

The Financial Exploitation of America's Senior Citizens

A 2011 study reported that each year at least \$2.9 billion is stolen from older Americans

By Charlene Crowell

Most American families expect to enjoy retirement after lengthy years of working and raising children. Unfortunately for millions of older Americans, the proverbial 'golden years' have become instead a series of stressful and unexpected financial challenges. Even worse, some unscrupulous businesses target these older Americans for financial exploitation.

Among the worst financial abusers are those who defraud Medicare and Medicaid. Each year an estimated \$38.2 million of taxpayer funds intended to benefit the health care needs of seniors and poor people is fraudulently claimed.

Unfortunately, there are many more financial abuses.

Recently the Center for Responsible Lending (CRL) highlighted to the Consumer Financial Protection Bureau (CFPB) a wide range of products that are dangerous for older Americans including payday loans, overdraft fees, debt settlement schemes and more.

CRL advised, "More than 13 million older adults are considered economically insecure, living on \$21,800 a year or less. Senior women in particular face diminished incomes because of lower lifetime earnings and therefore lower Social Security and pension benefits."

According to a 2011 MetLife Study on Elder Financial Abuse, each year at least \$2.9 billion is stolen from older Americans. Most victims were ages 80-89, lived alone and

required some level of help with either health care and/or home maintenance.

Among older African-Americans, the findings are even harsher. After years of working at lower earnings, life-time savings are often smaller, Social Security benefits are lower and family homes often located in neighborhoods have lower property values. With fewer financial resources, debt becomes more difficult to handle and resolve.

Today, the average credit card debt for older American households is slightly more than \$9,000, the highest average balance of any age group. As debt diminishes the financial resources of older Americans, people over 55 now comprise the fastest-growing segment seeking bankruptcy protection.

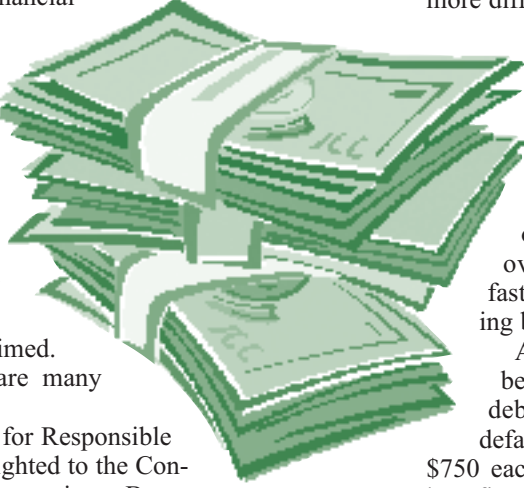
Although federal law protects benefits like Social Security from garnishment by debt collectors, this provision does not include defaulted student loans. Retirees receiving more than \$750 each month can face up to 15 percent reduction in benefits on defaulted loans.

For payday and overdraft loans, banks can and do seize portions of Social Security benefits to pay related fees. The risk of incurring multiple fees within a single billing cycle leaves overdraft and bank payday borrowers the most vulnerable to escape debt traps and the loss of several hundred dollars – if not thousands – in costs.

Earlier CRL research found that nearly a quarter of all bank payday loan borrowers were Social Security recipients. Moreover, these customers were 1.6 times more likely to have used a bank payday loan than other bank customers.

For prepaid cards, the U.S. Treasury Department has banned deposits to prepaid cards that have a line of credit or loan agreement that triggers automatic repayment with the next deposit.

CRL also advised CFPB that the standards for prepaid cards should also benefit other consumer financial products



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to stem elder financial abuses.

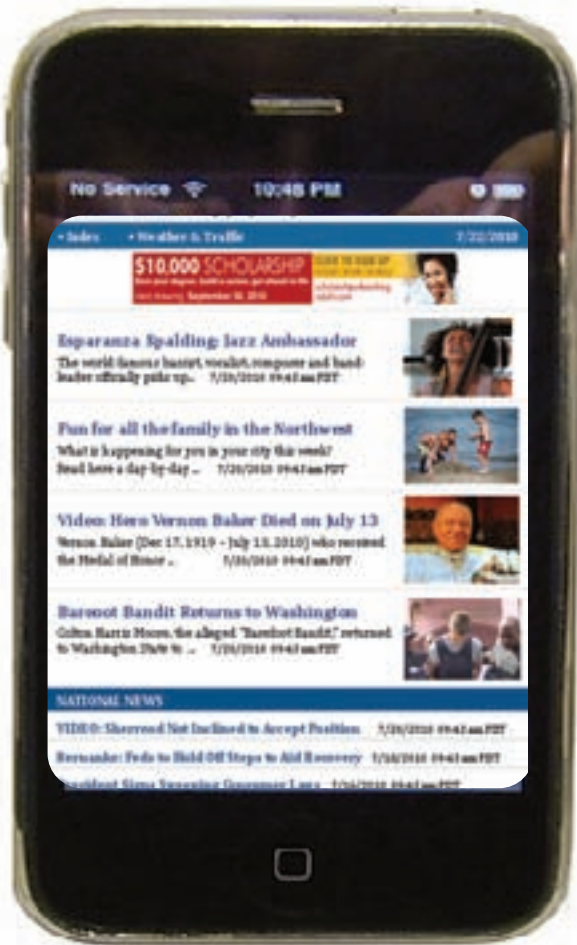
"The federal government should ensure that federal benefits are protected from debt collection even when the creditor is the customer's bank, and it should protect direct deposits of federal benefits from high-cost loans made through traditional checking accounts, as it has protected these funds on prepaid cards."

In future commentaries, other elder financial abuses wrought by debt buying, debt settlement and reverse mortgages will be shared. In the meantime, now would be a timely moment to check on older loved ones and offer assistance to help them preserve all of the benefits they worked a lifetime to earn.

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