



UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND
READINESS

The Honorable Michael S. Barr
Assistant Secretary for Financial Institutions
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

FEB 26 2010

Dear Secretary Barr:

This letter is provided in response to your February 10, 2010 discussion with Deputy Under Secretary of Defense (Plans) Gail McGinn regarding the legislation before the Senate which would establish the Consumer Financial Protection Agency (CFPA) and delineate the limits of its authority.

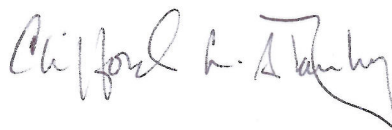
The Department of Defense would welcome and encourage CFPA protections provided to Service members and their families with regard to unscrupulous automobile sales and financing practices, provided such protections would not limit access to legitimate products. While each Military Service includes car buying and financing classes as part of its normal financial educational curriculum, there are still documented cases of Service members falling victim to predatory practices and prohibitively expensive products. To complement case studies conducted by consumer advocacy groups such as Consumers for Auto Reliability and Safety (CARS), the Department conducted an informal, non-scientific polling of military installation Personal Financial Managers, legal assistance officers, and DoD-contracted Personal Financial Counselors about practices they had encountered when counseling military clients such as "bait and switch" financing, falsification of loan applications or other documents, failure to pay-off liens on trade-in vehicles, "packing" loans with items whose price tag bears little or no relationship to their actual cost or value, and discriminatory lending. Seventy-two percent of the 659 counselors and attorneys who responded to this question said that they had counseled Service members in the past six months on one or more of these issues when covering auto financing with the client.

We recognize Service members and their families are under increasing stress. When we have asked in surveys about the causes, Service members responded that finances were second only behind work and career concerns and ahead of deployments, health, life events, family relationships, and war/hostilities. Since auto financing represents the most significant financial obligation for the majority of Service members, particularly in the junior enlisted grades, we believe the intervention of the CFPA in

overseeing auto financing and sales for Service members will help protect them and will assist us in reducing the concerns they have over their financial well-being.

The Department of Defense fully believes that personal financial readiness of our troops and families equates to mission readiness. Therefore, any legislation that would enable and empower our military to be financially ready would be welcomed.

Sincerely,

A handwritten signature in dark ink, appearing to read "Clifford L. Stanley". The signature is written in a cursive, flowing style with a large, sweeping final stroke.

Clifford L. Stanley