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Office of Servicemember Affairs Financial Fitness Forum

Building Bridges between the Financial Services Industry and the Department Of Defense

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Foreword

Here at the Consumer Financial Protection Bureau, the Office of Servicemember Affairs has a statutory mission to see that military personnel and their families get the financial education they need to make better-informed consumer decisions. This is not just an academic exercise – for military personnel, the consequences of poor financial decisions can go far beyond the inconvenience of surcharges for late payments. A bad credit report, a debt-collection action or other financial problem can be devastating to a servicemember’s career and even affect the mission readiness of a military unit, which often cannot use a servicemember who has lost a security clearance due to financial problems.

Servicemembers are required to have a deposit account in a bank or credit union so their military pay can be deposited electronically. Yet they don’t always find it easy to choose a financial institution that can accommodate the unique challenges of the military lifestyle. They should be able to shop around for financial institutions that can offer them advantageous terms and world-class customer support and can also provide them with products and services tailored to the unique demands of the military profession.

My office convened this Financial Fitness Forum to learn about and raise awareness of unique military-friendly products already being offered by financial institutions. Our intention was also to start a dialogue between the financial-services industry and the military services about how to best serve those who serve our country.

I hope this Financial Fitness Forum will be just the first step in a collaborative process between the public, private and military sectors to better the financial lives of servicemembers and their families. Here at the CFPB, we have used it as the inspiration to develop resources that we hope will be helpful to servicemembers looking to open a bank or credit union account. And we will tie those resources to our military financial-education initiatives as we go forward.

Holly Petraeus
CFPB Assistant Director, Servicemember Affairs



Executive Summary & Conclusions/Recommendations

In the spirit of its mission to educate and empower servicemembers and their families to make better-informed decisions regarding consumer financial products and services, the Consumer Financial Protection Bureau's (CFPB's) Office of Servicemember Affairs (OSA) organized and hosted a Financial Fitness Forum on December 13, 2011 in Washington, D.C.

The Forum was designed to bring together representatives from individual financial institutions, industry trade groups, government agencies and the military services to highlight some of the practices and unique financial products tailored for servicemembers and military families in the consumer banking marketplace. The Forum also served as a springboard for the financial-services sector to begin a meaningful long-term dialogue about the financial needs, habits and overall financial health of servicemembers and military families.

The event was engineered to provide stakeholders with a day-long opportunity to delve into military consumer-finance issues through detailed discussions in five event panels:

- Panel 1: The Battle on the Homefront - Personal Financial Readiness of the Military Force
- Panel 2: Available on Main Street: General Products and Services Tailored to the Unique Needs of Military Personnel and Their Families
- Panel 3: Short-Term Lending Alternatives: Are There Lower-Risk, Lower-Cost Product Alternatives for Servicemembers and their Families?
- Panel 4: Distressed Military Homeowners: Helping Military Personnel Face Unique Challenges During the Housing Crisis
- Panel 5: Responding to the Military Consumer: Responsiveness, Flexibility, and Innovation

The Forum opened with welcome remarks from Gail Hillebrand, CFPB Associate Director, Consumer Education & Engagement; Holly Petraeus, CFPB Assistant Director, Servicemember

Affairs; Raj Date, then Special Advisor to the Secretary of Treasury on the Consumer Financial Protection Bureau.

Forum attendees were also treated to surprise videotaped words of welcome from First Lady Michelle Obama. Mr. Robert L. Gordon, III, Deputy Assistant Secretary of Defense for Military Community and Family Policy served as the Keynote Speaker for the Forum.

The first panel – “The Battle on the Homefront – Personal Financial Readiness of the Force” – officially opened the Financial Fitness Forum with a frank conversation among senior enlisted members of the Army, Marine Corps, Navy, Air Force and Coast Guard about the financial needs and challenges faced by US military personnel. The main focus of the one-hour panel was to give the senior enlisted members an opportunity to talk about the financial challenges being faced by military personnel and their families, and to convey their views on personal financial readiness as a mission-critical factor.

Moderator Holly Petraeus led the panel in a “Q & A” format that covered topics ranging from the best way to educate servicemembers about finances to ideas for servicemember-tailored short-term loan products.

The second panel – “Available on Main Street – General Products and Services Tailored to the Unique Needs of Military Personnel and their Families” – continued the military consumer-finance focus with a discussion about various financial products being offered to servicemembers by financial institutions that serve the military community. Firsthand descriptions were provided by representatives of the financial institutions offering the products.

Moderator David Silberman, then CFPB Acting Associate Director for Research, Markets, & Regulations led the panel in a discussion that included a review of the short-term loan products available to servicemembers.

The third panel – “Short-term Lending Alternatives: Are There Lower-Risk, Lower-Cost Products for Servicemembers and their Families?” – opened the afternoon session of the Financial Fitness Forum with an in-depth look at short-term loan products offered by financial institutions. The main objective of the panel was to discuss the viability of those products and serve as a primer for future discussions on why servicemember use these products.

Moderator Rick Hackett, CFPB Assistant Director for Installment Lending Markets, guided the panel as it delved into an evaluation of short-term lending alternatives for military borrowers, and discussed the profitability of low-interest versions of these products.

The fourth panel – “Distressed Military Homeowners: Helping Military Personnel Face Unique Challenges During the Housing Crisis” took the afternoon session of the Financial Fitness Forum in a different direction with a discussion of the efforts being made to address the challenges facing

military homeowners who receive orders to move. The main objective of this panel was to highlight the various avenues of assistance for those military homeowners.

Moderator Peter Carroll, then CFPB Senior Advisor, Mortgage Markets, led the panel in discussing the complexities of the housing crisis and its effect on distressed military homeowners.

The panel tackled issues affecting military homeowners, including: negative equity, depreciating home values, predatory mortgages and mandatory Permanent Change of Station (PCS) orders.

The final panel – “Responding to the Military Consumer: Responsiveness, Flexibility, and Innovation” – closed out the Financial Fitness Forum with a discussion on how providers of consumer financial products and services implement customer-response capabilities to meet the unique needs of military consumers. The main objective of this panel was to highlight successful financial-education, marketing and communication strategies that produce results and yield tangible and intangible returns on investments for companies serving military populations.

Moderator Gail Hillebrand led the final panel discussion that took an in-depth look into the customer-service philosophies, strategies and infrastructure of prominent financial institutions that serve the military community.

Conclusions/Recommendations:

Servicemembers and military families face many of same financial challenges as the general population. However, those challenges are amplified by the unique demands of a military career, and by the relative youth and financial inexperience of the military population. They are a transitory population, unable to avoid some financial hazards such as plummeting home values near military installations, and often are steered towards subprime or predatory loan products because they lack the credit score to get credit from mainstream financial institutions. Ten years of war has added to the mix, with financial training having taken a back seat to mission training, leaving both servicemembers and their commanders ill-equipped to take on the challenge of planning for financial success. Many young servicemembers turn for advice to family or friends with limited consumer financial knowledge, rather than seeking the assistance provided by the Department of Defense or on-base financial institutions.

Financial education training must be developed that contains real-world, practical lessons that are packaged in a way that engages the current tech-savvy “Twitter” generation, and that is, ideally, followed up by in-person coaching as necessary. There are many, many financial institutions and foundations that offer financial education, but much of it shows little imagination in delivering the message. There are too many lengthy powerpoint decks or uninspiring online programs that don’t resonate with many of today’s servicemembers, who almost never use a checkbook and go online or to an ATM for most of their transactions. That doesn’t mean that they don’t need to know how to manage their finances, read a contract, learn about the financial laws that protect them, or be taught how to recognize a bad deal – but it should be done in a way that will reach them. DoD, CFPB and

the financial industry should work together to develop and deliver consistent, standard training that is tailored to today's times and the unique needs of the military population. And that training should progress along with the servicemember as they move through the different stages of their life and career.

Similarly, all financial institutions should work to expand availability of military-tailored/military-friendly financial products. As with financial education, there are many products out there, and some are noteworthy efforts, but they are delivered in a patchwork approach that leaves servicemembers with inconsistent service coverage and products that vary based on regional location or financial institution. The industry should consider an industry-wide “best practices” approach in the creation of military-friendly consumer financial products and services, and industry trade associations should work with all banks and credit unions to see if there can be better consistency and coverage for those who have to move because of their service to our country. And DoD and CFPB should facilitate piloting and testing of military-friendly financial programs, products and services, to see what works best for the military community.

In addition, DoD and CFPB should work to ensure that regulations and policies that provide legal protections for consumers do not unintentionally hamper servicemembers and military families from accessing those legal protections. Those in the financial-services industry should also work to see that their servicers and customer-facing personnel have a thorough knowledge of current law and do not deny servicemembers their rights or access to assistance based on misinformation or incorrect application of regulatory language.

Of course, there is no “silver bullet” product or one-size-fits all solution for the consumer financial needs of and protections for the military community. The extensive diversity (age, ethnicity, socio-economic background, etc.) of the armed services coupled with their myriad career assignments, unique service branch cultures and individual financial needs makes it virtually impossible to create a singular product, tool, or solution to help all servicemembers and military families. However, a multi-faceted approach consisting of career-spanning financial education and coaching; military-friendly financial products from financial-services providers; enhanced consumer financial tools and targeted regulatory protection guidelines can go a long way towards addressing and mitigating the consumer financial challenges of the military community.

The following are some intriguing ideas that were raised at the Forum and in *Federal Register* comments concerning products, services, best practices and customer-service philosophies that might help improve the military consumer financial landscape.

Automatic Savings Accounts – Banks, credit unions and other financial-services institutions that serve active-duty military personnel and activated National Guard and Reserve members could offer checking and/or saving accounts with built-in automatic savings triggers as part of their standard account portfolios.

Unlike a military savings allotment or a servicemember-initiated banking transaction, these accounts could create a scaled savings platform for servicemembers based on their military pay structure and savings goals from their first day of active service.

Low-Interest, Small-Dollar Installment Loans – It is not uncommon for military personnel and military families to encounter circumstances that cause them to seek small-dollar loans. This need for emergency funding is one reason why military members may patronize payday lenders or use other high-interest, subprime loan options.

Banks, credit unions and other financial services institutions that cater to active-duty military personnel and activated National Guard and Reserve members could expand options for military low-interest, small-dollar loans. Like the Automatic Saving Accounts, these lower-cost loan vehicles would be built with an automatic savings component that could divert portions of the repayment amount into a designated savings vehicle for the military borrower. That accumulated savings component could, over time, be used as an option to secure or fund future short-term cash needs. These low-interest, small-dollar loans could also be used to establish a positive credit and repayment history for young servicemembers with no credit profile.

These Automatic Savings Accounts and Small Dollar Installment Loans could even be standard offerings at all DoD Banking and Credit Union Program financial institutions.

Services:

Shared Branching – The “Shared Branching” model could greatly expand access to all credit unions and banks that service the military community. Currently, through shared branching, servicemembers who belong to one particular credit union can visit any other credit union in the world that participates in the same shared branching network and conduct transactions (e.g., deposits and withdrawals) on their account, often without out-of-network charges.

A voluntary expansion of this model to all financial institutions that serve military personnel could create a global network of financial institutions that would increase the ability of servicemember and/or their families to access to their accounts and in-person customer-service support around the world.

Financial Education and Coaching:

A lack of effective financial-literacy training can be a major factor in the financial missteps of many young servicemembers. If DoD-sanctioned financial-services organizations, the DoD itself and military installation leaders work in concert to incorporate continuing financial-literacy education into the training curriculum of military personnel, it could go a long way towards preventing some of the financial problems that servicemembers spend years overcoming. Ideally, this training would begin as early in the recruitment process as possible, and continue throughout military service.

However, any organized, joint approach to servicemember financial-literacy training would be beneficial at any stage in the military lifecycle of servicemembers.

In conclusion, DoD and financial-services providers contributed valuable insights and suggestions at OSA's Financial Fitness Forum. The forum served as a key step in assisting the OSA to develop a long-term strategy for ongoing engagement with servicemembers and their families and with financial-services institutions serving them. It inspired an ongoing dialogue between the financial-services sector, the military services, the CFPB, and other government agencies, concerning the best ways to financially empower consumers in the military community.

The Mission and Mandate of the Office of Servicemember Affairs

The Office of Servicemember Affairs (OSA) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which was signed into law by President Obama on July 21, 2010. OSA ensures that military personnel and their families have a voice at the Consumer Financial Protection Bureau.

In order to protect military consumers and their families from illegal financial practices, the OSA uses a multi-pronged approach:

OSA partners with CFPB’s Supervision, Enforcement, and Regulations teams, among others, to ensure that servicemembers’ unique challenges are being addressed by the CFPB. It actively monitors complaints made to the CFPB by servicemembers, veterans and their families and coordinates responses with colleagues at the CFPB and other federal and state agencies. OSA also promotes military consumer financial literacy to empower servicemembers and their families to avoid unfair practices and make smart financial choices.

OSA holds frequent field events at military installations in order to interact directly with the military community. At these events, OSA head Holly Petraeus and her staff engage with servicemembers and military families to learn about the real-life financial challenges they face. The office also works with the Pentagon and the Department of Veterans Affairs to enhance financial education for servicemembers, veterans, and their families. And OSA works with many other federal and state agencies on consumer-protection measures for military personnel and their families.

The Rationale for the Forum

Managing personal finances and negotiating the realm of consumer financial products and services can be difficult for anyone, but it can be particularly difficult for servicemembers and military families because of the unpredictable nature of military service and the financial inexperience of many young servicemembers.

Being deployed to a combat zone, stationed in remote parts of the world, assigned to intense training exercises or being asked to quickly make financial decisions about what to do with one's first real paycheck can leave servicemembers with very little meaningful time to handle money matters.

With this in mind, OSA head Holly Petraeus decided to organize a "Financial Fitness Forum" to bring together stakeholders that could tackle these military consumer financial issues.

The Forum sought to: touch the military community directly and through intermediaries; listen and learn from the public; offer advice; promote research and evaluation in the provision of financial education; encourage creativity and innovation among military financial services organizations; and serve and empower military personnel, veterans, and their families.

In addition the Forum aimed to:

- Develop an inventory of industry-recognized challenges and solution-focused products and services designed for the military consumer;
- Develop a strategy for ongoing collaboration with trade groups serving military personnel, veterans, and their families;
- Identify technologies, tools, and industry initiatives that could be leveraged to improve the effectiveness of financial education programs for military personnel and their families;
- Develop an understanding of the intersections between products and services provided by the financial institutions being surveyed and readiness components provided through the military.

The Forum: Planning for a Unique Dialogue

The Financial Fitness Forum was engineered to provide a unique opportunity for stakeholders to engage in a day-long discussion of best practices for institutions that provide consumer financial products and services to members of our armed forces.

By bringing together stakeholders on military consumer financial issues, OSA aimed to create a dialogue around what the financial services sector is doing to address servicemember-specific issues. An emphasis was placed on ideas that have shown some success and could be more broadly applied if they were more widely shared.

Prior to the event, OSA put a request in the *Federal Register* asking for information on consumer financial products and services offered to or used by servicemembers and their families.

Among the questions OSA asked was:

“What consumer financial products and services (and associated programs, policies, and practices) are tailored to the unique financial needs of servicemembers and their families or are marketed specifically to servicemembers and their families? Among other things, the Office is particularly interested in:

- a) Information on consumer financial products or services that are designed to address deployments, permanent-change-of-station moves, overseas assignments, relocations, and similar circumstances.
- b) Information on short-term lending products that are tailored to the needs of servicemembers and their families.
- c) Information on consumer financial products or services that are comparable to the Department of Defense (DoD) Savings Deposit Program.”

OSA subsequently contacted financial-industry trade associations in order to draw their attention to the Request for Information in the *Federal Register*. We received 88 responses, including responses from 43 credit unions, eight banks, two non-bank financial institutions, and other interested parties. Based on those responses we created five panels addressing different areas of concern for servicemembers.

Welcome and Opening Remarks Highlights

The following are excerpts from the welcoming and opening remarks at the Financial Fitness Forum. They include excerpts from the remarks of key CFPB leaders and the Forum keynote speaker, as well as excerpts from a videotaped address by the First Lady of the United States, Michelle Obama:

Gail Hillebrand

Associate Director, Consumer Education & Engagement, CFPB

“First I get the great pleasure of introducing to you a woman who truly needs no introduction, Holly Petraeus.

Holly is an amazing asset, not only to the CFPB, but to the American public and it's a special pleasure for me to introduce her, because as I told her the week before the Army-Navy game, I was a Navy junior, and the next day she came in the office wearing her Go Army Beat Navy button.

So having been part of a military family, I've seen something about the special challenges that military families face, something about the special purpose that those who stand and wait bring, and something about the extraordinary bonds of community and service that are built up in the military culture over time and distance.

Holly is working on those challenges, working to make a better world for military families, working to make sure that each one of you that is already doing something to serve our military community is recognized, and each of you that is thinking about doing something is encouraged, and I look forward to the information that we are going to share today.”

Holly Petraeus

Assistant Director, Servicemember Affairs, CFPB

“Our starting point for this event was to ask the financial services industry for input on what they were doing for their military customers.”

“We got (88) responses. Forty-three credit unions weighed in as well as 8 banks and 2 non-bank financial institutions. We also heard from other organizations and individuals with an interest in the topic, to include consumer advocates and JAGs.”

“It's our hope that the forum today will be helpful not only to inform servicemembers about special military products in the financial industry, but also to inform the financial institutions in attendance about the unique needs of the military community, and to inspire them to find new ways to serve that community.”

Raj Date

Then Special Advisor to the Secretary of Treasury on the Consumer Financial Protection Bureau

“This is the first time that banks and credit unions have come together with the CFPB to discuss and share their experiences, their practices, their innovations to help servicemembers. Today's Financial Fitness Forum is precisely in line with the Consumer Financial Protection Bureau's broader mission, to help consumer financial markets actually work for consumers, and for the responsible business that serve them, and for the economy as a whole.”

“Now, at the CFPB, we know that we can't do our job unless we reach out and engage with the industry, and with consumers. And my hope is that today's Financial Fitness Forum proves to be a powerful example of that.”

Video Message Excerpt from First Lady Michelle Obama

“...as the leaders of our nation's banking and credit industry, each of you has a very important role to play as well.

Through Holly's work with our troops and their families over the past year, we have seen how these heroes sometimes face very difficult financial challenges.

They might struggle to balance their budgets or plan for a sound financial future. They might worry about managing their household debt. And too often, they are victims of predatory lending practices. These families can use your support, so reach out to them, share your expertise, align your company with existing efforts that serve military families in your community. Share best practices with each other.

There are so many ways to make a difference and I know that if we all join forces, if we each do our part, then we can come together as a country to serve our military families as well as they served us.”



Keynote Address Highlights

Robert L. Gordon, III

**Deputy Assistant Secretary of Defense for Military Community and Family Policy
Department of Defense**

“...we have to consider the economic turmoil that we've been witnessing over these past five years. And our military community, as we know, has not been immune to that turmoil. Many of our military families depend on two incomes. A number of us do, in fact, these days, you know.”

“The needs of our servicemembers and their families . . .have not changed, but our environment has changed immensely, and we heard that from our senior enlisted leaders today. Who thought ten years ago, that today people would basically have a computer in their pocket capable of surfing the net worldwide, downloading applications and being used to execute financial transactions on the go?”

“We in this room need to be involved in the education of our military community to make the most informed and judicious choices to leverage new financial opportunities. We not only need to update our message for the 21st century, we need to deliver that message using the tools and opportunities presented by the 21st century.”

“We need your assistance to prepare our servicemembers and their families to take advantage of today's and tomorrow's opportunities, and not yesterday's. Financial institutions depend on an informed and capable membership to use their products and services judiciously for both the benefit of the institution, and its members.

We know we can't depend on them to have learned to be fully capable of handling their finances prior to entering the military, but we need to forge a partnership that educates and empowers them to make informed choices. This will take everyone's commitment in this room to this common goal. I understand there are competing perspectives. But through open dialogue and honesty and a commitment to what's best for servicemembers and their families and, hence, this country, I believe we can empower them to prosper and thrive.”

Panel 1:

The Battle on the Homefront - Personal Financial Readiness of the Military Force.

Moderator: Mrs. Holly Petraeus, CFPB Assistant Director, Office of Servicemember Affairs

Panel Members:

- **Sergeant Major Thomas S. Gills, USA**
Sergeant Major to the Army Deputy Chief of Staff, G1
- **Command Master Chief Scott Fleming, USN**
Executive Assistant to the Master Chief Petty Officer of the Navy
- **Sergeant Major of the Marine Corps Michael P. Barrett**
- **Chief Master Sergeant Robert L. Frank, USAF**
Special Assistant to the Chief Master Sergeant of the Air Force
- **Master Chief Petty Officer of the Coast Guard Michael P. Leavitt**
- **Chief Master Sergeant Denise Jelinski-Hall, USAF**
Senior Enlisted Leader, National Guard Bureau



“The Battle on the Homefront – Personal Financial Readiness of the Force” panel officially opened the Financial Fitness Forum with a frank conversation among senior enlisted members of the Army, Navy, Marine Corps, Air Force and Coast Guard about the financial needs and challenges faced by U.S. military personnel.

The main focus of the 1-hour panel was to give the senior enlisted members an opportunity to articulate their observations on those challenges faced by military personnel and their families and to convey their views on personal financial readiness as a critical factor in achieving overall mission readiness.

Moderator Holly Petraeus led the panel in a “Q & A” format discussion that covered topics ranging from the personal-finance education needs of servicemembers to ideas for servicemember-tailored short-term loan products.

Opening Statements

Prior to panel discussions, the senior enlisted members were given the opportunity to summarize how they view the current personal-finance environment for servicemembers.

The general consensus amongst the group was that servicemembers and military families are facing many of the same difficult financial challenges as most Americans, challenges that stem from a stagnant economy and the lingering effects of the housing market downturn.

Even though many economic analysts state that the overall economy is improving, or is on track to improve, the effect of any recovery may take longer to filter through to military families because of the unique needs and career demands faced by servicemembers.

Some of those unique needs and career demands include the need for improved personal finance education of a young servicemember population with little-to-no personal finance education or experience prior to joining the armed forces and multiple, long-term overseas deployments that strain the overall financial outlook for military families.



“Our young men and women, God bless them, deployed, deployed, redeployed and deployed again, shouldn't have to worry about how they're going to pay their bills, how they're going to put food on the table for their families. So, I think we definitely have force management challenges as a result of their finances.”

— Sergeant Major Thomas S. Gills, USA

Even highly-educated servicemembers, who enter the service with advanced degrees, and theoretically better future financial outcomes, are not immune to these financial strains because they may enter the service saddled with large student loan debts that add to their financial pressures.

Overall, the Senior Enlisted Advisors all concurred that improving the personal-finance education and outlook of servicemembers and military families is a “force management” issue that requires sustained leadership intervention at all levels and increased development of solution-oriented partnerships with the public and private sectors.



“...we have done a lot of work in this area, because we recognize that this financial readiness/fitness is a leadership and a readiness issue for us. And we have to take very proactive steps in order to address that.”

— Chief Master Sergeant Denise Jelinski-Hall, USAF

QUESTION 1: Looking back at your own career, what type of financial education would you have liked to have gotten, and at what point in your military career? What would have worked for you?

In answer to Question 1, almost all the senior enlisted members expressed a desire to have received personal finance education early in their military careers that focused on the real-world application and implications of credit. Topics such as the details of credit scores, reading credit reports, and the “real cost” of loans and high-dollar purchases, such as vehicles, were offered as examples of the real-world subject matter that would have been useful to them as young servicemembers.

According to the senior enlisted members, being taught practical lessons such as how to understand and plan for the true cost of a vehicle – including insurance, maintenance, registration, taxes, gas, tires, and just about everything that goes along with car ownership – would have been much more practical and useful in their lives than simply learning to balance a checkbook.

“...when I look back on my career, what kind of financial counseling did I get? Let's see. I think I remember all of about 30 seconds in basic training between getting yelled at, I learned a little bit about balancing a checkbook.”

— *Chief Master Sergeant Robert L. Frank, USAF*



The leaders also suggested that being educated on consumer financial scams and consumer financial protection laws that protect military members, such as the Military Lending Act (MLA) and the Servicemembers Civil Relief Act (SCRA), would have been helpful for them and would be helpful for servicemembers currently serving today. The senior leaders also expressed a desire to have received the financial education that is commonplace in many civilian sectors. They believe they would have benefited from being exposed to topics such as investing, college-savings planning and retirement planning early in their careers. They believe exposing young servicemembers today to the intricacies of mutual funds, estate planning and other life-management financial planning would be very beneficial to them.

The panel members also stressed the need to systemically institute a “Continuum of Training” that focuses on delivering targeted financial education to servicemembers based on military lifecycle factors such as age, rank, time in service, marital status and end-of-service transition date. The panel’s members agreed that such an educational approach would have been very helpful for them as they rose through the ranks and would be very helpful for young servicemembers currently pursuing a military career.



“I didn't learn until some years later just how something was going to affect the rest of my life by not [understanding it] up front.”

— *Sergeant Major of the Marine Corps Michael P. Barrett*

The panel also suggested that it might be beneficial to begin financial literacy training for military recruits from the day they sign a military contract. They believe an early financial literacy intervention program, such as the one the Consumer Financial Protection Bureau (CFPB) is developing for military recruits in the Delayed Entry Program (DEP), could put young recruits on the path to financial stability as fully fledged servicemembers.

The panel members stressed that financial educators and unit leaders need to understand that one-size-fits-all financial education is ineffective. The lessons that a newly inducted servicemember needs will be much different from those for a newly married noncommissioned officer with 5 years of service under his belt. They also pointed out the irony of stressing personal-finance lessons, such as budgeting, for servicemembers who are transitioning out of the military, when the same emphasis is not placed on educating young servicemembers for the same goals as they enter the service. That contrast in education becomes even starker when one compares the lessons imparted to the servicemembers affected by the upcoming military drawdown to the lessons being taught to the latest crop of military accessions, according to panel members.

The senior enlisted members also stressed the critical need to ensure that personal-finance education is tailored to each military service branch, since each service's career demands and culture will play a large part in the needs and views of young servicemembers. Soldiers, Sailors, Airmen, Marines and Coast Guardsmen do different things, serve in different locales and view the world through the lens of their branch. Therefore, they cannot be educated in the exact same way, even though they will have similar needs.

Tied to the topic of military-culture-based approaches to personal finance education is the issue of generational-based approaches to personal-finance education, according to the panel members. The current model of educating large groups of 18-24 year-old military recruits with personal-finance lesson plans consisting of hundreds of PowerPoint slides, AKA "Death by PowerPoint," is largely ineffective and widely derided by today's young servicemembers.

Unlike the ineffective or nonexistent personal-finance education that the senior leaders received in their early years of service, a concerted effort must be made to retool today's financial literacy education to the needs of the socially sophisticated and technologically savvy young people entering the military. They want information delivered quickly, in more streamlined, more mobile and more on-demand ways. That newly tailored approach also needs to translate that financial information into an actionable Individual Development Plan that young servicemembers can use as a financial compass while they serve.

“...the one thing I wish we did have at that time is ... an Individual Development Plan. And in that plan, it talks about career goals incorporated with financial management, which a budget isn’t.”

— *Master Chief Petty Officer of the Coast Guard Michael P. Leavitt*

They also emphasized that no program will be perfect, but any new approach can be very effective if it is incorporated with active engagement of knowledgeable and experienced leaders. That knowledge must however be verified since many senior leaders themselves may lack in-depth financial education due to their own subpar financial education as young servicemembers.

The senior enlisted members ended their answers to Question 1 by unanimously agreeing that financial-literacy education for servicemembers should be mandatory versus voluntary (as it is currently).



QUESTION 2: What do you see as the biggest gaps in the financial and consumer education now for the troops? Where are the big holes that need to be plugged?

In answer to Question 2, all the senior enlisted members reiterated some of the points they made while answering Question 1.

They stated that it is important to close the gaps on knowledge about the real-world implications of things such as credit scores and reports. In addition to credit reporting, they also raised the need to educate servicemembers on practical skills such as how to read contracts and leases and how to locate assistance programs for mortgages, homeowner issues and consumer-financial-product issues. The entire panel also concurred that all financial-literacy education must be extended to include military spouses, caregivers and other appropriate members of military families.

Panel members also revisited the topic of end-of-service financial education. They stated that transitioning servicemembers must be taught to understand realistic salary expectations, cost of living and civilian-benefit costs in their post-service lives.

The transition of National Guard personnel was raised as an opportunity to fill a financial-education gap. Unlike their active-duty counterparts who get mobilized and then “stand down,” National Guard members who are mobilized and then demobilized before being deployed may not have a job or home to which they can return. This event, known within the National Guard as “Off Ramping,”

is an issue that affects the employment status and financial stability of Guard members. Personal finance education must also be developed to help National Guard personnel understand and prepare for the financial hazards associated with this career occurrence.

Finally, the Senior Enlisted Advisors all stated that in addition to retooling military financial literacy education to address any inherent deficiencies, a heavy emphasis on personal responsibility must be imparted to servicemembers so that they do not fall prey to temptations or scams that capitalize on the irresponsibility of some servicemembers.



"But at the end of the day, there's a measure of personal responsibility that needs to be incorporated and emphasized over and over and over again, so that servicemembers don't start buying into all the white noise."

— Command Master Chief Scott Fleming, USN

QUESTION 3: What do you think would work in terms of education and training? How can we deliver this message, as you said, to make it stand out from the white noise?

In response to Question 3, the senior enlisted members restated the need to develop financial-literacy education and training that is interesting and engaging to a young, technology-oriented population of servicemembers used to slick and sophisticated marketing.

The senior leaders all endorsed using technology, such as mobile applications and gaming, to create interactive “financial life tools” that servicemember can use to learn financial lessons and process financial decisions on their own terms. An interactive financial “virtual city” game would be much more effective for servicemembers today than being lulled to sleep by a “death by PowerPoint” financial presentation in a dark theater.

The panel also highlighted the need for any new financial-literacy-education presentation or product to be as sophisticated as much of the slick marketing young servicemembers are used to and have come to accept.

"For some of the older generation if you're my age or older, you will remember television commercials being about 45 seconds. And then they chopped them to 30 seconds. And today you've got eight seconds to make your point in the media, or you have lost your young audience. Eight seconds. So, translate that to how you're going to grab a young servicemember's attention. It's got to be slick, powerful, potent and delivered at the right time."

— Sergeant Major Thomas S. Gills, USA

In addition to capitalizing on the latest technology and marketing trends, members of the panel also recommended that peer-to-peer coaching programs be used along with other innovations to help educate young servicemembers and military families about financial literacy. Programs such as the Navy's Command Financial Specialist Program and the National Guard's State Financial Assistance Manager Programs have successfully employed peer-to-peer coaching and could serve as a base model to develop other such programs.



The panel ended their answers to this question by stating that any future education or training that is developed must be a balanced, multi-tiered approach that fits the way young servicemembers learn.



"If we have all the technology in the world, it's not going to help if we don't motivate those people on the other end to receive it."

— Chief Master Sergeant Robert L. Frank, USAF

QUESTION 4: When servicemembers are on the verge of making a significant financial decision, maybe to buy a car or a house or where to go to college, who are they most likely to turn to?

In answering Question 4, the senior enlisted members all agreed that servicemembers looking for financial advice usually turn to a standard set of acquaintances. However, despite the fact that servicemembers may trust these sources of information, many of those channels can quite often provide military personnel with inaccurate and/or inadequate information.

The panel members stated they hoped servicemembers would first turn to their unit leaders. However, even if a young trooper turns to a trusted leader, there is no guarantee the advice they receive will be useful, since, as stated earlier, many unit leaders have never received proper financial education and training themselves. Servicemembers may also avoid seeking advice from truly knowledgeable leaders because they don't want to be lectured on their life decisions or perceived as being incapable of handling their personal affairs.

Servicemembers will often turn to family members for advice and information. However, like untrained unit leaders, financially-uneducated family members can also provide servicemembers with bad financial advice.

According to the panel, the internet is a popular resource for servicemembers seeking financial information. However, it is also one of the most dangerous sources military personnel can use since hundreds of "expert" websites give bad financial advice and inaccurate information on a number of personal-finance topics.

Another danger for information-seeking servicemembers is the "barracks lawyer." "Barracks lawyer" is a term used in the military to describe other servicemembers who purport to be experts on subjects on which they are completely unqualified to dispense advice.



"They'll ask their family first. They'll ask their peers, second. They go to the internet, third. And they'll go to their leadership, fourth. And when we ask why go to leadership last; they say, 'well, I don't want to deal with a ten-hour lecture. I just want to know how to get it fastest.' Because they know if they come to us, we're going to give them a ten-hour lecture. And they want it now. They want the shiny object now."

— Sergeant Major of the Marine Corps Michael P. Barrett

The senior enlisted members also stated that an unfortunate tendency of many young servicemembers seeking financial advice is going to different sources of financial information until they receive the answer they want to hear. This is a tendency that needs to be combated.

QUESTION 5: How do you think the people here today, the CFPB and the responsible financial providers, can do a better job of getting servicemembers' attention at these critical moments and providing them the wise counsel that they need?

In response to Question 5, the panel mainly agreed the answer lies in education.

Unit leaders must work harder to engage and educate their young servicemembers on all levels. Financial institutions that serve the military community must also join in the effort to proactively educate servicemembers in personal-finance matters, according to the panel.

Financial providers must join the effort to inform servicemembers that they should use their personal financial managers better, go to education officers more, and find out what benefits and free resources are available to them before going out on their own or going to the internet.

Lastly, the senior enlisted members also agreed that all parties who support and advise servicemembers need to more effectively use the tools and technologies that scammers and predatory lenders are using to target servicemembers as a way of combating those preying on servicemembers.



"Loans, credit cards, debt instruments are bombarding television, newspapers, advertisements and social media. And, the younger generation is using social media, the internet, mobile applications to receive and learn about all these opportunities. [We need to] get out there and somehow use the same instruments to protect our young viewers on the social media. So, how do we go about doing that?"

— Sergeant Major of the Marine Corps Michael P. Barrett

Panel 2:

Available on Main Street: General Products and Services Tailored to the Unique Needs of Military Personnel and Their Families.

Moderator: Mr. David Silberman, then CFPB Acting Associate Director, Research, Markets, and Regulations

Panel Members:

- **Mr. Camden R. Fine**
President & CEO, Independent Community Bankers of America
- **Mr. Steve Bartlett**
President & CEO, Financial Services Roundtable
- **Mr. William Newman**
Executive VP, Service Credit Union
- **Ms. Terrie Miller**
Lead Relationship Manager, Wright-Patterson Credit Union
- **Mr. William Hawbecker, Jr.**
Director, DoD Banking and Credit Union Program

The “Available on Main Street – General Products and Services Tailored to the Unique Needs of Military Personnel and Their Families” panel continued the military-consumer-finance focus of the Financial Fitness Forum with a discussion about various financial products being offered to servicemembers by financial institutions that serve the military community.

The main objective of this panel was to provide the audience with a firsthand description (from representatives of the financial institutions offering the products) of some products and services being delivered to military personnel and their families.

Moderator David Silberman led the panel in a “Q & A”-format discussion that covered a review of the short-term-loan products available to servicemembers.

QUESTION 1: Please take a minute to talk about some of the unique products and services that each of you offers military personnel and their families from your financial institution.

Service Credit Union

William Newman, the Executive Vice President of Service Credit Union, began the discussion. Service Credit Union was founded at Pease Air Force Base in New Hampshire with a charter to serve the military and civilian employees. Mr. Newman stated that more than sixty percent of Service Credit Union’s members are military personnel.

Mr. Newman described a Service Credit Union product called “**Early Payday**.” It was a unique product offered to servicemembers when it was first introduced. The product works by crediting a member’s direct deposit two days earlier than its official posting date, if the credit union had received the funds. Mr. Newman also reported that he program had grown in popularity and is now being offered to civilian members of Service Credit Union, as well.

Service Credit Union offers a “**Guaranteed Pay Program**.” This program guarantees that the credit union will duplicate a member’s anticipated direct deposit from the government if those funds are delayed or interrupted due to a problem with government processing of the payment.

Service Credit Union **refunds International Service Assessment (ISA)** fees for servicemembers deployed or stationed overseas and will be eliminating the balance requirement for eligible members in 2012.

The credit union also offers a “**Warrior Savings Program**.” This program is a ten-percent (APY) savings-deposit program for servicemembers deployed in a war zone (matching the ten-percent APY Savings Deposit Program offered by DoD during combat deployments). It begins upon their deployment and continues for 120 days after their return with a maximum \$10,000 balance eligible for the benefit. It was introduced as an incentive to spur savings by military personnel according to Newman.

In addition to the Warrior Savings Program, Service Credit Union also has a “**Warrior Rewards Program**,” which offers members a one-percent premium on certificates and a one-percent reduction in loan rates for military members deployed on peacekeeping operations, in hostile environments or in combat in a war zone. The program is also open to military veterans with twenty years or more of service, or military veterans who have received a Purple Heart or a Bronze Star.

Finally, Service Credit Union offers the “STAR Program.” This program offers servicemembers a five-percent premium on share certificates and a five-percent reduction on loan rates. This program is geared towards E-4s and below as a savings incentive for military personnel just starting their careers.

In addition to these products, Service Credit Union also provides a **24/7 Contact Center** for all its members around the world, according to Newman.

Wright-Patt Credit Union

Terrie Miller, Lead Relationship Manager for Wright-Patt Credit Union, continued the overview of products. Wright-Patt Credit Union was founded in 1932 and as of December 2010 had nearly \$2 billion dollars in assets and over 202,000 members.

Ms. Miller stated that as an alternative to payday lenders that can charge 391 percent or higher interest on their loans, Wright-Patt developed a “**Stretch Pay Loan**” for its members. The program offers a small-dollar emergency payday loan to servicemembers who run low on cash. The loan is a lower-cost alternative to traditional payday lending for servicemembers in need of small-cash advances for short-term periods. Wright-Patt offers the loan at an interest rate of 18 percent APR, along with an annual fee of \$35 for a \$250 line of credit or \$70 for a \$500 line of credit. The entire balance must be paid in full by the borrower within thirty days for a \$250 loan, and sixty days for the \$500 loan, before the member can take any new advances.

Wright-Patt reports loan payments to the credit bureaus, allowing Stretch Pay users who make timely payments to build up their credit standing and possibly qualify for lower-cost loans on the strength of a new repayment history.

The program also has a financial-education component. In addition to the loan, servicemembers receive financial education and counseling to help them make wise, long-term financial decisions and break free of the payday-lending debt treadmill, according to Miller.

Wright-Patt also offers a “**First-Time Car Buyer's Program**” for military personnel arriving at Wright-Patterson Air Force Base (AFB) as their first duty station. This loan was developed to help provide young servicemembers with credit and alleviate the need for them to patronize predatory “buy here, pay here” car dealerships near Wright-Patterson AFB, according to Miller.

Servicemembers can borrow up to eighty percent of their income and have a repayment period of sixty months. In addition, the credit union offers a free pre-purchase vehicle-inspection program that helps ensure that any used cars they purchase are in good condition. The credit union also offers a free, non-judgmental, confidential credit counseling designed to help servicemembers get out of financial difficulties and to keep them from becoming overwhelmed in the first place.

Wright-Patt Credit Union pays a five-percent dividend on the first \$500 in servicemember accounts as a saving incentive. The average national savings rate on similar accounts was less than one half percent at the time of the Forum, according to Ms. Miller.

The credit union has an “**EasySaver Debit Card Roundup Program**” that rounds up purchases to the nearest whole dollar and then deposits the difference into an EasySaver account. Wright-Patt then matches up to five percent of all of the roundups.

Finally, Wright-Patt offers a “**Balance Builder Certificate**” that allows servicemembers to earn a certificate rate with no money down. Servicemembers can open an add-on certificate of deposit and build their balance to the \$300 minimum within six months while earning the 18-month certificate rate.

Independent Community Bankers of America

Mr. Camden R. Fine, President & CEO of Independent Community Bankers of America (ICBA) was next to detail his organization’s programs.

ICBA is a community bank organization with nearly 5,000 members, representing more than 23,000 locations nationwide and more than 280,000 employees. ICBA members hold more than \$1.2 trillion in assets, \$1 trillion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community.

They have members such as Bank of Knob Noster serving Whiteman Air Force Base, the First State Bank of St. Robert serving Ft. Leonard Wood, and many more small community banks located just outside the main gates of many military installations around the country, said Fine.

According to Fine, these ICBA member banks are very familiar with dealing with military personnel and all of the unique aspects of their military service from deployment to combat zones, to permanent changes of station and temporary-duty transfers. As a result, these member banks do as much as they can to tailor their services to those servicemembers because they make up a large part of their customer base. ICBA member banks also place individual relationships with customers at the heart of their business model. Those relationships with servicemembers are placed at an even higher premium, Fine said.

Financial Services Roundtable

Mr. Steve Bartlett, President & CEO of the Financial Services Roundtable, continued the panel and product overview with a description of his organization. The Financial Services Roundtable (FSR) is a U.S. trade association that advocates on behalf of 100 of the top banks, credit-card companies, insurance companies and securities firms operating in the United States. Its membership includes financial services companies such as Citigroup, JPMorgan Chase, Bank of America, Wells Fargo, and PNC.

The Financial Services Roundtable surveyed its members to get a sense of what jobs programs, mortgage and retail banking, and financial counseling products are most effective and popular with military community members.

In the area of jobs programs, many of the Roundtable's members have specific jobs programs aimed at recruiting, training and returning military veterans back to their communities. Companies such as Bank of America, Citigroup, BlackRock and BNY Mellon have formal programs. Citi currently employs approximately 2,000 veterans and GE Capital about 10,000 veterans.

Mr. Bartlett stated that Roundtable members now provide servicemembers a single point of contact on mortgage products. So, if there's a problem, there's someone that either the servicemember or the Judge Advocate General (JAG) officer can contact at FSR member companies.

Servicemembers who transfer duty stations are now also eligible for mortgage modifications regardless of any other factors. This eliminates an old requirement that servicemembers be in default status on their mortgages before being qualified for a modification. Previously, that rule could have jeopardized a servicemember's security clearances or other aspects of their career, according to Bartlett.

Mr. Bartlett also stated that many FSR member institutions that engage in retail banking do not charge overdraft fees for non-recurring point-of-sale debit card transactions.

Lastly, every FSR member surveyed provides counseling (basic budgeting classes) for servicemembers. The FSR would like to do more and is looking for ways to work with both base commanders and the Pentagon to find ways to do a more effective job, according to Bartlett.

Before continuing the overview of unique consumer savings and loans products that the represented financial institutions offer military personnel, the moderator briefly diverted to a discussion on how the Department of Defense (DoD) monitors and recognizes financial institutions that offer unique products to the military community.

QUESTION 2: Could you talk for a minute about the Department of Defense program to recognize financial institutions that are doing special things for military members and their families and how you go about making those awards?

William Hawbecker, Jr., Director of the DoD Banking and Credit Union Program, elaborated on the criteria by which the DoD identifies standout financial institutions.

The DoD Banking and Credit Union Program governs the establishment, support, operation and termination of banks and credit unions operating on DoD installations worldwide, including Military Banking Facilities (MBFs).

According to Hawbecker, the Department takes very seriously its goal of ensuring that financial institutions operating on military installations are contributing to the morale and welfare of servicemembers, military families and the local communities at large. The Department gives special recognition each year to organizations it feels exemplifies the community-support ideal.

Financial institutions operating on DoD installations must adhere to federal and state rules and regulations, as well as DoD policies and regulations established to help ensure that the products and services they provide are high-quality. The DoD evaluates how receptive financial institutions are to specific command requests for financial counseling and education. The DoD also evaluates how financial institutions support military-savings-themed events and what actions those institutions take to help combat predatory lending practices.

Twice a year, once at Defense Credit Union Council meeting and again at an Association of Military Banks of America meeting, all four DoD military services present an award for “Credit Union of the Year” and “Bank of the Year” to the financial institutions that have distinguished themselves in all the criteria categories. The winners are selected using rating data collected from the institutions and installation commanders in the locales where those financial institutions are based, said Hawbecker.

QUESTION 3: We've heard about programs that involve paying above-market interest rates as high as ten percent, waiving fees that would otherwise be charged, and charging below-market interest rates on loans. How do you make that work financially? Is this something that you view as an investment that's going to pay dividends through long-term loyalty (investing in relationships) or is this really a contribution to the military that is not the way the P&L (profit & loss) works?

In answering Question 3, several panel members stated that their corporate patriotism, core values and the desire to build life-long brand loyalty and retention among their military customers was their main motivation for offering high-yield consumer-savings products to their military customers. Since they do not expect to make a great deal of money from these products, their focus is on long-term relationships with servicemembers rather than the balance sheet.

Some of the panel members stated they can attest to the vitality of these long-term relationships, since they personally know customers who have spent their entire military careers banking at their institutions and continue to do so as military retirees.

Some of the institutions represented made corporate decisions to offer products tailored to assist military personnel and families of deployed military personnel by offering them better rates, higher yields and waived fees. These decisions were made to both patriotically serve the military community and to build on the community-bank relationship model. In some cases, these programs and products were subsidized by revenue from more profitable areas of their banking business.

Other panel members stated that offering these products was an issue of reputation management. Even if they weren't going to make much money with these loan products, a smaller return was far better than earning a reputation among a large military customer base as being an institution that treats active-duty servicemembers, National Guard personnel, or military families poorly.

QUESTION 4: How does this model work - or does it work - when servicemembers are deployed?

The panel stated in response to Question 4 that the challenge of doing business with servicemembers on a global basis falls into two categories: Overseas Station Assignments and Combat Deployments.

When a servicemember is stationed overseas, financial institutions can, by and large, continue business as usual by serving customer needs through online banking, toll-free customer-service centers or on-base branches in countries such as Germany. However, if a servicemember is deployed to a combat zone, they will be more concerned about their mission and personal safety than banking issues such as overdrafts. So, financial institutions that are truly committed to serving the military community need to learn to adjust their operations to the reality of their military customer's duty demands, according to some panel members.

QUESTION 5: What about serving National Guard members who are not necessarily deployed while they're in the National Guard or the Reserve? Are they getting the same kind of products as their active-duty counterparts, or are these programs limited to active-duty servicemembers?

The panel largely agreed in responding to Question 5 that many of the special programs and incentives offered to active-duty personnel were not offered to National Guard members because of the difference in their duty status. Unless mobilized and/or deployed, National Guard members were living and working in the civilian community and therefore did not have the same special needs as their active-duty counterparts. Some community banks may offer similar products to military personnel regardless of affiliation, but these seemed to be the exception, not the rule.

According to panel members, the uniquely specific support provided to National Guard personnel by financial institutions comes in their support of employment initiatives for returning National Guard and Reserve members. Many of the organizations represented by the panel either have defined veteran-hiring programs or actively lobby business groups and legislative bodies to support hiring initiatives that benefit National Guard and Reserve members.

After Question 5, the moderator returned to the subject of consumer financial products and services offered by the financial institutions.

QUESTION 6: Let's switch back to the business-model question. Is it something that you think is scalable at bigger institutions, such as commercial banks, or is there something special in the small-credit-union context that makes those kinds of programs work?

Some panel members agreed that the offerings of each financial institution, regardless of size, really depends on their motivation, core values and what is important to their board of directors and senior management staff.

Larger financial institutions, such as commercial banks, hold an advantage when it comes to capital investment in the programs and technology used to scale up programs tailored to military personnel, but smaller institutions, such as credit unions, can be more flexible and responsive when implementing those programs. That said, smaller credit unions probably could not sustain offering 150,000 members incentives such as ten-percent returns on certificates.

The difference remains the motivation that inspires the financial institution's operating philosophy of offering military-support products that may not always be highly profitable, said some members of the panel.

Other panel members stated that such products can be immediately profitable if offered on a large scale. And, if institutions do offer a military-tailored product that causes them to lose money in the short term, they can cultivate future profits and gains by focusing on the long-term relationship with the military consumer.

As the discussions around Question 6 ended, the moderator asked the panel to elaborate on concerns that some panel members had alluded to earlier in the session regarding the negative effects of excessive regulatory oversight on consumer-saving-and-loan product development in the financial services industry.

QUESTION 7: Let's return to the point made earlier about the impact of the regulatory system on the ability of financial institutions to develop programs for servicemembers and their families. Do others experience the same concern that the regulatory system is a limiting factor in your ability to provide special services to the military community?

The panel overwhelmingly agreed that regulatory limitations were a concern for them as they developed and launched products and services for all their customers — military and civilian alike.

Some panel members stated that years ago local bank officials could work with individual servicemembers facing financial difficulty and offer them special rates and incentives. That type of freedom and flexibility no longer exists because the current regulatory structure makes it nearly impossible to deviate from structured rules. They restated that military personnel have unique needs unlike the rest of the population. But, according to the panelists, the regulations that are in place today sometimes impede or create barriers to bankers trying to support the unique needs of those military members.

Other panel members stated that they have not encountered too many regulations that prohibit them from creating new services. However, they warn that the government should be very careful not to create too many new regulations because the additional resources needed to comply with new regulations compete with the resources needed to keep their focus on serving their members.

According to the credit union members of the panel, credit unions have been asked to comply with more than 160 new rules from 27 different federal agencies since 2008. Each of these rules took resources away from their ability to focus more on members. They advised fewer regulations and more regulatory clarity of existing rules.

Moderator David Silberman closed out the panel with a reminder that the CFPB had published a notice in the *Federal Register* inviting comments from the financial services sector and the general public on how the CFPB might go about reviewing existing regulations to determine if they unnecessarily restrict consumer choice, or inhibit innovation. He invited all the financial institutions represented by the panel to respond to that *Federal Register* notice if regulation is a major concern to them.

Panel 3:

Short-Term Lending Alternatives: Are There Lower-Risk, Lower-Cost Product Alternatives for Servicemembers and their Families?

Moderator: Mr. Rick Hackett, CFPB Assistant Director for Installment Lending Markets

Panel Members:

- **Mr. Terry Tuggle**
President & CEO, Fort Hood National Bank
- **Mr. David Davis**
President & CEO, Pacific Marine Credit Union
- **Mr. James Blaine**
President & CEO, NC State Employees Credit Union
- **Mr. Don Giles**
President & CEO, Armed Forces Bank

The panel addressing “**Short-term Lending Alternatives: Are There Lower Risk, Lower Cost Products for Servicemembers and their Families?**” opened the afternoon session of the Financial Fitness Forum with an in-depth look into short-term loan products offered by financial institutions.

The main objective of the panel was to demonstrate the viability of those products and serve as a primer for future discussion on why servicemember use these products.

Moderator Rick Hackett led the panel through a “Q & A” discussion that delved into an evaluation of short-term lending alternatives.

Mr. Hackett began the panel by reminding the audience that the panel was of significant importance because Section 1024 of the Dodd-Frank Act provides for supervision of nonbanks by the CFPB, and one of the specified areas of supervision is payday lending.

QUESTION 1: Tell us a little bit about your institution, and in particular, something about the products and services that you offer for small-dollar lending for servicemembers.

Pacific Marine Credit Union

David Davis, President & CEO of Pacific Marine Credit Union began the discussion. Pacific Marine Credit Union was founded in 1952 and is located at Camp Pendleton, California. It has a membership of approximately 75,000. Fifty percent of its members are military personnel.

According to Davis, lending to a young military population is challenging because of the high turnover rates of young servicemembers. But Pacific Marine Credit Union began offering a product called “**Ready Cash**” back in 2006 in response to the predatory-payday-lending problem near Camp Pendleton. The product was developed as a line of credit rather than a short-term loan based on survey feedback from credit-union members.

The Ready-Cash program provides members with a revolving \$500 line of credit and charges 24-percent interest. That interest rate is reduced to 18 percent if the member makes six months of consecutive payments or has a military savings certificate with the credit union. Qualified applicants must have no credit or an established credit score of at least 525. Qualified applicants cannot have any bad credit or charges of fraudulent activity with Pacific Marine.

Approximately 2,100 members participate in the program. The average advance amount is \$54 and the average total-month advance by the credit union to participating members is \$112,000.

The delinquency rate on the product is roughly seven percent and the charge-off rate is approximately 10 percent.

According to Davis, accounts that access the Ready Cash loan product each cost Pacific Marine an average of \$50 per year. However, the credit union isn't providing the product to make a profit, but to offer a viable alternative to payday loans.

Fort Hood National Bank

Terry Tuggle, President & CEO of Fort Hood National Bank, continued the product overview. Fort Hood National Bank (FHN) was founded in 1966 and primarily serves Fort Hood Army Post, Texas. It has more than \$222 million in assets.

A major problem within the military finance community is servicemembers who obtain credit at point-of-sale locations such as car dealerships and furniture stores. Many charge exorbitant rates on loan products which can often leave a servicemember in dire financial straits long before they ever walk through the door of their local bank or credit union. FHN's philosophy is to intervene early and assist servicemembers before they become mired in debt, according to Tuggle.

In 2010, FHN made 303 financial-readiness and basic-banking presentations to approximately 31,000 servicemembers and family members. It is FHN's sincere belief that basic financial education is the best way to promote servicemember financial well-being, said Tuggle.

FHN offers four loans tailored for military servicemembers:

The first loan option is called the "**Smart Cash Loan**." It is a \$200-\$2,000 loan given at 12 percent interest. It is a credit-based loan and has an administrative fee of \$10-\$20 depending on the length and size of the loan. Servicemembers granted the loans are also encouraged to review an accompanying "Banker's Basics" handbook to provide them with some basic financial-management education.

FHN offers a "**Fresh Start Loan**" to assist servicemembers who have chronic account-overdraft problems. The loan program is designed specifically to assist with the repayment of an existing overdraft amount of \$100 or more over a six-month loan period at zero-percent interest. Servicemembers who take the loan are removed from FHN's automatic overdraft protection plan. Like the Smart Cash Loan customers, borrowers are also offered basic financial-management-education materials.

FHN also offers two loan products to help servicemembers who encounter financial difficulties stemming from military Permanent Change of Station (PCS) moves. The first loan is designed for young soldiers who arrive at Fort Hood as their first duty station. The bank will advance up to \$200 to each soldier who opens up a new direct-deposit account with FHN. The loan is paid back through the soldier's next payday direct deposit or through an interest-free six-month installment plan. The second loan is tailored for arriving soldiers who qualify to live in on-post privatized housing, but do not have the funds to make an initial rental down-payment. Soldiers can borrow up

to \$900 that is paid back over an eight-month loan period. The loan is issued with no credit check if the soldier already banks with FHNB. The loan assignment is credit-based if the soldier does not bank with FHNB. Like the Smart Cash Loan, the loan is given at 12-percent interest with a \$10-\$20 administrative fee depending on the size of the loan.

Many of the products that FHNB offers uniquely for servicemembers were designed in consultation with former servicemembers who now work for FHNB. Even though these loans are not highly profitable and subject to higher default rates, FHNB offers them to its servicemember customer base because it believes they satisfy the immediate financial needs that typically drive servicemembers to off-post predatory-lending alternatives that leave them in even more dire financial straits, according to Tuggle.

NC State Employees Credit Union

James Blaine, President & CEO of State Employees Credit Union, continued the product overview by the panelists. State Employees Credit Union (SECU) was founded in 1937. It is a traditional credit union serving a limited field of membership that includes North Carolina teachers, state employees, state National Guard members and their families. It has roughly 1.8 million members.

The most popular loan product offered by SECU to its members is called the “**Salary Advance Loan**.” It is a single-pay, payday loan with a loan term of not more than 31 days. The product offers a maximum loan amount of \$500 with a 12-percent APR interest rate. Borrowers must have active checking and direct-deposit accounts with the credit union. The loan is not credit-based; however, SECU does pull an applicant’s credit report to ensure that they are not currently in bankruptcy. More than 125,000 SECU members have signed up for this loan product and more than 80,000 use it monthly. The loan process is easy and highly automated. Customers can request an advance online, through the SECU 24/7 Contact Center or through a telephone voice-response system.

Even at a 12-percent-APR interest rate, which is far less than other lenders charge, the Salary Advance Loan is the most profitable loan product that SECU administers. Mr. Blaine stated that SECU charges \$5 per month on a \$500 loan compared to the average \$75 per month that payday lenders charge. That \$70 savings multiplied by the 80,000 monthly borrowers over a 12-month period adds up to approximately \$67 million in interest payments that SECU saves its members using the Salary Advance Loan. It is SECU’s philosophy that financial institutions do not have to gouge their customers with exorbitant rates to make a decent profit on a loan product.

An unintended consequence of SECU introducing this product is that the credit union has become the largest payday lender in the state of North Carolina. SECU has made more than five million loan advances under the program and expects heavy continued patronage of the loan because the alternative, payday borrowing, often unfortunately traps users in a cycle of borrowing.

In 2003, SECU added a mandatory savings component to the Salary Advance Loan as a way of helping its members develop their own savings and break the cycle of payday borrowing. SECU

members who take the loan advance must put five percent of the loan amount into a pledged saving account.

Establishing pledged saving accounts has enabled SECU members to amass more than \$23 million on deposit with the credit union. The implementation of a mandatory savings trigger has also lowered the lending risk for SECU since over a period of as little as 18 months, many of the Salary Advance Loans can be secured by the borrower's own savings in the pledged savings account.

Armed Forces Bank

Don Giles, President & CEO of Armed Forces Bank, continued the discussion with an overview of his bank's loan products. Armed Forces Bank was founded in 1907. It operates on more than 30 military installations across the United States and serves members of the Army, Air Force, Navy, and Marine Corps. The bank has more than 250,000 customers.

The bank offers both secured and unsecured loans to its customers. Its unsecured loans range from \$500-\$10,000 and are given for up to 24 months at interest rates that range between 12.5 to 18 percent based on the loan amount.

Armed Forces Bank also offers both secured and unsecured credit cards. Servicemembers without established credit can obtain secured cards with credit lines of \$200-\$5,000. The cards are secured by a Certificate of Deposit. The secured cards are offered at a nine-percent interest rate with no annual fee. Servicemembers who obtain unsecured cards can qualify for credit lines of \$300-\$10,000 at interest rates of 9.9, 15.6 or 17.99 percent interest based on a review of their credit history.

The bank offers a secured short-term "**Starter Loan**" to servicemembers without a credit history. The loan can be obtained for up to \$500 and is repaid over a six-month loan term at 18-percent interest. Servicemembers who successfully pay back the Starter Loan become eligible to apply for the bank's other unsecured loan products.

Armed Forces Bank also offers a "**Ready Reserve**" line of credit. The product serves as both a line of credit and overdraft protection. The product amount varies based on credit and carries a 15.6-percent interest rate.

Lastly, the bank runs a small-dollar loan program that is associated with the FDIC small-dollar loan program. The loan amount varies based on credit history and is offered at 18-percent interest for up to 24 months.

Armed Forces Bank has been successful in changing long-term payday borrowing behavior and savings outcomes for some servicemembers through financial counseling, education and long-term structured loan-repayment plans, according to Giles.

QUESTION 2: Please talk a little bit about something that many of you have touched on, which is how you underwrite these loans.

The panel members overwhelming agreed that even though many of the loan products they offer to servicemembers are uniquely tailored for military customers, most loan decisions are still made based on conventional credit analysis through factors such as credit score, credit history and debt-to-income ratios.

Panelists agreed that customers who want a regular line of credit generally need to have some form of positive credit history. However, servicemembers with direct deposit accounts at their institutions also had access to various other forms of “emergency” funds at varying rates and terms.

Some panel members also stated that, with the exception of small-dollar loans, all their loans are underwritten with basically the same loan guidelines used by the U.S. Department of Veterans Affairs.

The panel members agreed that although their respective institutions have had varying levels of success with loan-repayment rates and financial counseling for servicemembers, their institutions understand the need servicemembers have for these financial products and will continue to support their needs where possible.

QUESTION 3: With the last seven or eight minutes we have left, please address a topic where I heard complete unanimity among you today, and that is the issue of consumers' education.

The panel members all concurred that their respective financial institutions take on financial education and counseling of servicemembers as part of their missions. However, the panelists expressed differing opinions on the effectiveness of their educational efforts. Some panelists believe that voluntary financial education and counseling can be effective and has worked through their initiatives. Others believe it is largely an ineffective effort, but that they still owe it to servicemembers to try anyway.

All the panel members raised the issue of limited command support for financial education provided by their institutions. According to the panel, unit and base commanders have steadily cut back on the amount of time, access and training opportunities for financial institutions to coach servicemembers on money matters. In many instances, financial-training opportunities are often scuttled in favor of more traditional military training regimens such as weapons training.

Some panel members expressed a fear that increasingly limited pre-service financial education of servicemembers, combined with limited in-service financial coaching opportunities, is creating an environment where servicemembers will always be financially stressed due to their lack of basic financial-management skills. Other panel members expressed hope that they will get future

opportunities to provide some financial counseling to servicemembers transitioning out of the military as the Armed Services draws down their personnel numbers over the next few years.

Lastly, some of the panel members endorsed the idea of creating a “Financial Safe Harbor” of financial products that would be DoD-approved as a standard of baseline protection for servicemembers. Some panel members added that creating a financial safe harbor of products for servicemembers with an 18-percent cap could be administered through ideas such as creating a nonprofit institution that is cooperatively owned, DoD-endorsed, and governed by a board that included military members.

All the panel members agreed that financial education and counseling of servicemembers really should start well before they enter the service for there to be any real hope of keeping servicemembers and military families out of financial trouble once they enter the service.

Panel 4:

Distressed Military Homeowners: Helping Military Personnel Face Unique Challenges During the Housing Crisis

Moderator: Mr. Peter Carroll, then CFPB Senior Advisor, Mortgage Markets

Panel Members:

- **Ms. Laurie Maggiano**
Director of Policy, Homeownership Preservation Office
U.S. Department of the Treasury
- **Ms. Julia Gordon**
Manager, Single Family Housing Policy
Federal Housing Finance Agency
- **Hon. John H. Dalton**
President, Housing Policy Council, Financial Services Roundtable
- **Ms. Alanna Brown**
Senior Director of Portfolio Management, Fannie Mae
- **Mr. Robert Kimble**
Senior Director, Servicing Policy and Quality Assurance, Freddie Mac

The “**Distressed Military Homeowners: Helping Military Personnel Face Unique Challenges During the Housing Crisis**” panel continued the afternoon session of the Financial Fitness Forum with a discussion on efforts being made to address the challenges facing military homeowners. The main objective of this panel was to highlight the various avenues of assistance for distressed military homeowners. Moderator Peter Carroll continued with the “Q & A” discussion format used by the other panels.

Mr. Carroll began the panel by briefly laying out the complexity of the housing-market crisis facing many Americans. That complex bundle includes issues of unemployment, negative equity, depreciating home values and predatory mortgages. For servicemembers and military families that bundle also includes challenges posed by overseas deployments and PCS moves.

QUESTION 1: What are the challenges we're seeing and what solutions may be available to assist military homeowners? Also talk a little bit about ways to better educate military homeowners about the solutions that are available to them and other things they might do.

The panel began by delving into some options provided by the Department of the Treasury. Some panel members stated that the two most salient options for military homeowners are the loan-modification program and short-sale program offered under the Home Affordable Foreclosure Alternatives Program, or HAFA.

The program originally provided modification opportunities to homeowners living in their primary residence and not investors with multiple properties or vacation homes. Initially, servicemembers were hampered by the primary-residence provision of HAFA because servicemembers sometimes rent out their homes while deployed so as to not leave them vacant, or move their families into alternative residences when they are issued PCS orders that force them to move to a new home before they can sell their current property. As a result, exemptions were made within HAFA in 2009 to accommodate the unique residential circumstances of military owners seeking loan modifications.

A similar exemption was instituted for military homeowners seeking short-sale assistance. The policy was changed to declare the circumstance of a move based on PCS orders as a hardship that would qualify military personnel for participation in the HAFA program, subject to confirmation that they didn't have huge amounts of financial resources.

The Treasury Department also set up a very robust “complaint escalation center” to look into cases where homeowners complained they were not being treated fairly under the HAFA guidelines.

Some panel members also raised the issues of education and access. According to them, there have been challenges in helping needy homeowners understand what options are really available to them and difficulties connecting them with their lender for potential solutions. Fannie Mae launched a website called “**knowyouoptions.com**” to assist distressed homeowners looking for information. The website contains information specifically dedicated to military homeowner issues. That page was also updated with valuable input from Mrs. Petraeus and others at CFPB.

The information challenge also applies to the financial-services industry itself. There is a lot of internal confusion amongst the key servicers about what allowances and rights are afforded by new regulations and other civil-protection laws such as SCRA. Some panel members also raised the challenge of maintaining consistency in the policies and messaging of government-sponsored enterprises and government agencies such as Fannie Mae, Freddie Mac, the Treasury and the VA. There is also a serious internal need within regulating bodies for data that accurately identifies military homeowners, so that proactive measures can be taken to provide them with information on their rights and options.

Some panelists noted that the solution-oriented culture and independent mindset of servicemembers are problems in themselves. Many servicemembers may be tempted to resolve a delinquency issue themselves rather than seeking assistance because of their high personal sense of pride or “take-charge” attitude developed during their tenure of service.

According to the panel, both industry and government groups have been actively working to create solutions to many of the problems that have been identified to date.

In addition to vital process and policy changes made by government-sponsored enterprises such Fannie Mae and Freddie Mac, the Financial Services Roundtable formed a partnership with the Homeownership Preservation Foundation, NeighborWorks America and others to create the 1-888-995-HOPE hotline. The hotline gives people having mortgage difficulty the ability to call and discuss problems, and potential solutions, with knowledgeable counselors. They also formed the HOPE NOW Alliance that brought together other trade associations, nonprofits and consumer-advocacy groups to help expand counseling and assistance to distressed homeowners. According to FSR, HOPE NOW has helped approximately five million people avoid foreclosure and it estimates up to 80 percent of those helped have remained current on their mortgage payments, stated some panel members.

Several prominent members of the Financial Services Roundtable have also worked with the DoD and the Housing Policy Council to develop solutions to data-based servicemember-identification problems. They have also worked with DoD to develop clearer standards and guidelines to implement SCRA protections and combat the PCS move issue.

QUESTION 2: Just taking PCS as an example, I'd like to get some feedback from the panel about what all of us, industry, government agencies, and others could do to collaborate and get a handle on the size and scope of the issues facing military families in the housing sector.

The panelists agreed that government-sponsored enterprises and government agencies such Fannie Mae, Freddie Mac, and FHFA, along with industry groups, can solve many of the issues facing distressed military homeowners. The real challenges involve solving the previously-stated data-sharing issue, figuring out how to get around confidentiality issues and understanding how to obtain notice when servicemembers become subject to orders.

The panel overwhelming agreed that collaboration and information-sharing between the agencies and servicers are the keys to fixing the problems at hand. In the interim, government-sponsored enterprises such as Fannie Mae and Freddie Mac are making minor changes to case delinquency-flag coding, information collection and other processes to help identify and reach out to servicemembers with PCS challenges or other issues.

QUESTION 3: If PCS qualifies as a hardship provision to get access to assistance programs, what are the best things we can do to make sure that those servicers are aware that PCS orders provide eligibility to distressed military families? And, are there any things that CFPB can do to assist?

Some panel members stated that their organizations were heavily focused on developing and launching communications initiatives to raise the awareness of assistance available to distressed homeowners.

Fannie Mae's marketing communications initiatives were offered as an example. Fannie Mae conducts large numbers of presentations and webinars on all aspects of their assistance program. They would be interested in doing a webinar in partnership with the CFPB. They have also created a new series of marketing materials that market short-sale and modification programs with themes and buzz words that they indicated are more consumer friendly than the current materials.

Fannie Mae also partnered with NeighborWorks, the Ad Council and the Department of Housing and Urban Development on public-service campaigns that were aired on stations across the country to encourage distressed consumers not to become victims of inaction concerning their mortgage problems. The phone number given in the public service ads goes to the HOPE Hotline that Fannie Mae partners with to disseminate assistance information. More information tailored for servicemembers can be distributed through that hotline.

The Financial Services Roundtable also advertises the HOPE Hotline and lobbies elected officials to add HOPE Hotline information to their websites and constituent newsletters. They have also created a unique 1-800 assistance number for military customer-service documents. The 1-800

number counselors can provide additional 1-800 contact numbers for all the major servicers that have military customers as well as JAG offices.

The panel members unanimously agreed that more needs to be done to ensure that servicers understand the new PCS-exemption guidelines and how to properly route a servicemember who declares a PCS problem.

Some of the panel members also stated they believe this PCS-exemption education effort presents a golden opportunity to ensure that servicers are all properly versed on other military-protection provisions such as SCRA. The panelists also highlighted the need to educate servicemembers more about their rights and to ensure those messages are coming from trusted sources instead of scammers looking to take advantage of military members. Examples of those trusted sources are www.knowyouroptions.com/military and Fannie Mae's Community Mortgage Help Centers located across the country. The HOPE NOW Alliance now conducts outreach events at military installations that bring servicemembers together with servicers, government agencies and assistance groups to evaluate distressed military homeowner cases.

{It should be noted that since the Financial Fitness Forum, the CFPB along with the prudential regulators – the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency and – issued joint guidance addressing mortgage servicer practices that pose risks to homeowners who are serving in the military. The guidance was developed to ensure compliance with applicable consumer laws and regulations pertaining to military homeowners who have received PCS orders.}

QUESTION 4: What would you recommend to members of the military who are struggling with these issues in terms of preparedness for the process? What things can members of the military do to be ready for that modification or short-sale application process so that they're set up for success walking in the door?

The panel members all concurred that servicemembers can best prepare themselves for either the modification or short-sale application process by obtaining as much information as they can to educate themselves on the rules and requirements. Information can be obtained through sources such as the Fannie Mae website or the website of the loan servicer.

Some panel members stated that the first thing servicemembers should do is contact their servicer. All servicers involved in the HAFA program now assign a single point-of-contact to all delinquent borrowers. These single points-of-contact can walk a borrower through the process, give them needed information and direct them to the right next steps.

QUESTION 5: Just how long might it take a servicemember to get a response back once the process has been initiated?

The amount of time it takes to get a decision from the servicer depends on whether or not they have received all the information they need from the homeowner to make decision. However, a decision is typically made within 30 days, if they have all the required information and documentation, according to some panel members.

In the case of FHFA, borrowers can complete a Uniform Borrower Assistance package that documents both the borrower's financial and hardship information. Once the borrower submits the package, the servicer has 30 days to review and evaluate the borrower for all foreclosure alternatives.

In that 30-day time frame, the servicer will look for the best alternative to offer the borrower. If the borrower is determined to have the financial capability to manage the loan, the servicer may reinstate the loan or set up a repayment plan. Alternatively, a short or long-term forbearance can be issued; a modification, either HAMP or one of the standard modifications, can be processed; or some form of liquidation in the terms of a short sale or deed in lieu may be approved. If none of these alternatives are viable, then a foreclosure may be processed. But, even in those cases, the servicers should still continue to work with borrowers to seek a solution, according to the panel.

Regardless of the process or results, the panel strongly stated that the sooner the servicemember begins engaging the financial institution about their circumstances, the better it will be for everyone involved in the process. The panel members also strongly encouraged servicemembers to be completely clear about their overall intent for their distressed property, so that the right solution can be found if possible.

Panel 5:

Responding to the Military Consumer: Responsiveness, Flexibility, and Innovation

Moderator: Ms. Gail Hillebrand, CFPB Associate Director, Consumer Education & Engagement

Panel Members:

- **Major General, (USAF, Retired) Andrew Egeland, Jr.**
President & CEO, Association of Military Banks of America
- **Mr. Roland A. Arteaga**
President & CEO, Defense Credit Union Council
- **Ms. Mary McDuffie**
Executive Vice President of Delivery Channels, Navy Federal Credit Union
- **Mr. Frank Pollack**
President & CEO, Pentagon Federal Credit Union

The “**Responding to the Military Consumer: Responsiveness, Flexibility, and Innovation**” panel closed out the Financial Fitness Forum with a discussion on how providers of consumer financial products and services provide customer-response capabilities to meet the unique needs of military consumers.

The main objective of this panel was to highlight successful financial-education, marketing and communications strategies that produce results and yield tangible and intangible returns on investments for companies serving military populations.

Moderator Gail Hillebrand also led the panel in the “Q & A” discussion format used by the other panels.

Ms. Hillebrand began the panel by briefly laying out the questions the panel would be asked to address. The questions ranged from how companies can serve the needs of an internationally-dispersed customer base to the challenges of serving servicemembers facing major life or career transitions.

QUESTION 1: How do we serve the military customer? What do we need to do differently or additionally in customer service to serve that customer well?

The members of the panel stated that, as a whole, institutions represented at the Financial Fitness Forum have a shared mutual interest in providing the best consumer-financial products to servicemembers and their families. Many of the institutions that serve military customers take a much more active role in supporting servicemembers than just administering their individual financial accounts.

Financial services groups, such as the Association of Military Banks for America (AMBA), play key roles in activities such as DoD financial readiness training, the Military Saves campaigns, and the Military Spouse Employment Program.

Panel members stated that the DoD prefers that servicemembers and their families who experience financial distress seek help through the military aid societies and on-base financial institutions. These institutions have established programs and products designed to help servicemembers and their families resolve their financial crises, rebuild their credit ratings and establish savings. In addition, these financial institutions have an obligation under DoD financial-readiness regulatory operating requirements to provide financial education to servicemembers.

Within the realm of financial services, the panelists noted that banks and credit unions that serve the military community have been innovating products for years that meet the unique needs of servicemembers and their families. Some panel members pointed to small-dollar loans designed specifically for military consumers with interest rate caps of 12-18 percent, mandatory saving components, and other unique military-friendly features as an example of that innovation.

They also highlighted the fact that two of the banks represented at the Financial Fitness Forum helped create the FDIC military small-dollar loan template that was championed by former FDIC Chairman Sheila Bair.

Panelists also pointed out that the financial institutions that serve military populations have often used, and continue to use, technology and dedicated customer-response services to make access to banking convenient for servicemembers regardless of where in the world they are stationed.

Panelists indicated that many military-focused financial institutions offer worldwide access to banking services by providing toll-free customer-service numbers from places such as Germany, Korea, and Great Britain. Collect calls are also accepted from Iraq and Afghanistan. Many banks and credit unions maintain overseas deployment centers that servicemembers can visit in person. They also offer online banking, e-statements, online bill-payment options, and wire-transfer capabilities by phone. Many institutions also run deployment departments that are dedicated solely to assisting deployed military customers with basic banking tasks such as fund transfers, check and debit card reordering, powers-of-attorney, and many other services that help servicemembers maintain financial integrity while deployed.

Panel members wrapped up their answers to Question 1 by emphasizing that military-friendly banks and credit unions understand their customer's needs because they understand their customers and the demands of a military career.

QUESTION 2: What special things in terms of customer service are your folks doing and how are you ensuring that they are accessible to the military customer?

Some of the panel members restated that military-friendly banks and credit unions today are highly focused on how to adequately provide access to military personnel serving around the world.

In addition to providing access through technology, many institutions are changing some traditional banking models in order to better serve military personnel. Defense Credit Union Council (DCUC) member institutions have implemented a “shared branching” model. Through shared branching, servicemembers who belong to one particular credit union can visit any other credit union in the world that participates in their shared branching network and conduct their banking transactions.

QUESTION 3: I'm going to ask each of you to talk first about customer service and then discuss any products you want to highlight that have not already been mentioned throughout the day, in addition to the small-dollar loan issue.

Navy Federal Credit Union

Mary McDuffie, EVP of Delivery Channels for Navy Federal Credit Union answered on behalf of her institution.

Navy Federal Credit Union was incorporated in 1933. It currently has more than 3.8 million members. It is a single, common-bond credit union. Roughly 40 percent of its members are in the 18- to 34-year-old age bracket.

A lynchpin of Navy Federal's customer service approach has been its branching strategy. Navy Federal's motto is "We serve where you serve." To meet that motto the credit union operates 219 branches around the world that are located on or near military installations. In addition to the branches, Navy Federal also offers online banking and a 24/7 Customer Service Center staffed by representatives trained to understand the career demands of its members.

Pentagon Federal Credit Union

Frank Pollack, President & CEO of Pentagon Federal Credit Union responded for PenFed.

Pentagon Federal Credit Union was federally chartered in 1935 and serves over 1,113,400 members in the armed service branches, Department of Homeland Security, DoD, defense-related companies, Veterans of Foreign Wars, employee groups, and other organizations.

Like many of the institutions represented at the Forum, PenFed offers unique products and services for its military members. PenFed's customer-service philosophy is based on its willingness to sacrifice profitability, where possible, in order to serve the needs of servicemembers. As an example, PenFed was once asked by a base commander to lower its surcharge fees on base as a way of assisting servicemembers. In response, PenFed eliminated the fees altogether, according to Pollack.

According to some panel members, that willingness to sacrifice profit for the good of servicemembers is a philosophy that needs to be preached more widely in the financial-services sector.

QUESTION 4: Let's talk a little bit about this tough question of financial education. Particularly with the younger military demographic, there are folks who are getting their first paycheck through the military. What do you think they need to know, and how do we collectively provide it to them?

Many of the panel members conceded that financial education is tough to impart to young servicemembers and that it takes a variety of exposures and media forms to get the message across to them. Many of the organizations represented on the panel are investing in new media such as mobile applications and online financial-management tools in order to develop more engaging financial-education presentations for servicemembers. More also needs to be done to incorporate gaming into the financial training methodology of financial educators, said some members of the panel. An engaging financial-literacy video game needs to be developed to catch the attention of the younger generation of military recruits.

Despite the fact that the institutions represented on the panel collectively give tens of thousands of financial presentations each year, many of the panel members agree that one-on-one financial consultations with servicemembers are the best way to teach them financial-stability strategies.

Some panel members also suggested that servicemembers might greatly benefit from receiving professional financial education early in their military training at places such as recruit training and military occupational-specialty schools. Some panel members suggested that banks, credit unions, financial-services groups and government organizations such as the CFPB form a coalition to lobby the DoD to institute a pilot program that provides early financial training to military recruits and students at DoD schools. Service Credit Union launched, and appears to have had great success, with a similar concept pilot called “Credit Union for Reality” in Kaiserslautern, Germany. So, it is possible that this could be done by the DoD on a larger scale, said panel members.

In wrapping up their answers to Question 4, many of the panel members stated that as a society, we need to do more to teach our children financial responsibility and general life accountability while they are in school and long before they enter the military.

QUESTION 5: Is anybody doing anything creative or innovative for folks who are making the transition from active-duty service to veteran status?

Many of the panelists stated that although they do things such as participating in Transition Assistance Program (TAP) classes at the end of a servicemember’s military service, many of the beneficial things they can do for a servicemember happen while they are on active duty. Servicemembers can be in excellent shape to transition from the military, if banks and credit unions can help them do things such as sign up for useful, low-fee accounts, build savings, start retirement planning and establish positive credit histories while they are still in service.

QUESTION 6: Tell us about one thing you've heard about today, or that you know your members are doing, that you think every financial service provider in the country should be doing.

In response to Question 6, the panel members overwhelmingly stated that the most important mission that banks and credit unions are conducting now is helping servicemembers and military families build saving through a number of various programs, campaigns and savings vehicles. The panelists all highlighted and unanimously praised the “**Military Saves Campaign**” and the work of various banks, credit unions and financial-services group to promote the campaign. According to the panel, changing the military community from a consumer society to a saving society will not only help them to build solid financial futures based on savings, but will also help them break the cycle of payday and predatory lending by giving them resources to draw on in times of distress.

Appendix A:

Financial Fitness Forum

Federal Register Notice

Appendix B: Industry and Community Responses to the Federal Register Notice

Listed below is a [Response.gov](#) link to industry and community feedback submitted in response to the Federal Register Notice request posted by the Consumer Financial Protection Bureau on September 9, 2011.

Request for Information: Consumer Financial Products and Services Offered to Servicemembers

Document ID: CFPB-2011-0016-0001

Notice Posted: 09/06/2011

ID: CFPB-2011-0016-0001

Agency: CFPB

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Docket ID: CFPB-2011-0016

View responses at: <http://www.regulations.gov/#!searchResults;rpp=25;po=0;s=cfpb-2011-0016>

Appendix C: Online Content Links

Listed below are descriptions and URLs to online content linked to the interactive icons contained within this whitepaper.

Icon	Content	Page	Link
	Audio Foreword by Holly Petraeus CFPB Assistant Director, Servicemember Affairs	3	http://go.usa.gov/rAX5
	Video Message Excerpt from First Lady Michelle Obama	14	http://www.youtube.com/watch?v=sGu-0kYFRoU
	Panel 1: The Battle on the Homefront - Personal Financial Readiness of the Military Force (YouTube Video)	16	http://www.youtube.com/watch?v=J39pAaq-obQ
	Sergeant Major Thomas S. Gills (Video Excerpt 1)	17	http://www.ustream.tv/recording/19121653/highlight/281470
	Chief Master Sergeant Denise Jelinski-Hall (Video Excerpt)	18	http://www.ustream.tv/recording/19121653/highlight/281471
	Chief Master Sergeant Robert L. Frank (Video Excerpt)	19	http://www.ustream.tv/recording/19121653/highlight/281475

Icon	Content	Page	Link
	Sergeant Major of the Marine Corps Michael P. Barrett (Video Excerpt)	19	http://www.ustream.tv/recording/19121653/highlight/281473
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	Sergeant Major of the Marine Corps Michael P. Barrett (Video Excerpt 2)	24	http://www.ustream.tv/recording/19121653/highlight/281480
	Sergeant Major of the Marine Corps Michael P. Barrett (Video Excerpt 3)	25	http://www.ustream.tv/recording/19121653/highlight/281481