

108TH CONGRESS
1ST SESSION

H. R. 2975

To amend title 38, United States Code, to clarify the applicability of the prohibition on assignment of veterans benefits to agreements regarding future receipt of compensation, pension, or dependency and indemnity compensation, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2003

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

A BILL

To amend title 38, United States Code, to clarify the applicability of the prohibition on assignment of veterans benefits to agreements regarding future receipt of compensation, pension, or dependency and indemnity compensation, 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 Benefits and
5 Pensions Protection Act of 2003”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds the following:

1 (1) In exchange for a lump-sum payment from
2 a lender, some veterans are surrendering their rights
3 to full future compensation benefits from the De-
4 partment of Veterans Affairs by assigning those ben-
5 efits to lenders.

6 (2) Despite language in section 5301 of title
7 38, United States Code, that states that payments
8 of veterans' benefits from the Department of Vet-
9 erans Affairs shall not be assignable and shall be ex-
10 empt from the claim of creditors, lenders are enter-
11 ing into contracts with veterans that require the vet-
12 eran to either give access to their benefit monies to
13 the lender or pay the lender a percentage of their
14 benefit payment each month.

15 (3) The contracts for these credit transactions
16 do not disclose information that is required to be
17 disclosed under the Truth in Lending Act, including
18 the amount financed, the finance charge, and the
19 annual percentage rate (APR). Therefore, when
20 signing the contract, the veteran cannot accurately
21 determine the cost of credit obtained by the veteran.

22 (4) As a result, those transaction agreements
23 are detrimental to veterans as they are required to
24 pay interest rates ranging from 39 percent to 106
25 percent.

1 (b) PURPOSE.—The purpose of this Act is to clarify
2 the definition of a veterans benefit assignment under sec-
3 tion 5301 of title 38, United States Code, in order to make
4 illegal the credit transactions between veterans and lend-
5 ers in which the veteran gives the lender access to benefits
6 payments either through an account or by the guaran-
7 teeing of monthly payments.

8 **SEC. 3. APPLICABILITY OF PROHIBITION ON ASSIGNMENT**
9 **OF VETERANS BENEFITS TO AGREEMENTS**
10 **ON FUTURE RECEIPT OF CERTAIN BENEFITS.**

11 (a) IN GENERAL.—Section 5301(a) of title 38,
12 United States Code, is amended—

13 (1) by inserting “(1)” after “(a)”;

14 (2) by designating the last sentence as para-
15 graph (2); and

16 (3) by adding at the end the following new
17 paragraph:

18 “(3)(A) For the purposes of this subsection, an
19 agreement described in subparagraph (D) shall be deemed
20 to be an assignment and is prohibited.

21 “(B) An agreement or arrangement for collateral for
22 security for an agreement that is prohibited under sub-
23 paragraph (A) is also prohibited.

24 “(C)(i) A person who enters into an agreement that
25 is prohibited under subparagraph (A), or into an agree-

1 ment or arrangement that is prohibited under subpara-
2 graph (B), shall be fined under title 18, imprisoned for
3 not more than one year, or both.

4 “(ii) This subparagraph does not apply to a bene-
5 ficiary with respect to compensation, pension, or disability
6 and indemnity compensation to which the beneficiary is
7 entitled under a law administered by the Secretary.

8 “(D) An agreement described in this subparagraph
9 is an agreement between a person who is a beneficiary
10 entitled to compensation, pension, or dependency and in-
11 demnity compensation and another person under which
12 such other person acquires for consideration the right to
13 receive payment of such compensation, pension, or de-
14 pendency and indemnity compensation, as the case may
15 be, whether by payment from the beneficiary to such other
16 person, deposit into an account from which such other per-
17 son may make withdrawals, or otherwise.”.

18 (b) EFFECTIVE DATES.—(1) Subparagraphs (A) and
19 (B) of paragraph (3) of section 5301(a) of title 38, United
20 States Code (as added by subsection (a) of this section),
21 shall apply with respect to any agreement or arrangement
22 described in those subparagraphs, whether entered into
23 before, on, or after the date of the enactment of this Act,
24 and any such agreement or arrangement entered into be-

1 fore the date of the enactment of this Act is void and un-
2 enforceable as of such date.

3 (2) Subparagraph (C) of such paragraph shall apply
4 with respect to any agreement or arrangement covered by
5 such subparagraph that is entered into on or after the
6 date of the enactment of this Act.

7 (c) OUTREACH.—The Secretary of Veterans Affairs
8 shall, during the five-year period beginning on the date
9 of the enactment of this Act, carry out a program of out-
10 reach to inform veterans and other recipients or potential
11 recipients of compensation, pension, or disability and in-
12 demnity compensation benefits under the laws adminis-
13 tered by the Secretary of the prohibition on the assign-
14 ability of such benefits under law. The program shall in-
15 clude information on various schemes to evade the prohibi-
16 tion, and means of avoiding such schemes.

17 (d) AUTHORIZATION OF APPROPRIATIONS.—There is
18 hereby authorized to be appropriated for the Department
19 of Veterans Affairs for each of fiscal years 2004 through
20 2008 the amount of \$3,000,000 for purposes of carrying
21 out the program of outreach required by subsection (c).

○