

# Confessions of a Con Artist

A veteran scammer reveals how he made millions ripping off unsuspecting investors

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By

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*A veteran scammer reveals the world of scams and fraud.*

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My name is Jim, and I have spent most of my adult life swindling people out of money — big money. I worked in 30 fraudulent business operations over a 10-year period, pitching everything from gold coins to time-shares to oil and gas leases and other business opportunities.

These [scams](#) took in millions of dollars. No matter how much money we made or how far-fetched the deal was, I never got caught. That is, until Sept. 30, 2004.

That was the day 40 U.S. postal inspectors and FBI agents with gold badges and guns burst into my office. This was on Biscayne Boulevard in Miami. We occupied two full floors of a nondescript commercial office building. The place housed numerous other scam boiler rooms I had worked in, but you would never have known that from the outside.

"Hang up the phones — it's over!" one agent yelled.

The particular scam here was an Internet-kiosk business opportunity. We'd been running TV ads claiming that investors could make thousands of dollars from computer kiosks placed in high-

traffic areas like airports and shopping malls. For a small fee, passersby could use these kiosks to check their email or surf the Web. Back in the early 2000s this was a hot idea. We told people they could earn a minimum of \$30,000 to \$35,000 per machine each year. This was pure baloney — the machines didn't generate anything close to that kind of income. And we sold them at huge markups. We took in \$17 million from 700 unwary investors in about eight months. At least 100 employees were in the building at the time of the raid, including secretaries and other clerical staff. A lot of them didn't even know that the business was a [fraud](#).

The agents gathered everyone in a big open area we called The Pit — where, moments earlier, dozens of salesmen had been pitching prospective victims over the phone — and started calling out people's names. They were handed letters explaining whether they were targets of the investigation, material witnesses or something else. When they called my name, things got quiet. I was the manager of the room; people wanted to see how I would react. As I walked over to retrieve my letter, my cellphone went off. The theme from *The Godfather* (my new ringtone) filled the room. People couldn't help but laugh.

The next thing I knew, a postal inspector took me into a side room and told me, "Your day just got shitty, and it is going to get shittier."

That was the end of my last scam. The Feds sent a dozen guys to prison. I did 37 months, and it probably should have been longer.

You might be thinking, "Oh, those [get-rich-quick scams](#) are obvious, and I would never fall for one." When I hear someone say that only stupid people fall for fraud, I feel like asking for that person's phone number. But here's the thing: I didn't want to talk to stupid people, because stupid people don't have \$50,000 lying around to give me. You would be amazed at how many doctors, lawyers, engineers and college professors I ripped off. The bottom line is, fraud is a crime that can happen to anyone, given the right con man and a victim with the right set of circumstances.

Make no mistake: I am a dangerous person on the telephone. If I choose to be fraudulent in my practices, nothing is going to stop me from taking lots of money from you. Period, the end. And the world is filled with people just as dangerous as I am.

I was what's known as a closer: the guy who gets you to hand over the money. I'll tell you how, so you can recognize and avoid the techniques I used. I can do this because I am out of the game now. If I were still in the game, I'd tell you only one thing: "You and I are going to make a lot of money together."

## Born to Con

I learned how to do this at an early age. I've got a natural ability to talk people into things. Growing up in Brooklyn in the 1970s, people called me Fonzie; they would say, "Hey, Fonzie, that mouth of yours is gonna make you a million dollars someday."

In my neighborhood, 500 families lived on my street, giving me a lot of parents to manipulate. You learned what works. I played the heartstrings; I intimidated; I made people feel bad for me. Whether it was manipulating my three older sisters or convincing the neighbor lady that I needed one more ice-cream bar from the Mister Softee truck, I always knew what to say. And as I got older, I got better.

In 1995, I got a chance to apply these gifts of persuasion in the workplace. I went to work for a Florida company that sold prepaid-calling-card vending machines. At first I thought it was a real job. But it seemed like a lot of customers were calling back to complain. In fact, they all called back to complain. Believe it or not, for a long time I thought every business was like this. Gradually, it dawned on me that this was the dark side of corporate America. But by then I had developed my own dark side — drug addiction.

I first tried heroin when I was 22, and became instantly addicted. For the next 15 years I would move in and out of rehab centers and in and out of fraud boiler rooms. Drug addiction gave me the two characteristics all scam operators want in a closer: selfishness and greed. If you are strung out and in need of a fix, you will do anything to feed your habit.

This may explain why the owners of many of these scam operations in South Florida recruited their boiler room staff at local Narcotics Anonymous meetings. Who's a better talker than an addict? Nobody. Who is more manipulative than an addict? Nobody. Who is more desperate for money than an addict? Nobody. Addicts hustle; that's what we do.

So you couple that with my experience selling over the phone in Florida and you have the perfect storm. I'm a hustler from New York and an addict. These boiler rooms were dying to hire me.

## Developing the Persona

This was lesson number one: Assume a false personality or social mask that makes it easier to pull off the deception. Swindling is really acting, and you play a character who will help you appear legitimate, confident and successful ... even when you are not.

I've trained hundreds of salesmen who worked in scam boiler rooms. And I always told them to picture themselves with the big sprawling office, sitting behind the mahogany desk, with the family portrait on the credenza. Your autographed football and jerseys are hanging on the wall, along with awards and several pictures of you posing with famous actors. The pool table is across the room on the left-hand side. You are this bigwig whom everybody wants to talk to. The idea is to build up confidence, so that when you ask for the money you won't show one lick of fear or hesitation or doubt that this isn't, hands down, absolutely the greatest decision this client is making for his or her family and future.

The persona explains how a barrel of dented-can drug addicts can persuade successful businesspeople to write big checks without reading the paperwork. On the outside you will see nothing but charm, an engaging personality and swagger. On the inside lies a predator. There is no conscience in this business. It's every man for himself, and the goal is to acquire as much money as possible.

The business needs to have a persona, too, to look legitimate and trustworthy. So we'd run television commercials and hire famous actors to appear in them. In that Internet-kiosk scam we hired Adam West of the 1960s TV show *Batman*. The first day we ran that ad, it generated more than 10,000 phone calls.

I saw this tactic used again and again in my scam career — getting celebrities to legitimize the operation. I guess people see an Adam West or an Ernest Borgnine (we also hired him) on TV and assume the product he's selling is the real deal or he wouldn't be selling it. But the celebrity's contract frequently states that he or she cannot be held responsible for the accuracy of the claims in the script. The celebrity probably doesn't know that people are getting ripped off; he may know nothing at all about the business. He just comes in, reads his part and leaves.

## **It's About Emotion, Not Logic**

Think about the first time you fell in love or a time when someone cut you off on the freeway and you were seething for hours. Were you thinking clearly? Probably not. Those who believe they'd never fall for a scam don't realize it's not about how smart you are; it's about how well you control your emotions. Fraud victims are people with emotional needs, just like the rest of us. But they can't separate out those needs when they make financial decisions. That's what makes them vulnerable.

As a master closer, I made it my first objective to get the victim "under the ether." Ether is that fuzzy state when your emotions are stirred up and you're so agitated that you won't know which way is up and which is down. Once I have gotten you into this condition, it doesn't matter how smart or dumb you are. Ether trumps intelligence every time.

The two most powerful ways to do this are through need and greed.

To find a client's emotional need, I'll ask a bunch of personal questions. Then I'll throttle up the pressure by focusing on that need. "Oh, you lost your job? That's got to be tough." Or "So your two kids are in college and the tuition is driving you into the poorhouse." Now the person isn't thinking about whether the offer is a scam but instead, "Here's a fix for my problems."

The "crush," or the "kill" — that's what we call closing the deal — is emotionally driven. It's not logic. If you apply logic, the answer is: "No, I am not going to send you my hard-earned money. I don't even know who you are." If my victims had applied logic to our deals, they would have walked away every time.

The other pathway to the ether is simple greed: I just promise people they can make a ton of money.

## The Perfect Victim

I'm often asked how I could have ripped off senior citizens. The answer is that con men target people who have money, and a lot of seniors are sitting on fat nest eggs. It's the Willie Sutton rule: He robbed banks because that is where the money was.

But there's more to it than that. I think older people are easier to scam, because their emotional needs are closer to the surface. They aren't afraid to tell people how much they care about their kids and grandkids. They aren't afraid to share their fears about the unstable financial markets and how much they worry about being on a fixed income. These fears are real. And every one of them is a bullet for my gun.

My scam career was focused on investments like [phony oil and gas deals](#), bogus business opportunities and gold-coin scams. And for these types of investments the perfect victim was almost always a male. Why men? Men are more emotional than women. Men are grandiose; they are full of ego. And that's all driven by emotion; it's driven by insecurity; it's driven by a feeling of inferiority.

Most people who get emotional quickly will fall every time. And if they don't get worked up, I won't waste my time with them. If prospects are asking a lot of questions or tell me they want to think it over or talk with their lawyer, I will hang up the phone. Victims don't ask a lot of questions; they answer a lot of questions. Victims don't read paperwork; they wait for you to tell them what it says. Victims don't look for why the offer is a scam; they look for why the offer will make them money. They want you to make them feel good so they can pull the trigger.

Early on in my career I was selling bogus oil and gas units to investors. We were selling units for \$22,500 for a quarter unit, or \$90,000 for a full unit, promising a 10-to-1 return. Sure, we had a well, but it was a dry hole, and we knew it — there was no chance of hitting oil. Every so often when I was pitching these deals, an investor would ask if I was registered with the U.S. Securities and Exchange Commission. I would always say, "Of course we are, and I want you to verify that the minute we get off the phone." The truth is, we were never registered, but 98 percent of the people who ask that question never check. They just want to hear me say it.

## Scams to Watch Out For

If I were still in the scam business, I would focus on [reverse mortgages](#) and precious metals. Home-equity and reverse mortgage scams are attractive now because a lot of seniors have paid off their house, and that's like an untapped bank account. If your home is worth \$300,000 and you paid off your mortgage a couple of years ago, you have \$300,000 sitting in the bank, waiting for me to steal it. A lot of TV and direct mail advertising tells you how to get money out of your house while you are still living in it. Some of these ads are legitimate; many are not.

My ma asked me once how her friends could avoid these scams. I told her two things. If someone is pitching a deal, ask yourself, "What's in it for him?" A common ploy is to get you to take out a loan on your house, then invest the proceeds in a long-term annuity or some other investment in which they make a huge commission. It may not be a fraud, but it may be a lot better deal for the salesman than for you. I also told Ma that when it comes to your house, never sign any paperwork until your attorney — someone you choose, not someone the salesman refers you to — reads the fine print.

As for gold and silver scams, I worked in several coin rooms in the 2000s. We would sell gold coins at a 300 to 500 percent markup. So the victims would pay \$25,000 for a bunch of coins, which they would receive, but years later, they would take them to a coin shop and learn they were worth only a few thousand dollars. This is a great scam, because the coin industry is largely

unregulated. Plus, because the victims receive the coins, they don't realize until years later that they've been taken. With the bad economy, these scams are huge now.

One of my victims was a successful engineer from California named Tim. He first talked to one of our salesmen, who gave him the generic pitch. Then he turned him over to me to close. The first thing I said to Tim was: "Hi, Tim, this is Jim. How are you doing? Go get a pen and paper right now — I want you to write my name down." Tim immediately said, "Oh, OK, I'll be right back."

Bang. With those six words I knew that Tim was going to fall and fall hard. It wasn't just that he immediately complied with my request; it was how he complied. The tone of his voice was high-pitched and squeaky, almost submissive. It's hard to explain, but over time you pick up the nuances and subtleties in people's voices. It's the wolf sensing the lamb. He was signaling that I was in control and that he wanted me in control.

## Out of the Game, for Good

All of those years I ripped people off, I knew it was wrong. But I was making so much money, I didn't care. It wasn't until those agents busted into my office in Miami that it finally hit me: What I was doing was really bad. I pleaded guilty to one count of conspiracy to commit [mail fraud](#) and went to prison for more than three years. I had a lot of time to think about my crimes. When I got out, I promised my mother I would never go back to my old ways. It wasn't easy. The first year I was out of prison I was asked almost daily to work as a closer for the latest scam. Finally, I changed my phone number so I wouldn't be tempted.

In 2009, I spoke at a Washington, D.C., fraud-prevention conference sponsored by the Federal Trade Commission. Since then, I've been working on the other side of the scam business: I shot a couple of television interviews and even did some role-playing with fraud fighters from the AARP Fraud Fighter Call Center.

Today I am 44 years old, and I live in my parents' house. I owe the federal government almost a million dollars in restitution that I don't have a prayer of paying back. Thanks to years of smoking and drug abuse, I have acute emphysema and I carry around an oxygen tank. I'm on the waiting list for a double lung transplant, but the clock is running out. Can you spell karma?

People sometimes ask me about remorse. I do understand that innocent people got hurt as a result of my actions. I think about my victims. I pray for my victims. And even though I have spent the past four years trying to help people avoid monsters like me, I wonder if it has been enough.

*Jim was convicted on charges of conspiracy to commit mail fraud in 2006. Doug Shadel, a former fraud investigator for Washington state's attorney general's office, is the author of Outsmarting the Scam Artists: How to Protect Yourself From the Most Clever Cons (AARP/Wiley); he is also currently AARP Washington's state director.*

## **Don't Get Burned**

- Never make a buying decision when you've just heard the sales pitch. Always give yourself at least 24 hours to think about it. This gives you time for the emotional effects of the sales presentation to subside — and time for you to do research.
- Don't ever share personal information about your family or about your worries with people who are trying to sell you something.
- In any interaction with someone trying to sell you a deal, always ask yourself, "What's in it for them?" In other words, if this is such a great deal, why are they calling you about it? Why don't they just do it themselves?

### **But if you do:**

- For investment fraud, file a complaint with your state securities regulator.
- For insurance scams, file a complaint with your state insurance department.
- For all other instances of fraud, file a complaint with your state attorney general's office.