

BUCKING \$YSTEM



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THE CFPB'S OSA TAKES ON UNETHICAL LENDERS AND RETURNS CASH TO SCAMMED SERVICE MEMBERS

By Darla J. Torres
AFSA Magazine editor-in-chief

Federal agencies are often seen as lumbering entities in which requests from customers often get caught in a cycle of red tape and bureaucracy before spiraling into a black hole. That image is part of what makes the Office of Servicemember Affairs (OSA) within the Consumer Financial Protection Bureau (CFPB) such a breath of fresh air.

In its three years of existence, the CFPB has put real cash—more than \$1 million in compensation for individual complaints—back into the wallets of servicemen and -women. Their efforts have also changed rules to smooth financial roads for the military community while establishing speed bumps and stop signs for businesses that unethically prey on Airmen, Soldiers, Sailors, Marines, Coast Guardsmen, military Veterans, and their families.

Holly Petraeus, the head of the OSA, describes its mission as three-fold:

- to help ensure military families receive the financial education they need to make smart financial decisions;
- to monitor complaints and questions from military families and ensure they are responded to; and
- to coordinate with federal and state agencies to improve consumer protection measures for military families.

The CFPB was established in 2011 in response to the economic meltdown in the U.S. According to Petraeus, the President and Congress asked at the time, “Who was watching out for consumers when things went south?” The answer, she says, was that “there were good laws in place, but the enforcement of those laws was spread out over seven different agencies.” Thus, the establishment of the CFPB consolidated the enforcement of those laws in one agency.

Written into the statute that created the agency was a mandate for an office—the OSA—that specifically looks out for financial issues concerning military members—inclusive of active duty, Guard, Reserve, and their families. Petraeus includes Veterans in this group as well, noting, “Anyone who has worn the uniform can come to us for help.”

To get that help, consumers can submit a complaint by calling the CFPB or filling out a complaint form online at consumerfinance.gov. If a person is identified as a military member, family member, or Veteran, the OSA also will see



his or her complaint. Once that complaint is processed and vetted, the CFPB sends a letter to the offending organization on behalf of the complainant, and normally that is enough to get resolution, according to Petraeus.

“In part because our complaint database is public, businesses normally respond within the required 15 days, and we’re able to resolve the issue,” she says. The resolution also is logged into the CFPB’s database. Beyond record-keeping, the database is used to identify trends, according to Petraeus, and to research companies or businesses under investigation.

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— Holly Petraeus

ROOT OF THE PROBLEM

In the three years since its creation, the CFPB has increased the number of complaint categories from just one—mortgages—to several: debt collectors, credit cards, checking and savings accounts, credit reporting bureaus, payday loans, credit repair, and digital currency.

“Unfortunately, the military is a target,” says Petraeus. “There are those out there who know that military members have a guaranteed twice-a-month paycheck that can be



PREDATORY LENDING, MILITARY TARGETS

Service members, Veterans, and military families face unique challenges when it comes to matters of personal and family finance.

Specific challenges faced:

- They are attractive targets for both good and bad lenders. Many lenders know the UCMJ requires service members to maintain good finances.
- They are easy to find, so lenders are confident they can collect debts they owe.
- Their military pay represents a steady income that could be garnished.
- Military families often start young, leading to big money management decisions by first-time decision-makers.

Service members also face unique risks:

- Deployments, change of duty stations, and emergencies lead to unplanned and unique financial difficulties without adequate resources to resolve them.
- Marketers often try to exploit service members' loyalty to the military by tying pitches for loans and other products to military service, a strategy called "affinity marketing."
- Frequent relocation can mean unforeseen expenses and a lack of familiarity with the local environment.

→ For more information, visit the CFPB website dedicated to issues unique to service members, Veterans, and their families at www.consumerfinance.gov/servicemembers.



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As evidence of this practice, she points out that if you enter “military loan” into a search engine, more than 80 million hits come up—many for lenders offering up to triple-digit interest rates, while others are outright scams asking for money upfront to secure a loan. Frequent deployments and moves also can make handling financial issues challenging for military families. Petraeus cites countless times when military members pay a bill, deploy, and a small amount is billed the next month, unbeknownst to the military member. “The lender will say, ‘Well, we couldn’t find them’, and it’s sent to collections, leaving a mess for the military member to clean up when he or she returns, or it becomes a distraction while deployed,” she says.

These issues don’t just impact wallets; they impact lives as well. Petraeus points out that financial problems are widespread and all too common in the military, in part because so many of the social problems seen in the military and Veterans

DOLLARS AND SENSE

PRACTICAL PERSONAL FINANCE TIPS FROM FELLOW AFSA MEMBERS



Tech Sgt. Jessie Torres, Chapter 1657, Aviano AB, Italy: "One piece of advice that I

have found helpful is to never settle for the first bank when taking out a loan. Back in 2008, I purchased a brand-new car and was going to use a local credit union to finance the vehicle. Since it was my first loan with the credit union, they were going to charge me 7.3 percent. To be honest I almost went with it, but the car salesman strongly recommended that I contact other banks. Believe it or not, the car salesman wanted to help me save money! He advised me to contact my bank and this other credit union. He was very helpful: He actually assisted me and

sometimes made the calls for me. And letting the banks know what others were offering made them compete for my loan. In the end, the lowest rate I was offered was 3.2 percent. Not bad for my first loan!"



SSgt. Nichole Brown, Chapter 872 President, Scott AFB, Ill.:

"Save! Save! It is never too early to start saving for your future.

Take advantage of what your Airman and Family Readiness has to offer—everything from how to start a budget, to helping Airmen transition from the dorms to a house, to advising on TSP or the Career Status Bonus Program."

Juanita Weems, AFSA Headquarters Staff:



"When paying off credit card debt, take the bill with the least amount owed and focus on paying it off first, but be sure to at least pay the minimum on the other credit cards. When that credit card is paid off, take the money you were paying on that bill and add it to the minimum payment of the next bill with the least amount owed. You will have a feeling of accomplishment, and before you know, you will be out of debt."

community have a financial component to them. "It's one of the major stressors for people," Petraeus adds. (See the sidebar on opposite page for more on the connection between financial troubles and service members.)

The goal of the CFPB is to help remove some of those financial stressors, and the agency has facilitated changes and made a big impact since its inception.

"When we began, we heard a lot from service members who were underwater on their homes," says Petraeus. Like people across the country, military members fell victim to the subprime mortgage crisis and ensuing drop in home values. For many military members, military PCS orders during this time put them in a tough spot: They couldn't sell their houses for what they owed; they couldn't rent them for enough to make it work; and often they were losing a spouse's income during the move.

"Many were choosing to leave the family in the house and the service members would go to the next duty station by themselves," adds Petraeus. "Especially since so many of

[these families] were being separated by combat deployments, they shouldn't have to be apart because of finances as well."

A FINANCIAL ALLY

Petraeus began to talk about the dilemma to agencies in Washington, D.C. "There were foreclosure prevention programs, but they were sort of one-size-fits-all," she says. The programs all assumed a homeowner would go delinquent in payments before seeking assistance. "I had to explain that going delinquent is not something military members want to do." Her efforts paid off: The Director of the Federal Housing Finance Agency took action and announced that if a military member who had a Fannie Mae or Freddie Mac loan had to sell his or her house for less than he or she owed because of a PCS, the difference between the amount owed and the selling price would be forgiven. "That was one of the most exciting days since I began working here," recalls Petraeus. "We were able to explain the military to a federal agency that really didn't understand the impact of the military mobile

lifestyle, and in the end, to see them make a change that was going to be a big help to a lot of military homeowners.”

While every day isn't quite as exciting as that one, according to Petraeus, there have been other victories: helping to broaden the Military Lending Act to put interest caps on more types of loans; cracking down on unethical debt collectors who attempt to ignore the laws and bully service members by threatening to have them demoted or have their security clearance put at risk; and providing relevant education and tools for the military community to make wise financial decisions.

For one father and son, Harry and Ari, the CFPB was able to provide a financial lifeline after a car loan that put Ari, a young soldier, over his head in payments. The car dealership, one of many right outside the gate of Ari's base, promised to get him a car he could afford. They didn't. But this story, which is chronicled on the CFPB website, has a happy ending: The son gave his father power of attorney before deploying to Iraq, and when his dad looked over the contract, he found that the dealership did not provide what they promised. Harry filed a complaint to the CFPB on behalf of his son. The complaint was the catalyst to an investigation that helped not only Ari, but also many others who were victimized by unethical auto lenders. In June 2013, the CFPB ordered auto lenders to refund approximately \$6.5 million to more than 50,000 service members.

Ari summed up the value the CFPB—and, by extension, the OSA—provides to military and Veteran consumer, stating, “The fact that the CFPB took action in the name of service members across the country; it shows us that someone's in our corner. As a Soldier you think that you have to fight, but you can't always fight. It's great to know we have someone in our corner, too.”

MEET THE OSA THE OFFICE OF SERVICEMEMBER



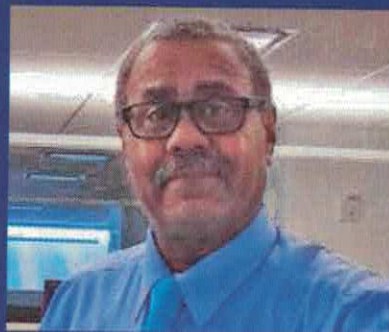
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Mechel Glass is an Army veteran with three years of service in the intelligence field. She also brings 20 years of success and experience from corporate, entrepreneur, and nonprofit fields. She serves as the Financial Education Program Analyst for the OSA.



David DuBois served 20 years in the U.S. Navy and has over 17 years of civilian leadership experience in the military financial readiness area. He currently serves as the deputy director for the OSA.



Reginald Kelley, a Vietnam-era soldier drafted in 1969, served three years in the U.S. Army. He serves as an administrative assistant for the OSA.

AFFAIRS STAFF BRING OVER 115 YEARS OF EXPERIENCE TO MILITARY CONSUMERS



Josh Friedman has over 13 years of experience in the U.S. Air Force, serving both on active duty and as a drilling reservist. He is a Consumer Response Investigator focusing on mortgages on a professional development assignment to the OSA.



Melissa Halsey served for seven years as a Legal Assistance Attorney in the U.S. Army JAG Corps. She serves as the Consumer Response Specialist for the OSA.



Pamela McClelland served in the U.S. Air Force for 25 years and has more than 14 years of civilian service in the military family and financial readiness area. She is an accredited financial counselor and an instructional systems designer serving as the chief financial educator for the OSA.



Seth Frotman is an attorney with more than eight years of experience working on military matters and has served on Capitol Hill as a professional staff member in both the House and Senate. He serves as a senior policy advisor for the OSA.



Patrick Brick has extensive experience working on behalf of service members, recovering wounded warriors, and their families. He serves as a program, data, and research analyst for the OSA.



Anthony Camilli, a JAG Officer with the U.S. Air Force Reserve, has more than 14 years of experience with issues impacting service members, veterans, and their families. He serves as a Veteran Outreach Specialist with the OSA.