

November 15, 2019

The Honorable Mike Crapo, Chair  
Senate Committee on Banking  
SD-534 Dirksen Senate Office Committee  
Washington, DC 20510

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

The Honorable Maxine Waters, Chair  
House Financial Services Committee  
4340 Thomas P. O'Neill, Jr. Federal Office Building  
Washington, DC 20024

The Honorable Patrick McHenry, Ranking  
Member  
House Financial Services Committee  
4340 Thomas P. O'Neill, Jr. Federal Office Building  
Washington, DC 20024

Dear Chair Crapo, Chair Waters, Ranking Member Brown, and Ranking Member McHenry:

The undersigned military and veterans service organizations represent millions of current and former service members, their families, and survivors. Congress passed the Military Lending Act (MLA) with broad bipartisan support. Recognizing the risk to military readiness when service members are targeted by predatory loans, Congress chose to cap the interest rate that lenders can charge service members 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.

Service members and their families suffer significant harm when predatory lenders target them for financial fraud and usurious interest rates. Maps of the locations of payday lenders indicate that they surround military bases to target our troops like. In the words of the former head of the Consumer Financial Protection Bureau's (CFPB) Office of Servicemember Affairs, Holly Petraeus, payday lenders are "bears on a trout stream."<sup>1</sup> We remain concerned that the CFPB is still not conducting supervisory examinations of banks and payday lenders to ensure they are complying with the MLA's 36 percent interest rate cap.

The MLA not only protects service members and their families, it also helps to ensure military readiness. As part of its 2015 rulemaking, the Department of Defense (DOD) specifically found that the MLA's 36 percent interest rate cap would result in "savings attributable to lower recruiting and training expenses associated with the reduction in involuntary separation of service members where financial distress is a contributing factor."<sup>2</sup> Under DOD's calculations:

Each separation of a service member is estimated to cost the Department \$58,250, and the Department estimates that each year approximately 4,640 to 7,580 service members

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<sup>1</sup> Hollister K. Petraeus Before the U.S. Senate Committee on Commerce, Science & Transportation, available at <https://www.consumerfinance.gov/about-us/newsroom/hollister-k-petraeus-before-the-u-s-senate-committee-on-commerce-science-transportation/#fn6> (Last visited Oct. 29, 2019)

<sup>2</sup> 80 Fed. Reg. 43559 (Jul. 22, 2015).

are involuntarily separated where financial distress is a contributing factor. If the Department's proposed regulation could reduce the annual number of involuntary separations... between 5 to 30 percent, the savings to the Department could be in the range of approximately \$13.51 million to \$132.52 million each year.<sup>3</sup>

The MLA's 36 percent interest rate cap has effectively protected active service members and their families from predatory loan products. But it 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.<sup>4</sup>

Additionally, we support the ability to repay provision of the Bureau's 2017 Payday, Vehicle Title and Certain High-Cost Installment Loan's (Payday Rule), which requires lenders to assess a consumer's ability to repay before extending credit, because one of its functions is to protect the RC, survivors and veterans from predatory payday lenders.<sup>5</sup>

Thankfully, new bi-partisan legislation, the *Veterans and Consumers Fair Credit Act of 2019*, 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 rates cap to RC members, veterans, surviving spouses, and all consumers. We believe our nation's RC, survivors, and veterans deserve the same financial protections that are provided to active duty service members. By expanding the MLA to all consumers, Congress would also compel the CFPB to examine for compliance with the MLA. Instead of enacting unnecessary legislation to confirm the Bureau's existing authority, the bill expands the MLA's proven protections to RC members, veterans, surviving families, and all Americans.

The MLA has improved military readiness and saved the Department millions of dollars each year from unnecessary involuntary separations while also showing that financial institutions can responsibly lend to consumers without cutting off their access to credit. It is time for RC members, veterans, survivors, and all Americans to benefit from a 36 percent cap on interest rates on short-term, small-dollar lending.

We therefore strongly support the bipartisan and bicameral legislation sponsored by Representatives Glenn Grothman (R-WI) and Chuy Garcia (D-IL) along with Senators Merkley, Brown, Reed, and Van Hollen. The proposed law would strengthen our country by building on the military's past successes and extending well-deserved protections to our RC members, veterans and surviving families. We urge 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 of 2019*.

Sincerely,

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<sup>3</sup> *Id.*

<sup>4</sup> Background & Statistics," *National Coalition for Homeless Veterans*, [http://nchv.org/index.php/news/media/background\\_and\\_statistics/](http://nchv.org/index.php/news/media/background_and_statistics/).

<sup>5</sup> 80 Fed. Reg. 54772 (Nov. 17, 2017).

Air Force Sergeants Association (AFSA)  
Association of Military Surgeons of the United States (AMSUS)  
Association of the United States Navy (AUSN)  
Blinded Veterans Association (BVA)  
Chief Warrant & Warrant Officers Association, USCG (CWOA)  
Commissioned Officers Association of the U.S. Public Health Service (COAUSPHS)  
High Ground Veterans Advocacy (HGVA)  
Jewish War Veterans of the United States of America (JWV)  
Marine Corps League (MCL)  
Marine Corps Reserve Association (MCRA)  
Military Chaplains Association of the United States of America (MCA)  
Military Child Education Coalition (MCEC)  
Military Officers Association of America (MOAA)  
National Guard Association of the United States (NGAUS)  
National Military Family Association (NMFA)  
Non Commissioned Officers Association (NCOA)  
Reserve Officers Association (ROA)  
Service Women's Action Network (SWAN)  
Student Veterans of America (SVA)  
Tragedy Assistance Program for Survivors (TAPS)  
The Retired Enlisted Association (TREA)  
U.S. Army Warrant Officers Association (USAWOA)  
U.S. Coast Guard Chief Petty Officers Association (USCPOA)  
Vietnam Veterans of America (VVA)  
VetsFirst  
Veterans Education Success (VES)  
Veterans for Common Sense (VCS)