

Testimony of Ms. Andia Dinesen
Executive Vice President
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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.

To address these and other ways the DoD Banking and Financial Readiness Programs might be improved to better protect and promote military financial readiness, AMBA drafted the legislative proposal attached as appendix to my statement.

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

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.”

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.

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. I have included as an appendix a copy of our American Banker op-ed expressing those concerns.

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.

APPENDIX 1

MILITARY BANKING PROGRAM IMPROVEMENT ACT OF 2023

“ONE BANK, ONE CREDIT UNION” LIMITATION AND LEASES OF NON-EXCESS PROPERTY ENTERED INTO WITH INSURED DEPOSITORY INSTITUTIONS.

Section 2667 of Title 10, United States Code, is amended by adding the following new subsection:

“(1) Notwithstanding any other provision of law,

(1) Except where they already may exist as of May 1, 2000, no more than one insured depository institution and one insured credit union shall be permitted to operate on a DoD installation. In no case shall a financial institution not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration be permitted to operate on a DoD installation.

(2) With respect to a lease under this section entered into with an insured depository institution (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) and any insured credit union (as defined under section 101 of the Federal Credit Union Act (12 U.S.C. 1752)) after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2024, the Secretary concerned shall accept the financial services provided by the insured depository institution and credit union to the Department of Defense, members of the armed forces, civilian employees of the Department of Defense, and dependents of such members or employees as sufficient in-kind consideration to cover all lease, services, and utilities costs assessed with regard to the leased property. This provision shall not apply to insured depository institutions or insured credit unions with total assets of more than \$100,000,000,000 (One hundred billion dollars).

(3) With respect to a lease under this section which was entered into with an insured depository institution or credit union before the date of the enactment of the National Defense Authorization Act for Fiscal Year 2024, the Secretary concerned may renegotiate the terms of such lease to apply subparagraph (A) to such lease as if such subparagraph were in effect at the time the Secretary entered into the lease.”.

DIRECT DEPOSIT OF MILITARY COMPENSATION

The Department of Defense, in its implementation of Public Law 104-134, the Debt Collection Improvement Act of 1996, requiring enrollment in Electronic Funds Transfer (EFT) for wages, salaries, reimbursements, cash advances, or travel, shall compile and provide all military members, including those entering or reentering the Military Services, a list of all insured depository institutions operating on military bases. All persons entering or reentering the Military Services shall establish the means necessary for Electronic Funds Transfer, such as opening an account at an insured depository institution or credit union, prior to arrival at initial accession training.

ADVISORY COMMITTEE ON MILITARY BANKING

Section 2222 of Title 10, United States Code, is amended by inserting the following new subsection:

“(j) Advisory Committee on Military Banking. –

(1) There is established the Advisory Committee on Military Banking (hereinafter referred to as the Committee)

(2) The Committee shall be subject to the provisions of the Federal Advisory Committee Act (5 U.S.C. App.), except that the Committee shall be of permanent duration, notwithstanding any provision of section 14 of the Federal Advisory Committee Act.

(k) Membership; chairman; meetings.

(1) The Committee shall consist of twelve members, including –
(A) The Secretaries of the Military Departments or their designees,
(B) The Undersecretary of Defense (Comptroller) or designee,
(C) The Undersecretary of Defense (Personnel and Readiness) or designee,

(D) The Undersecretary of Defense (Acquisition and Sustainment) or designee,
(E) The Comptroller of the Currency or designee;
(F) The Chairman of the Federal Deposit Insurance Corporation or designee,
(G) The Chairman of the Federal Reserve or designee,
(H) The Chairman of the National Credit Union Administration or designee,
(I) The President and CEO of the Association of Military Banks of America, and
(J) The President and CEO of the Defense Credit Union Council

(2) The Undersecretary of Defense (Comptroller) shall serve as chairman. Designees of any Committee member must, at minimum, occupy a Senior Executive Service position as that term is defined under section 3132(a)(2) of title 5, United States Code.

(3)(A) No later than thirty days after the enactment of this legislation, the Committee shall hold its first meeting. Thereafter, the Committee shall meet semiannually or at the call of a majority of its members.

(B) Seven members of the Committee shall constitute a quorum, but a lesser number may hold hearings.

(I) Functions of the Committee

The Committee shall –

(1) Review the Military Banking Program and the regulations governing it;

(2) Report to and advise the Congress and the Secretary of Defense on the organization, implementation, and overall effectiveness of the Military Banking Program and make recommendations for Program improvement;

(3) No later than December 31, 2024, conduct a study and submit a report to the Congress on –

(A) The effectiveness and efficiency of the Department of Defense Overseas Military Banking Program, with particular emphasis on –

(i) The United States and foreign laws affecting the delivery of financial services to service members and their families deployed or assigned outside the United States;

(ii) Whether the terms and conditions established in all Department of Defense contracts or other agreements with any insured depository institution or insured credit union delivering financial products and services to service members and their families deployed or assigned outside the United States promote the safety, soundness, efficiency, and effectiveness of those institutions and the services they provide;

(iii) Identifying obstacles discouraging insured depository institutions or insured credit unions from providing financial services to service members and their families on and outside military installations in and outside the United States;

(iv) Identifying incentives encouraging insured depository institutions or insured credit unions to provide financial services to service members and their families on and outside military installations in and outside the United States;

(B) No later than December 31, 2029, conduct a study to update the report submitted under subparagraph (A), and submit a report to the Congress.

(m) Powers of the Committee

(1) For purposes of carrying out the duties referred to under section 2222(l), the Committee or, on the authorization of the Committee, any subcommittee or member thereof, may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as is appropriate.

(2) The Committee may secure directly from any department or agency of the United States such information as the Committee may require to carry out the duties referred to under section 2222(l). Upon request of the Chairman of the Committee, the head of such department or agency shall furnish such information to the Committee.

(n) Compensation and travel expenses

A member of the Committee may not be paid compensation for service performed as a member of the Committee. However, members of the Committee shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5,

United States Code, while away from their homes or regular places of business in the performance of service for the Committee.

(o) Administrative provisions

(1) Upon request of the Committee, the head of any Federal agency is authorized to detail to the Committee, on a nonreimbursable basis, any of the personnel of such agency to assist the Committee in carrying out the duties referred to under section 2222(l) and such detail shall be without interruption or loss of civil service status or privilege.

(2) For purposes of supporting the Committee, the Secretary of Defense may obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code, but at rates for individuals not to exceed the daily equivalent of the highest annual rate of basic pay payable for GS-15 of the General Schedule under section 5332 of such title.

APPENDIX 2

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REGULATION AND COMPLIANCE

BankThink The Credit Card Competition Act will harm military families

By [Steven J. Lepper](#), [Anthony Hernandez](#)

December 21, 2022, 10:00 a.m. EST

4 Min Read



The lame-duck Senate recently considered and rejected an amendment to the 2023 National Defense Authorization Act that could have inflicted unintended financial harm on our nation's military families. That amendment is the Credit Card Competition Act of 2022.

Why was it an amendment to the NDAA? Because its sponsors, Sens. Dick Durbin and Roger Marshall, know the only way their proposal will become law is if it's attached to the only legislation that must pass before the end of this Congress. Since it didn't pass as part of the NDAA, its sponsors are now looking for other "must-pass" legislation. Last-minute funding bills — continuing resolutions or omnibus appropriations bills — will be their most likely targets.



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Americans generally, and military families in particular, should be concerned about this proposal because it's a wolf in sheep's clothing. Beneath its promise to lower consumer costs by increasing competition among credit card payment networks lies the significant risk that not only will Americans not see a penny of lower prices, but they will instead see higher credit interest rates, lower credit availability, or both.

In a nutshell, the CCCA would require the largest U.S. credit card issuers (banks and credit unions) to allow at least two unaffiliated payment networks to process their credit card transactions. Only one of those networks can be Visa or Mastercard.

Increases in global trade require better cross-border payments solutions

Innovation in financial technology—on a course to improve the movement of money

PARTNER INSIGHTS FROM WELLS FARGO

The driving force behind this proposal is the merchant lobby, whose members believe increased competition will decrease their credit card processing fees. It's particularly ironic that among the biggest proponents of this push for credit card competition are big grocery chains that are enjoying record profits but not enjoying the congressional scrutiny they've attracted for their industry's consolidation and persistently high prices. The decreased card processing fees, they say, will be passed on to consumers in the form of lower prices.

Banks and credit unions dispute this, of course, and point to similar debit card "reform" efforts under Dodd-Frank's Durbin amendment as proof of this new proposal's empty promises. Under "debit card Durbin," debit card issuers must allow at least two payment processors to route all debit transactions. Then, as now, the merchant lobby argued that the resulting increased competition would lower costs for consumers.

Unfortunately, big-box retailers and e-commerce giants prevented this from happening. According to a 2014 Federal Reserve Bank of Richmond survey, the promised consumer savings never materialized. In fact, the survey found that, rather than passing the savings on to consumers, a large number of merchants raised their prices or imposed restrictions on debit card use to avoid paying debit interchange fees.

Given "debit card Durbin's" failure to achieve promised consumer savings, no one should wonder why banks and credit unions argue that the only beneficiaries of that Durbin amendment — merchants — will also be the only beneficiaries of the CCCA.

In October, the Association of Military Banks of America and the Defense Credit Union Council signed a joint-trades letter to Congress opposing the CCCA. Although the potential damage the CCCA would inflict on our military bank and defense credit union members would be significant, our more compelling motivation was the potential contraction of credit availability our nation's military families could suffer if this proposal becomes law.

Because the CCCA's proponents tried and failed to use the NDAA as their legislative vehicle, it's only appropriate that its potential impact on the military community should be considered.

Since the enactment of the Military Lending Act, it has become difficult for banks and credit unions to extend small-dollar, short-term loans to our troops and their families. Although the MLA has helped reduce predatory lending to military families, it has also elevated credit cards as one of the few remaining sources of safe, open-ended credit available to bridge gaps between military paydays.

CONSUMER BANKING

CFPB, FTC defend service members' right to sue under Military Lending Act

November 23, 2022 3:23 PM



Just as the MLA unintentionally curtailed military small-dollar lending, we fear the CCCA will do the same for military credit card availability. We believe the CCCA will create a domino effect whereby credit card interchange is reduced, leading to bank efforts to reduce credit risk by tightening creditworthiness standards, leading to the exclusion of many Americans (particularly junior service members) whose creditworthiness may lie on the razor's edge. In short, if there's anything that will likely force our service members back into the arms of payday lenders, this legislation may be it.

Battle lines have been drawn between merchants and credit card issuers over the Credit Card Competition Act. AMBA and DCUC are focused, first and foremost, on the potential financial harm the CCCA will inflict on military families. The CCCA is a proposal that should not, under any circumstances, become law until its potential effects — good or bad — are fully understood.

Steven J. Lepper President And CEO, The Association Of Military Banks Of America

Anthony Hernandez President, Defense Credit Union Council

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