



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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PERSONNEL AND
READINESS

SEP - 7 2018

The Honorable Bill Nelson
United States Senate
Washington, DC 20510

Dear Senator Nelson:

Thank you for your letter of August 22, 2018, to Secretary Mattis, concerning the Consumer Financial Protection Bureau's (CFPB) enforcement of the Military Lending Act (MLA). As the Department's regulations implementing the MLA fall under my purview, I am responding on behalf of the Secretary.

Your letter requested that the Department of Defense (DoD) respond to the following questions:

1) Did the CFPB provide the Department prior notice of its plans to suspend MLA supervisory examinations? Did the CFPB seek DoD's input at all with respect to this proposed change? Did the CFPB provide the DoD with any analysis evaluating the impact of reduced supervision on the agency's ability to bring successful enforcement actions? What is the Department's view of the proposed change?

Although the CFPB's acknowledgment of its intent to suspend MLA supervisory examinations has been documented in the media, the Department has not received any official notification from the CFPB in this regard. Additionally, the Department did not discuss this specific change with the CFPB. The Department regularly consults with the prudential regulators regarding enforcement of the MLA, and the CFPB has proven to be a valuable advocate for Service members and their families through its education programs, technical assistance to the Department, and enforcement of consumer protection measures. The Department believes that the full spectrum of tools, including supervisory examinations, contribute to effective industry education about, and compliance with, the MLA.

2) Does the Department believe that suspending MLA examinations will have an adverse impact on readiness?

Congress enacted the MLA after becoming aware of predatory lending practices targeting Service members and the potential readiness impacts of such practices on our forces and families, including exposure of the affected Service member to the potential loss of a security clearance and involuntary separation from service. Service member use of high-cost financial products has declined in past years, which the Department attributes to a combination of increased education about the potential risks of such products and MLA compliance monitoring and enforcement actions. Nevertheless, the Department remains

concerned that predatory lending practices and high-cost credit continue to pose risks to the financial readiness of Service members and families. Absent continued monitoring and enforcement of MLA compliance, the Department and the prudential regulators may be unable to identify or respond timely to trends or early warning signs of harmful practices.

3) If the CFPB goes forward with this change, how will the Department ensure that servicemembers and their families receive all the MLA protections they deserve?

As required by title 10, U.S. Code, section 992, the Department will continue to provide comprehensive financial literacy training to our Service members throughout their military careers. This training includes education about the responsible use of credit, alternatives to high-cost credit products, consumer protections available under law, and how and where to report potential violations of one's consumer rights. In addition, the Department supplements its educational offerings with robust strategic communications efforts—all with a view to reinforcing key military consumer protections and financial literacy learning objectives across the force. Finally, the Department will continue to carry out its responsibilities under the MLA, including regular consultation with other Federal stakeholders.

I hope that you find these responses helpful. Thank you for your continued interest in ensuring the financial well-being of our Service members and their families. A similar response was provided to the other signatories to your letter.

Sincerely,



Stephanie Barna
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness