

## **Obama Financial Regulatory Reform Plan Fights for Seniors: Enforcing Common-Sense Rules of the Road for Consumers, Investors**

Too many responsible seniors have paid the price for an outdated regulatory system that left our financial system vulnerable to collapse and left consumers without adequate protections. The Administration's plan will promote financial stability and protect seniors from the unfair practices that contributed to this crisis. The Consumer Financial Protection Agency will set clear rules of the road and will ensure that financial providers are held to high standards—and that seniors have the information they need and the peace of mind they deserve.

### **Seniors Have Struggled Through the Recent Economic Downturn**

**The Financial Crisis Sharply Reduced the Value of Many Seniors' Primary Asset—Their Home.** The housing market collapse has sharply reduced the value of many seniors' primary assets—their homes. 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 from 2004 through October 2008, below its value at the beginning of the decade. ["Changes in US Family Finances from 2004-2007, Evidence from the Survey of Consumer Finances," Federal Reserve Bulletin, February 2009]

**Seniors Have Been Caught in the Foreclosure Crisis.** Americans aged 50 and older accounted for approximately 28% of all delinquencies and foreclosures in the second half of 2007. [AARP Public Policy Institute: The Impact of the Financial Crisis on Older Americans, December 2008]

**Older Americans Have Gone Deeper into Debt.** From 2004 to 2007, median balances of credit card debt of pre-retirement seniors aged 55-64 increased by 50%. Over the same time period, there has been faster growth in the share of seniors 55 and over with debt in excess of 40% of income than for any other group. [Survey of Consumer Finances, 2007]

### **Seniors Deserve Clear Rules and Strong Enforcement**

**Financial Fraud Reported to Be a Growing Form of Elderly Abuse with an Annual Net Loss of at Least \$2.6 Billion.** As the Boston Globe reported, "Law enforcement and securities officials say the recession is pushing more people to steal from well-off seniors. 'Elder financial abuse is becoming the crime of the 21st century,' said Fred Joseph, president of the North American Securities Administrators Association. The annual loss is estimated to be at least \$2.6 billion, according to the report. The typical victim of elder abuse is a woman over 75 who lives alone." [[Boston Globe](#), 7/16/2009]

**Seniors Reported to Consistently Be Charged Higher Interest Rates and to Pay More in 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. The 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, NBER Working Paper 13191, June 2007]

**Fine Print is Unfair to Seniors—Seniors Are Reported to Be Less Likely to Know the Details of Their Mortgages.** Reports have shown that 60% of borrowers 65 and older do not know the details of the terms of their ARM mortgages such as their per-period cap compared with around 30 percent of younger borrowers. [Bucks, Pence, July 2008]

### **Reform Will Benefit Seniors**

**For Seniors with Credit Cards:** The Consumer Financial Protection Agency will enforce a new law signed by President Obama to ban rate hikes on existing balances. For seniors that have used credit cards to get by when times are tight, the law will give them clarity and stability on the interest rates they are charged.

**Help Seniors Avoid Unfair Lending Practices and Stay in Their Homes:** The Consumer Financial Protection Agency will have the ability to consolidate and simplify—into plain language—loan disclosure forms and enforce the law against unfair lending practices that can jeopardize seniors' ability to stay in their homes. The Obama plan would enforce the rules for mortgage brokers and require brokers to make sure that seniors can afford the loans they are offered.

## **Reform Will Protect Seniors' Retirement Security, Savings and Investments**

**Protecting Retirement Security, Savings, and Investments:** In the wake of the Madoff scandal, it is clear that all investors need better protection from fraud and unscrupulous actors. The Administration's proposed legislation strengthens investor protection through the Securities and Exchange Commission (SEC) by:

- Raising the standards for brokers and investment professionals so that they have a fiduciary duty and are required to act in the interests of investors when giving advice
- Requiring mutual funds to disclose costs and risk factors to investors prior to selling a product, instead of after it is purchased
- Increasing protections for those who uncover financial frauds

### **How The Consumer Financial Protection Agency Will Work For Seniors**

*On October 9, the President met at the White House with a group of Americans, including two seniors, who represent the millions from across the country who have been hurt by the outdated rules regulating the financial sector. Below is one of their stories.*

**The Status Quo:** Andrew Giordano, 61, is a retired Baltimore police officer and Vietnam veteran who manages a fitness center for seniors. As a wounded veteran, he receives a monthly government check of \$123, which he keeps in a separate "veteran's account"-not his primary checking account. Last summer, he lost the ATM card for the veteran's account and called his bank to cancel it and order a new one.

To avoid mixing up his cards, he had used a card with a special logo on it and he requested the same logo on his replacement card. Instead, the bank sent him a plain bank debit card, which he thought was for his primary account. For the next two weeks, he used the plain card for regular expenses and quickly overdrew the small amount that was typically in his veteran's account. The bank had automatically enrolled him in "overdraft protection" even though he had never asked for this service on his veteran's account.

Further, he did not learn about the overdrafts until his next statement, so the account ended up \$1,400 in the red, with \$814 of that due to 22 overdraft fees of \$37 each. When he discovered the bank's error and explained the situation, the bank was only willing to refund part of the fees.

**With the CFPA:** Under President Obama's plan, the CFPA would be able to set clear rules on disclosure of overdraft fees and give consumers a real choice as to whether to join expensive overdraft programs. In Andrew's case, the CFPA could have helped him better understand the terms and fees associated with his account and more importantly would have given him the choice to opt-out of the automatic overdraft protection program that contributed to his 22 overdraft fees.

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