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Statement to the United States Senate Committee on Banking, Housing, and Urban Affairs
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Chairman Johnson, Ranking Member Shelby, and members of the Committee: Thank you for the opportunity to share my perspective as Delaware's Attorney General, and as a veteran, on the work being done to help servicemembers, veterans, and their families meet their unique consumer financial challenges. Thank you for focusing on this issue and other needs of military families with the hearings you have held, as well as the important initiatives of so many of this Committee's distinguished members.

I was honored to be here in Washington last month with Senators Reed, Durbin, Whitehouse and Begich as they announced legislation, sponsored with Senator Brown, that expands housing protection and assistance for servicemembers. It was a true privilege to stand alongside these legislators whose dedication to serving those who serve our nation sets the standard. Their work, along with the critically important advocacy and action of many others in Congress, is vital to ensuring that the concerns of servicemembers, veterans, and their families remain a national priority. I would also like to thank Senator Hagan for her work with Senator Harkin on servicemember protections related to for-profit schools.

The support of many of the Senators in this room was instrumental to the establishment of the Consumer Financial Protection Bureau (CFPB) and within it the Office of Servicemember Affairs (OSA), which have proven to be the strong federal partners needed by states like mine to reach consumers with the most valuable solutions. Many of the financial obstacles faced by military families extend past state lines, and so must we if we are to be effective. With Director Cordray at the helm, the CFPB has become an even more important collaborator as we work for change on an individual as well as an institutional level.

I'm glad to once again be with Mrs. Petraeus, whose leadership at the OSA is driven by a personal commitment to these issues and to the military families they affect. It is a commitment those families can feel at each military base or community she visits, where she goes not only to better understand the impact of the difficulties with which servicemembers must contend, but also to personally communicate that we are working together to achieve meaningful progress. Mrs. Petraeus also works diligently to connect my office and other state attorneys general with the CFPB and other agencies and stakeholders – a connection that is key to achieving real change.

Standing with these Congressional leaders, Director Cordray and Mrs. Petraeus in the fight to protect the financial rights of military families, 48 of my fellow attorneys general and I, along with the U.S. Department of Justice and the Department of Housing and Urban Affairs, worked

collaboratively to reach a landmark \$25 billion settlement with the nation's five largest mortgage servicing banks. The settlement included several provisions related to the Servicemembers Civil Relief Act, or SCRA, that address some of the most significant mortgage-related issues military families face. I would not have joined this settlement without these measures.

The U.S. housing crisis has hit every community in this nation, and it has hit military families especially hard. These families are often backed into financial corners by the realities of military life and a decade of constant deployment. While the SCRA and the older statutes from which it developed have provided important protection to servicemembers and their families in some form since the Civil War, those various incarnations of the law reflect its need to evolve. Our enforcement must evolve along with it.

I know that the need to expand the SCRA as well as strongly enforce its current provisions is well understood by the members of this Committee. You have heard the stories about countless servicemembers who have had to contend with the frustration and uncertainty of mishandled mortgages and other SCRA infractions while also carrying out the duties of service. Servicemembers should not have to worry about these issues while deployed. They must be able to focus on the mission without distraction.

We tried to address some of the most prevalent and pressing issues they face in the national mortgage servicing settlement, including complications associated with Permanent Change of Station (PCS) orders, mortgages taken out after beginning military service, and ways to mitigate losses often incurred as a result of the demands of military life. Specifically, the settlement:

- Establishes that PCS orders must now be considered when banks and servicers are making hardship determinations about short sales, deeds in lieu, and loan modifications. Additional protections guard against inaccurate reporting of servicemembers to credit reporting agencies for using loss mitigation options in these circumstances.
- Increases servicemember access to loss mitigation options, including mandating that information and contact with SCRA-trained employees is readily available, and that servicers go beyond the requirements of the SCRA to ensure that more borrowers who are entitled to assistance before foreclosure receive it.
- States that homes of active duty servicemembers deployed in combat areas cannot be foreclosed on in most instances, even if the debt was incurred after they entered military service. This was a significant expansion beyond the terms of the SCRA, which only provides this protection for debt incurred before entering the armed forces.

In addition, Assistant Attorney General Tom Perez and his staff at the USDOJ Civil Rights Division negotiated provisions that direct payments to servicemembers who experienced wrongful foreclosures and interest charged in excess of the 6% allowed by the SCRA. These payments will come from funds secured on top of the \$25 billion settlement amount.

We were able to achieve a great deal with this bipartisan settlement, but as is evident from the servicing guidelines issued by the CFPB last week, we must work to make such changes permanent. My fellow attorneys general and I stand together across state and party lines in our commitment to vigilant enforcement. This settlement was an important step in the right direction, but a great deal of work remains to be done.

While I believe that every state attorney general in this nation agrees that military families deserve protections that help them meet their unique challenges, there are several leading the charge. Like Tom Miller in Iowa, without whom the multistate settlement would not have happened; Lisa Madigan in Illinois, whose consistent advocacy on behalf of servicemembers has been integrated into her consumer protection mandate; Eric Schneiderman in New York, who continues to press the banks on their SCRA compliance; Martha Coakley in Massachusetts who is committed to ensuring that servicemembers will have access to the relief provided by the multistate servicer settlement; and Jack Conway in Kentucky, who has focused on the GI Bill and for-profit school matters.

These leaders and I recently were joined by 16 of our colleagues to voice our united support for requiring that GI Bill and Veteran's Assistance educational benefits be subject to the 90/10 rule. We believe that funds intended to help veterans provide for their families and strengthen our nation's workforce must not be exploited by unscrupulous educational institutions.

That conviction is shared by the Administration, which earlier this year issued an Executive Order calling for the establishment of "principles of excellence" for schools serving veterans and members of the military – two groups of Americans who surely deserve no less. I look forward to the changes that will come as a result of this Order and hope that the state attorneys general will be part of the process.

I would like to thank you again, Mr. Chairman and members of the Committee, for the opportunity to appear before you today. It has been an honor and a privilege. I welcome any questions you may have.