United States Senate
WASHINGTON, DC 20510

November 25, 2014

The Honorable Chuck Hagel
Secretary
U.S. Department of Defense
1000 Defense Pentagon
Washington, D.C. 20301-1000

Re: Limitations on Terms of Consumer Credit Extended to Service members and Dependents
Docket ID: DoD-2013-OS-0133

Dear Mr. Secretary:

We are writing in response to the Department of Defense (DOD) proposal to update the implementing rules for the Military Lending Act (MLA).

By enacting the MLA as part of the John Warner National Defense Authorization Act for Fiscal Year 2007, Congress sent a clear bipartisan message that protecting service members and their families from predatory and high cost lending was of paramount importance to their financial security and military readiness.

This concern was reiterated in the Conference Report for the National Defense Authorization Act for Fiscal Year 2013, which stated that "the conferees are concerned that the Department must remain vigilant to eliminate continuing, evolving predatory lending practices targeting service members and their families, and believe the Department should review its regulations implementing section 987, to address changes in the industry and the evolution of lending products offered since 2007, continuing use of predatory marketing practices, and other abuses identified by consumer protection advocates, including the Consumer Financial Protection Bureau's Office of Servicemember Affairs."

As a result of this required review of the current MLA rule, DOD in its proposal now recommends closing existing MLA loopholes. We believe this strikes a significantly better balance than the current MLA rule between protecting service members and their families on the one hand and maintaining access to non-predatory credit on the other. As such, this proposal also does a much better job of reflecting Congressional intent.

Specifically, we support the proposal to expand the MLA's "definition of 'consumer credit' to cover a broader range of closed-end and open-end credit products." In so doing, the rule proposes that these products be treated in a manner generally consistent with the decades-old requirements of the Truth in Lending Act.

This comprehensive approach is essential to preventing future evasions. As DOD notes in its proposed rule, "the extremely narrow definition of 'consumer credit' permits creditors to structure credit products in order to reduce or avoid altogether the obligations of the MLA." For

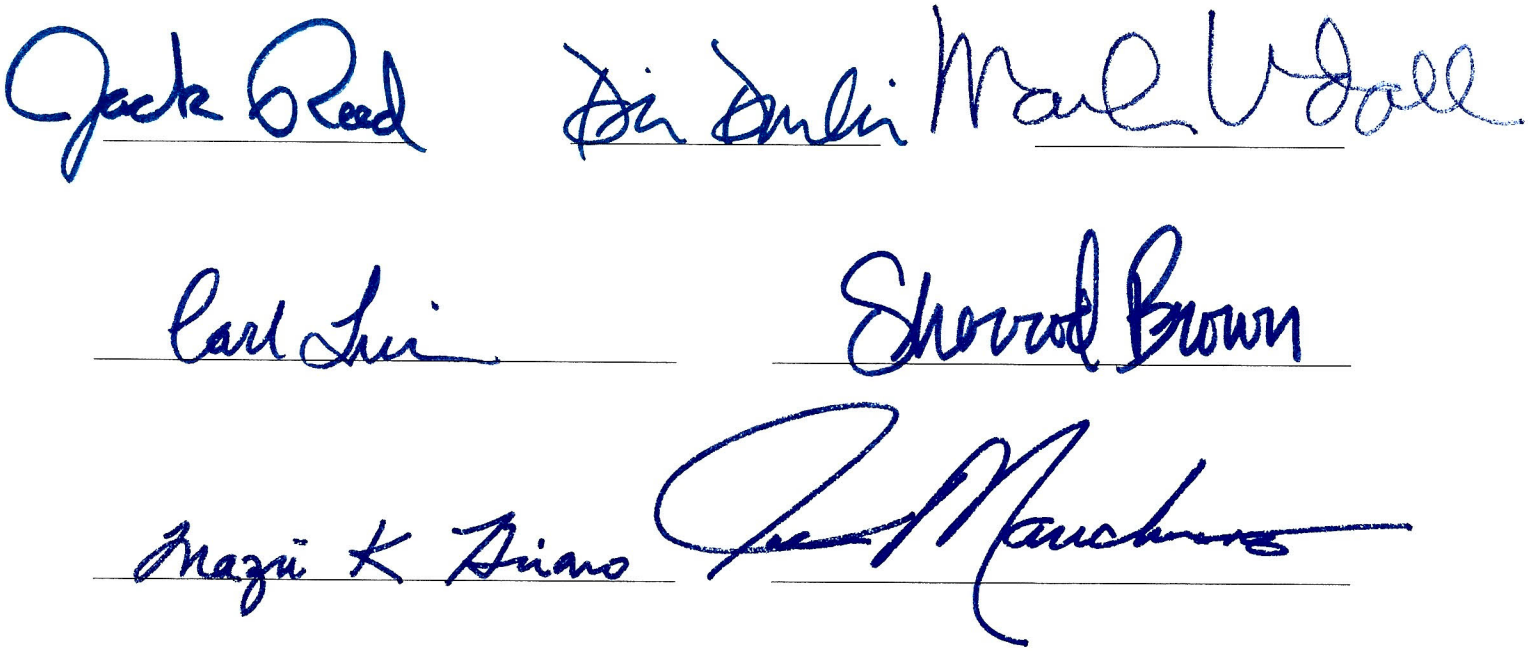
example, MLA protections currently can be avoided by simply adding a day to the term of a payday loan or by lending just one additional cent so that the payday loan no longer qualifies as "consumer credit" subject to the MLA protections.

Contrary to Congressional intent, these evasions threaten military readiness. According to DOD, "each separation of a service member is estimated to cost the Department $57,333, and the Department estimates that each year approximately 4,703 to 7,957 service members are involuntarily separated due to financial distress." In addition to the estimated cost savings DOD has identified, we give great weight and deference to DOD's statement that the proposed MLA rule "would reduce non-quantifiable costs associated with financial strains on service members. High-cost debt can detract from mission focus, reduce productivity, and require the attention of supervisors and commanders." As a result, we strongly agree with DOD's view that the proposed MLA rule not only has the potential to produce substantial cost savings, but also enhance military readiness.

In August of last year, a number of us wrote, "service members and their families deserve the strongest possible protections and swift action to ensure that all forms of credit offered to members of our armed forces are safe and sound." Indeed, as our service members are asked to take on even more tasks in defense of our nation, we should take every opportunity to protect them and their families here at home, especially from unscrupulous lenders.

For all these reasons, we strongly support the proposed MLA rule and urge that the final MLA rule be similarly robust in enhancing protections for service members and their families, producing significant cost savings for DOD, and improving military readiness.

Sincerely,



Cc: Hon. Thomas J. Curry, Comptroller of the Currency
Hon. Janet L. Yellen, Chairwoman, Board of Governors of the Federal Reserve
Hon. Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation
Hon. Debbie Matz, Chairwoman, National Credit Union Administration
Richard Cordray, Director, Consumer Financial Protection Bureau
Hon. Edith Ramirez, Chairwoman, Federal Trade Commission