

The Honorable Mac Thornberry
Chairman
House Committee on Armed Services
2208 Rayburn
Washington, DC 20515

The Honorable Adam Smith
Ranking Member
Committee on Armed Services
2264 Rayburn
Washington, DC 20515

The Honorable Joe Heck
Chairman
Subcommittee on Military Personnel
132 Cannon
Washington, DC 20515

The Honorable Susan Davis
Ranking Member
Subcommittee on Military Personnel
1214 Longworth
Washington DC 20515

April 19, 2016

Re: Oppose Delay or Weakening of Military Lending Act Final Rule during 2017 National Defense Authorization Act Mark-Up

Dear Chairman Thornberry, Chairman Heck, Ranking Member Smith and Ranking Member Davis:

In July 2015, the Department of Defense issued a strong new rule to close loopholes in the Military Lending Act, a critical military financial protection designed to prevent payday and other high-cost, abusive lenders from targeting servicemembers and their families – putting their security clearance and careers at risk. Lenders must comply with these new protections by Oct 2016, with some lenders receiving an extra year to comply.

This time last year, efforts in the House to delay the finalization of this rule stalled in committee and again on the House floor and the Department of Defense was able to proceed in implementing these critical military financial protections. We continue to oppose efforts to delay or weaken the Military Lending Act.

In advance of this week's subcommittee mark-up and next week's full committee mark-up, we urge members to stand with servicemembers and their families and against abusive lending practices and sky-high interest rates.

Before these changes to protect servicemembers were made last year, DoD expressed strong concern that abusive lenders continued to target servicemembers and their families. In fact, in his testimony to the Senate Committee on Veterans' Affairs in 2013, Colonel Paul Kantwill, Director of Legal Policy at the Department of Defense stated:

I will focus primarily on issues and challenges that fall within or around the Military Lending Act (MLA)--small dollar, payday-type lending services and products--as the Department sees this as the biggest, current financial challenge facing our servicemembers, Veterans, and their families.¹

The 2015 changes to the Military Lending Act will:

- **Protect the 11 percent of active duty servicemembers targeted by abusive lending** – Recent DoD research found that more than one in ten enlisted servicemembers reported using payday loans, vehicle title loans, bank deposit advances, pawn loans and other loans with interest rates over 36 percent.² These servicemembers will be protected from high interest rates and other abusive practices.
- **Save the Department of Defense \$14 million a year** – a conservative estimate of the annual savings the Department of Defense will realize as a result of the expansion of the Military Lending Act and the prevention of involuntary force separations stemming from abusive credit.³
- **Prevent \$57,333 in costs per involuntary separation** - the estimated cost incurred by the Department of Defense when a servicemember is discharged due to personal issues, such as financial instability.⁴
- **Allow military relief societies to continue making no-interest loans available** – In 2012, the Army Emergency Relief, Navy-Marine Corps Relief Society, Air Force Aid Society and Coast Guard Mutual Assistance provided \$142.2 million in no-interest loans to 159,745 clients to help address shortfalls in household expenses and unforeseen emergencies.⁵

Strong support for the final rule strengthening the Military Lending Act

“...some of the worst abusers, like payday lenders, are exploiting loopholes to trap our troops in a vicious cycle of crushing debt. So today we’re taking a new step. The DOD is closing those loopholes so we can protect our men and women in uniform from these predatory lenders.”

President Barack Obama (<http://bit.ly/1fjWDzy>)

¹ “Testimony of Colonel Paul Kantwill, Director of Legal Policy, Office of the Undersecretary for Personnel and Readiness, Department of Defense to the Senate Committee on Veterans’ Affairs.” Washington, DC, July 2013. <http://www.veterans.senate.gov/imo/media/doc/kantwill-7-31-13.pdf>.

² “Report: Enhancement of Protections on Consumer Credit for Members of the Armed Forces and Their Dependents.” Washington, DC: Department of Defense, April 2014. http://consumerfed.org/pdfs/140429_DoD_report.pdf.

³ Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 79 Fed. Reg. 58602 (Sept. 29, 2014).

⁴ “Department of Defense, April 2014.

⁵ “Report: Enhancement of Protections on Consumer Credit for Members of the Armed Forces and Their Dependents.” Washington, DC: Department of Defense, April 2014. http://consumerfed.org/pdfs/140429_DoD_report.pdf.

“This is a tremendous step forward to protect our Servicemembers from financial predators,” said Duckworth. “Those who work every day to defend our nation deserve the strongest protections our government can provide and this will rule will prove just that.”

Rep. Tammy Duckworth (<http://1.usa.gov/1g9PAe1>)

“This is a significant win for our troops and their families. Predatory lending is a threat to military readiness and therefore our national security, and frankly these commonsense protections are long overdue”

Senator Jack Reed - Ranking Member, Senate Armed Services Committee
(<http://bit.ly/1TNJpue>)

“When I drive down the strip outside a military installation and count 20 fast-cash lenders in less than 4 miles, that’s not a convenience, that’s a problem. I commend Secretary Carter for taking this important step to make the Military Lending Act more effective.”

Holly Petraeus, Assistant Director of Servicemember, Affairs Consumer Financial Protection Bureau (<http://1.usa.gov/1TQ7Ua6>)

“The Defense Department’s revised rule implementing the Military Lending Act is a major victory for members of our nation’s military – and for the credit unions that serve military families at home and abroad.”

Debbie Matz, Chairman – National Credit Union Administration (<http://bit.ly/1TPZoYG>)

A complete list of statements in support of the July 2015 changes to the Military Lending Act are available here: <http://bit.ly/1kVOgO8>

Servicemembers and their families deserve clear, consistent and comprehensive protections against abusive practices and access to a financial marketplace with safe and sustainable products. We urge you to support the 2015 final rule and ensure that these much-needed protections are in place in October 2016 as scheduled. Please do not hesitate to contact Tom Feltner at Consumer Federation of America at tfeltner@consumerfed.org or 202/618-0391.

Americans for Financial Reform
Center for Responsible Lending
Consumer Action
Consumer Federation of America
Fleet Reserve Association
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low income clients)
National People's Action
USPIRG

Alabama Appleseed, AL
Arkansans Against Abusive Payday Lending, AR
California Reinvestment Coalition, CA
Consumer Federation of California, CA
Florida Alliance for Consumer Protection, FL
Iowa Citizens for Community Improvement, IA
Citizen Action/Illinois, IL
Woodstock Institute, IL
Indiana Assets & Opportunity Network, IN
Indiana Association for Community Economic Development, IN
Jesuit Social Research Institute, LA
The Midas Collaborative, MA
NC Justice Center, NC
Reinvestment Partners, NC
New Jersey Citizen Action, NJ
PennPIRG, PA
Tennessee Citizen Action, TN
Virginia Citizens Consumer Council, VA
Virginia Organizing, VA