



**Department of
Consumer Affairs**

**Mayor's Office of
Veterans' Affairs**

November 10, 2014

The Honorable Charles Timothy Hagel
Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Washington, DC 20301-3010

Re: Limitations on Terms of Consumer Credit Extended to Service Members and Dependents
(RIN 0790-AJ10)

Dear Mr. Secretary:

The New York City Department of Consumer Affairs (DCA) and Mayor's Office of Veterans' Affairs (MOVA) commend the Department of Defense (DoD) for proposing important revisions to the Military Lending Act (MLA) regulations to protect service members and their families from predatory financial products that undermine their financial security. We urge DoD to finalize a strong rule that provides comprehensive protections against predatory high-cost credit products targeted to those who selflessly serve to protect Americans from harm.

Through our extensive work in New York City, DCA and MOVA have seen firsthand the impact that predatory consumer credit products can have on the financial stability of New Yorkers, including the thousands of veterans and active duty service members, reservists, and their families residing in the City. Counselors at DCA's Financial Empowerment Centers, which provide free one-on-one financial counseling, often work with military veterans and their families to help mitigate their overwhelming debt burdens. Further, MOVA will educate and inform its stakeholders as well as identify and track individuals throughout NYC who report predatory financial practices; connecting them directly with DCA Financial Empowerment Centers will ensure timely financial and legal support for those who have been wronged. Going forward, this collaborative partnership between DCA and MOVA will leverage their respective capabilities to better serve NYC veterans and their loved ones.

Usurious loans can affect service members long after they have completed active duty. By creating and perpetuating cycles of indebtedness, predatory lending can make it more difficult for veterans to transition back into civilian life. Such practices also have the effect of undercutting other investments in effective programs to provide targeted services to military veterans and to help financially empower all of our residents through financial counseling, safe banking opportunities, and asset building programs.

Though the current MLA protections have made significant progress in reducing problems active service members encounter with covered types of credit,¹ revisions are necessary to close loopholes and improve the efficacy of these important protections.

¹ Consumer Federation of America, *The Military Lending Act Five Years Later: Impact on Servicemembers, the High-Cost Small Dollar Loan Market, and the Campaign against Predatory Lending*, May 29, 2012

DCA and MOVA support DoD's proposal to improve MLA protections by applying them more broadly to the range of products covered by the Truth in Lending Act's definition of "consumer credit."² As described in numerous comments to DoD's June 2013 Advance Notice of Proposed Rulemaking, many lenders restructured their credit products to avoid obligations under the MLA.³ Uniform and consistent regulation of financially destabilizing consumer credit products targeted at members of the military and their families is necessary to ensure lenders do not exploit loopholes to get around these important protections. Given the serious implications of predatory lending on service members and veterans, it is imperative that DoD expands MLA protections to the additional forms of consumer credit proposed. We also encourage DoD to consider applying MLA protections to other related products that can affect service members' financial stability, including, for example, rent-to-own transactions and so-called "courtesy" overdraft protection.

DoD's proposed regulations also improve certainty that service members and their families receive the protections afforded by MLA to which they are entitled. As DoD notes, the current system, in which the borrower signs a statement that they are not a covered borrower, has resulted in a dynamic between borrowers and creditors that has led to extensions of credit that violate the MLA and cause adverse effects on service members and their dependents.⁴ DoD's proposed amendments to the safe harbor provision to eliminate the covered borrower identification statement requirement and instead require lenders seeking safe harbor to check the MLA database would better ensure protections are appropriately afforded to service members while also making the process easier for financial institutions.

As we administer a range of municipal programs to help support those who have served our country, it is vital to ensure those who serve are afforded the highest level of consumer protections in the financial services marketplace. We commend DoD for proposing rules to better protect our service members and their families from the destructive impacts of high-cost lending and urge you to finalize strong, comprehensive regulations.

Sincerely,



Julie Menin
Commissioner
NYC Department of Consumer Affairs



BG (Ret) Loree Sutton, MD
Commissioner
NYC Mayor's Office of Veterans' Affairs

² With the exception of the forms of credit statutorily exempt from MLA protections. 10 U.S.C. 987(i)(6)

³ *See, e.g.*, Section III.a.1, Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 79 Fed. Reg. 58605, September, 29, 2014.

⁴ Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 79 Fed. Reg. 58614, September, 29, 2014.