Can Data Sharing Improve the Financial Health of Older Adults?

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The Consumer Finance Institute at the Philadelphia Fed

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https://www.philadelphiafed.org/consumer-finance-institute
Financial Institutions Are Uniquely Positioned to Detect and Prevent Fraud and Abuse

• Changes in financial capacity often precede medical diagnoses

• FIs should have policies in place to
  • Identify
  • Respond to
  • Report, &
  • Prevent future elder fraud and financial abuse
FIs (& Regulators) Have Made Strides…

• ABA Survey (2017)
  • 7 out of 10 respondents required elder financial-abuse training for all frontline staff or customer-service representatives.
  • When dealing with suspected elder abuse or fraud, 8 out of 10 respondent banks placed an internal flag on the account in order to monitor it for future suspicious activity.

• FINRA Rules 2165 (Financial Exploitation of Specified Adults) & 4512 (Customer Account Information)
... but Much Work Remains

• Many FIs lack a comprehensive strategy to address elder fraud and financial abuse

• Also from the ABA Survey:
  • 36% of larger respondent banks did not use software to monitor accounts for signs of financial abuse or fraud.
    • 65% of smaller respondents
  
• Only 41% offered tools to enable a family member or financial caregiver to monitor account activity via “view-only” access or secondary paper statements.
Should There Be A Greater Sense of Urgency?

10,000 Americans will turn 65 every day until 2029
The Philadelphia Fed Organized and Co-Hosted A Two-day Conference Last Fall

• Next, we discuss some takeaways from the event
“Changes in financial behavior are an early sign that age-related changes may be negatively affecting the brain and that an older person may be at risk for developing Alzheimer’s disease.”

Dr. Patricia Boyle, Rush University Medical Center

“If routine business meant that bankers [...] could reach out to trusted others, or refer clients to doctors at a memory center, older adults could receive medical attention before they and their families — as well as the institutions that once had responsibility for their money — were mired in problems that ruined their wealth.”

Dr. Jason Karlawish, University of Pennsylvania
FIs Should Encourage Older Adults to Plan for Diminished Financial Capacity

• Account disclosures should enable the FI to intervene and seek court or administrative assistance when there is suspected financial exploitation, dementia or undue influence.

• Emergency contact authorization form allows FI to contact a trusted person as designated by the client when it suspects possible abuse or dementia.

• Establish clear guidelines for honoring a valid power of attorney
FIs Needn’t Reinvent the Wheel When Developing An Elder Fraud and Financial Abuse Prevention Program

- **CFPB** - Advisory for Financial Institutions on Preventing and Responding to Elder Financial Exploitation
- **AARP Public Policy Institute** - BankSafe Initiative
- **ABA** - Safe Banking For Seniors
- **CRA Partners** - Senior Crimestoppers Program
- **CUNA** - Compliance Webinars
We Really Don’t Know How Big Of A Problem We Have

• Can’t measure what we don’t track

Financial Elder Abuse Costs $3 Billion a Year. Or Is It $36 Billion?

The data varies dramatically depending on the source. And that’s a problem.

By Tobie Stanger
September 29, 2015
Data Privacy Laws Can Inhibit an FI’s Ability to Assist Older Clients

• Reluctance to share information with other institutions for fear of violating federal and state privacy laws.

• Sharing with federal, state, and local law enforcement, and APS
  • Safe harbor conditions clarified in Interagency Guidance (September 2013)

• Sharing with other financial institutions
  • Why? Exploiters don’t just take money from one financial institution. They steal across accounts and across institutions.
  • Not permitted under GLBA
Can FinCEN’s Reporting Platforms Be Leveraged to Develop an Interbank Data Sharing Network?

• PATRIOT Act directed Treasury to create the secure information sharing system

• Bank Secrecy Act requires Suspicious Activity Reports (SAR)
  • A 2011 FinCEN alert encouraged financial institutions to file a SAR when they suspected elder financial exploitation.
  • In 2013, FinCEN added a check box for elder financial exploitation on its electronic filing form.
National Financial Independence Project

• Key Concept- Allowing data sharing between FIs could help prevent future financial crimes.

• Why? Exploiters don’t just take money from one financial institution. They steal across accounts and across institutions.

• How would it work?
People Tend to Have Relationships With More Than One FI

Imagine Bank, Inc. identifies someone who is at risk for financial fraud or exploitation. Can they alert the other institutions?
Unless the client has opted out of data privacy rights, FIs cannot alert each other.
A Data Sharing System Could Quickly, Safely, and Reliably Alert Other FIs

- Opt-in
  - Consumers could opt in to the data sharing service at account opening

- Safe Harbor
  - Regulators could issue new joint guidance
  - Policymakers could amend GLBA
What Are The Risks?

- **Data security**
  - Data residing in multiple locations, particularly external locations, creates additional targets/access points for hackers to steal customer data

- **Oversharing**
  - Unintentionally sharing more customer information than what is required

- **Inaction**
  - A preventable event may occur

- **Overreaction**
  - Freezing depository accounts could create new financial risks for the consumer
Thank You