



# THE COMMITTEE ON ENERGY AND COMMERCE

## MEMORANDUM

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May 14, 2013

To: Members of the Subcommittee on Commerce, Manufacturing, and Trade  
From: Majority Committee Staff  
Re: Hearing on "Fraud on the Elderly: A Growing Concern for a Growing Population"

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On Thursday, May 16, 2013, at 9:45 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Commerce, Manufacturing, and Trade will hold a hearing entitled "Fraud on the Elderly: A Growing Concern for a Growing Population." Witnesses are by invitation only.

### **I. Witnesses**

Kay Brown  
Director  
Education, Workforce, and Income Security  
U.S. Government Accountability Office

Joseph S. Campbell  
Deputy Assistant Director  
Criminal Investigation Division  
Federal Bureau of Investigation

Charles Harwood  
Acting Director  
Bureau of Consumer Protection  
Federal Trade Commission

Gail Hillebrand  
Associate Director  
Consumer Education and Engagement  
Consumer Financial Protection Bureau

The Honorable William H. Sorrell  
Attorney General  
State of Vermont

## II. Background

The Federal Trade Commission estimates 25.6 million adults were victims of fraud in 2011, falling prey most frequently to scams involving weight loss, prize promotions, buyers' club memberships, Internet services, and work-at-home programs.<sup>1</sup> While seniors are actually less likely to be taken in by these most common fraud schemes, there are other types of scams to which they are more likely to be victimized: sweepstakes or lotteries, money wiring (or so-called grandparents' scams), online dating schemes, and health care and insurance scams.

In addition to these fraud scams, 11.7 million people above the age of 16 were victims of identity theft in the U.S. in 2008, the most recent year for which such data is available.<sup>2</sup> Identity theft can take the form of stealing personal information to drain existing bank or investment accounts, establish new credit accounts, or steal government or health benefits. The elderly are particularly vulnerable to this form of fraud for a number of reasons. As Americans age, their financial decision-making skills can decrease. Additionally, because seniors' finances are often handled by caregivers, especially if they no longer live on their own or with family, their personal information is easily misappropriated, and they are more vulnerable to identity theft.

### *Why is Elder Fraud a Concern?*

Seniors are an especially attractive target for fraudsters because as a group, they tend to be wealthier. According to 2010 Census data, the median net worth of households of those 65 years and older was 4.9 times that of households aged 35 to 44 and 25.5 times that of those below the age of 35.<sup>3</sup> That disparity also means that the domino effect [?] of elder fraud is substantial: when seniors are defrauded, their children are often in no position to help them financially, and so elderly victims must turn to the social safety net rather than their families. According to a recent Government Accountability office (GAO) report, financial exploitation of seniors cost older adults nearly \$3 billion in 2010 alone.<sup>4</sup> GAO estimated that the State of Utah's Medicaid program would end up paying \$900,000 to cover the cost of just 80 cases involving fraud against seniors.

The problem of fraud against the elderly also is growing because the number of older Americans is growing rapidly. In 1980, those 65 and older accounted for 11.3 percent of the U.S. population. By 2010, that number grew to 13 percent.<sup>5</sup> But by 2030, that age group is

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<sup>1</sup> Federal Trade Commission, Consumer Fraud in the United States, 2011: The Third FTC Survey, at i (2011) <<http://www.ftc.gov/os/2013/04/130419fraudsurvey.pdf>>.

<sup>2</sup> Bureau of Justice Statistics, 11.7 Million Persons Reported Identity Theft Victimization in 2008 (Dec. 16, 2010) <<http://www.bjs.gov/content/pub/press/vit08pr.cfm>>. See also Federal Trade Commission, FTC Resources for Reporters, Identity Theft and Data Security (last modified Aug. 28, 2012) <<http://www.ftc.gov/opa/reporter/idtheft/>>.

<sup>3</sup> U.S. Census Bureau, Table 1. Median Value of Assets for Households, by Type of Asset Owned and Selected Characteristics: 2011 (visited May 13, 2013) <[http://www.census.gov/people/wealth/files/Wealth\\_Tables\\_2011.xlsx](http://www.census.gov/people/wealth/files/Wealth_Tables_2011.xlsx)>.

<sup>4</sup> U.S. Government Accountability Office, ELDER JUSTICE: National Strategy Needed to Effectively Combat Elder Financial Exploitation, GAO-13-110, at 1 (Nov. 2012).

<sup>5</sup> U.S. Census Bureau, 65+ in the United States 2005, Table 2-1. Total Population and Older Population by Age for the United States: 1900 to 2000, at 9 (Dec. 2005) <<http://www.census.gov/prod/2006pubs/p23-209.pdf>>.

projected to rise to over 20 percent of the U.S. population.<sup>6</sup> In absolute terms, the number of citizens over the age of 65 will more than double, from 40.2 million in 2010 to an estimated 88.5 million in 2050.<sup>7</sup> The reason for the growth in this age group is, of course, the aging of the Nation's baby boomers, the roughly 78 million Americans born between the years 1946 and 1964.<sup>8</sup>

*What is the Federal Government's Role and Response to the Issue?*

A number of Federal agencies have jurisdiction over issues relating to seniors, fraud, and elder abuse:

Consumer Protection

Federal Trade Commission

Consumer Financial Protection Bureau (Office for Older Americans)

Securities and Exchange Commission

Department of the Treasury (Financial Crimes Enforcement Network)

Social Services

Department of Health and Human Services (Administration on Aging)

Criminal Justice

Department of Justice

Postal Inspection Service

In addition to these specific offices, an Elder Justice Interagency Working Group brings together Federal offices that target elder abuse prevention, consumer protection, prosecution, research, and grant and program funding.<sup>9</sup> States also supplement these efforts with their own offices or task forces dedicated to serving seniors.

The purpose of this hearing is to examine the Federal government's efforts in detecting current fraud threats to seniors, educating consumers on those threats, and taking enforcement actions against fraudsters. In addition, the hearing will explore how to measure the success of these efforts, and the level of coordination among Federal and State agencies and offices. Finally, this hearing will probe the likely future trends in fraud against the elderly as the senior population gradually changes from the World War II generation to a generation that uses the Internet and other new technologies, which bring with them new threats as well as benefits.

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<sup>6</sup> U.S. Census Bureau, Population Division, Table 3. Percent Distribution of the Projected Population by Selected Age Groups and Sex for the United States: 2015 to 2060 (Dec. 2012)

<<http://www.census.gov/population/projections/data/national/2012/summarytables.html>>.

<sup>7</sup> U.S. Census Bureau, THE NEXT FOUR DECADES: The Older Population in the United States: 2010 to 2050, at 1 (May 2010) <<http://www.census.gov/prod/2010pubs/p25-1138.pdf>>.

<sup>8</sup> U.S. Census Bureau, Oldest Baby Boomers Turn 60! (last modified Jan. 24, 2013)

<[http://www.census.gov/newsroom/releases/archives/facts\\_for\\_features\\_special\\_editions/cb06-ffse01-2.html](http://www.census.gov/newsroom/releases/archives/facts_for_features_special_editions/cb06-ffse01-2.html)>.

<sup>9</sup> Elder Justice Coordination Council, Elder Justice Interagency Working Group, Participating Federal Departments and Agencies, Mission Statements and Agency Activities Relevant to Elder Justice (Oct. 1, 2012)

<[http://www.aoa.gov/AoA\\_programs/Elder\\_Rights/EJCC/docs/Agency%20Activities.pdf](http://www.aoa.gov/AoA_programs/Elder_Rights/EJCC/docs/Agency%20Activities.pdf)>.

*Please contact Brian McCullough, Gib Mullan, or Shannon (Weinberg) Taylor of the Committee staff at (202) 225-2927 with questions.*