



June 7, 2024

The Honorable Elizabeth Warren
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

Re: Additional Response to Correspondence of April 25, 2024

Dear Senator Warren:

Please accept this correspondence as Frontwave Credit Union's response to the additional questions your office has submitted to Frontwave as related to your April 25th letter. We appreciate the opportunity to provide you with further information in response to the additional questions your office has raised as part of our continuing dialogue regarding this matter.

Frontwave Credit Union's membership is somewhat unique due to the average age of its members. As Frontwave previously detailed, thirty-seven percent (37%) of its members are under the age of 24, with the average age of its members being only 35. In addition, 54% of Frontwave's members are current or former Marine Recruits, while the remaining 46% of its members joined from the communities Frontwave serves. Recently, the National Credit Union Administration (NCUA) acknowledged that Frontwave qualifies for the NCUA low-income designation, with 56.73% of its members meeting the definition of low-income.

All told, the net effect of the dynamics that define the identity of Frontwave's members is that the needs of Frontwave's members are sometimes slightly different from those of other financial institutions. To that end, Frontwave's members sometimes utilize Frontwave's overdraft protection program (known as its "Courtesy Pay" service) in order to meet their financial needs. Frontwave's Courtesy Pay service provides an essential lifeline for its members and avoids the alternatives of either members using payday lenders that charge excessive interest rates or members incurring late fees or NSF fees associated with failing to make timely payments to third parties. As Frontwave previously detailed, its Courtesy Pay service cost of \$20 is significantly lower than the industry average and has not been increased in 13 years.

Your office has requested further information regarding the amount of overdraft-related fees that Frontwave has charged its members over the past ten years. Frontwave's average yearly Courtesy Pay charge per member has decreased during the past ten years by 21%, from \$58.55 in 2014 to \$46.54 in 2023. Further reflecting this dynamic is the fact that while Frontwave's membership grew by 62%, Frontwave's yearly total Courtesy Pay charges increased by only 28% during this same time period. Frontwave's average NSF fee per member stayed relatively flat during this period, from \$15.33 (2014) to \$15.43 (2023). Overall, Frontwave's average yearly combined overdraft-related fees per member (combining yearly average Courtesy Pay and NSF fees per

member) actually decreased 16% over the last ten years. A year-by-year accounting of these metrics is attached as **Exhibit A**.

In addition, the average amount paid on a transaction implicating Courtesy Pay in 2023 was \$105.87. After a Courtesy Pay transaction was completed, the average duration a member's balance remained negative in 2023 was estimated to be 7.2 days.

Your office has also requested additional information on whether Frontwave's contract with the Marine Corps Recruit Depot (MCRD) contains terms and conditions regarding Courtesy Pay (overdraft) or NSF fees. Marine recruit training is a highly controlled environment such that all activities are meticulously planned, choreographed, and documented. Recruits do not have the opportunity to make purchases at the Post Exchange on base—instead they eat in the mess hall, sleep in the barracks, and purchase any hygiene items from the Recruit Store under the supervision of their Drill Instructors. The recruits' financial needs are minimal during their training, and Courtesy Pay is not available to them while they are in recruit training because it is unlikely they will need to use this service. Consequently, Frontwave's agreement with the MCRD does not contain terms or conditions of this nature.

As part of Frontwave's agreement with MCRD, Frontwave has also agreed to provide significant training to Marine recruits. In addition to making credit union services available to personnel of all ranks and grades, Frontwave has agreed to provide educational programs with lectures and consumer-oriented literature for military and civilian personnel. It also extends full counseling services on personal and family financial planning, and it encourages financial responsibility through the accumulation of savings. It is important to note that MCRD requires all of Frontwave's training to be non-solicitous. In fact, Frontwave is prohibited from selling recruits anything while attending basic training and is periodically monitored.

Your office has also requested further information as to the nature of the information it provides to Marine recruits during their training period and what other programs Frontwave provides to its Marine members. It is important to note that Frontwave goes above and beyond the commitment it has made to MCRD, and to this end, Frontwave's Marine members receive significantly more financial literacy education than its civilian members.

This education is provided in multiple forms. Frontwave's certified financial counselors provide two thorough 60-minute financial education classes during recruit training. The first class is held on or about the 13th day of recruit training and is taught by Frontwave's certified financial counselors in an indoor theater setting. Drill instructors are not present, which reduces the distractions to recruit members and allows them to feel more comfortable asking questions. Frontwave's counselors discuss in this class how each recruit's pay and checking account works, and how to access and read bank statements. Other topics of discussion include how the Courtesy Pay program works and the requirements associated with opting-in to this program, an overview of Frontwave's fees for various services, Frontwave's account disclosures and agreement, and more.

After the recruits complete their initial training and become Marines, Frontwave's counselors provide a second instructional session in the same indoor theater setting. This session occurs

approximately 6 days after recruits complete their initial training. This second instructional session provides more detail to teach Marine members how to manage their accounts, including how to use online/mobile banking and how to set up alerts for deposits, withdrawals, purchases, balances, low balance, and insufficient funds. Frontwave's counselors also provide critical financial literacy education on multiple topics, including what to do if fraud is suspected on their account, how to save, how to read a credit report, how to build responsible credit, and other financial readiness preparation. Additionally, Marine Corps Community Services (MCCS) independently provides a third financial readiness class to the new Marines during this important time.

Frontwave continues to provide additional financial literacy resources and training to Marine members after the second instructional session. After graduating from the MCRD, Marines are transferred to the School of Infantry (SOI) based at Camp Pendleton. Before their transfer occurs, each Marine graduate receives a personal phone call from the Frontwave staff to answer any questions, educate them on the financial literacy resources available from Frontwave, and assure them that Frontwave is here to help them with financial support. In 2017, Frontwave opened a branch at the SOI to serve its Marine members' ongoing financial needs and to provide additional face-to-face education and training guides. Since 2017, Frontwave has invested in a Military Relations team on Camp Pendleton that provides follow-up education classes to Marine units, ongoing financial classes, and individual face-to-face counseling. Should a member desire an external, third-party resource, Frontwave partners with GreenPath Financial Wellness Services, a national financial education non-profit that offers financial counseling and educational resources as a free service to all members. While Frontwave is not contractually obligated to provide these services after Marine recruit members graduate MCRD, it does so because of its dedication to its military members.

Frontwave continues to dedicate itself to providing exceptional service to all its members, and supporting the MCRD, which fully supports Frontwave's presence and programs. Frontwave remains committed to consistently evaluating its programs and exploring options that provide value to its members, including efforts to educate members and encourage habits that help members succeed financially.

Thank you for allowing us to provide this additional information on behalf of Frontwave.

Respectfully submitted,

Gene R. Besen
Andrew J. Narod

EXHIBIT A

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Number of Members	77,029	79,466	80,581	83,551	88,143	91,044	111,371	117,291	122,555	124,372
Average Overdraft Fee (Courtesy Pay) / Member	\$ 58.55	\$ 54.41	\$ 52.47	\$ 59.75	\$ 59.66	\$ 56.60	\$ 44.12	\$ 48.53	\$ 50.61	\$ 46.54
Average NSF Fee / Member	\$ 15.33	\$ 13.69	\$ 14.96	\$ 15.14	\$ 15.12	\$ 14.27	\$ 8.72	\$ 10.01	\$ 13.12	\$ 15.43
Total Average OD (Courtesy Pay) + NSF Fee / Member	\$ 73.88	\$ 68.10	\$ 67.43	\$ 74.89	\$ 74.78	\$ 70.87	\$ 52.84	\$ 58.54	\$ 63.73	\$ 61.97