

Testimony of

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*On Behalf of*

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*Before the*

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Committee on Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs

*Hearing on*

“Exploring VBA’s Fiduciary Program”

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### Introduction

Chairman Abraham, Ranking Member Titus and the Members of the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs, my name is Sam Albritton and I am an executive vice president at Regions Bank and I am ultimately responsible for managing our Veterans Affairs fiduciary unit, which is located in Kingsport, Tennessee. I appreciate the opportunity to speak to the Committee about our efforts at Regions Bank to serve veterans and our 25-year record in managing VA guardianship accounts as a fiduciary. Senior management at Regions has made a commitment to our military, including the targeted hiring of veterans and special financial assistance for active and former service members. As a part of this ongoing commitment, the bank wants to grow our VA fiduciary business. Despite this directive from our senior leadership and our decades-long track record in managing VA fiduciary accounts, we have been unable to expand this business because we have been blocked since 2012 from further fiduciary appointments by the Washington headquarters and the Hub offices of the Department of Veterans Affairs. In this time, the Regions fiduciary unit has received clean audits from both the VA and the Social Security Administration about our management of beneficiary accounts. The bank's fiduciary unit now serves 298 beneficiaries, down from 530 in 2012 when we were informed—without any clear policy explanation and despite a clean VA audit—that we would not be allowed to serve additional beneficiaries because at the time we had more than 500 clients. And despite our willingness, expertise and significant corporate resources we have been unable to serve additional clients, even as our number of beneficiaries has fallen far below 500—the initial reason for blocking additional appointments. All the while, we understand that the VA has significant waiting lists in assigning third party professionally managed beneficiary accounts.

### Veterans' Affairs Fiduciary Program Review

More than a year ago the VA sought comment on proposed rule changes to its fiduciary programs, which we responded to. The proposed VA policy changes are part of the agency's efforts to modernize its fiduciary programs, create national standards for fiduciaries and shift from general policy statements to regulations that govern the program. These rules have yet to be finalized. And while veterans without family able to assist them wait to be assigned guardians, capable fiduciaries, like Regions Bank, are not allowed to serve them.

The proposed rule about VA fiduciary accounts includes numerous revisions to current policy to clarify definitions and procedures and change the culture of the program in order to “best serve the interests of the beneficiary.” These include rules about the appointment process, how benefits should be managed, reporting and accounting procedures, and guidelines for periodic, on-site reviews and audits, among others. The proposal further recognizes that it is not always possible

to meet the VA's stated goal that most fiduciaries are "volunteer family members or friends." While Regions is supportive of these general goals, we also are concerned that the proposal's intent to give Hub managers the ability to limit the number of beneficiaries a fiduciary serves may run counter to several of those goals intended to strengthen and standardize the program. We believe the proposal should differentiate between the potential number of beneficiaries that a sophisticated and professional corporate trust department can serve versus potential limits placed on other smaller providers like law firms. We believe that in these circumstances a professional corporate trust organization is best able to match the requirements under the new rules and thus serve the best interest of the beneficiaries. As a result, these professional trust organizations should face different—and clearly defined—standards about the number of accounts that they serve.

### Regions Bank

Regions, a \$120 billion bank headquartered in Birmingham, Alabama, is a community-focused full-service bank that operates in sixteen southern and Midwestern states and offers a full range of consumer and business lending products and services in our more than 1,600 branches and offices. Through our more than 23,000 associates, we serve 450,000 commercial clients and more than 4 million households. [See Appendix for Regions Bank map of operations.] Regions has a simple yet effective model that focuses on relationship banking through high quality customer service coupled with industry expertise. In one area of expertise, the Trust Department operates one of the largest corporate fiduciary departments with over \$74 billion in trust assets and more than 1,000 employees. Another example of focused expertise is our VA fiduciary unit. Our existing experienced team of fiduciary officers, familiar with VA guidelines and procedures and dedicated to serving veterans, currently handle 298 guardianship accounts in sixteen states. As noted earlier, this number has declined because VA Hub offices have not awarded us new accounts in nearly three years without any specific reason. All the while, veterans are waiting for these services. And Regions stands ready to provide these services at the highest standards of care.

Table 1. Timeline of VA Contacts

May 2012	Received copy of e-mail sent to Field Examiners stating Regions could no longer be considered as payee
June 2012	VA on-site audit completed
November 2012	Inquiry to VA Hub about serving veterans
January 2013	Inquiry to VA Hub about serving veterans
July 2013	South Carolina VA Hub meeting
June 2014	Social Security on-site audit
August 2014	Conference call with VA about fiduciary program
September 2014	Received VA audit results
September 2014	Inquiry to VA Hub about serving veterans
April 2015	Inquiry to VA Hub about serving veterans

Regions' own practices and corporate controls highlight our ability to serve as a fiduciary in a manner consistent with the VA's goals in its proposed rule. Regions, as noted, has 25 years of experience managing VA fiduciary accounts. As a trust company, we are subject to the fiduciary standard of care (the highest in the financial services industry) and we have perpetual existence as a corporate fiduciary (and we are in our second generation of employees working with VA fiduciary relationships), removing the concerns about factors that could impact the service of individual fiduciaries, such as illness or retirement. There are many examples of our business practices—from the appointment process, to the way we manage fiduciary accounts, to our internal accountability and reporting requirements—where the strengths of a corporate trust department match the intent of the new rules. We have outlined several examples below. [See Appendix for more detailed review of our unit's procedures.]

➤ Appointment Process

- Standardized appointment process, allowing VA officials to meet with a Regions fiduciary unit employee to complete the required paperwork and accept a veteran as a beneficiary
- Introductory letter and phone call to veteran, within one day of acceptance of account, providing contact names and numbers
- Dedicated phone line for VA officials

➤ Fiduciary Management Process

- Dedicated toll-free number and email for veterans; all inquiries tracked and responded to within 24 hours
- Segregated individual account for each veteran
- On-line trust accounting system for automated bill payment and tracking
- Ability to ACH to personal savings accounts for simpler transfer of allowances
- Daily investment of excess funds, according to VA guidelines, in insured deposits or Treasury funds
- Monthly statements listing all account transactions, with the ability to generate special statements as needed
- Regions is able to serve as administrator of estates when no next-of-kin is located or available

➤ Accountability and Reporting

- Support from internal compliance professionals
- Internal monthly investment and administrative review process
- Oversight from trust monitoring systems, regular internal audits and process reviews by banking regulators
- Ability to generate prompt and efficient accountings when needed

- Blanket bond insurance coverage
- Personal Service and Scalability
  - Client visits at VA hospitals, including in Memphis, Nashville and Murfreesboro, and at VA-contracted residential care homes and personal residences
  - The ability to scale the business to serve veterans across at least three VA Hub offices (Columbus, Louisville and Indianapolis) and bank management's commitment to hire more associates to meet client needs

#### Features of an Improved Fiduciary Program

In its efforts to modernize its fiduciary programs, including the management of VA fiduciary accounts, the VA has proposed establishing a framework for "periodic" on-site reviews and an evaluation process to measure the effectiveness of fiduciaries. It is a positive step to formalize an informal process; moreover, we believe the review process should be strengthened so it can be used as part of the decision-making rubric that Hub managers will use when deciding if beneficiary account limits are necessary for specific fiduciaries. Regions believes that Hub managers must use appropriate and clearly identifiable criteria when making a determination about a limit and must recognize the disparate capabilities that are offered by individual, small firm or corporate trust fiduciaries.

This includes establishing specific, clearly defined criteria for the selection of professional fiduciaries. This evaluation should include standards based on:

- Previous experience in the VA fiduciary business and demonstrated commitment to that business (A proven track record is a good indicator of future success)
- A rigorous fiduciary oversight process, including monitoring by a group independent of the day-to-day employees
- Sufficient insurance against fraud and misuse of funds
- A documented service process so that veterans are served in an efficient and dignified manner, including prompt (and documented) responses to requests from both veterans and VA officials working on behalf of those veterans
- The maintenance of a network of other professionals to assist with specialized services, such as investment of funds, real estate matters and issues of probate

Conclusion

There is a demonstrated need to improve the VA fiduciary programs. At Regions, we are ready to be a partner in this process and the bank's fiduciary unit is capable of serving more veterans. In fact, we believe that we have the infrastructure and resources to serve as a consolidated fiduciary program for one or more of the VA Hub offices in our bank's footprint—meaning we can handle all of the beneficiaries where no family or qualified volunteer can serve in the fiduciary role. We believe that the current fee structure is fair and that by creating a consolidated fiduciary program the VA can operate more efficiently. Yet we—and possibly others—have been subjected to an arbitrary cap without adequate explanation that has limited our ability to serve veterans in need. As the Committee explores how the VA can improve its program, we want to ensure that the VA Hub managers or agency officials in Washington don't have excessive and unchecked discretion in making these decisions. This goes against the VA's stated goals of clarifying definitions and modernizing the overall fiduciary program. One possible solution would be to use the review and evaluation process as part of that decision making. For instance, the review could be followed by a timely and formal evaluation—including a rating that indicates a fiduciary's effectiveness—that would be part of any discussion about account limits. No arbitrary account number cap should be used. The ability to continue to help beneficiaries should be based on useful evaluations that measure past performance and the fact that a fiduciary has the infrastructure to safely and successfully serve veterans in the future.

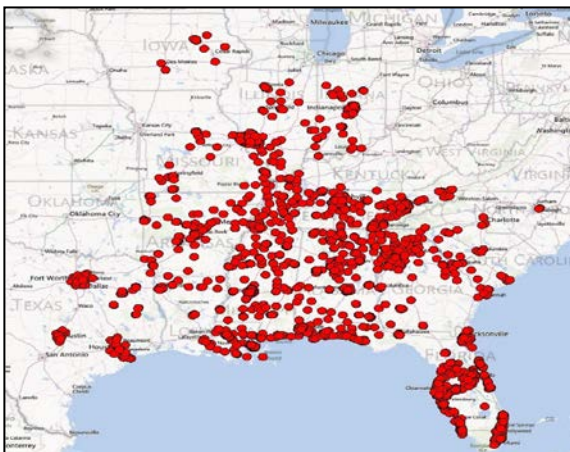
## Appendix

### I. Regions' VA Fiduciary Program Procedures

- Account Opening
  - Once the necessary documents regarding the new account and the first benefit check have been received by Regions, the new account will be opened
  - A welcome phone call is made to the veteran on the day the account is opened to introduce Regions, establish communication, and go over the budget that was approved. Additionally, we will attempt to obtain any other vital information needed (i.e. date of birth, address, contact numbers, etc)
  - Following the creation of the account, a personalized new account letter is sent to the veteran. This letter advises the veteran of the general operation of their account, reiterates the budget established by the Department of Veteran Affairs, provides our contact information (mailing address, e-mail, toll-free number, facsimile number), and will request any other information necessary regarding recurring bill payments and transactions needed from the veteran
  - Regions also sends a follow-up letter to the veteran 30 days after the account has been opened. This letter will go over any documentation still needed from the veteran, and to reiterate any other relevant information regarding the veteran's account
- Disbursement Processing
  - In general, Regions will consider the following guidelines for distribution requests to the veteran:
    - Recurring account expenses should not exceed the normal cash inflows. If the account has an accumulated balance and expenses exceed the total income, Regions should carefully manage the outflows in order to maintain the long-term viability of the account. If necessary expenses routinely exceed cash inflows, Regions will seek guidance from the appropriate VA expert (LIE or Field Examiner)
    - Regions will establish recurring disbursements to the veteran such as:
      - (1) Personal allowances
      - (2) Clothing expenses
      - (3) Vacation expenses
      - (4) Holiday expenses
      - (5) Utilities
      - (6) Room and board/rent
      - (7) Telephone/cable
      - (8) Mortgage payments
      - (9) Automobile payments
      - (10) Other bills as instructed per VA

- (11) Insurance/property tax payments
- (12) Medical bills
  - Regions will evaluate each out of the ordinary request (or item not listed on the budget received from the Department of Veteran Affairs) on its merits, availability of funds, and the history of the veteran
- Annual Accountings
  - In cases where Regions serves as fiduciary only, VA form 21-4706b will be submitted along with a chronological statement of the account covering the accounting period
  - Documents for the relative jurisdiction, including an accounting summary page and annual statement, will be submitted when Regions serves as court appointed financial guardian. The Department of Veteran Affairs will receive a stamped filed copy from the respective court
- Death of a Veteran
  - Upon notification of the death of a veteran, Regions will immediately notify the Department of Veteran Affairs
  - Regions will work directly with the funeral home (as chosen by family or by Regions if no family is identified) to negotiate arrangements. Agreed upon expenses are distributed directly to the funeral home
  - Regions will then identify a personal representative for the veteran's estate (Regions is capable of serving as administrator if no family exists or if unable to do so)
  - Regions must receive the necessary documents from said executor/administrator of the veteran's estate, along with approvals of the final accounting from the appropriate parties before releasing the balance to the estate

## II. Footprint and Branch Network



**Branches:**  
**1,633**  
**ATMs:**  
**1,966**  
**Associates:**  
**23,601**