Elder Financial Exploitation Suspicious Activity Reports: Issues and Trends

Office of Financial Protection for Older Americans
Your presenters

**Naomi Karp**  
Senior Policy Analyst  
Older Americans

**Hector Ortiz**  
Senior Policy Analyst  
Older Americans
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 Consumer Financial Protection Bureau. Any opinions or views stated by the presenter are the presenter’s own and may not represent the Bureau’s views.

This document was used in support of a live discussion. As such, it does not necessarily express the entirety of that discussion nor the relative emphasis of topics therein.
About the Bureau

The Consumer Financial Protection Bureau regulates the offering and provision of consumer financial products and services under the Federal consumer financial laws, and educates and empowers consumers to make better informed financial decisions.

consumerfinance.gov
The Office of Financial Protection for Older Americans engages in research, policy, and educational initiatives, designed to:

▪ help protect older consumers from financial harm

▪ help older consumers make sound financial decisions as they age

Learn more about us at consumerfinance.gov/olderamericans
Background
Elder financial exploitation

- Illegal or improper use of older person’s funds, property or assets
- Perpetrators range from close family members to offshore scammers
- Only a small fraction of incidents reported to authorities, i.e., law enforcement and/or Adult Protective Services
- Estimates of annual losses to older adults = $2.9B to $36B
Suspicious Activity Reports (SARs)

- Bank Secrecy Act mandates that FIs report suspicious activity that might indicate criminal activities to FinCEN
- SAR filers include banks, credit unions, money services businesses (MSBs), broker/dealers, others
- Access to SARs and knowledge of existence generally limited to law enforcement (LE) and financial regulators
- LE can use SAR information to trigger investigations, support ongoing investigations, identify subjects
Elder financial exploitation (EFE) SARs

- 2011: FinCEN Advisory noted that SARs are valuable avenue for FIs to report elder financial exploitation (EFE)
  - Includes *transactional* red flags signaling EFE, e.g. frequent large withdrawals, uncharacteristic attempts to wire large sums
  - Includes *behavioral* red flags, e.g. elder shows fear or submissiveness toward caregiver, FI is unable to speak directly with elder

- 2013: FinCEN introduced electronic SAR filing, including designated category for EFE
  - “Clear, complete and concise” description of activity to be included in narrative field
Suspicious Activity Reports on Elder Financial Exploitation: Issues and Trends

Methodology
**SAR data analysis summary**

<table>
<thead>
<tr>
<th></th>
<th>Limited Structured Data from All EFE SARs</th>
<th>Full Data from a Random Sample of EFE SARs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of observations</strong></td>
<td>185,214 (BSAID)</td>
<td>1,051 (MasterID)</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>Number by year and filer type Total amounts</td>
<td>Patterns and issues, average amounts</td>
</tr>
<tr>
<td><strong>Time frame of data</strong></td>
<td>April 2013-December 2017</td>
<td>April 2013 - September 2017</td>
</tr>
<tr>
<td><strong>Methods involved</strong></td>
<td>Descriptive statistics</td>
<td>Reading and coding Descriptive statistics</td>
</tr>
</tbody>
</table>
Report findings
Trends in submissions
SAR filings on elder financial exploitation quadrupled from 2013 to 2017

Source: Bureau's analysis of EFE SARs filed between April 2013 and December 2017 (176,690 SARs)
MSBs have filed an increasing share of EFE SARs

PERCENT OF EFE SARs FILED BY FILER TYPE (APRIL 2013 – DECEMBER 2017)

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

Monetary losses involved
Financial institutions reported a total of $1.7 billion in suspicious activities in 2017

TOTAL AMOUNT OF MONETARY LOSSES AND ATTEMPTS REPORTED IN EFE SARs BY YEAR (IN BILLIONS)

Source: Bureau’s analysis of all EFE SARs filed between April 2013 and December 2017 (183,360 SARs).
Monetary losses are common and substantial

- Nearly 80 percent of EFE SARs involved a monetary loss to older adults and/or filers

- Older adults’ monetary losses ($34,200*) were greater than filers’ losses ($16,700*)

*average
One third of the individuals who lost money were ages 80 and older

PERCENT OF EFE SARs WITH A LOSS TO OLDER ADULTS BY AGE GROUP
(APRIL 2013 – SEPTEMBER 2017)

Source: Bureau’s analysis of a random sample of EFE SARs (459 SARs)
Adults ages 70 to 79 had the highest average monetary loss


- 80 and older: $39,200
- 70-79: $45,300
- 60-69: $22,700
- 50-59: $13,400

Source: Bureau’s analysis of a random sample of EFE SARs (324 SARs)
EFE SARs identify a variety of suspects

PERCENT OF EFE SARs BY SUSPECT CATEGORY

- Stranger: 51%
- Known person: 36%
- Family: 25%
- Fiduciary: 7%
- Non-family Caregiver: 4%

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs)
Most common suspected family member is an adult child

Source: Bureau’s analysis of a random sample of EFE SARs (261 SARs)
Most suspects who were unknown to the targeted older adult were located internationally

LOCATION OF SUSPECTS IN EFE SARS

- Domestic: 37%
- Foreign: 52%
- Both: 11%

Source: Bureau’s analysis of a random sample of EFE SARs (537 SARs)
Monetary losses were greater when the older adult knew the suspect

PERCENT OF EFE SARs WITH A LOSS TO THE OLDER ADULT AND AVERAGE MONETARY LOSS BY SUSPECT CATEGORY (APRIL 2013 – SEPTEMBER 2017)

<table>
<thead>
<tr>
<th>Suspect Category</th>
<th>Percent of EFE SARs within a suspect category involving a loss to the older adult</th>
<th>Average (median) loss per older adult</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stranger</td>
<td>75%</td>
<td>$17,000 ($8,500)</td>
</tr>
<tr>
<td>Known person</td>
<td>79%</td>
<td>$50,200 ($23,200)</td>
</tr>
<tr>
<td>Family</td>
<td>82%</td>
<td>$42,700 ($24,900)</td>
</tr>
<tr>
<td>Fiduciary</td>
<td>88%</td>
<td>$83,600 ($33,800)</td>
</tr>
<tr>
<td>Non-family caregiver</td>
<td>76%</td>
<td>$57,800 ($21,800)</td>
</tr>
</tbody>
</table>

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs)
Report findings

Patterns and issues
Types of suspicious activity varied significantly by filer

TYPES OF ELDER FINANCIAL EXPLOITATION ACTIVITY DESCRIBED IN SARs BY FILER TYPE (APRIL 2013 – SEPTEMBER 2017)

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs)
Common patterns found in EFE SARs

- **Romance scam**
  - MSB
  - Money Transfers

- **Exploitation by family member or fiduciary**
  - DI
  - Debit card Withdrawals

- **Theft by caregiver**
  - DI
  - Check Withdrawals

- **Money mule**
  - MSB
  - Money Transfers

Source: Bureau's analysis of a random sample of EFE SARs (1,051 SARs)
More than half of EFE SARs involved a money transfer

TOP 10 FINANCIAL PRODUCTS USED IN EFE SARs (APRIL 2013 – SEPTEMBER 2017)

- Money transfers: 52%
- Checking or savings account: 44%
- Credit card: 9%
- Consumer Loan/ Payday loan/ Cash advance: 4%
- Money orders / Traveler’s checks /…: 4%
- Securities: 4%
- Prepaid card: 2%
- Mortgage: 2%
- Annuity/Insurance: 1%
- Certificate of Deposit: 1%

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs)
Checking or savings accounts had the highest monetary losses

<table>
<thead>
<tr>
<th>Product</th>
<th>Percent with a loss to the older adult&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Average (median) loss per older adult&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking or savings account</td>
<td>79%</td>
<td>$48,300 ($22,100)</td>
</tr>
<tr>
<td>Money transfer</td>
<td>78%</td>
<td>$32,800 ($9,900)</td>
</tr>
<tr>
<td>Credit card</td>
<td>63%</td>
<td>$32,600 ($17,000)</td>
</tr>
</tbody>
</table>

Source: Bureau’s analysis of a random sample of EFE SARs (960 SARs)
Large and frequent wires were the most common activities that match FinCEN’s 2011 Advisory red flags.

PERCENT OF EFE SARs WHERE SUSPICIOUS ACTIVITY MATCHES A SPECIFIC RED FLAG FROM FINCEN'S 2011 ADVISORY (APRIL 2013 – SEPTEMBER 2017)

- Uncharacteristic attempts to wire large sums
- Frequent large withdrawals
- Inconsistent debit transactions
- New person conducts transactions w/o documentation
- New person manages OA’s finances, e.g. new POA
- OA lacks knowledge about financial status
- Caregiver shows excessive interest in OA’s finances
- Sudden Non-Sufficient Fund activity
- OA shows submissiveness towards caregiver
- Filer unable to speak to elder
- Uncharacteristic nonpayment for services
- Closing CDs/accounts w/o regard to penalties
- OA has new associations with “friends” or strangers

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs). *Older adult (OA)
The suspicious activity reported in a SAR took place, on average, over a four-month period

- The average length of the suspicious activities in EFE SARs is approximately four months (120 days).
- The suspicious activity in EFE SARs lasts longer than the average length of time when:
  - a joint account is involved (230 days)
  - a family member is the suspect (197 days)
  - the targeted person has diminished capacity (158 days)
  - the targeted person is 80 years old and older (134 days)

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs)
 Fewer than one-third of EFE SARs indicated that the filer reported the suspicious activity to a local, state, or federal authority.

PERCENT OF EFE SARS NOTING A REPORT TO A LOCAL, STATE OR FEDERAL AUTHORITY (APRIL 2013 – SEPTEMBER 2017)

- 72% Reported
- 28% Not reported / Unknown

Source: Bureau’s analysis of a random sample of EFE SARs (1,051 SARs)
Implications and next steps
Implications and next steps

- **SARs indicate that EFE is widespread and damaging** – this highlights need for strong interventions by FIs, law enforcement, social services, and involvement of policymakers.

- **FIs are filing more EFE SARs, but in most cases SARs don’t indicate that they are reporting EFE to law enforcement or adult protective services** – if not reporting, missed opportunity to strengthen prevention and response.

- **EFE SARs are useful/untapped resource for monitoring/measuring EFE**
Implications, continued

- The types of suspects/activities reported by MSBs and DIs differ significantly – interventions can be tailored accordingly
- Law enforcement can mine database of EFE SARs to be more proactive in investigating cases and bringing more prosecutions
Suspicious Activity Reports on Elder Financial Exploitation: Issues and Trends

Bureau initiatives

▪ **Memorandum on financial institution and law enforcement efforts to combat elder financial exploitation (August 2017)**

▪ **Recommendations and report for financial institutions on preventing and responding to elder financial exploitation (March 2016)**

▪ **Interagency Guidance on Privacy Laws and Reporting Financial Abuse of Older Adults (September 2013)**
Stay in touch

- Visit us at consumerfinance.gov/olderamericans
- Join our mailing list for news and updates on resources
- Contact us olderamericans@cfpb.gov
Questions