

**PREPARED STATEMENT OF  
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CONSUMER FINANCIAL PROTECTION BUREAU**

**BEFORE THE  
COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES SENATE**

**APRIL 19, 2023**

Statement Required by 12 U.S.C. §5492

The views expressed herein are those of the witness and do not necessarily reflect the views of the Board of Governors of the Federal Reserve System or the President.

Chairman Tester, Ranking Member Moran, and distinguished Members of the Committee, it is my pleasure to appear before you today to discuss the important work of the Consumer Financial Protection Bureau (CFPB) Office of Servicemember Affairs (OSA) and the actions we have taken to protect servicemembers, veterans, and their families from fraud, scams, and harmful practices as they navigate the financial marketplace.

My name is Jim Rice, and I have been the Assistant Director of the Office of Servicemember Affairs at the CFPB for the past four years. I served over three decades in the U.S. Army, first as an enlisted medic, then as a Medical Evacuation Officer in the Army Medical Service Corps. I later served as the Director of the U.S. Army Wounded Warrior Program and finally as Chief of the Health Services Division on the Joint Staff. In each assignment, I saw firsthand how the financial well-being of servicemembers and their families affected their ability to focus on their mission and their careers. I also saw how many of the financial problems that began during active duty followed servicemembers after they left the military.

The CFPB is committed to our mission as laid out by Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act to educate and empower servicemembers, monitor their complaints, and coordinate efforts across the government to protect servicemembers and their families in the financial marketplace.<sup>1</sup>

My testimony will address the unique challenges servicemembers, veterans, and their families face in the financial markets and how we work to understand the veteran experience distinct from other military consumers and non-veterans. I will also discuss how we monitor the market for emerging threats to military consumers, take action to enforce military financial protections when companies violate the law, and ensure military financial protections are functioning as intended. I will conclude with a discussion on how we coordinate this work with other federal and state agencies, solicit input from military stakeholders, and provide other resources that empower servicemembers to exercise their rights.

## **1. Servicemembers and veterans face unique challenges in the financial marketplace.**

### ***1.1. Servicemembers are prime targets for scams and expensive financial products and services.***

It is an unfortunate fact that our men and women in uniform are prime targets for scams and bad actors in the financial marketplace. A *New York Times* article from last year titled “Where an Army Paycheck is an Easy Target” profiled the environment where servicemembers are targeted by unscrupulous actors in the financial services market.<sup>2</sup> Our younger servicemembers receive a steady paycheck, but often do not have experience managing their money. Taken together, these factors create an opportunity for providers of consumer financial products or services to target our military servicemembers for their hard-earned money.

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<sup>1</sup> 12 U.S.C. § 5493(e)

<sup>2</sup> Ron Lieber, *Where an Army Paycheck Is an Easy Target*. N.Y. TIMES, (JUNE 30, 2022) available at [www.nytimes.com/2022/06/30/your-money/fort-campbell-military-installations.html](https://www.nytimes.com/2022/06/30/your-money/fort-campbell-military-installations.html).

Servicemembers also face proximity risk, as many of these businesses operate just outside the gates of installations where they are stationed. For example, when driving outside of a military installation, one common business you see on both sides of the road are used car dealers. For many servicemembers who complete basic training, their first duty station is in an area where they need a car to get around or leave the installation. The CFPB's prior research has shown that young servicemembers tend to take out auto loans soon after joining the military and carry more auto debt than their civilian peers.<sup>3</sup> When unscrupulous practices are allowed to flourish in the auto lending market, servicemembers are more likely to take on harmful debt.

Frequent relocation is part of military life, and permanent change of station orders often means a new home, new utility connections, and other situations where a servicemember or spouse needs to share personal information like Social Security numbers, credit card numbers, and bank account information to a wide range of actors, most legitimate, others less so. As this process repeats itself, we are concerned that servicemembers are subject to increased risk of identity theft, data breaches, and other scams. These risks often follow servicemembers into civilian life, causing continued hardship.

### ***1.2. Harmful business practices can put a servicemember's career and mission capability at risk.***

Today's hearing focuses on the critically important role that the CFPB and other agencies play in addressing fraud, scams, and harmful practices that target servicemembers and veterans, and I would like to take a moment to discuss how servicemembers are uniquely affected by harmful practices.

Over the course of the last decade, the CFPB has identified and worked on harmful practices that implicate nearly every corner of consumer finance, from mortgages<sup>4</sup> to small-dollar lending,<sup>5</sup> and auto lending<sup>6</sup> to student loans.<sup>7</sup> Servicemembers often face unique challenges when trying to resolve errors, disputes, or other concerns. For example, when they are stationed overseas, they are often unable to contact customer service representatives during regular business hours, or

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<sup>3</sup> *Financially Fit? Comparing the credit records of young servicemembers and civilians*, CONSUMER FIN. PROT. BUREAU (July 14, 2020) available at <https://www.consumerfinance.gov/data-research/research-reports/financially-fit-comparing-credit-records-young-servicemembers-civilians/>

<sup>4</sup> See e.g. *Justice Department and CFPB Put Landlords and Mortgage Servicers on Notice About Servicemembers' and Veterans' Rights*. CONSUMER FIN. PROT. BUREAU (Dec. 20, 2021) available at [www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-put-landlords-and-mortgage-servicers-on-notice-about-servicemembers-and-veterans-rights/](http://www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-put-landlords-and-mortgage-servicers-on-notice-about-servicemembers-and-veterans-rights/).

<sup>5</sup> See e.g. *The extension of high-cost credit to servicemembers and their families*. CONSUMER FIN. PROT. BUREAU (Dec. 2014) available at [https://files.consumerfinance.gov/f/201412\\_cfpb\\_the-extension-of-high-cost-credit-to-servicemembers-and-their-families.pdf](https://files.consumerfinance.gov/f/201412_cfpb_the-extension-of-high-cost-credit-to-servicemembers-and-their-families.pdf).

<sup>6</sup> *CFPB Orders Auto Lenders to Refund Approximately \$6.5 Million to Servicemembers*. CONSUMER FIN. PROT. BUREAU (Jun. 27, 2013) available at [www.consumerfinance.gov/about-us/newsroom/cfpb-orders-auto-lenders-to-refund-approximately-6-5-million-to-servicemembers/](http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-auto-lenders-to-refund-approximately-6-5-million-to-servicemembers/).

<sup>7</sup> See e.g. *Seeing servicemembers as "dollar signs in uniform"* CONSUMER FIN. PROT. BUREAU (Sept 22, 2011) available at [www.consumerfinance.gov/about-us/blog/seeing-servicemembers-as-dollar-signs-in-uniform/](http://www.consumerfinance.gov/about-us/blog/seeing-servicemembers-as-dollar-signs-in-uniform/) and Rohit Chopra and Hollister Petraeus, *The Next Front? Student Loan Servicing and the Cost to our Men and Women in Uniform*. CONSUMER FIN. PROT. BUREAU (Oct. 18, 2012) available at [https://files.consumerfinance.gov/f/201210\\_cfpb\\_servicemember-student-loan-servicing.pdf](https://files.consumerfinance.gov/f/201210_cfpb_servicemember-student-loan-servicing.pdf).

contact their financial institution through an app or website when internet services are unavailable.

Today's hearing focuses on the critically important role that the CFPB and other agencies play in addressing fraud, scams, and harmful practices that target servicemembers and veterans, and I would like to take a moment to discuss how servicemembers are uniquely affected by harmful practices.

High indebtedness and shoddy debt collection practices that negatively affect all consumers may have an outsized impact on those serving in uniform. Debt collection practices often create a unique risk to servicemembers. Many servicemembers, including all officers, are required to have security clearance checks that include detailed reviews of their credit history and their ability to meet financial obligations. If servicemembers are unable to keep up those obligations, a blemish on their credit report can lead to security clearance revocation or even potential discharge from service.<sup>8</sup> We have seen that some debt collectors threaten, illegally, to report servicemembers to their chain of command to collect on a debt.<sup>9</sup> Too often this occurs for debts that the servicemember may not even owe.<sup>10</sup> We have also heard stories of servicemembers who pay off debt on accounts they do not owe just so it doesn't show up on their credit report.

***1.3. Consumer complaints suggest that the top financial concerns for veterans are similar to those of non-veterans, but disaggregation is necessary to identify emerging issues.***

Veterans' financial concerns, in many regards, reflect the concerns of non-veterans, and veterans directly benefit from the CFPB's actions to address broad market problems. Over half of all complaints that we receive from veterans, military retirees, and their families reference problems with credit reporting, which is also the number one area of concern for non-veterans. This is followed by debt collection and mortgage issues, also top concerns for non-veterans.

The CFPB is acutely aware that understanding the veteran experience, disaggregated from active-duty servicemembers and the civilian population, must be part of our work to engage consumer populations and monitor markets. To this end, we routinely review veteran complaint narratives and work closely with veteran service organizations to provide important context to our work and ensure that the actions we take reflect the financial protection issues veterans face in the market.

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<sup>8</sup> Anthony Camilli and Joshua Friedman, *WARNO: New security clearance guidelines make it more important than ever for servicemembers to monitor their credit*, CONSUMER FIN. PROT. BUREAU (August 20, 2018) available at [www.consumerfinance.gov/about-us/blog/warno-new-security-clearance-guidelines-make-it-more-important-ever-servicemembers-monitor-their-credit](https://www.consumerfinance.gov/about-us/blog/warno-new-security-clearance-guidelines-make-it-more-important-ever-servicemembers-monitor-their-credit).

<sup>9</sup> In the matter of Security National Automotive Acceptance Company 2015-CFPB-0027 (2015) available at <https://www.consumerfinance.gov/enforcement/actions/security-national-automotive-acceptance-company/>.

<sup>10</sup> See e.g. Courtney-Rose Dantus, *Servicemembers and debt collection: Sharing your stories*, CONSUMER FIN. PROT. BUREAU (Sept 22, 2017) available at <https://www.consumerfinance.gov/about-us/blog/servicemembers-and-debt-collection-sharing-your-stories/>.

## **2. The CFPB monitors the market to identify risks to servicemembers and veterans.**

### ***2.1. We have issued market monitoring orders and collected public input to address auto lending data gaps, including gaps that affect servicemembers.***

The auto finance market, including the market used by servicemembers and veterans, has seen significant change over the past two years. Car prices have risen substantially, leading to larger loan amounts and higher monthly payments. These more expensive loans are beginning to impact consumer and household financial stability. Recent data show an increase in auto loan delinquencies, particularly for low-income consumers and those with subprime credit scores.<sup>11</sup> Some consumers may even be getting priced out of the current market. As part of our work monitoring the auto loan market for consumer risks, the CFPB is piloting a new collection of auto lending data.<sup>12</sup>

To carry out this work, we issued orders to nine large auto lenders to provide information about their auto lending portfolios as part of a pilot data collection. These nine lenders represent a cross-section of the auto finance market. The data collected from their responses will help us build a quality data set that provides insights into lending channels and loan performance, and will inform potential future data collection efforts. It will also fill critical information gaps, help the CFPB identify emerging risks and opportunities, and support a more fair and competitive market.

Since announcing our intention to build a new auto lending data set last November, we have held multiple discussions with stakeholders and gathered public input into the auto lending areas most in need of greater transparency.<sup>13</sup> These comments and guidance have helped inform how we structured our pilot data collection.

### ***2.2. The CFPB issued a request for information on data broker practices that put the public's privacy at risk, including the privacy of servicemembers, veterans, and military families.***<sup>14</sup>

The CFPB recently launched an inquiry into data brokers that track and collect information on people's personal lives. We all see how these modern data surveillance practices have allowed companies to hover over our digital lives and monetize our most sensitive data. Our inquiry will give us greater insight into how the collection and sale of consumer data impacts vulnerable populations, such as servicemembers and veterans, who are often at a higher risk for financial exploitation.

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<sup>11</sup> Andrew Haughwout, Donghoon Lee, Daniel Mangrum, Joelle Scally, and Wilbert van der Klaauw. *Historically Low Delinquency Rates Coming to an End*. Fed. Reserve Bank of N.Y (Aug. 2, 2022) available at <https://libertystreeteconomics.newyorkfed.org/2022/08/historically-low-delinquency-rates-coming-to-an-end/>

<sup>12</sup> Chris Kukla, Richard Landau, and Ashwin Vasani, "Our auto finance data pilot." Consumer Fin. Prot. Bureau (Feb. 23, 2023) available at <https://www.consumerfinance.gov/about-us/blog/our-auto-finance-data-pilot/>.

<sup>13</sup> Auto Lending Data Gaps (data collection), CFPB-2022-0075 (2022) available at <https://www.regulations.gov/docket/CFPB-2022-0075>.

<sup>14</sup> Consumer Fin. Prot. Bureau. "CFPB Launches Inquiry into the Business Practices of Data Brokers" (Mar. 15, 2023) available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-launches-inquiry-into-the-business-practices-of-data-brokers/>.

Scammers and fraudsters can buy data from data brokers and then use that information to try and exploit servicemembers and veterans. For example, a data broker may sell a veteran's personal information to a company that targets them with misleading or fraudulent financial products, or a scammer may use a veteran's personal information to steal their identity, open lines of credit in their name, or even target their military pension or Department of Veterans Affairs (VA) benefits.

Our stakeholders tell us that some data brokers are advertising highly sensitive data on hundreds of millions of Americans, including their sensitive demographic information, political preferences and beliefs, and whereabouts of current and former members of the U.S. military.<sup>15</sup> By examining how data brokers collect and use consumer data, the CFPB can better understand how to address these important privacy concerns and ensure that they are not violating laws within the CFPB's jurisdiction.

### ***2.3. We have requested public input on credit card practices that affect servicemembers, veterans, and military families.***

The Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 requires the CFPB to conduct a review of the consumer credit card market, within the limits of its existing resources available for reporting purposes.<sup>16</sup> In connection with conducting that review, the CFPB is soliciting information from the public about several aspects of the consumer credit card market.<sup>17</sup> Specifically, the CFPB is requesting information about the practices of credit card issuers that may uniquely affect special populations such as servicemembers and their dependents, low- and moderate-income consumers, older Americans, and students. In addition, the CFPB seeks information on the effects of population-specific protections such as the Servicemembers Civil Relief Act (SCRA) and the Military Lending Act (MLA). Comments can be submitted until April 24, 2023.

### ***2.4. We are watching for possible abuses related to VA claims, or violations of other consumer financial protection laws.***

Congress recently passed the Honoring our Promise to Address Comprehensive Toxics (PACT) Act of 2022 to extend VA health care and expand benefits eligibility to veterans who were exposed to burn pits and other toxic substances during their military service.<sup>18</sup> The PACT Act added over 20 medical conditions which will now be presumed to be connected to military service dating back to the Vietnam Era, Gulf War, and Post 9/11. Unfortunately, an influx of

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<sup>15</sup> Justin Sherman, *Data Brokers and Sensitive Data on U.S. Individuals Threats to American Civil Rights, National Security, and Democracy*. Duke University Sanford School of Public Policy Cyber Policy Program (2021) available at <https://techpolicy.sanford.duke.edu/wp-content/uploads/sites/4/2021/08/Data-Brokers-and-Sensitive-Data-on-US-Individuals-Sherman-2021.pdf>.

<sup>16</sup> Credit Card Accountability Responsibility and Disclosure Act of 2009, Public Law 111-24, 123 Stat. 1755 (2009) (15 U.S.C. § 1616).

<sup>17</sup> Request for Information Regarding Consumer Credit Card Market, 88 Fed. Reg. 5313-5315.

<sup>18</sup> Honoring our PACT Act of 2022, Pub. L. No. 117-168 (2022).

predatory advertisements purporting to help veterans submit their initial claims to the VA for a fee—often through the guise of “medical consulting” or “benefits coaching.” But unauthorized assistance in claim preparation is illegal: only VA-accredited representatives are permitted to assist veterans with their benefits claims, and VA-accredited representatives are not permitted to charge a fee for their assistance on a veteran’s initial benefits claim. We have heard reports that unscrupulous actors have misled some veterans into paying thousands of dollars in fees.<sup>19</sup>

There have also been advertisements and commercials aimed at veterans who were stationed at Camp Lejeune seeking to represent them in litigation related to section 804 of the PACT Act, which is referred to as the Camp Lejeune Justice Act (CLJA).<sup>20</sup> Although private litigation is not subject to the VA accreditation process (attorneys are subject to the rules governing attorneys in their respective states and courts), any attorney seeking benefits on behalf of a veteran directly from the VA under the CLJA must still be accredited by the VA.

Unfortunately, unaccredited individuals and organizations are aggressively soliciting veterans and attempting to coerce them to pay high fees—often requesting that veterans sign a contract for a percentage of their retroactive or future benefits in exchange for the preparation of their initial claims. Not only can these fees end up in the tens of thousands of dollars, but the payment terms can leave veterans with unaffordable bills for extended periods. These unscrupulous actors often insist that they are not bound by the laws governing practice before VA because they are merely “coaches” or “consultants.” We have even heard reports that these bills are being sent to third-party debt collectors if the veteran does not pay.

The Fair Debt Collection Practices Act (FDCPA) applies to the activities of third-party debt collectors and is subject to enforcement by the CFPB as well as other regulators and consumers themselves. We will continue to monitor developments in this area for possible violations of federal consumer financial laws.

### **3. The CFPB takes action to enforce military financial protections when companies violate the law.**

Since opening our doors, the CFPB has prioritized addressing the heightened risks servicemembers face in financial markets and protecting them from the unique harms they incur when abusive practices go unaddressed. In total, we have secured \$175 million in monetary relief resulting from 39 public enforcement actions that involved harm to servicemembers and veterans, including six public enforcement actions for violations of the MLA. As we work to clean up the financial marketplace by enforcing military financial protections for servicemembers, the ripple effect is that we challenge practices that impact all consumers,

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<sup>19</sup> Joshua Friedman and Krystle Good, “WARNO: They call themselves “coaches” or “consultants” and advertise their ability to assist you with your VA benefits claim but may not be accredited to practice before the VA.” Consumer Fin. Prot. Bureau (Feb. 15, 2023) available at <https://www.consumerfinance.gov/about-us/blog/coaches-consultants-advertise-ability-to-assist-with-va-benefits-claim-but-may-not-be-accredited/>.

<sup>20</sup> Honoring our PACT Act of 2022, Pub. L. No. 117–168 Tit. VII, 136 Stat. 1802 (2022)

including veterans.<sup>21</sup> Here are just a few other examples where the CFPB has taken legal action to ensure that financial institutions comply with existing military financial protections.

### **3.1. *RMK Financial Corporation***

In February 2023, the CFPB permanently banned RMK Financial Corporation, doing business as Majestic Home Loans, from the mortgage lending industry.<sup>22</sup> In 2015, the CFPB issued an agency order against RMK for, among other things, sending advertisements to military families that led the recipients to believe the company was affiliated with the United States government. Despite the 2015 order's prohibition on these and other actions, the company engaged in a series of repeat offenses. In addition to the ban, RMK will pay a \$1 million penalty that will be deposited into the CFPB's Civil Penalty Fund.

### **3.2. *TMX Finance***

In February 2023, the CFPB took action against a web of corporate entities operating under TMX Finance, broadly known as TitleMax, for violating the financial rights of military families and other consumers in providing auto title loans.<sup>23</sup> The CFPB found that TitleMax violated the MLA by extending prohibited title loans to military families and, among other things by oftentimes, charging nearly three times over the MLA's 36 percent annual interest rate cap. The CFPB's order requires TitleMax to end its illegal activities and requires the company to pay more than \$5 million in consumer relief and a \$10 million civil money penalty.

### **3.3. *MoneyLion Technologies***

In September 2022, the CFPB filed a lawsuit against online lender MoneyLion Technologies and 38 of its subsidiaries for imposing illegal and excessive charges on servicemembers and their dependents.<sup>24</sup> The CFPB alleges that MoneyLion violated the MLA by charging more than the legally allowable 36 percent rate cap on loans to servicemembers and their dependents, through a combination of stated interest rates and monthly membership fees. The CFPB also alleges that MoneyLion violated the Consumer Financial Protection Act by refusing to allow customers to exit its membership programs and stop paying monthly fees. This case is still pending.

### **3.4. *FirstCash, Inc. and Cash America West, Inc.***

In November 2021, the CFPB filed a lawsuit against FirstCash, Inc. and Cash America West, Inc.<sup>25</sup> On June 21, 2022, the CFPB filed an amended complaint to add several defendants, which

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<sup>21</sup> *CFPB and States Take Action Against Freedom Stores for Illegal Debt Collection Practices Against Servicemembers*. CONSUMER FIN. PROT. BUREAU (DEC. 18, 2014) available at [www.consumerfinance.gov/about-us/newsroom/cfpb-and-states-take-action-against-freedom-stores-for-illegal-debt-collection-practices-against-servicemembers/](http://www.consumerfinance.gov/about-us/newsroom/cfpb-and-states-take-action-against-freedom-stores-for-illegal-debt-collection-practices-against-servicemembers/).

<sup>22</sup> *RMK Financial Corp. d/b/a Majestic Home Loan or MHL*, File No. 2023-CFPB-0002 (2023) (consent order).

<sup>23</sup> *TMX Finance LLC*, File No. 2023-CFPB-0001 (2023) (consent order).

<sup>24</sup> *Consumer Fin. Prot. Bureau v. MoneyLion Technologies Inc. et al.*, No. 1:22-cv-8308 (S.D. N.Y., Sept. 9, 2022).

<sup>25</sup> *Consumer Fin. Prot. Bureau v. FirstCash, Inc., and Cash America West, Inc.*, No. 4:21-cv-01251-P (N. D. Tex. Nov. 12, 2021).



with Cash America West, Inc. are referred to below as the FirstCash Subsidiaries. The CFPB alleges that FirstCash and the FirstCash Subsidiaries made pawnshop loans to active-duty servicemembers and their dependents that violated the MLA. The CFPB alleges that between June 2017 and May 2021, FirstCash and the FirstCash Subsidiaries made thousands of pawn loans to more than 1,000 covered borrowers at rates that exceeded the MLA's 36% cap, as well as other violations. This case is still pending.

***3.5. We are working to establish a registry of repeat offenders, including repeat offenders of military financial protection laws.***

In December 2022, the CFPB proposed requiring certain nonbank financial firms to register with the CFPB when they become subject to certain local, state, or federal consumer financial protection agency or court orders.<sup>26</sup> The CFPB has further proposed to publish the orders and company information via an online registry. Larger companies subject to the CFPB's supervisory authority would be required to designate an individual to attest whether the firm is adhering to registered law enforcement orders. The CFPB's proposed rule would help the agency identify and mitigate risks to American households and ensure that supervised companies perform their obligations to consumers.

The registry would also help unify the efforts of consumer financial protection enforcers, as well as provide the increased transparency and coordination that are critical to ensuring accountability and fairness in the marketplace. The CFPB's proposal would enhance market monitoring and risk-based supervision efforts to ensure that the CFPB and its enforcement partners can identify previous lawbreakers and are positioned to take action to stop further large-scale harm or continued illegal efforts across the country.

**4. The CFPB is ensuring military consumer financial protections work as intended.**

***4.1. We're ensuring VA mortgage servicers meet their obligations to veteran borrowers.***

VA direct or VA-backed veteran home loans help ensure that veterans are able to buy or refinance a home when they are ready, in most cases with no down payment. The CFPB has taken a number of steps to ensure that VA loan servicers are complying with the law, including proactively reminding servicers of veterans' rights during the pandemic in an effort to keep them in their homes.

In October 2020, the CFPB took action against Low VA Rates LLC to address the CFPB's finding that Low VA Rates sent consumers mailers for VA-guaranteed mortgage loans that contained false, misleading, and inaccurate statements.<sup>27</sup> This was the ninth case stemming from a CFPB sweep of investigations of multiple mortgage companies that used deceptive mailers to

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<sup>26</sup> Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders, 88 Fed. Reg. 6088 (Jan. 30, 2023).

<sup>27</sup> Low VA Rates, LLC, File No. 2020-BCFP-0018 (2020) (consent order)

advertise VA-guaranteed mortgages. The CFPB obtained more than \$4.4 million in civil money penalties as a result of this sweep.<sup>28</sup>

The CFPB partnered with the Department of Justice’s Office of Civil Rights in late 2021 to remind mortgage servicing companies—especially those who service VA loans—of their legal obligations under the CARES Act.<sup>29</sup> During the COVID-19 pandemic, roughly 7.6 million homeowners entered forbearance. While the majority have resumed their regular mortgage payments, during that same period approximately 1.25 million borrowers—many of whom are military borrowers—remained in forbearance programs. We took steps to ensure that mortgage servicers understood that under the CARES Act: (1) Those in forbearance were reported as “current” on their mortgages to the credit reporting agencies if they were current when they entered the forbearance and (2) borrowers in a federally-backed loan generally cannot be required to repay their forbearance amount in a lump sum payment if they indicate that they cannot afford to do so when exiting forbearance.

#### ***4.2. We conducted research on the underutilization of SCRA benefits by members of the National Guard and Reserves.***

In December 2022, the CFPB released a report entitled *Protecting those who protect us: Evidence of activated Guard and Reserve servicemembers’ usage of credit protections under the Servicemembers Civil Relief Act*.<sup>30</sup> The SCRA allows servicemembers to reduce the interest rate for preservice loans to 6 percent. The report found that only a small fraction of activated National Guard and Reserves (collectively reserve component servicemembers) likely utilized the SCRA interest rate reduction benefit on auto and personal loans.

The report examined the overall probability that an interest rate is reduced from above 6 percent to below 6 percent over an individual activation period, provided that the loan originated prior to the activation. While data showed that some borrowers were obtaining interest rate reductions consistent with the SCRA interest rate cap, the reductions occurred in only a small portion of eligible loans. Among eligible loans that started with an interest rate above 6 percent, 9.5 percent of auto loans and 5.9 percent of personal loans experienced a reduction to or below 6 percent interest in the CFPB’s consumer credit panel-reported data. Reserve component servicemembers were shown to be more likely to obtain a reduced interest rate during longer periods of activation. Even among the longest periods of activation (about a year or more), however, the likelihood of an interest rate reduction remains under 16 percent for auto and personal loans.

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<sup>28</sup> Consumer Fin. Prot. Bureau, *Consumer Financial Protection Bureau Settles with Ninth Mortgage Company to Address Deceptive Loan Advertisements Sent to Servicemembers and Veterans* (Oct. 26, 2020) available at <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-settles-ninth-mortgage-company-address-deceptive-loan-advertisements-sent-servicemembers-and-veterans/>.

<sup>29</sup> Consumer Fin. Prot. Bureau and the U.S. Dept. of Justice, *CFPB and DOJ Put Landlords and Mortgage Servicers on Notice About Servicemembers’ and Veterans’ Rights*. (December 20, 2021) Available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-put-landlords-and-mortgage-servicers-on-notice-about-servicemembers-and-veterans-rights/>.

<sup>30</sup> Charles Goldman and Yael Katz. *Protecting Those Who Protect Us Evidence of activated Guard and Reserve servicemembers’ usage of credit protections under the Servicemembers Civil Relief Act*. CONSUMER FIN. PROT. BUREAU (2022) available at [https://files.consumerfinance.gov/f/documents/cfpb\\_servicemembers-usage-of-scra-credit-protections\\_2022.pdf](https://files.consumerfinance.gov/f/documents/cfpb_servicemembers-usage-of-scra-credit-protections_2022.pdf).

Auto and personal loans that did not show evidence of SCRA interest rate reductions represented about \$100 million in foregone savings. Over the approximately 11-year period we studied, we estimate that auto loans with interest rates above 6 percent that are not reduced during activations represent about \$77.3 million in foregone interest savings. For personal loans, the corresponding estimate is \$23.9 million.

The report identified several approaches to increase servicemember access to SCRA protections. Creditors could consider ways to apply SCRA interest rate reductions for all accounts held at an institution if a servicemember invokes protections for a single account. Enterprise-wide invocation could reduce the duplication necessary to invoke the SCRA interest rate reduction for multiple accounts and address the complexity that may be hindering utilization. There is also a clear need to explore ways to automatically apply SCRA interest rate protections. When automatic interest rate reductions were applied to servicemembers' federal student loans, utilization increased dramatically. The low utilization rates identified in this report suggest that the automatic application of interest rate reduction benefits should be pursued where possible, and that public and private sector resources should be aligned to increase the adoption of an automatic application process. Finally, continued efforts to develop comprehensive and periodic indicators of SCRA benefit utilization could provide better and more frequent information on SCRA rate reduction utilization and help inform and evaluate future efforts to expand servicemembers' financial protections.

While none of these recommendations are without operational and technical challenges, we believe that they are worthy of consideration. We look to Congress to determine whether or not further changes to the SCRA are necessary to ensure that servicemembers can access protections and benefits that Congress intended.

#### ***4.3. We will continue to ensure the Military Lending Act functions as intended.***

The MLA remains one of the most important financial protections available to servicemembers and their families. Among other protections, the law limits the annual percentage rate on certain loans to 36 percent and prohibits creditors from requiring a servicemember to submit to arbitration in the event of a dispute. The MLA authorizes the Department of Defense (DoD) to promulgate regulations implementing it, and Congress requires the DoD to consult with other regulators on its regulations, including the CFPB.<sup>31</sup> The CFPB also supervises financial institutions subject to its jurisdiction for risks to active-duty servicemembers and their dependents from conduct that violates the MLA, and, when necessary, enforces the law. We believe the MLA and its implementing regulations have played a key role in addressing the negative effects of harmful lending practices directed at members of the military and their families.

The history of the MLA and its implementing regulations suggest, however, that those protections must be periodically reviewed to identify gaps in coverage and to prevent evasion. As we monitor the financial marketplace and engage with servicemembers and those who serve

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<sup>31</sup> 10 U.S.C. § 987(h)(3)

them, we have identified some areas where we think servicemembers and their families may be at risk.

For example, we have learned that it is possible to change a consumers' personally identifiable information to obtain MLA Database responses stating that the consumers were not covered borrowers when, in fact, they were—a practice we noted in a recent enforcement action.<sup>32</sup> In addition, a federal district court recently held that the MLA's prohibition on mandatory arbitration did not apply in certain circumstances, a case that we believe was incorrectly decided.<sup>33</sup> For this reason, we joined the Federal Trade Commission (FTC) in an amicus brief urging the court to reverse the decision.<sup>34</sup> Military and veteran service organizations filed a similar brief.<sup>35</sup>

I want to commend the DoD for its work in implementing the MLA and updating the regulations since it was passed in 2006. I also want to commend DoD's ongoing work to monitor MLA implementation. We will continue to work closely with DoD and other federal agencies to share information and provide technical assistance where appropriate.

## **5. The CFPB is coordinating with other agencies that protect servicemembers, veterans, and military families.**

### ***5.1. We are working with the VSAFE interagency working group to create a one-stop comprehensive fraud prevention guide for veterans, caregivers, and their families.***

The CFPB is proud to be an active participant in the VSAFE (Veteran Fraud Prevention) interagency working group. The goal of this group is to develop new consumer education initiatives, consolidate fraud reporting processes, and improve responses to fraud attempts against veterans and military personnel.

As part of this effort, we are working to provide resources to veterans so they can easily find and report fraudulent activities, connect with the appropriate parties, and receive assistance in resolving the issues. This resource would be a one-stop-shop for fraud-related tools and materials, enabling veterans to access a range of resources in one convenient location. The project is led by the VA, and joined by the Department of Education, the FTC, the Social Security Administration, and the CFPB. Participants discuss best practices and work to

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<sup>32</sup> *TMX Finance LLC*, File No. 2023-CFPB-001, at 14 (2023) (consent order).

<sup>33</sup> A recent court found that a failure to disclose mandatory information under the MLA did not amount to any real harm. *See Louis v. Bluegreen Vacations Unlimited, Inc.*, No. 21-CV-61938-RAR, 2022 WL 1793058 (S.D. Fla. June 1, 2022).

<sup>34</sup> Brief of Consumer Fin. Prot. Bureau and Fed. Trade Comm'n as Amicus Curiae in Support of Plaintiff-Appellants and Reversal, *Louis v. Bluegreen Vacations Unlimited Inc.*, No. 22-12217 (11th Cir.).

<sup>35</sup> Brief of the Military Officers Ass'n, the Jewish War Veterans of the U.S., Blue Star Families, Jacksonville Legal Aid, the U.S. Army Warrant Officers Ass'n, the Nat. Military Family Ass'n, and the Five Star Veterans Ass'n as Amicus Curiae in support of the Appellant and in Support of Reversal, *Louis v. Bluegreen Vacations Unlimited, Inc.* No. 22-12217 (11th Cir.); see also Kevin Lilley, *MOAA Files Court Brief to Protect Servicemembers from Predatory Lenders*, Military Officers Association of America (Dec. 21, 2022), available at <https://www.moaa.org/content/publications-and-media/news-articles/2022-news-articles/moaa-files-court-brief-to-protect-servicemembers-from-predatory-lenders/>.

consolidate and streamline fraud reporting processes to ensure that veterans have access to all the resources they need in one location.

Efforts are underway to combat fraud in health care, employment, education, housing, and financial products. Additional efforts to address common veteran-targeted scams, ranging from online imposter scams to deceptive home loans, are also underway.

***5.2. We are developing a coordinated response to unlawful conduct targeting servicemembers.***

The CFPB organizes quarterly working group meetings with the Department of Justice (DOJ), the Military Chiefs for Legal Assistance that fall under the Judge Advocates General's Corps (JAGC), legal assistance attorneys at key military installations, and professors from each of the three military JAGC schools. The stated purpose of the working group is to achieve a coordinated response to unlawful conduct targeted at servicemembers and their families. This meeting also allows each agency to speak about its initiatives and priorities. Recent topics have included enforcement actions, joint visits to military installations, joint training, and emerging financial issues and products in the servicemember community such as allotment abuses, SCRA implementation, and military identity theft.

***5.3. We are working with interagency partners to address complaints referred to us and making referrals as necessary.***

The CFPB works closely with other agencies to share information about emerging issues, conduct outreach, and address problems as they arise. We regularly meet with the DoD Office of Financial Readiness and other offices and engage prudential regulators on military financial protection issues. We also share information and coordinate efforts in the states with the National Association of Attorneys General Veteran and Servicemember Working Group, and other state agencies. We actively participate in DoD's Financial Readiness Network, the FTC-led Military Consumer Month, and just last week joined Commissioner Kristin Johnson from the Commodity Futures Trading Commission and John Mose, Deputy Director of the Security and Exchange Commission's Office of Investor Education and Advocacy at Joint Base Anacostia-Bolling to discuss military financial readiness.

We also work to ensure that servicemembers can get their financial problems resolved by accepting complaints through several channels, including our website, over the phone, and through referrals from other agencies and branches of government. Since the CFPB began accepting complaints through its Office of Consumer Response and as of March 1<sup>st</sup>, 2023, around 390 veteran complaints have been referred to us by the FTC, around 960 were referred to us from members of Congress, around 220 were referred to us from state attorneys general, and around 440 were referred to us from the White House. In addition, we referred around 28,200 complaints to the FTC, the vast majority related to debt collection issues, credit reporting, and money transfers. We also receive and refer complaints from the banking regulators. We received around 760, 210, and 590 veteran complaints from the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve, respectively. We have referred around 2,600, 1,900 and 1,200 complaints to the OCC, the FDIC,

and the Federal Reserve, respectively. CFPB staff, where appropriate, can also access the FTC's Consumer Sentinel and view complaints related to financial and other issues.

## **6. How we listen to stakeholders to understand servicemember and veteran financial experiences.**

We are in continuous contact with and host an annual roundtable discussion with military and veteran service organizations to understand policy priorities, review recent research, and better understand the servicemember financial lifecycle. In the past year, we have hosted CFPB-wide staff briefings from Blue Star Families and Military Family Advisory Network to discuss findings from their recent servicemember surveys and widely share applicable findings across all CFPB divisions. We also conduct extensive outreach to servicemember, veteran, and military family stakeholders through staff-level meetings, regular briefings on recent actions, conference participation, and presentations. We also seek to engage industry stakeholders through many of these same channels and have begun hosting dedicated industry briefings on relevant OSA activities, such as the release of our recent report on SCRA interest rate reduction utilization.

Taken together, we believe these approaches provide critical, on-the-ground intelligence on servicemember, veteran, and military family financial issues and allow us to be informed, responsive, and able to meet the growing threat of harmful financial practices targeting servicemembers, veterans, and their families.

## **7. Other resources we provide for servicemembers.**

### ***7.1. Submitting complaints helps inform our work.***

When servicemembers, veterans, and their families are facing financial hardship or harmful practices, we encourage them to submit a complaint.<sup>36</sup> The CFPB also maintains a video on its website [consumerfinance.gov](http://consumerfinance.gov), which provides similar information. A TTY/TTD line is available, and complaints can be submitted by phone in more than 180 languages.

The CFPB forwards the complaints it receives directly to the company described in the complaint and works to get a response. If we determine that another government agency would be better able to assist, we will forward the complaint to them and let the servicemember, veteran, or other consumer know.

### ***7.2. Ask CFPB provides military-specific resources to guard against scams and harmful practices.***

At the CFPB, we believe that protecting servicemembers, veterans, and their families also means getting them the information they need when they need it. *Ask CFPB* is an interactive online tool on our website that can help servicemembers and consumers find clear, unbiased answers to their financial questions.<sup>37</sup> As soon as you start typing a question, the database's autocomplete feature begins to provide various search suggestions. You can also browse by product categories and

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<sup>36</sup> See <https://www.consumerfinance.gov/complaint/>.

<sup>37</sup> See [www.consumerfinance.gov/ask-cfpb/](http://www.consumerfinance.gov/ask-cfpb/).

tags. We have extensive answers to important questions related to common forms of fraud, such as identity theft, money transfer fraud, and foreclosure relief scams. We also have military-specific information on some of the unique financial protections available to servicemembers.

***7.3. CFPB produces and distributes a wide range of public education materials related to military financial protection issues.***

The CFPB also analyzes and reviews ongoing and emerging financial issues that affect military consumers to develop educational factsheets, pamphlets, and other documents to provide relevant and timely information. Some of the key financial topics that the CFPB has highlighted over the past year in our educational materials include SCRA, MLA, financial well-being of veterans, VA mortgage lending, foreclosure protections, medical billing disputes, and credit reporting/monitoring for servicemembers and veterans. Our flagship educational tool is the Misadventures in Money Management, an interactive training course that immerses servicemembers in real-life financial choices and the potential consequences of those choices.<sup>38</sup> Servicemembers can also reach our office by emailing [military@cfpb.gov](mailto:military@cfpb.gov).

**8. Conclusion**

The CFPB and its Office of Servicemember Affairs are proud to be strong advocates for the servicemember and veteran community. I want to thank the Chairman, the Ranking Member, and other Members of the Committee for holding this important hearing and for the opportunity to appear before you.

I look forward to answering your questions.

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<sup>38</sup> *Misadventures in Money Management*. CONSUMER FIN. PROT. BUREAU, available at <https://www.consumerfinance.gov/consumer-tools/educator-tools/servicemembers/mimm/>