

United States Senate

WASHINGTON, DC 20510

March 5, 2019

Hon. Kathleen Kraninger
Director
Consumer Financial Protection Bureau
1700 G St. N.W.
Washington, D.C. 20552

Dear Director Kraninger:

We write to request that you fulfill the Consumer Financial Protection Bureau's (CFPB) mission by including compliance with the Military Lending Act (MLA) in the Bureau's routine lender examinations, as was its practice prior to November 2018. In short, we urge you to stand up to predatory lenders and stand with servicemembers and their families.

In 2006, Republicans and Democrats set aside partisanship and worked across the aisle to enact the MLA, which not only caps at 36% the annual interest rate for an extension of consumer credit to a servicemember or his or her dependents, but also strengthens military readiness by preventing unnecessary servicemember separations caused by predatory lending. According to the Department of Defense (DOD), losing a servicemember due to personal issues, such as financial instability, costs taxpayers and DOD more than \$58,000 for each separated servicemember.

Indeed, when the CFPB was making every effort to protect servicemembers and their families, its own routine examination of one payday lender uncovered a violation of the MLA, where loans at rates higher than 36% were being extended to more than 300 active-duty servicemembers or their dependents. We urge you to continue these examinations in order to pursue the clear bipartisan goals of supporting military readiness, saving taxpayer money, and protecting our servicemembers and their families from predatory lenders.

The CFPB's existing statutory authorities are more than sufficient to justify including MLA compliance in routine examinations, and to our knowledge, the CFPB's authority in this regard has never been challenged.

As explained by the Consumer Federation of America in its November 1, 2018 legal analysis - *Missing in Action? Consumer Financial Protection Bureau Supervision and the Military Lending Act* - the relevant statutory provisions give the CFPB more than one basis for including the MLA in CFPB examinations.

For instance, one such provision, Section 1024(b)(1)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, explicitly states that the CFPB "shall require reports and conduct examinations on a periodic basis...for purposes of...detecting and assessing

risks to consumers and to markets for consumer financial products and services.” Charging servicemembers and their families more than 36% interest for loans is clearly a risk to consumers and indeed, DOD has stated that “high-cost debt can detract from mission focus, reduce productivity, and require the attention of supervisors and commanders.” Therefore, the CFPB is authorized under Section 1024(b)(1)(C) to conduct examinations for this purpose.

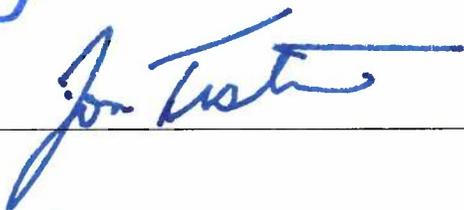
When Office of Management and Budget Director Mick Mulvaney removed MLA compliance from CFPB examinations, he argued that “such a broad statutory reading offers little to restrain the Bureau from supervising for compliance with a wide variety of other laws.” To be clear, based on the plain text of Section 1024(b)(1)(C), Congress specifically intended this broad statutory reading. In the aftermath of the worst financial crisis in decades where safety and soundness regulators failed to keep a watchful eye over Wall Street and predatory lenders, Congress provided the CFPB with broad powers to protect consumers – with an explicit focus on servicemembers and their families – so that risks could be spotted before they caused irreparable harm. In short, the CFPB continues to have all the authority it needs to include the MLA as part of its routine lender examinations. There is no law that prevents you from doing so.

The CFPB should not have to be persuaded to stand up for consumers, especially military consumers and their families who simply do what’s right when asked to protect and defend our nation. We urge you to do your duty and carry out the CFPB’s mission by standing with servicemembers and their families and ensuring that they receive all of the MLA protections they have earned. Please provide a full justification of the current CFPB leadership’s decision to put servicemembers at risk by failing to do its duty no later than Friday, March 8, 2019.

Sincerely,













Ann Van Vliet

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Tammy Doherty

Rebbie Starnow

Elizabeth Wain

Catherine Coy Mento

Patty Murray

Amy Klobuchar

Tom Carpenter

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