

The CFPB Stopped The Supervision Of Military Lenders For Violations Of The Military Lending Act While Servicemembers Are Being Financially Exploited By Debt Collectors, Credit Reporters, And Student Loan Servicers

In August 2018, Mick Mulvaney's CFPB Decided To Ease Off Predatory Lenders Who Target Servicemembers While Consumer Experts Railed The Decision As Helping Auto Dealers And Banks At The Expense Of Military Servicemembers.

In August 2018, It Was Reported That The Trump Administration Was Proposing To Roll Back Enforcement Of The Military Lending Act. And Weaken Laws Aimed At Protecting Servicemembers Who Buy Cars.

In 2018, NPR Obtained Documents "That Show The White House Is Proposing Changes That Critics Say Would Leave Service Members Vulnerable To Getting Ripped Off When They Buy Cars" In Addition To "Taking Broader Steps To Roll Back Enforcement Of The Military Lending Act." "NPR has obtained documents that show the White House is proposing changes that critics say would leave servicemembers vulnerable to getting ripped off when they buy cars. Separately, the administration is taking broader steps to roll back enforcement of the Military Lending Act." [NPR, [08/13/18](#)]

According To Christopher Peterson, A Law Professor At The University Of Utah, "If The White House Does This, It Will Be Manipulating The Military Lending Act Regulations At The Behest Of Auto Dealers And Banks To Try And Make It Easier To Sell Overpriced Rip-Off Products To Military Service Members." "If the White House does this, it will be manipulating the Military Lending Act regulations at the behest of auto dealers and banks to try and make it easier to sell overpriced rip-off products to military service members,' says Christopher Peterson, a law professor at the University of Utah, who reviewed the documents." [NPR, [08/13/18](#)]

- **One Such Product, "Gap Insurance", Is Insurance "That Can Help Certain Drivers Cover The "Gap" Between The Amount They Owe On Their Car And The Car's Actual Cash Value (ACV) In The Event Of An Accident."** "Gap insurance is an optional, add-on car insurance coverage that can help certain drivers cover the 'gap' between the amount they owe on their car and the car's actual cash value (ACV) in the event of an accident." [Nationwide, accessed [08/14/18](#)]

Gap Insurance Is Inexpensive When Purchased From A Car Buyer's Regular Insurance Company With "Costs As Little As \$20 To \$30 A Year", But If Purchased From A Car Dealer The Costs Can Reach "\$1,500 Over The Course Of The Loan." "That kind of insurance can actually be inexpensive. Peterson, who helped write the regulations for the Defense Department, says it often costs as little as \$20 to \$30 a year and is available from a car buyer's regular insurance company. 'But if you buy it from your car dealer, they may mark it up I've seen gap insurance policies being sold for \$1,500' over the course of the loan, he says." [NPR, [08/13/18](#)]

Also, In August 2018, The CFPB Announced That It Would No Longer Use “Supervisory Examinations Of Lenders” To Find Violations Of The Military Lending Act As It Believed It Did Not Have The Legal Authority To Do So.

In August 2018, The CFPB Announced That It Would No Longer Use "Supervisory Examinations Of Lenders" To Find Violations Of The Military Lending Act, "Arguing That Such Proactive Oversight Is Not Explicitly Laid Out In The Legislation." "Mick Mulvaney, the interim director of the Consumer Financial Protection Bureau, intends to scrap the use of so-called supervisory examinations of lenders, arguing that such proactive oversight is not explicitly laid out in the legislation, the main consumer measure protecting active-duty service members, according to a two-page draft of the change." [New York Times, [08/10/18](#)]

- **This Crucial Aspect Of The Military Lending Act Was Intended To "Protect Military Service Members And Their Families From Financial Fraud, Predatory Loans And Credit Card Gouging."** "The Trump administration is planning to suspend routine examinations of lenders for violations of the Military Lending Act, which was devised to protect military service members and their families from financial fraud, predatory loans and credit card gouging, according to internal agency documents." [New York Times, [08/10/18](#)]

Retired Army Colonel, Paul Kantwill, The Former Assistant Director For Servicemember Affairs At The Bureau, Likened The Move To "Removing The Sentries From The Guard Posts Guarding Your Military Installation Or Your Compound." "Retired Army Col. Paul Kantwill recently left a position at CFPB, where he worked on issues facing service members. 'I am very concerned about' the prospect of weaker oversight, he says. The bureau says it would investigate complaints of abuse. But Kantwill says that is not enough. He compared the proposed changes to 'removing the sentries from the guard posts guarding your military installation or your compound.'" [NPR, [08/13/18](#)]

- **"Paul Kantwill Will Serve As The CFPB's Assistant Director For Servicemember Affairs. Prior To Joining The Bureau, Mr. Kantwill Served As The Director In The Office Of Legal Policy, Office Of The Under Secretary Of Defense, Personnel & Readiness At The Pentagon."** [Consumer Financial Protection Bureau, [01/06/17](#)]

The Bureau Claims It "Might Not Have The Legal Authority To Actively Go Looking For Violations Of The Military Lending Act" And Is "Planning To Ask For Congress To Give It Express Permission To Do This Active Monitoring Of Lenders' MLA Compliance If That Is What Lawmakers Intended." "Under Mulvaney, the bureau is claiming it might not have the legal authority to actively go looking for violations of the Military Lending Act. The CFPB is planning to ask for Congress to give it express permission to do this active monitoring of lenders' MLA compliance if that is what lawmakers intended. That's according to a draft document circulating within the bureau obtained by NPR. It is unclear if Congress would do that to spur the CFPB to return to its previous level of enforcement." [NPR, [08/13/18](#)]

These Claims Were Made Despite The Bureau Having Conducted "Dozens Of Investigations Into Payday And Other Lenders During The Obama Administration Without Any Significant Legal Opposition" – Since Its Creation In 2011, The CFPB Has Returned "More Than \$130 Million To Service Members, Veterans And Their Families And [Has] Handled More Than 72,000 Complaints Per Year."

"The consumer bureau conducted dozens of investigations into payday and other lenders during the Obama administration without any significant legal opposition, and no lenders are currently challenging its oversight based on the law, according to administration officials. [...] Since its creation under the Obama administration in 2011, the consumer agency has returned more than \$130 million to service members, veterans and their families and handled more than 72,000 complaints per year, according to the agency." [New York Times, [08/10/18](#)]

Servicemembers' Complaints To The CFPB Skyrocketed 47% From 2016 To 2017.

There Was A 47% Increase In The Volume Of Complaints That Servicemembers Made To The CFPB From 2016 To 2017. “The Bureau has received approximately 123,500 complaints from servicemembers since July 2011. The number of servicemembers, veterans, and military families turning to the Bureau for help has continued to increase over time. As a result, the complaint volume from servicemembers has also risen over the years. From 2016 to 2017 there was a 47% increase in complaints received from servicemembers.” [Consumer Financial Protection Bureau, [January 2019](#)]

Financial Exploitation Of Servicemembers Hurts Both Our National Security And Our National Debt With Many Servicemembers Enlisting In Order To Ease Their Student Debt Burdens.

Financial Strain Forces As Many As 8,000 Servicemembers To Leave The Military Each Year. Costing Taxpayers \$456 Million Annually

Thousands Of Servicemembers Have To Leave The Military Each Year Because Of Their Personal Financial Issues, At A Cost Of \$456 Million A Year To The Military. “For example, an average of 4,700 to 8,000 servicemembers are separated each year from the military for financial issues (e.g., losing their security clearance due to unpaid debts). These separations take a real toll not only on servicemembers and their families, but also cost the government hundreds of millions of dollars (up to \$456 million per year) to recruit and replace those servicemembers.” [Consumer Financial Protection Bureau, [January 2019](#)]

Many Servicemembers Enlist In The Military “Because Of Student Debt.”

The CFPB Acknowledges That Many Servicemembers Enlist In The Military “Because Of Student Debt.” “For years, we have heard from servicemembers about how they entered military service not only with student debt, but because of student debt. Now we know that more than 200,000 servicemembers collectively owe more than \$2.9 billion in student debt.” [Consumer Financial Protection Bureau, [January 2019](#)]

Kathy Kraninger Claims There Isn't “Clear Authority” To Supervise Lenders For Compliance With The Military Lending Act Even Though Legal Experts Agree “There Is No Question” That The CFPB Has Supervisory Authority For Compliance With The Military Lending Act.

Kathy Kraninger Asked Congress For “Clear Authority” To Conduct Supervisory Exams Of Banks And Lenders For Compliance With The Military Lending Act...

In January 2019, CFPB Director Kathy Kraninger Asked Congress For “Clear Authority” To Conduct Supervisory Exams Of Banks And Lenders For Compliance With The Military Lending Act. “The director of the Consumer Financial Protection Bureau on Thursday asked Congress to give it the ‘clear authority’ to conduct supervisory exams of banks and financial firms for compliance with the Military Lending Act. The director, Kathy Kraninger, sent a letter to Vice President Mike Pence and House Speaker Nancy Pelosi with draft legislation that would give the bureau ‘nonexclusive authority to require reports and conduct examinations on a periodic basis.’ ‘The requested authority would complement the work the Bureau currently does to enforce

the MLA,' Kraninger said in the one-page letter." [American Banker, [01/17/19](#)]

In A Letter To Kathy Kraninger, House Financial Services Committee Members Explained That “There Is No Question” That The CFPB Has Supervisory Authority Over Regulated Entities For Compliance With The Military Lending Act.

According To Members Of The House Financial Services Committee, “There Is No Question” That The CFPB Has Supervisory Authority Over Regulated Entities For Compliance With The Military Lending Act, “As Has Been Detailed By Legal Experts, And Underscored By Republican And Democratic Members Of Congress.” On December 14, 2018, Democratic members of the House Financial Services committee, led by Rep. Maxine Waters (D-CA), sent a letter to CFPB Director Kathy Kraninger. They wrote “We believe servicemembers and their families deserve to have their rights under federal law fully upheld through strong supervision and enforcement by federal regulators, including the Consumer Bureau. For this reason, Congress granted the Consumer Bureau broad supervisory authority to oversee a wide range of regulated entities, required the Consumer Bureau to establish an Office of Servicemember Affairs, and in 2013, amended the MLA to give the Consumer Bureau, along with other federal agencies that oversee other financial institutions, the authority to enforce the MLA. As has been detailed by legal experts, and underscored by Republican and Democratic Members of Congress, there is no question the Consumer Bureau has the authority and the responsibility to supervise its regulated entities for compliance with the MLA.” [Letter to Kathy Kraninger from Rep. Maxine Waters et. al., [12/14/18](#)]

The CFPB Conducted Supervisory Examinations For Years During The Obama Administration, Citing Its Authority Under Dodd-Frank.

The CFPB “Conducted Supervisory Exams For Years” During The Obama Administration, Citing “Cited Its Authority Not Just Under The Dodd-Frank Act, But Also In Regulating ‘Unfair, Deceptive Or Abusive Acts Or Practices,’ Known As UDAAP.” “Last year, Mick Mulvaney, at the time the acting director of the CFPB, claimed that further legislation was needed for the CFPB to examine financial firms for MLA compliance. The Obama administration had conducted supervisory exams for years, and has long cited its authority not just under the Dodd-Frank Act, but also in regulating ‘unfair, deceptive or abusive acts or practices,’ known as UDAAP. Mulvaney, now the White House chief of staff, had argued Dodd-Frank did not specifically identify the MLA among the 19 statutes under the CFPB's authority.” [American Banker, [01/17/19](#)]

- **“The Bureau Has Always Had Enforcement Authority Over A Range Of Lenders, Including Payday And Installment Lenders, But Without Supervisory Authority, Investigations Can Take Longer And Often Are Based On Consumer Complaints.”** [American Banker, [01/17/19](#)]