AARP Maryland

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HB 332 – Consumer Protection – Electronic Funds Transfers – Regulation (Elder Fraud Prevention Act of 2025)
FAVORABLE
House Economic Matters Committee
January 28, 2025

Good afternoon, Chairman Wilson, and Members of the House Economic Matters Committee. I am Karen Morgan, a member of the Executive Council for AARP Maryland. As you may know, AARP Maryland is one of the largest membership-based organizations in the Free State, encompassing almost 850,000 members. We thank Delegates Stewart and Griffith for sponsoring this legislation.

AARP is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities, and fights for the issues that matter most to families such as health care, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

HB 332 brings to the forefront a very serious problem regarding the security of financial transactions. We are here in support of HB 332 because state laws and regulations need to be substantially strengthened to protect consumers from fraud when they rely on their financial institutions to initiate an electronic funds transfer.

Criminals are increasingly targeting older adults for fraud using a variety of financial products and services such as gift cards, electronic payments, wire transfers, and cryptocurrencies. The Federal Bureau of Investigation found that in 2021, nearly 168,000 people ages 50 and older reported being victims of fraud, losing a total of nearly $3 billion. The average amount lost by a person 50 and older was over $17,500.

The federal Electronic Funds Transfer Act creates significant protections for consumers who transfer funds through automated means. The Act covers funds transfers initiated by telephone, automated teller machines, computers, and other electronic means. If a person finds a charge for $100 on their credit card that they did not make, they most likely will get every penny of the bogus charge credited back to their account. A person who finds a charge against their debit card that they did not make will likely get all of that amount restored – maybe minus $50, depending on the notification to the financial institution. However, the reality is that even if federal law authorizes financial institutions to refund all but $50, that person will likely get all of their money back. A consumer has the right to expect that using banks and other financial institutions in the United States is much safer than carrying around bags of cash.

The bill leverages the significant federal protections for electronic funds transfers and specifically incorporates these protections into Maryland law. The bill provides specific authority for the Commissioner of Financial Regulation to require that financial institutions do more to protect consumers when they are initiating transfers of their hard-earned funds.

This is especially important with regard to wire transfers of money. If a person wants to buy a house, they will most likely have to use a wire transfer to complete the purchase. But wire transfers – the type of transaction most likely to involve thousands, or even hundreds of thousands of dollars -- are more at risk due to fraud than credit card and debit card transactions. How is it that there are more protections around transactions of relatively modest amounts – a hundred dollars, for example, but when that same person initiates a life-changing wire transfer for hundreds of thousands of dollars because they want to buy a house, all the protections supposedly afforded by these financial institutions suddenly fall away?

If a consumer reasonably thinks that the hundreds of thousands of dollars that they are sending by wire transfer to buy a house is going to the correct settlement agent or company, and all that money ends up somewhere else – not through negligence on the part of the prospective homebuyer, but because they were deceived into believing that the money was going to the correct party – why is that consumer then told that nothing can be done? This, even though the person is earnestly trying to do the right thing by engaging with a complex, confusing, financial system where adherence to deadlines and attention to detail are paramount. This, when the deception can be truly life changing and devastating.

These criminals don't have to hack a consumer's email or cell phone account. For example, scammers can insert themselves into the email or text accounts of title companies, real estate agents, and real estate attorneys to spread their devastation. They can find a treasure-trove of information in public records and through social media. Scammers find it relatively easy to interfere in the chain of communications to misdirect a wire transfer. There are even wire fraud "as-a-service" software kits that scammers can buy on the Dark Web. So, the scammer doesn't even have to be a computer expert to perpetrate this crime.

It is not acceptable for the financial professionals involved in these complex transactions to just disengage and say that outside of a few feeble attempts to claw back a transfer, nothing can be done. *More must be done*. HB 332 would require the adoption of regulations to make sure that financial institutions act more proactively so that financial transactions may be conducted safely. Consumers are at an unacceptable disadvantage as they are whipsawed back and forth between financial institutions, attorneys, agents, and all kinds of other professionals, trying to make sense of confusing, complex information. The consequences of fraudulent financial transactions are all too real and can be life-changing, even devastating for consumers – especially those who are planning for retirement and are ages 50 and older – the core AARP constituency.

AARP believes that policymakers should conduct robust oversight and enforcement related to scams and fraud. They should also consider new protections on electronic payments to prevent fraud. Likewise, the private sector should establish policies and procedures to prevent scams and fraud.

AARP supports HB 332 and respectfully requests the House Economic Matters Committee to issue a favorable report. For questions, please contact Tammy Bresnahan, Director of Advocacy for AARP Maryland at tbresnahan@aarp.org or by calling 410-302-8451.