The Consumer Financial Protection Bureau:
Protecting against elder financial exploitation

Michael Herndon
Deputy Assistant Director, Office for Older Americans

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Consumer Financial Protection Bureau

Disclaimer

This presentation is being made by a Consumer Financial Protection Bureau representative on behalf of the Bureau. It does not constitute legal interpretation, guidance or advice of the Bureau.

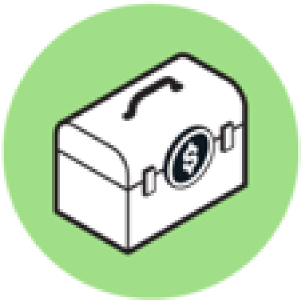
Background on CFPB's Office for Older Americans

About the CFPB

Consumer Financial
Protection Bureau

- The CFPB works to make consumer financial markets work for **consumers**, **responsible providers**, and the **economy as a whole**.

CFPB's work



Empower

Enforce

Educate

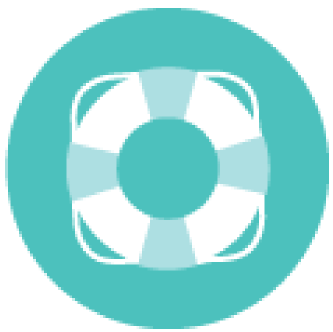
CEE Division

Consumer Education & Engagement

- Consumer Engagement
  - Servicemember Affairs
  - Older Americans
- Financial Education
  - Financial Empowerment
  - Students

Office for Older Americans

We help older consumers:



Prevent unfair, deceptive and abusive practices aimed at seniors

Make sound financial decisions as they age

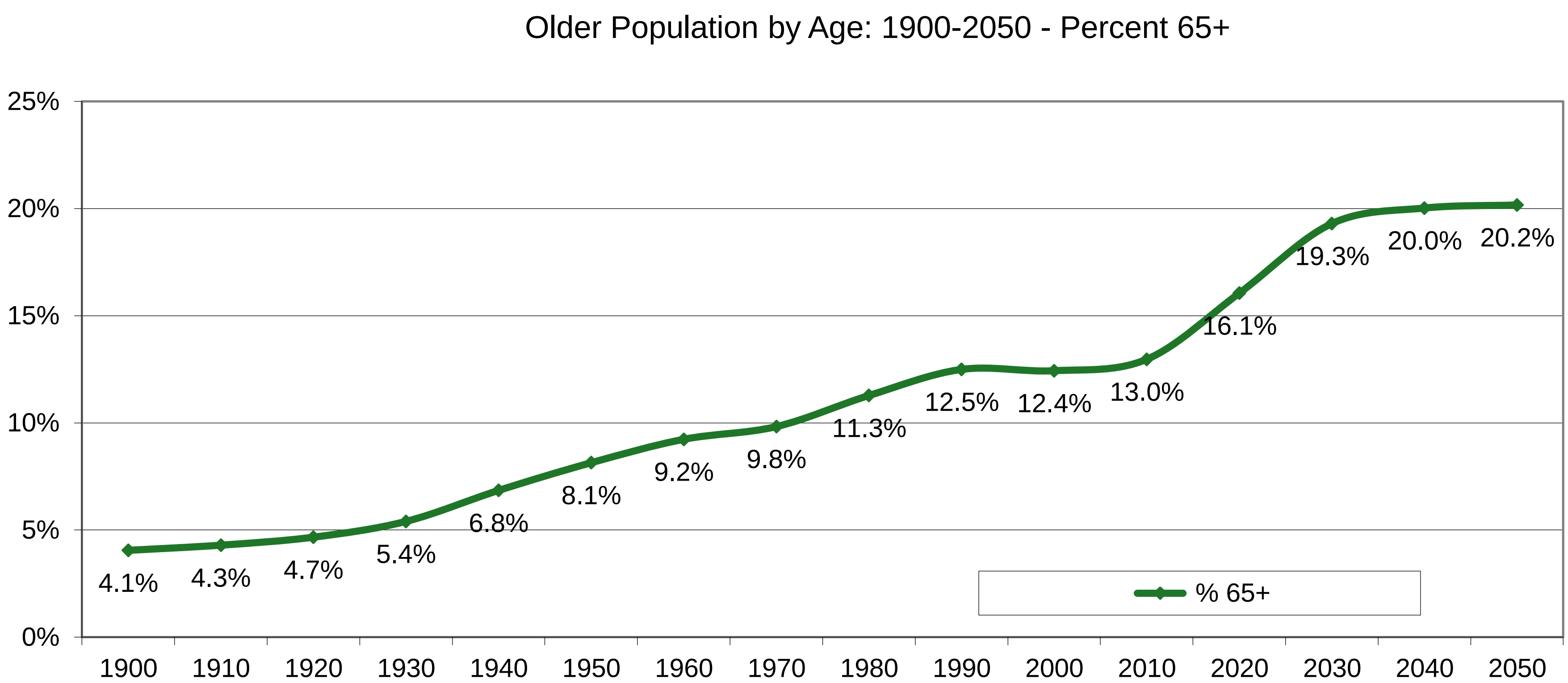
Learn more about us at **consumerfinance.gov/older-americans**

Guides for financial caregivers and consumers

- We support caregivers and service providers
  - Guides for financial caregivers
  - Guides for long-term care facilities
- We protect consumers in the financial marketplace
  - Consumer advisories
  - Guidance to financial institutions

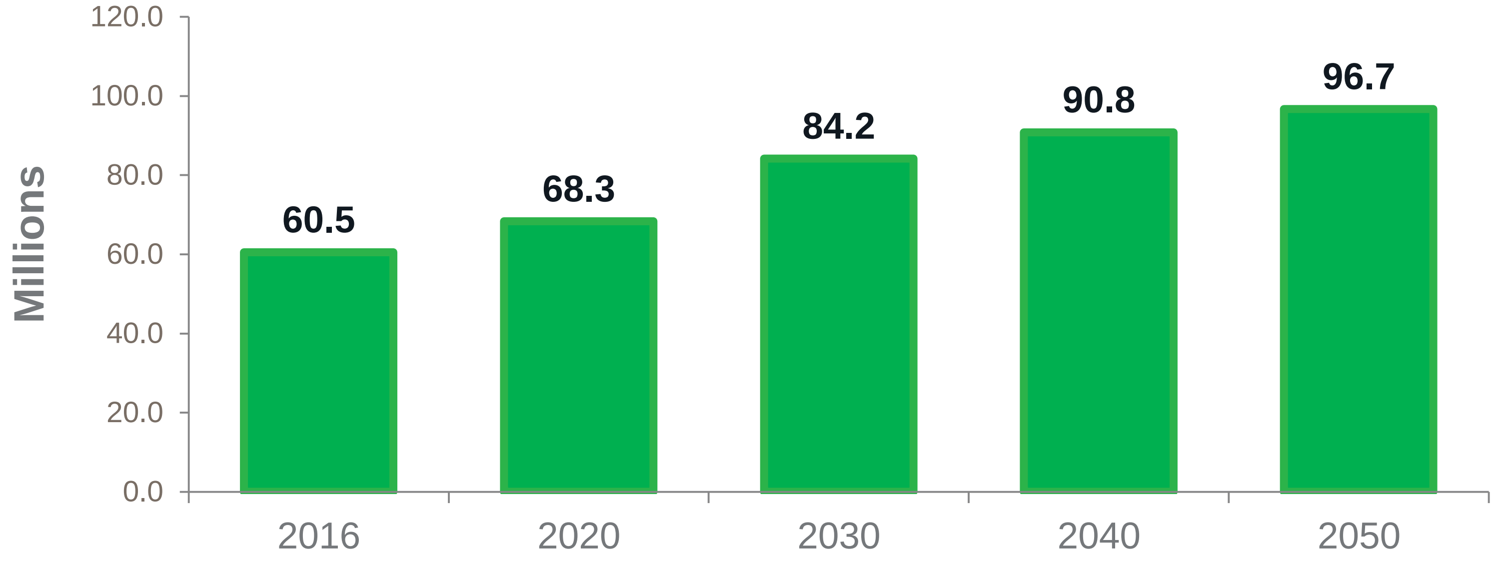
Background on Older Americans

Older Americans in Society



Sources: Projections for 2010 through 2050 are from: Table 12. Projections of the Population by Age and Sex for the United States: 2010 to 2050 (NP2008-T12), Population Division, U.S. Census Bureau; Release Date: August 14, 2008. The source of the data for 1900 to 2000 is Table 5. Population by Age and Sex for the United States: 1900 to 2000, Part A. Number, Hobbs, Frank and Nicole Stoops, U.S. Census Bureau, Census 2000 Special Reports, Series CENSR-4, Demographic Trends in the 20th Century, 2002. This table was compiled by the U.S. Administration on Aging using the Census data noted.

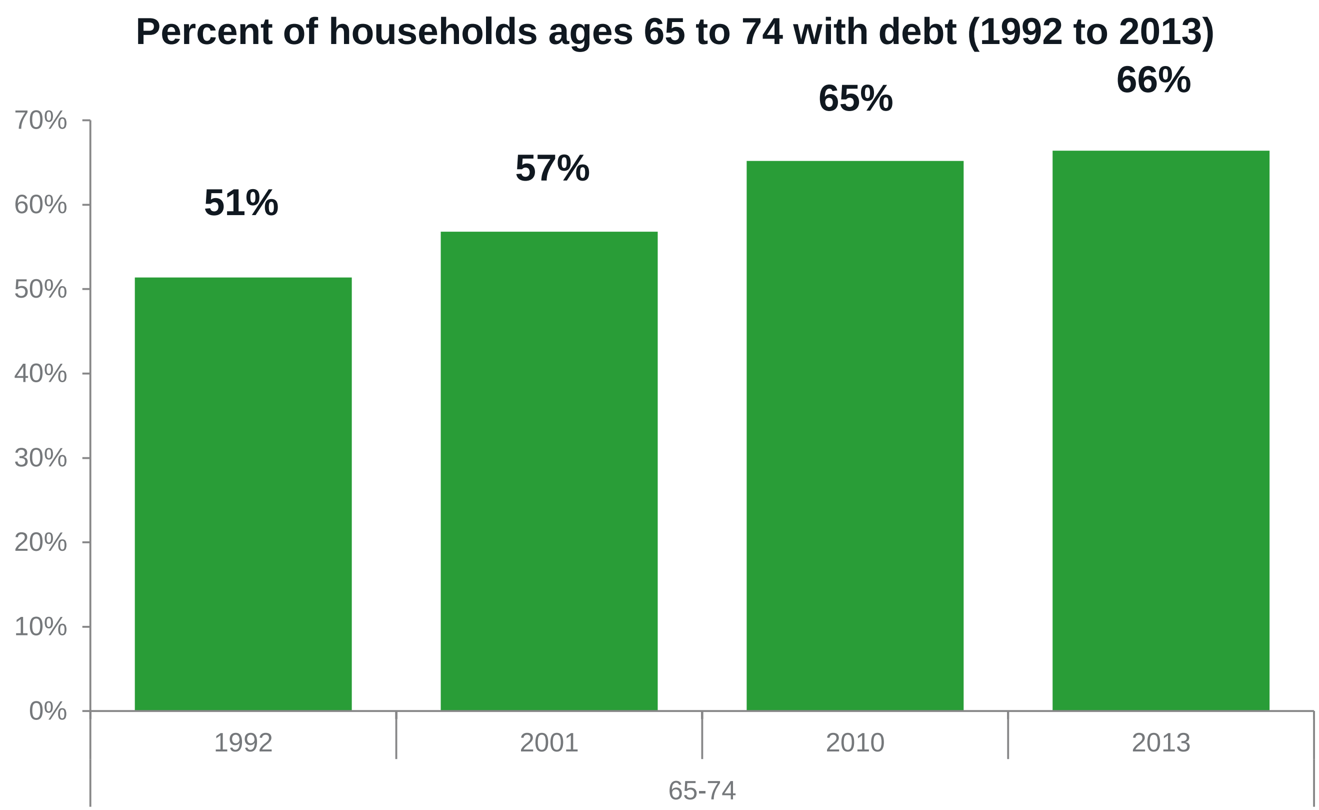
Older Americans Population



- The number of older consumers 62+ is expected to grow from 60.5 million in 2016 to 96.7 million in 2050.

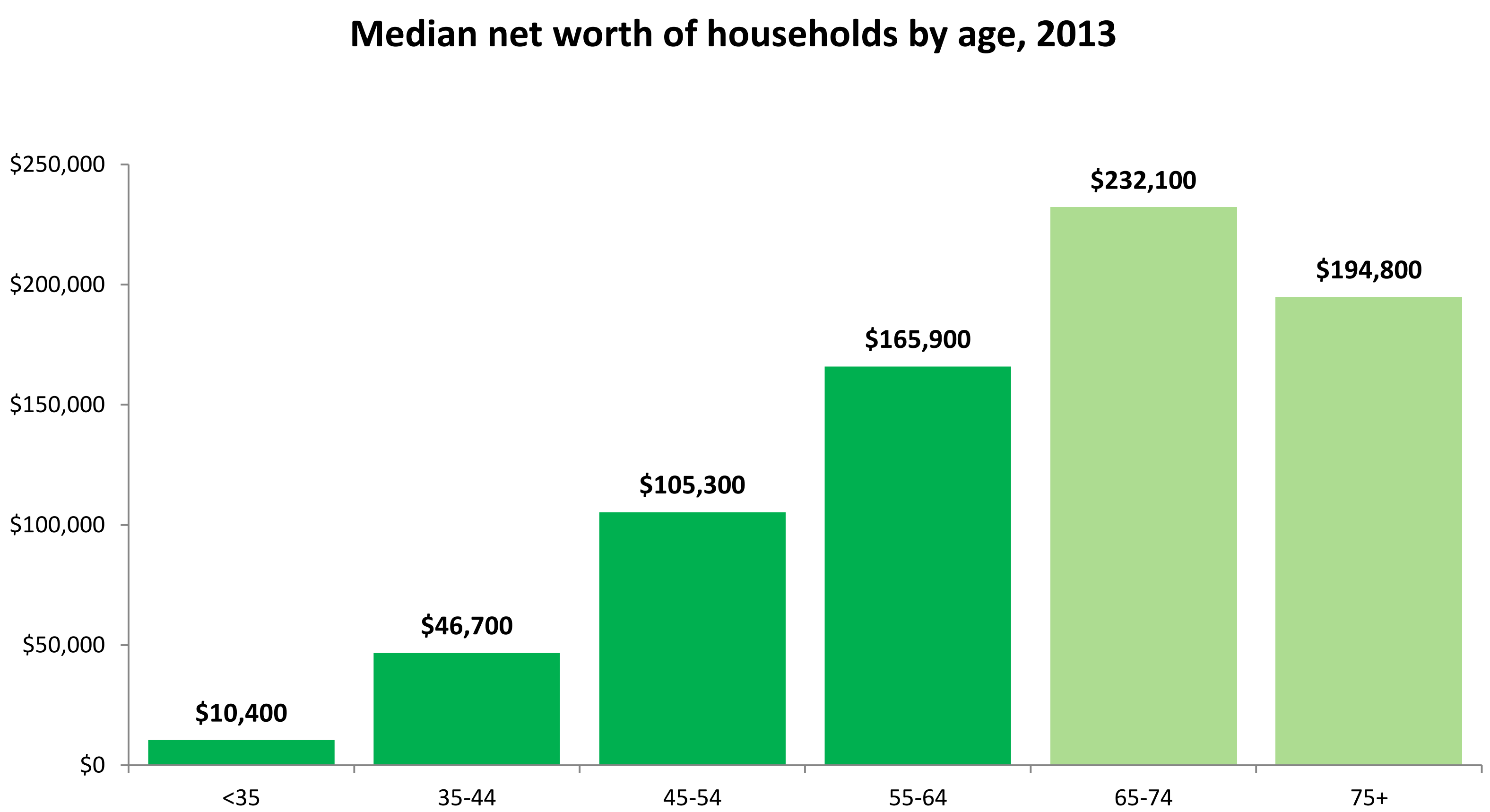
- Over 10,000 adults turning 62 years old everyday.

Older Americans and Debt



Source: Fed. Reserve Board, Survey of Consumer Finances

Older Americans Net Worth



Source: Fed. Reserve Board, 2013 Survey of Consumer Finances.

Background on Financial Exploitation

Financial Exploitation

- **Definition:** Illegal or improper use of an older adult's funds, property, or assets
- **Frequency:** Most common form of elder abuse (only a small fraction of incidents reported)
- **Perpetrators:** Anyone; can include family, caregivers, scammers, financial advisers, home repair contractors, fiduciaries, etc.
- **Attractive targets:** Significant assets or home equity
- **Vulnerabilities:** Isolation, cognitive decline, physical disability, health problems, or recent loss

Diminished capacity and vulnerability

- Financial skills decline with Mild Cognitive Impairment (MCI – pre-dementia)
- MCI may not be easy to detect – but individuals may have impaired judgment about scams and frauds
- 22% of those over age 71 have MCI (Plassman et al. 2008)
- 1 in 9 people 65+ have Alzheimer's disease (Alzheimer's Assn. 2015)
- About one-third of people 85 and older have Alzheimer's (Alzheimer's Assn. 2015)

Education Initiatives

Diminished capacity consumer advisory

- CFPB and SEC published a consumer advisory to help people plan for your financial future.

CONSUMER ADVISORY AND INVESTOR BULLETIN | JUNE 2015

Planning for diminished capacity and illness

"Diminished financial capacity" is a term used to describe a decline in a person's ability to manage money and financial assets to serve his or her best interests, including the inability to understand the consequences of investment decisions.

While the inability to manage one's money is clearly a problem in itself, when people of any age lose the capability to manage their finances, they may also become more vulnerable to investment fraud and other forms of financial abuse.

Preparing for your own financial future: Hope for the best, but plan for the worst

Losing the ability to manage your finances may be something you'd rather not think about. We often think about our financial capabilities, like our ability to drive, as an important measure of our independence. But planning ahead may help you stay in control of your finances, even if diminished financial capacity becomes a serious problem. Taking the steps listed below now may help avoid or minimize problems for you and your family.

Organize your important documents

Organize and store important documents in a safe, easily accessible location. That way, they are readily available in an emergency. Give copies to trusted loved ones or let them know where to find the documents. Typically, the following documents will be most relevant to your finances:

- **Bank and brokerage statements and account information.** Make a list of your accounts with account numbers. *Keep a separate list of online bank and brokerage passwords and PINs and keep the lists in a safe place.* In addition, make a list of the locations of your safe-deposit boxes, including where the keys to the safe-deposit boxes are located. Also, keep your recent bank and brokerage statements available, as well as information about how to get those statements online if you access them electronically.
- **Mortgage and credit information.** Make a list of your debts and regular payments, with account numbers and names of the financial institutions that issued the loans or credit cards.

The SEC's Office of Investor Education and Advocacy and the CFPB's Office for Older Americans are issuing this bulletin to help investors and consumers understand the potential impact of diminished capacity on their ability to make financial decisions and to encourage investors and consumers to plan for possible diminished financial capacity well before it happens.

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SEC Office of Investor Education and Advocacy

https://go.usa.gov/xX3qx

Managing Someone Else's Money

Challenge:

- Declining capacity can make older adults vulnerable
- People with diminished capacity often need surrogate
- 'Lay fiduciaries' – critical source of help, but often have no training; some even commit fraud

Initiative:

- Released set of national guides; **Managing Someone Else's Money (MSEM)**
- "How-to" guides for four types of fiduciaries

Financial Caregivers

"When you have to take care of someone else's finances, you feel more responsible for their affairs than you do for your own. It's overwhelming."

- Hector, Florida

"Even though I'm a financially savvy individual, I had no idea where to get help…."

- Kristin, Virginia

Managing Someone Else's Money

- To help four types of financial caregivers:
  - Agents under a Power of attorney,
  - Guardians and conservators,
  - Trustees,
  - and Social Security and VA representatives
- The guides provide tips on making financial decisions for someone else as well as protecting assets from fraud and scams.
- State-specific guides available for Florida, Illinois, Oregon, and Virginia (coming soon: Arizona and Georgia)
- Available in Spanish

MSEM Background

"Fiduciary," definition: (n.) Anyone named to manage money or property for someone else.

- Walk fiduciaries through their duties
- How to watch out for scams and financial exploitation, and what to do if their loved one is a victim
- Suggest where to go for help

MSEM: What Is a **Fiduciary**?

Four basic duties:

- Use care – avoid unwise or dishonest use of Mom’s funds
- Separate – keep Mom’s money and property distinct
- Avoid conflicts – act only in Mom’s interest
- Record – keep detailed records

MSEM: Different Fiduciaries

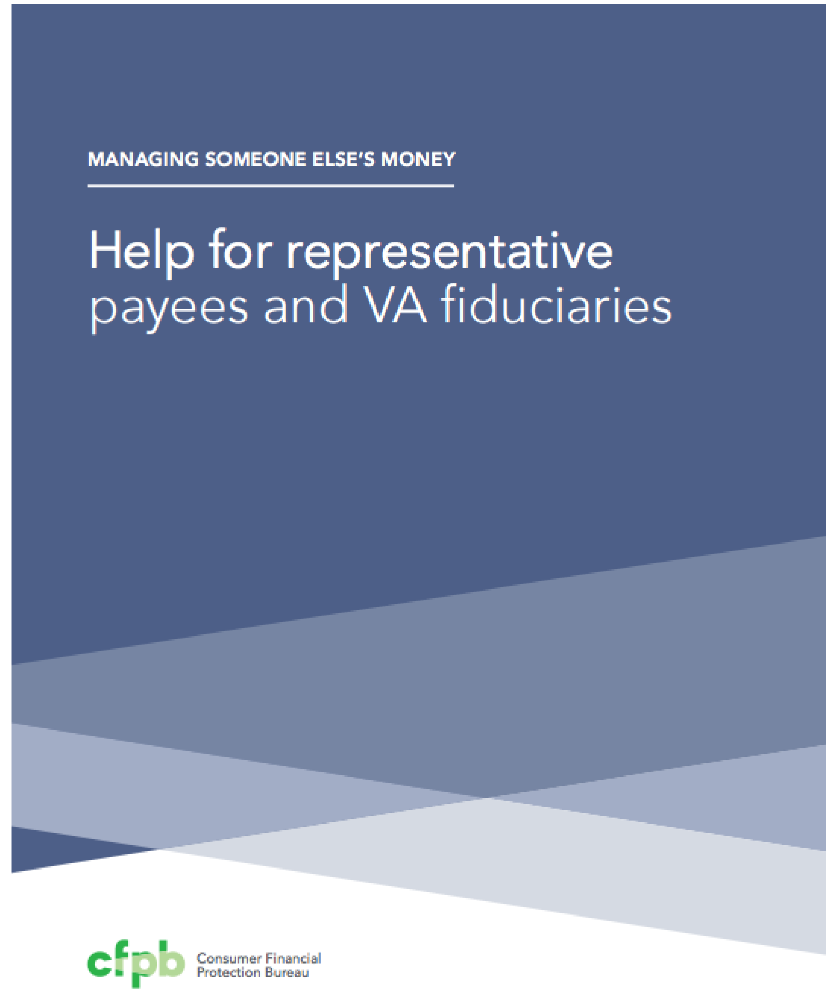
- What’s a **trustee**?
- What’s a **representative (rep) payee**?
- What’s a **VA fiduciary**?
- What’s a **guardian of property**?

Power of attorney

- Legal document
- Mom made a power of attorney to give daughter legal authority to make decisions about money/property
- Daughter can make decisions if Mom is sick or injured
- Daughter is called the AGENT
- Health care power of attorney is different

Rep Payee or VA Fiduciary

- Government agency may appoint someone to manage Mom's benefits if she needs help managing those benefits
  - Social Security Admin. calls that person a representative payee
  - Dept. of Veterans Affairs calls that person a VA fiduciary
- Rep payees and VA fiduciaries only manage Mom's benefit checks – not other property, financial affairs or medical matters



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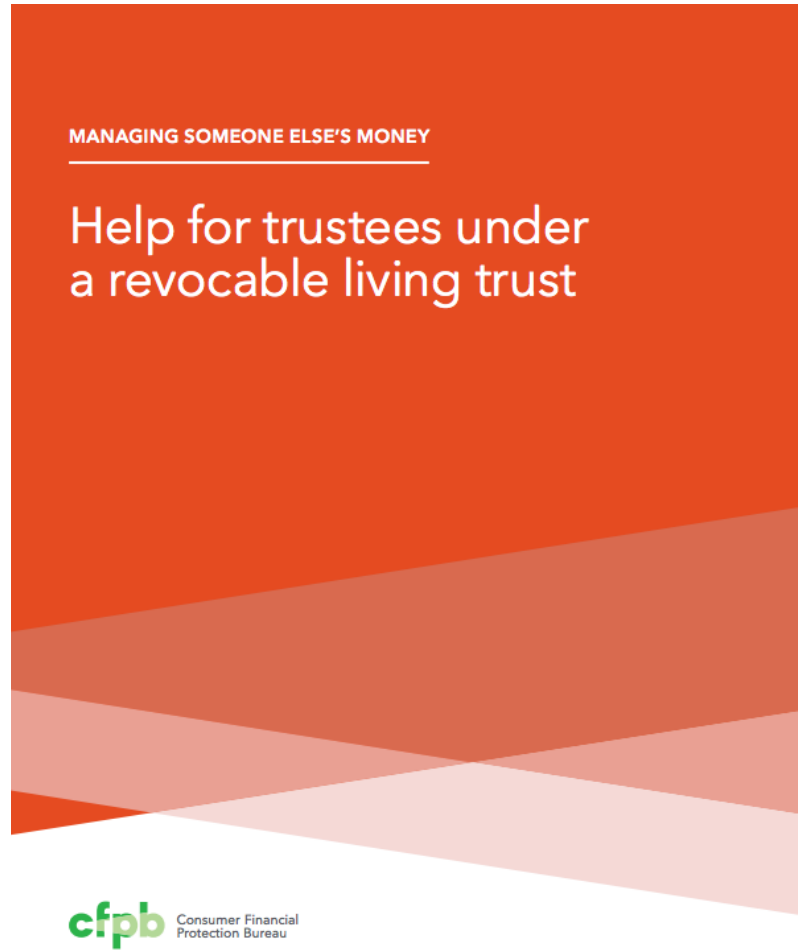
Guardian of Property

- A court names someone to manage Mom's money and property if the court finds that she can't manage it alone
- Mom might also have a *guardian of the person*, if she can't make her own health care or other personal decisions
- Could be same or different person
- Different states, different terms – e.g. conservator, guardian of estate

Trustee

- Trusts differ – we're talking about revocable living trusts
- Mom signs a legal document called a living trust, making son her trustee, and transfers ownership of money and property to the trust
- Trustee can pay bills or make other financial and property decisions if Mom can no longer manage her money or property
- Beneficiaries receive money or property from the trust



Common Signs of Financial Exploitation

- Money or property missing
- Sudden changes in someone's spending or savings
- Afraid of a relative, caregiver or friend
- Someone keeps that person from having visitors or calls, seems to be controlling decisions

Steps to Help Fiduciaries Avoid Scams

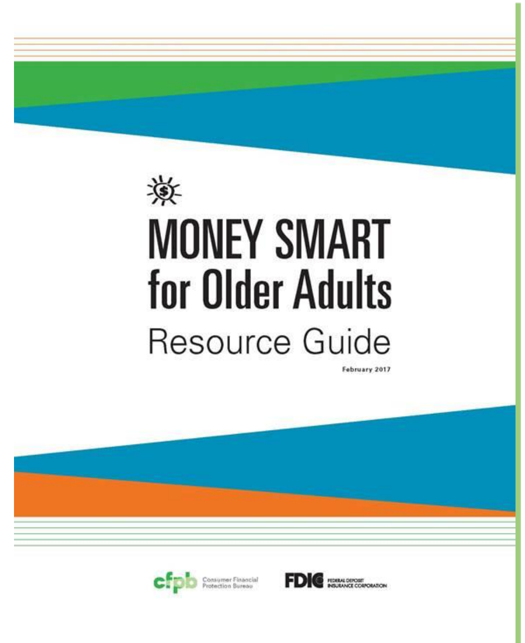
- Don’t share numbers or passwords for accounts, credit cards or Social Security
- Ask whether a deal is “too good to be true”
- Watch out for deals “only good today”
- Never pay up front for a promised prize
- Put the person under care’s phone number on National Do Not Call Registry

Getting Guides and Tips/Templates

- National guides exist
- Adapting the guide for your state: booklet, template
  - Existing state guides: VA, FL, GA, IL, AZ, OR
- Free downloads, single and bulk orders:
  - Consumer Response, 855-411-CFPB (2372)
  - Hard copies in bulk:
    promotions.usa.gov/cfpbpubs.html#special

Money Smart for Older Adults

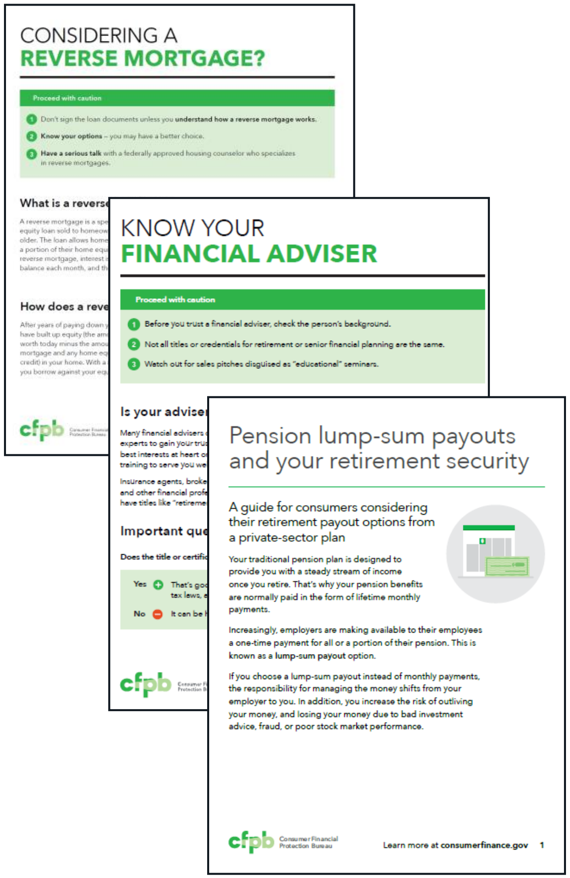
- How to identify a potential scam or fraud, and other forms of exploitation
- How to avoid financial exploitation
- Trainer and participant guides
- Available in Spanish
- Developed in collaboration with the FDIC



Money Smart for Older Adults Module Topics

- Common Types of Elder Financial Exploitation
- Identity Theft
- Medical Identity Theft
- Scams Targeting Homeowners
- Scams Targeting Veterans Benefits
- Planning for Unexpected Life Events
- How to Be Financially Prepared for Disasters

Guides to help consumers make informed financial decisions



- *Planning for incapacity*
- *Reverse mortgages*
- *Financial advisers*
- *Lump sum pension payouts*

Considering a Reverse Mortgage?

- More and more homeowners are considering tapping their home equity as they approach retirement age.
- Getting a reverse mortgage is one way that some older homeowners can do that. But do you know the benefits and risks?
- Visit https://go.usa.gov/xX3cP

Important questions

Are the borrowers the only people who live in the home?

Yes You can remain in the home until you move out or die, so long as you keep current on your property taxes, insurance, and home repairs. If you are a co-borrower or eligible spouse, you have the same right.

No Anyone living in the home who is not a co-borrower or eligible spouse will be required to move out or repay the loan when you move or die. If you live with a spouse or partner, it usually makes sense to apply as co-borrowers on the reverse mortgage. That way, if you take out a reverse mortgage, the co-borrower can continue to receive payments from the loan while living in the home after you die or move out.

Can I afford my living expenses, property taxes, and insurance?

Yes A reverse mortgage can help with these expenses, but it is important to have other retirement resources too.

No You could face foreclosure if you run out of money to pay property taxes, insurance, or other housing-related expenses in the future.

Do I plan to remain in my home for a long time?

Yes A reverse mortgage usually makes more sense the longer you live in your home.

No If a health issue or other event may cause you to move out soon, a reverse mortgage is an expensive way to cover short term cash needs.

Can I wait until I am older?

Yes It is usually best to wait, especially if you are in your 60s.

No Borrowing too soon can leave you without resources later in life. Remember to look at all your options first.

Reverse Mortgages

Important questions to ask:

- Are Borrowers the only ones who live in the home?
- Can I afford my living expenses, property taxes, and insurance?
- Do I plan to remain in my home for a long time?
- Can I wait until I'm older?

Consider Alternatives:

- Wait (the older a borrower is, the more s/he can borrow)
- Refinance your current mortgage
- Alternative home equity products might be cheaper
- Lower your expenses (consider downsizing)

Online Tools

Planning for Retirement

- Easy to use, interactive tool
- Three simple steps to help consumers navigate their Social Security claiming decision
- Available in Spanish
- Optimized for mobile use
- Created with the support of Social Security Administration

consumerfinance.gov/retirement

cfpb Consumer Financial Protection Bureau ask cfpb

example: how do I lower my interest rate

BANK ACCOUNTS AND SERVICES

Can a debt collector take my Social Security or VA benefits?

UPDATED 6/16/2015

No. Most debt collectors can't take your Social Security or VA benefits directly out of your bank account.

When a collector sues you for the debt and wins a judgment, it can ask your bank or credit union to turn over money from your account. This is called a garnishment. Banks must automatically protect Social Security and VA benefits from garnishment if they are direct deposited into your account. (There are some exceptions to this rule, which are explained below.) Here's how the automatic protection works.

GET HELP

Submit a Bank Account or Service complaint

We'll forward your issue to the company, give you a tracking number, and keep you updated on the status of

Your bank protects 2 months' worth of benefits

If a collector tries to garnish money in your account, your bank must look at your account history to see if you received any Social Security or VA benefits by direct deposit in the last 2 months. The bank must protect 2 months' worth of benefits from garnishment and let you use that money. If your account has more than 2 months' worth of benefits, your bank can freeze the extra money.

Example

MORE INFORMATION ON

Older Americans

wage garnishment

federal benefits

social security

child support

Direct Express

Print

THIS ANSWER WAS

Helpful

Too long

Confusing

Incorrect

About these answers

Stay in touch…

- Complaints:

  consumerfinance.gov/complaint/

  (855) 411-CFPB (2372)   TTY/TDD: (855) 729-CFPB

- Orders

  promotions.usa.gov/cfpbpubs.html#special

  (855) 411-CFPB (2372)

Contact

Office for Older Americans

olderamericans@cfpb.gov

Michael Herndon

Deputy Assistant Director, Office for Older Americans

Michael.Herndon@cfpb.gov