The undersigned consumer, community, and civil rights organizations write to urge the Consumer Financial Protection Bureau to reverse its recent decision to suspend the supervision of payday, car title, and other lenders for violations of the Military Lending Act (MLA). We also urge the Department of Defense to ensure that the Military Lending Act is vigorously implemented without exemptions or loopholes to protect servicemembers and their families from financial abuse.

The MLA was passed in 2006 and strengthened in 2015 to ensure that servicemembers and their families are not a target for abusive financial practices that threaten their financial security, put their military careers at risk, and compromise force readiness.

Federal law provides broad authority to the Bureau to conduct supervisory exams for the purpose of “detecting and assessing risks to consumers.” 12 U.S.C. §§ 5514(b)(1)(C), 5515(b)(1)(C). We believe that violations of the Military Lending Act’s protections, including its limitation of interest rates to no more than 36 percent APR, pose a significant risk of harm to our nation’s military families.

The Bureau’s own attorneys reached the same conclusion after extensive consultations with other regulators within the Federal Financial Institutions Examination Council. The Military Lending Act examination procedures that the Bureau itself announced in September of 2016 are well within the Bureau’s legal authority and have served America’s military families well.

Now, by excluding MLA compliance from the supervision of payday and other lenders, the Bureau is sending a clear signal to servicemembers that they are on their own and are responsible for identifying illegal practices – in addition to defending our nation.

This step would, in effect, direct examiners to intentionally ignore violations of the MLA uncovered when examining lenders for compliance with other consumer financial protection laws. The Bureau risks creating a two-tier system: full examination and enforcement of consumer protection laws for civilians, and a second tier of complaint-driven enforcement for members of the military. Nothing in federal law compels this counter-productive approach.
While enforcement plays an important role in protecting servicemembers, enforcement actions take years to assemble and carry out. During this time, servicemembers may face involuntary separation as a result of financial hardship—a degradation of force readiness that the Department of Defense estimated costs over $57,000 per separated servicemember.1 Continuing to instruct examiners to identify and report MLA violations will help avoid many of these involuntary separations, protect the careers of active-duty servicemembers, and the financial stability of their families.

Strong implementation of the MLA, including broad coverage to protect servicemembers from payday lenders, car title lenders, and abusive add-on fees for auto loans must remain a top priority for the CFPB and the Department of Defense. Before the expansion of the MLA, approximately one servicemember out of every ten was targeted by a high-cost credit product with an interest rate over 36%.2 If the Bureau continues to avoid its obligation and long-standing commitment to servicemembers and their families and the Department of Defense moves to weaken the Military Lending Act, we can expect abusive lending practices to flourish once again.

Sincerely,

A2Z Community Connection, LLC
Alabama CBF
Arizona Community Action Association
Arizona PIRG Education Fund
Arkansans Against Abusive Payday Lending
Asian Law Alliance
California Reinvestment Coalition
CAMEO - California Association for Micro Enterprise Opportunity
Center for Economic Integrity
Charlotte Center for Legal Advocacy
Clergy and Laity United for Economic Justice (CLUE)
Coalition on Human Needs
Community Legal Services in East Palo Alto
Connecticut Legal Services, Inc.
Consumer Federation of America
Consumers for Auto Reliability and Safety
Delaware Community Reinvestment Action Council, Inc.

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1 1 Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 79 Fed. Reg. 58602 (Sept. 29, 2014).
Delaware Financial Literacy Institute
Empower Missouri
Florida Consumer Action Network
Georgia Watch
Habitat for Humanity of New Castle County
Indiana Institute for Working Families
JustFaith East Bay
Lifelines Counseling Services
Long Island Housing Services, Inc.
LULAC
Maine Center for Economic Policy
Montana Organizing Project
NAACP
National Association of Social Workers West Virginia Chapter
National Consumer Law Center (on behalf of its low-income clients)
National Council on Agricultural Life and Labor Research Fund, Inc.
National Rural Social Work Caucus
NC Assets Alliance
NC Housing Coalition
NC State AFL-CIO
New Economics for Women
New Jersey Citizen Action
New Mexico Center on Law and Poverty
NextGen America
North Carolina Justice Center
Pathways to Success
Progressive Caucus Action Fund
Project IRENE
Prosperity works
Public Citizen
Public Counsel
Public Good Law Center
Public Justice Center
Public Law Center
Reinvestment Partners
San Francisco Office of Financial Empowerment
SC Appleseed Legal Justice Center
South Carolina Christian Action Council
Statewide Poverty Action Network
Step Up Savannah
Sussex Housing Group
Tennessee Citizen Action
Texas Appleseed
The Collaborative of NC
The Greenlining Institute
The Leadership Conference on Civil and Human Rights
THE ONE LESS FOUNDATION
U.S. PIRG
West Virginia Council of Churches

cc: House Armed Services Committee
House Financial Services Committee
Senate Armed Services Committee
Senate Committee on Banking, Housing, and Urban Affairs