

August 24, 2018

The Honorable James Mattis  
Secretary of Defense  
1000 Defense Pentagon  
Washington, DC 20301-1000

The Honorable Mick Mulvaney  
Acting Director, Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

RE: protecting servicemembers from abusive financial practices

Dear Secretary Mattis and Acting Director Mulvaney:

The undersigned consumer, community, and civil rights organizations write to urge the Consumer Financial Protection Bureau to reverse its recent decision to suspend the supervision of payday, car title, and other lenders for violations of the Military Lending Act (MLA). We also urge the Department of Defense to ensure that the Military Lending Act is vigorously implemented without exemptions or loopholes to protect servicemembers and their families from financial abuse.

The MLA was passed in 2006 and strengthened in 2015 to ensure that servicemembers and their families are not a target for abusive financial practices that threaten their financial security, put their military careers at risk, and compromise force readiness.

Federal law provides broad authority to the Bureau to conduct supervisory exams for the purpose of “detecting and assessing risks to consumers.” 12 U.S.C. §§ 5514(b)(1)(C), 5515(b)(1)(C). We believe that violations of the Military Lending Act’s protections, including its limitation of interest rates to no more than 36 percent APR, pose a significant risk of harm to our nation’s military families.

The Bureau’s own attorneys reached the same conclusion after extensive consultations with other regulators within the Federal Financial Institutions Examination Council. The Military Lending Act examination procedures that the Bureau itself announced in September of 2016 are well within the Bureau’s legal authority and have served America’s military families well.

Now, by excluding MLA compliance from the supervision of payday and other lenders, the Bureau is sending a clear signal to servicemembers that they are on their own and are responsible for identifying illegal practices – in addition to defending our nation.

This step would, in effect, direct examiners to intentionally ignore violations of the MLA uncovered when examining lenders for compliance with other consumer financial protection laws. The Bureau risks creating a two-tier system: full examination and enforcement of consumer protection laws for civilians, and a second tier of complaint-driven enforcement for members of the military. Nothing in federal law compels this counter-productive approach.

While enforcement plays an important role in protecting servicemembers, enforcement actions take years to assemble and carry out. During this time, servicemembers may face involuntary separation as a result of financial hardship—a degradation of force readiness that the Department of Defense estimated costs over \$57,000 per separated servicemember.<sup>1</sup> Continuing to instruct examiners to identify and report MLA violations will help avoid many of these involuntary separations, protect the careers of active-duty servicemembers, and the financial stability of their families.

Strong implementation of the MLA, including broad coverage to protect servicemembers from payday lenders, car title lenders, and abusive add-on fees for auto loans must remain a top priority for the CFPB and the Department of Defense. Before the expansion of the MLA, approximately one servicemember out of every ten was targeted by a high-cost credit product with an interest rate over 36%.<sup>2</sup> If the Bureau continues to avoid its obligation and long-standing commitment to servicemembers and their families and the Department of Defense moves to weaken the Military Lending Act, we can expect abusive lending practices to flourish once again.

Sincerely,

A2Z Community Connection, LLC

Alabama CBF

Arizona Community Action Association

Arizona PIRG Education Fund

Arkansans Against Abusive Payday Lending

Asian Law Alliance

California Reinvestment Coalition

CAMEO - California Association for Micro Enterprise Opportunity

Center for Economic Integrity

Charlotte Center for Legal Advocacy

Clergy and Laity United for Economic Justice (CLUE)

Coalition on Human Needs

Community Legal Services in East Palo Alto

Connecticut Legal Services, Inc.

Consumer Federation of America

Consumers for Auto Reliability and Safety

Delaware Community Reinvestment Action Council, Inc.

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<sup>1</sup> 1 Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 79 Fed. Reg. 58602 (Sept. 29, 2014).

<sup>2</sup> “Report: Enhancement of Protections on Consumer Credit for Members of the Armed Forces and Their Dependents.” Washington, DC: Department of Defense, April 2014.

Delaware Financial Literacy Institute  
Empower Missouri  
Florida Consumer Action Network  
Georgia Watch  
Habitat for Humanity of New Castle County  
Indiana Institute for Working Families  
JustFaith East Bay  
Lifelines Counseling Services  
Long Island Housing Services, Inc.  
LULAC  
Maine Center for Economic Policy  
Montana Organizing Project  
NAACP  
National Association of Social Workers West Virginia Chapter  
National Consumer Law Center (on behalf of its low-income clients)  
National Council on Agricultural Life and Labor Research Fund, Inc.  
National Rural Social Work Caucus  
NC Assets Alliance  
NC Housing Coalition  
NC State AFL-CIO  
New Economics for Women  
New Jersey Citizen Action  
New Mexico Center on Law and Poverty  
NextGen America  
North Carolina Justice Center  
Pathways to Success  
Progressive Caucus Action Fund  
Project IRENE  
Prosperity works  
Public Citizen  
Public Counsel  
Public Good Law Center

Public Justice Center  
Public Law Center  
Reinvestment Partners  
San Francisco Office of Financial Empowerment  
SC Appleseed Legal Justice Center  
South Carolina Christian Action Council  
Statewide Poverty Action Network  
Step Up Savannah  
Sussex Housing Group  
Tennessee Citizen Action  
Texas Appleseed  
The Collaborative of NC  
The Greenlining Institute  
The Leadership Conference on Civil and Human Rights  
THE ONE LESS FOUNDATION  
U.S. PIRG  
West Virginia Council of Churches

cc: House Armed Services Committee  
House Financial Services Committee  
Senate Armed Services Committee  
Senate Committee on Banking, Housing, and Urban Affairs