Digitally Divided:
Older Adult Banking Vulnerabilities in the Chicago Region

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# Table of Contents

Introduction ........................................................................................................................................... 1

Section One: Barriers to Banking for Older Adults .......................................................................... 1
  Physical & Cognitive Challenges ................................................................................................. 1
  Financial Challenges .................................................................................................................. 1
  Proximity Challenges ................................................................................................................ 2
  Social and Technological Challenges ........................................................................................ 2
  Vulnerability to Fraud and Exploitation ..................................................................................... 3

Section Two: Geographic Vulnerabilities in the Chicago Region .................................................. 5
  Geographic Distribution .............................................................................................................. 6
    High-Vulnerability Areas ......................................................................................................... 6
    Moderate-Vulnerability Areas ................................................................................................. 9

Section Three: Strategies & Recommendations ............................................................................. 12
  Recommendations for Financial Institutions ........................................................................... 12
    Consider the Impact of Bank Branch Location and Closures on Older Adults ..................... 12
    Provide Age-Friendly Banking Products and Services ............................................................ 12
    Train Staff in Older Adult Banking Needs and Exploitation Detection .................................. 13
    Report Suspicious Activities to More Authorities ................................................................ 14
    Equip Older Adults with Tools for Navigating Technology and Identifying Fraud ................. 14
    Provide Training and Resources to Families .......................................................................... 15
    Partner with Community-Based Organizations ........................................................................ 15
  Recommendations for Policymakers ......................................................................................... 16
    Strengthen CRA; Oppose “Modernizations” of the CRA that Give Less Weight to Local Community Needs .................................................................................................................. 16
    Oppose Regulatory “Sandbox” Schemes .................................................................................. 17
    Require Fintechs Seeking a Federal Charter to Have Robust Financial Inclusion Plans ........... 18

Conclusion ........................................................................................................................................... 20

Appendix ........................................................................................................................................... 21

References .......................................................................................................................................... 29
Introduction

As we age, we face unique challenges in accessing financial services. For older adults struggling with cognitive and physical decline, banking and other financial transactions can become riskier and more challenging. As more financial institutions close bank branches, older adults are confronted with potential challenges such as having to drive long distances or being forced to turn to online banking, which is prohibitively daunting to many older adults. The rapid growth of financial technology, including internet and mobile phone banking, while convenient for some customers, often leaves older adults behind. Addressing these challenges is important to ensuring the financial health and safety of older adults.

This report discusses challenges to banking for older adults and offers solutions for addressing these challenges. This report is divided into three sections. Section One discusses barriers to banking for older adults including physical, cognitive, financial, proximity, social, and technological challenges as well as the risk of financial exploitation and abuse. Section Two analyzes the location of bank branches relative to the older adult population in the seven-county Chicago region and identifies geographic areas most in need of strategies for addressing older adult banking vulnerabilities and challenges. Section Three discusses these strategies and recommendations.

Section One: Barriers to Banking for Older Adults

Older adults face a number of challenges in accessing financial institutions and banking services.

Physical & Cognitive Challenges

As we age, our vision, hearing, and physical motor skills decline, often resulting in loss of mobility. This loss of mobility can make getting to a bank branch difficult. Impaired vision and hearing make activities related to banking, such as viewing statements, using ATMs, or interacting with tellers, increasingly challenging. Many of us will also experience cognitive decline ranging from minor memory difficulties to more severe cognitive impairments such as dementia and Alzheimer’s disease. Older adult consumers with cognitive impairments have greater difficulty managing their finances and making financial decisions. Memory lapses can lead to impaired financial decision making, disorganized money management, and late bill payments. Similarly, cognitive decline can involve arithmetic errors and also places older adults at greater vulnerability for financial abuse and exploitation.

Financial Challenges

According to the latest Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, 3.9 percent of households in the U.S. with residents age 65 and older are unbanked, and 11.6 percent are underbanked. These figures constitute 1.26 million and 3.75 million households respectively. Although unbanked and underbanked rates are lower among older adults compared to other age groups, these totals are significant, particularly when considering the aging of the population.

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2 Ibid.
3 Ibid.
4 Federal Deposit Insurance Corporation, 2017 FDIC National Survey of Unbanked and Underbanked Households, October 2018, accessed February 22, 2018, https://www.fdic.gov/householdsurvey. Unbanked households are defined as those without a checking or savings account. Underbanked households are defined as those with a checking or savings account that used one of the following products or services from an alternative financial services provider in the past 12 months: money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans.
large Baby Boomer cohort. According to a study of older adult banking habits completed by AARP, the most frequently cited financial reasons for not having a bank account were not having enough money to make an account useful; hidden fees and charges; price; and minimum balance requirements. The most frequently cited privacy and technical reasons older adults gave for being unbanked were concerns about misuse of personal information and too much required paperwork.

Being banked or underbanked increases the cost of basic financial transactions. For example, rather than depositing or writing checks for free, unbanked persons need to rely on check cashing or money orders, which come with associated fees. Underbanked households often utilize predatory alternative financial services such as payday loans, auto title loans, or rent-to-own schemes. Furthermore, those using alternative financial services may end up with fewer resources in retirement. As AARP notes, “for people age 45 to 64, the peak retirement savings years, being unbanked or underbanked can often mean the difference between a secure retirement and poverty.”

**Proximity Challenges**

Over 6,000 bank branches in the U.S. were closed from 2008 to 2016 according to a study by the National Community Reinvestment Coalition (NCRC). “Banking deserts”—areas that lack proximate access to bank branches—are particularly detrimental to those who cannot or will not bank remotely, or do not have the ability to drive outside of their communities to access a bank branch. Older adults are more likely to fall into one or both of these groups, as they are less able and apt to use the internet or mobile phone banking, and are more likely to have physical or cognitive challenges that prevent them from driving. Many of us will live longer than our ability to physically drive (10 years on average for women and seven years on average for men). The loss of the ability to drive can make getting to a bank difficult, particularly for older adults living in suburban or rural areas without robust transit access. As banks continue to close more brick-and-mortar locations, older adults will be increasingly vulnerable to losing access to traditional financial services.

**Social and Technological Challenges**

Financial technology, often referred to as “fintech,” which includes internet and mobile phone banking, is growing at a rapid pace. New technologies can offer convenience, but a push for technology and mobile banking over traditional banking services can leave behind those who are unwilling or unable to adopt new technologies. This disproportionally includes older adults. Older adults are less apt to use electronic banking, preferring in-person interactions. Although older adults are moving towards more digital lives, many seniors remain unconnected from the digital revolution. A 2017 Pew Research Center report states:

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5 The Baby Boomer generation spans birth years 1946 and 1964.
7 Ibid.
9 Jackson, et al., “Older Underbanked and Unbanked Consumers.”
13 Liya Xiong and Claire Mathews, “Seniors and Banking” (paper, presented at 10th AIBF Banking and Financier Conference, Melbourne, Australia, September 29-30, 2005).
“One-third of adults ages 65 and older say they never use the internet, and roughly half (49%) say they do not have home broadband services. Meanwhile, even with recent gains, the proportion of seniors who say they own a smartphone is 42 percentage points lower than those age 18 to 64.”

Even among mobile phone owners, only 18 percent of those over age 60 with a mobile phone use mobile banking, compared to 48 percent of those born between 1965 and 1984 (Generation X) and 56 percent of those born between 1985 and 2004 (Millennials).

For mobile banking, usage figures were seven percent for Traditionalists and 22 percent for Baby Boomers compared to 38 percent for Generation X and 52 percent for Millennials.

In the City of Chicago, only 66 percent of adults age 65 and older have access to a computer or smart phone compared to 91 percent of those age 18 to 64 according to American Community Survey (ACS) data. Similarly, only 55 percent of those age 65 and older had broadband internet access compared to 80 percent of those age 18 to 64. This disparate lack of access to broadband internet, computer, and mobile phone access leaves older adults behind as banks move increasingly towards digital banking services.

**Vulnerability to Fraud and Exploitation**

Older adults have long been the targets of fraud, financial exploitation, and financial abuse, and the problem is growing with the aging of the large Baby Boomer cohort. A federally funded survey of older adults conducted by the National Institute of Justice found that 5.2 percent of older adults reported current financial exploitation by a family member, and 6.5 percent reported past or current financial exploitation by a non-family individual.

Elder financial abuse results in an estimated loss of $2.9 billion annually. Elder financial abuse is also on the rise. According to a report released by the Consumer Financial Protection Bureau (CFPB), Suspicious Activity Reports (SARs) filed by banks, credit unions, casinos, and other financial services providers on elder financial exploitation quadrupled from 2013 to 2017. Older adults age 70 to 79 lost on average $43,000, and when older adults knew the suspect, the average loss was larger (about $50,000).

With the expansion of financial technology, the potential for exploitation has increased, particularly since older adults tend to be less comfortable with technology than their younger counterparts. As Judith Shaw, Securities Administrator for the State of Maine notes in a 2017 Politico article, many older people do not manage their finances electronically and are vulnerable to people who offer to help them set up online accounts.

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14 Anderson and Perrin, “Tech Adoption.”
17 Ibid.
18 Data are from the 2013 - 2017 American Community Survey.
19 Ibbid.
22 Ibid.
accounts and then subsequently drain them.²³ Purveyors of predatory or deceptive financial products such as unrealistic investment schemes, inappropriate annuities and reverse mortgages, or loans with predatory terms tend to target older adults. Low-income older adults and older adults of color are especially vulnerable.²⁴ The growth of fintech lenders and other financial services providers offering services electronically has resulted in increased concerns over predatory products and the targeting of older adults.


Section Two: Geographic Vulnerabilities in the Chicago Region

This report identifies geographic areas in the seven-county Chicago region (defined as Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will Counties) most in need of strategies for addressing older adult banking vulnerabilities and challenges. Using census tract-level data, tracts are identified as “high-vulnerability” areas and “moderate-vulnerability” areas.

Census tracts are identified as high-vulnerability areas if:

1) The proportion of older adults (age 65 and older) exceeds the regional average;
2) The poverty rate among older adults (age 65 and older) exceeds the regional average;
3) The proportion of older adults (age 65 and older) without broadband internet access exceeds the regional average; and
4) There is no bank branch within one-quarter mile of the census tract.  

Seventy-three census tracts in the seven-county region are identified as high-vulnerability areas (see figures 1 and 2). Of these, 62 tracts (85 percent) are low- and moderate-income (LMI) census tracts (defined as census tracts with a median family income that is 80 percent or less of the area median). Sixty-seven (92 percent) are communities with large numbers of residents of color (defined as census tracts where the proportion of non-white residents exceeds the regional average).

There are an additional 68 tracts that, while not possessing the characteristics that make them high-vulnerability areas, nonetheless had a higher-than-average proportion of older adults and no nearby bank branch. These tracts are characterized as moderate-vulnerability areas (see figures 3 and 4). They are located throughout the region, often, but not always, near high-vulnerability areas. Of these, 20 (29 percent) are LMI census tracts (defined as census tracts with a median family income that is 80 percent or less of the area median). Fifty-six (82 percent) are communities with large numbers of residents of color (defined as census tracts where the proportion of non-white residents exceeds the regional average).

Given the characteristics of these areas, high- and moderate-vulnerability tracts require special consideration from financial institutions, policymakers, community investment advocates, and agencies working with older adults. Special attention should be paid to any proposed branch closures or relocations in these areas. These tracts stand to benefit most from local age-friendly banking initiatives and outreach programs for older adults and their caregivers, and should be given preference in resource allocation.

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25 See the Appendix for maps of the proportion of older adults by census tract, poverty rates among older adults by census tract, the proportion of older adults without broadband internet access by census tract, and the location of bank branches.

26 Note that the seven-county region spans three Metropolitan Divisions (the Chicago-Arlington Heights, IL Metropolitan Division, the Lake County-Kenosha County, IL-WI Metropolitan Division, and the Elgin, IL Metropolitan Division). LMI tracts and tracts with large numbers of residents of color are determined for each separate division.

27 For information about age-friendly banking, see NCRC’s National Neighbors Silver Guide to Age-Friendly Banking Products, Services, Protections, and Resources for Older Adults; NCRC’s A New Dawn: Age-Friendly Banking; and the ABA Foundation’s 2017 Older Americans Benchmarking Report.
Geographic Distribution

High-Vulnerability Areas

Figure 1: High-Vulnerability Census Tracts, City of Chicago
Figure 2: High-Vulnerability Census Tracts, Seven-County Region
Seventy-three census tracts in the seven-county region are identified as high-vulnerability areas.

City of Chicago

Over half (44) of these tracts are located on the south side of the City of Chicago spanning several Community Areas including Englewood, West Englewood, Greater Grand Crossing, Roseland, Fuller Park, Douglas, and West Pullman. A second concentration of high-vulnerability tracts is located on Chicago’s west side in the Austin, West Garfield Park, and East Garfield Park Community Areas.

South Suburban Cook County

Eight high-vulnerability tracts are located in South Suburban Cook County. These tracts span the communities of Harvey, Blue Island, Robbins, Chicago Heights, and South Holland.

Will County

Four high-vulnerability tracts are located in Will County: one in and near Mokena; one south of Crete in unincorporated Will County; and two in the southwest corner of the county near Wilmington. These areas are largely rural.

DuPage County

There is one high-vulnerability tract located in Carol Stream.

Kane County

There is one high-vulnerability tract located on the border of Kane and DuPage counties in Batavia.

Lake County

Two high-vulnerability tracts are in the northwest corner of Lake County in unincorporated territory.

Northwest Cook County/Northwest Chicago

There is one high-vulnerability tract in Northwest Cook County adjacent to the City of Chicago. A second high-vulnerability tract is located nearby in the City of Chicago in the Dunning Community Area.
Moderate-Vulnerability Areas
Figure 3: Moderate-Vulnerability Tracts, City of Chicago
Figure 4: Moderately-Vulnerability Tracts, Seven-County Region
City of Chicago

Twelve moderate-vulnerability tracts are peppered throughout Chicago’s south side. One is located on Chicago’s west side in the Austin Community Area.

North/Northwest Suburban Cook County

Seven moderate-vulnerability tracts are located in North/Northwest Suburban Cook County, with one each in Park Ridge, Morton Grove, Glenview, Mount Prospect, Des Plaines, Prospect Heights/Arlington Heights, and at the intersection of Streamwood, Bartlett, and Elgin.

West/Southwest Suburban Cook County

West/Southwest Suburban Cook County contains three moderate-vulnerability tracts: one in Brookfield, one in Hickory Hills, and one in Palos Hills.

South Suburban Cook County

South Suburban Cook County contains six moderate-vulnerability tracts. They span Harvey, Markham, Dolton, South Holland, Glenwood, Chicago Heights, and Matteson.

Will County

There are 10 moderate-vulnerability tracts in Will County. Four are in unincorporated areas in the southern portion of the county. Three are located in the western portion of the county in Joliet, Crest Hill, and Lockport. One is located along the border with Cook County in and near University Park, and one is located along the Indiana state line in/near Willowbrook.

Kendall County

Kendall County contains one moderate-vulnerability tract in Boulder Hill.

McHenry County

McHenry County contains three moderate-vulnerability tracts: one in Piskatee Highlands, one spanning Prairie Grove and Oakwood Hills, and one spanning Crystal Lake and Lakewood.

Lake County

Lake County contains 12 moderate-vulnerability tracts. Five are located near the north shore of Lake Michigan in Highland Park, Lake Forest, Deerfield, Bannockburn, and Riverwoods. Two are located further north in Waukegan and Beach Park. Two are located along the Illinois-Wisconsin border. One is in the southwest corner of the county spanning North Barrington and Lake Barrington.

DuPage County

There are 11 moderate-vulnerability tracts peppered throughout DuPage County. Three are located in Lombard, and one is located in each of the following areas: Elmhurst, in/near Itasca, Carol Stream, between Wheaton and Winfield, between Downers Grove and Woodridge, in Woodridge, in Hinsdale/Burr Ridge, and in Naperville.
Section Three: Strategies & Recommendations

This section of the report presents strategies and recommendations for addressing older adult banking vulnerabilities and challenges. While many of these recommendations are directives for financial institutions, ensuring the financial wellbeing of older adults requires the participation of many stakeholders including policymakers, community-based organizations, social service providers, family members, and caregivers.

Recommendations for Financial Institutions

Consider the Impact of Bank Branch Location and Closures on Older Adults
Banks must consider the impact of proposed bank branch closures on their older adult customers. Banks should avoid closing branches in areas with a high proportion of older adults, particularly LMI older adults, without ensuring the availability of other nearby banking alternatives. If a bank determines it must close a branch, it should develop a robust communications and education plan directed toward its older adult customers to ensure they understand the implications of the impending closure and have a clear plan based on their options and resources. Conversely, banks should consider the distribution of older adults when opening new bank branch locations and in choosing where to launch age-friendly banking initiatives. The maps provided in this report can be used as a guide to identify areas of greatest need.

As a demographic group, older adults are very loyal customers (50 percent of AARP survey respondents reported banking with their financial intuition for over 20 years), and tend to have large financial assets. People over age 50 make up one third of the population, but account for 61 percent of bank depositors and hold 70 percent of deposit balances. Therefore, it is in the best interest of financial institutions to retain and protect their older adult customers.

Provide Age-Friendly Banking Products and Services
There are a number of best practice age-friendly banking products and services that make banking better and safer for older adults. Many banks are already providing these products and services. According to a survey of banks conducted by the ABA Foundation, six in 10 survey respondents offer products with favorable terms (as compared to standard terms) for older customers. One in four offers additional customer services (as compared to standard services) for older customers. These range from social activities like bingo and movie nights to travel clubs. Several age-friendly banking practices are highlighted below.

View-only Accounts

View-only accounts allow older adults to designate a trusted third-party person to view their account activity online, but do not allow that person to make transactions. This arrangement allows a caregiver, for example, to monitor activity for fraud or forgotten bill payments without giving the caregiver access to an older adult’s funds. Unfortunately, a family member’s or caregiver’s ability to access an older adult’s bank account is one of the main avenues for financial exploitation. This view-only arrangement

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30 Ibid.
31 Ibid.
32 For a more comprehensive list, see NCRC’s National Neighbors Silver Guide to Age-Friendly Banking Products, Services, Protections, and Resources for Older Adults and the American Bankers Association Foundation’s 2017 Older Americans Benchmarking Report.
protects the older adult from exploitation as well as the caregiver or family member from unwarranted suspicion.  

**BankOn National Account Standards**

Financial institutions should offer accounts and transactional products that adhere to BankOn National Account Standards. Inspired by the Federal Deposit Insurance Corporation (FDIC)’s Model Safe Accounts Template, BankOn standards are a set of account features such as low minimum balances and no overdraft fees that make accounts more accessible and safe for LMI individuals, allowing them to utilize a bank or credit union rather than relying on expensive or predatory alternative financial services providers. BankOn standards are beneficial not only for low-income older adults who are at risk of being unbanked, but also for all persons looking for banking services that are more accessible and attainable.

**Accessibility Features**

Financial institutions should work to ensure their branches and products are fully accessible to older adults. Accessibility enhancements include large print or braille statements, telecommunication services for persons with speech or hearing impairments, reader services, and ATM modifications. Branches can be more age-friendly by ensuring the interiors and exteriors meet all Americans with Disabilities Act (ADA) requirements and are easily navigable. To make banks friendlier to older adult customers, branches can provide chairs in their lobbies, offer to conduct a transaction in a quieter place, ensure employees speak loudly and clearly, and write down a request for those who have hearing difficulties. Some financial institutions make notes on a customer’s file or account if the individual requires more time for transactions or has a hearing or vision impairment. This helps employees better serve that particular customer’s needs. Financial institutions can also identify an Ombudsperson for rapid responses to aging and disability-related questions or concerns raised by customers or the public and refer to appropriate resources. Some banks (one in five according to an ABA Foundation survey) provide courier services to older adult customers physically unable to visit a branch.

**Train Staff in Older Adult Banking Needs and Exploitation Detection**

Financial institutions should train their employees to serve the needs and vulnerabilities of the older adult population. The ABA Foundation offers such resources through its Safe Banking for Seniors (SBFS) program. The SBFS program is a free national program that provides bankers with the tools and resources necessary to help older adults, their families, and caregivers prevent elder financial abuse and exploitation. The program includes presentations, activity and resource sheets, and guides to help bankers connect with their local communities to share information about identifying and avoiding scams; preventing identity theft; choosing a financial caregiver; and serving as a responsible financial caregiver. The American Institute of Financial Gerontology (AIFG) also provides training and continuing education to a variety of professionals who work with older adults. Financial gerontology is the study of the


37 Ibid.

38 ABA Foundation, *Benchmarking Report*.

39 For more information about the SBFS program, see https://www aba.com/Engagement/pages/safe-banking-for-seniors.aspx#.

40 For more information, see AIFG’s website: www.aifg.org
financial impacts of aging. Many banks hire certified financial gerontologists to coordinate services to older adult customers.

Training frontline employees to recognize and report financial exploitation not only protects older adults, but can also have benefits for the financial institution. It can result in cost savings for the bank. It can also lead to greater customer satisfaction and loyalty. Some financial institutions have found their efforts increased brand value, customer trust, and employee morale. First Financial, for example, reported millions gained in new deposits once it launched its employee fraud and exploitation training program.41 Furthermore, many of these activities resulting from new age-friendly banking initiatives may receive favorable consideration under the Community Reinvestment Act (CRA).42 According to a survey conducted by the ABA Foundation, seven in 10 banks currently provide training to frontline staff or customer service representatives on how to detect and report elder financial abuse.43 Training is required for all other bank personnel at six in 10 banks.44

Report Suspicious Activities to More Authorities
According to a report released by the CFPB, fewer than one-third of SARs involving elder financial exploitation indicate the filing institution reported the suspicious activity to adult protective services, law enforcement, or other authorities.45 These are missed opportunities to strengthen elder financial abuse protection and response. Greater reporting can increase investigation, prosecution, and the likelihood that victims will receive appropriate services.46

Equip Older Adults with Tools for Navigating Technology and Identifying Fraud
While use of technology and mobile banking is less prevalent among older adults, it is nonetheless on the rise.47 Financial institutions can equip older adults interested in adopting new banking technologies with the proper resources to do so. Bank branches can host community seminars specifically designed for older adults. They can also provide in-branch computer terminals and ready-to-assist branch personnel to improve online banking usage.48 According to a survey of banks conducted by the ABA Foundation, half of respondents offer in-branch training for older adult customers looking to learn new banking technologies.49 Financial institutions can also provide training to employees to better ensure customers are aware of online or mobile banking options and feel comfortable with those options. A study of technology adoption among older adults linked personal contact to an increase in the perceived usefulness of financial technology.50 However, communicating the benefits of using banking technology is not enough.

42 Congress passed the Community Reinvestment Act (CRA) in 1977 to encourage banks to help meet the credit needs of their entire communities, including low- and moderate-income people and neighborhoods, in ways consistent with safe and sound bank operations. The prudential bank regulators who enforce the CRA (The Federal Reserve Board, the Federal Deposit Insurance Corporation or FDIC, and the Office of the Comptroller of the Currency) periodically review banks’ performance under the CRA and give CRA credit in cases where banks provide loans, investments, or retail banking services to low-and moderate-income people and communities. Regulators consider banks’ CRA records when they apply to open new locations and business lines, and poor CRA performance can hinder bank mergers and acquisitions; Federal Financial Institutions Examination Council, “Consumer Reinvestment Act,” last modified March 1, 2019, accessed April 8, 2019, https://www.ffiec.gov/cral/
43 ABA Foundation, Benchmarking Report.
44 Ibid.
45 Consumer Financial Protection Bureau, “Suspicious Activity.”
46 Ibid.
47 Anderson and Perrin, “Tech Adoption.”
49 ABA Foundation, Benchmarking Report.
50 Janelle Rose and Gerard J. Fogarty, “Determinants of Perceived Usefulness and Perceived Ease of Use in the Technology Acceptance Model: Senior Consumers’ Adoption of Self-Service Banking Technologies” (paper, presented at 2nd Biennial Conference of the
Rather, older adults need hands-on training to improve their confidence and demonstrate that they have the ability to use financial technology.\textsuperscript{51} Furthermore, familiarizing older adults with financial technology will make them less susceptible to financial fraud or exploitation. Although older adults are less apt to use electronic banking, those who did were satisfied with it.\textsuperscript{52} Indeed, some banking technologies can be particularly helpful to older adults. For example, fingerprint ATMs can be helpful to older adults who may have difficulties remembering passwords.\textsuperscript{53} Automatic deposits and bill payment can be beneficial for older adults with memory lapses, and online account viewing can aid caregivers in monitoring account activity for irregularity.\textsuperscript{54}

Banks are also well-positioned to host or facilitate special events and trainings that help older adult customers spot scams and understand fraud risks. According to a survey of banks conducted by the ABA Foundation, approximately half of respondents host community education/outreach events specific to protecting older adult customers from fraud.\textsuperscript{55} Most partnered with older adult-focused agencies or non-profit organizations to host these events.\textsuperscript{56}

**Provide Training and Resources to Families**

Proper support to family members and caregivers is essential to ensuring the financial wellbeing of the older adults under their care. Community-based organizations, local departments of aging, financial institutions, and service providers should work together to expand educational programming and resources for older adults and their caretakers. Important educational topics include financial literacy, fraud prevention and scam avoidance, how to establish power of attorney, and how to effectively have conversations with older adult family members about their needs when their financial abilities begin to decline.\textsuperscript{57}

**Partner with Community-Based Organizations**

Financial institutions should partner with community-based organizations to assess community needs and launch age-friendly banking initiatives, particularly in high-vulnerability areas. Many of these activities may count towards banks’ CRA obligations. Age-friendly banking initiatives are already underway in some Chicago communities. For example, Northwest Side Housing Center (NWSHC) in Chicago partnered with First Midwest Bank to pioneer the Senior Ambassador Program. The Senior Ambassador Program provides financial coaching and advice to older adults and their caregivers at one of First Midwest Bank’s branch locations.\textsuperscript{58} For more information about how communities can launch local age-friendly banking initiatives, see NCRC’s Age Friendly Banking Toolkit.\textsuperscript{59}

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\textsuperscript{51} Academy of World Business, Marketing and Management Development: Business across Borders in the 21st Century, Paris, France July 10-13, 2006.\textsuperscript{51} \\
\textsuperscript{52} Ibid. \\
\textsuperscript{53} Xiong and Mathews, “Seniors and Banking.” \\
\textsuperscript{54} Gunther, AARP’s BankSafe Initiative. \\
\textsuperscript{55} Triebel and Marson, “Warning Signs,” 39-45. \\
\textsuperscript{55} ABA Foundation, Benchmarking Report. \\
\textsuperscript{56} Ibid. \\
\textsuperscript{57} Triebel and Marson, “Warning Signs,” 39-45. \\
\textsuperscript{59} Ibid.
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Recommendations for Policymakers

Strengthen CRA; Oppose “Modernizations” of the CRA that Give Less Weight to Local Community Needs

As noted in Section Two of this report, 85 percent of high-vulnerability census tracts are LMI tracts. Within moderate-vulnerability census tracts, 29 percent are LMI tracts. That makes these areas ripe for regulators to examine how well banks are meeting their obligations under the CRA to serve the lending, investment, and retail services needs of older adults.

The Office of the Comptroller of the Currency (OCC), which regulates national banks, released on August 28, 2018, an Advanced Notice of Proposed Rulemaking that requested feedback on possibly drastic changes to the CRA. One idea the OCC floated was to lessen the significance of branch banking in CRA compliance. This idea is particularly harmful for older adults, as discussed above, because older adults are more likely than younger adults to rely on a physical bank branch within proximity of their home. Another OCC idea was to “simplify” CRA compliance by allowing banks to be graded on their CRA performance using one ratio—a ratio that compares a bank’s deposits or assets to its aggregate CRA-qualifying activities. This “one-ratio” approach would enable a bank to overperform in certain geographic areas and completely disregard other geographic areas, as long as it meets the one-ratio requirement. In this way, a bank could avoid having to be responsive to the local needs of a particular area, such as a high-vulnerability area for older adults.

Access to bank branches and capital is particularly important for older adult entrepreneurs. A growing number of older adults are becoming so-called “encore entrepreneurs,” or small business owners later in life. In fact, 57 percent of small business owners are age 50 or older, and 22 percent are age 60 or older according to Guidant Financial and LendingClub’s 2019 State of Small Business survey. Some older adults start businesses by choice. Some do so by necessity. For example, a survey of 20,000 small business owners found that women entrepreneurs age 65 and older are more likely to start businesses because they have lost a job or simply need more income, unlike younger entrepreneurs who are more likely to start businesses to take advantage of a business opportunity. Small businesses need access to safe and affordable credit. A series of reports released by Woodstock Institute in 2017 entitled Patterns of Disparity: Small Business Lending showed that small businesses in LMI communities and communities of color, in particular, need greater access to bank loans, which are almost always more safe and affordable than loans from a fintech lender. As such, proximity to physical bank branches is important for small business owners, and bank branch location should continue to be emphasized in CRA compliance.

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The Federal Reserve Board of Governor’s Lael Brainard in a speech on March 12, 2019, to the National Community Reinvestment Coalition Conference stressed the importance of the three federal banking regulators working together on proposed CRA changes.\(^{64}\) For banks of a certain size, she discussed modernizing the definition of a bank’s “assessment area” by expanding the size of the area for purposes of community development activities. The assessment area, especially for banks that operate largely, if not entirely, without branches, could be expanded to include more communities actually served by the bank, and expanding the area would extend the benefits of CRA to some areas that are currently “banking deserts,” which are areas with little to no access to banking services. Governor Brainard also stressed the ongoing importance of physical bank branches. Governor Brainard’s remarks, as compared to the OCC proposal, reflect an approach to CRA modernization that would strengthen the law, especially for individuals, such as older adults, who are threatened by proposals to “simplify” the CRA and to lessen the emphasis on branch banking.

From the legislative perspective, U.S. Senator Elizabeth Warren and U.S. Representative Cedric Richmond re-introduced legislation in March 2019 titled the American Housing and Economic Mobility Act (S. 787 & H.R. 1737) that would strengthen the CRA in important ways. The bill would expand the scope of entities required to engage in community development and other CRA-qualifying activities to include non-banks, such as mortgage companies, who are the biggest source of the nation’s mortgage lending. The bill would extend the law’s scope beyond LMI communities to include “underserved and distressed” communities. As for assessment areas, the bill would modernize assessment areas by including both areas with physical branches and areas in which the financial institution issues a considerable number of loans or other financial products. All these steps would have the effect of extending the benefits of CRA to more people and communities, including more older adults.

Policymakers in Congress considering changes to the CRA, and prudential regulators considering proposed CRA rule changes, should oppose and avoid changes that would give less weight to local community needs, including the needs of older adults. Congress and the regulators should support changes to the CRA that strengthen the service test for large banks and strengthen oversight on bank lending to small businesses.

**Oppose Regulatory “Sandbox” Schemes**

Policymakers at both the state and national levels have proposed regulatory “sandbox” schemes. A regulatory “sandbox” is essentially a zone in which companies and individuals can experiment on consumers without appropriate oversight. Sandbox advocates assert that sandbox policies encourage financial innovation, but history shows that some financial innovations (like the toxic mortgage products that led to the foreclosure crisis) lead to consumer harm. A fraudster in the sandbox could defraud consumers without fear of having a regulator examine its activities. Low-income older adults and older adults of color may be at heightened risk, as they have historically been vulnerable to other forms of predatory lending.\(^{65}\) Policymakers should pursue strategies that encourage innovation without sacrificing oversight and consumer safeguards.

Sandbox schemes have not yet been widely adopted, but sandbox initiatives appear to be picking up steam. Arizona implemented a sandbox in 2018. To date, only four companies are participating. Wyoming adopted a sandbox law in 2019, which takes effect on January 1, 2020. The Illinois House approved a sandbox bill in 2018 (HB 5139), but the bill, which was opposed by the leading consumer

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advocates in the state, failed to make it out of committee in the Illinois Senate. A sandbox bill was reintroduced in 2019 (HB 2825), but it lies dormant as of this report’s publication.

Under the Trump Administration, the CFPB has proposed two types of sandboxes. The first is a sandbox for disclosures, permitting companies to experiment with different ways to inform consumers of the products being offered to them and the consumers’ legal rights.66 Put another way, a disclosure sandbox would exempt a company from having to comply with federal disclosure requirements during a “trial” period – two years in most cases. The CFPB followed up its disclosure sandbox proposal with a product sandbox proposal.67 The product sandbox proposal mirrors the state sandboxes, permitting companies to experiment with products on consumers. While the sandbox concept is purportedly intended to promote “innovation,” the CFPB product sandbox proposal does not specify the types of products welcomed into the sandbox or the criteria that will be applied when determining whether to allow a company to participate in the sandbox. As pointed out in a recent report from the National Consumer Law Center, “vague definitions of innovation could apply to any company.”68

A corollary to the product sandbox is a substantial revision to the CFPB’s policy on “no-action letters.” Under the new proposal, a no-action letter would represent the CFPB’s promise to a company – subject to limited exceptions such as bad faith – to take no action against the company with respect to the activities that are referenced in the no-action letter. Binding the Consumer Bureau’s hands, even when consumers are harmed in ways not anticipated when the no-action letter was issued, runs counter to the agency’s mission to protect consumers. No-action letters at other federal agencies are merely opinions issued by agency staff not to recommend enforcement action regarding a company’s particular activities.

The public comment periods on the Consumer Bureau’s proposed sandbox policies have ended. Therefore, the next step will be the Consumer Bureau’s issuance of final policies. The final policies are likely to be substantially similar to the proposals. Litigation is almost certain, and future administrations may decide to substantially change course on these issues. Policymakers should make every effort to keep watch over all sandbox proposals or de-regulatory schemes to guard against consumer harm, and should put consumer protection at the forefront when pursuing any strategies to promote innovation.

**Require Fintechs Seeking a Federal Charter to Have Robust Financial Inclusion Plans**

Fintechs can apply to receive a federal bank charter in three ways: a regular bank charter; an industrial loan corporation (ILC); or, an OCC fintech charter.69 The OCC gave conditional approval to fintech Varo Money in 2018 to obtain a regular bank charter.70 No fintech has received an ILC yet, but Square Financial Services, Inc. has an application pending with the FDIC.71 To date, no fintech has received an

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OCC fintech charter. Any ILC or fintech federal charter granted to a fintech should have the same safety and soundness requirements that regular banks have and should require a robust financial inclusion plan analogous to a bank’s CRA plan. The plan should include strategies to help ensure that all consumers within the fintech’s service area, including older adults, have access to the fintech’s services. In the case of Square, which is a fintech lender and payments processor that serves entrepreneurs and small businesses, a financial inclusion plan that offers activities designed to help older entrepreneurs in LMI communities would be particularly suitable because such activities would help address the negative impacts of the digital divide.

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Conclusion

As we live longer and healthier lives, ensuring the financial health and wellbeing of older adults is increasingly pressing. Addressing older adult financial needs requires the commitment and coordination of multiple agencies and sectors. Forming partnerships between financial institutions, aging networks, and community-based organizations is crucial. As AARP notes, combining resources, expertise, distribution networks, and brand identities is key to making a positive difference in the financial lives of older adults. The maps of high- and moderate-vulnerability areas presented in this report provide a strategic framework for where to strengthen cross-sector relationships and target older adult financial service resources in the Chicago region. Implementation of the financial institution and policy recommendations will help to protect older adults from financial abuse and improve their access to the variety of financial services, programs, and training needed to achieve and maintain financial security as they age.

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73 Gunther, AARP’s BankSafe Initiative.
Appendix

Figure A: Percent of Population Age 65 and Older, Seven-County Region

Data source: 2013-2017 Five Year American Community Survey
Figure B: Percent of Population Age 65 and Older, City of Chicago

Data source: 2013-2017 Five Year American Community Survey
Figure C: Percent of Population Age 65 and Older Below the Poverty Line, Seven-County Region

Data source: 2013-2017 Five Year American Community Survey
Figure D: Percent of Population Age 65 and Older Below the Poverty Line, City of Chicago

Data source: 2013-2017 Five Year American Community Survey
Figure E: Percent of Population Age 65 and Older without Broadband Internet Access, Seven-County Region

Data source: 2013-2017 Five Year American Community Survey
Figure F: Percent of Population Age 65 and Older without Broadband Internet Access, City of Chicago

Data source: 2013-2017 Five Year American Community Survey
Figure G: Bank Branch Distribution Relative to the Proportion of the Population Age 65 and Older, Seven-County Region

Data source: 2013-2017 Five Year American Community Survey; FDIC bank branch location data.
Figure H: Bank Branch Distribution Relative to the Proportion of the Population Age 65 and Older, City of Chicago
References


