

### As an investor, you should:

1. Be on guard when someone uses testimonials from group members to promote an investment opportunity.
2. Be wary of promises of high returns with little to no risk.
3. Avoid feeling pressured to make a decision about the investment.
4. Receive a copy of all agreements and risk disclosures.
5. Understand the terms and conditions of the contract.
6. Ask a neutral, third party to evaluate the investment.
7. Focus on how you can get out of the investment and not just the potential financial gains.
8. Contact the Commission's Duty Officer at the Securities Division to verify registration and disciplinary history of the investment promoter, to find out if the investment is permitted to be sold or to file a complaint.

To verify registrations, file a complaint or inquire about statutes or rules:

### Investigator on Duty

**602-542-0662**

**[SecuritiesDiv@azcc.gov](mailto:SecuritiesDiv@azcc.gov)**

To arrange investor education presentations or request materials:

### Investor Education Coordinator

**480-204-4180**

**[Info-azinvestor@azcc.gov](mailto:Info-azinvestor@azcc.gov)**

For general information on wise investing and fraud prevention, visit

**[www.azcc.gov/az-investor](http://www.azcc.gov/az-investor)**



### **Ask and check before you invest!**

Securities Division, Third Floor  
Arizona Corporation Commission  
1300 W. Washington Street  
Phoenix, AZ 85007

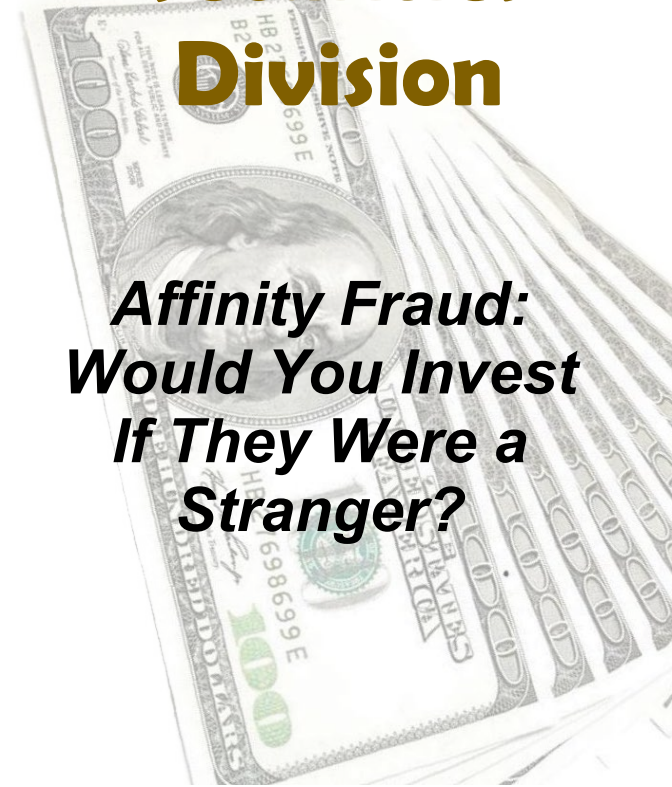
Toll Free in Arizona  
1-866-VERIFY-9 (837-4399)

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# ARIZONA CORPORATION COMMISSION

## Securities Division

***Affinity Fraud:  
Would You Invest  
If They Were a  
Stranger?***



## What is Affinity Fraud?

In some way or another, people are often connected to a group or an association. Our ethnicity, religion, or personal interests naturally lead to such organizations or affiliations. This gravitation to groups that we trust, however, can work against us.

Affinity fraud involves unscrupulous individuals who target fellow group members and exploit their trust to solicit money through fraudulent schemes. The fraudster plays up the common bond in hopes of lowering the investor's guard and exploiting their trust.

Because people do not take the necessary time or resources to research investments, they can be vulnerable to affinity fraud.



## Common Persuasion Tactics

1. **“Phantom Riches” tactic**—dangling the prospect of wealth, enticing you with something you want. *“God has blessed this investment to produce at least a \$6,000 a month income.”*
2. **“Source Credibility” tactic**—falsely claiming to be a huge firm, having a special credential or experience to build credibility. *“As vice president of XYZ Company, I would never sell an investment that does not generate a return.”*
3. **“Social Consensus” tactic**—leading you to believe that other savvy investors have already invested. *“This is how \_\_\_\_ got his start. I know it’s a lot of money, but I’m in and so is my mom and half her church.”*
4. **“Reciprocity” tactic**—offering to do a small favor for you in return for a big favor. *“I’ll give you a major discount if you invite another military member to invest.”*
5. **“Scarcity” tactic**—creating a false sense of urgency by claiming limited time or supply. *“As senior citizens, we don’t have time to waste, so I’d sign today if I were you.”*

Source: FINRA Investor Education Foundation

## Targets of Affinity Fraud

Affinity fraud is often a successful tool for fraudsters based upon how conflict is dealt with within a group. Once a victim realizes that he or she has been scammed, often the response is not to notify the authorities, but to try and solve the problem within the group. This intragroup loyalty is an aspect that swindlers play upon, especially among religious and ethnic groups.

Affinity fraudsters can target any group that shares common characteristics. The Commission’s Securities Division has taken action against affinity frauds targeting an array of groups, including:

- ◆ Ethnic communities
- ◆ Religious groups
- ◆ Military groups

If someone new joins your group, exercise a healthy dose of caution before handing over large sums of money for an investment. Ask questions and do an online background check, including the court system (bankruptcy and superior courts) of the person joining your group. It might surprise you that the person offering you the investment has experienced financial or legal problems.