

A CLOSER LOOK AT THE MILITARY CONSUMER FINANCIAL WORKSHOP

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Introduction

Military servicemembers and veterans dedicate themselves to serving their country and protecting all of us, and the FTC has long been active in helping to protect these military consumers and their families. As part of these efforts, on July 19, 2017 in San Antonio, Texas, we brought together stakeholders to examine a wide array of financial issues and scams that military consumers confront. Panelists and other speakers at the day-long event – military consumer advocates and representatives from military legal services and veterans law clinics, all service branches, government, and industry – discussed financial concerns and potential remedies and resources for military consumers.

As Acting Chairman Ohlhausen noted in her opening remarks, “Financial issues . . . can hit military consumers particularly hard. The demands of deployment and frequent relocations, among others, pose unique concerns for servicemembers and . . . do not diminish once [they] leave active service.” The FTC received over 103,000 complaints from servicemembers, veterans and their families in 2016, including [complaints about scams](#) targeting them. To combat these problems, the Commission has used a multi-faceted approach that includes bringing enforcement actions protecting military consumers (such as in recent [actions against online diploma mills](#)), engaging in education initiatives to help military consumers detect and avoid scams (such as through the FTC’s [MilitaryConsumer.gov](#) website), and coordinating agency-wide efforts through its [military task force](#). Additionally, the FTC’s [Economic Liberty Task Force](#) continues to address unnecessary or overbroad occupational licensing requirements that hit military consumers, especially military spouses, particularly hard, in order to open more economic doors for military consumers and their families.

In this staff perspective, we highlight key takeaways in several areas covered by the workshop – including potential issues and approaches for military consumers in the areas of auto purchase and finance, debt collection, and credit decisions, as well military consumers’ legal rights, and strategies to promote financial literacy and capability.



Key Takeaways

Auto: One point we heard from our panelists is that servicemembers face a number of challenges in auto transactions – particularly servicemembers buying or leasing a vehicle for the first time. An automobile purchase may be servicemembers’ first big, complex financial transaction. They might not have much time or ability to shop around and compare deals, though as one panelist noted, they tend to be savvy in using mobile devices to shop. Some military representatives observed that young soldiers are taught to trust authority, which is crucial for military readiness, and they can have a tough time temporarily “turning off boot camp training,” which may make it less likely that they will ask questions and closely scrutinize offers presented to them. Also, servicemembers’ steady paychecks can make them attractive customers for dealers, while having no or minimal credit history means they may only qualify for less advantageous credit terms and higher interest rate financing. It’s important for servicemembers to prioritize their financial goals, shop around, and scrutinize their options when figuring out what kind of vehicle to buy or lease and negotiating price and finance terms (as other consumers should do as well). As some panelists noted, servicemembers can benefit from consulting available financial counselors on their base before – not just after – a financial transaction like an auto purchase; they can provide advice to help servicemembers plan in advance for financial issues, develop effective financial strategies, and understand their financing options and legal rights. The FTC also has available [helpful publications](#) on this topic.

Another point for servicemembers to consider, as military representatives observed, is whether to purchase add-on products and services during the sale process. Car buyers, including military consumers, should look closely at any products offered and the cost. The FTC has brought cases to protect consumers against alleged deceptive add-on practices (for example, [Matt Blatt Inc.](#) and [NPN](#)).

And when servicemembers or their families need to replace a vehicle, they also may find themselves with negative equity and outstanding balances still due; if they trade in that vehicle, the outstanding amount may end up wrapped into their new financing. Servicemembers should consider that cost and understand how the dealer will treat negative equity on a trade-in. As industry representatives and others observed, the FTC has brought cases to address alleged deceptive practices in the negative equity area (for example, [Billion Auto](#), [Ramey Motors](#), and [Trophy Nissan](#)).

Debt Collection: Servicemembers can run into unique issues if they fall behind on their financing payments and have to deal with debt collection. If this happens, one key issue is the servicemember’s security clearance. When a servicemember is being considered for a new or renewed security clearance, security managers check the servicemember’s credit file. Debts in collection and other negative information in the file can endanger the servicemember’s security clearance, and cause a suspension (and potential denial) in the process of issuing or renewing the clearance. Military consumers have short timeframes to address these problems – usually 60 days – and military counselors are available to work with them if they seek out assistance. For example, panelists noted that, when a debt collector threatens a servicemember’s security clearance, it’s best for the servicemember to work with a military-affiliated personal financial manager or personal financial counselor, or another other military financial advisor, to have the

debt removed from the servicemember's credit file if it is not actually owed or, if it is owed, to provide written proof to the security manager that the servicemember is paying off the debt.

Panelists also noted that debt collectors sometimes threaten to tell a servicemember's commanding officer – or actually do tell the officer – about an alleged debt, in hopes of pushing the servicemember to pay. This tactic can make servicemembers fear for their jobs and affect their readiness. As industry representatives noted, however, the Fair Debt Collection Practices Act generally prohibits debt collectors from talking with anyone but the consumer who allegedly owes the debt without the consumer's permission. So, if a collector tells the commanding officer about alleged debts or threatens to do so, it is important for servicemembers to know that this tactic is usually illegal and file a complaint with the FTC, the state's attorney general's office, and the Better Business Bureau. The FTC has brought numerous debt collection cases to address illegal practices, including those impacting military consumers (such as [BAM Financial](#)). And the FTC provides further information on dealing with [debt collection](#) on its website.

And deployments can put stress on servicemembers' repayments as well. A military representative counseled that, before servicemembers deploy, it's best to notify creditors in advance of deployment because they can place notations in the servicemember's file and help deal with potential payment interruptions. Many creditors understand that it's possible for servicemembers on deployment to have problems with making payments. And as an industry representative noted, problems with payments and collections can get worse if servicemembers and veterans don't seek assistance when they are having trouble. It's usually helpful to be proactive and seek assistance early.

Credit Decisions: Military consumers, like all consumers, seek access to credit to address both short-term and long-term needs. At our workshop, we looked at challenges and potential resources for military consumers facing credit decisions.

One challenge that military consumers face is that military life can be disruptive – involving frequent moves, deployments, and then transition to veteran status – which can put pressure on financial decisions. Servicemembers may be drawn to short-term loans, which, as discussed more below, are now subject to the Department of Defense's amended military lending rule. Panelists also brought up student loans as another example of an area in which servicemembers and veterans see challenges, which some consumers encounter after they use up their GI Bill benefits and need to find additional ways to pay for their education, such as through credit.

Military representatives emphasized that servicemembers and veterans should be aware of their wide range of options for loans, including banks, credit unions, military relief organizations, and others. As noted above, military counseling services are available to assist servicemembers with [financial decision making](#) in advance, which can include evaluating credit options, and to help deal with any problems that arise in obtaining credit or repayment, both during service and as they transition to civilian status. And military relief societies can provide short-term credit for emergencies and certain necessities for servicemembers and their families under certain circumstances. With these resources, servicemembers shouldn't feel the need to make middle-of-the-night credit decisions in a rush, which may result in decisions made without understanding all of the terms and obligations. Some veterans clinics and university law clinics provide support to veterans in the financial area, although the types of financial issues they address vary. Being

aware of a wide range of available options can help military consumers – and their spouses or partners, who often manage finances during deployment – make informed financial choices.

Military consumers who have significant obligations should also watch out for deceptive offers of debt or credit relief. These kinds of scams often involve a large upfront fee, and months later, nothing positive has happened: the debt has not been paid off, and their credit scores have dropped. As military representatives from several branches observed, the FTC has been active in this area, halting many scams (for example, [Strategic Student Solutions](#); and the recent “[Game of Loans](#)” sweep). The FTC also has helpful publications available to help military consumers and others [cope with debt](#). And as one presenter noted, military consumers should be aware that military-themed advertising and emails or messages touting various offers may have no connection to the military at all, and may be seeking to obtain sensitive personal information. Some also could be scams seeking military consumers’ funds (for example, [Blue Saguaro Marketing](#) and [Advertising Strategies](#)).

Legal Rights for Military Consumers: There are numerous rights that protect military consumers and their families in their financial decisions.

For example, the Military Lending Act (MLA) and DoD military lending rule provide significant protections for covered borrowers (servicemembers and dependents), as to most credit taken out during active duty. As military representatives noted at the workshop, creditors must cap the cost of credit at 36% annually; provide certain disclosures of credit terms; and avoid certain credit practices, including military allotments (amounts that servicemembers authorize to be paid directly and automatically to others from the servicemember’s salary), prepayment penalties, waivers of legal rights, and others. The MLA and DoD rule void contracts in violation of this law, establish a private right of action for servicemembers and dependents, and provide for potential administrative and criminal penalties against a creditor for violations.

The Servicemembers Civil Relief Act (SCRA) also provides many protections for servicemembers who are deployed or on active duty (and sometimes dependents). For example, it limits interest charged on credit extended before service to 6% annually – forgiving any greater interest, not deferring it. It can also be used to stay several types of court proceedings. And SCRA establishes civil penalties for violations, as well as equitable relief and damages for injured persons. However, not all protections are automatic; some require servicemembers to notify the creditor (including to trigger the interest rate cap).

Military consumers can also submit complaints to various enforcement agencies, which may be able to halt unlawful practices. The FTC accepts complaints at [ftc.gov/complaint](https://www.ftc.gov/complaint) and the Consumer Financial Protection Bureau accepts complaints at [consumerfinance.gov/complaint](https://www.consumerfinance.gov/complaint), for example. The FTC reviews consumer complaints and can take action to halt deceptive or unfair practices under Section 5 of the FTC Act. The FTC also enforces many other statutes that can assist military consumers, such as the Truth in Lending Act (which includes certain lending disclosure requirements and consumer protections), the Electronic Fund Transfer Act (which includes a mandate for a signed authorization for preauthorized electronic fund transfers and a clear statement of terms), the Fair Debt Collection Practices Act (which includes a prohibition on debt collectors using abusive, unfair, or deceptive practices to collect from consumers), and the

Fair Credit Reporting Act (which includes consumer protections related to the accuracy, fairness, and privacy of information in consumer reporting agency files).

Further, in addition to its work training servicemembers on financial literacy issues, the Consumer Financial Protection Bureau accepts and monitors complaints, including those from military consumers, and can bring enforcement actions. The U.S. Department of Justice can bring certain enforcement actions to help military consumers as well. And state authorities also may be able to offer assistance. For example, one panelist noted that the Texas State Securities Board can protect military consumers on the investment advice front, by requiring brokers to be registered and licensed, providing free background regulatory checks on any investment advisor, and assessing suspensions and fines if warranted.

Promoting Financial Literacy and Capability: Panelists emphasized that financial education early and often, adapted to the [military life cycle](#), is crucial. As military consumer advocates noted, many new servicemembers may be away from home and earning substantial money for the first time, yet not have experience with significant financial decisions. Mid-career servicemembers may take on a lot of responsibility and debt – buying houses, saving money for kids’ college, and perhaps incurring medical or education debt. Veterans can face diverse financial issues when transitioning out of the service and beyond, including searching for a job in the civilian sector and challenges related to obtaining and repaying credit. Wounded servicemembers and veterans face particular challenges as they also deal with the recovery process.

Panelists emphasized that financial outreach and education is important at all stages. Even senior officers should be encouraged to seek out personal financial managers or counselors, for their own benefit and as a model to encourage more junior servicemembers to seek assistance as well. And veterans organizations can help those who have already left the military service. Panelists emphasized that different communication strategies may be needed for different generations, and that technology can be used to enhance the impact of financial education. To enhance military consumers’ financial decisionmaking, literacy training and experiential training with examples showing the results of financial choices may be helpful, and panelists who are involved in assisting military consumers report that they have used [FTC materials](#) to help improve financial literacy.

Panelists described how successful outreach, including working with the FTC on education initiatives, had included various approaches. One speaker emphasized the need to connect military families with consumer information as close as possible to when they’re making financial decisions. Another lesson learned is to encourage servicemembers – and their spouses – to be familiar with trusted resources early on so that they have a toolbox of options ready when a crisis strikes or when a financial decision needs to be made. Those who provide consumer information to servicemembers must be aware of when financial pitfalls are more likely to occur – for instance, when buying a car, or making a move. Another speaker highlighted the importance of supporting wounded warriors with financial information, an aspect of recovery that might be overlooked. He stressed that having a financial goal can be part of the healing process and help change a client’s outlook to developing and being energized with a plan for the future.

Panelists also emphasized that it is important to encourage both servicemembers and veterans to report their credit problems so they can learn about available remedies and get prompt assistance. This includes encouraging servicemembers and veterans to seek out counseling services and – especially for veterans – to report needs in this area to veterans law clinics, regulators, and consumer protection agencies. Military consumers, like all consumers, also can check their credit report for free at annualcreditreport.com, and then address any problems promptly.

Finally, a common theme for all levels was the importance of savings. Many military consumers, dealing with the demands of their military service, worry about not having a safety net. Having emergency funds through savings can help avoid unnecessary debt and deal with unexpected expenses. Participants emphasized that putting money away each week – even if only a small sum – can make a difference. One military counselor recommended that consumers have two pools of money, one for retirement savings and one for an emergency fund, and that consumers not touch the retirement money to address emergencies. And a military consumer advocate recommended that, whenever a servicemember gets a promotion, he or she should go to a personal financial manager or other military financial advisor for advice on how much of the increased salary to put into a savings plan.

Several speakers throughout the day referenced the FTC’s military consumer website, MilitaryConsumer.gov. The website is designed to help members of the military community navigate personal financial decisions in view of their unique challenges, such as frequent relocations and deployment. The site provides a wide array of material on financial issues and scams for the benefit of military consumers and is free and mobile-friendly. It includes quick tips on five financial categories: earn, spend, borrow, save and invest, and protect, along with a toolkit with talking points and slides. The FTC also uses social media regularly to transmit information for military consumers, and provides many other resources that can be easily accessed by military consumers, such as identitytheft.gov.

Conclusion

The FTC's Military Consumer Financial Workshop illuminated many important financial issues for military consumers, and helped outline effective strategies to address them, including discussion of consumers' rights and financial readiness strategies. We brought together a diverse group of stakeholders, and we hope this workshop helps to open a pathway to collaborative work on these important issues. The FTC is committed to consumer protection in this crucial area and looks forward to future initiatives to support military consumers' financial readiness. More information about the workshop, including videos of the panels and presentations, can be found on our website at ftc.gov/militaryconsumerworkshop. And to file a complaint, visit ftc.gov/complaint.