



How to combat elder financial abuse

Security The financial exploitation of seniors is a nationwide problem, but experts say community banks are in a key position to thwart this type of fraud. They recommend banks train staff to spot red flags and report suspicious activity to authorities.
By Beth Mattson-Teig

Community banks are finding themselves fighting on the front lines of a growing crime wave targeting seniors. Cases of elder financial exploitation (EFE) range from scammers knocking on the front door to phone calls and emails from people pretending to be a family member who's in trouble with the IRS.

"These seniors are just getting bombarded on a regular basis from every angle," says Randall Phillips, who has seen

plenty of cases of fraud firsthand, both as a former police officer and now a bank security consultant at Thompson Consulting Group, LLC in Oswego, N.Y.

Phillips also serves as the security and facilities specialist at \$431 million-asset USNY Bank, which does business as the Bank of the Finger Lakes and Bank of Cooperstown in upstate New York. The community bank has taken a proactive approach to detecting and preventing financial fraud against older customers through routine employee training, software analysis that can flag unusual account activity, and an outreach program to educate seniors and their families on what to watch for in potential scams.

"We're trying to do our part to uncover this wherever we can to stop some of these losses," says Phillips, "but it's a huge problem that is only going to get bigger with the

growing aging population.”

EFE is a widespread issue across the U.S. It can be a particularly thorny crime to address because of the wide range of culprits, from strangers to professional caregivers—even family and friends.

According to new research released by the Consumer Financial Protection Bureau (CFPB), more than 180,000 suspicious activities reports (SARs) related to EFEs were filed between 2013 and 2017, involving more than \$6 billion. Financial institutions reported a total of \$1.7 billion in suspicious activities in 2017 alone, but the CFPB report noted that reports likely represent just a tiny fraction of the actual number of incidents.

Reporting remains a challenge

Banks are perfectly situated to detect, report and prevent suspected cases of financial wrongdoing. Although the most common cases involve money transfers, fraud cases related to checking or savings accounts have the highest monetary losses. According to the CFPB, the average monetary loss to an older adult was \$48,300 for EFE SARs involving a checking or savings account.

“Banks, and community banks in particular, are in a unique position to train people on what to look for in cases of fraud and also to be a great informational resource to the community,” says Barry Thompson, managing partner at Thompson Group Consulting.

Yet, one of the big hurdles for bankers is knowing what to report and where to report it. Laws differ by state, which makes it incumbent on the bank to take steps to know what the laws are for the states where they operate, adds Thompson.

In July 2019, the CFPB issued an update to its Advisory and Recommendations for Financial Institutions on Preventing and Responding to Elder Financial Exploitation, which was first released in 2016. The new guidance reinforces the message that banks can and should report suspected cases of EFE.

One of the important points within the CFPB guidance is that the federal Senior Safe Act, which went into effect in June 2018, provides safe harbors for banks to disclose private financial information in cases of suspected EFE so long as the institution has trained its employees on identifying EFE.

The update also includes new information on state reporting requirements. As of April 2019, 26 states and the District of Columbia mandate that financial institutions or specified financial professionals report suspected EFE.

“Reporting EFE to the proper authorities is the most important step in securing help for older adults that may be victims of financial

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—Randall Phillips, Thompson Consulting Group and USNY Bank

exploitations,” says Martha Schoonover, vice president of regulatory compliance and Bank Secrecy Act (BSA) and Community Reinvestment Act (CRA) officer at \$500 million-asset Mechanics Bank in Mansfield, Ohio. It’s important to note that financial institutions aren’t required to prove that EFE is present, only that there is a suspicion of exploitation, she adds.

Shoring up best practices

Banks are increasingly stepping up education, training and in-place protocols for identifying and reporting cases of suspected EFE. The latest round of guidance emphasizes the importance of training as a safe harbor for disclosing financial information to the appropriate authorities when complying with mandatory or voluntary reporting requirements.

Banks are especially focused on training front-line people—tellers, customer service representatives and loan officers—who interact directly with seniors. One of the things they watch for is simply any unusual financial activity or unusual behavior by the individual.

The second step is to have a clear internal protocol of what to report, how to report and to whom they should report those incidents internally. In most cases, employees report suspected cases to the bank’s BSA officer, who will fill out an

Quick stat

\$48,300

The average monetary loss per EFE suspicious activity report (SAR) involving a checking or savings account

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SAR, evaluate the incident and decide the next steps to take.

"We have seen a big increase in fraud against the elderly," says Jo Hinds, a senior BSA officer at \$3.6 billion-asset Happy State Bank, which operates 41 locations in Texas. "Our first line of defense is the people who have face-to-face conversations with these people on a daily basis. They are the ones that are going to see these red flags."

Happy State Bank does EFE training at least annually to remind its employees about red flags. The community

bank makes a point to share real-life stories so that employees are more aware of different types of fraud, from romance scams to people who try to cash stolen social security checks.

Mechanics Bank holds annual BSA-related training for all staff, including its board. Staff are trained to watch for customers who have mentioned giving their personal information to someone over the phone or online, as well as common red flags like frequent large withdrawals, sudden non-sufficient funds activity, attempts

6 dos and don'ts of addressing elder financial abuse

Banks need to be diligent in training staff to detect suspected cases of elder financial exploitation (EFE) and also to report incidents to the appropriate authorities, experts say. If a bank isn't receiving incident reports from employees, it's a good indicator that staff need more training, says Barry Thompson, managing partner at Thompson Group Consulting in Oswego, N.Y.

"I can almost guarantee you that every institution should be seeing at least one case a year where they think that they might need to look at a situation," he adds.

The CFPB offers guidance at bit.ly/CFPBelderfraudreport, and here are some tips from security experts:

- 1. Do:** Research the requirements for reporting cases of suspected EFE in the state or states where your bank operates.
- 2. Don't:** Discuss EFE only once a year in annual training sessions. Hold shorter training sessions and meetings throughout the year to create an ongoing discussion.
- 3. Do:** Send bank officers to security training to stay on top of the latest information, resources and tools.
- 4. Don't:** Get frustrated by a lack of action by the authorities. Meet with local adult protective services to understand what information or proof is needed to prosecute these crimes.
- 5. Do:** Share examples that remind employees of what to watch for.
- 6. Do:** Consider providing educational outreach programs for seniors and families of seniors.



to wire a lot of money or other unsettling interactions with caregivers.

Over the past year, Mechanics Bank has dealt with several cases where older customers have attempted to wire most, if not all, of their savings to a “friend” they met online. In these instances, the bank may refuse to wire the funds and contact the customer to discuss the situation. “We then add messages to the customer’s profile in order to prompt front-line staff to pay even closer attention to activity that could be related to the exploitation of our customer,” Schoonover says.

Some banks are taking a more proactive approach to detecting cases of potential EFE. For example, USNY Bank uses analytical software to search for anomalies. That analysis helped to identify one case involving multiple seniors linked to one particular caregiver.

All banks have different tools in the toolkit to address the growing problem of EFE. Phillips adds: “The best advice is for banks to be as diligent as possible and make sure staff are well trained.” ■

Beth Mattson-Teig is a writer in Minnesota.

3 fraud resources for community banks

For more information about combating elder financial exploitation, visit:

- ICBA’s online elder financial abuse training course: icba.org/education
- AARP BankSafe Training Platform: banksafetraining.aarp.org/interest
- CRA Partners CRA compliance program: shcpfoundation.org/cra-partners



Refresh your cybersecurity knowledge

Find further guidance on combating elder financial exploitation from the CFPB, FinCEN and the U.S. Department of the Treasury at bit.ly/efe_1 and bit.ly/efe_2

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