STATE OF CONNECTICUT
DEPARTMENT OF BANKING
260 CONSTITUTION PLAZA – HARTFORD, CT 06103-1800

TESTIMONY SUBMITTED TO THE BANKING COMMITTEE
Jorge Perez, Banking Commissioner

March 2, 2023

Supports:

S.B. No. 1088 An Act Concerning Financial Exploitation of Senior Citizens.

Co-Chairs Miller and Doucette, Ranking Members Berthel and Delnicki and honorable members of the Banking Committee, my name is Matt Smith, Director of Government Relations and Consumer Affairs for the Connecticut Department of Banking. Thank you for the opportunity to testify before you today in support of SB 1088 An Act Concerning Financial Exploitation of Senior Citizens

Background

By the year 2050, the number of U.S. residents 65 and older is projected to more than double – from 41 million to 86 million. Meanwhile, reports of Financial Exploitation and Fraud against elder persons continues to increase at an alarming rate. For instance, according to the Consumer financial Protection Bureau, the number of suspicious activity reports filed by banks concerning elder financial exploitation between 2013 and 2017, quadrupled.

It is difficult to paint a complete picture of this growing problem since reporting occurs to so many different agencies, at the local, state and federal levels. For instance, one may report to different law enforcement agencies like the local police department, the Federal Bureau of investigation, or the Internet Crime Complaint Center (IC3). State and federal financial regulators may also receive reports of financial exploitation including the Securities and Exchange commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Federal trade commission (FTC, the Consumer Financial Protection Bureau (CFPB) and the Financial Crimes Enforcement Network (FinCEN) and federal and state banking regulators.

The following data aggregates from several reporting agencies:

Nationally

More than 1 in 10 elderly people in the US fell victim to elder fraud in the last year.

- Over 8.68 million incidents of elder fraud occur every year in total.
- Average loss per case is $20,015, calculated by averaging the mean reported loss from these organizations:
    - $34,200 – Financial Crimes Enforcement Network (FinCEN)
    - $9,175 – Federal Bureau of Investigation, Internet Crime Complaint Center (IC3)
    - $16,670 – State Adult Protective Services or Law Enforcement
- In all 50 states, losses due to elder fraud total $113.7 billion each year.
- According to FinCEN reports, **deposit accounts** were the most common product involved with elder fraud cases (60%), followed by debit cards (24%) and credit cards (7%)

Connecticut

- Elder Financial Exploitation Occurs at an estimated rate of 8,212/100,000 Seniors
- In 2020, there were 3,094 cases of elder financial crimes as reported by IC3, with a total financial loss of $38,600,430
- When adjusted for estimates that go unreported, these number jump to over 72,000 with estimated costs over $907,000,000

Source: https://www.comparitech.com/blog/vpn-privacy/elder-fraud-by-state/

To help curb this growing problem, in 2018 Congress passed the Senior Safe Act, which provides immunity to financial institutions from civil or administrative actions, if the financial institution reasonable believes that there is a case of suspected financial exploitation and the institution discloses to law enforcement or other authority, like a state or federal regulator.

In 2018, the Financial Industry Regulatory Authority amended its rules to allow for broker-dealers and investment advisers to place holds on disbursements if there was a reasonable suspicion of elder financial exploitation. It also allowed for the designation of a trusted contact person, who the advisor or broker could contact in these cases. SB 1088 looks to build upon these efforts.

SB 1088 An Act Concerning Financial Exploitation of Seniors

Section one of the bill conforms CT statute to FINRA rules concerning the financial exploitation of seniors. This section of the bill does several things:

- Allows for the investment adviser or broker-dealer to obtain information for a trusted contact person – someone other than the account holder they can speak with about the account.
- Allows the broker or adviser to place a temporary 15 day hold on the account if there is a reasonable suspicion of financial exploitation. Broker or adviser then must initiate an internal review of the transaction.

- Requires training and written policies concerning financial exploitation for the broker and investment adviser.
- Brokers and advisers must retain records for inspection by law enforcement, regulators and others with jurisdiction in the matter
- Provides immunity to the broker and adviser from civil and administrative actions.
- The Banking Commissioner, the Commissioner of Social Services or the probate court may lift the temporary hold.

Section two of the bill applies to financial institutions who voluntarily implemented the provisions of the bill.

- Allows for the designation of a trusted contact person for the account
- Allows the financial institution to place a temporary hold of 7 business days
- Financial Instutions shall be immune from civil or administrative liability if it has:
    - Participated in mandatory training for its employees
    - Provided prior written or electronic notice that is has such financial exploitation policies and may suspend transactions
    - Has reported the suspected financial exploitation to the Department of Social Services
    - Has a written Financial exploitation policy
    - Retains its records for a period of seven years

Section three and four of the bill provides a mechanism for which consumer may petition the court to lift the temporary hold.