

# Congress of the United States

Washington, DC 20515

April 25, 2024

Bill Birnie  
President/CEO  
Frontwave Credit Union  
1278 Rocky Point Drive  
Oceanside, CA 92056

Dear Mr. Birnie:

We are writing today regarding reports that your credit union has exploited young service members by charging them millions of dollars in predatory and exorbitant overdraft fees. Last month, a report from KPBS<sup>1</sup> revealed that Frontwave Credit Union has for over two decades preyed on Marine recruits who are automatically enrolled in Frontwave checking accounts to receive their paychecks by direct deposit.<sup>2</sup> This enrollment occurs during boot camp, when recruits are young, often away from home for the first time, and particularly vulnerable to marketing tactics. In 2022 alone, Frontwave collected almost \$8 million in overdraft fees from a customer base that predominantly consists of Marines.<sup>3</sup> We seek an explanation for your predatory overdraft practices and urge you to change your unconscionable overdraft and other fee policies.

According to the KPBS report, when a member's account is overdrawn by more than \$20, they are charged a \$20 fee every time they make a purchase—up to a negative \$500 account balance.<sup>4</sup> Every year, around 20,000 Marine recruits, some as young as 17 years old, go through boot camp at Marine Corps Recruit Depot (MCRD), California.<sup>5</sup> Approximately 99% of recruits are automatically enrolled with Frontwave.<sup>6</sup> On average, the base pay for newly enlisted Marines is around \$1,800-2,200 per month before taxes.<sup>7</sup> Many recruits are navigating managing a budget and a checking account for the first time.<sup>8</sup> A \$500 debt to Frontwave, compounded with interest, could take years for a recruit to repay—and could make it impossible for them to open bank accounts elsewhere when their credit score plummets. Frontwave's credit union members are primarily Marines and their families and, for more than 25 years, the credit union has “benefited from an exclusive arrangement with the U.S. Marine Corps.”<sup>9</sup>

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<sup>1</sup> KPBS is the national public radio (NPR) and public broadcast station (PBS) for over 60 years in the San Diego area, providing local and national news, <https://www.kpbs.org/about-us>.

<sup>2</sup> KPBS, “Frontwave Credit Union reaps millions in fees when young Marines run out of money,” Scott Rodd, March 11, 2024, <https://www.kpbs.org/news/2024/03/11/oceanside-frontwave-credit-union-millions-fees-young-marines-money>.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> U.S. Department of Defense, “2024 Monthly Basic Pay Table,”

<https://militarypay.defense.gov/Portals/3/Documents/ActiveDutyTables/2024%20Pay%20Table-Capped-FINAL.pdf>.

<sup>8</sup> KPBS, “Frontwave Credit Union reaps millions in fees when young Marines run out of money,” Scott Rodd, March 11, 2024, <https://www.kpbs.org/news/2024/03/11/oceanside-frontwave-credit-union-millions-fees-young-marines-money>.

A significant source of the credit union’s income comes from overdraft fees: a total of \$7.8 million in 2022 alone. This is approximately \$63.73 per member, and Frontwave would have incurred significant losses for years without these exorbitant fees.<sup>10</sup> Frontwave’s entire profit came from overdraft fees—which represents nearly 12% of its overall revenue and “triple the average among all state-chartered credit unions.”<sup>11</sup>

While non-usurious overdraft practices may offer a more reasonable alternative to other small, short term loans that often come with high interest rates, that does not give credit unions and other financial institutions the prerogative to implement predatory overdraft fees and policies that unfairly punish customers. Frontwave in particular is “capturing recruits at a pivotal – and potentially vulnerable – point in their lives.”<sup>12</sup> Although your credit union is required by its contract with the U.S. Marine Corps to provide financial counseling services, former Frontwave employees have stated that the financial classes “were an absolute joke.”<sup>13</sup>

Frontwave claims that its overdraft program is “a benefit for members who need a bridge between paychecks.”<sup>14</sup> But members are not notified when they have low or negative account balances. According to Frontwave’s website, members have to manually set up alerts for low or negative account balances.<sup>15</sup> Crucially, when a member is late or overdue on a payment for more than 30 days and is therefore considered delinquent,<sup>16</sup> they can end up in ChexSystems, a consumer reporting database, which makes it difficult to open a bank account elsewhere.<sup>17</sup>

Frontwave owes service members and the American public an explanation for its deeply exploitative overdraft practices that harm service members and their families. Given the ongoing nature of these abusive practices, we request answers to the following questions no later than May 10, 2024:

1. How much in total has Frontwave Credit Union charged consumers in overdraft and non-sufficient funds fees for each of the last ten years? How much of these fees were collected from service members?
  - a. How much did the average member pay in overdraft and non-sufficient funds fees in each of the last ten years?
  - b. What was the maximum per-transaction overdraft fee and the maximum amount of overdraft fees per member that the bank charged for each of the last ten years?

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<sup>9</sup> KPBS, “Frontwave Credit Union reaps millions in fees when young Marines run out of money,” Scott Rodd, March 11, 2024, <https://www.kpbs.org/news/2024/03/11/oceanside-frontwave-credit-union-millions-fees-young-marines-money>.

<sup>10</sup> Politico, “Credit Unions Are Making Money Off People Living Paycheck to Paycheck,” Aaron Klein, October 5, 2023, <https://www.politico.com/news/magazine/2023/10/05/credit-unions-overdraft-fees-00119904>.

<sup>11</sup> KPBS, “Frontwave Credit Union reaps millions in fees when young Marines run out of money,” Scott Rodd, March 11, 2024, <https://www.kpbs.org/news/2024/03/11/oceanside-frontwave-credit-union-millions-fees-young-marines-money>.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*


<sup>15</sup> Frontwave Credit Union, “Alerts,” <https://www.frontwavecu.com/Your-Money/Manage/Digital-Banking/Digital-Banking-Help/Alerts>.

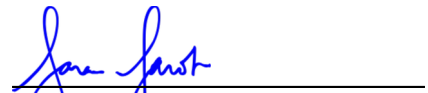
<sup>16</sup> Investopedia, “Delinquent: Definition, Example, and Statistics on Delinquencies,” Christina Majaski, December 18, 2023, <https://www.investopedia.com/terms/d/delinquent.asp>.

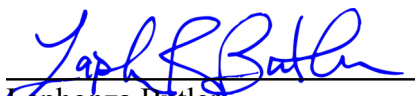
<sup>17</sup> KPBS, “Frontwave Credit Union reaps millions in fees when young Marines run out of money,” Scott Rodd, March 11, 2024, <https://www.kpbs.org/news/2024/03/11/oceanside-frontwave-credit-union-millions-fees-young-marines-money>.

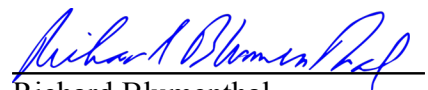
2. How are your customers informed about overdraft policies and their option to opt-out or avoid fees? Please provide sample copies of documentation provided to members regarding these policies.
3. Does Frontwave charge overdraft fees on debit card transactions or ATM withdrawals?
4. How did Frontwave become the sole provider of financial services on MCRD? Please provide a narrative explanation of the relationship between Frontwave and MCRD and how it developed.
  - a. Is there a contract with the military installation?
  - b. How often is it reviewed?
  - c. What are the terms and conditions of the contract regarding overdraft and non-sufficient funds fees?
5. Are recruits undergoing financial services training prior to enrolling in direct deposit programs?
  - a. What specific content is covered in these classes?
  - b. Please provide copies of all written material provided to service members during these trainings.
  - c. Does any of the financial services training specifically mention overdraft fees or non-sufficient funds fees? If so, please provide copies of all materials given to service members regarding these fees.

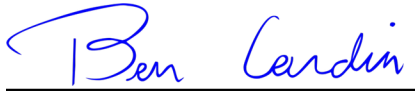
Sincerely,

  
Elizabeth Warren  
United States Senator

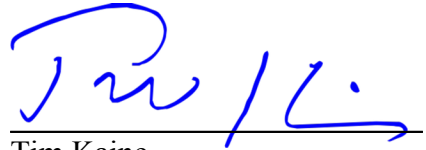
  
Sara Jacobs  
Member of Congress

  
Laphonza Butler  
United States Senator

  
Richard Blumenthal  
United States Senator



Benjamin L. Cardin  
United States Senator



Tim Kaine  
United States Senator



Bernard Sanders  
United States Senator



Cory A. Booker  
United States Senator



Mazie K. Hirono  
United States Senator



JD Vance  
United States Senator