



May 25, 2017

Sen. Mike Crapo
Chair, Committee on Banking, Housing, and Urban Affairs
United States Senate

Rep. Jeb Hensarling
Chair, Committee on Financial Services
United States House of Representatives

Sen. Sherrod Brown
Ranking Member, Committee on Banking, Housing, and Urban Affairs
United States Senate

Rep. Maxine Waters
Ranking Member, Committee on Financial Services
United States House of Representatives

Dear Chairmen Crapo and Hensarling & Ranking Members Brown and Waters:

The undersigned grassroots organizations representing U.S. veterans and military family members write to express our support for the Consumer Financial Protection Bureau (CFPB) and its critical work addressing challenges faced by Active-Duty, Reserve, and National Guard personnel as well as for military retirees, veterans, and their families (servicemembers). On behalf of the hundreds of thousands of servicemembers our groups represent, we urge you to resist any proposals that would limit or weaken the CFPB's ability to work on behalf of military families through changes to its structure, leadership, funding stream, or authority.

Financial fraud and predatory schemes are commonplace and often specifically target servicemembers, leading to significant financial strain on veterans and military families. A study by the U.S. Army Reserve found that financial stressors were the second leading cause of suicide among servicemembers in 2013.¹ Recognizing the particular threat financial deregulation poses to servicemembers, Congress created the Office of Servicemembers Affairs (OSA) at the CFPB to specifically study and serve the distinct financial needs of military families. Launched by Mrs. Holly Petraeus, OSA has been celebrated by military leaders across the country for its measurable impact on military families and personnel readiness. In addition to this military

¹ The Double Eagle, Searching for Answers: A Panel Review of Army Reserve Suicides, Pg. 6, September 2014. http://www.usar.army.mil/Portals/98/Documents/DOUBLE_EAGLE/Double%20Eagle%20-%202009.01.2014.pdf

focus, the CFPB's strong record of enforcement actions, outreach and education, and other consumer protection initiatives produces tangible benefits for servicemembers, detailed below.

Enforcement Actions

OSA is an integral part of CFPB's enforcement work, and the CFPB has taken a series of important enforcement actions that support the military community. In 2015 alone, the CFPB brought four enforcement actions that focused on servicemembers, resulting in over \$5 million in refunds and other relief.² Just last month, the CFPB took action against an auto lender for failing to return money to servicemembers it hounded with illegal debt collection tactics following a 2015 consent order.³ As one of the agencies with enforcement authority for Military Lending Act (MLA) protections – which include caps on interest and add-on fees at 36 percent for loans issued to servicemembers and their dependents – any attempt to weaken CFPB enforcement authority directly threatens the financial livelihoods of military families.⁴

Outreach and Education

In 2015 alone, the CFPB and OSA held over sixty events to deliver consumer resources to servicemembers, nineteen town halls military installations, and sixteen events aimed at collaborating with other veteran support organizations working on consumer protection issues.⁵ The CFPB also offers education materials specifically aimed at servicemembers and on-demand virtual forums that provide trainings on relevant financial topics. These programs reach servicemembers where they live and work to ensure they know about CFPB resources, such as the complaint database, and that servicemembers can make their challenges and concerns known.

Consumer Complaints

Servicemembers and veterans have submitted 70,000 complaints to the CFPB. As with civilian complaints, the Bureau sends this information to the servicemember's bank or lender for a response within 15 days. The complaint system has been immensely helpful in resolving individual disputes, resulting in significant monetary relief for military families. In addition, the OSA regularly analyzes trends among servicemember complaints to improve its service to our community. For example, the CFPB recently outlined proposals to increase consumer protections from debt collectors to address abusive practices. Over 46% of complaints received from servicemembers in 2015 concerned debt collection, making our community nearly twice as likely to submit debt collection complaints as civilian consumers.⁶

² Id. At 29.

³ CFPB Issues \$1.25 Million Fine to Servicemember Auto Lender for Violating Consent Order, April 2017. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-125-million-fine-servicemember-auto-lender-violating-consent-order/>

⁴ CFPB laws and Regulations, Military Lending Act Interagency procedures—2015 Amendments, Pg. 2, Sept. 2016. http://files.consumerfinance.gov/f/documents/092016_cfpb_MLAExamManualUpdate.pdf

⁵ Servicemembers 2015: A Year in Review, Pg. 26, March 2016. http://files.consumerfinance.gov/f/201603_cfpb_snapshot-of-complaints-received-from-servicemembers-veterans-and-their-families.pdf

⁶ Servicemembers 2015: A Year in Review, Spring 2016, at 1-2, <http://goo.gl/D7hXJi>

Consumer Protections

In addition to the dedicated work of OSA, other CFPB initiatives have significant impacts on servicemembers, including its proposals to restrict banks' and lenders' use of forced arbitration and increase consumer protections against abusive payday loans and debt collection practices.

The CFPB's proposed rule to restrict forced arbitration ensures that servicemembers can enforce their rights against predatory schemes and financial practices in public court. Forcing servicemembers to arbitrate with handpicked firms reliant on banks and lenders for repeat business raises serious questions of bias, and the secret nature of arbitration allows companies to cover up their misconduct. Most of these clauses further ban servicemembers from joining together to file similar claims as a class, ensuring small-dollar scams can never be challenged. The result is that banks and lenders violating constitutional and statutory protections like the Servicemembers Civil Relief Act are immune from accountability and servicemembers are left without recourse. Without a strong arbitration rule, predatory banks and lenders will continue to target servicemembers, posing a serious threat to personnel readiness and national security.

Predatory payday lending has a similarly disproportionate on our community, as veterans use payday loans at a rate that is nearly four times the national average – with one in five veterans in taking out a payday loan, according to a Nevada study.⁷ While interest rates are capped at 36% for active military under the MLA, these protections do not apply to veterans. Typical interest rates for these loans exceed 300 percent, and reports show that payday lenders target military families at twice the rate they target civilians.⁸ In addition to leading several enforcement actions against payday lenders, the CFPB has proposed a rule to protect consumers from payday and car title abuses. Without strong protections against such abuses, we can expect payday lenders to continue targeting veterans and their families.

Finally, the CFPB has outlined proposals to increase consumer protections against abusive debt collection practices. Nearly half of the complaints filed from servicemembers in 2015 concerned debt collection.⁹ That same year, servicemembers were nearly twice as likely to submit debt collection complaints as civilians.¹⁰ While each of the aforementioned – and still pending – rulemakings increase consumer protections for Americans across the board, they target schemes and practices that disproportionately harm servicemembers and military families.

Conclusion

The CFPB and OSA work to protect, assist, and educate servicemembers in the financial sphere. This work is crucial not only to ensure that servicemembers have free and equal access to financial products and services, but also to support personnel readiness and military resources.

⁷ Opportunity Alliance Nevada, Brief of Veteran Study Survey, Pg. 1, February 4, 2015.

<http://www.opportunityalliancenv.org/about-us/about-us-2/policy/veterans-report/>

⁸ Wall Street Journal, U.S. to Expand Military Lending Act in Effort to Protect Service Members, July 21, 2015.

<https://www.wsj.com/articles/u-s-to-expand-military-lending-act-in-effort-to-protect-service-members-1437472801>

⁹ Servicemembers 2015: A Year in Review, Pg. 1, March 2016.

http://files.consumerfinance.gov/f/201603_cfpb_snapshot-of-complaints-received-from-servicemembers-veterans-and-their-families.pdf

¹⁰ Id. at 1-2.

The Department of Defense has noted that “Predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all-volunteer fighting force”¹¹ and that “[l]osing qualified Servicemembers due to personal issues, such as financial instability, causes loss of mission capability and drives significant replacement costs”¹².

For all of these reasons, VoteVets and Common Defense urge you to support and defend the CFPB, and to oppose any proposals that would weaken it, including by changing its structure, leadership, funding stream, or authority – so that this agency can continue to stand up for our nations servicemembers, veterans, and military families.

Sincerely,

VoteVets & Common Defense

¹¹ Report On Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents, Pg. 53, August 2006. http://archive.defense.gov/pubs/pdfs/Report_to_Congress_final.pdf

¹² Report: Enhancement of Protections on Consumer Credit for Members of the Armed Forces and Their Dependents, Pg. 5, April 2014. http://consumerfed.org/pdfs/140429_DoD_report.pdf