

Lenders Compliance Group

Wednesday, February 23, 2011

FinCEN: Elder Abuse - Red Flags

On February 22, 2011, the Financial Crimes Enforcement Network (FinCEN) issued an advisory to assist the financial industry in reporting instances of [financial exploitation of the elderly, a form of elder abuse](#).

Financial institutions can alert appropriate authorities to suspected elder financial exploitation. We have previously provided notification about the increase in elder abuse in financial transactions. And FinCEN has notified the public about this upward trend, using SARs as an important method to identify this form of financial exploitation.

There are important [RED FLAGS](#) relating to financial exploitation of the elderly, and [we provide a list](#) below and [suggest appropriate action](#) to implement them.

FinCEN's Advisory states:

- In the instances where elderly individuals experience declining cognitive or physical abilities, they may find themselves more reliant on specific individuals for their physical well-being, financial management, and social interaction.
- Although anyone can be a victim of a financial crime such as identity theft, embezzlement, and fraudulent schemes, certain elderly individuals may be particularly vulnerable.



SUSPICIOUS ACTIVITY

Financial institutions may become aware of persons or entities: Perpetrating illicit activity against the elderly through [monitoring transaction activity that is not consistent with expected behavior of elderly customers](#).



ILLICIT ACTIVITY

Financial institutions should [evaluate indicators of potential financial exploitation in combination with other red flags](#) and expected transaction activity being conducted by or on behalf of the elder. Additional investigation and analysis may be necessary to determine if the activity is suspicious.



RED FLAGS

[Erratic or unusual banking transactions, or changes in banking patterns:](#)

- Frequent large withdrawals, including daily maximum currency withdrawals from an ATM;
- Sudden Non-Sufficient Fund activity;
- Uncharacteristic nonpayment for services, which may indicate a loss of funds or access to funds;
- Debit transactions that are inconsistent for the elder;
- Uncharacteristic attempts to wire large sums of money;
- Closing of CDs or accounts without regard to penalties.

[Interactions with customers or caregivers:](#)

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• A caregiver or other individual shows excessive interest in the elder's finances or assets, does not allow the elder to speak for himself, or is reluctant to leave the elder's side during conversations;

- The elder shows an unusual degree of fear or submissiveness toward a caregiver, or expresses a fear of eviction or nursing home placement if money is not given to a caretaker;
- The financial institution is unable to speak directly with the elder, despite repeated attempts to contact him or her;
- A new caretaker, relative, or friend suddenly begins conducting financial transactions on behalf of the elder without proper documentation;
- The customer moves away from existing relationships and toward new associations with other "friends" or strangers;
- The elderly individual's financial management changes suddenly, such as through a change of power of attorney to a different family member or a new individual;

The elderly customer lacks knowledge about his or her financial status, or shows a sudden reluctance to discuss financial matters.



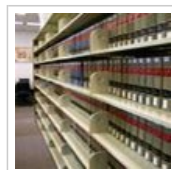
ACTION

A financial institution's [Identity Theft Prevention Program - Red Flags \(Program\)](#) should be [updated immediately](#) to include red flags that may indicate the financial exploitation of elderly customers.

- Although the subject FinCEN issuance does not specifically require revision to the Identity Theft Prevention Program - Red Flags, the 26 Red Flags listed in 12 CFR Part 41, Supplement A to Appendix J are not meant to be comprehensive, and assume all applicable federal laws and regulations.
- The Program's goal is to detect and identify Red Flags, and establish, implement, maintain, and update reasonable policies and procedures to identify, detect, and mitigate identity theft through a financial institution's own efforts and those of its loan originators, affiliates, and third party vendors.
- A component of the Program is to [ensure that it is updated, as needed and as appropriate to the specific financial institution](#), to reflect changes in the law, changes to the risks to customers, and to the safety and soundness of the financial institution from identity theft.
- [Since forms of identity theft can occur in the financial exploitation of the elderly, it is important to update the Program for red flags involving such financial exploitation immediately.](#)



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Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Elder Financial Exploitation

FIN-2011-A003
February 22, 2011



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