



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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PERSONNEL AND
READINESS

DEC 14 2009

The Honorable Brad Miller
U.S. House of Representatives
Attn: Mr. Michael Canning
Washington, DC 20515

Dear Congressman Miller:

This letter is provided as a final response and follow-up to the Department of Defense's interim letter of November 23, 2009 regarding the establishment of the Consumer Financial Protection Agency and concerns regarding auto sales and financing scams targeting the military.

As requested in your letter of November 11, 2009, the Department of Defense (DoD) conducted an informal, non-scientific polling of headquarters and installation-level Personal Financial Managers (PFMs), legal assistance officers, and DoD-contracted Personal Financial Counselors (PFCs) regarding questionable or potentially abusive auto sales and financing practices they had seen as a result of counseling military members. Due to the urgency of your request, obtaining detailed data, especially broken down by military base and state, was not possible. Additionally, the informal polling was focused on Service members and did not include military veterans.

We asked PFMs, legal assistance officers, and DoD-contracted PFCs about the specific issues contained in your letter: bait and switch financing, falsification of loan applications or other documents, failure to pay-off liens on trade-in vehicles, "packing" the loan 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 on one or more of these issues when covering auto financing with the client.

DoD considers financial education the first line of defense, and the Military Services all offer car-buying and financing courses as part of their normal "pipeline" financial training. However, some Service members still appear to be falling victim to unscrupulous dealers. Therefore, in concept, DoD would welcome protections that the Consumer Financial Protection Agency might provide for Service members and their families regarding abusive auto sales and financing practices as long as they did not restrict access to legitimate auto loan products.

Sincerely,

Gail H. McGinn
Deputy Under Secretary of Defense (Plans)
Performing the Duties of the
Under Secretary of Defense
(Personnel & Readiness)