

Broken Trust: Combating Financial Exploitation of Vulnerable Seniors

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Chairman Collins, Ranking Member McCaskill, and Members of the Committee, I am Judith Shaw, Maine Securities Administrator and Co-chair of the Maine Council for Elder Abuse Prevention. I am honored to be here to discuss one of the most serious problems facing our elderly today – financial exploitation – and to present one approach currently in use in Maine.

Addressing senior financial exploitation is difficult but critical. Many in our elderly population are vulnerable due to social isolation and distance from family, caregiver, and other support networks. The days of Americans growing old in communities, surrounded by generations of family members, social clubs, or religious and community organizations, are fading into the past.

Meanwhile, the U.S. population is large and continues to grow at an unprecedented rate. Maine in fact has the oldest median age in the country with over 17% of its population age 65 and older, according to the latest U. S. Census statistics. It is estimated by the Census Bureau that by 2030, more than 25% of Maine’s population will fall in that category.

What do we know about this population? We know that older adults are often targets of financial fraud, scams and exploitation; in part, because they own tangible assets including homes and pension streams that are attractive to scam artists. Older adults are often retired, and no longer accumulating wealth, and they may rely upon their savings or additional money for health care or other medical services. When a financial fraud or exploitation occurs, even seniors with significant savings have a limited ability to recoup their losses.

Based on information from the 2010 Investor Protection Trust Elder Fraud Survey, we know that one out of every five citizens over the age of 65 has been victimized by a financial fraud. Seniors are regularly contacted, by phone, mail, and Internet, by solicitors asking for money, claiming they won a foreign lottery, or other schemes. Unfortunately, even family members and other trusted caregivers or advisers sometimes fraudulently try to solicit money from our elderly. We also know that in many cases, older adults may be more willing to take financial risks, and more susceptible to being manipulated or taken in by fake kindness and compassion.

What effect does financial exploitation have on seniors? First, financial health affects overall health. To get a sense of the stress associated with financial challenges faced by the elderly, consider what happens to your blood pressure when you pay your bills. Now, imagine deciding whether to buy oil or food, when your grandchild asks for your ATM card to purchase books for school. It is not unusual for this type of scenario to end with the senior's bank account being cleaned out. And, without sufficient savings, such financial losses can leave an elderly person without adequate means to purchase food, medication, housing, and other life essentials.,

This is a community problem that requires a holistic, community solution. We must all come together to weave a new safety net for our elderly, breaking down barriers and walls that have kept us seeking single solutions from narrow perspectives. We must identify those who are best positioned to identify red flags early on and encourage reporting and referrals to appropriate local, county, state, and federal agencies, including law enforcement.

Where do we start? In Maine, we discovered one of the most valuable resources to be our banks and credit unions. But before I share Maine's solution, let me share a story.

This is a story about a woman named Dawn who lives in Northern Maine. She started her career at the age of 18 as a legal secretary in a small local law firm. She ended that career sixty years later. In the interim, she married and raised four children all of whom attended college and chose careers of their own. Dawn and her husband Joe separated after 25 years of marriage, but remained close with the love of their children always their common bond. When Joe died an untimely death at the age of 57, Dawn grieved as a widow. Alone, she watched her children raise families and blossom. Unlike her own generation, she watched from afar as three of her children moved away from that small town, leaving only her oldest daughter, Cathy, behind.

As time went on, Dawn began to worry about retirement. The small law firm was not able to offer a retirement or pension plan. Her future largely depended on Social Security. One constant in Dawn's life was her regular visit to her local credit union and her "chats" with the manager, Effie. Dawn loved to tell Effie about her grandchildren, proudly boasting when one grandson joined the Marine Corps. As Dawn got closer to her retirement, at the age of 78, Effie started to notice changes in her behavior and appearance. A sadness had set in. She didn't talk about her grandchildren as usual and her typically crisp and cheery clothing took on a dingy appearance. Effie started to get calls from a branch in a neighboring town saying that Dawn had called that branch with questions. Effie would call Dawn knowing she had answered those very same questions only a day or two earlier.

Finally, Effie looked at Dawn's checking account and noticed that she had an unusual automatic withdrawal each month. Knowing that Dawn had put her daughter's name on her accounts, Effie reached out to Cathy. With a bit of detective work, they learned that Dawn had been taken in by

what appeared to be a “work from home” scam. Worried that she would be bored after retirement and not wanting to be a burden on her children, Dawn believed the scam-artist’s promise that he would generate income for her if she would arrange for him to receive an automatic withdrawal of over \$50 a month from her account. Fortunately, this scam was short-lived, and Effie and Cathy were able to stop it in its tracks before it caused significant harm.

I know this story well because Dawn is my mother, Cathy is my sister, and Effie is our guardian angel. Because of Effie’s willingness to contact my sister, my mother has been diagnosed with and is being successfully treated for early stage dementia. In addition, Cathy and Effie have been able to take steps to protect Mom from future losses by rearranging her accounts, assisting her with bill payments, and reviewing all of her communications to help her spot scams.

It is this story and countless others like it drove me to partner with Maine’s financial institutions to develop Senior\$afe. Senior\$afe is a public/private training initiative between the Maine Department of Health and Human Services Office of Aging and Disability Services, the Maine Department of Professional and Financial Regulation (which includes the Maine Office of Securities), the Maine Bankers Association, the Maine Credit Union League, and Maine’s Legal Services for the Elderly, and Maine’s five Area Agencies on Aging. All of these partners are members of the Maine Council for Elder Abuse Prevention which helped develop Senior\$afe.

Senior\$afe was created to increase identification and reporting of suspected cases of elder financial exploitation—specifically, by financial institutions. The partners are committed to assisting with training and promoting a “no wrong door” approach to referrals. Communication among these partners increases the likelihood that any referral or reporting will be addressed. In addition to the training, Senior\$afe establishes a new reporting channel for suspected cases of elder financial exploitation in addition to the traditional report to Maine’s Adult Protective Services (“APS”).

Senior\$afe is comprised of three components – training, a consumer brochure, and quick response cards for front-line staff and managers of banks and credit unions. The training is divided into two parts. The first is for tellers and other front-line staff and focuses on identifying possible red flags for elder abuse and financial exploitation. Relying upon existing materials familiar to some personnel, including activity that could trigger the filing of a suspicious activity report and common red flags identified as part of materials developed by Maine’s APS, the training sets forth multiple red flags in various categories. For example, suspicious behavior might include a caregiver or other person showing excessive interest in the senior’s finances or account, not allowing the senior to speak for him or herself, or showing reluctance to leave the senior’s side during conversation. Red flags related to suspicious account activity include abrupt changes to financial documents or the sudden closing of CDs or accounts without regard to penalties.

The second part of the training, intended for managers and compliance personnel, aims to encourage financial institutions to develop an internal protocol for addressing concerns when they arise and provides information on what might be included in such a protocol. It is this part of the training that details reporting and referral options as well as important community-based resources. Prior to developing Senior\$afe, the Maine Council for Elder Abuse Prevention met with representatives from the banks and credit unions to identify barriers to reporting suspected cases of elder financial exploitation. What we learned was that the system lacked a feedback loop so institutions were often left wondering whether their customer had been assisted or if there even was a problem in the first place. We also learned that bank and credit union personnel had no clear direction on what to do when red flags were identified in the case of a customer that failed to meet the statutory definition of dependency or incapacity necessary for APS to step in.

To address those barriers, Senior\$afe sets up a new reporting channel and establishes a collaborative relationship among all partners in the program to assure that no call goes unaddressed. How do we accomplish that? We established a two tier reporting structure. If a bank or credit union identifies red flags for financial exploitation and believes the customer may be dependent or incapacitated, they can and should report that matter to Adult Protective Services. They may also report to local law enforcement and are encouraged to establish a relationship with a specific member of law enforcement in order to have a consistent contact that can help with quick questions.

Participants in the training are reminded to always contact APS when in doubt about a senior's capacity, since they are best equipped to make that assessment. However, if there is reason to believe the customer is not an incapacitated or dependent adult, the Maine Office of Securities ("Office") has agreed to be the second agency accepting reports and referrals under the Senior\$afe program. As an intake agency, the Office receives telephone calls from banks and credit unions; reviews the information received to determine whether to investigate the case or refer it to another appropriate federal or state agency; provides guidance on possible community based resources available including Legal Service for the Elderly, a legal services provider whose mission is to provide free, high quality legal services to Maine's socially and economically needy elderly age 60 and over; and follows up with the financial institution to inform them if a subsequent referral is made to another agency.

In practice, our office has helped banks and credit unions work through challenging scenarios and facilitated referrals to law enforcement, APS, Legal Services for the Elderly, and local Area Agencies on Aging, among others. The collaboration among our partners has meant that cases that might have ended at APS due to lack of jurisdiction now get referred to our office for further analysis, or the customer is connected with Legal Services for the Elderly, or a case outside of our jurisdiction gets referred to local law enforcement with the request for a welfare check.

The benefits of this type of reporting and referring are far-reaching. It results in improved safety in the community for seniors and other customers of the financial institution. Proactive measures also help promote goodwill in the community. It is consistent with the mission of state securities regulators, as protecting the finances of an elderly person helps to preserve that person's financial independence. The institutions themselves benefit, as well, through preservation of their reputation, increased community recognition, increased employee satisfaction, and decreased uninsured losses. Senior\$afe is an affirmation of the deep concern Maine's banks and credit unions have for their customers' well-being and financial independence.

All of this sounds wonderful, but has it been effective? The answer is yes. The first bank employee training occurred in February of 2014, followed one month later by training for credit union personnel. Trainings were held in central Maine. To date, 210 bank and credit union employees have received training. A tentative date in June has been set to hold a joint bank and credit union training in northern Maine to reach personnel north and east of our state capitol of Augusta. Prior to that, we anticipate holding a training in the southern part of the state.

In less than a year, the Office has received a total of 20 referrals resulting from the program. Seventeen calls were referrals from financial institutions. Three additional referrals came from non-financial institution individuals who knew of the Office's role in the program. The referrals have resulted in further referral of nine cases to APS, —one case being referred to both the Office of the Attorney General and the Federal Trade Commission, and three cases being referred to law enforcement. In two cases the financial institutions were provided information to assist in connecting the customer with Legal Services for the Elderly.

The remaining seven cases were handled internally, meaning that the facts did not support a referral to another agency and resulted in the Office working with the person making the report to handle the situation internally within the financial institution. Those cases were handled by discussing ways in which the financial institution could approach issues with the customer in the hopes of raising awareness and supporting the customer in making decisions that better serve their needs and interests.

Statistics do not tell the whole story of Senior\$afe's success. Allow me to share some real examples with you.

In one case, a local credit union contacted the Office regarding a customer in her 70s. The customer resided with her son and daughter-in-law and had added her daughter-in-law to her checking account to help the mother-in-law with her finances. Sometime later, the customer returned to the credit union upset because her daughter-in-law was writing checks and making withdrawals from the account for her own personal needs. The customer did not want to

confront her daughter-in-law so she closed the account and opened a new one. The credit union became concerned because they had not seen the customer after the account had been closed even though she was a regular customer. So they decided to call her. The person who answered the phone, however, stated that the credit union had the wrong number. After reviewing the case with the person making the referral, the Office contacted law enforcement and requested a welfare check. After visiting the home of the customer, an investigation has been initiated. An additional referral was made to APS regarding concerns about the customer's capacity.

In a second case from a local credit union, the Office was informed of a senior customer who had been wiring large sums of money to South Africa intermittently over the course of a few years. The customer stated that she had been sending money to a man she met online that she considered a friend who needed help. No signs of dependency or incapacity were present, and the credit union reported that the customer was very involved with her finances. Although the customer agreed that the scenario was questionable and agreed to stop wiring money, she started the activity again and sent over \$100,000 to this male "friend." She funded some of the wires by selling investments and taking out a home equity loan. The Office researched the South African friend and determined that he might be associated with other romance scams. The basic information was provided to the credit union and the Office offered to speak with the consumer to share its research. As an alternative, the Office suggested the credit union share the information and try to encourage the customer to stop wiring money.

Banks and credit unions also make direct reports to APS. In one case, a teller from a local bank contacted APS regarding a 76-year-old who lives alone in a rural area and speaks English as a second language. The customer came to a bank branch to withdraw over \$10,000 in cash, stating four men had commenced work on her roof and they had asked for cash. The men drove her to the bank to get the cash, had not provided her with any bill or business card, and the customer had no idea who they were. Fortunately, the bank recognized these "red flags" and contacted APS. After conducting an investigation, APS determined that the senior had lost \$14,000 to the perpetrators. When the APS investigator went to the home to make the initial contact, a truck with four men pulled in the driveway and quickly drove away. Fortuitously, the APS investigator was able to get the license plate number. The elderly customer was determined to be incapacitated and, because there is no willing and suitable private individual to serve in this role, she is now under public guardianship with the state. Law enforcement was notified and determined that one perpetrator had recently been arrested for engaging in financial scams. The APS supervisor who shared this story with me noted how impressed he was with the teller's insight and watchful eye. He said these folks really are on the frontline, and noted that if it were not for the bank teller's reporting, this elderly woman would not be getting the care she needs and would have been out many thousands of dollars more.

This observation is important. Combating elder abuse and financial exploitation requires education, identification, reporting, investigating, and prosecution. It requires many eyes and ears within our communities. Thus, Senior\$afe was intentionally developed such that it could be portable to other frontline occupations. In the near future, Senior\$afe will be presented at a training for a small group of representatives for a national broker-dealer operating in Maine. We have provided the program materials to the North American Securities Administrators Association, an organization of which I am a member, for revision and co-branding so that it can be made available to all 67 of NASAA's members – all fifty states, the District of Columbia, the Canadian provinces and territories, Mexico, Puerto Rico, and the U.S. Virgin Islands. Additionally, Senior\$afe concepts have been used to create the RADAR card program for use by law enforcement officers in Maine and will be used to develop materials for use by first responders. Direct care and in home support workers have also requested that a program be developed by the Maine Council for Elder Abuse Prevention based on Senior\$afe concepts.

I will end my remarks as I began. The types of communities in which we, our parents, or our grandparents were raised are becoming less common. Social, physical and emotional isolation is becoming increasingly common, and vulnerability to financial fraud and scams is on the rise. We must work together to create a new safety net using every available resource as our eyes and ears. We must increase reporting, improve referral systems, and partner with local businesses. We must ensure consistent reporting, investigation, and prosecution. We cannot wait for a universal solution before acting. We must address it one victim at a time because everyone deserves protection. I am personally blessed to have my sister and Effie watching over my mother and believe everyone deserves a Cathy and an Effie.

Thank you for your attention and for providing me with the opportunity to testify before the Committee today. I would be happy to answer any questions you may have.