**Senate Banking and Insurance Committee**

**Senate Aging and Youth Committee**

***Joint Public Hearing on Preventing Financial Exploitation of Seniors***

**September 18th, 2024**

**9:00am-11:00am**

**Hearing Room 1, North Office Building**

**AARP Pennsylvania Testimony**

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**State Advocacy Director**



Good Morning. My name is Teresa Osborne.

As State Advocacy Director, I am honored to be here today to testify on behalf of AARP Pennsylvania. We thank you, Chairpersons DiSanto, Street, Ward and Collett and members of the Senate Banking and

Insurance and Senate Aging & Youth Committees for holding this important *Joint Public Hearing on Preventing Financial Exploitation of Seniors*. As the largest nonprofit, nonpartisan organization representing the interests of Pennsylvanians age 50 and older and their families, AARP Pennsylvania appreciates the opportunity to appear before your Committees to offer our views on elder abuse, fraud, and financial exploitation.

Across the country and throughout the Commonwealth, AARP has long worked to educate consumers, support abuse victims, and improve strategies that detect and prevent fraud and financial exploitation at financial institutions. We have a history of fighting for protections for seniors and have been on the forefront of advocacy in support of federal and state laws and regulations that prevent this type of abuse. We look forward to working with you to spread awareness and work toward policy solutions to prevent financial exploitation and protect victims.

Like many other forms of domestic abuse, elder abuse, is an often-hidden phenomenon that affects hundreds of thousands of older Americans, including older Pennsylvanians. State adult protective services (APS) laws generally provide safeguards for adults who cannot protect themselves from physical, sexual, or emotional abuse, neglect, abandonment, or financial exploitation. Many state statutes, including Pennsylvania’s Older Adult Protective Services Act, specifically target people age 60 and over.

Older Adult Protective Services is a social service program authorized by [Pennsylvania’s Act 79 of 1987](https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/1987/0/0079..HTM#:~:text=It%20is%20declared%20the%20policy%20of%20the%20Commonwealth,necessary%20to%20protect%20their%20health%2C%20safety%20and%20welfare.) to receive and investigate reports of elder abuse and to intervene to reduce or eliminate the abuse and protect the victims to the extent possible. Older Adult Protective Service workers must always balance the duty to protect the safety of the vulnerable older adult with the adult’s right to self-determination.

# AARP Policy

AARP supports strong legal protections against financial exploitation and abuse. We believe that incapacitated and vulnerable older adults deserve effective protective services that address all forms of exploitation and abuse.

AARP believes that states should enact and enforce laws that:

* fully fund adult protective services (APS);
* make it a criminal offense, with enhanced penalties, to abuse, neglect, or exploit a vulnerable individual;
* provide victims and their legal representatives adequate civil procedures and remedies against perpetrators of abuse, neglect, or exploitation (including a shift in the burden of proof, award of attorney’s fees and costs, expedited hearings, and posthumous recoveries for pain and suffering), and;
* make institutions liable for criminal and civil penalties for victimization of those in their care.

Additionally, protecting older adults against power of attorney and guardianship abuse has become increasingly important, and AARP encourages state efforts to strengthen these protections in state law. AARP supports the [Uniform Law Commission’s model legislation](https://www.uniformlaws.org/committees/community-home?CommunityKey=2eba8654-8871-4905-ad38-aabbd573911c) on power of attorney and guardianship. We believe that enactment of these standards will help curb elder financial abuse by providing protections against and remedies for abuse, as well as provide uniformity and mechanisms to resolve disputes when families live in separate states.

For the purposes of this hearing, I will touch on two important aspects for members of both committees to consider:

* scope and characteristics of elder financial exploitation; and
* legislative activity to protect older persons from financial exploitation.

# Scope and Characteristics of Elder Financial Abuse

Elder financial exploitation - the fraudulent or illegal use of an older adult’s funds, property, or assets - has far-reaching effects on the older adult and on society. A [2023 report from AARP](https://www.aarp.org/content/dam/aarp/money/scams-and-fraud/2023/true-cost-elder-financial-exploitation.doi.10.26419-2Fppi.00194.001.pdf) revealed that older Americans lose an estimated $28.3 billion annually to elder financial exploitation. The report also shows that 87.5% of adults age 60 and older who are victimized by someone they know never report these incidents to authorities. In contrast, just one-third of victims of stranger-perpetrated elder financial exploitation do not report it.

Key findings of the report include:

* Criminals steal an estimated total of $28.3 billion from older adults each year.

* Of that $28.3 billion, known others, such as a friend, family member or caregiver, steal $20.3 billion, or 72%.

* Elder financial exploitation perpetrated by strangers, accounts for the other $8 billion per year, or 28%.

* Of the $28.3 billion in estimated annual elder financial exploitation losses, only $7.8 billion of stolen funds are reported to authorities.

Quite simply, financial exploitation in America is at crisis levels. The [Federal Trade Commission’s (FTC) latest data](https://public.tableau.com/app/profile/federal.trade.commission/viz/ConsumerSentinel/Infographic) shows there were $10.3 billion in fraud losses in 2023 – a dramatic increase from the $1.9 billion in losses in 2019. The Federal Bureau of Investigation’s (FBI) numbers are even more stark. In 2023, the FBI reported $12.5 billion in losses (compared to $3.5 billion in 2019). And because of vast under-reporting, this is likely a small percentage of actual losses. An [AARP study in 2021](https://www.aarp.org/pri/topics/work-finances-retirement/fraud-consumer-protection/fraud-victim-susceptibility-study.html) estimated 9 in 10 Americans encountered a fraud attempt, and 1 in 7 had money stolen from them in 2020 alone.

While the issue of fraud is not unique to older adults, it often has a disproportionate financial impact on them. According to FTC data, older adults reported higher median losses than younger adults in 2023, with a median loss of $1450 for those age 80-plus reporting a fraud loss, compared to $460 for those in the 20-29 age group. Criminals often target older adults because they have more money – they have had a longer time to accumulate savings and are therefore appealing targets for criminals. These losses can have significant impacts on the financial security of older Americans, as they are often living on fixed incomes and can scarce afford to lose funds to criminals.

Victims come from diverse backgrounds – criminals do not discriminate when it comes to targeting potential victims. The [AARP Fraud Watch Network Helpline](https://www.aarp.org/money/scams-fraud/helpline.html) has made clear that fraud happens to everyone – it does not matter a victims’ age, their income level, where they live, or what level of education they have. Everyone is susceptible to fraud.

However, many victims never report elder financial exploitation because of shame and embarrassment. In fact, the tendency to not report an incident may be greatest when the perpetrator is related to the victim. Victims may not want to publicly cast shame on their family. They may rely on the perpetrator for needed care and not want to jeopardize that care, or they may simply not want the family member to be prosecuted. Additionally, for many fraud victims, the financial toll is only part of the story; research from the AARP Fraud Watch Network and the FINRA Investor Education Foundation, with Heart + Mind Strategies, shows nearly two in three victims suffer a significant health or emotional impact. This is in part caused by the stigma associated with fraud. While society treats many victims of crime with compassion, the typical response with fraud victims is to place the blame and responsibility on the victim. There is a tendency to blame fraud victims for “falling for” a scam, not being smart enough, or not paying enough attention.

The reality is that the criminals who carry out these scams have professionalized their industry – they are experts at convincing people to send them money via a plethora of different types of scams and it is not surprising at all that they are successful. It is vital we change the narrative, as the blame and stigma currently associated with fraud not only have a devastating impact on victims, but also discourage victims from reporting fraud when it happens to them. For example, it is important that when we talk about scams and fraud, we say “criminals stole their money” rather than “they lost money to a fraudster,”.

AARP has done extensive research and has [developed resources](https://www.aarp.org/lp/words-matter/?cmp=RDRCT-FRD-WORDS-MATTER-2024) with the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation to help educate people on what language is more appropriate when working with victims so that the narrative is shifted to focus on the crime and the criminal.

Getting at the true financial scope of this immense problem has been elusive. The impact reaches other parts of society beyond the immediate victim. With a victim’s funds depleted, family caregivers are even more likely to incur costs to provide care. The financial industry, unsurprisingly, loses billions of dollars each year to elder financial exploitation, while taxpayers bear an increased burden in the form of increased reliance on social safety nets, such as Medicaid long-term care services and supports, and other resources needed to assist those victims who are financially devastated. Victims have reported that where criminals have drained their retirement accounts, this has affected their Social Security benefits, as retirement account withdrawals can result in higher income brackets and greater taxes on both their lost retirement funds and their benefits.

There are also serious emotional ramifications of fraud. Victims report feeling frustration, anger, mistrust, and sadness after experiencing fraud – and some unfortunately commit suicide. According to a [FINRA study,](https://www.finrafoundation.org/sites/finrafoundation/files/non-traditional-costs-financial-fraud.pdf) two-thirds of fraud victims reported experiencing at least one non-financial cost of fraud to a serious degree. These included severe stress (50%), anxiety (44%), difficulty sleeping (38%), and depression (35%). Victims who lose more money are more likely to incur more non-financial costs. These emotional impacts of fraud often lead victims to not report that crimes have been committed against them because of the guilt and shame they may feel. This contributes to significant underreporting to law enforcement, resulting in an unclear picture of the true scope of the problem and where to focus investigative efforts.

# Tools to Protect Older Persons from Financial Exploitation

States – like Pennsylvania - are aware of the growing problems of financial fraud and abuse facing their burgeoning aging populations and are taking steps to protect them. Just like the saying, “It takes a village to raise a child,” it also takes a community to safeguard seniors. In addition to Older Adult Protective Services workers, law enforcement and elder law attorneys are central players in the fight, but they are not the only ones. Beating the bad guys requires a network of good guys, and bankers are a critical cog in the wheel of this battle.

Unusual financial activity, including a series of large ATM withdrawals, a flurry of stock trades, or bigticket purchases, could be clues that an older adult one is being financially exploited. And, the first person to spot it might be their financial advisor or the teller at their bank. With more of the nation’s savings in the hands of people over 50 and financial abuse of older adults on the rise, companies charged with protecting clients’ assets need to step up efforts to spot early signs of elder fraud and help to nip it in the bud, whether the exploitation is perpetrated by a distant, anonymous phone scammer, or a relative or caregiver whispering in a vulnerable older adult’s ear. Simply put, combating elder financial exploitation requires a multifaceted approach. Protecting seniors against elder abuse – including elder financial exploitation - has become more important, and as states have been seeking ways to strengthen these protections in state law, AARP has been supporting and helping to shape these efforts.

 In 2016, the U.S. Consumer Financial Protection Bureau (CFPB) offered guidance to financial institutions on preventing older customers from being taken advantage of financially — the first time a federal regulator had provided such extensive suggestions for best practices. The CFPB called on financial institutions to:

* Train employees to recognize signs of elder financial exploitation.

* Promptly report suspected abuse to authorities and provide requested records and other cooperation.

* Offer “age-friendly services” for older clients, such as alerts for specific account activity and opportunities to name trusted third parties to view or receive information on their accounts.

* Use data analysis to review transactions and detect departures from an account holder’s typical financial behavior.

Also in 2016, the [North American Securities Administrators Association (NASAA),](https://www.nasaa.org/industry-resources/senior-issues/model-act-to-protect-vulnerable-adults-from-financial-exploitation/) which represents state, provincial and territorial securities regulators in the United States, Canada and Mexico, developed model legislation requiring “qualified individuals” to report suspected elder financial exploitation to regulators and Adult Protection Services. Called the [NASAA Senior Model Act,](https://www.nasaa.org/industry-resources/senior-issues/model-act-to-protect-vulnerable-adults-from-financial-exploitation/) it also authorizes brokers and investment advisers to delay dispersing funds if they believe it will prevent a theft. It has been adopted in 42 states and territories.

The Senior Model Act delivers a mechanism providing banks and other financial institutions with the authority to report suspect financial exploitation to Older Adult Protect Services and law enforcement and to delay a disbursement for a period of time. AARP supports this model legislation and urges the adoption of this ‘report and hold’ law in Pennsylvania. Financial institutions are uniquely situated to detect possible financial exploitation through their relationships with older customers. They need this additional tool in their toolbox to help stop it from happening.

# Closing

Financial abuse of seniors can cause injures far beyond the pocketbook. This abuse frequently affects their physical and emotional health. The state in many instances finds itself trying to pick up the pieces. The enactment of stronger safeguards against the abuse of elders is a win, win situation for the state and for all older Pennsylvanians.

Thank you again for hearing our views on elder financial abuse. To stop elder financial exploitation, we all have to work together. We must encourage a culture of reporting and ensure that victims receive the consistent compassion and support they need, regardless of where they live or to whom they report fraud. This will not only aid in their recovery, but also provide law enforcement with critical data to understand and combat fraud effectively. Addressing fraud requires more than piecemeal solutions; it demands a holistic and coordinated approach. We need a collaborative effort that brings together victim services providers, industry stakeholders, and government agencies. Each of these groups plays a crucial role: victim services offer essential support and advocacy, industry players are on the front lines of detection and prevention, and regulatory and law enforcement agencies can bring justice for victims and aid in victim restitution.

We look forward to working with you to combat elder financial exploitation and find comprehensive solutions to prevent it. Thank you.