



# **STATEMENT**

**of the**

**MILITARY OFFICERS ASSOCIATION OF AMERICA**

**for**

**Ensuring Financial Protection for  
Servicemembers, Veterans, and Their Families**

**1st SESSION of the 118th CONGRESS**

**before the**

**Senate Committee on Banking, Housing, and Urban Affairs**

**November 2, 2023**

## **EXECUTIVE SUMMARY**

MOAA thanks the members of the Senate Committee on Banking, Housing, and Urban Affairs for holding this hearing to highlight the importance of the Consumer Financial Protection Bureau (CFPB). America just celebrated 50 years of the all-volunteer force, but this anniversary comes with recruiting challenges that must be addressed. This is a national responsibility and requires the involvement of every part of Congress; we are glad your committee recognizes its role in addressing these challenges. MOAA appreciates this dedicated focus on supporting servicemembers, their families, and veterans.

The CFPB takes this responsibility seriously, handling over 320,000 complaints from servicemembers, veterans, and their families; recovering \$175 million in monetary relief through enforcement actions involving harm to servicemembers and veterans, including six cases involving Military Lending Act (MLA) violations; and providing educational resources to the uniformed services community about the rights and protections afforded via their military status.

Without a strong CFPB, servicemembers, veterans, and their families will be worse off – and consequently, so will our nation. MOAA has supported the CFPB’s work and urged the Department of Defense and Congress to strengthen financial protections when the need arises.

The CFPB is uniquely situated to protect servicemembers, veterans, and their families. Any reduction in the bureau’s ability to provide these vital services would be detrimental to the uniformed services and veteran communities. MOAA wholeheartedly supports the work the CFPB has done and appreciates the opportunity to share the bureau’s positive impact with the Committee.

## INTRODUCTION

**CHAIRMAN BROWN AND RANKING MEMBER SCOTT**, on behalf of the Military Officers Association of America (MOAA), and our over 363,000 members, thank you for the opportunity to share our views on the Consumer Financial Protection Bureau (CFPB) and the Office of Servicemember Affairs (OSA) with the Senate Committee on Banking, Housing, and Urban Affairs.

While MOAA is an organization of officers, we are not an association about officers. Our association recognizes and carries out our responsibility as officers to support the entire uniformed services community, enlisted and officer, across all eight branches of the uniformed services. We advocate for a world-class pay and benefits package for those in uniform, retirees, veterans, their families, and survivors – because they have earned it, and because our country has an obligation to match their commitment of sacrifice with a commitment to providing benefits commensurate with service. In so doing, we also recognize and support the inextricable link between ensuring the quality of service and quality of life of servicemembers and their families with the need to meet our national security needs through a strong all-volunteer force.

Higher compensation alone is not enough. We must ensure those who serve have the educational tools they need to maintain financial readiness, as well as protections – via regulation, and enforcement when necessary – to mitigate the unique financial challenges they face. Ensuring effective compensation, education, and regulation is a continuous effort that requires the support of our country, every federal agency, and Congress.

In the early 2000s, despite ongoing efforts to educate servicemembers and provide invaluable resources like military aid societies, predatory lending was highly prevalent. These lenders specifically targeted servicemembers, to the detriment of national security.

MOAA and The Military Coalition (TMC) staunchly supported the Military Lending Act (MLA) and have continually urged Congress to strengthen its provisions when predatory lenders took actions to skirt the law to the detriment of those who serve.

The CFPB and OSA play a vital role in educating our community on financial risks, exposing bad actors, and enforcing MLA compliance. The financial readiness of servicemembers and their families is critical to preserving the all-volunteer force, which means the CFPB and OSA play an essential role in military readiness.

## PROBLEMS OF THE PAST

In the early 2000s, predatory lending products grew quickly. While this was a national change, the results were especially damaging to the military and wider uniformed services community<sup>1</sup>.

### PRE-MILITARY LENDING ACT CHALLENGES

Predatory lending ran rampant in the military community during this time, with limited regulation and little to no enforcement or understanding of existing applicable laws<sup>2</sup>. In 2006, DoD reported hundreds of thousands of servicemembers were using predatory loan products, with devastating results to the all-volunteer force. Data from the Center for Responsible Lending estimated 20 percent of servicemembers used payday loans and found servicemember use was three times that of the civilian population<sup>3</sup>. From 2000 to 2005, the Navy and Marine Corps experienced a 1,600 percent increase in revoked or denied security clearances due to financial problems, which accounted for 80 percent of all revocations or denials<sup>4</sup>. At the time, servicemembers would not disclose their financial hardships to service leaders; as a result their security clearances, careers, and mission effectiveness could be impacted. Predatory lending was a driving factor for the hardships faced by these servicemembers.

Vignettes from the 2006 DoD report, which included 3,393 case studies, show the toll these predatory products took.

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*“Active duty Air Force E-4, assigned to Maxwell AFB, AL. She was behind in her car and rent payments and quickly needed some cash. Since she had bad credit, she felt a payday loan was a good choice. She originally obtained a \$500 loan with an agreement to pay back \$600 in two weeks. Unable to repay, she then took out other payday loans and was forced to do multiple rollovers on each one. To pay off these loans she contacted an installment loan company who provided her with a \$10,000 loan at 50 percent APR. Total cost to pay off the payday loans was \$12,750 and her total obligation to the installment loan*

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<sup>1</sup> U.S. Department of Defense, [Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents](#) (2006).

<sup>2</sup> Peterson, Christopher Lewis and Graves, Steven M., [Predatory Lending and the Military: The Law and Geograpy of 'Payday' Loans in Military Towns](#) (October 5, 2010). Ohio State Law Journal, Vol. 66, p. 653, 2005..

<sup>3</sup> Center for Responsible Lending, [Payday Lenders Target the Military](#), (2005).

<sup>4</sup> U.S. Department of Defense, [Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents](#) (2006).

*company was \$15,000. Her financial problems were a contributing factor to her pending divorce.”*

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The report offered recommendations that eventually would become the MLA.

## **TMC SUPPORT FOR THE MLA**

The Military Coalition (TMC) was founded more than three decades ago to protect and enhance benefits. The coalition includes 35 military, veterans, and uniformed services organizations, representing nearly 5.5 million members and working together to defend our entire community. TMC members work together when common threats arise, and did just that in the face of predatory lending.

TMC supported the MLA’s inclusion as a provision in the FY 2006 National Defense Authorization Act (NDAA), and defended it against attacks the year after its adoption<sup>5</sup>. In testimony to the House Armed Services Committee’s Military Personnel Subcommittee, TMC’s statement read, “The Coalition applauds the Subcommittee’s work to prevent unscrupulous predatory lenders from preying on military personnel by establishing a 36% rate cap on loans to military members and their families”<sup>6</sup>.

MOAA continues to work closely with TMC on this important issue.

## **WHY SERVICEMEMBERS, VETERANS, AND THEIR FAMILIES NEED THE CFPB AND OSA**

When the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law, it passed authority of the MLA to the newly formed Consumer Financial Protection Bureau (CFPB) and created the Office of Servicemembers Affairs (OSA). CFPB’s dual-pronged approach of educating and reporting through the OSA while bringing enforcement cases against predatory lenders has improved the overall financial readiness and protection of servicemembers, veterans, and their families.

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<sup>5</sup> Enclosure 1: TMC Letter of Support for the Servicemember Anti-Predatory Lending Protection Act, (2005).

<sup>6</sup> Enclosure 2: Statement of The Military Coalition before the Subcommittee on Military Personnel, House Armed Services Committee, (2007).

## **EDUCATION**

MOAA and our partner organizations work to stay aware of the challenges facing our constituents. While we maintain a strong connection with our community, providing overarching data to outline these financial challenges remains a struggle. The OSA's annual report, which stems from the CFPB complaint database, has proven an invaluable resource in this regard. This report is unlike anything other departments and agencies can produce.

In addition to its annual report, the OSA conducts research about challenges unique to servicemembers. An example of this is the OSA's 2022 report, *Protecting Those Who Protect Us: Evidence of activated Guard and Reserve servicemembers' usage of credit protections under the Servicemembers Civil Relief Act*. This report analyzed the utilization of important interest rate reduction benefits under the Servicemembers' Civil Relief Act (SCRA)<sup>7</sup> and found only a fraction of activated reserve component servicemembers were receiving interest rate reductions, costing them an estimated \$100 million between 2007 and 2018.

In addition to broad consumer education efforts, the OSA provides education and outreach to judge advocates and state leadership to ensure they understand servicemember rights and protections.

## **REGULATE AND ENFORCE**

Enforcement action is never the preferred method when it comes to ensuring compliance, but it has proven necessary when predatory lenders believe they can skirt the MLA and/or the SCRA, or engage in other unfair, deceptive, and abusive conduct at the expense of the uniformed services and veteran communities.

The CFPB has taken its responsibility to protect servicemembers, veterans, and their families seriously. Thus far, the bureau has handled over 320,000 complaints from servicemembers, veterans, and their families since opening its doors in 2011. Before the CFPB was created, there was no centralized location for these complaints and no "cop on the beat" to evaluate these unique situations. Servicemembers and veterans now can file a complaint pertaining to consumer financial products and have it forwarded immediately to the entity for a response.

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<sup>7</sup> CFPB, [Protecting Those Who Protect Us: Evidence of activated Guard and Reserve servicemembers' usage of credit protections under the Servicemembers Civil Relief Act](#), (2022).

The CFPB also has recovered \$175 million in monetary relief through enforcement actions involving harm to servicemembers, veterans, and their families, including six cases for violations of the MLA. The bureau routinely provides educational resources to consumers about the rights and protections afforded via their military status<sup>8</sup>.

## **COMMUNITY SUPPORT FOR EXPANDING THE MLA AND CFPB’S WORK**

As the CFPB’s work has continued, so has the need to adapt regulations as predatory lenders seek to get around the MLA. MOAA, through TMC, continues to support the expansion of the MLA where necessary to ensure servicemembers and their families are protected.

For example, MOAA and TMC supported a DoD proposal to expand the MLA to include more types of consumer credit, informed in part by the CFPB’s work<sup>9,10</sup>. TMC also supported the CFPB’s efforts to regulate the use of forced arbitration provisions in financial product contracts; the near-universal use of forced arbitration deprives servicemembers and their families of critical protections contained within the SCRA and Uniformed Services Employment and Re-employment Rights Act (USERRA)<sup>11</sup>.

MOAA and TMC wrote to the leadership of this Committee in 2017 to urge the Committee to execute its oversight role over the CFPB. The coalition stated, “We hope agreement is possible in order to protect America’s military heroes and their families by resisting proposals that would curtail the effectiveness of the Consumer Financial Protection Bureau (CFPB)”<sup>12</sup>. This letter was in response to interim CFPB Director Mulvaney’s plan to end supervisory MLA examinations of lenders<sup>13</sup>.

Finally, when the constitutionality of the CFPB was challenged in a case that is now before the Supreme Court, *Consumer Financial Protection Bureau v. Community Financial Services Association of America*, 15 military and veteran service organizations (MSOs/VSOs) came together to submit an amicus brief to the Supreme Court detailing the importance of the CFPB’s work to servicemembers and veterans<sup>14</sup>. Just prior to the Supreme Court hearing the case on October 3, 20 MSOs and VSOs signed a statement of support for the CFPB, including: The

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<sup>8</sup> CFPB, [Office of Servicemember Affairs Annual Report: January - December 2022](#), (2023).

<sup>9</sup> Department of Defense, [Limitations on Terms of Consumer Credit Extended to Service Members and Dependents](#), (2014).

<sup>10</sup> Enclosure 3: TMC Letter of Support for DoD’s Proposed Rules to Cover a Broader Range of Financial Products, (2014).

<sup>11</sup> Enclosure 4: TMC Letter on Proposed CFPB Rule Barring Forced Arbitration, (2016).

<sup>12</sup> Enclosure 5: TMC Letter to Senate BHUA Committee, (2017).

<sup>13</sup> New York Times, [Mulvaney Looks to Weaken Oversight of Military Lending](#), (2018).

<sup>14</sup> Enclosure 6: MSO VSO Amicus Brief, (2023).

American Legion, Veterans of Foreign Wars, Disabled American Veterans, Vietnam Veterans of America, and National Military Family Association, as well as MOAA<sup>15</sup>.

The CFPB has earned this level of support from MSOs and VSOs because of its dedication and focus on protecting servicemembers, veterans, and their families.

## **CFPB ACTIONS TO SUPPORT SERVICEMEMBERS AND THEIR FAMILIES**

The CFPB has sole enforcement authority for the MLA and has taken six actions to ensure compliance, putting millions of dollars back into the pockets of servicemembers when violations occurred<sup>16</sup>.

DoD found the CFPB's persistent enforcement of the act that these efforts meant "... some online lenders that traditionally targeted the military population and charged exorbitant interest rates have modified their lending practices to comply with the MLA's cost of credit limit"<sup>17</sup>. In that same report, DoD states its belief that "the MLA is currently working as intended and that Service members continue to have ample access to necessary credit." The MLA's success would not be possible without the CFPB's enforcement, which sends a clear message to predatory lenders that noncompliance will not be tolerated.

CFPB's benefit to servicemembers does not stop with the MLA. Bad actors take advantage of servicemembers and veterans in all manner of financial areas, including auto financing, student loan and mortgage servicers, credit reporting, and debt collection. Enforcement actions taken under the Truth in Lending Act, the Consumer Financial Protection Act, and other statutes over which the CFPB has enforcement authority have returned millions more for violations of fee disclosures, overcharging veterans, and illegal threats to servicemembers' chains of command.

Monitoring one's credit is vital for servicemembers and veterans to maintain a security clearance, and CFPB's monitoring of the credit reporting agencies supports them in this effort. CFPB recently levied fines and other penalties against TransUnion when it failed to take actions to institute or remove credit locks or freezes in a timely manner for servicemembers and other consumers<sup>18</sup>. Given the continuous moves of servicemembers and their need for a strong credit report, CFPB's work to identify and resolve these reliability issues is critical to national security.

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<sup>15</sup> Enclosure 7: MSO VSO Support Statement, (2023).

<sup>16</sup> CFPB, [MLA Enforcement Actions](#), (2023).

<sup>17</sup> Department of Defense, [Report on the Military Lending Act and the Effects of High Interest Rates on Readiness](#), (2021).

<sup>18</sup> Stars and Stripes, [TransUnion payout to include military personnel affected by company lapses](#), (2023).



## **CFPB ACTIONS TO SUPPORT VETERANS**

CFPB's work does not stop with helping servicemembers; the bureau also plays an invaluable role in supporting our nation's veterans, who often are targeted by bad actors seeking access to service-earned benefits.

CFPB helped veterans by suing the nation's largest student loan servicing company for falsely reporting that severely disabled veterans had defaulted on their student loans<sup>19</sup>. These disabled veterans actually qualified to have their student loan debt discharged, but the student loan servicer's misconduct, including negative credit reporting information and false claims of default, caused significant harm.

CFPB worked to permanently shut down a repeat-offender mortgage lender that used fake Department of Veterans Affairs (VA) seals and Federal Housing Administration (FHA) logos on millions of marketing letters sent to veterans, falsely implying an affiliation with the federal government<sup>20</sup>.

Additionally, CFPB banned a VA "pension poacher" – an individual who brokered loans between veterans and third parties which illegally assigned the lenders an income stream from the veterans' pensions – from brokering, offering, or arranging agreements between veterans and third parties. This proactive work on CFPB's part helps servicemembers when they are in and out of uniform<sup>21</sup>.

## **OUR COMMUNITY NEEDS THE CFPB**

MOAA is gravely concerned by the potential weakening of the CFPB. We believe that without a robust CFPB, servicemembers, veterans, and their families would lose a vital defender and the only federal agency mandated to safeguard their financial interests. If the Supreme Court rules against the CFPB, the financial readiness of the all-volunteer force could face serious harm, leaving military communities vulnerable to financial exploitation without recourse. MOAA strongly supports maintaining the CFPB's full authorities to prevent abusive practices and protect those who serve. The CFPB's unique structure and independence have allowed it to effectively defend the financial readiness of the uniformed services and veteran communities.

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<sup>19</sup> CFPB, [CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment](#), (2017).

<sup>20</sup> CFPB, [CFPB Takes Action Against Mortgage Lender for Deceptive Advertising](#), (2015).

<sup>21</sup> CFPB, [Mark Corbett](#), (2019).

The CFPB was intentionally designed to be nimble and proactive in responding to consumer financial threats. Its independence from the political process gives the CFPB the freedom to aggressively enforce consumer laws regardless of changes in administration. This institutional freedom benefits servicemembers, veterans, and their families, keeping consumer protections consistent rather than fluctuating with each election cycle.

Since its founding, the CFPB has defended members of the all-volunteer force, past and present, and their families from financial abuse. While penalizing lenders for illegal practices targeted at servicemembers, it also takes on financial education duties, coordinates with judge advocates general to educate commands about SCRA and USERRA, and runs specific uniformed service consumer assistance programs to help servicemembers avoid scams and manage their money.

If the Supreme Court rules the current structure of the CFPB is unconstitutional, the vital consumer protection activities provided by the bureau would be put in jeopardy. A weakened CFPB would allow predatory lenders and shady businesses to take advantage of servicemembers and veterans more easily. Losing the CFPB would further harm military families struggling with debt or credit issues, ultimately undermining the financial readiness of the all-volunteer force.

MOAA has strongly urged the Supreme Court to uphold the constitutionality of the CFPB and allow it to continue safeguarding the economic livelihood of America's servicemembers. If the Supreme Court were to unequivocally find the CFPB unconstitutional, supervisory authority would return to DoD – a department structured and equipped to defend our nation, not provide financial oversight of domestic financial institutions. Our nation should want, and certainly needs, a military focused on protecting our country. The task of protecting consumers should remain with the CFPB, lest we risk returning to how things were before the MLA and CFPB began their work.

## **CONCLUSION**

Our nation is facing recruiting challenges we have not seen in decades. A return to the days where unscrupulous financial predators target servicemembers without fear of repercussions would make a bad situation worse, and may result in those who serve facing financial ruin that forces them out of uniform. The cost of separating a servicemember from the military is \$76,700 (adjusted for inflation); over time, this cost depletes DoD's resources that could be used to improve quality of life for all. The separation often is a significant setback for the servicemember

and his or her family<sup>22</sup>, hurts morale, causes anxiety, reduces capabilities within working units, and makes retention a cause of concern. Maintaining and protecting the CFPB can protect our servicemembers and our all-volunteer force from this outcome – the bureau is good for our servicemembers, good for our veterans, and helps maintain the all-volunteer force. In turn, it helps us defend our country.

On behalf of our more than 363,000 members, MOAA offers appreciation for the leadership and arduous work of each of the Committee members. MOAA staunchly works to maintain and defend the all-volunteer force, and a robust transition process is critical to that maintenance.

We look forward to working with the committees and your teams to better the lives of those who serve this country faithfully. Through our collective resolve, we assure those in the uniformed services and veteran communities that we will Never Stop Serving them.

## **ENCLOSURES**

Enclosure 1: TMC Letter of Support for the Servicemember Anti-Predatory Lending Protection Act, (2005).

Enclosure 2: Statement of The Military Coalition before the Subcommittee on Military Personnel, House Armed Services Committee, (2007).

Enclosure 3: TMC Letter of Support for DoD's Proposed Rules to Cover a Broader Range of Financial Products, (2014).

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Enclosure 6: MSO VSO Amicus Brief, (2023).

Enclosure 7: MSO VSO Support Statement, (2023).

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<sup>22</sup> Department of Defense, [Proposed Rule: Limitations on Terms of Consumer Credit Extended to Service Members and Dependents](#), (2015).