



Consumer Federation of America

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National Consumer Group Joins Department of Defense in Supporting Protections Against Predatory Lending for Service Members

CFA Urges House and Senate Conferees to include the Talent/Bill Nelson Anti-usury Amendment in the 2007 Defense Authorization Conference Report

Washington, DC: Consumer Federation of America (CFA) today urged House and Senate conferees for the 2007 Defense Authorization bill to support Senator Talent and Bill Nelson's provision to protect military families from predatory lenders. The Senate-passed amendment would cap annual interest rates on loans to military families at 36 percent, one of the key recommendations of an August report to Congress from the Department of Defense.

"Military families deserve protection from high cost lenders who trap borrowers in triple-digit interest rate debt and put at risk their assets, peace of mind and security clearances," stated Jean Ann Fox, director of consumer protection for CFA. "Congress must arm our troops against financial foes by setting a usury cap."

The Department of Defense report to Congress documents that high cost lenders cluster around military bases and tout easy money loans via the Internet. Payday lenders entice Service members to write checks without money in the bank for loans at rates of 390 percent annual interest or higher. Military borrowers, who are required to maintain a bank account to receive direct deposit of military pay, are likely to become trapped in repeat borrowing to keep those checks from bouncing.

Car title loans, secured by the title to family vehicles owned free and clear, typically cost 300 percent annual interest. The owner risks repossession of the car if the loan is not paid in full or renewed every month. Installment loans, paid by military allotment or electronic access to the Service member's bank account, often include unnecessary insurance premiums and extra fees that drive up payments.

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“Most states have failed to protect military consumers,” Ms. Fox stated. “Governors and state legislatures are meeting stiff resistance from lenders against using state usury and loan rate caps to prevent predatory lending to military borrowers. Many states don’t protect nonresident Service members. Congress must take action.”

Only eleven states prevent payday lenders from charging triple-digit rates for fast cash, while about half of the states authorize exorbitant interest rates charged by car title lenders. In addition, half the states do not license or supervise installment lenders that claim to serve only nonresident Service members stationed in those states.

The Defense Department Report is based on academic studies and public interest group reports, regulatory agency reports, analysis of industry statistics, the 2006 Defense Manpower Data Center Active Duty Survey, surveys of military banks, credit unions, and online lenders, and case studies provided by JAG officers, relief societies, and military financial educators. The Report includes letters of support from the American Bar Association and the Navy-Marine Corp Relief Society as well as statements from the Commandant of the Marine Corps and the Vice Chief of Naval Operations.

In July, CFA joined over seventy military and veterans groups, civil rights organizations, and consumer groups to ask Congress to adopt the Talent/Nelson amendment to Defense Authorization. (Link below)

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CFA is a nonprofit association of some 300 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers’ interests through advocacy and education.

For the Department of Defense Report to Congress on the impact of predatory lending, visit:
http://www.usa4militaryfamilies.dod.mil/dav/lsn/LSN/BINARY_RESOURCE/BINARY_CO NTENT/2141721.pdf

For background on payday lending to Service members, visit:
<http://www.responsiblelending.org/pdfs/ip011-PaydayMilitary-0905.pdf>

For information on regulation of payday lending by each state, visit:
<http://www.paydayloaninfo.org/states.cfm>

For the July support letter from military, veterans, civil rights, and consumer organizations, visit:
http://www.consumerfed.org/pdfs/Military_Lending_Talent_Amendment_Floor_Group_Letter.pdf

Today’s CFA letter to conferees: www.consumerfed.org