Fighting Elder Abuse

by Steve Brown

When you've been around the block as long as we have, you start to think you've heard it all. Mailings congratulating us for winning the lottery, telemarketers offering to fix the devastating computer virus we've mysteriously developed and emails from desperate "friends" stranded in Nigeria with no money to get home, pleading for help. We take all of this with a grain of salt, recognizing con artists for what they are. But we realize that not everyone has their scam detector set to such a high level.

To illustrate our point, we share with you the experience of an elderly relative who recently received a call from "her grandson" claiming to be penniless in Mexico and in dire need of money. While she suspected the caller was trying to bamboozle her, she was nonetheless shaken and unsure where to turn.

This type of fraud, in particular, makes our blood boil because the thieves prey on the weak and most trusting members of society (who just happen to control a large chunk of the nation's wealth). The abuse is widespread and underreported and the consequences are dire. In fact, nearly 1-in-10 financial elder abuse victims end up on Medicaid as a direct result of their money being stolen, according to the National Adult Protective Services Association.

That's why we're especially happy to note some recent efforts by banks to fight elder abuse. It helps that several regulators joined together last year to aid banks in their fraud-fighting efforts. The regulators issued guidance on privacy laws and reporting of financial abuse of older adults so there would be less confusion about what could be legally reported. A number of states, meanwhile, have or are thinking about instituting mandatory reporting requirements for banks and credit unions when elder financial abuse is suspected.

For their part, bank employees should get ongoing training on how to sniff out when something's fishy. This is an area where collaboration with other banks can work well. For example, earlier this year banks and credit unions throughout Maine began collaborating on a training and public education program designed to help employees recognize and react appropriately to the signs of suspected elder financial abuse. While still early, we think such a program could help over time.

Some key areas that employees should monitor include unusual bank account activity, such as frequent or unexplained withdrawals or transfers, checks for large amounts written as gifts or loans, sudden ATM use by someone who has never before banked this way, or bank statements that no longer go to a customer's home. These sound simple and are commonly offered in training sessions, but the abuse continues so staff reminders may be beneficial.

In addition to keeping an eye on transactions, banks should also consider proactively reaching out to customers to inform them about the latest scams and ways to stay safe. Be mindful of how you communicate this message; many elderly don't have computers so relying on email might not be the most effective outreach to that customer. An alternative to email is to use monthly statements as a communication channel instead. You may also want to consider mailing elderly customers a monthly newsletter highlighting some of the recent scams that have made headlines and tips to avoiding trouble. No matter what communication method you choose, this is a great way to build positive relationships with your customers.

The good news is that as the population ages, more and more banks appear to be making a concerted effort to identify red flags and protect vulnerable customers. There will always be dirt-bag scammers, but bankers play a key role in making sure fewer elderly victims fall prey to their schemes.

BANK NEWS

One Percent Consolidation

We hit the FDIC website to do some analysis and shed light on how many financial institutions were getting acquired. What we found may shock you. You see, the usual rule of thumb is that about 1% of the banks and thrifts that were insured by the FDIC in total in a given quarter are acquired, closed, consolidate or fail in the following quarter. Things seem really busy, but after checking we found Q2 2014 had 74 such events per the FDIC or about a 1.1% decline from Q1 (which saw 82 or 1.2%). Working backwards from there, we find that for 2013 Q4 (79, 1.1%); Q3 (49, 0.7%); Q2 (79, 1.1%); and Q1 (64, 0.9%) also held the trend. So, despite all the hype that things are really ramping up, if you round each of these without the decimal you get 1%! Pretty decent rule of thumb if you ask us. If you were curious, looking back through 2011 and 2012, the data shows it also was a 1% average.

Low Usage

A survey by JD Power finds only 5% of bank customers use a social media channel for bank service.

Hotel Lending

Banks who originate hospitality loans may find it interesting that Smith Travel Research reports about 1,100 hotels were added in the "select service" category in the past 6Ys. Such hotels are mid to economy price range meant to fill the space between full service and limited service, but come without ancillary amenities such as on-site restaurant, fitness facilities and turndown services.

Customer Viewpoint

A study by Youbiquity Finance finds 68% of people say they use self-service methods to do simple banking transactions, but 57% say banks are too faceless and 55% say banks focus too much on automating services.

Customer Debt

The Fed reports that as of August, average mortgage debt for U.S. households was $156,474; student loan debt was $33,424; and credit card debt was $15,480.