

TESTIMONY OF

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BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

HEARING ON

“EMPOWERING AND PROTECTING SERVICEMEMBERS, THEIR FAMILIES AND VETERANS

IN THE CONSUMER FINANCIAL MARKETPLACE”

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1. Introduction

Chairman Johnson, Ranking Member Shelby, and members of the Committee, I am Kevin Bergner, Executive Vice President and Chief Administrative Officer of USAA, the United Services Automobile Association. As a retired U.S. Army Major General and 30-year veteran who served [six] overseas tours of duty, I have first-hand experience with the financial needs and challenges of our servicemembers, their families, and veterans. I want to thank you for holding this important hearing and for giving USAA the privilege of testifying. USAA was founded in 1922 by 25 U.S. Army officers who joined together to insure each others' automobiles because they were deemed to be too risky by traditional insurers because of their transient and perilous careers. Our core mission, and the manner in which we have always conducted our business, honors our history and legacy—rendering USAA uniquely positioned to empower and protect America's servicemembers, their families, and veterans in the consumer financial marketplace.

Today, USAA is proud to serve more than 8 million active-duty servicemembers, veterans, and military family members. We are a membership-based association open to all who have honorably served in the U.S. military, as well as their families. We support the financial

security of our members and their families with a full range of highly competitive financial products and services, including insurance, banking, credit, and investment resources. Our core values of service, honesty, loyalty, and integrity drive our business.

Our efforts have paid off in member satisfaction and loyalty. Year after year, USAA receives top customer service rankings from leading independent research firms. We have a 98% member retention rate and 97% member satisfaction rate. In fact, 94% of our members plan to stay with us for life.

2. USAA Services Are Tailored to Military Families' Financial Needs

Servicemembers, who are willing to risk their lives in service to our country, deserve our highest respect and our strongest endeavors to support their efforts and to accommodate the special burdens placed on them and their families. While servicemembers and their families need the same financial products and services as other consumers - including insurance, home mortgages, checking and savings accounts, investment products, financial planning, and retirement resources - they also face unique challenges in the consumer financial marketplace. Military events, such as deployments, involve stresses and financial consequences with no equivalent in the civilian world. Even when they are not deployed overseas, servicemembers are often required to be highly mobile due to temporary relocations, changes of duty station, or other travel in connection with, or in support of, our national security. Moreover, military careers may leave servicemembers with limited time to manage their financial affairs, especially when serving in combat situations.

We strive to provide financial stability and support for military families, so that our members can focus on serving our country. To address these unique challenges, USAA offers a full suite of financial products, tools, and advice tailored to the needs of military families, and we are a market leader in developing “best practices” for empowering and protecting servicemembers and veterans. Along those lines, I would like to highlight for the Committee, in more detail, some specific examples.

A. Products and Services for Military Milestones

USAA has found that it is crucial to address military milestones when developing financial products for the military community. The way in which we serve our members and help them identify the financial products they need is based on significant life events. Included in those life events are milestones that impact all customers: marriage, divorce, birth of a child, etc. But, at USAA, we also focus heavily on life events that are unique to military service: deployment, life-altering injury, separation from the military, permanent change of station, to name a few. This specialized focus on life events—from a military perspective—is crucial to identifying and meeting the unique needs of the military community.

(i) Deployments

Active-duty servicemembers may experience multiple overseas tours of duty during their careers, including deployments to combat zones. We have seen a spike in those deployments since 2001, rendering this one of the most critical life events facing servicemembers and their families today. The financial issues and changes relating to deployments—and redeployments—are multifaceted and challenging—even to the savviest consumer. To help ease the burden and ensure that each of our deployed members is prepared financially, we offer the “USAA Deployment Kit” to help servicemembers and their families prepare and organize for deployment. We also have specially trained employees whose sole purpose is to ensure that our military members and their families are able to seamlessly transition into deployment. These employees will help teach—to the extent necessary—soldiers and families how to manage their finances during a deployment. This includes ensuring the spouse’s access to all accounts; setting up automatic bill pay, if required; arranging for powers of attorney, as needed; adjusting insurance premiums for vehicles that will not be driven during the deployment; changing insurance for household belongings that will be stored or moved during deployment, and helping servicemembers manage their new financial picture, which often includes hazardous duty pay and deployment tax relief. Active-duty soldiers who contact us from Afghanistan and Iraq are transferred immediately to those specialized USAA representatives. Because deployed servicemembers may have limited access to computers and telephones, as well as limited time, these specialized resources are critical.

In addition to the specialized customer care we provide in this vein, USAA also offers financial products and services specifically designed to protect the financial interests of our deployed servicemembers and their families. For example:

- We offer life insurance without the standard “wartime exclusion” to servicemembers, including those that are deployed or facing deployment in combat zones.
- Some of our insurance products provide additional coverage for personal property that may be abandoned, destroyed or damaged while a servicemember is deployed overseas in wartime.
- We reimburse foreign transaction fees for debit and credit cards.
- USAA often goes beyond the standards set under the Servicemembers Civil Relief Act to make interest rate accommodations on credit cards, auto loans, and other payments for deployed servicemembers.
- For our credit card holders who fall behind on payments during deployment, we provide options for long-term workout programs and ad-hoc settlements.
- Finally, USAA offers innovative financial tools and specialized customer service resources to assist deployed servicemembers. For example, we seek to deliver documents

via email or our secure website, and our representatives are available 24 hours a day to assist active-duty members with most needs.

- In addition to providing a full suite of online and telephone services, USAA was an early adopter in providing bill pay and bank deposit tools for mobile phones and iPads. There are nearly 15,000 logins through USAA Mobile every hour. These benefit all our members—but are especially crucial to our deployed members.

(ii) Change-of-Station Moves and Overseas Assignments

Frequent relocations, often on short notice, are another common component of the military lifestyle. Moreover, members of the military often complete at least two or three overseas tours during a full career. Servicemember mobility creates special financial challenges. Those challenges have been exacerbated by the volatile housing market, as many servicemembers find themselves forced to move from homes in which they have little or no equity. At USAA we stand ready to address this and other unique needs brought on by repeated relocations. For example:

- We make great efforts to assist all members who encounter credit difficulties and financial hardships. We strive to identify solutions that allow our members to remain in their homes, including member assistance programs, such as, loan extensions, modifications and short sales.
- Specifically, when members who are distressed homeowners are not able to meet their financial obligations for USAA serviced loans, USAA works to identify foreclosure alternatives. We provide payment deferrals and loan modifications appropriate to the circumstances to help keep soldiers and their families in their homes. When members are in an unfavorable equity position, we help them navigate the short-sale process and avoid the pressure of imminent foreclosure. Our sizeable number of member modifications and short sales compared to our relatively small number of foreclosures demonstrates that USAA has devoted substantial resources to assisting our members in maintaining homeownership where possible, and where not possible, helping them leave their homes responsibly and with dignity.
- With our HomeCircle™ solution, we are the first company to enable consumers to carry out most components of the home-buying process from their computer or mobile device, from research to financing to insuring.
- USAA tailors our products to help members cope with the financial consequences of frequent or rapid relocations within the United States and across the globe, such as transferring automobile and insurance registration across state lines or facilitating the sale and purchase of their homes.

- For members living abroad, we continue to service their bank accounts with us and provide free wire transfers, and foreign automobile and renters insurance in certain countries.
- Our emphasis on remote and mobile banking tools provides a seamless transition for our members when they relocate.
- Members can deposit checks from most UPS store locations.
- Our AutoCircle™ solution provides a similar ability for members to find, finance, and insure new or used vehicles online or through a mobile device.
- USAA does not charge a fee for members' first 10 monthly ATM withdrawals and refunds other banks' ATM usage fees up to \$15 in each month, enabling access to all ATMs regardless of where servicemembers live or travel.

(iii) Survivorship

Financial institutions serving the needs of servicemembers must also be prepared to address the difficult issues of untimely death and survivorship in a simple, fair, and efficient manner. Moreover—because new technology and armor has reduced wartime deaths, financial institutions should also be able to help soldiers and their families navigate the world of severe injury and disability—as they have become commonplace in today's military.

USAA provides special benefits to servicemembers and their families in the event of a member's injury or death. For example:

- USAA offers severe injury benefit riders on certain life insurance policies. In the event of a severe injury, these features provide a payout to meet immediate needs such as enabling family members to travel to the military hospital where the injured servicemember is being treated.
- If a servicemember is severely injured, certain USAA life insurance policies also permit servicemembers to purchase additional coverage when they leave the military and lose their Servicemembers' Group Life Insurance coverage.
- USAA has a dedicated team of employees that are specially trained to assist the families of terminally ill and deceased members, with a special outreach team for servicemembers killed in action. This Survivorship Response Team provides a single point of contact to assist with executing members' wills. We act as advocates and help family members to access the military benefits to which they may be entitled.

B. Service and Education

USAA believes that financial literacy and education are essential to empowering military families in the consumer financial marketplace. Financial literacy is especially crucial for younger soldiers who have little experience in such issues but have very serious responsibilities in their service to the nation. In a war zone, commanders and soldiers should not be distracted by financial problems, uncertainty and hardship. Thus, at USAA we take our financial literacy mission very seriously.

At no cost to our members, USAA.com, features tremendous resources including market news and research, articles, calculator tools, and online communities. Our website provides information to all military families preparing for deployment, permanent change of station (PCS) and leaving the military. For example, our “Deployment” page provides articles and checklists teaching servicemembers about the importance of having a will and durable power of attorney, making your spouse a joint account holder, and notifying your insurance company if your home will be unoccupied or your car will be in storage. In addition, this page provides information for spouses during deployment and articles to help servicemembers readjust to family life upon their return from deployment. Further, USAA.com has a “Military Spouse Community” page for military spouses to get in touch with each other and help one another on issues such as PCS, deployment, converting to civilian life and finances. In addition to the services available on USAA.com, we provide fee-based financial planning services by licensed salaried professionals to help members plan for and achieve their financial goals, including retirement and estate planning.

USAA also protects our members by helping them navigate the wider consumer marketplace. For example, purchasing a vehicle is a major financial milestone, especially for our younger members. Members can use USAA’s AutoCircle™ solution to find, finance and insure a vehicle from their computers or mobile phones. USAA certifies dealers across the country and offers a Lowest Price Guarantee so members can get the best price on the vehicle they want, without time-consuming negotiations. In 2010, we helped members and customers save over \$165 million through our car-buying and mortgage refinancing services.

Last but not least, we proudly sponsor The USAA Educational Foundation, a non-profit organization dedicated to helping individuals make informed financial decisions through education (“the Educational Foundation”). The Educational Foundation offers a wide range of materials on financial management, safety concerns, and life events that are available to the general public at no charge. Over 4.7 million of these publications were distributed online and by mail in 2010, and the Educational Foundation will exceed that number in 2011. The Educational Foundation also delivers personal financial management presentations to ROTC cadets, military servicemembers, and their families, reaching 51,000 individuals in 2010 alone. This year, the Educational Foundation also produced a short video on the importance of Financial Readiness for members of the military.

We also sponsor another non-profit organization known as The USAA Foundation that is active in providing funds to the military community, especially those in need. In 2010, USAA, the USAA Federal Bank and The USAA Foundation distributed more than \$3.4 million to nonprofit organizations that support the military and their families. Examples of organizations funded include the American Red Cross, the Fisher House Foundation, National Military Family Association, Tragedy Assistance Program for Survivors, the Military Aid Societies, Intrepid Fallen Heroes Fund, Armed Services YMCA and Our Military Kids. Distributions for 2011 are projected to be at a similar level. Neither the USAA Educational Foundation nor The USAA Foundation endorses or promotes any commercial supplier, product, or service.

3. USAA Offers a Military Friendly Workplace

USAA works hard to recruit military spouses and former servicemembers to our employee team. We strongly believe that employing veterans and military family members improves our capacity to serve our unique customer base. We have endeavored to hire employees with military knowledge and expertise at ALL levels of the organization—from the member service representative that takes member calls to our CEO, who began his career as an Army Private and retired as a Major General. USAA has over 22,000 employees globally. Employees deployed in the Guard and Reserve continue to receive USAA paychecks that make up the difference between their military and civilian pay. About one in five of our employees is actively serving in the U.S. military, has served, or is a military spouse. Many more employees are the children, siblings, or parents of servicemembers. We review employment applications from veterans and military spouses before any other applications, and we also make a special effort to hire wounded veterans. This hiring strategy has improved our capacity to serve those who serve this nation and to ensure a basic understanding of the military lifestyle throughout our organization.

Beyond our focus on military hiring, we also work to ensure that all our employees are indoctrinated into, and fully understand, the military lifestyle. Each employee at USAA attends training and educational programs designed to help him or her understand the specialized needs of servicemembers and their families. As a result, when a servicemember calls USAA, he or she will work with an employee who not only understands the current financial product the member needs, but is also trained to understand that extra stress that the member faces because of his/her career in the military.

In 2011, *GI Jobs* magazine, CivilianJobs.com and Military Times EDGE all ranked USAA among the best employers for veterans. USAA was also ranked high on the *Fortune Magazine* list of “100 Best Companies to Work For”¹ and was named by *Computerworld* as the “No. 1 Best Place to Work in IT” for the second year in a row.² As an employer of choice for

¹ “100 Best Companies to Work For,” CNNMoney: A Service of CNN, Fortune, and Money, *available at* http://money.cnn.com/magazines/fortune/bestcompanies/2011/full_list/.

² “100 Best Places to Work in IT 2011,” *Computerworld*, *available at* http://www.computerworld.com/s/article/9216935/Best_Places_to_Work_in_IT_2011.

military families, we offer resources to support the transition from military to civilian life and provide ongoing professional development for veterans.

4. Our Members' Success is Our Success

USAA is committed to doing the right thing because it is the right thing to do. And consistently doing the right thing is not only what our members expect and deserve; it is consistently good for our members AND our business. Despite the difficult economic landscape, after meeting our financial obligations last year we were able to give back \$1.3 billion to our members in dividends, distributions, bank rebates, and rewards. That figure represents a 12 percent increase over the previous year.

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Focusing on our core values of service, honesty, loyalty, and integrity, USAA offers best-in-class financial services and products to servicemembers, veterans, and their families. We appreciate and share the Committee's commitment to empowering and protecting servicemembers in the consumer financial marketplace. We are proud of our efforts and successes to date, but we continue to look for new ways to serve the nation's military families.

Thank you again for the opportunity to testify today. I look forward to answering any questions that the Committee may have.