

May 21, 2021

The Honorable Sherrod Brown, Chairman
Senate Committee on Banking
SD-534 Dirksen Senate Office Committee
Washington, DC 20510

The Honorable Jack Reed
Senate Committee on Banking
SD-534 Dirksen Senate Office Committee
Washington, DC 20510

The Honorable Jeff Merkley
Senate Committee on Banking
SD-534 Dirksen Senate Office Committee
Washington, DC 20510

Dear Chairman Brown, Senator Reed, and Senator Merkley:

Military Officers Association of America, National Military Family Association, and Veterans Education Success represent current and former servicemembers, their families, and survivors. Recognizing the risk to military readiness when servicemembers are targeted by predatory loans, Congress passed the Military Lending Act (MLA) with broad bipartisan support. They did so by capping the interest rate that lenders can charge servicemembers at 36 percent. We write now to strongly urge you to expand these protections to members of the reserve component (RC), surviving families, veterans, and all Americans.

Currently, the MLA does not cover RC members not on active duty orders for longer than 30 days, the families of those who die due to their service, or our nation's 22 million veterans, including the approximately 1.4 million veterans at risk of homelessness.¹ They deserve to keep the protection from predatory lending that they earned by virtue of the fact that they took an oath to uphold and defend the Constitution.

For that reason, we support the bipartisan and aptly-named *Veterans and Consumers Fair Credit Act*, which would close these gaps by applying protections against predatory lending practices to *all* consumers. The bill would amend the Truth in Lending Act (TILA) by extending the MLA's 36 percent interest rate cap to RC members, veterans, surviving spouses, and all consumers. The military-civilian divide is real. Harmonizing federal consumer protection law by restoring lost consumer protections to veterans and their families is one way Congress can bridge that divide. The name of the legislation reflects that.

The MLA has improved military readiness and saved the Department millions of dollars each year from unnecessary involuntary separations² while also showing that financial institutions can responsibly lend to consumers without cutting off their access to credit. It is time for RC

¹ See *Generally: Background & Statistics*, "National Coalition for Homeless Veterans," http://nchv.org/index.php/news/media/background_and_statistics/.

² 80 Fed. Reg. 43559 (Jul. 22, 2015), <https://www.federalregister.gov/d/2015-17480/p-48>.

members, veterans, survivors, and all Americans to benefit from a 36 percent cap on interest rates on short-term, small-dollar lending.

Despite criticisms during the passage of the MLA that servicemembers' access to credit would be curtailed, nothing has been further from the truth. Active duty servicemembers have access to zero percent interest loans from the military relief societies to cover hardship and lenders have adjusted to comply with the requirements of the Military Annual Percentage Rate (MAPR).

In fact, studies have shown that after 36 percent interest rate caps go into effect, demand for healthier forms of credit increase. After South Dakota enacted their 36 percent rate cap in 2016, data shows that usage of both credit unions' Payday Alternative Loans (PAL) and unsecured consumer loans has increased in volume.³ Demand for other types of low-interest, community-based lending options increased as well.⁴

The success lenders have had in complying with the MLA means that the regulatory burden of a 36 percent rate cap for all Americans is substantially less than it would have been prior to 2007. In fact, a national 36 percent rate cap would mean that all lenders would no longer have to check the Defense Manpower Data Center (DMDC) to determine if every single potential borrower that comes to them is covered under the MLA.

Providing a uniform, commonly-used standard for all Americans would reduce industry's regulatory burden while also correcting the singular flaw of the MLA - that its protections do not extend past a servicemember's time in uniform.

We ask you to stand with RC members, veterans, surviving families, and other vulnerable consumers by speaking out in support of the *Veterans and Consumers Fair Credit Act* that is being introduced by Senators Reed, Brown, and Merkley. Good policy should not be limited to servicemembers - it is something all Americans deserve.

Sincerely,



Military Officers Association of America



National Military Family Association



Veterans Education Success

³ THE SKY DOESN'T FALL: Life After Payday Lending in South Dakota (2020), 12, https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-the-sky-doesnt-fall-jan2020_1.pdf (last visited May 19, 2021).

⁴ Id, 13.