



THE MILITARY COALITION

201 North Washington Street
Alexandria, Virginia 22314

August 8, 2017

The Honorable Michael Crapo
Chairman, Committee on Banking, Housing and
Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member, Committee on Banking,
Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington DC 20510

Dear Chairman Crapo and Ranking Member Brown:

The Military Coalition (TMC), representing more than 5.5 million current and former service members, veterans and their families and survivors, write to urge you respectfully to ensure that important laws and regulations that protect against financial deception and abuse are not watered down or eliminated. We hope agreement is possible in order to protect America's military heroes and their families by resisting proposals that would curtail the effectiveness of the Consumer Financial Protection Bureau (CFPB).

As you may know, the CFPB is the only entity tasked with monitoring the financial entities that may violate the Servicemembers Civil Relief Act and the Military Lending Act. Without enforcement by CFPB, these important statutes would be meaningless. As you are likely aware, servicemembers and military bases are often targeted by financial fraud and high interest financial instruments of dubious value. That's why Congress acted in passing these important statutes. But servicemembers' rights under these statutes become meaningless if they are not enforced. Already, CFPB has recovered tens of millions of dollars for servicemembers whose statutory rights to a low interest rate were violated.

In addition, the agency's Office of Servicemember Affairs – launched by Mrs. Holly Petraeus – has produced tangible results for military families across the country. Military leaders across the country have lauded the work of the consumer agency and its dedicated military unit. For these reasons, we urge you to resist any proposals that would limit the CFPB's ability to work on behalf of servicemembers through changes to its authorities, structure, or independent funding.

The CFPB's work to protect, assist, and educate military families in the financial sphere is paying dividends for our nation's military personnel readiness. We urge you to continue to support the work of the Consumer Financial Protection Bureau and its dedicated military office.

The enclosure to this letter summarizes the many ways that the CFPB supports the Defense Department's key asset, its men and women in uniform and their families.

Sincerely,
The Military Coalition

(Signatures enclosed)
(Additional Enclosure)

Copies furnished: Chairmen and Ranking Members, Senate and House Armed Services Committees

THE VALUE OF THE CFPB TO NATIONAL SECURITY

Military Family Financial Readiness

At the direction of Congress, the Department of Defense (DOD) produced a report outlining its concerns with harmful financial practices. The report 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.”¹

According to Department of Defense analysis of involuntary separations that were due to legal or standard-of-conduct issues — an average of 19,893 per year — the Department estimates that approximately half are attributable to a loss of security clearance, and, of these, 80 percent are due to financial distress. The Department estimates that each of these separations costs taxpayers over \$57,000. Addressing financial misconduct by bad actors that target military families can both contribute to overall military readiness and reduce the costs to taxpayers of involuntary separations.

Senior enlisted leadership vigorously praised the work of the Consumer Financial Protection Bureau and its Office of Servicemember Affairs in a recent subcommittee hearing on February 24, 2017 of the Senate Armed Services Committee. For example, **Sergeant Major of the Army Daniel A. Dailey stated, “I see value in that organization [CFPB] and I know they have done great things for our servicemembers.”** ‘Dollar Signs in Uniform’

In an op-ed in the *The New York Times*, Mrs. Petraeus describes how certain industry actors build their business models on revenue from servicemembers, veterans, and their families. While we welcome and celebrate businesses that serve our community in an honorable, trustworthy manner, some bad actors see us as nothing more than “dollar signs in uniform.”²

In the last decade, we have seen financial companies engage in foreclosure activity, auto lending, and payday lending that violated laws and regulations protecting consumers and servicemembers. There is a clear need for the CFPB to provide both prevention and protection against harmful financial practices.

The CFPB’s Strong Record

The CFPB engages in a number of activities that benefit military families including monitoring of complaints, enforcement, outreach and education, and consumer protection initiatives.

Consumer Complaints. Military families have submitted 70,000 complaints; the agency’s military unit closely analyzes these complaints to better understand the challenges that servicemembers face and how to address them.³ These complaints often lead to significant monetary relief for families who have been harmed by wrongful practices.

Education and Outreach. The CFPB has brought new leadership and emphasis on service member issues by actively reaching out to listen to and engage with servicemembers and has developed a variety of resources:

- Military installation visits: Nineteen visits in 2015 where the OSA held Town halls and listened to servicemembers directly.

¹ [DOD Report]

² Hollister K. Petraeus: “For Profit Colleges, Vulnerable G.I.’s.” *New York Times*. September 21, 2011.

³ Servicemembers 2015: A Year in Review, Pg. 8, March 2016.

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

- Briefings, Outreach, and Community Collaborations: Over 60 events in 2015 delivered consumer resources directly to servicemembers.
- Veterans Outreach: Sixteen events were held in 2015 with the aim of collaborating with other veteran support organizations promoting consumer protection.
- Digital Engagement: Financial resources delivered through social media, and social media town halls with federal and non-profit partners, as well as offering online training for military financial educators.⁴
- On-Demand Virtual Forums: The forums provide servicemembers and military financial educators with virtual training on topics ranging from debt collection to the CFPB's complaint process.⁵
- Direct-to-Consumer Education Materials: The materials provide information on common issues facing the clients of the military legal assistance community, including protecting your credit while you are away from home,⁶ knowing your rights when a debt collector calls,⁷ and minimizing student loan payments.⁸

Between October 1, 2011 and December 31, 2016, OSA delivered consumer financial educational information and materials to more than 26,000 servicemembers through live events. This included interacting with active-duty servicemembers and National Guard personnel through leadership roundtables and town-hall-style listening sessions at 145 military installations/units.⁹

Supervision and Enforcement. The CFPB has placed a high priority on overseeing financial companies which may be harming military families.

Before the CFPB was created, no federal agency routinely examined or supervised non-bank businesses offering consumer financial products.¹⁰ The Federal Trade Commission had enforcement authority under the Federal Trade Commission Act against unfair and deceptive practices and to enforce federal credit laws with non-bank financial services companies, but did not have supervision authority.¹¹ The CFPB's new supervision authority coupled with its authority to enforce the Military Lending Act and its focus on listening to servicemembers has allowed for enforcement actions that would not have happened without the CFPB.

⁴ 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

⁵ On-demand forums and tools. <http://www.consumerfinance.gov/servicemembers/on-demand-forums-and-tools/>

⁶ Fraud protection tools to help safeguard servicemembers.

https://s3.amazonaws.com/files.consumerfinance.gov/f/201508_cfpb_fraud-protection-tools-to-help-safeguard-servicemembers.pdf

⁷ Servicemembers: Know your rights when a debt collector calls.

<https://s3.amazonaws.com/files.consumerfinance.gov/f/CFPB-Servicemembers-Know-Your-Rights-Handout-Debt-Collection.pdf>

⁸ For Servicemembers, Tackling student loan debt.

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201604_cfpb_servicemember-student-loan-guide.pdf

⁹ Factsheet, Consumer Financial Protection Bureau: By the numbers.

http://files.consumerfinance.gov/f/documents/201701_cfpb_CFPB-By-the-Numbers-Factsheet.pdf

¹⁰ The CFPB launches its non-bank supervision program, January, 2012.

<https://www.consumerfinance.gov/about-us/blog/the-cfpb-launches-its-nonbank-supervision-program/>

¹¹ Barloon, Welch, and Mehta, Leveling the Playing Field: Implications of CFPB Authority over Non-Depository Financial Institutions, Antitrust, Vol. 27, No. 2, Spring 2013.

<https://www.skadden.com/sites/default/files/publications/Spring13-BarloonC.PDF>

For example, the CFPB cited Cash America for violating the Military Lending Act after routine examination exposed compliance problems.¹² The agency took action against USA Discounters and other retail creditors abusing military allotment systems.¹³ Other enforcement actions that also impacted servicemembers include:

- Rome Finance where, in conjunction with 13 state attorneys general, CFPB provided \$92 million in debt relief for 17,000 U.S. servicemembers and other consumers;¹⁴
- Suits against closed proprietary colleges ITT¹⁵ and Corinthian Colleges, Inc.¹⁶ for predatory lending with debt relief for Corinthian students of \$480 million ultimately secured.¹⁷

Common-Sense Rules of the Road. The consumer agency has also pursued consumer protection initiatives that will strongly benefit military families.

Debt Collection: Over 46% of complaints received from servicemembers in 2015 concerned debt collection.¹⁸ And according to a 2015 report, servicemembers were nearly twice as likely to submit debt collection complaints as the general population who also submitted complaints.¹⁹ The CFPB has outlined proposals to increase consumer protections from debt collectors to address the industry's most abusive practices.

Forced Arbitration: The CFPB's proposed rule to rein in the widespread harm of forced arbitration by preserving the ability of servicemembers and other consumers to join together in court when financial institutions break the law. Compliance with the Servicemembers Civil Relief Act has been a particular problem. Class action bans, which take away the right to collective action, are particularly abusive, as they prevent courts from ordering widespread relief when thousands or millions of servicemembers are harmed. Class action bans also prevent servicemembers from banding together when they are not in a position to individually challenge a financial institution's illegal or unfair practices due to limited resources or frequent relocations or deployment. The Military Coalition, representing 5.5 million servicemembers and their families, recently sent a [letter](#) to the CFPB in support of this proposal.

¹² Consumer Financial Protection Bureau Takes Action Against Payday Lender for Robo-Signing, Nov. 2013. <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-takes-action-against-payday-lender-for-robo-signing/>

¹³ CFPB Shuts Down USA Discounters' Servicemember Fee Scam, Aug. 2014. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-shuts-down-usa-discounters-servicemember-fee-scam/>

¹⁴ CFPB and 13 State Attorneys General Obtain About \$92 Million in Debt Relief for Servicemembers Harmed by Predatory Lending Scheme, JUL 29, 2014. <http://www.consumerfinance.gov/about-us/newsroom/cfpb-and-13-state-attorneys-general-obtain-about-92-million-in-debt-relief-for-servicemembers-harmed-by-predatory-lending-scheme/>

¹⁵ CFPB Sues For-Profit College Chain ITT For Predatory Lending, Feb. 26, 2014. <http://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-college-chain-itt-for-predatory-lending/>

¹⁶ CFPB Sues For-Profit Corinthian Colleges for Predatory Lending Scheme, Sep. 16, 2014. <http://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-corinthian-colleges-for-predatory-lending-scheme/>

¹⁷ CFPB Secures \$480 Million in Debt Relief for Current and Former Corinthian Students, Feb. 3, 2015. <http://www.consumerfinance.gov/about-us/newsroom/cfpb-secures-480-million-in-debt-relief-for-current-and-former-corinthian-students/>

¹⁹ Servicemembers 2015: A Year in Review, Spring 2016, at 1-2, <http://goo.gl/D7hXJi>.

Denise Hollywood

Air Force Association

[Signature]

Air Force Sergeants Association

E. J. Sinclair

Army Aviation Association of America

[Signature]

Association of the United States Navy

James T. Currie

Commissioned Officers Assn. of the US Public Health Service, Inc

Carol Setteducato

CWOA, US Coast Guard

[Signature]

Enlisted Association of the National Guard of the US

Thomas Lee

Fleet Reserve Association

Harriet Boyden

Gold Star Wives of America

[Signature]

Iraq & Afghanistan Veterans of America

Norman Rosenbergs

Jewish War Veterans of the USA

Dana T. Atkins

Military Officers Association of America

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Military Order of the Purple Heart

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National Military Family Association

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Naval Enlisted Reserve Assn.

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Reserve Officers Association

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Service Women's Action Network

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The Military Chaplains Assn. of the USA

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The Retired Enlisted Assn.

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Tragedy Assistance Program for Survivors

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USCG Chief Petty Officers Assn.

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US Army Warrant Officers Assn.

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Veterans of Foreign Wars of the US