

# A New Dawn: Age-Friendly Banking

By Sehar Siddiqi, Robert Zdenek and Edward Gorman  
July 2013

NATIONAL  
COMMUNITY  
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# Introduction

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## Why Age-Friendly Banking?

President Barack Obama paid a visit to the home of William and Endia Eason on January 4, 2012. The President's visit was part of his trip to Cleveland to announce the recess appointment of Richard Cordray as the Director of the Consumer Financial Protection Bureau (CFPB). The other major objective of the President's visit was to raise awareness of fraudulent lending practices that were victimizing older adults. In 2003, a mortgage broker came to the Eason's front door and told them he could offer them an \$8,000 home repair loan to repair their garage and steps, which were deemed in violation of the Cleveland Municipal Housing Code. Before taking on the \$8,000 loan, the Eason's owned their home of 41 years outright.

Over the course of a year, the broker flipped the Eason's loan three times—eventually creating a balance of almost \$80,000. The Eason's modest retirement income made it impossible to repay the debt. Empowering and Strengthening Ohio's People (ESOP), a community advocacy organization, worked with the Eason's and the financial institution that held the loan to modify the loan, enabling the Eason's to stay in their home. Mrs. Eason, who is in her 90's, still lives in her home, while her husband lives in a nursing home. The Eason's represent the growing number of older adults who are falling victim to financial abuse and predatory lending. Predatory lenders prey on older adults, taking advantage of their age, finances, and diminishing capacities.

When most people think of retirement during our later years in life, they do not picture it as a time of economic struggle with declining resources. They expect to have basic necessities—home, health care, transportation, food—integral components to the quality of life. In

today's economy, older adults are in serious trouble. Changing economic circumstances, exacerbated by the recent Great Recession, have left too many older adults unable to rely on traditional forms of retirement resources such as savings and pensions. Financial fraud and scams have grown exponentially, stripping the limited resources of many older adults. With some 35 million older adults living in the United States today and an expected 79 million living by 2040, this “silver tsunami” will need age-friendly financial products, services, and protection from fraud and abuse in order to live healthy and independent lives in the decades to come.

The heightened economic crisis faced by older adults raises several important questions: **What are financial institutions doing to respond to the growing economic needs of older adults? What are our national federal bank regulatory agencies and consumer protection agencies doing to protect older adults from rampant fraud and abuse?** These questions deserve serious

attention from a diverse array of stakeholders including financial institutions, federal and state regulators, community-based organizations, and experts in the aging field.

The National Community Reinvestment Coalition (NCRC) is an association of more than 600 community-based organizations that promote access to basic banking services including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families. In 2008, NCRC started hearing from a number of its members who are housing counselors that older adults were being victimized by fraud and abuse, and that reverse mortgage scams were on the rise. NCRC made an organizational decision to address older adult economic security initiatives. Soon after that, NCRC received funding from Atlantic Philanthropies to establish the National Neighbors Silver Program to support local organizing and advocacy campaigns to increase economic security for older adults. One of the early issues that emerged was the decline of branch banking and lack of access to banking products and services for economically vulnerable older adults.

NCRC knows the significant role that financial institutions can play in helping to strengthen the economic conditions of older adults. At the same time, financial institutions can benefit from older adult customers who are in a stable financial position. Recognizing the needs of a significant emerging market, NCRC developed the concept of "Age-Friendly Banking" as a way to draw attention to the importance of providing effective financial products, services, and protections to older adults. An important goal of age-friendly banking is to create a "win-win" opportunity in which millions of older adults can access effective financial products and services, while financial institutions benefit from a larger and more stable customer base.

NCRC has conducted research and analysis informed by a wide array of financial institution professionals, federal and state regulators, community-based practitioners working on economic security initiatives, and aging network experts. The product of this research and analysis is [A New Dawn: Age-Friendly Banking](#), an introductory paper on age-friendly banking.

This introductory paper is a guide to protecting financial resources for older adults, and will serve as a basis to expand the dialogue between community-based organizations, aging networks, and financial institutions on how to develop and implement age-friendly banking strategies and initiatives.

**The introductory paper will discuss the following topics:**

- 1** Demographic research on the economic vulnerability of older adults;
- 2** NCRC's methodology for age-friendly banking;
- 3** The major findings from the research and analysis;
- 4** The core set of age-friendly banking principles; and
- 5** Conclusion and next steps for expanding age-friendly banking including policy papers.

We are at a critical moment in our nation's history in terms of how we respond to the economic crisis facing older adults. It is vital that the financial industry as well as aging advocates and the government work together to protect older adults from fraud and abuse, as well as help establish financial products and services that serve the retirement goals of all older adults. NCRC hopes that the age-friendly banking framework and policy papers will lay the foundation for a consensus among financial institutions, regulators, community-based organizations, and aging networks on how to meet the economic needs of older adults.

# Economic Vulnerability and a Growing Population

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## Impact from the economic recession on older adults

Older adults are facing increased economic uncertainty fueled by demographic and economic changes. In 2011, over **one in every eight individuals was an “older adult”** as defined by the U.S. Department of Health and Human Services Administration on Aging, meaning an individual over the age of 65.<sup>1</sup> By 2040 it is expected that older adults will make up one-fifth of the total population, equaling about 79.7 million persons.<sup>2</sup> Older adults are living longer; the fastest growing group of older adults is those over 85.<sup>3</sup>

In addition to the growing population of older adults, the economic circumstances of older adults are also changing. The economic recession of 2007 – 2009 continues to have a negative impact on older adults; their assets, including housing and investments, have declined, as the housing crisis has obliterated decades of hard-earned home equity. In fact, older adults represent the fastest growing percentage of homeowners in foreclosure.<sup>4</sup> Many older adults are past their prime working years and do not have the opportunity to recoup the assets they have lost in the past five years. Those trying to find new work often face age discrimination and often lack the mobility to find opportunities outside of their communities.<sup>5</sup> The decline of income and assets is forcing an increasing number of older adults to apply earlier for Social Security, and those who are ineligible look to other forms of governmental support, such as disability payments.<sup>6</sup> Furthermore, other growing threats endanger the economic security of older adults: the decline of pensions,<sup>7</sup> the proliferation of scams and predatory practices,<sup>8</sup> and potential cuts to Social Security and Medicare. Considering all of these challenges, older adults have every reason to be fearful of their future economic

security. Aging experts thus increasingly recognize that economic security issues will be of critical importance to the health and well-being of older adults.<sup>9</sup>

Nearly three-fourths of all older adult households are economically vulnerable, meaning they would not be able to handle the financial repercussions of a traumatic life event, such as a sudden hospitalization or emergency home repair.<sup>10</sup> While all older adults are susceptible to economic instability, women and minorities face an increased risk as they age. Some 60 percent of all women over the age of 65 are unable to cover basic living expenses.<sup>11</sup> Concurrently, **minority older adults have higher rates of poverty**, with the highest rates belonging to older Hispanic and African American women living alone, at 38.8 percent and 32.2 percent respectively.<sup>12</sup> Clearly, the traditional model of retirement saving no longer fits the majority of older adults.

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## Changing retirement structure for older adults

The traditional “three-legged stool” model of retirement,

which typically includes assets, pensions and Social Security as elements of a sound retirement structure, is increasingly dated.<sup>13</sup> Over time, the income from pensions and personal assets for many older adults has dropped, forcing an increased reliance on Social Security.<sup>14</sup> In terms of income, on average, Social Security benefits accounted for 37 percent of income for older adults in 2010<sup>15</sup> and experts predict the level of reliance will grow over time.<sup>16</sup> In 2010, 86 percent of all adults over the age of 65 received Social Security income, but much smaller percentages received income from assets, pensions and annuities, and earnings.<sup>17</sup> Less than a third of adults over the age of 60 currently receive defined benefit pension income from a former employer, a proportion that will only decline as defined benefit plans give way to the more ubiquitous 401K plans currently being favored by most employers.<sup>18</sup> Many of those who are still working fear they will need to postpone retirement in order to maintain a certain standard of living.<sup>19</sup> Older adults between 50 and 64 have especially bleak views about their retirement futures.<sup>20</sup> Referred to as the “threshold generation,” these 50 – 64 year old older adults are within years of retiring and have faced the highest losses in their retirement savings as a result of the recent recession.<sup>21</sup>

Another traditional repository of wealth for retirees—their homes—is in significant doubt, precisely when this burgeoning population needs it most. A home is no longer the guaranteed financial support it once was. For the baby boomers, adults born between 1946 and 1964, this is an especially great concern as their assets are primarily in home equity.<sup>22</sup> At the same time, housing today has become a greater expense, with fewer adults over the age of 50 owning their homes outright, and many more paying a higher percentage of their income on housing compared to a decade earlier.<sup>23</sup> In recent years, 45 percent of older adult households spent nearly a third of their income on housing.<sup>24</sup>

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### **Older women more affected by economic changes**

Women comprise the largest group of older adults in this country. As of 2011, there are 5.5 million more older women than older men.<sup>25</sup> Older women are especially reliant on Social Security income, with Social Security making up a larger portion of the retirement income of

the average older woman as compared to the average older man.<sup>26</sup> Women are at a disadvantage prior to retirement, generally working lower-income jobs and receiving lower pension benefits than their male counterparts.<sup>27</sup> They are more likely to have worked part-time or have interrupted work histories, often due to caring for children or another family member, and thus have less money in pensions and savings.<sup>28</sup> Women are also statistically more likely to spend their retirement years alone, subsisting on only their own retirement income.<sup>29</sup> Poverty rates are consistently higher for women over the age of 65 than for men, with 10 percent of older women in poverty in 2011, almost double the number of older men.<sup>30</sup>

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### **Economic impact on older people of color**

Looking at race and ethnicity, minority older adults face unique financial obstacles and economic issues in their day-to-day lives; many are dealing with problems associated with lifetimes suffering from racism and prejudice. **Racial and ethnic minorities currently make up one-fifth of the older adult population.** Minority older adults are also the fastest growing segment of the older adult population.<sup>31</sup> The two largest groups are African-Americans and those of Hispanic origin.<sup>32</sup> African-American older adults have dealt with more limited access to jobs and education. Many of the jobs available to them did not have the pension or other asset building benefits enjoyed by non-minorities.<sup>33</sup> Hispanic workers are more likely to work in low-wage jobs in areas such as the restaurant industry or farming that do not offer any sort of retirement plans.<sup>34</sup> Both groups tend to have higher rates of poverty than white older adults, with 17.3 percent of older African-Americans and 18.7 percent of older Hispanics living at or below the federal poverty line.<sup>35</sup> This is in contrast to a much lower poverty rate for older white adults of 6.7 percent, suggesting the numerous economic, political, social, and legal barriers that older people of color faced in their lifetimes.<sup>36</sup>

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### **Economic impact on older immigrants**

Older immigrants account for about 12 percent of the immigrant population in the U.S. and 12 percent of the older adult population in the U.S., and these numbers are expected to grow over time.<sup>37</sup> This group of older

adults faces both the issues that older adults must deal with in banking, but also those issues that often affect immigrant populations. For instance, over half of the older immigrants in 2010 were not considered proficient in English. This was an increase from the 41 percent of older immigrants who were not considered proficient in English in 2000.<sup>38</sup> Immigrants with limited English proficiency are less likely to use mainstream financial institutions for their banking needs, relying more on payday lenders and other potentially predatory financial service providers.<sup>39</sup> Older immigrants also tend to live in lower-income households and are generally less likely to receive income from assets and savings, depending more so on income supports such as Supplemental Security Income.<sup>40</sup> Undocumented immigrants generally face difficulties in opening bank accounts and accessing other basic banking services.<sup>41</sup>

**The intersection of age and immigrant status thus presents issues that financial institutions cannot ignore.**

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### **Explosive growth of fraud and abuse**

Financial abuse is another growing threat to older adult economic security. Financial fraud and abuse against older adults is rampant in this country, with one out of every five older adults a victim of a financial scam.<sup>42</sup> The current statistics are sobering. In 2009, financial fraud cost the American public \$40 billion, with adults over the age of 55 representing a growing number of those victims.<sup>43</sup> By 2010, financial losses resulting from scams and fraud against older adults was estimated to be about \$2.9 billion,<sup>44</sup> and the data suggests that this number will continue to increase as the population ages. A major issue is the worry that most cases of elder financial abuse go unreported. A 2011 study by Weill Cornell Medical Center found that **incidence of elder abuse was 24 times greater than what was actually reported** to authorities for adults over 60 in New York, with elder financial exploitation the most prevalent type of mistreatment.<sup>45</sup> Older women, particularly those between the ages of 70 and 89, are at the highest risk for financial abuse.<sup>46</sup> Older women are twice as likely as older men to fall victim to a financial scam.<sup>47</sup>

Scammers frequently take advantage of older adults seeking financial help and advice. Both older men and women are susceptible to scams involving so-called

experts and professionals, in situations where the older adults overly trusts someone to handle items like home repair, finances and other major needs that the older adult feels they do not have the knowledge or ability to handle.<sup>48</sup> Many of the perpetrators target older adults through senior centers and similar community spaces that cater to older adults.<sup>49</sup> As cognitive capacity often diminishes with age, older adults prove to be especially vulnerable targets for fraud and scams.<sup>50</sup> The National Council on Aging maintains a list of the ten most common scams targeting older adults, which puts health care fraud and counterfeit prescription drug sales at the top.<sup>51</sup> Prepaid card related scams are increasingly hurting older adults, much to the alarm of government and state officials. Some scammers are diverting direct deposit Social Security benefits from older adults' accounts into their own. Many are obtaining the necessary information through fake lottery and sweepstakes schemes.<sup>52</sup> This is an especially threatening variety of scam when one considers that as of March 1, 2013, most federal benefits are transferred electronically.<sup>53</sup> Home improvement scams are one of fastest growing type of scams in this country, according to the Consumer Federation of America's 2011 Consumer Complaint Survey.<sup>54</sup> This is a concern to many older adults, who use home modifications and retrofits to make their houses safer and easier to maneuver in their retirement years. This is just a sampling of the types of financial scams and fraudulent schemes that target older adults. The types of fraud out there cover an incredible range of scenarios, from fake lotteries to unnecessary home repairs to identity theft.<sup>55</sup>

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### **Older adults are unbanked**

Another major economic challenge facing older adults is that 19 percent of them are unbanked or underbanked.<sup>56</sup> Many of these unbanked/underbanked older adults are turning to non-traditional financial transactions, such as payday loans, with \$10.9 billion per year spent on these transactions.<sup>57</sup> This is money that could provide more benefit to an older adult if it were in an interest-bearing account or other well-developed and secure financial product. According to the Center for Responsible Lending, **almost 25 percent of all Social Security recipients have taken out a payday loan.**<sup>58</sup> Most do so to cover their normal monthly expenses.<sup>59</sup> Nonbank institutions are often utilized because of their convenience

and fast, easy access, offering low-income older customers evening and weekend services. Access to cash is provided quickly and easily, with little paperwork. Additional services include money transfers, electronic tax filing and even photocopy and fax services.<sup>60</sup> These simple offerings, longer hours and additional services, draw older adults away from more beneficial financial accounts at established financial institutions, depriving both older consumers and financial institutions of a mutually beneficial relationship.

A recent AARP study on unbanked and underbanked older adults found that many of them would prefer to borrow from a respected financial institution like a bank or credit union, as opposed to friends or family members.<sup>61</sup> However, the study noted that a variety of fears often keep these older adults from feeling comfortable with major financial institutions. A common worry is that their limited finances are too small to make a bank account useful. Hidden fees and charges are a major concern as well. Many accounts are simply too expensive and require an excessively high minimum balance.<sup>62</sup> A study by the Consumer Federation of America found that accumulated fees on accounts with balances under \$1500 can be as high as \$300 per year.<sup>63</sup> Some unbanked older adults fear financial institutions will provide their information to creditors, or that the account will make them ineligible for certain government benefits. Undocumented older adults fear that the bank will reveal their immigration status to federal authorities.<sup>64</sup> Generally, minority and limited English proficiency older consumers are less likely than any other group to have a bank account, exacerbating the marginalization these groups already face.

# Methodology

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To build a body of knowledge that would lead to effective age-friendly banking practices, NCRC initially conducted a survey and interview of 14 of the largest banks in the country on current products and programs that focus on the economic needs of older adults. The survey consisted of a formal, written, series of questions assessing each institution's level of involvement with programs and products that support older adults. The interviews also offered each financial institution an opportunity to present ideas and initiatives that could be beneficial to older adults.<sup>65</sup>

The NCRC age-friendly banking survey asked financial institutions for data on the age of borrowers and depositors, the monetary value older adults brought to the bank through deposits and loans, the design and location of branches, participation in the community on age focused issues, financial education offerings—including housing counseling, fraud and abuse protection, et., development of age-friendly materials such as large print written correspondence and customer service employees trained for age-sensitivity, as well as generally any products, services or marketing the bank devised with the intention of benefitting older adults.

Despite a research design developed with input by the banks themselves and by community representatives, NCRC's survey and accompanying interviews did not indicate that banks are tracking trends among their depositors or borrowers by age group. While each bank acknowledged the existence of age in their records (date of birth on new accounts and loan documents), not one intended to embark on a deeper study or marketing plan on older adults beyond offering the commonly labeled “senior checking accounts” provided to customers over a certain age.

In interviews, senior bank representatives acknowledged the criticality of physical branches for older adults. Indeed, recent studies confirm that a majority of older adults choose to use physical branches of banks over electronic banking.<sup>66</sup> Yet, based on information gathered through NCRC's survey and interview process, **decisions to open and close bank branches are being made without examining their impact on older adults.**

In addition to surveys and interviews of banks, NCRC undertook in-depth research on older adult economic issues, policies, strategies, products, and services that could be developed to benefit older adults. NCRC reached out to experts in the aging network as well as organizations and regulators working on financial security issues for their advice. NCRC also drew from the experience of its 15 community-based partners that NCRC funded through its National Neighbors Silver program to develop advocacy and organizing campaigns on economic security issues.<sup>67</sup>

# Findings

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Our research, analysis, and experience led us to several significant findings that have major implications for launching age-friendly banking initiatives.

## These findings include:

- Financial institutions lack well-developed data on their older customers, so it is impossible to tell whether or how their needs are being met. While banks keep data on the age of their customers, NCRC's survey and interviews did not find any large financial institution that collected and analyzed data on older adult economic conditions or the products that older adults were using, and/or needed. The lack of data is an impediment for financial institution decision makers, which prevents them from understanding the older adult market and the benefit of developing age-friendly banking strategies.
- No single bank surveyed has created a uniform, clear or well-developed structure for serving the needs of our growing older adult population. This finding flows from the lack of data and knowledge of older adult economic needs and opportunities. Financial institutions do offer select products to older adults (notably senior checking accounts) and they finance older adult rental properties through Low-Income Housing Tax Credits. NCRC did not find one large financial institution that offers the breadth of financial products and services that older adults need.
- **Financial fraud and abuse against older adults is rampant and few financial institutions are training their branch employees to effectively protect these vulnerable customers.** Research shows that at least 20 percent of older adults have been victimized by fraud and abuse.<sup>68</sup> This cohort of older adults reflects only reported fraud and abuse, while many experts think that most fraud and abuse is unreported.<sup>69</sup> While training exists on how to identify and report potential

fraud and abuse against older adults, NCRC found that not all the large financial institutions are providing adequate fraud and abuse training for their customer service personnel nationwide, despite the prevalence of credit card fraud and abuse monitoring done by many of the same financial institutions.

The findings demonstrate the growing isolation of older adults from the mainstream financial world, one which is increasingly reliant on technological innovation and skills and which requires greater financial literacy to choose from a bewildering array of services and products. As a result, older adults will continue to face deteriorating economic stability unless financial institutions develop and expand products and services which are age-friendly, beginning with the prevention of financial fraud and abuse. While every demographic is hurt by financial scams, older adults are especially vulnerable to being taken advantage of and targeted by both people they know and random victimizers. The only way to effectively combat the problem of financial abuse is coordinate a collaborative and comprehensive effort on the part of the federal government, state government and the financial industry itself. A cohesive strategy is necessary to provide the solutions for all the many economic security issues facing older adults. NCRC has developed a set of guiding principles that sets the path forward on age-friendly banking.

# Age-Friendly Banking Principles

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The widening divide between the needs of an aging population and the offerings of the mainstream financial marketplace can no longer be overlooked by the financial services industry. Addressing the underlying vulnerabilities of older adult customers will allow financial institutions to develop better relationships with older consumers. NCRC offers six age-friendly banking principles for financial institutions, regulators, community-based organizations, and aging networks that acknowledge and respond to the difficulties faced by older adults, without creating an undue burden on any stakeholder.

**The six overarching principles are:**

## **1 Protect Older Adults from Financial Abuse**

### *Role of regulators in reducing scams*

Federal regulators must articulate a clear and direct set of national standards on older adult fraud and abuse for all financial institutions to follow. The Consumer Financial Protection Bureau (CFPB) has made it a major focus of their Office on Older Adults to identify and prevent financial abuse and fraud targeted at older adults.<sup>71</sup> The CFPB is currently pursuing a two-pronged attack on elder financial abuse by: (1) coordinating consumer protection activities with other federal agencies and state regulators; and (2) working in the community to educate organizations and individuals that deal with older adults on this important issue.<sup>72</sup> The Federal Trade Commission (FTC) in partnership with the Federal Communications Commission (FCC) has created the “Do Not Call” registry which allows consumers to opt out of receiving telemarketing calls to help prevent older adults and others

from receiving exploitive financial offers.<sup>73</sup> While these are positive steps in the right direction, the CFPB and other regulators must go further and require financial institutions to collect data on incidents of elder financial fraud and abuse, and clearly outline the steps employees working directly with older adults should take when potential instances of elder financial exploitation arises, including training tellers and customer representatives to detect fraud and empower them to correct scams. This is a required practice with credit cards for all age groups, so it should be applied to financial institutions on behalf of our most vulnerable adults.

### *Role of banks in reducing scams*

A recent report by the U.S. Government Accountability Office (GAO) noted that one of the main challenges in responding to elder financial abuse is the lack of awareness and training for financial institution staff. According to the GAO report, “[b]anks are important partners in combating elder financial exploitation

because they are well-positioned to recognize, report, and provide evidence in these cases.” Unfortunately, most cases of financial exploitation are unreported by financial institutions.<sup>74</sup> Better education on how to recognize and intervene in situations of fraud can help bring financial institutions into a position to help at-risk older adults. **Financial institutions should reach out to the resources available at their state level, such as their state Adult Protective Services, which can provide training materials and guidance to bank customers and employees on how to recognize and combat elder financial exploitation.**<sup>75</sup> Community organizations and other service providers can also play the role of educating and informing older customers on issues of financial abuse and fraud.

Some financial institutions are making strides in addressing fraud and abuse. Bank of the West, in partnership with the Elder Financial Protection Network, created the “Be Aware” program to address elder financial abuse. This program brings together community partners and local law enforcement officials to present seminars designed to educate older adults, their family and caregivers on how to recognize and prevent identity theft, check scams and other forms of financial fraud targeting older adults.<sup>76</sup> Voluntary programs like Be Aware demonstrate the ability of financial institutions to handle older adult financial fraud and abuse, but given the severity of the abuse levels in the U.S., voluntary programs are not enough. Bank tellers and customer service representatives need to be trained to detect possible instances of fraud and abuse. Community groups provide an important connection to the needs of older adults and an understanding of the ways in which they can be targeted for financial crimes, but they cannot do the work alone.

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## **2** Customize Financial Products and Services for Older Adults

### *Banking products and services for older adults*

Access to effective financial products and services can provide older adults with the basic tools to make sound financial decisions and help low- and moderate-income older adults effectively manage a limited budget. Currently, financial institutions offer a limited selection of products aimed at all income levels of older adults.

The most frequent product is the so-called “senior” account. These “senior” accounts tend to involve a complex set of fees, requirements and benefits. Only older adults wealthy enough to maintain a high minimum balance are able to waive monthly fees, which then makes these “senior” accounts useful.<sup>77</sup> Some “senior” accounts have higher monthly fees than basic checking accounts offered at the same institution.<sup>78</sup> An older adult interested in opening an account would save more money by not choosing the “senior” account. According to a recent study by the Pew Charitable Trusts on senior banking accounts and their overall costs and fee structures, a simple, transparent low-cost, low-fee account would be the most economical type of checking account for the majority of older adults.<sup>79</sup> An assessment of the effectiveness of New York’s 1994 “basic banking” law which requires banks in the state to offer simple, low-cost bank accounts,<sup>80</sup> found that these basic accounts can be nine times less expensive for low-income New Yorkers compared to prepaid cards and check cashers.<sup>81</sup> Any account that targets older adults should include certain features that limit the amount of fees that can disproportionately harm older adults on a limited income. This includes making sure accounts do not have minimum balance requirements, no fees associated with limited activity, and no buried check fees, such as fees for direct deposit. Financial institutions should also ensure that older adult customers are able to easily use familiar services. This could mean offering complimentary checks, discounted safety deposit boxes and allowing for multiple free withdrawal transactions for all older adult accounts.

Banks can be encouraged to provide affordable, age-friendly basic banking products and services by using those offerings as a way to score highly on their Community Reinvestment Act (CRA) Exam service test. For example, the service test for a large bank assesses the range of their services and products and how they increase access to financial services for low- or moderate-income individuals. Examiners use affordability as one of the criteria for judging a bank’s deposit account offerings.<sup>82</sup> Offering affordable deposit accounts for older adults could allow a bank to score more highly on their particular CRA exam.

### *Retirement and other financial planning products*

In addition, financial institutions must develop products

and services beyond traditional checking and savings accounts. Various retirement and financial management plans would be helpful for all older adult income and asset ranges. Older adults and their caregivers need to consider future expenses related to health problems and long term care issues, including hiring nursing assistance or remodeling a home to better accommodate an aging body.<sup>83</sup> **Short-term loans at 5, 10 and 15 year terms with low interest rates should be made available for age-related modification or retrofit needs, as well for unexpected times of economic stress, that require an immediate infusion of money to cover expenses.** Free bill paying services and free or discounted money orders would also be a great asset during difficult times. Financial institutions should increase their retirement income program offerings, such as IRAs and defined benefit plans or reduced rate life insurance plans, to help increase retirement wealth across all economic levels. Financial advisors trained specifically to handle questions related to older adult economic needs should be available either at the branch or through an easy to use, no fee customer service phone line.

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### **3 Expand Affordable Financial Management**

#### *Financial education*

Financial education is the cornerstone of effective financial management, and an important component to keeping older adults out of financial difficulty. Even affluent older adults express the desire for financial guidance and better education in the area of debt management. This includes financial seminars relevant to their particular life stages, literature on making good financial decisions, and access to financial counselors who can recommend basic banking products and services.<sup>84</sup> Financial institutions can connect with sound financial education programs already in existence, such as the Federal Deposit Insurance Corporation's (FDIC) Money Smart program for Older Adults.<sup>85</sup>

Many older adults are unaware of existing financial education programs and some do not know where to find these classes and workshops. Financial institutions should offer financial education programs geared towards older adult financial circumstances or partner with

organizations that offer them. Community groups and other stakeholders can encourage the development and offering of financial educational programs by asking financial institutions to include these programs as a way to increase their CRA exam rating. Financial institutions are ideally situated to host education seminars through their branches and online services. These trainings can also be held at senior centers, community centers, and other locations where older adults congregate.

Several entities have developed financial education specifically tailored to older adults. The National Council on Aging brings their "Savvy Saving Seniors" educational program to struggling older adults, teaching basic money management tips and connecting older adults to a wide variety of support and benefit programs.<sup>86</sup> The Institute for Financial Literacy has created Project SCREEN (Senior Citizens & Retiree Empowerment Education Network), which provides financial literacy education training for practitioners in the aging field and a financial literacy education program designed for older adults.<sup>87</sup>

Community-based organizations and local government can also design and sponsor financial awareness and education sessions. Pilsen Neighbors Community Council & South Suburban Action Conference, a National Neighbors Silver partner in Chicago, is working with the Chicago Legal Clinic to develop year-long workshops on financial issues. Pilsen plans to engage with both the Chicago Legal Clinic and local financial institutions in providing workshops that go over basic financial how-tos as well as more complicated matters such as bankruptcy and dealing with financial fraud.

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### **4 Access Critical Income Supports**

#### *Older adult income supports*

Federal and state income supports are a financial lifeline for a growing number of older adults.<sup>88</sup> Without the income provided by Social Security, 45.2 percent of older adults would live below the federal poverty line<sup>89</sup> as opposed to the roughly 8.9 percent that currently live in poverty.<sup>90</sup> In addition to Social Security, other income and benefit supports improve the financial well-being of older adults. Nearly three million older adults receive Supplemental

Nutrition Assistance Program (SNAP) benefits, making nutritious food more affordable and reducing health costs by helping vulnerable older adults manage and prevent chronic diseases.<sup>91</sup> Help received through the Low Income Home Energy Assistance Program (LIHEAP) often makes the difference between keeping the heat on or off for many low-income older adults.<sup>92</sup> Social Security Disability Insurance (SSDI) supports older workers suffering from an illness or disability. The average recipient is 53, with about 30 percent of the recipients being over the age of 60.<sup>93</sup> The poorest older adults rely on the additional support provided by Supplemental Security Insurance (SSI) and the associated SSI state supplement. SSI state supplements are often used to make sure older adults are able to maintain their long-term care needs, such as covering the balance for caregiver support and assisted living.<sup>94</sup> **It is well established that financial well-being affects health, which in turn can affect the ability of an older adult to maintain outside income.**<sup>95</sup> These government benefits give low-income older adults the ability to stay healthy and remain productive.

### ***Benefit screens***

Financial institutions need to play a leadership role in helping older adults access income supports they are eligible to receive. Through branches, banks can either offer benefit check-up programs or partner with agencies that have expertise in benefit screening and enrollment. The technology is simple. Local branches should use online tools, such as the National Council on Aging's (NCOA) BenefitsCheckUp<sup>®</sup> tool, which helps consumers quickly and easily identify programs for which they are eligible, and when possible facilitates enrollment.<sup>96</sup> Benefit calculators inform older adults and bank employees of federal and state benefits available to older adults. As the average low-income older adult often has \$7,000 worth of annual public and private benefits available to them that they are not receiving,<sup>97</sup> utilizing benefit check-up tools helps these economically vulnerable older adults access much needed funds. Helping older individuals enroll in state and federal benefit programs requires minimal time and cost for a financial institution, and provides a significant return for the older adult and financial institution.

Older adults can also tap into existing tax credits and deductions, allowing for more income to cover everyday costs. Both the IRS Volunteer Income Tax Assistance

Program (VITA)<sup>98</sup> and the AARP Foundation Tax-Aide<sup>99</sup> program bring volunteers trained in free tax preparation to older adults through clinics set up in their communities. Financial institutions can host and/or sponsor tax clinics, another partnership opportunity for financial institutions to provide benefit counseling to older adults, while gaining new customers. The IRS has developed a split refund product for Earned Income Tax Credits, form 8888, where the IRS will directly deposit tax refunds into checking and savings accounts.

### ***Treasury's move to electronic benefits***

Financial institutions and community-based organizations have a critical role to play in familiarizing older customers with the Department of Treasury's transition of federal benefits' checks to electronic format that occurred on March 1, 2013.<sup>100</sup> This change raises a series of challenges for older adults who are unbanked, since they will be required to have a debit card, which will have additional expenses for older adults with limited resources. Older adults who do not elect direct deposit for their federal benefits are expected to use the Direct Express<sup>®</sup> Debit MasterCard<sup>®</sup> administered by Comerica Bank. The Direct Express<sup>®</sup> card allows for only one free ATM withdrawal per month—any additional withdrawals will incur a fee. There are also fees for paper statements, fund transfers and card replacements. As previously stated, lower income older adults are the least likely to have an established saving or checking account. These unbanked and underbanked older adults are more likely to use the Direct Express<sup>®</sup> card and therefore pay the additional fees. **The estimated revenue from these fees would go to Comerica Bank, the only card issuer in the program, and could be as high as \$67,500,000 per year.**<sup>101</sup> This is money that could be invested in savings accounts or other financial products, bringing more value to both older adults and other financial institutions<sup>102</sup> Financial institutions can remedy fears of older adults by helping them learn how to navigate the new electronic benefit system, through on-site education or partnering with organizations that provide easy to understand instruction on how to use their federal benefits in their new format.

The recent change to electronic federal benefits transfers provide a huge opportunity for financial institutions to reach out to underbanked/unbanked older adults and bring them into the financial mainstream. Right now, some financial institutions and entities are attempting

to reach the unbanked older adult market through the creation of prepaid debit cards that can be used to receive federal benefits. Prepaid cards can be problematic; they often come with high fees and do not build credit for the user.<sup>103</sup> However, such cards can also be useful and provide safety and security when making financial transactions. Well-developed prepaid cards could offer consumer friendly features such as account insurance with built-in transparency in fee structure.<sup>104</sup> The potential of prepaid cards to bring unbanked older adults into the financial mainstream is gaining attention from many stakeholders in both the financial and aging arena. Established older adult advocacy organization AARP has partnered with Green Dot, a major player in the prepaid card market, to create a prepaid MasterCard® aimed at low-income, unbanked older adults.<sup>105</sup> Major financial institutions are quickly expanding into the prepaid debit card space with similar cards.<sup>106</sup> Consumer advocates see positives and negatives to this growth in prepaid cards. On one hand it may allow more people access to mainstream financial institutions, but on the other hand it could have the effect of creating two-tier banking systems in which lower-income consumers are relegated to an area of the market with fewer protections.<sup>107</sup> While these cards are new and their long-term success and consumer friendliness is yet unverified, they also demonstrate the existence of a potential opportunity to reach underbanked and unbanked older adults through the creation of consumer friendly debit cards.

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## 5 Facilitate Aging in the Community

### *Age-friendly housing*

Financial institutions have a major role to play in developing proactive strategies that allow older adults to age in their community, and lead to improved economic, health, and quality of life outcomes. Older adults who are independent will less likely need to be placed in institutionalized care, saving the government billions of dollars. Many older adults want to remain in their houses, but the houses often need to be modified to accommodate the owner. These modifications can include wider doorways to accommodate mobility equipment such as wheelchairs and scooters, and no-step entrances among others.<sup>108</sup> Modifications are often needed for older houses. **Seventy-five percent of adults**

**over 55 live in homes constructed before the year 2000, and the design features are less likely than newer homes to meet the needs of physically impaired older adults.**

Home modifications allow older adults to be independent for a longer period of time, delaying the possibility of costly assisted living or other institutionalized options for a later time, if at all. Studies have found that remaining at home helps to improve overall health.<sup>109</sup> Federal and state programs, such as Community Development Block Grants and Department of Agriculture grants, are an important resource for supporting aging in place, but federal funding only accounts for about 20 percent of needed home modifications in this country.<sup>110</sup> Many low- to moderate-income older adults need to improve their home's accessibility features, but do not meet the financial eligibility criteria nor do they have the funds readily available to make the improvements themselves. Small dollar loans for home modifications would help these older adults age in place. Financial institutions, including Community Development Financial Institutions (CDFIs) that offer these types of small dollar loans would help keep older adults in their communities while reaching into a growing market for home modifications. There is a built-in benefit for financial institutions that would offer these home modification loans as financing aging in place options receives consideration when scoring a large bank's CRA lending or investment test and a small intermediate bank's CRA community development test.

For some older adults, home modifications are not an option and they must rely on securing affordable senior housing. In the past, the Department of Housing and Urban Development (HUD) Section 202 Supportive Housing for the Elderly Program provided interest-free capital advances to private and nonprofit sponsors to finance the rehabilitation and construction of affordable housing coupled with supportive services for older adults. Funding for new construction was removed from the HUD 202 budget in 2012, preventing any new expansion of the program. The decline of government funds for aging in the community has made it even more important for financial institutions to finance aging in the community projects. The NCRC Age-Friendly Banking Survey found that most financial institutions provide financial support and loans to senior housing complexes and organizations that aid older adults under the CRA.<sup>111</sup> A common role for a financial institution is to act as a Low Income Housing Tax Credit (LIHTC) investor. A

review of recent CRA exams showed that major financial institutions were providing millions of dollars in senior housing development through the offering of construction and other loan types.<sup>112</sup>

### ***Reverse mortgages***

Another financing tool that has been used to help people age in communities is the reverse mortgage, a product that allows an older adult to access the equity in their home for their financial use.<sup>113</sup> When used correctly, reverse mortgages can be quite beneficial to many older adults. Homeowners can use the money to reduce household expenses, cover healthcare needs, or even move to a new home with better accessibility features.<sup>114</sup> The Federal Housing Administration's Home Equity Conversion Mortgage (HECM) program can be the difference between an older adult living an independent, comfortable life and truly being unable to afford basic expenses.<sup>115</sup> **Among older adults who received HUD approved counseling for reverse mortgages in 2010, two-thirds were choosing the reverse mortgage option to reduce their household debt.** The minimum age to qualify for the HECM Reverse Mortgage is 62 and the age of the average reverse mortgage borrower is growing younger.<sup>116</sup> Notwithstanding certain revisions to the HECM product announced by the Federal Housing Administration in late 2012,<sup>117</sup> the product should remain a consideration for many older adults, provided they are aware of the risks that can come with any reverse mortgage. Following the recession and housing market crash, the number one and two reverse mortgage lenders at the time, pulled out of the reverse mortgage market, reducing the financial options for older adults that enable them to age in place.<sup>118</sup> These former reverse mortgage lenders determined that any financial gain from lending in this arena was no longer worth the time and effort as well as the cost incurred from problematic reverse mortgage loans.<sup>119</sup> Recently the news media has drawn attention to the ways in which some reverse mortgages have harmed older adults.<sup>120</sup> However, the MetLife Mature Market Institute has noted that reverse mortgage can be successful for certain older adults, and that success rests on obtaining well developed housing counseling and guidance for potential older consumers.<sup>121</sup>

### ***Home equity line of credit and other ways to use home equity***

Other methods to gain income from a home's value are also being discussed by leaders in the older adult economic

security field. Both the AARP and the National Council on Aging suggest that older homeowners consider obtaining a home equity line of credit (HELOC). A HELOC can be useful for short-term needs, if structured with reasonable fees for the homeowner.<sup>122</sup> As with any home loan product, a HELOC can come with risks. Recent unscrupulous lending practices involving loan flipping and hidden fees have brought concern with the product, which is why it is essential for older adults to be well-informed about all the risks and benefits that can come with a HELOC.<sup>123</sup> A new and innovative idea to tap into home equity is to engage in equity sharing. Equity sharing is essentially a private reverse mortgage in which an adult child acts as the lender. The older parent receives a stream of income from their child, and the child gains an ownership in interest in their older parent's home.<sup>124</sup> All of these devices to tap into home equity allow older adults to use the biggest the asset in their lives, their house, to help them continue to be able to live in that same house. Some older adults will consider downsizing to a smaller home or renting in their retirement years, using the sale of their home to generate additional income for basic expenses and other necessary adjustments required for them to continue to live independently and healthily in their community. Any major financial decision involved with a home should be done with the guidance provided by certified housing counselors, in order to ensure the best decision is being made by every older adult.

### ***Importance of Housing Counseling***

The median net worth of older adults in the U.S. today is roughly \$170,000, with homeownership representing the largest asset for older adults. Almost 80 percent of older adults own their own home.<sup>125</sup> Given the importance of the home as a retirement asset for many older adults, financial institutions should offer access to HUD certified housing counseling for all older adult mortgage needs, whether it is tapping into home equity through a reverse mortgage or home equity line of credit, downsizing, or moving into rental housing. The effectiveness of housing counseling in preventing delinquencies and foreclosures is well-documented.<sup>126</sup> A recent HUD study determined that pre-purchase counseling greatly reduced default risk; in fact only one of the purchasers in the study fell behind on their mortgage payments and none of the purchasers actually defaulted.<sup>127</sup> For many older adults whose home is the major support in their own economic security and ability to age in place, the importance of undertaking

housing counseling when making major housing related decisions cannot be overstated.

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## 6 Improve Accessibility to Bank Locations and Services

### *Bank branches*

The decline of bank branches has negatively affected many older adults. The ability to physically access a financial institution makes a huge difference in any older adult's economic security level. Accessibility is an integral part of the World Health Organization (WHO) Age-Friendly Environments Programme, which is focused on helping cities and communities address the social and environmental needs of older adults, so to ensure their ability to live independently and stay healthy. According to the WHO, buildings that host older customers, such as bank branches, need to be arranged in ways that support elderly consumers. For example, they suggest having specific lines or tellers for handling older consumers. Buildings should be well marked, with adequate seating and bathroom access, accessible options such ramps and railings, and non-slip floors for people with disabilities. ATMs, unique to financial institutions, should make use of large buttons and big lettering in order to become more age-friendly, according to the Age-Friendly NYC campaign which is part of WHO's Age-Friendly Environments Programme.<sup>128</sup> Research has also shown that training can help older adults learn to use ATMs effectively.<sup>129</sup> The creation of spaces that are considerate of the physical needs of older adults is growing across the country. Elders in Action, located in Oregon, uses a simple set of standards, similar to the WHO standards, to evaluate businesses in the area for their accessibility to older adults. Businesses that meet the standards receive the benefit of being certified "age-friendly", and can use that designation in any of their marketing materials.<sup>130</sup> A similar designation for financial institutions would help older customers identify banks and lenders that cater to their needs.

Along with the physical layout of a bank branch, the financial materials given to any older adult should also meet certain age-friendly criteria. According to the Age-Friendly NYC campaign, any printed information, including statements, loan documents, and any informational material that banks provide to their older customers, needs to have large lettering with bold headings for each new section. The Age-Friendly NYC campaign suggests using simple, familiar words in

short, straightforward sentences for all oral and written communication. Phone line services should provide slow and clear instructions, with the option for a caller to repeat a given statement at any time during the call.<sup>131</sup> These simple steps go a long way toward creating a space that older adults can feel comfortable using and help develop a loyalty to the financial institution.

### *Online development*

Online banking has worked for millions of Americans, but not for those older adults who do not use or understand electronic technology. For older adults, the push to use online banking does not take into account many older adults' daily lives. Half of adults over the age of 65 do use the internet as part of their daily life including balancing financial accounts or paying bills. For those above the age of 74, about 70 percent do not use the internet in a meaningful way.<sup>132</sup> RISE Foundation, a National Neighbors Silver partner in Memphis, Tennessee, found that the older adults they work with find electronic banking and mandatory e-statements cost-prohibitive. These older adults generally come from less affluent backgrounds, have less formal education, and very few use computers, or own computers.<sup>133</sup> Apart from online bill pay and account tracking, some financial institutions include their financial education materials on their websites. Older adults that are not comfortable with, or do not engage in internet usage generally, are thus at further disadvantage in terms of obtaining necessary and helpful financial guidance.

None of this means that older adults, and in particular low-to-moderate-income older adults, are unable to make use of the internet, but likely reflects the lack of accessibility or training. In fact, among older adults who use the internet, 70 percent do so on an almost daily basis.<sup>134</sup> **Something as simple as having in-branch computer terminals and ready-to-assist branch personnel, could improve online banking usage among older adults at a low cost to financial institutions.** There are methods to make the websites themselves age-friendly as well. The National Institute on Aging has developed easy-to-follow age-friendly guidelines for websites that outline how a simple format, large font, and plain language (and even the ability to hear text aloud) makes any website accessible for all older adults.<sup>135</sup> Accessibility is the first step in increasing internet usage. Given that financial institutions are promoting online banking, it makes sense to improve accessibility for the large and growing population of older adults.

# Conclusion and Next Steps

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Today's older adults face stark economic challenges and have seen their savings, pensions, and real estate investments rapidly decline. The evidence presented in this introductory white paper on age-friendly banking is striking, and there is no question that a coordinated and large-scale response is needed from financial institutions, government regulators, community-based advocates, and the aging network.

Economically vulnerable older adults deserve quality products and services from financial institutions. Financial institutions have a responsibility as well as a distinct opportunity to better serve the nation's growing older adult population. Keeping older adults independent and healthy in their communities benefits everyone and saves federal, state, and local governments money.

NCRC will continue to advance age-friendly banking with future age-friendly banking policy papers that will

provide in-depth policy analysis and recommendations on major age-friendly banking principles.

NCRC and many others understand the value of protecting and supporting this nation's greatest treasure: older adults who have strengthened their families and country and who now deserve to age in place, with dignity and financial security. It is time that our nation's financial institutions act in their and their customers' best interests by recognizing this value as well and become "age-friendly."

# Acknowledgements

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Other current and past NCRC staff members who played an important role in shaping the concept and study of age-friendly banking include John Taylor, President and CEO, Eric Hersey, Director of Communications, David Berenbaum, NCRC Chief Program Officer, Josh Silver, NCRC Vice President for Research, Sarah Meek, former NNS Program Manager, Stacy Sanders, former director of NNS, Karen Kali, NNS Training and Curriculum Specialist, Mitria Wilson, NCRC Director of Policy, John LaBounty, Mortgage Advisor with the NCRC Housing Counseling Network, and Archana Pradhan, Senior Research Analyst.

NCRC would like to recognize the invaluable guidance received from the Bankers Community Collaborative Council (BCCC), our NNS grantees and members of the NNS Advisory Council.

Additionally, we benefited from the wise counsel of the following individuals in completing this study: Maggie Flowers, National Council on Aging, Ramsey Alwin, National Council on Aging, Jo Reed, Wider Opportunities for Women, Matt Unrath, Wider Opportunities for Women, Jenefer Duane, Consumer Protection Financial Bureau, Hubert “Skip” Humphrey, Consumer Protection Financial Bureau, Naomi Karp,

Consumer Protection Financial Bureau, Joan Corella, Elders in Action, Melanie Stern, National Federation of Community Development Credit Unions, Lekeshia Frasure, Federal Deposit Insurance Corporation, Janet Gordon, Federal Deposit Insurance Corporation, Donna Ortega, AARP, Gary Brown, New York Attorney General’s Office, Clare Smith, Elder Financial Protection Network, Ron Jauregui, Federal Deposit Insurance Corporation, Janice Clark, Housing Assistant Council, Nancy Libson, LeadingAge, Robert Strupp, Baltimore Neighborhoods Inc., Allen Fishbein, Board of Governors of the Federal Reserve System, Aimee Burnwatt, RISE Foundation, Linda Williams, RISE Foundation, Janice Daku, Western Maine Community Action, Rob Wiener, California Coalition for Rural Housing, Sonia Aery, California Coalition for Rural Housing, Kim Harman, Faith Action for Community Equity Hawaii, Dawn Mutum-Plies, formerly of United Neighbors, and Maria Alvarez, New York State Wide Senior Action Council.

Finally, we would like to thank The Atlantic Philanthropies for providing the financial support for NCRC’s economic security work for older adults. Special appreciation goes to our program officer, Stacey Easterling, for her active support and guidance of our work.

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