



Statement

by the

**NATIONAL MILITARY FAMILY ASSOCIATION**

**UNITED STATES HOUSE  
FINANCIAL SERVICES COMMITTEE**

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The Committee

The National Military Family Association (NMFA) is the leading nonprofit dedicated to serving the families who stand behind the uniform. Since 1969, NMFA has worked to strengthen and protect millions of families through its advocacy and programs. We provide spouse scholarships, camps for military kids, and retreats for families reconnecting after deployment and for the families of the wounded, ill, or injured. NMFA serves the families of the currently serving, retired, wounded or fallen members of the Army, Navy, Marine Corps, Air Force, Coast Guard, and Commissioned Corps of the USPHS and NOAA.

Association Volunteers in military communities worldwide provide a direct link between military families and the Association staff in the Nation's capital. These volunteers are our "eyes and ears," bringing shared local concerns to national attention.

The Association does not have or receive federal grants or contracts.

Our website is: [www.MilitaryFamily.org](http://www.MilitaryFamily.org).

### **Jennifer J. Davis, Government Relations Deputy Director**

Jennifer became a Government Relations Deputy Director of the National Military Family Association in 2018. In her role as a Government Relations Deputy Director, Jennifer monitors issues relevant to the quality of life of families of the uniformed services. Her areas of responsibility include spouse employment and education, financial literacy and military housing. She previously served as Director of Military and Government Relations at the Air Force Sergeants Association.

Jennifer serves on several committees of The Military Coalition (TMC), an organization of 33 military-related associations. She is co-chair of the Coalition's Taxes and Social Security Committee.

Jennifer served in the United States Air Force from 2001 to 2004 as an imagery analyst stationed at the United States Strategic Command, Offutt AFB, NE. She is also a military spouse of an active duty Master Sergeant, to whom she's been married for 15 years. A North Carolina native and third generation veteran, Jennifer earned her B.S. in Interior Design from The Art Institute of Pittsburgh. Jennifer resides in Springfield, Virginia with her family.

Prior to the enactment of the Military Lending Act (MLA) in 2007, “quick cash” stores, used car lots, pawn shops and title loan companies clustered around military installation gates. The net laid by these predatory lenders was extensive and, for some military families struggling financially due to a recent move or lack of spouse employment, the draw was too great. These lenders provided attractive options to service members and their families, offering quick loans and anonymity with no intrusive questions surrounding credit history or ability to repay. Often, however, interest rates soared into the triple digits. Annual percentage rates of 200 and 300 percent were common and in states with no rate cap, they ran as high as 700 percent.

And then the Military Lending Act was passed. The MLA’s passage capped interest rates at 36 percent on many loan products for service members, protected military families from mandatory allotments of pay, forced arbitration and penalties due to early loan repayment.

For more than a decade, service members and their families have enjoyed relief, seeing a decrease in predatory lending due in large part to the passage of the MLA. According to data provided by the Navy-Marine Corps Relief Society (NMCRS), in 2006 approximately 1,500 active-duty personnel sought financial assistance due to payday lending issues, resulting in as much as \$1.2 million granted by NMCRS. However, since the implementation of the MLA, numbers have dropped steadily. In 2007, requests for assistance dropped by half to 700 resulting in \$51,500 granted - only 4 percent of the previous year. Each year since, the number of requests for assistance and amounts granted has continued to decline with only ten requests in 2010, further falling to three requests for assistance in 2018, resulting in less than \$4,000 granted.

#### **CONSUMER FINANCIAL PROTECTION BUREAU**

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The Consumer Financial Protection Bureau (CFPB) was created in 2010 after the financial crisis of 2008 to protect American consumers from predatory financial products and practices that helped lead to a bloated and unsustainable economy.

The National Military Family Association appreciates CFPB’s work over the last decade to keep service members, veterans and military family consumers educated and empowered through financial literacy, ensuring supervision and enforcement of consumer financial laws and offering a space to seek resolution through the complaint database. Much of this work is accomplished through the Office of Servicemember Affairs (OSA). We are grateful for various programs and initiatives such as the “Military Financial Lifecycle,” which highlights many of the constant challenges that affect service members and their families throughout a military career and post-military life. We also appreciate OSA taking the initiative to create understandable factsheets relating to service member protections within the Servicemembers Civil Relief Act (SCRA) as well as the MLA.

## **SUPERVISORY EXAMINATIONS OF THE MILITARY LENDING ACT**

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Recently, we have become alarmed by CFPB's decision to no longer supervise lenders for compliance with the MLA. Current leadership has expressed the opinion that the agency does not explicitly have the authority to do supervisory examinations to ensure MLA compliance. We disagree.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established the CFPB, granting executive and administrative authority in implementation of "the Federal consumer financial laws through rules, orders, guidance, interpretations, statements of policy, examinations, and enforcement actions."<sup>1</sup> While the MLA was not included in the consumer financial laws to be enforced at the time of CFPB's creation, the FY13 National Defense Authorization Act (NDAA) changed this, granting enforcement authority of the MLA to CFPB. The FY13 NDAA specifically references administration of the MLA in compliance with section 108 of the Truth in Lending Act and *any* applicable authorities.<sup>2</sup> A plain reading of that law includes supervisory examination authority.

While CFPB seems to remain concerned with the overall financial readiness of service members and their families, forgoing its previously recognized MLA supervisory authority opens up military families to fraudulent lending by regulated entities. Furthermore, this reversal puts the onus on military families to catch potential fraud based on their understanding of the law and its protections and to work through the process of reporting such infractions to CFPB in the hopes of reconciliation. This arduous process would distract service members from their missions and result in decreased personal readiness, which would almost certainly impact safety of units and jeopardize operational success on the battlefield.

In January of this year, CFPB's own OSA report identified that complaints and requests for assistance have continued to increase over time. In fact the report states, "From 2016 to 2017 there was a 47 percent increase in complaints received from service members."<sup>3</sup> If even with supervision to ensure compliance the MLA service member complaints have continued to increase, what does CFPB expect will happen as a result of no supervisory examinations? Surely this disturbing trend will continue to grow at exponential rates. ***We urge CFPB to reverse their decision to no longer include MLA compliance in their supervisory examinations of financial institutions.***

We understand CFPB has proposed a legislative fix to explicitly grant authority to supervise the MLA. However, as previously outlined, we believe CFPB already possesses that authority, and we are concerned that any attempts to revise the MLA could open the door to watering down other protections contained in that law.

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<sup>1</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act. <https://www.congress.gov/bill/111th-congress/house-bill/4173/text>

<sup>2</sup> FY13 National Defense Authorization Act. <https://www.congress.gov/bill/112th-congress/house-bill/4310/text>

<sup>3</sup> Office of Servicemember Affairs Annual Report. January 2019. [https://files.consumerfinance.gov/f/documents/cfpb\\_osa\\_annual-report\\_2018.pdf](https://files.consumerfinance.gov/f/documents/cfpb_osa_annual-report_2018.pdf)

***Therefore, in an effort to prevent erosion of the law, we strongly caution Congress against revision of the MLA.***

#### **DELAY OF IMPLEMENTATION OF PAYDAY LENDING RULE**

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In February of this year, CFPB announced a proposal to delay implementation of the Payday Lending rule. Currently the rule is set to be implemented on August 19, 2019, but the proposal would push this date back to November 19, 2020. Our Association believes, due to the importance of the Payday Lending rule as currently written with underwriting requirements included, any delay by CFPB would put consumers, to include veterans and their families, at increased financial risk.

#### **REVERSAL OF CERTAIN PROVISIONS OF PAYDAY LENDING RULE**

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In February of this year, CFPB announced a proposal to “rescind certain provisions” of the Payday Lending rule. Specifically, the desire is to reverse underwriting requirements of lenders “before issuing payday, single-payment vehicle title, and longer-term balloon payment loans.”<sup>4</sup> CFPB’s belief is that such a reversal would enable consumers to obtain increased access to credit.

While reversing this provision may, in fact, increase access to credit, what would be the cost to consumers? Conventional wisdom and economic theory state a lender should ensure a consumer’s ability to repay before extending credit. We believe lenders who do not take this approach are simply preying on consumers with a business model that relies on revenue from rollovers, late fees and penalties. Reversal of the Payday Lending rule would place consumers (including military veterans, who are not protected by the MLA) at greater financial risk, which goes against CFPB’s very purpose to protect consumers.

***We urge CFBP to maintain the integrity of the Payday Lending rule as written, thereby protecting consumers.***

#### **CONSUMERS FIRST ACT**

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The proposed Consumers First Act would address several missteps by CFPB leadership. Most notably the proposed legislation would highlight CFPB’s “abandoning of accepted and efficient practice of having its examiners review, as part of their routine examinations, creditors’ compliance with the Military Lending Act”. It would urge CFPB to “immediately resume supervision of its regulated entities for compliance with the MLA to ensure the most robust and efficient protection of active-duty service members and their families.”<sup>5</sup> We strongly stand behind this proposal within the Consumers First Act.

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<sup>4</sup> Consumer Financial Protection Bureau Releases Notices of Proposed Rulemaking on Payday Lending. February 6, 2019. <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-releases-notice-proposed-rulemaking-payday-lending/>

<sup>5</sup> Consumers First Act

### **MILITARY CONSUMER PROTECTION ACT**

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Our Association appreciated the introduction of the Military Consumer Protection Act in the 115<sup>th</sup> Congress. The Military Consumer Protection Act proposed granting CFPB oversight and enforcement authority of certain provisions of the SCRA. We supported this legislation in the last Congress and encourage reintroduction and passage in the 116<sup>th</sup> Congress.

### **MILITARY FAMILIES –CONTINUING TO SERVE**

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Evolving world conflicts keep our military service members on call. Our military families continue this call as well, even as they are dealing with the long-term effects of almost two decades at war. The government should ensure military families have the tools to remain ready and to provide for the readiness of their service members – the MLA is one of these tools. Our Association implores CFPB to maintain the integrity of the MLA and protect the financial readiness of America’s service members and their families.