Mixed-methods Analysis of Consumer Fraud Reports of the Social Security Administration Impostor Scam

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In 2020, impostor scams were the most prevalent forms of fraud reported by consumers in the United States with losses totaling more than $1.2 billion (Federal Trade Commission (FTC) 2020). A common subtype of this fraud, the Social Security Administration (SSA) impostor scam, emerged in 2018. Since then, more than 300,000 consumers have reported the scam to the FTC, and 4.2% of them lost money. The SSA impostor scam uses mass-marketing tactics, such as robodialing, to solicit thousands of potential victims at a time. Callers threaten those who respond with arrest and suspension of their bank accounts and Social Security numbers, but charges can be removed if the target agrees to buy retail gift cards, wire money, or deposit cash in cryptocurrency ATMs. Nearly half of U.S. adults were targeted by the scam in a three-month period between October and December 2020, and 69% of Social Security beneficiaries reported that they were targeted by the scam in that three-month period (SimplyWise 2021).

Given the pervasiveness of the SSA impostor scam, this study used mixed methods to analyze data from consumer reports filed in the FTC's Consumer Sentinel database. Using qualitative methods, we analyzed incident narratives from 600 victims and attempted victims, identifying the persuasion techniques SSA impostors use to convince consumers to pay money, the emotions consumers expressed in their reports, and the third-party interventions that stopped the scam from proceeding. Next, we quantitatively analyzed more than 200,000 SSA impostor scam complaints to examine the factors associated with losing money in the scam (becoming a victim), including consumer age, sex, neighborhood characteristics, incident characteristics, and self-reported emotions. Among the 8,777 reports from victims, we analyzed which factors were associated with higher financial losses.

From the qualitative analysis, we found that four

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elements of persuasion (Cialdini 2007) were prominent in the complaint narratives: authority, reciprocity, liking, and scarcity. Impostors signaled authority by spoofing the caller IDs of SSA offices and local police departments. They provided bogus case ID and badge numbers and cited fake case law and legal procedures to convince targets that they were government officials. Some impostors had consumers' Social Security numbers and other personal information, making them appear more credible and increasing the likelihood that the consumer complied.

Many victims described in their reports that they were emotionally overwhelmed during the interaction. Appeals to fear and urgency were prominent. Impostors threatened targets with arrest and said that their bank accounts and Social Security numbers would be frozen if they failed to comply immediately. Applying a semantic classification system to more than 200,000 consumer complaint narratives, we found that mentions of words synonymous with the emotional states of anticipation, anger, and trust were each significantly associated with reports of victimization (relative to attempted victimization). This quantitative finding supports results from the qualitative analysis, indicating that emotional arousal was an important tactic used by SSA impostors to overwhelm consumers' rational thinking and decision-making abilities.

Quantitative models indicated that younger consumers are more likely to report victimization by the SSA impostor scam, although this finding could indicate selection bias in reporting fraud. Compared to consumers in their 30s, those 19 and younger were 96% more likely to report victimization, and those in their 20s were twice as likely to report victimization. Adults 80 and older were 43% less likely to report victimization than 30 year olds. However, older victims lost significantly more money than younger victims on average. Relative to adults in their 30s, those in their 70s lost an average of 40% more money per incident, and adults

80 and older lost almost twice as much. These findings suggest that young adults may benefit from education on government impostor scams to increase awareness, but that older adults may benefit from greater financial protections to limit potential losses.

Among victims, method of payment was a significant determinant of how much money was lost. Although the most common method of payment demanded by impostors was retail gift cards, consumers who paid with cash and wire transfers experienced 426% and 728% higher losses, respectively, suggesting that additional controls might help limit fraud involving these types of transactions.

Merging data from the 2018 American Community Survey, we found that consumers residing in more Black, Hispanic, and Asian communities were more likely to report victimization than consumers living in largely non-Hispanic white areas. For example, consumers in areas that were more than 25% Hispanic were between 23% and 45% more likely to report victimization by the SSA impostor scam relative to communities that were less than 5% Hispanic. Consumers in areas with greater than 5% Black residents were significantly more likely to report victimization by a magnitude of 14% to 50%. These results might suggest that minority communities are particularly at risk and could benefit from future consumer fraud awareness campaigns about government impostor scams. Immigrants in particular might be susceptible to this scam if they are unfamiliar with the roles and functions of the SSA and how the SSA traditionally interacts with U.S. residents.

Most payments to scammers were made using gift cards, indicating a potential opportunity to intervene in retail environments while the scam is happening. Based on the qualitative analysis, interventions might include warning signs at gift card sales racks, brochures handed to customers, purchase limits on gift cards, and questioning

by cashiers or store managers if they suspect fraud. Police officers and staff at local SSA offices were also important sources of education and protection when fearful and flustered victims went to them for help.

Additional controls on how gift cards are redeemed might be implemented by gift card issuers and companies that manage gift card payments. Other areas where intervention may prove fruitful include making it more difficult for international scammers to spoof legitimate government phone numbers and target millions of consumers using Voice over Internet Protocol (VOIP) services. Along with more consumer education and awareness, a combination of all these approaches could potentially reduce the emotional and financial toll of the SSA impostor scam. ❖

References

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