

**Testimony of Ms. Andia Dinesen
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Chairman Brown, Ranking Member Scott, and members of the committee, thank you for inviting me to submit testimony for today's hearing on Ensuring Financial Protection for Servicemembers, Veterans, and their families.

Introduction

My name is Andia Dinesen, and I am here today to represent the Association of Military Banks of America and its 83 military bank members. Our members have a long and proud history of supporting those who serve in America's military. Our member banks are always looking for ways to support servicemembers, veterans, and their families.

Our military bank members include:

- Banks operating on military installations,
- Any bank that desires to more effectively help and serve their military and veteran customers and communities, and
- Banks that satisfy the recently broadened, albeit still restricted definition in the Community Reinvestment Act and its recently released interagency Final Rule.

AMBA was created in 1959 by a group of military bankers to serve as a bridge between the Department of Defense (DoD), the Military Services, and on-base banks. Since then, we have evolved from that bridge into an organization connecting our banks, the federal agencies responsible for bank regulation and consumer protection, the Department of Veterans Affairs (VA), and the large and growing universe of Military and Veteran Service Organizations that have military and veteran financial wellbeing as part of their mission. I'm honored to join two of our colleagues in this space here today.

I have been with AMBA for over ten years. I came to AMBA from the Consumer Federation of America, where I led its national Military Saves campaign. For the past 23 years, I've served proudly as the spouse of an active-duty Air Force officer. He is retiring at the end of this year; at which time I'll transition to serving as the spouse of a veteran.

During our military assignments, I developed a passion for helping Airmen and their families overcome their financial challenges. Along the way, I became an Accredited Financial Counselor® and provided financial counseling and education to Air Force families with whom we were stationed. In all of my experiences, I've developed not only a deep desire to help military and veteran families deal with their unique financial challenges, but a passion for helping foster public-private partnerships focused on their financial education, protection, and wellbeing.

I hope my testimony today will help this committee focus on the state of the financial marketplace for servicemembers, veterans, and their families, where there are stories of struggles to survive but also stories of financial success. It's a marketplace where different actors, agendas, and rules, if connected in the right ways, can promote financial responsibility and protect the most vulnerable Americans who are currently serving or have served in our Nation's Armed Forces. If they're not connected in the right ways, or if we don't understand the connections, they can become obstacles or threats to military and veteran financial wellbeing.

The Military and Veteran Financial Landscape

Let me start by providing an overview of some of the unique financial challenges our servicemembers, veterans, and their families face.

In my 23 years as a military spouse and as a military financial counselor, I've witnessed, first hand, our military's financial challenges, including:

- Barriers to military spouse employment;
- The cost of child care, and the resulting difficulty for military spouses to enter the workforce;
- Frequent moves that increase expenses and other financial burdens;
- A military pay scale, especially for junior enlisted personnel with families, which has not kept pace with the civilian sector; and
- Military Lending Act constraints on military family access to small-dollar, short-term credit that is sometimes needed to bridge gaps between paydays.

Although my husband hasn't yet transitioned to "veteran" status, I've witnessed through AMBA's partnership with the Department of Veterans Affairs (VA) the unique financial challenges veterans face, including:

- A limited safety net with little in savings if they didn't retire from the military;
- A lack of transferrable skills, depending on their specialty, that limits employment opportunities after their service;
- Physical and emotional challenges resulting from their military experience;
- Not understanding the full benefits to which they're entitled;
- A lack of financial education in older veterans;
- A lack of access to or knowledge of financial management tools and services.

I'm pleased to say that Congress, the federal agencies, and the non-profits represented here today have helped mitigate or eliminate some of these obstacles, and we're ready, willing, and able to do even more.

An Example of an Effective Public-Private Partnership

In 2019, the Department of Veterans Affairs (VA) reached out to AMBA to help solve a growing problem. At the time, hundreds of thousands of veterans were receiving their VA monetary benefits on paper checks and prepaid Treasury Direct Express® debit cards. The problem was that many of these veterans experienced theft of their funds, lost or stolen checks, fees associated with cashing checks and using the debit cards, and poor customer service when they tried to report debit card theft.

The VA asked us to establish a “financial institution marketplace” of banks and credit unions that were familiar with the unique financial challenges of military service. VA’s objective was to encourage unbanked and underbanked veterans to open checking accounts and to have their VA benefits directly deposited in them. The result is a VA-AMBA partnership called the Veterans Benefits Banking Program.¹

Today, the program has 86 bank and credit union participants, each committed to providing veterans, beneficiaries, and caregivers a no- or low-cost checking account with no minimum balance and no monthly maintenance fees. Additionally, participating financial institutions must agree to help any veteran overcome any difficulty he or she may have experienced in the process of opening an account. Overcoming obstacles for homeless veterans is a good example.

Over the past four years, the VBBP has been credited with banking over 285,000 veterans. During this time, we’ve expanded the program by offering veterans free credit and financial counseling through partnerships with two non-profits known for their support of the military and veteran communities: the Association for Financial Counseling and Planning Education® and the National Foundation for Credit Counseling.

Next week, on Veterans Day, we will launch our newly designed financial education platform called VetCents. VetCents will offer veterans a financial journey with offramps for tools and resources tailored to their needs. Our original financial institution marketplace and our financial and credit counseling will be three of those offramps.

This program’s success is due, first, to the VA’s willingness to reach out to AMBA, a non-profit trade association of banks that understand the military and veteran communities. Second, the resulting public-private partnership has expanded to include other non-profits focused on serving those communities. Third, most of the funds required to start and grow this partnership came from the private sector with no strings for the government attached. Finally, the collaboration grew organically as we all saw how our efforts were helping veterans.

¹ The Program can be found online at: www.veteransbenefitsbanking.org.

How the Private Sector Can Continue to Help ... If The Pentagon Will Let Us

In response to the military and veteran challenges mentioned above, the banking industry continues to develop and offer innovative solutions for current and former servicemembers, such as financial products and services tailored to their specific needs.

Despite our best efforts, DoD has not shown a willingness to work with banks and credit unions to address the financial needs of our troops and their families. Instead, there has been a decreasing level of collaboration between DoD and the financial industry. Here are three examples illustrating this unfortunate situation:

1. One of the commitments banks and credit unions must make in order to operate branches on military installations is to provide financial education to the entire base population, not just to their customers. Unfortunately, DoD and the Military Services are becoming increasingly reluctant to let them provide this integral service.
2. Twenty years ago, almost every base had a bank and a credit union operating side-by-side and giving our military personnel and their families choices among a variety of products and services.

Today, whether as a result of the digital banking revolution or the increasing lease costs banks must pay but credit unions do not, most on-base banks have closed their doors.

Today, most bases have only a credit union. This leaves our military families without the face-to-face financial guidance many of them want and need from the sources they have traditionally considered to be the “most trusted.”

Today, DoD – the same DoD responsible for holding military personnel accountable for their financial irresponsibility – has become our military families’ most readily available source of financial information and education. We believe military families need and deserve more choices and support.

3. In 2018, DoD conducted its initial Blended Retirement System open enrollment. Its original plan envisioned the private sector joining DoD to present BRS to eligible servicemembers. DoD would provide information; the private sector – primarily military banks and credit unions – would provide financial advice.

Prior to the program’s rollout, DoD eliminated private sector involvement. As a result, eligible servicemembers knew about the program, but weren’t given any advice about how BRS fit their individual financial situations. The dismal results spoke for themselves: Among all the Military Services, only the Marine Corps achieved an “opt-in” rate exceeding 50%. The Army, Navy, Air Force, and Coast

Guard signed up fewer than 35%.² Since 80% of servicemembers leave the military before they are eligible for retirement, it's clear BRS didn't have the positive impact Congress intended.

We're convinced that had DoD executed our original plan – our original public-private partnership – BRS opt-in rates would have been much higher.

Future Efforts to Promote and Protect Military and Veteran Financial Wellbeing Require a Holistic Approach

I began my remarks today with a caution that we need to take a holistic view and approach to effectively promote and protect military and veteran financial wellbeing. Here are a few examples:

1. **Congress:** The proliferation of federal laws governing the intersection between banking and the military community has resulted in increased costs for banks, decreased financial services for the military, and unintended consequences for both.

Although it has protected many military families from predatory payday lenders, the Military Lending Act (MLA) has also had the unintended consequence of curtailing their access to short-term, small-dollar lending. Where banks used to provide servicemembers loans for as little as \$250 and for periods as short as 30 days – most often to bridge gaps between paychecks – today, the 36% “all-in” MAPR requires banks and credit unions to extend loan repayment periods, increase minimum loan amounts, or both. In all cases, military members are often forced to dig a financial hole deeper than it needs to be.

We remain concerned that the reduction in available bank lending opportunities may lead servicemembers and their families to turn away from the regulated financial industry back to alternative and predatory lenders.

On the other side of the ledger, while the Servicemembers Civil Relief Act (SCRA) has also protected military personnel from predatory financial actors and practices, its lack of implementing regulations has also created significant confusion and frustration for banks. Even military banks that understand their military customers often don't know when they are required to provide them SCRA protections. Particularly troublesome areas include preservice debt and the challenges that arise when Reservists and Guardsmen come on and off active duty. In this area, confusion can be easily remedied by regulations that clearly interpret and apply the law to a variety of situations.

² Tom Philpott, *Final opt-in rates for blended retirement yield more surprises*, Stars and Stripes, Jan. 17, 2019. The Marine Corps' relative success has been attributed to its decision to require Marines to affirmatively opt in or out. The other Services allowed its members to make no decision – a default interpreted as “opt-out.”

Because these laws limit credit availability for military families, AMBA is concerned that future legislation must not cut it off altogether. We sounded an alarm last year when we thought the “Credit Card Competition Act” might become part of the 2023 National Defense Authorization Act. Our concern was that a new federal law imposing new restrictions on credit cards might prevent military families from accessing the only other safe source of small-dollar, short-term credit still available.

Our hope is that Congress will always consider the impact of **all** its efforts to protect and promote the financial wellbeing of our military and veteran communities. That is the best way to ensure that no individual initiative inflicts unintended financial harm.

2. **State Laws and Regulations:** Just as individual Acts of Congress or federal regulations can inadvertently undermine military and veteran financial wellbeing if they are not coordinated properly, uncoordinated State efforts to protect military consumers can also inflict unintended financial harm.

On January 1, 2023, California Senate Bill 1311 entered into force. In an effort to protect servicemembers and their families from predatory financial actors, California inadvertently made it more difficult and expensive for them to purchase big-ticket items like refrigerators, washers, and dryers. This new California law essentially invalidates lender security interests in all purchase-money loans to military personnel and their families. A positive consequence of this law is that predatory merchants or lenders can no longer repossess property to enforce liens. The negative unintended consequence is that servicemembers and their families no longer have access to lower-priced secured loans.

3. **Federal Agencies:** Federal agencies also bear responsibility for acting prudently and holistically when it comes to protecting and promoting military and veteran financial wellbeing. We believe they serve these communities best when they do so in collaboration with the private sector.

For many years, DoD reached out to join forces with the private sector to promote what it calls “military financial readiness.” Quarterly meetings of DoD’s Financial Readiness Roundtable provided attendees – including AMBA – with diverse and often divergent perspectives on the financial problems facing military personnel and families. It also served as an incubator for new ideas and public-private partnerships that could implement those ideas. The head of DoD’s Financial Readiness Office at the time called our collaboration the “fabric” of the financial readiness program. Sadly, the Roundtable was scrapped several years ago. It was replaced by the DoD Financial Readiness Network. Rather than promoting collaboration by encouraging discussion, the Network is now a one-way channel used by DoD to talk to the private sector with little opportunity for the private sector to respond.

To replace the Roundtable and restore the collaboration it fostered, AMBA and other non-profits joined forces to establish the Military Family Financial Readiness Coalition (MFFRC). Today, the MFFRC consists of all the organizations – public and private, including DoD – that previously participated in the Roundtable. It has restored the Roundtable’s “idea incubator” function and, more importantly, has led to new, improved opportunities for public-private partnership.

Conclusion:

My main message today is that, together, government and the private sector can do great things for the men and women who serve or served us all. We just need to be willing to join forces, take a holistic approach and work together to create the fabric that supports the military and veteran community in their financial wellness.

I look forward to your questions.