America's Credit Unions

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The Honorable Bob Casey
Chairman
Special Committee on Aging
United States Senate
Washington, DC 20510

The Honorable Mike Braun
Ranking Member
Special Committee on Aging
United States Senate
Washington, DC 20510

Re: Today's Hearing: "Fighting Fraud: How Scammers are Stealing from Older Adults"

Dear Chairman Casey and Ranking Member Braun:

On behalf of America's Credit Unions, I am writing regarding the Committee's hearing entitled, "Fighting Fraud: How Scammers are Stealing from Older Adults." America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 140 million members nationwide.

We thank you for holding this important hearing on how to combat efforts targeting older Americans. Credit unions were pleased to champion the Senior Safe Act and appreciate its passage in 2018, making it easier for credit union employees to step in and protect seniors facing financial exploitation.

Many credit unions have instituted financial education and literacy programs aimed at older Americans and their families to help educate them about methods of fraud and how to detect scams, and credit unions have enhanced their use of AI-driven fraud detection systems and devoted significant resources to training their staff to recognize signs of elder financial abuse, which helps employees intervene to prevent scams from progressing. Many credit unions have adopted the trusted contact system, which allows elder credit union members to designate a trusted individual who can be alerted by the credit union in case of suspicious account activity. Some credit unions partner with third-party organizations, like Carefull, to offer more comprehensive fraud protection services specifically designed to monitor and protect older adults' finances. These are just some of the ways that credit unions, as member-owned institutions, work to protect their members. America's Credit Unions also facilitates credit union engagement with the National Credit Union Administration and the Consumer Financial Protection Bureau's Office of Older Americans to share information on trends in elder financial exploitation and other resources to help credit unions protect their older members.

Credit unions also invest significantly in both security and compliance management systems to prevent unauthorized electronic fund transfers (EFTs) and support faster, innovative payment options for their members. The credit union industry's commitment to relationship banking also gives members confidence that if they have a problem, they can count on their credit union to make every effort to resolve the issue. This emphasis on high touch service means that members will often seek and receive the help of their credit union even when a transaction primarily implicates the services of a third party with which the credit union has no formal, direct relationship. Member interaction with such services, particularly nonbank payment platforms, can complicate error resolution procedures, place strains on a credit union's compliance resources, and magnify exposure to fraud.

These relationships are also important and necessary because credit unions are committed to supporting consumer payment choice. Many credit unions provide their members with peer-to-peer (P2P) payment services as a convenient, value-added service for which they do not charge exorbitant fees. Credit unions are eager to embrace seamless payment technologies, but to compete effectively against large banks and nonbank financial giants with similar service offerings requires a fair regulatory environment. The costs borne by credit unions stemming from payments-related fraud are growing exponentially and cannot be sustained without limit. Expanding the liability for financial institutions for payments-related fraud would put a major strain on credit union resources and their ability to collaborate with payments platforms and expand consumer choice. This is why we strongly oppose S. 4943, the Protecting Consumers from Payment Scams Act, and believe it is not the correct solution to this problem.

As member-owned, not-for-profit financial cooperatives, credit unions exist to provide credit at competitive rates and offer low-cost services that assist their member-owners in meeting their individual financial needs. Credit unions support efforts to stop fraudulent schemes and invest in robust compliance programs to limit this activity, but an expansion of credit unions' liability for the misdeeds of fraudulent actors would have the unintended effect of limiting consumer choice and access to services. Rather than approaches such as S. 4943, we believe that legislative efforts are better directed at steps to prevent fraud before it occurs, educate consumers about fraud and risks associated with unregulated technologies, and create a level playing field for currently underregulated fintech companies and insured depository institutions.

Finally, we must also flag our concerns with S. 1838, the Credit Card Competition Act, because of the impact it would have on the industry's efforts to fight fraud. Proponents of this bill say that it targets large banks and will not hurt others. They are wrong. The reality is that it will hurt community financial institutions and consumers, and we strongly oppose this legislation. This bill would require financial institutions to allow credit card transactions to be routed via an alternative network. Additionally, the bill contains an explicit requirement that card issuers enable all types of transactions and security protocols, even if a credit union finds that these methods are unnecessary, unaffordable, or unsecure. Each time a network is added or changed to keep up with merchant demands, hundreds of millions of new cards would have to be issued which would expose consumers to identity fraud through mail theft and increase the cost of the payments system.

Any reduction in interchange fees from this legislation would directly affect credit union investment in fraud management systems and processes that are dedicated to reducing fraud risk in the system—forcing credit unions to increase costs to cover these necessary expenses. This would limit consumers' choice when it comes to credit cards and would allow big box retailers to pick which network will process transactions—resulting in the cheapest and least secure networks handling consumers' personal financial information. Critical consumer protections such as fraud protection could disappear by using these third party, less secure networks.

America's Credit Unions appreciates efforts to promote consumer and industry resilience to fraud but urges you to reject these two misguided legislative approaches. Credit unions are committed to fighting fraud, educating seniors, and sharing information necessary to prevent financial crime. Ideally, legislative solutions should aim to prevent fraud before it occurs and should include bolstering the resources of law enforcement, educating consumers about fraud and scam risks, and creating a level playing field between insured depository institutions and underregulated companies.

We thank you for the opportunity to share our thoughts on this important topic.

Sincerely,

Jim Nussle, CUDE
President & CEO

cc: Members of the Special Committee on Aging