Remarks by

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I'd like to begin by thanking John Taylor for that very kind introduction. I have known John for a long time and he has been a steadfast advocate for low- and moderate-income people and communities. For more than 20 years, John and the National Community Reinvestment Coalition and others have labored to improve financial access in underserved communities. The scope of NCRC's consumer protection agenda is broad, but I would like to particularly commend NCRC for its current focus on older Americans with its National Neighbors Silver program and the Age-Friendly Banking Campaign. NCRC has taken to heart the cause of serving the financial needs of seniors. The agenda for this conference includes a workshop and several sessions highlighting efforts aimed at seniors and best practices to protect older individuals from financial exploitation.

My remarks will focus on these concerns as well, because this topic is both timely and of significant interest to the OCC and me personally as a baby boomer. Seniors are quite an important customer segment for banks. Nine in 10 of the households in the 65-plus age group have an existing banking relationship. In the coming years, serving the financial needs of an aging customer base will become ever more important for banks. The baby boomers are swelling the size of the over-65 age group, which will grow from about 13 percent today to 20 percent by 2030. I was particularly intrigued by the NCRC report, *A New Dawn: Age Friendly*

Banking, and its observation that older customers want banks to help them avoid fraud and financial abuse. My remarks will focus on the role that banks can play in protecting the assets of senior citizens.

The National Center on Elder Abuse defines elder abuse as "the illegal or improper use of an older adult's funds, property, or assets." Older individuals are more susceptible to financial abuse for a number of reasons. Physical limitations, such as vision or hearing loss, or cognitive impairment can reduce their ability to understand or manage their financial affairs. These factors as well as lack of mobility often lead seniors to depend more on others for their physical as well as their financial care.

Seniors are a tempting and lucrative target for financial fraud—as the bank robber Willy Sutton allegedly said, "I rob banks because that's where the money is." In households 65 and older, the average net worth, excluding home equity, is slightly over $500,000, and the average value of their home equity is $190,000. Increasingly, seniors are funding their retirement with savings and IRA or 401(k) plans and these accounts can be quickly drained by fraudsters. For older individuals who have fewer assets and limited income, the impact of financial fraud can be even more devastating.

Fraudsters targeting the elderly use an imaginative array of scams. Home repair and telemarketing scams are widespread. Some stoke fear that a loved one is desperate and needs money or that the senior must pay a fine immediately or face arrest for a fictitious charge. Others promise a large sweepstakes payout after inducing vulnerable seniors to make an upfront payment that will supposedly cover taxes. Financial exploitation may also involve unscrupulous investment advisers who peddle expensive or unsuitable annuities or investment pyramid schemes. Technology has opened a new door to fraud with identity theft and internet phishing

where false emails ask for bank information. Affinity fraud is commonplace—a senior's new "best friend" may simply be building trust in order to drain an older person's bank account. Seniors may also trust a fiduciary agent or a caregiver enough to sign documents giving up ownership or authority over their assets or bank accounts. But the saddest fact is that a large portion of financial elder abuse is perpetrated by family members.

It is hard to know the extent of the problem because there is evidence that these activities are significantly under-reported. We do know that the risks are significant. A 2011 report by the MetLife Mature Market Institute estimated that seniors lose over $2.9 billion annually.

Banks can play a critical role in identifying financial fraud and protecting their older customers against these losses. An FDIC survey of banked and underbanked households found that over half of seniors 65 or older rely on bank tellers to access their accounts. Frontline bank staff who interact with older customers are in a position to watch for unusual transactions. Taking the time to ask a few questions can potentially stop fraud in its tracks. Financial institution regulators have also taken steps to inform the banking industry and consumers about the potential for and types of elder financial exploitation, as well as to clarify how financial institutions should report any suspicious activities.

So what can banks do in this connection? First, banks must file Suspicious Activity Reports, or SARs, with the Treasury Department's Financial Crimes Enforcement Network if they identify suspicious activity meeting the SAR reporting thresholds. We typically think of SARs as a weapon against money laundering, but they are also an important early warning system to alert enforcement authorities and identify financial fraud trends. Indeed, in 2011, the Financial Crimes Enforcement Network, also known as FinCEN, issued guidance instructing financial institutions to file SARs when they suspect that older customers are being subjected to

financial abuse. The suspicious activity reporting form was subsequently improved by adding a separate check box to flag elder financial abuse. These steps led to a sharp increase in SAR filings about these potential crimes. Only 1,600 SARs cited elder financial abuse in the year before FinCEN issued its guidance. In contrast, between March 2012 and the end of 2014, depository institutions filed over 27,000 SARs involving suspected elder financial exploitation.

Banks must ensure their Bank Secrecy Act and Anti-Money Laundering compliance programs provide training to employees. To this end, banks may consider whether to include specific training modules regarding elder abuse for certain employees. Training can be designed to help employees understand indicators of elder abuse, the products and services targeted, and what to look for during suspicious activity investigations.

Under the SAR rules, banks are encouraged to file copies of SARs with state and local law enforcement agencies where appropriate, including SARs that report alleged elder abuse. This has inevitably raised privacy concerns. To address these concerns, the OCC joined with our sister regulatory agencies to issue *Interagency Guidance on Privacy Laws and Reporting Financial Abuse of Older Adults,* which explained the exceptions to the Gramm-Leach-Bliley Act's privacy provisions that allow banks to share nonpublic personal information with federal, state, and local authorities under appropriate circumstances. The agencies believe that prompt reporting of suspected financial exploitation to adult protective services and law enforcement can trigger appropriate intervention, prevent financial loss, or provide other remedies. This interagency guidance also highlighted for banks possible signs of abuse, such as erratic or unusual banking transactions or changes in banking patterns, as well as potential warning flags banks should look for in their interactions with older adults or caregivers.

Finally, banks can improve their marketing and financial education materials to raise their customers' awareness of potentially fraudulent activities and enhance seniors' ability to protect themselves against fraud.

In a recent report, FinCEN observed that the narratives that filers provided in Suspicious Activity Reports revealed that bankers were careful to assess suspicious transactions, often questioning an elderly customer if a transaction appeared out of character. I am also pleased with FinCEN's conclusion that many banks have incorporated elder financial exploitation guidance into their compliance monitoring programs.

State and local law enforcement and social services agencies also play a significant role in protecting the elderly. Ten states mandate and many others encourage financial institutions to report suspected cases of financial abuse of the elderly, and 49 states and the District of Columbia provide immunity from civil or criminal liability to financial institutions for reporting their suspicions. It is important that bank employees are familiar with the applicable state or local regulatory requirements to alert law enforcement or adult protective services when they suspect elder financial exploitation.

As the problem of elder financial abuse has become more acute, some banks are doing more than simply meeting basic requirements to report abuse. A number of banks have developed materials to educate their customers about fraud and identity theft. Also, the Federal Deposit Insurance Corporation and the Consumer Financial Protection Bureau have collaborated on a training curriculum called *Money Smart for Older Adults*! covering how to prevent elder financial exploitation and encouraging advance planning and informed financial decision-making.

Bankers may also be in a position to help customers plan ahead to transition management of their financial affairs as they get older to protect against financial abuse. For example, a limited access account that enables someone else to view account activity but not make transactions, may allow a senior to maintain financial control while letting a concerned family member or caretaker keep a watchful eye to ensure bills are getting paid and there are no signs of potential fraud or exploitation.

When seniors come in to the bank to discuss their investment or retirement accounts, this may be an opportunity to review options for managing their financial affairs. It's always best for consumers to think ahead and plan, instead of reacting to a crisis.

Bankers, however, should exercise an abundance of caution in marketing and selling investment products to seniors. This past January, the OCC updated our exam guidance to incorporate regulatory changes and interagency statements that affect banks' securities-related activities. Senior clients should receive heightened investor protection depending on their needs, objectives, risk tolerance, investment experience, and understanding. With the low-interest rate environment we are in today, seniors may be tempted to "reach for yield" and be susceptible to taking on greater investment risk. Senior clients, however, may not have the ability to absorb or recover from the potential loss of principal. Banks should ensure appropriate procedures are implemented for making critical suitability determinations involving sales to older bank clients.

Finally, training can also help frontline bank staff recognize potential signs of fraud and provide information about the steps they should take to protect their older customers. The Financial Services Roundtable, a banking industry trade association, has developed a fraud protection toolkit specifically addressing financial fraud and exploitation of the elderly and vulnerable. This manual details the warning signs and types of financial exploitation. The

training guide lays out the fraud protection roles of both staff with direct customer contact as well as the back office departments responsible for loss prevention, security, or legal matters.

In addressing the problem of elder financial abuse and exploitation, banks, regulators, and organizations like the NCRC all have an important role to play. It is gratifying to me that, under John's leadership, NCRC is doing its part to protect this vulnerable segment of our population. I would like to thank all of you and the organizations you work with for your continued commitment to improving access to financial services and I look forward to your questions.