

Elder Financial Exploitation

How Financial Institutions Can Limit Life-Changing Losses

TERRI LUTTRELL, CAMS-AUDIT



It is a growing and wildly unreported crime that affects the livelihood of our most beloved family and community members. Elder abuse and exploitation is defined as an intentional act, or failure to act, by a caregiver or another person in a relationship involving an expectation of trust that causes or creates a risk of harm to an older adult¹. It is statutorily defined at the state level so the definition varies slightly state to state. Each state also defines what constitutes an older adult, ranging anywhere from age 50 or older or a person over the age of 18 with a disability. Types of elder abuse vary, and include:

- Physical abuse
- Sexual abuse or abusive sexual contact
- Emotional or psychological abuse
- Neglect
- Isolation
- Abandonment
- Financial Exploitation



AN UNREPORTED PROBLEM

Elder financial exploitation (EFE) specifically is a growing concern in our families and communities as the baby boomer generation hits their senior years and is the most common form of reported elder abuse in the United States. According to the National Adult Protective Services Association and the National Center on Elder Abuse, it is estimated that elder adults are exploited for up to \$36 billion each year, with one in 10 older adults indicating some form of elder abuse^{2,3}. It is also estimated that one in 24 cases go unreported.

There are several factors involved with setting the perfect storm for an elder person or person with disabilities to be financially exploited. Conditions that increase risk of being victimized include:

- Isolation
- Loneliness
- Recent loss
- Physical or mental disabilities
- Lack of familiarity with financial matters
- Have family members who are unemployed and/or substance abusers

Having any of these factors leave individuals vulnerable to fraud or scams that may include forgery, misuse or theft of money or possessions, use of coercion or deception to surrender finances or property, or improper use of guardianship or power of attorney.

A FAMILIAR CRIME

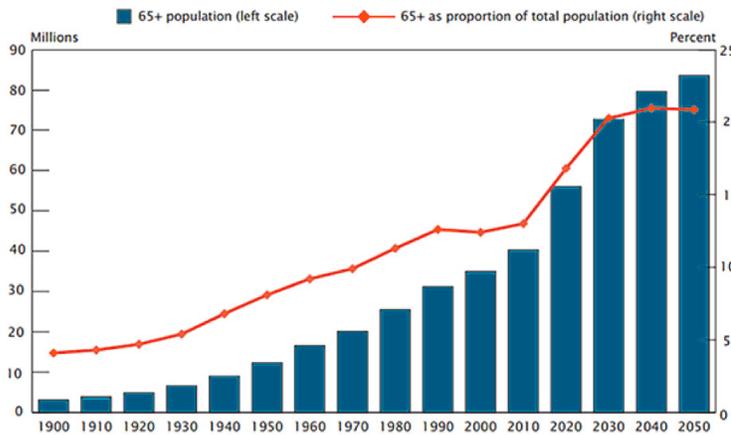
What type of person would take financial advantage of elderly or disabled individuals? Unfortunately, these criminals are closer to home than one might think. According to the National Center on Elder Abuse (NCEA), family members were the most common perpetrators of financial exploitation of older adults (57.9%), followed by friends and neighbors (16.9%), then by home care aides (14.9%). Other exploiters include scam artists and

1. "Definitions|Elder Abuse|Violence Prevention|Injury Center|CDC." Centers for Disease Control and Prevention, Centers for Disease Control and Prevention, 28 May 2019, www.cdc.gov/violenceprevention/elderabuse/definitions.html.
2. "Statistics and Data." NCEA, ncea.acl.gov/About-Us/What-We-Do/Research/Statistics-and-Data.aspx.
3. "Older Adults and Elder Abuse." Eldercare, Administration for Community Living, eldercare.acl.gov/Public/Resources/BROCHURES/docs/factsheet-elder-abuse-508.pdf.

professionals, such as contractors, lawyers, and financial advisors.

The perpetrators are often trusted loved ones that the victim does not wish to report due to potential legal consequences, leaving this crime grossly underreported. The elderly are easy targets when they do not recognize

Population Aged 65 and Over: 1900 to 2050



the value of their assets and possess more money than the younger population. In fact, persons over the age of 50 control over 67% of U.S. retail bank deposits. Older Americans are 47% wealthier than their younger counterparts, and 81% of households 65 and older own their own homes. The U.S. Census Bureau chart below shows baby boomers and beyond will continue this trend of wealth at higher ages of the United States population and EFE will continue to be a growing issue.

TRANSACTIONAL RED FLAGS

FinCEN issued important guidance and red flag indicators to the financial community with an Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Elder Financial Exploitation, FIN-2011-A003. In this guidance, transactional red flags include⁴:

- Frequent large withdrawals, including daily maximum withdrawals from ATM
- Sudden NSF Activity
- Uncharacteristic nonpayment for services, which

may indicate a loss of funds or access to funds

- Debit transactions that are inconsistent for the elder
- Uncharacteristic attempts to wire large sums of money
- Closing of CDs or accounts without regard to penalties

The guidance further gives customer interaction indicators that can be used in training front-line staff to identify a victim before it's too late:

- A caregiver or other individual shows excessive interest in the elder's finances or assets, does not allow the elder to speak for himself, or is reluctant to leave the elder's side during conversations
- The elder shows an unusual degree of fear or submissiveness toward a caregiver, or expresses a fear of eviction or nursing home placement if money is not given to a caretaker
- The financial institution is unable to speak directly with the elder, despite repeated attempts to contact him or her
- A new caretaker, relative, or friend suddenly begins conducting financial transactions on behalf of the elder without proper documentation
- The customer moves away from existing relationships and toward new associations with other "friends" or strangers
- The elderly individual's financial management changes suddenly, such as through a change of power of attorney to a different family member or a new individual
- The elderly customer lacks knowledge about his or her financial status, or shows a sudden reluctance to discuss financial matters

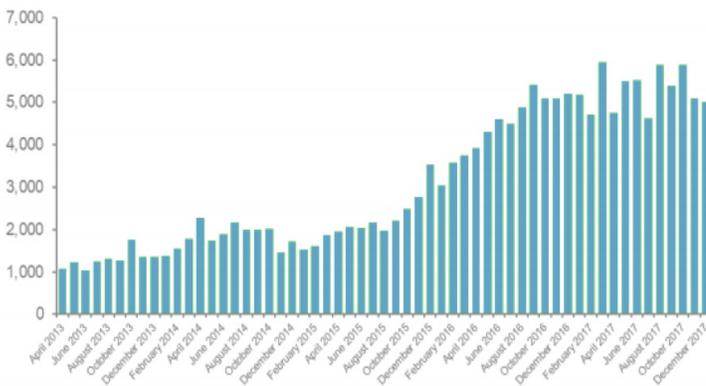
The guidance also suggests how a suspicious activity report (SAR) should be completed for a possible financial exploitation case:

4. "FinCEN Advisory - FIN-2011-A003." *Financial Crimes Enforcement Network*, 22 Feb. 2011, www.fincen.gov/resources/advisories/fincen-advisory-fin-2011-a003.

- Select appropriate SAR box (field 35, option d)
- Include the term “elder financial exploitation” in the SAR narrative
- Include the victim’s name and other available information in the narrative, not as a subject of the SAR

According to the Consumer Financial Protection Bureau (CFPB) in their February 2019 Suspicious Activity Reports on Elder Financial Exploitation: Issues and Trends, SARs on EFE quadrupled from 2013 to 2017⁵. This could be attributed to several factors, including the growing elderly population, more widespread EFE associated with growing substance abuse in the United States, or growing awareness due to agency public outreach and FinCEN guidance and the addition of the EFE category on the SAR form.

FIGURE 1: NUMBER OF EFE SARs BY MONTH (APRIL 2013-DECEMBER 2017)



Source: Bureau’s analysis of EFE SARs filed between April 2013 and December 2017 (176,690 SARs)

REQUIRED REPORTING

What can financial institutions do in addition to SAR reporting? In many states employees of financial institutions have mandatory reporting requirements to the Adult Protection Services (APS) hotline when EFE is suspected. To determine the requirements for your state, Eversafe.com has an interactive link describing each state’s reporting requirements as well as the statutes that cover EFE for that particular state. It is important for this reporting step to be part of your overall EFE written procedures in addition to SAR filing so that your state can visit the victim

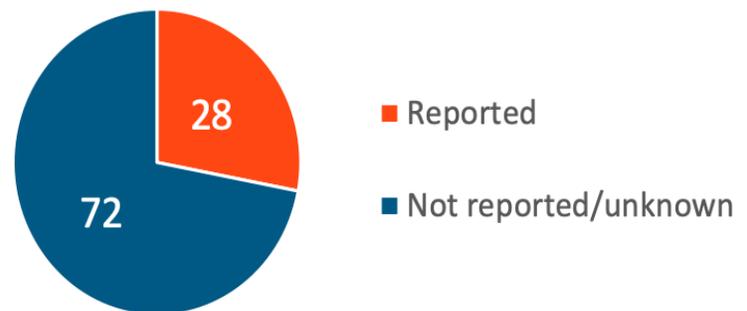
to determine if in fact they need assistance. Another noteworthy statistic from CFPB is shown in the chart below: the percentage of SARs filed that did NOT have notification to the state to check on the victim before it is too late.

Concern over privacy laws should not be a deterrent for a financial institution to make a call to APS. The Senior Safe Act of 2018 is part of a larger consumer protection act signed into law in May of 2018. Section 303 of the Economic Growth, Regulatory Relief, and Consumer Protection Act allows for immunity from suit for disclosure of financial exploitation of senior citizens. Elder abuse and elder financial exploitation are everyone’s business, and for financial institutions many times reporting is the law. The Senior Safe Act now clarifies that even non-mandatory reporters are provided protection and should report when an elder abuse victim is suspected.

RAISING AWARENESS

June is designated as National Elder Abuse awareness month by the National Center of Elder Abuse (NCEA) to raise awareness of this under-reported problem. Additionally, World Elder Abuse Awareness Day (WEAAD) is an international United Nations observance day recognized on June 15 each year by most countries around the globe and aims to bring worldwide awareness to this issue, although we should be on full alert every day of the year. Protecting our families, friends, and community members is everyone’s responsibility and the right thing to do.

Percent of EFE SARs Noting a Report to a Local, State, or Federal Authority (April 2013 - September 2017)



5. “Suspicious Activity Reports on Elder Financial Exploitation: Issues and Trends.” CONSUMER FINANCIAL PROTECTION BUREAU , Office of Financial Protection for Older Americans, Feb. 2019, files.consumerfinance.gov/f/documents/cfpb_suspicious-activity-reports-elder-financial-exploitation_report.pdf.

ABOUT THE EXPERTS



Terri Luttrell, CAMS-Audit

SENIOR MANAGER, STRATEGY AND ENGAGEMENT

[ABRIGO](#)

Terri Luttrell is a seasoned AML professional with over 20 years in the banking industry, working both in medium and large community banks. She started her banking career in commercial lending, moving to deposit operations and the compliance/fraud arenas where she was Director and AML/OFAC Officer. As an AML consultant, she has successfully worked with institutions in developing BSA/OFAC programs and ensuring that all regulatory requirements are met. She has managed a team of AML investigators for a large/cross border institution giving her an enhanced sense of AML risk along the Mexican/US border. Terri is currently a Senior Manager of Strategy & Engagement with Abrigo (formerly Banker's Toolbox) and is CAMS-Audit certified.

About Abrigo

Abrigo is a leading technology provider of compliance, credit risk, lending, and asset/liability management solutions that community financial institutions use to manage risk and drive growth. Our software automates key processes—from anti-money laundering to asset liability management to fraud detection to lending solutions—empowering our customers by addressing their Enterprise Risk Management needs.

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