



The Crisis of Fraud and Financial Exploitation in America: The Problem and Potential Solutions

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Agenda

➤ AARP Background

➤ Fraud Watch Network

➤ The Fraud Crisis

➤ Potential Solutions

AARP in Three Parts

> AARP Foundation

> AARP Services, Inc.

> AARP, Inc.

**our social mission work –
home of the Fraud Watch Network
and advocacy**

The Fraud Watch Network

What We Help You Do



Stay Informed



Find Support



Have a Voice

aarp.org/fraudwatchnetwork

Fraud Watch Helpline

- Free to everyone

- Report a scam

- Ask if something is legitimate

- Get help with fraud experience

1-877-908-3360

Mon-Fri

8 am – 8 pm Eastern

Online Victim Support Program

> 1-hour free, virtual sessions

> Empowering and supportive

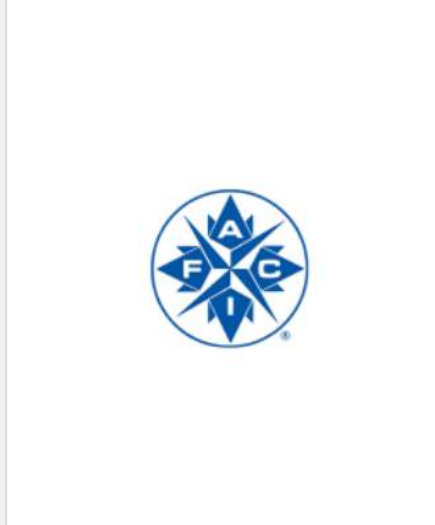
> Open to anyone of any age

> Lowers stress

> Safe space to talk

www.aarp.org/fraudsupport

Partners in Education



Fraud vs. Elder Financial Exploitation

- Embezzlement
- Falsifying records
- Coerced property transfers
- Denial of access to assets

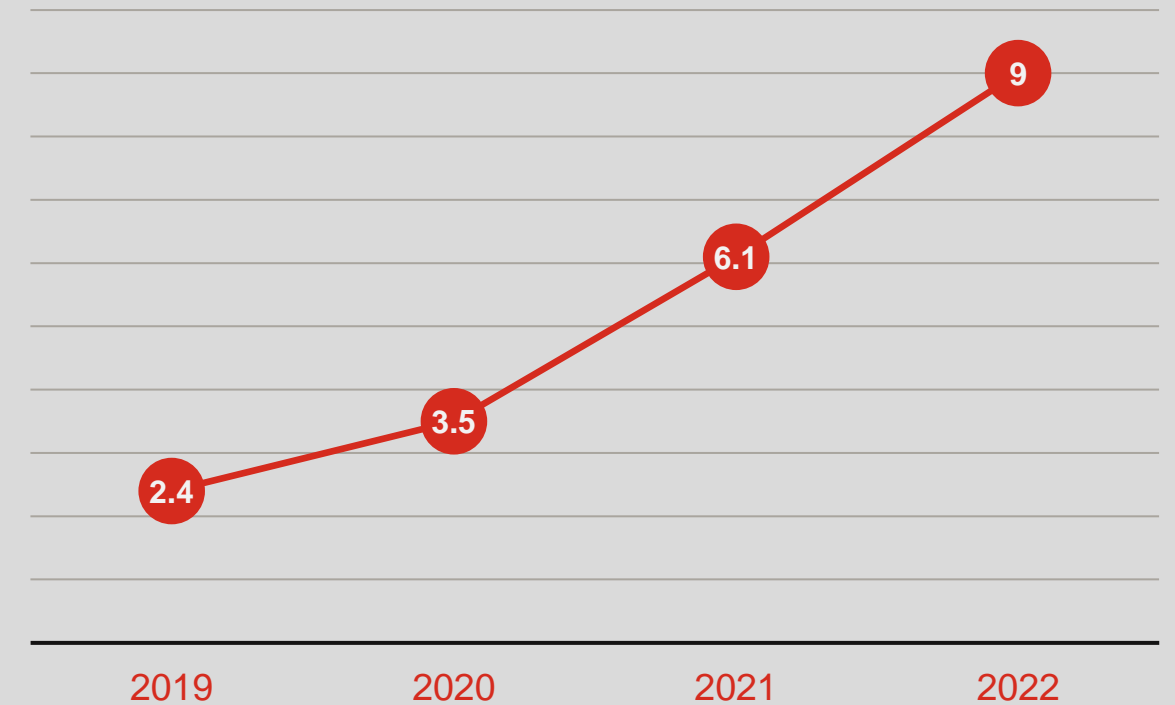
- Impostor scams
- Romance scams
- Lottery scams
- Identity fraud...



Scope of Fraud

- > FTC: \$9 billion (2022)
- > FBI: \$10.3 billion (cybercrime, 2022)
- > Javelin: \$43 billion (ID fraud, 2022)

Losses Reported to FTC in Billions

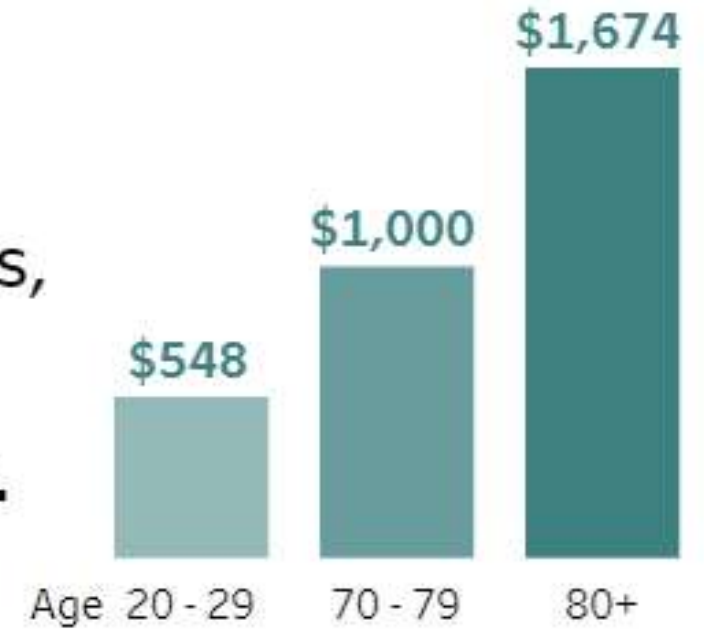


Fraud and Older Adults

Younger people reported losing money to fraud **more often than older people.**



But when people aged 70+ had a loss, **the median loss was much higher.**



Younger people lose money to fraud more often.
Older people lose so much more.

Why Scams Work

ETHER

IT IS NOT THE VICTIM'S FAULT

- > Criminals exploit emotional reaction
 - Fear, need, or excitement
 - Impedes access to logic

The Illusion of Invincibility

- > I'd never fall for that

- > Only happens to 'old' people

- > Victim should have known better



Violent and Property Crimes: How We React

Oh, that poor family

I'll bake them a lasagna

Financial Crimes: How We React

You got duped by that?? It's the oldest trick in the book!

How could he fall for that??

You'd have to be an idiot...

How much money did you give them?

How Scam Victims Talk About Themselves

I can't believe I fell for this!

How could I be so stupid??

The All-Too Human Toll

- Billions of dollars lost, with little chance of restitution

- Nearly 2/3 of victims report experiencing at least one serious health or emotional impact

- Thousands die by suicide

Does Education Work?

YES!

Prior knowledge
reduces engagement
with scammers

BUT...



We Can't Educate Our Way Out of This

Straight from a Victim

“By this time you have received the fax of the check. What you don't know is my life. I was a daughter, a wife and a mother. I grew up in Lockport Ill. My father was a factory worker and my mother was a nurse. We were happy but certainly not rich. My brother graduated from SIU with a degree in Business. He went on to establish a career in Cost Accounting for EMD. I was the bright shining star. Graduated SIU in education. Met my husband and married in 1974. Solid man. Became a Compliance Man for his company.

My husband and I were the power couple. We were respected in our companies. This was my life. Now I see disappointment in my children's eyes. They see me as the person who gave away our family money. What you need to know is I am a person. I seriously contemplated suicide during this mess. I was devastated. Please remember I am a person who failed her children and that is what hurts me the most.”

The Front Line: The Role of Financial Services Providers in Preventing and Responding to Elder Financial Exploitation

Banks, broker/dealers and other financial institutions can prevent and respond to Elder Financial Exploitation by:

- Training employees to detect suspicious transactions before they happen (tellers, brokers, other frontline employees and their supervisors) and avoiding the loss
- Using advanced technology to identify suspicious transactions
- Educating customers on fraud and financial exploitation
- Providing account services to enhance preventions and response (e.g. trusted contact, alerts)
- Reporting suspicious transactions to Adult Protective Services (APS), law enforcement; cooperating with investigations

Sample State Legislation to Address Elder Financial Exploitation

REPORT AND HOLD LAWS

- **MODEL BILL:** North American Securities Administrators Association (NASAA) developed model legislation in 2016 allowing broker-dealers and investment advisers to delay disbursements for period of time to investigate when they suspect financial exploitation and report suspicions to APS and securities regulators.

- **CURRENT STATUS:** Now adopted in majority of states for broker-dealers and investment advisers.

- **TREND:** More states adopting or proposing legislation permitting BANKS to use similar report and hold provisions. In about 8 states, report and hold applies to banks.

- **EXAMPLE:** Connecticut bill enacted in 2023 includes separate provisions for investment professionals and banks. Also allow banks to share information with Trusted Contact Person designated by account holder if bank suspects financial exploitation.

Sample State Legislation to Address Elder Financial Exploitation

REMOTE ON-LINE NOTARIZATION

- **REMOTE NOTARIZATION**—online and ink-signed—became more prevalent during the pandemic with individuals more isolated but business and personal needs continuing (including need to execute estate planning documents.)

- **CURRENT STATUS:** Remote online notarization laws (RON) passed in numerous states, particularly after Uniform Law Commission amended Revised Uniform Law on Notarial Acts (RULONA) in 2018 to include RON. Over 25 states adopted the 2018 and 2021 versions of RULONA.

- **CONCERNS:** Remote notarization could heighten risk of financial exploitation through forgeries, undue influence or coercion of vulnerable signers with notary not present in person.

- **AARP supports RULONA** and other remote notarization legislation that addresses risks to greatest extent possible. AARP reviews bills individually to ensure that risks of fraud have been considered and addressed.

Sample State Legislation to Address Elder Financial Exploitation

MULTI-DISCIPLINARY ELDER ABUSE AND FINANCIAL EXPLOITATION TASK FORCES

- **LEGISLATIVE TASK FORCES** designed to study the prevalence and impact of elder abuse and financial exploitation and to make recommendations on policies and legislation to effectively address the issue impacting seniors and other vulnerable adults.
- **BENEFITS**
 - Enforcement capabilities
 - Broader resources
 - Creative solutions
 - Reduces duplication of efforts
 - Resolve interagency and interdisciplinary miscommunications and misconceptions
- **EXAMPLES:** Rhode Island, Pennsylvania, Michigan, Connecticut and Tennessee

State Fraud Advocacy - Areas of Focus

PREVENTION

- Gift Card Protections

- Prohibiting Unfair Service Agreements

- Robo Call and Spoofing Prohibitions and Penalties

- Enhanced Penalties

- Increased Prosecution

RECOVERY

- Consumer Fraud Restitution Fund (AARP's Model Bill with the AG's office)

- Consumer **Securities Fraud** Restitution Fund (NASAA model bill with the Securities Commissioner's office)

Gift Card Scams

The Scam: Con artists have latched onto gift cards as a convenient form of payment in their scams. How these scams work:

- You are contacted about an urgent financial matter and told the quickest way to address the issue is to buy a gift card.
- You are told to share the numbers on the back of the gift cards.
- The scammer can quickly convert the card balance into cash and then disappear.
- Examples: a call from Social Security warns of a problem with your account; a utility company call warns of an imminent shutoff; you've won big in a lottery and just need to pay some fees upfront; your grandchild faces a financial emergency.

A Solution: New State Laws to Combat Gift Card Scams

- Requiring stores where gift cards are sold to post a notice alerting customers to protect themselves from gift card scams and what to do if they are the victims of this scam.
- Requiring employee training to recognize gift card fraud.

Unfair Service Agreements

The Scam:

- Unscrupulous real estate brokers trick homeowners into signing decades-long listing agreements giving these brokers exclusive right to sell the home. Agreements create a lien on the home. Require unsuspecting homeowners to pay to these brokers 3% of the home's property value to cancel or transfer the home to heirs.

A Solution:

- New laws to curtail this practice have passed in 16 states.

- Prohibit listing agreements of more than one year; make these agreements non-recordable in the deed or property record; prohibit liens on the property. Impose penalties on brokers who try to lock homeowners into exclusive long-term real estate listing agreements.

Model Legislation: Consumer Fraud Restitution Fund

- **Scam victims need help!** A fast-growing fraud industry is stealing billions of dollars from U.S. consumers every year. There are few viable options for recovering money lost to scams. The Fund can help solve that problem.

- **The Fund provides a reason for law enforcement to sue criminal scammers.** Tools of public civil law enforcement—injunctions and orders to pay money—don't stop scam operations. Getting money back to people will give enforcers, including Securities Commissioners and AGs, a reason to go after scammers.

- **The Fund provides a reason for fraud victims to report they've been scammed.** Victims are often reluctant to report financial crimes. If victims knew reporting the crime could result in restitution, they might be more willing to speak out.

- **The operation of the Fund is straightforward.** The enforcement agency (Securities Commissioner or AG) puts penalty money received in enforcement actions against large company bad actors into the Fund. They can then take money from the Fund to pay scam victims who have a court approved order for restitution and who would otherwise have no hope of recovering their fraud loss. In some states, the funding will come from the budget of the enforcement agency.

Model Legislation: Consumer Fraud Restitution Fund, continued

- **The Fund does NOT create a new government entitlement program.**

- **It works.** The Fund is modeled on the Consumer Financial Protection Bureau (CFPB) Civil Penalty Fund, which has been successfully operating for more than ten years through both Republican and Democratic administrations. The CFPB fund has paid more than \$671 million to consumers who otherwise would not have received compensation for their loss.

- **Losses are vast and solutions are needed.** Reported losses from fraud equal \$9 billion, and under-reporting means actual losses are far higher. A solution that builds opportunity for victim restitution, like a state-level fund, should be on the table.

- **The highest financial losses from fraud were incurred through investment scams.** More than \$3.8 billion, double the amount lost to such schemes in 2021, with a median loss of \$7,144 per victim.

Benefits of Restitution Fund Advocacy

- **HELP OF LAST RESORT.** Consumers with no options for recovery of loss from consumer fraud are given recompense.

- **INCENTIVES FOR CIVIL PUBLIC ENFORCEMENT AGAINST SCAMS.** Enforcers now have a viable remedy for victims and thus a reason to bring scam prosecutions.

Questions?

