April 15, 2010

The Honorable Christopher J. Dodd  The Honorable Richard C. Shelby
Chairman  Ranking Member
Banking, Housing & Urban Affairs  Banking, Housing & Urban Affairs
United States Senate  United States Senate
Washington, DC 20510  Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

The Military Coalition, a consortium of nationally prominent military and veterans organizations, representing more than 5.5 million current and former service members and their families and survivors, would like to express our opposition to Senator Brownback’s amendment to the Restoring American Financial Stability Act of 2010. Senator Brownback’s amendment would exclude auto dealers and their lending practices from the financial reform bill.

The most significant financial obligation for the majority of service members is auto financing. Including the auto dealers financing and sales in the financial reform bill will provide greater protections for our service members and their families.

Providing a “carve-out” for auto dealers does just the opposite – it will allow unscrupulous dealers to continue to take advantage of service members and their families.

In a recent letter from the Under Secretary of Defense for Personnel and Readiness (USD P&R) to the Department of the Treasury’s Assistant Secretary for Financial Institutions (attached), Dr. Clifford Stanley states that the Department of Defense would welcome protections provided to service members and their families with regard to unscrupulous automobile sales and financing practices.

Additionally, Dr. Stanley highlights the extent of the problem in a recent informal polling of installation attorneys and personal financial managers/counselors. Of the 659 counselors and attorneys who responded, 72% stated that they counseled service members in the past six months on one or more unscrupulous practices (e.g., “bait and switch” financing, falsification of loan documents, failure to pay-off liens, and “packing loans”) when covering auto financing with their client.

Again, the Coalition wishes to reiterate our collective opposition to any “carve-out” of auto dealership financing from the financial reform bill and we thank you for your attention to this important issue impacting military members and their families.

Sincerely,

The Military Coalition
(signatures enclosed)

Attachment: USD P&R letter dated February 26, 2010
Air Force Association

Air Force Sergeants Association (AFSA)

Air Force Women Officers Associated

American Logistics Association

AMVETS

Army Aviation Assn. of America

Assn. of Military Surgeons of the United States

Assn. of the US Army

Association of the United States Navy

Commissioned Officers Assn. of the US Public Health Service, Inc

CWO & WO Assn. US Coast Guard

Enlisted Association of the National Guard of the US

Fleet Reserve Assn.

Gold Star Wives of America, Inc.

Iraq & Afghanistan Veterans of America

Jewish War Veterans of the USA

Marine Corps League

Military Officers Assn. of America

Military Order of the Purple Heart

National Guard Assn. of the US

National Military Family Assn.

National Order of Battlefield Commissions

Naval Enlisted Reserve Assn.

Non Commissioned Officers Assn. of the United States of America

Reserve Enlisted Assn. of the US

Society of Medical Consultants to the Armed Forces

The Military Chaplains Assn. of the USA

The Retired Enlisted Assn.

US Army Warrant Officers Assn.

USCG Chief Petty Officers Assn.

Veterans of Foreign Wars of the US
The Honorable Michael S. Barr  
Assistant Secretary for Financial Institutions  
United States Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220  

Dear Secretary Barr:

This letter is provided in response to your February 10, 2010 discussion with Deputy Under Secretary of Defense (Plans) Gail McGinn regarding the legislation before the Senate which would establish the Consumer Financial Protection Agency (CFPA) and delineate the limits of its authority.

The Department of Defense would welcome and encourage CFPA protections provided to Service members and their families with regard to unscrupulous automobile sales and financing practices, provided such protections would not limit access to legitimate products. While each Military Service includes car buying and financing classes as part of its normal financial educational curriculum, there are still documented cases of Service members falling victim to predatory practices and prohibitively expensive products. To complement case studies conducted by consumer advocacy groups such as Consumers for Auto Reliability and Safety (CARS), the Department conducted an informal, non-scientific polling of military installation Personal Financial Managers, legal assistance officers, and DoD-contracted Personal Financial Counselors about practices they had encountered when counseling military clients such as “bait and switch” financing, falsification of loan applications or other documents, failure to pay-off liens on trade-in vehicles, "packing" loans with items whose price tag bears little or no relationship to their actual cost or value, and discriminatory lending. Seventy-two percent of the 659 counselors and attorneys who responded to this question said that they had counseled Service members in the past six months on one or more of these issues when covering auto financing with the client.

We recognize Service members and their families are under increasing stress. When we have asked in surveys about the causes, Service members responded that finances were second only behind work and career concerns and ahead of deployments, health, life events, family relationships, and war/hostilities. Since auto financing represents the most significant financial obligation for the majority of Service members, particularly in the junior enlisted grades, we believe the intervention of the CFPA in
overseeing auto financing and sales for Service members will help protect them and will assist us in reducing the concerns they have over their financial well-being.

The Department of Defense fully believes that personal financial readiness of our troops and families equates to mission readiness. Therefore, any legislation that would enable and empower our military to be financially ready would be welcomed.

Sincerely,

Clifford L. Stanley