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Chairman Sanders, Ranking Member Burr, and distinguished Members of the Committee, thank you for the opportunity to speak with you today about the Office of Servicemember Affairs at the Consumer Financial Protection Bureau (CFPB).

Many of you already know me as I've testified before you on other committees, and I've also had the opportunity to visit with some of you in your home States. But for those of you who are not familiar with my office, I'd like to take a few moments to tell you what we do.

As defined in the Dodd-Frank Act, the Office of Servicemember Affairs at the Bureau is responsible for:

- Developing and implementing initiatives to educate and empower servicemembers and their families to make better-informed decisions regarding consumer financial products and services;
- Monitoring military complaints about consumer financial products and services, including the Bureau and other Federal or State agency responses to those complaints; and
- Coordinating the efforts of Federal and State agencies regarding consumer protection measures relating to consumer financial products and services offered to, or used by, servicemembers and their families.

Concerning our education mission, in an effort that I think would be of interest to this Committee, my team worked with the Department of Defense (DoD) to create a financial module to be included in the recently revised Transition Assistance Program for those departing the military. And, in a logical follow-on, this year we're working on an initiative to offer financial coaching services to recently-transitioned veterans, to ensure they have some professional financial-planning support during the economically vulnerable time after they leave the service.

As for our complaint monitoring, from July 21, 2011 through July 6, 2013, the Bureau received approximately 4,516 complaints from veterans and their family members. The complaint volume from veterans has steadily increased over time, with 262 complaints received in 2011, 2,315 in 2012, and 1,939 complaints in the first six months of 2013. About 49 percent of the complaints from veterans have been mortgage complaints, followed by 18 percent credit card complaints, and 13 percent bank account or service complaints. We only started accepting complaints about credit-reporting companies in October 2012, but credit reporting is already the 4th highest complaint category for veterans at 8 percent, and is trending upward.

We have helped veterans who filed complaints secure hundreds of thousands of dollars in monetary relief. We've also assisted many others to obtain non-monetary relief, for example

having errors on a credit report corrected, which helps them resolve problems that may have been affecting them for months or even years.

But these complaint statistics aren't just numbers to us: they represent military and veteran families and we know the impact consumer financial issues can have on their quality of life. In one complaint, a veteran from North Carolina was struggling with his bank for months over a fee of nearly \$2,000 that should have been waived because he was disabled. Within weeks of his filing a complaint with the Bureau, the bank removed the fee and refunded the veteran for the interest that was charged in error. Although we can't promise specific results, I encourage servicemembers, veterans, retirees, and military spouses to go to [consumerfinance.gov](http://consumerfinance.gov) and file a complaint if they are having problems with a mortgage, credit card, student loan, or other consumer financial product. And I think it's fair to say that our Consumer Response team is making a real difference for many veterans and their families.

As to my office's third mission – coordinating with other Federal and State agencies – I have spent a significant amount of time doing just that. Our Office of Servicemember Affairs has worked with Federal agencies such as the Department of the Treasury and the Federal Housing Finance Agency on mortgage issues, with the Department of Justice (DOJ) on Servicemembers Civil Relief Act issues, and with the Department of Veterans Affairs (VA) concerning veterans' issues. And obviously my staff and I talk all the time with DoD.

In the States, I've had great support from the Attorneys General, with 16 of them personally joining me at events in military communities. In fact, on July 1st I was at MacDill Air Force Base in Florida at the invitation of Attorney General Pam Bondi to watch Governor Scott sign a bill to provide enhanced penalties for those who use deceptive or unfair trade practices in their dealings with servicemembers, veterans, and their families.

I've also had a very good relationship with the State Directors of Veterans Affairs, meeting with almost a dozen of them in their home States as well as addressing their national conference in May. And I work with the veterans' service organizations (VSOs), as well. I've done presentations to the Iraq and Afghanistan Veterans of America, the Vietnam Veterans of America, and the American Legion. We have also had a couple of town halls specifically for VSOs and intend to do more.

Speaking of town halls, I participated in a telephone town hall last year with Senator Manchin and Senator Rockefeller that reached thousands of veterans in the state of West Virginia, and I am eager to engage with veterans through initiatives such as these whenever I have the opportunity to do so. I should add that I have just added a veterans' outreach specialist to my staff so we can do more work on consumer protections and financial education for veterans.

Now, let me talk specifically about the issues that have come up during my travels to 28 States and about 60 military communities, where I have heard directly in the past two years from servicemembers, veterans, military retirees, and their families.

One issue that has been raised consistently throughout my travels is concern over aggressive marketing to military personnel, veterans, and their families by certain institutions of higher education seeking to attract individuals with access to GI Bill benefits. These institutions are pushing not only their educational programs, but also, in many cases, expensive private student loans to pay for the amount of tuition and fees not covered by the GI Bill.

There is an extra incentive for for-profit colleges, in particular, to chase after military students because of the 90-10 proprietary college federal funding cap – a requirement that for-profit colleges get at least 10 percent of their revenue from sources other than Title IV federal education funds administered by the Department of Education (ED). Military GI Bill and Tuition Assistance benefits are not Title IV funds, so they fall into the 10 percent category that these colleges need to fill – and we have heard of some very aggressive tactics to put GI Bill recipients into classes.

For example, a year ago when I was out in Nevada with Attorney General Catherine Cortez Masto, I spoke with a woman from the VA Regional Office there who was overseeing vocational rehabilitation for veterans. She told me that she had patients with traumatic brain injury (TBI) and post-traumatic stress disorder (PTSD) who had been persuaded to sign up for college classes, and didn't even remember doing so. That didn't stop the colleges from pressing them for full payment, even though they were not regularly attending classes. She said that some schools were also pushing her patients to enroll in Master's Degree programs even though she believed they were not capable of doing the work at that time. Their tactics were aggressive enough that she described it as "tormenting veterans." Obviously it distressed her to see her patients pressed to spend their GI Bill benefits in this manner.

On the same topic, in April 2012 I went to Fort Stewart, Georgia to watch the President sign an Executive Order 13607, "Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members." The Order directed the Departments of Defense, Veterans Affairs, and Education, in consultation with the Bureau and the Attorney General, to take steps to enable servicemembers, veterans and their families to get the information they need about the schools where they spend their education benefits. The Order also strengthened oversight and accountability within the federal military and veterans' educational benefits programs.

I am pleased to report that there has been real progress since then, with DoD, ED, VA, DOJ, the Federal Trade Commission, and the Bureau working together to better protect and inform servicemembers, veterans, and military families about their education benefits. For example:

- The term "GI Bill" has now been trademarked by the VA;
- DoD has updated their rules to protect against aggressive commercial solicitation on military installations by educational institutions; and

- ED has finalized the “Know Before You Owe Financial Aid Shopping Sheet,” enabling veterans to make better-informed decisions about paying for college and choosing a school.

The State Attorneys General have been active, too, filing suit against certain colleges for deceptive marketing and aggressive recruiting tactics. And 19 of them joined Kentucky Attorney General Jack Conway in filing suit against a company called Quin Street that had a number of lead-generation websites marketing to GI Bill recipients. In addition to paying a monetary settlement and changing misleading content on their sites, Quin Street agreed as part of the settlement to give the URL [www.gibill.com](http://www.gibill.com) to the VA.

Certainly there is more work to be done, but I believe these and subsequent steps will help protect against some of the most egregious abuses we’ve seen in the past. That said, we intend to keep working with groups from the above agencies to see that the Order is implemented in a way that best serves our military and veterans.

Another area of concern that has arisen fairly frequently, both on my trips and via our complaint system, is that of financial institutions failing to provide Servicemembers Civil Relief Act (SCRA) protections to those who qualify for them. DOJ has explicit enforcement authority under SCRA, so we coordinate frequently with the DOJ Civil Rights Division and DoD concerning the SCRA-related components of the military complaints that we receive. In fact, my first testimony before Congress in this job was in February 2011 before the House Committee on Veterans’ Affairs and the subject of the hearing was the failure of the largest banks to provide SCRA entitlements to their military customers – both the interest-rate reduction to six percent and foreclosure protection. I also had the opportunity to take part in a panel hosted by Senator Rockefeller and Congressman Elijah Cummings discussing the impact on military readiness when SCRA protections are violated.

Since then the State AGs, the Department of Housing and Urban Development (HUD) and DOJ have aggressively pursued this issue, resulting in a national mortgage settlement with the five largest mortgage lenders that was in part spurred by the lenders’ failure to comply with the provisions of the SCRA. While I commend the settlement and their continued vigilance, we do continue to see compliance concerns in the complaints that military/veteran consumers file with the Bureau.

SCRA compliance problems are not limited to mortgage servicing; we've now identified other markets with similar problems. Most notably, in the student-loan servicing market, we've heard of lenders giving out incorrect or misleading information or even refusing to grant SCRA protections. Some examples:

- Servicemembers being told (incorrectly) that they must provide a letter from their commanding officer or "certified" orders in order to receive the interest-rate reduction to six percent;

- Officers being told to provide orders with an end date in order to receive the interest-rate reduction (officers' orders usually don't have end dates – they are indefinite);
- The lender terminating the interest-rate reduction at the end of one year because the servicemember does not provide proof of continuing active-duty service (proof that is not required under the SCRA);
- The lender placing the servicemember in forbearance automatically when SCRA rights are invoked, rather than simply providing the requested interest-rate reduction; and
- The lender failing to comply with a servicemember's request that the lender refund all the interest charged above 6 percent from the point of entry into active-duty military service. As long as the servicemember requests this SCRA protection within 180 days of leaving active duty, the lender must comply and issue a refund, no matter how long has passed since the servicemember entered active duty, even if it's been months or years.

We put out a report on this topic with the Bureau's Student Loan Ombudsman, along with an action guide for servicemembers. In the report we also raised concerns about an issue that arises when servicemembers attempt to replace older, pre-service student loans with a new Direct Consolidation Loan (to take advantage of federal student loan repayment options such as Income-Based Repayment or Public Service Loan Forgiveness). Unfortunately, the law as currently written does not convey the "pre-service obligation" status of the old loans to the new Direct Loan, which has the unfortunate result of forcing some servicemembers to choose between the SCRA protection of a lower interest rate on their old loans or the prospect of income-based repayment and eventual loan forgiveness with a consolidated Direct Loan.

And although it is not an SCRA issue, while we're on the topic of student loans I wanted to raise a concern about veterans with private student loan debt who have been very severely injured during combat or at any time during their military service. It's a sad fact that some veterans with the most severe disabilities will never be capable of obtaining or performing a job that will enable them to repay that private student loan debt. However, as the law now stands, it is very difficult for them to discharge those debts despite the reality of their medical condition. It seems a shame that federal student loans have such a provision for those with 100 percent disability, but there is currently no such relief for those who have private student loans.

Another issue that I have heard about frequently on my trips throughout the U.S. concerns abuses connected with the veterans' benefit known as Aid and Attendance, which I know this group is familiar with. I have heard from a number of State Veterans Affairs directors, starting with my trip to Montana at the invitation of Senator Tester in January 2012, that they are concerned about the increasing number of individuals and companies that use Aid and Attendance as a hook to sell their services to elderly veterans. I'd like to note a recent settlement by the Attorney General of Washington with three financial planning companies that were doing just that. These

companies were offering help with obtaining Aid and Attendance but were requiring their customers to sign up for financial services first, – and then moving the veterans' assets into irrevocable trusts but not fully informing the veterans of the risks of doing so.

Aid and Attendance offers can take a variety of forms:

- It may be an offer from a lawyer or “veterans’ advisor” to get the Aid and Attendance benefit for you – for a fee. In reality claims processing should be free, but in some cases veterans are being charged a “consultation fee” before the claim paperwork is begun.
- It may be a claim from a paid advisor that they can get the benefit for you more quickly than anyone else. But all VA benefits claims have to go through the standard VA evaluation process, and no one can bypass the system to get your claim approved faster than usual.
- It may involve offering to help you qualify for Aid and Attendance, if you have too much money, by taking control of your assets and moving them into a trust where you can't access them, as in the case in Washington State. This, in turn, may disqualify you for other assistance such as Medicaid, and it also means that you can't get at your money. In one outrageous example I was told about an advisor who locked one veteran's money into an annuity that wouldn't start paying out until he was well into his nineties!
- Also, some retirement homes are now using the lure of Aid and Attendance to get veterans to move in on the premise that they will get Aid and Attendance and it will pay for everything. In cases where the claim is denied after the veteran has already spent money to move in, this leaves the veteran in the untenable position of being unable to afford to remain in the facility.

We have also seen a flood of advertising in the past year urging those with VA home loans to refinance their homes. Veterans on my staff and elsewhere at the bureau have received a torrent of these offers in the mail. We were concerned enough that the Bureau and the FTC did a joint sweep of the mortgage ads which resulted in letters to a number of lenders concerning potential violations of the Mortgage Acts and Practices – Advertising (MAP) Rule, with the potential for future enforcement actions by the Bureau and FTC.

On a related note, I commend the FTC for its first enforcement action under the MAP Rule, announced June 27th, in which Mortgage Investors Corporation, a large refiner of veterans' home loans, must pay a \$7.5 million penalty for allegedly calling consumers on the Federal Trade Commission's National Do Not Call list, failing to remove consumers from its company call list upon demand, and misstating the terms of available loan products during telemarketing calls.

One last area of concern is pension advances – offers to pay military retirees a lump-sum payout in return for their monthly retirement payments. These offers usually amount to pennies on the dollar, and may be in violation of the law regarding assignment of pension benefits, even though they are disguised as loans. If you go on the internet you will find them – often with patriotic-

sounding names and the American flags on the website to match, but with a high cost for the retiree who takes them up on the offer.

The Bureau has an Office of Financial Protection for Older Americans and my office is working with them on these issues. They have recently reported to Congress on the wide array of “elder financial advisor” designations that are in use and spotlighted the fact that many of them are not based on any sort of academic rigor or significant training – but may sound official to elderly consumers.

To conclude, the Office of Servicemember Affairs is working hard to fulfill its mission to work on consumer financial education and consumer-protection measures for military personnel and their families, and we certainly want to include retirees and veterans in that number. We will press on to work with you and the States on existing problems and also address new issues as they arise. Our veterans and their families have done extraordinary service for our country, and, in return, it’s an honor for me and my staff to serve them through our work at the Office of Servicemember Affairs.

Thank you for the opportunity to testify before the Committee.