

>> Robin Thurston: Okay, I think we'll get started. This is panel 4, Military Consumers, Title Problems, and Repossessions. My name's Robin Thurston. I'm an attorney with the Federal Trade Commission. We have a great panel here today. To my right is Machel Morris, who is General Counsel for American Lenders Service Co. Her right is Rob Rice, an attorney with the Texas Department of Motor Vehicles. Next is Rosemary Shahan, President of CARS, which is Consumers for Auto Reliability and Safety. To her right is John Van Alst, who's an attorney with the National Consumer Law Center. And at the end of the table is Keith Whann, General Counsel for the National Independent Automobile Dealers Association. As I mentioned to the panelists before, when you'd like to speak, just turn your name tag vertically, and we'll take turns. Okay, to get going, I thought I'd like to ask you all about what some common title problems are for consumers, both military and nonmilitary. Like to get us started on that. Machel, go ahead.

>> Machel Morris: I would reference that to a comment that was made earlier about salvage titles. In our industry, we deal with a lot of repossessed or off-lease vehicles. And what we find is that in some states, flood cars are required to have salvage titles, and in some states, flood cars are allowed to be repaired and not salvaged, so that if a consumer isn't very careful, they could get a flood car and not know it. Also, in some states, an individual can revive a salvage title by repairing a unit and then having the state verify those repairs and get the title cleared back up to a regular title, but that's not acceptable in some states and so the cleared, revived title is no good in another state, so they could actually wind up purchasing a vehicle that was not titleable in their state.

>> Robin Thurston: Rosemary, go ahead.

>> Rosemary Shahan: I'd like to second what Machel said, that titling involving repo, wrecks, and salvage vehicles is a problem. And the U.S. Department of Justice actually looked into the scope of this problem and commissioned a study regarding the National Motor Vehicle Title Information system, which is aimed at reducing title-washing problems. And the study found that completion of NMVTIS would result in savings to the American public between \$4.7 billion and \$11.3 billion a year. And that was quite a while ago, so I would imagine it's probably somewhat more, as the price of vehicles has gone up since then. So it's a very expensive form of fraud for the public, and it also involves serious safety problems. Could I mention one case we're involved in?

>> Robin Thurston: Maybe a very brief summary.

>> Rosemary Shahan: Okay, we filed an amicus along with the Military Officers of America Association in a case involving a Virginia Beach petty officer and his spouse, who purchased a flood car just before he was deployed to Iraq. And the car was so badly rusted that while the wife and their children were driving in it, the wheel fell off, and USAA inspected it and said this is too rusted to fix. And long story short, they rescinded the deal. And the lender and dealer countersued against them and won because they didn't have legal counsel. And they never got to present their case. So their wages were garnished for this horrendous car. And we are hoping to avoid that sort of thing.

>> Robin Thurston: Keith, I think you...

>> Keith Whann: Just before we started this group, Rosemary and I were kind of walking down memory lane, remembering back in 1986, when I was an assist A.G. in Ohio and chairperson of the Midwest Task Force on Odometer Fraud. We didn't have mileage on titles in a couple states. And we had separate reassignments, and we had states that allow multiple reassignments on titles, and fast-forward to the Mileage Act of '86, the amendment to it in '88, the Pipeline Safety Reauthorization Act amendment in '90, the Anti-Car Theft Act in '92, the two years on the committee, where NMVTIS was formed. And we sit here today, all these years later, still with a system that largely is dependent upon state-to-state movement of pieces of paper, even though how some of it is electronic. So when you start talking about titling issues, this is really important for the military. Because you would think, "Well, we're gonna have a national title." We've got 50 different ways of doing it. And even though there are some similarities, when you start looking at the definitions for salvage or a rebuilt or reconstructed vehicle and how they're restored to the roadworthiness, you get many, many different answers. And the greater the price of vehicles, the greater the incentive for someone who is unscrupulous to do this. Now, if we just take the mere movement of vehicles, as we were talking earlier with the military, the military by nature is somewhat mobile, and they tend to move from base to base or even in and out of the country. If you're trying to do this and you're not sophisticated in knowing what fees are going to be incurred

or how you get a title or how it happens, then obviously, I think the military probably face more challenges moving from jurisdiction to jurisdiction than your average consumer. But what they wind up facing is essentially what we all do, is we have a system that is not nearly as uniform or nearly as efficient as it should be.

>> Robin Thurston: John.

>> John Van Alst: In addition to the salvage and branded titles, there's another title issue that we ought to discuss as well, especially with the economic downturn, the number of dealer closures and sort of playing fast and loose with trade-ins, paying off trade-ins, and having good title to cars when they're sold to consumers. We've seen a number of instances where folks get a car that they can't get good title to, despite the fact that there's -- you know, they can't waive the warranty for good title when they're selling it if the car dealer's about to go out of business or, you know, really undercapitalized. Unfortunately, in most states, there's a very low dealer bond, which is oftentimes available not just to consumers but to, you know, other floor-plan financiers, other folks that the dealer might owe. And so a lot of times, especially when a car dealer is going out of business, things go wrong, and a lot of times, even though the consumer might have good claims, might be able to work these things out with the lender, it takes real time and effort, and it's a difficult situation to address. So, it's one of those things where there may be a law against it right now, but it still bears looking at and figuring out how we can make it better, whether it's through ensuring that folks who are the victim of these sorts of things don't have an impact on their credit going forward, whether we make sure that there's some sort of compensation fund available to consumers who are in this predicament. But it's a real issue for military and nonmilitary car buyers.

>> Robin Thurston: Rob.

>> Rob Rice: I certainly agree with everything that's been said, but I would also add that here in Texas, the biggest title problem we face, I believe, is the lack of title transfer ever taking place. In our department, and I work in the enforcement division there, probably 25% of the cases that I see concern allegations that the title was not transferred. It's so easy for a dealer, particularly one that's undercapitalized or one that's about to go out of the business or perhaps one that's not even

licensed, known as curbstoning, to simply never transfer the title. And they keep the money that they charge for the tax, title, and license. Never pay the tax, never do the transfer.

>> Robin Thurston: Mabelle.

>> Mabelle Morris: And the flip side of that, Rob, is that we still have a couple of states, and I know Alabama's a good example of a state that still allows the actual car purchaser to take the original title, and they're supposed to carry it to DMV to try to get the title transfer, and that very seldom, I think, happens, that they actually get the paperwork done. We do have a couple of states now that are going completely to e-titles, and everything that they do is electronic. But, again, we're going to have 50 sets of the ways that it will be done electronically. And so I don't know how much those systems will interface. And I did want to mention, though, that there is a small but growing industry out there of title service companies that specialize in taking care of these problems for consumers. So there is help out there if they can be found.

>> Robin Thurston: Keith.

>> Keith Whann: Just two quick follow-ups on that. To John's point, going through -- when a dealer may be in financial trouble, one of the other things that often you'll see is duplicate titles. And you'd be so amazed in some jurisdictions how easy it is to go in and get a duplicate title to a vehicle, even though there may be a security interest against the title in and of itself. And the second point would be, remember, when you're dealing with not just the person who's made a mistake or a dealer who goes out of business, but if you're dealing with someone here who is engaged in title fraud, whether it be odometer fraud or salvage rebuilds, whatever it may be, you're dealing with a form of white-collar crime. So you can take the system -- And the way you perpetrate the crime is you take the system, you deviate from the norm to be able to perpetrate the crime. So that being said, don't think when they're washing a title, as is taking a bad title or bad information on a title and making good, that the car moves. The car is going one place. The title work is going another. And therefore, the system we have is really only as strong as the weakest link.

>> Robin Thurston: To focus more on the military more specifically, I know we've been talking about often a group of service members being relatively young, perhaps not as savvy as other consumers. Are they able to understand when titling goes wrong and when problems exist? And are they able to remedy it? Rosemary.

>> Rosemary Shahan: I think the short answer is no. You know, the problem with the unpaid liens is the consumers are not expecting that the dealers are selling cars that they don't own and that they're not paying off the trade-ins, and consumers are led, including members of the military, are led to believe that of course the dealer owns the car, or they couldn't be selling it. And consumers at both ends of that equation end up being harmed. For instance, in San Diego, there were dealers selling cars and not paying off the liens, and military members were really suffering. And Congressman Duncan Hunter got involved in those cases because they were getting so much publicity. And in those cases, both the service members who traded in the cars, they gave equity that wasn't paid off, and the consumers who purchased those were being harmed. Sometimes both ended up with repos because they couldn't afford to make multiple payments on the cars. Service members who fall into this trap are especially vulnerable 'cause they don't have discretionary income. You know, they can't make up the difference and pay multiple payments when they're not expecting to have to do that. And according to J.D. Power, as of last June, just a couple months ago, 22% of car purchasers for both new and used cars had negative equity. And that was down only a couple percent from a year or two ago. That's according to J.D. Power in a recent issue of "Automotive News."

>> Robin Thurston: Rob.

>> Rob Rice: Again, I would say the short answer is no, service members and members of the general public are not able to remedy their own title problems. We at the Department of Motor Vehicles will assist them with that if they bother to contact us. But I can't recall a single case that involved a service member purchaser that I've handled in the last -- certainly in the last year. And I think part of that reason is that there's just a total lack of understanding of what a car title is, what it's about. They only find out that there's a problem when they don't get their plates. And after several months, they happen to get stopped by local police, who knows that that temporary tag is

expired. Then they try to maybe fix it by going back to the dealer, if the dealer's still there. And even then, the dealer will give them a run around or the dealer will issue, illegally, will issue another temporary tag and send the consumer on his way. There are ways -- In Texas, you can get a bonded title, but that costs money. Most consumers have no idea that that's available. So it's a real problem. There's no doubt about it.

>> Robin Thurston: Keith.

>> Keith Whann: Considering the demographics that Holly and Michael said earlier in our first panel, I think we're dealing with largely kids, young adults, and, therefore, I would say, financially, most of them are not capable of dealing with this issue. And, in fact, most consumers aren't able to deal with this issue. And to take it a step further, most dealers are not equipped to deal with this issue. And what you see oftentimes is when a dealer goes out of business because he or she is not able to afford to pay bills, whatever happens, it's frequently not that dealer who's experiencing the problems. You've got other dealers who have purchased these cars in the stream of commerce. They may have purchased it at auction. And now they're sitting here in a situation where they are trying to get title from a dealer, and they can't get title. Worse yet, they may have retailed that car. So now we're dealing people -- In that particular case, we've got a dealer and a consumer who through no fault of their own are in a very bad situation, and if this dealer happened to buy a couple of cars from that dealer and they're a small dealer, they've got a financial problem, too. And I think Bob's point is spot-on here. Most people think that this car title is just a piece of paper, and you really don't realize all the nuances that go in in trying to process that and then being able to obtain ownership of the vehicle. Then when you go to get your plates, all of a sudden, it comes crashing home. Or to your point earlier, John, where you've traded a car in and the lien doesn't get paid off and now you're sitting here, facing two car payments. And that probably happens a lot more than we would like it to. But it's a complex issue for everyone. And I don't think anyone in the process is equipped to handle it. Some financially more than others, but administratively, nobody is equipped to handle it.

>> Robin Thurston: Machele.

>> Machel Morris: I don't disagree that consumers and military consumers in particular can't always remedy their own title problems. But I do believe that they can certainly understand when they have those title problems. And as was pointed out earlier, there are laws already in place to help deal with these types of issues. These military members have access to the title-servicing companies that I mentioned earlier. They have access to their Judge Advocate General that if they don't know how to handle it, can either find out or find somebody that can help. In addition, they have access to -- Well, the Uniform Commercial Code in every state has a provision that deals with innocent third-party purchasers for value that specifically addresses consumers and consumers who are caught up in a situation where they were the innocent party that spent the money. And so I think the laws are already in place to handle these types of situations. I just don't know that they're being used to their full effect.

>> Robin Thurston: I'd like to move on now to repossessions and discuss at what point in the process a repossession would be likely to happen, what would cause that to happen. Machel, go ahead.

>> Machel Morris: You're all looking at me. Wonder why. My company is a franchise company of repossession offices. And let me just editorialize for one second. I've been waiting 20 years to tell the people in this room that what you see on TV is not real. [Laughter] Of course, repossession only occurs after there's a default in a written vehicle contract. If a security interest is retained, then the Uniform Commercial Code in every state gives the lender the opportunity to retake the vehicle without a court order if it can be done under certain circumstances. And those circumstances do differ from state to state, but not by a whole lot. With specific information towards the military -- I don't have specific statistics that single out the military, but I do know that approximately, across the board, approximately 2% of all vehicle loans wind up in default to the extent that they need repossession services. We've been watching the industry and repossessing between 100,000 to 300,000 vehicles a year for right at 30 years. And we have seen actually a small growth -- excuse me -- small growth in the percentage of those repossessions that are military personnel. Our conjecture has been that back in the day, there was actual military discipline that occurred when a contract default was brought to the military commander's attention. And we don't think that that's happening anymore. And maybe that's the reason for the rise in military

repossessions, though there's really no evidence to support that conjecture. But pretty much any circumstance of default can result in a repossession, as long as the proper notices are given under the Uniform Commercial Code.

>> Robin Thurston: John, please go ahead.

>> John Van Alst: As far as when repossessions take place, certainly they should take place after default. Unfortunately, what we see is the abuse of repossession practices we see are taking place. You know, discussion that we had earlier about conditional sales and yo-yo sales -- If there isn't an actual contract and they don't have any security interest at that point and they're still attempting to repossess a car that they don't have a security interest in, we see it happening -- "buy here, pay here" dealerships that are basically sort of repossession mills actually taking -- doing repossessions even when there hasn't been a default. And when it does take place, you know, we see horrible, horrible incidents. We did a report last year called "Repo Madness," looking at some of the violence, you know, folks, both repo agents that get killed, consumers that get killed, children that are in the car at the time the car is being repossessed. And it affects all of us. You know, it affects military, certainly. We can talk a little bit more about service members, Civil Relief Act for soldiers and sailors. I know a lot of folks in here will know a lot more about that than I do. You know, that would actually prohibit self-help repossession but unfortunately only if you actually made a payment on the car prior to your active service, which is -- when we had this earlier discussion about a lot of the abuses directed at the military, a lot of cars they're buying, you know, after they've begun their active service. And so it's unfortunately not going to protect them. There's still a problem that they'd have to provide notice and basically their orders and all of that in order to obtain this protection. But these repo abuses, you know, affect not only folks who are in either default or who the lender believes is in default and sends out a repossession order for. But other folks as well. You know, in our report, we talked about a fellow, Scott Brown outside of D.C., who saw his car being hooked up to a tow truck and driven off. Called 911, you know, said said, "My car's being stolen." And they said, "Oh, no. You know, it's probably being repossessed. Give us a few hours. Call back. We might be able to figure out who's repo'ing it." And so he ran out to stop them, drove in his car, followed them. He got shot and killed because this car was being stolen, not repossessed. And there's no way to tell. Unfortunately, there's very little regulation of

the repo industry. I've had conversations with a guy who was in prison and wanted to learn how to be a barber while he was in prison. Got out and unfortunately couldn't get a barber's license, so he became a repo man instead. And it's really in many ways sort of wild-west out there. We have another incident where there was two small children, a 6-year-old boy and a 10-year-old boy, in the back seat of a car at the time it was repossessed. That car wasn't even -- There was no repossession order out for it. There was a repossession order out for another white Ford Explorer. But, unfortunately, somebody who wasn't in default and didn't have any of these problems had their children, you know, towed away. I mean, it's a really horrible, horrible thing waiting to happen, and it's an extraordinary remedy. You know, the law in general doesn't sort of favor vigilantism or people taking the law into their own hands. So it's something that I think we need to look at very closely to figure out what's going on in terms of repossessions.

>> Robin Thurston: Keith.

>> Keith Whann: Well, I think the whole process by nature gets a little bit confusing when you think about the fact that if you were to walk out of here at the end of the day and your car's not there and someone took it, you probably wouldn't be happy. But the whole premise of a repossession is they can only do it if they don't breach the peace. Now, if someone's taking your car and you see it, you're probably gonna object. I think that there's an issue there. Very clearly, as John's pointing out, you should not have a repossession if there has not been a default in the contract. So I think we have to almost parse those out right off the beginning. If people are using self-help repossession as an inappropriate remedy, that's a problem. That's illegal today. But when we start getting into the repossession process, it is by nature largely unregulated. By the same token, I don't want to bend over backwards the other way. 'Cause most folks who haven't made a car payment know it. So the whole idea that, well, we should send someone a notice saying that you haven't made your car payment -- I think they know that. I think what we're looking at is, you know, is the repossession process, the self-help process, you know, is it something that needs tweaked in one fashion or another? Very clearly, if you don't have a default in the mortgage process, the documents, then you're not going to have any sort of repossession. The question is, when you look at an installment contract, do you really understand what it says. And then when you start putting things in like starter-interrupt devices and GPS locators, what does that do to the

whole process? And are there additional remedies that are in the contract? You could go through a whole number of gyrations there. But the challenge that you get when you get to the military is not a whole lot of folks are familiar with the Service Member Civil Relief Act. And when you start getting into that, there are at times some things that are rather cumbersome that a service member has to go through to invoke certain protections. And I think in a day and age when you know somebody's late on their payment, and electronically, I can probably have that car out for repossession right away, going to get copies of orders and things like that take time and probably doesn't prevent the repossession. There probably should be a better way to be able to invoke some of those protections under the act for military.

>> Robin Thurston: Rosemary.

>> Rosemary Shahan: There are ways that service members are vulnerable that civilians aren't. And it's important to keep that in mind in the context of repossessions. And that is that, as others have mentioned earlier, if you're a service member and you have debt problems, that can reflect on your promotions or even your ability to keep your security clearance and do your job. And, of course, dealers who target military are fully aware of this, and they will use it as a threat. And they will say, for instance, in a yo-yo scenario, if you balk at signing the contract, you know, say they offered you the 0% financing that they're advertising and that's the contract you signed, and now they want to bump you up to 16%, and you're balking at that. They will say, "Well, if you don't pay that, we're gonna report the car is stolen, or we're gonna treat it as a voluntary repossession, if you leave it here and try to make the payments to us." And for service members, that's a real threat. And so they're very concerned about that. I mean, obviously, for civilians, it's a threat, too, because people are concerned about their credit rating. But it's an additional threat to military service members. And according to the military, financial-readiness issues have resulted in rescissions of service members' security clearances in exponential numbers over the past several years. And if you'd like, I can provide some statistics regarding that. And the other problem is, in the context of unpaid liens and salvage fraud, when consumers are victims of fraud and that's the reason they're behind on their payments, it's a problem that their car can be repossessed with no judicial oversight. And for military members, it's another problem and that is that sometimes they set up payments in advance for when they're deployed. And it's for a certain period of time. And if they're extended

while they're in theater, their communications with whoever's handling their payment may not be the best. And sometimes, their car ends up being repossessed simply because they were redeployed, and, you know, things fell through the cracks, and then their credit is harmed.

>> Robin Thurston: We're gonna go to Machelles to talk about repossessions generally, and then everyone to talk about how it affects service members.

>> Machelles Morris: Again, I think it's a matter of using the resources out there. I know that there is repossession abuse out there. Those cases make all repossessioners cringe, because they are the worst of the worst scenarios. A professional repossessioner will always go to the military look-up database to find out if the debtor he's looking for is deployed or is in active service and then go back to the lender and ask, "Have you checked to make sure that this service member's Civil Relief Act applies or does not apply?" We've assisted lenders in that way many times over. I think we want to be real careful about talking about a situation where we completely do away with self-help repossession, because then the cost of buying a car is passed on and the cost of interest is passed on to all consumers everywhere. And the price would just be astounding. Also -- excuse me -- the repossession abuses, of course, are great made-for-TV stuff. But I don't think that the statistics bear out the fact that they're a norm. As I said, we've been doing this for 30 years, and over that time, our loss ratio with regard to insurance claims against service activity has averaged a figure well below 10% of the cases that we've handled. And for many years, we were the largest. We have some competition out there now, but we don't hear the major cases coming down in significant numbers. It's just that the bad ones are really, really bad.

>> Robin Thurston: And now to everyone. We've gotten into this a little bit already, but how do repossessions affect military service members? Specifically, is the process different? Is the fact that they are a more mobile population an important factor? Rob, you have your tag up.

>> Rob Rice: I was gonna say something else, but I'll comment on that. Well, I think Rosemary already really hit on the highlights. Most definitely repossessions impact the military somewhat differently than the rest of the population. The fact that service members are very mobile is in fact a big factor. I think Machelles was just talking about the fact that the repossession agents checked

the military locator database to find out where service members are is a very good thing. But we -- Sort of turning it back to our department, we don't work the area of repossessions directly, but we do get complaints about wrongful repossessions. And that's the one area where we have heard from military members about their vehicles being repossessed, in their view, wrongfully. You know, we'll do an investigation, and if -- Normally, we turn over the results of our investigation to the Office of the Consumer Credit Commissioner in Texas, because that's the office that licenses the financing end of the business. But what we find very often is the repossessions that are alleged to be wrongful are wrongful because there was no security interest. Why was there no security interest, no perfected lien? It was because many times, the customers were young, unsophisticated purchasers dealing with small used-car dealers who move around a lot. They go out of business and then get relicensed under a new name, et cetera. And many of those folks are service members. They're located in cities and towns outside military installations. And they tend to be very aggressive in their repossessions. And they don't care that they don't actually have a lien. The money wasn't paid -- "I'm going to get the car." And they always seem to be able to find repossession agents who will do that for them. So in that sense, military members are more impacted than the normal citizen.

>> Robin Thurston: Keith, go ahead.

>> Keith Whann: I think even in days like today, it's always a learning process. And when you hear what a military member goes through -- and some of the comments -- Michael earlier talking about what goes on in someone's head in a fox hole. Never been in a fox hole, but I think the last thing I want to be thinking of is, you know, a car repo or something of that nature. We all can look at this and figure out that these are younger adults, and obviously financial pressures, when you're younger, maybe impact you different than you're older. But beyond that, the whole bit about having to be back on base or being AWOL and all the other stressors that go with the car-shopping process that perhaps the rest of us don't have, maybe that repossession of the car brings a whole lot of stress that the average person would not know about. But, again, be careful. Mabelle made a very good point. And that is, repossession serves a purpose. Self-help repossession serves a purpose. It's not perfect, but if you eliminate it, there's a cost. I've heard a lot about spot deliveries and yo-yo sales. Makes me want to go to a "buy here, pay here" dealer that he or she makes the

credit decision themselves. And then we start looking at, well, there's "buy here, pay here" abuses. Well, remember, the people selling a car "buy here, pay here" are granting a loan or credit to somebody who the banks are saying, "You don't deserve a car." So what do these men and women see in their business model where they can take somebody who the bank is not going to finance and they're going to give them a car? So, with all of these things, there's some good and some bad that goes with this. We discussed before there should be no as-is sales. Okay. Let's have no as-is sales. Everything comes with a warranty. And the price of every used car just went up a couple thousand dollars, and now people can't afford the car that are trying to buy that low-economic-end car to get back and forth to work. So, you know, the challenge to a group like this is, we've got some really hard decisions to try and balance legitimate business purposes for some of this and still make sure there's adequate protection for the consumer in the process so nobody gets harmed.

>> Robin Thurston: John.

>> John Van Alst: A few things occur to me. Your original question was more about how this particularly affects the military. And I think one thing, in light of this morning's discussion in terms of abuses targeted at active military folks, what I mentioned earlier in terms of the Service Member Civil Relief Act and the fact that it's applicable to transactions where there was a payment made prior to active duty, it reminds me back when I used -- as a legal aide and used to do some bankruptcy work, and as soon as someone got out of bankruptcy, they were inundated with offers of credit because the lender knew that this was suddenly a person that it was good to try to extend credit to. They weren't gonna be able to turn right around and file bankruptcy, and in many ways, I think the fact that the Service Member Civil Relief Act was only applicable to transactions in which a payment was made prior to active duty, there again, that provides incentives for those who are gonna prey on military to do that, you know, after they're there, when they know that unfortunately the protections of the act aren't gonna be applicable. I also think in terms of the discussion about, you know, Keith raised earlier. A lot of this is already prohibited. Certainly this is a breach of the peace, and I would definitely agree. However, I think we have to look at trying to create regulation that's going to actually prevent as much of this activity as we can, even if it's activity that might in fact be a breach of the peace if it means people are out there getting killed and hurt and all that sort of thing. We want to try to address that. And in fact, I've even seen movement within the industry

itself. There are a number of repossession agents who want more regulation of the industry because they're seeing forwarders who are sending out repo orders to more than one agent and there are confrontations between repo agents there at the car they're going to pick up. They're seeing all sorts of things going on that basically make them sort of even worried not just about violence from consumers who feel like the repossession shouldn't take place, but even from other repo agents. In the report I mentioned, you know, there were a number of deaths of repo agents that weren't really well explained as far as who killed them. I also think there are a number of other new issues. You know, Keith raised the issue of electronic repossession and electronic shut-off devices and all those sorts of things, which, you know raised a whole host of issues of when the lender has actually taken custody and constructive repossession and dangers to someone who has their car cut off, you know, in a secluded area at 2:00 in the morning. And I think it was down here in Texas last year where a disgruntled employee, you know, got ahold -- I think they had been fired and went back and set off a bunch of car alarms and set off the cars. They couldn't be started and all of that, even from folks who hadn't defaulted. But that really raises a larger issue. In many ways, the whole issue of self-help repossession is really used as a threat by lenders. And it's that sort of looming threat, which is especially important in military folks. It's been raised several times that credit scores and things like this really impact military readiness and security clearances, and having that sort of looming threat of repossession over an enlisted person's head and what that's gonna do to their whole career, you know, not just their ability to keep their car, really gives a huge weight to the lender that I'm not sure is what we want to do.

>> Robin Thurston: Rosemary.

>> Rosemary Shahan: A number of people on earlier panels said that when there are problems and illegal activity that service members could just turn to their state attorneys general. We actually wrote to our state A.G. when Governor Brown was A.G. and ask since California has more active-duty military stationed or deployed from California, what have you ever done to protect military members from what they have identified over and over again for decades as their number-one financial-readiness issue, which is auto-sales scams. And they looked through 30 years of records and they called people who'd worked in the A.G.'s office for that long, and they said they couldn't find a single case they'd ever brought. There was one where they filed an amicus. It was a military

case involving Omni Lending. But as far as car dealers, they couldn't name a single case. And so I think it's important to keep in mind that military members -- Someone mentioned that JAG officers can represent them. I was married to a Navy JAG for 20 years. I know that JAGs do a really great job as far as they can, but usually, they are not licensed to practice in the state in which they are stationed, and they don't have that authority to represent service members in court. They rely on the civilian attorneys to bring those cases, and with the increased advent of arbitration, consumers don't even have private litigation on their side anymore.

>> Robin Thurston: Several of you have mentioned the Service Member Civil Relief Act, how it interacts with repossession. Are there issues about -- Does anyone have anything more to say about the service members? Mabelle.

>> Mabelle Morris: It has been our experience that most lenders and most military people are aware that the Service Members Civil Relief Act applies to protect military members. What we have found is that far fewer lenders or military people realize that that act is also extended to protect dependents of military people. And I think if there was an educational issue, that's probably on the table for the Service Member Civil Relief Act. It would be that dependents are also covered by the act.

>> Robin Thurston:

>> Rosemary Shahan: It's important to keep in mind that the SCRA is a great protection only to the extent that it's enforced, and there's been a real lack of enforcement. And the other thing is that it only applies to debts, as I understand it -- I'm not an attorney -- to debts that are incurred prior to becoming active duty. So if you buy your car after you become active duty, which is the typical scenario, it doesn't help you.

>> Robin Thurston: John.

>> John Van Alst: Just a few things to raise. In terms of, you know, I don't know what the answer is, but we've talked about the fact that it would also cover spouses and dependents and whatnot.

Certainly there's a higher burden, though, on those folks in order to actually obtain protections under the act. I also think it's worrisome. I don't know what the answer is. But I know that, you know, a number of mortgage lenders recently have had settlements regarding basically not following the act in terms of mortgages. And my concern is that, you know, that sort of very high-dollar area where people have even more incentive to assert their rights under the act, if it has-- If lenders haven't been doing what they're supposed to do, I think it's very likely that that may be the same case in the auto-lending area, as well.

>> Robin Thurston: And finally, before we go to questions from the audience -- Rosemary, has alluded to this a little bit already, but I'd like to ask the panel how a repossession can affect a service member's career and military readiness in general?

>> Rosemary Shahan: Well, it can be devastating. But not only to the service member, but to us as a nation. You know, we don't have a lot of people out there that we can spare. And according to military entities themselves, they reported that, you know, there are serious problems with discharges due to debt. And they've reported over and over again for decades -- In fact, it's astonishing how consistent it is, the number-one consumer complaint in the country to the state and local consumers protection agencies, to the better business bureau is always car dealers and auto sales. The same with military. And for instance, the... There was a task force in California that reported the number of U.S. Navy discharges due to debt increased 903% from 2000 to 2005. And that's not just a problem for service members. It's a problem for military readiness as a whole.

>> Robin Thurston: Rob.

>> Rob Rice: I spent 30 years as an Army JAG. And so what I'm going to say is based upon my experience, not statistics. My experience is that financial problems throughout the military, whether it's a junior enlisted, you're talking about a four-star general, is a tremendous distraction. That might not be a big deal if you're sitting in San Antonio at Fort Sam Houston and are just doing your normal training, but in a high-tempo operational environment that the military operates in today, it has an absolutely incredible impact on a unit's readiness, particularly in an organization like the Army that I'm familiar with. The units are only as good as their weakest link. And if you

have a serious number of people, a substantial number of people who have financial problems -- and many units do -- then that unit really, really suffers. And as Rosemary said, you end up with individuals who are being administratively discharged because of their financial problems. And it's not just because they have financial problems. It's because they don't deal with their financial problems responsibly. And sometimes that's -- it's not possible for them to do it responsibly. They've gotten in so over their heads that they simply aren't able to take care of it. And they have - - be it -- It doesn't matter if it's auto lenders or credit-card companies. The fact is that credit is really easy for service members to get, and they get in over their heads. I saw thousands, thousands of them. And unfortunately, I saw many of them end their careers simply because they couldn't manage their finances. And it really had tremendous impact on unit readiness. You know, the Army does a fairly decent job of trying to educate young service members. Where it falls down is that there isn't continuing education. As they get older, those that decide to stay for a career don't get any continuing education. And yet, there's no -- No one gives a service member any benefit of the doubt or any slack in being able to deal put the job aside for a while to deal with their finances. If you're in a high-tempo environment, you're expected to be operating that way every day of the week. It doesn't matter what your other problems are. And although the chain of command can be sympathetic, if you're not cutting it on duty, you're gone. It's that simple. So we do have -- These are real problems.

>> Robin Thurston: Okay, we'll finish with John and then go to questions.

>> John Van Alst: I just wanted to make a quick point in terms of -- Both Rob and Rosemary pointed out that sort of the real impact it has on our country and military readiness and all that. But there again, I want to go back to the individual enlisted member, whoever else is sort of facing repossession and, you know, for any consumer, there's this threat they're gonna lose their car or lose their ability to get to work and all that. For a service member, there's a threat that they're gonna lose their job, their security clearance, everything else. And, you know, the industry tells us how expensive repossessions are. I'm sensitive to the point that Keith raised earlier, that we want to make sure the regulatory framework keeps costs low, you know. I have a real concern to make sure that low-income folks can get and keep a car. And I know how expensive repossessions are, according to the industry, so they would certainly have a distance and have to actually go out and

repossess the car. But it's the sort of looming threat of the repossession is so dangerous. And I think just a few things that can be done, in terms of providing a right to cure before the repossession takes place -- You talk to folks within the industry, agents who are upset that the current fee structure only means they get paid if a repossession actually takes place. If they go out and talk to the person and they get current on their payments and get back to speed, the repo agent doesn't get paid, so they certainly have no incentive to encourage that. All they want to see is this repossession take place. And I think if we consider how expensive the costs of repossession are, it'd be in everybody's interest to try to get the person back on track, try to make sure it doesn't affect their credit and make sure they're able to keep their job, the security clearance, and their car, as well. So, I think there are a number of options we can look at to try to make sure that it's not too high a cost on society and not too high a cost on folks when they're buying a car, but make sure it's a fair process.

>> Robin Thurston: Does anyone in the audience have a question? Over here.

>> Male Speaker: Good afternoon. A couple of comments and a question concerning the FCRA. Some of the panelists have talked about invoking it. Well, there are provisions in the FCRA that somebody has to do something, usually some sort of written notice about cellphones, about the reducing interest rates at the 6%, delaying civil suits. But when it comes to prohibition against nonjudicial repossession, the service member doesn't have to do anything. He doesn't have to invoke it. That onus is on the person doing the repossession. He's just absolutely prohibited from doing that. And if it's knowingly done, it's a criminal offense, as well. And we also had mention about the big banks getting smacked by these class-action suits and that the DOJ settled a couple against some of the big lenders. Those were cases in which the service member actually did provide a notice for some of these other things, about mortgages and 6% interest rate reduction. They provided the notices, and the big lenders still didn't do what they were supposed to do. And now, with the repossession, there's no notice required. And I'd predict that if, unless the lending industry straightens up its act, we're going to see literally thousands of people who are going to be in the same boat just on repossessions as the folks in the class-action suits today against against the big banks. So, I guess the question is, what extraordinary steps are we taking, are lenders taking, to make sure that you've got the right -- you're not violating the Service Member's Civil Relief Act?

And just going to that online site, that will tell you whether the person's on active duty or not. That's it. That won't tell you when he got on active duty or whether the loan was preservice or not.

>> Robin Thurston: Anyone care to comment? I think there's one more question, and then we'll have to move on to the next panel.

>> Male Speaker: Yes. Rosemary identified auto sales and financing issues as being the number-one consumer protection issue for service members, I believe. My question for the panel is, do you have any thoughts on why the 2006 Department of Defense report on predatory lending practices directed at service members and their families did not identify auto issues at all? The targets that were identified by the Department of Defense were pay-day loans, Internet lending, car-title lending, rent-to-own, refund anticipation loans, and overdraft-protection fees.

>> Rosemary Shahan: I guess this is directed mostly at me. I would just say this, that for a long time, the military has been looking at what its readiness issues are, and, for instance, in 2000, each branch of the armed forces worked with UC Riverside on a major study into what financial-readiness issues the military faced. And they concluded, and I quote -- For instance, with the Marine Corps, 'We found widespread agreement that, when the Marines have pressing financial problems, their performance in the field can be significantly compromised, even to the point of endangering themselves, their unit, and the mission themselves. Buying cars causes more problems than any other single financial factor.' And when the Department of Defense was asked to respond to an inquiry from Congress regarding financial-readiness issues that they face when the Consumer Financial Protection Bureau legislation, the Dodd-Frank bill, was being debated before Congress, agency, as they did before Congress, the Department of Defense did a data call, and they said that they questioned 841 officers who do financial counseling for each of the four main branches of the armed forces, and they found out that the vast majority, 79%, of military counselors are seeing clients with auto-financing problems. Only 21% of respondents had not seen a client in the past six months who had a problem with auto financing. Nearly half of the counselors said that half or more of their clients are concerned that they cannot make their car payments. They cited loan packing and yo-yo financing as the most frequent auto-lending abuses, and they identified loan packing as being a problem. 32% said loan packing is a problem about half the time or more

frequently. 20% said yo-yo financing is a problem frequently or almost all the time. 11% said falsification of loan documents was a problem half or more of the time. 15% said failure to pay off liens was a problem half or more. 13% said discriminatory lending half the time or more frequently. 25% said other abusive practices. And this is consistent with civilian complaints to the Better Business Bureau. If you categorize -- Last year, the BBB published their survey of consumer complaints, and they ranked new car dealer --

>> Robin Thurston: I'm sorry. I've got to keep us on track. I'm going to go ahead and end this panel so we can move on to the next panel. Sorry that we didn't get to everyone's answer to that question. But thank you all very much for participating. I'll send it over to Carole for panel five.

>> John Van Alst: While we're making the transition, I think we can reconcile those numbers for the fact that that was prior to the enactment of federal law protecting service members from payday loans and those other predatory loans, which went a long way towards addressing those abuses.

>> Carole Reynolds: Panel 5, Financial Literacy and Capability for Military Consumers. On our panel today, we have Pam McClelland to my right. Pam is a financial education specialist with the Office of Service Member Affairs and the Consumer Financial Protection Bureau. She has many, many years of experience in this area. And Pam is also a U.S. Air Force veteran who served for 25 years, active duty, and we thank you for that. She's an accredited financial counselor, and she has her B.S. degree from Fayetteville State University and a master's in adult education and distance learning from the University of Phoenix. Next we have Alberto Mesta, and Alberto is with -- He's the branch manager of Texas RioGrande Legal Aide. This is the third largest legal-aid group in the nation. He specializes in consumer law and does a lot of work in debt-collection defense. He also is a graduate of the University of Texas at El Paso and the University of Texas School of Law. Next to Alberto, we have David "Tanker" Snyder. David "Tanker" Snyder is the executive director of the Tampa New Auto Dealers Association, and he represents the association on numerous legislative matters... governmental entities. He is a retired brigadier general for the United States Marine Corps...also. He received his B.S. from the U.S. Air Force Academy, his M.S. and MBA from the University of Pennsylvania at Wharton. And we also have Mike Wood. Mike serves as the Chief of Transition Support Services at Army Headquarters. Another very active person with

our military, and that's very important. He oversees many programs, including those that pertain to financial readiness and Army emergency relief. He has a very active background in personal and family finance. He has a B.A. with honors in psychology from Saint Leo University, and an M.S. in counseling and psychology from Troy State. So we welcome all of you. I'm Carole Reynolds. I'm your moderator. Let's start off. Of course, we've been talking about this for several panels. We know we have a very transient group of military consumers. We know that they could be in the states, they could be on special assignment and still be transferred -- temporary duty in the states -- or they could be deployed overseas. So we also know it's a fairly diverse group, but at the same time, we have many young military -- very young recruits at the same time, as well as the diversity. And in this context, they are looking for cars. They're looking for cars, and they're looking for financing. So let's begin by talking just a little bit about where are they looking for the cars, and what specifically are they looking for when they're doing this. Pam?

>> Pam McClelland: First off, I just wanted to say, as -- I mean, I was one of these 18-year-olds that was out there with not a lot of consumer education. The good news was, back when I did it, the system wouldn't allow me to buy the new Beemer, because I would have, and then got two credit cards after that. So, as an educator today, I did little tick marks every time somebody said, "We need to educate them on..." And I stopped at about 23. And then we talked about they had to have that before they got to their first duty station. So that means that eight-hour training that you're giving them at DOD at basic, is full -- I don't have time to teach them all those things, 'cause have to teach them about savings and thrift savings and credit cards and all of the other stuff. By the way, when you're in basic training, if somebody's not yelling at you, then you don't really hear it, because it's obviously not important. So, when they leave this -- and they're in this transit state, what they're looking for is the trusted agent. Now, don't forget, as Marc Cross said a couple of times how he helped his kids out, getting the extended warranties and the truck and -- I want him to be all of these service members' dads, because they need that coach, and they don't have that when they're out there looking for that car. So the answer to your question is, they want somebody who's going to be really nice to them and acts like they care. And sometimes that's the wrong people. So, where they're looking may not be the right place, and we haven't had a chance to get them smart and savvy in how to make those decisions yet, when you're out there.

>> Carole Reynolds: Alberto?

>> Alberto Mesta Jr.: In my experience, what they're looking for is a fast car and a fast bike. Part of the situation I have encountered when I go to Fort Bliss, which is the largest military base, I think, now in the United States and the world, is that many soldiers have been deployed for a year, and they're sitting -- I don't think they're sitting in foxholes anymore, but their Humvee, trying to avoid IEDs, and they're coming back with the mentality that, "Since something might happen, when I go back, I'm going to get that fast car, either a Mustang or a Challenger," because they're thinking not about 5 years from now, 10 years from now, when they might consider buying a house and where credit scores and credit reports might be important. What they're thinking is, "I haven't really paid anything because I'm deployed overseas, and I have a couple of thousand dollars in my bank account. I'm going to get the fastest car possible, because I want to enjoy myself, because I may get deployed again, and I may not come back." So, sometimes, when teaching this education and trying to reinforce financial literacy, you have to confront with that mentality that many of them believe that, you know, something might happen, so they just want to get that want now.

>> David Snyder: Thank you, Carole. That's on? Thank you very much. And I think, as other people have said or alluded to, but we've characterized all military people as wanting the same thing but, yes, indeed, that is the biggest purchase that a military member will make, particularly early in their career. They live in dormitories, in barracks, on housing and family housing, in rental houses, 'cause they move around. It is a military person's identity. It's his or her ability to accomplish their job, get to work on time, have reliable transportation. It's also their identity in it reflects on who -- it's the only way to show their individuality and who they are as a person or how proud they are of their service. But equally as important, it's how they take care of their family while they're gone or they're at work. So, car purchase is probably the most important thing that, as all have said, that affects readiness in individuals. But I'd like to bring this back to education, but before I do that, give my perspective and those folks that help really enhance readiness. And I spent my entire life -- I got the name "Tanker" when my father, West Point graduate -- The day I was born, he was an armor officer. And I moved, much like Holly Petraeus throughout her service. And I thank her and her husband, General Petraeus, for their service, not only to the nation and the country, but what they have done for the soldiers, sailors, airmen, Marines, and more importantly,

their families. And you see Holly's recognition and service with the Better Business Bureau and now in the Consumer Protection Financial Board. That's what a lifetime of service and that's what a typical service member does, is goes out and dedicates their life to that. I spent -- I had moved 21 times by the time I was 18 years old and went to the Air Force Academy, including three different times at West Point, New York, when then-Cadet Petraeus was there, and Mrs. Petraeus was also there as a dependent serving. And then had moved, also, 23 times in my 30 years in the Academy -- since the Academy. And served at all levels of command, up to Installation Commander at MacDill Air Force Base, which is before going to Hawaii and being responsible for the manpower and programming for all of the Pacific Air Forces. So, I have seen the tools that military members and commanders use, and I will tell you that the auto dealers, more than any other group of business leaders or business model, enhances military readiness, as opposed to inhibits it. And how do they do that? Well, they do that through their community-based model of dealer-assisted financing. It's those auto dealers, like Marc Cross -- typical of the dealers in my association -- and many of the dealers that are here, whether they're independent dealers or new-car dealers. They're community leaders within their community. Mark Cross has had the honor of being an honorary commander of Randolph Air Force Base. We have Vivian Reeves, and I can tell you stories. She's the honorary commander at MacDill. These are the people that, because of their relationships and their business models, they go out and assist military people in competing among the right loans, whether it's their manufacturer's financing arm, whether it's that credit union -- the Navy Federal Credit Union, the MacDill Federal Credit Union, or it's the banks -- the Bank of Tampa. They get -- Systemically, yes, there are abuses, and we've talked quite a bit about that. But the system, under the auto dealers' community-based dealer-assisted financing, enhances readiness by competing, getting the loans. They have an interest in getting the person in the right car that they can afford, that makes them ready for duty. But they're also involved in the civic involvement, whether it's on the Chamber of Commerce, Military Affairs, whether it's sponsoring Senior NCO. They do that because it's good for business, but it's the fundamental premise of their business model of being community-based community leaders that help that young airman that couldn't get a loan because he or she doesn't have an employment history or residence at a particular time. But they can go out and compete that and put their reputation on the line, their relationship on the line to get that deal. And one of the auto dealers, when I talked at length with them, said, "Auto dealers, in our finest hour, are credit counselors." And that's really what they do. This particular dealer had two people

dedicated to getting military financing. And, yes, financing is a commodity, but it's a commodity that's based on relationships and risk-based commodity. And they put their reputation on the line. His model over 25 years was, he got 75 basis points on the loan. That's after his cost of money, or the buy rate. So he invests considerable time in the community to get that. But they do other things, like donate a Hummer to MacDill's Family Readiness Center, to get the information out there. So, these are civic leaders, and it's been uniform throughout my time as a dependent, throughout my time as a commander, and that is the primary reason why I came back to Tampa to work with the auto dealers. But it comes down to what tools. What spectrum of actions should the FTC take in this very laudable effort to protect consumers, particularly military consumers?

>> Carole Reynolds: Okay. If you want to wrap up your point there so we can go on to Mike, also.

>> David Snyder: I wanted to talk about the full spectrum of tools that military have, and we've talked about the Servicemen's Civil Relief Act, Fair Credit Reporting Act. But I'd like to tell you about one tool. It's at the far end of the spectrum -- not tell you about it. It's been talked about a lot. At the far end of the spectrum, after education and credit counseling, and that is putting a base off -- a business establishment off limits. I have done that as a commander, not a car dealer. But the tool, in itself, is not easy to do but can be done. But more importantly, it's one of the tools that that commander can call up and talk to the auto dealer. It's not the threat of that. It's a self-policing mechanism.

>> Carole Reynolds: Okay, we're going to come back to that in a few minutes.

>> Michael Wood: Just wanted to... Okay, yeah, just wanted to sort of give a little briefer answer on some of the other places that some of our service members get their vehicles. I retired about 11 years ago from the Air Force. And where did we look? We looked online. We went in the lemon lots. We took over the payments from our partner who couldn't necessarily afford a vehicle. What I wanted to do is hitchhike on what Pam said, and that was this prevention sense that she was taking tick marks on. I'd like to thank the folks who have volunteered -- the auto dealers, the Federal Trade Commission, saveandinvest.org, FINRA, some of those organizations who've actually ponied up and given us lesson plans, who've helped us develop lesson plans to teach soldiers and sailors

and Marine Corps and airmen how to prepare themselves to buy a car. So I wanted to say that, although we're not screaming at them all the time in basic training, although we try to touch them at the beginning, at the middle, and at the end, it's voluntary, for the most part. Within 90 days after they've arrived at the first installation, they go through that additional reinforcement, financial-readiness training. And then the ops tempo -- as, I think, the colonel had mentioned and alluded to earlier -- that kind of takes over, and this mission kind of takes over. So we have to get them when we can. But when we do get them, we want to go to them with the most current information possible, and we get that current information from supporters like some of those companies that I mentioned earlier.

>> Carole Reynolds: Are military consumers searching for...

>> Michael Wood: Well, the shinier the ride, the bigger the eyes. So, I would say that the financing piece is secondary to the motorcycle. We have some slang terms for those, too, but we don't necessarily want to use those.

>> Carole Reynolds: Don't go there, Mike.

>> Michael Wood: But no. No, it's not -- In my opinion and from the clients that I've seen, no, it's not the financing. Financing comes second. We'll find a way to pay it, as long as we have it. Which brings up that part that I mentioned earlier about not being able to afford it and taking over the payments for that good friend that you're trying to help out, but I really wanted the car anyway.

>> Carole Reynolds: And a follow-up question to that, and then we'll go back here, is -- Are the military consumers getting copies of their credit reports, are they getting their credit scores in this process before they go shopping for the car? Do they have that information? Let's start with Pam and then Alberto.

>> Pam McClelland: I just want to touch on something else, too, that we at the CFPB and also DOD are constantly seeking teachable moments, where basic training, perhaps, isn't it. But the car dealership is a teachable moment, and when Marc Cross was talking about coming on base and

doing classes -- Classes, that's not the only place education happens. It happens -- Adults learn better when they can see the information's going to help them right then. So, while they're in the dealer trying to make decisions, trying to figure out financing, that's a wonderful teachable moment. And those are the kind of things that we could work at teams to supplement what they're getting and also be able to have it take effect right there. I agree that they're looking for what kind of car they can get, because, to them, in a lot of ways, that equals status. Somebody talked about earlier, taking it to show their girlfriend's dad their new cool car. Well, it also lets Mom and Dad know, "I made a good decision coming in the military. Look at me. I'm a success now. I can get a new car." Perhaps their parents never bought a new car. So, unfortunately, they will seek out the person that will say yes to them. So, I always encourage car dealers, if somebody's coming to you, and they're looking at too much car, be nice of how you say no, because I've had a couple of clients, one in particular -- He bought a Mustang 5.0 that had just recently come out, which is a great car, by the way. And he so couldn't afford it, and I said, "Why did you go to that dealer?" He said, "Because I went to the one that they tell us to go to, and the salesman said, 'What the hell are you thinking? You can't have that car.'" And he said, "I was so embarrassed. So I went to the place that said, 'No credit? No problem,' and I got what I wanted, and they were nice." So, we have to help them, in their early years, with their decision-making but do it in a teachable way.

>> Alberto Mesta Jr.: Well, what I've seen is that many active military look at the car because the advertisement to them is, "Your job is your credit," especially with the used-car lots around the base. Since you're military, they advertise heavily that, simply being in the military, you're gonna get financing, and you don't even have to get a credit report and check to see what your FICO score is, because they're, in essence, guaranteeing you by the advertisement that, simply being on active status, that's gonna get you financing regardless. So they don't need to get their credit report or get their credit score.

>> Carole Reynolds: [Inaudible] technology of financing and the technical aspects of that. Is that something that causes issues for military?

>> David Snyder: Yes. I think it's complicated for the nonmilitary consumer, but it's also very complicated for the military. And there are a lot of teachable moments. I think that's an excellent

expression. And get that education as close to the point of sale as possible. And there are a wide variety. The AWARE coalition has information. We've heard about other programs that provide that information. But there's no lack of data and information out there. There's some great sources, whether it's Edmunds online, the National Auto Dealers provides these links, Finance 101. And it's not just in basic training that they get that. Airman Leadership School, commanders' calls. But the terminology is complex, and there's an overload of information in this information age. You know, I looked up "auto financing" in a Google search, and there's 32,000 things to say. Unless you have it presented in those teachable moments by commanders, supervisors, and by auto dealers that are partnering in this. And we make it complicated. There's really only three things. First, you have to sell the car and then sell the financing if that's the right car for that person. And the third factor that comes into it is the trading. And we can together do a better job of educating and taking some of that complex bird-dogging. And there's a lot of terms that insiders don't, but the young airman, the young PFC, wants to go to his bow buddy, his wingman, his first sergeant, and make sure he does the right thing so he can get that family taken care of, that sense of identity. So there's a lot of information, but we need to simplify it and clarify it.

>> Carole Reynolds: Pam?

>> Pam McClelland: You know, we've even made credit scores confusing. At first, when FICO came out, the educators were going, "This is great. Now we can run that number. They can know what kind of interest they're entitled to. They can fight for that." Well, now there's eight of them, depending on where you go. And then you go to the car dealer, and, oh, by the way, use somebody else. So we even made that complicated for them. So I would love to put some emphasis, to your point, of making things plain and simple. If a service member makes a bad consumer decision, you know they'll come to the financial counselor and we'll try to figure it out. The worst thing is when they come and say, "I didn't know" or "They told me this and it was wrong." So it's not that bad decisions aren't still gonna happen. It's just we have to make it very clear what you are signing. It's like those markups that we were talking about earlier. I'm all for people making money for working hard. But don't just call it an additional interest rate. Let's call it, you know, "This is how much it costs for you to secure this loan. But, oh, by the way, based on your risk assessment, you're a 6%. You're not an 8%, because that's really just the fee for me doing my job. You're a

6%.” So I think if we just are clear and open and transparent about what the decision is, they still may make the bad decision, but they know what they're getting into.

>> Carole Reynolds: Mike?

>> Michael Wood: As a young military member -- 17, 18 -- I could really care less about how much interest I'm paying. I want the car, and I want it today, and that's all that matters. Now, having said that, we're getting better at teaching our folks. Recently, an organization had donated some time and effort to the military, where we're able to pull down a credit report. So along with those teachable moments that Pam and the general was talking about earlier, we can pull those things down, we can do our spend plans, we can do our debt-elimination strategies at every opportunity that we can, and we can pull their credit score and tell them that that 850 is very good and 650 is not so good. And we can give them that continued counseling for three to six months, and we can get them to the point where they're ready to act on a major purchase like a car. So, we try. we're getting better. But at 18 and 19, it really is secondary in the back of my mind. I just want the car or I want the motorcycle.

>> Carole Reynolds: Are there issues that relate to languages other than English? In other words, are military consumers ever caught in situations where their familiarity with languages other than English are paramount for them? Something that they find in ads or marketing or other promotions? And is there a tendency to focus on that, rather than perhaps what may unravel or may be revealed as they go further into the process, when they actually start getting documents which may not be in that same language?

>> Alberto Mesta Jr.: Well, I think some of the language contained in some financial agreements would be considered in another language, that you really can't understand exactly what the terms and conditions are. But I haven't seen that much regarding if it's another language, like Spanish or anything like that. It could be that the spouse of active military, when they're deployed and they say, "I really want that to have that Dodge Challenger by the time I come back. Can you go purchase it?" And if they're not fully bilingual in English, that may be an issue there.

>> Carole Reynolds: Do the ways that military consumers pay for vehicles have an impact on what they understand and what they're looking for in the process? For example, some people have said that sometimes military consumers get cards to buy cars, so they use credit cards to pay for cars? Others have focused more on allotments for people who are in the military. Does the manner in which you pay for a vehicle [inaudible]

>> Pam McClelland: Want to take that one, Mike?

>> Michael Wood: I think so. Obviously, one of the strategies -- you get a 3- or 5-year loan, you try to give an extra payment or double up on the payment to save yourself some interest over time. Obviously, we teach those things. Most of the time, when a troop -- I'll just say that as a generic term -- purchases a vehicle, it's through that allotment. So it comes straight out of their pay. The key is, in addition to it coming out of your pay, give the extra payment so that you can drive down the interest. And once we get them in a position where we can give them that information, that's what we try to teach them.

>> Carole Reynolds: If you're paying by the allotment... This is just a follow-up. If you're paying by use of the allotment, does that tend to remove your focus from those types of terms because it's taken care of in the process?

>> Michael Wood: Not necessarily. And ideally, you know, you want to put something like that, not necessarily all the time but in this particular scenario, put it on automatic pilot. We've already planned for that in our monthly expenditures. We've taken that monthly expenditure out to six months, to the year to the three years where we intend to pay that vehicle off. So you're constantly learning. By the same token, you're getting what you want, and you've got different pots of money where you're also saving. You're taking care of your monthly bills -- your water, gas, electric, and what have you. So I think, in the methods that we use in the teaching process, I think it's a moment that our soldiers and our military folks can learn from.

>> Pam McClelland: I think there was more emphasis on that before we went to so much electronic banking -- you know, when people were still writing checks and allotment was... Now

with direct deposits and being able to electronic bill-pay and those kind of things, I don't know if that has as much impact as it used to.

>> Alberto Mesta Jr: Well, I've seen in the [inaudible] here, a dealer would actually have convinced some soldiers to actually use credit cards to purchase the vehicle simply because they already have a credit card -- a Visa -- with a limit \$5,000, \$6,000. They convince them it's actually easier to try to get the financing or continue making the payments every month if they just simply charge it to their credit card. The dealer already has their payment with them, and the consumer just takes the car with them. So those are other ways of trying to get the soldier to try to pay off and try to convince them to buy there.

>> David Snyder: I think the way that military people and their families pay for automobiles does affect that. And it affects it in a positive way, in most cases. Whether it's the Pentagon Federal Credit Union or McGill Federal Credit Union or USAA, if you buy a car and loan through them, you get a better rate if you have your pay direct-deposited and then a better rate, even, if you do direct deposit for the payment. So it is a way to use some of those tools, just like insurance payments of taking out a direct deposit. Or after you retire, you know elect to take survivor benefits. So you what's going in there. It's being paid automatically. And that community-based dealer can help the loan agency identify the credit risk, but also has a way that both the consumer -- the military consumer -- and the dealer and the finance company knows that they're getting their money and knows how much it is, so I think it does affect it in a positive way.

>> Carole Reynolds: Let's go back to the topic of tools for a moment. What are some of the tools that can be used to spur increased understanding by military consumers?

>> Pam McClelland: One tool -- and the Army has done some really good work with this -- is we're finding that our younger demographic, they don't even go to Websites anymore. It's all about their phone. So we are constantly looking at ways that we can create apps that will also do a teachable moment. You're walking into a car dealer, punch up this app. These are the five questions you need to get these answers to, or you need to maybe go somewhere else or get a little more information. We need to give just enough information just in time, and an app is a way to do

that. So we're looking closer at those and trying to use that technology and also push technology on Facebook. You know, sending the little bit of information that gets folks' attention, with always having the connected link to get more if you want it.

>> Carole Reynolds: Mike?

>> Michael Wood: And just to add to what Pam had said, yes, over the last, oh, three years or so, we've gotten a lot into gaming. We have a game out now, it's scenario-based, where if you make the right choices, you get promoted the right way and faster. If you make the wrong choices in terms of budgets, in terms of balancing your monthly expenditures, you become week. In some cases, you get demoted. We also have portable Droid and iPhone applications that are out right now. Every year, we always kick off a Military Saves campaign. And during that campaign, of course, all the services compete to see who get the most savers. But we've turned that particular pledge -- and that's what it is, it's like filling out a pledge card -- "I pledge to save more this year" -- we've put that on a Droid and an iPad or an iPhone application, as well. And it's not just in February. We try and reinforce that effort by directing attention on youths, on investing, and all other aspects of savings and learning. So as the social media becomes more socialized, we know that our target population, again, is more apt to play a game and learn something than they would be than if they're sitting into a classroom like some of us learned over the years.

>> Carole Reynolds: Right, but the game cannot be lame. We found that out.

>> Michael Wood: Yeah.

>> Pam McClelland: It better be cool, or they're not gonna play it.

>> Michael Wood: Yeah.

>> Carole Reynolds: Tanker?

>> David Snyder: I think both Pam and Mike had excellent points. It's really the heart of the issue that goes back to there's plenty of information, but make it simpler and deliberate in a way that they want to do it. I can give you a list of different courses where's there's the mandatory or basic Airman Leadership School or commanders call. But the reality is, in this high-ops tempo, that young airman, that young soldier, or that commander is worried about getting his folks ready to go on that deployment. And they'll, "Yeah, I've got to sit through this mandatory thing. Check that off. And I know, over at the family-readiness center, they've got a wealth of Websites." And I can come with a stack of pamphlets back to them and hand them out at commander's call. But getting to them how they communicate at that point of sale and making it simple. What it really comes down to, what they care about. Well, APR is important, and APR is APR. But we make a lot of... Everything's complicated. We fill in buy rate and all these things. But the tools that Mike and Pam highlighted came down to the essence of making... There's plenty of information out there, but make it simple and deliver it to them at a time where it can affect their ability to take care of family and do their job.

>> Carole Reynolds: Alberto?

>> Alberto Mesta Jr.: Well, I've done an old-fashioned method, which is talking to the military spouses at the Army community services. Many times, when the soldiers deploy, and even though they're 18 or 19, they're already married. And talking to the spouses about financial literacy, about APR rates, many times it will benefit the soldier if the family -- if the wife that's taking care of the finances while the soldier is deployed -- gets that information, so when he comes back, she can tell him, "Well, our family might want to buy a house. I don't think it's a good idea to buy that F-150 when we need to save up money for a house or do stuff like that." So, many times, the old tools are actually the most useful tools. And here, talking to the spouses, the military will help the soldier learn, via the family member, what is a correct and wise financial decision.

>> Carole Reynolds: And, finally, are there ways we can spur military consumers' understanding of corrective processes when they encounter problems, when they have difficulty in the purchase and financing of motor vehicles? Are there ways that we can spur their ability to take command of that situation and deal with it?

>> Pam McClelland: Absolutely. And Mike can talk to this. Every installation has a personal financial counselor that's accredited. We also have, for Guard and Reserve, DOD has professional financial counselors out in the state. Making that a comfortable, welcoming place to go to is very important. Sometimes the people that are drawn to financial counseling are total different personality types than the people that need them. So sometimes we have to do some training on approach, and to be approachable is important. We also have to make sure we get to them where they are. And a lot of times, getting to the spouse is a great opportunity because they become the family accountant. They're the ones that are left home and perhaps they learn new skills and have new ideas. So that's always a great way to do that, as well.

>> Carole Reynolds: Mike?

>> Michael Wood: Yeah. I echo Pam's comments. And what we've done was enacted a certification process for our counselors so that every one of our counselors has a national certification. Every year, they attend a conference which will privy them to the most current and recent legislation, as well as delivery methodology in terms of financial counseling. Again, as much as... I just have to keep saying it. As much as we emphasize the fact that we have all of these things in place, they still need to be improved upon. The delivery vehicles need to be tweaked and adjusted. Perhaps, if we can put some of the things that we know to be true and some of the mainstream normal procedures, if we could put them in the form of an application, if we could upload that to make it more easily accessible by the troops that don't necessarily are exposed to it -- that aren't necessarily exposed to it -- within a classroom setting, if they could do it on the go, they could do it in between deployments, they could do it outside of the continental United States. If we could make it more easily accessible and fun for them to learn it...

>> Carole Reynolds: And to use humor.

>> Michael Wood: And to use humor. I think we'll make tremendous strides.

>> Carole Reynolds: Okay, we're basically out of time. Our last comment is Tanker then Alberto, and then questions from the audience. Tanker?

>> David Snyder: Well, thank you, Carole. And not to make this turn into a lovefest, but I couldn't agree more with all the panel members of the focus on education. The tools and the information are out there, whether it's getting the information at the point of sale or getting, as your last question was, the information of what tools to correct abuses or correct behavior. It's being able to deliver that in a way that the modern military person and his spouse and family, 'cause much more so than when many of us first came in the military. It's the family that goes to war, and it's the spouse that does the finances that may not have English as a primary language.

>> Carole Reynolds: Roberto?

>> David Snyder: So I'd just like to reiterate the importance of what I took away from everyone on this panel, is that education and making it simpler so that we can use the tools that are out there in a more integrated fashion.

>> Alberto Mesta Jr.: Mm-hmm.

>> Carole Reynolds: Alberto?

>> Alberto Mesta Jr.: The military is a special population because they have decided to fight for our freedoms overseas. So we should provide them with the tools and enforce the laws to make their job early easier, and they don't have to be worrying about any financial difficulty that they've gotten themselves into and prevent any exploitation of them, because it not only hurts their morale -- their family's morale -- it affects their effectivity. And if we spend so much money training somebody to fly a helicopter and so forth and they have to be discharged because they don't get the security clearance because somebody took advantage of them in an auto sale or some other consumer product, that's basically hurting everybody else. And I think that we have to recognize that these special population deserve our respect and our protection.

>> Carole Reynolds: All right, any questions from the audience?

>> Male Speaker: We've talked about the U.S. military as a...

>> Carole Reynolds: Sorry.

>> Male Speaker: We've talked about the U.S. military as an overall umbrella, and, obviously, each service has their own communication tools. But as an individual who wants to work with the U.S. military, who do I go to? Who's running the show? Which one of these many alphabet-soup organizations within this agenda and within these bios is the person or the department that I go to so that I can communicate with all members of the military, regardless of service?

>> Michael Wood: I can start it off. Holly said earlier that there are contracts in place with the banks and the credit unions that are on the installations currently. Each service has been tasked with delivering financial-readiness training, so we have a cadre of civilians who are charged with doing that. And in some cases, there are uniformed soldiers who carry on that within the unit. What I would encourage you to do, since it takes the first presidential appointee to delegate that particular authority to an outside agency to enable them access to an installation, I would say that the first start would be to go to one of us, a service rep at an installation, and let them send that particular request up -- if that's what your intentions are, to teach that to the entire military -- up to the office of secretary of defense, who would again evaluate the company, the processes, the literature. And then move forward with a financial-readiness council, which is made up of all of the services, who will also look at and evaluate that material. And then, if you get the concurrence of all of the service reps, then we would forward that request to the first presidential appointee.

>> Carole Reynolds: Other questions? Yes.

>> Male Speaker: We've definitely heard a lot of the horror stories today, but one of the earlier panels made mention of the fact that young recruits use a lot of social media. And not being an expert in that, I'm assuming they mean Facebook and Twitter. And I know that on Facebook, there's an option for indicating on your Facebook whether you like a certain product or certain

vendor and the like. Whether or not different bases and the various ranks in the bases could encourage new recruits, when they have a positive experience -- say Marc Cross Ford -- to put that on their Website so that you kind of start generating sending young recruits to where they're going to be treated correctly.

>> Carole Reynolds: There questions?

>> Michael Wood: Was that a comment or a question?

>> Male Speaker: I mean, could you do something like that?

>> Michael Wood: Well, I'll just say that, when you talk about young troops, the word -- we don't need to announce it. The whole installation will probably know it if you get some good service. From the barracks, where most of the young, single troops spend the majority of their time, we're going to know about it. The financial counselors are going to know about it. So, there is a need to ensure that, if you were treated well, that someone needs to make an announcement as a result of that. But, certainly, I think the best method of advertising in the military is word of mouth.

>> Female Speaker: Pursuant to the Federal Truth in Lending Act, the documents that originate these automobile deals are required to be given to the service member prior to their consummating the deal. Do you believe that requiring the dealerships around these bases to comply with that by allowing them to bring these documents back to their financial adviser would be beneficial and possibly eliminate them getting themselves into a deal that they really shouldn't be in, or it's not accurate and not truthfully disclosed?

>> Pam McClelland: Oh, sure, we'd love that, but we couldn't require -- I think it's a wonderful practice, and I think that a car dealer that wants to show the service member they are getting everything they talked through or simply didn't have time to go through the whole purchase agreement in such detail that the service member could make a good decision, that's a wonderful thing to say, "Well, look, take this, go see your legal office, go to your family center. They'll look at it. Come back tomorrow. The car's going to be here." But what we hear sometimes is, "You

need to make this deal today. It's only good today." So, any time that we can turn -- 'cause that turns that into a teachable moment, as well, with the family center, going over the contract.

>> Michael Wood: Well, let me just say, and I'll go back. I think I got -- What you're saying is, whatever documents that that service member is required to sign, they are required to take those back? Is that what I'm hearing? Well, the thing is, even though the military owns you, once you get outside that gate, yeah, we won't know that that person's even involved in a transaction unless that person comes back on their own. They can go down to the cash cows. They can go down to the auto dealers. They can go down and do whatever trades they want to. We find out, most of the time, when it's too late -- after that dealer has threatened to go to that person's commander or after they've threatened to garnish their wages or to give a negative reporting to the credit bureau. That's when we find out. Sure, we can suggest that, and as a Senior NCO or commander, I can say, "I don't want any of my troops to go down and do that without me seeing it." But where is that written where we have to do that? It's not written anywhere now, and even if you write it, you still won't know until that troop gets in trouble. So, does that answer your question, ma'am?

>> David Snyder: I would also give the perspective that, yes, it's in the sales contract required to provide that to them, and they can take it with them, but requiring them to do that -- I think it's a great idea to offer that option. But a dealer that does not allow them to take that with them or give it to them ahead of time before signing is violating the law, just like many of the abuses that we've anecdotally highlighted. And it would be very helpful to do that. But requiring them now, "You have to take it back to the credit counselor," violates a normal business transaction. I mean, you have to follow all the rules. You can't impose inside the gate, a commander, saying, "Well, you have to bring this back to me. There's a law that says they have to do that." Scrupulous dealers do that. Are there tools that they can use -- the purpose of that law? Yes, bring it back to the credit counselor, your first sergeant, or your boss. But requiring to do that is not something that I don't think would work.

>> Carole Reynolds: We're out of time. I'd just like to thank all of our panelists. Please join me in expressing our... [Applause]