



National Institute of Justice *Update*

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Fraud Victimization—The Extent, the Targets, the Effects

Acts of fraud committed against individuals and households attract considerable attention in the media, but these crimes are reported largely as specific incidents. Finding more systematic information—how frequently these crimes occur, what types are most common, who is most prone to be targeted—is no easy task. Data on this type of offense are not collected in the major crime surveys, and research is needed to fill the gap.

To better grasp the extent and nature of personal fraud victimization, the National Institute of Justice conducted a study of this crime. The study, based on a 1991 nationwide telephone survey, revealed that a fairly large proportion of the population is affected, and that losses can be high. In fact, the overall monetary loss was estimated to be more than \$40 billion annually.

Challenging conventional wisdom

Number of victims. Almost one-third of the 1,246 people interviewed said an attempt had been made to defraud them in the previous 12 months. Of these people, 48 percent (15 percent of all those interviewed) said the attempt succeeded. Money or property was lost by more than 88 percent of those victimized. Personal fraud appears to be a crime in which monetary losses, while typically small, can be quite large. The amount lost tends to vary with the type of fraud. For the sample as a whole, 13 percent reported monetary losses, which ranged from less than \$25 to as high as \$65,000. Projected to the country's adult population, the average loss (\$216) yields an estimated annual figure of more than \$40 billion.

Losses can involve more than money. In 20 percent of the crimes, the victim suffered credit or other financial problems. Health or emotional problems were reported by 14 percent, and time was lost from work by 13 percent.

Who is victimized. Only age and education turned out to be significantly associated with the likelihood of fraud. Here the findings are particularly surprising. The young were more likely to be the object of an attempted fraud and to lose money or property when it succeeded. Those with some years of college or with a college degree appeared to be more vulnerable than those with other levels of education.

Youth and relatively high education may be working in tandem to make the victims more vulnerable. Younger, more well-educated people may have wider interests and engage in a broader range of activities. For these reasons they may be more likely to find themselves in circumstances (such as inclusion on telephone or mailing lists) that can result in fraudulent solicitations.

Frauds most likely to succeed. Frauds believed by experts to occur frequently (the "pigeon drop," impersonations of bank officials or inspectors, fake tickets, fraudulent credit repairs) were found *not* to be common. Those that occurred most frequently and were most likely to succeed were appliance/auto repair scams, fraudulent prices, "900" number swindles, fraudulent subscriptions, and fake warranties. Other types, such as "free" prizes, credit card number scams, fake charities, though reported often in the survey, were not usually successful.

Circumstances affecting victimization. Attempts to defraud were more likely to succeed if the swindler was not a stranger to the prospective victim, if the contact was made in person, if the prospective victim had not heard of the particular type of fraud, and if he or she made no attempt to investigate before responding.

Only a relatively small percentage of the crimes were reported to the authorities. Of the 15 percent that were, the majority (62 percent) were reported to law enforcement.

What Should Be Done?

Personal fraud is a very common occurrence and, although the typical attempt does not succeed, when it does the losses can be high. It is a crime that for the most part affects people regardless of household size or income, region of the country, race, or sex. Only age and education make a significant difference.

Attempts were less likely to succeed if the intended victim had heard of the fraud or had looked into the situation before becoming involved. This suggests the value of public information programs aimed at prevention. Such programs need to highlight these crimes as a pervasive threat to all segments of the population. They also need to make available information on the types of fraud current at a given time and to specify what people can do to detect and prevent it.

Since victims who contact the authorities meet with little response, this suggests that they may merit more attention than they now receive.

Further Questions

Certain questions could not be answered within the scope of the study. Why, for example, are certain types of people more likely to be targeted? Why are certain people more effective in resisting fraud? How can law enforcement and regulatory agencies more proactively detect and respond to emerging fraud schemes? How can criminal justice develop and use more appropriate sanctions for deterring personal fraud? These questions need to be studied if this type of crime is to be fully understood, controlled, and prevented.

A more detailed presentation, "Victimization of Persons by Fraud," was published in *Crime and Delinquency* 41, 1 (January 1995):54-72. The study will also be reported in the first 1995 issue of the *National Institute of Justice Journal*. The researchers were Dr. Richard Titus, who manages the victims of crime program at NIJ, Dr. Fred Heinzelmann, formerly director of NIJ's crime prevention and enforcement division, and Dr. John M. Boyle, senior vice president of the survey research firm, Schulman, Ronca, and Bucuvalas, Inc. Dr. Titus may be reached at NIJ at 202-307-0695.

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