



**Opportunity Alliance Nevada
Brief of Veteran Study Survey
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Conducted by: UNLV School of Environmental and Public Affairs

Many Nevada veterans are struggling financially, and many are using payday lenders to pay their bills, resulting in increasing amounts of debt and interest payments that put the veteran and their family at financial risk. A new report by the School of Environmental and Public Affairs at the University of Nevada, Las Vegas shows a troubling trend. The data is based on a survey created to assess the financial security of Nevada veterans. Survey goals were to research the major barriers veterans face as they work to build assets; access stable and high quality financial products and services; and assess veteran use of financial products and services. Objectives for this survey project were to identify patterns of financial literacy, management, and preparedness within the Nevada veteran community. A major focal area of the survey was centered on the use of payday lending and cash advance services by Nevada veterans.

In Nevada, the typical payday loan carries an annual interest rate of more than 400%.

The report shows Nevada's active-duty members of the military and its veterans are falling into the debt trap of these high-interest, deceptively marketed payday loans. Payday loans are marketed as a one-time quick fix to consumers facing a cash crunch, but real consumer experiences and studies show payday loans create a long-term cycle of debt. Borrowers end up in the debt trap, taking out loan after loan and paying new fees each time, because they cannot pay off their previous loan and still cover their normal living expenses.

Payday lenders maybe illegally lending to active duty members of the military in Nevada, as veterans surveyed in Nevada acknowledged utilizing a payday loan or cash advance while on active duty. The Military Lending Act limits payday loans interest rates to troops and their families to a cap of 36% annual interest because the Department of Defense identifies these products as predatory and a threat to military readiness. Financial issues are now the number one issue causing soldiers to lose their security clearances and prevent them from serving overseas.

The report finds that an incredible 1 in 5 (20%) of Nevada veterans have used payday loans compared to a national rate of 5.5%. This is troubling. Of those who took out a payday loan, half still have payday lending debt, and for some the debt began while they were still enlisted. This raises concerns about the long-term nature of pay day loan debt, in addition to highlighting the need for strengthening protections for active duty service members in order to promote their financial security as veterans.

The report shows payday loans are often used by Nevada veterans who are already struggling with existing monthly expenses, such as difficulty paying for housing, monthly bills, and other debt like auto loans, student loans, or credit cards. **Payday loans are not an appropriate substitute for meeting regular expenses, and actually compound existing financial stresses.** Payday lenders make no attempt to determine if veterans will be able to repay their loan or whether borrowers are already overextended with existing debt obligations.

The report shows most veterans learn about payday loans through payday lender advertising (62%) and receive the loans from a payday loan storefront within walking or driving distance (84%). This is concerning because data from other studies consistently show that payday lenders' engage in deceptive marketing. While payday loans are marketed as a one-time quick fix, 75% of payday lending fees are generated by borrowers taking out over 10 loans a year.

"The report is very troubling because it shows payday loans can result in spiraling debt for veterans and active duty members of the military, ensnaring them in a financial quagmire they cannot escape," said Kat Miller, Department of Veterans Services. *"While these loans are marketed as a one-time quick fix, borrowers are ending up in a long-term cycle of debt taking out loan after loan and incurring new fees every time."*

The report concludes that, "results from this survey clearly indicate the existence of a problem with pay day lenders and veterans in the State of Nevada."

Opportunity Alliance Policy recommendations:

- *Strengthen state and federal protections for active duty military personnel through enhancement and enforcement of the Military Lending Act's 36% rate cap*
- *Urge the Nevada State Legislature and Congress to enact a rate cap of 36% APR for payday loans*
- *The CFPB should issue strong rules to ensure payday lenders only make loans borrowers can afford to repay when considering a borrower's income and expenses.*

Recent Statements from Military Community Voicing Concerns About Predatory Payday Lending

*In 2006, President George Bush signed into law the Military Lending Act which prohibited predatory payday loans to members of the military, capping the rate of these loans to 36% annually. Veterans and retirees are **not** covered. As shown below, members of the military community continue to speak out against the harms of payday loans.*

Holly Petraeus, Director of Office of Service Members Affairs for the Consumer Financial Protection Bureau

In her testimony to Congress in 2011, Ms. Petraeus, said the military has trouble both with lenders who get service members indebted at very high interest rates and with debt collectors who harass military personnel, sometimes calling their units 20 times a day. "Indebtedness is a problem and small, short-term loans at high rates are definitely a problem," she said.ⁱ

Ms. Petraeus said while at Fort Campbell (Kentucky), she saw the devastating effects that financial debt and bad credit can have on a military family. "The number one cause of military security clearances being revoked is financial problems," she said.ⁱⁱ

Admiral Steve Abbot, USN (Ret), President, Navy-Marine Corps Relief Society

"The Military Lending Act (MLA), which became effective in October 2007, has dramatically curtailed payday loans to active duty service members. We are grateful for the farsightedness and effectiveness of that legislation. To prove the point, I can say that our annual assistance to those stuck in the payday loan trap went from a high of \$1.4 million in 2006 to just \$168K thus far in 2011, and virtually all of that smaller amount went to retirees who are not covered by the Military Lending Act.

Here is an example that illustrates the problem: In Fort Worth, Texas, we assisted a retired Navy E-5 with rent, food and utilities because he used his retirement check to repay a payday loan. He had borrowed \$950 at an APR of 277%. His finance charge was over \$216."ⁱⁱⁱ

Michael Archer, Director of Military Legal Assistance, Marine Corps Installations East

"Military leaders have long recognized that payday lenders target troops and their families and cause them significant harm. Rather than resolve short term cash flow problems, as advertised, these short term loans at astonishingly high interest rates exacerbate financial chaos and result in increasing debt and more borrowing. Historically, payday lenders are also associated with abusive, illegal debt collection efforts. Finally, payday lenders have also proved to be very resistant to state and Federal regulation; evading it and sometimes simply ignoring the law...

HARM TO SERVICEMEMBERS. Payday loans are bad news because: They are horribly expensive, with astronomical interest rates, they make a bad financial situation much worse, there are better options; in many cases, payday loans are illegal, and payday lenders often use harassing, unlawful means to collect on their loans. Further, as often pointed out by Holly Petreaus, the Director of the

CFPB Office of Servicemember Affairs, financial problems are the number one cause of security clearance revocation.”^{iv}

Samuel Pascal Redfern, an Army NCO, is a combat veteran of the Iraq war

“It was a wonderful feeling, returning home to the United States in 2005 after a tour of duty in Iraq. I was thankful to be back on American soil. However, there were unwelcome sights that shook our cadre. One of the first was the scene immediately outside the gates of Fort Campbell in Kentucky (home of the legendary 101st Airborne), where I was stationed. Numerous payday and car title lending shops had sprouted, all of them with garish signs promising service members fast and easy money.

I knew from the experiences of my fellow soldiers that there was nothing fast nor easy about these loans. The lenders were shameless in preying on military personnel and their families who found themselves in need of an emergency loan to fix a car or take care of some other unforeseen expense between paychecks. Rather than help families through financial hardships, these borrowers made problems worse by charging triple-digit annual interest rates and trapping borrowers in a cycle of debt.

The aggressive and blatant behavior of these lenders and the serious problems they caused for service members ultimately led the U.S. Department of Defense and Congress to take action... I supported [a rate cap of 36% APR on payday loans] because I believe in protecting the force. Similarly, as a Montana native, I care deeply about this state and our citizens. I support protecting our people from financial threats wherever they may arise. Some argue that this issue is about freedom. Abraham Lincoln said, "Those who deny freedom to others, deserve it not for themselves and under a just God, cannot long retain it." We cannot remain free if we are enslaved in debt. High usury is the denial of financial freedom and leads to financial slavery. Not freedom. I trust that the citizens of Montana will not allow usury to retain unbridled freedom. Freedom always comes with responsibility.”^v

Casey Jackson, a financial specialist at Fort Hood (Texas)

“Experts say predatory loans, consumer scams targeting the military and bad financial decision-making also contribute to economic woes. Casey Jackson, a financial specialist at Fort Hood, said he sees a large number of soldiers trying to pay off loans with astronomical interest rates, provided by the legion of payday lenders and auto title lenders surrounding the post. "When you look at their resources, they are spending so much on the loans they don't have enough to pay for utilities, gas or rent," he said. Financial woes for soldiers aren't just an economic issue. The Army has identified financial struggles as a factor in the record suicide rates that have plagued the Army in recent years.”^{vi}

ⁱ “Confirmation delay hurts military, critics say”, by Philip Brasher, Gannett Washington Bureau (Nov 9 2011)

ⁱⁱ “Gen. Petraeus' wife fights against troop scams,” by Kristin Hall, Associated Press (Aug. 24, 2011)

ⁱⁱⁱ Testimony of Admiral Steve Abbot, USN (Ret), President, Navy-Marine Corps Relief Society Before the Senate Committee On Banking, Housing and Urban Affairs (Nov. 3, 2011)

^{iv} Comments of Michael Archer, Director of Military Legal Assistance, Marine Corps Installations East to the Consumer Financial Protection Bureau (April 4, 2012)

^v “Say yes to capping predatory loan rates,” guest column by Samuel Pascal Redfern, Missoulian Record (Montana) (Oct. 1, 2010)

^{vi} “Foot Hood Soldiers Fight to Make Ends Meet” by Jeremy Schwartz, Austin American Statesmen (Feb 26, 2012)

About: Opportunity Alliance Nevada



Opportunity Alliance Nevada is a public, private, nonprofit collaborative. The Mission of Opportunity Alliance is to create partnerships and opportunities to build financial independence for Nevadans. Opportunity Alliance helps individuals achieve financial independence through these strategies:

- **Learn:** help Nevadans develop financial skills.
- **Earn:** provide Nevadans with income earning potential and tax advantages.
- **Save:** provide Nevadans with safe, affordable financial products and services AND limit institutionalized, predatory lending practices.
- **Invest:** Create savings and assets tools and resources.
- **Protect:** Provide legal, regulated and accessible savings and investment tools.
- **Assist:** Create a continuum of support for Nevadans to learn, earn, save and invest.

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