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Chairman Johnson, Ranking Member Shelby, and distinguished members of the Committee: thank you for the opportunity to speak with you today about the Office of Servicemember Affairs at the Consumer Financial Protection Bureau (CFPB), and the role we play in the financial well-being of servicemembers and their families.

To tell you a little about my qualifications to talk about military issues: I've been a part of the military community my entire life. My father served in the Army for over 36 years, fighting in both World War II and Vietnam. Two of my brothers also served in Vietnam, and, of course, my husband just retired from the Army after 37 years of service. And I'm a military mom, as well.

In my role as a military family member, I have seen the problems that can arise for our servicemembers who may experience "too much month and not enough money." I have also seen first-hand the devastating impact financial scams and predatory lending can have on servicemembers and their families. Unfortunately there are still too many young troops learning about wise spending through hard experience and years of paying off expensive debt.

As an Army wife I spent a lot of years—over 20—as a volunteer on the Army posts where we were assigned. During the first year of the Iraq war, when my husband was the commander of the 101st Airborne Division (Air Assault) at Ft. Campbell, Kentucky, I served as the Division's Senior Family Readiness Group Advisor. In that capacity, I saw the unforeseen financial problems that came with deployment, and I worked on those issues with Department of Defense (DoD) officials as well as local, state, and national legislators.

A year later, I was invited to become the Director of BBB Military Line, a program of the Council of Better Business Bureaus providing consumer education and advocacy for servicemembers and their families—a position that I held for six years, from 2004 to 2010. While with the BBB, I made on-site visits to military units all over the country: learning about the consumer issues that impacted them, giving presentations on consumer scams, and working to establish local BBB-military relationships. I guided development of six teen and adult financial workshops taught to more than 20,000 individuals in military communities around the United States. I also wrote a monthly military consumer newsletter—and it was an education for me each month to research and write the articles that went into that newsletter.

In January 2011, based on my knowledge of the military community and my experience with military consumer issues, I was asked to join the CFPB and set up the Office of Servicemember Affairs. As you know, when the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the CFPB, it included a mandate that the CFPB establish an Office of Servicemember Affairs (OSA). The OSA is responsible for developing and implementing initiatives to educate and empower servicemembers to make better informed decisions regarding consumer financial products and services, to monitor their complaints about consumer financial products and services—and the CFPB's and other Federal or State agency responses to those complaints—and to coordinate the efforts of Federal and state agencies to improve consumer protection measures for military families. The CFPB is also authorized to enter into agreements with the DoD to carry out OSA's work and to make sure that OSA's goals are achieved.

We've already signed our first agreement with DoD: a Joint Statement of Principles with the Judge Advocate Generals (JAGs) of all the services: Army, Navy, Air Force, Marine Corps, and Coast Guard. We wanted to work out a mechanism for sharing complaints made to the CFPB with the JAGs (and vice versa), and we felt it was important to detail how we would work the exchange of information between us. We don't want any military consumer complaints to fall through the cracks!

We've also set up a working agreement with the Department of Veterans Affairs (VA). We are now referring to the VA Home Loan Program any military personnel or veterans who call the CFPB's hot line claiming that they are in danger of foreclosure, even those who do not have VA-guaranteed loans. The VA has a

very good track record of helping military homeowners avoid foreclosures and a thorough knowledge of what benefits might be available to assist military personnel or veterans in danger of foreclosure, even those with a non-VA loan. So this seemed to us to be a very exciting and helpful collaboration.

To circle back to the OSA's educational mission, although I have a good insider's knowledge of the military community, I think that it's important for us to get out and hear from military families directly about what the financial issues are that concern them the most. Those trips help us tailor our education and outreach efforts to the most pressing issues. I've been to many military installations since I started my job in January 2011. In fact, the second week on the job I went to Lackland Air Force Base in Texas to hold a roundtable, and I haven't stopped since, visiting bases in California, North Carolina, Kentucky, Virginia, and Illinois, to name a few. I've also met with the Adjutants General and their National Guard troops and families in Oklahoma, Ohio, Illinois, and Indiana to hear about their particular issues, which may be a little different from those of active-duty troops since they spend much of their time as civilians and don't have an infrastructure of military-installation-based support like the active-duty community does.

So what are the issues that have come up? Well, a big one concerns home ownership. Owning a home of your own is the American dream, and military families want that, too. But the housing meltdown here in the US has hit military families hard. Some of the states that were most affected in the housing crisis are ones that have a large number of military stationed there. Declining home values are putting military families between a rock and a hard place when they owe more than their house is worth and they receive Permanent Change of Station, or PCS, orders. Often they can't sell their home for enough to pay off the mortgage; they can't rent it out for enough to cover their mortgage payments; they're told they can't get a loan modification or short sale because they're not yet delinquent; and they can't refinance for a good rate because it will no longer be considered their principal residence once they leave. We've heard of a number of cases where the servicemember has opted to go alone to the new duty station, an option that is pretty tough when you consider that he or she may have just come back from a deployment and the family is now facing another separation—this time for purely financial reasons.

I've been talking a lot about this issue to people in Washington, and we are starting to see some movement to try to make it easier for servicemembers to get help. The Department of the Treasury has issued new guidance for its Home Affordable Foreclosure Alternatives (HAFA) program making it more accessible for those with PCS orders, and government-sponsored enterprises like Fannie Mae and Freddie Mac are tweaking their own guidance. There have also been various letters on the importance of this issue, from your colleagues here on the Hill as well as the banking industry.

Another big issue we've been hearing about concerns military education benefits and for-profit colleges—an issue that impacts military spouses, too, now that they can use the Post-9/11 GI Bill. Because of a quirk in the Higher Education Act, military education money is very appealing to for-profit colleges, because it counts towards a requirement that for-profit colleges get at least 10 percent of their revenue from sources other than Title IV education funds administered by the Department of Education. This has led to some cases of very aggressive marketing by for-profits schools to military personnel and their families—and these schools often market not only the educational programs themselves, but also expensive private student loans. A key focus at the CFPB is to be sure that students understand these loans—and whether they will really be able to repay them. There are also serious questions about whether the education you get at many of these institutions justifies their high price.

Another issue, and one that always applies when it comes to the military, is the issue of car loans! Military personnel love their wheels, and they don't always go shopping for them in the right places. I'm sure many of you are familiar with the typical strip of used-car dealers that cluster around the gates of military installations. Servicemembers are often sold clunkers at inflated prices with high financing charges, and when the original clunker breaks down, they sometimes take an offer to roll the existing debt into another loan for yet another clunker—which may also break down. There is also the issue of spot financing, where they are allowed to drive away with a car with a promise of certain financing, and then get called back a week or two later to be told that the financing fell through and they will have to pay more. Although the CFPB will only have supervisory

authority over the auto dealers who write their own loans (what are often called “buy here-pay here”), the Federal Trade Commission and the Federal Reserve are required by Dodd-Frank to coordinate with us on military auto issues, and we have already started to do that.

Another thing we’ve heard about fairly often from military families is employment challenges for military spouses. Those spouses who are in professions that require a license or certification have told us how difficult and expensive it is to get or renew their professional license at each new duty station. And I can testify that military spouses move a lot! My husband and I moved 24 times in 37 years, in fact. Also, if the spouse is self-employed it’s hard to keep a client base when constantly relocating. And many installations happen to be in rural areas where available jobs may be few and far between. Those are problems I may not be able to solve, but I can certainly raise awareness about them as I work with federal and state agencies. And I know that the Department of Defense is working to improve the employment possibilities for military spouses through their new Military Spouse Employment Program.

Last but not least, a continuing issue for the military is the general issue of indebtedness. Many servicemembers don’t enter the military debt-free. In fact, on a visit to Texas we were told that the average Air Force recruit arrives at Lackland Air Force Base for basic training over \$10,000 in debt!¹ Once in the service, military personnel don’t make a whole lot of money, especially at the beginning, but it’s a guaranteed paycheck in this time of economic uncertainty, and it’s subject to garnishment. That has led to a whole lot of businesses looking to lend money to servicemembers for various products (which are often overpriced to start with). This can be the kiosk at the mall selling high-priced electronics at even higher financing, the rent-to-own furniture store, or the latest installment loans that manage to exist just outside the definition of payday loans as written in the rule implementing the Military Lending Act.

¹ The Lackland Airman & Family Readiness Center (802d Force Support Squadron) gathered debt information on airmen arriving at the Technical Training Group at Lackland Air Force Base following Basic Military Training from 1997 to 2009. The average debt increased from \$7,565 in CY 1997 to \$10,431 in CY 2008, the last full year the data was collected. A total of 109,048 airmen were surveyed during the period.

I'll give you an example of the type of installment lender I just mentioned. When we recently put a notice in the *Federal Register* seeking information about financial services provided to servicemembers and their families, one respondent told us about an Internet lender that caters to the military and will loan up to 40 percent of a servicemember's take-home pay, without a credit check, for an interest rate as high as 584 percent APR. The lender specifically mentions on its website that it is not required to comply with the 36-percent APR cap of the Military Lending Act because it offers an open-ended revolving line of credit versus the closed-end credit products governed by the Military Lending Act. And it tells the servicemembers who go to its site: "We believe that your membership in the armed forces entitles you to special treatment." "We speak your language."

But when servicemembers get behind in their payments these lenders are often very quick to turn their debt over to debt collectors. And what we've heard leads us to believe that a number of these collectors may not comply with the Fair Debt Practices Collection Act. They may call the servicemember's home and unit 20 or 30 times a day, threaten them with the Uniform Code of Military Justice, and tell them they'll get them busted in rank or have their security clearance revoked if they don't pay up. We've even heard of a debt collector harassing a surviving spouse of a servicemember killed in action, insisting that she had to use the money from his death gratuity to pay the debt immediately.

Again, it will be a big part of my job to educate servicemembers about their rights under existing consumer financial laws, and to give them the information they need to make wise financial decisions. Continuing financial education should have a central role in protecting the financial future of military families, and I have had very productive meetings on the subject already with Robert Gordon, the Deputy Assistant Secretary of Defense for Military Community and Family Policy, who oversees financial literacy programs within the Department of Defense. No amount of prosecutors or government agencies can stop every scammer or predatory lender, so, in addition to enforcing the law and writing rules as needed, the CFPB must also provide the right tools and information to military personnel and their families so that they recognize the red flags of a bad deal or scam and make sound financial choices. And I will also continue to work with you and other

Federal and state agencies to help identify effective consumer protection measures that will work on their behalf.

In conclusion, the OSA is already working hard to ensure that servicemembers and their families, who devote their lives to protecting our nation, have a strong advocate to help protect them from financial threats. We will make every effort to achieve the goal of every military family being a financially-educated family, armed with knowledge of how to avoid scams and poor financial decisions, protected by consumer laws as needed, and willing and able to invest towards long-term financial goals.

Thank you for the opportunity to testify before the Committee.