said Wifredo A. Ferrer, U.S. Attorney for the Southern District of Florida: "We have to be more vigilant than ever to stop criminals in their tracks. The way we do that is to urge the public to do their research and report it to the authorities."

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