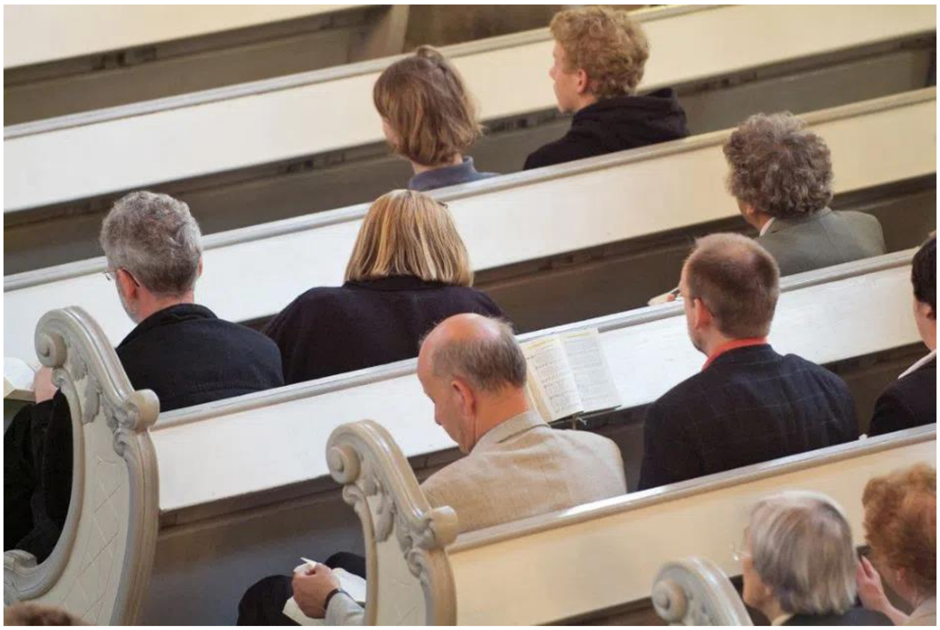
SEC bars another advisor involved in church scam



Scams involving members of a group such as a church, known as affinity frauds, pose perils for investors, one attorney notes.

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- By Bruce Kelly

The Securities and Exchange Commission on Tuesday barred a former broker, Steven K. Woodard, who was based in Hawaii and allegedly preyed on members of his church in a $6 million scam.

The SEC's action against Woodard, 63, comes just days after it charged Brent Seaman of Naples, Florida, with fraudulently raising around $35 million from 60 investors, including fellow members of his church, for what he said were "safe" and "guaranteed" investments.

Woodard did not return a call Wednesday to comment. As part of the SEC's settlement, he neither admitted to or denied the commission's findings.

Woodard was a registered broker for 23 years, until 2005, and worked at seven different firms, according to his BrokerCheck profile.

Scams involving members of a group such as a church, known as affinity frauds, pose perils for investors, particularly as many are nervous and leery of the stock market and its ups and downs, one attorney noted.

“The message by the perpetrator of the scam is, I would never cheat my own people,” said Scott Silver, a plaintiff’s attorney. “Affinity fraud is as old as time and a big problem. Investors trust people in their own community, and this is not limited to any race, religion or creed.”

“As a baseline, investors need to be better educated,” Silver said. “If someone in their church or house of worship is selling securities, they must be registered with [the Financial Industry Regulatory Authority Inc.], the SEC or state. If the salesperson is not, investors must avoid those types of advisors.”

In March, the SEC alleged that Woodard, from 2016 to mid-2021, raised approximately $6 million from about 30 purchasers of promissory notes issued by Morganwood Ltd., an entity he controlled. He solicited many of the victims through his church.

“Woodard told investors, some of whom were also his investment advisory clients, that he employed a risk-free trading strategy that focused on the preservation of capital but still yielded impressive returns,” according to the SEC. But he invested only a small amount of client capital, made increasingly risky bets on the market and sustained heavy losses, according to the commission.

“Woodard used the majority of investor monies to pay investors phantom returns on their investments, and that instead of disclosing his mounting trading losses, he provided his investors with false account statements showing illusory gains in the value of their investments,” the SEC said.