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of the Consumer Financial Protection Bureau
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Financial Security Issues Facing Older Americans

Thank you Chairman Brown, Ranking Member Corker, and distinguished members of the Subcommittee for the opportunity to speak with you today about the Office for Older Americans at the Consumer Financial Protection Bureau (CFPB).

My name is Hubert Humphrey and I joined the Bureau last month to serve as its Assistant Director of the Office for Older Americans. As an Attorney General and State Senator in Minnesota, I became keenly aware of the many financial challenges that consumers face. Then, as a national board member of the AARP, I learned about the hardships of older Americans. Now I look forward to putting these past experiences to good use in helping our nation’s senior consumers in the financial marketplace.

The mission of the Bureau is important for all Americans: To ensure that markets for consumer financial products or services are fair, transparent, and competitive, and that all consumers have access to those markets. We will fulfill this statutory charge by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

The CFPB was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The law created the CFPB as a point of accountability for consumer financial protection. The statute also provided the Bureau with a wide range of tools to do this – research, supervision, rulemaking, enforcement, and consumer education. Having this full range of tools means that the Bureau can use the appropriate one in the smartest way possible – matching problems to solutions.

Since launching the Bureau in July of this year, Bureau staff have been traveling across the country to meet and listen to consumers, consumer and civil rights organizations, big banks, community banks, investors, and trade organizations. The Bureau has also begun many important projects and programs, including taking and resolving consumer credit card complaints, supervising large banks, streamlining two federally required mortgage disclosure forms, and establishing a private education loan ombudsman to help students and their families

with student debt problems. And, importantly, the Bureau launched its efforts to help older American consumers – well before the statutory deadline of January 21, 2012 to set up this office.

When the Dodd-Frank Act created the CFPB, it specified certain populations that Congress felt needed focused attention – students, the underserved, servicemembers, and older Americans. Through the Consumer Education and Engagement Division, the Bureau is working on serving all these groups. In the Division’s Office for Older Americans, we are hiring a highly experienced and competent staff. Our work and planning is underway. We have an Older Americans home page on the CFPB website, www.consumerfinance.gov, where people can go to find information and resources. And most critically, we are engaging with older consumers and already helping them.

Take, for example, Suzanne, of Lawrenceburg, Kentucky. The CFPB helped Suzanne, 81, reach an agreement with a credit card company that saved her more than \$7,000 and put her on firmer financial footing. She lost her job in 2010 and has not been able to find work since. After being unemployed for nine months, she realized she could not keep up the minimum payments on her longstanding credit card debts that she had been steadily paying off for years. She asked the card issuers to cut the minimum monthly payments. One issuer agreed but the other only offered a modest reduction. After repeated appeals over many months and many phone calls, she sent what she was able to afford anyway. The issuer started to charge her late fees and her interest rate spiked. Eventually, she wrote a local Congressman who advised her to contact the CFPB. Ten days after the CFPB contacted the credit card issuer, the company credited all of the extra interest charges and late fees. “I was elated,” she said. Suzanne’s balance is now zero.

This is just one of the CFPB’s success stories helping older Americans in the first several months of operations. As the Bureau moves forward, it hopes to help more people like Suzanne.

Older Americans have been hit hard by the economic crisis. Many of those in the 62-plus population are not financially prepared for retirement, and financial exploitation of older Americans is growing. When the Office for Older Americans launched last month, it did so with a focus on ensuring seniors have the financial information they need to make sound financial decisions, and it launched with an emphasis on helping seniors identify and avoid unfair, deceptive, and abusive practices targeted at them. Both of these focus areas were mandated by the Dodd-Frank Act.

The need to help older Americans is great. As seniors top 50 million in number and soon will make up 20 percent of our population, they will face more and more challenges to maintaining economic security, supporting long-anticipated retirement plans, and exerting control over financial decision-making.

One of the tools that the CFPB has to help older Americans is the unique opportunity to enhance, help coordinate, and promote efforts of senior groups and community organizations, faith-based groups, financial services providers, adult protective services agencies, and state and federal regulators. There is great work being done by many of these groups right now – the CFPB can coordinate and streamline those efforts and help amplify them where needed.

Under the Dodd-Frank statute, the CFPB's Office for Older Americans is specifically tasked with several functions, including addressing the concerns of seniors being misled by deceptive certifications or designations of financial advisors. The CFPB will fulfill this mandate by monitoring certifications and designations and alerting federal and state regulators about those that are unfair, deceptive, or abusive. In addition, the Office will submit to Congress and the Securities and Exchange Commission legislative and regulatory recommendations on best practices for disseminating relevant information and enabling seniors to identify those advisors that best meet their needs and to verify a financial advisor's credentials.

The Dodd-Frank Act also mandates that the CFPB promote sound financial management and decision-making of seniors, with a particular focus on the areas of long-term savings and planning for retirement and long-term care. To this end, the Office for Older Americans will work with the other divisions within the CFPB to conduct research and identify best practices and effective methods and tools to educate and counsel seniors. This is a common approach we take at the CFPB – because research and market analytics is an important component to what we do.

Indeed, throughout the Bureau – not just with our Office for Older Americans – we are fact-based, pragmatic, and deliberative. The CFPB will diagnose problems carefully and intelligently after examining all the evidence. Because we have different tools to choose from when we address a problem, we can be strategic in how we deal with problems. Maybe a problem is best addressed through education. Maybe it is best addressed through rule writing. Or maybe it is best addressed by examining relevant market actors and shining a brighter light on the issue.

I would like to add that the CFPB Office for Older Americans will pay special attention to the problems facing older women. Women live longer and, according to one estimate, nearly half of women over 62 will outlive their savings. They are more likely to be living in poverty than men, and are more likely than men to be victims of financial abuse and exploitation. Congress understood this need and directed the Office for Older Americans to work with a center run by the Women's Institute for a Secure Retirement, which provides financial education and retirement planning for low-income women, women of color, and women with limited English-speaking proficiency. We look forward to that work.

Though I have been on the job less than one month, I have already seen the critical need for an office tasked with looking out for and educating older Americans in their financial decisions. While the Office for Older Americans has much work to do, I want to draw attention to one of the biggest financial issues facing seniors and this country today – elder financial abuse and exploitation. Whether you call it a hidden epidemic or the Crime of the 21st Century, as some have, it is a serious problem that we need to address.

The numbers paint a sobering picture. According to a study by the MetLife Mature Market Institute, Americans over the age of 65 lost more than \$2.9 billion to financial abuse and exploitation in 2010, a 12 percent increase from the \$2.6 billion estimated in 2008. Seniors are a highly targeted group for financial fraud in part because they tend to be wealthier. The most recent available data from the Survey of Consumer Finances show that the median net worth of families headed by somebody 55 or older is about three and a half times the median for other families.

More disturbing is the \$2.9 billion the MetLife study estimated represents only a fraction of all instances of financial exploitation against older Americans because elder financial abuse and exploitation is underreported. By its nature, it is difficult to measure how much financial fraud is not reported. Although estimates vary widely, studies suggest that only a small fraction of elder financial exploitation is reported. One of the reasons for underreporting is that many times, financial exploitation occurs in a person's home. Indeed, studies typically find that elder financial abuse or exploitation is sometimes committed by family members, caregivers, and trusted advisors.

These numbers are shocking, but when I hear from real victims I become even more convinced of the need in America for an office like the CFPB. I have spent my first few weeks with the Bureau listening and learning from seniors and those who serve them. I travelled to cities in California, Florida, and Massachusetts where I met with seniors, state law enforcement officials, adult protective services workers, and groups that work with seniors. They all said the same thing – we need help building awareness about elder financial abuse and exploitation. Some of the specific problems they raised include the underreporting of fraudulent and other abusive practices, the need for more robust centralized reporting of such practices, the guardianship process, and the need for more training on elder abuse and exploitation for law enforcement, financial institutions, and others.

While I was in Ft. Lauderdale, I listened to a heartbreaking story from a daughter about how her mother was placed into a guardianship without her knowledge. The guardian had virtually no qualifications to act as a fiduciary and it was months before the daughter even knew that her mother's finances were being administered by a court-appointed guardian. During the guardianship, her mother was moved to a nursing home, unbeknownst to her daughter, where she

died 78 days later. Over \$375,000 of the mother's estate was gone, most of it to guardianship "fees." The daughter spent six years in litigation to try to remedy the wrongs suffered by her mother. She now fights to help prevent this from happening to others.

Many talked about the shame people feel when they are tricked or taken advantage of, especially when it is done by family members. People need to feel comfortable speaking about these issues. At the CFPB's Office for Older Americans, we want to raise public awareness and give people a forum to speak up about their experiences and speak out to help prevent them.

I spent my public service career in state government and having the federal government as a partner was a great asset. I joined the CFPB because I have been struck by the response from outside the Beltway to this Bureau and specifically the Office for Older Americans.

We do not yet know all the specifics of how the CFPB will address the issue of elder abuse, but the Office for Older Americans will work with other agencies such as the Administration on Aging, and it will work with elder abuse groups that have been working on these issues. We want to help stop this growing and horrible epidemic.

As Marie-Therese Connolly, a recent recipient of the MacArthur Foundation "genius" grant for her work on elder abuse, said in testimony before the Senate Special Committee on Aging earlier this year, citing a case of abuse where the son had worn ear plugs to mute his mother's cries: "We as a nation also have been wearing earplugs. It is time that we remove them." I, along with the CFPB, will help to make the voices of seniors heard.

As a former state attorney general, I know the importance of laws and the enforcement of those laws to protect consumers and to weed out bad practices and players. But until consumers have the information, skills, and confidence to make decisions that make financial sense for them – including the courage to say no – we cannot move this country forward and we may be doomed to repeat the mistakes of the past decade. In the end, the best defense against deceptive practices and elder financial abuse and exploitation is not only tough enforcement, but also effective prevention through good education and training of all our consumers, not just older Americans.

I am honored to have this opportunity at the Bureau to help older consumers navigate their way to better financial decisions and a more economically secure financial future. I, speaking on behalf of the Office for Older Americans, look forward to working with you in the years ahead to help serve our nation's seniors.

Thank you and I look forward to your questions.