HEARING ON H.R. 1108, H.R. 2095, H.R. 2222, AND H.R. 3731

HEARING

BEFORE THE

SUBCOMMITTEE ON BENEFITS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

APRIL 11, 2002

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HEARING ON H.R. 1108, H.R. 2095, H.R. 2222, AND H.R. 3731

THURSDAY, APRIL 11, 2002

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON BENEFITS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC

The subcommittee met, pursuant to notice, at 9:02 a.m., in room 334, Cannon House Office Building, Hon. Mike Simpson (chairman of the subcommittee) presiding.

Present: Representatives Simpson, Reyes, Miller, and Evans.

OPENING STATEMENT OF CHAIRMAN SIMPSON

Mr. SIMPSON. Good morning. The meeting will come to order.

Welcome to our first legislative hearing of the session. Today we are receiving testimony on a number of bills that I will highlight briefly.

H.R. 1108 would allow the surviving spouse of a veteran to retain her dependency and indemnity compensation should she remarry after age 55. Under the current law, a surviving spouse loses DIC entitlement during the course of a subsequent remarriage. I welcome the chief sponsor of the bill, Mr. Bilirakis, who is with us this morning.

H.R. 2095 would provide uniformity in the fees that are charged to active duty and members of the Selected Reserve when applying for a VA home loan. H.R. 2222 would make a number of improvements to the VA's insurance programs; I want to thank Mr. Filner, who is also with us today. H.R. 3731 would increase funding for State Approving Agencies in light of additional statutory duties.

We had a very aggressive legislative agenda last session, and I hope that we can continue the precedent we set in 2001. The members of the subcommittee, along with the staff, worked in a truly bipartisan manner not only to provide the largest increase in Montgomery GI Bill benefits ever, but also made real improvements and enhancements to other VA programs. I expect no less this session.

Before we begin with our first panel, I would like to recognize the ranking member, Mr. Reyes, for any comments that he may wish to make.

OPENING STATEMENT OF HON. SILVESTRE REYES

Mr. REYES. Thank you, Mr. Chairman, and good morning to everyone.

Mr. Chairman, before I make my comments, as I explained to you, I have got a pre-mark meeting at 9:15 a.m., so I will be excus-

ing myself after my comments. And certainly I am very much interested in all of the legislation that we will be receiving testimony on this morning.

So I would like to welcome my good friends and colleagues, Congressmen Bilirakis and Filner, for joining us here this morning. It is always good to see members of this committee, from both sides of the aisle, coming before us to improve benefits for our Nation's veterans and their family members.

I also see Admiral Cooper, and I want to welcome and congratulate him on his confirmation as Under Secretary for Benefits. Thank you for being here this morning.

I am also pleased to support all the bills before us today. H.R. 1108 reminds me of Mr. Filner's bill, introduced in a previous Congress, which he referred to as "Give Romance a Chance." That was always an intriguing bill to try to get people to co-sponsor. This bill will enable our Nation's surviving spouses who receive dependency and indemnity compensation benefits, DIC, to continue receiving those benefits after the age of 55 if they choose to remarry.

I believe that we should also extend this provision to the few survivors who receive death compensation under Section 1121 of Title 38. Under present law, remarriage must often give way to financial realities, unfortunately. I strongly support this measure and commend the distinguished Vice Chairman of this committee, Mr. Bilirakis, for his longstanding support of our Nation's veterans. I have actually had the privilege of joining him in many other legislative efforts, including concurrent receipt that is also something we need to focus in on.

Of course, my good friend, Congressman Filner, your bill, H.R. 2222, will address some of the glaring inadequacies in the insurance programs affecting our most severely disabled veterans. I hope that we will be able to move the Severely Disabled Veterans Insurance Program and the Veterans Mortgage/Life Insurance programs closer to the goal of meeting the needs of veterans in the 21st century.

I note that the provisions of your bill will have been supported by the Department of Veterans Affairs subject to finding adequate appropriations. If we cannot afford to help our Nation's most severely disabled veterans, then I feel we are in the wrong business at the wrong time in the wrong place. We must find the appropriations for this very important piece of legislation.

As we ask members of the Selected Reserve to assume more and more responsibility for national defense, we must provide them with commensurate benefits. I had the privilege of being in Afghanistan last week, where not only did I see reservists defending our country in a very tough part of the world, but I also heard firsthand from on-the-ground commanders and members of the intelligence community saying—giving personal testimony to their professionalism, their dedication, their commitment, and the great job that they are doing. So I think it is vitally important that we do more to provide them benefits. I support removing the additional and unjustified funding fee imposed on the Selected Reserve, as provided by Ranking Member Evans' bill, H.R. 2095.

Along with our subcommittee chairman, Mike Simpson, our full committee chairman, Chris Smith, and our ranking member, Lane

Evans, I am a co-sponsor and strongly support additional funding for the State Approving Agencies. When we ask that agencies assume additional responsibilities, Congress must provide the resources to see that those responsibilities can be met.

I understand that we will be receiving testimony today on all of these bills, and I welcome all of our witnesses from the veterans service organizations. And in particular, I want to thank you, Mr. Chairman, for your leadership and your commitment. And I look forward to today's testimony.

I yield back my time.

Mr. SIMPSON. Thank you. Are there other opening statements? Mr. Miller, do you have——

[No response.]

Mr. SIMPSON. Our first panel this morning are true veterans' advocates. Mr. Bilirakis is the full Committee vice chairman, and Mr. Filner is the ranking member of our Health Subcommittee. Thank you both for beginning your day with us early this morning at 9 a.m.

Mike, we will begin with you, and we will hold our questions until both of you have testified.

STATEMENTS OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA; AND HON. BOB FILNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

STATEMENT OF HON. MICHAEL BILIRAKIS

Mr. BILIRAKIS. Thank you very much, Mr. Chairman. And I want to thank you and Ranking Member Reyes and the entire committee for allowing us to testify here this morning.

Of course, as you have already indicated, I am testifying regarding H.R. 1108, which provides that the remarriage of the surviving spouse of a veteran after age 55 shall not result, as it does now, in termination of DIC, which is dependency and indemnity compensation.

As my colleagues know, DIC is a benefit accorded to the surviving dependents of those members of the armed forces who died while on active duty or of a service-connected cause. And something, Mr. Chairman, that I know is not necessary for me to point out here, but we all should remember that it isn't just the particular veteran who has served. His spouse and the entire family, in my opinion, serves every bit as much, if not more, in terms of the greater sacrifices.

DIC is the only federal annuity program that does not allow a widow who is receiving compensation to remarry at an older age and retain her annuity. We have a chart there that shows how remarriage affects federal survivor programs, and it is a part of my written testimony and hopefully you have it there. As you will see from this chart, all other federal survivor programs allow a widow to retain her benefits if she remarries at age 55 or 60.

We have all heard, I am sure, from military widows from around the country who have found that they would like to spend the rest of their lives with others, going back to the same theme that Mr. Filner is using really applies here, but they can't afford to do so

because of the current law. I guess there is really nothing more terrible than lack of companionship, loneliness. And we are forcing these people, at the risk of losing their DIC, to remain unmarried when they really fall in love with someone and want to remarry.

They have lost their husbands at a very young age, many of them, and have been alone for a long, long time. They finally found someone to share their lives with—probably somebody that they really have an awful lot of things in common—and they are afraid to remarry because they will lose their benefits.

I know, I think we all agree that that's a wonderful thing, if an older person finds companionship. I represent a very senior area in Florida, as you might imagine, and we see these things happen every day. So I don't think we should be discouraging such marriages. I think, in a sense, we really ought to be encouraging them, instead of making them financially burdensome, as we do now.

So, for those remarrying after the age of 55, it is often the case that both partners are living on fixed incomes. The prospect of one partner losing financial benefits as a result of the marriage is a real disincentive. And I think we have all seen places where couples are living together, if you will, and not remarrying because of this sort of a problem. So current law makes it virtually impossible for some couples to marry after age 55, because they can't afford to do so; I have said that before.

So I have been introducing this legislation for some time. We have done so again. And basically all it does is it allows a military widow to remarry after age 55 and retain her DIC compensation. And it makes, really, I think, a simple change that could mean a great deal. It is simple, and yet it could mean a great deal to those who find themselves in this predicament. And I am just hopeful that the committee will join me and those of us who support this, co-sponsored this, to go forward with it.

I do have other points that probably will come up, as far as the questioning is concerned.

Thank you very much, Mr. Chairman.

[The prepared statement of Congressman Bilirakis appears on p. 48.]

Mr. SIMPSON. Thank you very much. Good morning, Bob, and welcome this morning. Go ahead with your testimony.

STATEMENT OF HON. BOB FILNER

Mr. FILNER. Thank you, Mr. Chairman and Ranking Member. I appreciate, again, the bipartisanship of having bills that are sponsored by both parties. I appreciate that very much.

I also want to thank Mary Ellen McCarthy. I once was the ranking member of this subcommittee. She is a passionate advocate for veterans, and always finds the things that we have to do to improve their lot, and she had a great deal to do with drawing up this legislation. And I thank Mary Ellen for that, and for her service to the Nation's veterans.

The bill, H.R. 2222, is the Veterans Life Insurance Improvement Act. It was introduced because insurance ranks very high on the list of importance to our veterans. And there are parts of our VA program that need fixing. This bill would improve the insurance

benefits to severely disabled veterans, and make improvements in the insurance programs administered by the VA.

Currently, VA holds about 4,000 insurance policies valued at about $23 million, on which payment has not been made. That is because the VA has been unable to locate the person identified as the beneficiary following the death of a veteran. And under current law, if the VA cannot locate the beneficiary, no benefits can be paid.

This bill contains a provision, which was passed in our last session of Congress as part of H.R. 2540, which would permit the VA to pay secondary beneficiaries if the beneficiary does not file a claim within 2 years after the veteran's death. And if none of the beneficiaries file a claim within 4 years after the veteran's death, the Secretary may pay another appropriate relative. It is a shame to have veterans paying for life insurance throughout their lifetimes only to have that claim left unclaimed. This bill would benefit the families of all our veterans.

This was, as I said, passed in the last session, but was not included in the final version of the bill after a conference with the Senate. So I urge the subcommittee to approve this again.

Secondly, the Service-Disabled Veterans Insurance Program was intended to provide service-disabled veterans with an ability to purchase insurance coverage at what is called "standard premium" rates. However, because service-disabled veterans have been living longer, their rates are no longer compatible with commercial rates. This bill would provide service-disabled veterans with insurance comparable to the standard policies. We should not ask our service-disabled veterans to subsidize the higher cost of insurance due to their service-connected disabilities.

I believe that this country owes a great debt to our Nation's veterans, especially those who are so disabled by service-connected conditions that they do not qualify for life insurance. It is our responsibility as a Nation to ensure that these disabilities resulting from their military service are fully compensated. Premiums based on outmoded life expectancy tables unfairly penalize these veterans for their service-connected disabilities, and this bill would change that.

Thirdly, the VA provides severely disabled veterans with mortgage life insurance, called VMLI, up to $90,000. Currently, this amount covers only about 79 percent of outstanding mortgage balances, because the maximum has not been increased for 10 years. This bill would increase the maximum to cover 98 percent of the mortgage balances outstanding.

Veterans who are so severely disabled that they qualify for a home adaption grant should not have their mortgage insurance reduced by the simple passage of time. As I said, these amounts have not been increased in a decade, while the cost of housing, obviously, and housing adaptations have increased. It is time that we fix this problem.

Finally, Mr. Chairman, the VMLI coverage now terminates at age 70. Commercial policies do not issue such insurance after age 70, but they do not terminate coverage for persons currently insured. This bill would allow veterans currently covered to continue their insurance after the age of 70.

I thank you, Mr. Chairman, and I thank you, Mr. Reyes. I thought we were going to lose you, Mr. Reyes, as you searched out those caves. But you are back. I hope this subcommittee will act favorably on this legislation. Thank you, Mr. Chairman.

Mr. SIMPSON. Thanks, Bob. I appreciate both of your testimony and your input and proposals that you have before us.

I don't have any questions. Do you have any?

Mr. REYES. I have got one question regarding a small group, and this goes to my good friend, Mr. Bilirakis. It is my understanding that there is a small group of surviving spouses who still receive benefits under the old death compensation program. The death compensation program applies to a surviving spouse where the veteran died before January 1st of 1957. So I was wondering, would you consider an amendment to make this small group of survivors eligible for death compensation?

Mr. BILIRAKIS. By all means, sir. There is certainly no intent on our part to exclude these services. Quite frankly, that is a part of the law that most of us are not really familiar with, and so that is why we didn't have that in mind at the time we prepared this legislation.

There are now something like 1,350 of those widows remaining, and because their spouses died before 1956, that number goes down, and it is going down pretty fast, actually, so the costs involved would be nominal, particularly after maybe the first year or two. So the answer is certainly yes.

Mr. REYES. Well, thank you so much. And that was the only question I had, Mr. Chairman.

Mr. SIMPSON. I thank you both for your proposals and your testimony this morning, and we look forward to working with you on these pieces of legislation.

Mr. FILNER. Thank you.

Mr. BILIRAKIS. Thank you very much, Mr. Chairman, Mr. Reyes.

Mr. FILNER. I appreciate the courtesy. Thanks so much.

Mr. SIMPSON. Would the second panel please come forward?

I am pleased to welcome the new Under Secretary for Benefits, Admiral Daniel Cooper. Many of you are familiar with his outstanding work as Chairman of the VA Claims Processing Task Force. Admiral Cooper and his team had just 120 days to identify and recommend significant changes to the way the Veterans Benefits Administration processes the claims of our veterans. Admiral, it is good to see you again, and I have every confidence that you are prepared to carry out the responsibilities of your new assignment.

Admiral Cooper is accompanied by Mr. Bob Epley and Mr. Jack Thompson. Welcome to all of you. Admiral Cooper, you may begin your testimony when you are ready.

STATEMENT OF DANIEL COOPER, UNDER SECRETARY FOR BENEFITS, VETERANS BENEFITS ADMINISTRATION; ACCOMPANIED BY ROBERT EPLEY, ASSOCIATE DEPUTY UNDER SECRETARY FOR POLICY AND PROGRAM MANAGEMENT, VETERANS BENEFITS ADMINISTRATION, AND JOHN THOMPSON, DEPUTY GENERAL COUNSEL, DEPARTMENT OF VETERANS AFFAIRS

Admiral COOPER. Thank you, Mr. Chairman. It is a privilege to be able to appear here in my first appearance as Under Secretary.

As you know, I am here to speak to four pieces of legislation that are being proposed to the subcommittee. The first one is H.R. 1108, to which Mr. Bilirakis just spoke, and I think covered most of the points that I would like to make.

I would like to point out, however, that the DIC was created for two purposes. The first was to serve as a reparation for the death, and the second was to provide income that was lost due to that death. And so as a result, there are two parts of that that need to be considered, as you look at this particular bill.

We believe that both the indemnity and the dependency components of the DIC will be enhanced by ensuring that the older surviving spouses will not have to incur income loss due to the death of their husbands or wives. Further, to the extent that DIC provides the indemnification, the basis for compensation is not eliminated by the surviving spouse's remarriage.

Second, on H.R. 2095, the proposal would reduce the VA Home Loan funding fee presently paid by reservists. In other words, reservists right now pay 0.75 percent more than those people who are on regular or active duty for their housing benefit. In 1992, Congress granted the VA housing loan entitlement to persons whose military service was primarily in the Reserve and the National Guard, for the first time. That legislation was in recognition of the expanded role of the Reserves and the Guard. It has been in the last decade and a half, that we have come to depend much more on the Reserves and National Guard than we had previously. And certainly the events of September 11 of last year further confirm the increased and vital role of the Reserve and National Guard.

Under the current law, the reservists pay a funding fee that is 75 basis points higher than that charged to veterans who served on extended active duty. If this bill is enacted, reservists would pay the same fee currently charged other veterans. In recognition of the importance of the Selected Reserve to our current defense efforts, we support this measure.

By the way, I would like to point out, and I think you are aware of it, the entitlement for the reservists to get this loan at all does sunset in the year 2009.

H.R. 2222, again, Mr. Filner discussed quite thoroughly. However, I would like to touch on the four major aspects of it. It would authorize payment of the NSLI and USGLI proceeds to an alternate beneficiary if the primary one does not make that claim within 2 years. And then they would have an additional 2 years to try to find the alternate.

Secondly, it would reduce the premium rates for service-disabled veterans' insurance by changing, among other things, the outdated mortality table that they use. They pay more because of the mor-

tality table of the 1950s or so, and that would be updated. This would increase their ability to purchase adequate amounts of life insurance at competitive rates.

The bill would also increase the maximum coverage under the Veterans Mortgage Life Insurance program to $200,000. As was pointed out, the insurance when it was passed in 1992—or when it was increased to $90,000—covered in excess of 90 percent of the total amount of the mortgage. However, because of the increased costs of housing, that percentage has gone down, and I think Mr. Filner said it was about 79 percent right now. In order to cover well in excess of 95 percent, which we think is appropriate, we would ask that that limit be increased to $200,000.

There is an interesting note that I found today: in 38 percent of the cases, if the veteran were to die, survivors would still owe some amount of that mortgage. And therefore, this $200,000 limit should take that up to about maybe two percent that would still owe.

The fourth aspect of this bill, H.R. 2222, would provide that the Veterans Mortgage Life Insurance, the VMLI, may be carried by the insured beyond age 70. Mr. Filner again pointed out something I had not realized, namely, that commercial life insurance does not stop. Commercial companies do not stop at age 70. And therefore, we would like equal treatment here in that the person who has that insurance will be able to maintain it beyond the age of 70.

My understanding is this bill is essentially the same as that that had been considered previously by the last session of Congress.

The final bill I wish to discuss is H.R. 3731. This bill provides for an increase in the funds available to compensate the State Approving Agencies. We ask them to do a lot of things. Some of their responsibilities have increased. Right now, they get $14 million a year for this, despite some increased things that we have pointed out in the rest of our statement. But the fact is, that would revert to $13,000 if nothing——

Mr. EPLEY. Million.

Admiral COOPER. Say again?

Mr. EPLEY. Thirteen million.

Admiral COOPER. I am sorry; $13 million would be in there, if nothing were to happen. In this bill, we are asking that they be given the increase for the agencies.

I request that my full statement be submitted for the record. The written testimony you have received outlines the contents and the costing, as we have costed these bills out in some detail. And at this time, I would be glad to answer any questions.

[The prepared statement of Admiral Cooper appears on p. 54.]

Mr. SIMPSON. Thank you, Admiral Cooper. I appreciate your testimony, I appreciate your service to our veterans, and I look forward to working with you in your new position. I know we are going to do a lot of good things for veterans.

I do have one question. One of those regards the costing out of H.R. 1108 and how you came up with those numbers.

Admiral COOPER. Yes, sir. I would like to ask Mr. Epley to address the process of that.

Mr. SIMPSON. Okay.

Mr. EPLEY. Mr. Chairman, when we initiated the costing, we looked at our data to determine, from the people who had been on

the DIC rolls, what the rate of termination has been for spouses and other beneficiaries, including children. We got that number on an average annual basis. Then we looked at the average age of spouses who had been terminated, to determine what percentage of those were at age 55 or higher. It turned out to be about 95 percent, a very high percentage.

From that point, we made an estimate, using our best judgment, on how many we could expect to reapply if this legislation were passed. And from that we determined that there are probably about 300,000 potential beneficiaries who would reapply upon enactment of the legislation, and about 600 on an annual basis for the 10 years that we costed out.

From that point, we just did the math to come up with our costs. And the 5-year cost is $269 million.

Mr. SIMPSON. Thank you. One other question I have is on the life insurance and alternative beneficiaries, being able to find alternative beneficiaries. What happens with that life insurance if you can't find alternative beneficiaries, and under this provision it does not eschew to the state as it currently does?

Admiral COOPER. Eventually, as I understand it, that would revert to our insurance program, and would result in dividends being paid, money being paid back to those who have the insurance.

Mr. SIMPSON. Okay, thank you. I don't have any further questions. I believe counsel for the minority side has some questions that she would like to ask on behalf of Mr. Reyes?

Ms. MCCARTHY. Thank you, Chairman Simpson.

Secretary Cooper, would VA have any objection to adding the death compensation survivors to Mr. Bilirakis' bill?

Admiral COOPER. No, I cannot believe that we would have any objection.

Ms. MCCARTHY. Thank you. And has VA made any recent efforts to inform surviving spouses who get death compensation that they may be eligible—not all of them, I think, are—but they may be eligible to elect DIC, since the DIC is the higher benefit? Do you know if anything has——

Admiral COOPER. I can't answer that question. Let me take that one for the record. But in my 5 days in the job, I haven't noticed that. (Laughter.)

(See p. 10.)

Ms. MCCARTHY. There is a lot to notice in the first 5 days.

I think we may have some additional questions for the record, and we will send them for the record.

Admiral COOPER. Thank you.

Ms. MCCARTHY. Thank you.

Mr. SIMPSON. Thank you. I thank you again for your testimony today and look forward to working with you and the VA on these and other pieces of legislation that we will have before our committee.

Admiral COOPER. Thank you very much, Mr. Chairman.

Mr. SIMPSON. Thank you.

(Subsequently, the Department of Veterans Affairs provided the following information:)

THE UNDER SECRETARY OF VETERANS AFFAIRS FOR BENEFITS
WASHINGTON, D.C. 20420

MAY 9 2002

The Honorable Silvestre Reyes
Ranking Member
House Committee on Veterans' Affairs
Subcommittee on Benefits
Cannon House Office Building, Room 333
United States House of Representatives
Washington, DC 20515

Dear Congressman Reyes:

Following the Subcommittee on Benefits hearing on April 11, at which I testified, I received an inquiry on your behalf from Ms. Mary Ellen McCarthy, Minority Staff Director. Ms. McCarthy asked for information on VA's efforts to inform recipients of pre-1956 death compensation of their eligibility to convert to Dependency and Indemnity Compensation (DIC)

I am pleased to provide the enclosed information in response to your inquiry Please contact me if your have questions or require additional information

Sincerely,

Daniel L. Cooper

Enclosure

From: Pamperin, Tom, VBAVACO
Sent: Wednesday,April 17,2002 4:00 PM
To: Mason, Gregory, VBABUFF; Amberg-Blyskal, Patricia, VBANYC; Quinton, Newell, VBABALT; Hawkins, Carl, VBACLMB; Stinger, William D., VBASPETE; Johnson, Geraldine, VBADTRT; Baker, Jon, VBAMILW; Olson, Michael, VBACHGO; Smith, C L, VBADENV; VANCE, Jim,VBABOIS; Hall, Ray, VBAPORT
Cc: Henke, Ron, VBAVACO; Epley, Robert, VBAVACO; Whitson, James, VBAVACO; Walcoff, Mike, VBAVACO; Fuller, Diane, VBAVACO
Subject: Project to convert Death Comp Widows to DIC

Good afternoon ladies and gentlemen,

Attached is a briefing paper that has been approved. Currently we have 15 widows recieving $87 monthly death compensation who are entitled to a minimum of $935 monthly in DIC. We have received inquires from the Hill as to what we are doing with these folks.

We ask that contact be made with these beneficiaries as soon as possible to secure elections and that the results of your efforts be reported back.

We did SHARE inquiries on these 15 individuals. Were were not successful on some because of the absence of ssn's or incomplete birthdays in the system.

The paper that accompanies the decision paper gives you the information that we know as of this date:

<<File: PLAN TO CONVERT DEATH COMPENSATION WIDOWS.doc>>

<<File: DEATH COMPENSATION BENEFICIARIES.doc>>

PLAN TO CONVERT DEATH COMPENSATION WIDOWS TO DEPENDENTS INDEMNITY COMPENSATION APRL 16, 2002

ISSUE: Fifteen widows remain on the Death Compensation roles receiving $87 monthly. Widows entitled to Death Compensation are eligible to receive DIC that currently pays $935 monthly. If the veteran had been rated 100% disabled for at least eight years prior to death and married to the widow for that same period of time, DIC pays $1137. Under DIC a widow can received $112 additional if found to be Housebound or $234 more if found to be in need of aid and attendance. Thus, death comp widows could receive a minimum of 10.75 times what they are currently receiving and as much as 15.75 times what they are currently receiving if they were to elect.

DATA: Fifteen records involving eleven regional offices have been identified. The offices are

Buffalo	New York
Baltimore	Columbia
St. Petersburg	Detroit
Milwaukee	Chicago
Denver	Boise
Portland	

ACTION PLAN: The following actions will be taken.

1. The affected stations will be provided with the names of the potential electors by April 22, 2002.

2. Offices will be directed to make a field visit to each widow by June 1, 2002. The objectives of the field visits are as follows:

    a. Determine the widow's status
    b. Determine the need for or existence of a guardian
    c. Explain the benefits of election to the widow
    d. Secure an election

3. Field examiners will develop legal/medical and payee information if needed.

4. Field offices will take expedited action to complete actions on these records. A report will be submitted to the C&P Service (212). The report will provide the following information:

   a. The effective date of election to DIC
   b. The status of the beneficiary and any secondary actions that were required
   c. The amount of the new benefit
   d. Whether additional benefits were awarded due to 100% disability of the veteran, Housebound or aid and attendance
   e. Whether a guardian was necessary

   Reports should be submitted as soon as action is completed on all claims within the office's jurisdiction.

5. The target for completion of this project is July 1, 2002.

POINT OF CONTACT: POC for this project is Tom Pamperin, 273-7247

DEATH COMPENSATION BENEFICIARIES
AS OF APRIL 16, 2002
WIDOWS ONLY

File #/ RO/Address	Status
Chicago	
XC 6-096-845	
Rose T. Rabiega 1305 S. 50th Ct Cicero, Il 60650	Running award
XC 3-789-447	
Virginia H. Ward Coral Apt D 760 Main Street Antioch, IL 60002	Running award
XC 3-818-558	
C. J. Murtaugh 247 Caterpillar Drive Apt 608 Joliet, IL 60436	Running award
XC 4-002-783	
Jeanette E. Lang 5011 W Drummond PL Chicago, IL 60641	Running award
Detroit	
XC 3-151-621	
Jean Barnard 1810 Charlton Ave Ann Arbor, MI 48103	Running Award

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Detroit

XC 2-596-875

Eva Finlay Wolf Lake 107 S. Stewart St Muskegon, MI 49442	Running Award

Buffalo

XC 3-726-195

K M Lewellyn 145 Forest Hill Dr Syracuse, NY 13206	Account Suspended Possible death, 12-18-1998

New York

XC 4-058-378

E H. Bonser 3103 Trinity St Oceanside Long Island, NY	Running award SSA Share inquiry indicated dead 12-16-01

Baltimore

XC 3-933-466

Grace Markey PO Box 36 Riderwood, MD 21139	Running award

Columbia

XC 3-981-975

Carrie B. Tate 3771 Berry Mill Rd Greer, SC 29651	Running award

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St. Petersburg

XC 4-955-989

Evelyn B. Salisbury — Running award
3921 NE 27th Ave
Light House Point, FL 33064

Milwaukee

XC 195-041

Mary L Postel — Running award
9928 Wilkinson Road
PO Box 266EN DR
Mazomanie, WI 53560

Denver

XC 5-934-118

Betty T. Kolar — Running award
1694 S. Elm St
Denver, CO 80222

Boise

XC 893-157

Marie A. Rice — Running Award
C/O R Smith
PO Box 224
Sugar City, ID 83448

Portland

XC 6 298 876

Mary G. Lietz — Running award
Aprt 503 — File in Seattle
10630 SE Clay
Portland, OR 97216

Mr. SIMPSON. Would the third panel come to the table?

On our third panel, we have Erin Harting, who is representing the Enlisted Association of the National Guard; Sid Daniels is representing the Veterans of Foreign Wars, and thank you—not thank you, but congratulations on your recent promotion.

Mr. DANIELS. Thank you, Mr. Chairman.

Mr. SIMPSON. And Brian Lawrence is representing the Disabled American Veterans. I would ask each of you to keep your testimony to 5 minutes, and we will have your written statements for the record. We will hold our questions until each of you have finished. Erin, we will start with you.

STATEMENTS OF ERIN HARTING, LEGISLATIVE ANALYST, THE ENLISTED ASSOCIATION OF THE NATIONAL GUARD; SIDNEY DANIELS, ASSISTANT DIRECTOR, BENEFITS POLICY, VETERANS OF FOREIGN WARS OF THE UNITED STATES; AND BRIAN LAWRENCE, ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

STATEMENT OF ERIN HARTING

Ms. HARTING. Thank you, Mr. Chairman, members of the subcommittee. I am grateful to have this opportunity to express the views of The Enlisted Association of the National Guard of the United States concerning H.R. 2095, the Reservists VA Home Loan Fairness Act.

The National Guard has recently been called upon more than at any time in history to provide peacetime and combat-ready support for contingencies around the world. Add to that the new homeland defense mission, and it becomes very clear that the National Guard will continue to be called upon to contribute to this Nation's defense more than ever before.

Reserve component service members have been asked to shoulder a greater and greater share of the responsibility for defending the Nation's security at home and abroad. We have more than 92,000 National Guard and Reserve troops on active duty to perform vital homeland defense missions—guarding airports, nuclear facilities, and other potential targets of terror across the country.

The active duty military is dependent upon the National Guard in order to sustain readiness to meet the demands of the current national military strategy. Fifty-two percent of combat support is found within the reserve components. This total force structure has taken more than 20 years to achieve.

EANGUS believes that eliminating the additional loan fee for the VA home loan for the Guard and Reserve is another step in bringing equity in the total force. I would like to thank Congressman Lane Evans for introducing H.R. 2095.

Currently, National Guard and Reserve members must pay an additional 0.75 percent funding fee for their VA home loans. H.R. 2095 would change existing law, making the fees uniform for active duty and reserve members. On a $200,000 loan, this 0.75 percent represents an additional funding fee of $1,500 for the National Guard and Reserve member.

EANGUS fully supports the intent of this legislation, which will allow National Guard and Reserve members to become full part-

ners in the VA home loan program. However, EANGUS believes that care must be taken to ensure that the VA does not suffer the loss of the additional income provided by the funding fee. In 1998, the Congressional Budget Office estimated that the origination fee charged to reservists more than offset the subsidy, resulting in lower net spending by $3 million annually. Without the higher fee, the program will cost $3 million a year.

EANGUS has this concern because the program expires September 30, 2009. Over the last few years, Congress has had to extend the expiration date of the program several times. Making the program permanent will eliminate our concern with eliminating the funding fee.

Since the beginning of the home loan program for Guard and Reserve members in October of 1992, the VA has guaranteed more than 77,000 loans for National Guard and Reserve members as of the end of fiscal year 2000. This demonstrates that the VA home loan for Guard and Reserve members is a success. Over 77,000 people now own a home who may not have been able to without the program.

EANGUS fully supports the elimination of the additional funding fee for Guard and Reserve members, but not if it means we may lose the program in the future because of the cost. Please consider making the program permanent, as well as eliminating the funding fee. Guard and Reserve members deserve it.

Mr. Chairman, EANGUS appreciates the dedication and commitment of the members of the committee in protecting, defending, and restoring the benefits earned by those who have served our Nation in peace and in war. Thank you for this opportunity to submit testimony on behalf of our membership.

[The prepared statement of Ms. Harting appears on p. 67.]

Mr. SIMPSON. Thank you. Mr. Daniels.

STATEMENT OF SIDNEY DANIELS

Mr. DANIELS. Thank you, Mr. Chairman. On behalf of the 2.7 million members of the Veterans of Foreign Wars and our Ladies' Auxiliary, I would like to thank you for the opportunity to express our views on the four veterans' bills under consideration today. I would also like to convey our strong support for these bills and urge the subcommittee to act favorably toward them.

H.R. 1108 would allow surviving spouses of veterans to continue receiving dependency and indemnity compensation if they remarry after age 55. Under current regulations, surviving spouses forfeit their right to DIC when they remarry. No other federally funded survivorship program, including the Civil Service, Social Security, and Congress's own program, makes a distinction between unmarried and remarried surviving spouses.

The surviving spouses of the heroic public safety officers who gave their lives on September 11, for example, are entitled to full survivor compensation, yet the surviving spouses of those who heroically gave their lives in the mountains of Afghanistan could eventually have their pensions terminated by this rule. It is our position that the families of our men and women who bravely serve in uniform are every bit as deserving as the families of our heroic public safety officers.

The VFW also strongly supports H.R. 2095, the Reservists VA Home Loan Fairness Act. This bill recognizes the important contributions that members of the reserve components make as part of our Nation's total military force by lowering the VA funding fee for reservists to the same rate that active duty service members pay. This bill gives our reservists an equal chance at the most basic of American dreams, home ownership.

Over the last decade, members of the Guard and Reserve have repeatedly been called upon to supplement or completely carry out the mission of our active duty troops. Since their conditions are so similar, these individuals should be entitled to the same benefits and services as our active duty military.

The VFW also strongly supports H.R. 2222, legislation that makes several needed changes to the various veterans insurance programs. We support proposed language in sections 4 and 5 in its entirety.

Finally, Mr. Chairman, the VFW is proud to strongly support H.R. 3731, legislation that would increase the amount of funding available to State Approving Agencies. State Approving Agencies evaluate, approve, and supervise the GI Bill program within their respective states. It is their responsibility to ensure that veterans have access to a quality of education that will benefit them long into the future.

Increasing their funding is essential. The slight increase in their budget over the last 2 years was their first increase since 1995. If this legislation does not pass, their funding will revert to the same level they had 7 years ago.

SAAs have had to deal with this difficult budget situation, all while dealing with many increased responsibilities. Passed just last year, the Veterans Education and Benefits Expansion Act greatly increases the responsibilities of SAAs, particularly through its emphasis on benefits for training in high-tech courses in schools. These classes must all be evaluated for their appropriateness and educational value. Once approved, the SAAs must ensure continued compliance with all state and federal regulations.

It is clear that their burden has increased. It is time that their budget do the same. For the GI Bill to remain the first-rate program it is today, SAAs must have the necessary funding to maintain their critical mission.

This concludes my statement, Mr. Chairman. I would be happy to answer any questions.

[The prepared statement of Mr. Daniels appears on p. 71.]

Mr. SIMPSON. Thank you, Mr. Daniels. Mr. Lawrence.

STATEMENT OF BRIAN LAWRENCE

Mr. LAWRENCE. Good morning, Mr. Chairman. On behalf of the Disabled American Veterans, thank you for the opportunity to testify on the bills under consideration today.

In accordance with our constitution and by-laws, the DAV's legislative focus is on laws that affect service-connected disabled veterans, their dependents and survivors. Our agenda is formed by resolutions that are adopted by our membership. We have no resolutions concerning H.R. 1108, H.R. 2095, or H.R. 3731. My written statement addresses these bills, so for the sake of brevity I will

limit my remarks to the portions of H.R. 2222 that are pertinent to DAV resolutions or the independent budget.

Section 3 of H.R. 2222 would amend Section 1922 of Title 38, United States Code, to base future premiums for service-disabled veterans' insurance, or SDVI, on current mortality rates rather than the 1941 table. This change fulfills a recommendation in the independent budget to update methods for calculating premiums.

SDVI was intended to make affordable life insurance available to disabled veterans. Because a variable of the equation is outdated, SDVI is more costly than commercial policies. This change restores SDVI to its intended purpose. The DAV fully supports this provision.

Section 4 would increase Veterans Mortgage Life Insurance, VMLI. It would increase the coverage from $90,000 to $200,000. This improvement also fills an IB recommendation that VMLI coverage be raised to reflect increases in home costs. The DAV fully supports this measure.

Section 5 would repeal provisions that terminate VMLI coverage at age 70. Currently, veterans with unpaid mortgages at age 70 lose coverage. Section 5 would correct this problem. Though we have no resolution on this issue, it is a logical and equitable improvement that will benefit our members.

The DAV extends its thanks to Congressman Filner for inclusion of these beneficial provisions in H.R. 2222, and we thank the subcommittee for its consideration. Clearly the DAV's mission to improve the lives of disabled veterans is shared by this subcommittee. We appreciate your efforts and look forward to working with you on future issues of importance to disabled veterans.

Mr. Chairman, that concludes my testimony, and I, too, will be happy to answer any questions.

[The prepared statement of Mr. Lawrence appears on p. 75.]

Mr. SIMPSON. I thank you. I thank all of you for your testimony today. It is very important that we hear your views on these pieces of legislation, and I am glad to hear that we have some unanimity in agreement. It always makes it a lot easier for our committee to work.

I don't have any questions. Do you have any questions?

[No response.]

Mr. SIMPSON. I thank you for your testimony, and we look forward to working with you on not only these bills, but future bills to help our veterans.

PANELISTS. Thank you, sir.

Mr. SIMPSON. Thank you. Would the next panel, fourth panel, come forward?

On the fourth panel today, we have Aseneth—is that pronounced correctly?

Ms. BLACKWELL. No. (Laughter.)

Mr. SIMPSON. How do you pronounce it?

Ms. BLACKWELL. A-see-nith.

Mr. SIMPSON. A-see-nith?

Ms. BLACKWELL. Yes.

Mr. SIMPSON. Okay. I haven't seen that name before, so I apologize, but I appreciate that—Aseneth Blackwell, the President of the Gold Star Wives of America; Jim Fischl is with The American Le-

gion; Richard Jones is with the AMVETS; and Rick Weidman represents the Vietnam Veterans of America.

Ms. Blackwell—I can pronounce that—we will begin with you today. Again, your full testimony has been received and will be included in the record, in the printing of the record. Ms. Blackwell?

STATEMENTS OF ASENETH BLACKWELL, PRESIDENT, GOLD STAR WIVES OF AMERICA; RICK WEIDMAN, DIRECTOR OF GOVERNMENT RELATIONS, VIETNAM VETERANS OF AMERICA; JIM FISCHL, DIRECTOR OF VETERANS' AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION; AND RICHARD JONES, NATIONAL LEGISLATIVE DIRECTOR, AMVETS

STATEMENT OF ASENETH BLACKWELL

Ms. BLACKWELL. Good morning, Congressman Simpson, members of the committee, and the Gold Star Wives who have come to support our efforts, especially Rose Lee, our former national president and our board chair, and John Brennan, our legislative representative. He was able to break the glass ceiling and work for Gold Star Wives. (Laughter.)

Ms. BLACKWELL. We thank you for inviting Gold Star Wives to give oral testimony on H.R. 1108. This bill would allow the surviving spouse of a veteran to remarry after the age of 55 and not lose their federal survivor's benefit.

In years past, Congressman Michael Bilirakis introduced legislation to end this glaring inequity. He has again shown himself to be a friend of Gold Star Wives with the introduction of H.R. 1108.

As many of you know, Gold Star Wives of America is a congressionally chartered service organization comprised of surviving spouses of military service members who died while on active duty, or as a result of a service-connected disability. Many of our membership of over 13,000 are the widows of service members who were killed in combat during World War II, the Korean War, the Vietnam War, and the Gulf War. Almost all of our members are receiving dependency and indemnity compensation, known as DIC. In fact, as of December 2001, nationwide there were 290,742 widows receiving DIC. The largest group of widows receiving DIC continues to be the World War II widows, followed closely by the Vietnam era.

As I am sure you are well aware, every federal survivorship program, including yours as Members of Congress, the civil service employees, the CIA, and the vast Social Security program, allow surviving spouses to remarry at an older age and retain their survivorship benefits. The VA's DIC program is a glaring exception, and remains the most restrictive of all federal survivorship programs.

The DIC program has the highest percentage of female participants of any federal program. And we do believe that is why our program continues to be the most punitive to those who choose to remarry. Congress acknowledged the changed realities of marriage when it allowed all other classes of survivors to retain their benefits after remarriage. When a person remarries after the age of 50, both parties usually have their own financial obligations. So they

have an obligation to support and assume financial responsibility for each other.

The idea of remarrying to be supported by a husband is a completely outdated concept. We are providing you with some of the letters from our members who have found the right person, the right companion, and one who can give them comfort in their twilight years—Rose and I are still looking——

(Laughter.)

Ms. BLACKWELL.—but these women cannot afford to lose their DIC benefits. Their emotionally charged letters express the frustration of not being able to marry at a time in their lives when marriage would bring them great solace.

We military widows are only seeking parity with all other surviving federal spouses. The loss of our DIC has to end. And should we choose to remarry after the age of 55, this loss of DIC under the remarriage penalty has had a demoralizing effect on countless widows.

Marriage among the elderly is very much an economic partnership, and without DIC, most Gold Star Wives would be indigent. Since the average age of the DIC recipient is 69, the numbers of those remarrying would not be significant. We would also be less than honest if we did not express a sense of outrage at the enormous benefit package passed by Congress to compensate the survivors of September 11. The issue of fairness to those who made the ultimate sacrifice is all too apparent.

The enactment of this bill would be at least a step in the right direction. Thank you.

[The prepared statement of Ms. Blackwell appears on p. 77.]

Mr. SIMPSON. Thank you, Aseneth, I appreciate your testimony. And some of us haven't gotten divorced or lost our wives yet, or husbands yet. So I appreciate the fact that you haven't found someone yet, but there are a lot of people around here——

Ms. BLACKWELL. I am looking. (Laughter.)

Mr. SIMPSON. Mr. Weidman.

STATEMENT OF RICK WEIDMAN

Mr. WEIDMAN. Mr. Chairman, I thank you. That is the first time I have ever not gone last witness in this room, so I appreciate it, sir. And I also wish to commend you, and Ranking Member Reyes, and Mr. Evans, as well as Mr. Smith.

The subjects of this hearing are not generally considered the glamorous issues that get a lot of press. But they are equally vital, and in some cases more vital, than the issues taken up in other hearings. And we thank you and the committee for moving right along to be good stewards of the VA system.

In regard to H.R. 1108, we are very much in favor at Vietnam Veterans of America of this act of removing this restriction on marrying after 55. And certainly, what came up today, we would certainly come down in favor of applying that the death—to DPC, is that it? I am looking at my mentor here.

We also want to comment on this before we leave it, Mr. Chairman: that it is long past overdue for a really significant increase in the DIC. It is simply inadequate for folks to live decently in vir-

tually every area of the country, and in many cases in the country, impossible for them to live at all in high-cost metropolitan areas.

The survivors of these folks are predominantly women, as you know, at this point. That will change in the future. But they have devoted their service to country in caring for their spouse in an extraordinary way that many of can never, all of us cannot really appreciate. Because they have given up the right to a career. They didn't have time to work outside the home, because they were caring for that veteran. And that's all the moral charge.

The fiscal charge—if in fact that spouse had not taken care of that profoundly disabled veteran, the costs would have kicked back on the government to be able to provide additional resources over what is already provided. So we believe it is right on a fiscal ground, we believe it is right on a moral ground, and we would urge the committee to study that issue, sir.

In regard to H.R. 2095, the Reservist VA Home Loan Fairness Act, because of the total force concept—and I am not going to go into that, others have this morning—we very much favor making it equitable for the reservists.

H.R. 2222, Veterans Life Insurance Improvement Act of 1997, we do in fact favor switching tables and therefore decreasing the amounts for veterans who are 100 percent and totally disabled, and to extend the right to that insurance beyond the age of 70, because it is a different day in medicine, and people are living longer, even those with profound disabilities.

We would encourage you to look at two other things, if I may, also: to look at the veterans who are rated at less than 30 percent—excuse me, at less than 100 percent, but in effect are totally out of the work force, and their spouse by and large carries them. Veterans who are 60 percent or more disabled according to USDOL stats garnered by the Bureau of Labor Statistics, virtually all of them are out of the labor force. They are not just unemployed; they are discouraged workers and have given up. And therefore, it is the spouse that carries them forward.

When the veteran dies, there is no insurance, because they can't get the insurance at a reasonable rate. It is only at $10,000, and $10,000 is only just going to bury the veteran. So if you urge the committee to do what is necessary, either through working with the VA or GAO, to look into that issue.

Last, but not least, on that issue is the 10-year rule that you have to have 100 percent total disability for 10 years before the DIC will kick in. And in many cases, because of the vagaries of the VA system—and the law; it is not just the VA—people are not rated at 100 percent until shortly before they die. And even though they have been unemployable and not able to work for many, many years—that is certainly true of some of the things that are finally being recognized as service-connected disabilities like diabetes, like many of the things due to Agent Orange and other kinds of toxic exposures, as well as other kinds of neuropsychiatric ones. So we would urge the committee to take a hard look at that, sir.

On 3731, we are very strongly in favor of $18 million with a three percent increase thereafter. This program has been struggling and strained to the breaking point for quite a few years now, because resources were inadequate. And we would encourage you

to look at how to enhance the out-years, 2006 and beyond, to make sure we don't get back into a flat, level funding situation.

Last, but by no means least, because I pray that we are wrong, but VVA, we believe we are going to have many more veterans in the next few years. And we would urge the committee to look not only at SAA, but to give thought to restoration of something like the Veterans Cost of Instruction program, possibly, under the direction of the directors of the State Approving Agencies.

I thank you very much, sir, for taking this time, and all your efforts in regard to these vital veterans benefits. And thank you for allowing VVA to testify.

[The prepared statement of Mr. Weidman appears on p. 81.]

Mr. SIMPSON. Thank you. Appreciate your testimony. Mr. Fischl.

STATEMENT OF JIM FISCHL

Mr. FISCHL. Thank you, Mr. Chairman and distinguished members of the subcommittee. The American Legion appreciates the opportunity to present its views on these very important benefit issues.

With respect to H.R. 1108, which would allow DIC benefits to surviving spouses in the event of a remarriage after age 55, the American Legion is supportive of the proposed change in the DIC program. Much like the widowed spouse of a military retiree, who, if remarried after the age of 55, continues to receive the survivor benefit plan, so should the surviving spouse of a veteran continue to receive DIC, even if he or she wishes to remarry after age 55.

As has been pointed out by previous speakers, DIC is in fact the only federal beneficiary program in which survivors are not permitted to remarry after age 55 and retain benefits. It is time to correct this situation.

On H.R. 2095, the role of the National Guard in benefits has become significantly more critical in the last 20 years in the defense of our Nation. No longer is there minimal risk of Guard and Reserve members being called to active duty. Times have certainly changed. The Gulf War marked a significant alteration in our military deployments, when thousands of reservists were called to active duty. Their sacrifices and contributions mirrored those of their active duty counterparts, as they continue to do so today.

The American Legion commends Congress for recognizing their selfless service, and we wholeheartedly support the proposal to establish uniformity in the VA home loan funding fees charged to qualified members of the Selected Reserves and active duty veterans.

With regard to the Veterans Life Insurance Improvement Act of 2001, the American Legion believes that this act generally provides beneficial enhancements to the programs involved. Section 2 of this act, which provides for payment of insurance proceeds to an alternate beneficiary when the primary beneficiary cannot be located, is supported by the American Legion. We believe this proposed change is fair and reasonable, and is the solution to an existing problem. If the primary beneficiary cannot be located, then at some point the proceeds should be paid to a designated contingent beneficiary.

In the matter of the proposed change in mortality tables for service-disabled veterans insurance, Section 3, it is the position of the American Legion that not only should a more current mortality table be used for SDVI premium rates, but that the new rates also be made available to those service-disabled veterans already in the SDVI program at the date of enactment.

And finally, Section 4 would increase Veterans Mortgage Life Insurance coverage from the current level of $90,000 to $200,000. Raising the coverage to this amount would increase the percentage of participants who have their full mortgage covered from 62 percent to about 99 percent. This, coupled with the proposal to permit retention of coverage past age 70, would greatly improve the ability of the VMLI program to provide mortgage protection to its clients. By definition, these are seriously disabled veterans who will now have adequate insurance coverage at premium rates and policy duration periods commensurate with those enjoyed by average Americans through commercial companies.

Finally, H.R. 3731, a proposal which would increase the amounts available to State Approving Agencies, is wholeheartedly supported by the American Legion. Payment of educational benefits by the VA is contingent on approval by the local State Approving Agency. Basically the function of the SAA is to determine if educational facilities meet the criteria established in Title 38 for payment of VA educational benefits.

Payment of benefits to veterans is contingent on their enrollment in an approved facility. The SAA determines if the facility meets the requirements for approval. Part of this process is an annual justification.

The SAA is reimbursed by the VA for their services under a contractual agreement based on an established formula. The demand for their services has been exceeding the budgeted funds, and supplementals frequently have to be requested. This bill would simply provide more realistic funding levels.

Mr. Chairman, that concludes my statement, and I would be happy to answer any questions that you or the subcommittee may have.

[The prepared statement of Mr. Fischl appears on p. 85.]

Mr. SIMPSON. Thank you for your testimony. Mr. Jones.

STATEMENT OF RICHARD JONES

Mr. JONES. Mr. Chairman, Mr. Evans, thank you for the opportunity to testify on the four bills that are the subject of this legislative hearing.

On 1108, Mr. Bilirakis introduced H.R. 1108 to resolve an inequity and reinstate the eligibility of certain veterans' surviving spouses to DIC benefits. It is our understanding that no other survivor program—not Social Security, civil service, Central Intelligence—treats surviving spouses as unhappily as to terminate these benefits on remarriage. As members of this subcommittee know, losing DIC compensation because of remarriage is an emotional issue. By authorizing reinstatement of DIC for these survivors, Congress would bring a measure of comfort to those who desire to remarry after age 55.

AMVETS supports H.R. 1108. The current bar against receipt of these benefits should be lifted. We agree with the sponsor of the bill: give romance a chance.

On H.R. 2095, Representative Evans introduced H.R. 2095 to reduce the VA home loan funding fee paid by members of the Reserve, to the same level as that paid by active duty veterans for a home loan guarantee. Under current law, reservists pay a fee three-quarters of a percent higher than the rate paid by active duty veterans.

AMVETS fully recognizes that the role of reservists has increased over the period since the end of the Cold War. This legislation would help send an important signal to the dedicated men and women who are part of the Guard and Reserve service. With its consideration, you assist the National Guard and Reserve with their recruitment efforts, and you send a good signal to those in the Reserve that their hard work is not forgotten. AMVETS supports H.R. 2095; we urge your support.

On H.R. 2222, Representative Filner introduced the bill called the Veterans Life Insurance Improvement Act of 2001. He introduced it to provide improvements in the VA insurance policies held by our Nation's veterans. The bill amends four separate areas of coverage.

Section 2 of the bill would have a positive impact on the way VA is able to handle a veteran's life insurance policy. AMVETS believes that this section, and this provision, takes the appropriate step in authorizing VA to fund or allocate the policy to secondary beneficiaries or an appropriate relative.

Section 4 of the bill would update the coverage provided to severely disabled veterans with mortgage life insurance. The proposed increase of maximum coverage to $200,000 from $90,000 is appropriate. Since 1992, when this coverage was last adjusted, the benefits of this program have significantly eroded. Increasing the amount to $200,000 is sufficient to bring it back up to meet the years of rising costs and inflation.

And Section 5 of the bill would ensure that veterans would not see their VMLI coverage terminated when they reach age 70. This is a simple thing, but it is important. AMVETS supports this section to allow veterans to keep their insurance after age 70.

H.R. 3731 was introduced to increase funding to State Approving Agencies. The bill is straightforward: it increases annual funding to $18 million from $14 million. As the subcommittee knows, State Approving Agencies serve an important role in evaluating and supervising GI Bill programs. Their work helps safeguard the programs veterans choose to pursue.

Without congressional approval, State Approving Agencies' funding would return to fiscal year 2000 levels and likely reduce the potential contribution of these agencies. AMVETS supports the bill.

AMVETS sincerely appreciates the opportunity to appear before you today, and we again thank you for your vigilance and your efforts to improve the benefits and services to veterans and their families.

Thank you, sir.

[The prepared statement of Mr. Jones appears on p. 88.]

Mr. SIMPSON. I thank all of you for your testimony this morning. Let me—I have got one question. On H.R. 1108, Ms. Blackwell, as I look at the federal programs and the effects of remarriage in the different ones, some of them—Civil Service Survivor benefits, remarriage after 55 terminates benefits. The Federal Employees Compensation Act, it is after 55. Railroad Retirement, it is after 60. Social Security, it is after 60. Military survivors benefits, it is after 55. Some of them are 55, some of them are 60.

Ms. BLACKWELL. Right.

Mr. SIMPSON. We are obviously going to be, as we work these bills out, working with a budget also, and trying to fit some of these within the budget. What would your position be if, as we work through these, the decision is made to go to age 60 rather than 55?

Ms. BLACKWELL. We would prefer 55, but if it takes getting this bill passed to move it up to 60, we would not object.

Mr. SIMPSON. Thank you. Appreciate that. And I am not suggesting that is what the committee will do or anything, I am just—I know that we have in all areas of the budget, limited resources, and we have several bills here that are important, and we would like to get them all passed or in effect, or whatever. And we have others that will be coming up before the committee also. So I appreciate that.

I don't have any further questions. Mr. Evans?

Mr. EVANS. I have no questions, Mr. Chairman, but I would like my rather lengthy opening statement to be included in the record.

Mr. SIMPSON. It will be, thank you.

[The statement of Hon. Lane Evans appears on p. 45.]

Mr. SIMPSON. If there are no further questions, then I appreciate all of you for being here today for your testimony on these important bills. As Mr. Weidman said, sometimes this is not the stuff that makes the headlines and stuff like that. But I think it does make an important effect in the daily lives of our veterans, which is exactly why this committee is here.

And so we appreciate you being here, your testimony. Admiral Cooper, thank you for staying during the testimony. Oftentimes we see someone from the VA come and give their testimony and leave. And I know that they are very busy and so forth, but it is important that I think you hear the testimony of these other individuals, too. And I know there may be times when we have hearings when you will wish you had left, when you will want to stay. So I appreciate it, and I appreciate your dedication.

Again, thank you all for being here today, and this committee stands adjourned.

[Whereupon, at 10:04 a.m., the subcommittee was adjourned.]

APPENDIX

I

107TH CONGRESS
1ST SESSION

H. R. 1108

To amend title 38, United States Code, to provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2001

Mr. BILIRAKIS introduced the following bill; which was referred to the Committee on Veterans Affairs

A BILL

To amend title 38, United States Code, to provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. RETENTION OF DEPENDENCY AND INDEMNITY**
4 **COMPENSATION FOR SURVIVING SPOUSES**
5 **REMARRYING AFTER AGE 55.**

6 (a) EXCEPTION TO TERMINATION OF BENEFITS
7 UPON REMARRIAGE.—Section 103(d) of title 38, United

1 States Code, is amended by adding at the end the fol-
2 lowing new paragraph:
3 "(6) The remarriage after age 55 of the surviving
4 spouse of a veteran shall not bar payment of benefits
5 under section 1311 of this title.".
6 (b) CONFORMING AMENDMENT.—Paragraph (4) of
7 such section is amended by striking "this subsection" and
8 inserting "paragraph (2) or (3)".

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I

107TH CONGRESS
1ST SESSION

H. R. 2095

To amend title 38, United States Code, to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for home loans guaranteed by the Secretary of Veterans Affairs.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2001

Mr. EVANS (for himself and Mr. REYES) introduced the following bill; which was referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for home loans guaranteed by the Secretary of Veterans Affairs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Reservist VA Home Loan Fairness Act of 2001".

1 **SEC. 2. UNIFORM HOME LOAN GUARANTY FEES FOR QUALI-**
2 **FYING MEMBERS OF THE SELECTED RE-**
3 **SERVE AND ACTIVE DUTY VETERANS.**

4 (a) IN GENERAL.—Paragraph (2) of section 3729(b)
5 of title 38, United States Code, is amended to read as
6 follows:

7 "(2) The loan fee table referred to in paragraph (1)
8 is as follows:

"LOAN FEE TABLE

Type of loan	Veteran	Other obligor
(A)(i) Initial loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other initial loan described in section 3710(a) other than with 5-down or 10-down (closed before October 1, 2008)	2 00	NA
(A)(ii) Initial loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other initial loan described in section 3710(a) other than with 5-down or 10-down (closed on or after October 1, 2008)	1.25	NA
(B)(i) Subsequent loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other subsequent loan described in section 3710(a) (closed before October 1, 2008)	3 00	NA
(B)(ii) Subsequent loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other subsequent loan described in section 3710(a) (closed on or after October 1, 2008)	1.25	NA
(C)(i) Loan described in section 3710(a) to purchase or construct a dwelling with 5-down (closed before October 1, 2008)	1.50	NA
(C)(ii) Loan described in section 3710(a) to purchase or construct a dwelling with 5-down (closed on or after October 1 2008)	0 75	NA
(D)(i) Initial loan described in section 3710(a) to purchase or construct a dwelling with 10-down (closed before October 1, 2008)	1.25	NA
(D)(ii) Initial loan described in section 3710(a) to purchase or construct a dwelling with 10-down (closed on or after October 1, 2008)	0.50	NA
(E) Interest rate reduction refinancing loan	0 50	NA
(F) Direct loan under section 3711	1.00	NA
(G) Manufactured home loan under section 3712 (other than an interest rate reduction refinancing loan)	1 00	NA
(H) Loan to Native American veteran under section 3762 (other than an interest rate reduction refinancing loan)	1 25	NA
(I) Loan assumption under section 3714	0 50	0 50

"LOAN FEE TABLE—Continued

Type of loan	Veteran	Other obligor
(J) Loan under section 3733(a)	2 25	2 25"

1 (b) CONFORMING AMENDMENTS.—(1) Paragraph
2 (4)(A) of such section is amended to read as follows:
3 "(A) The term 'veteran' means any veteran eli-
4 gible for the benefits of this chapter.".
5 (2) Paragraph (4) of such section is amended by
6 striking subparagraph (B) and redesignating subpara-
7 graphs (C), (D), (E), (F), (G), (H), and (I) as subpara-
8 graphs (B), (C), (D), (E), (F), (G), and (H), respectively.

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107TH CONGRESS
1ST SESSION

H. R. 2222

To amend title 38, United States Code, to make certain improvements to the Servicemembers' Group Life Insurance life insurance program for members of the Armed Forces, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 2001

Mr. FILNER introduced the following bill; which was referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to make certain improvements to the Servicemembers' Group Life Insurance life insurance program for members of the Armed Forces, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Veterans Life Insur-
5 ance Improvement Act of 2001".

1 **SEC. 2. PAYMENT OF INSURANCE PROCEEDS TO AN ALTER-**
2 **NATE BENEFICIARY WHEN FIRST BENE-**
3 **FICIARY CANNOT BE IDENTIFIED.**

4 (a) NSLI—Section 1917 of title 38, United States
5 Code, is amended by adding at the end the following new
6 subsection:

7 "(f)(1) Following the death of the insured and in a
8 case not covered by subsection (d)—

9 "(A) if the first beneficiary otherwise entitled to
10 payment of the insurance does not make a claim for
11 such payment within two years after the death of
12 the insured, payment may be made to another bene-
13 ficiary designated by the insured, in the order of
14 precedence as designated by the insured, as if the
15 first beneficiary had predeceased the insured; and

16 "(B) if within four years after the death of the
17 insured, no claim has been filed by a person des-
18 ignated by the insured as a beneficiary and the Sec-
19 retary has not received any notice in writing that
20 any such claim will be made, payment may (notwith-
21 standing any other provision of law) be made to
22 such person as may in the judgment of the Secretary
23 be equitably entitled thereto.

24 "(2) Payment of insurance under paragraph (1) shall
25 be a bar to recovery by any other person.".

1 (b) USGLI.—Section 1952 of such title is amended
2 by adding at the end the following new subsection:
3 "(c)(1) Following the death of the insured and in a
4 case not covered by section 1950 of this title—
5 "(A) if the first beneficiary otherwise entitled to
6 payment of the insurance does not make a claim for
7 such payment within two years after the death of
8 the insured, payment may be made to another bene-
9 ficiary designated by the insured, in the order of
10 precedence as designated by the insured, as if the
11 first beneficiary had predeceased the insured; and
12 "(B) if within four years after the death of the
13 insured, no claim has been filed by a person des-
14 ignated by the insured as a beneficiary and the Sec-
15 retary has not received any notice in writing that
16 any such claim will be made, payment may (notwith-
17 standing any other provision of law) be made to
18 such person as may in the judgment of the Secretary
19 be equitably entitled thereto.
20 "(2) Payment of insurance under paragraph (1) shall
21 be a bar to recovery by any other person.".
22 (c) TRANSITION PROVISION.—In the case of a person
23 insured under subchapter I or II of title 38, United States
24 Code, who dies before the date of the enactment of this
25 Act, the two-year and four-year periods specified in sub-

1 section (f)(1) of section 1917 of title 38, United States
2 Code, as added by subsection (a), and subsection (c)(1)
3 of section 1952 of such title, as added by subsection (b),
4 as applicable, shall for purposes of the applicable sub-
5 section be treated as being the two-year and four-year pe-
6 riods, respectively, beginning on the date of the enactment
7 of this Act.

8 **SEC. 3. REDUCTION IN SERVICE-DISABLED VETERANS IN-**
9 **SURANCE PREMIUMS.**

10 Section 1922(a) of title 38, United States Code, is
11 amended—

12 (1) by inserting "(1)" after "(a)"; and

13 (2) by striking the fourth sentence and all that
14 follows and inserting the following:

15 "(2) Insurance granted under this section shall be
16 issued upon the same terms and conditions as are con-
17 tained in the standard policies of National Service Life
18 Insurance, except that—

19 "(A) the premium rates for such insurance—

20 "(i) for premiums for months beginning
21 before the date of the enactment of the Vet-
22 erans Life Insurance Improvement Act of 2001
23 shall be based on the Commissioners 1941
24 Standard Ordinary Table of Mortality and in-
25 terest at the rate of 2¼ percent per year; and

1 "(ii) for premiums for months beginning
2 on or after that date shall be based upon the
3 1980 Commissioners Standard Ordinary Basic
4 Table of Mortality and interest at the rate of 5
5 percent per year;
6 "(B) all cash, loan, paid-up, and extended
7 values—
8 "(i) for a policy issued under this section
9 before the date of the enactment of the Vet-
10 erans Life Insurance Improvement Act of 2001
11 shall be based upon the Commissioners 1941
12 Standard ordinary Table of Mortality and inter-
13 est at the rate of 2¼ percent per year; and
14 "(ii) for a policy issued under this section
15 on or after that date shall be based upon the
16 1980 Commissioners Standard Ordinary Basic
17 Table of Mortality and interest at the rate of 5
18 percent per year;
19 "(C) all settlements on policies involving annu-
20 ities shall be calculated on the basis of The Annuity
21 Table for 1949, and interest at the rate of 2¼ per-
22 cent per year;
23 "(D) insurance granted under this section shall
24 be on a nonparticipating basis;

1 "(E) all premiums and other collections for in-
2 surance under this section shall be credited directly
3 to a revolving fund in the Treasury of the United
4 States; and
5 "(F) any payments on such insurance shall be
6 made directly from such fund.
7 "(3) Appropriations to the fund referred to in sub-
8 paragraphs (E) and (F) of paragraph (2) are hereby au-
9 thorized.
10 "(4) As to insurance issued under this section, waiver
11 of premiums pursuant to section 602(n) of the National
12 Service Life Insurance Act of 1940 and section 1912 of
13 this title shall not be denied on the ground that the serv-
14 ice-connected disability became total before the effective
15 date of such insurance.".

16 **SEC. 4. INCREASE OF VETERANS' MORTGAGE LIFE INSUR-**
17 **ANCE COVERAGE TO $200,000.**

18 (a) INCREASE.—Section 2106(b) of title 38, United
19 States Code, is amended by striking "$90,000" and in-
20 serting "$200,000".
21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply with respect to insurance pay-
23 able under section 2106 of title 38, United States Code,
24 in the case of a veteran insured under that section who
25 dies on or after the date of enactment of this Act.

1 SEC. 5. AUTHORITY FOR VETERANS' MORTGAGE LIFE IN-
2 SURANCE TO BE CARRIED BEYOND AGE 70.

3 Section 2106 of title 38, United States Code, is
4 amended—

5 (1) in subsection (a), by inserting "age 69 or
6 younger" after "any eligible veteran"; and

7 (2) in subsection (i), by striking paragraph (2)
8 and redesignating paragraphs (3) and (4) as para-
9 graphs (2) and (3), respectively.

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107TH CONGRESS
2D SESSION

H. R. 3731

To amend title 38, United States Code, to increase amounts available to State approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and eligible persons under the Montgomery GI Bill and under other programs of education administered by the Department of Veterans Affairs

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2002

Mr. SMITH of New Jersey (for himself, Mr. EVANS, Mr. SIMPSON, Mr. REYES, Mr. FILNER, Mr. BAKER, Mr. PICKERING, Mr. SHOWS, Mr. KING, Mr SANDERS, Mr. BALDACCI, Ms. CARSON of Indiana, Mr. REYNOLDS, and Mr. MOORE) introduced the following bill; which was referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to increase amounts available to State approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and eligible persons under the Montgomery GI Bill and under other programs of education administered by the Department of Veterans Affairs.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INCREASE IN AGGREGATE ANNUAL AMOUNT**
2 **AVAILABLE FOR STATE APPROVING AGEN-**
3 **CIES FOR ADMINISTRATIVE EXPENSES.**

4 Section 3674(a)(4) is amended to read as follows:

5 "(4)(A) The total amount made available under this
6 section with respect to a fiscal year may not exceed the
7 following:

8 "(i) For fiscal year 2002, $14,000,000.

9 "(ii) For fiscal year 2003, $18,000,000.

10 "(iii) For fiscal years 2004 and 2005, the
11 amount for the preceding fiscal year, increased by 3
12 percent.

13 "(iv) For fiscal year 2006 and each succeeding
14 fiscal year, the amount for fiscal year 2005.

15 "(B) For any fiscal year in which the total amount
16 that would be made available under this section would ex-
17 ceed the amount applicable to that fiscal year under sub-
18 paragraph (A) except for the provisions of this paragraph,
19 the Secretary shall provide that each agency shall receive
20 the same percentage of the amount applicable to that fis-
21 cal year under the preceding sentence as the agency would
22 have received of the total amount that would have been
23 made available without the limitation of this paragraph.".

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CHAIRMAN MIKE SIMPSON
OPENING STATEMENT
HEARING ON H.R. 1108, H.R. 2095, H.R. 2222, H.R. 3731

APRIL 11, 2002

GOOD MORNING. THE MEETING WILL COME TO ORDER.

WELCOME TO OUR FIRST LEGISLATIVE HEARING OF THE SESSION. TODAY WE ARE RECEIVING TESTIMONY ON A NUMBER OF BILLS. I WILL HIGHLIGHT THEM BRIEFLY:

H.R. 1108 WOULD ALLOW THE SURVIVING SPOUSE OF A VETERAN TO RETAIN HER DEPENDENCY AND INDEMNITY COMPENSATION SHOULD SHE REMARRY AFTER AGE 55. UNDER CURRENT LAW, A SURVIVING SPOUSE LOSES D.I.C. ENTITLEMENT DURING THE COURSE OF A SUBSEQUENT REMARRIAGE. I WELCOME THE CHIEF SPONSOR OF THE BILL, MIKE BILIRAKIS, WHO IS WITH US THIS MORNING;

H.R. 2095 WOULD PROVIDE UNIFORMITY IN THE FEES THAT ARE CHARGED TO ACTIVE DUTY AND MEMBERS OF THE SELECTED RESERVE WHEN APPLYING FOR A VA HOME LOAN;

H.R. 2222 WOULD MAKE A NUMBER OF IMPROVEMENTS TO VA'S INSURANCE PROGRAMS. I WANT TO THANK MR. FILNER FOR ALSO BEING HERE TODAY; AND

H.R. 3731 WOULD INCREASE FUNDING FOR STATE APPROVING AGENCIES IN LIGHT OF ADDITIONAL STATUTORY DUTIES.

WE HAD A VERY AGGRESSIVE LEGISLATIVE AGENDA LAST SESSION, AND I HOPE WE CAN CONTINUE THE PRECEDENT WE SET IN 2001. THE MEMBERS OF THE SUBCOMMITTEE, ALONG WITH THE STAFF, WORKED IN A TRULY BIPARTISAN MANNER TO NOT ONLY PROVIDE THE LARGEST INCREASE IN MONTGOMERY GI BILL BENEFITS EVER, BUT ALSO MADE REAL IMPROVEMENTS AND ENHANCEMENTS TO OTHER VA PROGRAMS. I EXPECT NO LESS THIS SESSION.

BEFORE WE BEGIN WITH OUR FIRST PANEL, I'D LIKE TO RECOGNIZE THE RANKING MEMBER, MR. REYES, FOR ANY COMMENTS HE WISHES TO MAKE.

Long Statement of Honorable Lane Evans
Ranking Democratic Member
Subcommittee on Benefits Hearing
On H.R. 1108, H.R. 2095, H.R. 2222, and H.R. 3731

April 11, 2002

I want to welcome Mike Bilirakis and Bob Filner, distinguished Members of this Committee and long-standing advocates for our nation's veterans and their families. Also congratulations to Admiral Cooper on your confirmation as Under Secretary for Benefits. We look forward to working with you to address the numerous challenges facing the Veterans Benefits Administration.

I would like to thank the Subcommittee Chairman, Mike Simpson and our Subcommittee Ranking Member, Silvestre Reyes, for holding this hearing. In particular, I am pleased that you are considering H.R. 2095, which I introduced to equalize the fees paid by reservists and other veterans who qualify for VA home loans. I am a strong supporter of all of the bills which we are considering today.

Mike, you have continued to draw our attention to the needs of our Nation's veterans and their families. H.R. 1108 is but another example of your conscientious attention to veterans' issues. I am a co-sponsor of H.R. 1108. I believe that the surviving spouses of those who have died as a result of their service to our Nation should not be treated less fairly than the survivors of other federal employees. I hope that the Subcommittee will favorably report this legislation and I look forward to seeing it enacted.

Bob, you have again recognized the inequities of our current insurance structure. Your bill, H.R. 2222, recognizes the critical need to constantly review and update our laws to make them consistent with the needs of today's veterans. I fully support the provisions to permit an alternate beneficiary to receive the proceeds of a policy if the identified beneficiary cannot be located within a reasonable period of time. I remain puzzled by the view that the cost of paying these policies should receive "PAYGO" consideration. Our veterans have paid for these policies, so that their families or other designated beneficiaries can receive the benefits upon their deaths. To avoid paying on these contractual obligations because a beneficiary cannot be located sounds a lot like government unjust enrichment to me. I urge the Subcommittee to favorably report H.R. 2222.

I introduced the Reservist VA Home Loan Fairness Act of 2001 to recognize the indispensable contribution the members of the Reserve Components make to this nation's total military force. By supporting The Reservist VA Home Loan Fairness Act of 2001, Congress will do more than simply state that "Reservists are full-partners in the Total Force" – Congress will recognize the contributions of Reservists in a tangible way by granting them access to VA home loans on the same footing and at the same funding fee schedule as active duty veterans. This is a basic fairness issue.

Since the Gulf War, America has called upon the Guard and Reserves at an ever-increasing rate. In the last five years, the utilization tempo of Reserve Component members has increased 13-fold from the tempo they maintained during the last five years of the 1980s. When called to duty, members of the Guard and Reserves leave home, family and job to enter harm's way. They are indistinguishable from their active duty counterparts in Bosnia, Korea, or in South West Asia. Yet, should these veterans apply for a VA Home Loan Guarantee, they are told that they must pay an additional three-quarters of one percent for the VA's Reservist-rate Funding Fee.

Reservists are the only group required to bear this added financial burden for VA Home Loans. Perhaps this is one reason that less than four percent of all home loans in FY 2000 were provided to Reservists. This disparity must end. The Guard and Reserves are full partners in America's Total Force. I hope that the Subcommittee will favorably report this bill. The cost in dollars is small, but the message we will send is large and powerful.

Together, we have recently made tremendous gains in VA education benefits. Beginning in October of 2003, veterans will be receiving $985 per month to empower improve their lives through education. We have also made the Montgomery GI Bill a more flexible and more modern benefit in light of the many new ways in which education can be delivered today. Like all of you, I am very happy about this great news.

The advocacy efforts put forth by State Approving Agencies (SAA) were instrumental in making last session's legislative accomplishments possible. I particularly want to thank the State Approving Agency from every State that made the effort to make help pass that legislation. I am well aware of the additional duties and responsibilities that Congress has recently placed on SAA. We recognize the need for increased funding for SAA. In this regard, I am happy to have been an original cosponsor of H.R. 3731. This bill would provide the additional funding that is now necessary if SSA are still going to be able to provide the excellent services you are well known for.

SAA workload has been growing over the last few years. There have been several legislative enactments that either directly require additional SAA activity or have a significant impact on what they are already doing. For example, SAA are now approving licensing and certification tests and short-term high technology programs. SAAs were also given formal responsibility for outreach activities under Public Law 107-103.

The numbers of approved facilities and total program approvals have been increasing. Overall, approved facilities are up 48%, which includes a 113% growth in Apprenticeships and a 136% growth in On-the-job Training Programs. Technical training and assistance activities have increased by 34% and oversight and training visits by 4%. As the activities of SAA continue to grow, their ability to respond effectively will be severely impaired if we do not increase their funding level.

Again, I thank the Subcommittee Chairman and Ranking Member for holding this hearing and look forward to the testimony of our witnesses.

The Honorable Michael Bilirakis
Committee on Veterans' Affairs
Subcommittee on Benefits

April 11, 2002

I want to thank Chairman Simpson and Ranking Member Reyes for inviting me to testify before the Benefits Subcommittee this morning. I appreciate being given the opportunity to discuss my legislation, H.R. 1108, which provides that the remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of Dependency and Indemnity Compensation (DIC).

As my colleagues know, Dependency and Indemnity Compensation is the benefit accorded to the surviving dependents of those members of the Armed Forces who died while on active duty or of a service-connected cause. **DIC is the only federal annuity program that does not allow a widow who is receiving compensation to remarry at an older age and retain her annuity**. To illustrate this point, I have attached a chart which shows how remarriage affects federal survivor programs to my written testimony. As you will see from this chart, all other federal survivor programs allow a widow to retain her benefits if she remarries at age 55 or 60.

I have heard from military widows from across the country who have found someone they would like to spend the rest of their lives with but cannot afford to do so because of the current law. They have expressed deep frustrations about not being able to remarry. Many of these women lost their husbands at a very young age and have been alone for a long time. They have finally found someone to share their lives with but they are afraid to remarry because they will lose their DIC benefits.

I think it is a wonderful thing if an older person finds companionship, falls in love and decides to marry. I don't think we should be discouraging such marriages by making them financially burdensome. For those remarrying after the age of 55, it is often the case that both partners are living on fixed incomes. The prospect of one partner losing financial benefits as a result of the marriage is a real disincentive. In fact, current law makes it virtually impossible for some couples to marry after age 55 because they simply cannot afford to do so and continue to support themselves.

Therefore, I have once again introduced legislation that would allow a military widow to remarry after age 55 and retain her DIC compensation. My bill, H.R. 1108, makes a simple change that could mean a great deal to those who find themselves in this predicament, and I hope you will join me in supporting this change.

I would be happy to answer any questions.

How Remarriage Affects Federal Survivor Programs

Federal Program	Effects of Remarriage
DIC Benefits	Remarriage terminates benefits
Civil Service Survivor Benefits	Remarriage under age 55 terminates benefits Remarriage at age 55 or over has no effect on benefits
Federal Employees Compensation Act	Remarriage under age 55 terminates benefits Remarriage at age 55 or over has no effect on benefits
Railroad Retirement	Remarriage under 60 (50 if disabled) terminates benefits Remarriage at age 60 (50 if disabled) or over has no effect on benefits
Social Security	Remarriage under 60 (50 if disabled) terminates benefits Remarriage at age 60 or over (50 if disabled) has no effect on benefits
Military Survivor Benefit Plan	Remarriage under age 55 terminates benefits Remarriage at age 55 or over has no effect on benefits

Statement of Congressman Bob Filner
Subcommittee on Benefits
Committee on Veterans' Affairs

April 11, 2002

Chairman Simpson, thank you for holding this hearing on my bill, HR 2222, the "Veterans Life Insurance Improvement Act of 2001." I introduced this bill because insurance ranks high on the list of importance to our veterans, and there are parts of our VA insurance program that need fixing. This bill would improve the insurance benefits to severely disabled veterans and make improvements in the insurance programs administered by the Department of Veterans Affairs (VA).

Currently, VA holds about 4,000 insurance policies valued at about $23 million on which payment has not been made. Why? Because the VA has been unable to locate the person identified as the beneficiary following the death of a veteran. Under current law, if VA cannot locate the beneficiary, no benefits on the policy can be paid. H.R. 2222 contains a provision passed during the first session as section 401 of H.R. 2540 which would permit VA to pay secondary beneficiaries if the beneficiary does not file a claim within two years after the veteran's death. If none of the beneficiaries file a claim within four years after the veterans death, the Secretary may pay

another appropriate relative, as is deemed appropriate. It is a shame to have veterans paying for life insurance throughout their lifetimes, only to have the insurance unclaimed. This provision would benefit the families of our veterans.

Since the provision which passed the House was not included in the final version of H.R. 2540 enacted into law, I urge the Subcommittee to mark up this provision during this session.

Secondly, the Service-Disabled Veterans Insurance Program was intended to provide service-disabled veterans with the ability to purchase insurance coverage at "standard" premium rates. However, because service-disabled veterans have been living longer, their rates are no longer compatible with commercial rates. The bill would provide service-disabled veterans with insurance comparable to standard policies. Service-disabled veterans should not be subsidizing the higher cost of insurance due to their service-connected disabilities.

I believe that this country owes a great debt to our Nation's veterans, especially those who are so disabled by service-connected conditions that they do not qualify for life insurance. It is our government's responsibility to assure that the

disabilities resulting from military service are fully compensated. Premiums based on outmoded life expectancy tables unfairly penalize these veterans for their service-connected disabilities. They should be revised as provided in this bill.

Third, the VA provides severely-disabled veterans with mortgage life insurance (VMLI) up to $90,000. Currently, this amount covers only about 79% of outstanding mortgage balances because the maximum amount has not been increased since 1992. This bill would increase the maximum to cover 98% of the mortgage balances outstanding.

Veterans who are so severely disabled that they qualify for a home adaptation grant should not have their mortgage insurance reduced by the simple passage of time. As I said, these amounts have not been increased in ten years, while the cost of housing and housing adaptations have increased. It is time to fix this problem.

Finally, VMLI coverage now terminates at age 70. Commercial policies do not issue such insurance after age 70, but they do not terminate coverage for persons currently

insured. My bill would allow veterans currently covered to continue insurance after age 70.

Thank you for this opportunity to testify on H.R. 2222. I hope that the Subcommittee will act favorably on this bill.

STATEMENT OF

DANIEL L. COOPER

UNDER SECRETARY FOR BENEFITS

DEPARTMENT OF VETERANS AFFAIRS

BEFORE THE HOUSE VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

THURSDAY, APRIL 11, 2002

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today on several legislative items of interest to the Department of Veterans Affairs (VA). Accompanying me today are Robert Epley, Associate Deputy Under Secretary for Policy and Program Management, and John Thompson, Deputy General Counsel.

Before I discuss the bills the Subcommittee is considering today, I would like to note that, as you know, these measures would affect direct spending and receipts and, therefore, would be subject to pay-as-you-go (PAYGO) rules. Accordingly, the support VA expresses here for the subject bill provisions is contingent on accommodating the provisions within the budget submitted by the President.

H.R. 1108

First, Mr. Chairman, I would like to provide VA's views on H.R. 1108. This bill would amend 38 U.S.C. § 103(d) to remove the bar on the payment of Dependency and Indemnity Compensation (DIC) benefits to surviving spouses who remarry after age 55. VA supports enactment of this legislation.

The DIC program provides tax-free monthly benefits to the surviving spouses of veterans who die in or as a result of military service. Current law denies DIC during periods of surviving spouses' subsequent marriages or (in cases not involving remarriage) during periods when they live with another person and hold themselves out openly to the public to be that persons' spouses.

DIC was created for two purposes: to replace family income lost due to the servicemember's or veteran's death and to serve as reparation for the death. In 1956, the Servicemen's and Veterans' Survivor Benefits Act replaced the preexisting death compensation program and the $10,000 Servicemen's Indemnity Act payment with DIC. The House Select Committee on Survivor Benefits explained, in a 1955 report, H.R. Rep. No. 84-993, that, "these two separate and distinct survivor benefit programs . . . would become one. To this limited extent one of the objectives of the committee, greater simplicity, would be accomplished and the long-term interest and equity of survivors protected." This Act established a monthly DIC rate for widows consisting of a fixed rate plus a percentage of the basic pay prescribed for the deceased servicemember's pay grade and length of service. It is apparent from this Committee Report that the fixed rate represented the "indemnity" or reparation element of the compensation and the percentage of the deceased servicemember's basic pay represented the "dependency" or income-replacement element. In this manner, DIC was intended to meet, at least in part, the Government's obligation to those who died in the defense of our country. An expansion of eligibility for DIC would well serve this purpose for the following reasons.

Marital decisions often involve consideration of economic consequences, and often those consequences are different for older surviving spouses, who may no longer

be in the job market and who may have insufficient income apart from DIC to maintain a basic standard of living regardless of whether they remarry. The beneficiaries targeted by this proposal are particularly disadvantaged by loss of DIC upon remarriage because they are often retired or contemplating retirement, may be disabled, and may be living on a fixed income. Those whose deceased-veteran spouses had been severely disabled may have foregone careers of their own in order to care for them. Thus, they are often unable to offset lost DIC by earnings or other income. Furthermore, when a surviving spouse of advanced age remarries, termination of DIC may impose severe financial hardship because the new spouse, similarly advanced in age, is generally preparing for retirement or is already retired, may be disabled, and may be living on a fixed income. In other words, the new spouse also may have limited income and may be unable, because of age or disablement, to augment it. To the extent the DIC program was intended to provide a replacement for a veteran's contribution to household support, this contribution is still necessary for a surviving spouse of advanced age even if the surviving spouse remarries, because remarriage often does not adequately provide for his or her subsistence needs. Further, to the extent that DIC provides indemnification for the veteran's death, the basis for compensation is not eliminated by the surviving spouse's remarriage.

The new provision would assist surviving spouses by allowing those over age 55 to maintain their standards of living, thus removing any economic disincentive to remarriage. A veteran's surviving spouse would be able to enter into a second marriage without fear of economic deprivation, and the elderly couple would be permitted to live together in comfort and dignity—legally married.

Benefits for surviving spouses of military retirees through the Department of Defense's (DoD) Survivor Benefit Plan do not terminate if remarriage takes place at age 55 or thereafter. In addition, we note that Social Security survivors' benefits do not terminate if remarriage takes place at age 60 or thereafter. The proposed amendment would thus better align DIC benefits with benefits provided to surviving spouses of military retirees under DoD's Survivor Benefit Plan and to surviving spouses under the Social Security program.

This amendment is subject to the PAYGO limitations of the Omnibus Budget Reconciliation Act of 1990. If enacted, it would increase direct spending in VA benefits programs. VA estimates that enactment of this provision would result in benefit costs of $269 million for the five-year period Fiscal Year (FY) 2003 through FY 2007 and $749 million for the ten-year period FY 2003 through FY 2012.

H.R. 2095

The next bill I will discuss, Mr. Chairman, is H.R. 2095. This measure would reduce the VA home loan funding fee paid by Reservists to the same level at most other veterans. VA supports this proposal to eliminate the additional .75 percent of the loan amount currently imposed on Reservists to obtain VA housing loan benefits.

In 1992, the Congress granted VA housing loan entitlement to persons whose only military service was in the Selected Reserve (including the National Guard). To be eligible for these benefits, Reservists must have completed 6 years of honorable service in the Selected Reserve, or have been released earlier for a service-connected disability. Entitlement for Reservists sunsets September 30, 2009. In most cases, Reservists pay a funding fee that is .75 percent higher than the fee charged veterans

who served on extended active duty. For example, Reservists who have never used VA housing benefits before would pay a 2.75 percent fee to obtain a no-downpayment loan to purchase a home. Generally, veterans with qualifying active duty would pay a 2 percent fee to obtain the same loan. Veterans entitled to compensation for service-connected disabilities are exempt from the fee.

Under H.R. 2095, Reservists would pay the same fee currently charged other veterans.

In recent years, there has been an increased emphasis on the use of Reservists as part of the Armed Forces actively employed for national defense. Many members of the Reserves and National Guard were activated following the terrorist attacks of September 11, 2001. They have played and continue to play a vital role in support of our active forces and in homeland security. In addition, Reservists have been deployed to other trouble spots around the world such as Bosnia, Kosovo, and the Persian Gulf. In recognition of the importance of the Selected Reserve to our current defense efforts, VA supports this measure.

VA estimates that enactment of H.R. 2095 would result in PAYGO costs of approximately $3.27 million in the first year and approximately $32.66 million through FY 2009.

H.R. 2222

Mr. Chairman, VA supports the enactment of H.R. 2222. This bill would make improvements to various life insurance programs for veterans. The bill's estimated PAYGO costs are $93.9 million over five years.

Section 2 of H.R. 2222 would authorize the payment of unclaimed National Service Life Insurance (NSLI) and United States Government Life Insurance (USGLI) proceeds to an alternate beneficiary.

Under current law, there is no time limitation under which a named beneficiary of an NSLI or USGLI policy is required to file a claim for proceeds. Consequently, when the insured dies and the beneficiary does not file a claim for the proceeds, VA is required to hold the unclaimed funds indefinitely in order to honor any possible future claims by the beneficiary. VA holds the proceeds as a liability. While extensive efforts are made to locate and pay these individuals, there are cases where the beneficiary simply cannot be found. Under current law, we are not permitted to pay the proceeds to a contingent or alternate beneficiary unless we can determine that the principal beneficiary predeceased the policyholder. Consequently, payment of the proceeds to other beneficiaries is withheld.

A majority of the existing liabilities of unclaimed proceeds were established over ten years ago. As time passes, the likelihood of locating and paying the principal beneficiary becomes more remote. In fact, the older the liability becomes, the more unlikely it is that it will ever be paid even though other legitimate heirs of the insured have been located.

Section 2 of H.R. 2222 would grant the Secretary authority to authorize payment of NSLI and USGLI proceeds to an alternate beneficiary when the proceeds have not been claimed by the named beneficiary within two years following the death of the policyholder or within two years of this bill's enactment, whichever is later. The principal beneficiary would have two years following the death of the insured to file a claim.

Afterwards, a contingent beneficiary would then have two years to file a claim. Payment would be made as if the principal beneficiary had predeceased the insured. If there were no contingent beneficiary to receive the proceeds, payment would be made to those equitably entitled, as determined by the Secretary. As occurs under current law, no payment would be made if payment would escheat to a State. Such payment would be a bar to recovery of the proceeds by any other individual.

Section 2 of the bill would apply retroactively as well as prospectively, and is similar to the time-limitation provisions of the Servicemembers' and Veterans' Group Life Insurance programs and the Federal Employees Group Life Insurance program.

Insofar as payment to beneficiaries is made from the insurance trust funds, there are no direct appropriated benefit costs associated with this section of the bill. The liabilities are already set aside and would eventually be paid, either as payment to beneficiaries that eventually claim the proceeds, or released from liability reserves and paid as dividends.

There are approximately 4,000 existing policies in which payment has not been made due to the fact that we cannot locate the primary beneficiary, despite extensive efforts. Over the years, the sum of moneys held has aggregated to approximately $23 million. On a yearly basis, about 200 additional policies (with an average face value of $9600, or approximately $1.9 million annually) are placed into this liability because the law prohibits payment to a contingent beneficiary or to the veteran's heirs. It is estimated that approximately two-thirds of the 4,000 policies will eventually be paid as a result of this legislation. Additionally, in anticipation of the fact that VA will not be able to pay about one-third of these policies, nearly $7 million has already been released to surplus and made available for dividend distribution.

VA estimates that the enactment of this section would result in PAYGO costs of $15 million during FYs 2003-2007 and a total of $25 million during FYs 2003-2012.

Adjudication of these 4,000 policies would entail administrative costs of approximately $154,000, representing two full-time employee equivalence (FTE) in claims processing and support. Approximately 94 percent of this cost would be reimbursed to the Veterans Benefits Administration's General Operating Expense (GOE) account from the surplus of the trust funds, leaving about $9,000 in government costs (which assumes that about six percent of the policies are Service-Disabled Veterans Insurance, which has no surplus and for which appropriated funds are used to cover administrative costs).

Section 3 of H.R. 2222 would reduce the premium rates for Service-Disabled Veterans Insurance (S-DVI) by prospectively changing the mortality table upon which premiums are based. The S-DVI program was intended to provide service-disabled veterans with the ability to purchase insurance coverage at "standard" premium rates. S-DVI premiums are currently based on an old mortality table, i.e., the 1941 Commissioners Standard Ordinary (CSO) Mortality Table with 2.25 percent interest. In 1951, when this program began, these premium rates were competitive with commercial insurance policy rates. Insofar as life expectancy has significantly improved over the past fifty years, a more recent mortality table would reflect lower mortality and, hence, lower premium rates. Section 3 would provide that S-DVI premiums be based on the 1980 CSO Basic Mortality Table with an interest rate of five percent. While just changing to a more recent mortality table would assist new entrants into the program, it

would not render any assistance to those already insured under the program unless the new mortality table, with its inherent lower premiums, was made available to them also.

Section 3 of this bill would provide service-connected disabled veterans parity with the average American's ability to purchase adequate amounts of life insurance at competitive rates. This section of H.R. 2222 would ensure that service- connected disabled veterans have the ability to obtain life insurance at standard premium rates without regard to their physical disabilities. Our goal is to provide insurance protection to veterans who have lost their ability to purchase commercial insurance at standard (healthy) rates because of their service-connected disabilities. Participants receive a subsidy equal to the difference between the premiums they pay – which account for age but not disabilities – and the actual cost of coverage.

VA estimates that the enactment of section 3 of H.R. 2222 would result in PAYGO costs of $66 million during FY 2003-2007 and a total of $150.7 million during FYs 2003-2012.

Section 4 of H.R. 2222 would increase the maximum coverage under the Veterans' Mortgage Life Insurance (VMLI) program to $200,000. VMLI provides mortgage life insurance coverage to certain severely service-disabled veterans who have received specially-adapted housing grants from VA. The insurance is intended to pay off the outstanding balance of the mortgage in the event of the veteran's death. The current maximum amount of VMLI allowed an eligible veteran is $90,000.

The maximum amount of mortgage life insurance was last increased on December 1, 1992, when it was raised from $40,000 to $90,000. This resulted in the VMLI program covering a high percentage (91 percent) of the total mortgage balances

that these severely disabled veterans held. With the increase in housing costs over the past nine years, the percentage of total mortgage balances covered has decreased significantly.

As of the start of this fiscal year, the VMLI program was providing $201 million of coverage while the outstanding mortgage balances for these veterans totaled $255 million. The coverage percentage has declined from 91 percent to 79 percent. This points to the inadequacy of the VMLI current maximum of $90,000. If the maximum coverage amount were increased to $200,000, the program would cover 98 percent of the total mortgage balances outstanding. The need for the increase is even more compelling if viewed from the perspective of the number of veterans in the VMLI program who have their entire mortgage balances insured. At the current level of $90,000, only 62 percent of participants have their entire mortgage balance covered. This means that in 38 percent of the cases, if the veteran died, the survivors would still have mortgages remaining on their homes. If the maximum were raised to $200,000, 98 percent of participants would be able to have their mortgages fully covered.

The VMLI program is subsidized with appropriated funds since these veterans are charged standard premium rates. An increase in the maximum coverage amount to $200,000 would affect 1,286 of the 3,385 veterans covered by the program. While the premiums charged these veterans would increase, the subsidy required from the government would also rise. A consulting team of Systems Flow, Economic Systems, Macro International, and Hay Group recently completed a *Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities*, and many of the provisions of the proposed bill, including the provisions of this section, are consistent with the recommendations of that evaluation.

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VA estimates that the enactment of section 4 of H.R. 2222 would result in PAYGO costs of $10.8 million during FYs 2003-2007 and a total of $28.4 million during FYs 2003-2012.

Section 5 of H.R. 2222 would provide that Veterans' Mortgage Life Insurance (VMLI) may be carried by the insured beyond age 70, but would limit new issues to ages 69 and below. These policy provisions are fairly comparable to those of commercial life insurance policies, except for the VMLI provision that coverage terminates at age 70. As part of the *Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities*, the contracting company, Systems Flow, compiled a report, "VA Insurance and DIC Programs - Profile of Users and Non-Users and Beneficiaries," of the VA insurance and DIC programs. This report included a finding that, among users whose VMLI insurance was terminated, 12 percent of them had their insurance terminated due to their reaching age 70. Because of such terminations, VA is not providing financial security to the veterans' families.

Insofar as premium income for the VMLI program only covers about 25 percent of claims costs, this is a relatively heavily subsidized program. However, since it is only open to a small group of veterans (those eligible for specially-adapted housing), the increase in the subsidy to allow coverage past age 70 is relatively nominal. The provisions of this section are consistent with the recommendations of the before-mentioned Program Evaluation Report.

VA estimates that the enactment of section 5 of H.R. 2222 would result in PAYGO costs of $2.1 million during FYs 2003-2007 and a total of $5.3 million during FYs 2003-2012.

H.R. 3731

The final bill I will be discussing today, Mr. Chairman, is H.R. 3731. This bill provides for an increase in the annual limit on funds available to compensate State approving agencies (SAA's) for work undertaken on behalf of VA, including approving educational institutions and programs for which veterans and other entitled participants receive VA-administered education benefits. VA supports this bill.

H.R. 3731 would increase the annual limit on funds available to compensate SAA's from $14,000,000 in FY 2002 to $18,000,000 in FY 2003. The amounts for FYs 2004 and 2005 would increase by 3 percent each year ($18,540,000 in 2004, $19,096,000 in 2005). Funding for FY 2006 and each succeeding fiscal year would remain fixed at the FY 2005 level. (If there is no change to the current law, the $14,000,000 level of funding will revert to $13,000,000 for FY 2003 and thereafter.) This bill also specifies that the various SAAs would receive the same proportion of payments under the newly allocated funding limits as they would receive if those funding limits did not exist.

Because of the cost-of-living pay increases mandated by State law, salaries for State employees have gone up since the last SAA funding increase in 1994. Additionally, over the last two years, the SAAs have been called upon to perform new and time-consuming duties as part of their mission. For example, Public Law 106-419, enacted on November 1, 2000, initiated the licensing and certification test payment program and allowed VA to delegate the approval responsibility under the program to the SAAs. The SAAs accepted this additional responsibility even though it was not covered in their contracts.

In recent years, a number of SAAs have worked closely with private industry and State and local governments to encourage placement of veterans in apprenticeship and on-job training programs. However, many other SAAs that wanted to do more outreach could not do so due to a lack of resources. Now, newly-enacted Public Law 107-103 requires SAAs, in addition to VA, to actively promote the development of VA programs of on-job training (including apprenticeship programs). Furthermore, that law requires SAAs to conduct outreach programs and provide outreach services to eligible persons and veterans about education and training benefits available under applicable Federal and State laws. Clearly, increased funding is needed to enable the SAAs to carry out these additional duties effectively .

VA estimates that enactment of this provision would result in PAYGO costs of $5 million for FY 2003, $29 million for the five-year period FY 2003 through FY 2007, and $59 million for the ten-year period FY 2003 through FY 2012.

Thank you, Mr. Chairman. I will be pleased to answer any questions you or other members of the Subcommittee may have.

STATEMENT OF
ERIN M. HARTING,
LEGISLATIVE ANALYST

THE ENLISTED ASSOCIATION
OF THE NATIONAL GUARD
OF THE UNITED STATES (EANGUS)

BEFORE THE

COMMITTEE ON VETERANS AFFAIRS

APRIL 11, 2002

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Enlisted Association of the National Guard of the United States (EANGUS) does not currently receive, nor has the Association ever received, any federal money for grants or contracts. All of the Association's activities and services are accomplished completely free of any federal funding.

Mr. Chairman, Members of the House Committee on Veterans Affairs, I am grateful to have this opportunity to express the views of the Enlisted Association of the National Guard of the United States (EANGUS) concerning H.R. 2095, the Reservist VA Home Loan Fairness Act.

The National Guard has recently been called upon more than at any time in history to provide peacetime and combat-ready support for contingencies around the world. Add to that the new homeland defense mission, and it becomes very clear that the National Guard will continue to be called upon to contribute to this nation's defense more than ever before.

Reserve Component servicemembers have been asked to shoulder a greater and greater share of the responsibility for defending the nation's security at home and abroad. We have more than (((waiting for numbers)))) National Guard and Reserve troops on active duty to perform vital homeland defense missions – guarding airports, nuclear facilities, and other potential targets of terror across the country

The active duty military is dependant upon the National Guard in order to sustain readiness to meet the demands of the current national military strategy. It is a fact that 52% of combat support is found within the Reserve components. This "total force" structure has taken more than twenty years to achieve. EANGUS believes that eliminating the additional loan fee for the VA Home Loan for the Guard and Reserve is another step in bringing about equity in the Total Force. I would like to thank Congressman Lane Evans for introducing H.R. 2095.

Currently, National Guard and Reserve members must pay an additional .75% funding fee for their VA Home Loans. H.R. 2095 would change existing law, making the fees uniform for active duty and Reservist members. On a $200,000 loan, this .75% represents an additional funding fee of $1,500 for the National Guard or Reserve member. However, EANGUS believes that we must be cautious and ensure that the VA does not suffer the loss of the additional income provided by the funding fee – in 1998, the Congressional Budget Office estimated that the origination fee charged to Reservists more than offset the subsidy, resulting in lower net spending by $3 million annually. Without the higher fee, the program will cost $3 million a year. [1] We have this concern because the program is not a permanent program, it will expire September 30, 2009, and we fully understand the pay-go provision.

Since the beginning of the Home Loan program for Guard and Reserve members in October of 1992, the VA has guaranteed more than 77,854 loans for National Guard and Reserve members as of the end of fiscal year 2000 As of 1996, according to the VA, only 93 of those loans made to Reservists had been foreclosed upon: a rate of 0 37 percent [2] Foreclosure rates for loans made to other veterans were two and a half times

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[1] House of Representatives Report 105-627, "Veterans Benefits Improvements Act of 1998.

[2] Department of Veterans Affairs Reports to Congress, 1997

higher at 0.97 percent. Sixty-seven percent of loans to Reservists guaranteed by the VA in fiscal year 1996 were to first time home buyers, compared to fifty-six percent of loans to other veterans.[3] Unfortunately, more recent numbers are not available, since the VA is no longer required to report separate numbers for the Reserve VA Home Loan.

This data demonstrates that the VA Home Loan for Guard and Reserve members is a success – over 77,000 people now own a home who may not have been able to without the program. National Guard and Reserve members are a more stable force and less likely to default on a loan.

Currently, the association has not received any inquiries about reducing the funding fee, but we have heard from our members on the need to make the program permanent.

EANGUS appreciates the dedication and commitment of the members of the Committee in protecting, defending and restoring the benefits earned by those who have served our nation in peace and war. Thank you for the opportunity to submit testimony on behalf of our membership.

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[3] Department of Veterans Affairs Reports to Congress, 1997

STATEMENT OF

SIDNEY DANIELS
ASSISTANT DIRECTOR, BENEFITS POLICY
NATIONAL VETERANS SERVICE

BEFORE THE

SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

H.R 1108, H.R. 2095, H.R. 2222 & H.R. 3731

WASHINGTON, DC APRIL 11, 2002

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the 2 7 million members of the Veterans of Foreign Wars of the United States and our Ladies Auxiliary, I would like to thank you for the opportunity to express our views on the four veterans' benefits bills under consideration today I would also like to convey our strong support for these bills and urge the Subcommittee to act favorably towards them

H.R. 1108
To amend title 38, United States Code, to provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency indemnity compensation

This bill would allow surviving spouses of veterans to continue receiving dependency and indemnity compensation (DIC) if they remarry after age 55. DIC is provided for the spouses, children, and, in certain cases, parents of a deceased veteran who has died from a service connected illness. Under current regulation, however, surviving spouses forfeit their rights to DIC when they remarry for the duration of the remarriage.

No other federally funded survivorship program including the Civil Service, Social Security, and Congress' own program, makes a distinction between unmarried and remarried surviving spouses. The surviving spouses of the heroic public safety officers who gave their lives on September 11, for example, are entitled to full survivor compensation; yet, the surviving spouses of those who heroically gave their lives in the mountains of Afghanistan could eventually have their pensions terminated by this rule. It is our position that the families of our men and women who bravely serve in uniform are every bit as deserving as the families of our heroic public safety officers. Our nation has made a promise to our veterans that their families will be taken care of

should they die for our country. It is our duty to ensure that that promise is kept and H.R. 1108 is a good step towards that goal.

While not part of this legislation, we would like to take the opportunity to point out what we consider to be an inequity created by previous legislation. When the *Transportation Equity Act* (P.L. 105-178) restored DIC for remarried surviving spouses upon termination of their remarriage, death pension benefits were not included. VFW Resolution 667 urges Congress to enact legislation to restore the eligibility to a death pension for remarried surviving spouses upon the termination of a subsequent remarriage Providing a minimal stipend to these surviving spouses would greatly assist those men and women who have the most need.

H.R. 2095

The Reservist VA Home Loan Fairness Act

The Veterans of Foreign Wars also strongly supports this bill that recognizes the important contributions the members of the Reserve Components make as part of our nation's total military force by lowering the VA funding fee for Reservists to the same rate that active duty service members pay. Currently, Reservists pay an additional ¾ of a percent above the 2 percent that active duty service members pay for a no-down payment loan. Our Reservists deserve an equal chance at the most basic of American Dreams: home ownership. This current inequity in fees serves as a barrier to that dream as fewer than 5% of VA Home Loans are provided to Reservists.

Over the last decade, members of the Guard and Reserve have repeatedly been called upon to supplement or completely carry out the mission of our active duty troops. Since September 11, for example, over 80,000 Guard and Reserve members have been called to active duty both here and abroad. The men and women that serve overseas frequently endure the same conditions and many of the same hardships faced by those on active duty, including separation from family and loved ones and the dangers they encounter every day through their service. Since their conditions are so similar, these individuals should be entitled to the same benefits and services as our active duty military.

H.R. 2222, The Veterans Life Insurance Improvement Act

The VFW supports this legislation that makes several needed changes to the various veterans' insurance programs.

Section 2 of this bill would allow payment to an alternate beneficiary when the first beneficiary does not enter a claim within two years of a veteran's death for the National Service Life Insurance and United States Government Life Insurance programs. In addition, it authorizes the Secretary to designate an appropriate beneficiary when no claim is made within four years of the insured's death. The VFW believes that this is the fair thing to do.

The provisions of Section 3 would reduce the insurance premiums for those under the Service-Disabled Veterans Insurance program by using an updated actuarial table The program was created to assist service-connected veterans in obtaining life insurance at lower rates than would be available to them on the commercial market. Despite the good intentions of the program, an outdated actuarial table created in 1941 is being use, which, we believe, actually harms today's veterans. This table does not reflect the increased life span and improved health all Americans enjoy due to improvements in medicine and technology. As a result, veterans are being charged higher premiums for insurance than is necessary. This provision would require the use of an actuarial table from 1980 that we believe more accurately reflects today's mortality and life expectancy rates and would have the effect of lowering the premiums our veterans pay for their insurance.

Sections 4 and 5 would make several much-needed changes to the Veterans' Mortgage Life Insurance (VMLI) program. VMLI was created as a way to provide mortgage life insurance to severely disabled veterans who have received VA adapted housing grants. VMLI is payable to the mortgage holder and assists those veterans who would have the greatest difficulty in securing fair-priced financing

Section 4 of this legislation would increase the amount payable under VMLI to $200,000. This amount would be the first change since 1992 when the *Veterans' Benefits Act* (P.L. 102-568) increased coverage to $90,000. Given the large increase in housing costs over the last decade, it is important that the maximum coverage be raised to keep pace. The veterans eligible for this program are those most in need of assistance. Their disabilities frequently place them at an economic disadvantage, which is, in part, alleviated by the VMLI program. The VFW believes that these disadvantages would be further lessened by this legislation's proposed increase in coverage and we strongly support this provision.

Section 5 allows VMLI coverage to continue beyond age 70. Currently, veterans, upon turning 70, have their VMLI coverage dropped They and their families are no longer eligible for this program's protection. We feel that this could potentially place an unfair burden upon them. The current policy is clearly unfair and discriminatory. We feel that all veterans, not just young ones, should have access to this benefit. Their needs do not disappear when they reach age 70, nor should their benefit.

H.R. 3731

To amend title 38, United States Code, to increase amounts available to State Approving Agencies

The VFW is also proud to strongly support this legislation that would increase the amount of funding available to State Approving Agencies (SAAs). SAAs are an essential component of the administration of the Montgomery GI Bill and other VA educational programs. They evaluate, approve, and supervise the GI Bill programs within their respective states. It is their responsibility to ensure that veterans have access to a quality education that will benefit them long into the future.

Increasing their funding is essential. Between 1995 and 2000, their budget was flat-lined. Only in the last two years have they received a slight increase. If this legislation does not pass, their funding will revert to the same level they had seven years ago. SAAs have had to deal with this difficult budgetary situation all while dealing with many increased responsibilities. Passed just last year, *The Veterans' Education and Benefits Expansion Act* (P.L. 107-103) greatly increases the responsibilities of SAAs, particularly through its emphasis on benefits for training in hi-tech courses and schools. These classes must all be evaluated for their appropriateness and educational value. Once approved, the SAAs must ensure continued compliance with all state and federal regulations. It is clear that their burden has increased. It is time that their budget do the same.

Increasing SAA funding is truly in the best interest of the veterans' community. We all rely on their evaluations to ensure that our veterans continue to receive the training and education that they so richly deserve. For the GI Bill to remain the first-rate program it is today, SAAs must have the necessary funding to maintain their critical mission.

Mr. Chairman, this concludes our testimony. I would be happy to answer any questions that you or the members of the Subcommittee may have.

STATEMENT OF
BRIAN E. LAWRENCE
ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 11, 2002

Mr. Chairman and Members of the Subcommittee:

On behalf of the Disabled American Veterans (DAV), I am pleased to appear before you to testify on H.R. 1108, a bill to provide that remarriage of a veteran's surviving spouse shall not result in termination of Dependency and Indemnity Compensation (DIC), H.R. 2095, the Reservist VA Home Loan Fairness Act of 2001, H.R 2222, the Veterans Life Insurance Improvement Act of 2001; and H.R. 3731, a bill to increase amounts available to State Approving Agencies

In accordance with its Constitution and Bylaws, the DAV's legislative focus is on benefits and services for service-connected disabled veterans, their dependents, and survivors. Our legislative agenda is determined by mandates in the form of resolutions adopted by our membership

Veterans' benefits are provided to family members because they are, or were during the disabled veteran's lifetime, dependent upon the veteran for support. Entitlement to those benefits ends when the dependence ends by reason of age, marriage, or remarriage Under section 1310 of title 38, United States Code, DIC may be paid to surviving spouses, children, and dependent parents of veterans. Section 1318 of title 38, United States Code, authorizes DIC for surviving spouses and children of veterans whose deaths were preceded by total service-connected disabilities for specified periods. Under section 101(14) of title 38, United States Code, DIC is a benefit paid to a "surviving spouse, child, or parent." Under section 101(3), "surviving spouse" is defined as, among other things, a spouse who "has not remarried," and section 101(4) conditions status as a "child" upon the child being "unmarried." Thus, by definition, DIC, as it pertains to a surviving spouse or child, is a benefit for a survivor who is unmarried. Under section 103(d) of title 38, United States Code, entitlement to DIC revives upon the termination of a disqualifying marriage of a surviving spouse. The purpose of H.R. 1108 is to authorize continuing entitlement to DIC for a surviving spouse who remarries after age 55.

The DAV has no mandate from its membership on this issue, but the purpose of this bill is one beneficial to surviving spouses of disabled veterans, and we therefore have no objection to its favorable consideration.

For most VA home loans, members of the Selected Reserve must pay higher loan fees than servicemembers and veterans subject to the fees. In recognition of the increased role of reserve forces in our national security, H.R. 2095 would extend home loans to

members of the Selected Reserve with the same loan fees charged others for home loans. This bill has an equitable purpose, and the DAV has no opposition to its favorable consideration.

Section 2 of H.R. 2222 would authorize payment of the proceeds of a National Service Life Insurance (NSLI) policy or United States Government Life Insurance (USGLI) policy to a contingent beneficiary when a primary beneficiary does not make claim for the payment within 2 years of the insured's death and would authorize payment to other than a designated beneficiary when no designated beneficiary claims payment within 4 years of the insured's death. Section 3 of the bill would amend section 1922 of title 38, United States Code, to base future premiums and cash, loan, paid-up, and extended values for Service-Disabled Veterans' Insurance (SDVI) on current mortality experience rather than the 1941 mortality table now prescribed in that section. Section 4 of the bill would increase Veterans' Mortgage Life Insurance (VMLI) coverage from $90,000 to $200,000. Section 5 of the bill would repeal provisions that terminate VMLI coverage at 70

The DAV has no resolution on section 2 of H.R. 2222 Section 3 of the bill fulfills a recommendation in *The Independent Budget* (*IB*) to base SDVI premiums on more current mortality tables The intent of the SDVI program was to make life insurance available to disabled veterans at rates comparable to rates offered by commercial insurers to healthy persons. Because today's premium rates are still based on life expectancy from 1941 mortality tables, SDVI is now more costly than commercial policies at standard rates. This change will again make the SDVI program achieve its intended purpose. The DAV fully supports this provision. Similarly, section 4 of the bill fulfills the *IB* recommendation that VMLI coverage be increased to reflect increases in the cost of homes. The DAV fully supports section 4 of the bill. Currently, veterans who still have unpaid mortgages at age 70 lose coverage under VMLI. Section 5 of the bill would correct that problem. Although we have no resolution on section 5, it is a logical and equitable improvement to the VMLI program, and it will benefit our members who are eligible for this insurance. This provision should be enacted. The DAV extends its thanks to Congressman Filner for inclusion of these beneficial provisions in this bill and to the Subcommittee for its consideration.

H.R. 3731 would increase the amounts available to state approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and others eligible for benefits under VA educational programs. The DAV has no opposition to this bill.

On behalf of the more than one million members of the DAV and the members of its Women's Auxiliary, I want to thank you for the opportunity to present our views on these bills. The Subcommittee's efforts to improve VA benefits signify to our Nation's veterans that their dedicated service to our country is noted and appreciated. Clearly, the DAV's mission to improve the lives of disabled veterans is shared by the Subcommittee. We appreciate your efforts and look forward to working with you in the future on issues important to disabled veterans.

Statement of

Aseneth Mays Blackwell, President
GOLD STAR WIVES OF AMERICA, INC.

Before the

Committee on Veterans' Affairs
Subcommittee on Benefits
United States House of Representatives

Concerning the

H.R. 1108
A bill to provide that the remarriage of the surviving spouse of a veteran after age 55 shall not result in the termination of DIC

For

The Second Session of
The 107th Congress

April 11, 2002

Gold Star Wives of America, Inc.
5510 Columbia Pike, #205
Arlington, VA 22204

Good Morning Congressman Simpson, members of the committee and Gold Star Wives who have come to support our efforts. I want to introduce Rose Lee our past president and John Brennan our legislative representative. We thank you for inviting Gold Star Wives to give oral testimony on H.R. 1108. This bill would allow the surviving spouse of a veteran to remarry after the age of 55 and not lose their federal survivors benefit.

In years past, Congressman Michael Bilirakis introduced legislation to end this glaring inequity. He has again shown himself to be a friend of Gold Star Wives with the introduction of H.R. 1108.

As many of you know, Gold Star Wives of America is a Congressionally chartered service organization comprised of surviving spouses of military service members who died while on active duty or as a result of a service-connected disability. Many of our membership of over 13,000 are the widows of service members who were killed in combat during World War II, the Korean War and the Vietnam War. Almost all of our members are receiving Dependency and Indemnity Compensation known as D-I-C. In fact, as of December 2001, nationwide, there were 290,742 widows receiving DIC. The largest group of widows receiving DIC continues to be the World War II widows, followed closely by the Vietnam Era.

As I am sure you are well aware, every federal survivorship program, including yours as Members of Congress, the Civil Service employees, the CIA, and the vast Social Security program allows surviving spouses to remarry at an older age and retain their survivorship benefits. The VA's DIC program is a glaring exception and remains the most restrictive

of all federal survivorship programs. The DIC program has the highest percentage of female participants of any federal program, and we believe that is why our program continues to be the most punitive to those who choose to remarry.

Congress acknowledged the changed realities of marriage when it allowed all other classes of survivors to retain their benefits after remarriage. When a person remarries after the age of 50, both parties usually have their own financial obligations. So, they have an obligation to support and assume financial responsibility for each other. The idea of remarrying to "be supported by a husband" is a completely outdated concept.

We are providing you with some of the letters from our members who have found the right person, the right companion and one who can give them comfort in their twilight years. But, these women cannot afford to lose their D-I-C benefits. Their emotionally charged letters express the frustration of not being able to marry at a time in their lives when marriage would bring them great solace.

We military widows are only seeking parity with all other surviving federal spouses. The loss of our DIC has to end should we chose to remarry after the age of 55. This loss of D-I-C under the remarriage penalty has had a demoralizing effect on countless widows. Marriage among the elderly is very much an economic partnership and without D-I-C most Gold Star Wives would be indigent. Since the average age of the DIC recipient is 69, the numbers of those remarrying would not be significant.

We would also be less than honest if we did not express a sense of outrage at the enormous benefit package passed by Congress to compensate the survivors of September 11th. It seems painfully obvious to us, many whose spouses gave their lives in combat defending the freedom of our nation, that we are being shortchanged in comparison with

civilian survivors. Our benefits pale in comparison. The issue of fairness to those who made the ultimate sacrifice is all too apparent. The enactment of this bill would be at least a step in the right direction.

Thank you.

BIOGRAPHY OF ASENETH MAYS BLACKWELL

Aseneth Mays Blackwell is the President of Gold Star Wives of America, Inc. She is a retired Management Analyst with the U.S. Information Agency/International Bureau of Broadcasting after 30 years of service. She currently works with the American Red Cross in Emergency Disaster Services and worked at ground zero following the attack on the Pentagon. Her husband, Sgt. Frederic Blackwell was with the 5th Special Forces Group when he was killed in action in Vietnam on June 19, 1969 and is buried in Arlington National Cemetery.

DISCLOSURE STATEMENT

Neither Mrs. Blackwell nor the Gold Star Wives of America, Inc. have received any Federal Grant or contract during the current or previous two fiscal years relative to the subject matter of this testimony.

TESTIMONY OF

VIETNAM VETERANS OF AMERICA

SUBMITTED BY

RICHARD WEIDMAN
DIRECTOR OF GOVERNMENT RELATIONS

BEFORE THE

THE HOUSE VETERANS AFFAIRS SUBCOMMITTEE ON BENEFITS

REGARDING

H.R. 1108, H.R. 2095, H.R. 2222 AND H.R. 3731

APRIL 11, 2002

Mr Chairman, on behalf of Vietnam Veterans of America (VVA) and our National President Thomas H. Corey, I thank you and your distinguished colleagues for the opportunity to appear here today to offer our views on these important pieces of legislation. Ensuring that the Montgomery GI Bill for Education is implemented properly, strengthening the VA home loan guaranty program by making it more fair to those who are now part of our primary military force pursuant to the "Total Force Concept," assisting surviving spouses, and strengthening the Service Disabled Veterans Insurance program all are part of the very core of veterans services and benefits. VVA commends you, Ranking Democrat Mr. Evans, and the distinguished members of the Committee for your diligence to ensure that where needed these programs are modernized to meet changing needs of the veterans' community.

H.R. 1108 - To amend title 38, United States Code, to provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation.

VVA supports H.R 1108, which changes the statute so that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation (DIC) The majority of the surviving spouses are in fact women who are nearing retirement age, or have been retired for some time if they ever worked outside the home. In many cases these women devoted themselves to taking care of their spouse who was profoundly disabled, and therefore did not have the opportunity to build a career as a result While DIC is frankly inadequate to be able to support an adult in most of the country, these spouses deserve DIC to recognize their sacrifice and service to their country by means of caring for profoundly disabled veterans.

VVA also urges that the Committee seriously consider increasing the dollar amount for DIC before the end of the 107th Congress, as the amount currently provided is just simply inadequate to enable these spouse to survive, much less live decently if they do not remarry

VVA supports HR 1109.

H.R. 2095 - Reservist VA Home Loan fairness Act of 2001

VVA favors passage of this proposal, which would provide for uniformity in fees charged qualifying members of the Selected Reserve and active veterans for home loans guaranteed by the Secretary of Veterans Affairs. given the realities of the total force concept in our Armed Forces today. This proposal will simply provide equity and more fairness in this vital program.

VVA supports HR 2095

H.R. 2222 - Veterans Life Insurance Improvement Act of 2001

VVA favors passage of this prospective legislation, which would make certain improvements to the Servicemembers' Group Life Insurance life insurance programs by clarifying succession of beneficiaries when the primary beneficiary cannot be found. However, VVA urges the Committee to provide due diligent oversight over the regulations, procedures, and actual practices of who is judged to be the person "equitably entitled" to the award.

The reduction in premiums for disabled veterans participating in this program are welcome, and apparently reflect the strong funding position of the Fund at this time.

VVA does urge the Committee seriously look at the need to offer options for increased amount of benefits, for commensurately greater premiums, for both veterans who are 100% totally and permanently disabled. VVA also urges the Committee to consider providing similar options for veterans who are adjudged to be 30% to 90% disabled as well The disabled veterans who are rated in this range have almost as great difficulty in finding life insurance adequate to cover needs of their family should they die as do the veterans adjudged to be 100% disabled. In addition to the difficulty of finding an insurer who will accept them, the cost is often far too high for the veteran to afford, often running in excess of $6,000 per year, which is beyond the reach of most of these veterans. Looking at the average income of the disabled veterans in this range of adjudicated disability who depend almost exclusively on the Veterans Health Administration's medical care should be instructive in this regard

VVA supports passage of HR 2222

H.R. 3731 - To amend title 38, United States Code, to increase amounts available to State approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and eligible persons under the Montgomery GI Bill and under other programs of education administered by the Department of Veterans Affairs.

VVA strongly favors early passage and enactment of this measure, which would increase amounts available to State approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and eligible persons under the Montgomery GI Bill and under other programs of education administered by the Department of Veterans Affairs. VVA has called for a significant increase in the funding for this program for several years, as the amount available has not been at the needed level to accomplish their vital role of helping to ensure the integrity and usefulness of this vital veterans benefit.

While the $18 million for FY 2003, and an annual increase of 3% for FY 2004 and FY 2005 should be adequate for this program to meet the very large responsibility assigned, it is essential the actual appropriations matches the amounts authorized. Further, we encourage the Committee

to consider ways of ensuring that for FY 2006 and beyond that the program not again be strained to the point of breaking by being level funded when both the number of veterans utilizing the Montgomery GI Bill and other responsibilities are increasing

VVA urges passage of HR 3731.

Mr Chairman, again all of us at VVA thank you for this opportunity to present the views of Vietnam Veterans of America on these important improvements in vital veterans benefits. I would be pleased to answer any questions

STATEMENT OF
JAMES R. FISCHL, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON VETERANS' AFFAIRS, SUBCOMMITTEE ON BENEFITS
ON
BENEFITS ISSUES

APRIL 11, 2002

Mr Chairman and Members of the Subcommittee

It is a pleasure and an honor to present The American Legion's views on the proposed legislation regarding veterans benefits.

H.R. 1108 – To provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation.

H R 1108 would provide that the remarriage of a surviving spouse of a veteran in receipt of dependency and indemnity compensation (DIC) after the age of fifty-five would not result in the termination of DIC benefits Currently, under title 38, United States Code, section 103(d), the remarriage of a surviving spouse in receipt of DIC, at any age, bars the further payment of benefits, unless the remarriage is subsequently terminated by divorce, annulment, or death of the second spouse

Mr. Chairman, The American Legion is not opposed to this proposed change in the DIC program. Currently, if the widowed spouse of military retiree who is receiving Survivor Benefit Plan (SBP) benefits remarries after the age of 55, these benefits will continue We believe DIC surviving spouses should be treated similarly

H.R. 2095 – Reservist VA Home Loan Fairness Act of 2001

This Act would amend title 38, United States Code, to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for home loans guaranteed by the Secretary of Veterans Affairs

The Home Loan Guaranty Program continues to be of major importance to the people who have served honorably in the Armed Forces of the United States The Home Loan Guaranty Program was a critical component of the Serviceman's Readjustment Act of 1944, the original GI Bill written by The American Legion Over the years, not only have 16.5 million veterans benefited from the visionary program, but also both the home building industry and the financial community prospered The American Legion has been generally pleased with the operation of the Home Loan Guaranty Program The American Legion believes the Department of Veterans Affairs (VA) has done its best to keep this program accessible and user friendly, while at the same time keeping the interests of veterans as the primary focus of its decision making process Therefore, The American Legion welcomes the proposed changes to title 38, United States Code, to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for home loans guaranteed by the Secretary of Veterans Affairs In addition, The American Legion commends Congress for recognizing the contributions of the National Guard and Reserves who are an integral part of the United States Armed Forces It is gratifying that Congress has acknowledged that the National Guard and Reserve forces face the same risks and hardships as their Active duty brethren

HR. 2222 – Veterans Life Insurance Improvement Act of 2001

The American Legion appreciates this opportunity to comment on the government life insurance provisions of H R 2222, The Veterans Life Insurance Improvement Act of

2001. The American Legion believes the four items proposed in the bill generally constitute beneficial enhancements to the programs involved, and we support their enactment into law

Sec 2. Payment of Insurance Proceeds to an Alternate Beneficiary when First Beneficiary cannot be Identified.

In the area of life insurance settlement to alternate beneficiaries when principal beneficiaries cannot be located, The Department of Veterans Affairs (VA) has some 4,000 outstanding cases of this type, representing approximately $23 million in insurance with some 200 new such cases added each year, in which life insurance proceeds cannot be paid under existing rules This creates a situation where the original intent of the life insurance contracts is negated by current law, and settlement to a contingent or other equitably entitled person(s) cannot be made Further, the VA advises us the number of such cases where a principal beneficiary does finally come forward at some later date to make a claim for proceeds is extremely small, on the order of one or two per year.

In giving consideration to this from an overall perspective, The American Legion believes the proposed change would better serve the veteran population, in general, and comprise a more fair and reasonable solution in ensuring the best possible fulfillment of the intent and purpose of these insurance contracts than does existing law We would like to suggest, however, that VA consider the feasibility of additionally permitting a face value payment in those cases where a principal beneficiary does eventually come forward, even though full payment of proceeds has already been rendered. We think this a reasonable provision from the standpoint of equity and good conscience and because of the extreme rarity of such occurrences.

Sec. 3 Reduction in Service-Disabled Veterans Insurance Premiums.

In the matter of the proposed change in mortality tables for Service-Disabled Veterans Insurance (SDVI), from the 1951 Commissioners Standard Ordinary Table (CSO) to the 1980 CSO Table, we believe this change to be long overdue In 1951, when the SDVI program started, premium rates based on the then current Table were fully competitive with commercial rates As life expectancy has obviously increased in the decades since that time, it is equally obvious that the 1951 Table is obsolete Changing to the 1980 Table would reflect this and benefit new entrants in the program by substantially reducing their premium rates However, the proposed legislation does not allow for such new premium rates to apply to those policies already in force before the date of enactment. This does not meet VA's overall program goal to afford service-disabled veterans full parity with the ability of other Americans to hold life insurance at competitive rates, without regard to their service-connected disabilities These veterans would remain paying a higher premium rate and thus be subsidizing their own service-connected disabilities It is the position of The American Legion, therefore, that not only should a more current mortality table be used for SDVI premium rates, but that such new rates also be made available to those service-disabled veterans already in the SDVI program at the date of enactment

Sec. 4 Increase of Veterans' Mortgage Life Insurance Coverage to $200,000.

Turning to the Bill's provisions for the Veterans Mortgage Life Insurance (VMLI) program, we agree with increasing coverage from the current $90,000 level to one of $200,000 Housing costs rise continuously and since the time of the last VMLI coverage increase in 1992, when 91% of participants had their full mortgage covered, now only some 62% have this level of protection. Raising the coverage to $200,000 would increase it to some 99% This, coupled with the proposal to permit retention of coverage past age 70 (also a part of H R 2222 and which The American Legion supports), would enhance greatly the ability of the VMLI program to provide mortgage protection to its insureds By definition, these are veterans in a most serious disabled situation and, as with one of the goals of the SDVI program mentioned earlier, permit them to have adequate

insurance coverage at premium rates and policy duration periods commensurate with those enjoyed by average Americans through commercial companies

H.R. 3731 – to increase amounts available to State Approving Agencies.

This proposal would amend title 38, United States Code, to increase amounts available to State approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and eligible persons under the Montgomery GI Bill (MGIB) and under other programs of education administered by the Department of Veterans Affairs

The Servicemen's Readjustment Act of 1944, the original GI Bill, provided millions of members of the armed forces an opportunity to seek higher education Many of these individuals may not have taken advantage of this opportunity without the generous provisions of that law Consequently, these servicemen and servicewomen made a substantial contribution to not only their own careers but to the well being of the country Today, a similar concept applies The educational benefits provided to members of the armed forces must be sufficiently generous to have an impact The individuals who use MGIB educational benefits are not only taking the necessary steps to enhance their own careers, but also, by doing so, will make a greater contribution to their community, state, and nation Therefore, The American Legion commends the proposed changes contained in H R 3731

Mr Chairman, that concludes my testimony

SERVING
WITH
PRIDE

TESTIMONY

of

RICHARD JONES
AMVETS NATIONAL LEGISLATIVE DIRECTOR

before the

COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS
U.S. HOUSE OF REPRESENTATIVES

on

VETERANS' BENEFITS LEGISLATION

Thursday April 11, 2002,
9 00 am, Room 334
Cannon House Office Building

A M V E T S

NATIONAL
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MR CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to testify before the Benefits Subcommittee on the four bills subject to this legislative hearing. AMVETS is pleased to present our views regarding H.R. 1108, a bill to reinstate the eligibility of a veteran's surviving spouse lost under current law on remarriage; H.R. 2095, a bill to establish the home loan funding fee paid by Guard and Reserves at the same level as that paid by active duty veterans; H.R. 2222, a bill to adjust VA insurance programs, and H.R 3731, a bill to increase funding for State Approving Agencies.

Mr. Chairman, AMVETS has been a leader since 1944 in helping to preserve the freedoms secured by America's Armed Forces Today, our organization continues its proud tradition, providing, not only support for veterans and the active military in procuring their earned entitlements, but also an array of community services that enhance the quality of life for this nation's citizens

H.R. 1108, to amend title 38, United States Code, to provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation.

Rep. Michael Bilirakis introduced H.R. 1108 to resolve an inequity and reinstate the eligibility of certain veteran's surviving spouses to DIC benefits. Under current law, surviving spouses are barred from receiving dependency and indemnity compensation if they remarry after the age of 55. The DIC exception stands alone, separate from Social

Security, civil service, Central Intelligence, and others No other survivor program treats surviving spouses as unhappily as to terminate these benefits on remarriage.

As members of this subcommittee know, losing DIC compensation because of remarriage is an emotional issue. By authorizing reinstatement of DIC for these survivors, Congress would bring solace and comfort to those who desire to remarry after age 55.

AMVETS supports H.R. 1108 and agrees that the current bar against receipt of these DIC benefits by surviving spouses should be lifted.

H.R. 2095, to amend title 38, United States Code, to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for home loans guaranteed by the Secretary of Veterans Affairs.

Representative Evans introduced H.R. 2095 to reduce the VA home loan-funding fee paid by members of the Reserve component to the same level as that paid by active duty veterans in application for a home loan guarantee. Under current law, reservists pay a fee three-quarters of one percent higher than the rate paid by active duty veterans.

AMVETS fully recognizes that the role of our Reserves and National Guard has changed dramatically since the end of the Cold War. As a result, we have significantly downsized our active duty military force and asked our Reserves and National Guard to accept a more prominent role in the Total Force. Today, more than 50,000 Army and Air Guardsmen

have been called to federal and state duty, supporting operations overseas while providing security on the home front, from Capitol Hill to our airports and borders.

This legislation would help send an important signal to the dedicated men and women who are part of the Guard and Reserve service. With its consideration, you have the chance to enhance the VA guarantee program and recognize it as an important part of a veteran's benefits package. With its approval, you tell those currently in the Guard and Reserve that their hard work is not forgotten. And with its enactment, you assist the National Guard and Reserve with their recruitment efforts by allowing housing loans to be offered as an incentive to service.

AMVETS supports H.R 2095 and urges support from both sides on this issue.

H.R. 2222, to amend title 38, United States Code, to make certain improvements to the Servicemembers' Group Life Insurance life insurance program for members of the Armed Forces, and for other purposes.

Rep. Filner introduced H.R. 2222, the Veterans Life Insurance Improvement Act of 2001, to provide improvements in the VA insurance policies held by our nation's veterans. The bill would amend four separate areas of coverage.

Mr. Chairman, Section 2 of H.R. 2222 would have a positive impact on the way VA is able to handle a veteran's life insurance policy. Under current law, VA retains a veteran's insurance policy if it is unable to locate the primary beneficiary following the death of a

veteran. In these cases, the veteran's lifetime payment for insurance becomes nothing more than a bookkeeping entry on which no payout is made In these circumstances, AMVETS believes that Section 2 takes the appropriate step in authorizing VA to "fund" or "allocate" the policy to secondary beneficiaries or an appropriate relative.

Section 3 of the bill would lower premium payments paid under the VA administered Service-Disabled Veterans Insurance (SDVI) program (chapter 19 of title 38, United States Code). AMVETS has no position on this section of the bill. While we generally support enhancements in veterans' benefits as legitimate compensation to the men and women who were injured in service to their country, we are unfamiliar with the actuarial tables that form the basis of this group life insurance program.

Section 4 of this bill would update the coverage provided severely disabled veterans with mortgage life insurance. Clearly, the proposed increase of maximum coverage to $200,000 from $90,000 is appropriate. Since 1992, when this coverage was last adjusted, the benefits of this program have significantly eroded. Today, VMLI covers only a fraction of what was covered 20 years ago. Increasing the amount to $200,000 is sufficient to bring it back up to meet years of rising costs and inflation.

Finally, Section 5 of the bill will ensure that veterans would not see their VMLI coverage terminated when they reach age 70. This is a simple thing but very important because it brings our VMLI in line with comparable policies in the private sector. AMVETS supports this section to allow veterans to keep their insurance after age 70.

H.R. 3731, to amend title 38, United States Code, to increase amounts available to State approving agencies to ascertain the qualifications of educational institutions for furnishing courses of education to veterans and eligible persons under the Montgomery GI Bill and under other programs of education administered by the Department of Veterans Affairs.

H.R. 3731 is introduced to increase funding for State Approving Agencies. The bill is straightforward It increases SAA annual funding to $18 million from $14 million. As the Subcommittee knows, State Approving Agencies serve an important role in evaluating and supervising GI Bill programs. Their work helps safeguard the programs veterans choose to pursue. In sum, SAAs help ensure GI Bill resources are used for purposes intended—to provide quality education and training programs for veterans. Without congressional approval, SAA funding would return to fiscal year 2000 levels and likely reduce the potential contribution of these agencies. AMVETS supports the bill.

AMVETS sincerely appreciates the opportunity to appear before you today, and we, again, thank you for your vigilance in improving benefits and services to veterans and their families

STATEMENT OF

CARL BLAKE, ASSOCIATE LEGISLATIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE THE

HOUSE COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

CONCERNING H.R. 1108, H.R. 2095, THE "RESERVIST VA HOME LOAN FAIRNESS ACT OF 2001," H.R. 2222, THE "VETERANS LIFE INSURANCE IMPROVEMENT ACT OF 2001," AND H.R. 3731

APRIL 11, 2002

Chairman Simpson, Ranking Member Reyes, members of the Subcommittee, Paralyzed Veterans of America (PVA) is pleased to present our views on H.R 1108, H.R. 2095, the "Reservist VA Home Loan Fairness Act of 2001," H.R 2222, the "Veterans Life Insurance Improvement Act of 2001," and H.R. 3731. PVA would like to thank you, Mr. Chairman, for making these pieces of legislation a priority

H.R. 1108

The proposed bill, **H.R. 1108**, allows for the surviving spouse of a deceased veteran to continue to receive Dependency and Indemnity Compensation (DIC) if he or she remarries after the age of 55. This bill would prevent the VA from stopping payment of these benefits to the surviving spouse. PVA does not have a resolution addressing this issue This is an issue that staff members in our Veterans Benefits department continue to monitor and evaluate. At this time, PVA does not oppose this proposed legislation.

H.R. 2095, the "Reservist VA Home Loan Fairness Act of 2001"

The National Guard and Reserves have become more important to America's military force since the Persian Gulf War. In the last five years, the rate of activation and employment of Reserve Component members has increased more than 10 times the rate of usage during the last five years of the 1980s. When called to duty, members of the Guard and Reserves put themselves in harm's way while sacrificing their home life, family life, and job. Their sacrifices are no less important than the sacrifices that the men and women make who serve in the active duty military; yet, should these veterans apply for a VA Home Loan Guaranty, they are told that they must pay an additional three-quarters of one percent for the VA's Reservist-rate Funding Fee. This disparity in home loan benefits is a major reason why a very small percentage of home loans every year are provided to reservists. The proposed bill, **H.R. 2095**, the "Reservist VA Home Loan Fairness Act of 2001," makes the home loan guaranty fee equal for all qualified members of the selected reserve and active duty veterans.

As a result of the terrorist attacks that the United States endured on September 11, 2001 and the subsequent call to arms of our nation's military, we have been reminded of the important role that reservists play in our country's armed forces Those men and women who answered the call to duty by President Bush are an integral part of our nation's armed forces. It is only fair that their sacrifice be recognized as we recognize the service of our active duty military men and women. Congress should recognize the contributions of Reservists in a tangible way by granting them access to VA home loans at the same level and on the same funding fee schedule as active duty veterans. This is simply an issue of fairness. PVA supports this legislation which would properly recognize members of the Reserves as important elements in our nation's military.

H.R. 2222, the "Veterans Life Insurance Improvement Act of 2001"

The proposed bill, **H.R. 2222**, the "Veterans Life Insurance Improvement Act of 2001," makes significant and important changes to life insurance carried by veterans. It ensures that insurance payments are made to a primary beneficiary or a designated alternate beneficiary. It also makes available a higher maximum coverage amount for veterans'

mortgage life insurance, and it allows a veteran to carry that coverage beyond his or her 70th birthday.

United States Government Life Insurance (USGLI) and National Service Life Insurance (NSLI) are important benefits available to veterans and their families. It is essential that these benefits be paid to the proper beneficiary in the event that a veteran dies. Likewise, it is important that an alternate beneficiary be designated by the veteran who carries USGLI or NSLI so that an insurance payment may be made to an appropriate beneficiary. The VA must play an active part in ensuring that benefits that a veteran's surviving spouse or alternate beneficiary are entitled to, are paid in full. The increase in the maximum amount of veterans' mortgage life insurance available, coupled with the reduction in the insurance premiums for service-disabled veterans, is a positive change on behalf of veterans who carry this insurance. PVA supports the initiatives proposed by this legislation.

H.R. 3731

The proposed bill, **H.R. 3731,** increases for FY 2003 and thereafter the amount of money that the Secretary of Veterans Affairs is authorized to pay state and local agencies that ascertain the qualifications of educational institutions that offer courses to veterans and eligible beneficiaries under the Montgomery GI Bill (MGIB) and other veterans' educational assistance programs. State Approving Agencies are vital in determining the quality of educational institutions and programs that are available to our nation's veterans. State education departments usually fund these agencies. These agencies are also important in qualifying employer sponsored on-the-job training programs and apprenticeship programs.

The need to increase funding for State Approving Agencies is the result of the increased responsibilities that this Congress placed on those agencies last year. This need for funding is also related to the increase in the MGIB benefits that were enacted during the last session. As important as these enacted increases for the MGIB benefits are, if the agencies are not given the resources necessary to certify the best educational programs, then veterans will not be able to take full advantage of the increase in the MGIB benefits.

The proposed increase in the funding for the State Approving Agencies will ensure that only the highest quality education programs are available to our veterans and that they are able to take advantage of these programs. PVA fully supports this legislation.

PVA appreciates the efforts of the subcommittee to improve the benefits available to our veterans. During a time when we have soldiers deployed into combat, it is important that we signal to those soldiers that their service in defense of this country will not go unnoticed. They need to believe that there will be benefits available to them after military service These measures are part of our commitment to those soldiers We look forward to working with the subcommittee and staff on benefits issues in the future

I thank the Subcommittee for this opportunity to present PVA's views and would be happy to answer any questions that you might have.

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