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Older Americans Deserve a Strong Consumer Bureau to Protect them from Unfair Financial Practices

Too many older Americans have paid the price for an outdated regulatory system that has left our financial system vulnerable to collapse and our families without adequate protections. In the summer of 2010, Congress passed and President Obama signed the Wall Street Reform and Consumer Protection Act to rein in excessive risk on Wall Street and preserve economic opportunity on Main Street. This comprehensive financial reform, which put in place the strongest consumer financial protections in history, included the creation of a new, dedicated Consumer Financial Protection Bureau (CFPB).

The CFPB has one mission: to make the market for consumer financial products and services work for American consumers, responsible providers, and the economy as a whole. The Bureau seeks to promote transparency and consumer choice while preventing unfair, deceptive, abusive, and discriminatory practices. It uses a wide range of tools—from rule writing and enforcement to financial education and empowerment—to achieve these goals and protect consumers from the harmful practices that contributed to the financial crisis.

Older Americans Have Struggled Through the Recent Economic Downturn

- **The Financial Crisis Sharply Reduced the Value of Many older Americans' Primary Asset—Their Home.** The median home equity of families with mortgages, which had risen to $91,000 in 2004, is estimated to have fallen over 20 percent nationwide to $71,600 in October 2008—lower than the median value at the beginning of the decade. [Federal Reserve, "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," (February 2009) ("SCF")]

- **Older Americans Have Gone Deeper into Debt.** Between 2004 and 2007, median balances of credit card debt for pre-retirement Americans aged 55-64 increased by 50 percent. Over the same time period, the share of Americans 55 and older with debt in excess of 40 percent grew faster than that of any other group. [SCF]

Older Americans Deserve Clear Rules and Strong Enforcement

- **Financial Fraud is Reported to be a Growing Form of Elder Abuse, with an Annual Net Loss of at Least $2.9 Billion.** With an estimated one out of every five Americans over the age of 65 victimized by financial scams, elder financial abuse is a growing threat to the economic security of older Americans. [Investor Protection Trust, "IPT Investor Fraud Survey," June 2010] The annual loss from financial crimes and fraud against older Americans is estimated to be at least $2.9 billion, according to a recently issued report. Women were almost twice as likely to fall victim as men, and the majority of victims are in their 80s and living alone. ["The MetLife Study of Elder Financial Abuse: Crimes of Occasion, Desperation, and Predation Against America's Elders," June 2011]

- **Older Americans Are Reported to Pay Consistently Higher Interest Rates and Fees in Multiple Financial Markets.** Studies have found that older adults consistently borrow at higher rates and pay more fees in multiple financial markets, including home equity loans, auto loans, credit card interest rates and fees, mortgages, and small business credit cards. One report found that younger adults and older adults borrow at higher interest rates and pay more fees than middle-aged adults (controlling for all observable characteristics, including measures of risk). [Agarwal, Driscoll, Gabaix, Laibson, "The Age of Reason: Financial Decisions Over the Lifecycle" NBER Working Paper 13191, (June 2007)]

- **Fine Print is Unfair to older Americans—Older Americans Are Reported to Be Less Likely to Know the Details of Their Mortgages.** Reports have shown that 60 percent of borrowers 65 and older do not know the details of the terms of their adjustable rate mortgages, such as their per-period caps, compared with around 30 percent of younger borrowers. [Bucks and Pence, "Do Borrowers Know Their Mortgage Terms?" *Journal of Urban Economics* (2008)]

<u>How the Consumer Financial Protection Bureau Benefits Older Americans</u>

- **For older Americans who want to buy a home:** The CFPB is taking steps to consolidate and simplify with plain language two overlapping and sometimes inconsistent federal mortgage forms. The CFPB will, for the first time, provide ongoing federal oversight of both nonbank companies and banks in the mortgage market and protect borrowers from unfair, deceptive or other illegal mortgage lending practices.
- **For older Americans with credit cards:** The CFPB will prevent evasion of the Credit CARD Act of 2009, which bans arbitrary rate hikes on existing balances and other unfair practices. The law will give clarity on interest rates being charged to older Americans who have used credit cards to get by when times are tight.
- **For older Americans caught by unexpected overdraft fees:** The CFPB will prevent evasion of rules that give consumers a real choice as to whether to join expensive debit overdraft programs so that they are not unknowingly charged unnecessary fees.
- **For older Americans using alternative financial services:** The CFPB will establish robust federal supervision and oversight over payday lenders and larger participants in other financial service markets, such as check cashers. The CFPB will combat abusive practices that harm consumers, helping young people avoid hidden fees and keep more money in their wallets.
- **Empowering older Americans to make smart financial choices by promoting financial literacy and financial capability:** The CFPB promotes consumer financial literacy and capability with a dedicated office focused on ensuring that the CFPB's expertise and research are used to help raise awareness, educate and empower consumers to avoid unfair practices, and make the best financial choices for themselves.

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